

**ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA**

**INTERIM CONDENSED FINANCIAL STATEMENT  
FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2019  
INCLUDING THE AUDIT REPORT**

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## BALANCE SHEET

### Assets

	30 June 2019 <i>(unaudited)</i>	31 December 2018	30 June 2018 <i>(unaudited)</i>
<b>A. Fixed assets</b>	<b>1 685 404</b>	<b>1 745 389</b>	<b>1 821 655</b>
<b>I. Intangible assets</b>	<b>2 621</b>	<b>45 055</b>	<b>11 629</b>
1. Development expenses	-	-	-
2. Goodwill	-	-	-
3. Other intangible assets	2 621	45 055	11 629
4. Prepayments for intangible assets	-	-	-
<b>II. Tangible fixed assets</b>	<b>597 745</b>	<b>614 649</b>	<b>638 308</b>
1. Tangible assets	549 653	566 398	581 810
a) land (including perpetual usufruct)	1 279	1 281	1 284
b) buildings, premises and constructions	167 282	171 029	174 013
c) plant and machinery	379 448	392 116	404 538
d) motor vehicles	675	848	887
e) other	969	1 124	1 088
2. Construction in progress	48 092	48 251	56 498
3. Prepayments for construction in progress	-	-	-
<b>III. Long-term receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. from affiliates	-	-	-
2. from others, of which entity has capital engagement	-	-	-
3. from others	-	-	-
<b>IV. Long-term investment</b>	<b>1 077 635</b>	<b>1 077 881</b>	<b>1 163 943</b>
1. Property	-	-	-
2. Intangible fixed assets	-	-	-
3. Long-term financial assets	1 077 635	1 077 881	1 163 943
a) in affiliates	1 077 483	1 077 729	1 163 791
– shares	1 049 381	1 049 381	1 128 740
– other securities	-	-	-
– loans granted	23 102	23 348	31 551
– other long-term financial assets	5 000	5 000	3 500
b) in other entities of which entity has capital engagement	-	-	-
– shares	-	-	-
– other securities	-	-	-
– loans granted	-	-	-
– other long-term financial assets	-	-	-
c) in other entities	152	152	152
– shares	152	152	152
– other securities	-	-	-
– loans granted	-	-	-
– other long-term financial assets	-	-	-
4. Other long-term investments	-	-	-
<b>V. Long-term prepayments and deferred costs</b>	<b>7 403</b>	<b>7 804</b>	<b>7 775</b>
1. Deferred tax assets	-	-	-
2. Other prepayments and deferred costs	7 403	7 804	7 775

## BALANCE SHEET (cont.)

	242 329	406 608	384 816
<b>B. Current assets</b>			
<b>I. Inventories</b>	<b>63 879</b>	<b>56 084</b>	<b>54 764</b>
1. Raw materials	41 919	35 094	45 067
2. Semi-finished goods and work-in-progress	-	-	-
3. Finished products	-	-	-
4. Goods	21 960	20 989	9 669
5. Inventory prepayments	-	1	28
<b>II. Short-term receivables</b>	<b>145 621</b>	<b>175 393</b>	<b>186 950</b>
1. Receivables from affiliates	80 291	65 833	136 306
a) trade receivables, due in:	48 699	53 986	41 091
– up to 12 months	48 699	53 986	41 091
– over 12 months	-	-	-
b) other	31 592	11 847	95 215
2. Receivables from other entities of which entity has capital engagement	-	-	-
a) trade receivables, due in:	-	-	-
– up to 12 months	-	-	-
– over 12 months	-	-	-
b) other	-	-	-
3. Receivables from other entities	65 330	109 560	50 644
a) trade receivables, due in:	34 522	44 210	20 404
– up to 12 months	34 522	44 210	20 404
– over 12 months	-	-	-
b) taxation, subsidy, customs duty, social security, health insurance and other debtors	7 508	6 189	3 747
c) other	23 300	59 161	26 493
d) submitted to court	-	-	-
<b>III. Short-term investments</b>	<b>31 525</b>	<b>174 807</b>	<b>141 726</b>
1. Short-term financial assets	31 525	174 807	141 726
a) in affiliates	25 403	25 438	19 585
– shares	-	-	-
– other securities	-	-	-
– loans granted	23 403	23 438	16 085
– other short-term financial assets	2 000	2 000	3 500
b) in other entities	-	19	840
– shares	-	-	-
– other securities	-	-	-
– loans granted	-	-	-
– other short-term financial assets	-	19	840
c) cash and other monetary assets	6 122	149 350	121 301
– cash on hand and cash at bank	6 122	149 350	121 001
– other cash and cash equivalents	-	-	300
– other monetary assets	-	-	-
2. Other short-term investments	-	-	-
<b>IV. Short-term prepayments and deferred costs</b>	<b>1 304</b>	<b>324</b>	<b>1 376</b>
<b>C. Unpaid share capital (basic)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D. Own shares</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>1 927 733</b>	<b>2 151 997</b>	<b>2 206 471</b>

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## BALANCE SHEET (cont.)

