ZE PAK SA CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT
FOR THE 3-MONTH PERIOD ENDED ON 31 MARCH 2022

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

26 MAY 2022

(in PLN thousand)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 3-month period ended on 31 March 2022

	Note	*Period ended 31 March 2022 (not audited)*	*Period ended 31 March 2021 (not audited)*
Continuing operation			
Revenues, including:	*11.1*	**996 286**	**462 414**
Revenues from contracts with clients		958 035	407 329
Other revenues		38 251	55 085
Cost of goods sold	*11.6*	(858 598)	(448 647)
Gross profit/(loss) from sales		**137 688**	**13 767**
Other operating revenues	*11.2*	22 243	7 829
Selling expenses	*11.6*	(3 414)	(1 706)
Overheads	*11.6*	(29 832)	(27 269)
Other operating expenses	*11.3*	(8 455)	(697)
Profit/(loss) from operating activities		**118 230**	**(8 076)**
Financial revenues	*11.4*	16 733	1 654
Financial costs	*11.5*	(8 328)	(3 566)
Gross profit/(loss)		**126 635**	**(9 988)**
Income tax (tax load)	*12.1*	(23 153)	1 981
Net profit/(loss) from continuing operations		**103 482**	**(8 007)**
Net profit/(loss) for the period		**103 482**	**(8 007)**
(Loss)/profit attributable to parent company shareholders		103 670	(7 229)
(Loss)/profit attributable to non-controlling interests		(188)	(778)

	Note	*Period ended 31 March 2022 (not audited)*	*Period ended 31 March 2021 (not audited)*
(Loss)/Profit per share (in PLN):			
Basic/diluted for the financial year from continuing operations attributable to parent company shareholders	*13*	2,04	(0,14)

(in PLN thousand)

CONSOLIDATED FINANCIAL STATEMENT OF COMPREHENSIVE INCOME

for the 3-month period ended on 31 March 2022

	Note	*Period ended 31 March 2022 (not audited)*	*Period ended 31 March 2021 (not audited)*
Net profit for the period		**103 482**	**(8 007)**
Other comprehensive income			
Items subject to reclassification to profit(loss) in subsequent reporting periods:			
Cash flow hedges		-	-
Exchange rate differences related to foreign unit conversion		25	14
Income tax on other comprehensive income		-	-
Net other comprehensive income subject to reclassification to profit/(loss) in subsequent reporting periods		25	14
Items not subject to reclassification to profit(loss) in subsequent reporting periods:			
Actuarial profits/(losses) on post-employment employee benefits		(215)	(7)
Income tax on other comprehensive income	*12.1*	41	(3)
Net other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		(174)	(10)
Net other comprehensive income		**(149)**	**4**
Comprehensive income for the period		**103 333**	**(8 003)**
Comprehensive income attributable to parent company shareholders		103 521	(7 225)
Comprehensive income attributable to non-controlling interests		(188)	(778)

(in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	*31 March 2022 (not audited)*	*31 December 2021*
ASSETS			
Fixed assets			
Tangible fixed assets	*14*	1 229 832	1 182 258
Right-of-use assets	*15*	45 194	45 856
Investment property		1 803	1 810
Intangible assets	*16*	2 261	2 383
Other long-term financial assets	*18.1*	38 304	22 622
Other long-term non-financial assets	*18.2*	1 114	9 998
Deferred tax assets	*12.2*	10 437	8 769
Total fixed assets		**1 328 945**	**1 273 696**
Current assets			
Emission allowances	*16*	1 161 127	-
Inventories	*19*	81 292	74 241
Trade and other receivables	*20*	636 646	1 394 784
Income tax receivables		260	81
Short-term derivative financial instruments (assets)	*25.4*	17 698	10 540
Other short-term financial assets	*18.1*	-	150
Other short-term non-financial assets	*18.2*	239 976	50 129
Long-term receivables due from customers under contracts	*11.7*	1 121	1 472
Cash and cash equivalents	*21*	321 947	506 669
Total current assets		**2 460 067**	**2 038 066**
TOTAL ASSETS		**3 789 012**	**3 311 762**

Note *31 March 2022 (not audited)* *31 December 2021*

(in PLN thousand)

LIABILITIES AND EQUITY			
Equity			
Share capital		101 647	101 647
Supplementary capital		1 131 326	1 131 326
Other reserve capitals		3 472	3 472
Retained earnings / Accumulated losses		(608 925)	(711 828)
Exchange rate differences related to foreign unit conversion		36	10
Equity attributable to parent company shareholders		**627 556**	**524 627**
Non-controlling interest equity		(188)	(395)
Total equity		**627 368**	**524 232**
Long-term liabilities			
Interest-bearing loans and borrowings	*23*	394 232	249 226
Long-term employee benefits		27 009	27 155
Long-term trade liabilities and other financial liabilities	*25.2*	2 673	467
Long-term lease liabilities	*15*	37 218	41 515
Subsidies and long-term deferred income	*25.5*	4 305	4 317
Other long-term provision accruals	*24*	437 650	439 105
Deferred income tax provisions	*12.2*	55 595	32 802
Total long-term liabilities		**958 682**	**794 587**
Short-term liabilities			
Short-term trade liabilities and other financial liabilities	*25.1*	353 593	251 887
Short-term lease liabilities	*15*	6 316	6 316
Current portion of interest-bearing loans and borrowings	*23*	208 782	202 545
Short-term derivatives (liabilities)		3 606	3 606
Other non-financial liabilities	*25.3*	35 343	200 723
Income tax liabilities		1 040	663
Short-term employee benefits		4 255	4 371
Subsidies and short-term deferred income		46	46
Contract-related amounts due to customers under long-term contracts	*11.7*	2 972	3 680
Other short-term provisions and accruals	*24*	1 587 009	1 319 106
Total short-term liabilities		**2 202 962**	**1 992 943**
Total liabilities		**3 161 644**	**2 787 530**
TOTAL LIABILITIES AND EQUITY		**3 789 012**	**3 311 762**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN thousand)

for the 3-month period ended on 31 March 2022

	Note	Period ended 31 March 2022 (not audited)	Period ended 31 March 2021 (not audited)
Cash flows from operating activities			
Gross profit/(loss)		126 635	(9 988)
Adjustments for:			
Depreciation and amortization		10 769	32 915
Interest and shares in profits			328
(Profit)/loss due to exchange rate differences		(19)	(89)
(Profit)/loss on investment activities		(1 417)	(1 494)
(Increase)/decrease in receivables		572 124	106 555
(Increase)/decrease in inventories		(7 051)	(5 514)
Increase/(decrease) in liabilities, except for loans and borrowings		(77 722)	(47 472)
Change in provisions, prepayments/accruals and employee benefits		265 970	110 994
Income tax paid		(1 790)	(1 009)
Expenses on CO_2 emission allowances		(1 161 127)	(618 844)
Other		(5 223)	2 878
Net cash from operating activities		**(278 851)**	**(430 740)**
Cash flows from investment activities			
Sale of tangible fixed assets and intangible assets		8 181	2 274
Acquisition of tangible fixed assets and intangible assets		(44 010)	(109 559)
Expenses and proceeds related to other financial assets		(19 546)	-
Other		(43)	(4)
Net cash from investment activities		**(55 418)**	**(107 289)**
Cash flows from financial activities			
Repayment of financial lease liabilities		-	1
Proceeds from loans, borrowings and debt securities		154 990	104 068
Repayment of loans, borrowings and debt securities		(3 498)	(7 720)
Interest paid		(1 945)	(287)
Net cash from financial activities		**149 547**	**96 062**
Net increase/(decrease) in cash and cash equivalents		**(184 722)**	**(441 967)**
Cash at beginning of period		**506 669**	**497 601**
Cash at end of period	*21*	**321 947**	**55 634**

