# ZE PAK SA

## QUARTERLY FINANCIAL REPORT FOR THE 3-MONTH ENDED ON 31 March 2022

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

26 MAY 2022

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(in thousand PLN)

# BALANCE SHEET

## Assets

| | 31 March 2022 (not audited) | 31 December 2021 | 31 March 2021 (not audited) |
|---|---|---|---|
| **A. Fixed assets** | **2 063 064** | **842 868** | **2 149 492** |
| **I. Intangible and legal assets** | **1 162 901** | **1 917** | **624 622** |
| 1. Costs of completed development work | - | - | - |
| 2. Goodwill | - | - | - |
| 3. Other intangible and legal assets | 1 162 901 | 1 917 | 624 622 |
| 4. Advance payment on intangible and legal assets | - | - | - |
| **II. Tangible fixed assets** | **687 611** | **660 059** | **1 350 087** |
| 1. Fixed assets | 446 335 | 450 232 | 1 209 675 |
| a) lands (including the perpetual usufruct of land) | 1 682 | 1 685 | 1 692 |
| b) buildings, premises, as well as civil and water engineering facilities | 106 902 | 107 942 | 355 223 |
| c) technical devices and machinery | 336 596 | 339 815 | 850 828 |
| d) means of transport | 145 | 147 | 1 017 |
| e) other fixed assets | 1 010 | 643 | 915 |
| 2. Fixed assets under construction | 216 236 | 187 291 | 111 581 |
| 3. Advance payments for fixed assets under construction | 25 040 | 22 536 | 28 831 |
| **III. Long-term receivables** | - | - | - |
| 1. From affiliated entities | - | - | - |
| 2. From other entities, where the unit has equity interests | - | - | - |
| 3. From other entities | - | - | - |
| **IV. Long-term investments** | **208 283** | **176 354** | **169 437** |
| 1. Property | - | - | - |
| 2. Intangible and legal assets | - | - | - |
| 3. Long-term financial assets | 208 283 | 176 354 | 169 437 |
| a) in affiliated entities | 198 635 | 170 527 | 169 285 |
| – shares or stocks | 186 227 | 161 850 | 161 805 |
| – other securities | - | - | - |
| – loans granted | 9 878 | 6 147 | 6 950 |
| – other long-term financial assets | 2 530 | 2 530 | 530 |
| b) in other entities where the unit has equity interest | - | - | - |
| – shares or stocks | - | - | - |
| – other securities | - | - | - |
| – loans granted | - | - | - |
| – other long-term financial assets | - | - | - |
| c) in other entities | 9 648 | 5 827 | 152 |
| – shares or stocks | 152 | 152 | 152 |
| – other securities | - | - | - |
| – loans granted | - | - | - |
| – other long-term financial assets | 9 496 | 5 675 | - |
| 4. Other long-term investments | - | - | - |
| **V. Long-term prepayments** | **4 269** | **4 538** | **5 346** |
| 1. Deferred income tax assets | - | - | - |
| 2. Other long-term prepayments | 4 269 | 4 538 | 5 346 |
| **B. Current assets** | **1 019 040** | **1 858 904** | **430 467** |
| **I. Inventories** | **55 689** | **57 225** | **96 668** |
| 1. Materials | 28 189 | 23 852 | 53 027 |
| 2. Semi-finished products and products in progress | - | - | - |
| 3. Finished products | - | - | - |
| 4. Property rights | 27 500 | 33 373 | 18 641 |
| 5. Advance payments for supplies | - | - | 25 000 |
| **II. Short-term receivables** | **693 206** | **1 356 364** | **281 744** |
| 1. Receivables from affiliated units | 35 686 | 28 226 | 53 881 |

(in thousand PLN)

