

ZE PAK SA

**QUARTERLY FINANCIAL INFORMATION FOR THE 9-MONTH PERIOD ENDED
30 SEPTEMBER 2022**

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BALANCE SHEET

Assets

	30 September 2022 (not audited)	30 June 2022 (not audited)	31 December 2021	30 September 2021 (not audited)	30 June 2021 (not audited)
A. Fixed assets	744 396	1 414 937	842 868	1 531 338	1 539 709
I. Intangible and legal assets	2 698	1 572	1 917	2 057	2 079
1. Costs of completed development work	-	-	-	-	-
2. Goodwill	-	-	-	-	-
3. Other intangible and legal assets	2 698	1 572	1 917	2 057	2 079
4. Advance payment on intangible and legal assets	-	-	-	-	-
II. Tangible fixed assets	36 570	697 558	660 059	1 353 402	1 361 600
1. Fixed assets	5 722	662 924	450 232	1 158 706	1 186 086
a) lands (including the perpetual usufruct of land)	1 649	1 682	1 685	1 688	1 690
b) buildings, premises, as well as civil and water engineering facilities	1 129	125 319	107 942	339 344	347 307
c) technical devices and machinery	2 160	534 749	339 815	815 855	835 233
d) means of transport	-	144	147	881	931
e) other fixed assets	784	1 030	643	938	925
2. Fixed assets under construction	9 257	10 529	187 291	168 450	148 704
3. Advance payments for fixed assets under construction	21 591	24 105	22 536	26 246	26 810
III. Long-term receivables	-	-	-	-	-
1. From affiliated entities	-	-	-	-	-
2. From other entities, where the unit has equity interests	-	-	-	-	-
3. From other entities	-	-	-	-	-
IV. Long-term investments	701 128	711 808	176 354	171 071	170 953
1. Property	-	-	-	-	-
2. Intangible and legal assets	-	-	-	-	-
3. Long-term financial assets	701 128	711 808	176 354	171 071	170 953
a) in affiliated entities	700 976	697 876	170 527	170 647	170 801
– shares or stocks	687 790	685 287	161 850	161 850	161 805
– other securities	-	-	-	-	-
– loans granted	10 656	10 059	6 147	6 267	6 466
– other long-term financial assets	2 530	2 530	2 530	2 530	2 530
b) in other entities where the unit has equity interest	-	-	-	-	-
– shares or stocks	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other long-term financial assets	-	-	-	-	-
c) in other entities	152	13 932	5 827	424	152
– shares or stocks	152	152	152	152	152
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other long-term financial assets	-	13 780	5 675	272	-
4. Other long-term investments	-	-	-	-	-
V. Long-term prepayments	4 000	3 999	4 538	4 808	5 077
1. Deferred income tax assets	-	-	-	-	-
2. Other prepayments and accruals	4 000	3 999	4 538	4 808	5 077

BALANCE SHEET (cont.)

