

ZMIENIAMY SIĘ  
DLA WAS



**ZEPAK**  
Energia dla Ciebie

**ZE PAK SA CAPITAL GROUP**

**OTHER INFORMATION TO EXTENDED CONSOLIDATED REPORT  
FOR 3<sup>RD</sup> QUARTER OF 2022**

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



NOVEMBER 29, 2022

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## 1. SELECTED FINANCIAL DATA

<i>Selected consolidated financial data</i>	<i>Zloty thousand</i>	<i>Zloty thousand</i>	<i>Euro thousand</i>	<i>Euro thousand</i>
	<i>9 months 2022 period from 01.01.2022 to 30.09.2022</i>	<i>9 months 2021 period from 01.01.2021 to 30.09.2021</i>	<i>9 months 2022 period from 01.01.2022 to 30.09.2022</i>	<i>9 months 2021 period from 01.01.2021 to 30.09.2021</i>
Sales revenue	3 093 364	1 604 146	659 847	351 902
Operating profit/loss	392 882	83 917	83 806	18 409
Profit/loss before tax	396 555	77 491	84 589	16 999
Net profit/loss for the period	288 208	106 210	61 478	23 299
Net profit attributable to equity holders of the parent	281 671	106 210	60 083	23 299
Total comprehensive income	288 122	106 214	61 459	23 300
Net cash flow from operating activities	(255 353)	(133 850)	(54 469)	(29 363)
Net cash flow from investing activities	(360 363)	(359 516)	(76 869)	(78 867)
Net cash flow from financing activities	1 046 404	359 319	223 209	78 824
Net increase / (decrease) in cash and cash equivalents	430 688	(134 047)	91 870	(29 406)
Net profit per share (in zloty/euro per share)	5,54	2,09	1,18	0,46
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>As at 30.09.2022</i>	<i>As at 31.12.2021</i>	<i>As at 30.09.2022</i>	<i>As at 31.12.2021</i>
Total assets	4 023 275	3 311 762	826 168	720 042
Fixed assets	1 642 462	1 273 696	337 275	276 927
Current assets	2 380 813	2 038 066	488 893	443 116
Total equity	1 217 512	524 232	250 013	113 978
Share capital	101 647	101 647	20 873	22 100
Share capital attributable to equity holders of the parent	732 245	524 627	150 364	114 064
Total liabilities	2 805 763	2 787 530	576 156	606 064
Long-term liabilities	1 232 043	794 587	252 997	172 759
Short-term liabilities	1 573 720	1 992 943	323 159	433 305
Book value per share (in zloty/euro per share)	23,96	10,31	4,92	2,24
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

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<i>Selected financial data of ZE PAK SA</i>	<i>Zloty thousand</i> <i>9 months 2022</i> <i>period</i> <i>from 01.01.2022</i> <i>to 30.09.2022</i>	<i>Zloty thousand</i> <i>9 months 2021</i> <i>period</i> <i>from 01.01.2021</i> <i>to 30.09.2021</i>	<i>Euro thousand</i> <i>9 months 2022</i> <i>period</i> <i>from 01.01.2022</i> <i>to 30.09.2022</i>	<i>Euro thousand</i> <i>9 months 2021</i> <i>period</i> <i>from 01.01.2021</i> <i>to 30.09.2021</i>
Net revenues from sales of products, goods and materials	2 150 925	1 461 684	458 815	320 650
Operating profit/loss	637 859	60 066	136 062	13 177
Profit/loss before tax	670 841	55 297	143 097	12 131
Net profit/loss for the period	568 421	92 026	121 250	20 188
Net cash flow from operating activities	(34 389)	(161 569)	(7 336)	(35 443)
Net cash flow from investing activities	406 266	(141 405)	86 661	(31 020)
Net cash flow from financing activities	30 140	101 060	6 429	22 170
Net cash flow together	402 017	(201 914)	85 754	(44 294)
Net profit per share (in zloty/euro per share)	11,18	1,81	2,38	0,40
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>As at</i> <i>30.09.2022</i>	<i>As at</i> <i>31.12.2021</i>	<i>As at</i> <i>30.09.2022</i>	<i>As at</i> <i>31.12.2021</i>
Total assets	2 430 410	2 701 772	499 078	587 418
Fixed assets	744 396	842 868	152 860	183 256
Current assets	1 686 014	1 858 904	346 218	404 162
Equity	1 433 257	864 837	294 315	188 033
Share capital	101 647	101 647	20 873	22 100
Liabilities and provisions for liabilities	997 153	1 836 935	204 763	399 386
Long-term liabilities	348	107 378	71	23 346
Short-term liabilities	139 418	356 335	28 629	77 474
Book value per share (in zloty/euro per share)	28,20	17,02	5,79	3,70
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

*Above financial data has been converted into EUR according to the following exchange rates:*

- *particular items of statement of comprehensive income (Profit & loss account) and statement of cash flows (Cash flow) – according to the exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period starting from January 1, 2022 to September 30, 2022, which is 4.6880 EUR/PLN and from January 1, 2021 to September 30, 2021, which is 4.5585 EUR/PLN;*
- *particular items of the Statement of financial position (Balance sheet) according to average EUR/PLN exchange rate published by the National Bank of Poland as of September 30, 2022, i.e. 4.8698 EUR/PLN and as of December 31, 2021, i.e. 4.5994 EUR/PLN.*

## 2. DESCRIPTION OF THE GROUP

### 2.1. Basic information

As of September 30, 2022 ZE PAK SA Capital Group (hereinafter referred to as the „Group”, „Capital Group”, „ZE PAK SA Group”) is composed of a dominant entity ZE PAK SA and forty three subsidiaries, i.e. PAK Kopalnia Węgla Brunatnego Konin SA (hereinafter referred to as „PAK KWB Konin SA”), PAK – Polska Czysta Energia sp. z o.o. (hereinafter referred to as „PAK – PCE sp. z o.o.”), PAK – PCE Fotowoltaika sp. z o.o., PAK – PCE Wiatr sp. z o.o., PAK – PCE Biopaliwa i Wodór sp. z o.o., PAK – PCE Polski Autobus Wodorowy sp. z o.o., PAK – PCE Stacje H2 sp. z o.o. (former PAK – PCE Biogaz sp. z o.o.), PG Hydrogen sp. z o.o., Exion Hydrogen Polskie Elektrolizery sp. z o.o., PAK CCGT sp. z o.o., Farma Wiatrowa Kazimierz Biskupi 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., MESE sp. z o.o., Park Wiatrowy Pałczyn 1 sp. z o.o., Park Wiatrowy Pałczyn 2 sp. z o.o., Przedsiębiorstwo Remontowe PAK Serwis sp. z o.o. (hereinafter referred to as „PAK Serwis” sp. z o.o.), PAK – Volt SA, PAK Górnictwo sp. z o.o., Exion Hydrogen Belgium BV, PAK Pątnów sp. z o.o., 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., Ørsted Polska OF SPV 5 sp. z o.o., 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., Ørsted Polska OF SPV 9 sp. z o.o. (former Mawzorino Investments sp. s o.o.), Ørsted Polska OF SPV 10 sp. z o.o., PAK ATOM SA, PAK – PCE FW Okonek sp. z o.o., PAK – PCE FW Jastrowie sp. z o.o., Farma Wiatrowa Przyrów sp. z o.o., Great Wind sp. z o.o., Eviva Lębork sp. z o.o., PAK Kopalnia Węgla Brunatnego Adamów SA in liquidation (hereinafter referred to as „PAK KWB Adamów SA in liquidation”) and Aquakon sp. z o.o. in liquidation.

The companies of the biggest importance for the Group due to their current scale of activity are: ZE PAK SA, dealing with production of electricity and heat and PAK KWB Konin SA, dealing with the lignite mining. The assets concentrated around PAK PCE sp. z o.o. which concentrates activities related to the generation of electricity from renewable sources, as well as production and use of green hydrogen, become more and more important. In addition to companies from the aforementioned main areas of activity, the Group also includes other companies that deal, among others, with the execution of construction and assembly works, maintenance works, service, production and trade activities aimed at satisfying the needs and comprehensive industry service.

The Group's generation assets include two lignite-fired power plants located in central Poland, in the Greater Poland Voivodship. Pątnów Power Plant produces energy using lignite in 4 power units with a total output capacity of 1,118 MW. Konin power plant, a former coal-fired power plant, uses today two blocks with a boiler dedicated to burning biomass with a total installed capacity of 105MW (50 MW and 55 MW) and produces electricity and heat from biomass. The second unit was put into operation in April 2022. The Group also includes a photovoltaic farm with an installed capacity of 70 MWp, located in Brudzew commune.

The Group's mining assets are concentrated in PAK KWB Konin SA, which operates Józwin and Tomisławice open-pit mines. Coal mining at Józwin open-pit mine will be carried out until the end of 2022. In the first half of 2022, Drzewce open-pit mine was also exploited, which ended production on August 11, 2022.

The vast majority of the Group's sales revenue is derived from sale of electricity. This is supplemented by revenues from sale of heat, contracts for construction repair services and certificates of energy origin. An additional source of sales revenues, depending on the level of production costs, energy prices on the market and production volume, are revenues from the termination of long-term contracts (Power Purchase Agreements) for the sale of electricity. The Group, having lignite mines in its structure, provides Pątnów power plant with an access to uninterrupted lignite supplies for own production installations located in the immediate vicinity of the mines. The vertically integrated Group enables optimization of coal inventories and supplies by coordinating coal mining with the demand for this fuel. Coal supplies are supplemented with contracts with external suppliers. The demand for biomass is covered on the basis of contracts concluded with external suppliers.

For many years, the Group operated on the basis of a business profile focusing on the production of electricity from lignite mined in nearby open-pit mines. However, this business model has limited chances of development in the future, given the pressure on high-carbon energy producers. Increasingly higher costs of CO2 emissions and the conditions related to the emission of other substances (NOX, SO2, dust, mercury, etc.) make the Group decide to focus its future activities in the area of low-emission and emission neutral energy sources as well as the production and use of green hydrogen.

Around PAK - PCE sp. z o.o. the structure of special purpose vehicles, which are to be responsible for activities in particular renewable energy technologies, is successively being built. Thanks to the planned sale transaction to Cyfrowy Polsat Group of the majority stake in the structure of PAK - PCE sp. z o.o., it is planned to acquire a strong capital partner that will be able to guarantee the implementation of a wide range of prospective investment projects in the area of renewable energy sources and the production and use of “green” Hydrogen.

Special purpose vehicle PAK CCGT sp. z o.o. is to be responsible for the preparation and implementation of the gas unit construction project at the former Adamów coal-fired power plant. The project won the market capacity auction and thus received support in the form of a 17-year power contract.

As part of its transformation activities, the Group is also active in the area of offshore wind farm construction projects. It is also planned to use the assets at Pątnów Power Plant for the potential construction of a nuclear power plant. Both of the above projects are developed in cooperation with external partners.

Apart from the Capital Group, the Company owns shares in Zakłady Pomiarowo-Badawcze Energetyki Energopomiar sp. z o.o. with headquarters in Gliwice and providing measurement, research and consultancy services regarding, among others power engineering. The Company holds 1 share in the aforementioned company with the nominal value of PLN 159 500.07 which constitutes 2.96% of the total capital.

In addition, the Company also holds shares in Huta Łaziska SA in arrangement bankruptcy, based in Łaziska Górne, specializing in the production of ferroalloys. These are B series shares - 3,277,025 with a nominal value of PLN 1.00 each and C series shares - 4,307,822 shares with a nominal value of PLN 1.00 each, which in total constitutes 11.19% of the share capital.

The main shareholder makes the Group affiliated with other entities, in which Zygmunt Solorz holds substantial direct or indirect share.

The structure of ZE PAK SA Group as at September 30, 2022 is shown in Figure 1.

## 2.2. Structure

Figure 1: Structure of the Group as of September 30, 2022

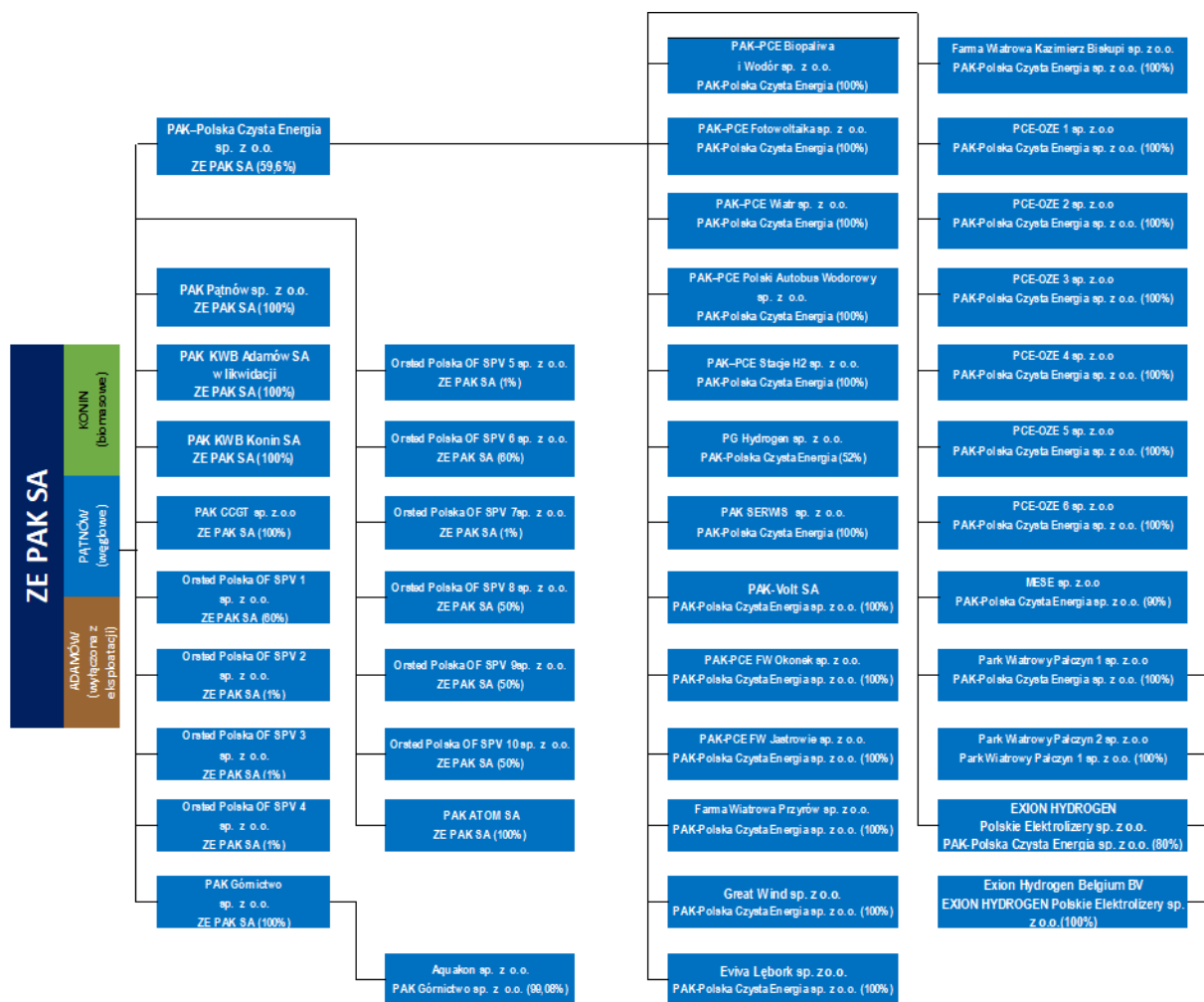


Table 1: Description of the Group's companies (excluding ZE PAK SA)

