ZMIENIAMY SIĘ
DLA WAS

ZE PAK SA

FINANCIAL STATEMENT
FOR THE 12-MONTH PERIOD CONCLUDED ON 31 DECEMBER 2022

27 APRIL 2023

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(in PLN thousand)

BALANCE SHEET

Assets

	Note	as at 31 December 2022	as at 31 December 2021
A. Fixed assets		**779 112**	**842 868**
I. Intangible and legal assets	6	**2 420**	**1 917**
1. Costs of completed development work		-	-
2. Goodwill		-	-
3. Other intangible and legal assets		2 420	1 917
4. Advance payment on intangible and legal assets		-	-
II. Tangible fixed assets	7	**37 490**	**660 059**
1. Fixed assets		5 952	450 232
a) lands (including the perpetual usufruct of land)		1 647	1 685
b) buildings, premises, as well as civil and water engineering facilities		1 119	107 942
c) technical equipment and machinery		2 391	339 815
d) means of transport		64	147
e) other fixed assets		731	643
2. Capital work in progress		13 870	187 291
3. Advance payments for capital work in progress		17 668	22 536
III. Long-term receivables		**-**	**-**
1. From affiliated entities		-	-
2. From other entities, where the entity has equity interests		-	-
3. From other entities		-	-
IV. Long-term investments	8.1	**732 081**	**176 354**
1. Properties		-	-
2. Intangible and legal assets		-	-
3. Long-term financial assets		732 081	176 354
a) in affiliated entities		731 929	170 527
– shares or stocks		687 842	161 850
– other securities		-	-
– loans granted		41 557	6 147
– other long-term financial assets		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	5 827
– shares or stocks		152	152
– other securities		-	-
– loans granted		-	-
– other long-term financial assets		-	5 675
4. Other long-term investments		-	-
V. Long-term prepayments	10	**7 121**	**4 538**
1. Deferred income tax assets		3 660	-
2. Other prepayments and accruals		3 461	4 538
B. Current assets		**2 005 531**	**1 858 904**
I. Inventories	23	**14 220**	**57 225**
1. Materials		11 841	23 852
2. Semi-finished products and products in progress		-	-
3. Finished products		-	-

(in PLN thousand)

	4. Goods		2 378	33 373
	5. Advance payments for supplies		1	-
II.	**Short-term receivables**	*9*	**487 932**	**1 356 364**
	1. Receivables from affiliated units	*40.2*	23 126	28 226
	a) trade-related, with a payment period of:		20 499	28 171
	– up to 12 months		20 499	28 171
	– above 12 months		-	-
	b) other		2 627	55
	2. Receivables from other entities where the unit has equity interests		-	-
	a) trade-related, with a payment period of:		-	-
	– up to 12 months		-	-
	– above 12 months		-	-
	b) other		-	-
	3. Receivables from other parties		464 806	1 328 138
	a) trade-related, with a payment period of:		46 514	171 531
	– up to 12 months		46 514	171 531
	– above 12 months		-	-
	b) on account of taxes, subsidies, customs duties, social and health insurance, and other benefits		7 410	11 585
	c) other		410 882	1 145 022
	d) pursued in court		-	-
III.	**Short-term investments**	*8.2*	**1 499 496**	**445 020**
	1. Short-term financial assets		1 499 496	445 020
	a) in affiliated entities		281 499	33 075
	– shares or stocks		-	-
	– other securities		-	-
	– loans granted		281 499	33 075
	– other short-term financial assets		-	-
	b) in other entities		-	-
	– shares or stocks		-	-
	– other securities		-	-
	– loans granted		-	-
	– other short-term financial assets		-	-
	c) cash and cash equivalents	*33*	1 217 997	411 945
	– cash in hand and at bank		1 217 997	411 945
	– other cash		-	-
	– other monetary assets		-	-
	2. Other short-term investments		-	-
IV.	**Short-term prepayments**	*10*	**3 883**	**295**
C.	**Called-up share capital (fund) contributions**		**-**	**-**
D.	**Equity shares**		**-**	**-**
	Total assets		**2 784 643**	**2 701 772**

Konin, 27 April 2023

(in PLN thousand)

Liabilities

		Note	as at 31 December 2022	as at 31 December 2021
A. Equity			**1 408 421**	**864 837**
I.	**Share capital (fund)**	11	**101 647**	**101 647**
II.	**Supplementary capital (fund), including:**		**1 766 996**	**1 665 340**
	– sale value (issue value) surplus over the nominal share value (stocks)		380 030	380 030
III.	**Revaluation capital (fund), including:**		**8 466**	**110 122**
	– on account of fair value revaluation		-	-
IV.	**Other reserve capitals (funds), including:**		**3 472**	**3 472**
	– created in accordance with the company's articles of association		-	-
	– for equity shares (stocks)		-	-
V.	**Profit (loss) from previous years**		**(1 015 744)**	**(713 809)**
VI.	**Net profit (loss)**		**543 584**	**(301 935)**
VII.	**Write-offs from net profit during the financial year (negative value)**		**-**	**-**
B. Liabilities and provisions for liabilities			**1 376 222**	**1 836 935**
I.	**Provisions for liabilities**	14	**1 268 605**	**1 371 098**
	1. Deferred income tax provisions	25	-	10 618
	2. Provision for retirement and similar benefits		20 095	23 138
	– long-term		7 769	9 715
	– short-term		12 326	13 423
	3. Other provisions		1 248 510	1 337 342
	– long-term		93 099	95 520
	– short-term		1 155 411	1 241 822
II.	**Long-term liabilities**		**129**	**107 378**
	1. To related parties		-	-
	2. To other entities in which the entity has equity interests		-	-
	3. To other entities		129	107 378
	a) loans and borrowings		-	107 030
	b) on account of debt securities issue		-	-
	c) other financial liabilities		-	-
	d) bills of exchange		-	-
	e) other		129	348
III.	**Short-term liabilities**	16	**106 282**	**356 335**
	1. Liabilities to related entities	40.2	18 141	19 099
	a) trade-related, with a maturity date of:		15 066	15 826
	– up to 12 months		15 066	15 826
	– above 12 months		-	-
	b) other		3 075	3 273
	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		84 199	332 480
	a) loans and borrowings		-	13 249
	b) on account of debt securities issue		-	-
	c) other financial liabilities		-	4 057
	d) trade-related, with a payment period of:		41 808	58 662
	– up to 12 months		41 808	58 662
	– above 12 months		-	-

(in PLN thousand)

	e) advance payments received for supplies	7	-
	f) bills of exchange	-	-
	g) on account of taxes, customs duties, social and health insurance, and other public-law issues	28 183	163 040
	h) remuneration-related	4 666	4 468
	i) other	9 535	89 004
	4. Special funds	3 942	4 756
IV.	**Prepayments and accruals**	**1 206**	**2 124**
	1. Negative goodwill	-	-
	2. Other prepayments and accruals	1 206	2 124
	– long-term	225	271
	– short-term	981	1 853
Total liabilities		**2 784 643**	**2 701 772**

Konin, 27 April 2023

(in PLN thousand)

INCOME STATEMENT (calculation variant)

	Note	Year concluded on 31 December 2022	Year concluded on 31 December 2021
A. Net revenues from the sale of products, goods and materials, including:	20	**2 789 738**	**2 246 878**
discontinued activities		*138 313*	-
– from affiliates	40.2	102 254	122 331
I. Net revenues from the sales of products		2 081 717	2 013 759
II. Net revenues from the sales of goods and materials		708 021	233 119
B. Costs of sold products, goods and materials, including:		**2 493 348**	**2 112 566**
discontinued activities		*138 000*	-
– to affiliates		100 366	130 945
I. Manufacturing costs of sold products	26	1 989 172	1 813 084
II. Manufacturing costs of sold goods and materials		504 176	299 482
C. Gross profit (loss) from sales (A–B)		**296 390**	**134 312**
D. Selling costs	26	1 692	2 357
E. Overheads	26	55 828	51 955
F. Profit (loss) from sales (C–D–E)		**238 870**	**80 000**
G. Other operating revenues	27	391 514	19 440
I. Profit on the disposal of non-financial fixed assets		363 202	13 372
II. Grants		46	46
III. Revaluation of non-financial assets		160	-
IV. Other operating revenues		28 106	6 022
H. Other operating costs	28	11 502	621 463
I. Loss on disposal of non-financial fixed assets		-	-
II. Revaluation of non-financial assets		6 711	617 847
III. Other operating costs		4 791	3 616
I. Profit(loss) on operating activity (F+G–H)		**618 882**	**(522 023)**
J. Financial revenues	29	30 179	7 601
I. Dividends and profit distribution, including:		3 222	46
a) from affiliated entities, including:		3 000	-
– in which the entity has equity interests		-	-
b) from other entities, including:		222	46
– in which the entity has equity interests		-	-
II. Interest, including:		17 889	1 132
– from affiliates		5 193	983
III. Profit from the disposal of financial assets, including:		-	-
– in affiliated entities		-	-
IV. Revaluation of financial assets		-	5 676
V. Other		9 068	747
H. Financial costs	30	16 801	12 821
I. Interest, including:		3 366	863
– to affiliated entities		-	75
II. Loss on disposal of financial assets, including:		-	-
– in affiliated entities		-	-
III. Revaluation of financial assets		1 395	7 184
IV. Other		12 040	4 774
L. Gross profit (loss) (I+J–K)		**632 260**	**(527 243)**
M. Income tax	25	88 676	(225 308)
K. Other mandatory decrease of profit (increase of loss)		-	-
O. Net profit (loss) (L–M–N)		**543 584**	**(301 935)**

Konin, 27 April 2023

(in PLN thousand)

CASH FLOW STATEMENT (indirect method)

	Note	Year concluded on 31 December 2022	Year concluded on 31 December 2021
A. Cash flows from operating activities			
I. Net profit (loss)		**543 584**	**(301 935)**
II. Total adjustments		92 681	283 033
1. Depreciation and amortization	26	13 380	110 713
2. Profits (losses) on foreign exchange differences		3 217	(509)
3. Interest and shares in profits (dividends)		(5 067)	(405)
4. Profit (loss) on investment activities	34	(403 643)	572 478
5. Change in provisions	34	1 153 650	1 018 973
6. Change in inventories		43 005	14 639
7. Change in receivables	34	847 233	(933 531)
8. Change in short-term liabilities, excluding loans and borrowings	34	(233 738)	201 636
9. Change in prepayments and accruals		(7 904)	1 759
10. Other adjustments	34	(1 317 452)	(702 720)
III. Net cash flows from operating activities (I±II)		**636 265**	**(18 902)**
B. Cash flows from investment activities			
I. Proceeds		540 068	51 566
1. Disposal of intangible and legal assets, as well as tangible assets		499 266	38 018
2. Disposal of property, as well as intangible and legal assets		-	-
3. From financial assets, including:	34	40 802	13 548
a) in affiliated entities		40 580	13 502
b) in other entities		222	46
– disposal of financial assets		-	-
– dividends and shares in profits		222	46
– repayment of granted long-term loans		-	-
– interest		-	-
– other proceeds related to financial assets		-	-
4. Other investment proceeds		-	-
II. Expenses		397 183	190 264
1. Acquisition of intangible and legal assets, as well as tangible assets	34	69 292	170 922
2. Investments in real estate, as well as intangible and legal assets		-	-
3. Financial assets, including:		327 891	19 342
a) in affiliated entities	34	327 891	19 342
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)		**142 885**	**(138 698)**
C. Cash flows from financial activities			
I. Proceeds		38 466	135 279
1. Net proceeds from the issue of shares (stock emission) and other capital instruments, as well as capital contributions		-	-
2. Loans and borrowings		38 466	135 279
3. Emission of debt securities		-	-
4. Other financial proceeds		-	-
II. Expenses		8 347	15 910
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 loans and borrowings		4 571	15 000
5. Redemption of debt securities		-	-
6. On account of other financial liabilities		-	-

(in PLN thousand)

CASH FLOW STATEMENT (indirect method) (cont.)