	1 686 014	1 418 872	1 858 904	1 005 842	759 695
B. Current assets					
I. Inventories	21 682	54 888	57 225	72 557	119 442
1. Materials	16 202	31 231	23 852	47 169	50 191
2. Semi-finished products and products in progress	-	-	-	-	-
3. Finished products	-	-	-	-	-
4. Goods	5 480	23 657	33 373	25 388	16 549
5. Advance payments for supplies	-	-	-	-	52 702
II. Short-term receivables	825 611	713 096	1 356 364	650 206	578 765
1. Receivables from affiliated units	16 474	47 516	28 226	53 269	83 326
a) trade-related, with a payment period of:	13 449	47 516	28 171	53 269	82 933
– up to 12 months	13 449	47 516	28 171	53 269	82 933
– above 12 months	-	-	-	-	-
b) other	3 025	-	55	-	393
2. Receivables from other entities where the unit has equity interests	-	-	-	-	-
a) trade-related, with a payment period of:	-	-	-	-	-
– up to 12 months	-	-	-	-	-
– above 12 months	-	-	-	-	-
b) other	-	-	-	-	-
3. Receivables from other parties	809 137	665 580	1 328 138	596 937	495 439
a) trade-related, with a payment period of:	46 607	39 505	171 531	88 373	73 620
– up to 12 months	46 607	39 505	171 531	88 373	73 620
– above 12 months	-	-	-	-	-
b) on account of taxes, subsidies, customs duties, social and health insurance, and other benefits	50 149	54 003	11 585	4 671	32 581
c) other	712 381	572 072	1 145 022	503 893	389 238
d) pursued in court	-	-	-	-	-
III. Short-term investments	836 433	649 564	445 020	282 486	60 292
1. Short-term financial assets	836 433	649 564	445 020	282 486	60 292
a) in affiliated entities	33 066	33 064	33 075	34 242	37 718
– shares or stocks	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	33 066	33 064	33 075	34 242	34 392
– other short-term financial assets	-	-	-	-	3 326
b) in other entities	1 125	397	-	360	-
– shares or stocks	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other short-term financial assets	1 125	397	-	360	-
c) cash and cash equivalents	802 242	616 103	411 945	247 884	22 574
– cash in hand and at bank	802 242	616 103	411 945	247 884	22 574
– other cash	-	-	-	-	-
– other monetary assets	-	-	-	-	-
2. Other short-term investments	-	-	-	-	-
IV. Short-term prepayments	2 288	1 324	295	593	1 196
C. Called-up share capital (fund) contributions	-	-	-	-	-
D. Equity shares	-	-	-	-	-
TOTAL ASSETS	2 430 410	2 833 809	2 701 772	2 537 180	2 299 404

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BALANCE SHEET (cont.)

Liabilities

	30 September 2022 <i>(not audited)</i>	30 June 2022 <i>(not audited)</i>	31 December 2021 <i>(not audited)</i>	30 September 2021 <i>(not audited)</i>	30 June 2021 <i>(not audited)</i>
A. Equity	1 433 257	972 774	864 837	1 369 193	1 325 545
I. Share capital (fund)	101 647	101 647	101 647	101 647	101 647
II. Supplementary capital (fund), including:	1 667 193	1 667 193	1 665 340	1 658 391	1 658 391
– sale value (issue value) surplus over the nominal share value (stocks)	380 030	380 030	380 030	380 030	380 030
III. Revaluation capital (fund), including:	108 268	108 268	110 122	227 466	227 466
– on account of fair value revaluation	-	-	-	-	-
IV. Other reserve capitals (funds), including:	3 472	3 472	3 472	3 472	3 472
– created in accordance with the company's articles of association	-	-	-	-	-
– for equity shares (stocks)	-	-	-	-	-
V. Profit (loss) from previous years	(1 015 744)	(1 015 744)	(713 809)	(713 809)	(713 809)
VI. Net profit (loss)	568 421	107 938	(301 935)	92 026	48 378
VII. Write-offs from net profit during the financial year (negative value)	-	-	-	-	-
B. Liabilities and provisions for liabilities	997 153	1 861 035	1 836 935	1 167 987	973 859
I. Provisions for liabilities	852 650	660 619	1 371 098	735 498	560 393
1. Deferred income tax provisions	2 673	36 431	10 618	199 197	221 458
2. Provision for retirement and similar benefits	12 873	15 868	23 138	14 912	16 737
– long-term	8 938	9 800	9 715	11 050	10 938
– short-term	3 935	6 068	13 423	3 862	5 799
3. Other provisions	837 104	608 320	1 337 342	521 389	322 198
– long-term	95 715	95 650	95 520	85 992	85 916
– short-term	741 389	512 670	1 241 822	435 397	236 282
II. Long-term liabilities	348	124 198	107 378	94 068	82 423
1. To related parties	-	-	-	-	-
2. To other entities in which the entity has equity interests	-	-	-	-	-
3. To other entities	348	124 198	107 378	94 068	82 423
a) credits and loans	-	123 850	107 030	93 499	82 099
b) on account of debt securities issue	-	-	-	-	-
c) other financial liabilities	-	-	-	221	324
d) bills of exchange	-	-	-	-	-
e) other	348	348	348	348	-
III. Short-term liabilities	139 418	1 072 376	356 335	329 274	324 535
1. Liabilities to related entities	66 915	33 706	19 099	15 683	37 908
a) trade-related, with a maturity date of:	66 885	33 706	15 826	15 515	28 910
– up to 12 months	66 885	33 706	15 826	15 515	28 910
– above 12 months	-	-	-	-	-
b) other	30	-	3 273	168	8 998

BALANCE SHEET (cont.)

