

ZE PAK SA CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2022

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

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

For a period of 9 months ended 30 September 2022

	<i>Note</i>	<i>A period of 9 months ended 30 September 2022 (unaudited)</i>	<i>A period of 3 months ended 30 September 2022 (unaudited)</i>	<i>A period of 9 months ended 30 September 2021 (unaudited)</i>	<i>A period of 3 months ended 30 September 2021 (unaudited)</i>
Continuing operations					
Revenues, including:	<i>11.1</i>	3 093 364	1 137 001	1 604 146	618 428
<i>Revenues from the contracts with clients</i>		2 972 667	1 099 331	1 300 089	515 276
<i>Other revenues</i>		120 697	37 670	304 057	103 152
Costs of goods sold:	<i>11.6</i>	(2 645 013)	(899 139)	(1 470 283)	(539 230)
<i>Impairment write down on fixed assets and mining assets</i>		-	-	-	-
Gross profit / (loss)		448 351	237 862	133 863	79 198
<i>Other operating revenues</i>	<i>11.2</i>	69 747	29 030	43 883	15 443
<i>Selling and distribution expenses</i>	<i>11.6</i>	(10 710)	(4 518)	(3 553)	(1 040)
<i>Administrative expenses</i>	<i>11.6</i>	(97 409)	(35 872)	(78 352)	(24 861)
<i>Other operating expenses</i>	<i>11.3</i>	(17 097)	(9 706)	(11 924)	(423)
Gross profit / (loss) from operations		392 882	216 796	83 917	68 317
<i>Financial income</i>	<i>11.4</i>	64 513	34 126	49 873	48 756
<i>Financial costs</i>	<i>11.5</i>	(60 840)	(35 549)	(56 299)	(50 025)
Profit / (loss) before tax		396 555	215 373	77 491	67 048
<i>Income tax expense (taxation)</i>	<i>12</i>	(108 347)	(79 744)	28 719	19 173
Net profit / (loss) for the period from continuing operations		288 208	135 629	106 210	86 221
Net profit / (loss) for the period		288 208	135 629	106 210	86 221
<i>Net profit/ (loss) attributable to equity holders of the parent</i>		281 671	129 092	106 210	86 221
<i>Net profit/ (loss) attributable to non-controlling interests</i>		6 537	6 537	-	-
Profit / (loss) per share (in PLN):					
	<i>Note</i>	<i>A period of 9 months ended 30 September 2022 (unaudited)</i>	<i>A period of 3 months ended 30 September 2022 (unaudited)</i>	<i>A period of 9 months ended 30 September 2021 (unaudited)</i>	<i>A period of 3 months ended 30 September 2021 (unaudited)</i>
<i>Basic/diluted for profit for the period from continuing operations attributable to equity holders of the parent</i>	<i>13</i>	5,54	2,54	2,09	1,70

Rules (policies) of accountancy and additional explanatory notes to the consolidated financial statement are its integral part.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For a period of 9 months ended 30 September 2022

	<i>A period of 9 months ended 30 September 2022 (unaudited)</i>	<i>A period of 3 months ended 30 September 2022 (unaudited)</i>	<i>A period of 9 months ended 30 September 2021 (unaudited)</i>	<i>A period of 3 months ended 30 September 2021 (unaudited)</i>
<i>Note</i>				
Net profit / (loss) for the period	288 208	135 629	106 210	86 221
Other comprehensive income				
<i>Items to be reclassified to the profit / (loss) in subsequent reporting periods:</i>				
Exchange differences from converting a foreign unit	44	42	(12)	32
Income tax on other comprehensive income	-	-	-	-
Other comprehensive income to be reclassified to the profit / (loss) in subsequent reporting periods	44	42	(12)	32
<i>Items not to be reclassified to the profit / (loss) in subsequent reporting periods:</i>				
Actuarial gains / (losses) on provisions for post-employment benefits	(160)	(100)	35	62
Income tax on other comprehensive income	30	19	(19)	(6)
Other comprehensive income not to be reclassified to the profit / (loss) in subsequent reporting periods	(130)	(81)	16	56
Net other comprehensive income	(86)	(39)	4	88
Comprehensive income for the period	288 122	135 590	106 214	86 309
Comprehensive income attributable to equity holders of the parent	281 585	129 053	106 214	86 309
Comprehensive income attributable to non-controlling holders	6 537	6 537	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>Note</i>	<i>30 September 2022 (unaudited)</i>	<i>31 December 2021</i>
ASSETS			
Fixed assets			
Property, plant and equipment	<i>14</i>	1 399 133	1 182 258
Assets due to the right of use	<i>15</i>	44 170	45 856
Investment property		1 789	1 810
Intangible assets	<i>16</i>	6 947	2 383
Other long-term financial assets	<i>18.1</i>	135 724	22 622
Other long-term non-financial assets	<i>18.2</i>	41 902	9 998
Deferred tax assets	<i>12.2</i>	12 797	8 769
Total fixed assets		1 642 462	1 273 696
Current assets			
Emission allowances	<i>16</i>	-	-
Inventories	<i>19</i>	101 692	74 241
Trade and other receivables	<i>20</i>	1 153 174	1 394 784
Income tax receivables		547	81
Derivative short-term financial instruments (assets)		25 646	10 540
Other short-term financial assets		-	150
Other short-term non-financial assets	<i>18.2</i>	160 633	50 129
Amounts due from customers under long-term contracts		1 592	1 472
Cash and cash equivalents	<i>21</i>	937 529	506 669
Total current assets		2 380 813	2 038 066
TOTAL ASSETS		4 023 275	3 311 762

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	<i>Note</i>	<i>30 September 2022</i> <i>(unaudited)</i>	<i>31 December 2021</i>
LIABILITIES AND EQUITY			
Equity			
Share capital		101 647	101 647
Reserve capital		1 133 179	1 131 326
Other reserve capital		3 472	3 472
Retained earnings / Accumulated losses		(506 107)	(711 828)
Exchange differences from converting a foreign unit		54	10
Equity attributable to equity holders of the parent		732 245	524 627
Equity attributable to non-controlling interests		485 267	(395)
Total equity		1 217 512	524 232
Long-term liabilities			
Interest-bearing loans and borrowings	23	670 449	249 226
Long-term employee benefits		26 926	27 155
Trade liabilities and other long-term financial liabilities	25.1	2 781	467
Long-term lease liabilities	15	39 636	41 515
Subsidies and deferred long-term revenues	25.4	4 282	4 317
Other long-term provisions and accruals	24	461 864	439 105
Deferred income tax	12.2	26 105	32 802
Total long-term liabilities		1 232 043	794 587
Short-term liabilities			
Trade liabilities and other short-term financial liabilities	25.2	246 982	251 887
Short-term lease liabilities	15	5 020	6 316
Current portion of interest-bearing loans and borrowings	23	415 408	202 545
Short-term derivative financial instruments (liabilities)		-	3 606
Other non-financial liabilities	25.3	39 674	200 723
Current income tax liability		12 434	663
Short-term employee benefits		4 089	4 371
Subsidies and deferred short-term revenues		46	46
Amounts due to customers under long-term contracts		2 467	3 680
Other short-term provisions and accruals	24	847 600	1 319 106
Total short-term liabilities		1 573 720	1 992 943
Total liabilities		2 805 763	2 787 530
TOTAL LIABILITIES AND EQUITY		4 023 275	3 311 762

Rules (policies) of accountancy and additional explanatory notes to the consolidated financial statement are its integral part.

CONSOLIDATED STATEMENT OF CASH FLOWS

For a period of 9 months ended 30 September 2022

	<i>A period ended 30 September 2022 (unaudited)</i>	<i>A period ended 30 September 2021 (unaudited)</i>
Cash flow from operating activities		
Profit /(loss) before tax	396 555	77 491
Adjustments for:		
Depreciation and amortization	32 548	100 406
Interests and shares in profits	15 019	170
(Profit) / loss on foreign exchange differences	280	504
(Profit) / loss on investing activities	(13 968)	(25 960)
(Increase) / decrease in receivables	151 817	(238 475)
(Increase) / decrease in inventories	(27 451)	(5 330)
Increase / (decrease) in payables except for loans and borrowings	(190 150)	161 854
Change in provisions, prepayments, accruals and employee benefits	806 724	416 988
Income tax (paid)/refunded	(108 175)	15 649
Allowances for emission of CO ₂	(1 319 523)	(639 064)
Impairment write down on fixed assets and mining assets	-	-
Other	971	1 917
Net cash flow from operating activities	(255 353)	(133 850)
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	20 753	28 070
Purchase of property, plant and equipment and intangible assets	(280 777)	(372 586)
Expenses and receipts related to other financial assets	(7 200)	(15 027)
Acquisition of subsidiaries	(93 374)	-
Received dividends	-	46
Other	235	(19)
Net cash flow from investing activities	(360 363)	(359 516)
Cash flow from financing activities		
Impact due to the increase in the value of shares	478 730	-
Payment of finance lease liabilities	-	(207)
Proceeds from loans and borrowings and debt securities	608 716	439 756
Repayment of loans and borrowings and debt securities	(20 803)	(79 111)
Interest paid	(21 632)	(1 119)
Other	1 393	-
Net cash flow from financing activities	1 046 404	359 319
Net increase / (decrease) in cash and cash equivalents	430 688	(134 047)
Cash and cash equivalents at the beginning of the period	506 669	497 601
Cash and cash equivalents at the end of the period	937 357	363 554

Rules (policies) of accountancy and additional explanatory notes to the consolidated financial statement are its integral part.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For a period of 9 months ended 30 September 2022 (unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Other reserve capital</i>	<i>Retained earnings / accumulated losses</i>	<i>Exchange differences from converting a foreign unit</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
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	-	-	-	281 671	-	281 671	6 537	288 208
Total other comprehensive income	-	-	-	(130)	44	(86)	-	(86)
Total income for the period	-	-	-	281 541	44	281 585	6 537	288 122
Acquisition of companies	-	-	-	(70 193)	-	(70 193)	-	(70 193)
Liquidation of the company	-	-	-	(3 379)	-	(3 379)	-	(3 379)
Liquidation of fixed assets	-	1 853	-	(1 853)	-	-	-	-
Transfer of non-controlling interest's profits to retained earnings	-	-	-	(395)	-	(395)	395	-
Other changes	-	-	-	-	-	-	478 730*	478 730
As at 30 September 2022	101 647	1 133 179	3 472	(506 107)	54	732 245	485 267	1 217 512

* purchase of shares by Cyfrowy Polsat SA.

Accounting principles (policies) and additional explanatory notes to the consolidated financial statements are an integral part thereof.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For a period of 9 months ended 30 September 2021 (unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Other reserve capital</i>	<i>Retained earnings / accumulated losses</i>	<i>Exchange differences from converting a foreign unit</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
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								
Total other comprehensive income	-	-	-	106 210	-	106 210	-	106 210
As at 1 January 2020	-	-	-	16	(11)	5	-	5
Total income for the period	-	-	-	106 226	(11)	106 215	-	106 215
Acquisition of companies	-	-	-	(342)	-	(342)	12	(330)
Transfer of non-controlling interest's profits to retained earnings	-	-	-	(1 751)	-	(1 751)	1 751	-
Other changes	-	-	-	1	-	1	-	1
As at 30 September 2021	101 647	1 124 376	3 472	(174 190)	32	1 055 337	12	1 055 349

Accounting principles (policies) and additional explanatory notes to the consolidated financial statements are an integral part thereof.

ADDITIONAL EXPLANATORY NOTES

1. General information

ZE PAK SA Capital Group („Group”, „Capital Group”, „ZE PAK SA Group”) consists of ZE PAK SA („parent Company”, „Company”, „ZE PAK SA”) and its subsidiaries (see Note 2).

The interim condensed consolidated financial statements of the Group cover the 9-month period ended September 30, 2022 and contain comparative data for the 9-month period ended September 30, 2021 and data as at December 31, 2021. The interim condensed consolidated statement of comprehensive income, the consolidated profit and loss account and additional explanatory notes also present financial information for the 3-month period ended September 30, 2022 and comparative data for the 3-month period ended September 30, 2021.

The parent company is entered in the register of entrepreneurs of the National Court Register kept by the District Court Poznań - Nowe Miasto and Wilda in Poznań, IX Commercial Division of the National Court Register, under 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) generation and sale of heat (steam and hot water),
- 3) lignite extraction.

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

Through Mr. Zygmunt Solorz, the Company has personal connections with other entities.

2. Composition of the Group

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

Entity	Registered office	Scope of operations	Group's share in the capital %	
			As at 30 September 2022	As at 31 December 2021
„PAK-Polska Czysta Energia” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holding companies	59,59%	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 conservation of machines	100,00%	100,00%
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100,00%*	100,00%*
„PAK-Volt” SA	04-028 Warszawa Al. Stanów Zjednoczonych 61	Trade of electricity	100,00%*	100,00%
„PAK-PCE Polski Autobus Wodorowy” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production of buses	100,00%*	100,00%*
„PAK-PCE Fotowoltaika” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%

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„PAK–PCE Stacje H2” sp. z o.o. (wcześniej „PAK–PCE Biogaz” sp. z o.o.)	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PAK–PCE Biopaliwa i Wodór” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Generation of electricity	100,00%*	100,00%*
„PAK–PCE Wiatr” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PG Hydrogen” sp. z o.o.	02-673 Warszawa ul. Konstruktorska 4	Manufacture of engines and turbines, except aircraft, car and motorcycle engines	52,00%*	52,00%*
„Exion Hydrogen Polskie Elektrolizery” sp. z o.o.	80-701 Gdańsk ul. Ku Ujściu 19	Design and production of electrolyzers	80,00%*	80,00%
„Exion Hydrogen Belgium” BV	Slachthuisstraat 120 Bus 12 2300 Turnhout	Design and production of electrolyzers	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	Generation of electricity	100,00%*	100,00%*
„PCE–OZE 2” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PCE–OZE 3” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PCE–OZE 4” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PCE–OZE 5” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PCE–OZE 6” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PAK CCGT” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%	100,00%
„MESE” sp. z o.o.	04-028 Warszawa Al. Stanów Zjednoczonych 61A	Generation of electricity	90,00%*	90,00%*
„Park Wiatrowy Pałczyn 1” sp. z o.o. **	70-479 Szczecin Al. Wojska Polskiego 68	Generation of electricity - wind energy	100,00%*	100,00%*
„Park Wiatrowy Pałczyn 2” sp. z o.o. **	70-479 Szczecin Al. Wojska Polskiego 68	Generation of electricity - wind energy	100,00%*	100,00%*
„PAK Pątnów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%	-
„Ørsted Polska OF SPV 1” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	60,00%	-
„Ørsted Polska OF SPV 2” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	1,00%	-
„Ørsted Polska OF SPV 3” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	1,00%	-
„Ørsted Polska OF SPV 4” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	1,00%	-

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„Ørsted Polska OF SPV 5” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	1,00%	-
„Ørsted Polska OF SPV 6” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	60,00%	-
„Ørsted Polska OF SPV 7” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	1,00%	-
„Ørsted Polska OF SPV 8” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	50,00%	-
„Ørsted Polska OF SPV 9” sp. z o.o. (wcześniej „Mawzorino Investments” sp. z o.o.)	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	50,00%	-
„Ørsted Polska OF SPV 10” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Electricity generation - offshore wind energy	50,00%	-
„PAK ATOM” SA	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%	-
„PAK-PCE FW Okonek” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity - wind energy	100,00%*	-
„PAK-PCE FW Jastrowie” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity - wind energy	100,00%*	-
„Farma Wiatrowa Przyrów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity - wind energy	100,00%*	-
„Great Wind” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity - wind energy	100,00%*	-
„Eviva Lębork” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity - wind energy	100,00%*	-
„PAK Kopalnia Węgla Brunatnego Adamów” SA w likwidacji	62-700 Turek Warenka 23	Lignite extraction	100,00%	100,00%
„Aquakon” sp. z o.o. w likwidacji	62-610 Sompolno Police	Company in liquidation	99,08%*	99,08%*

* Entities in which ZE PAK SA holds an indirect share in the capital.