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 mining	100.00%	100.00%
„PAK Górnictwo” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machines	100.00%	100.00%
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair service	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. (former „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 production 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 power engineering	100.00%*	100.00%*
„Park Wiatrowy Pałczyn 2” sp. z o.o.**	70-479 Szczecin Al. Wojska Polskiego 68	Generation of electricity – wind power engineering	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	Generation of electricity – offshore wind engineering	60.00%	-
„Ørsted Polska OF SPV 2” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	-
„Ørsted Polska OF SPV 3” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	-
„Ørsted Polska OF SPV 4” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	-
„Ørsted Polska OF SPV 5” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	-
„Ørsted Polska OF SPV 6” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	60.00%	-
„Ørsted Polska OF SPV 7” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	-
„Ørsted Polska OF SPV 8” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-



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„Ørsted Polska OF SPV 9” sp. z o.o. (former „Mawzorino Investments” sp. z o.o.)	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 10” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	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 power engineering	100.00%*	-
„PAK–PCE FW Jastrowie” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	100.00%*	-
„Farma Wiatrowa Przyrów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	100.00%*	-
„Great Wind” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	100.00%*	-
„Eviva Lębork” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	100.00%*	-
„PAK Kopalnia Węgla Brunatnego Adamów” SA in liquidation	62-700 Turek Warenka 23	Lignite mining	100.00%	100.00%
„Aquakon” sp. z o.o. in liquidation	62-610 Sompolno Police	In liquidation	99.08%*	99.08%*

\* Entities with partial or total indirect share via other companies from ZE PAK Group.

\*\* On November 28, 2022, two companies merged: "Park Wiatrowy Pałczyn 1" sp. z o.o. (acquiring company) and "Park Wiatrowy Pałczyn 2" sp. z o.o. (acquired company).

As at September 30, 2022 the share in the total number of votes held by the Group in subsidiaries is equal to the Group's share in the capital of these entities.

### 2.3. Description of the changes in the Group's structure

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

- 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. On November 28, 2022, the above two companies merged: "Park Wiatrowy Pałczyn 1" sp. z o.o. (acquiring company) and "Park Wiatrowy Pałczyn 2" sp. z o.o. (acquired company).
- On 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 60% of shares 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.

Already after the end of the reporting period, on October 19, 2022, a plan to merge the companies from the Group - PAK KWB Konin SA (acquiring company) and PAK KWB Adamów SA (acquired company) was announced. The merger will take place on the date of entering the merger into the Register of Entrepreneurs appropriate for the seat of the acquiring company.

## 2.4. Composition of the Management Board

There have been no changes in the composition of the Management Board since the beginning of 2022. Both in the third quarter and as at the date of publication of this report, the composition of the Company's Management Board is as follows:

- 1) Piotr Woźny – President of the Management Board,
- 2) Zygmunt Artwik – Vice President of the Management Board,
- 3) Maciej Nietopiel – Vice President of the Management Board,
- 4) Andrzej Janiszowski – Vice President of the Management Board,
- 5) Katarzyna Sobierajska – Vice President of the Management Board.

## 3. SIGNIFICANT EVENTS AFFECTING THE OPERATIONS OF THE COMPANY AND THE GROUP

### 3.1. Significant achievements and failures during the reporting period

#### Brief description of the achieved financial results

In the third quarter of 2022, total sales revenue amounted to PLN 1,137,000 thousand and, compared to the third quarter of 2021, increased by PLN 518,572 thousand, i.e. by 83.85%.

The increase in total sales revenues in the third quarter of 2022 was mainly influenced by the increase in revenues from the sale of electricity, due to a 102.47% higher price. At the same time, a slight decrease in the total sales volume by 1.97% was recorded. However, in the case of sales of electricity from own production, the volume decreased by 27.64%, while the sales of purchased energy increased by 106.90% compared to the corresponding period of the previous year. The lower amount of coal available for extraction in the mines supplying the Company contributed to the decrease in production. It should be noted that while net production based on coal decreased by 34.86%, net production of RES energy increased by 95.21%, mainly due to the commissioning of new units, including unit 5 at Konin power plant and the photovoltaic farm in Brudzew. At the same time, the share of renewable energy in the structure of own energy increased to 15.21% in Q3 2022 from 5.65% in Q3 2021. The net production volumes of the Group's individual power plants are presented in Chart 3.

In Q3 2022, revenues from the capacity market amounted to PLN 37,797 thousand and decreased by PLN 10,255 thousand, i.e. 21.34%, compared to the corresponding period of the previous year. The lower revenue is due to the lower price contracted for 2022, as well as lower revenue generated on the secondary market.

In the third quarter of 2022, compared to the third quarter of 2021, revenues from the sale of property rights from certificates of origin for energy decreased by PLN 10,028 thousand, i.e. by 46.41%. The decrease in revenues was caused by a reduction in the valuation of the production of certificates due to lower market quotations compared to the same period last year, as well as a lower volume of their production.

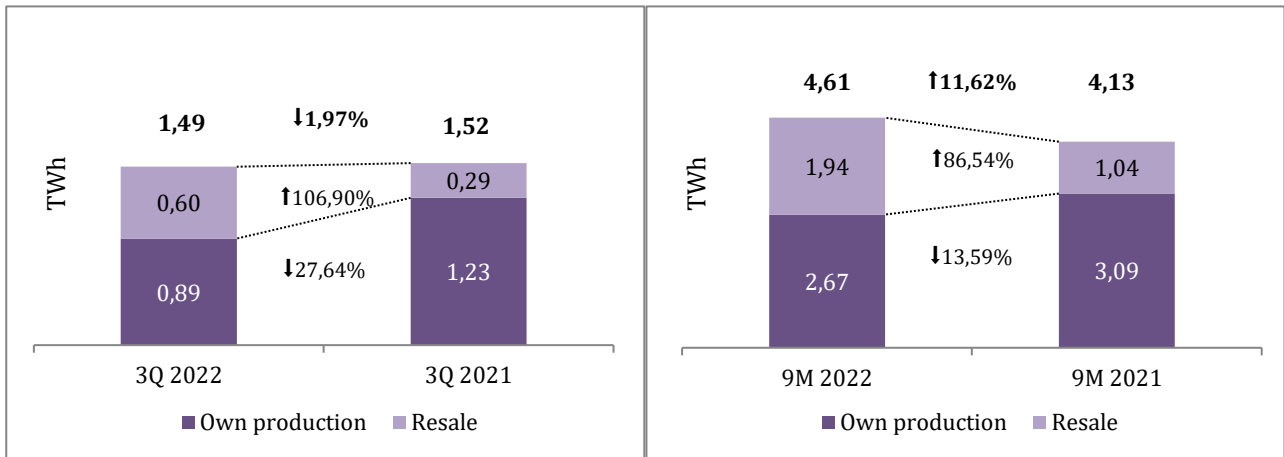
In the third quarter of 2022, revenues from LTC termination (termination of long-term power and electricity sales agreement) decreased by PLN 7,403 thousand, i.e. 22.10%, as a result of higher margin on production from unit 9.

Revenues from the sale of heat in Q3 2022 amounted to PLN 12,367 thousand and were higher than those obtained in Q3 2021 by PLN 4,069 thousand, i.e. 49.04%. The increase in revenues was driven by a higher price for heat and an increase in sales volume.

Revenue from construction contracts in the third quarter of 2022 compared to the revenue earned in the corresponding period of the previous year increased by PLN 2,630 thousand, i.e. by 19.21%. The increase in revenues in the analysed period was related to the implementation of projects with higher material and financial scopes.

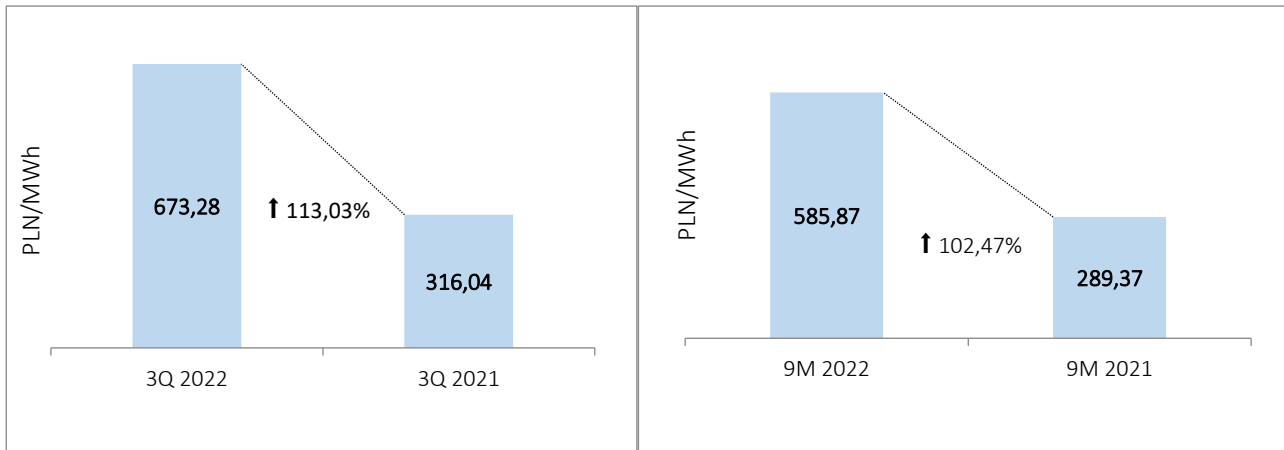
Cost of sales in Q3 2022 amounted to PLN 899,139 thousand and increased by PLN 359,909 thousand, i.e. 66.74%, compared to Q3 2021. The increase in own cost was mainly due to the increase in the value of goods and materials sold, related to the greater amount of electricity purchased for trading, as well as higher costs of carbon dioxide emissions due to the increase in the price of emission allowances by 28.50%, and higher costs of materials, mainly due to the higher cost of fuel used to produce electricity and heat, and the cost of employee benefits. The cost price reduction was driven by a reduction in taxes and fees and lower other costs.

