

ZMIENIAMY SIĘ
DLA WAS

1Q 2022 Results



ZEPAK
Energia dla Ciebie

May 26, 2022



RAZEM TWORZYMY LEPSZĄ PRZYSZŁOŚĆ

Jesteśmy członkiem:

 **PROGRAM / CZYSTA / POLSKA**

ZE PAK Group – 1Q 2022 summary



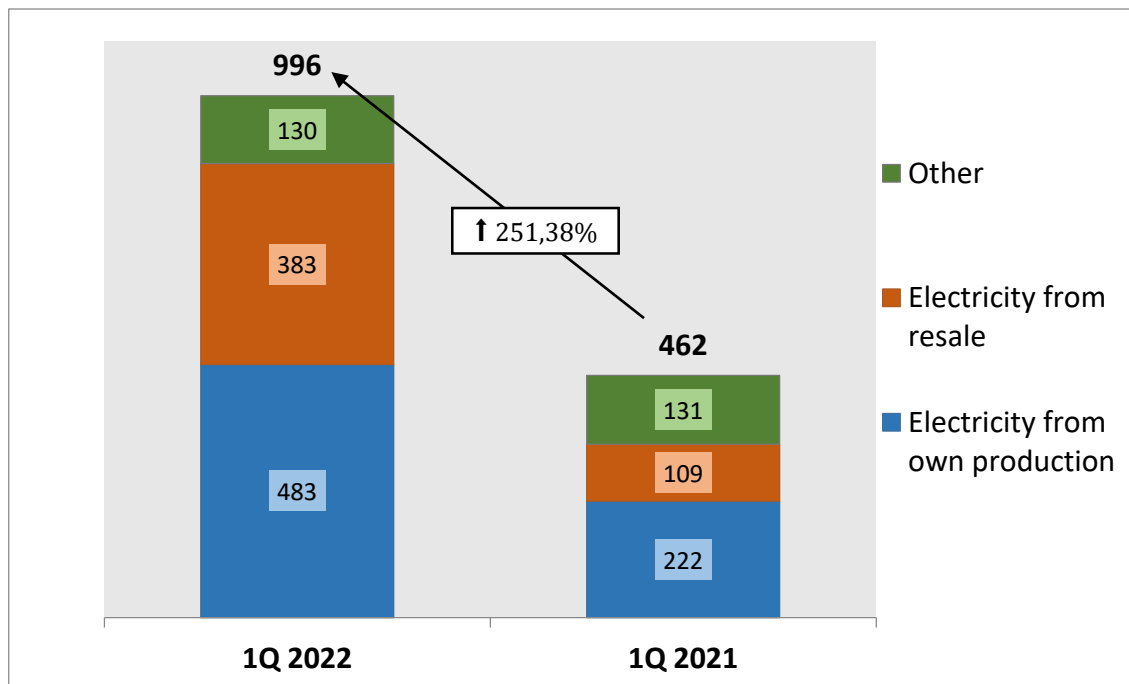
Key operational and financial data	1Q 2022	Change y/y
Sale of electricity:	1.58 TWh	+27.42%
• Electricity from own production:	0.90 TWh	+12.50%
• Electricity from resale:	0.68 TWh	+54.55%
Achieved average electricity sale price ⁽¹⁾	546.51 PLN/MWh	+105.22%
Average purchase price of EUA	259.15 PLN/MWh	+152.36%
Sale revenues:	996 m PLN	+115.58%
EBITDA:	129 m PLN	+396.15%
Net result:	103 m PLN	-
CAPEX:	55 m PLN	-5.17%
Indebtedness:	603 m PLN	+299.34%
Cash ⁽²⁾	322 m PLN	+475.00%
Net debt / EBITDA:	0.81 x	+17.39%

⁽¹⁾ Average price, calculated as electricity sales revenues (own production, from resale and system service) divided by sales volume.

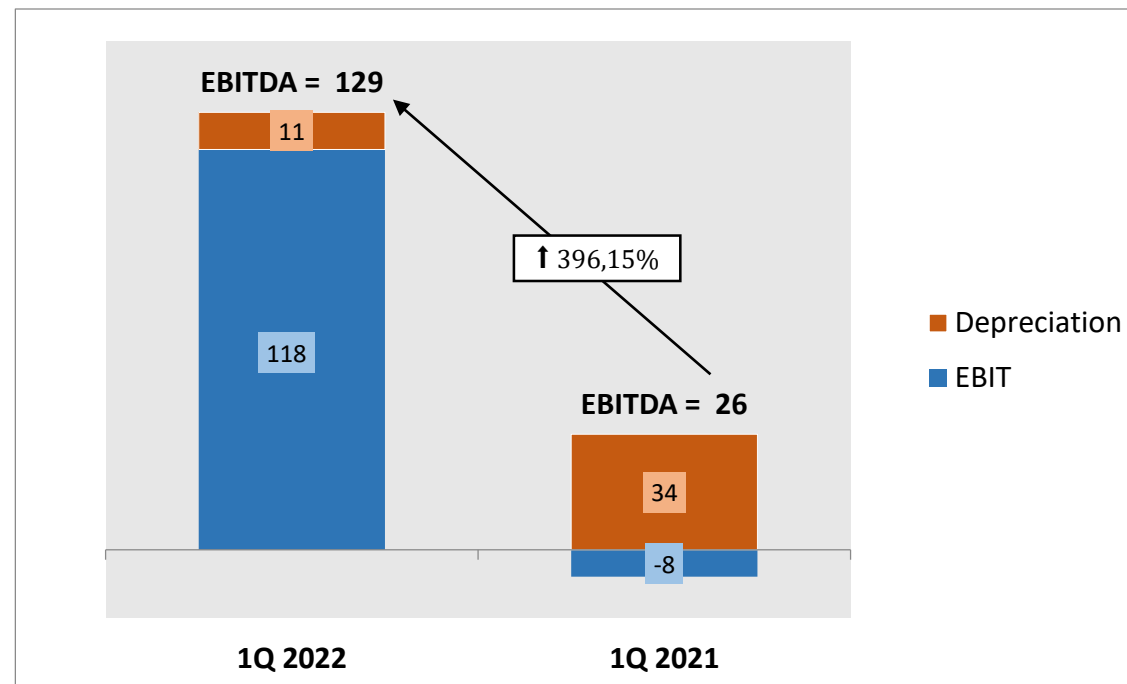
⁽²⁾ Cash and cash equivalents and other financial short-term assets.

ZE PAK Group – 1Q 2022 summary

REVENUES



EBITDA



The increase in revenues in Q1 2022 as compared to Q1 2021 results from the higher achieved sales price of electricity and the increased volume of energy sales (both from own production and from resale).