** On November 28, 2022, the companies "Park Wiatrowy Palczyn 1" sp. z o.o. were merged. (acquiring company) and "Park Wiatrowy Palczyn 2" sp. z o.o. (acquired company).

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

3. Composition of the Management Board of the parent Company

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

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

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

This interim condensed consolidated financial statement was developed in accordance with the International Accounting Standards 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 should be read together with the consolidated financial statement of the Group for the year concluded on 31 December 2021 authorized for issue on 28 April 2022.

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

The balance sheet value of recognized hedged assets and liabilities is adjusted by changes in fair value which can be attributed to the risk against which these assets and liabilities are hedged.

This interim condensed consolidated financial statement is presented in PLN, and all values, unless indicated otherwise, are provided in thousands of PLN.

4.1. Going concern assumptions

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, i.e. at least for the next 12 months from the date of these financial statements.

5. New standards and interpretations which were issued but are not effective yet

In consolidated financial statements, the Group did not decide to apply the following published standards, interpretations or amendments to the existing standards earlier before 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 May 18, 2017, while the amendments to IFRS 17 were published on June 25, 2020. The new revised standard is effective for annual periods beginning on or after January 1, 2023.

IFRS 17 Insurance Contracts will replace the current IFRS 4, which allows a variety of practice in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting of all entities that deal with insurance contracts 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 changes are effective for financial statements for periods beginning on or after January 1, 2023.

As at the date of preparing these consolidated financial statements, the amendment has not yet been approved by the European Union.

- **Annual amendments to IFRS 2018 - 2020**

"Annual amendments to IFRS 2018-2020" introduce changes to the standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and to the illustrative examples to IFRS 16 "Leasing"

The amendments explain and clarify the guidelines of the standards for recognition and measurement.

- **Amendments to IAS 1 "Presentation of Financial Statements" and guidance of the IFRS Board on disclosures about accounting policies in practice**

The amendment to IAS 1 introduces the requirement to disclose significant information about the accounting principles defined in the standard. The amendment explains that information on accounting policies is material if, in the absence of such information, users of the financial statements would not be able to understand other material information included in the financial statements. In addition, the Board's guidance on applying the concept of materiality in practice has also been revised to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"**

In February 2021, the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of accounting estimates. The amendment to IAS 8 explains how entities should distinguish changes in accounting policies from changes in accounting estimates. The change is effective from January 1, 2023.

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

Amendments to IAS 12 clarify how to account for deferred tax on transactions such as leasing and decommissioning liabilities. Before the amendment to the standard, there were uncertainties as to whether the exemption from the

recognition of deferred tax recognized for the first time applied to this type of transaction, i.e. where both deferred tax assets and liabilities are recognized. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions which, upon initial recognition, give rise to the same taxable and deductible temporary differences.

The amendment is effective for financial statements for periods beginning on or after January 1, 2023. As at the date of preparing these consolidated financial statements, the changes have not yet been approved by the European Union.

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

This change concerns transitional requirements related to the first-time application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments". The amendment introduces the possibility of improving the usefulness of information for investors on the first application of the new standard.

The change concerns only the transition of insurers to the new standard, it does not affect any other requirements contained in IFRS 17.

As at the date of preparation of these consolidated financial statements, these changes have not yet been approved by the European Union.

- **IFRS 14 „Regulatory prepayments”**

This standard allows entities that prepare financial statements in accordance with IFRS for the first time (on or after 1 January 2016) to recognize amounts resulting from activities with regulated prices in accordance with the accounting principles applied so far. To improve comparability, with entities that already apply IFRS and do not report such amounts, in accordance with IFRS 14, the amounts resulting from activities with regulated prices should be presented in a separate line both in the statement of financial position and in the profit and loss account and in statement of other comprehensive income.

By the 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 associates or joint ventures**

The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to the associate or joint venture constitute a "business".

In the event that the non-monetary asset constitutes a "business", the investor shows the full gain or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss only to the extent of the interests of other investors.

The changes were published on September 11, 2014. As at the date of preparation of these consolidated financial statements, the approval of this amendment is postponed by the European Union.

As at the date of approval of these consolidated financial statements for publication, the Management Board has not yet completed work on the assessment of the impact of the introduction of the above standards and interpretations on the accounting policies applied by the Group in relation to the Group's operations or its financial results.

The effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union. The Group has not decided to early apply any standard, interpretation or amendment that has been published but has not yet come into force in the light of the European Union regulations.

6. Significant principles (policy) of accounting

The principles (policy) of accounting used to prepare the interim condensed consolidated financial statements are coherent with those used for preparing the annual consolidated financial statements of the Group for the year beginning on 1 January 2021.

7. Significant values based on professional judgement and estimates

The range of significant values based on professional judgement and estimates was presented in the consolidated financial statements prepared as at December 31, 2021 and has not changed in the current period.

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

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

7.2. War in Ukraine

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

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

High volatility of commodity markets (especially the energy and CO₂ allowances markets) means that the Company risks having to replenish open position margins on the futures markets.

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

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

It is impossible in the current situation to predict neither the scale of the ongoing armed conflict nor its duration or all of its consequences that can directly or indirectly affect the Company's activities. The Company monitors the development of the situation on an ongoing basis. It also undertakes actions mitigating adverse consequences of the unstable situation. The Company has increased, among others, the availability of various forms of hedging its positions within the futures energy and CO₂ emission allowance markets. It also conducts talks with biomass suppliers in order to work out solutions related to biomass supplies that are satisfactory for both sides. In the current situation, the Company evaluates the impact that the armed conflict has on its activities as moderate. No additional adjustments and provisions on account of the situation in Ukraine were disclosed in this statement.

7.3. Other essential values based on professional judgement and estimates

Valuation of energy certificates

The Group recognises energy certificates of origin (green certificates) on account of energy production from renewable energy, gas, and peak-load co-generation sources according to the fair value at the end of the month, during which they were produced. At the balance sheet date, the Group evaluates certificates of origin to the achievable net value – for green certificates on 30 September 2022 at PLN 159,51 per MWh. Price data is derived from the listings on the Towarowa Gielda Energii SA. A write-down against the certificate value is created in case the sale price possible to achieve,

diminished by the disposition costs, is lower than the historical production cost. The write-down amount as at 30 September 2022 is PLN 598 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 CO₂ emission allowance prices and legal regulations associated with EU's climate policy are a source of uncertainty.

Emission within the ZE PAK SA Group during the 6-month period ended on 30 September 2022 amounted to 2 630 571 tons CO₂.

Loss provision

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

The aforementioned Revision resulted in a reduced EBITDA and net result of the Group for 3Q 2022 by approx. PLN 16 MM.

8. Change of estimates

Except for the ones described in the financial statement, there were no significant changes in the estimates and estimation methodologies during the 9-month period ended on 30 September 2022 that would affect the current or future periods.

9. Seasonality of activities

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

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

10. Operating segments

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

Therefore, the following operating segments were distinguished:

- The Generation Segment covering production of electricity from both conventional sources (including co-generation) and through biomass combustion and co-combustion. Basic fuels used by the Generation Segment are lignite and biomass. The Generation Segment covers following entities:
 - ZE PAK SA
 - PAK – Polska Czysta Energia sp. z o.o.
 - PAK – PCE Fotowoltaika sp. z o.o.
 - PAK – PCE Stacje H2 sp. z o.o.

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- PAK – PCE Biopaliwa i Wodór sp. z o.o.
- PAK – PCE Wiatr sp. z o.o.
- PCE – OZE 1 sp. z o.o.
- PCE – OZE 2 sp. z o.o.
- PCE – OZE 3 sp. z o.o.
- PCE – OZE 4 sp. z o.o.
- PCE – OZE 5 sp. z o.o.
- PCE – OZE 6 sp. z o.o.
- PAK CCGT sp. z o.o.
- Park Wiatrowy Pałczyn 1 sp. z o.o.
- Park Wiatrowy Pałczyn 2 sp. z o.o.
- Farma Wiatrowa Kazimierz Biskupi sp. z o.o.
- Farma Wiatrowa Przyrów sp. z o.o.
- Great Wind sp. z o.o.
- Eviva Lębork sp. z o.o.
- PAK ATOM SA
- PAK–PCE FW Okonek sp. z o.o.
- PAK–PCE FW Jastrowie 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. In the period of 9 months ended 30 September 2022, it includes the activities of other companies.

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

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

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

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

Total EBITDA for the entire ZE PAK SA Capital Group:

*9-month period ended on
30 September 2022 (not
audited)*

*9-month period ended
on 30 September
2021 (not audited)*

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Net profit/(loss)	288 208	106 210
Net profit/(Loss)	- 64 513	- 49 873
Financial revenues	+ 60 840	+ 56 299
Financial costs	+ 108 347	- 28 719
Income tax	<u>+ 32 548</u>	<u>+ 101 468</u>
Depreciation and impairment write-downs	<u>425 430</u>	<u>185 385</u>
EBITDA	<u> </u>	<u> </u>

The tables below show results for segments for the 9-month periods ended on 30 September 2022 and 30 September 2021.

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9-month period ended on 30 September 2022 (not audited)

	Generation	Extraction	Renovation	Sales	Other	Consolidation adjustments	Total
Revenues from sales to external clients	2 098 034	1 860	43 858	943 502	6 110	-	3 093 360
Revenues from inter-segment sales	175 747	407 571	91 059	432	95 849	(770 658)	
Sales revenues	2 273 781	409 431	134 917	943 934	101 959	(770 658)	3 093 360
Prime cost	(1 955 859)	(336 783)	(128 008)	(904 373)	(93 809)	773 819	(2 645 013)
Gross profit/(loss) from sales	317 922	72 648	6 909	39 561	8 150	3 161	448 350
Other operating revenues	43 748	27 371	108	215	2 081	(3 776)	69 747
Selling costs	(1 395)	-	-	(5 366)	(3 949)	-	(10 710)
Overheads	(48 143)	(28 127)	(8 284)	(2 841)	(10 014)	-	(97 409)
Other operating costs	(15 344)	(989)	(206)	(207)	(266)	(85)	(17 097)
Financial revenues	65 276	3 632	836	642	4 272	(10 145)	64 513
Financial costs	(49 676)	(14 022)	(293)	(4 471)	(3 325)	10 947	(60 840)
Gross profit/(loss)	312 388	60 513	(930)	27 533	(3 051)	102	396 550
Income tax (tax load)	(103 673)	(8)	176	(3 991)	(1 354)	503	(108 347)
Net profit/(loss) from continuing operations	208 715	60 505	(754)	23 542	(4 405)	605	288 201
Profit/(loss) from operating activities, excl. financial operations and income tax	296 788	70 903	(1 473)	31 362	(3 998)	(700)	392 880
Depreciation and amortization	25 578	3 787	1 911	8	2 815	(1 551)	32 543
Impairment write-down	-	-	-	-	-	-	
EBITDA	322 366	74 690	438	31 370	(1 183)	(2 251)	425 430

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9-month period ended on 30 September 2021 (not audited)

	Generation	Extraction	Renovation	Sales	Other	Consolidation adjustments	Total
Revenues from sales to external clients	1 371 487	11 786	41 551	175 038	4 284	-	1 604 146
Revenues from inter-segment sales	89 525	338 127	106 053	-	102 612	(636 317)	-
Sales revenues	1 461 012	349 913	147 604	175 038	106 896	(636 317)	1 604 146
Prime cost	(1 367 631)	(335 871)	(128 535)	(170 220)	(101 305)	633 279	(1 470 283)
Gross profit/(loss) from sales	93 381	14 042	19 069	4 818	5 591	(3 038)	133 863
Other operating revenues	15 980	26 744	524	2 107	241	(1 713)	43 883
Selling costs	(1 574)	-	-	(1 704)	(275)	-	(3 553)
Overheads	(33 215)	(29 854)	(7 442)	(2 416)	(5 425)	-	(78 352)
Other operating costs	(9 934)	(1 650)	(206)	(60)	(165)	91	(11 924)
Financial revenues	50 743	1	168	-	-	(1 039)	49 873
Financial costs	(57 536)	(6 373)	(172)	(204)	(239)	8 225	(56 299)
Gross profit/(loss)	57 845	2 910	11 941	2 541	(272)	2 526	77 491
Income tax (tax load)	36 021	(4 405)	(2 614)	(801)	(387)	905	28 719
Net profit/(loss) from continuing operations	93 866	(1 495)	9 327	1 740	(659)	3 431	106 210
Profit/(loss) from operating activities, excl. financial operations and income tax	64 638	9 282	11 945	2 745	(33)	(4 660)	83 917
Depreciation and amortization	85 201	10 514	1 936	8	3 089	720	101 468
Impairment write-down	-	-	-	-	-	-	-