Chart 1: Electricity sales



Source: Internal data

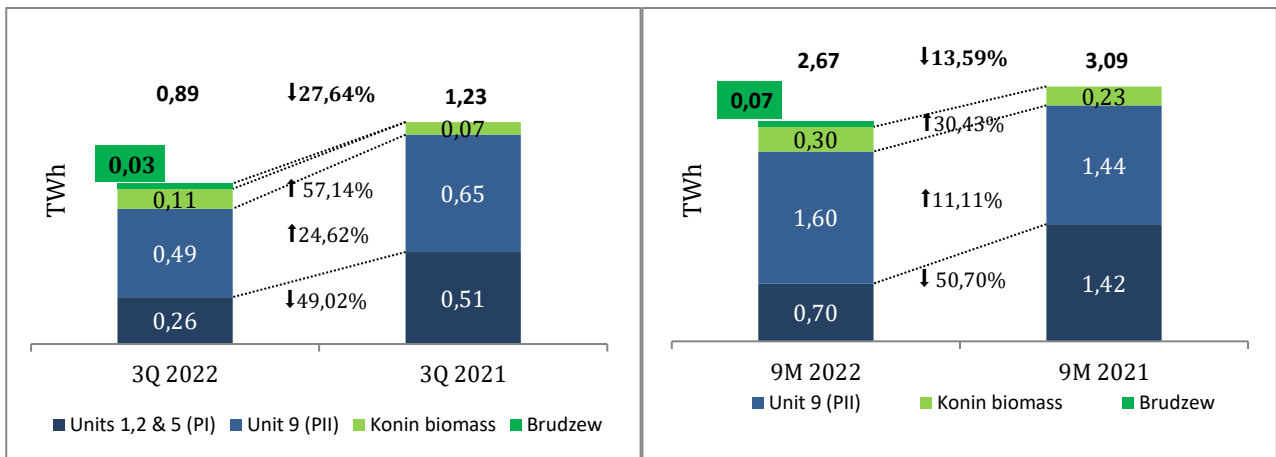
Chart 2: Average electricity prices\*



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

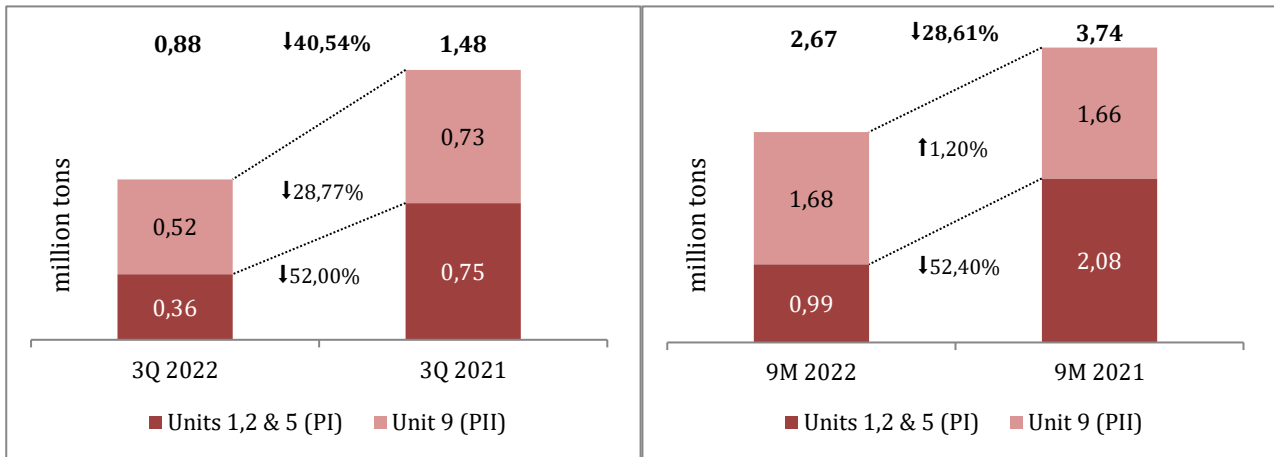
Source: Internal data

Chart 3: Net electricity production



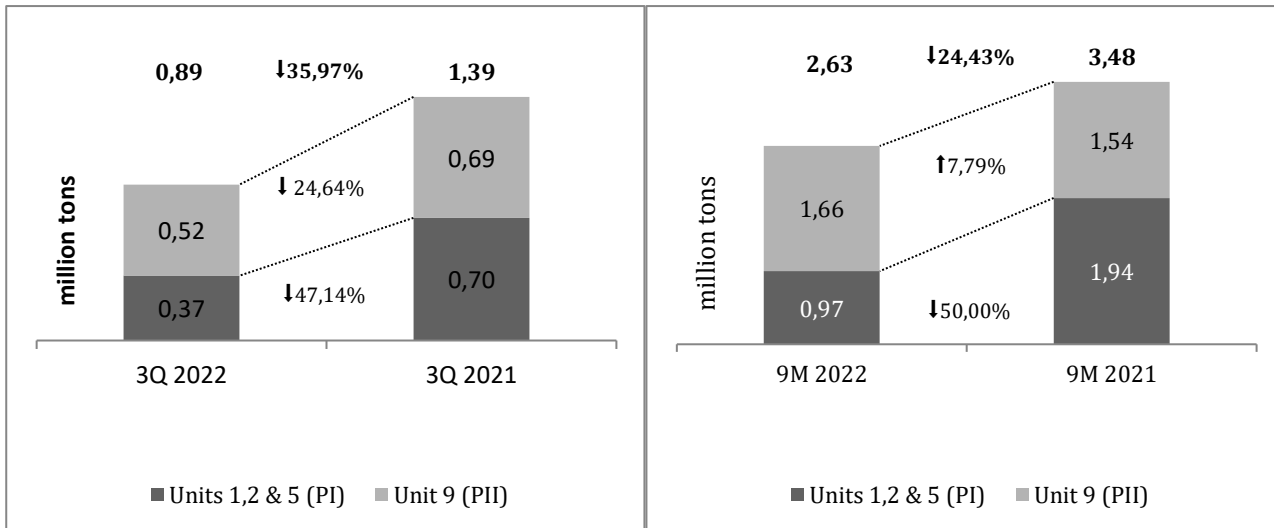
Source: Internal data

Chart 4: Lignite consumption



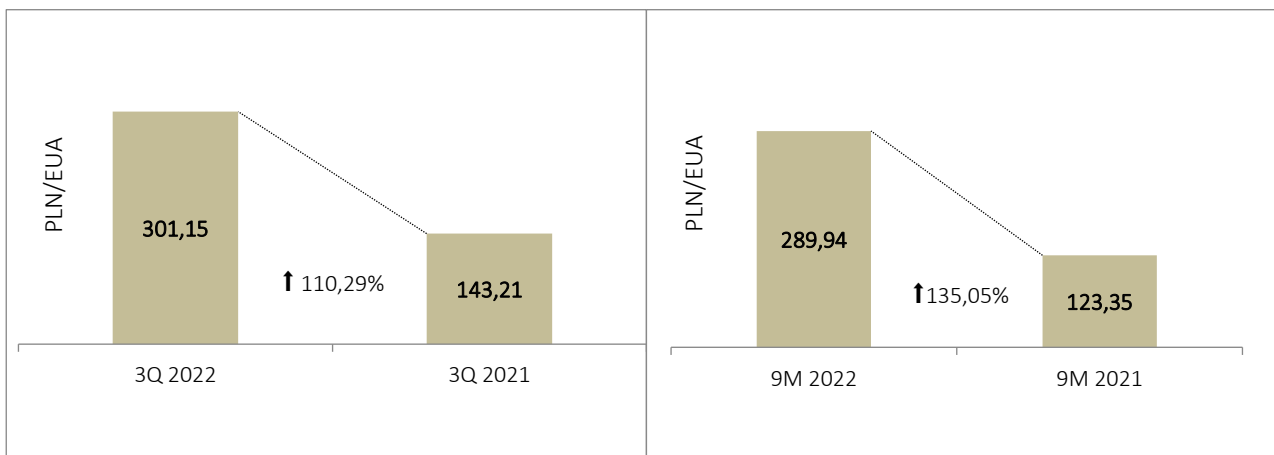
Source: Internal data

Chart 5: CO<sub>2</sub> emission



Source: Internal data

Chart 6: Average prices of EUA purchase (European Union Allowances – CO<sub>2</sub> emission allowances)\*



\* Average price calculated as the cost of purchased EUA for a period concerned, divided by the volume of CO<sub>2</sub> emission.

Source: Internal data

Table 2: List of consolidated sale revenues

	<i>Zloty thousand</i> <i>3 months period</i> <i>ended</i> <i>30 September</i> <i>2022</i>	<i>Zloty thousand</i> <i>3 months period</i> <i>ended</i> <i>30 September</i> <i>2021</i>	<i>Zloty thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Revenues from the sale of goods, including:	1 099 981	563 799	536 182	95.10
– Revenues from the sale of electricity (own)	497 638	397 569	100 069	25.17
– Revenues from the sale of traded electricity	510 469	84 549	425 920	503.76
– Revenues from the Capacity Market	12 367	8 298	4 069	49.04
– Revenues from the sale of heat	37 797	48 052	(10 255)	(21.34)
– Revenues from contracts for construction services	25 386	11 637	13 749	118.15
– Other sale revenues	16 324	13 694	2 630	19.21
Excise	(650)	(471)	(179)	(38.00)
Other revenues, including:	37 669	55 100	(17 431)	(31.64)
– Property rights on Energy certificates of origin	11 580	21 608	(10 028)	(46.41)
– Compensation for termination of LTC	26 089	33 492	(7 403)	(22.10)
<b>Total sale revenues</b>	<b>1 137 001</b>	<b>618 428</b>	<b>518 572</b>	<b>83.85</b>
	<i>Zloty thousand</i> <i>9 months period</i> <i>ended</i> <i>30 September</i> <i>2022</i>	<i>Zloty thousand</i> <i>9 months period</i> <i>ended</i> <i>30 September</i> <i>2021</i>	<i>Zloty thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Revenues from the sale of goods, including:	2 975 490	1 441 072	1 534 418	106.48
– Revenues from the sale of electricity (own)	1 397 176	920 891	476 285	51.72
– Revenues from the sale of traded electricity	1 305 778	276 050	1 029 728	373.02
– Revenues from the Capacity Market	42 293	36 970	5 323	14.40
– Revenues from the sale of heat	121 868	139 855	(17 987)	(12.86)
– Revenues from contracts for construction services	75 632	34 425	41 207	119.70
– Other sale revenues	32 743	32 881	(138)	(0.42)
Excise	(2 823)	(1 128)	(1 695)	(150.27)
Other revenues, including:	120 696	164 202	(43 506)	(26.50)
– Property rights on Energy certificates of origin	41 720	53 098	(11 378)	(21.43)
– Compensation for termination of LTC	78 976	111 104	(32 128)	(28.92)
<b>Total sale revenues</b>	<b>3 093 363</b>	<b>1 604 146</b>	<b>1 489 217</b>	<b>92.84</b>

Other operating income in the third quarter of 2022 amounted to PLN 29,030 thousand and was higher by PLN 13,587 thousand than in the same period last year. The increase in revenues was mainly due to revenues from the demolition and sale of scrap metal and other materials, as well as exchange differences related to the purchase of carbon dioxide emission allowances.

Selling costs in the third quarter of 2022 amounted to PLN 4,518 thousand and were PLN 3,478 thousand higher than those incurred in the corresponding period of the previous year as a result of the increase in electricity turnover in the sales segment.

Administrative expenses in the third quarter of 2022 amounted to PLN 35,872 thousand and were higher than those incurred in the corresponding quarter of the previous year by PLN 11,011 thousand, i.e. by 44.29%. The increase in management costs was related to the increase in the costs of services and salaries related to the expansion of operations.

Table 3: Selected items of the consolidated income statement

	Zloty thousand 3 months period ended 30 September 2022	Zloty thousand 3 months period ended 30 September 2021	Zloty thousand change	% dynamics
<b>Sales revenues</b>	<b>1 137 001</b>	<b>618 428</b>	<b>518 573</b>	<b>83.85</b>
Prime cost	(899 139)	(539 230)	(359 909)	(66.74)
Gross sales profit (loss)	237 862	79 198	158 664	200.34
Other operating revenues	29 030	15 443	13 587	87.98
Cost of sales	(4 518)	(1 040)	(3 478)	(334.42)
General and administrative expenses	(35 872)	(24 861)	(11 011)	(44.29)
Other operating costs	(9 706)	(423)	(9 283)	(2 194.56)
<b>Profit (loss) from operating activities</b>	<b>216 796</b>	<b>68 317</b>	<b>148 479</b>	<b>217.34</b>
Financial revenues	34 126	48 756	(14 630)	(30.01)
Financial costs	(35 549)	(50 025)	14 476	28.94
<b>Gross profit (loss)</b>	<b>215 373</b>	<b>67 048</b>	<b>148 325</b>	<b>221.22</b>
Income tax (tax load)	(79 744)	19 173	(98 917)	-
<b>Net profit (loss)</b>	<b>135 629</b>	<b>86 221</b>	<b>49 408</b>	<b>57.30</b>
Net other comprehensive income	(39)	88	(127)	-
<b>Comprehensive income</b>	<b>135 590</b>	<b>86 309</b>	<b>49 281</b>	<b>57.10</b>
<b>EBITDA*</b>	<b>226 705</b>	<b>102 209</b>	<b>124 496</b>	<b>121.81</b>

	Zloty thousand 9 months period ended 30 September 2022	Zloty thousand 9 months period ended 30 September 2021	Zloty thousand change	% dynamics
<b>Sales revenues</b>	<b>3 093 364</b>	<b>1 604 146</b>	<b>1 489 218</b>	<b>92.84</b>
Prime cost	(2 645 013)	(1 470 283)	(1 174 730)	(79.90)
Gross sales profit (loss)	448 351	133 863	314 488	234.93
Other operating revenues	69 747	43 883	25 864	58.94
Cost of sales	(10 710)	(3 553)	(7 157)	(201.44)
General and administrative expenses	(97 409)	(78 352)	(19 057)	(24.32)
Other operating costs	(17 097)	(11 924)	(5 173)	(43.38)
<b>Profit (loss) from operating activities</b>	<b>392 882</b>	<b>83 917</b>	<b>308 965</b>	<b>368.18</b>
Financial revenues	64 513	49 873	14 640	29.35
Financial costs	(60 840)	(56 299)	(4 541)	(8.07)
<b>Gross profit (loss)</b>	<b>396 555</b>	<b>77 491</b>	<b>319 064</b>	<b>411.74</b>
Income tax (tax load)	(108 347)	28 719	(137 066)	-
<b>Net profit (loss)</b>	<b>288 208</b>	<b>106 210</b>	<b>181 998</b>	<b>171.36</b>
Net other comprehensive income	(86)	4	(90)	-
<b>Comprehensive income</b>	<b>288 122</b>	<b>106 214</b>	<b>181 908</b>	<b>171.27</b>
<b>EBITDA*</b>	<b>425 430</b>	<b>185 385</b>	<b>240 045</b>	<b>129.48</b>

\* The Company defines and calculates EBITDA as the profit/(loss) on operating activities (calculated as the net profit/(loss) for the accounting year corrected by the (i) income tax (tax load), (ii) financial revenues, as well as (iii) financial costs) corrected by the depreciation (shown in the income statement), as well as impairment write-downs against tangible assets, intangible assets, and mining assets.

Table 4: Consolidated costs by type

	<i>Zloty thousand</i> <i>3 months period</i> <i>ended</i> <i>30 September</i> <i>2022</i>	<i>Zloty thousand</i> <i>3 months period</i> <i>ended</i> <i>30 September</i> <i>2021</i>	<i>Zloty thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Depreciation	9 909	33 892	(23 983)	(70.76)
Impairment write-down on inventory	1 316	-	1 316	-
Consumption of materials	132 342	79 061	53 281	67.39
Outsourcing	33 476	29 744	3 732	12.55
Taxes and fees excluding excise tax	32 998	38 569	(5 571)	(14.44)
Costs of CO <sub>2</sub> emissions	267 564	198 922	68 642	34.51
Costs of employee benefits	103 977	85 263	18 714	21.95
Other costs by type	(25 281)	(658)	(24 623)	3 742.10
Value of sold goods and materials and sold traded electricity	395 965	112 994	282 971	250.43
<b>Total costs by type</b>	<b>952 266</b>	<b>577 787</b>	<b>374 479</b>	<b>64.81</b>

	<i>Zloty thousand</i> <i>9 months period</i> <i>ended</i> <i>30 September</i> <i>2022</i>	<i>Zloty thousand</i> <i>9 months period</i> <i>ended</i> <i>30 September</i> <i>2021</i>	<i>Zloty thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Depreciation	32 548	101 468	(68 920)	(67.92)
Impairment write-down on inventory	6 870	-	6 870	-
Consumption of materials	331 917	242 548	89 369	36.85
Outsourcing	86 310	70 895	15 415	21.74
Taxes and fees excluding excise tax	98 155	112 319	(14 164)	(12.61)
Costs of CO <sub>2</sub> emissions	762 807	429 182	333 625	77.74
Costs of employee benefits	299 908	273 815	26 093	9.53
Other costs by type	19 766	17 312	2 454	14.18
Value of sold goods and materials and sold traded electricity	1 158 483	333 677	824 806	247.19
<b>Total costs by type</b>	<b>2 796 764</b>	<b>1 581 216</b>	<b>1 215 548</b>	<b>76.87</b>

Other operating expenses in the reporting quarter amounted to PLN 9,706 thousand and increased compared to the third quarter of the previous year by PLN 9,283 thousand, i.e. 2,194.56%, mainly due to the return of free carbon dioxide emission allowances in the amount of PLN 7,519 thousand as a result of abandoning the investment for which the allowances were granted.