2. Liabilities to other entities, in which the entity has equity interests	-	-	-	-	-
a) trade-related, with a maturity date of:	-	-	-	-	-
- up to 12 months	-	-	-	-	-
- above 12 months	-	-	-	-	-
b) other	-	-	-	-	-
3. Liabilities to other entities	67 622	1 032 797	332 480	307 956	280 361
a) credits and loans	-	30 324	13 249	8 306	56 083
b) on account of debt securities issue	-	-	-	-	-
c) other financial liabilities	-	325	4 057	289	248
d) trade-related, with a payment period of:	29 804	48 036	58 662	29 624	32 388
- up to 12 months	29 804	48 036	58 662	29 624	32 388
- above 12 months	-	-	-	-	-
e) advance payments received for supplies	-	843	-	-	-
f) bills of exchange	-	-	-	-	-
g) on account of taxes, customs duties, social and health insurance, and other public-law issues	21 209	9 163	163 040	33 257	38 018
h) remuneration-related	6 227	4 668	4 468	4 305	4 386
i) other	10 382	939 438	89 004	232 175	149 238
4. Special funds	4 881	5 873	4 756	5 635	6 266
IV. Prepayments and accruals	4 737	3 842	2 124	9 147	6 508
1. Negative goodwill	-	-	-	-	-
2. Other prepayments and accruals	4 737	3 842	2 124	9 147	6 508
- long-term	236	248	271	282	294
- short-term	4 501	3 594	1 853	8 865	6 214
Total liabilities	2 430 410	2 833 809	2 701 772	2 537 180	2 299 404

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INCOME STATEMENT (calculation variant)

	9-month period ended on 30 September 2022 (not audited)	3-month period ended on 30 September 2022 (not audited)	9-month period ended on 30 September 2021 (not audited)	3-month period ended on 30 September 2021 (not audited)
A. Net revenues from the sale of products, goods and materials, including:	2 150 925	740 488	1 461 684	563 175
– from affiliates	81 035	18 402	89 844	28 528
I. Net revenues from product sales	1 589 881	487 671	1 288 514	517 739
II. Net revenues from goods and material sales	561 044	252 817	173 170	45 436
B. Costs of sold products, goods and materials, including:	1 864 891	585 719	1 368 344	527 644
– to affiliates	84 442	16 657	95 315	34 198
I. Manufacturing costs of products sold	1 481 514	447 013	1 166 197	465 017
II. Manufacturing costs of sold goods and materials	383 377	138 706	202 147	62 627
C. Gross profit (loss) from sales (A–B)	286 034	154 769	93 340	35 531
D. Selling costs	1 282	363	1 601	551
E. Overheads	34 520	11 846	32 189	10 846
F. Profit (loss) from sales (C–D–E)	250 232	142 560	59 550	24 134
G. Other operating revenues	408 772	390 520	13 098	(3 240)
I. Profit from the disposal of non-financial fixed assets	363 511	363 511	6 162	-
II. Grants	35	12	35	12
III. Revaluation of non-financial assets	-	-	-	-
IV. Other operating revenues	45 226	26 997	6 901	(3 252)
H. Other operating costs	21 145	10 212	12 582	1 083
I. Loss on disposal of non-financial fixed assets	-	(791)	-	-
II. Revaluation of non-financial assets	6 803	1 248	11 668	9 913
III. Other operating costs	14 342	9 755	914	(8 830)
I. Profit(loss) on operating activity (F+G–H)	637 859	522 868	60 066	19 811
J. Financial revenues	37 625	15 323	49 909	48 339
I. Dividends and profit distribution, incl.:	3 221	3 221	46	46
a) from affiliated entities, including:	-	-	-	-
– in which the entity has equity interests	-	-	-	-
b) from other entities, including:	3 221	3 221	46	46
– in which the entity has equity interests	-	-	-	-
II. Interest, including:	9 055	3 958	47 027	46 553
– from affiliates	2 186	1 003	643	190
III. Profit from the disposal of financial assets, including:	-	-	-	-
– in affiliated entities	-	-	-	-
IV. Revaluation of financial assets	-	(12 820)	632	632
V. Other	25 349	20 964	2 204	1 108
K. Financial costs	4 643	1 101	54 678	46 754
I. Interest, incl.:	3 304	64	802	286
– to affiliated entities	-	-	75	75
II. Loss on disposal of financial assets, including:	-	-	-	-
– in affiliated entities	-	-	-	-
III. Revaluation of financial assets	945	945	53 544	46 357
IV. Other	394	92	332	111
L. Gross profit (loss) (I+J–K)	670 841	537 090	55 297	21 396
M. Income tax, incl.:	102 420	76 607	(36 729)	(22 252)
– current part	110 365	110 365	9	9
N. Other mandatory decrease of profit (increase of loss)	-	-	-	-
O. Net profit (loss) (L–M–N)	568 421	460 483	92 026	43 648