| | | | |
|---|---|---|---|
| a) trade-related, with a payment period of: | 35 296 | 28 171 | 53 881 |
| – up to 12 months | 35 296 | 28 171 | 53 881 |
| – above 12 months | - | - | - |
| b) other | 390 | 55 | - |
| 2. Receivables from other entities where the unit has equity interests | - | - | - |
| a) trade-related, with a payment period of: | - | - | - |
| – up to 12 months | - | - | - |
| – above 12 months | - | - | - |
| b) other | - | - | - |
| 3. Receivables from other parties | 657 520 | 1 328 138 | 227 863 |
| a) trade-related, with a payment period of: | 159 008 | 171 531 | 55 388 |
| – up to 12 months | 159 008 | 171 531 | 55 388 |
| – above 12 months | - | - | - |
| b) on account of taxes, subsidies, customs duties, social and health insurance, and other benefits | 200 139 | 11 585 | 30 229 |
| c) other | 298 373 | 1 145 022 | 142 246 |
| d) pursued in court | - | - | - |
| **III. Short-term investments** | **268 237** | **445 020** | **49 926** |
| 1. Short-term financial assets | 268 237 | 445 020 | 49 926 |
| a) in affiliated entities | 33 064 | 33 075 | 46 422 |
| – shares or stocks | - | - | - |
| – other securities | - | - | - |
| – loans granted | 33 064 | 33 075 | 39 422 |
| – other short-term financial assets | - | - | 7 000 |
| b) in other entities | - | - | - |
| – shares or stocks | - | - | - |
| – other securities | - | - | - |
| – loans granted | - | - | - |
| – other short-term financial assets | - | - | - |
| c) cash and cash equivalents | 235 173 | 411 945 | 3 504 |
| – cash in hand and at bank | 235 173 | 411 945 | 3 504 |
| – other cash | - | - | - |
| – other monetary assets | - | - | - |
| 2. Other short-term investments | - | - | - |
| **IV. Short-term prepayments** | **1 908** | **295** | **2 129** |
| **C. Called-up share capital (fund) contributions** | **-** | **-** | **-** |
| **D. Equity shares** | **-** | **-** | **-** |
| **Total assets** | **3 082 104** | **2 701 772** | **2 575 959** |

*Konin, 26 May 2022*

(in thousand PLN)

# Liabilities

| | | 31 March 2022 (not audited) | 31 December 2021 | 31 March 2021 (not audited) |
|---|---|---|---|---|
| **A. Equity** | | **991 568** | **864 837** | **1 304 975** |
| **I.** | **Share capital (fund)** | **101 647** | **101 647** | **101 647** |
| **II.** | **Supplementary capital (fund), including:** | **1 665 340** | **1 665 340** | **1 658 391** |
| | – sale value (issue value) surplus over the nominal share value (stocks) | 380 030 | 380 030 | 380 030 |
| **III.** | **Revaluation capital (fund), including:** | **110 122** | **110 122** | **227 466** |
| | – on account of fair value revaluation | | - | |
| **IV.** | **Other reserve capitals (funds), including:** | **3 472** | **3 472** | **3 472** |
| | – created in accordance with the company's articles of association | - | - | - |
| | – for equity shares (stocks) | - | - | - |
| **V.** | **Profit (loss) from previous years** | **(1 015 744)** | **(713 809)** | **(713 809)** |
| **VI.** | **Net profit (loss)** | **126 731** | **(301 935)** | **27 808** |
| **VII.** | **Write-offs from net profit during the financial year (negative value)** | - | - | - |
| **B. Liabilities and provisions for liabilities** | | **2 090 536** | **1 836 935** | **1 274 984** |
| **I.** | **Provisions for liabilities** | **1 638 696** | **1 371 098** | **1 085 352** |
| | 1. Deferred income tax provisions | 33 615 | 10 618 | 230 970 |
| | 2. Provision for retirement and similar benefits | 24 143 | 23 138 | 24 555 |
| | – long-term | 9 757 | 9 715 | 10 826 |
| | – short-term | 14 386 | 13 423 | 13 729 |
| | 3. Other provisions | 1 580 938 | 1 337 342 | 829 827 |
| | – long-term | 95 585 | 95 520 | 85 840 |
| | – short-term | 1 485 353 | 1 241 822 | 743 987 |
| **II.** | **Long-term liabilities** | **114 919** | **107 378** | **33 482** |
| | 1. To related parties | - | - | - |
| | 2. To other entities in which the entity has equity interests | - | - | - |
| | 3. To other entities | 114 919 | 107 378 | 33 482 |
| | a) credits and loans | 114 571 | 107 030 | 30 945 |
| | b) on account of debt securities issue | - | - | - |
| | c) other financial liabilities | - | - | 386 |
| | d) bills of exchange | - | - | - |
| | e) other | 348 | 348 | 2 151 |
| **III.** | **Short-term liabilities** | **332 999** | **356 335** | **151 247** |
| | 1. Liabilities to related entities | 21 574 | 19 099 | 21 224 |
| | a) trade-related, with a maturity date of: | 19 551 | 15 826 | 19 865 |
| | – up to 12 months | 19 551 | 15 826 | 19 865 |
| | – above 12 months | - | - | - |
| | b) other | 2 023 | 3 273 | 1 359 |
| | 2. Liabilities to other entities, in which the entity has equity interests | - | - | - |
| | a) trade-related, with a maturity date of: | - | - | - |
| | – up to 12 months | - | - | - |
| | – above 12 months | - | - | - |
| | b) other | - | - | - |
| | 3. Liabilities to other entities | 304 630 | 332 480 | 122 955 |
| | a) credits and loans | 21 344 | 13 249 | 35 625 |
| | b) on account of debt securities issue | - | - | - |
| | c) other financial liabilities | 837 | 4 057 | 245 |
| | d) trade-related, with a payment period of: | 223 433 | 58 662 | 34 666 |
| | – up to 12 months | 223 433 | 58 662 | 34 666 |
| | – above 12 months | - | - | - |
| | e) advance payments received for supplies | 497 | - | 54 |
| | f) bills of exchange | - | - | - |
| | g) on account of taxes, customs duties, social and health insurance, and other public-law issues | 8 838 | 163 040 | 12 496 |