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EBITDA	149 839	19 796	13 881	2 753	3 056	(3 940)	185 385
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11. Revenues and costs

11.1. Sales revenues

	<i>9-month period ended on</i>	<i>3-month period ended on</i>	<i>9-month period ended on</i>	<i>3-month period ended on</i>
	<i>30 September 2022 (not audited)</i>	<i>30 September 2022 (not audited)</i>	<i>30 September 2021 (not audited)</i>	<i>30 September 2021 (not audited)</i>
Material structure				
Revenues from the sale of goods and services, including:				
Revenues from the sale of own-production electricity	1 397 176	497 638	920 891	397 569
Revenues from sales of electric energy from trade	1 305 778	510 469	276 050	84 549
Revenues from the sale of thermal energy	42 293	12 367	36 970	8 298
Capacity market revenues	121 868	37 797	139 855	48 052
Other sales revenues	75 631	25 385	34 425	11 637
Revenues from contracts for construction services	32 744	16 325	32 881	13 694
Total revenues from the sale of goods and services	2 975 490	1 099 981	1 441 072	563 799
Excise duty	(2 823)	(650)	(1 128)	(471)
Total revenues from the sale of goods and services, including excise duty tax	2 972 667	1 099 331	1 439 944	563 328
Property rights on energy certificates of origin	41 720	11 580	53 098	21 608
Compensation for termination of long-term contracts	78 977	26 090	111 104	33 492
Total sales revenues	3 093 364	1 137 001	1 604 146	618 428

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

11.2. Other operating income

	<i>9-month period ended on</i>	<i>3-month period ended on</i>	<i>9-month period ended on</i>	<i>3-month period ended on</i>
	<i>30 September 2022 (not audited)</i>	<i>30 September 2022 (not audited)</i>	<i>30 September 2021 (not audited)</i>	<i>30 September 2021 (not audited)</i>
Revenues from the sale of CO ₂ allowances	-	-	6 186	-
Compensation revenues	899	783	646	279
Utilization of a forward contract hedging the purchase of CO ₂ emission allowances	5 236	5 236	2 437	(3 078)
Exchange differences related to the purchase of CO ₂ emission allowances	4 790	4 790	-	-
Subsidy settlement	497	13	411	95
Profit from sales of non-financial fixed assets	57	34	2 699	1 776
Termination of the cost and loss provision, and liability redemption	16 900	(214)	26 027	16 472
Revenues from scrap sales and demolition	7 658	7 403	1 715	(101)
Sales of other materials	25 907	7 677	3 762	-
Other	6 395	2 089	-	-

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Other total operating revenues	1 408	1 219	-	-
Subsidy settlement	69 747	29 030	43 883	15 443

11.3. Other operating costs

	<i>9-month period ended on</i>	<i>3-month period ended on</i>	<i>9-month period ended on</i>	<i>3-month period ended on</i>
	<i>30 September 2022 (not audited)</i>	<i>30 September 2022 (not audited)</i>	<i>30 September 2021 (not audited)</i>	<i>30 September 2021 (not audited)</i>
Loss on sale of tangible fixed assets	500	-	30	21
Provision creation	281	6	1 000	24
Receivables impairment write-down	508	11	9 035	7
Penalties and compensation	51	1	460	9
Energy damage	145	145	102	4
Donations	1 147	37	59	2
Costs of shortages and damages	804	-	-	-
Return of free CO2 emission allowances due to discontinuation of the investment	7 519	7 519	-	-
Other	6 142	1 987	1 238	356
Total other operating expenses	17 097	9 706	11 924	423

11.4. Financial revenues

	<i>9-month period ended on</i>	<i>3-month period ended on</i>	<i>9-month period ended on</i>	<i>3-month period ended on</i>
	<i>30 September 2022 (not audited)</i>	<i>30 September 2022 (not audited)</i>	<i>30 September 2021 (not audited)</i>	<i>30 September 2021 (not audited)</i>
Revenues from interest	10 292	5 498	26	5
Interest of Huta Łaziska SA in arrangement bankruptcy	-	-	46 360	46 360
Dividends	222	222	46	46
Positive foreign exchange differences	16 368	14 207	2 289	1 194
Measurement of exchange rate (forward) and interest rate (IRS) hedging instruments	29 764	9 450	1 150	1 150
Other	7 867	4 749	2	1
Total financial revenues	64 513	34 126	49 873	48 756

11.5. Financial costs

	<i>9-month period ended on</i>	<i>3-month period ended on</i>	<i>9-month period ended on</i>	<i>3-month period ended on</i>
	<i>30 September 2022 (not audited)</i>	<i>30 September 2022 (not audited)</i>	<i>30 September 2021 (not audited)</i>	<i>30 September 2021 (not audited)</i>
Interest	45 680	27 587	4 141	1 233
Write-down of shares of Huta Łaziska SA in arrangement bankruptcy	-	-	46 360	46 360
Valuation and execution of derivative financial instruments	2 458	2 338	-	-
Negative foreign exchange differences	1 606	1 571	268	64
Power unit decommissioning provision discount	195	65	228	76

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Land reclamation provision discount	7 095	2 365	4 681	2 085
Investment value update	945	945	-	-
Other	2 861	678	621	207
Total financial costs	60 840	35 549	56 299	50 025

11.6. Costs by type

	<i>9-month period ended on 30 September 2022 (not audited)</i>	<i>3-month period ended on 30 September 2022 (not audited)</i>	<i>9-month period ended on 30 September 2021 (not audited)</i>	<i>3-month period ended on 30 September 2021 (not audited)</i>
Depreciation and amortization	32 548	9 907	101 468	33 892
Write-downs on fixed assets	-	-	-	-
Impairment write-downs against inventory	6 870	1 316	-	-
Consumption of materials	331 917	132 342	242 548	79 061
Outsourcing	86 310	33 476	70 895	29 744
Taxes and fees excluding excise tax	98 155	32 998	112 319	38 569
CO ₂ emission costs	762 807	267 564	429 182	198 922
Employee benefits including:	299 908	103 977	273 815	85 263
<i>Salaries</i>	238 887	85 749	213 583	69 016
<i>Social and other insurance Benefits</i>	61 021	18 228	60 232	16 247
Other costs by type	19 766	(25 281)	17 312	(658)
Value of sold goods and materials and of sold energy purchased in trade	1 158 482	395 964	333 677	112 994
Total costs by type	2 796 763	952 263	1 581 216	577 787
Items recognized in prime cost of sales	2 645 013	899 139	1 470 283	539 230
Items recognized in selling costs	10 710	4 518	3 553	1 040
Items recognized in overheads	97 409	35 872	78 352	24 861
Change in product stock	43 380	12 561	28 732	12 575
Costs of generating house-load services	251	173	296	81

12. Income tax

12.1. Tax load

The tax load main components for the 9-month period ended on 30 September 2022 and 30 September 2021 are as follows:

	<i>9-month period ended on 30 September 2022 (not audited)</i>	<i>3-month period ended on 30 September 2022 (not audited)</i>	<i>9-month period ended on 30 September 2021 (not audited)</i>	<i>3-month period ended on 30 September 2021 (not audited)</i>

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<i>Recognized in profit or loss</i>				
<i>Current income tax</i>				
Current income tax liabilities	119 054	117 556	2 905	(70)
 <i>Deferred income tax</i>				
Associated with the creation and reversal of temporary differences	(10 711)	(37 809)	(31 633)	(19 103)
Other changes	4	(3)	9	-
Tax load in consolidated profit or loss	108 347	79 744	(28 719)	(19 173)
 <i>Included in the consolidated statement of comprehensive income</i>				
Tax on actuarial profit/loss	30	19	(19)	(6)
Tax benefit/(tax load) recognized in other comprehensive income	30	19	(19)	(6)

12.2. Deferred income tax

Deferred income tax results from the following positions:

	<i>30 September 2022 (not audited)</i>	<i>30 September 2021</i>
Deferred tax assets		
Balance sheet provisions	11 911	10 238
Interest and foreign exchange differences	4	938
Valuation of uncompleted construction service contracts	2 354	1 934
Tax loss from previous years	1 012	41 410
Inventories value impairment write-down	236	3 263
Liability value impairment write-down	2 269	2 347
The difference between the carrying and tax value of fixed assets	696	-
Settlements with employees	755	573
Other	8 360	3 252
Total	<u>27 597</u>	<u>63 955</u>
Deferred tax provisions		
Difference between the balance sheet and tax value of fixed assets	18 959	60 183
Receivable on account of LTC	6 415	14 861
Energy certificates	3 417	6 322
Interest and foreign exchange differences	4 357	967
Valuation of uncompleted construction service contracts	2 188	1 544
Other	5 569	4 111
Total	<u>40 905</u>	<u>87 988</u>
<i>After consolidating balances at Capital Group company level, deferred tax is presented as:</i>		
Assets:	12 797	8 769

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Provision:	26 105	32 802
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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:

	<i>9-month period ended on 30 September 2022 (not audited)</i>	<i>3-month period ended on 30 September 2022 (not audited)</i>	<i>9-month period ended on 30 September 2021 (not audited)</i>	<i>3-month period ended on 30 September 2021 (not audited)</i>
Net profit/(loss) from continuing operations attributable to parent company shareholders	281 671	129 092	106 210	86 221
Profit from discontinued operations attributable to parent company shareholders	-	-	-	-
Net profit/(loss) attributable to parent company shareholders, applied to calculate diluted earnings per share	281 671	129 092	106 210	86 221
Weighted average number of ordinary shares, applied to calculate the basic and diluted earnings per share (in units)	50 823 547	50 823 547	50 823 547	50 823 547

The table below shows profit/(loss) per share in PLN, for the 9-month period ended on 30 September 2022 and 30 September 2021, presented in the income statement

	<i>9-month period ended on 30 September 2022 (not audited)</i>	<i>3-month period ended on 30 September 2022 (not audited)</i>	<i>9-month period ended on 30 September 2021 (not audited)</i>	<i>3-month period ended on 30 September 2021 (not audited)</i>
Basic on profit/(loss) for the financial year, attributable to parent company shareholders	5,54	2,54	2,09	1,70
Diluted on profit/(loss) for the financial year, attributable to parent company shareholders	5,54	2,54	2,09	1,70

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

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14. Tangible fixed assets

9-month period ended on 30 September 2022 (not audited)

	<i>Lands, including perpetual usufruct rights*</i>	<i>Buildings and structures</i>	<i>Technical equipment</i>	<i>Means of transport</i>	<i>Other fixed assets</i>	<i>Fixed assets in construction</i>	<i>Total</i>
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	573	1 707	1 557	988	803	243 031	248 659
Renovations	-	-	(216)	-	-	-	(216)
Transfer from fixed assets under construction	8 210	23 797	207 688	303	2 038	(242 036)	-
Sales and liquidation	(1 068)	(128 615)	(318 441)	(12 523)	(1 415)	-	(462 062)
Reclassification	8	(8)	-	-	-	7 293	7 293
Other changes	-	-	-	-	-	(21 470)	(21 470)
Gross value as at 30 September 2022	<u>255 545</u>	<u>1 976 777</u>	<u>4 917 851</u>	<u>43 623</u>	<u>36 327</u>	<u>300 887</u>	<u>7 531 010</u>
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	3 470	6 130	20 006	1 005	1 278	(182)	31 707
Impairment write-down (status change)	-	5 024	1 354	-	-	(6 378)	-
Sales and liquidation	(920)	(127 003)	(315 523)	(10 063)	(1 399)	-	(454 908)
Other changes	-	-	-	-	-	(21 470)	(21 470)
Redemption and impairment write-downs as at 30 September 2022	<u>55 591</u>	<u>1 766 258</u>	<u>4 180 481</u>	<u>42 425</u>	<u>24 812</u>	<u>62 310</u>	<u>6 131 877</u>
Net value as at 1 January 2022	<u>194 781</u>	<u>197 789</u>	<u>552 619</u>	<u>3 372</u>	<u>9 968</u>	<u>223 729</u>	<u>1 182 258</u>
Net value as at 30 September 2022	<u>199 954</u>	<u>210 519</u>	<u>737 370</u>	<u>1 198</u>	<u>11 515</u>	<u>238 577</u>	<u>1 399 133</u>

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

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9-month period ended on 30 September 2021 (not audited)

	<i>Lands*</i>	<i>Buildings and structures</i>	<i>Technical equipment</i>	<i>Means of transport</i>	<i>Other fixed assets</i>	<i>Fixed assets in construction</i>	<i>Total</i>
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	12 478	-	2 660	151	1 369	278 471	295 129
Renovations	-	-	(216)	-	-	(233)	(449)
Transfer from fixed assets in construction	12 322	532	3 943	-	215	(17 012)	-
Sales and liquidation	(5 245)	(6 600)	(58 340)	(4 165)	(260)	-	(74 610)
Other changes	-	-	-	-	-	(704)	(704)
Gross value as at 30 September 2021	<u>246 606</u>	<u>2 034 940</u>	<u>4 906 691</u>	<u>58 803</u>	<u>34 885</u>	<u>455 287</u>	<u>7 737 212</u>
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	3 170	24 274	61 648	1 708	1 134	-	91 934
Sales and liquidation	(4 396)	(6 602)	(55 999)	(4 118)	(255)	-	(71 370)
Redemption and impairment write-downs as at 30 September 2021	<u>52 575</u>	<u>1 652 980</u>	<u>4 027 394</u>	<u>53 246</u>	<u>24 413</u>	<u>67 141</u>	<u>5 877 749</u>
Net value as at 1 January 2021	<u>173 250</u>	<u>405 700</u>	<u>936 899</u>	<u>7 161</u>	<u>10 027</u>	<u>127 624</u>	<u>1 660 661</u>
Net value as at 30 September 2021	<u>194 031</u>	<u>381 960</u>	<u>879 297</u>	<u>5 557</u>	<u>10 472</u>	<u>388 146</u>	<u>1 859 463</u>

* *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.

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.