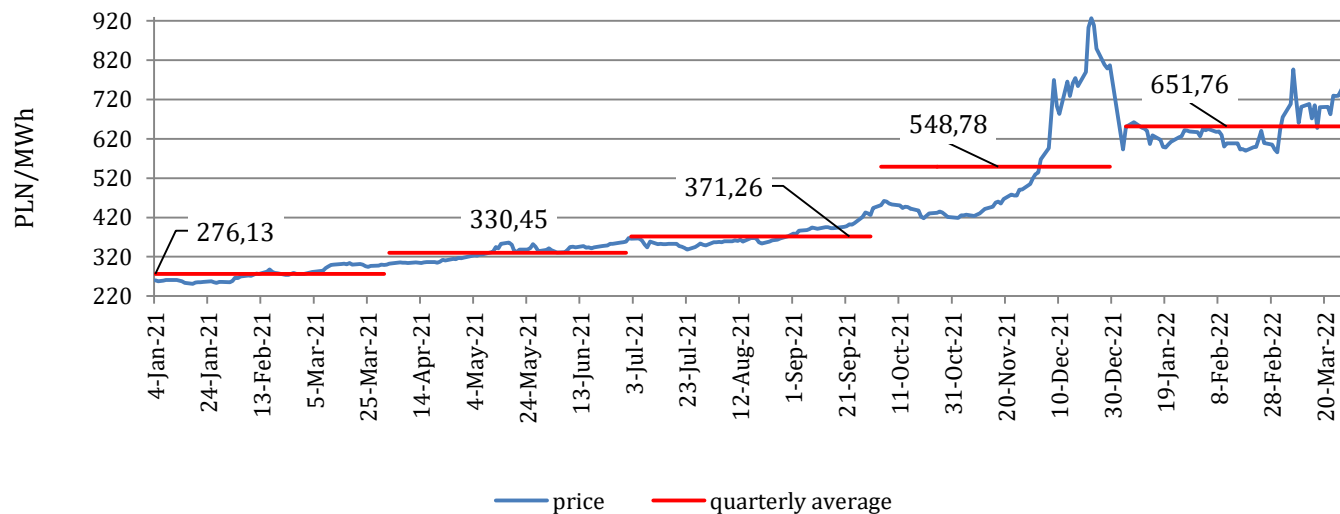
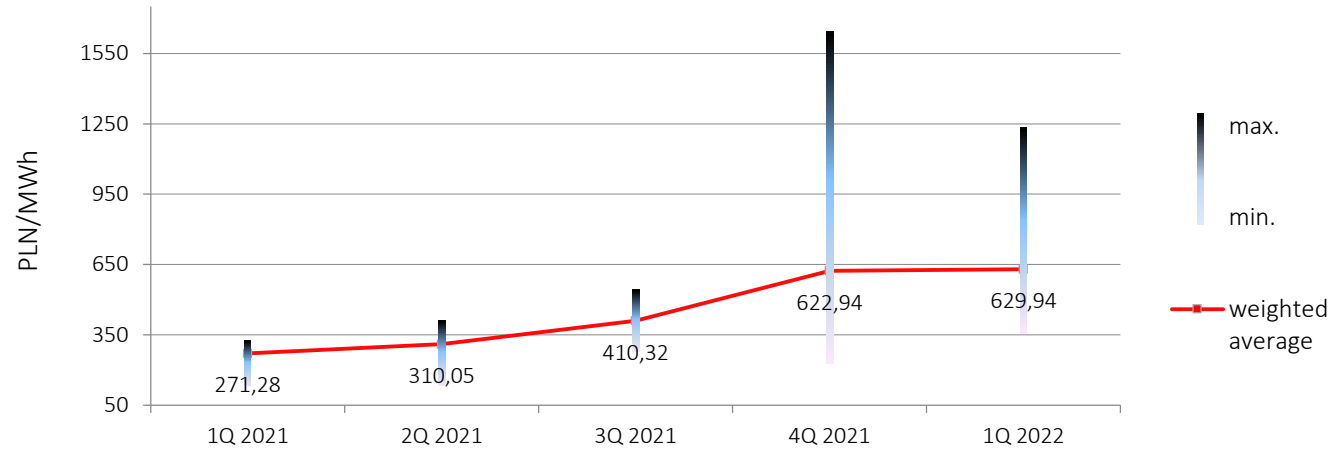
The higher result at the EBITDA level is due to a much better ratio of electricity sales prices to purchase prices of carbon dioxide emission allowances.

In Q1 2022, there was a slight decrease in revenues from main support sources (LTCs, capacity market, property rights, system services) compared to Q1 2021, the difference was PLN 13 million.

SELECTED ELECTRICITY MARKET DATA



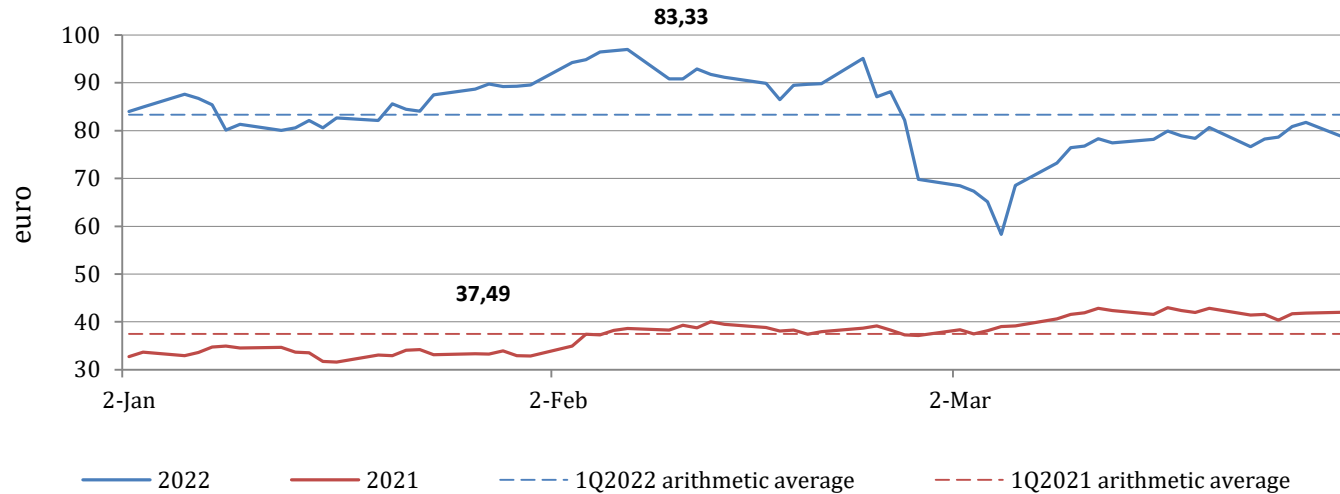
Electricity prices



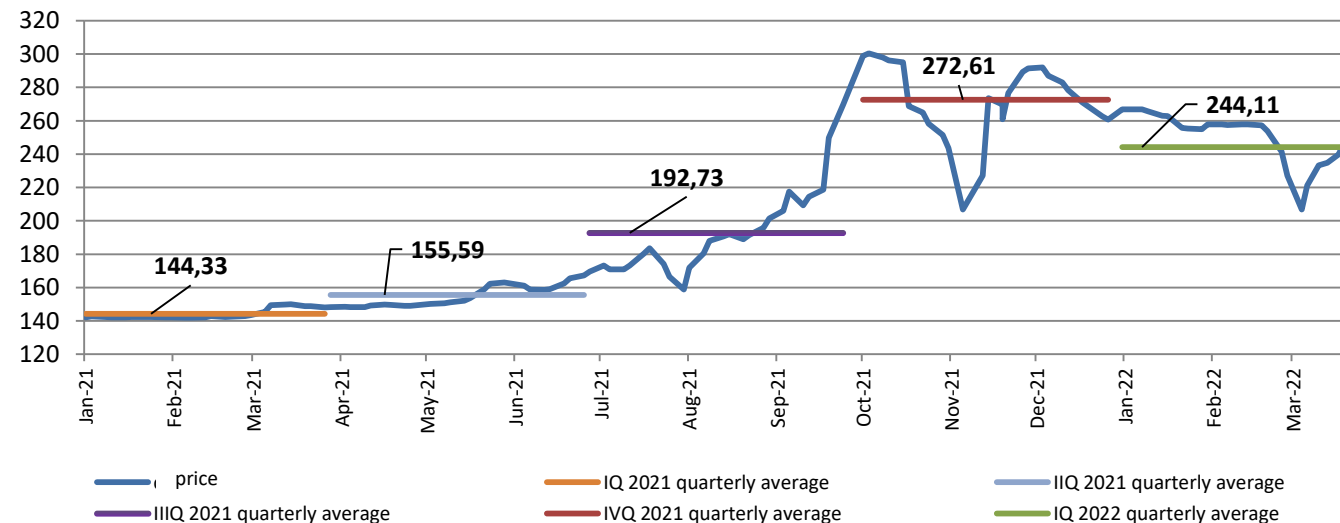
On the day-ahead market at TGE SA a strong upward trend continues. Price increases in the first quarter were dictated by the high demand for energy in Poland and Western Europe. High price levels were still stimulated by the unstable situation related to gas supplies in Europe and the increase in the prices of this fuel, as well as the increase in coal prices. Factors related to market volatility have intensified after Russia's aggression in Ukraine. Planned repairs of generating units as well as unplanned shutdowns of power units, caused both by failures of generating units, but also by a deficit in coal supplies, also contributed to the price increases. The direction of cross-border electricity trade also continued to influence the level of prices. Poland was an exporter of energy in the next consecutive quarter. The weighted average BASE price on the Day-Ahead Market on TGE SA for the first quarter of 2022 was at the level of PLN 629.94 / MWh, which means an increase compared to the first quarter of 2021 by PLN 358.21 / MWh, i.e. by approximately 132% .

The arithmetic mean of the daily clearing rates for the reference futures contract BASE_Y-23 in the first quarter of 2022 was at the level of PLN 651.76 / MWh, which means an increase in relation to the first quarter of 2021 by PLN 376.63 / MWh, i.e. by approximately 136% . The sharp increase in ratings took place shortly after the start of Russia's hostilities in Ukraine in February 2022. The development of this armed conflict will continue to have a significant impact on the Electricity Futures Markets in Poland and Europe (unstable gas and coal situation in Europe, and thus strong price increases in the markets).