(in thousand PLN)

| | | | | |
|---|---|---|---|---|
| | h) remuneration-related | 4 621 | 4 468 | 4 027 |
| | i) other | 45 060 | 89 004 | 35 842 |
| | 4. Special funds | 6 795 | 4 756 | 7 068 |
| **IV.** | **Prepayments and accruals** | **3 922** | **2 124** | **4 903** |
| | 1. Negative goodwill | - | - | - |
| | 2. Other prepayments and accruals | 3 923 | 2 124 | 4 903 |
| | – long-term | 259 | 271 | 306 |
| | – short-term | 3 663 | 1 853 | 4 597 |
| **Total liabilities** | | **3 082 104** | **2 701 772** | **2 579 959** |

*Konin, 26 May 2022*

(in thousand PLN)

## **INCOME STATEMENT** (calculation variant)

| | | *3-month period ended on 31 March 2022 (not audited)* | *3-month period ended on 31 March 2021 (not audited)* |
|---|---|---|---|
| **A.** | **Net revenues from the sale of products, goods and materials, including:** | **714 053** | **425 367** |
| | – from affiliates | 26 153 | 29 890 |
| | I. Net revenues from product sales | 588 150 | 346 722 |
| | II. Net revenues from the sales of goods and materials | 125 903 | 78 645 |
| **B.** | **Costs of sold products, goods and materials, including:** | **563 750** | **395 996** |
| | – to affiliates | 22 724 | 29 048 |
| | I. Manufacturing costs of sold products | 452 329 | 315 205 |
| | II. Manufacturing costs of sold goods and materials | 111 421 | 80 791 |
| **C.** | **Gross profit (loss) from sales (A–B)** | **150 303** | **29 371** |
| D. | Selling costs | 438 | 602 |
| E. | Overheads | 11 799 | 10 945 |
| **F.** | **Profit (loss) from sales (C–D–E)** | **138 066** | **17 824** |
| G. | Other operating revenues | 10 666 | 5 337 |
| | I. Profit from the disposal of non-financial fixed assets | - | - |
| | II. Grants | 11 | 12 |
| | III. Revaluation of non-financial assets | - | - |
| | IV. Other operating revenues | 10 655 | 5 325 |
| H. | Other operating costs | 11 159 | 1 678 |
| | I. Profit/loss on disposal of non-financial fixed assets | 791 | - |
| | II. Revaluation of non-financial assets | 3 202 | 863 |
| | III. Other operating costs | 7 166 | 815 |
| **I.** | **Profit (loss) on operating activity (F+G–H)** | **137 573** | **21 483** |
| J. | Financial revenues | 12 674 | 1 845 |
| | I. Dividends and profit distribution, including: | - | - |
| | a) from affiliated entities, including: | - | - |
| | – in which the entity has equity interests | - | - |
| | b) from other entities, including: | - | - |
| | – in which the entity has equity interests | - | - |
| | II. Interest, including: | 2 224 | 280 |
| | – from affiliates | 448 | 259 |
| | III. Profit from the disposal of financial assets, including: | - | - |
| | – in affiliated entities | - | - |
| | IV. Revaluation of financial assets | 7 560 | |
| | V. Other | 2 890 | 1 565 |
| H. | Financial costs | 520 | 485 |
| | I. Interest, including: | 369 | 374 |
| | – to affiliated entities | - | - |
| | II. Loss on disposal of financial assets, including: | - | - |
| | – in affiliated entities | - | - |
| | III. Revaluation of financial assets | - | - |
| | IV. Other | 151 | 111 |
| **L.** | **Gross profit (loss) (I+J–K)** | **149 727** | **22 843** |
| M. | Income tax | 22 996 | (4 965) |
| K. | Other mandatory decrease of profit (increase of loss) | - | - |
| **O.** | **Net profit (loss) (L–M–N)** | **126 731** | **27 808** |