### Liabilities and equity

	30 June 2019 <i>(unaudited)</i>	31 December 2018	30 June 2018 <i>(unaudited)</i>
<b>A. Equity</b>	<b>1 362 345</b>	<b>1 338 387</b>	<b>1 496 473</b>
<b>I. Equity capital</b>	<b>101 647</b>	<b>101 647</b>	<b>101 647</b>
<b>II. Reserve capital, including:</b>	<b>1 124 377</b>	<b>1 124 377</b>	<b>1 124 347</b>
– surplus of sales value (issue value) over nominal value of shares	380 030	380 030	380 030
<b>III. Revaluation reserve, including:</b>	<b>227 466</b>	<b>227 466</b>	<b>227 496</b>
– for fair value revaluation	-	-	-
<b>IV. Other reserves, including:</b>	<b>3 472</b>	<b>3 472</b>	<b>3 472</b>
– created in accordance with the company's articles of association	-	-	-
– for own shares	-	-	-
<b>V. Profits (losses) from previous years</b>	<b>(118 575)</b>	<b>(54 059)</b>	<b>(54 059)</b>
<b>VI. Net profit (loss) for the period</b>	<b>23 958</b>	<b>(64 516)</b>	<b>93 570</b>
<b>VII. Deductions from net profit during the period (negative value)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Liabilities and provisions for liabilities</b>	<b>565 388</b>	<b>813 610</b>	<b>709 998</b>
<b>I. Provisions for liabilities</b>	<b>335 687</b>	<b>505 037</b>	<b>284 165</b>
1. Deferred tax liability	42 838	37 523	74 100
2. Provision for retirement benefits and similar obligations	11 401	19 855	14 041
– long-term	7 950	7 905	9 360
– short-term	3 451	11 950	4 681
3. Other provisions	281 448	447 659	196 024
– long-term	112 246	111 471	77 967
– short-term	169 202	336 188	118 057
<b>II. Long-term liabilities</b>	<b>2 433</b>	<b>61 392</b>	<b>132 450</b>
1. To affiliates	-	-	-
2. To other entities of which entity has capital engagement	-	-	-
3. To other entities	2 433	61 392	132 450
a) loans and credits	-	58 900	129 937
b) debt securities issued	-	-	-
c) other financial liabilities	433	492	513
d) bills of exchange	-	-	-
e) other	2 000	2 000	2 000
<b>III. Short-term liabilities</b>	<b>220 545</b>	<b>245 412</b>	<b>285 868</b>
1. To affiliates	11 206	11 428	51 380
a) trade liabilities:	11 102	10 743	18 043
– up to 12 months	11 102	10 743	18 043
– over 12 months	-	-	-
b) other	104	685	33 337

**BALANCE SHEET (cont.)**

2. To other entities of which entity has capital engagement	-	-	-
a) trade liabilities:	-	-	-
– up to 12 months	-	-	-
– over 12 months	-	-	-
b) other	-	-	-
3. To other entities	205 093	229 850	229 406
a) loans and credits	134 162	148 773	151 187
b) debt securities issued	-	-	-
c) other financial liabilities	209	364	326
d) trade liabilities:	33 541	35 113	25 850
– up to 12 months	33 541	35 113	25 850
– over 12 months	-	-	-
e) advance payments received	-	-	-
f) bills of exchange	-	-	-
g) taxation, customs duty and social security creditors	28 843	38 141	14 970
h) payroll	3 235	3 299	3 325
i) other	5 103	4 160	33 748
4. Special funds	4 246	4 134	5 082
<b>IV. Accruals and deferred income</b>	<b>6 723</b>	<b>1 769</b>	<b>7 515</b>
1. Negative goodwill	-	-	-
2. Other accruals and deferred income	6 723	1 769	7 515
– long-term	387	410	433
– short-term	6 336	1 359	7 082
<b>Total Liabilities and equity</b>	<b>1 927 733</b>	<b>2 151 997</b>	<b>2 206 471</b>

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## PROFIT & LOSS ACCOUNT (calculation type)

	A period of 6 months ended 30 June 2019 (unaudited)	A period of 6 months ended 30 June 2018 (June)
<b>A. Net sales of finished goods, goods for resale and raw materials, of which:</b>	<b>694 488</b>	<b>499 987</b>
– from affiliates	158 006	191 843
I. Net sales of finished products	558 256	436 060
II. Net sales of goods for resale and raw materials	136 232	63 927
<b>B. Cost of finished products, goods for resale and raw materials sold, of which:</b>	<b>631 158</b>	<b>509 493</b>
– to affiliates	151 643	226 255
I. Cost of finished products sold	521 012	454 686
II. Cost of goods for resale and raw materials sold	110 146	54 807
<b>C. Gross profit (loss) on sales (A–B)</b>	<b>63 330</b>	<b>(9 506)</b>
D. Selling expenses	794	944
E. Administrative expenses	21 067	25 966
<b>F. Profit (loss) on sales (C–D–E)</b>	<b>41 469</b>	<b>(36 416)</b>
G. Other operating income	4 357	615
I. Gains on the sale of non-financial fixed assets	1 319	4
II. Grants	23	23
III. Revaluation of non-financial assets	-	-
IV. Other operating income	3 015	588
H. Other operating expenses	13 034	948
I. Loss on the sale of non-financial fixed assets	-	-
II. Impairment of non-financial assets	1 713	111
III. Other	11 321	837
<b>I. Operating profit (loss) (F+G–H)</b>	<b>32 792</b>	<b>(36 749)</b>
J. Financial income	2 566	132 859
I. Dividends and shares in profits, including:	1 830	127 774
a) from affiliates, including:	1 830	127 692
– of which the entity has capital engagement	-	-
b) from others, including:	-	82
– of which the entity has capital engagement	-	-
II. Interest, including:	391	1 172
– from affiliates	213	212
III. Profit on the disposal of financial assets, including:	-	-
– affiliates	-	-
IV. Revaluation of investments	-	3 604
V. Other	345	309
K. Financial costs	6 085	7 632
I. Interest, including:	4 533	6 439
– to affiliates	-	-
II. Loss on the disposal of financial assets, including:	-	-
– in affiliates	-	-
III. Impairment of investments	513	-
IV. Other	1 039	1 193
<b>L. Gross profit (loss) (I+J–K)</b>	<b>29 273</b>	<b>88 478</b>
M. Corporate profits tax	5 315	(5 092)
N. Other tax charges	-	-
<b>O. Net profit (loss) (L–M–N)</b>	<b>23 958</b>	<b>93 570</b>