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CASH FLOW STATEMENT (indirect method)

	<i>9-month period ended on 30 September 2022 (not audited)</i>	<i>3-month period ended on 30 September 2022 (not audited)</i>	<i>9-month period ended on 30 September 2021 (not audited)</i>	<i>3-month period ended on 30 September 2021 (not audited)</i>
A. Cash flows from operating activities				
I. Net profit (loss)	568 421	460 483	92 026	43 648
II. Total adjustments	(602 810)	(688 823)	(253 595)	246 952
1. Depreciation and amortization	12 646	2 441	82 869	27 637
2. Profits (losses) on foreign exchange differences	9 543	10 200	(131)	306
3. Interest and shares in profits (dividends)	6 279	3 062	(146)	19
4. Profit (loss) on investment activities	(402 778)	(403 578)	916	6
5. Change in provisions	737 695	192 031	383 371	175 104
6. Change in inventories	35 544	33 206	(692)	46 885
7. Change in receivables	519 804	(91 917)	(271 502)	(71 441)
8. Change in short-term liabilities, excluding loans and credits	(204 248)	(422 660)	184 762	66 188
9. Change in prepayments and accruals	1 283	(1 062)	9 094	2 880
10. Other adjustments	(1 318 578)	(10 546)	(642 136)	(632)
III. Net cash flows from operating activities (I±II)	(34 389)	(228 340)	(161 569)	290 600
B. Cash flows from investment activities	-	-	-	-
I. Proceeds	500 950	429 482	25 488	3 907
1. Disposal of intangible and legal assets, as well as tangible assets	499 265	428 729	15 194	-
2. Disposal of property, as well as intangible and legal assets	-	-	-	-
3. From financial assets, including:	1 685	753	10 294	3 907
a) in affiliated entities	1 685	753	10 248	3 861
b) in other entities	-	-	46	46
– disposal of financial assets	-	-	-	-
– dividends and shares in profits	-	-	46	46
– repayment of granted long-term loans	-	(10)	-	-
– interest	-	(922)	-	-
– other proceeds related to financial assets	-	-	-	-
4. Other investment proceeds	-	-	-	-
II. Expenses	94 684	3 398	166 893	23 188
1. Acquisition of intangible and legal assets, as well as tangible assets	57 906	5 645	149 217	23 150
2. Investments in real estate, as well as intangible and legal assets	-	-	-	-
3. Financial assets, including:	36 778	(2 247)	17 676	38
a) in affiliated entities	36 778	(2 247)	17 676	38
b) in other entities	-	-	-	-
– acquisition of financial assets	-	-	-	-
– long-term loans granted	-	-	-	-
4. Other investment expenses	-	-	-	-
III. Net cash flows from investment activities (I-II)	406 266	426 084	(141 405)	(19 281)

CASH FLOW STATEMENT (indirect method)(cont.)