On July 1, 2022, the Konin Power Plant was sold in the form of ZCP to Cyfrowy Polsat. The sale transaction of ZCP Elektrownia Konin took place on the basis of the following agreements concluded between ZE PAK SA as the "Seller" and PAK-PCE Biopaliwa i Wodór Sp. z o. o. as "Buyer":

- 1) Conditional Sale Agreement of an Organized Part of the Enterprise of May 16, 2022. - Act. note Rep.A number 4788/2022
- 2) Agreement for the Transfer of an Organized Part of the Enterprise of July 1, 2022. - Act. note Rep.A number 6568/2022.

In connection with the above, as of July 1, the structures of ZE PAK SA remained "CGU Elektrownia Pątnów", while "CGU Elektrownia Konin" remained within PAK-PCE Biopaliwa i Wodór Sp. z o. o.

As at September 30, 2022, the lignite mine PAK KWB Konin SA conducts business activity in the Józwin, Tomisławice and Drzewce opencast mines, while the company PAK KWB Adamów SA from September 14, 2020 remained a company in liquidation.

A significant part of the value of the fixed assets of the companies: PAK KWB Konin SA and PAK KWB Adamów SA has been written off so far, and the fixed assets shown in the consolidated financial statements are mainly land, which are valued 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 PAK-PCE Biopaliwa i Wodór Sp. z o.o. – Konin Power Plant ("CGU Konin Power Plant" – green biomass energy);
- fixed assets (extraction) and mining assets of PAK KWB Konin SA related to Józwin, Tomisławice and Drzewce open pits ("CGU PAK KWB Konin").

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

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

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

The Management Board took into account the following premises:

- periodic maintenance of Parent Company's stock market capitalization in 2021 and H1 2022 below the net asset carrying amount;
- Regulation of the Council of Ministers of November 8, 2022 on the method of calculating the price limit.

An analysis of individual CGUs was carried out:

- CGUs associated with generating the so-called black electricity, i.e., "CGU Pątnów Power Plant) – baseline operation scenarios assume operation of all Pątnów Power Plant units until the end of 2024. The previous scenario assumed the operation of coal-fired units No. 1, 2 and 5 at the Pątnów Power Plant until 2024, and the 474 MW unit (formerly Pątnów II Power Plant) was supposed to operate longer than until 2030. The Group has adopted a baseline operating scenario for its coal-fired units until 2024, which is the deadline until which these assets are eligible for support in the form of the capacity market mechanism. The Company perceives the current market situation in terms of the relationship between the prices of energy and CO₂ 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. In connection with the publication on November 9 of the Regulation of the Council of Ministers of November 8, 2022 on the method of calculating the price limit, the Company conducted analyzes of the regulations contained in the Regulation and its effects, in particular with regard to the costs incurred by the Company and the impact of maximum sales price limits established in the Regulation on the profitability of the Company's generation activities in 2023. Due to the fact that a significant part of the assets under "CGU Elektrownia Pątnów" has already been written off, the Group withdrew from testing these assets as at September 30, 2022.
- 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 the company also analysed the regulations contained in the Regulation of the Council of Ministers of November 8, 2022 on the method of calculating the price limit. 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:

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

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

The lease period for motor vehicles is 2 to 5 years.

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

All lease agreements are concluded in PLN.

Lease liability maturity analysis on 30 September 2022

	<i>30 September 2022 (not audited)</i>	<i>31 December 2021</i>
Up to 1 year	5 020	6 315
1 - 3 years	13 579	14 208
3 - 5 years	7 861	8 364
Over 5 years	122 700	124 039
Total, acc. to non-discounted payments	149 160	152 926
Book value	44 656	47 830

Amounts recognized in the cash flow statement

	<i>9-month period ended on 30 September 2022 (not audited)</i>	<i>Year ended 31 December 2021</i>
Total cash outflow	5 991	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.

	<i>9-month period ended on 30 September 2022 (not audited)</i>	<i>9-month period ended on 30 September 2021 (not audited)</i>
Gross value as at 1 January	67 296	67 296
Redemption on 1 January	(21 440)	(18 086)
Net value as at 1 January	45 856	49 210
Depreciation for the period	(1 686)	(3 354)
As at the end of the period	44 170	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

16. Intangible assets

Long-term intangible assets – period of 9 months concluded on 30 September 2022 (not audited)

	<i>Patents and licenses</i>	<i>Computer software</i>	<i>Other intangibles</i>	<i>Total</i>
Gross value as at 1 January 2022	22 294	2 134	599	25 027
Reductions	(444)	(13)	-	(457)
Increases	97	605	3 259	3 961
Gross value as at 30 September 2022	<u>21 947</u>	<u>2 726</u>	<u>3 858</u>	<u>28 531</u>
Redemption and impairment write-downs as at 1 January 2022	20 144	2 134	366	22 644
Impairment write-down for the period	(852)	7	-	(845)
Impairment write-down	-	-	-	-
Reductions	(202)	(13)	-	(215)
Redemption and impairment write-downs as at 30 September 2022	<u>19 090</u>	<u>2 128</u>	<u>366</u>	<u>21 584</u>
Net value as at 1 January 2022	<u>2 150</u>	<u>-</u>	<u>233</u>	<u>2 383</u>
Net value as at 30 September 2022	<u>2 857</u>	<u>598</u>	<u>3 492</u>	<u>6 947</u>

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Long-term intangible assets – period of 9 months concluded on 30 September 2021 (not audited)

	<i>Patents and licenses</i>	<i>Computer software</i>	<i>Other intangibles</i>	<i>Total</i>
Gross value as at 1 January 2021	23 444	2 128	417	25 989
Reductions	(1 380)	-	-	(1 380)
Increases	398	-	-	398
Gross value as at 30 September 2021	<u>22 462</u>	<u>2 128</u>	<u>417</u>	<u>25 007</u>
Redemption and impairment write-downs as at 1 January 2021	20 741	2 128	366	23 235
Impairment write-down for the period	610	-	-	610
Impairment write-down	-	-	-	-
Reductions	(1 380)	-	-	(1 380)
Redemption and impairment write-downs as at 30 September 2021	<u>19 971</u>	<u>2 128</u>	<u>366</u>	<u>22 465</u>
Net value as at 1 January 2021	<u>2 703</u>	<u>-</u>	<u>51</u>	<u>2 754</u>
Net value as at 30 September 2021	<u>2 491</u>	<u>-</u>	<u>51</u>	<u>2 542</u>

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Emission allowances

	30 September 2022 (not audited)	30 September 2021 (not audited)
	Certified emission reduction units (EUA)	Certified emission reduction units (EUA)
Gross value as at 1 January	-	3 565
Purchase	1 363 651	648 054
Sales	(94 926)	(8 989)
Transferred as collateral to IRGIT	(12 582)	
EUA redemption	(1 256 143)	(642 615)
Net value as at 1 January	-	3 565
Net value as at 30 September	-	15

17. Assets concerning overburden stripping and other mining assets

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

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

18. Other assets

18.1. Other financial assets and goodwill

	30 September 2022 (not audited)	31 December 2021
Deposits	-	1
MPDF* deposits and investments	4 698	3 983
Shares	4 216	345
Goodwill arising from a preliminary acquisition settlement, including:	121 843	14 107
<i>Farma Wiatrowa Kazimierz Biskupi sp. z o.o.</i>	14 107	14 107
<i>Farma Wiatrowa Przyrów sp. z o.o.</i>	15 541	-
<i>Great Wind sp. z o.o.</i>	45 595	-
<i>Biopaliwa i Wodór sp. z o.o.</i>	46 600	-
Other	4 967	4 337
Other total financial assets and goodwill	135 724	22 772
Short-term	-	150
Long-term	135 724	22 622
<i>Including goodwill from acquisition initial settlement</i>	121 843	-

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**MPDF – mining plant decommissioning fund*

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

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

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

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

Since the acquisition date, Farma Wiatrowa Przyrów sp. z o.o. generated a PLN 3 273 thousand loss a Great Wind sp. z o.o. generated PLN 3 439 thousand loss. The losses were disclosed in the comprehensive income statement for the reporting period (data prior to consolidation exclusions). The acquired companies did not generate any revenue for the period from the acquisition date to the end of the reporting period.

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

In the third quarter of 2022, the following changes took place in the structure of the Group:

- On July 27, 2022, the contribution of all shares in the share capital of PP BiW held by the Company and Cyfrowy Polsat SA as a contribution to cover the increased share capital of PAK – PCE sp. z o.o. was registered. Currently, the Company holds 59.59% of shares in PAK – PCE sp. z o.o. and Cyfrowy Polsat SA holds the remaining 40.4% of shares in PAK – PCE sp. z o.o.,
- On August 5, 2022, a company under the name PAK - ATOM SA was registered in the National Court Register, which is a 100% subsidiary of ZE PAK SA.
- August 29, 2022 PAK - PCE sp. z o.o. transferred all shares of Park Wiatrowy Pałczyn 2 sp. z o.o. for Park Wiatrowy Pałczyn 1 sp. z o.o. - this change was registered in the National Court Register on September 7, 2022.
- August 29, 2022, PAK - PCE sp. z o.o. acquired 100% of shares in the wind company Eviva Lębork sp. z o.o. – this change was registered in the National Court Register on October 18, 2022.
- On September 26, 2022, as a result of an increase in the share capital of the companies: Orsted Polska OF SPV 1 sp. z o.o. and Orsted Polska OF SPV 6 sp. z o.o., the Company, as at the date of publication of the report, holds a 60% share in the capital of these companies. At the same time, as a result of the increase in the share capital of Orsted Polska OF SPV 2 sp. z o.o., Orsted Polska OF SPV 3 sp. z o.o., Orsted Polska OF SPV 4 sp. z o.o., Orsted Polska OF SPV 5 sp. z o.o. and Orsted Polska OF SPV 7 sp. z o.o., as at the date of publication of the report, 99% of shares in these companies are held by Ørsted Wind Power A/S with its registered office in Fredericia, Denmark, while the remaining 1% is held by ZE PAK SA .

18.2. Other non-financial assets

*30 September 2022 (not
audited)*

31 December 2021

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VAT receivables	107 932	39 992
Insurance	1 788	46
Other budget receivables	319	3
Other prepayments and accruals	12 858	2 000
Research and development work	9 807	5 485
Advance payments for supplies	3 654	1 105
Advance payments for capital work in progress	61 690	8 944
Other	4 487	2 552
Other total non-financial assets	<u>202 535</u>	<u>60 127</u>
Short-term	160 633	50 129
Long-term	<u>41 902</u>	<u>9 998</u>

The largest components of the item "Other accruals and accruals" are settlements related to fees for excluding land from agricultural and forestry production in the amount of PLN 7,806 thousand, costs of advertisements, valuations, tenders in the amount of PLN 1,057 thousand.

19. Inventory

	<i>30 September 2022 (not audited)</i>	<i>31 December 2021</i>
Production fuel	11 162	9 410
Spare parts and other materials	51 102	26 262
Energy certificates of origin	39 428	38 569
Total inventories according to the lower of two values: purchase price (production cost) and obtainable net value	<u>101 692</u>	<u>74 241</u>

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

As at 30 September 2022, the Company held 33 775,296 MWh of green certificates associated with generated green energy verified by ERO. From 1 January 2022 until 30 September 2022, the Company received 265 684,855 MWh of certificates for the generation in October, November and December 2021, and January, February, March, April, May and June 2022. During this period, an application was submitted for the issuance of 43,697.079 MWh for production in July and August 2022. Certificates of origin were obtained on an ongoing basis. In this period, 248,202.610 MWh were sold on TGE SA, the revenue from this amounted to PLN 49,553 thousand.

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

20. Trade and other receivables

	<i>30 September 2022 (not audited)</i>	<i>31 December 2021</i>
Trade receivables	279 164	222 477
Compensation receivables in connection with LTC termination	33 762	78 748
Receivables related to hedging energy purchases on the balancing market	5 709	2 558
Other receivables	834 539	1 091 001
Net receivables	<u>1 153 174</u>	<u>1 394 784</u>
Receivables impairment write-down	24 904	25 327

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Gross receivables	1 178 078	1 420 111
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The *other receivables* row as at 30 September 2022 the Group primarily reports receivables related to margins for transactions on the Polish Power Exchange (TGE) and purchasing CO₂ emission allowance units (EUAs) in the amount of PLN 637 781 thousand.

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

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

21. Cash and cash equivalents

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

Cash at bank bear interest at volatile rates, which depend on the interest rate on one-day bank deposits. Short-term deposits are submitted for various periods; from one day to three months, depending on the current Group's demand for cash and bear fixed interest rates. The fair value of cash and cash equivalents as at 30 September 2022 amounts to PLN 937 529 thousand (as at 30 September 2021: PLN 363 206 thousand).

The "Proceeds on disposal of shares" in the amount of PLN 478 730 thousand, which is a component of the cash flow from financing activities contains funds on account of purchasing shares paid by Cyfrowy Polsat SA.

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

Cash structure

	<i>30 September 2022</i> <i>(not audited)</i>	<i>30 September 2021</i> <i>(not audited)</i>
Cash at bank and in hand	937 529	363 306
Total balance of cash and cash equivalents reported in the balance sheet:	937 529	363 306
Foreign exchange differences	(172)	248
Total balance of cash and cash equivalents reported in the cash flow statement:	937 357	363 554

22. Dividends paid and proposed for payment

ZE PAK SA did not pay or declare any dividend in the 9-month period in 2022.