(in PLN thousand)

CONSOLIDATED STATEMENT OF EQUITY CHANGES

for the 3-month period ended on 31 March 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	-	-	-	103 670	-	103 670	(188)	103 482
Total other comprehensive income	-	-	-	(174)	25	(149)	-	(149)
Comprehensive income for the period	**-**	**-**	**-**	**103 496**	**25**	**103 521**	**(188)**	**103 333**
Transfer of profits by non-controlling interests to retained earnings	-	-	-	(395)	-	(395)	395	-
Other changes	-	-	-	(198)	1	(197)	-	(197)
As at 31 March 2022 (not audited)	**101 647**	**1 131 326**	**3 472**	**(608 925)**	**36**	**627 556**	**(188)**	**627 368**

(in PLN thousand)

CONSOLIDATED STATEMENT OF EQUITY CHANGES

for the 3-month period ended on 31 March 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	-	-	-	(7 229)	-	(7 229)	(778)	(8 007)
Total other comprehensive income	-	-	-	(10)	14	4	-	4
Comprehensive income for the period	**-**	**-**	**-**	**(7 239)**	**14**	**(7 225)**	**(778)**	**(8 003)**
Distribution of profits from previous years	-	-	-	-	-	-	-	-
Other changes	-	-	-	(5)	-	(5)	-	(5)
As at 31 March 2021 (not audited)	**101 647**	**1 124 376**	**3 472**	**(285 568)**	**57**	**943 984**	**(2 529)**	**941 455**

ACCOUNTING RULES (POLICIES) AND 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") with its registered office in Konin at ul. Kazimierska 45 and its subsidiaries (see Note 2).

The interim condensed consolidated financial statement of the Group covers the 3-month period ended on 31 March 2022 and contains comparative data for the 3-month period ended on 31 March 2021 and the data as of 31 December 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 31 March 2022	*Group's share in capital, %* 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 Warszawa 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	100.00%*	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 Warszawa 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 Warszawa Al. Stanów Zjednoczonych 61A		90.00%*	90.00%*

"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 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 2" sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 3" sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 4" sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 5" sp. z o.o.	00-801 Warszawa 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%*	-
"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 with partially or completely indirect share of ZE PAK SA via other ZE PAK SA Group*

*** Change not yet disclosed in the National Court Register*

As of 31 March 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.

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 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.

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. Given, in particular, the aforementioned more stringent reporting standards for public interest entities and stakeholder protection, the Management Board of ZE PAK SA ("Management Board") notes that:

1. In the first quarter of 2022, the Group took a net profit of PLN 103 482 thousand. The EBITDA P&L amounted to PLN 128 999 thousand.
2. As at 31 March 2022, the current assets of the Group exceed the value of short-term liabilities, including bank loans, by PLN 257 105 thousand, meaning that, relative to the situation on 31 December 2021, the value increased by PLN 211 982 thousand.
3. The Group is implementing a scenario assuming the operation of all the Group's coal-fired units until 2024, which is when these assets are eligible for support in the form of the capacity market mechanism.

The Management Board has thoroughly analysed cash flow forecasts and confirms that the cash flow forecast indicates a potential generation of sufficient, positive cash flows, for at least 12 successive 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.

- **Amendments to IFRS 3 "Business combinations"**

The amendments to this standard, published in May 2020, are aimed at updating relevant references to the IFRS Conceptual Framework, without introducing substantive changes to business combination accounting.

- **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, except for items described below.

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 proved 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 to assume that in the event of an unfavourable scenario coming into life, the Company'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 Group concentrates its activities on the domestic market and there are no direct links with Russia and Ukraine, the impact of the said armed conflict on the Group'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 to 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 Group 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 Group'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 the Group's activities. This is related to the impact that 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 Group 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 will certainly also affect the supplies implemented by the Group.

In the current situation it is impossible 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 Group's activities. The Group monitors the development of the situation on an ongoing basis. It also undertakes actions mitigating adverse consequences of the unstable situation. The Group has increased, among others, the availability of various forms of hedging for its positions within the energy futures 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. Under current circumstances the Group 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 31 March 2022 at PLN 230.70 per MWh. Price data are derived from the listings on the Towarowa Giełda Energii SA. A certificate impairment write-down is created if the sale price possible to achieve, minus the disposition costs, is lower than the historical production cost. The write-down amount is PLN 3 600 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 3-month period ended on 31 March 2022 amounted to 939 802 tons of CO_2.

8. Changes in estimates

Except for the ones described in the financial statement, there were no significant changes in the estimates and estimation methodologies during the 3-month period ended on 31 March 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. Previously, 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 the 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.
- 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 the 3-month period ended on 31 March 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 the 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.

(in PLN thousand)

Total EBITDA for the entire ZE PAK SA Capital Group:

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Net profit/(Loss)	103 482	(8 007)
Financial revenues	- 16 733	- 1 654
Financial costs	+ 8 328	+ 3 566
Income tax	+ 23 153	- 1 981
Depreciation and impairment write-downs	+ 10 769	+ 33 816
EBITDA	128 999	25 740

Below you can find the results for segments in the periods ended on 31 March 2022 and 31 March 2021.

(in PLN thousand)

3-month period ended on 31 March 2022 (not audited)

	Generation	**Extraction**	**Renovation**	**Sales**	**Other**	**Consolidation adjustments**	**Total**
Revenues from sales to external clients	677 532	601	7 129	310 296	728	-	996 286
Revenues from inter-segment sales	40 109	93 974	29 778	182	36 034	(200 077)	-
Sales revenues	**717 641**	**94 575**	**36 907**	**310 478**	**36 762**	**(200 077)**	**996 286**
Cost of goods sold	(565 766)	(118 119)	(31 020)	(305 019)	(33 484)	194 810	(858 598)
Gross profit/(loss) from sales	**151 875**	**(23 544)**	**5 887**	**5 459**	**3 278**	**(5 267)**	**137 688**
Other operating revenues	10 666	10 298	71	-	1 208	-	22 243
Selling expenses	(401)	-	-	(2 403)	(610)	-	(3 414)
Overheads	(15 064)	(8 474)	(2 604)	(867)	(2 823)	-	(29 832)
Other operating costs	(7 798)	(651)	(32)	(52)	(19)	97	(8 455)
Financial revenues	18 125	1 090	138	52	52	(2 724)	16 733
Financial costs	(5 626)	(3 993)	(125)	(980)	(328)	2 724	(8 328)
Gross profit/(loss)	**151 777**	**(25 274)**	**3 335**	**1 209**	**758**	**(5 170)**	**126 635**
Income tax (tax load)	(23 652)	-	(770)	832	(564)	1 001	(23 153)
Net profit/(loss) from continuing operations	**128 125**	**(25 274)**	**2 565**	**2 041**	**194**	**(4 169)**	**103 482**
Profit/(loss) from operating activities, excl. financial operations and income tax	**139 278**	**(22 371)**	**3 322**	**2 137**	**1 034**	**(5 170)**	**118 230**
Depreciation and amortization	7 982	1 189	616	3	1 151	(172)	10 769
Impairment write-down	-	-	-	-	-	-	-
EBITDA	**147 260**	**(21 182)**	**3 938**	**2 140**	**2 185**	**(5 342)**	**128 999**

(in PLN thousand)

3-month period ended on 31 March 2021 (not audited)