*Konin, 26 May 2022*

(in thousand PLN)

## **CASH FLOW STATEMENT** (indirect method)

| | *3-month period ended on 31 March 2022 (not audited)* | *3-month period ended on 31 March 2021 (not audited)* |
|---|---|---|
| A. Cash flows from operating activities | | |
| I. Net profit (loss) | 126 731 | 27 808 |
| II. Total adjustments | (339 164) | (468 672) |
| 1. Depreciation and amortization | 4 523 | 27 584 |
| 2. Profits (losses) on foreign exchange differences | 468 | (469) |
| 3. Interest and shares in profits (dividends) | (350) | (115) |
| 4. Profit (loss) on investment activities | 1 244 | (37) |
| 5. Change in provisions | 267 598 | 90 610 |
| 6. Change in inventories | 1 536 | (24 803) |
| 7. Change in receivables | 663 158 | 96 960 |
| 8. Change in short-term liabilities, excluding loans and credits | (39 955) | (50 316) |
| 9. Change in prepayments and accruals | 2 494 | 4 208 |
| 10. Other adjustments | (1 239 880) | (612 294) |
| **III. Net cash flows from operating activities (I±II)** | (212 433) | (440 864) |
| B. Cash flows from investment activities | | |
| I. Proceeds | 70 914 | 608 |
| 1. Disposal of intangible and legal assets, as well as tangible assets | 70 536 | 8 |
| 2. Disposal of property, as well as intangible and legal assets | | |
| 3. From financial assets, including: | 378 | 600 |
| a) in affiliated entities | 378 | 600 |
| b) in other entities | - | - |
| – disposal of financial assets | - | - |
| – dividends and shares in profits | - | - |
| – repayment of granted long-term loans | - | - |
| – interest | - | - |
| – other proceeds related to financial assets | - | - |
| 4. Other investment proceeds | - | - |
| II. Expenses | 50 106 | 72 735 |
| 1. Acquisition of intangible and legal assets, as well as tangible assets | 22 229 | 60 655 |
| 2. Investments in real estate, as well as intangible and legal assets | - | - |
| 3. Financial assets, including: | 27 877 | 12 080 |
| a) in affiliated entities | 27 877 | 12 080 |
| b) in other entities | - | - |
| – acquisition of financial assets | - | - |
| – long-term loans granted | - | - |
| 4. Other investment expenses | - | - |
| **III. Net cash flows from investment activities (I-II)** | 20 808 | (72 127) |
| C. Cash flows from financial activities | | |
| I. Proceeds | 15 635 | 66 569 |
| 1. Net proceeds from the issue of shares (stock emission) and other capital instruments, as well as capital contributions | - | - |
| 2. Credits and loans | 15 635 | 66 569 |
| 3. Emission of debt securities | - | - |
| 4. Other financial proceeds | - | - |
| II. Expenses | 314 | 211 |
| 1. Acquisition of own shares | - | - |
| 2. Dividends and other payments to owners | - | - |
| 3. Expenses related to profit distribution, other than payments to owners | - | - |
| 4. Repayment of credits and loans | - | - |
| 5. Redemption of debt securities | - | - |
| 6. On account of other financial liabilities | - | - |
| 7. Financial lease liability payments | 67 | 74 |
| 8. Interest | 247 | 137 |

(in thousand PLN)

| | | |
|---|---|---|
| 9. Other financial expenses | - | - |
| **III. Net cash flows on financial activities (I-II)** | 15 321 | 66 358 |
| **D. Total net cash flows (A.III±B.III±C.III)** | (176 304) | (446 633) |
| E. Cash flow change in the balance sheet, including: | (176 772) | (446 164) |
| – cash flow change related to foreign exchange differences | 468 | 469 |
| **F. Cash at beginning of period** | 411 906 | 450 137 |
| **G. Cash at end of period (F±D), including** | 235 602 | 3 504 |
| – restricted cash | 4 260 | 3 360 |

*Konin, 26 May 2022*

(in thousand PLN)