In the third quarter of 2022, ZE PAK SA Group generated a profit on operating activities in the amount of PLN 216,796 thousand, which was higher by PLN 148,479 thousand, i.e. 217.34%, compared to the result for the corresponding period of the previous year.

In the third quarter of 2022, the results achieved were adversely affected by the negative result on financial activities in the amount of PLN 1,423 thousand. The impact of financial activity in the corresponding period of the previous year decreased the result by PLN 1,269 thousand.

Net profit in the third quarter of 2022 amounted to PLN 135,629 thousand. Compared to the third quarter of 2021, it is higher by PLN 49,408 thousand, i.e. by 57.30%.

## **Description of factors and events, particularly of an unusual nature, that have a significant impact on assets, liabilities, equity, net profit or loss or cash flows**

In the third quarter of 2022, there were no unusual factors or events that had a significant impact on assets, capital, financial result or cash flows.

### **Implementation of investment projects**

In the third quarter of 2022, the investment activity of ZE PAK SA Group focused on the implementation of projects related to the production and distribution of hydrogen, the hydrogen bus project and the construction of wind farms, as well as preparatory work for the implementation of further renewable energy sources and the necessary tasks to ensure the maintenance of current efficiency and more effective use of owned mining and generation assets.

#### ***Key investments in the implementation phase***

##### Construction of a hydrogen production plant with associated infrastructure at Konin power plant

On July 26, 2022, the final decision on the construction of a hydrogen plant with a capacity of 2 tons of hydrogen per day was obtained.

Hydrogen will be produced in the process of electrolysis of water using energy from a renewable source. The basic source of primary energy will be biomass and solar energy, the conversion of which into electricity, in dedicated installations, will power the electrolysis system. The implementation of this task will allow the production of the so-called "green hydrogen".

The first step towards building a hydrogen plant at the Konin Power Plant was the conclusion on April 9, 2020 of a contract with Hydrogenics Europe N.V. Belgium to purchase an electrolyser that will initially produce hydrogen in the amount of 1000 kg H<sub>2</sub> / day. At a later stage, thanks to the modular construction of the hydrogen plant and preparation of the infrastructure, it will be possible to increase production capacity, depending on the demand for hydrogen. The original delivery date of the electrolyser indicated in the contract was in mid-2021, however due to reasons attributable to the supplier, resulting from force majeure, it was extended. An annex to the contract was concluded changing the type of electrolyser to HyLYZER 500-30 and the delivery date. From the end of September to mid-October 2022, the electrolyser with the power supply system and the compressor room with the hydrogen locomotive refuelling system were delivered.

As part of the construction of a hydrogen plant:

- 6/10kV transformer has been delivered.
- The process of developing technical projects is ongoing.
- A building permit was obtained and the commencement of works was reported to the Poviats Building Supervision Inspectorate and the National Labor Inspectorate.
- Dismantling and earth works have started.
- Equipment of 6kV bay in P7 switchgear has started.
- An energy building and a 6kV switching station, section A were ordered.
- Contractual provisions were agreed for the purchase of a second HyLYZER 500-30 electrolyser - contract in signature.
- Hydrogenics has reported that the first electrolyser is ready for delivery with the power supply system.

In order to enable the supply of hydrogen to the hydrogen refuelling station, a mobile hydrogen storage facility capable of storing 371 kg of hydrogen was delivered in 2021 in an agreement with Wystrach GmbH Weeze in the first stage. In December 2021, a contract was also concluded with Wystrach for the supply of two more hydrogen trucks capable of storing hydrogen in the amount of 1024 kg each – the delivery was completed, and then in May 2022 a contract was concluded for the delivery of another five hydrogen cars with the completion date in 2023.

##### Construction of a wind farm in the area of Kazimierz Biskupi commune

The shares in Farma Wiatrowa Kazimierz Biskupi were purchased together with the wind farm project consisting of 7 turbines with a total capacity of 17.5 MW. The general contractor for the contract for the construction and commissioning of a wind farm is PAK Serwis sp. z o.o. and the supplier of the seven wind turbines is Siemens Gamesa Renewables Energy. PAK Serwis sp. z o.o. will be responsible for the scope of works related to the implementation of foundations for wind turbines, construction of target access and temporary roads, construction of the electrical system of connections between windmill switchboards and GPO (Main Acceptance Point), construction of GPO, connection of GPO with 110kV switchgear, enabling power evacuation to the power system and construction of a superior wind farm control system together with the facility technical protection system. On February 22, 2022 the construction site has been handed over to the contractor. Currently, construction works related to technical infrastructure are being carried



out - foundations have been made along with reinforcement for the assembly of wind turbines, works on access roads and service yards for all wind turbines are being finalized. In the field of electrical works, work is underway on laying cable lines and building a GPO station. Currently, the main components of Siemens Gamesa turbines are being delivered to the construction site.

#### Construction of a wind farm in Miłosław commune

Shares in Park Wiatrowy Pałczyn 1 and Park Wiatrowy Pałczyn 2 were purchased together with the Miłosław wind farm project consisting of 4 turbines with a total capacity of 9.6 MW. The general contractor of the contract for the construction and commissioning of the wind power plant is Vortex Energy Polska sp. z o.o. and the supplier of four wind turbines is Nordex. Currently, advanced construction works related to the technical infrastructure are being carried out - foundations have been made along with reinforcement for the installation of wind turbines, works on access roads and service yards for all wind turbines are being finalized. In the field of electrical works, the last works on laying cable lines are in progress. In January 2023, Nordex is planning to start assembling wind turbines.

#### Construction of wind farm in the area of Człuchów commune

Shares in Great Wind were purchased in June 2022 together with a wind farm project consisting of 33 turbines with a total capacity of 72.6 MW. In August 2022, construction work began on Głędowo wind farm project (Człuchów) - it is the largest investment project of PAK-PCE so far. Currently, construction works are underway in the field of access roads, sites for wind turbines and cable lines. The foundations of the first turbines were concreted and power transformers for the power station were ordered. The general contractor of the wind farm is Onde, one of the leaders in the implementation of the renewable energy industry in Poland, the supplier of turbines is the Danish company Vestas, and the entity responsible for performing the function of the Contract Engineer is Neo Energy Group. The schedule assumes the commissioning of WF Głędowo (Człuchów) in mid-2024. The project has an additional 26.4 MW of unused connection conditions to be developed for an additional photovoltaic or wind project.

#### Construction of hydrogen buses factory

On August 17, 2021, PAK-PCE Polish Hydrogen Bus sp. z o.o. received a positive decision from the Industrial Development Agency SA on support within the EURO-PARK MIELEC Special Economic Zone for the implementation of a new investment, which is to be the construction of a production plant for buses powered by hydrogen cells, along with an office building and accompanying infrastructure.

On September 29, 2021, the company purchased land in the Economic Activity Zone in Świdnik for the construction of the future hydrogen bus factory. Mostostal Puławy SA was selected as the contractor for the task, with which PAK - PCE Polski Autobus Wodorowy sp. z o.o. signed the contract on June 15, 2022.

On August 23, 2022, the company PAK - PCE Polski Autobus Wodorowy sp. z o.o. obtained a building permit. The planned date of completion of the construction works is July 31, 2023.

#### Autonomous supply of electricity and heat to a single-family house

The project involves the development of a concept and technical selection of devices for a self-sufficient autonomous power supply system for electricity, heat, domestic hot water for single-family houses with low energy consumption and passive houses.

In June 2020, an agreement was concluded with the AGH University of Science and Technology in Kraków named after Stanisław Staszic Energetics Centre, to perform the work entitled "Autonomous supply of electricity and heat for a single-family house, based on its own renewable energy sources, using hydrogen as a storage and energy carrier".

The equipment necessary to create an autonomous power and heat supply model for a single-family house was purchased - a complete electrolyser system, hydrogen storage tanks, fuel cells, and a home photovoltaic power plant. Currently, the operation phase of the assembled autonomous power supply system intended for a single-family house is in progress. In June 2022, a demonstrator project was ordered from Energoprojekt-Katowice for the project "Autonomous power supply for a single-family house with electricity and heat, based on own renewable energy sources using hydrogen as an energy storage and carrier". This project will be the basis for building a model of a single-family house in the form of a container building that can be moved to various locations in order to present the autonomous power supply system of a single-family house. A demonstrator concept has been developed. In the next step, technical designs of the demonstrator will be developed.

#### Construction of a photovoltaic farm in the area of Przykona commune

Design works related to the construction of another photovoltaic farm with a rated power of approximately 180-200 MWp in the area of the Adamów open pit, located in the area of the Przykona commune are underway. On August 23,

2021, the resolution of the Commune Council of Przykona, regarding the Local Spatial Development Plan, entered into force, the adopted plan determines the allocation of the land for the construction of a photovoltaic power plant with accompanying infrastructure. On January 5, 2022, an environmental decision was obtained, which became final on February 3, 2022. On March 31, 2022, the conditions for connection were obtained together with a gas and steam unit of the 600 MWe class. Another administrative permit that will be required to obtain is a building permit.

In June 2022, an agreement was concluded with Zilinskis from Toruń for the development of technical documentation along with obtaining a permit for the reconstruction of the 110kV line and increasing its transmission capacity between GPZ Adamów and Adamów Station 110/220kV. The Project Information Sheet has been developed, and it will be the basis for obtaining an environmental decision.

#### Construction of a wind farm in the area of Przyrów commune

Shares in Farma Wiatrowa Przyrów, which holds the rights to build a wind farm project consisting of 14 Nordex turbines with a total capacity of 50.4 MW, were purchased in the first quarter of 2022. The process of securing the missing legal titles to the land on which temporary and permanent road elements will be located is in progress. In June 2022, a contract for the supply of turbines was signed, the process of selecting a construction contractor (BoP) is underway. At the same time, technical documentation related to obtaining a building permit for the HV GPO FW Przyrów – GPZ Julianka line was commissioned. It is planned to start construction works in December 2022.

#### Construction of another photovoltaic farm in the area of Brudzew commune (PV Cambria)

The Cambria photovoltaic farm project, implemented in Brudzew commune, was acquired by the group in July 2022. On the area taken over from the developer, thanks to the Land Development Conditions and the Decision on Environmental Conditions obtained by the developer, a power plant with a capacity of 12.4 MWp was designed. Currently, additional formal and legal decisions are being obtained for the project, which will finally allow to obtain a Building Permit in January 2023, enabling the commencement of the investment.

The project will be connected to the GPO used for the needs of Brudzew 70 MWp wind farm, as the second part of this investment. Currently, arrangements are being made to adapt the Connection Conditions to enable the collection of energy from Cambria photovoltaic farm.

### **3.2. Other significant events of the reporting period, events after the balance sheet date and other information which are relevant for the assessment of the human resources, property, financial situation and ability of the Company and the Group to fulfil its obligations**

#### **Significant events during the reporting period**

##### ***Judgment of the Provincial Administrative Court in Warsaw - license for lignite mining***

On July 25, 2022, PAK KWB Konin SA received the Judgment of the Provincial Administrative Court in Warsaw (PAC) of May 26, 2022, which was made in closed session. The judgment of the PAC in Warsaw repeals the decision of the Minister of Climate and Environment of July 27, 2020 changing the lignite mining license for one of the three fields currently exploited by KWB Konin SA, i.e. Pałnów IV field ("Józwin Open-pit"). The invalidated decision of the Minister of Climate and Environment extends the term of the concession from August 31, 2020 to August 31, 2026.

The judgment repealing the decision is not final. PAK KWB Konin SA, after getting acquainted with the justification of the decision, will prepare and submit a cassation complaint to the Supreme Administrative Court. The Decision repealed by the judgment of the Provincial Administrative Court in Warsaw remains in legal circulation, PAK KWB Konin SA still extracts lignite from Pałnów IV deposit in Józwin Open-pit mine. Pałnów IV field is in the final stage of exploitation. PAK KWB Konin SA did not assume the exploitation of this deposit until 2026 in any of the scenarios.

##### ***Conclusion of a framework agreement and an annex to the partners' agreement by ZE PAK S.A. with Ørsted Wind Power A/S***

On August 8, 2022, the Company concluded with Ørsted Wind Power A/S seated in Fredericia, Denmark (ORS) the framework agreement and an annex to the Partner Agreement. On the basis of the framework agreement and the annex, the Company and ORS have decided in particular to make a series of share capital increases in seven project companies, as a result of which the number of shares that the parties are entitled to in these companies changed, while maintaining joint control parties over these project companies and their joint financing.

The share capital was changed in the following companies: Orsted Polska OF SPV 1 sp. z o.o. (“**SPV 1**”), Orsted Polska OF SPV 2 sp. z o.o. (“**SPV 2**”), Orsted Polska OF SPV 3 sp. z o.o. (“**SPV 3**”), Orsted Polska OF SPV 4 sp. z o.o. (“**SPV 4**”), Orsted Polska OF SPV 5 sp. z o.o. (“**SPV 5**”), Orsted Polska OF SPV 6 sp. z o.o. (“**SPV 6**”) and Orsted Polska OF SPV 7 sp. z o.o. (“**SPV 7**”) - until now, the parties held 50% of shares each in these companies. Pursuant to the framework agreement, as a result of the increase in the share capital of these entities, as at the date of publication of this report, the Company owns 60% of SPV 1 and SPV 6 (“**ZE PAK Companies**”), while ORS owns 99% of SPV 2, SPV 3, SPV 4, SPV 5 and SPV 7 (together as “**ORS Companies**”).