	Generation	Extraction	Renovation	Sales	Other	Consolidation adjustments	Total
Revenues from sales to external clients	395 072	2 200	6 433	57 823	886	-	462 414
Revenues from inter-segment sales	30 103	85 959	39 987	-	34 123	(190 172)	-
Sales revenues	**425 175**	**88 159**	**46 420**	**57 823**	**35 009**	**(190 172)**	**462 414**
Cost of goods sold	(392 593)	(114 389)	(40 819)	(55 118)	(37 073)	191 345	(448 647)
Gross profit/(loss) from sales	**32 582**	**(26 230)**	**5 601**	**2 705**	**(2 064)**	**1 173**	**13 767**
Other operating revenues	6 537	1 143	601	30	103	(585)	7 829
Selling expenses	(591)	-	-	(1 023)	(92)	-	(1 706)
Overheads	(11 233)	(11 264)	(2 430)	(635)	(1 707)	-	(27 269)
Other operating costs	(815)	(468)	(48)	(1)	(34)	669	(697)
Financial revenues	1 805	-	66	2	-	(219)	1 654
Financial costs	(1 480)	(2 117)	(80)	(71)	(37)	219	(3 566)
Gross profit/(loss)	**26 805**	**(38 936)**	**3 710**	**1 007**	**(3 831)**	**1 257**	**(9 988)**
Income tax (tax load)	4 865	(2 379)	(746)	373	91	(223)	1 981
Net profit/(loss) from continuing operations	**31 670**	**(41 315)**	**2 964**	**1 380**	**(3 740)**	**1 034**	**(8 007)**
Profit/(loss) from operating activities, excl. financial operations and income tax	**26 480**	**(36 819)**	**3 724**	**1 076**	**(3 794)**	**1 257**	**(8 076)**
Depreciation and amortization	28 357	3 564	658	2	999	236	33 816
Impairment write-down	-	-	-	-	-	-	-
EBITDA	**54 837**	**(33 255)**	**4 382**	**1 078**	**(2 795)**	**1 493**	**25 740**

(in PLN thousand)

11. Revenues and costs

11.1. Revenues from contracts with clients

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Material structure		
Revenues from the sale of goods and services, including:		
Revenues from the sale of own-production electricity	482 866	221 688
Revenues from the sale of traded electricity	382 463	109 357
Revenues from the sale of thermal energy	18 463	18 040
Capacity market revenues	43 592	42 830
Other sales revenues	27 268	11 671
Revenues from contracts for construction services	4 497	4 249
Revenues from the sale of goods and services	**959 149**	**407 835**
Excise duty	(1 114)	(506)
Revenues from the sale of goods and services including excise duty	**958 035**	**407 329**
Property rights on energy certificates of origin, including:	20 436	13 898
Revenues from the production of green certificates	*20 557*	*13 165*
Profit (loss) from the sale of energy certificates of origin	*(121)*	*733*
Compensation for termination of long-term contracts	17 815	41 187
Total sales revenues	996 286	462 414

11.2. Other operating revenues

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Compensation revenues	18	288
Utilization of a forward contract hedging the purchase of CO_2 emission allowances	-	3 886
Redemption of a receivable impairment write-down	26	572
Subsidy settlement	12	12
Revenues from scrap sales and demolition	11 940	1 796
Profit from sales of non-financial fixed assets	7 093	909
Sales of other materials	2 708	-
Other	446	366
Other total operating revenues	22 243	7 829

11.3. Other operating costs

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Provision creation	138	92
Costs of shortages and damages	622	-
Costs of fixed asset liquidation	3 678	-
Donations	1 053	34
Other	2 964	571

(in PLN thousand)

Total other operating expenses	8 455	697

11.4. Financial revenues

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Revenues from interest	3 480	21
Positive foreign exchange differences	906	1 633
Measurement of exchange rate hedging instruments (forward)	11 045	-
Other	1 302	-
Total financial revenues	16 733	1 654

11.5. Financial costs

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Interest	5 323	1 687
Negative foreign exchange differences	69	25
Power unit decommissioning provision discount	65	76
Land reclamation provision discount	2 365	1 560
Other	506	218
Total financial costs	8 328	3 566

11.6. Costs by type

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Depreciation and amortization	10 769	33 816
Fixed asset impairment write-downs	3 202	30
Material consumption	93 472	81 777
Outsourcing	21 087	16 124
Taxes and fees excluding excise tax	32 648	38 614
CO_2 emission costs	243 393	95 157
Employee benefits	93 176	91 757
Other costs by type	9 775	5 061
Value of goods and materials sold and sold electricity purchased in trade	391 657	123 128
Total costs by type	899 179	485 464
Items recognized in prime cost of sales	858 598	448 647
Items recognized in selling costs	3 414	1 706
Items recognized in overheads	29 832	27 269
Change in product stock	7 389	7 837
Costs of generating house-load services	(54)	5

(in PLN thousand)

11.7. Construction contracts

The Group performs contracts, which are settled in the course of the work – by way of issuing partial invoice in accordance with work progress level and a final invoice after work completion.

The services provided under these contracts are services provided over time. Contract performance periods range from 2 months to 6 years, although these are often 1–2-year contracts. Partial invoices with a payment deadline of usually 30 days are issued in the course of the contracts. In the case of certain high-value contracts, the Group has the option to receive an advance payment. Advance payments are settled through partial invoices and a final invoice.

The revenues for Q1 2022 did not include the part of the revenues, for which the obligations to provide a service had already been recognized in previous reporting periods.

Assets and liabilities related to concluded contracts for construction and installation services

	01 January 2022	*Contract valuation change*	*Revenues recognized in 2022, included in the liability balance as at 31/12/2021*	*Change of the period when the remuneration right becomes unconditional*	*31 March 2022 (not audited)*
Valuation of construction contracts	3 754	1 127	-	(3 754)	1 127
Assets under contracts with clients	3 754	1 127	-	(3 754)	1 127
Valuation of construction contracts	7 895	1 799	(1 744)	-	7 950
Liabilities under contracts with clients	7 895	1 799	(1 744)	-	7 950

The change in contract valuation applies to both changes associated with concluded contract change orders and the degree of contractual work progress.

The change of the period where the remuneration becomes unconditional means the realization of contract revenues in Q1 2022 (the determined revenue amount in 2021 was higher than net partial invoices, and the surplus was calculated statistically).

The revenues recognized in Q1 2022 are shown as negative amounts, since the contract valuation on the liabilities side was reduced by these amounts in Q1 2022 (in 2021, the total partial invoice amount was higher than the value of provided services, and the surplus was transferred to revenue accruals).

Outstanding service obligations

The total realizable price of the transaction allocated to obligations of providing services, which were not fulfilled (or partially fulfilled) at the end of the reporting period:	*31 March 2022 (not audited)*	*31 December 2021*
- up to 1 year	54 919	20 183
Total	54 919	20 183

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2022 (not audited)*
Gross amount due from ordering parties on account of contractual work:	1 121	1 869
Gross amount payable to ordering parties on account of contractual work:	2 972	6 811

(in PLN thousand)

12. Income tax

12.1. Tax load

The tax load main components for the 3-month period ended on 31 March 2022 and 31 March 2021 are as follows:

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Recognized in profit or loss		
Current income tax		
Current income tax liabilities	1 987	1 560
Deferred income tax		
Associated with the creation and reversal of temporary differences	21 159	(3 549)
Other changes	7	8
Tax load in consolidated profit or loss	**23 153**	**(1 981)**
Included in the consolidated statement of comprehensive income		
Tax on net profit/(loss) from revaluation of cash flow hedges	-	-
Tax on actuarial profit/loss	41	(3)
Tax benefit/(tax load) recognized in other comprehensive income	**41**	**(3)**

12.2. Deferred income tax

Deferred income tax results from the following positions:

	31 March 2022 (not audited)	*31 December 2021*
Deferred tax asset		
Balance sheet provisions	11 001	10 238
Interest and foreign exchange differences	817	938
Valuation of uncompleted construction service contracts	1 511	1 934
Tax loss from previous years	22 188	41 410
Inventories value impairment write-down	237	3 263
Liability value impairment write-down	2 351	2 347
Settlements with employees	700	573
Other	7 108	3 252
Total	45 913	63 955
Deferred tax provisions		
Difference between the balance sheet and tax value of fixed assets	60 283	60 183
Receivable on account of LTC	18 245	14 861
Energy certificates	5 218	6 322
Interest and foreign exchange differences	19	967
Valuation of uncompleted construction service contracts	1 170	1 544
Other	6 136	4 111

(in PLN thousand)

Total	91 071	87 988
After consolidating balances at Capital Group company level, deferred tax is presented as:		
Asset:	**10 437**	**8 769**
Provision:	**55 595**	**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:

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Net profit (loss) from continuing operations attributable to parent company shareholders.	103 670	(7 229)
Net profit (loss) from discontinued operations attributable to parent company shareholders.	-	-
Net profit (loss) attributable to ordinary shareholders, applied to calculate diluted earnings per share	103 670	(7 229)
Weighted average number of ordinary shares, applied to calculate the basic and diluted earnings per share	50 823 547	50 823 547

The table below shows earnings per share in PLN, for the 3-month period ended on 31 March 2022 and 31 March 2021, presented in the income statement.

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Basic and diluted earnings for the financial year, attributable to parent company shareholders	2,04	(0,14)
Basic and diluted earnings from continuing operations, attributable to parent company shareholders	2,04	(0,14)

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

(in PLN thousand)

14. Tangible fixed assets

3-month period ended on 31 March 2022 (not audited)

	*Lands, including perpetual usufruct rights**	*Buildings and structures*	*Technical equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under 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	-	-	240	14	265	54 441	54 960
Company acquisition	-	-	-	-	-	3 685	3 685
Renovations	-	-	(72)	-	-	-	(72)
Transfer from fixed assets under construction	5 863	3 018	487	-	377	(9 745)	-
Sales and liquidation	(15)	(6 375)	(54 283)	(2 494)	(886)	-	(64 053)
Reclassification	-	-	-	-	-	1 637	1 637
Other changes	-	-	-	-	-	(21 470)	(21 470)
Gross value as at 31 March 2022	253 670	2 076 539	4 973 635	52 375	34 657	342 617	7 733 493
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	1 133	2 045	6 162	345	287	(61)	9 911
Impairment write-down (status change)	-	3 018	122	-	-	(3 141)	(1)
Sales and liquidation	(12)	(6 375)	(51 561)	(2 494)	(885)	-	(61 327)
Other changes	-	-	-	-	-	(21 470)	(21 470)
Redemption and impairment write-downs as at 31 March 2022	54 162	1 880 795	4 429 367	49 334	24 335	65 668	6 503 661
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 31 March 2022	199 508	195 744	544 268	3 041	10 322	276 949	1 229 832

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

(in PLN thousand)

3-month period ended on 31 March 2021 (not audited)

	*Lands, including perpetual usufruct rights**	*Buildings and structures*	*Technical equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under 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	8	-	1 764	100	449	55 686	58 007
Renovations	-	-	(72)	-	-	(233)	(305)
Transfer from fixed assets under construction	3 644	485	15	-	17	(4 161)	-
Sales and liquidation	(11)	(917)	(7 193)	(4 236)	(50)	-	(12 407)
Advance payments for capital work in progress	-	-	-	-	-	33 922	33 922
Gross value as at 31 March 2021	230 692	2 040 576	4 953 158	58 681	33 977	279 979	7 597 063
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	1 047	8 090	20 489	499	385	-	30 510
Impairment write-down (status change)	-	-	-	-	-	-	-
Sales and liquidation	(2)	(917)	(5 806)	(4 236)	(50)	-	(11 011)
Redemption and impairment write-downs as at 31 March 2021	54 846	1 642 481	4 036 428	51 919	23 869	67 141	5 876 684
Net value as at 1 January 2021	173 250	405 700	936 899	7 161	10 027	127 624	1 660 661
Net value as at 31 March 2021	175 846	398 095	916 730	6 762	10 108	212 838	1 720 379

**this item also includes land exploited for extraction of minerals 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 31 March 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 tests 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 31 March 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 Q1 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 assumes 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 31 March 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 machines (vulcanizing presses) is 2 to 5 years. The agreement is based on the underlying asset after the lease period ends.

All lease agreements are concluded in PLN.

Lease liability maturity analysis:

(in PLN thousand)

	31 March 2022 (not audited)	*31 December 2021*
Up to 1 year	6 315	6 315
1 - 3 years	14 208	14 208
3 - 5 years	8 364	8 364
Over 5 years	118 650	124 039
Total, acc. to non-discounted payments	147 537	152 926
Book value	45 534	47 830

Amounts recognized in the cash flow statement

	3-month period ended on 31 March 2022 (not audited)	*Year ended 31 December 2021*
Total cash outflow	5 389	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.

	3-month period ended on 31 March 2022 (not audited)	*Year ended 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	(662)	(3 354)
As at the end of the period	45 194	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 3 months concluded on 31 March 2022 (not audited)

	Patents and licenses	*Computer software*	*Other intangibles*	*Total*
Gross value as at 1 January 2022	22 294	2 134	609	25 037
Reductions	-	-	-	-
Increases	-	-	74	74
Gross value as at 31 March 2022	22 294	2 134	683	25 111
Redemption and impairment write-downs as at 1 January 2022	20 144	2 134	376	22 654
Impairment write-down for the period	194	-	2	196
Impairment write-down	-	-	-	-
Reductions	-	-	-	-
Redemption and impairment write-downs as at 31 March 2022	20 338	2 134	378	22 850
Net value as at 01 January 2022	2 150	-	233	2 383
Net value as at 31 March 2022	1 956	-	305	2 261

(in PLN thousand)

Long-term intangible assets – period of 3 months concluded on 31 March 2021 (not audited)

	Patents and licenses	*Computer software*	*Other intangibles*	*Total*
Gross value as at 01 January 2021	23 444	2 128	417	25 989
Reductions	(1 379)	-	-	(1 379)
Increases	73	-	-	73
Gross value as at 31 March 2021	22 138	2 128	417	24 683
Redemption and impairment write-downs as at 1 January 2021	20 741	2 128	366	23 235
Impairment write-down for the period	213	-	-	213
Impairment write-down	-	-	-	-
Reductions	(1 379)	-	-	(1 379)
Redemption and impairment write-downs as at 31 March 2021	19 575	2 128	366	22 069
Net value as at 1 January 2021	2 703	-	51	2 754
Net value as at 31 March 2021	2 563	-	51	2 614

(in PLN thousand)

Emission allowances

	31 March 2022 (not audited)	*31 March 2021 (not audited)*
	Certified emission reduction units (EUA)	*Certified emission reduction units (EUA)*
Gross value as at 1 January	-	3 565
Purchase	1 161 127	618 844
Gross value as at 31 March	1 161 127	622 409

17. Assets associated with overburden and other mining assets

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

	31 March 2022 (not audited)	*31 December 2021*
MPDF* deposits and investments	1	3 983
Shares	345	345
Amount resulting from a preliminary settlement of the acquisition of Farma Wiatrowa Kazimierz Biskupi sp. z o.o. and Farma Wiatrowa Przyrów sp. z o.o.	29 649	14 107
Other	8 309	4 337
Other total financial assets	38 304	22 772
short-term	-	150
long-term	38 304	22 622

**MPDF – mining plant decommissioning fund*

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

(in PLN thousand)

18.2. Other non-financial assets

	31 March 2022 (not audited)	*31 December 2021*
VAT receivables	218 391	39 992
Insurance	19	46
Other budget receivables	245	3
Other prepayments and accruals	7 238	2 000
Research and development work	7 281	5 485
Advance payments for supplies	4 983	1 105
Advance payments for capital work in progress	286	8 944
Other	2 647	2 552
Other total non-financial assets	241 090	60 127
short-term	239 976	50 129
long-term	1 114	9 998

The main components of the "Other prepayments and accruals" items in Q1 2022 are CSBF (Company Social Benefits Fund) settlements in the amount of PLN 4 844 thousand. The main component of the "Other" item is the valuation of work in progress in the amount of f PLN 1 816 thousand.