EUA and green certificates



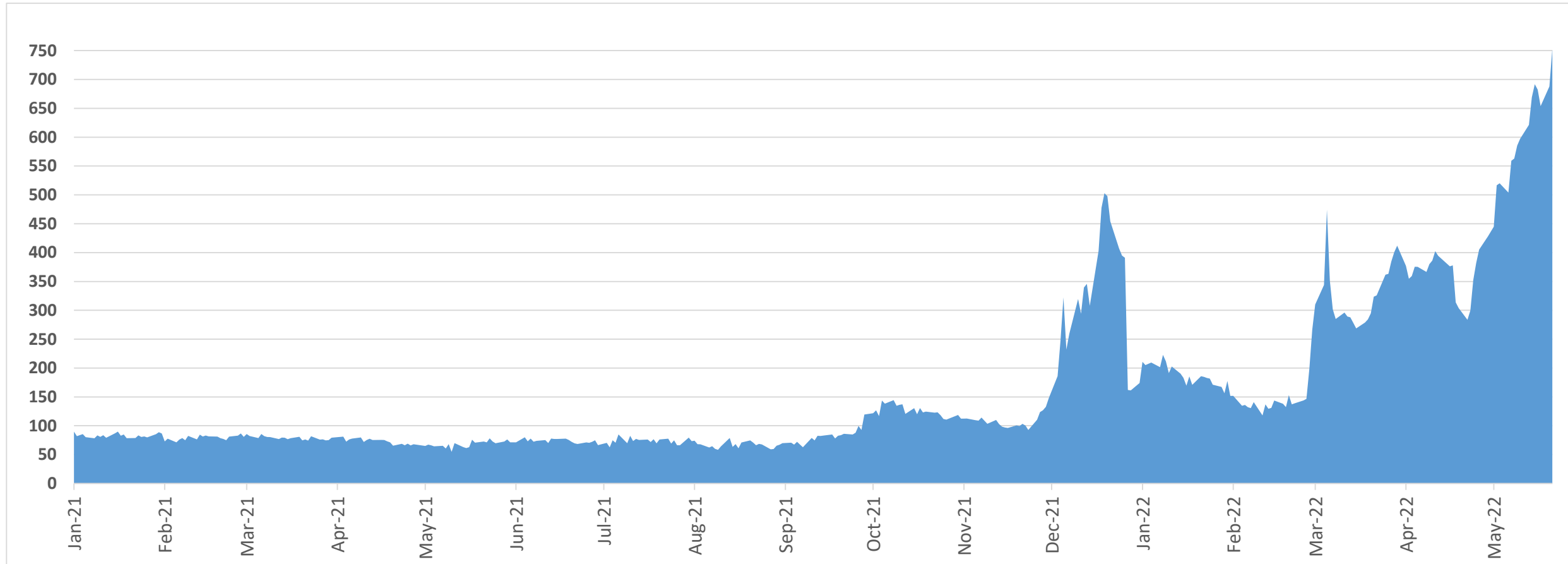
The prices of EUA allowances on the spot market of the ICE and EEX exchanges in January 2022 increased from 79.96 to 88.80 EUR / EUA. February saw large fluctuations in EUA prices due to Russia's aggression towards Ukraine. After February 24, 2022, CO2 prices began to decline due to the systematic sale of allowances, qualifying EUA allowances as high-risk assets. Within a month, counting from the record peak of trading, the prices of allowances fell by as much as 40%. After the sharp declines, there was an equally quick rebound, as a result of which the allowances recovered most of the losses and increased in a few days - finally March closed at EUR 76.48 / EUA. The arithmetic mean of the EUA quotations in the first quarter of 2022 was EUR 83.33, while in 2021 EUR 37.49 correspondingly, which means an increase by EUR 45.84, i.e. 122% q/q.



The decline in the prices of green certificates, which started in the fourth quarter of 2021, continued throughout the entire first quarter of 2022. The drop in prices can be related to the proposal of the Ministry of Climate and Environment, which plans in 2023 to significantly reduce the obligation to share green energy from redeemed certificates of origin, the so-called green certificates. This argues that the burden on end users is too high. The proposal of the Ministry of Climate and Environment reduces the quantitative share of the sum of electricity resulting from redeemed certificates of origin from 18.5% in 2022 to only 10% in 2023.

A key parameter determining the improvement of the results

Difference between the electricity price and CO₂ unit cost [PLN/MWh]



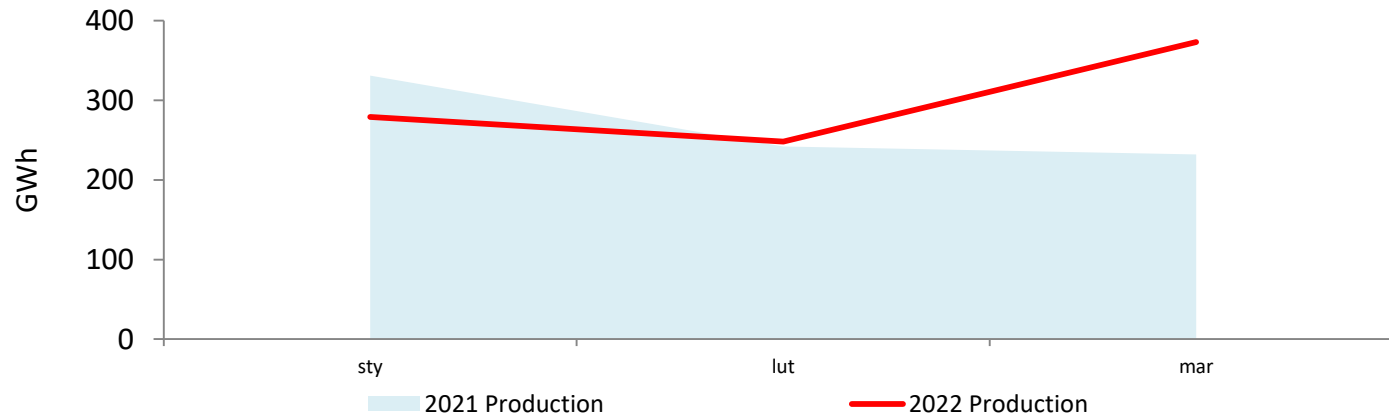
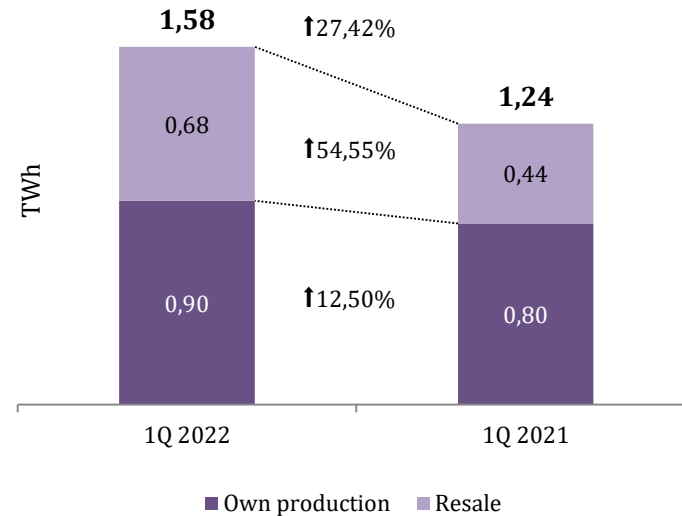
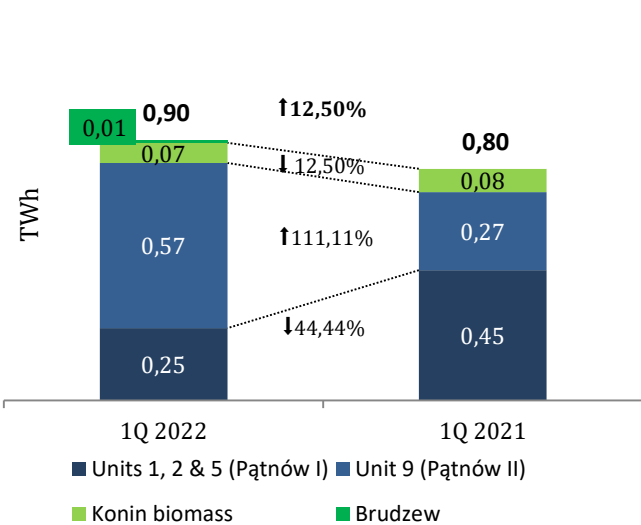
OPERATIONAL DATA