7. Financial lease liability payments		475	297
8. Interest		3 301	613
9. Other financial expenses		-	-
III. Net cash flows on financial activities (I-II)		**30 119**	**119 369**
D. Total net cash flows (A.III±B.III±C.III)		**809 269**	**(38 231)**
E. Cash flow change in the balance sheet, including:		806 062	(37 722)
– cash flow change related to foreign exchange differences		3 217	509
F. Cash at beginning of period	33	**411 906**	**450 137**
G. Cash at end of period (F±D), including	33	**1 221 175**	**411 906**
– restricted cash		7 171	8 684

Konin, 27 April 2023

(in PLN thousand)

STATEMENT OF EQUITY (FUND) CHANGES

	Note	Year concluded on 31 December 2022	Year concluded on 31 December 2021
I. Equity (fund) at beginning of period (BO)		**864 837**	**1 277 167**
– amendments in accounting principles		-	-
– error adjustments		-	-
I.a. Equity (fund) at beginning of period (BO), after adjustments		**864 837**	**1 277 167**
1. Basic capital (fund) at beginning of period		101 647	101 647
1.1. Basic capital (fund) changes		-	-
a) increase		-	-
b) decrease		-	-
1.2. Basic capital (fund) at end of period	11	**101 647**	**101 647**
2. Supplementary capital (fund) at beginning of period		1 665 340	1 658 391
2.1. Supplementary (fund) capital changes		101 656	6 949
a) increase due to		101 656	6 949
– share issue		-	-
– profit distribution		-	-
– fixed asset liquidation		101 656	6 949
b) reduction due to		-	-
– loss coverage		-	-
2.2. Supplementary capital (fund) at end of period		**1 766 996**	**1 665 340**
3. Revaluation capital (fund) at beginning of period – amendments in adopted accounting principles (policy)		110 122	227 466
3.1. Revaluation capital **(fund)** changes		(101 656)	(117 344)
a) increase		-	-
b) reduction due to		(101 656)	(117 344)
– fixed asset liquidation		(101 656)	(6 949)
– fixed asset impairment write-down	7	-	110 395
3.2. Revaluation equity (fund) at end of period		**8 466**	**110 122**
4. Other supplementary capitals **(funds)** at beginning of period		3 472	3 472
4.1. Changes in other supplementary capitals **(funds)**		-	-
a) increase		-	-
b) reduction due to		-	-
– loss coverage		-	-
4.2. Other supplementary capitals (funds) at end of period		**3 472**	**3 472**
5. Profit (loss) from previous years at beginning of period		(713 809)	(531,395)
5.1. Profit from previous years at beginning of period		-	-
– amendments in accounting principles		-	-
– error adjustments		-	-
5.2. Profit from previous years at beginning of period, after adjustments		-	-
a) increase due to		-	-
– distribution of profit from previous years		-	-
b) reduction due to		-	-
– distribution of profit to supplementary capital		-	-
– dividend payments		-	-
5.3. Profit from previous years at end of period		-	-
5.4. Loss from previous years at beginning of period		(713 809)	(531 395)
– amendments in accounting principles		-	-
– error adjustments		-	-
5.5. Loss from previous years at beginning of period, after adjustments		(713 809)	(531 395)
a) increase due to	13.1	(301 935)	(182 414)
– loss from previous years carried forward to be covered	13.1	(301 935)	(182 414)
b) reduction due to		-	-

(in PLN thousand)

STATEMENT OF EQUITY CHANGES (cont.)

– loss coverage with supplementary and reserve capital		-	-
5.6. Loss from previous years at end of period		(1 015 744)	(713 809)
5.7. Profit (loss) from previous years at end of period		**(1 015 744)**	**(713 809)**
6. Net result		**543 584**	**(301 935)**
a) net profit		543 584	-
b) net loss	*13.1*	-	(301 935)
c) profit write-offs		-	-
II. Equity (fund) at end of period (BZ)		**1 408 421**	**864 837**
III. Equity (fund) after recognizing proposed profit distribution (loss coverage)		**1 408 421**	**864 837**

Konin, 27 April 2023

INTRODUCTION TO THE FINANCIAL STATEMENT

1. General information about the Company

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

The company is entered into the Register of Entrepreneurs of the National Court Register (KRS) kept by the District Court Poznań – Nowe Miasto and Wilda in Poznań, 9th Commercial Division of the National Court Register, under the KRS number 0000021374, assigned on 21 June 2001.

The Company's NIP (Tax ID) No. is: 665-00-01-645 assigned on 17 September 1993, and a REGON (Business ID) No.: 310186795.

The existence of the Company shall be unlimited

The Company is the parent entity of the ZE PAK SA Capital Group.

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

1) generation and distribution of electricity (PKD 35.11.Z),
2) generation and sale of thermal power (steam and hot water) (PKD 35.30.Z),

2. Composition of the Management Board

The Company's Management Board composition was as follows at the beginning of the financial year of 2022:
1) Piotr Woźny – President of the Management Board,
2) Zygmunt Artwik – Vice President of the Management Board,
3) Andrzej Janiszowski – Vice President of the Management Board,
4) Maciej Nietopiel – Vice President of the Management Board,
5) Katarzyna Sobierajska – Vice President of the Management Board.

As at the date of publication of this report, the Company Management Board is composed as follows:
1) Piotr Woźny – President of the Management Board,
2) Zygmunt Artwik – Vice President of the Management Board,
3) Andrzej Janiszowski – Vice President of the Management Board,
4) Maciej Nietopiel – Vice President of the Management Board,
5) Katarzyna Sobierajska – Vice President of the Management Board.

3. 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 IAS.

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 as at 31 December 2022 and the Act on Accounting (AoA), under the assumption of adopting IFRS based on 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:

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.

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

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

Furthermore, the Company would capitalise external financing costs on the liabilities of general nature, used for the financing of 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.

e) Spare parts:

Inventories recognized as parts for strategic overhauls and failures of machinery and equipment are recognized under tangible fixed assets. The main criteria for recognizing materials in the tangible fixed assets item are:

- key element for maintaining production continuity, the purchase of which is hindered due to the prolonged waiting process associated with a complex manufacturing process,
- element being an assembly or sub-assembly of a machine or device that will be used within the production process for more than one year,
- spare parts can be used solely for the correct operation of individual tangible fixed asset items.

Strategic spare parts are depreciated until their expected useful life expiry.

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

The International Accounting Standards Board (IASB) has introduced numerous amendments to the applicable accounting principles and issued new standards. New standards and amendments to the applicable standards are still under development. 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 capital, 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 financial statement items acc. to Polish accounting principles and the 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 Polish accounting principles and IFRS can differ substantially.

(in PLN thousand)

List of differences as at 31 December 2022:

	Balance sheet value acc. to AoA	*Balance sheet value acc. to IFRS*	*Value adjustment*
Tangible Fixed Assets	37 490	31 824	(5 666)
Equity	1 408 421	1 398 040	(10 381)
Deferred tax asset	3 660	3 670	10

List of differences as at 31 December 2021:

	Balance sheet value acc. to AoA	*Balance sheet value acc. to IFRS*	*Value adjustment*
Tangible Fixed Assets	660 059	639 408	(20 651)
Equity	864 837	838 393	(26 444)
Deferred tax provisions	10 618	10 609	9

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

	31 December 2022	*31 December 2021*
AoA Net profit	543 584	(301 935)
Tangible fixed asset adjustment	16 042	117 021
IAS 19 Adjustment – Actuarial profits (losses)	186	(454)
IFRS 16 Adjustment – Lease	(790)	(790)
Spare parts adjustment	-	4 377
Loan valuation	-	17 679
Borrowing costs	-	(504)

	31 December 2022	*31 December 2021*
AoA capital	1 408 421	864 837
Tangible fixed asset adjustment	26 990	32 479
IAS9 – Asset impairment	(41)	(41)
IFRS 16 Adjustment – Lease	(37 330)	(37 330)
Spare parts adjustment	-	(4 377)
EPII loan valuation	-	(17 679)
EPI II external financing costs	-	504

4. Going concern assumption

The financial statement was developed under the assumption of continuing the Company's business activity in the foreseeable future, at least 12 months after the balance sheet date, i.e., after 31 December 2022.

As of the day of signing this financial statement, the Company's Board states that there are no facts and premises, which would adversely affect the possibility to continue the Company's activities.

5. Merger of commercial companies

In the financial year 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.

6. Adopted accounting principles (policy)

The Company operates based on the following legal acts:

1. Act on accounting of 29 September 1994 (consolidated text, Dz.U. of 2023, item 120, as amended – herein after "AoA", "Act"),
2. Act of 15 February 1992 on corporate income tax (Dz.U. of 2021, item 2427, as amended),
3. Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to organised trading and public companies (consolidated text, Dz.U. of 2021, item 2140), as amended.

4. Regulation of the Minister of Finances of 29 March 2018 on current and periodic information published by issuers of securities and the conditions regarding information required by the law of a non-member state as equivalent (consolidated text, Dz.U. of 2018, item 757, as amended).
5. Regulation of the Minister of Finances of 5 October 2020 on the scope of information disclosed in financial statements and consolidated financial statements required in a prospectus for issuers based in the Republic of Poland, subject to Polish accounting principles (Dz.U. of 2020, item 2000).

The company has implemented the following orders with respect to asset and liability measurement methods:

1. Order No. 35/2003 by the President of the Management Board of ZE PAK SA in Konin dated 1 July 2003 on tangible fixed asset management,
2. Order No. 34/2003 by the President of the Management Board of ZE PAK SA in Konin dated 1 July 2003 on the Corporate Chart of Accounts at ZE PAK SA

The financial statement has been drawn up pursuant to the historical cost convention, modified in the case of:

- intangible assets,
- fixed assets,
- investments in subsidiaries and other long-term investments,
- other short-term investments (excluding cash and financial assets),
- financial instruments.

The Company applies the following asset and liability valuation and financial result measurement methods:

Tangible fixed assets

The tangible fixed asset initial value is recognized in the books at acquisition price or costs incurred for their production, expansion or modernization. After the initial recognition, the value of fixed assets is reduced by redemption and write-downs against impairment.

Re-estimation is based on separate regulations. Re-estimation result is entered as revaluation capital. After a fixed asset is sold or liquidated, the amount remaining in the revaluation capital is transferred onto supplementary capital. The last re-estimation took place on 1 January 1995.

Costs incurred after commissioning a fixed asset, such as repair and renovation costs, service charges impact the financial result of the financial year they were incurred in. However, if it is possible to demonstrate that such costs caused an increase in expected future economic benefits on account of owning a certain fixed asset, exceeding the originally assumed benefits, they increase the fixed asset initial value.

Fixed assets, except for land, are subject to straight-line depreciation over a period corresponding to their estimated economic useful life period or the shorter of two, economic useful life or usufruct, which is as follows:

- buildings, premises, as well as civil and water engineering facilities from 2 to 27 years,
- technical equipment and machinery from 2 to 27 years,
- means of transport from 2 to 10 years,
- other tangible assets from 2 to 27 years.

The estimates regarding economic useful life and the depreciation method are subject to review at the end of each financial year for the purposes of a verification whether the applied depreciation periods and methods are consistent with the forecast time distribution of economic benefits generated by the fixed asset.