19. Inventories

	31 March 2022 (not audited)	*31 December 2021*
Production fuel	11 317	9 410
Spare parts and other materials	29 123	26 262
Energy certificates of origin	40 850	38 569
Goods	2	-
Total inventories according to the lower of two values: purchase price (production cost) and obtainable net value	81 292	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 31 March 2022, the Group held 23 839.252 MWh of green certificates associated with generated green energy verified by ERO. From 1 January 2022 until 31 March 2022, the Group received 99 570,864 MWh of certificates for the generation in October, November and December 2021. The Group received all certificates for the applications submitted during this period. No application for issuing certificates of origin for generation in January and February 2022 has yet been submitted during this period. Certificates of origin were obtained on an ongoing basis. 94 041.612 MWh were sold in this period at the TGE SA, resulting in a revenue of PLN 23 282 thousand.

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

20. Trade and other receivables

	31 March 2022 (not audited)	*31 December 2021*
Trade receivables	290 911	222 477
Compensation receivables in connection with LTC termination	96 562	78 748

(in PLN thousand)

Receivables related to hedging energy purchases on the balancing market	5 256	2 558
Other receivables	243 917	1 091 001
Net receivables	636 646	1 394 784
Receivables impairment write-down	25 362	25 327
Gross receivables	662 008	1 420 111

The *other receivables* row as at 31 March 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 173 160 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 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 31 March 2022 amounts to PLN 321 947 thousand (as at 31 March 2021: PLN 55 634 thousand).

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

Cash structure

	31 March 2022 (not audited)	*31 March 2021 (not audited)*
Cash at bank and in hand	321 947	55 635
Short-term deposits	-	-
Total balance of cash and cash equivalents reported in the balance sheet:	321 947	55 635
Foreign exchange differences	-	(1)
Total balance of cash and cash equivalents reported in the cash flow statement:	321 947	55 634

22. Dividends paid and proposed for payment

The Group did neither pay nor declare the payment of dividends in Q1 2022.

(in PLN thousand)

23. Interest-bearing bank credits and loans

Short-term	*Due date*	*31 March 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	21 346	13 249
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	13 068	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	356	195
Bank loan at EFG Bank AG Zurich in the amount of PLN 175 000 thousand, interest rate at WIBOR + bank margin (PAK – Polska Czysta Energia sp. z o.o.)	31.12.2022	173 955	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.)	06.03.2022	57	57
TOTAL		**208 782**	**202 545**

Long-term	*Due date*	*31 March 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	114 570	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	123 415	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	60 554	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	7 220	7 053
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	69 560	-
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	5 048	-
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	2 326	-

(in PLN thousand)

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	11 539	-
Loans from Vortex Energy Polska sp. z o.o. in the amount of PLN 19 thousand, interest rate at 2.5% per annum (Park Wiatrowy Pałczyn 1 sp. z o.o.)	22.12.2036	-	19
Loans from Vortex Energy Polska sp. z o.o. in the amount of PLN 19 thousand, interest rate at 2.5% per annum (Park Wiatrowy Pałczyn 2 sp. z o.o.)	22.12.2036	-	19
TOTAL		**394 232**	**249 226**

24. Provisions, and prepayments and accruals

24.1. Accruals

	31 March 2022 (not audited)	*31 December 2021*
Provision for bonuses and holiday leaves	29 321	24 378
Insurance company compensation	804	804
Financial statement audit	33	290
Other	3 563	1 728
Total	33 721	27 200
short-term	33 721	27 200
long-term	-	-

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 2 031 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 CO_2 emission allowances*	*Provision for fixed asset liquidation costs*	*Provision for liquidation of ash storage yards*	*Provision for the redemption of certificates of origin of energy*	*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	243 531		65		8 667	2 504	10 322	265 089
decrease, incl.:	-	-	-	-	(70)	(4 877)	(215)	(5 162)
utilization	-	-	-	-	*(70)*	*(955)*	-	*(1 025)*
redemption	-	-	-	-	-	*(3 922)*	*(215)*	*(4 137)*
As at 31 March 2022 (not audited)	1 477 065	7 097	20 679	74 906	21 650	359 677	29 864	1 990 938
Long-term	-	-	20 679	74 906	-	340 934	1 131	437 650
Short-term	1 477 065	7 097	-	-	21 650	18 743	28 733	1 553 288
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)*	*(672 680)*
redemption	-	-	-	-	-	-	*(6 303)*	*(6 303)*
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

(in PLN thousand)

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 31 March 2022, the created provision amounted to PLN 1 477 065 thousand.

Carbon dioxide allowances

A new settlement period for emission allowances came into force 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 2021, the Group will receive a negligible amount of free CO_2 emission allowances, i.e., 12 138 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 2021, the ZE PAK SA Group held 88 998 EUAs. In Q1 2021, ZE PAK SA transferred 1 256 000 EUAs as collateral for concluded electricity purchase/sale transactions to the Commodity Clearing House. In March and April 2021, 5 258 000 EUAs were transferred to ZE PAK SA’s account in relation to futures contracts concluded in MAR21. As at 31 March 2021, there were 4 090 998 EUAs at the KOBIZE (National Centre for Emissions Management) account. 263 000 EUAs were transferred to the KOBIZE account in April 2021. Simultaneously, ZE PAK SA returned 1 231 873 EUAs from the collateral at IRGIT (Commodity Clearing House) (leaving 23 987 EUAs as collaterals at IRGIT) and them redeemed 5 510 871 EUAs for 2020. After redeeming CO_2 emissions for 2020, there were 140 EUAs at the KOBIZE account on 30 June 2021. In Q3 2021, ZE PAK SA purchased 113 000 EUAs under the MAR22 contract for 2021, and 1 193 000 EUAs under DEC22 contracts for 2022. As at 30 September 2021, the ZE PAK SA Group held 140 EUAs.

In Q4 2021, ZE PAK received 372 000 EUAs from mBank for the DEC21 contract. On 22 December 2021, 12 138 free EUAs for heat generation at the Konin Power Plant in 2021 were transferred to ZE PAK’s account. After receiving 384 138 EUAs, ZE PAK transferred them - together with 140 EUAs held in the account (384 278 EUAs in total) to the Commodity Clearing House KOBIZE account, as collateral for electricity trading transactions. Therefore, the Company held 408 265 EUAs in the IRGIT KOBIZE account, and 0 EUAs in its own KOBIZE account. In December 2021, the Company changed the date of delivery and payment of 1 917 000 EUAs from the DEC21 contract to MAR22, as part of CO_2 needs for 2021, which did not affect the balance of EUAs held in the KOBIZE account. In Q4, the Company concluded futures contracts for 355 000 EUAs for 2021 and 975 000 EUAs for 2022. To sum up, the Company held 0 EUAs in the KOBIZE account. However, it should be borne mind that it deposited a total of 498 265 EUAs at IRGIT on 31 December 2021.