Net production and sale of electricity

NET PRODUCTION

SALE

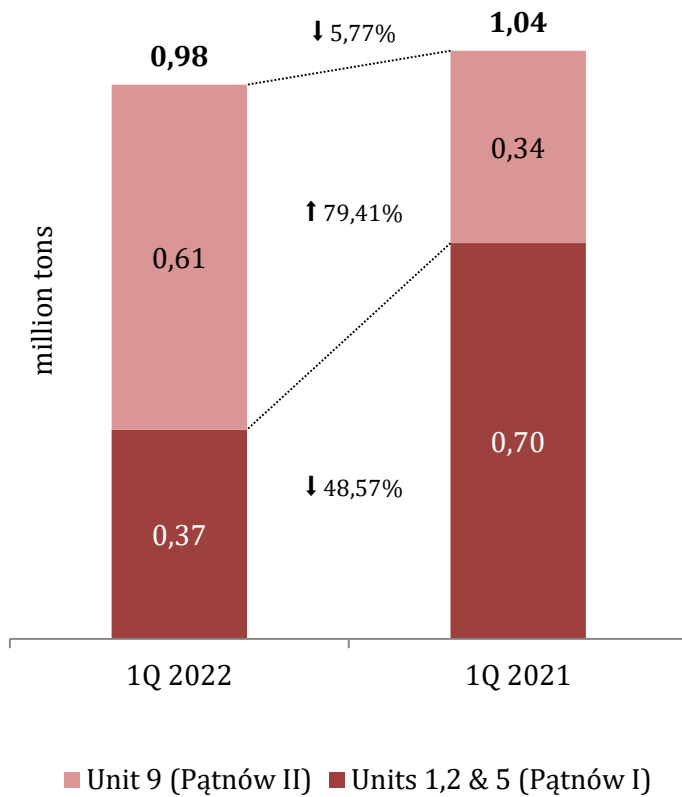


The increase in electricity production in Q1 2022 compared to Q1 2021 relates to production in the most efficient unit, i.e. 474 MW unit. Production in less efficient coal units fell by 44%. Production from biomass at a comparable level. In Q1 2022, the production of electricity from a photovoltaic farm appears for the first time.

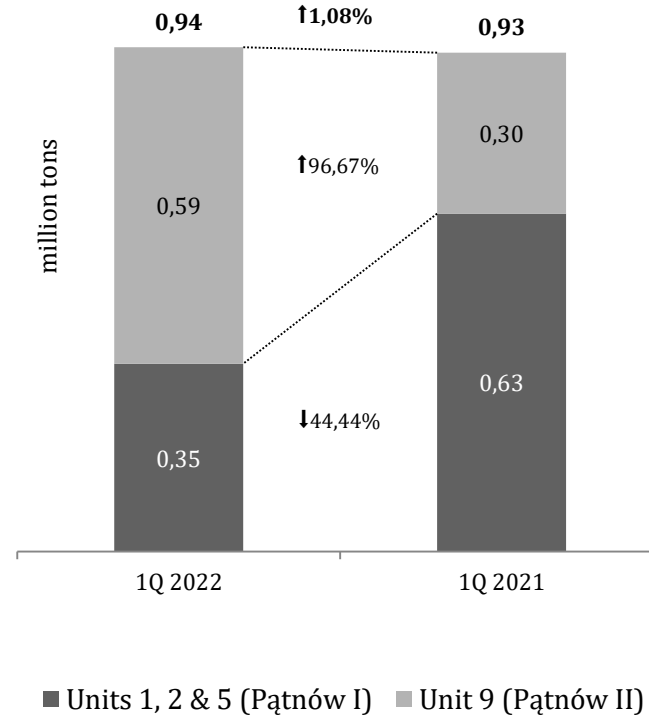
The recorded increase in production concerned March, when market conditions were the most favorable of all months in Q1 2022.

Lignite consumption and CO₂ emission

LIGNITE CONSUMPTION



CO₂ EMISSION

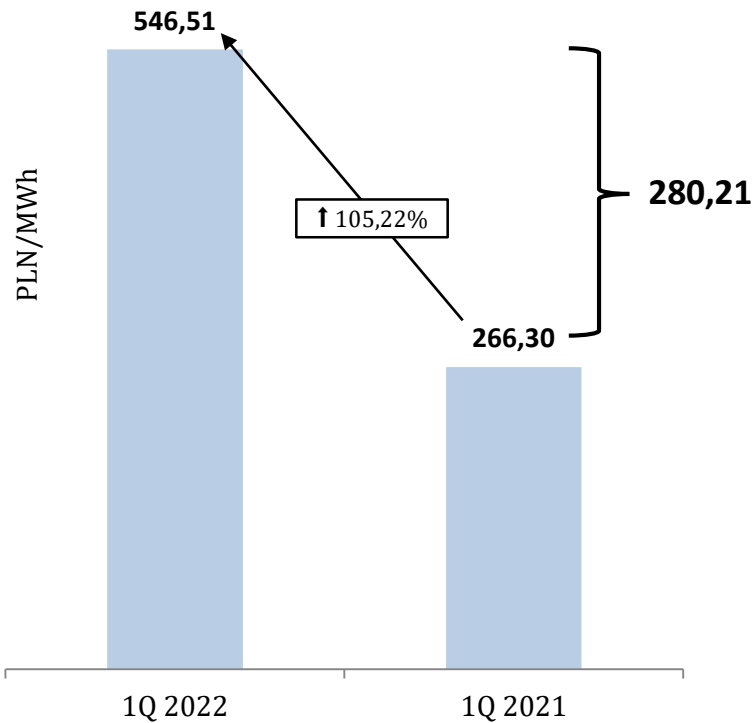


Data on coal consumption and CO₂ emissions in Q1 2022 show a decrease in coal consumption and a comparable CO₂ emission despite an increase in the volume of electricity generated from coal by 13.89%, which results from a greater share in the production of the more efficient Unit 9.

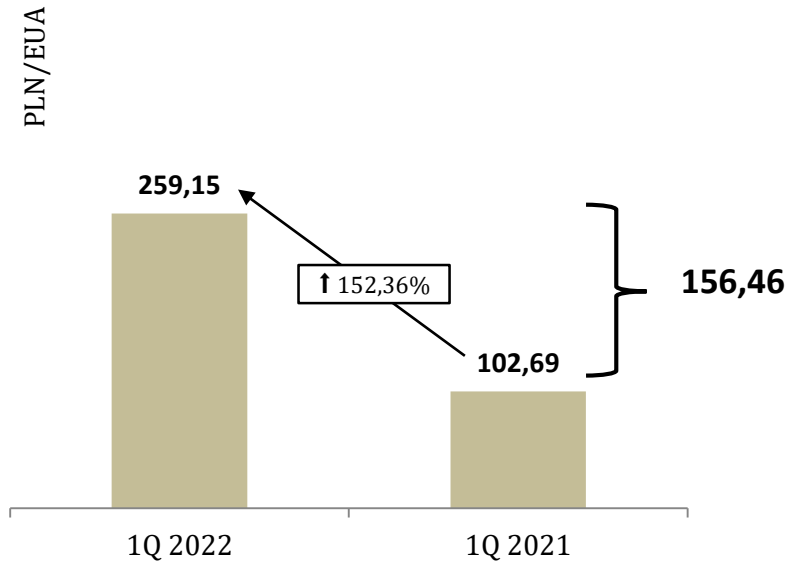
Average prices of electricity and CO₂ emission allowances purchase



Electricity prices ¹⁾



Prices of CO₂ emission allowances purchase (EUA) ²⁾



¹⁾ Average price calculated as revenues from sales of energy (own, from trading and system services) divided by the sales volume.

²⁾ Average price is calculated as the purchase cost of emission allowances incurred to cover emission for the period divided by the volume of CO₂ emission.