23. Interest-bearing bank credits and loans

Long-term	<i>Due date</i>	<i>30 September 2022</i> <i>(not audited)</i>	<i>31 December 2021</i>
Investment loan in Pekao SA in the amount of PLN 160,000 thousand, bearing interest at WIBOR 3M + bank margin (PAK PCE Biopaliwa i Wodór)	31.12.2030	119 442	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	113 736	124 173
Loan from Cyfrowy Polsat SA up to PLN 60 000 thousand or its equivalent in EUR, interest rate at	31.12.2025	64 186	10 932

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WIBOR 3M or EURIBOR 3M + bank margin (PAK – Polska Czysta Energia sp. z o.o.)			
Loan from Cyfrowy Polsat SA up to EUR 15 000 thousand or its equivalent in PLN, interest rate at WIBOR 1Y or EURIBOR 1Y + margin (Exion Hydrogen Polskie Elektrolizery sp. z o.o.)	31.12.2026	14 745	7 053
Loan from Cyfrowy Polsat SA up to PLN 69 600 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31.12.2025	11 149	-
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	15 652	-
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	12 082	-
Loan from Cyfrowy Polsat SA up to PLN 6 750 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31.12.2025	7 049	-
Loan from Cyfrowy Polsat SA up to PLN 234 600 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	211 014	-
Loan from Cyfrowy Polsat SA up to PLN 63 200 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	64 917	-
Loan from Cyfrowy Polsat SA up to PLN 10 300 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	8 792	-
Loan from Cyfrowy Polsat SA up to PLN 160 000 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	27 685	-
TOTAL		670 449	249 226
Short-term	<i>Due date</i>	<i>30 September 2022 (not audited)</i>	<i>31 December 2021</i>
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	62 341	-
Investment loan at Pekao SA in the amount of PLN 160 000 thousand, interest rate at WIBOR 3M + bank margin (PAK PCE Biopaliwa i Wodór)	31.12.2030	30 226	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	19 536	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

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Overdraft facility at Santander Bank Polska SA in the amount of PLN 10 000 thousand, interest rate at WIBOR 1M + bank margin (PAK-Volt SA)	30.06.2022	-	195
Bank loan at EFG Bank AG Zurich in the amount of PLN 300 000 thousand, interest rate at WIBOR + bank margin (PAK – Polska Czysta Energia sp. z o.o.)	on demand	303 244	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.)	06.09.2022	61	57
TOTAL		415 408	202 545

24. Provisions as well as prepayments and accruals

24.1. Accruals

	<i>30 September 2022 (not audited)</i>	<i>31 December 2021</i>
Provision for bonuses and holiday leaves	17 055	24 378
Insurance company compensation	878	804
Financial statement audit	-	290
Other	6 505	1 728
Total	24 438	27 200
short-term	23 944	27 200
long-term	494	-

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 4 107 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.

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24.2. Changes in provisions

	<i>EUA redemption provision</i>	<i>Provision for the return of free CO₂ emission allowances</i>	<i>Provision for fixed asset liquidation costs</i>	<i>Provision for liquidation of ash storage yards</i>	<i>Provision for the redemption of energy certificates of origin</i>	<i>Provision for reclaiming mining areas</i>	<i>Other</i>	<i>Total</i>
As at 1 January 2022	1 233 534	7 097	20 614	74 906	13 053	362 050	19 757	1 731 011
increase	740 198	275	195	-	23 548	9 564	78 592	852 372
decrease, incl.:	(1 233 534)	(7 372)	-	-	(16 866)	(24 189)	(16 396)	(1 298 357)
<i>utilization</i>	(1 233 534)	(7 372)	-	-	(708)	(1 914)	(5)	(1 243 533)
<i>termination</i>	-	-	-	-	(16 158)	(22 275)	(16 391)	(54 824)
As at 30 September 2022	740 198	-	20 809	74 906	19 735	347 425	81 953	1 285 026
Long-term	-	-	20 809	74 906	-	330 364	35 291	461 370
Short-term	740 198	-	-	-	19 735	17 061	46 662	823 656
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)
<i>utilization</i>	(640 438)	-	-	(1 438)	(10 808)	(19 953)	(43)	(656 327)
<i>termination</i>	-	-	-	-	-	-	(6 303)	(22 656)
As at 31 December 2021	1 233 534	7 097	20 614	74 906	13 053	362 050	19 757	1 731 011
Long-term	-	-	20 614	74 906	-	342 454	1 131	439 105
Short-term	1 233 534	7 097	-	-	13 053	19 596	18 626	1 291 906

24.3. Description of essential provision titles

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

The Group recognizes the provision for redeeming GHG emission allowances. As at 30 September 2022, the created provision amounted to PLN 740 198 thousand.

Carbon dioxide allowances

A new settlement period for emission allowances started on 1 January 2021. It will end on 31 December 2030. The assumption of this period is free allocation of emission allowances (EUA) resulting from thermal energy production only pursuant to Art. 10a of Directive 2009/29/EC. In 2022, the Group will receive a negligible amount of free CO₂ emission allowances, i.e., 11 825 EUAs, resulting from allocation to heat generation. Therefore, virtually the entire amount of emission allowances required by the ZE PAK SA Group must be purchased on the secondary market.

As at 1 January 2022, the ZE PAK SA Group held 408 264 EUAs. EUAs were held by IRGIT in KOBIZE as collateral for electricity trading. In Q1 2022, ZE PAK SA purchased concluded futures contracts for MAR2022 in the amount of 4 355 000 EUAs. EUA balance as at 31 March 2022 was 4 763 264 EUAs, including 4 355 000 EUAs in the KOBIZE account and 408 264 in the IRGIT account. In 2022, ZE PAK received 165 000 EUAs under contracts purchased for the purposes of 2021 and 11 825 EUAs as free EUAs received on account of thermal energy generation by the Konin Power Plant. CO₂ emissions at ZE PAK in 2021 amounted to 4 871 977 tonnes. In order to write-off CO₂ emission, ZE PAK applied for a return of 340 152 EUAs to IRGIT. Thus, ZE PAK held 4 871 977 EUAs in KOBIZE accounts. After writing-off CO₂ emissions for 2021, there were zero EUAs in the KOBIZE account, and 68 113 EUA deposited in the IRGIT account – corresponding to EUA amounts as at 30 June 2022. In the third quarter of 2022, ZE PAK purchased 71,500 CO₂ emission allowances on the spot market, which were transferred to IRGIT as collateral. As at September 30, 2022, the balance of EUA units in ZE PAK is 139,613 EUAs, of which zero EUAs in KOBIZE and 139,613 EUAs in IRGIT.

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

Carbon dioxide allowances in the 9-month period ended on 30 September 2022 (not audited)

<i>(in tonnes)</i>		ZE PAK SA
	CO ₂ emission (in tonnes)*	2 630 571
		<i>amount (in tonnes)</i>
EUA	Balance at the start of the period	-
	Acquired	4 591 500
	Received free	11 825
	Sales transferred for collateral	(71 500)
	Return on IRGIT collateral	340 152
	Redemption	(4 871 977)
	Balance at the end of the period	-

CO₂ emission allowances for the period of 9 months ended 30 September 2020 (unaudited)

<i>(tons)</i>		ZE PAK SA
	CO ₂ Emission *	3 479 277
		<i>quantity (tons)</i>
EUA	Balance at the beginning of the period	88 998
	Purchased	5 521 000
	Transferred to IRGIT as collateral	(23 987)
	Free of charge	(5 510 871)
	Redemption	(75 000)
	Balance at the end of the period	140

* Physical redemption of the allowances for a given year takes place in the first months of the next year.

24.3.2. Provision for reclamation of ash storage yards and costs of liquidation of fixed assets

The Group creates the provision for future costs of reclamation of the land on the basis of legal obligation resulting from the "Integrated Permits." The basis of estimation of the provision size are data prepared by domestic services. The value of the provision is estimated and verified on every balance sheet date on the basis of estimated cost to be incurred in the future and a discount. As of 30 September 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 creates the provision for projected future costs, which will be necessary to pay for fulfilment of this obligation. As at 30 September 2022, the provision amounted to PLN 20,809 thousand. The provision is created in correspondence with the cost of sales. The change in the strategy and the related shortening of electricity production based on the combustion of lignite will result in an earlier start of the reclamation process of the ash dump.

24.3.3. Reclamation provisions and other provisions related to mining activities

PAK KWB Konin SA and PAK KWB Adamów SA in liquidation are obliged to reclaim areas of extraction works pursuant to the Geological and Mining Law act. Due to this, the Group creates the provision both for costs of area reclamation related to current coal extraction on a given open pit and for costs of the final excavation reclamation in the state of advancement of coal extraction in particular open pits on every balance sheet day.

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

PAK KWB Konin SA and PAK KWB Adamów SA in liquidation, within run activities, are obliged to restore to the original condition, or to rebuild damages caused by the mine operations. Due to this, the Group creates the provision for projected costs, to pay which it is obliged on the basis of concluded agreements. Estimates concerning the projected costs related to the mine operations are updated on every reporting date.

The provision for decommissioning and reclamation of mining areas and for the preparation of operational areas at PAK KWB Konin SA and PAK KWB Adamów SA in liquidation as at September 30, 2022 amounted to PLN 347 425 thousand and decreased compared to the year ended December 31, 2021 by PLN 14 625 thousand. While calculating the provision, the Group adopted the following assumptions: discount rate at 3,71%, inflation level at 5,8%.

The provision is created in correspondence with the prime cost of sales. The discounted amount charged to finance costs is PLN 7 095 thousand.

24.3.4. Provision for redemption of Energy certificates

Due to the sale of electricity to the final recipients, the Group is obliged to redeem the specified number of certificates of origin of energy from renewable energy sources, gas, and peak load co-generation. As of 30 September 2022, the provision due to this amounted to PLN 19 735 thousand. The provision is created in correspondence with the cost of sales.

24.3.5. Other provisions

The main items of other provisions as at September 30, 2022 in PAK KWB Konin SA are: provisions for mining damages in the amount of PLN 329 thousand, provisions for pending court proceedings in the amount of PLN 1 275 thousand, provision for remuneration for mining use in the amount of PLN 1 493 thousand, provision for service charges in the amount of PLN 1,560 thousand, in PAK KWB Adamów SA in liquidation: provisions for permanent exclusion from forest production of land for the final reservoir of Adamów post open-pit mine in the amount of PLN 15 828 thousand, provision for court cases in the amount of PLN 554 thousand. Provisions for mining damage and provision for permanent exclusion from production are created in correspondence with the cost of sale, and provisions for pending court proceedings in correspondence with other operating costs. In PAK-PCE sp. z o.o. the main component is deferred income related to the purchase of receivables in the amount of PLN 24,776 thousand. In Biofuels and Hydrogen Ltd. provision resulting from the need to incur costs necessary to perform the contract for the sale of electricity, which costs exceed the expected benefits from its implementation. Provision in the amount of PLN 15,736 thousand. The agreement concerns the sale of electricity generated in the biomass unit, while the costs that caused the need to create a provision are directly related to the increase in biomass purchase prices. In PAK VOLT SA, a provision for settlement of the balancing market in the amount of PLN 9,746 thousand.

25. Trade liabilities, other liabilities and accruals

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

	30 September 2022 (unaudited)	31 December 2021
See short against the other units. -over 12 months	1 155	-
Other	1 626	467
Total	<u>2 781</u>	<u>467</u>

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

	30 September 2022 (unaudited)	31 December 2021
Trade and service liabilities:	202 891	142 717
Other liabilities, incl.:		
Investment liabilities	15 612	9 689
Liabilities to employees due to salaries	22 443	15 187
Deposit liabilities	-	79 028
Other liabilities	6 036	5 266
Total	<u>246 982</u>	<u>251 887</u>

As at 30 September 2022, the line other liabilities includes mainly liabilities related to settlements with employees and deductions from the payroll in the amount of PLN 1,950 thousand, settlements for deposits and bid bonds in the amount of PLN 2,322 thousand and advance payments in the amount of PLN 378 thousand.

Principles and terms of payment of above financial liabilities:

Liabilities due to supplies and services are not subject to interest and are usually settled within either the 14-day, or 30-day period. Liabilities due to interests are usually settled within either monthly or quarterly periods during the whole financial year.

25.3. Other financial liabilities

	30 September 2022 (unaudited)	31 December 2021
VAT liabilities	9 773	155 539
Liabilities due to environmental charges	296	10 486
Liabilities due to the excise tax	954	544
Liabilities due to social insurance	21 922	19 264
Income tax from individuals	3 781	4 712
Other budget liabilities	-	3 174
Advanced payments for deliveries	2 235	550
Service charge	-	5 726
Other	713	728
Total	<u>39 674</u>	<u>200 723</u>

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

Liabilities due to mining fees concern charges for the extracted mineral resulting from the Geological and Mining Law. The half-year is a settlement period.

The main component of the item "Other" are liabilities towards PFRON in the amount of PLN 308 thousand.

25.4. Grants and deferred income (long-term)

	30 September 2022 (unaudited)	31 December 2021
Long-term grants	236	271
Other	4 046	4 046
Total	<u>4 282</u>	<u>4 317</u>

The main component of the "Other" item is land received free of charge from the Poviats Starosty and the Commune, amounting to PLN 3 895 thousand.

26. Contingent liabilities and description of significant judicial cases

Apart from liabilities described in notes 26.2, 27 and 28 below, as of 30 September 2022, the Group did not have any other contingent liabilities, guarantees and sureties granted.

26.1. Court proceedings

Prosecution of individual interpretation of tax law in scope of returns to Zarządca Rozliczeń S.A. the negative corrections resulting from LTC Act

On 7 July 2017 Elektrownia Pątnów II sp. z o.o. submitted to the Provincial Administrative Court in Poznań (through the Director of National Tax Information Office) a complaint about the individual interpretation of the tax law issued by the Director of National Tax Information dated 20 April 2017 in scope of repayment for Zarządca Rozliczeń SA, on the basis of the agreement between the Parties, liability for repayment of stranded costs for 2008 and other future repayments (negative corrections) from Elektrownia Pątnów II Sp. Z o.o. for Zarządca Rozliczeń S.A., that validity will be based on the Act dated 29 June 2007 of the principles of covering the costs incurred by generators in connection with the termination of long-term contracts for sale of power and electricity (Dz. U. z 2017 r., item 569 with changes, hereinafter referred to as "LTC Act").

On 10 August 2017, the Director of the National Treasury Information Division sent to the Voivodship Administrative Court in Poznań the answers to the above mentioned complaint.

In the opinion of Elektrownia Pątnów II sp. z o.o., all the repayments from Elektrownia Pątnów II Sp. z o.o. for Zarządca Rozliczeń S.A. arising from the LTC Act constitutes the costs of obtaining revenues at the actual time of those payments. The Company reserves the right to include these costs in the settlement for the tax year, in which Zarządca Rozliczeń SA was paid / will be paid. The above is included in the regulation in article 42 pint 4 of LTC Act.

The above opinion complies also with the broad case law in this scope.

Having a different opinion the Director of National Treasury Department, who issued the individual interpretation considered the Company's position to be incorrect and stated that the repayments for Zarządca on the basis of the agreement made in 2014-2017 (within the scope of repayments) in 2017 (in scope of future, not made repayments), and other repayments from The Company for Zarządca, which validity will be based on LCT Act, constitute or will constitute the revenue costs on the day of incurring the costs, i.e. posting in accounting books.