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## STATEMENT OF CASH FLOW (indirect method)

	<i>A period of 6 months ended 30 June 2019 (unaudited)</i>	<i>A period of 6 months ended 30 June 2018 (June)</i>
<b>A. Cash flow from operating activities</b>		
I. Net profit (loss)	<b>23 958</b>	<b>93 570</b>
II. Adjustments, total	<b>(108 505)</b>	<b>(51 024)</b>
1. Depreciation	19 321	19 270
2. Foreign exchange gains (losses)	250	(1 959)
3. Interest and shares in profits (dividends)	2 709	(121 579)
4. Profit (loss) on investing activities	(1 430)	(1 648)
5. Change in provisions	165 363	111 857
6. Change in inventories	(7 795)	(13 147)
7. Change in receivables	21 602	46 794
8. Change in short-term liabilities, except for loans and borrowings	(8 505)	(49 661)
9. Change in prepayments, accruals and deferred income	4 486	(3 658)
10. Other adjustments	(304 506)	(37 293)
– acquisition of CO <sub>2</sub> emission allowances	(304 506)	(37 281)
<b>III. Net cash flow from operating activities (I±II)</b>	<b>(84 547)</b>	<b>42 546</b>
<b>B. Cash flow from investing activities</b>		
I. Inflows	<b>23 351</b>	<b>7 509</b>
1. Sale of intangible assets and tangible fixed assets	13 351	4
2. Sale of investments in property and intangible assets	-	-
3. From financial assets, including:	10 000	7 505
a) in affiliates	10 000	7 505
b) in others	-	-
– disposal of financial assets	-	-
– dividends and share in profits	-	-
– repayment of long-term loans granted	-	-
– interests	-	-
– other inflows from financial assets	-	-
4. Other investing inflows	-	-
II. Outflows	<b>3 929</b>	<b>21 189</b>
1. Purchase of intangible assets and tangible fixed assets	3 929	21 000
2. Investments in property and intangible assets	-	-
3. For financial assets, including:	-	189
a) in affiliates	-	189
b) in others	-	-
– purchase of financial assets	-	-
– long-term loans granted	-	-
4. Other investing outflows	-	-
<b>III. Net cash flow from investing activities (I-II)</b>	<b>19 422</b>	<b>(13 680)</b>
<b>C. Cash flow from financing activities</b>		
I. Inflows	-	-
1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital	-	-
2. Loans and credits	-	-
3. Issue of debt securities	-	-
4. Other financial inflows	-	-



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

II. Outflows	<b>78 098</b>	<b>80 110</b>
1. Reacquisition of own shares	-	
2. Dividends and other payments to shareholders	-	
3. Outflows due to appropriation of profit other than payments to shareholders	-	
4. Repayment of loans and credits	74 272	74 272
5. Redemption of debt securities	-	
6. Relating to other financial liabilities	-	
7. Finance lease payments	84	87
8. Interest paid	3 742	5 751
9. Other financial outflows	-	
<b>III. Net cash flow from financial activities (I-II)</b>	<b>(78 098)</b>	<b>(80 110)</b>
<b>D. Total net cash flow (A.III±B.III±C.III)</b>	<b>(143 223)</b>	<b>(51 244)</b>
E. Balance sheet change in cash and cash equivalents,, including:	<b>(143 229)</b>	<b>(51 244)</b>
– change in cash and cash equivalents due to foreign exchange gains/losses	(5)	-
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>149 345</b>	<b>172 545</b>
<b>G. Cash and cash equivalents at the end of the period (F±D), including</b>	<b>6 122</b>	<b>121 301</b>
– of restricted use	3 608	3 399

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## STATEMENT OF CHANGES IN EQUITY

	<i>A period of 6 month ended 30 June 2019 (unaudited)</i>	<i>A period of 12 months ended 31 December 2018</i>	<i>A period of 6 months ended 30 June 2018 (unaudited)</i>
<b>I. Equity at the beginning of the period (OB)</b>	<b>1 338 387</b>	<b>1 488 863</b>	<b>1 488 863</b>
– changes in accounting policy	-	-	-
– correction of prior period error	-	-	-
<b>I.a. Equity at the beginning of the period (OB), after adjustments</b>	<b>1 338 387</b>	<b>1 488 863</b>	<b>1 488 863</b>
1. Share capital at the beginning of the period	101 647	101 647	101 647
1.1. Changes in share capital	-	-	-
a) increases	-	-	-
– emission of shares	-	-	-
b) decrease	-	-	-
– redemption of shares	-	-	-
<b>1.2. Share capital at the end of the period</b>	<b>101 647</b>	<b>101 647</b>	<b>101 647</b>
2. Reserve capital at the beginning of the period	1 124 377	1 094 697	1 094 697
2.1. Changes in reserve capital	-	29 680	29 650
a) increases	-	29 680	29 650
– issues of shares over the nominal value	-	-	-
– profit distribution	-	29 649	29 649
– disposal of fixed assets	-	31	1
b) decrease	-	-	-
– cover of loss	-	-	-
– redemption of shares	-	-	-
<b>2.2. Reserve capital at the end of the period</b>	<b>1 124 377</b>	<b>1 124 377</b>	<b>1 124 347</b>
3. Capital from revaluation at the beginning of the period – changes of accountancy policies	227 466	227 497	227 497
3.1. Changes of capital from revaluation	-	(31)	(1)
a) increases	-	-	-
b) decreases	-	31	1
– disposal of fixed assets	-	31	1
<b>3.2. Capital from revaluation at the end of the period</b>	<b>227 466</b>	<b>227 466</b>	<b>227 496</b>
4. Other reserves at the beginning of the period	3 472	3 472	3 472
4.1. Changes in other reserves	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
– cover of loss	-	-	-
<b>4.2. Other reserves at the end of the period</b>	<b>3 472</b>	<b>3 472</b>	<b>3 472</b>
5. Profit (loss) from previous years at the beginning of the period	(118 575)	61 550	61 550
5.1. Profit from previous years at the beginning of the period	-	115 609	115 609
– changes of accountancy rules	-	-	-
– error adjustments	-	-	-