Pursuant to the framework agreement, in the event that any of the ORS Companies obtains a permit for the construction and use of artificial islands, structures and devices in the maritime areas of the Republic of Poland for offshore wind farm projects, in the next resolving procedure, conducted in accordance with Art. 27d et seq. of the Act of March 21, 1991 on the maritime areas of the Republic of Poland and maritime administration, the Company will have the right to request another increase in the share capital of a given ORS Company, under which all new shares will be acquired by the Company. As a result of the increase in the share capital of a given ORS Company, the Company and ORS will each hold 50% of shares in a given ORS Company. If the Company fails to submit a request to increase the share capital, after obtaining the Permit by a given ORS Company, ORS will be entitled to buy out all shares in a given ORS Company held by the Company. With regard to ZE PAK companies, such a right to demand another share capital increase was not provided for.

***Acquisition of a wind project and conclusion of a loan agreement by PAK – Polska Czysta Energia sp. z o.o.***

On September 8, 2022, PAK – Polska Czysta Energia sp. z o.o. based in Konin from Polish Wind Holdings B.V., a company established and operated in accordance with the law of Kingdom of Netherlands, 100% shares in the share capital of Eviva Lębork sp. z o.o. based in Warsaw.

The investment project provides for the construction of a wind farm consisting of 23 (twenty three) wind turbines with a total capacity of 50.6 MW in the area of Potęgowo commune, Słupsk powiat, pomorskie voivodship. The wind conditions in the region allow to estimate the annual production of the farm at 170 GWh. The Project has a complete set of administrative and legal permits allowing for the commencement works on wind turbines. The expected date for launching the farm is the third quarter of 2024 at the latest. Due to the secured connection capacity, the project has the potential to develop an additional photovoltaic or wind farm with a maximum capacity of approx. 50 MW. The total estimated capital expenditure related to the acquisition and implementation of the Farm will amount to approx. PLN 600 million.

In order to finance the construction of a wind farm, on September 6, 2022, PAK – Polska Czysta Energia sp. z o.o. concluded a loan agreement with Cyfrowy Polsat SA based in Warsaw, on the basis of which the loan will be made available for the borrower in the amount up to PLN 160 million, which may be paid out in PLN or EUR. According to the provisions of the Agreement, the Loan repayment date has been set by December 31, 2025. The financial terms as well as other terms of the Agreement do not differ from the market terms.

***Conclusion of further annexes to the preliminary sales contract covering shares in PAK-Polska Czysta Energia sp. z o.o. and the transfer of ownership of the organized part of the enterprise of Konin Power Plant to PAK-PCE Biopaliwa i Wodór sp. z o.o.***

On 20 December 2021, the Company and Cyfrowy Polsat SA concluded a preliminary contract for the sale of 67% of shares in PAK-Polska Czysta Energia sp. z o.o. On 30 March 2022, annex No. 1 to the aforementioned contract was concluded – it amended the end date (so-called long stop date) until which the parties assumed meeting all precedent conditions.

A number of legal actions took place in the period from April until May 2022, which resulted in Cyfrowy Polsat SA becoming the holder of 49% of the shares in the share capital of PAK-PCE Biopaliwa i Wodór sp. z o.o. (“PP BiW”), and the Company became the holder of 51% shares in the share capital of PP BiW. The change in the ownership structure of PP BiW entailed increasing its capital. The funds from increased capital were intended to acquire all energy activities from the Company implemented at the Konin Power Plant, involving in particular the generation of electricity from biomass, and constituting the organized part of the enterprise (“Konin Power Plant OPE”).

On 16 May 2022, the Company and PP BiW concluded a contract, under which the ownership of the Konin Power Plant OPE will be transferred to PP BiW. The value of the Konin Power Plant OPE was determined based on the measurement developed by Deloitte Advisory sp. z o.o. and the working capital, i.e., under the same conditions and at a same level as provided for in the contract dated 20 December 2021.

On 29 June 2022, the Company and Cyfrowy Polsat SA concluded another annex (“Annex 2”), which shifts the long stop date and the date for completing one of the milestones the said contract, i.e., the transfer of the Konin Power Plant OPE. Annex 2 was also concluded in relation to the failure to meet one of the conditions precedent associated with the

transfer to PAK-PCE of the receivables of PAK-PCE subsidiaries, i.e., PCE OZE 1-6, and a change in the manner and sequence of legal actions conducted under the contract.

The transfer of Konin Power Plant OPE ownership to PP BiW was completed on 1 July 2022.

On 27 July 2022, the contribution of all PP BiW share capital shares held by the Company and Cyfrowy Polsat SA as a contribution to cover the increased share capital of PAK-PCE.

On 26 September 2022, the Company and Cyfrowy Polsat SA concluded another annex ("Annex 3"), which amends the end date for obtaining the assumed share structure in PAK PCE. The concluded Annex 3 means that the final objective planned by the Company and Cyfrowy Polsat SA in the contract of 20 December 2021, regarding Cyfrowy Polsat SA disposing of 67% of the shares in PAK PCE remains unchanged and is to be achieved by 5 January 2023. Cyfrowy Polsat SA currently holds 40.4% of shares in PAK PCE, and the Company holds the remaining 59.6% shares in PAK PCE.

The total proceeds of ZE PAK Capital Group related to the disposal of 67% of PAK-PCE share capital and the transfer of Konin Power Plant OPE ownerships to the PAK-PCE capital group (in the case of the absence of unauthorized outflows) will amount to PLN 807,625,246.00, taking into account the adjustment arising from Konin Power Plant OPE share capital value.

***Conclusion of a loan agreement with Bank Gospodarstwa Krajowego by Farma Wiatrowa Kazimierz Biskupi sp. z o.o.***

On 20 September 2022, Farma Wiatrowa Kazimierz Biskupi sp. z o.o. concluded a loan agreement with Bank Gospodarstwa Krajowego, under which the bank granted the Kazimierz Farm an investment loan up to PLN 135 million, and a VAT loan up to PLN 30 million. The loans are intended to finance and refinance the construction costs of a wind farm with a combined installed capacity of 17.5 MW in Kazimierz Biskupi commune, Wielkopolskie province.

Pursuant to the agreement, Farma Kazimierz, as the borrower, undertook to contribute its own share from its own funds, in the amount of not less than PLN 35.3 million. The final repayment date of the investment loan is December 20, 2038, while the final repayment date of the VAT loan is March 20, 2024. The interest rate applicable to each use of the loan is equal to the annual interest rate, being the sum of the margin specified in the agreement and the relevant WIBOR rate. For granting the loans, the bank is entitled to commissions, the amount of which has been set at a level not deviating from market rates.

The other obligations of the borrower, resulting from the agreement, do not differ from those commonly used in similar loan transactions, in particular with regard to maintaining selected financial ratios at the level specified in the agreement.

According to the agreement, Farma Wiatrowa Kazimierz concluded security documents with Bank Gospodarstwa Krajowego on October 4, 2022.

PAK-Polska Czysta Energia sp. z o.o. established for the Bank (i) a financial and registered pledge (subject to its registration) on all shares in the share capital of Farma Kazimierz together with a power of attorney to exercise corporate rights attached to such shares.

In addition, Farma Kazimierz established (ii) financial and registered pledges (subject to their registration) on receivables under the bank account agreements of Farma Kazimierz, (iii) registered pledge (subject to registration) on a set of items and property rights belonging to Farma Kazimierz. Farma Kazimierz made a security transfer for the benefit of the bank of its rights and receivables from, inter alia, electricity sales contracts, contracts for construction works and loan agreements. Farma Kazimierz and PAK-PCE also concluded a debt subordination agreement with the bank, according to which PAK-PCE's claims towards Farma Kazimierz were subordinated to the bank's claims under the loan agreement. Moreover, Farma Kazimierz granted a power of attorney to the bank to manage 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 a security, a guarantee agreement was also concluded for 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 has also concluded a direct agreement with Polkomtel sp. z o.o. and a power purchase agreement (PPA). The PPA concerns the sale of electricity and guarantees of origin for electricity produced by Farma Kazimierz.

The PPA was signed for a period of 15 years. The total planned volume of electricity sales under the PPA applies to the entire volume produced in this period by Farma Kazimierz. The production volume of Farma Kazimierz throughout the entire period of operation will depend mainly on the wind conditions and the degree of productivity of the installed

devices. The produced electricity will be sold at a fixed price, indexed by the annual inflation rate. The total estimated sum of sales revenues under the PPA over a period of 15 years will amount to approximately PLN 360 million.

Both parties of the PPA have been adequately secured, also in the event of no electricity production by Farm Kazimierz as well as no payment for the electricity supplied by Farm Kazimierz. The provisions of the PPA also comprehensively regulate issues related to, inter alia, energy production planning and responsibility for commercial balancing of Farma Kazimierz.

### **Significant events after the balance sheet date**

#### ***Termination of the cooperation agreement with MS Innovation Impulse GMBH***

On October 31, 2022, the Management Board of the Company made a decision on terminating the cooperation agreement concluded on August 31, 2022 with MS Innovation Impulse GMBH seated in Vienna, Austria, in the presence and participation of Argumenol Investment Company Limited, seated in Limassol, Cyprus and Synthos Green Energy Spółka Akcyjna seated 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 Pątnów Power Plant, and each party may terminate the agreement if one of the conditions precedent is not met by the end date specified in the agreement.

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

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

The Parties intent to cooperate within 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 financing model for the project and development of 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.

#### ***Impact of new legal regulations on the company's financial situation***

On November 18, 2022, the Company informed about the result of preliminary analyses made in connection with the regulations contained in the ordinance of the Council of Ministers published on November 9, 2022 on the method of calculating the price limit. The ordinance 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 ordinance and the effects of the ordinance'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 ordinance on the profitability of the Company's generation activities in 2023.

The Company's preliminary analysis shows that during the term of the ordinance, 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, in particular, would like to draw attention to the provisions contained in §2. point 4) of the ordinance, according to which the cost of fuel used, including the cost of transport and storage that 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 ordinance. The company assumes that due to the closing of successive exploited open pits, and thus the lower

projected volume of coal supplies, the unit cost of lignite purchase in 2023 will increase compared to the level resulting from the planned execution of costs in 2022.

Currently, the Company is conducting work related to the preparation of the budget for 2023, a more accurate estimation of the impact of the ordinance 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.

#### **4. INFORMATION ON SIGNIFICANT PROCEEDINGS PENDING BEFORE A COURT, A BODY COMPETENT FOR ARBITRATION PROCEEDINGS OR A PUBLIC ADMINISTRATION BODY RELATED TO ZE PAK SA OR SUBSIDIARIES CONSOLIDATED UNDER THE GROUP**

ZE PAK SA and the companies consolidated within the Group were not a party in proceedings pending before court, competent arbitration authority or public administration authority in the third quarter of 2022, whose single or total value would exceed 10% of ZE PAK SA's equity with the exception of those described below.

##### ***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 18<sup>th</sup> 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.

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 Tomisławice lignite mine.

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 the Provincial Administrative Court in Poznań of June 18, 2020, the Greenpeace Polska Foundation with its registered office in Warsaw and Józef Imbierski filed a cassation complaint to the Supreme

Administrative Court. On October 26, 2020, PAK KWB Konin filed a response to the cassation complaint, requesting its dismissal. A hearing date has not yet been set in this case.

## 5. INFORMATION REGARDING THE SHAREHOLDING STRUCTURE

Share capital of ZE PAK is represented by 50 823 547 shares. Shares are ordinary. Each share gives right to one vote at General Meeting of Shareholders.

### 5.1. Shareholders holding, either directly or indirectly through subsidiaries, at least 5% of the total number of votes

*Table 4: List of shareholders holding, either directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Company's General Meeting as of the date of submission of this report. The list made according to the information available to the Company on the basis of the submission of notifications on the acquisition / disposal of shares*

<i>Shareholder</i>	<i>Pcs Number of shares and corresponding number of votes at the General Meeting</i>	<i>% Share in the total number of shares/votes</i>
<b>Zygmunt Solorz (indirectly) through:</b>	<b>33 523 911</b>	<b>65.96</b>
– <i>Argumenol Investment Company Limited</i>	<i>33 523 911</i>	<i>65.96</i>
<b>Nationale – Nederlanden OFE</b>	<b>4 503 242</b>	<b>8.86</b>
<b>OFE PZU „Złota Jesień”</b>	<b>4 635 719</b>	<b>9.12</b>

The structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes as at the date of submitting this quarterly report does not differ from the corresponding list as at the date of submitting the last periodic report.

The company has no knowledge of any agreements that may result in future changes in the proportions of shares held by the current shareholders.

### 5.2. List of the shareholding structure of the management and supervising personnel

Below there is the status of the Company's shares held by managing and supervising persons as at the date of submitting this semi-annual report and as at the day of submitting the previous periodic report (to the best of the Company's knowledge, based on notifications of purchase / sale of shares).

*Table 5: Status of the Company's shares held by the managing persons*

<i>Name</i>	<i>ZE PAK SA shares as at the day of submitting this report</i>	<i>ZE PAK SA shares as at the day of submitting the previous report</i>
Piotr Woźny	0	0
Zygmunt Artwik	0	0
Maciej Nietopiel	0	0
Andrzej Janiszowski	0	0
Katarzyna Sobierajska	0	0

*Table 6: Status of the Company's shares held by supervising persons*

<i>Name</i>	<i>ZE PAK SA shares as at the day of submitting this report</i>	<i>ZE PAK SA shares as at the day of submitting the previous report</i>
Zygmunt Solorz	0	0
Wiesław Walendziak	0	0
Tomasz Szelaąg	0	0
Henryk Sobierajski	0	0
Sławomir Zakrzewski	0	0
Maciej Stec	0	0

Alojzy Z. Nowak	0	0
Jarosław Grzesiak	0	0
Tobias Solorz	0	0
Piotr Żak	0	0

## **6. OPINION OF THE MANAGEMENT BOARD ON THE POSSIBILITY OF EXECUTION OF FINANCIAL FORECASTS PUBLISHED EARLIER**

ZE PAK SA has not published any financial forecasts.

## **7. INFORMATION REGARDING THE PAID OR DECLARED DIVIDENDS**

The Company did not pay or declare dividend payment in the third quarter of 2022.

## **8. INFORMATION ON THE CONCLUSION BY ZE PAK SA OR ENTITIES CONSOLIDATED UNDER THE GROUP OF SIGNIFICANT TRANSACTIONS WITH ENTITIES AFFILIATED PURSUANT TO CONDITIONS OTHER THAN MARKET CONDITIONS**

ZE PAK SA and companies consolidated under the Group have not concluded transactions with entities affiliated pursuant to conditions other than market conditions in the third quarter of 2022.