# STATEMENT OF EQUITY CHANGES

| | *3-month period ended on 31 March 2022 (not audited)* | *12-month period ended on 31 December 2021* | *3-month period ended on 31 March 2021 (not audited)* |
|---|---|---|---|
| **I. Equity at beginning of period (BO)** | **864 836** | **1 277 167** | **1 459 581** |
| – amendments in accounting principles | - | - | - |
| – error adjustments | - | - | - |
| **I.a. Equity at beginning of period (BO), after adjustments** | **864 836** | **1 277 167** | **1 459 581** |
| 1. Basic capital at beginning of period | 101 647 | 101 647 | 101 647 |
| 1.1. Basic capital changes | - | - | - |
| a) increase | - | - | - |
| b) decrease | - | - | - |
| **1.2. Basic capital at end of period** | **101 647** | **101 647** | **101 647** |
| 2. Supplementary capital at beginning of period | 1 665 340 | 1 658 391 | 1 658 391 |
| 2.1. Supplementary capital changes | - | 6 949 | - |
| a) increase | - | 6 949 | - |
| – share issue | - | - | - |
| – profit distribution | - | - | - |
| – fixed asset disposal | - | 6 949 | - |
| b) decrease | - | - | - |
| – share redemption | - | - | - |
| – loss coverage | - | - | - |
| **2.2. Supplementary capital at end of period** | **1 665 340** | **1 665 340** | **1 658 391** |
| 3. Revaluation capital at beginning of period – amendments in adopted accounting principles (policy) | 110 466 | 227 466 | 227 466 |
| 3.1. Revaluation capital changes | - | - | - |
| a) increase | - | 117 344 | - |
| b) decrease | - | 6 949 | - |
| – fixed asset disposal | - | 110 395 | - |
| **3.2. Revaluation capital at end of period** | **110 466** | **110 122** | **227 466** |
| 4. Other reserve capitals at beginning of period | 3 472 | 3 472 | 3 472 |
| 4.1. Changes in other reserve capitals | - | - | - |
| a) increase | - | - | - |
| b) decrease | - | - | - |
| – loss coverage | - | - | - |
| **4.2. Other reserve capitals at end of period** | **3 472** | **3 472** | **3 472** |
| 5. Profit (loss) from previous years at beginning of period | (1 015 744) | (531 395) | (531 395) |
| 5.1. Profit from previous years at beginning of period | - | - | - |
| – amendments in accounting principles | - | - | - |
| – error adjustments | - | - | - |
| 5.2. Profit from previous years at beginning of period, after adjustments | - | - | - |
| a) increase | - | - | - |
| – distribution of profit from previous years | - | - | - |
| b) decrease | - | - | - |
| – distribution of profit to supplementary capital | - | - | - |
| – dividend payments | - | - | - |
| 5.3. Profit from previous years at end of period | - | - | - |
| 5.4. Loss from previous years at beginning of period | (1 015 744) | (531 395) | (531 395) |
| – amendments in accounting principles | - | - | - |
| – error adjustments | - | - | - |
| 5.5. Loss from previous years at beginning of period, after adjustments | (1 015 744) | (531 395) | (531 395) |
| a) increase | - | (182 414) | - |
| – loss from previous years carried forward to be covered | - | (182 414) | - |
| b) decrease | - | - | - |
| – loss coverage with supplementary and reserve capital | - | - | - |

| | | | |
|---|---|---|---|
| 5.6. Loss from previous years at end of period | (1 015 744) | (713 809) | (531 395) |
| **5.7. Profit (loss) from previous years at end of period** | **(1 015 744)** | **(713 809)** | **(531 395)** |
| **6. Net result** | **126 731** | (301 935) | **20 709** |
| a) net profit | - | - | 20 709 |
| b) net loss | 126 731 | (301 935) | - |
| c) profit write-offs | - | - | - |
| **II. Equity at end of period (BZ)** | **991 567** | **864 837** | **1 480 290** |
| **III. Equity after recognizing proposed profit distribution (loss coverage)** | **991 567** | **864 837** | **1 480 290** |

*Konin, 26 May 2022*

# ADDITIONAL INFORMATION TO THE CONDENSED 3-MONTH FINANCIAL STATEMENT

## 1. General information about the Company

ZE PAK Spółka Akcyjna ("ZE PAK SA", "Company") was established by way of a Notarial Deed on 29 December 1994. The company registered office is located in Konin, at ul. Kazimierska 45.

The Company is entered into the National Court Register, under a KRS number 0000021374, assigned on 21 June 2001.