## STATEMENT OF CHANGES IN EQUITY (cont.)

5.2. Profit from previous years at the beginning of the period, after adjustments	-	115 609	115 609
a) increases	-	-	-
– distribution of profits from previous years	-	-	-
b) decreases	-	115 609	115 609
– distribution of profit for reserve capital	-	29 649	29 649
– dividend payment	-	85 960	85 960
5.3. Profit from previous years at the end of the period	-	-	-
5.4. Loss from previous years at the beginning of the period	(118 575)	(54 059)	(54 059)
– changes of accountancy rules	-	-	-
– error adjustments	-	-	-
5.5. Loss from previous years at the beginning of the period, after adjustments	(118 575)	(54 059)	(54 059)
a) increases	-	-	-
– transfer of loss from previous years to cover	-	-	-
b) decreases	-	-	-
5.6. Loss from previous years at the end of the period	(118 575)	(54 059)	(54 059)
<b>5.7. Profit (loss) from previous years at the end of the period</b>	<b>(118 575)</b>	<b>(54 059)</b>	<b>(54 059)</b>
<b>6. Net result</b>	<b>23 958</b>	<b>(64 516)</b>	<b>93 570</b>
a) net profit	23 958	-	93 570
b) net loss	-	(64 516)	-
c) result impairments	-	-	-
<b>II. Equity at the end of the period (CB)</b>	<b>1 362 345</b>	<b>1 338 387</b>	<b>1 496 473</b>
<b>III. Equity after proposed result distribution (cover of loss)</b>	<b>1 362 345</b>	<b>1 338 387</b>	<b>1 496 473</b>

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## **ADDITIONAL INFORMATION TO THE CONDENSED SUMMARY FINANCIAL STATEMENT FOR 6 MONTHS**

### **1. General information about the Company**

Zespół Elektrowni Pątnów-Adamów-Konin Spółka Akcyjna ("ZE PAK SA", "the Company") was established by the Notarial Deed of 29 December 1994. The Company's registered office is in Konin at Kazimierska 45.

The Company is entered into the Register of Entrepreneurs under the KRS number 0000021374 assigned on 21 June 2001.

The Company has been operating under the NIP number: 665-00-01-645 assigned on 17 September 1993, and the REGON symbol: 310186795.

The Company has been established for an indefinite period.

The Company is the parent company of the Capital Group of Zespół Elektrowni Pątnów – Adamów – Konin ("Group", "Capital Group", "ZE PAK SA Group").

According to articles of association, the subject of the Company's activities is:

- 1) production and distribution of electricity,
- 2) production and distribution of heat (steam and hot water).

The summary half-year financial statement of ZE PAK SA as developed based on the provisions of the regulation of the Minister of Finances of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent (Journal of Laws 2018 item 757). The format, basis and scope of the developed statement are in accordance with the requirements of that regulation.

### **2. Determination and clarification of differences in the disclosed data and significant differences regarding the adopted accounting principles (policy) between the statement and the comparable data as well as the statement and the comparable data developed according to IFRS**

The Company is the parent company of the Capital Group, which is obliged to develop a consolidated financial statement in accordance with IFRS standards approved by the EU ("IFRS"). The Company did not prepare and does not prepare an individual financial statement in accordance with IFRS.

The main potential differences between the IFRS and the AoA (DZ.U. 2019.351 consolidated text) developed with the assumption of using the IFRS based on the IFRS 1 guidelines and adoption of the financial data resulting from the consolidated financial statement of the ZE PAK SA Group are presented below. The date of transition of the ZE PAK SA Group to the IFRS is 1 January 2009.

If the financial statement was developed in accordance with the IFRS, the main differences between the accounting principles adopted for the enclosed statement and the IFRS, with the assumption that the date of transition to the IFRS is 1 January 2009:

1. Tangible fixed assets
  - a) Valuation of the tangible fixed assets

According to the IFRS 1, as of the date of the first application of the IFRS, the body can make a fair value quotation of the fixed assets and recognise their fair value as the assumed cost at this date. The Company established the assumed cost of the selected tangible fixed assets by assignment of the fair value of these assets as of 1 January 2009, i.e. the assumed date of transition to the application of the IFRS.

Due to differences in the valuation of property, plant and equipment under the Accounting Act and IFRS, the amount of impairment losses on property, plant and equipment also varies.

- b) Allotment of renovation components

The International Financial Reporting Standards project the allotment within the scope of fixed assets of components, provided that their use period differs from the use period of a given fixed asset. The components are depreciated during their usability period. According to the IFRS, the specific component consists of renovations and periodical inspections. Therefore, the Company allotted the components of the planned values to bear the costs of overhauls and made depreciation of components in the period remaining until the planned commencement of the next renovation. The recognition of this adjustment also resulted in the need to charge the deferred tax.

c) Valuation of land perpetual usufruct

According to the AoA, the perpetual usufruct of land is subject to depreciation, and the depreciation write-downs are recognised in the income statement in the prime cost item.

Pursuant to IFRS 16, the right to perpetual usufruct of land is classified by the Company as an asset from the right to use, and on the other hand as a lease liability, which reflects its obligation to make lease payments. The asset due to the right to use is subject to depreciation.

d) Capitalisation of external financing costs

According to the AoA, the Company recognised in the capital work in progress all the costs of servicing liabilities incurred in order to finance them along with the exchange rate differences that took place.