At each balance sheet date, the Company assesses whether the balance sheet value of disclosed assets exceeds the expected values of future economic benefits. If there are premises so indicating, the asset balance sheet value is reduced to the recoverable amount. Permanent impairment write-downs are recognized in other operating costs.

Permanent impairment write-downs related to fixed assets, the measurement of which was updated based on separate regulations, reduce the differences caused by revaluation recognized in the revaluation capital. Potential write-down surplus over the revaluation differences is included in other operating costs.

Capital work in progress is measured at the amount of total costs directly related to their acquisition or production, including financial costs, minus the permanent impairment write-downs. Capital work in progress also include investment materials. Capital work in progress is not depreciated until their construction is complete and they are commissioned.

External financing costs related to the construction, adaptation, assembly or improvement of capital work or intangible assets, for the period of construction, adaptation, assembly or improvement are recognized in the value of such assets, if the liabilities have been incurred for this purpose. Other external financing costs are recognized in the income statement.

Permanent impairment of assets

For each balance sheet date, the Company assesses whether there is any objective evidence to a permanent impairment in an asset or group of assets. If such evidence exists, the Company determines an estimated, recoverable value of an asset and applies an impairment write-down in the amount equal to the difference between the recoverable and balance sheet values. The loss resulting from the impairment is recognized in the income statement for the current period. In the event of a previous asset re-estimation, the loss reduces the revaluation capital amount, and is then recognized in the income statement for the current period.

Intangible assets

Intangible assets are recognized if it is probable that they will generate future economic benefits for the Company that can be directly related to said assets. Intangible assets are initially recognized at acquisition or production prices. Following the initial recognition, intangible assets are measured at their acquisition or production prices reduced by redemption and permanent impairment write-downs. Intangible assets are subject to straight-line depreciation over the period corresponding to their estimated economic useful life. The expected economic useful life is as follows:

- licenses – software - 2 years,
- other licenses - 5 years,
- other intangible assets - 5 years.

Intangible assets with an initial value below PLN 3 500 are depreciated once, in the month of their commissioning.

The estimates regarding economic useful life and the depreciation method are subject to review at the end of each financial year for the purposes of a verification whether the applied depreciation periods and methods are consistent with the forecast time distribution of economic benefits generated by given intangible assets.

At each balance sheet date, the Company assesses whether the balance sheet value of disclosed assets exceeds the expected values of future economic benefits. If there are premises so indicating, the asset balance sheet value is reduced to the recoverable amount. Permanent impairment write-downs are recognized in other operating costs.

Emission allowances and their equivalents purchased by the Company for its own needs are recognized as intangible assets. These allowances are measured at the acquisition price for redemption purposes.

Long-term receivables

Long-term receivables include, among others:

- receivables for deposits paid (e.g., under lease agreements),
- receivables from entities with which a bank settlement or arrangement was concluded.

Long-term receivables, like any other receivables, are measured pursuant to Art. 28 of the AoA and during the year, i.e., at the acquisition or creation date – at nominal value, and at the balance sheet date – at required payment value, with due care, reduced by write-downs in justified cases.

Long-term investments

Long-term investments are assets controlled by the entity, which will generate in inflow of economic benefits to the entity in the future. Investments may be non-financial assets, and appear as:

- properties,
- intangible assets,

or financial assets, appearing as:

- shares and stocks,
- other securities (long-term bills, treasury bonds, etc.),
- long-term loans granted,
- other long-term assets (bills of exchange, cheques, deposits, commercial bills, capital funding).

As at the balance sheet date, long-term investments are measured at acquisition price less permanent impairment write-downs.

Investments in subsidiaries, i.e., controlled entities, joint subsidiaries and affiliates are measured at historical cost less potential impairment.

Short-term investments (excluding cash and financial instruments)

Short-term investments, excluding cash and financial instruments, are measured at market price (value), and short-term investments with no active market are measured at fair value determined otherwise.

The outcomes of an increase or decrease in short-term investments measured at market prices (values) are recognized accordingly as costs or revenue.

Financial assets

Financial assets, upon entering to accounting books, are measured at cost (acquisition price), which constitutes the fair value of payment made. Transaction costs are recognized in the initial value of these financial instruments. Financial assets are entered into accounting books at the transaction date.

Following initial recognition, financial assets are classified as one of four categories and measured as follows:

	Category	*Measurement method*
1.	Financial assets maintained to the maturity date	At adjusted acquisition price (depreciated cost) determined using the effective interest rate
2.	Loans granted and own receivables	At adjusted acquisition price (depreciated cost) determined using the effective interest rate Receivables with a short maturity date, for which no interest rate has been determined are measured at the amount due
3.	Financial assets for trading	At fair value, and profits/losses on revaluation are recognized in the income statement
4.	Available-for-sale financial assets	At fair value, and profits/losses on revaluation are recognized in the income statement until the investment is sold or its value reduced. At this point, the total revaluation P&L is carried onto the income statement.

The fair value of financial instruments traded within an active market is determined in relation to prices quoted within this market at the balance sheet date. In the absence of a quoted market price, the fair value is estimated based on a quoted market price of a similar instrument or predicted cash flows.

Permanent impairment of financial assets

For each balance sheet date, the Company assesses whether there is any objective evidence to a permanent impairment in a financial asset or group of financial assets. If such evidence exists, the Company determines an estimated, recoverable value of an asset and applies an impairment write-down in the amount equal to the difference between the recoverable and balance sheet values. Write-downs related to a financial asset or portfolio of similar financial assets are determined:

- in the case of financial assets measured at adjusted acquisition price – as the difference between the value of these assets arising from accounting books at the measurement date and the recoverable amount. The recoverable amount shall be the current value of future cash flows expected by the entity, discounted using an effective interest rate, which the entity has applied previously when measuring the overestimated financial asset or portfolio of similar financial assets,
- in the case of financial assets measured at fair value – as the difference between the asset acquisition price and its fair value on the measurement date, with the provision that fair value of debt financial instruments at the measurement date shall be construed as the current value of future cash flows expected by the entity discounted using a current market interest rate applied to similar financial instruments. The losses accumulate up to that date, recognized in the revaluation capital (fund) is included in the financial costs in the amount not lower than the write-down less the part directly recognized as financial costs.
- in the case of other financial assets – as the difference between the asset value arising from the accounting books and the current value of future cash flows expected by the entity, discounted using a current market interest rate applied to similar financial instruments.

Lease

The Company is a party to lease agreements pursuant to which it accepts third-party fixed or intangible assets for paid use or collection of profits over a definite period.

In the case of lease agreements under which substantially the entire risk and benefits arising from ownership of assets constituting agreement subject matter are transferred, the lease subject matter is recognized in the assets as fixed assets, while the liability in the amount equal to the current value of minimum lease payments determined at the day prior to the lease start date is also recognized. Lease payments are allocated between financial costs and liability balance reduction in a way that enables obtaining a constant interest rate on the remaining unpaid liability. Financial costs are recognized directly in the income statement.

Fixed assets covered by a financial lease agreement are depreciated in a way defined for own fixed assets. However, in the event of uncertainty as to the transfer of the agreement subject matter ownership transfer, the fixed assets used pursuant to financial lease agreements are depreciated over the expected period of use or the lease period, whichever is shorter. Lease payments under lease agreements that do not satisfy the conditions of a financial lease agreement are recognised as costs in the income statement using the straight-line method and over the lease period.

If the sale and leaseback are of financial lease nature, the part of the sales revenue that exceeds the value disclosed in the balance sheet is deferred and recognized in the lease agreement period. If the sale and leaseback are of operating lease nature and if the transaction is concluded at fair value prices, any profits and losses on this account are recognized in the income statement. If the selling price is lower than the fair value, the profits and loss on this account are recognized in the income statement, except for a situation wherein the loss is compensated by future lease payments lower than market prices. In such a situation, the loss is deferred in time and recognized proportionally to lease payments over the period of the expected asset period of use. If the selling price exceeds the fair value, the amount exceeding the fair value is deferred in time and recognized as revenue over the period of the expected asset use period.

Short- and long-term receivables

Trade receivables are disclosed in the amount due less impairment write-downs. Receivables are updated taking into account the probability of their payment through making an impairment write-down. Receivable impairment write-downs are classified accordingly as other operating costs or financial costs – depending on the type of receivable the impairment write-down relates to. Redeemed, overdue or unrecoverable receivables reduce the previously made impairment write-downs related to them. Redeemed, overdue or unrecoverable receivables that have not been subject to impairment write-downs or write-downs covering only a partial value are classified accordingly as other operating costs or financial costs.

Inventories

Inventories are measured at the acquisition price (or production cost) and the net selling price, whichever is lower. Individual assets are measured using the "weighted average" method.

The net selling price is the achievable VAT-free and excise tax-free selling price less discounts, rebates and the like, and less the costs associated with asset adaptation to the sale and making such a sale.

The Company subjects held assets to impairment write-downs. Write-downs for 100% of the value are created for spare parts valued at over PLN 100 thousand that do not circulate for more than 3 years. Inventory impairment write-downs increase other operating costs.

The Company follows a procedure of continuous stock-taking of repair and consumable materials. Production fuel stock is verified on a monthly basis, with the last production fuel stock-taking conducted as at 31 December 2022.

Internally generated assets

The cost of internally generated assets includes costs directly related to a given product and a justified part of the costs indirectly related to their generation.

Direct costs include:

- value of direct materials consumed,
- direct wages,
- wear of specialist tools,
- other costs incurred in relation to bringing the product to the form and place, where it is on the valuation date.

The justified part indirect costs relevant for the product generation period includes variable indirect production costs, which correspond to the level of these costs with the normal use of production capacity. The normal use of production capacity is the average production magnitude for a given number of periods, in accordance with the expectations under typical conditions and taking into account planned renovations.

Generation costs at which assets are measured do not include overheads, selling costs, other operating costs and financial operation costs. The generation costs are transferred to ZE PAK SA assets on the balance sheet date at the latest.

Cash in bank accounts

Domestic cash is disclosed at nominal value. Cash in bank accounts is confirmed based on a bank balance confirmation form. The cash disclosed in the cash flow account consists of cash in hand and bank deposits with maturity below 3 months that have not been yet recognised as investment activities.

Equity

The following capitals are encountered within the Company, which are disclosed in the balance sheet by nominal value, namely:

- Share capital,
- Supplementary capital,
- Revaluation capital,
- Other reserve capitals.

The share capital is disclosed in the amount consistent with the Company's Articles of Association and the entry in the National Court Register.

Supplementary capital is created based on the distribution of profit, surplus from the sales of shares above their nominal value, transfer from Crew Fund and transfer from revaluation supplementary capital.

Provisions

Provisions are recognized when the Company is burdened with an existing obligation (legal or customary) resulting from past events, and when it is certain or highly probable that the fulfilment of this obligation will lead to fund outflow, and when the amount of this liability can be reliably estimated.

Asset liquidation costs are recognized in the current amount of forecast liquidation costs. These provisions are recognized as other prepayments and settled in time over the remaining operation period of equipment to be decommissioned. In the case of decommissioned equipment, provisions for their liquidation costs are recognized as other operating costs. In the Provisions item, the Company also includes the provision for future reclamation costs related to the land where the Company stores waste.

Provisions for leaves, retirement severance benefits and death benefits

The employees of the Company are entitled to holiday leaves specified by the provisions of the Labour Code. The Company creates the provisions for the cost of unused leaves, for which employees were entitled until the balance sheet date.

According to the company remuneration system, the employees are entitled to retirement severance benefits at the moment of retirement, and to death benefits. The provisions for future severance pay are created based on independent actuarial calculations.