## **9. INFORMATION ON GRANTING BY ZE PAK SA OR ENTITIES CONSOLIDATED UNDER THE GROUP OF SIGNIFICANT GUARANTEES, SURETIES, CREDITS OR LOANS**

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on July 1, 2022 to Great Wind Sp. z o.o. in the amount of PLN 46,001 thousand or its equivalent in EUR, with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on July 4, 2022 to PAK -PCE Fotowoltaika Sp. z o.o. in the amount of EUR 615 thousand or its equivalent in PLN, with the repayment date by the end of December 2035. The loan is intended for the implementation of an investment project in the form of the construction of "Cambria" photovoltaic farm.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on July 14, 2022 to PAK-PCE Polski Autobus Wodorowy Sp. z o.o. in the amount of PLN 17,884 thousand or its equivalent in EUR with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project consisting in investments related to the development and production of hydrogen buses.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on August 26, 2022 to PAK-PCE Polski Autobus Wodorowy Sp. z o.o. in the amount of PLN 10,300 thousand or its equivalent in EUR with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project consisting in investments related to the development and production of hydrogen buses.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan August 26, 2022 to PAK-PCE Polski Autobus Wodorowy Sp. z o.o. in the amount of PLN 83,000 thousand or its equivalent in EUR with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project consisting in investments related to the development and production of hydrogen buses.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on August 26, 2022 to Farma Wiatrowa Przyrów Sp. z o.o. in the amount of PLN 5,784 thousand with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on September 5, 2022 to Eviva Lębork Sp. z o.o. in the amount of PLN 27,216 thousand with the repayment date on demand. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.



PAK-Polska Czysta Energia Sp. z o.o. granted a loan on September 5, 2022 to Eviva Lębork Sp. z o.o. in the amount of EUR 729 thousand with the repayment date on demand. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on September 6, 2022 to Eviva Lębork Sp. z o.o. in the amount of PLN 100,000 thousand or its equivalent in EUR with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK-Polska Czysta Energia Sp. z o.o. granted a loan on September 29, 2022 to PAK-PCE Stacje H2 Sp. z o.o. in the amount of PLN 77,900 thousand or its equivalent in EUR with the repayment date by the end of December 2025. The loan is intended for the purchase and installation of mobile and stationary hydrogen refuelling stations.

## **10. INFORMATION CONCERNING THE ISSUE, REDEMPTION, AND REPAYMENT OF NON-EQUITY AND CAPITAL SECURITIES**

In the third quarter of 2022, the companies of ZE PAK SA Capital Group did not issue or redeem non-equity and equity securities.

## **11. FACTORS WHICH, IN THE MANAGEMENT BOARD'S OPINION, WILL AFFECT THE COMPANY'S RESULTS IN THE PERSPECTIVE OF AT LEAST ONE QUARTER**

The process of forecasting future results of the ZE PAK Capital Group must include a wide range of factors occurring actually, potentially or theoretically, existent in the branch and markets in which the Company conducts its operations. These include both internal factors as well as factors with their source in the environment. In the view of the Board, they can be divided into factors which constantly influence the Group's functioning as well as those which appear incidentally in the period which is embraced by a given periodical report.

The most important factors which constantly affect the Company's results include the following:

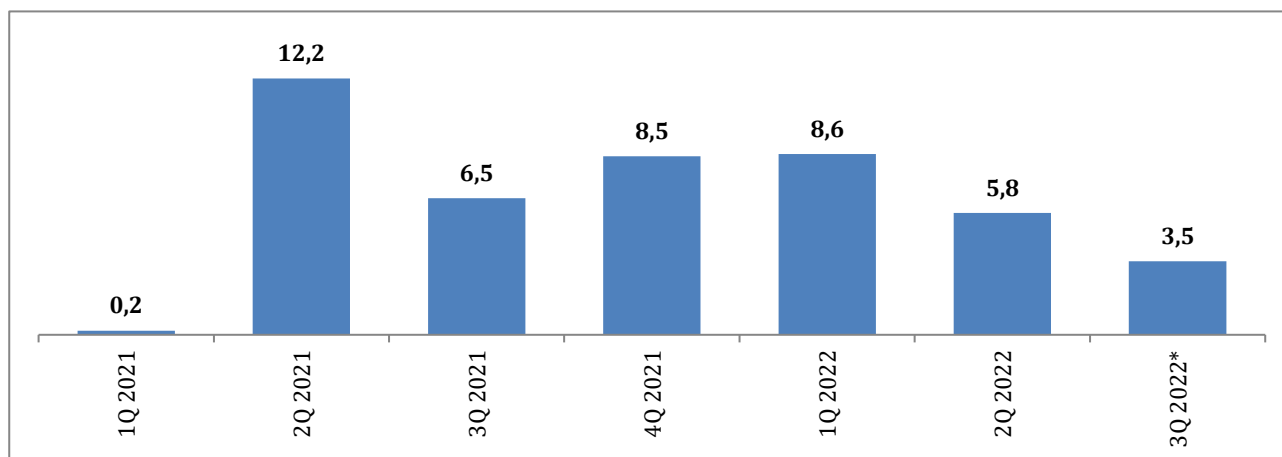
- macro-economic trends in the Polish economy and the demand for electricity;
- regulatory environment;
- electricity prices;
- prices and supply of certificates of origin;
- fuel costs, coal extraction costs;
- CO<sub>2</sub> allowances costs;
- compensation for the stranded costs related to the termination of PPA for unit 9 in Elektrownia Pątnów II;
- seasonality and meteorological conditions;
- investment expenses;
- EUR/PLN exchange rate and interest rates level.

Moreover, an important factor that may have a significant impact on the financial results are the results of tests for impairment of assets, if there are premises for their performance. It should be noted that the valuation model of the Company's assets shows sensitivity to a range of parameters, among others, the ones described in this section. Therefore, in the face of deterioration of the operational perspectives, both the market ones and those having its origin in the legal conditions, the assumptions for the valuation model of the Company's assets can change, and consequently the value impairment test result may cause the necessity of verifying the value of the write-downs against the asset components in the future.

### **11.1. Macro-economic trends in the Polish economy and the demand for electricity**

When conducting activities within the territory of Poland and obtaining most revenues from the sale of electricity, it is necessary to take into consideration the macro-economic trends in the Polish economy. A very significant factor is the increase in the real GDP and industrial production in Poland, the development of the service sector as well as the increase in individual consumption. All of the aforementioned factors significantly affect the demand for electricity and its consumption.

Chart 7: GDP dynamics [%] in relations to analogous quarter of the previous year (yearly average fixed prices)



\* The so-called quick estimate of gross domestic product in the third quarter of 2022, seasonally unadjusted, at constant average annual prices of the previous year.

Source: Own elaboration based on CSO data

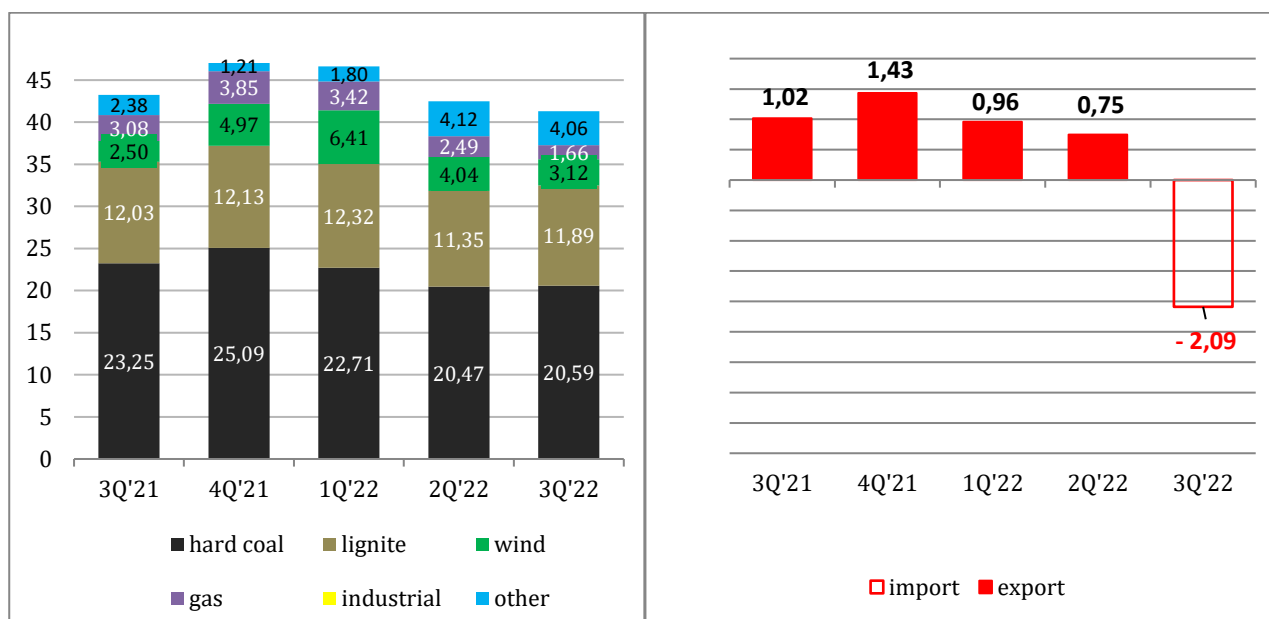
According to the quick estimate, the seasonally unadjusted gross domestic product (GDP) in the third quarter of 2022 increased in real terms by as much as 3.5% compared to the third quarter of the previous year.

The data is preliminary and may be subject to revision, in accordance with the revision policy applied in quarterly national accounts, at the time of preparation of the first regular estimate of GDP for Q3 2022, which will be published on November 30, 2022.

Data on the functioning of the National Power System and the Balancing Market, presented by Polskie Sieci Elektroenergetyczne SA, indicate that gross domestic electricity consumption in the third quarter of 2022 amounted to 41.53<sup>1</sup> TWh and decreased by 1.63% compared to the third quarter of the previous year. In the third quarter of 2022, gross production of electricity amounted to 41.32 TWh, which means a decrease by 4.44% compared to the same period of the previous year. Hard coal-fired power plants had the largest share in the production structure, production from hard coal amounted to 20.59 TWh. 11.89 TWh were produced from lignite, which means a q/q decrease in production based on both hard coal and lignite. Wind farms produced 3.12 TWh, which is 25% more than in the corresponding period of the previous year. Generation from gas-fired power plants fell by 46% q/q (production at 1.66 TWh). The foreign exchange balance in the third quarter of 2022 amounted to 2.09 TWh on the import side. From the beginning of 2022, Poland's direction in cross-border electricity trade was on the side of exports, however, in the third quarter of 2022, Poland again became an importer of electricity.

<sup>1</sup> Table nr 3. Structure of electricity production in domestic power plants, amounts of electricity exchanged with foreign countries and domestic energy consumption - monthly amounts and from the beginning of the year - gross amounts.

Chart 8: Structure of electricity generation and the balance of the electricity exchange with foreign countries (gross amounts) – TWh



Source: Own elaboration based on PSE data

## 11.2. Regulatory environment

Entities operating on the electricity market operate in a regulatory environment that is subject to constant change, mainly through the impact of EU law on national law. The most important legal regulations to which electricity producers are subject are the Energy Law Act, including provisions on the obligation to sell energy on stock exchange markets, the Act on renewable energy sources, defining the principles of support for specific energy generation technologies, the Act on Environmental Protection Law, which defines the principles sustainable use of the environment. The above laws transpose into the Polish legal order directives and regulations of the European Commission as well as international conventions regarding, among others rules for the single wholesale electricity market, environmental protection and climate change (including CO<sub>2</sub> emissions). Tax law, interpretations and recommendations issued in particular by the Energy Regulatory Office should also be taken into account. Any changes in the above-mentioned areas may be of great importance for the Group's operations. Regulatory risk is one of the most significant electricity generators in the industry.

Significant factors that may affect the financial results of ZE PAK SA are issues related to the functioning of the capacity market.

On December 16, 2021, as a result of the main auction for the delivery year 2026, carried out according to the parameters specified in *Regulation of the Minister of Climate of August 6, 2022 on parameters of the main auction for the delivery year 2025 and parameters of additional auctions for the delivery year 2022*, PAK CCGT sp. z o.o. concluded a capacity contract for 17 years of supply, contracting 493 MW of the capacity obligation at the base price of PLN 400.39 / kW / year. The value of the concluded capacity contract for the first year of deliveries for 2026 is PLN 197,392,270.00. The provisions of the regulation supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council on the framework for recognizing economic activity as environmentally sustainable by including the transitional activity clause in the production of electricity from fossil gas fuels and nuclear will be important for obtaining financing for this investment. Work on this document was carried out last year, and the draft for further consultations was approved by the European Commission on February 2, 2022. Poland sought recognition of both fuels, as they will play the role of stabilizing the system's operation while abandoning coal. The new legislation adds nuclear and gas-fired power plants to the "taxonomy" rulebook from 2023. Attempts to block these provisions were blocked in July 2022 by the European Parliament.

Bearing in mind the power contract concluded by PAK CCGT sp. z o.o. as well as the validity of capacity contracts concluded by ZE PAK SA Group in previous years, whose performance period has not yet ended, from the point of view of the Group's future financial results, any changes in the operational area of the capacity market may be significant.

An important event for the financial results of the Company in the regulatory environment is the reform of the balancing market, which has been underway since 2019, when intensive work began to adapt the balancing market to the requirements of European law. In May 2020, the document Polish Plan for the Implementation of Reforms in the Balancing Market was adopted, which was a milestone in works on the reform of the balancing market. As a result of adopting the provisions of the plan, the balancing market reform will be carried out in two stages, and ultimately it is to introduce, among others, scarcity pricing mechanism, as well as major changes in system services and settlements on the balancing market. Currently, due to the need to mitigate the effects of the global energy crisis, initially caused by the Covid-19 pandemic and deepened as a result of Russian aggression against Ukraine, extraordinary legal regulations aimed at mitigating the effects of price increases in the electricity sector are being processed at the national level.