For the purpose of the IFRS, the Company would make an adjustment of the capitalised exchange rate differences on the liabilities incurred in foreign currencies, consisting in the adaptation of the value of these exchange rate differences to the value, in which they comprise the adjustment of the interest costs.

Furthermore, the Company would execute the capitalisation of external financing costs on the liabilities of general nature, used for the financing of capital work in progress.

Due to the above fact, in the financial statement developed according to the IFRS, the Company would capitalise the external financing costs in the value not higher than the financing costs, which would occur if the liabilities were incurred in the functional currency, i.e. PLN.

## 2. Current assets

In accordance with AoA, the Company recognizes trade receivables in the amount of payment required less revaluation write-offs. The value of receivables is updated taking into account the degree of probability of their payment by making a write-down. On the other hand, financial assets at the time of entry in the books are valued at cost (purchase price), which is the fair value of the payment made.

Pursuant to IFRS 9, the Company measures the write-down on expected loan losses in the amount equal to 12-month expected loan losses or expected loan losses during the life of the financial instrument. In the case of trade receivables, the Company measures the write-down on expected credit losses in an amount equal to the expected credit losses throughout their life.

Described areas of differences between the AoA and the IFRS were identified during the process of development of the Group's consolidated financial statement according to the IFRS and do not include the potential adjustments of the IFRS in relation to transactions with affiliated entities, which were eliminated in the scope of the Group's financial statement.

The International Accounting Standards Board (IASB) introduced many changes into the current accounting principles and issued new standards. New standards and changes to the current standards are still in the works. Furthermore, these standards are subject to the approval process by the EU. In relation to the above, it is possible that the standards, according to which the Company will develop its first financial statement compliant with the IFRS, which can include data from the past years, will differ from the standards used for the development of the below explanatory note describing the differences between the IFRS and the Polish accounting standards.

Furthermore, only a complete financial statement embracing the statement on the financial position, total income statement, statement of changes in the equity, as well as the cash flow statement, and the comparative data and explanatory notes can present the full and reliable view of the Company's financial position, the results of its activities and cash flows in accordance with the IFRS.

The presentation of some of the items of the financial statements according to the AoA and the IFRS can differ. The differences in the presentation will not affect the equity and the Company's net result.

The components of particular items in the financial statement, as well as the scope of additional information to the financial statement compliant with the AoA and the IFRS can differ substantially.

*The following table presents the differences as of 30 June 2019 (unaudited data):*

	<i>Balance sheet value</i> <i>Acc. to AoA</i>	<i>Balance sheet value</i> <i>Acc. to IFRS</i>	<i>Value adjustment</i>
Tangible fixed assets	597 744	582 660	(15 084)
Equity	1 362 345	1 268 477	(93 868)
Deferred tax provision	42 838	103 525	60 687

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

	<i>30 June 2019</i> <i>(unaudited)</i>
AoA net profit	23 958
Adjustment of the tangible fixed assets	(2 068)
IAS 19 adjustment – Actuarial profits / losses	544
IFRS 9 adjustment	854
IFRS 16 adjustment	25

	<i>30 June 2019</i> <i>(unaudited)</i>
AoA capital	1 362 345
Adjustment of the tangible fixed assets	(57 598)
IFRS 9 adjustment	(1 308)
IFRS 16 adjustment	(34 962)

### **3. Assumption of continuation of economic activity**

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. However, the Company's Management Board notes that as at June 30, 2019, current liabilities and provisions, including bank loans and provisions related to CO2 emission allowances, exceed current assets and the value of acquired CO2 emission allowances by PLN 157 million.

Increasing operating costs, significant fluctuations in the level of prices of CO2 emission allowances, the level of short-term debt and uncertainty regarding market regulations determining the prices of energy produced and certificates obtained affect the uncertainty of the implementation of plans adopted by the Management Board. Consequently, the Management Board draws attention to the existence of significant uncertainty which may raise serious doubts as to the Company's ability to continue as a going concern. It should be emphasized, however, that a number of actions are taken at the operational level to improve the economic situation of the Company.

The Management Board has carried out a detailed analysis of cash flow forecasts and confirms that the analysis of the Company's cash flows indicates the possibility of generating sufficient, positive cash flows at least in the next 12 months from the date of these financial statements. This analysis assumes renewal of existing credit limits regarding the financing of the Company's current operations. According to the Management Board, the risk of not renewing credit limits is limited.

### **4. Merger of commercial companies**

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

### **5. Accepted principles (policy) of accounting**

The accounting principles adopted by the Company, including the methods of valuation of assets and liabilities and measuring the financial result are in accordance with the provisions of the Accounting Act of 29 September 1994 and were described in the financial statements of Zespół Elektrowni Państw - Adamów - Konin SA for the financial year ended 31 December 2018 published on April 30, 2019.

## 6. Comparability of financial data for the previous period with the report for the current period

In the current period, the Company did not change the accounting principles, therefore it was not obliged to present numerical information that would ensure comparability of data for the financial statements for the preceding period with the statement for the current financial period. The data presented as at December 31, 2018 are consistent with the final and annual financial statements for the year ended December 31, 2018, while the data for the period ended June 30, 2018 are not consistent with the interim condensed financial statements of the Company presented for the period ended June 30, 2018. This correction has been described in the 2018 report.

The following table presents the impact of the adjustment described in the Financial Statements prepared as at December 31, 2018 on the items of the financial statements as at June 30, 2018. At the same time, changes in comparative data were also presented in connection with the merger with PAK - HOLDCO sp. z o.o. and in connection with the change in the principles of presenting prepayments.