Provision for ash landfill reclamation

The obligation to reclaim ash landfill land arises upon commencing their operation. The provision is created based on reports by independent experts who estimate reclamation cost, commissioned by the Management Board of the Company. Estimates concerning projected reclamation costs are analysed periodically; on every reporting date, the size of provision is verified in accordance with current assumptions within the discount and inflation rates. In addition, the Company recognizes an ash landfill asset, which is accounted for with a straight-line method over its operation period. In the subsequent periods the asset is subject to straight-line depreciation over the estimated operation period of the ash landfill. Simultaneously, over subsequent period the Group recognizes an increase in the provisions resulting from the discount unwinding effect in correspondence with financial costs. The use of the provision is settled in correspondence with financial costs at the end of every reporting period. Potential future changes in the reclamation cost estimate correct asset and provision value.

Provision for CO_2 emission allowances

The Company creates the provision for liabilities associated with the deficit of CO_2 emission allowances in the period, when the actual emission exceeds the allocated allowances. The cost of the created provision is presented in the income statement, in the cost of sales. At the date of allowance redemption, the emission allowances classified as other intangible assets are written-off in correspondence with the provisions for $CO_{2.}$ emission allowances. The redemption value is adjusted by realized exchange rate differences at the allowance purchase date.

The provision is created in the amount of:

- in a part covered by the allowances held on the balance sheet date – in the value of the held allowances, i.e., purchased at the balance sheet value, received in the zero value.
- in the part not covered by the allowances held at the balance sheet date – in the amount of concluded CO_2 purchase forward contracts measured at the balance sheet date at the average NBP exchange rate.

(in PLN thousand)

Provision for the return of CO_2 emission allowances

The provision for the return of CO_2 emission allowances is created by the Company upon the liability becoming probable. In relation to the suspension of investments reported to KPI, we have estimated a potential risk of return of the a/m allowances. The amount is converted at the EUR exchange rate at the financial statement date. The provision is created as other operating costs.

Provision for the liquidation fixed tangible asset components

The provisions for the liquidation of fixed tangible assets are created in the amount arising from received bids for the liquidation of fixed tangible assets. The Company updates the value of the provision on every balance sheet date. The value of the provision due to liquidation of components of tangible fixed assets is discounted on every balance sheet date.

Assets and liabilities denominated in foreign currencies

As at 31 December 2022, the assets and liabilities denominated in currencies other than PLN are converted to PLN using the average NBP exchange rate at the balance sheet date. The foreign exchange differences, which arise from the calculation, are respectively recognised in the financial revenue (costs) item or in cases governed by legislation, capitalised in the value of assets.

The following exchange rates were adopted for the purposes of the measurement:

	31 December 2022	*31 December 2021*
EUR	4.6899	4.5994
USD	4.4018	4.0600

Foreign exchange rate differences

Foreign exchange rate differences related to settlements denominated in foreign currencies, arising at their measurement date and upon the payment of receivables and liabilities in foreign currencies are classified accordingly as revenues or financial costs, and in justified cases – as product generation costs or goods acquisition costs, and the acquisition cost or generation cost of fixed assets, capital work in progress or intangible assets. Foreign exchange rate differences are disclosed in the income statement as offset.

Bank loans and borrowings

Upon initial recognition, bank loans and borrowings are recognized as per the cost, which is the value of received cash and which includes credit/loan cost. Next, all bank loans and borrowings, except for liabilities held for trading, are measured at adjusted acquisition price (depreciated cost), using the effective interest rate. Liabilities for trading are measured at fair value. Profit or loss on revaluation to fair value is recognized in the income statement for the current period.

Special funds

The Company has the following special funds:
- Company Employee Benefit Fund (ZFŚS)
- Crew Fund.

Act of 4 March 1994 on the Company Employee Benefit Fund (cons. text, Dz.U. of 2021, item 2445, as amended) stipulates that the Company Employee Benefit Fund shall be created by employers employing at least 50 full-time employees. The Company establishes such a fund and makes periodic write-offs in the amount agreed with Trade Unions. Pursuant to an agreement concluded with the Trade Unions, the Company administers the Inter-Company Employee Benefit Fund of the Company and its subsidiaries. The Fund's balance sheet includes accumulated revenues of the Fund less the non-refundable expenses of the Fund. The Company discloses the Fund's balance and the Fund's assets in the balance sheet separately.

Prepayments and accruals

Loans received for financing pro-ecological investment projects, later redeemed through granting subsidies, are disclosed as other prepayments and accruals and recognized in the income statement for subsequent periods, proportionally to the depreciation of fixed assets purchased or generated as part of financial investments.

The Company conducts cost prepayment aimed at allocating to a given period costs related to a given period. Prepayments include costs related to periods later than the period wherein they were incurred, among others, insurance costs, subscriptions, bill of exchange discounts.

Prepayments also include a part of the estimated costs of future land reclamation of ash landfills operated by the Company. These costs are recognized at the discounted value and relate to the outlays that the Company will have to incur to completely fill an ash landfill.

Cost prepayments also include the value of the provisions for Company asset liquidation to be settled.

Accruals include the value of the certificates of origin covering energy produced from renewable energy sources combined with thermal energy and natural gas, and energy efficiency certificates that the entity is obliged to redeem in connection with the supply of electricity to end users. The provision for the obligation to present for redemption the certificates of origin of energy produced from renewable energy sources or in peak load co-generation or energy efficiency is recognised as follows:

- in a part covered by the certificates of origin held at the balance sheet date – in the value of the held certificates,
- in the part uncovered by the certificates of origin at the balance sheet date – at the lower value of the market value of the certificates required to fulfil the obligation at the balance sheet date, and a possible compensatory payment.

Prepayments and accruals of revenues include liquidated damages, compensation from insurance companies, interests increasing the principal amount, negative goodwill and subsidies received for fixed asset generation.

In the revenue prepayment and accruals item, the Company also discloses revenues from future periods associated with the settlement of leaseback P&L.

Revenues from the sales of goods, products and services, interest and dividends

Revenues from sales include due or received amounts on account of the sales of goods and services (less returns, discounts and rebates). Revenues from sales are recognized at net value, i.e., less VAT due. Revenues from the sales of purchased energy are recognized as revenues from the sales of goods. The value of revenues from the sales of purchased energy is recognized at the average price of bilateral agreements.

Sales revenues also include the sales revenues of green and red certificates. At the time of production, the certificates of origin intended for sale are included in the sales revenues, and therefore in order to avoid inflating revenues at the time of selling, the costs of selling certificates are recognised as an adjustment to sales revenues.

Revenues from interests are recognized upon being accrued (using an effective interest rate), if them being received is certain.

Due dividends are classified as financial costs at the date a competent authority of a relevant company adopts a resolution on profit distribution, unless the resolution stipulates a different dividend right date.

Revenues from the sales of electricity include the value of compensation for stranded costs value. Revenue from compensation is recognized successively with the earned compensation rights at the end of each fiscal year, until the end of their validity period. Per each revenue recognition moment, the Group determines a factor for estimated stranded costs to the total amount of received, returned and expected discounted annual advance payments (including the previously received advance payments). The revenue amount for a given fiscal year is the product of the indicator and previously received amounts of advance payments adjusted with annual impairments, decreased by the revenues for compensation recognized in the previous years. The difference between the total amount of the included income and the total amount of the received advance payments to the total amount of stranded costs is recognised by the Company as:

a) receivables, in the event of a negative difference between the total amount of received advance payments and the revenue recognized in relation to compensation,
b) liabilities, in the event of a positive difference between the total amount of received advance payments and the revenue recognized in relation to compensation.

Since 1 January 2021, the Company has been recognizing capacity market revenues. Revenues from the capacity market are revenues on account of performing capacity contracts (obligations) concluded pursuant to Auction 2021 (primary market) and the performance of the capacity obligation arising from agreements concluded within the secondary market. The capacity market is a market mechanism aimed at ensuring stable electricity supply in the long term. After each month ends, the Company is entitled to remuneration from PSE S.A. for the performance of the capacity obligation.

Operating costs

The Company records costs by type and calculation, and draws up a calculation-based income statement.

Price Difference Payment Fund write-offs

The Company is subject to an obligation of providing write-offs to the Price Difference Payment Fund pursuant to Art. 21 of the Act of 27 October 2022 on emergency measures aimed at limiting electricity prices and supporting certain consumers (Dz. U. of 2022, item 2243) – as electricity producers and power utilities conducting business activity in the field of electricity trading.

Pursuant to Art. 24 and Art. 39 of the said act, write-offs shall be provided for each calendar month in relation to the period from 1 December 2022 until 31 December 2023.

In the case of December 2022, ZE PAK S.A. was obliged to provide a write-off amounting to PLN 414 thousand related to trading and PLN 675 thousand related to production. These amounts have been recognized under “Taxes and fees” in the Income Statement. The Company recognizes these write-offs as payments. They are charged in the month when the obligation arises.

General production costs

General production costs are recognized statistically for electricity and thermal energy sold, and for other work and services proportionally to direct wages burdening other work and services.

Corporate income tax

The basis to calculate the income task is the gross profit adjusted for permanent and temporary differences between income determined for tax purpose and the balance sheet financial result. Temporary differences on account of income tax are recognized in the balance sheet as provisions for deferred income tax (positive difference) or as prepayments (negative differences).

Deferred income tax

Deferred income tax is determined using the balance liability method in relation to all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their balance sheet value presented in the financial statement. The deferred income tax provision is created in relation to all positive temporary differences, unless the deferred income tax provision arises as a result of goodwill depreciation or an initial recognition of an asset or liability upon a transaction that does not constitute a merger, and upon its conclusion does neither impact the gross financial result nor the taxable income or tax loss.

The deferred income tax asset is recognised in relation to all negative temporary differences and unused tax losses transferred to future years, in the amount to which it is probable that a taxable profit enabling the use of the said losses is achieved.

In the case of negative temporary differences resulted from shares in subsidiaries or affiliates and shares in joint subsidiaries, the deferred income tax asset component is recognised in the balance sheet only to the extent that it is probable that in the predictable future, the above-mentioned temporary differences will be reversed and the taxable income, which enables the negative temporary differences to be deducted, will be achieved.

The balance sheet value of the assets' component for the deferred tax is reviewed on every balance sheet date and reduced to the extent that it is no longer probable that the taxable income sufficient for a partial or complete realisation of the assets' component for the deferred tax will be achieved.

Deferred income tax assets and deferred income tax provisions are measured using tax rates that will apply, according to the regulations enacted by the balance sheet date, in the period when the asset is realised or the provision released. Deferred tax assets and deferred tax provisions are disclosed in the balance sheet by compensated value.

Konin, 27 April 2023

ADDITIONAL INFORMATION AND EXPLANATIONS TO THE FINANCIAL STATEMENT

1. Information on significant events related to previous years, included in the financial year financial statement

Until the date of signing the financial statement for financial year, i.e., until 27 April 2023, there were no other significant events regarding the previous years that should have been recognised in the financial statement for the financial year.

2. Information on significant events after the balance sheet date and not recognized in the financial statement

After the balance sheet date and until the signing of the financial statement for the financial year, i.e., until 27 April 2023, there were no events that should have been recognized in the financial statement for the financial year.

3. Changes in the accounting principles (policy) in the financial year

Financial statements for the current and previous financial years were developed using identical accounting principles (policy) and financial statement data presentation methods.

4. Error adjustment and comparative data restatement

No adjustments of errors, which would affect the comparability of the financial data for the preceding year with the financial statement data for the current year have been made in the current financial year.

5. 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 financial year.