The Company operates under the NIP (Tax ID Number) 665-00-01-645 assigned on 17 September 1993 and the REGON (Business Registry Number) number 310186795.

The existence of the Company shall be unlimited

The Company is the parent company of the ZE PAK SA Capital Group ("Group", "Capital Group", "ZE PAK SA Group").

According to the Articles of Association, the Company's business activity is:

1) generation and distribution of electricity,
2) generation and sale of thermal power (steam and hot water),

The interim condensed financial statement by ZE PAK SA was 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 (Dz.U. 2014 item 133, as amended). The format, basis and scope of the developed statement is in accordance with the requirements of that regulation.

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

The Company is the parent company of the Capital Group, which is obliged to develop a consolidated financial statement in accordance with the International Financial Reporting 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 Act on accounting – AoA (Dz. U. 2021 item 217, as amended) are presented below, under an assumption of IFRS application pursuant to IFRS 1 guidelines, and adopting financial data resulting from the consolidated financial statement of the ZE PAK SA Group. The date of transition of the ZE PAK SA Group to the IFRS is 1 January 2009.

Should the financial statement be developed in accordance with the IFRS, the main differences between the accounting principles adopted for the enclosed statement and the IFRS, under the assumption that the date of transition to the IFRS is 1 January 2009, would particularly regard the following aspects:

1. Tangible fixed assets

   a) Measurement of tangible fixed assets

      According to the IFRS 1, as at the date of the first-time adoption of the IFRS, an entity can conduct a fair value measurement of the fixed assets and recognize their fair value as an assumed cost on this date. The Company established the assumed cost of selected tangible fixed assets through assignment of the fair value of these assets as at 1 January 2009, i.e., the assumed date of transition to the application of the IFRS.

      Due to the differences in the measurement of tangible fixed assets according to the Act on Accounting (AoA) and according to the IFRS, the amount of impairment write-downs against tangible fixed asset values is also different.

(in thousand PLN)

b) Allotment of renovation components

The International Financial Reporting Standards project the allotment within the scope of fixed assets of components, provided their operation period differs from the operation period of a given fixed asset. The components are amortized during their usability period. According to the IFRS, a specific component consists of renovations and periodic inspections. In relation to the above, the Company has allotted components of values planned to be transferred to the renovation costs, as well as amortized the components in the period remaining until the projected commencement of the next renovation. The recognition of this adjustment also resulted in the need to charge deferred tax.

c) Appraisal of land and perpetual usufruct

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

Pursuant to IFRS 16, the perpetual usufruct right to land is classified by the Company as a right-of-use asset, and as a lease liability, which reflects its obligation to make lease payments. A right-of-use asset is subject to amortization. Capitalisation external funding costs

d) Capitalisation external funding costs

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

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, involving the adaptation of these exchange rate difference value to the value, to which they comprise the adjustment of the interest costs.

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

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

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

The International Accounting Standards Board (IASB) has introduced numerous amendments to the applicable accounting principles and issued new standards. New standards and amendments to the applicable standards are still being developed. Furthermore, these standards are subject to EU approval process. In relation to the above, it is possible that the standards, according to which the Company develops its first financial statement compliant with the IFRS that may include data for the past years, will differ from the standards applied for the development of the below explanatory note describing the differences between the IFRS and the Polish accounting standards.

Moreover, only a complete financial statement covering the statement of the financial position, total income statement, statement of changes in equity, as well as the cash flow statement and the comparative data and explanatory notes, can present a comprehensive 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 certain items in the financial statement acc. to AoA and IFRS may differ. The differences in the presentation will not affect the equity and the Company's net result.

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

*The table below shows the differences as at 31 March 2022 (data not audited):*

| | *Balance sheet value acc to AoA* | *Balance sheet value acc. to IFRS* | *Value adjustment* |
|---|---|---|---|
| Tangible Fixed Assets | 687 611 | 666 822 | (20 789) |
| Equity | 991 567 | 965 255 | (26 312) |
| Deferred tax provisions | 33 615 | 33 605 | (10) |

(in thousand PLN)

*Summary of the consequences of disclosed differences in net profit and equity:*

| | *31 March 2022 (not audited)* |
|---|---|
| AoA Net profit/loss | 126 731 |
| Tangible fixed asset adjustment | 130 |
| IAS19 Adjustment - Actuarial profits (losses) | 129 |
| IFRS16 Adjustment | (791) |

| | *31 March 2022 (not audited)* |
|---|---|
| AoA capital | 991 567 |
| Tangible fixed asset adjustment | 11 058 |
| IFRS9 Adjustment | (41) |
| IFRS16 Adjustment | (37 329) |