	<i>Published data</i>	<i>Transformed data</i>	<i>Error adjustment</i>	<i>Merger with PAK – HOLDCO</i>	<i>Correction of the presentation in relation with changes in regulations</i>
	<i>30 June 2018</i>				
<i>Assets</i>					
<b>A. Fixed assets</b>	<b>1 831 631</b>	<b>1 821 655</b>	<b>3 668</b>	<b>(50)</b>	<b>(13 594)</b>
<b>IV. Long-term investment</b>	<b>1 177 587</b>	<b>1 163 943</b>	<b>-</b>	<b>(50)</b>	<b>(13 594)</b>
3. Long-term financial assets	1 177 587	1 163 943	-	(50)	(13 594)
a) in affiliates	1 177 435	1 163 791	-	(50)	(13 594)
– shares	1 142 384	1 128 740	-	(50)	(13 594)
<b>V. Long-term prepayments and deferred costs</b>	<b>4 107</b>	<b>7 775</b>	<b>3 668</b>	<b>-</b>	<b>-</b>
2. Other prepayments and deferred costs	4 107	7 775	3 668	-	-
<b>B. Current assets</b>	<b>294 463</b>	<b>384 816</b>	<b>-</b>	<b>90 353</b>	<b>-</b>
<b>II. Short-term receivables</b>	<b>96 908</b>	<b>186 950</b>	<b>-</b>	<b>90 042</b>	<b>-</b>
1. Receivables from affiliates	46 306	136 306	-	90 000	-
b) other	5 215	95 215	-	90 000	-
3. Receivables from other entities	50 602	50 644	-	42	-
b) taxation, subsidy, customs duty, social security, health insurance and other debtors	3 705	3 747	-	42	-
<b>III. Short-term investments</b>	<b>141 415</b>	<b>141 726</b>	<b>-</b>	<b>311</b>	<b>-</b>
1. Short-term financial assets	141 415	141 726	-	311	-
c) cash and other monetary assets	120 990	121 301	-	311	-
<i>Liabilities and equity</i>					
<b>A. Equity</b>	<b>1 422 622</b>	<b>1 496 473</b>		<b>25 176</b>	<b>-</b>
<b>II. Reserve capital</b>	<b>1 124 143</b>	<b>1 124 347</b>	<b>-</b>	<b>204</b>	<b>-</b>
<b>V. Profits (losses) from previous years</b>	<b>(37 617)</b>	<b>(54 059)</b>	<b>(16 442)</b>	<b>-</b>	<b>-</b>
<b>VI. Net profit (loss) for the period</b>	<b>3 481</b>	<b>93 570</b>	<b>-</b>	<b>90 089</b>	<b>-</b>
<b>B. Liabilities and provisions for liabilities</b>	<b>703 472</b>	<b>709 998</b>	<b>20 110</b>	<b>10</b>	<b>(13 594)</b>
<b>I. Provisions for liabilities</b>	<b>260 194</b>	<b>284 165</b>	<b>20 110</b>	<b>-</b>	<b>3 861</b>
2. Provision for retirement benefits and similar obligations	10 180	14 041	-	-	3 861
– short-term	820	4 681	-	-	3 861
3. Other provisions	175 914	196 024	20 110	-	-

– long-term	37 857	118 057	20 110	-	-
<b>III. Short-term liabilities</b>	<b>285 858</b>	<b>285 868</b>	-	<b>10</b>	-
3. To other entities	229 396	229 406	-	10	-
d) trade liabilities with a maturity period	25 840	25 850	-	10	-
<b>IV. Accruals and deferred income</b>	<b>24 970</b>	<b>7 515</b>	-	-	<b>(17 455)</b>
2. Other accruals and deferred income	24 970	7 515	-	-	(17 455)
– long-term	14 027	433	-	-	(13 594)
– short-term	10 943	7 082	-	-	(3 861)

## 7. Error adjustment from previous periods

In the current period, no corrections of errors were made that could affect the comparability of financial data for the previous period with the data of the financial statements for the current financial period.

## 8. The amount and nature of items affecting assets, liabilities, equity, net income or cash flows that are abnormal due to their nature, value or frequency

During the current reporting period, there were no events affecting assets, liabilities, equities, net result or cash flow, that were unusual at their type, value or frequency.

## 9. Information on impairment write-downs against provisions value, impairing to the net value possible to achieve and on the reversal of such write-downs

The gross financial result for the current period includes the effects of creating and reversing the provision impairment write-down:

Impairment write-downs	31 December 2018	changes			30 June 2019 (unaudited)
		creation	use	liquidation	
Inventories	11 233	4 228	-	6 362	9 099

Certificates of origin of energy arising from the energy production from renewable energy sources and peak load co-generation are presented according to fair value at the end of the month, in which the energy based on renewable sources was produced.

As at June 30, 2019, the Group held a total of 7 218.887 MWh of property rights for green certificates of green energy produced and verified by the Energy Regulatory Office. In the first half of 2019, the Group received 152 546.927 MWh certificates for production in September, October, November 2018 and for production in January and February 2019. During this period, an application was submitted for the issue of 26 630.737 MWh for production in December 2018 and an application for production in April 2019 in the amount of 35 726,158 MWh. In the first half of 2019, 166 526.014 MWh was sold on TGE SA.



## 10. Information on the write-downs against the impairment of financial assets, tangible fixed assets, non-material and legal values or other assets and the reversal of such write-downs

The gross financial result for the current year includes the effects of creating and reversing impairment write-downs, in particular:

<i>Impairment write-downs</i>	<i>31 December 2018</i>	<i>Changes</i>			<i>30 June 2019 (unaudited)</i>
		<i>creation</i>	<i>use</i>	<i>liquidation</i>	
Intangible assets	1 279	-	-	-	1 279
Tangible fixed assets	1 567 173	-	-	85	1 567 088
Financial assets	107 608	-	-	-	107 608
Receivables	35 120	-	-	-	35 120

Short-term receivables from related entities in the item "Other" show an increase, which is caused by the lack of settlement of corrections for uncollected coal resulting from the order. However, in the item Other short-term receivables from other entities there was a decrease due to the decrease in the amount of obligatory collateral and deposits.