(in PLN thousand)

6. Intangible assets

Year concluded on 31 December 2022

	Concessions, patents, licenses and similar values	*Other intangible assets*	*Advance payment on intangible assets*	*Total*
Initial value				
Opening balance	21 623	3	-	21 626
Increase, including:	1 501	1 363 651	-	1 365 152
– acquisition	-	1 319 523	-	1 319 523
– release of CO_2 emission allowances from the IRGiT SA collateral	-	44 128	-	44 128
– transfers from capital work in progress	1 501	-	-	1 501
Reductions, incl.:	2 585	1 363 651	-	1 366 236
– CO_2 emission allowance redemption	-	1 256 143	-	1 256 143
– transfer onto IRGiT SA collateral	-	36 180		36 180
– decommissioning	2 369	-	-	2 369
– sales	216	71 328	-	71 544
Closing balance	**20 539**	**3**	**-**	**20 542**
Redemption				
Opening balance	18 428	3	-	18 431
Increase, including:	998	-	-	998
– period depreciation	998	-	-	998
– other	-	-	-	-
– transfers	-	-	-	-
Reductions, incl.:	2 585	-	-	2 585
– sales	216	-	-	216
– decommissioning	2 369	-	-	2 369
Closing balance	**16 841**	**3**	**-**	**16 844**
Impairment write-downs				
Opening balance	1 278	-	-	1 278
Increases	-	-	-	-
Reductions, incl.:	-	-	-	-
– utilization	-	-	-	-
– write-down adjustment	-	-	-	-
Closing balance	**1 278**	**-**	**-**	**1 278**
Net value				
Opening balance	1 917		-	1 917
Closing balance	**2 420**	**-**	**-**	**2 420**

(in PLN thousand)

Year concluded on 31 December 2021

	Concessions, patents, licenses and similar values	*Other intangible assets*	*Advance payment on intangible assets*	*Total*
Initial value				
Opening balance	22 831	3 568	-	26 399
Increase, including:	134	707 200	-	707 334
– acquisition	-	707 200	-	707 200
– other	-	-	-	-
– transfers from capital work in progress	134	-	-	134
Reductions, incl.:	1 342	710 765	-	712 107
– CO_2 emission allowance redemption	-	642 615	-	642 615
– transfer onto IRGiT SA collateral	-	44 128		44 128
– decommissioning	1 342	-	-	1 342
– sales	-	24 022	-	24,022
Closing balance	**21 623**	**3**	**-**	**21 626**
Redemption				
Opening balance	19 174	3	-	19 177
Increase, including:	596	-	-	596
– period depreciation	596	-	-	596
– other	-	-	-	-
– transfers	-	-	-	-
Reductions, incl.:	1 342	-	-	1 342
– sales	-	-	-	-
– decommissioning	1 342	-	-	1 342
Closing balance	**18 428**	**3**	**-**	**18 431**
Impairment write-downs				
Opening balance	1 278	-	-	1 278
Increases	-	-	-	-
Reductions, incl.:	-	-	-	-
– utilization	-	-	-	-
– write-down adjustment	-	-	-	-
Closing balance	**1 278**	**-**	**-**	**1 278**
Net value				
Opening balance	2 379	3 565	-	5 944
Closing balance	**1 917**	**-**	**-**	**1 917**

Intangible asset ownership structure:

	31 December 2022	*31 December 2021*
Own	**2 420**	**1 917**
Used under a rental, tenancy or other agreement, including a lease agreement	-	-
Total	**2 420**	**1 917**

(in PLN thousand)

7. Tangible fixed assets

Year concluded on 31 December 2022

	Lands (including the perpetual usufruct of land)	*Buildings, premises, as well as civil and water engineering facilities*	*Technical equipment and machinery*	*Means of transport*	*Other fixed assets*	*Capital work in progress*	*Advance payments for capital work in progress*	*Total*
Initial value								
Opening balance	1 924	2 050 356	5 786 953	4 340	11 373	205 697	22 536	8 083 179
Increase, including:	2	20 312	204 991	92	616	(173 214)	16 798	69 597
– acquisition	2	-	58	27	133	54 080	16 798	71 098
– transfers to fixed assets	-	20 312	204 933	65	483	(225 793)	-	-
– transfers to intangible assets	-	-	-	-	-	(1 501)	-	(1 501)
Reductions, incl.:	77	520 060	1 834 722	833	2 217	18 430	21 666	2 398 005
– sales	77	373 857	979 076	694	1 491	2 429	-	1 357 624
– decommissioning	-	146 203	855 646	139	726	-	-	1 002 714
– sales of receivables	-	-	-	-	-	-	21 666	21 666
– other	-	-	-	-	-	16 001	-	16 001
Closing balance	**1 849**	**1 550 608**	**4 157 222**	**3 599**	**9 772**	**14 053**	**17 668**	**5 754 771**
Redemption								
Opening balance	239	1 022 044	3 218 383	2 785	9 845	-	-	4 253 296
Increase, including:	9	2 481	9 710	4	178	-	-	12 382
– period depreciation	9	2 481	9 710	4	178	-	-	12 382
Reductions, incl.:	46	324 048	1 213 717	456	1 798	-	-	1 540 065
– sales	46	192 952	369 059	387	1 178	-	-	563 622
– decommissioning -	-	131 096	844 658	69	620	-	-	976 443
Closing balance	**202**	**700 477**	**2 014 376**	**2 333**	**8 225**	**-**	**-**	**2 725 613**
Impairment write-downs								
Opening balance	-	920 370	2 228 755	1 408	885	18 406	-	3 169 824
Increase, including:	-	829	1 232	-	-	(2 061)	-	-
– transfers to fixed assets	-	829	1 232	-	-	(2 061)	-	-
Reductions	-	72 187	89 532	206	69	16 162	-	178 156
Closing balance	**-**	**849 012**	**2 140 455**	**1 202**	**816**	**183**	**-**	**2 991 668**
Net value								
Opening balance	**1 685**	**107 942**	**339 815**	**147**	**643**	**187 291**	**22 536**	**660 059**

(in PLN thousand)

Closing balance	**1 647**	**1 119**	**2 391**	**64**	**731**	**13 870**	**17 668**	**37 490**

Year concluded on 31 December 2021

	Lands (including the perpetual usufruct of land)	*Buildings, premises, as well as civil and water engineering facilities*	*Technical equipment and machinery*	*Means of transport*	*Other fixed assets*	*Capital work in progress*	*Advance payments for capital work in progress*	*Total*
Initial value								
Opening balance	1 924	2 054 624	5 783 015	4 397	11 450	81 642	26 951	7 964 003
Increase, including:	8	555	12 022	126	133	124 291	3 265	140 400
– acquisition	8	-	37	6	45	137 173	3,265	140 534
– transfers to fixed assets	-	555	11 985	120	88	(12 748)	-	-
– transfers to intangible assets	-	-	-	-	-	(134)	-	(134)
Reductions, incl.:	8	4 823	8 084	183	210	236	7 680	21 224
– liquidation and sale	8	4 823	8 084	183	210	236	-	13 544
– sales of receivables	-	-	-	-	-	-	1 537	1 537
– other	-	-	-	-	-	-	6 143	6 143
Closing balance	**1 924**	**2 050 356**	**5 786 953**	**4 340**	**11 373**	**205 697**	**22 536**	**8 083 179**
Redemption								
Opening balance	229	991 399	3 143 563	2 560	9 892	-	-	4 147 643
Increase, including:	10	31 847	77 912	225	137	-	-	110 131
– period depreciation	10	31 847	77 912	211	137	-	-	110 117
– other	-	-	-	14	-	-	-	14
Reductions, incl.:	-	1 202	3 092	-	184	-	-	4 478
– liquidation and sale	-	1 202	3 092	-	184	-	-	4 478
– other	-	-	-	-	-	-	-	-
Closing balance	**239**	**1 022 044**	**3 218 383**	**2 785**	**9 845**	**-**	**-**	**4 253 296**
Impairment write-downs								
Opening balance	-	700 528	1 769 504	768	638	16 339	-	2 487 777
Increase, including:	-	223 042	464 107	803	247	2 067	-	690 266
– transfers to fixed assets	-	-	-	-	-	-	-	-
– impairment write-down	-	223 042	464 107	803	247	2 067	-	690 266
Reductions	-	3 200	4 856	163	-	-	-	8 219
Closing balance	**-**	**920 370**	**2 228 755**	**1 408**	**885**	**18 406**	**-**	**3 169 824**
Net value								
Opening balance	1 695	362 697	869 948	1 069	920	65 303	26 951	1 328 583
Closing balance	**1 685**	**107 942**	**339 815**	**147**	**643**	**187 291**	**22 536**	**660 059**

(in PLN thousand)

Tangible fixed asset ownership structure:

	31 December 2022	*31 December 2021*
Own	**37 490**	660 059
Used under a rental, tenancy or other agreement, including a lease agreement	-	-
Total	**37 490**	**660 059**

The balance sheet value of land in perpetual usufruct as at 31 December 2022 was PLN 1 647 thousand (PLN 1 685 thousand on 31 December 2021).

Capital expenditure by ZE PAK SA in 2022 amounted to PLN 54 080 thousand (PLN 137 173 thousand in 2021), including PLN 40 357 thousand on environmental protection (PLN 125 455 thousand on environmental protection in 2021). In addition, the Company made advance payments of PLN 16 798 thousand on capital work in progress.

The capital expenditure planned for 2023 amount to PLN 40 000 thousand, with none planned for environmental protection.

Tangible fixed asset impairment test

According to NAS No. 4, the units generating economic benefits are the smallest identifiable groups of assets which generate cash inflows of the current use that are largely independent of the cash inflows from other assets or groups of assets. If there are any prerequisites that a given asset may be impaired, a recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the unit generating economic benefits, to which the asset belongs.

While distinguishing the units generating economic benefits within the Company's assets, it was primarily important to analyse the autonomy of generated economic benefits in terms of the Company functioning.

ZE PAK S.A., apart from the manufacturing operation, within which it is responsible for ensuring a certain level of efficiency of the generating units and implementations of production schedules, is focused on significant operational and financial functions at the Capital Group level.

Two centres generating economic benefits have been distinguished within ZE PAK SA

- ✓ CGU Pątnów Power Plant for lignite-based energy (covering units No. 1, 2, 5 and 9)
- ✓ CGU Konin Power Plant for biomass-based green energy

On 1 July 2022, the Konin Power Plant was sold as OPE to PAK – PCE Biopaliwa i Wodór sp. z o.o. The sales transaction involving the Konin Power Plant OPE was based on the following contracts concluded between ZE PAK SA as the "Seller" and PAK – PCE Biopaliwa i Wodór sp. z o.o. as the "Buyer":

1) Conditional Sales Contract for an Organized Part of Enterprise dated 16 May 2022 – Not. Deed Rep.A No. 4788/2022
2) Organized Part of Enterprise Transfer Contract dated 1 July 2022 – Not. Deed Rep.A No. 6568/2022.

In the light of the above, as at 31 December 2022, ZE PAK SA structures still include CGU Pątnów Power Plant, while CGU Konin Power Plant remains within the PAK – PCE Biopaliwa i Wodór sp. z o.o. Company.

In accordance with Article 7 paragraph 1 and Article 28 of the Act of 29 September 1994 on accountancy and the National Accounting Standard No. 4 "Value impairment of assets" at the end of every reporting period, the Company's Management Board evaluates whether there are any prerequisites indicating that there may have occurred a loss in the value of components of fixed assets. In case of statement that there are such prerequisites, the Company estimates a recoverable value of assets' components. Therefore, the Company always analyses the prerequisites that might affect a loss in the value of any of the assets' components, and determines the units generating economic benefits within the Company.