Among the legislative activities aimed at the broadly understood management of the energy crisis, there are changes to the so-called "anti-crisis shield", which changed the rules applicable in the system securing the clearing of transactions concluded on the exchange, expanding the range of options for contributing non-cash collateral to the clearing guarantee system, opening for the Company as an entity that performs the obligation referred to in Art. 49a paragraph. 1 of the Act of April 10, 1997. - Energy law, the possibility of submitting a declaration submitted in the form of a notarial deed on submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure, which gives the company greater flexibility in financial management.

The third quarter of 2022 was a period during which electricity prices, both on the domestic market and across Europe, recorded further increases, reaching record levels (this state was maintained until the end of the second decade of September). Due to the uncertainty of the market, after the Covid-19 disruptions, as well as due to the Russian invasion of Ukraine and the related disruptions in the gas market, it was expected that high gas prices, being one of the factors pushing up energy prices, will result in continued high electricity prices on the markets. The prices of energy at which the Company sells its production are the most important factors indicated by the Company as having an impact on its financial results. In order to mitigate the effects of the extraordinary situation on the energy market, the European Commission began intensive work to develop legislative solutions to reduce the demand for electricity across the EU and to develop solutions to determine the rules for redistributing part of the revenues obtained by companies from various energy sectors and solutions to alleviate the difficulties associated with high prices for energy consumers and the general public. On September 14, The Commission published a document containing a proposal for legislative changes that assume the implementation of the above-mentioned objectives, assuming that the proposed measures are exceptional and temporary in order to mitigate the effects of the current situation. In the document published, the Commission also included proposals to establish a temporary income ceiling for "infra-marginal" electricity producers, which, according to the definition indicated in the EC document, indicates, among others, RES, including biomass, nuclear energy, crude oil and petroleum products, at the level of EUR 180 /MWh. Pursuant to the proposals developed by the European Commission, in the third quarter further legislative work was carried out already at the level of the Member States.

The first step in legislative activities at the national level aimed at lowering energy prices was the adoption on 27 September this year of Regulation of the Minister of Climate and Environment amending the regulation on detailed conditions for the operation of the power system, which introduced changes to the rules for offering electricity on the Balancing Market operated by PSE SA as of October 1 by setting the rules for bidding on the Balancing Market in relation to the maximum price resulting from production variable costs. The regulation also abolishes the introduced at the beginning of this year. the mechanism of the so-called blockade of arbitrage, i.e. settling deviations on the balancing market at the exchange price or on the balancing market, which depended on the status of NPS contracting. From the justification for the amendment of the so-called "system regulation" shows that changes in the area of bidding on the Balancing Market will consequently give a price signal from lowering prices also on the short-term and futures markets of electricity. As a result of the regulation introduced, the prices on the balancing market, and thus the prices on the Polish Power Exchange, were adjusted downwards. At the time of publication of the report, the fourth quarter of 2022 is halfway through, when the Act of October 27, 2022 on emergency measures to reduce electricity prices and support for certain consumers in 2023 came into force. The Act introduced a number of regulations aimed, as stated in the explanatory memorandum, at mitigating the negative socio-economic effects related to the significant increase in electricity prices in 2023. The provisions of the Act are intended to limit the revenues of producers and trading companies, while redistributing the obtained funds to end users. In its assumptions, the Act is intended to indirectly reduce electricity prices or counteract their increase. On November 9, 2022, the Council of Ministers adopted the executive regulation to this act, i.e. the Regulation on the method of calculating the price limit. The package of the two regulations mentioned above, i.e. the act plus the regulation, will have a huge impact on the financial results of companies in the energy sector, including ZE PAK SA Capital Group. For the results of ZE PAK SA, the provisions regarding the Price Difference Fund are particularly important, which obliged the Company, starting from December 1 of this year to the end of 2023, to make write-offs to the Price Difference Fund, the amount of which is all financial amounts resulting from concluded contracts for the sale of electricity above the price limit set in accordance with the rules set out in the above-mentioned regulation. The regulation package is the result of extraordinary legislative work aimed at limiting the "excessive", as defined by the legislator, revenues of companies in the power sector.

In the context of legislative actions aimed at reducing high energy prices, there are also legislative works aimed at abolishing the "exchange obligation" by repealing Article 49a. Energy Law Act. The repeal of the obligation will probably affect the level of exchange trading and indirectly may also contribute to a change in the level of quoted prices.

Among the important issues in the regulatory environment, work on the reform of the ETS system is also significant. Among the changes discussed were scenarios of changes in the functioning of the Market Stability Reserve (MSR) and possible exclusion of financial institutions from the ETS system. By the time of publication of the report, no decisions have been made on the release of emission allowances from the EU ETS Market Stability Reserve (MSR), where since 2019 surpluses of emission allowances in the billions have been accumulated. Financial institutions were also not excluded from trading on the carbon market. Undoubtedly, any possible changes to the ETS may affect the level of EUA quotations in the future. Currently, further work is underway in EU bodies, including work on ways to finance the European Commission's REPowerEU plan, which is intended to make Europe independent of Russian fossil fuels as soon as possible. The communication on the European Commission's REPowerEU plan, announced at the end of May, assumes energy saving, production of green energy and diversification of supplies.

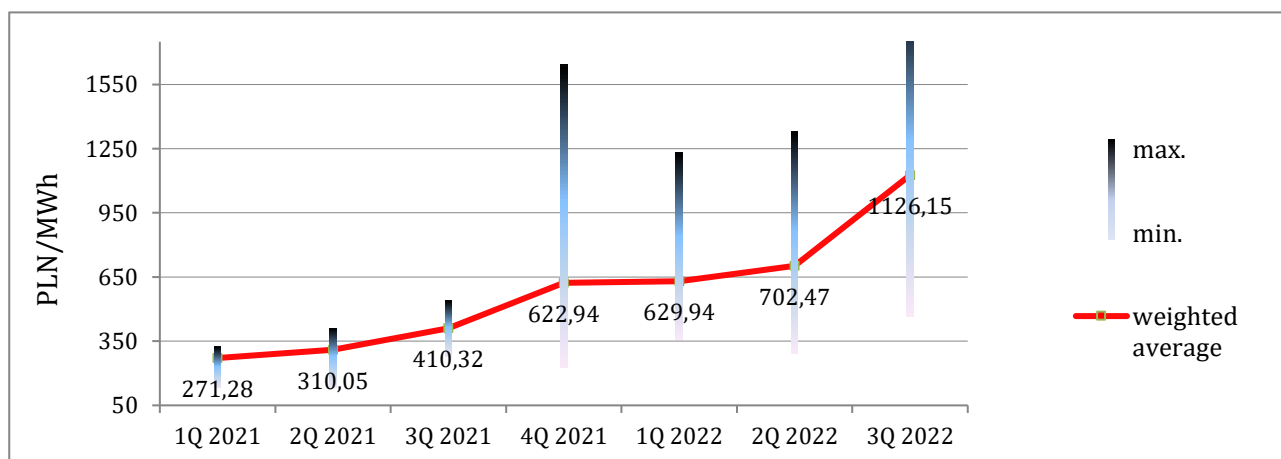
### 11.3. Electricity prices

The company generates the vast majority of revenues from the production and sale of electricity, therefore the risk of changing the price at which it sells electricity is of key importance for the level of revenues generated by the Group.

On the day-ahead market on TGE SA, invariably since the second quarter of 2020, the average price of the TGeBASE indices maintains a strong upward trend. The average price in the third quarter of 2022 was higher than the average in the second quarter of 2022 by PLN 423.68/MW (price maximum PLN 1,953.45/MWh on August 23, 2022), and the trading volume in Q3 2022 on TGE, compared to the previous quarters of 2022, it was significantly lower. Price increases in the third quarter of 2022 were dictated by the high demand for energy in Poland and Western Europe. The high price levels in the reporting period were still stimulated by the unstable situation related to gas supplies in Europe and the increase in the price of this fuel, as well as the increase in coal prices. Factors related to market volatility have intensified after Russia's aggression against Ukraine. Planned repairs of generating units as well as unplanned shutdowns of power units, caused both by failures of generating units, but also by a deficit in coal supplies, also contributed to the price increases. The direction of cross-border electricity trade also continued to influence the level of prices.

The weighted average BASE price on the Day-Ahead Market on TGE SA for the third quarter of 2022 was at the highest level from the beginning of the year – at 1,126.15 PLN/MWh, which means an increase compared to the third quarter of 2021 by 715.83 PLN/MWh<sup>2</sup>, i.e. by approx. 174.46 %.

Chart 9: Electricity prices (TGeBASE)<sup>3</sup>



Source: Own elaboration based on TGE data

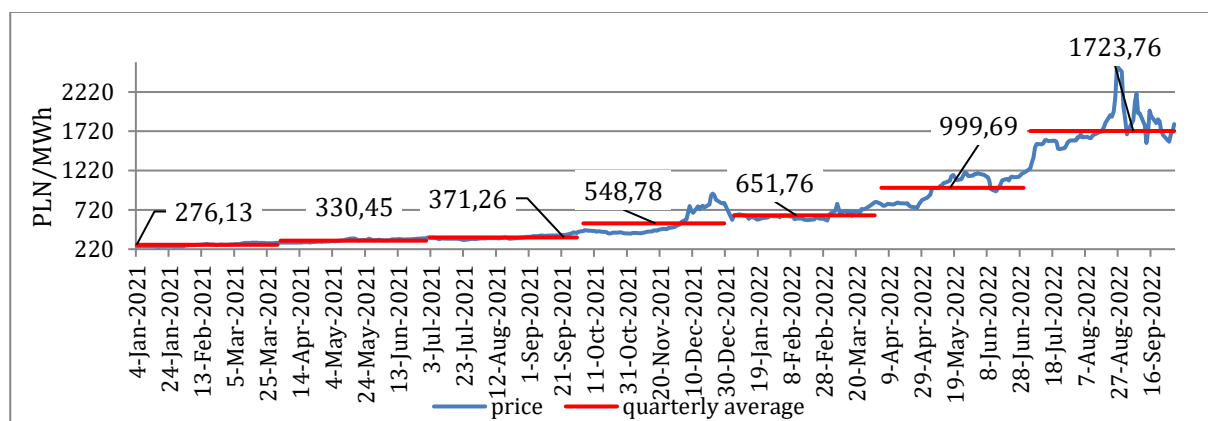
<sup>2</sup>source ww.tge.pl

<sup>3</sup> In June 2019, TGE SA liquidated the IRDN index, currently the base reference index is the TGeBase index

The arithmetic average of daily settlement prices (DSP) for the reference BASE\_Y-23 futures contract in Q3 2022 was PLN 1,723.76/MWh, which means an increase in relation to the BASE\_Y-22 futures contract, quoted in Q3 2021, by as much as PLN 1,352.50/MWh, i.e. by approximately 464.3%. The price minimum in the third quarter significantly exceeded the price maximums from the previous second quarter of 2022 to PLN 1,205.55/MWh. The beginning of Q3 2022 showed a sharp increase in DSP to PLN 1,500-1,600/MWh, which marked a horizontal trend in the contract within a month. The beginning of August 2022 on the TGE futures market for BASE\_Y-23 contracts, despite the low trading volume, showed a jump in DPS overnight, reaching peaks in the second quarter of 2022 of PLN 2,547.1/MWh on August 26, 2022. The end of August and September 2022 brought an adjustment of the exchange rates as a result of the increased trading volume, closing the quarter with a price of PLN 1,810/MWh. Similarly to the Day-Ahead and Intraday Market (DAM&ID), the factors related to market instability intensified after Russia's aggression against Ukraine. The development of the armed conflict in Ukraine will continue to have a significant impact on the Electricity Futures Markets in Poland and Europe (unstable situation of gas and coal in Europe and thus strong price increases on the markets).

The prices of CO<sub>2</sub> emission allowances did not have a direct impact on the increase in quotations on the futures market and the day-ahead market of TGE SA. In addition, after strong increases in energy and gas prices on all European markets, information from the European Commission appeared about possible changes in the law regarding price limits (maximum price at EUR 180/MWh), which could have contributed to price drops at the end of the quarter.

Chart 10: The price of the futures contract for the supply of electricity (band) for 2023



Source: Own elaboration based on TGE data

#### 11.4. Prices and supply of certificates of origin

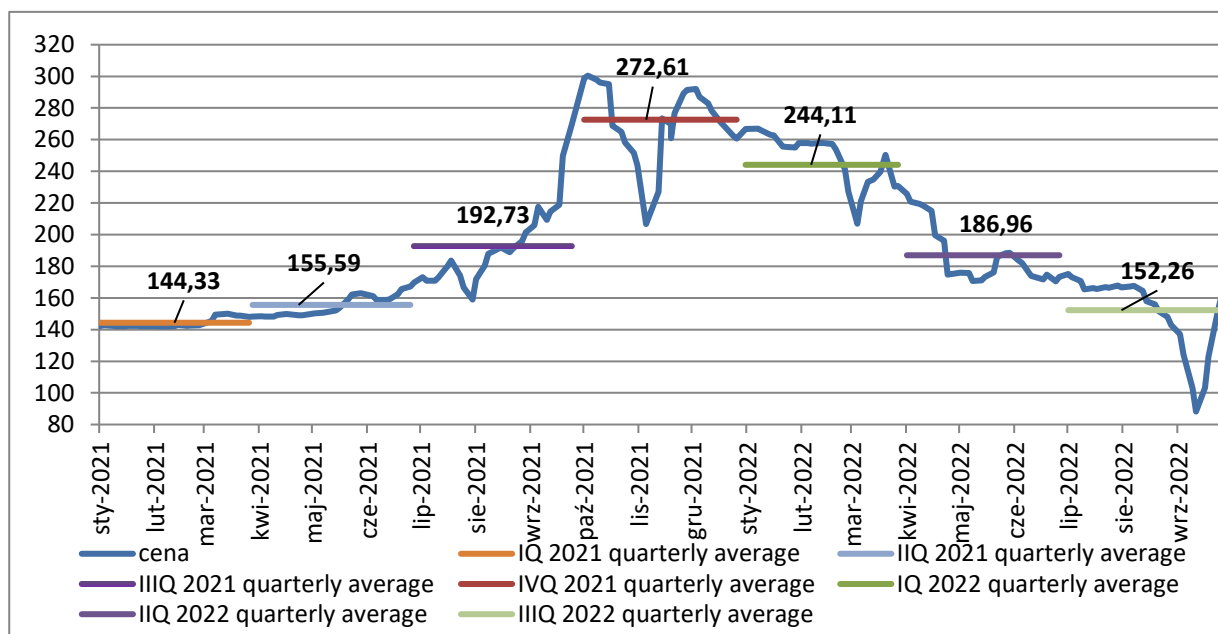
One of the power units of the ZE PAK SA Group dedicated to biomass combustion is entitled to green certificates. The number of obtained certificates of origin depends on the level of generation from a given sources and is significantly higher than the number, which the Company is obliged to present for redemption, so the Company sells most of the volumes to other market participants. However, biomass unit generation largely depends on the green certificates market price levels. During periods, when the total generated biomass energy and green certificate prices do not ensure reaching the assumed financial effect, the generation may be decreased or halted, which also automatically decreases the amount of generated green certificates. Due to the fact that the level of income generated from the sale of certificates of origin is lower than the level of revenues generated from the sale of electricity, the risk of price changes for certificates of origin also has a smaller impact on results than, for example, the risk of changes in energy prices.