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

Carbon dioxide allowances in the 3-month period ended on 31 March 2022 (not audited)

		Zespół Elektrowni Pątnów-Adamów-Konin S.A.
	CO_2 emission (in tonnes)*	939 802
		volume (in tonnes)
EUAs	Balance at the start of the period	-
	Acquired	4 355 000
	Balance at the end of the period	4 355 000

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

(in PLN thousand)

Carbon dioxide allowances in the 3-month period ended on 31 March 2021 (not audited)

		Zespół Elektrowni Pątnów-Adamów-Konin S.A.
	CO_2 emission (in tonnes)*	926 611
		volume (in tonnes)
EUAs	Balance at the start of the period	88 998
	Acquired	5 258 000
	Transferred as collateral to IRGIT	(1 256 000)
	Balance at the end of the period	4 090 998

**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 31 March 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 at 31 March 2022, the provision in this regard amounted to PLN 20 679 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; the provision amount is verified at each reporting date, in accordance with current assumptions in terms of discount rate, inflation, and the extraction volume.

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 31 March 2022 amounted to PLN 359 677 thousand and decreased relative to the year ended on 31 December 2021 by PLN 2 373 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 2 365 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 at 31 March 2022, the provision in this respect amounted to PLN 21 650 thousand. The provision is established in correlation to the prime cost of sales.

(in PLN thousand)

24.3.5. Other provisions

The main items in other provisions as at 31 March 2022 at PAK KWB Konin are provisions for mining damage in the amount of PLN 329 thousand, provisions for pending court proceedings in the amount of PLN 1 501 thousand, a provision for operating expenses in the amount of PLN 1 888 thousand, a provision for mining use remuneration in the amount of PLN 566 thousand, a provision for expropriation of acquired property in the amount of PLN 5 887 thousand; at PAK KWB Adamów SA under liquidation these are provisions 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, a provision for fees for exclusion of land from agricultural and forestry production in the amount of PLN 1 980 thousand and provisions for court proceedings in the amount of PLN 554 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.

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

25.1. Short-term trade liabilities and other financial liabilities (short-term)

	31 March 2022 (not audited)	*31 December 2021*
Trade liabilities:	307 989	142 717
Other liabilities:		
Investment liabilities	25 224	9 689
Employee remuneration liabilities	14 950	15 187
Security liabilities	-	79 028
Other liabilities	5 430	5 266
Total	353 593	251 887

In the row “Other liabilities” as at 31 March 2022, the Group primarily reports liabilities related to settlements with employees and pay-roll deductions amounting to PLN 1 682 thousand, as well as settlements with CSBF in the amount of PLN 755 thousand, bid bonds in the amount of PLN 926 thousand and advance payments in the amount of PLN 1 042 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.

25.2. Long-term trade liabilities and other financial liabilities (long-term)

	31 March 2022 (not audited)	*31 December 2021*
Short-term liabilities to other units - over 12 months	2 206	-
Other	467	467
Total	2 673	467

25.3. Other non-financial liabilities

	31 March 2022 (not audited)	*31 December 2021*
VAT liabilities	6 931	155 539
Environmental fee liabilities	1 859	10 486
Excise duty liabilities	1 015	544

(in PLN thousand)

Social insurance liabilities	18 252	19 264
Personal income tax	3 921	4 712
Other budget liabilities	77	3 174
Advance payments for supplies	-	550
Service fee	-	5 726
Other	3 288	728
Total	35 343	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 component of the "Other" item is the surplus of liabilities over CSBF assets in the amount of PLN 2 668 thousand.

25.4. Derivative financial instruments

	31 March 2022 (not audited)	*31 December 2021*
Interest rate hedging instruments (IRS SWAP) (assets)	17 698	10 540
Exchange rate hedging instruments (forwards) (liabilities)	3 606	3 606
Total	21 304	14 146
short-term – assets	17 698	10 540
long-term – liabilities	3 606	3 606

25.5. Subsidies and income prepayments and accruals (long-term)

	31 March 2022 (not audited)	*31 December 2021*
Long-term subsidies	-	271
Other	4 305	4 046
Total	4 305	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 and 27, as at 31 March 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/is 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 natural persons supported by the Greenpeace organisation due to alleged gross infringement of the legal regulations. On 25 March 2009, the Self-government Appeal Court dismissed to revoke 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 referred 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 judgement.

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 is 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 there. 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 in 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.

(in PLN thousand)

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

Liabilities secured by assets

Contract	*Security type*	*31 March 2022 (not audited)* *Security amount*	*Currency*	*31 December 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 to the writ of execution 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 100 000 thousand for ZE PAK SA	Declaration to the writ of execution 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
	Power of attorney covering bank accounts at Pekao SA	Up to 100 000	PLN	Up to 100 000	PLN

(in PLN thousand)

Bank guarantee line agreement at Pekao SA for PLN 80 000 thousand for ZE PAK SA	Declaration to the writ of execution 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 to the writ of execution 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	Up to 54 000	PLN
Bank guarantee limit agreement at Santander Bank Polska SA for PLN 50 000 thousand for ZE PAK SA	Declaration to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 60 000	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 to the writ of execution 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 144 357	PLN	Up to 38 865	PLN
Framework agreement at mBank SA for PLN 3 300 thousand for PR PAK SERWIS sp. z o.o.	Declaration to the writ of execution 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 to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure by ZE PAK SA	Up to 11 000	PLN	Up to 11 000	PLN
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)	PLN	Up to 12 000 (PKO BP SA)	PLN
		Up to 12 000 (Pekao SA)	PLN	Up to 12 000 (Pekao SA)	PLN
		Up to 7 500 (mBank SA)	PLN	Up to 7 500 (mBank SA)	PLN

(in PLN thousand)

	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 to the writ of execution to PKO BP SA 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 to the writ of execution to PKO BP SA 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 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 117 750 (PKO BP SA) Up to 117 750 (Pekao SA) Up to 58 500 (mBank SA)	PLN PLN 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 SA, following the repayment of the loan on 25 July 2019 granted by Alior Bank SA

Other securities of liability payments

Granted guarantees

Guarantee type	*31 March 2022 (not audited)* *Security amount*	*Currency*	*31 December 2021* *Security amount*	*Currency*

Performance bond	3 953	PLN	3 386	PLN
Bid bond payment guarantee	-	PLN	50	PLN
Defect and failure removal guarantee	3 865 577	PLN EUR	4 273 577	PLN EUR
Payment guarantees (including TGE/IRGIT transaction securing guarantees)	135 650 30 559	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.

	31 March 2022 (not audited)	*Currency*	*31 December 2021*	*Currency*
Intra-group sureties	62 400	PLN	62 400	PLN
Sureties granted to extra-Group entities	68 137 4 809	PLN EUR	34 262 756	PLN
Total granted sureties	**130 537** **4 809**	**PLN** **EUR**	**96 662** **756**	**PLN**

The table below shows the total received sureties.

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

28. Received guarantees

Guarantee type	*31 March 2022 (not audited)* *Security amount*	*Currency*	*31 December 2021* *Security amount*	*currency*
Performance bond	11 871 33 683	PLN EUR	26 287 33 683	PLN EUR
Defect and failure removal guarantee	2 229 -	PLN EUR	2 377 -	PLN EUR
Payment guarantees	- -	PLN EUR	- -	PLN EUR
Advance payment guarantees	46 -	PLN EUR	231 -	PLN EUR

29. Information on affiliates

The table below shows total amounts of transactions concluded with affiliates for the 3-month period ended on 31 March 2022 and 31 March 2021, as well as receivables and liabilities as at 31 March 2022 and 31 March 2021.