EMPLOYMENT

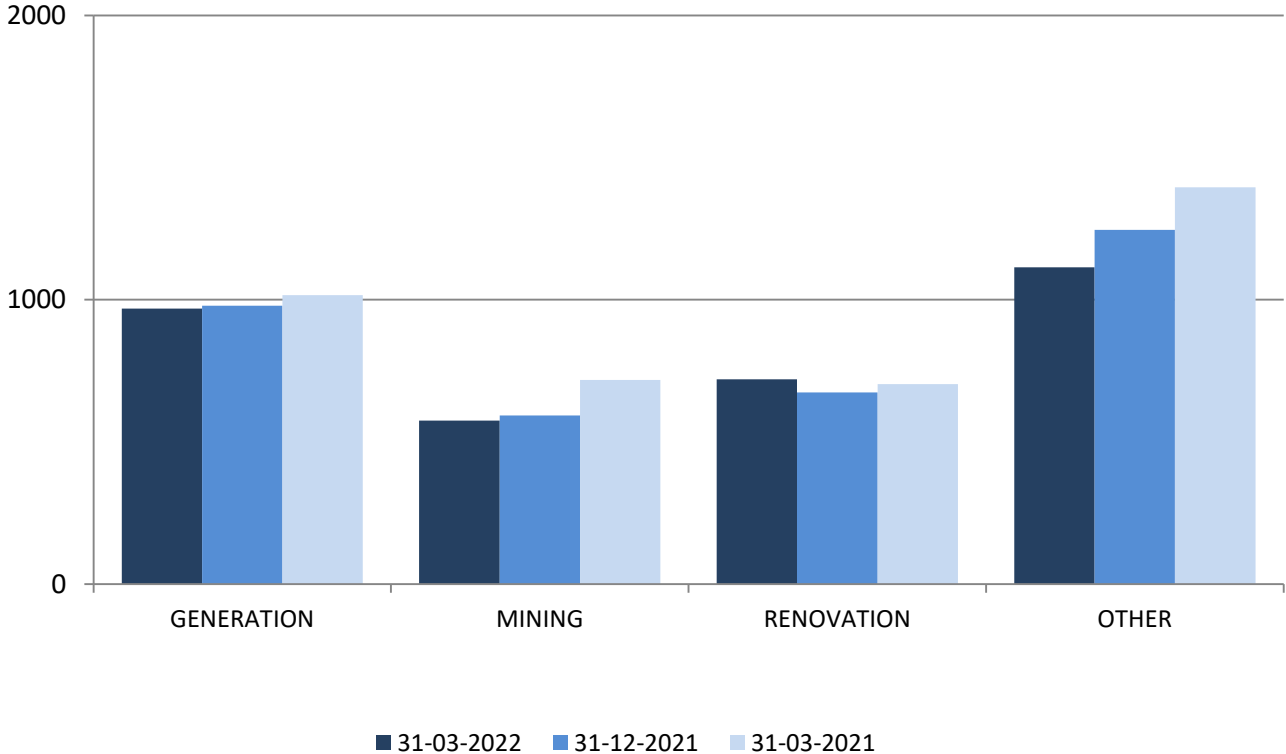


Employment

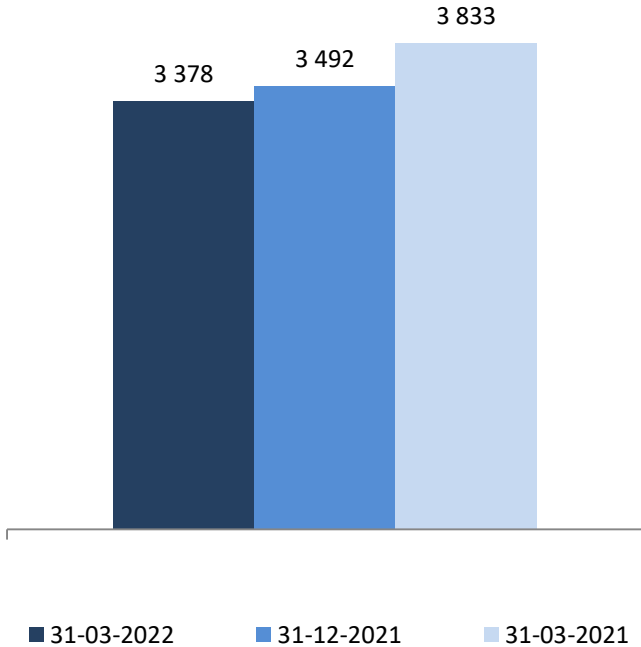
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BY SEGMENTS



TOTAL

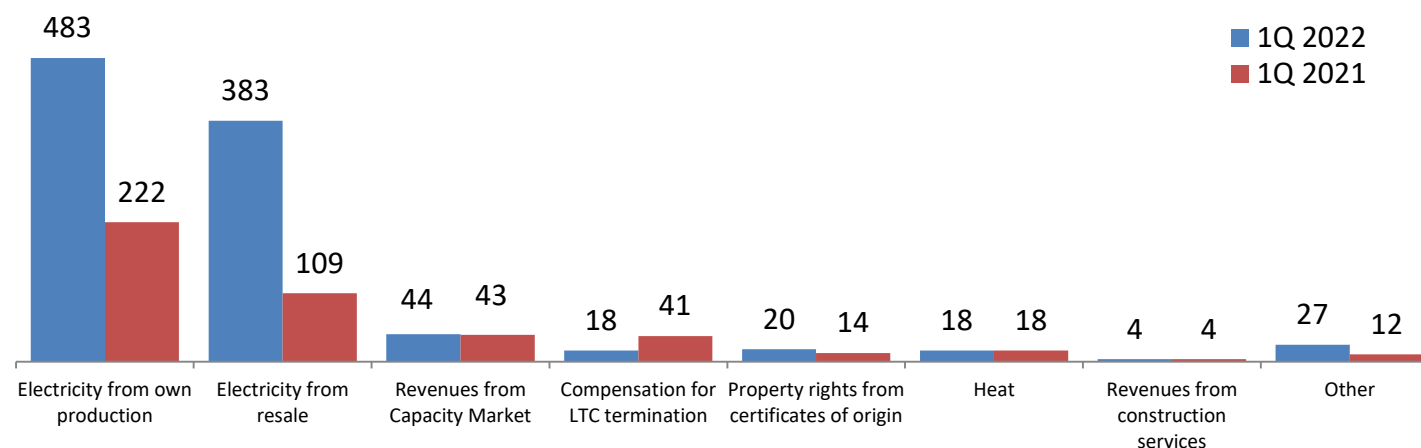


FINANCIAL DATA



Revenues and costs by type

[m PLN]



Revenues

Higher total revenues from the sale of electricity:

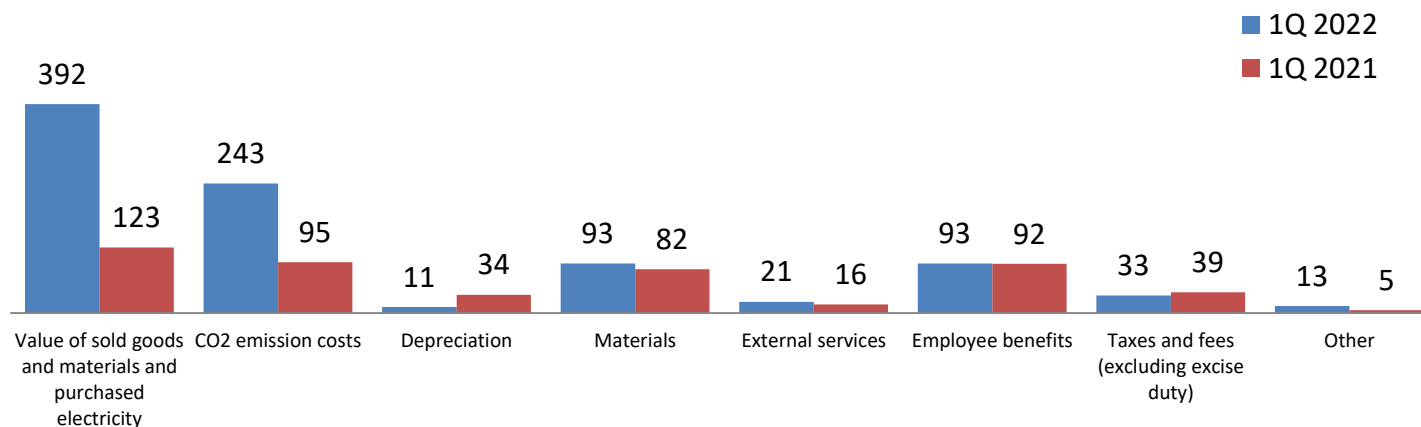
- Higher volume of electricity sale (0.34 TWh),
- Higher electricity sale price (280.21 PLN/MWh).