The main reasons for the tests were:

- periodic Parent Company's stock market capitalization in 2022 below the net asset carrying amount;
- Regulation of the Council of Ministers of 8 November 2022 on the method for price limit calculation.

Individual centres generating economic benefits were analysed:

- CGUs associated with generating the so-called black electricity, i.e., "CGU Pątnów Power Plant) – baseline operation scenarios assume operation of all Pątnów Power Plant units until the end of 2024. The previous scenario assumed the operation of coal-fired units No. 1, 2 and 5 at the Pątnów Power Plant until 2024, and the

(in PLN thousand)

474 MW unit (formerly Pątnów II Power Plant) was supposed to operate longer than until 2030. The Group has adopted a baseline operating scenario for its coal-fired units until 2024, which is the deadline until which these assets are eligible for support in the form of the capacity market mechanism. The Company perceives the current market situation in terms of the relationship between the prices of energy and CO_2 emission allowances as highly volatile and risky. The coal extraction and generation activity after 2024 will have to entail undertaking a number of investments, including ones enabling further operation of the Tomisławice open pit and adapting the 474 MW unit to environmental requirements. The Company sees opportunities in incurring such investment outlays and extending the operation of such coal-related assets after 2024, however, closely associates taking such actions on introducing a support mechanism after 2024 that would mitigate the risk of operating the Group's generation assets planned for decommissioning. Due to the fact that the Group's coal-fired units cannot currently participate in such a mechanism after 2024, the Company, guided by the principle of reasonable expectations, shortened the operating period of coal related extraction and generation assets. Simultaneously, the Company does not rule out changing the expected operating period of coal assets if a satisfactory support mechanism is established after 2024. Based on the conducted tests as at 31 December 2021 and taking into account the aforementioned factors, it was concluded that there was a need for a write-off in the "CGU Pątnów Power Plant" segment in the amount of PLN 690 266,2 thous. i.e., up to the land value. In connection with the Regulation of the Council of Ministers of 8 November 2022 on the method for price limit calculation published on 9 November, the Company analysed the provisions set out in the Regulation and its outcomes, in particular, in relation to the costs incurred by the Company and the impact of maximum energy sales price limits set in the Regulation on the profitability of the Company's production activities in 2023. Due to the fact that a significant part of the assets under "CGU Pątnów Power Plant" has already been written-off, the Group withdrew for testing these assets on 31 December 2022.

8. Investments

8.1. Long-term investments

Year concluded on 31 December 2022

	Shares and stocks in affiliated entities	*Loans granted to affiliated entities*	*Other assets in affiliated entities*	*Shares and stocks in other entities*	*Measurement of futures contracts*	*Total*
Opening balance, of which:	161 850	6 147	2 530	152	5 675	176 354
Gross value	427 121	6 147	2 530	76 049	5 675	517 522
Impairment write-downs	(265 271)	-	-	(75 897)	-	(341 168)
Increase, including:	525 992	70 410	-	-	-	596 402
− acquisition	525 992	69 450	-	-	-	595 442
− revaluation	-	960	-	-	-	960
Reductions, incl.:	-	35 000	-	-	5 675	40 675
− repayment	-	35 000	-	-	5 675	40 675
− sales	-	-	-	-	-	-
− revaluation	-	-	-	-	-	-
Closing balance, of which:	**687 842**	**41 557**	**2 530**	**152**	**-**	**732 081**
Gross value	953 113	41 557	2 530	76 049	-	1 073 249
Impairment write-downs	(265 271)	-	-	(75 897)	-	(341 168)

In 2022, ZE PAK SA established new affiliated entities, which are listed below with the amounts of contributions:

- PAK ATOM SA PLN 2 500 thousand,
- PAK Pątnów" sp. z o.o. PLN 100 thousand.

On 13 May 2022, the share capital of PAK – PCE Biopaliwa i Wodór sp. z o.o. was increased by PLN 498 270 thousand.

On 23 March 2023, a compensation agreement that increased the shares in PAK CCGT by PLN 21 199 thousand was concluded.

On 8 March 2022, the Company and ORS ("ORS" or "Parties" jointly with the Company) concluded a sales agreement regarding shares in 5 project companies, resulting in the Company acquiring from ORS 50% of the shares in the share capital of the following companies: Ørsted Polska OF SPV 1 sp. z o.o., Ørsted Polska OF SPV 2 sp. z o.o., Ørsted Polska OF SPV 3 sp. z o.o., Ørsted Polska OF SPV 4 sp. z o.o. and Ørsted Polska OF SPV 5 sp. z o.o. ("Joint Venture companies"). The total price for the shares in the Joint Venture Companies amounted to EUR 620 thousand.

(in PLN thousand)

On 13 April 2022, the Company and ORS concluded an additional sales agreement regarding shares in another 5 project companies, resulting in the Company acquiring from ORS 50% of the shares in the share capital of the following companies: Ørsted Polska OF SPV 6 sp. z o.o., Ørsted Polska OF SPV 7 sp. z o.o., Ørsted Polska OF SPV 8 sp. z o.o., Mawzorino Investments sp. z o.o. and Ørsted Polska OF SPV 10 sp. z o.o. ("Joint Venture Companies") upon posting the share selling price at the ORS bank account. The total price for the shares in the Joint Venture Companies amounted to EUR 170 thousand.

The balance under *Loans granted to affiliated entities* comprises the following items:

Borrower	*Granted loan amount (capital)*	*Currency*	*Interest*	*Due date*
PAK – Volt SA	30 000	PLN	WIBOR 3M plus margin	31 December 2025
PAK CCGT sp. z o.o.	950	PLN	WIBOR 3M plus margin	30 June 2024
PAK CCGT sp. z o.o.	150	PLN	WIBOR 6M plus margin	30 June 2026
PAK – PCE Fotowoltaika sp. z o.o.	9 500	PLN	WIBOR 3M plus margin	31 December 2035

Unrealized interest on long-term loans is due on the loan repayment date, i.e., on the repayment date of the entire loan at the latest.

Year concluded on 31 December 2021

	Shares and stocks in affiliated entities	*Loans granted to affiliated entities*	*Other assets in affiliated entities*	*Shares and stocks in other entities*	*Measurement of futures contracts*	*Total*
Opening balance, of which:	155 755	1 300	500	152	-	157 707
Gross value	413 842	1 300	500	201	-	415 843
Impairment write-downs	(258 087)	-	-	(49)	-	(258 136)
Increase, including:	13 279	6 147	2 030	75 848	5 675	102 979
− acquisition	13 279	6 000	2 030	75 848	5 675	102 832
− revaluation	-	147	-	-	-	147
Reductions, incl.:	7 184	1 300	-	75 848	-	84 332
− repayment	-	1 300	-	-	-	1 300
− sales	-	-	-	-	-	-
− revaluation, including:	7 184	-	-	46 360	-	53 544
• PAK KWB Konin	6 396	-	-	-	-	6 396
• PAK KWB Adamów	788	-	-	-	-	788
• Huta Łaziska SA under arrangement bankruptcy	-	-	-	46 360		46 360
− other (receivable impairment write-down reclassification)	-	-	-	29 488	-	29 488
Closing balance, of which:	**161 850**	**6 147**	**2 530**	**152**	**5 675**	**176 354**
Gross value	427 121	6 147	2 530	76 049	5 675	517 522
Impairment write-downs	(265 271)	-	-	(75 897)	-	(341 168)

8.2. Short-term investments

Year concluded on 31 December 2022

	Shares and stocks in affiliated entities	*Loans granted to affiliated entities*	*Other assets in affiliated entities*	*Shares and stocks in other entities*	*Measurement of futures contracts*	*Total*
Opening balance, of which:	-	33 075	-	-	-	33 075
Gross value	-	33 075	-	-	-	33 075
Impairment write-downs	-	-	-	-	-	-
Increase, including:	-	248 436	-	-	-	248 436
− acquisition	-	245 750	-	-	-	245 750
− revaluation	-	(37)	-	-	-	(37)
− accrued interest		2 723	-	-	-	2 723
Reductions, incl.:	-	12	-	-	-	12
− repayment	-	12	-	-	-	12

(in PLN thousand)

– sales	-	-	-	-	-	-
– revaluation	-	-	-	-	-	-
Closing balance, of which	**-**	**281 499**	**-**	**-**	**-**	281 499
Gross value	-	281 499	-	-	-	281 499
Impairment write-downs	-	-	-	-	-	-

The balance under *Loans granted to affiliated entities* comprises the following items:

Borrower	*Granted loan amount (capital)*	*Currency*	*Interest*	*Due date*
PAK – Volt SA	8 000	PLN	WIBOR 3M plus margin	15 December 2023
PAK KWB Konin SA	25 000	PLN	WIBOR 3M plus margin	15 December 2023
PG Hydrogen sp. z o.o.	63	PLN	WIBOR 3M plus margin	6 September 2023
PAK – Polska Czysta Energia sp. z o.o.	181 004	PLN	WIBOR 3M plus margin	31 December 2023
PAK – Polska Czysta Energia sp. z o.o.	13 991	EUR	EURIBOR 3M plus margin	15 March 2023

On 28 February 2023, PAK – Polska Czysta Energia sp. z o.o. repaid loans in the amount of EUR 13 991 thousand with accrued interest. Interest accrued on loans for companies: PG Hydrogen sp. z o.o. and PAK – Polska Czysta Energia sp. z o.o. due on the loan repayment date.

<u>*Year concluded on 31 December 2021*</u>

	Shares and stocks in affiliated entities	*Loans granted to affiliated entities*	*Other assets in affiliated entities*	*Shares and stocks in other entities*	*Measurement of futures contracts*	*Total*
Opening balance, of which:	-	39 419	7 000	-	6 550	52 969
Gross value	-	39 419	7 000	-	6 550	52 969
Impairment write-downs	-	-	-	-	-	-
Increase, including:	-	65	-	-	-	65
– acquisition	-	62	-	-	-	62
– revaluation	-	3	-	-	-	3
– other (reclassification from long-term part)	-	-	-	-	-	-
Reductions, incl.:	-	6 409	7 000	-	6 550	19,959
– repayment	-	6 409	7 000	-	6 550	19 959
– sales	-	-	-	-	-	-
– revaluation	-	-	-	-	-	-
– other (reclassification to short-term part)	-	-	-	-	-	-
Closing balance, of which	**-**	**33 075**	**-**	**-**	**-**	**33 075**
Gross value	-	33 075	-	-	-	33 075
Impairment write-downs	-	-	-	-	-	-

9. Short-term receivables

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Trade receivables, including:	67 013	199 702
– from affiliated entities	20 499	28 171
– from other entities	46 514	171 531
Receivables on account of taxes, subsidies, customs duties, social and health insurance, and other public-law issues, including:	7 410	11 585
– corporate income tax	7 410	-
– VAT	-	11 585
Other, including:	413 509	1 145 077
– receivables on account of LTC release	37 248	78 214
– advances, deposits and security deposits, including:	371 472	1 064 117
• IRGiT SA	64 339	826 544
• Polenergia Obrót SA	-	146 255
• AXPO Polska sp. z o.o.	142 670	-
• PGE Dom Maklerski SA	125 739	-

(in PLN thousand)

• EDF Trading Limited	-	50 255
• PSE SA	23 943	40 862
• GAZ SYSTEM SA	14 569	-
• other	212	201
– receivables on account of loans and other ZFŚS benefits	1 804	2 624
– other	2 985	122
Short-term receivables, total	**487 932**	**1 356 364**