From the beginning of the first half of 2022, the price of PMOZE\_A certificates of origin was in a downward trend, in January 2022 the volume-weighted average price on the sessions of the Property Rights Market (RPM) for the PMOZE\_A instrument was PLN 261.66/MWh, which means a decrease by PLN 15.52/MWh compared to December 2021. In February and March there were further price drops. In April 2022, the volume-weighted average price at RPM sessions for the PMOZE\_A instrument was PLN 204.77/MWh, which means a decrease by PLN 23.45/MWh compared to March 2022. In May, there were further price drops, which lasted until the end of the second quarter of 2022. The weighted average price from the second quarter of 2022 was PLN 186.96/MWh. Despite the drop in prices in the second quarter of 2022, the weighted average price compared to the corresponding second quarter of 2021 increased by PLN 31.37/MWh. The third quarter brought very significant changes on the PMOZE\_A certificates of origin market, in July the weighted average price fell to PLN 168.64/MWh, in August there were further drops to PLN 161.13/MWh, and then the weighted average price reached its minimum this year and amounted to PLN 126.73/MWh, being PLN 34.40/MWh lower than in the previous month. The weighted average price of green certificates in September 2022 was

lower than the price in September 2021 by PLN 99.80/MWh. Summing up the entire third quarter of 2022, the weighted average price for this period amounted to PLN 152.26/MWh and was PLN 34.70/MWh lower than in the preceding quarter, and PLN 40.47/MWh lower than in the corresponding period of 2021.

Such a large drop in prices is related to the adopted regulation of the Ministry of Climate and Environment (of July 13, 2022, item 1566), which significantly reduced in 2023 the obligation to share green energy from redeemed certificates of origin, the so-called green certificates. The reduction was justified by too high burdens on end customers. The Ministry of Climate and Environment reduced the quantitative share of the total electricity resulting from redeemed certificates of origin from 18.5% in 2022 to only 12% in 2023.

*Chart 11: Average price of certificates of origin for RES produced electricity*



Source: Own elaboration based on TGE data

## 11.5. Extraction and supply costs of coal and other fuel

A fuel cost is the important part of the costs related to the electricity and heat generation in ZE PAK SA Group's companies. The prices of fuel largely determine the competitiveness of particular electricity production processes. ZE PAK SA power plants produce most of their electricity from brown coal, but they also use forest and agricultural biomass. Furthermore, heavy and light heating oil is used in minimum quantities for heating purposes in the process of electricity production.

Currently, the main supplier of coal to ZE PAK SA is PAK KWB Konin SA. This is supplemented by deliveries from external entities from outside the Group. There is also an exposure to price fluctuations of other fuels used by ZE PAK SA Group, mainly biomass, the price and availability of which will become more and more important due to the commissioning of a second biomass unit at Konin Power Plant. The level of costs related to lignite mining is also important for the financial result, which largely depends on factors beyond the Group's direct control, such as e.g. the geological conditions of the deposits in the final stage of their exploitation.

The deposits exploited by the Group's mines have a certain abundance. The possibility of achieving the assumed level of electricity production depends on the extraction capacity and the quality of coal mined in the currently exploited deposits. In the following years, a decrease in the extracted volumes of coal should rather be expected due to the end of the exploitation of two out of three exploited lignite opencasts - coal mining in Józwin opencast will be carried out until the end of 2022, while Drzewce opencast ended its operation completely on August 11, 2022. The Company intends to gradually move away from coal-based power generation and focus more and more on low-carbon and carbon neutral electricity generation projects. The implementation of the project to build a gas and steam unit at Adamów Power Plant, which was the subject of the capacity market auction won in December 2021, will mean an increase in the importance of gaseous fuel in the balance of energy supplies for the Group in the future. In addition, in April 2022, a second biomass unit with a capacity of 50 MWe was put into operation at Konin Power Plant, which already produces electricity and serves as an additional source of heat for the previously operating biomass unit, supplying the city of Konin with heat. The new unit won the capacity market auction held in December 2019 and concluded a capacity

contract for 17 years of supply, contracting 40 MW of capacity obligation. The total capacity of biomass sources in the Konin Power Plant is currently 105 MW.

## 11.6. CO<sub>2</sub> emission allowances costs

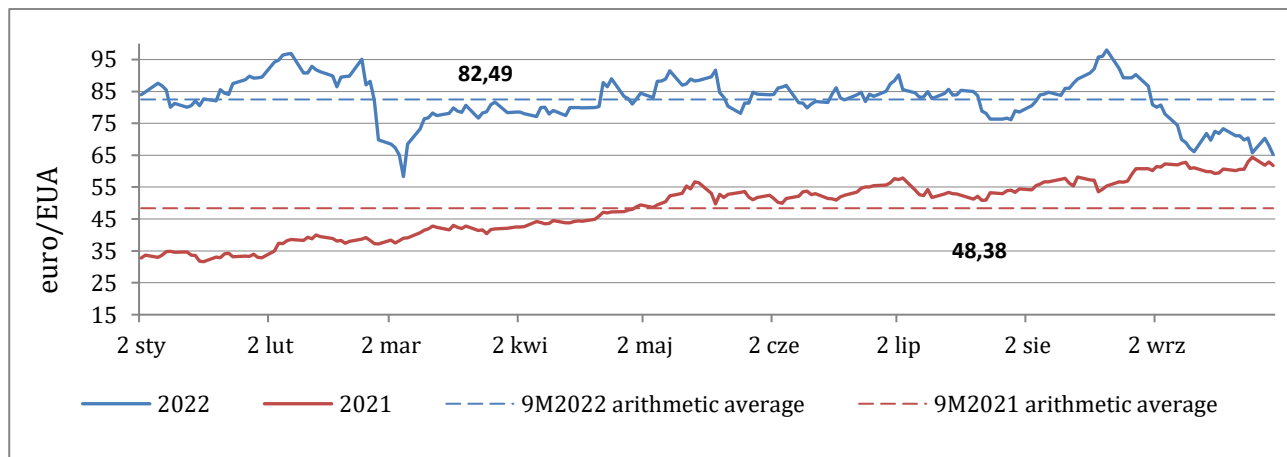
The activities in the scope of generating electricity and heat from conventional sources are associated with the need to incur the CO<sub>2</sub> emission costs. In view of the fact that these costs represent an important item in the structure of the costs incurred by the producers of energy from lignite, the impact of emitted quantities of CO<sub>2</sub> and the risk of price changes of CO<sub>2</sub> emission allowances (EUA) is of great importance to the activities' results.

In 2022, the Group received a negligible amount of free CO<sub>2</sub> emission allowances, i.e. 11,825 EUA, resulting from allocation to heat production. Therefore, practically the entire amount of emission allowances needed by the ZE PAK SA Group must be purchased on the secondary market.

In the third quarter of 2022, the price of CO<sub>2</sub> emission allowances fluctuated significantly in the range of EUR 65.00 - 95.00/EUA. July on the market of CO<sub>2</sub> emission allowances brought price drops to EUR 76 (the price was last recorded in March this year before the market collapse after Russia's attack on Ukraine), which resulted in a reversal of the ongoing upward trend. The drop in prices could have been caused by the EC plan obliging all EU member states to reduce demand for gas by 15% over the next 8 months, which in turn could have reduced demand for electricity in the EU, reduced CO<sub>2</sub> emissions and, consequently, demand for EUA permissions in the EU ETS. In mid-August 2022, EUA prices reached their maximum in the third quarter of 2022 and were above EUR 95.00/EUA, and continued to fall in the following days (August ended below EUR 80). In September, the market continued the declines that started in August this year, which could have been influenced by a larger amount of CO<sub>2</sub> emission allowances at auctions. At the end of the third quarter, the market closed at around EUR 67.00. The prices of allowances may be affected by the arrangements for financing the REPowerEU program, i.e. the European Commission's plan to become independent of fuels from Russia.

The arithmetic average of EUA quotations in three quarters of 2022 amounted to EUR 82.49, while in the three quarters of 2021 it was EUR 43.38, which means an increase of EUR 39.11, i.e. 90.20%. In the third quarter of 2022 alone, the EUA listing price amounted to EUR 80.74 and compared to the same period of the previous year, it increased by EUR 23.62, i.e. by 41.35%.

Chart 12: Price of the futures contract for the supply of EUA



Source: Own elaboration based on ICE data

## 11.7. Compensation for the stranded costs related to the termination of the „long-term Contract” („PPA”) for unit 9 in Elektrownia Pątnów (former Elektrownia Pątnów II sp. z o.o.)

The long-term contract for the sale of power and electricity (PPA) was concluded between Elektrownia Pątnów II sp. z o.o. and Polskie Sieci Elektroenergetyczne SA. The contract was a long-term agreement in the scope of supply of electricity according to the established price formula.

Due to the early termination (on 1 April 2008) of PPA, pursuant to the Act of PPA, the Company is entitled to receive sufficient compensation. The amount of compensation is estimated according to an applicable formula specified in the



Act. The Company is covered by the said act by the end of 2025. The mechanism determining the amount of revenues related to compensation for stranded costs largely functions on the basis of offsetting, therefore the risk related to the level of revenues from this source is to a certain extent dependent on other types of risk affecting the level of costs and revenues, e.g. energy prices or prices of allowances for emissions.

On December 30, 2020, Elektrownia Pątnów II sp. z o.o. was incorporated into ZE PAK SA by way of general succession. The merger of the companies does not affect the right of ZE PAK SA to apply for compensation for stranded costs.

### **11.8. Seasonality and meteorological conditions**

The demand for electricity and heat, especially among consumers, is subject to season fluctuation. So far, the practice showed that the consumption of electricity was higher in the winter (mainly due to low temperatures and shorter days) and lowered in the summer (due to the summer period, higher ambient temperatures, and a longer day). In the last couple of years, there is an increase in the demand for electricity in the summer, which is caused mostly by the rising number of used cooling devices and air conditioning.

Irrespective of the factors described above, meteorological conditions are becoming more and more important for ZE PAK Group production level. In the past, the operations of the Group were not subject to significant seasonality of demand, due to low costs, the work of blocks was carried out continuously (in the basis) for almost a whole year. Currently, taking into account the growing share of RES in the segment of energy producers, including primarily wind sources as well as increasing photovoltaic production, when estimating the volume of production by conventional sources of ZE PAK SA, weather conditions are becoming more and more important, with particular emphasis on wind and solar conditions. It should be taken into account that in the periods when the weather conditions are favourable for RES production, the demand for the production from ZE PAK conventional power plants may periodically decrease, similarly in the periods of lower RES production, it may increase.

The risk related to seasonality and meteorological conditions in the third quarter of 2022 was not a key factor in the Company's activity.

### **11.9. Investment expenses**

Activities in the mining and electricity generating sectors require significant capital expenditure. The Group's generation assets require periodic repairs and ongoing modernization, both due to the tightening of environmental protection requirements and the need to increase the efficiency of electricity production. The expected increased level of capital expenditure related to the Group's plans to implement projects in the area of energy production from low-emission and carbon-neutral sources as well as the production and use of "green" hydrogen should be taken into account. The level of capital expenditure will still have a significant impact and is expected to continue to have a significant effect on operating results, debt levels and cash flow. Delays in implementation, changes to the investment program and budget overruns can have a serious impact on future capital expenditures, as well as on results, financial standing and development prospects.

### **11.10. EUR/PLN exchange rate, the level of interest rates**

Despite the fact that the Group conducts its activities in Poland, where it incurs costs and gains revenues in zloty, there is a couple of significant factors which make the financial results dependent on the exchange rate of EUR/PLN and the level of WIBOR interest rates. The most important factors include:

- transactions connected with EUA purchase are settled in EURO,
- one of the companies from the renovation segment - PAK Serwis sp. z o.o., carries out a part of its orders outside Poland, settling them in euro,
- the companies in the Group use debt financing based on a variable interest rate.

The Group has financial liabilities, mainly credits and loans with variable interest rates. The Group's exposure to the risk of changes in interest rates relates mainly to long-term financial liabilities related to the financing of investments in PAK PCE BiW Sp. z o.o., Farma Wiatrowa Kazimierz Biskupi and PAK – PCE Fotowoltaika sp. z o.o. In order to minimize the interest rate risk, the Group has entered into interest rate swaps (interest rate swaps) under which it agrees to exchange, at specified intervals, the difference between the amount of fixed and floating interest rates on the agreed principal amount. These transactions are intended to secure contracted financial liabilities and concern 50% of the syndicated loan PAK - PCE Fotowoltaika sp. z o.o. for the construction of Brudzew photovoltaic farm and a 50% investment loan from PAK-PCE BiW Sp. z o.o. for the modernization of the K7 boiler at Konin Power Plant, based on the variable WIBOR rate. IRS instruments were used to hedge.

The Group companies periodically use instruments to limit the risk arising from exchange rate fluctuations, e.g. for part of the flows related to the purchase of CO2 emission allowances. Forwards are used to hedge the exchange rate. Management Boards monitor the financial and market situation on an ongoing basis, and if necessary, they may decide on the need to use financial instruments to hedge against currency risk. In accordance with the principles applied in ZE PAK SA Group, any transactions will be collateral and will be matched to the hedged item in terms of volume and maturity. The decision to choose a hedging instrument will also take into account: price, market liquidity, product simplicity, ease of valuation and accounting, and flexibility.

*Konin, November 29, 2022*

## **SIGNATURES:**

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 .....