Comparable revenues from Capacity Market.

Lower LTC compensations as a result of the higher margin realized on the sale of electricity from Unit 9 (Pątnów II).

Higher revenues from certificates of origin for energy due to higher valuation of their production as a result of higher prices of property rights in Q1 2022.

Revenues from the sale of heat and construction contracts at comparable levels.



Costs

Higher value of goods and materials sold associated with more electricity purchased and intended for trading.

Higher CO₂ emission costs caused by the increase of EUA price.

Lower depreciation as a result of impairment write-offs made at the end of 2021.

Higher material costs mean higher biomass costs and higher energy costs in mines.

Higher external services are mainly the result of the increase in the costs of services on the market.

Higher costs of employee benefits as a result of higher salaries.

Lower taxes are mainly the result of lower property taxes and fees for excluding land from agricultural or forestry production in mines.

EBITDA 1Q 2022

[m PLN]



	1Q 2022	1Q 2021
Sale revenues	996	462
<i>Change %</i>	115.58%	
Costs of goods sold	(859)	(449)
Gross profit	138	14
<i>Margin %</i>	13.86%	3.03%
Other operating revenues	22	8
Selling and distribution expenses	(3)	(2)
Administrative expenses	(30)	(27)
Other operating expenses	(8)	(1)
EBITDA⁽¹⁾	129	26
<i>Margin %</i>	12.95%	5.63%
EBIT	118	(8)
<i>Margin %</i>	11.85%	-1.73%

(1) EBITDA higher by PLN 103 m (+396.15%)

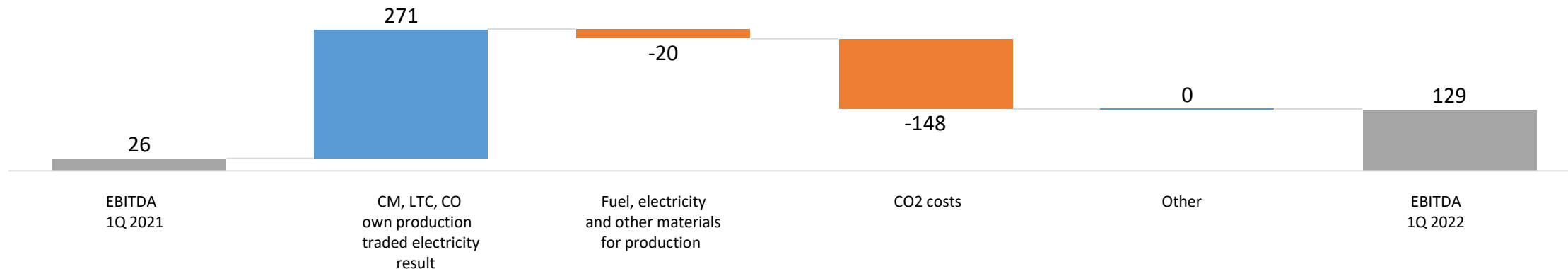
(+271) higher revenues from own electricity, higher result achieved on purchased electricity, higher revenues from Property Rights, higher revenues from system services, higher revenues from heat, higher revenues from the Capacity Market, lower revenues from LTCs

(-20) lower costs of purchased coal, higher costs of other fuels and materials (mazout, heating oil, sorbent), higher energy costs (in mines, higher biomass costs)

(-148) higher CO₂ emission costs

(+0) higher construction revenues and other revenues, higher result on other operating activities, lower other materials, lower taxes, higher salary costs, higher other costs, higher external services, lower result on sales of other materials

EBITDA changes

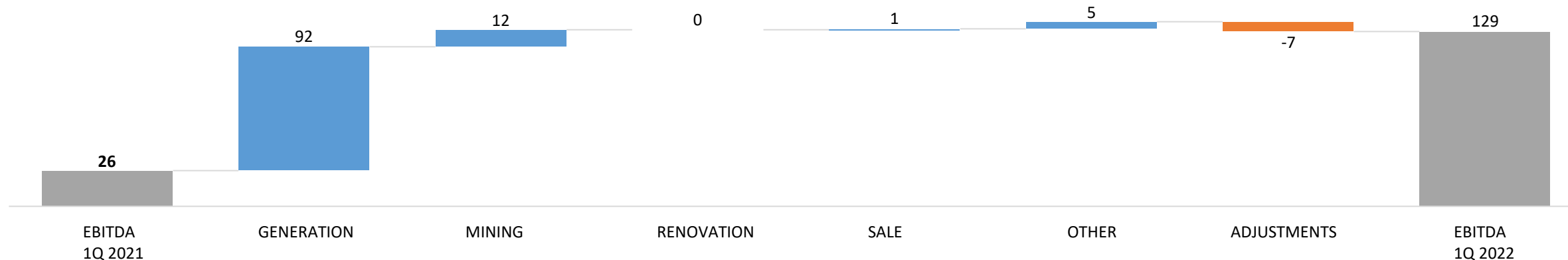


EBITDA 1Q 2022 by segments

[m PLN]



EBITDA changes



Main reasons of EBITDA changes in segments:

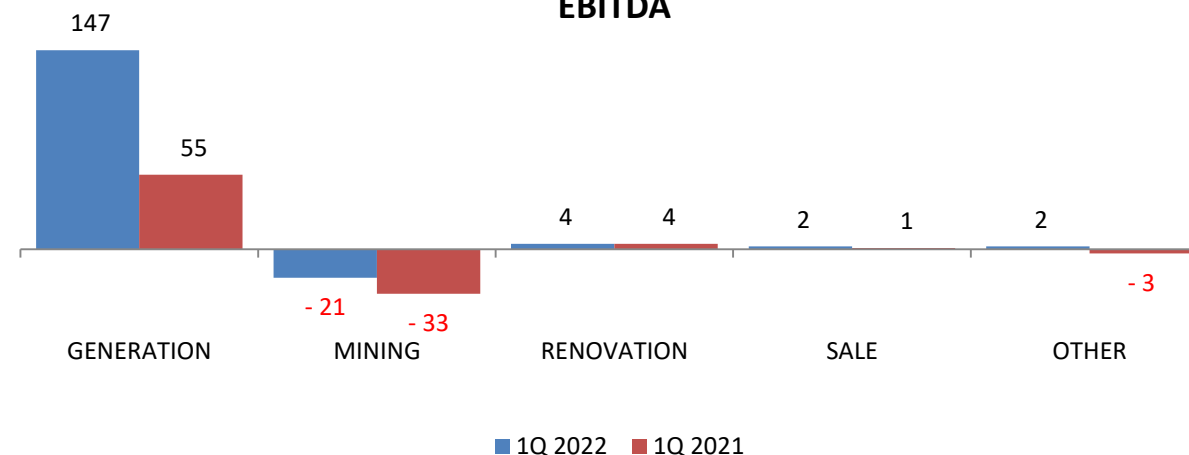
Generation:

- higher revenues from own electricity, higher result achieved on purchased electricity, higher revenues from property rights, higher revenues from system services, higher revenues from the Capacity Market, higher revenues from heat, lower revenues from LTCs
- higher coal costs, higher biomass costs, higher costs of other fuels and materials (mazout, heating oil, sorbent)
- higher costs of carbon dioxide emission allowances
- higher costs of employee benefits, negative result on other operating activities

Mining:

- higher revenues from the sale of coal, lower costs of substitute coal, sale of redundant assets, lower costs of employee benefits, lower tax costs, higher costs of electricity