10. Prepayments

	31 December 2022	*31 December 2021*
Long-term prepayments		
Deferred income tax assets	3 660	-
Other, including:	3 461	4 538
– license deployment costs	-	-
– ash landfill asset	3 460	4 537
– other	1	1
Long-term total (after write-down)	**7 121**	**4 538**
Short-term prepayments		
Subscription	27	7
Polish Power Exchange and IRGiT sp. z o.o. membership costs	149	149
Licensing costs	239	127
Property insurance	3 351	7
Other	117	5
Short-term, total	**3 883**	**295**

11. Capitals

31 December 2022

Shareholder list	*pcs* Number of shares	*PLN* Nominal value of 1 share	*%* Share in the share capital	*pcs* Number of votes	*%* Share in the total number of votes
Zygmunt Solorz (indirectly) through: Argumenol Investment Company Limited	33 523 911	2.00	65.96	33 523 911	65.96
Nationale-Nederlanden OFE	4 503 242	2.00	8.86	4 503 242	8.86
OFE PZU „Złota Jesień”	4 635 719	2.00	9.12	4 635 719	9.12
Other	8 160 675	2.00	16.06	8 160 675	16.06
Total	**50 823 547**	**-**	**100.00**	**50 823 547**	**100.00**

* *According to the information held by the Company based on the provided notifications on the acquisition/disposal of shares.*

31 December 2021

Shareholder list	*pcs* Number of shares	*PLN* Nominal value of 1 share	*%* Share in the share capital	*pcs* Number of votes	*%* Share in the total number of votes
Zygmunt Solorz (indirectly) through: Argumenol Investment Company Limited	33 523 911	2.00	65.96	33 523 911	65.96
Nationale-Nederlanden OFE	4 503 242	2.00	8.86	4 503 242	8.86
OFE PZU „Złota Jesień”	4 635 719	2.00	9.12	4 635 719	9.12
Others	8 160 675	2.00	16.06	8 160 675	16.06
Total	**50 823 547**	**-**	**100.00**	**50 823 547**	**100.00**

* *According to the information held by the Company based on the provided notifications on the acquisition/disposal of shares.*

12. Interest-bearing bank loans and borrowings, and other financial liabilities

	31 December 2022	*31 December 2021*

Long-term		
Liabilities on account of financial lease and call-option lease agreements	-	-
Bonds	-	-
Total loans, including:	-	107 030
– working capital facility	-	-
– investment loans	-	107 030
Other liabilities	-	348
Long-term, total	**-**	**107 378**
Short-term		
Liabilities on account of financial lease and call-option lease agreements	-	39
Bonds	-	-
Total loans, including:	-	-
Current account loans	-	-
Other loans:	-	13 249
– working capital facility	-	-
– investment loans	-	13 249
Other liabilities	-	5 788
Short-term, total	**-**	**19 076**

On 29 January 2021, the Company and Bank Polski Kasa Opieki SA concluded a loan agreement, under which the Company was granted a loan in the total amount of up to PLN 160 million, allocated to funding an investment project. The objective of the project was to adapt an existing coal-fired unit located within the Konin power plant to biomass combustion. The modernized 50 MWe system will generate electricity and act as a backup for the biomass unit already operated at the Konin power plant, supplying the city of Konin with heat. Completing the project in the Konin Power Plant will provide a power generation capacity of approx. 100 MWe (2x50 MWe) – using biomass as the basic fuel.

On 23 June 2022, an amending Agreement was concluded. It transferred all rights and obligations under this contract onto PAK – PCE Biopaliwa i Wodór sp. z o.o.

13. Division of profit / loss coverage

13.1 Previous year loss coverage

The General Meeting held on 30 June 2022 adopted a resolution on covering the net loss of PLN 301 935 thousand using profits from future periods.

13.2 Current year profit distribution

Net profit for the financial year of 2022 was PLN 543 584 thousand. As at the date of publishing the financial statement, the ZE PAK SA Management Board decided to allocate the generated profit to cover losses from previous years.

(in PLN thousand)

14. Provisions

The following changes in provisions were recorded in the reporting periods covered by the financial statement:

Year concluded on 31 December 2022

	Deferred income tax provisions	*Provision for retirement and similar benefits*	*Provision for CO_2 emission allowances*	*Provision for the return of CO_2 emission allowances*	*Provisions for reclamation*	*Provisions for liquidation*	*Other provisions*	*Total*
As at 1 January 2022	10 618	23 138	1 233 461	7 097	74 906	20 614	1 264	1 371 098
Increases	-	7 616	1 176 829	275	-	261	-	1 184 981
Utilization	(10 618)	(9 698)	(1 256 143)	(7 372)	-	-	-	(1 283 831)
Release	-	(961)		-	(2 682)	-	-	(3 643)
As at 31 December 2022, including:	**-**	**20 095**	**1 154 147**	**-**	**72 224**	**20 875**	**1 264**	**1 268 605**
Long-term	-	7 769	-	-	72 224	20 875	-	100 868
Short-term	-	12 326	1 154 147	-		-	1 264	1 167 737

Year concluded on 31 December 2021

	Deferred income tax provisions	*Provision for retirement and similar benefits*	*Provision for CO_2 emission allowances*	*Provision for the return of CO_2 emission allowances*	*Provisions for reclamation*	*Provisions for liquidation*	*Other provisions*	*Total*
As at 1 January 2021	235 935	24 302	640 438	7 038	67 313	18 451	1 264	994 741
Increases	-	13 083	1 233 478	59	7 593	2 163	-	1 256 376
Utilization	-	(13 687)	(640 438)	-	-	-	-	(654 125)
Release	(225 317)	(560)	(17)	-	-	-	-	(225 894)
As at 31 December 2021, including:	**10 618**	**23 138**	**1 233 461**	**7 097**	**74 906**	**20 614**	**1 264**	**1 371 098**
Long-term	10 618	9 715	-	-	74 906	20 614	-	115 853
Short-term	-	13 423	1 233 461	7 097		-	1 264	1 255 245

(in PLN thousand)

Resolutions related to the decision of the Minister of Climate (adaptation to kBAT)

On 20 January 2021, the Company received a Decision of the Provincial Administrative Court in Warsaw dated 5 January 2021 on suspending the execution of a contested decision of the Minister of Climate of 4 August 2020 (“**Decision of the Minister of Climate”**), which upholds the decision of the Marshal of the Wielkopolskie Province on the adaptation of the integrated permit for the 474 MW power unit (formerly Elektrownia Pątnów II sp. z o.o.) to the requirements of the BAT conclusion (**“Decision of the Marshal”**). The aforementioned decision granted the Company with a temporary derogation from boundary emission values set out in the Commission Implementing Decision (EU) 2017/1442 dated 31 July 2017, establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, as regards atmospheric emissions of nitrogen oxides, dust, mercury and sulfur dioxide. The Company filed a complaint against the aforementioned decision.

The Company filed a complaint against the aforementioned decision on the suspension of enforceability. The complaint against the aforementioned decision was also filed by the Minister of Climate.

On 16 March 2021, the Company received another decision of the Provincial Administrative Court (WSA) dated 12 March 2021 on suspending the execution of the aforementioned WSA’s decision on suspending the execution of the Decision of the Minister of Climate.

The resolution contained in the aforementioned decisions of the Provincial Administrative Court in Warsaw dated 5 January 2021 and 12 March 2021 expired as a result of judgement issued in this case by the Provincial Administrative Court in Warsaw on 9 April 2021.

Judgement of the Provincial Administrative Court in Warsaw on the decision of the Minister of Climate (kBAT adaptation)

The Provincial Administrative Court in Warsaw, at a closed session, by way of a judgement dated 9 April 2021, file ref. IV SA/Wa 2149/20, repealed the decision of the Minister of Climate dated 4 August 2020 and contested by the Greenpeace Polska Foundation, pursuant to which the Decision of the Marshal of the Wielkopolskie Province dated 29 April 2020 was upheld. Due to the aforementioned judgement, the Decision of the Minister of Climate has no legal effects. The Provincial Administrative Court in Warsaw did not repeal the decision of the first instance body, i.e., the Decision of the Marshal.

Decision by the Minister of Climate and Environment

On 21 November 2022, the Minister of Climate and Environment issued a decision, file ref.: DIŚ-III.435.12.2020.AŻ.1, repealing the contested Decision of the Marshal, in its part related to cl. IV.1.3. (p.5 of the contested decision) regarding PERIOD II – from 18 August 2021 to 17 August 2024 and reworded this section of the decision. The remaining part of the Decision of the Marshal was upheld.

Complaints against the Decision of the** Minister **of Climate and Environment

On 23 December 2022, the Greenpeace Polska Foundation filed a complaint to the Provincial Administrative court in Warsaw against the decision of the Minister of Climate and Environment dated 21 November 2022 (DIŚ-III.435.12.2020.AŻ.1) – file ref. IV SA/Wa 166/23. In a letter of 9 March 2023, the Company requested the Provincial Administrative Court in Warsaw for a copy of the aforementioned complaint.

The Company has not created provisions for proceeding-related costs.

15. Receivable impairment write-downs

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
As at 1 January	19 610	40 077
Increases	-	9 023
Utilization	4	1
Release	478	29 489
As at 31 December	**19 128**	**19 610**

16. Short-term liabilities

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Trade liabilities, including:	56 874	74 488

(in PLN thousand)

– from affiliated entities	15 066	15 826
– from other entities	41 808	58 662
Loans and borrowings	-	13 249
Other financial liabilities	-	4 057
Received advance payments for supplies	7	-
Liabilities due to taxes, customs duties, social and health insurance, and other public-law issues, including:	28 183	163 040
– corporate income tax	-	-
– personal income tax	1 315	1 806
– excise tax	2	6
– VAT	15 728	145 092
– property tax	-	-
– Social Insurance Institution	5 937	5 818
– fees for commercial utilization of the environment	5 201	10 318
Remuneration liabilities	4 666	4 468
Other, including:	12 610	92 277
– ZFŚS liability	2 256	1 699
– remuneration write-off liabilities	729	892
– investment liabilities	9 350	10 714
– deposits, including:	1	78 789
• PGE Dom Maklerski SA	-	78 287
• other	1	502
– other	273	183
Special funds	3 942	4 756
Short-term liabilities, total	**106 282**	**356 335**

17. Liabilities secured with the entity's assets

The Company had the following types of liabilities secured against its assets:

Agreement	*Security type*	*31 December 2022 Security amount (PLN thous.)*	*Currency*	*31 December 2021 Security amount (PLN thous.)*	*Currency*
Multi-purpose credit limit agreement at Pekao SA for PLN 50 000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 §1 cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 150 000	PLN	Up to 150 000	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 50 000	PLN	Up to 100 000	PLN
Bank guarantee line agreement at Pekao SA for PLN 80 000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 §1 cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 120 000	PLN	Up to 120 000	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 80 000	PLN	Up to 80 000	PLN
Overdraft facility agreement at Santander Bank Polska SA for PLN 45 000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 §1 cl. 5 of the Code of Civil Procedure in the form of a notarial deed	-	PLN	Up to 54 000	PLN

(in PLN thousand)

Bank guarantee limit agreement at Santander Bank Polska SA for PLN 100 000 thousand for ZE PAK SA	Statement on submission to enforcement pursuant to Art. 777 §1 cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 120 000	PLN	Up to 60 000	PLN
Agreement on membership in the Exchange Clearing House run by IRGiT S.A. dated 28 May 2010	Statement on submission to enforcement pursuant to Art. 777 §1 cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 3 000 000	PLN	-	PLN

18. Contingent liabilities

	31 December 2022	*31 December 2021*
Due to guarantees and sureties granted and commissioned to:	304 265	167 739
– affiliates, including:	-	-
– to subsidiaries	-	-
– to the parent company	-	-
– other entities, in which the issuer has equity interests	-	-
– other entities	304 265	167 739
Due to other issues to:	356	356
– affiliates, including:	-	-
– to subsidiaries	-	-
– to the parent company	-	-
– other entities, in which the issuer has equity interests	-	-
– other entities, including:	356	356
– to a shareholder of a joint subsidiary	-	-
– to a significant investor	-	-
– to other entities	-	-
– to employees	356	356
Contingent liabilities, in total	**304 621**	**168 095**

Contingent liabilities for power plant decommissioning in the light of integrated permits held

The obligation to conduct decommissioning and land reclamation arises from integrated permits for operating fuel combustion systems at Pątnów I, Pątnów II, Konin and Adamów power plants belonging to ZE PAK SA. In the event of terminating their activities, the aforementioned entities shall be obliged to decommission all facilities and equipment of the system, in accordance with the requirements set out in the construction law. After decommissioning, the area of the plant shall be developed pursuant to arrangements with the local government authority. In particular, a facility and equipment decommissioning schedule shall be prepared and should take into account environmental protection requirements, primarily in relation to waste management.