On 18 January 2018, the company won a dispute with the Director of the National Tax Information in the aforementioned case, before the Court of Appeals in Poznań. The verdict of the court means that the company correctly recognized the costs of obtaining income from the abovementioned title.

In March 2018, the Director of the National Tax Information appealed against the court's judgment.

On August 25, 2020, a hearing was held before the Supreme Administrative Court, as a result of which the court dismissed the cassation appeal of the Director of the National Tax Information, thus sharing the arguments of Elektrownia Pątnów II sp. z o.o.

As a consequence, the case has returned to the Director of the National Tax Information, who is obliged to issue an individual interpretation consistent with the judgment of the Supreme Administrative Court, i.e. favourable for the Company.

On March 12, 2021, the Director of the National Tax Information issued an individual ruling in line with the judgment of the Supreme Administrative Court.

The proceeding is finished.

Proceedings on an environmental decision issued to PAK KWB Konin SA concerning lignite deposit in Tomisławice

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 Wierzbinek Commune issued an environmental decision regarding the lignite open cast. On 5 December 2008, this decision was contested by nine physical persons supported by the Greenpeace organisation due to alleged major infringement of the regulations of the law. On 25 March 2009, the Self-government Appeal Court dismissed the application to reverse the environmental decision. The plaintiffs applied for the 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 ruled that the environmental decision, pursuant to which the license for the extraction of lignite at Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWBK SA and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court overturned the contested decision of the Provincial Administrative Court in Poznań and referred the matter for reconsideration. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision repealing the decision of the Self-government Appeal Court of 25 March 2009 refusing to declare the invalidity of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune, related to the extraction of lignite from Tomisławice open pit by PAK KWBK SA. On 7 January 2013, PAK KWBK Konin SA submitted a cassation appeal from the described decision.

After the review on the hearing on 7 October 2014, the Supreme Administrative Court dismissed the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA from the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 repealing the decision of the Self-government Appeal Court in Konin of 25 March 2009 refusing the annulment of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune related to the extraction of lignite from Tomisławice open pit.

Dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego 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 18th January 2019 the Local Government Appeal Court in Konin issued a decision refusing to annul the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune related to the exploitation of Tomisławice lignite open pit. Subsequently, the Government Appeal Court upheld its decision, from which a complaint was filed with Poznań Administrative Court.

The decision of the Local Government Appeal Court in Konin, means that the environmental decision issued by the Head of Wierzbinek Commune is still in legal circulation. The decision is not final. There has been submitted an application for reconsideration of the case by the Local Government Appeal Court in Konin.

On June 19, 2020 the Company received information on the issuance, in closed session by the Provincial Administrative Court in Poznań, of a judgment dismissing the complaint against the decision of the Local Government Appeals Board in Konin regarding refusal to annul the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune associated with the exploitation of the lignite mine Tomisławice.

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

Against the judgment of June 18, 2020, the Provincial Administrative Court in Poznań, the Greenpeace Polska Foundation with its seat in Warsaw and Józef Imbierski filed a cassation complaint with the Supreme Administrative Court. On October 26, 2020, PAK KWB Konin responded to the cassation appeal, petitioning for its dismissal. A hearing date has not yet been set in this case.

BAT conclusions enter into force

Commission Implementing Decision (EU) 2017/1442 of July 31, 2017 establishing the conclusions on the best available technology (BAT Conclusions - Best Available Technology) for large combustion plants has been in force since 18 August 2021, in accordance with the Directive of the European Parliament and of the Council 2010/75 / UE. Integrated permits for all currently operated combustion installations of ZE PAK SA have been adapted to the requirements of the BAT Conclusions, taking into account individual deviations from the emission limit values. The company operates in accordance with the permissible emission limits resulting from the IED Directive as well as the BAT Conclusions. Continuous emission monitoring systems, developed in accordance with the requirements of BAT 4, constitute the basis for the verification of compliance with the requirements of the Commission Implementing Decision (EU) 2017/1442 in the field of air pollutant emissions at ZE PAK SA. As at the date of signing this report, there are no pending court cases related to BAT.

26.2. Contingent liabilities related to the decommissioning of the power plant

The obligation to carry out liquidation and land reclamation results from integrated permits for running fuel combustion installations in Pątnów, Konin and Adamów power plants belonging to ZE PAK SA. On the abovementioned entities, in the case of termination of the business, it is obliged to carry out the liquidation of all facilities and equipment of the installation in accordance with the requirements resulting from the provisions of the construction law. The installation area after their liquidation should be managed according to arrangements made with the local government body. In particular, it is necessary to draw up a project for the decommissioning of facilities and equipment that takes into account environmental protection requirements, mainly in relation to waste management.

Adamów Power Plant has already completed its operations and the process of decommissioning the installations located there is currently underway. Due to the directions of the strategy announced last year, it is also possible to specify the date of completion of the operation of the installations located in Pątnów. The termination of operation of older units in Pątnów can be determined at the end of 2024, and the newer unit with a capacity of 474 MW (former Pątnów II Power Plant), assuming an effective support system, could be operated until 2030 at the latest. Based on the experience related to the decommissioning of Adamów power plant, the interests and value of the bids submitted, it should be rationally assumed that the value of the dismantled equipment, scrap and aggregate from decommissioned installations is able to cover the costs of decommissioning and reclamation of the units.

27. Liability repayment securities

In order to protect the repayment of liabilities, the Group uses many forms of protections. Mortgages and registered pledges are the most common ones.

As of 30 September 2022 and 31 December 2021, the Group had liabilities protected with its assets and other protections of payment of liabilities:

Liabilities secured with the assets

<i>Agreement</i>	<i>Kind of security</i>	<i>30 September 2022 (unaudited) Security amount</i>	<i>currenc y</i>	<i>31 December 2022 Security amount</i>	<i>currenc y</i>
Non-revolving loan agreement with Alior Bank SA of 25 July 2019 for PLN 66 700 thousand for PAK KWB Konin SA	Registered pledge on machines and devices*	-	-	Up to 141 400	PLN
Debt limit agreement with Alior Bank SA of 20 November 2013 for PLN 4,000 thousand for PAK KWB Konin SA	Power of attorney to bank accounts maintained at Alior Bank SA	Up to 4 000	PLN	Up to 4 000	PLN
	Cash deposit	Up to 4 000	PLN	Up to 4 000	PLN

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	First-class financial and registered pledge established on bank accounts of PAK PCE Biopaliwa i Wodór at Pekao SA bank	Up to 192 000	PLN	Up to 192 000	PLN
	First-class mortgage on the real estate of the Konin Power Plant	Up to 192 000	PLN	Up to 192 000	PLN
Term investment loan agreement in Pekao SA for PLN 160 000 thousand for ZE PAK SA	Power of attorney to bank accounts maintained at Bank Pekao SA	Up to 160 000	PLN	Up to 160 000	PLN
	Transfer of current and future claims, rights or receivables of the Assignor under insurance contracts and heat supply contracts	Up to 160 000	PLN	Up to 160 000	PLN
	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 192 000	PLN	Up to 192 000	PLN
Agreement for a multi-purpose credit limit in Pekao SA in the amount of PLN 25,000 thousand for PAK PCE Biopaliwa i Wodór Sp. z o. o.	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 37 500	PLN	-	-
	Power of attorney to bank accounts maintained at Bank Pekao SA	Up to 25 000	PLN	-	-
Agreement for a multi-purpose credit limit in Pekao SA in the amount of PLN 50,000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 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 to bank accounts maintained at Bank Pekao SA	Up to 50 000	PLN	Up to 100 000	PLN
Agreement on opening a guarantee line in Pekao SA in the amount of PLN 80,000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 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 to bank accounts maintained at Bank Pekao SA	Up to 80 000	PLN	Up to 80 000	PLN
Overdraft facility agreement with Santander Bank Polska SA in the amount of PLN 45,000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure in the form of a notarial deed	-	-	Up to 54 000	PLN
Guarantee limit agreement in Santander Bank Polska SA in the amount of PLN 100,000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 120 000	PLN	Up to 60 000	PLN
Guarantee agreement with mBank SA in the amount of PLN 1,650 thousand for Farma	Cash deposit	Up to 1 650	PLN	Up to 1 650	PLN

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Wiatrowa Kazimierz Biskupi Sp. z o. o.					
	financial pledge and registered pledge for 100% of shares in Farma Wiatrowa Kazimierz Biskupi	Up to 247 500	PLN	-	-
	registered pledge on a set of items and property rights of Kazimierz Biskupi Wind Farm	Up to 247 500	PLN	-	-
	financial pledge and registered pledge on receivables under the Bank Accounts Agreement	Up to 247 500	PLN	-	-
	transfer to secure monetary receivables from specific Project Documents, Cost Exceeded Payment Guarantee and insurance contracts	Up to 247 500	PLN	-	-
Investment loan agreement with Bank Gospodarstwa Krajowego in the amount of PLN 165,000 thousand for Farma Wiatrowa Kazimierz Biskupi Sp. z o. o.	power of attorney to bank accounts, in accordance with the Power of Attorney to Bank Accounts	Up to 247 500	PLN	-	-
	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure of the Kazimierz Biskupi Wind Farm in the form of a notarial deed	Up to 247 500	PLN	-	-
	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure of the Shareholder (PAK PCE) in the form of a notarial deed	Up to 247 500	PLN	-	-
	Guarantee of payment of Costs Overruns, in accordance with the Guarantee of Payments of Costs Overruns	Up to 13 500	PLN	-	-
	Power of attorney to bank accounts maintained at Bank Pekao SA	Up to 20 000	PLN	Up to 20 000	PLN
Agreement for a multi-purpose credit limit in Pekao SA in the amount of PLN 20,000 thousand for PR PAK SERWIS Sp. z o. o.	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 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 110 092	PLN	Up to 149 094	PLN
Framework agreement in mBank SA in the amount of PLN 3,300 thousand for PR PAK SERWIS Sp. z o. o.	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the	Up to 15 000	PLN	Up to 15 000	PLN

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	Code of Civil Procedure by PR PAK SERWIS Sp. z o. o.				
	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure by ZE PAK SA	Up to 11 000	PLN	Up to 11 000	PLN
	First-class financial and registered pledge established on bank accounts of PAK-PCE Fotowoltaika in banks PKO BP SA, Pekao SA and mBank SA	Up to 262 500	PLN	Up to 262 500	PLN
	First-class joint contractual mortgage on real estate of PAK-PCE Fotowoltaika	Up to 262 500	PLN	Up to 262 500	PLN
Term investment loan and VAT loan agreement with PKO BP SA, Pekao SA and mBank SA in the amount of PLN 175,000 thousand for PAK-PCE Fotowoltaika Sp. z o. o.	Secondary mortgage on real estate PAK-PCE Fotowoltaika to secure liabilities	Up to 12 000 (PKO BP SA)	PLN	Up to 12 000 (PKO BP SA)	PLN
	due to IRS collateral agreements and related transactions at PKO BP SA, Pekao SA and mBank SA	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
		Up to 7 500 (mBank SA)	PLN	Up to 7 500 (mBank SA)	PLN
	First-class registered pledge established on a set of assets and rights PAK-PCE Fotowoltaika in the PKO BP SA bank	Up to 262 500	PLN	Up to 262 500	PLN
	First-class financial and registered pledge established on all shares in the share capital of PAK-PCE Fotowoltaika in banks PKO BP SA, Pekao SA and mBank SA	Up to 262 500	PLN	Up to 262 500	PLN
	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 of the Code of Civil Procedure by ZE PAK (as a guarantor) to secure liabilities under a syndicated loan agreement and IRS collateral agreements and related transactions for PKO BP SA	Up to 10 000	PLN	Up to 10 000	PLN
	Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 kpc by PAK-PCE Photovoltaics to secure liabilities	Up to 117 750 (PKO BP SA)	PLN	Up to 117 750 (PKO BP SA)	PLN
	under a syndicated loan agreement and IRS collateral agreements and related transactions in banks PKO BP SA, Pekao SA and mBank SA	Up to 117 750 (Pekao SA)	PLN	Up to 117 750 (Pekao SA)	PLN
		Up to 58 500 (mBank SA)	PLN	Up to 58 500 (mBank SA)	PLN

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Statement on submission to enforcement pursuant to Art. 777 par. 1 point 5 kpc by PAK-Polska Czysta Energia from shares held in PAK-PCE Photovoltaics to secure liabilities	Up to 117 750 (PKO BP SA)	PLN		
under a syndicated loan agreement and IRS collateral agreements and related transactions in banks PKO BP SA, Pekao SA and mBank SA	Up to 117 750 (Pekao SA)	PLN	-	-
Power of attorney to PAK PCE Fotowoltaika bank accounts kept at Pekao SA bank, PKO BP SA bank and mBank SA	Up to 175 000	PLN	Up to 175 000	PLN
Assignment of receivables under each insurance policy in relation to the Project and assignment of receivables arising from the Material Documents of the Project	Up to 175 000	PLN	Up to 175 000	PLN
Guarantee from ZE PAK SA up to PLN 10.0 million	Up to 10 000	PLN	Up to 10 000	PLN

*on March 22, 2022, the District Court for Poznań - Nowe Miasto and Wilda in Poznań, 7th Commercial Division - Pledge Register, deleted the registered pledges on machines and devices of PAK KWB Konin SA in connection with the repayment of the loan of July 25, 2019 granted by Alior Bank ARE.

Other securities of liabilities

Guarantees given

<i>Kind of guarantee</i>	<i>30 September 2022 (unaudited) Security amount</i>	<i>currency</i>		<i>31 December 2021 Security amount</i>	<i>currency</i>	
Guarantees of good performance of the contract	4 725	PLN		3 386	PLN	
Guarantee of payment of the deposit	-	PLN		50	PLN	
Guarantees to remove defects and faults	3 803 648	PLN	EUR	4 273 577	PLN	EUR
Payment guarantees (including guarantees securing transactions on TGE / IRGIT)	174 349 167 664	PLN	EUR	485 650 30 559	PLN	EUR

In addition, the Group uses as collateral the repayment of liabilities, assignments from sales contracts, assignment from insurance policies, power of attorney to bank accounts and a statement on submission to enforcement.

The table below shows the sum of granted guarantees.