EBITDA



Consolidated profit and loss account for 1Q 2022

by segments



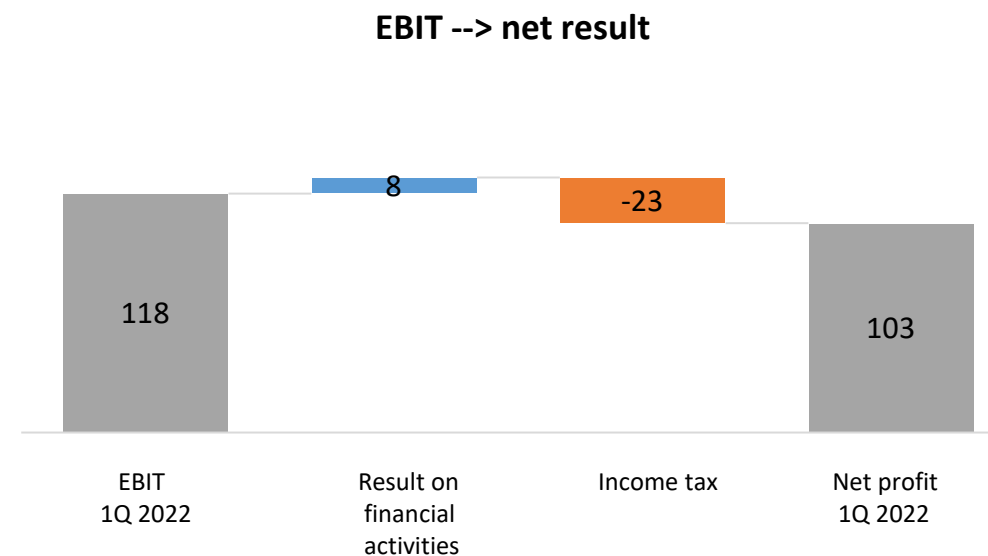
m PLN	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	678	1	7	310	1	-	996
<i>External sale revenues %</i>	<i>94.43%</i>	<i>1.05%</i>	<i>18.92%</i>	<i>100.00%</i>	<i>2.70%</i>	<i>0.00%</i>	<i>100.00%</i>
Sale revenues between segments	40	94	30	-	36	(200)	-
Sale revenue	718	95	37	310	37	(200)	996
Cost of goods sold	(566)	(118)	(31)	(305)	(33)	195	(859)
Gross profit (loss)	152	(24)	6	5	3	(5)	138
<i>Margin %</i>	<i>21.17%</i>	<i>(25.26)%</i>	<i>16.22%</i>	<i>1.61%</i>	<i>8.11%</i>	<i>2.50%</i>	<i>13.86%</i>
EBITDA	147	(21)	4	2	2	(5)	129
<i>Margin %</i>	<i>20.47%</i>	<i>(22.11)%</i>	<i>10.81%</i>	<i>0.65%</i>	<i>5.41%</i>	<i>2.50%</i>	<i>12.95%</i>
EBIT	139	(22)	3	2	1	(5)	118
<i>Margin %</i>	<i>19.36%</i>	<i>(23.16)%</i>	<i>8.11%</i>	<i>0.65%</i>	<i>2.70%</i>	<i>2.50%</i>	<i>11.85%</i>
Net profit (loss)	128	(25)	3	2	-	(4)	103
<i>Margin %</i>	<i>17.83%</i>	<i>(26.32)%</i>	<i>8.11%</i>	<i>0.65%</i>	<i>-</i>	<i>2.00%</i>	<i>10.34%</i>

Financial activities, taxation and net result

[m PLN]



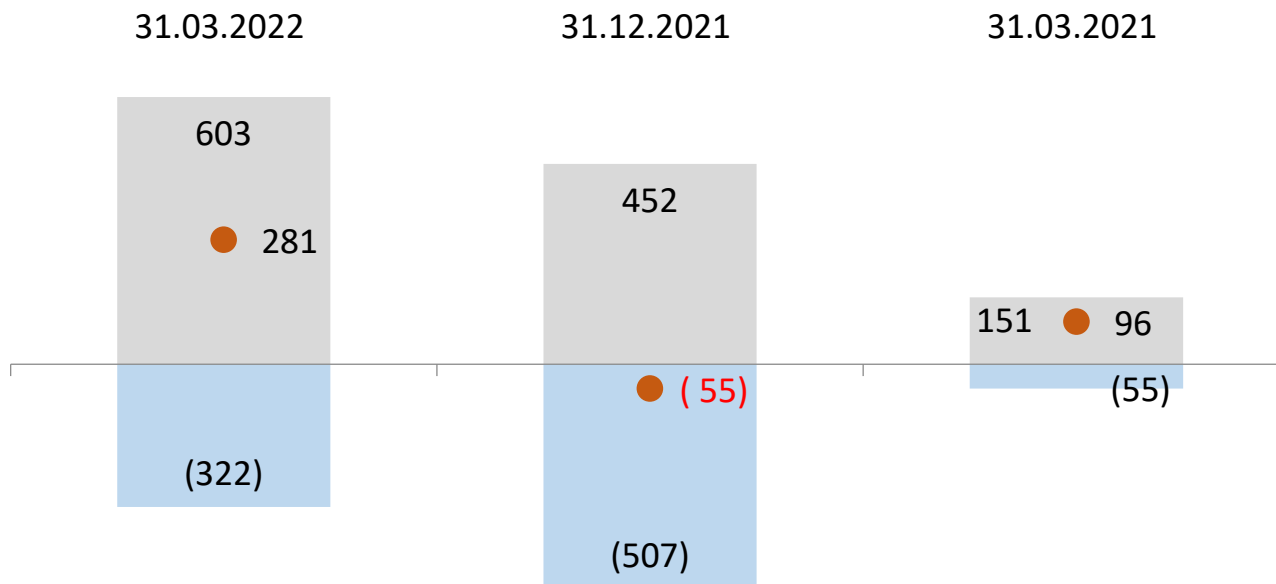
	1Q 2022	1Q 2021
EBIT	118	(8)
Financial income ⁽¹⁾	17	2
Financial cost ⁽²⁾	(8)	(4)
Gross profit (loss)	127	(10)
Income tax (tax overload)	(23)	2
<i>Effective tax rate</i>	<i>18.11%</i>	<i>20.00%</i>
Net profit / (loss) for the period	103	(8)
<i>Margin %</i>	<i>10.34%</i>	<i>-1.73%</i>



(1) Higher financial income means higher interest (+3,5 m) and positive valuation of the interest rate hedge (+11 m).

(2) Higher costs are mainly higher interest (+3,6 m).

Net debt [m PLN]



- Cash and cash equivalents
- Interest bearing loans, borrowings and leases
- Net debt

Net debt / EBITDA

31.03.2022	0.81
31.12.2021	-0.24
31.03.2021	0.69

⁽¹⁾ Cash and cash equivalents from consolidated statement of financial position and other short-term financial assets

Consolidated cash flow statement

[m PLN]



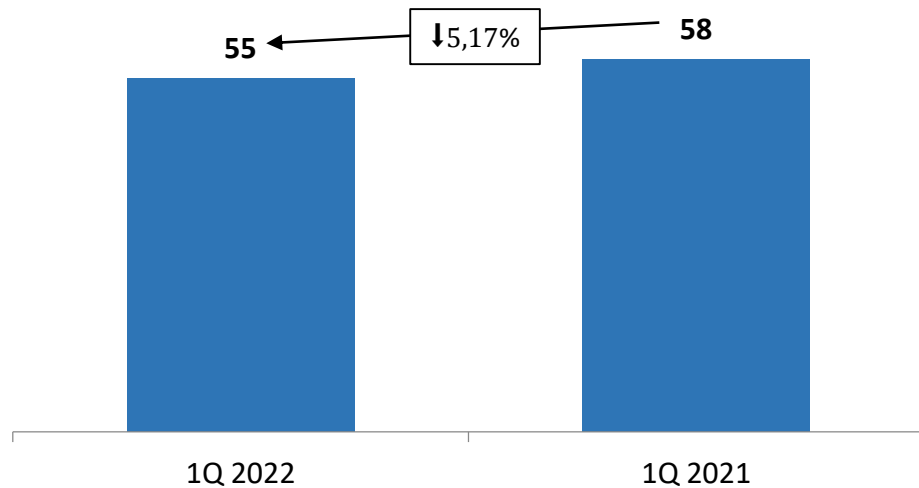
	1Q 2022	1Q 2021
Gross profit (loss)	127	(10)
Depreciation	11	33
Profit/(loss) on investing and financial activities	(1)	(1)
Changes in working capital ⁽¹⁾	753	165
Income tax	(2)	(1)
Acquisition of CO ₂ emission allowances ⁽²⁾	(1.161)	(619)
Other	(5)	3
Net cash flow from operational activities	(279)	(431)
(Inflows/outflows) of investments in property, plant and equipment and intangible assets ⁽³⁾	(44)	(110)
Other inflows and outflows	(11)	2
Net cash flow from investing activities	(55)	(107)
Inflows of credits, loans and securities ⁽⁴⁾	155	104
Payment of credits, loans, leases and securities	(3)	(8)
Interest paid	(2)	(0)
Net cash flow from financial activities	150	96
Change in cash and cash equivalents	(185)	(442)
Cash and cash equivalents at the beginning of the period	507	498
Cash and cash equivalents at the end of the period	322	56

- (1) The positive change in working capital is mainly due to the decrease in receivables due to the decrease in the level of stock exchange deposits and the increase in provisions for the redemption of CO₂ emission allowances.
- (2) Higher expenses for the purchase of emission allowances are the result of the higher cost of their acquisition in 2021 and financial operations related to their settlement.
- (3) The investment expenditures mainly include CAPEX for the construction of a biomass block, but also expenditures on Brudzew photovoltaic farm, Miłosław and Kazimierz Biskupi wind farms projects as well as the purchase of land for the open pit.
- (4) Proceeds from loans and borrowings are mainly loans received from Cyfrowy Polsat (PLN 138 million) for the development of renewable energy projects and working capital financing of PAK-Volt, as well as tranches of investment loans for the construction of a biomass block and a photovoltaic farm in Brudzew (PLN 17 million).