(in PLN thousand)

Affiliated entity		*Sale to affiliated entities*	*Purchase from affiliated entities*	*Receivables from affiliated entities*	*Liabilities to affiliated entities*
Elektrim S.A.	2022	-	30	-	-
	2021	-	30	-	-
Megadex Development sp. z o.o.	2022	22	-	3	
	2021	15	-	1	-
Megadex Expo sp. z o.o.	2022	-		-	
	2021	153	-	63	-
Megadex Serwis sp. z o.o.	2022	-	25 508	-	-
	2021	-	-	-	-
Polkomtel sp. z o.o.	2022	67 701	3 724	18 145	3 957
	2021	23 568	541	7 207	380
Polkomtel Infrastruktura sp. z o.o.	2022	-	-	-	-
	2021	42	-	33	-
Laris Investments sp. z o.o.	2022	280	-	170	-
	2021	110	92	46	19
Laris Technologies sp. z o.o.	2022	1 762	-	870	-
	2021	579	-	-	185
CPE sp. z o.o.	2022	-	102	-	177
	2021	-	197	-	231
Plus Flota sp. z o.o.	2022	-	483	-	247
	2021	-	634	2	295
Cyfrowy Polsat	2022	-	-	-	-
	2021	857	2	685	-
Esoleo sp. z o.o.	2022	-	390	-	160
	2021	342	41 979	5 183	338
Netia SA	2022	7 270	5	4 142	-
	2021	-	-	-	-
TK Telekom sp. z o.o.	2022	824	-	498	-
	2021	-	-	-	-
Petrotel sp. z o.o.	2022	75	-	30	-
	2021	-	-	-	-
Total	**2022**	**77 934**	**30 237**	**23 858**	**4 541**
	2021	**25 666**	**43 475**	**13 220**	**1 448**

29.1. Loan granted to a Management Board's member

Both in the 3-month period ended on 31 March 2022, and in the one ended on 31 March 2021, the Parent Company did not grant any loans and similar benefits to members of management and supervisory bodies.

(in PLN thousand)

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

Both in the 3-month period ended on 31 March 2022, and in the one ended on 31 March 2021, there were no transactions with the participation of the members of management and supervisory bodies.

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

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Parent company management board		
Short-term employee benefits	832	658
Benefits on account of employment termination	-	1
Parent company Supervisory Board		
Short-term employee benefits	352	325
Management Boards of subsidiaries		
Short-term employee benefits	957	661
Supervisory Board of subsidiaries		
Short-term employee benefits	-	-
Total	2 141	1 645

29.3.2. Salary paid or payable to other top management members

	3-month period ended on 31 March 2022 (not audited)	*3-month period ended on 31 March 2021 (not audited)*
Short-term employee benefits	2 534	2 624
Benefits on account of employment termination	-	68
Total amount of remuneration paid to the top management members (except for members of the Management Board and the Supervisory Board)	2 534	2 692

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 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	31 March 2022 (not audited)		Analysis of the interest rate risk sensitivity as at 31 March 2022							
			WIBOR				EURIBOR			
			WIBOR +20 bp		WIBOR -20 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	38 304	1	-	-	-	-	-	-	-	-
Trade and other receivables	636 646	-	-	-	-	-	-	-	-	-
Derivative financial instruments (assets)	17 698	17 698	35		(35)					
Cash and cash equivalents	321 947	321 947	307	-	(307)	-	1 377	-	(1 377)	-
Interest-bearing loans and borrowings	(603 014)	(603 014)	(1 206)	-	1 206	-	-	-	-	-
Trade liabilities and other financial liabilities	(356 266)	-	-	-	-	-	-	-	-	-
Lease liabilities	(43 534)	-	-	-	-	-	-	-	-	-
Derivative financial instruments (liabilities)	(3 606)	(3 606)	(7)		7					
Total	**8 175**	**(266 974)**	**(871)**	**-**	**871**	**-**	**1 377**	**-**	**(1 377)**	**-**

bp – base points

(in PLN thousand)

Financial instrument classes	***31 March 2021 (not audited)***		***Analysis of the interest rate risk sensitivity as at 31 March 2021***							
			WIBOR				***EURIBOR***			
			WIBOR +51 bp		***WIBOR -51pb***		***EURIBOR +13.81 bp***		***EURIBOR -13.81 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	6 074	4 086	21	-	(21)	-	-	-	-	-
Trade and other receivables	267 374	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	55 635	55 635	241	-	(241)	-	11	-	(11)	-
Interest-bearing loans and borrowings	(151 327)	(151 327)	(772)	-	772	-	-	-	-	-
Trade liabilities and other financial liabilities	(165 953)	-	-	-	-	-	-	-	-	-
Lease liabilities	(46 256)	-	(696)	-	696	-	-	-	-	-
Total	**(34 453)**	**(91 606)**	**(510)**	**-**	**510**	**-**	**11**	**-**	**(11)**	**-**

bp – base points

(in PLN thousand)

30.2. Currency risk

The Group is exposed to the currency risk due to concluded transactions. As at 31 March 2022, none of the Group's companies had active instruments used to mitigate the foreign exchange risk (e.g., forward EUR/PLN transactions).

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.

	31 March 2022 (not audited)		*Analysis of the currency risk sensitivity as at 31 March 2022*			
			EUR/PLN			
Financial instrument classes			**EUR/PLN exchange rate +8.95%**		**EUR/PLN exchange rate -8.95%**	
			5.0689		**4.2361**	
	carrying amount	*value at risk*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*
Other financial assets	38 304	-	-	-	-	-
Trade and other receivables	636 646	3 894	349	-	(349)	-
Derivative financial instruments (assets)	17 698					
Cash and cash equivalents	321 947	168 654	15 095	-	(15 095)	-
Interest-bearing loans and borrowings	(603 014)	-	-	-	-	-
Trade liabilities and other financial liabilities	(356 266)	(27 233)	(2 437)	-	2 437	-
Lease liabilities	(43 534)	-	-	-	-	-
Derivative financial instruments (liabilities)	(3 606)	(3 606)	(323)		323	
Total	**8 175**	**141 709**	**12 684**	**-**	**(12 684)**	**-**

(in PLN thousand)

	31 March 2021 (not audited)		***Analysis of the currency risk sensitivity as at 31 March 2021***			
			EUR/PLN			
Financial instrument classes			**EUR/PLN exchange rate 5.975%**		**EUR/PLN exchange rate - 5.975%**	
			4.9388		**4.3818**	
	carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	6 074	-	-	-	-	-
Trade and other receivables	267 374	4 803	287	-	(287)	-
Cash and cash equivalents	55 635	8 290	495	-	(495)	-
Interest-bearing loans and borrowings	(151 327)	-	-	-	-	-
Trade liabilities and other financial liabilities	(165 953)	(3 654)	(218)	-	218	-
Lease liabilities	(46 256)	-	-	-	-	-
Total	**(34 453)**	**9 439**	**564**	**-**	**(564)**	**-**

(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 PAK Capital Group as at 31 March 2022, broken down into individual bank credit ratings:

Rating level by individual rating agencies			*Cash amount as at 31 March 2022 (not audited)*
Moody's	*S&P*	*Fitch*	
Aaa	AAA	AAA	-
Aa1	AA+	AA+	-
Aa2	AA	AA	-
Aa3	AA-	AA-	-
A1	A+	A+	29
A2	A	A	9 419
A3	A-	A-	45 823
Baa1	BBB+	BBB+	138 879
Baa2	BBB	BBB	-

(in PLN thousand)

<table>
<tr><td>Baa3</td><td>BBB-</td><td>BBB-</td><td>125 572</td></tr>
<tr><td>Ba1</td><td>BB+</td><td>BB+</td><td>-</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td><td>2 226</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td><td>-</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td><td>-</td></tr>
<tr><td>B2</td><td>B</td><td>B</td><td>-</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td><td>-</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="6">CCC</td><td>-</td></tr>
<tr><td>Caa2</td><td>CCC</td><td>-</td></tr>
<tr><td>Caa3</td><td>CCC-</td><td>-</td></tr>
<tr><td rowspan="2">Ca</td><td>CC</td><td>-</td></tr>
<tr><td>C</td><td>-</td></tr>
<tr><td>C</td><td rowspan="3">D</td><td>DDD</td><td>-</td></tr>
<tr><td>–</td><td>DD</td><td>-</td></tr>
<tr><td>–</td><td>D</td><td>-</td></tr>
<tr><td colspan="3">TOTAL</td><td>321 948</td></tr>
</table>

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 31 March 2022 and 31 December 2021, according to the maturity date and based on contractual non-discounted payments.