C. Cash flows from financial activities

I. Proceeds	38 466	(1)	116 804	(36 378)
1. Net proceeds from the issue of shares (stock emission) and other capital instruments, as well as capital contributions	-	-	-	-
2. Credits and loans	38 466	(1)	116 804	(36 378)
3. Emission of debt securities	-	-	-	-
4. Other financial proceeds	-	-	-	-
II. Expenses	8 326	403	15 744	9 324
1. Acquisition of own shares	-	-	-	-
2. Dividends and other payments to owners	-	-	-	-
3. Expenses related to profit distribution, other than payments to owners	-	-	-	-
4. Repayment of credits and loans	4 571	-	15 000	9 000
5. Redemption of debt securities	-	-	-	-
6. On account of other financial liabilities	-	-	-	-
7. Financial lease liability payments	475	340	208	67
8. Interest	3 280	63	536	257
9. Other financial expenses	-	-	-	-
III. Net cash flows on financial activities (I-II)	30 140	(404)	101 060	(45 702)
D. Total net cash flows (A.III±B.III±C.III)	402 017	197 340	(201 914)	225 617
E. Cash flow change in the balance sheet, including:	390 298	186 141	(201 783)	225 311
– cash flow change related to foreign exchange differences	11 719	11 201	131	(306)
F. Cash at beginning of period	411 905	616 582	450 137	22 606
G. Cash at end of period (F±D), including	813 922	813 922	248 223	248 223
– restricted cash	7 631	7 631	5 187	5 187

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STATEMENT OF EQUITY CHANGES

	30 September 2022 (not audited)	30 June 2022 (not audited)	31 December 2021	30 September 2021 (not audited)	30 June 2021 (not audited)
I. Equity at beginning of period (BO)	864 836	864 836	1 277 167	1 459 581	1 459 581
– changes of adopted accounting principles (policy)	-	-	-	-	-
– mistake adjustments	-	-	-	-	-
I.a. Equity at beginning of period (BO), after adjustments	864 836	864 836	1 277 167	1 459 581	1 459 581
1. Basic capital at beginning of period	101 647	101 647	101 647	101 647	101 647
1.1. Basic capital changes	-	-	-	-	-
a) increase	-	-	-	-	-
b) decrease	-	-	-	-	-
1.2. Basic capital at end of period	101 647	101 647	101 647	101 647	101 647
2. Supplementary capital at beginning of period	1 665 340	1 665 340	1 658 391	1 658 391	1 658 391
2.1. Supplementary capital changes	-	-	6 949	-	-
a) increase	-	-	6 949	-	-
– issue of shares above the nominal value	-	-	-	-	-
– profit distribution	-	-	-	-	-
– fixed asset liquidation	1 853	1 853	6 949	-	-
b) decrease	-	-	-	-	-
– loss coverage	-	-	-	-	-
– share redemption	-	-	-	-	-
2.2. Supplementary capital at end of period	1 667 193	1 667 193	1 658 340	1 658 391	1 658 391
3. Revaluation capital at beginning of period – amendments in adopted accounting principles (policy)	110 122	110 122	227 466	227 466	227 466
3.1. Revaluation capital changes	-	-	-	-	-
a) increase	-	-	-	-	-
b) decrease	-	-	117 344	-	-
– fixed asset liquidation	1 854	1 854	6 949	-	-
– fixed asset impairment write-down	-	-	110 395	-	-
3.2. Revaluation capital at end of period	108 268	108 268	110 122	227 466	227 466
4. Other reserve capitals at beginning of period	3 472	3 472	3 472	3 472	3 472
4.1. Changes in other reserve capitals	-	-	-	-	-
a) increase	-	-	-	-	-
b) decrease	-	-	-	-	-
– loss coverage	-	-	-	-	-
4.2. Other reserve capitals at end of period	3 472	3 472	3 472	3 472	3 472
5. Profit (loss) from previous years at beginning of period	(713 809)	(713 809)	(531 395)	(531 395)	(531 395)
5.1. Profit from previous years at beginning of period	-	-	-	-	-
– changes of adopted accounting principles (policy)	-	-	-	-	-
– mistake adjustments	-	-	-	-	-
5.2. Profit from previous years at beginning of period, after adjustments	-	-	-	-	-
a) increase	-	-	-	-	-
– distribution of profit from previous years	-	-	-	-	-
b) decrease	-	-	-	-	-
– distribution of profit to supplementary capital	-	-	-	-	-
– dividend payments	-	-	-	-	-
5.3. Profit from previous years at end of period	-	-	-	-	-

STATEMENT OF EQUITY CHANGES (cont.)