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	<i>30 September 2022</i> <i>(unaudited)</i>	<i>currency</i>	<i>31 December 2021</i>	<i>currency</i>
Intra-Group Guarantees	-	PLN	62 400	PLN
The Guarantees granted to the entities outside the Group	56 137 4 809	PLN EUR	34 262 756	PLN
Total of granted Guarantees	56 137 4 809	PLN EUR	96 662 756	PLN

The table below shows the sum of granted guarantees.

	<i>30 September</i> <i>2022</i> <i>(unaudited)</i>	<i>currency</i>	<i>31</i> <i>December</i> <i>2021</i>	<i>currency</i>
Intra-Group Guarantees	-	PLN	62 400	PLN
The Guarantees granted to the entities outside the Group	14 978	PLN	14 978	PLN
Total of granted Guarantees	14 978	PLN	77 378	PLN

28. Received guarantees and sureties

<i>Kind of guarantee</i>	<i>30 September</i> <i>2022</i> <i>(unaudited)</i> <i>Security</i> <i>amount</i>	<i>currency</i>	<i>31 December</i> <i>2021</i> <i>Security</i> <i>amount</i>	<i>currency</i>
Guarantees of good performance of the contract	3 388	PLN	26 287	PLN
	84 738	EUR	33 683	EUR
Guarantees to remove defects and faults	7 758	PLN	2 377	PLN
	-	EUR	-	EUR
Advance payment guarantees	-	PLN	231	PLN
	-	EUR	-	EUR

29. Information about related entities

The following table presents the total amounts of significant transactions concluded with related entities for the 9-month period ended September 30, 2022 and September 30, 2021 as well as receivables and liabilities as at September 30, 2021 and September 30, 2021. Transactions with related entities are carried out on market terms.

<i>Related entity</i>		<i>Sales to relate</i> <i>entities</i>	<i>Purchase</i> <i>from related</i> <i>entities</i>	<i>Receivables from</i> <i>related entities</i>	<i>Liabilities towards</i> <i>related entities</i>
Elektrim SA	III quarters 2022	-	90	-	-
	III quarters of 2021	-	90	-	-
Megadex Development sp. z o.o.	III quarters 2022	-	-	-	-
	III quarters of 2021	43	-	-	-
Megadex Expo sp. z o.o.	III quarters 2022	-	-	-	-
	III quarters of 2021	339	-	-	-
Polkomtel sp. z o.o.	III quarters 2022	192 528	16 560	21 698	914
	III quarters of 2021	69 211	2 092	7 283	585
Polkomtel Infrastruktura sp. z o.o.	III quarters 2022	-	-	-	-
	III quarters of 2021	80	-	21	-

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Laris Investments sp. z o.o.	III quarters of 2022	1 003	-	253	-
	III quarters of 2021	389	149	17	17
Laris Technologies sp. z o.o.	III quarters of 2022	5 733	-	1 397	-
	III quarters of 2021	1 925	-	-	163
CPE sp. z o.o.	III quarters of 2022	-	658	-	381
	III quarters of 2021	1	552	-	97
Plus Flota sp. z o.o.	III quarters of 2022	-	1 725	-	542
	III quarters of 2021	53	1 680	101	269
Cyfrowy Polsat	III quarters of 2022	9 180	1 835	3 086	28
	III quarters of 2021	2 546	167	681	6 902
Esoleo sp. z o.o.	III quarters of 2022	20	650	-	1 330
	III quarters of 2021	1 728	125 105	-	715
Netia S.A.	III quarters of 2022	25 514	12	6 759	-
	III quarters of 2021	-	-	-	-
TK Telekom sp. z o.o.	III quarters of 2022	2 598	-	646	-
	III quarters of 2021	-	-	-	-
Petrotel sp. z o.o.	III quarters of 2022	309	-	101	-
	III quarters of 2021	-	-	-	-
Maciej Nietopiel	III quarters of 2022	-	180	-	25
	III quarters of 2021	-	180	-	25
Tomasz Zadroga	III quarters of 2022	-	-	-	-
	III quarters of 2021	-	180	-	25
KD Management Krzysztof Dziaduszyński	III quarters of 2022	-	45	-	6
	III quarters of 2021	-	45	-	6
Doradztwo Strategiczne Maciej Koński	III quarters of 2022	-	225	-	31
	III quarters of 2021	-	225	-	31
Paweł Markowski	III quarters of 2022	-	248	-	34
	III quarters of 2021	-	248	-	34
Impact Paweł Lisowski	III quarters of 2022	-	248	-	34
	III quarters of 2021	-	248	-	34
Total	III quarters of 2022	236 885	22 476	33 940	3 325
	III quarters of 2021	76 315	130 961	8 103	8 903

Elektrim SA is the parent company of ZE PAK SA Group. The remaining companies are subsidiaries or affiliated with Elektrim SA

29.1. Loan granted to a member of the Management Board

Within the period of 9 months ended 30 September 2022 as well as within the period of 9 months ended 30 September 2021 the Parent Company did not grant any loans and similar benefits to members of the management and supervisory staff.

29.2. Other transactions involving members of the Management Board

Both in the 9-month period ended September 30, 2022 and in the 9-month period ended September 30, 2021, there were no transactions with the participation of members of the management and supervisory bodies, apart from those specified in note 29

29.3. Remuneration of Chief executive Staff of the Group

29.3.1. Remuneration paid or payable to the members of the Management Board and to the members of the Supervisory Council of the Group

	<i>Period of 9 months ended 30 September 2022 (unaudited)</i>	<i>Period of 9 months ended 30 September 2021 (unaudited)</i>
Management Board of the parent company		
Short-term employee benefits	2 326	2 148
Termination benefits	-	1
Supervisory Board of the parent company		
Short-term employee benefits	1 033	945
Management Boards of subsidiaries		
Short-term employee benefits	2 849	2 015
Post-employment benefits	160	-
Supervisory Boards of subsidiaries		
Short-term employee benefits	-	-
Total	6 368	5 109

29.3.2. Remuneration paid or entitled to other members of the main management

	<i>Period of 9 months ended 30 September 2022 (unaudited)</i>	<i>Period of 9 months ended 30 September 2021 (unaudited)</i>
Short-term employee benefits	9 263	8 129
Jubilee awards	-	-
Post-employment benefits	45	58
Termination benefits	-	177
Total amount of remuneration paid to the chief executive staff (except for members of the Management Board and the Supervisory Board)	9 308	8 364

30. Goals and rules of financial risk

The main financial instruments, used by the Group, consist of bank credits, loans received from affiliates and other institutions, funds, 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 receivables and liabilities due to supplies and services created directly within its conducted activities.

The main kinds of the 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 management of each of these kinds of risk – these rules were discussed shortly below. The Group also monitors the market price risk regarding all its held financial instruments.

30.1. Interest rate risk

Potential exposure of the Group to risk caused by the changes of interest rates mainly concerns long-term financial liabilities.

Interest rate risk – the sensitivity gap

In the interest rate sensitivity gap analysis, the Group uses yield curve shift by potential possible change of benchmark interest rates during the coming year. For the needs of the interest rate sensitivity gap analysis, average levels of benchmark interest rates in a given year were used. The scale of potential interest rate sensitivity gap was estimated on the basis of volatilities implied of ATMF („At-the-Money-Forward” forward option for determining the volatility of financial instruments) options for the interest rate quoted on the inter-bank market for foreign currencies, for which the Group has the exposition to interest rate risk from the balance sheet date.

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<i>Classes of financial instruments</i>	<i>30 September 2022 (unaudited)</i>		<i>Interest rate risk sensitivity study as of 30 September 2022</i>							
	<i>Carrying amount</i>	<i>value at risk</i>	<i>WIBOR</i>				<i>EURIBOR</i>			
			<i>WIBOR + 44pb</i>		<i>WIBOR - 44pb</i>		<i>EURIBOR + 108,02pb</i>		<i>EURIBOR - 108,02pb</i>	
			<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>
Other financial instruments	135 724	4 698	21	-	(21)	-	-	-	-	-
Trade and other receivables	1 153 174	-	-	-	-	-	-	-	-	-
Derivative financial instruments	25 646	25 646	113	-	(113)	-	-	-	-	-
Cash and cash equivalents	937 529	937 529	2 154	-	(2 154)	-	4 847	-	(4 847)	-
Interest-bearing loans and borrowings	(1 085 857)	(1 085 857)	(4 778)	-	4 778	-	-	-	-	-
Trade payables and other financial liabilities	(249 763)	-	-	-	-	-	-	-	-	-
Lease liabilities	(44 656)	(44 656)	(196)	-	196	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	871 797	(162 640)	(2 686)	-	2 686	-	4 847	-	(4 847)	-

pb – base points

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<i>Classes of financial instruments</i>	<i>30 September 2021 (unaudited)</i>		<i>Interest rate risk sensitivity study as of 30 September 2021</i>							
	<i>Carrying amount</i>	<i>value at risk</i>	<i>WIBOR</i>				<i>EURIBOR</i>			
			<i>WIBOR + 7pb</i>		<i>WIBOR - 7pb</i>		<i>EURIBOR + 26,02pb</i>		<i>EURIBOR - 26,02pb</i>	
			<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>
Other financial instruments	21 173	4 337	3	-	(3)	-	-	-	-	-
Trade and other receivables	645 848	-	-	-	-	-	-	-	-	-
Derivative financial instruments	632	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	363 306	363 306	170	-	(170)	-	314	-	(314)	-
Interest-bearing loans and borrowings	(416 578)	(416 578)	(292)	-	292	-	-	-	-	-
Trade payables and other financial liabilities	(327 175)	-	-	-	-	-	-	-	-	-
Lease liabilities	(47 881)	(47 881)	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	239 325	(96 816)	(119)	-	119	-	314	-	(314)	-

pb – base points

30.2. Currency risk

The Group is exposed to currency risk due to the concluded transactions. As at September 30, 2022, one company from the Group - ZE PAK SA had active instruments to mitigate the risk resulting from changes in exchange rates (forward transaction into EUR/PLN).

Potential possible changes in exchange rates were calculated on the basis of the annual volatilities implied for currency options quoted on the interbank market for a given currency pair from the balance sheet date.

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

<i>Classes of financial instruments</i>	<i>30 September 2022 (unaudited)</i>		<i>Analysis of sensitivity to currency risk as of 30 September 2022</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>EUR/PLN</i>			
			<i>EUR/PLN exchange rate + 10,54%</i>		<i>EUR/PLN exchange rate - 10,54%</i>	
			<i>5,3831</i>	<i>Other comprehensive income</i>	<i>4,3565</i>	<i>Other comprehensive income</i>
			<i>Profit/loss</i>		<i>Profit/loss</i>	
Other financial assets	135 724	-	-	-	-	-
Trade and other receivables	1 153 174	1 064	112	-	(112)	-
Derivative financial instruments	25 646	-	-	-	-	-
Cash and cash equivalents	937 529	447 931	47 212	-	(47 212)	-
Interest-bearing loans and borrowings	(1 085 857)	-	-	-	-	-
Trade payables and other financial liabilities	(249 763)	(32 055)	(3 379)	-	3 379	-
Lease liabilities	(44 656)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Total	871 797	416 940	43 945	-	(43 945)	-

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<i>Classes of financial instruments</i>	<i>30 September 2021 (unaudited)</i>		<i>Analysis of sensitivity to currency risk as of 30 September 2021</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	EUR/PLN		EUR/PLN	
			<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>
			EUR/PLN exchange rate + 5,275% 4,8773		EUR/PLN exchange rate - 5,275% 4,3885	
Other financial assets	21 173	-	-	-	-	-
Trade and other receivables	645 848	3 848	203	-	(203)	-
Derivative financial instruments	632	-	-	-	-	-
Cash and cash equivalents	363 306	120 797	6 372	-	(6 372)	-
Interest-bearing loans and borrowings	(416 578)	-	-	-	-	-
Trade payables and other financial liabilities	(327 175)	(3 502)	(185)	-	185	-
Lease liabilities	(47 881)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Total	239 325	121 143	6 390	-	(6 390)	-

30.3. Credit risk

The credit risk is a potential credit event, which may be materialised in the form of the following factors: the counterparty's insolvency, partial repayment of receivables, significant delay in repayment of receivables, or another not predicted derogation from contractual terms.

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

The main recipient of the Group's electricity is Towarowa Giełda Energii SA. Transactions made on the stock exchange are settled on a daily basis, which minimizes credit risk. For this reason, the Group does not apply any additional security resulting from the phenomenon of concentration of receivables.

In relation to other financial assets of the Group, such as funds and their equivalents, financial assets available for sale, and some derivatives, the Group's credit risk occurs as a result of incapability of payment by the other party of the agreement, and the maximum exposure to this risk is equal to the balance sheet value of these derivatives.

The Group analyses and reduces credit risk in relation to cash through ongoing monitoring of financial institution ratings and reduces the risk of concentration of cash surpluses in one financial institution, using internal rules of risk management principles.

Long-term ratings granted to banks in which the Group has cash:

<i>Name of the bank</i>	<i>Rating granted by Rating Agency</i>		
	Fitch	S&P	Moody's
PEKAO SA	BBB+	BBB+	A2
PKO BP	-	-	A2
BGK	A-	-	-
mBank	BBB	-	-
Bank Millennium	-	-	Baa1
Santander Bank Polska	BBB+	-	A3
Alior Bank	BB	BB	-
BNP Paribas Bank Polska	-	-	Baa1

ZE PAK Capital Group cash as at September 30, 2022, broken down into individual credit ratings of banks:

<i>Rating level of individual rating agencies</i>			<i>The amount of cash as at 30 September 2022 (without cash in hand) (unaudited)</i>
<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>	
Aaa	AAA	AAA	-
Aa1	AA+	AA+	-
Aa2	AA	AA	-
Aa3	AA-	AA-	-
A1	A+	A+	-
A2	A	A	13 994
A3	A-	A-	298 473
Baa1	BBB+	BBB+	596 712
Baa2	BBB	BBB	-

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Baa3	BBB-	BBB-	26 621
Ba1	BB+	BB+	-
Ba2	BB	BB	1 729
Ba3	BB-	BB-	-
B1	B+	B+	-
B2	B	B	-
B3	B-	B-	-
Caa1	CCC+	CCC	-
Caa2	CCC		-
Caa3	CCC-		-
Ca	CC		-
	C		-
C	D	DDD	-
-		DD	-
-		D	-
SUMA			937 529

30.4. Liquidity risk

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

The goal of the Group is maintenance of balance between continuity and flexibility of financing through use of various resources of financing, such as overdraft facilities, bank credits, debentures, preferred shares and financial lease agreements.