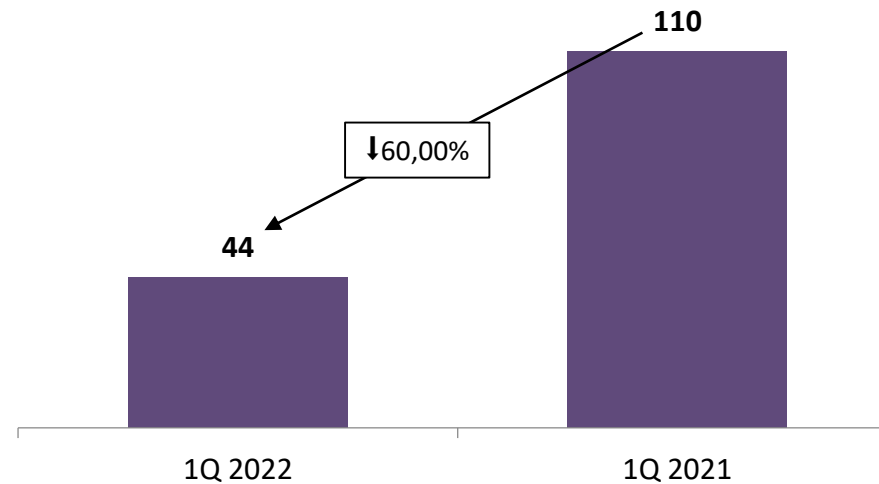
INVESTMENTS



CAPEX [m PLN]



EXPENDITURES [m PLN]



In Q1 2022, ZE PAK SA Group continued the implementation of one large project consisting in the adaptation of K-7 coal boiler at Konin power plant for the exclusive combustion of biomass along with the necessary technical infrastructure, and started the construction of a wind farm in Kazimierz Biskupi.

In addition, investment activity focused on launching projects related to the production and distribution of hydrogen as well as preparatory work for the implementation of further renewable energy sources and the necessary tasks to ensure the maintenance of current efficiency and more effective use of the mining and generation assets held.

STRATEGIC PROJECTS IN RENEWABLE ENERGY SOURCES

As at May 2022



Green energy and heat – Biomass unit no.2 in Konin Power Plant (K7/TG5)

Main technical parameters and financial data:

Rated electric power: 50 MW
Boiler thermal efficiency at 100% WMT: > 88.8%
Thermal power of the system network waters: ≥ 80 MWt

Guaranteed exhaust emission parameters:

SO ₂ concentration < 70 mg/Nm ³	NO _x < 180 mg/Nm ³
CO concentration < 160 mg/Nm ³	dust < 12 mg/Nm ³
HCl concentration < 9 mg/Nm ³	HF < 1 mg/Nm ³
Hg concentration < 5 µg/Nm ³	NH ₃ < 15 mg/Nm ³

Project investment budget:	PLN 212.8 m
Financial advancement:	100%
Completion of K7/TG5 unit test run:	15.04.2022
Commissioning date:	28.04.2022



New transfer tower and biomass feeding pipeline

Hydrogen projects realized in ZE PAK Group

Hydrogen Plant in Konin Power Plant

As part of the first stage of construction, a plant with a capacity of 1 ton of H₂ / day will be launched, based on the Hydrogenics HyLYZER 500-30 electrolyser series.

March 2022: Changing the electrolyser type from the HyLYZER 1000 30 series to HyLYZER 500-30 – annex to the contract was concluded.

April 2022: The supplier of 6/10kV transformer was chosen.

May 2022: The process of agreeing contractual provisions in order to purchase a second HyLYZER 500-30 electrolyser is in progress.



An example of HyLYZER 500-30 bar electrolyser

Hydrogen refueling station in Warsaw

An agreement was concluded with NEL Hydrogen Denmark for the delivery of technological equipment for two hydrogen refuelling stations. Hydrogen storage tanks were provided.

The environmental procedure has been completed, the construction design has been developed.

An application for a building permit has been submitted.

Detailed design of the station infrastructure is in progress.

Mobile hydrogen storage facility

An agreement was signed with Wystrach Germany for the delivery of a mobile hydrogen storage facility. A mobile hydrogen storage facility was delivered.

Hydrogen cars with a capacity of 1024 kg H₂

An agreement was concluded with Wystrach Germany for the delivery of 2 hydrogen cars with a delivery date as at the first part of July 2022.

Polish Hydrogen Bus – Neso Bus

Project status:

20.04.2022

Works on the prototype completed.
EU approval obtained – city bus.

May-June 2022

Official premiere and presentation of the bus.
Launching of Neso Bus website.



Kazimierz Biskupi Wind Farm



Main technical and financial data:

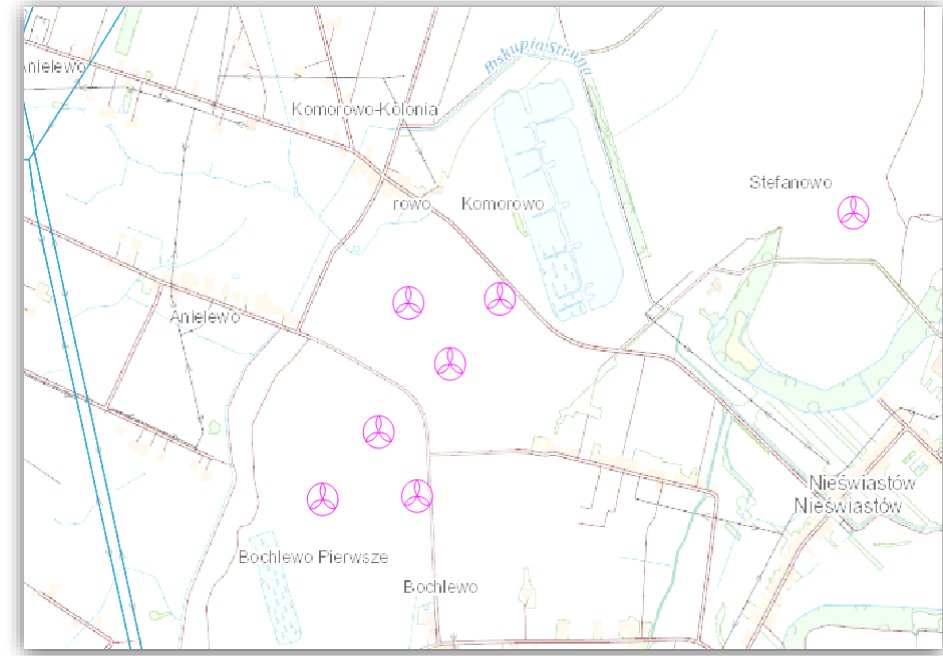
Amount of wind turbines:	7
Project capacity:	17,5 MW
Average annual production:	59 GWh

Status of projet realization

- The main contractor for the work has been selected - PAK Serwis Konin
- Field works were started in the field of roads and service yards, foundations for towers, distribution of medium voltage cables - culverts under roads and squares as well as controlled drillings were made.
- Works on detailed designs and arrangements for the project are being carried out.
- Production is scheduled to start in the third quarter of 2023

Project location:

Wielkopolskie voivodship
Konin Poviast
Kazimierz Biskupi Commune





Project name	Location	Capacity	Project phase	Production
FW Miłosław	Wielkopolskie voivodship Września Powiat Mirosław Commune	9,6 MW	Realization	3 quarter 2023

Status of works

- In December, the project acquisition was completed - contracts for the purchase of assets as well as contracts for the construction, management of a wind farm and purchase of wind turbines were signed.
- Tender procedures for the selection of subcontractors are underway.
- Work is underway on the preparation of construction facilities.
- The planned commencement of field works is 2Q 2023.



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