5.4. Loss from previous years at beginning of period	(713 809)	(713 809)	(531 395)	(531 395)	(531 395)
– changes of adopted accounting principles (policy)	-	-	-	-	-
– mistake adjustments	-	-	-	-	-
5.5. Loss from previous years at beginning of period, after adjustments	(713 809)	(713 809)	(531 395)	(531 395)	(531 395)
a) increase	(301 935)	(301 935)	(182 414)	(182 414)	(182 414)
– loss from previous years carried forward to be covered	(301 935)	(301 935)	(182 414)	(182 414)	(182 414)
b) decrease	-	-	-	-	-
5.6. Loss from previous years at end of period	-	-	-	-	-
5.7. Profit (loss) from previous years at end of period	(1 015 744)	(1 015 744)	(713 809)	(713 809)	(713 809)
5.4. Loss from previous years at beginning of period	(1 015 744)	(1 015 744)	(713 809)	(713 809)	(713 809)
6. Net result	568 421	107 938	(301 935)	92 026	48 378
a) net profit	568 421	107 938	-	92 026	48 378
b) net loss	-	-	(301 935)	-	-
c) profit write-offs	-	-	-	-	-
II. Equity at end of period (BZ)	1 433 257	972 774	864 837	1 369 193	1 325 545
III. Equity after recognizing proposed profit distribution (loss coverage)	1 433 257	972 774	864 837	1 369 193	1 325 545

Konin, 29 November 2022

ADDITIONAL INFORMATION TO THE CONDENSED FINANCIAL STATEMENT FOR 9 MONTHS

1. General information about the Company

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

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

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

The existence of the Company shall be unlimited.

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

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

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

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

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

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

Below you will find the main potential differences between IFRS and the Act on Accounting (Dz.U. 2021, item 217, as amended) (AoA), under the assumption of adopting IFRS on the basis of IFRS 1 guidelines and adopting financial data resulting from the consolidated financial statement of the ZE PAK SA Group. The date of transition of the ZE PAK SA Group to the IFRS is 1 January 2009.

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

1. Tangible fixed assets

a) Measurement of tangible fixed assets

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

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

b) Allotment of renovation components

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

c) Appraisal of land and perpetual usufruct

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

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

d) Capitalisation external funding costs

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

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

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

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

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

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

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

The presentation of certain items in the financial statement acc. to AoA and IFRS may differ. The differences in the presentation will not affect the equity and the Company's net result.

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

The table below shows the differences as at 30 September 2022 (data not audited):

	<i>Balance sheet value acc. to AoA</i>	<i>Balance sheet value acc. to IFRS</i>	<i>Value adjustment</i>
Tangible Fixed Assets	36 570	31 439	(5 131)
Equity	1 433 257	1 422 873	(10 384)
Deferred tax provisions	2 673	2 664	(9)

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

	<i>30 September 2022</i>
	<i>(not audited)</i>
AoA Net profit	568 421
Tangible fixed asset adjustment	16 059
IFRS16 Adjustment	(791)
IFRS net profit	583 689

	<i>30 September 2022</i>
	<i>(not audited)</i>
AoA capital	1 433 257
Tangible fixed asset adjustment	26 986
IFRS16 Adjustment	(41)
IFRS equity	(37 329)
AoA capital	1 422 873

3. Going concern assumption

The Company's financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, at least 12 months after the balance sheet date. As at the date of signing these financial statements, the Company's Management Board does not find any facts or circumstances that could affect the Company's ability to continue as a going concern.

4. Merger of commercial companies

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

5. Adopted accounting principles (policy)

The accounting principles adopted by the Company, including the asset and liability measurement method and the financial result measurement method are in accordance with the provisions of the act of 29 September 1994 on accounting (Dz.U. 2021, item 217) and were described in the ZE PAK SA's financial statement for the financial year ended on 31 December 2021 and published on 28 April 2022.