(in PLN thousand)

31 March 2022 (not audited)	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	5 941	192 414	282 668	123 651	604 674
Trade liabilities and other financial liabilities	318 285	35 308	2 669	4	356 266
Lease liabilities	303	6 013	23 488	13 730	43 534
Total	**324 529**	**233 735**	**308 825**	**137 385**	**1 004 474**

31 December 2021	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	1 982	190 694	134 043	123 943	450 662
Trade liabilities and other financial liabilities	217 263	34 624	463	4	252 354
Lease liabilities	5 388	927	23 488	18 027	47 830
Derivative financial instruments	-	675 706	-	-	675 706
Total	**224 633**	**901 951**	**157 994**	**141 974**	**1 426 552**

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. The tables below show reconciliation of these values against the balance sheet values of derivatives:

31 March 2022 (not audited)	*On demand*	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Current net market value (currency forwards)	-	-	-	-	-	-

31 December 2021	*On demand*	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Current net market value (currency forwards)	-	10 540	-	-	-	10 540

(in PLN thousand)

31. Financial instruments

31.1. Balance sheet and fair value of individual 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.

		Balance sheet value	
Financial assets	Category pursuant to IFRS 9	*31 March 2022 (not audited)*	*31 December 2021*
Other financial assets	FAaAC	38 304	27 772
Trade and other receivables	FAaAC	636 646	1 394 784
Derivative financial instruments	MaFVtFR	17 698	10 540
Cash and cash equivalents	FAaAC	321 947	506 669
Financial liabilities			
Interest-bearing bank credits and loans, including:		603 014	451 771
Long-term	OFLaAC	394 232	249 226
Short-term	OFLaAC	208 782	202 545
Trade liabilities and other financial liabilities	OFLaAC	356 266	252 354
Lease liabilities	OFLaAC	43 534	47 830
Derivative financial instruments	MaFVtFR	3 606	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

(in PLN thousand)

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

	31 March 2022 (not audited)	*Level 1*	*Level 2*	*Level 3*
Asset-hedging derivatives	-	-	17 698	-
Liability-hedging derivatives	-	-	3 606	-

	31 December 2021	*Level 1*	*Level 2*	*Level 3*
Asset-hedging derivatives	-	-	10 540	-
Liability-hedging derivatives	-	-	3 606	-

As at 31 March 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 31 March 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 3-month period ended on 31 March 2022 and ended on 31 December 2021, there we no shifts between level 1 and level 2 of the fair value hierarchy, and none of the instruments was shifted to level 3 of the fair value hierarchy.

31.2. Financial instrument interest rate risk

The table below shows the interest rate gap, 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 31 March 2022 (not audited)*	*Balance sheet value on 31 December 2021*
Financial assets exposed to the interest rate risk - PLN	Fixed	-	-
	Variable	153 295	273 441
Financial assets exposed to the interest rate risk - other currencies	Fixed	-	-
	Variable	168 654	237 211
Financial liabilities exposed to the interest rate risk - PLN	Fixed	-	-
	Variable	603 015	451 771
Financial liabilities exposed to the interest rate risk - other currencies	Fixed	-	-
	Variable	-	-
Net exposure - PLN	Fixed	-	-
	Variable	(449 720)	(178 330)
Net exposure - other currencies	Fixed	-	-
	Variable	168 654	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. Hedging

As at 31 March 2022, none of the Group's companies had active instruments used to mitigate the foreign exchange risk (e.g., forward EUR/PLN transactions).

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 31 March 2022 and 31 March 2021.

31 March 2022 (not audited)

Type of concluded transactions	*Number of purchased allowances*	*Total face value of transactions in thousands EUR*	*Transaction currency*	*Maturity date*
Forward transactions	2 462 000	137 290	EUR	Up to one year
Forward transactions	597 000	43 667	EUR	Over one year

31 March 2021 (not audited)

Type of concluded transactions	*Number of purchased allowances*	*Total face value of transactions in thousands EUR*	*Transaction currency*	*Maturity date*
Forward transactions	3 629 000	98 723	EUR	Up to one year

(in PLN thousand)

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 3-month period ended on 31 March 2022 and the year ended on 31 December 2021, there were no introduced amendments to the goals, rules and processes applicable within 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. The Group's net debt includes 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.

	31 March 2022 (not audited)	*31 December 2021*
Interest-bearing loans and borrowings	603 014	451 771
Financial derivatives (liabilities)	3 606	3 606
Trade liabilities and other financial liabilities	356 266	252 354
Minus cash and cash equivalents	321 947	506 669
Net debt	**640 939**	**201 062**
Equity	627 368	524 232
Capital from the revaluation of hedging instruments	-	-
Total capital	627 368	524 232
Net capital and debt	**1 268 307**	**725 294**
Leverage ratio	50,53%	27,72%

33. Significant events after the balance sheet date

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

On 13 April 2022, the Company and Ørsted Wind Power A/S with its registered office in Fredericia, Denmark (**ORS**) concluded an additional agreement on 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: Orsted Polska OF SPV 6 sp. z o.o., Orsted Polska OF SPV 7 sp. z o.o., Orsted Polska OF SPV 8 sp. z o.o., Mawzorino Investments sp. z o.o. and Orsted Polska OF SPV 10 sp. z o.o. (Joint Venture Companies) upon posting the share sales price at the ORS bank account. The total price for the shares in the Joint Venture Companies amounted to EUR 170 000. The Parties obtained the consent of the President of the Office of Competition and Consumer Protection to conduct a concentration involving ORS and the Company establishing five joint entrepreneurs on 7 April 2022.

On the day of the Company acquiring the ownership title to 50% of the shares in Joint Venture Companies, the Company and ORS will conclude an amended shareholder agreement that introduces amendments to the shareholder agreement concluded on 8 March 2021. The purpose is to cover the Joint Venture Companies with corporate governance principles, agreed in the shareholder agreement.

The Parties plan to jointly submit application for the issuance of permits to erect and utilize artificial islands, structures and equipment in maritime areas of the Republic of Poland for the purposes of offshore wind farm projects under the next resolving procedure conducted pursuant to Art. 27d et seq. of the Act of 21 March 1991 on the maritime areas of the Republic of Poland and the maritime administration.

Consent to the lease of an organized part and disposal of a part of the ZE PAK SA enterprise associated with the energy-related activities conducted within the Konin Power Plant

On 22 April 2022, the Extraordinary General Meeting of ZE PAK SA adopted a resolution on expressing consent to lease the organized part of the enterprise within the Company, which consists, in particular, of 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.

Also on 22 April 2022, the Extraordinary General Meeting of ZE PAK SA adopted a resolution on expressing consent to the disposal of the organized part of the enterprise within the Company, which comprises, 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.

Increasing the limit of available funding under the loan agreement by PAK – Polska Czysta Energia sp. z o.o.

On 23 May 2022, PAK – Polska Czysta Energia sp. z o.o. increased the amount of available funding in the agreement of 23 June 2021, concluded with EFG Bank Ltd. with its registered office in Zurich. The amount of available credit was increased by PLN 125 m, i.e., to PLN 300 m. The obtained funds will be used to finance projects in the field of renewable energy sources, as well as the generation and utilization of green hydrogen, implemented by the subsidiaries of the Borrower. The financial terms and other terms of the Loan Agreement do not deviate from market terms.

Konin, 26 May 2022