## 11. Information on the creation, increase, use or liquidation of the provisions

The gross financial result for the current period includes the effects of creating the estimates of future obligations, in particular:

<i>Provisions and accruals</i>	<i>31 December 2018</i>	<i>changes</i>			<i>30 June 2019 (unaudited)</i>
		<i>creation</i>	<i>use</i>	<i>liquidation</i>	
Provisions for pension and similar benefits, including:	19 855	1 977	9 027	1 404	11 401
– provision for retirement and death benefits	8 695	1 165	-	1 404	8 456
– provision for annual bonus	9 027	-	9 027	-	-
– reserve for unused holidays	2 133	812	-	-	2 945
Provisions for CO <sub>2</sub> emission allowances	334 782	167 814	334 712	-	167 884
Provision for the return of CO <sub>2</sub> emission allowances	30 640	221	-	-	30 861
Provisions for reclamation	63 656	154	-	88	63 722
Provisions for liquidation	17 391	400	-	-	17 791
Reserve for fees	1 190	-	-	-	1 190
Accruals and deferred expenses, incl.:	1 265	6 326	1 265	79	6 247
– fees for the economic use of the environment	345	6 112	345	79	6 033
– duty to redeem property rights	815	214	815	-	214
– provision for the costs of the current year	105	-	105	-	-
Deferred income	504	15	43	-	476
<b>Total</b>	<b>469 283</b>	<b>176 90 7</b>	<b>345 047</b>	<b>1 571</b>	<b>299 572</b>

## 12. Information on the provisions and assets related to deferred income tax

In the 6-month period ended on 30 June 2019, there had been a change in the state of the provisions and assets related to deferred income tax, i.e.:

- a change in the state of assets, decreasing tax burden in the amount of PLN 61 647 thousand,
- a change in the state of the provisions, increasing tax burden in the amount of PLN 66 962 thousand.

The change results from the dissolution of the asset due to the redemption of CO<sub>2</sub> emission allowances and the difference in balance sheet and tax depreciation.

### **13. Information on significant acquisition and sales transactions of tangible fixed assets and any significant liability due to purchasing tangible fixed assets**

In the 6-month period ended on 30 June 2019, the Company:

- Purchased or accepted from investments, tangible fixed assets in the amount of PLN 2 100 thousand,
- sold or liquidated fixed tangible asset component in the net amount of PLN 49 thousand.

As of 30 June 2019, the liabilities of the Company for the purchase of tangible fixed assets amount to PLN 3 058 thousand.

### **14. Information about the failure to repay a bank credit or loan, or the breach of significant provisions of a bank credit or loan agreement, in relation to which no remedial actions have been undertaken until the end of the reporting period**

During the current reporting period, the Company made bank credit payments in accordance with the provisions of credit agreements. As of the balance sheet day of 30 June 2019, the Company met the covenants, pursuant to the credit agreement of 13 March 2014.

### **15. Information on the issuer or its subsidiary, concluding one or multiple transactions with associated entities, should they have been concluded under conditions other than market conditions**

Zespół Elektrowni Pątnów-Adamów-Konin SA and subsidiaries, consolidated under the Group, did not conclude any transactions with the affiliates pursuant to conditions other than market conditions in the period of 6 months of 2019.

### **16. Information on the change in the manner (method) of appraisal of financial instruments, appraised at fair value**

There have been no changes to the manner (method) of appraising financial instruments according to fair value in the Company's financial statement presented for the current reporting period.

### **17. Information on the changes in the classification of financial assets**

In the current reporting period, there have been no changes to the classification of financial assets.

### **18. Information on the issue, redemption and repayment of non-equity and equity securities**

In the current reporting period, the Company did not issue, redeem or repay any non-equity and equity securities.

### **19. Events of the accounting period not specified in the balance sheet and the income statement**

During the reporting period until the development date of this financial statement, i.e. till 19 September 2019, there were no events that were not, and should be included in the accounting books and financial statements for the period ended June 30, 2019.

## **20. Events of previous years recognised in the financial statement**

As of the date of preparation of the financial statements for the period ended June 30, 2019, i.e. until September 19, 2019, there were no other significant events related to previous years which were not and should be included in the financial statements of the accounting year.

## **21. Information on the changes in the business or economic circumstances that significantly affect the fair value of the entity's financial assets and financial liabilities, regardless of the fact, whether those assets and liabilities are recognised in the fair value or the corrected purchase cost (amortised cost)**

### ***Proceedings on an environmental decision on lignite deposit in Ościsłowo***

On 13 March 2017, PAK KWB Konin SA received the decision of the Regional Director for Environmental Protection in Poznań ("RDOŚ in Poznań") of 10 March 2017, refusing the establishment of the environmental conditions for the investment titled: "Extraction of lignite and associated minerals from the Ościsłowo Open Pit." The decision of RDOŚ in Poznań is not final. PAK KWB Konin SA appealed accordingly to the General Directorate for Environmental Protection in Warsaw. The appeal included a request to revoke the appealed ruling in its entirety and determine the environmental conditions for the execution of the above-mentioned project. On 30 November 2017, General Director of Environmental Protection in Warsaw has decided to repeal a decision in its entirety (contested by PAK KWB Konin SA - a subsidiary of the Company) of the Regional Director for Environmental Protection in Poznań ("RDOŚ in Poznań") dated March 10, 2017, refusing to specify environmental conditions for the project entitled: "Extraction of lignite and associated minerals from Ościsłowo Open Pit" and forward the case for reconsideration by RDOŚ in Poznań.