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

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

7. Error adjustment

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

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

In the current reporting period, there have been not events impacting the assets, liabilities, equities, net result or cash flows, which would be abnormal due to their nature, value or frequency.

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

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

<i>Impairment write-downs</i>	<i>31 December 2021</i>	<i>change</i>			<i>30 September 2022 (not audited)</i>
		<i>creation</i>	<i>utilization</i>	<i>redemption</i>	
Inventory	78 170	8 899	-	13 163	73 906

Energy certificates of origin related to energy production from renewable energy sources and peak load co-generation are presented according to fair value at the end of the month, in which the renewable sources energy was generated.

As at 30 September 2022, the Company holds 33 775,296 MWh of green certificates associated with generated green energy verified by ERO. From 1 January 2022 until 30 September 2022, the Company received 265 684,855 MWh of generation certificates for October, November and December 2021, and January, February, March, April, May, June 2022. During this period, an application for issuing 43 697,079 MWh for the generation in July and August 2022. Obtaining certificates of origin was ongoing. In this period, 248,202.610 MWh were sold on TGE SA, the revenue from this amounted to PLN 49,553.

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

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

<i>Impairment write-downs</i>	<i>31 December 2021</i>	<i>change</i>			<i>30 September 2022 (not audited)</i>
		<i>creation</i>	<i>utilization</i>	<i>redemption</i>	
Intangible and legal assets	1 279	-	-	-	1 279
Tangible fixed assets	3 169 824	3 293	-	164 862	3 008 255
Financial assets	341 168	-	-	-	341 168
Receivables	19 611	-	-	482	19 129

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

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

<i>Provisions and accruals</i>	<i>31 December 2021</i>	<i>change</i>			<i>30 September 2022 (not audited)</i>
		<i>creation</i>	<i>utilization</i>	<i>redemption</i>	
Provisions for retirement and similar benefits, including:	23 138	4 331	11 168	3 428	12 873
– provisions for retirement and post-mortem benefits	10 792	2 328	-	3 428	9 692
– annual bonus provision	8 437	203	8 640	-	-
– unused holidays provision	3 909	1 800	2 528	-	3 181
Provision for CO ₂ emission allowances	1 233 461	756 076	1 249 413	-	740 124
Provision for the return of CO ₂ emission allowances	7 097	274	-	7 371	-
Provisions for reclamation	74 906	-	-	-	74 906
Provisions for liquidation	20 614	195	-	-	20 809
Provisions for onerous contracts	-	31 473	-	31 473	-
Provision for payments	1 264	-	-	-	1 264
Cost prepayments for:	994	4 473	286	1 613	3 568

– fees for the commercial utilization of the environment	-	4 233	-	366	3 867
– duty to redeem property rights	708	240	-	1 247	(299)
– provision for current year costs	286	-	286	-	-
Prepayment income settlement	1 130	89	50	-	1 169
In total	1 362 604	796 911	1 260 917	43 885	854 713

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

In the 9-month period ended on 30 September 2022, there had been a change in the provisions and assets related to deferred income tax, i.e.,

- a change in assets, increasing the tax load by PLN 929 thousand,
- a change in provisions, increasing the tax load by PLN 7 016 thousand.

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

In the period of 9 months ended September 30, 2022, the Company:

- purchased or accepted from investments tangible fixed assets worth PLN 225,212 thousand,
- sold and liquidated items of property, plant and equipment with a net value of PLN 655,717 thousand; this amount was entirely the net value of fixed assets sold on July 1, 2022. under the agreement on the sale of the Organized Part of the Konin Power Plant Enterprise to PAK-PCE Biopaliwa i Wodór Sp. z o. o.

As at 30 September 2022, the liabilities of the Company on account of the purchase of tangible fixed assets amount to PLN 4 901 thousand.

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

During the current reporting period, the Company regularly repaid all its financial liabilities related to loans or credits. There were no breaches of material provisions of credit or loan agreements, in relation to which none remedial actions were taken.