# 3. Going concern assumption

This financial statement was developed under the assumption of the Group's companies continuing their business activity in the foreseeable future, i.e., not shorter than for 12 months from the statement date. In particular, given the aforementioned more stringent reporting standards for public interest entities and stakeholder protection, the ZE PAK SA Management Board ("Management Board") notes that:

1. In Q1 2022, the Group took a net profit of PLN 126 731 thousand. The EBITDA P&L amounted to PLN 142 096 thousand.
2. As at 31 March 2022, current assets and the value of purchased $CO_2$ emissions allowances exceed the value of short-term liabilities and short-term provisions, including bank loans and provisions associated with $CO_2$ emission allowances, by PLN 343 766 thousand, which means that this value has grown by PLN 98 295 thousand relative to 31 December 2021.
3. The Group is implementing an operating scenario assuming the operation of all coal-fired units until 2024, which is when these assets will be eligible for support in the form of a capacity market mechanism.

The Management Board has thoroughly analysed cash flow forecasts and confirms that the cash flow analysis indicates a potential generation of sufficient, positive cash flows, for at least 12 successive months after the date of this financial statement.

# 4. Merger of commercial companies

In the reporting period for which the financial statement was developed, the Company did neither merge with any other business entity, nor did it purchase an organised part of an enterprise.

# 5. Adopted accounting principles (policy)

The accounting principles adopted by the Company, including the asset and liability measurement method and the financial result measurement method are in accordance with the provisions of the Act of 29 September 1994 on accounting (Dz.U. 2021, item 1047, as amended) and were described in the ZE PAK Sa's financial statement for the financial year ended on 31 December 2021 and published on 28 April 2022.

# 6. Comparability of financial data for the preceding period with the statement for the current period

In the current period, the Company introduced no amendments to the accounting principles, hence, it was not obliged to present numerical information ensuring comparability of the financial statement data for the preceding year with the statement for the current accounting year.

(in thousand PLN)

## 7. Error adjustment

The current period featured no adjustments of errors, which would affect the comparability of the financial data for the preceding period with the financial statement data for the current period.

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

In the current reporting period, there have been no events impacting the assets, liabilities, equities, net result or cash flows, which would be abnormal due to their nature, value or frequency.

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

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

| *Impairment write-downs* | *31 December 2021* | *changes* | | | *31 March 2022 (not audited)* |
|---|---|---|---|---|---|
| | | *creation* | *utilization* | *redemption* | |
| Inventories | 78 170 | 3 202 | - | 1 033 | 80 339 |

Energy certificates of origin related to 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 renewable sources energy was generated.

According to the records, as at 31 March 2022, the Company held 23 839.252 MWh of property rights arising from green certificates. As at the same day, the Company received all certificates for the applications supplied within this deadline.

## 10. Information on write-downs against the impairment of financial assets, tangible fixed assets, intangible and legal 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:

| *Impairment write-downs* | *31 December 2021* | *changes* | | | *31 March 2022 (not audited)* |
|---|---|---|---|---|---|
| | | *creation* | *utilization* | *redemption* | |
| Intangible and legal assets | 1 279 | - | - | - | 1 279 |
| Tangible fixed assets | 3 169 824 | - | - | 671 | 3 169 153 |
| Financial assets | 341 168 | - | - | - | 341 168 |
| Receivables | 19 611 | - | - | - | 19 611 |

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

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

| *Provisions and accruals* | *31 December 2021* | *changes* | | | *31 March 2022 (not audited)* |
|---|---|---|---|---|---|
| | | *creation* | *utilization* | *redemption* | |
| Provisions for retirement and similar benefits, including: | 23 138 | 1 546 | - | 541 | 24 143 |
| – provisions for retirement and post-mortem benefits | 10 792 | 478 | - | 541 | 10 729 |
| – annual bonus provision | 8 437 | - | - | - | 8 437 |
| – unused holidays provision | 3 909 | 1 068 | - | - | 4 977 |
| Provision for $CO_2$ emission allowances | 1 233 461 | 243 393 | - | - | 1 476 854 |
| Provision for the return of $CO_2$ emission allowances | 7 097 | 138 | - | - | 7 235 |
| Provisions for reclamation | 74 906 | - | - | - | 74 906 |