Risks related to the business, including the risk of liquidity and the ability to generate appropriate cash flows, are also described in note 4.1 regarding the Group's going concern assumption.

The tables below present financial liabilities of the Group as of 30 September 2022 and 30 September 2021 according to the maturity date based on contractual non-discounted payments.

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<i>30 September 2022 (unaudited)</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Interest-bearing loans and borrowings	6 571	385 590	577 500	116 043	1 085 704
Trade payables and other financial liabilities	214 018	32 964	2 717	64	249 763
Lease liabilities	325	4 695	23 488	16 148	44 656
Derivative financial instruments	-	67 813	-	-	67 813
	220 914	491 062	603 705	132 255	1 447 936
<i>30 September 2021 (unaudited)</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Interest-bearing loans and borrowings	7 669	18 843	272 134	119 565	418 211
Trade payables and other financial liabilities	291 301	35 164	708	2	327 175
Lease liabilities	324	5 985	25 430	16 142	47 881
Derivative financial instruments	-	18 133	-	-	18 133
	299 294	78 125	298 272	135 709	811 400

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

31. Financial instruments

31.1. Balance sheet value and fair value of particular classes of financial instruments

The table shown below presents a comparison between balance sheet values and fair values of all financial instruments of the Group, divided into particular classes and categories of assets and liabilities according to IFRS 9.

<i>Financial assets</i>	Category acc. to IFRS 9	30 September 2022 (unaudited)	31 December 2021
Other financial assets	AFwgZK	135 724	22 772
Trade receivables and other receivables	AFwgZK	1 153 174	1 394 784
Derivative financial instruments	WwWGpWF	25 646	10 540
Cash and cash equivalents	AFwgZK	<u>937 529</u>	<u>506 669</u>
<i>Financial liabilities</i>			
Interest-bearing bank credits and loans, including:		1 085 857	451 771
long term	PZFwgZK	670 449	249 226
short term	PZFwgZK	415 408	202 545
Liabilities due to supplies and services and other financial liabilities	PZFwgZK	249 763	252 354
Lease liabilities		44 656	47 830
Derivative financial instruments	WwWGpWF	<u>-</u>	<u>3 606</u>

Used abbreviations:

WwWGpWF	– Financial assets/liabilities evaluated in the fair value by the financial result
PZFwgZK	– Other financial liabilities evaluated according to the depreciated cost
AFwgZK	– Financial assets according to amortized costs

As at 30 September 2022 and as at 31 December 2021, the Group had the following financial instruments measured at fair value:

	30 September 2022 (unaudited)	Level 1	Level 2	Level 3
Derivatives hedging assets	-	-	25 646	-
Derivatives hedging liabilities	-	-	-	-
	31 December 2021	Level 1	Level 2	Level 3
Derivatives hedging assets	-	-	10 540	-
Derivatives hedging liabilities	-	-	3 606	-

The fair value of financial instruments other than derivatives as at September 30, 2022 and December 31, 2021 did not deviate significantly from the carrying amounts, mainly due to the fact that for short-term instruments the effect of discounting is not material and the fact that the transactions are concluded at market conditions; for this reason, the fair value of these instruments has been presented at the carrying amount.

The valuation of interest-bearing loans and credits after the initial recognition is carried out according to the depreciated cost method, taking into account the contractual costs related to obtaining a given loan or borrowing as well as discounts and earned bonuses.

As at September 30, 2022, forward transactions for currency purchase were valued at fair value. For the purposes of valuing foreign exchange contracts, the difference between discounted future cash flows is calculated between the forward price on the valuation day and the transaction price, according to quotations prepared by the relevant bank, multiplied by the nominal value of the contract in a foreign currency. The valuation of these instruments has been classified to level 2 of the fair value measurement hierarchy.

Within the period of 9 months ended 30 September 2022 and in the year ended 31 December 2021, there were no shifts between the level 1 and the level 2 of the fair value hierarchy, and none of instruments was shifted to the level 3 of the fair value hierarchy.

31.2. Interest rate risk of financial instruments

The table below presents the interest rate gap, which is the Group's exposure to interest rate risk, and the concentration of this risk broken down by currencies and type of interest.

	<i>Type of interest</i>	<i>Carrying amount as of 30 September 2022 (unaudited)</i>	<i>Carrying amount as of 31 December 2021</i>
Financial assets at interest rate risk -PLN	Fixed	-	-
	Variable	494 296	273 441
Financial assets at interest rate risk – other currencies	Fixed	-	-
	Variable	447 931	237 211
Financial liabilities at interest rate risk - PLN	Fixed	-	-
	Variable	1 085 857	451 771
Financial liabilities at interest rate risk – other currencies	Fixed	-	-
	Variable	-	-
Net exposure -PLN	Fixed	-	-
	Variable	(591 561)	(178 330)
Net exposure – other currencies	Fixed	-	-
	Variable	447 931	237 211

Interest rate of financial instrument of variable interest rate is updated in periods shorter than one year. Interests on financial instruments of the fixed interest rate are fixed through the whole period to the date of maturity of these instruments. Other financial instruments of the Group not included in the above tables are not subject to interest and they are not subject to interest rate risk.

31.2.1. Hedging

As at September 30, 2022, one company from the Group - ZE PAK SA had active instruments to mitigate the risk resulting from changes in exchange rates (forward transaction into EUR/PLN).

GRUPA KAPITAŁOWA ZEPAK SA

Śródroczne skrócone skonsolidowane sprawozdanie finansowe za okres 9 miesięcy zakończony dnia 30 września 2022 roku
(w tysiącach złotych)

Type of concluded transactions	Currency pair	Transactions amount (nominal value in EUR thousand) 30 September 2022 (unaudited)	Net market value (fair value in PLN thousand) 30 September 2022 (unaudited)	Maturity
Forward transactions for the purchase of EUR currency	(EUR/PLN)	14 000	67 813	December 2022

The Group hedges the risk of changes in prices of CO2 emission allowances by using forward transactions to purchase allowances for its own needs. The tables below present a summary of forward transactions active as at September 30, 2022 and September 30, 2021.

30 September 2022 (unaudited)

Type of concluded transactions	Number of purchased allowances	Total value of transactions in EUR thousand	Currency of transactions	Maturity
Forward transactions	3 394 000	220 006	EUR	Up to 1 year
Forward transactions	2 097 000	174 297	EUR	Over 1 year

30 September 2021 (unaudited)

Type of concluded transactions	Number of purchased allowances	Total value of transactions in EUR thousand	Currency of transactions	Maturity
Forward transactions	4 658 140	152 783	EUR	Up to 1 year
Forward transactions	1 320 000	74 473	EUR	Over 1 year

32. Capital management

The main goal of the management of the Group's capital is maintenance of good credit rating and safe equity ratios, which would support the Group's operating activities and increased the values for its shareholders.

The Group manages the capital structure, and, as a result of changes of economic conditions, introduces amendments to it. Within the period of 9 months ended 30 September 2022 as well as at 31 December 2021, there were no introduced amendments to goals, rules and processes applying in this area.

The Group monitors the balance of its capitals using the leverage ratio, which is calculated as a relation of net debt to the sum of capitals enlarged with net debt. The expected leverage ratio for the Group should not exceed 50%. The Group includes interest bank credits and loans, liabilities due to supplies and services, and other liabilities, decreased by the cash and cash equivalents in the net debt. The capital includes the equity decreased by reserve capitals due to unrealised net profits.

	30 September 2022 (unaudited)	31 December 2021
Interest-bearing credits and loans	1 085 857	55 003
Trade liabilities and other financial liabilities	249 763	193 509
Minus cash and its equivalents	937 529	497 861
Net debt	398 091	201 062
Equity	1 217 512	524 232
Total capital	1 217 512	524 232
Net capital and debt	1 615 603	725 294
Leverage ratio	24,64%	27,72%

33. Significant events after the balance sheet date

Conclusion of collateral documents related to the loan agreement and conclusion of the electricity sales agreement (PPA)

In connection with the loan agreement of September 20, 2022, on October 4, 2022, Farma Kazimierz concluded collateral documents with Bank Gospodarstwa Krajowego.

PAK-Polska Clean Energy sp. z o.o. established in favour of the bank (is) a financial and registered pledge (subject to its registration) on all shares in the share capital of Farma Kazimierz along with a power of attorney to exercise corporate rights attached to such shares.

In addition, Farma Kazimierz has established (ii) financial and registered pledges (subject to their registration) over receivables under agreements for maintaining bank accounts of Farma Kazimierz, (iii) a registered pledge (subject to its registration) over a set of items and property rights belonging to Farma Kazimierz. Farma Kazimierz made a transfer to secure its rights and receivables from i.a. contracts for the sale of electricity, contracts for construction works and loan contracts. Farma Kazimierz and PAK-PCE also concluded a debt subordination agreement with the bank, according to which PAK-PCE's claims against Farma Kazimierz were subordinated to the bank's claims under the loan agreement.

Moreover, Farma Kazimierz granted the power of attorney to the bank to dispose of its bank accounts. Farma Kazimierz and PAK-PCE also submitted declarations of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure.

As part of the security, an agreement was also concluded to guarantee the exceeded costs of the project implemented by Farma Kazimierz, according to which, among others, The company undertook to provide financing to cover the exceeded project costs up to the amount of PLN 13.5 million.

Farma Kazimierz also concluded with Polkomtel sp. z o.o. direct contract and electricity sales contract - PPA. The PPA concerns the sale of electricity and guarantees of origin for the energy produced by Farma Kazimierz.

The PPA was signed for a period of 15 years. The total planned electricity sales volume under the PPA applies to the entire volume produced by Farma Kazimierz in that period. The production volume of Farma Kazimierz throughout the entire period of operation will depend mainly on wind conditions and the level of productivity of the installed equipment. The energy produced will be sold at a fixed price, indexed by the annual inflation rate. The total estimated sales revenue under the PPA over the next 15 years will amount to approximately PLN 360 million.

Both parties to the PPA were duly secured, including in the event of failure to produce energy by Farma Kazimierz as well as failure to pay for the energy supplied by Farma Kazimierz. The provisions of the PPA also comprehensively regulate issues related to i.a. energy production planning and responsibility for commercial balancing of Farma Kazimierz.

Termination of the cooperation agreement with MS Innovation Impulse GMBH

On October 31, 2022, the Management Board of the Company decided to terminate the cooperation agreement concluded on August 31, 2021 with MS Innovation Impulse GMBH based in Vienna, Austria, in the presence and with the participation of Argumenol Investment Company Limited, based in Limassol, Cyprus and Synthos Green Energy Spółka Akcyjna with its registered office in Warsaw.

The decision to terminate the agreement is due to the Company's intention to conduct further analyses regarding the possible, different and more diverse use by the Company of the land, potential and infrastructure located on the premises of the organized part of the enterprise, related to the generation of electricity at the Pątnów Power Plant, and each party may terminate contract in the event of failure to meet one of the conditions precedent by the end date specified in the contract.

Conclusion of a letter of intent regarding cooperation in the project of building a nuclear power plant

On October 31, 2022, the Company and Korea Hydro & Nuclear Power Co., Ltd., a state-owned Korean company with its registered office in Gyeongju, Republic of Korea, and PGE Polska Grupa Energetyczna S.A. with its registered office in Lublin, a letter of intent.

It is the intention of the Parties to cooperate within the framework of the strategic Polish-Korean project to build a nuclear power plant in Pątnów. The parties decided to cooperate to develop a plan for the development of a nuclear power plant based on the Korean APR1400 technology, including in particular analysis of data on geotechnical, seismic and environmental conditions, development of an estimated budget for the preparatory work, the construction stage and the

production stage together with the proposed model of financing the project and developing the expected project schedule along with defining dates for key milestones. The parties intend to prepare a development plan by the end of 2022.

The area in Pątnów is defined in the "Energy Policy of Poland until 2040." and in the "Polish Nuclear Energy Program" adopted by the Council of Ministers of the Republic of Poland on February 2, 2021 and October 2, 2020, respectively, as one of four possible locations for a nuclear power plant in Poland.

The Letter of Intent will expire after three years and may be extended for another year with the consent of all parties.

Information on the impact of new legal regulations on the company's financial situation

On November 18, 2022, the Company announced the result of preliminary analyses made in connection with the regulations contained in the Regulation of the Council of Ministers published on November 9, 2022 on the method of calculating the price limit. The Regulation defines the method of calculating the price limit for electricity producers, broken down by electricity generation technologies, as defined in Art. 21 sec. 1 of the Act of October 27, 2022 on emergency measures to reduce electricity prices and support for certain consumers in 2023.

The Company conducted analyses of the regulations contained in the Regulation and the effects of the Regulation's entry into force from the date of its publication, in particular with regard to the costs incurred by the Company and the impact of the maximum energy sales price limits set out in the Regulation on the profitability of the Company's generation activities in 2023.

The preliminary analysis carried out by the Company shows that during the term of the regulation, the regulations contained therein will not allow the Company to obtain revenues from the sale of produced energy, covering the entire cost of generating this energy. Due to the fact that this information may be important for investors, the Company decided to immediately publish the results of the preliminary analysis in the form of a current report.

The Management Board of the Company would like in particular to draw attention to the provisions contained in §2. point 4) of the regulation, according to which the cost of fuel used, including the cost of transport and storage, which may be used to calculate the limit of the sale price of energy by the Company, has been limited to the level of PLN 7.8/GJ.

The unit cost of lignite purchase by the Company expressed in PLN/GJ, both in 2021 and 2022, exceeded the level set in the regulation. The company assumes that due to the closing of subsequent exploited open pits, and thus the lower forecasted volume of coal supplies, the unit cost of lignite purchase in 2023 will increase compared to the level resulting from the planned performance of costs in 2022.

Currently, the Company is carrying out work related to the preparation of the budget for 2023, a more accurate estimation of the impact of the Regulation on the profitability of generation activities and on the Company's financial situation will be made by the end of the year and will be provided in the form of a separate current report immediately after such an estimate is made.

Konin, November 29, 2022