PAK KWB Konin SA, by letter of December 18, 2017 filed an objection against the abovementioned decision of GDOŚ in Warsaw to the Provincial Administrative Court in Warsaw (WSA). In the opinion of PAK KWB Konin S.A. there were grounds for issuing a reformatory decision by GDOŚ in Warsaw, i.e. amending the contested decision of RDOŚ in Poznań and substantive decision in this matter, not referring the matter for reconsideration. The other party also opposed the WSA. Both objections were dismissed by the WSA. The verdict was passed on March 1, 2018. On April 12, 2018, PAK KWB Konin SA filed a cassation complaint with the Supreme Administrative Court in Warsaw against the verdict of the WSA in Warsaw of 1 March 2018. This complaint was upheld and the case was re-examined by the Provincial Administrative Court in Warsaw, which in its judgment of 18 October 2018 overruled the decision of GDOŚ, which will again have to hear the appeals lodged in the present case.

Currently, the case is being reconsidered by GDOŚ in Warsaw, which in a letter of 6 March 2019 called on PAK KWB Konin SA to submit explanations and supplement the evidence within two months of receiving the request. By letter of April 12, 2019, PAK KWB Konin SA applied for extension of the deadline to September 30, 2019. In connection with the above, the General Director for Environmental Protection set a new deadline for settling the matter on September 30, 2019.

The proceedings for issuing the environmental decision were initiated on 16 September 2015.

## **22. Events after the balance sheet date**

### ***Tender Offer for the sale of shares of ZE PAK SA***

On 30 July 2019 Argumenol Investment Company Limited announced a Tender Offer for the sale of ZE PAK SA shares. The subject of the tender offer is 34 823 241 ordinary bearer shares of the Company with a nominal value of PLN 2.00 each.

The shares, being the subject of the tender offer jointly represent approx. 68.52% of the share capital of the Company and entitle to 34 823 241 votes at the General Meeting of the Company, which corresponds to approx. 68.52% of votes at the General Meeting of the Company.

The Offeror has not specified the minimum number of shares covered by subscriptions, after reaching which the Offeror will be required to purchase these shares. The shares covered by the Tender Offer will be purchased at the price of PLN 7.47 for each of the shares.

Enrolment has started on August 20 and end on September 19, 2019. The expected date of the share purchase transaction is September 24, and the transaction will be settled on September 27.

On August 7, 2019, the Management Board of ZE PAK SA, in current report No. 24/2019, presented its position regarding the announced tender offer for the sale of shares. For the purpose of preparing this position, the Management Board has analysed the tender offer document, market prices of the Company's shares for the 6 and 3 months preceding the announcement of the Tender Offer, publicly available information on current valuations of the Company and other industry companies and publicly available financial and operational information about the Company and its Capital Group, including in particular the data contained in the consolidated and separate financial statements.

When preparing this position, the Management Board of the Company was also guided by its knowledge of the industry, the development prospects and major challenges currently facing companies operating in the lignite electricity generation sector.

The Management Board of the Company expressed the view that, in principle, increasing the involvement of a strategic investor in the Company's shareholding can positively affect its interest by willingness to contribute to its development. The Management Board of the Company was not able to precisely define the strategic plans of the offeror. The tender offeror does not include information on the impact of the tender offer on the employment status of the Company, therefore, the Company's Management Board was not able to assess the impact of the tender offer on employment.

Regarding the price per share of the Company proposed in the tender offer, the Management Board stated that in its opinion the price proposed in the tender offer falls within the estimated range of the fair value of the Company's shares.

### **Conclusion of an agreement for the supply of heat to the city of Konin**

On September 6, 2019 the Company signed an agreement with Miejskie Przedsiębiorstwo Energetyki Ciepłej - Konin Sp. z o.o. ("MPEC"), the subject of which is the sale of heat to the City of Konin with the commencement of deliveries from July 1, 2022. The agreement has been concluded for a definite period and is valid until June 30, 2032.

Heat, which is the subject of sale to MPEC Konin, is currently, based on an existing contract, generated by ZE PAK SA in a dedicated biomass combustion installation that is a cogeneration unit, which currently has the status of an installation generating heat from renewable energy sources. The heat sale prices used by ZE PAK SA result from the tariff in force for a given year, which is subject to approval by the President of the Energy Regulatory Office.

The agreement is a continuation of existing cooperation in the field of heat supply for the city of Konin.

## **23. Additional information**

Additional information and disclosures required by the provisions of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent, which could significantly impact the assessment of the economic, financial situation and, which have been, as a result of the issuer's financial result, included in the explanatory notes to the interim condensed consolidated financial report (icfr), including:

- explanations regarding the seasonality or cyclicity of the issuer's activities in the presented period (item 10 of icfr),
- information on significant settlements due to lawsuits (28.2 icfr),
- information on changes of contingent liabilities or contingent assets, which had occurred from the end of the last financial year (items 28.4, 29 and 30 of icfr),
- information regarding the paid (or declared) dividends (item 23 of icfr).

Konin, 19 September 2019

### **SIGNATURES:**

Henryk Sobierajski  
Member of the Supervisory Board  
of ZE PAK SA delegated to temporarily  
perform the duties of the President of the Board

.....

Zygmunt Artwik  
Vice President of the Management Board .....

Paweł Markowski  
Vice President of the Management Board .....

Paweł Lisowski  
Vice President of the Management Board .....

Maciej Nietopiel  
Vice President of the Management Board .....

Aneta Desecka  
Chief Accountant .....