(in thousand PLN)

| | | | | | |
|---|---|---|---|---|---|
| Provisions for liquidation | 20 614 | 65 | - | - | 20 679 |
| Provision for payments | 1 264 | - | - | - | 1264 |
| Cost prepayments for: | 994 | 2 193 | 150 | - | 2 805 |
| – fees for the commercial utilization of the environment | - | 2 193 | - | 162 | 2 031 |
| – duty to redeem property rights | 708 | - | - | 70 | 638 |
| – provision for current year costs | 286 | - | 150 | - | 136 |
| Prepayment income settlement | 1 130 | - | 12 | - | 1 118 |
| **Total** | **1 362 604** | **247 335** | **162** | **773** | **1 609 004** |

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

In the 3-month period ended on 31 March 2022, there had been a change in the provisions and assets related to deferred income tax, i.e.,

- a change in assets, increasing the tax load by PLN 19 999 thousand,
- a change in provisions, increasing the tax load by PLN 2 998 thousand,

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

Within the 3-month period ended on 31 March 2022, the Company purchased or accepted from investments, tangible fixed assets in the amount of PLN 485 thousand,

As at 30 June 2017, the liabilities of the Company on account of the purchase of tangible fixed assets amount to PLN 19 118 thousand.

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

During the current reporting period, the Company regularly repaid all its financial liabilities related to loans or credits. There were no breaches of material provisions of credit or loan agreements, in relation to which no remedial actions were taken.

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

In the 3 months of 2022, ZE PAK SA and subsidiaries, consolidated under the Group, did not conclude transactions with affiliates on other than market terms.

## 16. Information on the change in the manner (method) of measuring financial instruments measured at fair value

There have been no changes to the manner (method) of measuring financial instruments at 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 capital 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 year not specified in the balance sheet and the income statement

During the reporting period until the development date of this financial statement, i.e., 26 May 2022, there were no events, which had not been, and should have had been recognised in the accounting books and the financial statement, for the period ended on 31 March 2022.

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

Until the date of the financial statement for the period ended on 31 March 2022, i.e., until 26 May 2022, there were no other significant events regarding the previous years, which had not, and should have been recognised in the financial statement for 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 liabilities, regardless of the fact, whether those assets and liabilities are recognised in the fair value or the adjusted purchase cost (amortised cost)

***Impact of the pandemic caused by the COVID-19 disease on the Group's activities***

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 has been 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 to assume that in the event of an unfavourable scenario coming into life, the Company's operations are not burdened with an excessive risk.

***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 to the energy raw material and agricultural sectors. The inability to forecast all consequences of the armed conflict in eastern Europe also makes investors less eager to take risks.

High volatility of commodity markets (especially the energy and $CO_2$ allowances markets) means that the 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 that such sanctions have on trade in relation to specific goods, energy raw materials in particular. Russia is one of the largest gas and oil suppliers for Europe. Reduced supply of these raw materials clearly translates to electricity price level in Europe and Poland, primarily due to the cross-border electricity exchange. On the other hand, Belarus is a large supplier of biomass for the energy sector in Poland, and despite the fact that the 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 will certainly also affect the supplies implemented by the Company.

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

# 22. Other information

Additional information and disclosures required by the provisions of the regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by the issuers of securities and recognizing information required by provisions of the law in a non-Member state as equivalent (Dz.U. of 2018, item 757, as amended), which could significantly impact the assessment of the issuer's economic and financial situation, and the financial result, which have been included in the explanatory notes to the interim condensed consolidated financial statement (CCFS), including:

- explanations regarding the seasonality or cyclic nature of the issuer's activities within the presented period (CCFS item 9),
- information on significant settlements due to lawsuits (CCFS item 26.1),
- information on changes in contingent liabilities or contingent assets, which had occurred since the end of the last financial year (CCFS items 26.2 and 27),
- information regarding paid (or declared) dividends (CCFS item 23),
- information on significant events after the balance sheet date (CCFS item 33)

*Konin, 26 May 2022*

*Konin, 26 May 2022*

SIGNATURES:

| | |
|---|---|
| Piotr Woźny<br>President of the Management Board | .......................................................................................... |
| Zygmunt Artwik<br>Vice President of the Management Board | .......................................................................................... |
| Andrzej Janiszowski<br>Vice President of the Management Board | .......................................................................................... |
| Maciej Nietopiel<br>Vice President of the Management Board | .......................................................................................... |
| Katarzyna Sobierajska<br>Vice President of the Management Board | .......................................................................................... |
| Aneta Desecka<br>Chief Accountant | .......................................................................................... |