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

Zespół Elektrowni Pątnów – Adamów – Konin SA and subsidiaries consolidated within the Group did not conclude any transactions with related entities on terms other than market conditions in the period of 9 months of 2022.

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

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

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

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

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

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

19. Events of the accounting year not specified in the balance sheet and the income statement

During the reporting period until the development date of this financial statement, i.e., 29 November 2022, there had been no events, which had not been, and should have had been recognised in the accounting books and the financial statement, for the period commenced on 30 September 2022.

20. Events of previous years recognised in the financial statement

Until the date of the financial statement for the period ended on 29 November 2022, there were no other significant events regarding the previous years, which had not, and should have had been recognised in the financial statement for the six-month period ended on 30 September 2022.

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

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

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

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

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

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

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

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

War in Ukraine

On February 24, 2022, Russian troops entered Ukraine and thus an armed conflict broke out between the two countries. The armed conflict in the immediate vicinity of Poland's borders has a very large impact on the social, economic and

political situation both in Poland and in the entire region. The impact of this conflict is also significant from the point of view of the geopolitical balance of power in the world.

Although the Company focuses its operations on the domestic market and there are no direct links with Russia and Ukraine, the impact of the armed conflict on the Company's operations is felt through indirect channels. Due to the fact that both countries play an important role as producers and exporters of a range of commodities, one of the first consequences of the conflict was significantly increased volatility in commodity and financial markets. This applies in particular to the sector of energy resources and the agricultural sector. The impossibility of predicting all the consequences of the armed conflict in Eastern Europe also makes investors less willing to take risks.

High volatility in commodity markets (especially in the energy market and the market for CO2 emission allowances) means for the Company, the risk of having to top up margins to secure open positions on the futures market. In extreme situations, this may lead to problems with ensuring adequate liquidity. On the other hand, a lower propensity to risk in the financial markets may lead to a lower valuation of assets and currencies in the markets of countries such as Poland, which are in the immediate vicinity of war zones, which may mean a lower valuation of the Company's assets and increased operating costs.

The range of sanctions imposed on countries such as Russia is also important from the point of view of the Company's operations or Belarus due to the impact of these sanctions on trade in relation to certain goods, especially energy raw materials. Russia is one of the largest gas and oil suppliers to Europe. The reduction in the supply of these raw materials has a significant impact on the level of electricity prices in Europe and in Poland, mainly due to the cross-border exchange of electricity. In turn, Belarus is an important supplier of biomass for the energy sector in Poland, and although the Company has never imported biomass from Belarus to its installations, the lack of imports from this direction results in an increase in biomass prices on the domestic market, which also affects the prices of biomass in supplies to installations of the Group.

In the current situation, it is impossible to precisely predict the scale of the ongoing armed conflict or its duration, and it is also impossible to predict all the consequences of this conflict that may directly or indirectly affect the Company's operations. The development of the situation is monitored by the Company on an ongoing basis, and actions are taken to mitigate the adverse effects of the unstable situation. The company has increased the availability of various forms of securing its positions on the futures market of energy and CO2 emission allowances, talks are also underway with biomass suppliers in order to develop mutually satisfactory solutions in the field of biomass supplies. In the current situation, the Company assesses the degree of impact of the consequences of the armed conflict on its operations as moderate. Additional adjustments and provisions for the situation are not disclosed in this report in Ukraine.

22. Other information

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

- explanations regarding the seasonality or cyclic nature of the issuer's activities within the presented period (CCFS item 9),
- information on significant settlements due to lawsuits (CCFS item 26.1),
- information on changes in contingent liabilities or contingent assets, which had occurred since the end of the last financial year (CCFS items 26.2, 27 and 28),
- information regarding paid (or declared) dividends (CCFS item 22),
- information on significant events after the balance sheet date (CCFS item 33)

Konin, 29 November 2022

Signatures:

Piotr Woźny
President of the Management Board

Zygmunt Artwik
Vice President of the Management Board

Andrzej Janiszowski
Vice President of the Management Board

Maciej Nietopiel
Vice President of the Management Board

Katarzyna Sobierajska
Vice President of the Management Board

Aneta Desecka
Chief Accountant