The Adamów Power Plant has already terminated its activities and is currently undergoing the decommissioning of the system located there. The end date for the operation of systems located in Pątnów can also be specified due to strategic directions announced last year. The decommissioning of all Pątnów units can be specified at the end of 2024. Based on experience associated with decommissioning the Adamów power plant, the interest and value of placed bids, it should be reasonably assumed that the value of dismantled equipment, scrap and aggregate from decommissioned plants is able to cover the unit decommissioning and reclaiming costs.

19. Other contracts not included in the balance sheet

As at 31 December 2022 and 31 December 2021, the Company did not hold significant contracts not included in the balance sheet:

20. Sales by type and territory

The structure of sales revenues in 2022 and 2021 by type is as follows:

(in PLN thousand)

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Revenues from sales of electricity, including:	1 684 039	1 477 437
– affiliates	35 603	67 715
– other entities	1 648 436	1 409 722
Capacity market revenues, including:	160 008	185 793
– affiliates	-	-
– other entities	160 008	185 793
Revenues from sales of energy certificates of origin, including:	28 724	89 496
– affiliates	-	-
– other entities	28 724	89 496
Revenues from sales of thermal energy, including:	35 080	54 781
– affiliates	23	48
– other entities	35 057	54 733
Revenues from sales of services, including:	46 189	35 678
– affiliates	44 760	33 215
– other entities	1 429	2 463
Revenues from sales of traded electricity, including:	683 668	210 925
– affiliates	304	2 152
– other entities	683 364	208 773
Revenues from sales of other materials, including:	24 353	22 193
– affiliates	19 317	19 200
– other entities	5 036	2 993
Revenues from LTC release:	127 677	170 575
Total net sales revenues	**2 789 738**	**2 246 878**

Sales revenue structure:

	31 December 2022	*31 December 2021*
Domestic trade revenues	**2 789 738**	2 246 827
Foreign trade revenues	-	51
Total	**2 789 738**	**2 246 878**

21. Impairment write-downs against tangible assets

In the current reporting period, the Company did not make any tangible asset impairment write-downs.

22. Interest and exchange rate differences that increased the good acquisition price or goods production cost during the financial year

In the reporting year concluded on 31 December 2022, as well as the previous year, the Company did not increase the goods acquisition price or product manufacturing costs with interest and exchange rate differences.

23. Inventories

	31 December 2022	*31 December 2021*
Materials	11 841	23 852
Semi-finished products and products in progress	-	-
Products	-	-
Goods, including:	2 378	33 373
– green certificates	2 290	33 307
– red certificates	-	-
– yellow certificates	-	-
– white certificates	86	66
– purple certificates	-	-
– blue certificates	2	-
Advance payments for supplies	1	-
Total inventories	**14 220**	**57 225**
Total inventories impairment write-downs, including:	73 307	78 170
– materials	73 307	73 307
– goods	-	4 863

(in PLN thousand)

24. Information on revenues, costs and results of discontinued activities in the financial year or planned to be discontinued in the following year

On 1 July 2022, the Company disposed of an organized part of the enterprise within the Company, which comprises, in particular, land properties owned or under perpetual usufruct of the Company, with generating assets, electrical switching stations with transmission infrastructure, workshops, office and other buildings, auxiliary infrastructure, contracts and some employees, required to conduct business activities by the Konin Power Plant (ZCP Konin) for the benefit of PAK – PCE Biopaliwa i Wodór sp. z o.o. The business activity of OPE Konin Power Plant in H1 2022 generated sales revenues in the amount of PLN 138 313 thousand, with costs appropriately allocated to this period being PLN 138 000 thousand. Gross profit on sales within this activity is PLN 313 thousand.

Below is the result of selling the organized part of enterprise Konin Power Plant

Sales revenues	921 619
Net value of assets sold	(524 870)
OPE sales profit	396 749

25. Income tax

Gross profit reconciliation for the tax base is as follows:

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Gross profit (loss)	**632 260**	**(527 243)**
Current year revenues not included as taxable income	(66 114)	(83 964)
Current year revenues not recognized in the financial year result	51 299	17
Current year costs permanently not recognized as tax deductible costs	12 312	7 989
Current year costs permanently not recognized as tax deductible costs	296 130	763 877
Previous year costs recognized as tax deductible costs in the current year	(12 133)	(11 422)
Current year costs recognized as tax deductible costs, not included in the financial result	(132 765)	(34 218)
Other differences	(20 363)	(21 344)
Taxable income (loss)	**760 626**	**93 692**
– tax loss realisation	217 946	93 667
– deductible donations	1 035	25
Income tax base	**541 645**	**-**
Tax rate	**19%**	**19%**
Income tax (current)	**102 912**	**-**
Dividend income tax	42	9
Change in the deferred income tax provision/asset value	(14 278)	(225 317)
Total income tax	**88 676**	**(225 308)**

Regulations regarding the goods and services tax, the corporate income tax and the burden load associated with social insurance are subject to frequent changes. These frequent changes result in the lack of relevant benchmarks, incoherent interpretations and few established precedents, which could be applied. The binding legislation also contain ambiguities, which create differences in the opinions, in terms of legal interpretation of tax legislation, both, between state authorities, as well as state authorities and enterprises.

Tax settlements and other areas of activity (for example customs or foreign currency issues) can be subjected to inspection by the authorities, which are entitled to impose large penalties and fines, and all additional tax liabilities, resulting from the inspection, must be paid together with high interest. These circumstances make the tax risk in Poland to be higher than in countries with a more mature tax system.

As a consequence, the amounts shown and disclosed in financial statements can be changed in the future, as a result of the ultimate decision by a tax audit authority.

Amendments to the Tax Code were introduced on 15 July 2016 in order to reflect the provisions of the General Anti-Abuse Regulation (GAAR). The GAAR is supposed to prevent the creation and abuse of artificial legal structures, formed in order to avoid paying taxes in Poland. The GAAR defines tax evasion as an activity conducted mainly with the aim to obtain a tax benefit, contradictory in current circumstances to the subject matter and goal of the tax law regulations. According to GAAR, such an activity does not result in obtaining a tax benefit, if the manner of activity was artificial. All events of (i) unjustified division of operations, (ii) involvement of intermediaries, despite a lack of economic or business justification, (iii) elements mutually cancelling or compensating each other and (iv) other activities of a similar effect to the previously mentioned, can be treated as a prerequisite for the existence of artificial activities subject to GAAR provisions. The new regulations will require a much wider judgement when assessing the tax effects of individual transactions.

The GAAR clause shall be applied in relation to transactions made after it came into effect and to transaction, which were conducted prior to the GAAR entering into force but for which the benefits were or still are achievable after the date of entry into force. The implementation of the above regulations will enable Polish tax audit authorities to question the legal agreements and arrangements executed by the taxpayers, such as group restructuring and reorganization.

The Company recognizes and measures the assets or liabilities for the current and deferred income tax by applying the requirements of AoA. The income tax, on the basis of the profit (tax loss), taxation base, unreconciled tax losses, unused tax relieves and tax rates, taking into account the uncertainties associated with tax settlements.

In case of uncertainty whether a tax authority would accept, and to what extent, tax settlements of a transaction, the Group recognises these settlements taking into account the uncertainty assessment.

(in PLN thousand)

The deferred income tax provisions/assets include differences on account of the following:

	Balance		*Income statement for the year concluded on*	
	31 December 2022	*31 December 2021*	*31 December 2022*	*31 December 2021*
Deferred income tax provisions				
Accelerated tax depreciation	-	41 100	(41 100)	(202 524)
LTC-related receivables from Zarządca Rozliczeń	7 077	14 861	(7 784)	(1 082)
Loan valuation	-	-	-	(3)
Cash valuation	-	185	(185)	(594)
Certificates in stock	452	6 322	(5 870)	2 011
Other	-	1 930	(1 930)	685
Deferred income tax provisions	**7 529**	**64 398**	**(56 869)**	**(201 507)**
Deferred income tax assets				
Provisions for employee benefits	3 846	4 396	(550)	(222)
Other provisions	48	76	(28)	28
Provisions for liquidation of assets	-	-	-	(3 506)
Provision for reclamation	23	23	-	-
Provision for the return of CO_2 allowances	-	1 348	(1 348)	11
Untransferred ZUS XI-XII contributions	551	534	17	(58)
Inventories impairment write-down	-	-	-	(8 662)
Certificate impairment write-down	-	136	(136)	53
Receivables impairment write-down	2 125	2 199	(74)	1 714
Financial asset impairment write-down	3 027	3 027	-	3 018
Loan and credit valuation	1 568	-	1 568	-
Tax loss asset	30 107	41 410	(11 303)	31 218
Other	1	631	(630)	216
Tax loss asset impairment write-down	(30 107)	-	(30 107)	-
Deferred income tax assets	**11 189**	**53 780**	**(42 591)**	**23 810**
Deferred income tax net provisions		10 618	(14 278)	(225 317)
Deferred income tax net assets	(3 660)	-	-	-
Deferred income tax assets charged to the financial result	**-**	**-**	**(14 278)**	**(225 317)**

(in PLN thousand)

26. Costs by type

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Depreciation and amortization	13 380	110 713
Material and energy consumption	659 065	626 314
Outsourcing	136 149	159 489
Taxes and fees	1 112 642	839 071
Remuneration	99 177	92 663
Social security and other benefits	23 162	21 271
– including pensions	8 940	8 096
Other costs by type	12 653	10 075
Costs by type, in total	**2 056 228**	**1 859 596**
Change in product stock	(9 472)	7 841
The cost of manufacturing products for the own needs (negative value)	(64)	(41)
Costs of sales (negative value)	(1 692)	(2 357)
Overheads (negative value)	(55 828)	(51 955)
Sold product manufacturing costs	(1 989 172)	(1 813 084)

27. Other operating revenues

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Profit on the disposal of non-financial fixed assets, including:	363 202	13 372
– revenues from sales of fixed assets and intangible assets	1 092 366	13 997
– net fixed assets and liquidation costs	(729 164)	(625)
Grants	46	46
Revaluation of non-financial assets	160	-
Other operating revenues, including:	28 106	6,022
– received compensation and liquidated damages	884	36
– remuneration for surety from affiliated entities	694	484
– result on sale of H2 Station plants	1 238	-
– Adamów Power Plant decommissioning revenues	24 652	4 576
– actuarial profits	-	560
– other	638	366
Other operating revenues, total	**391 514**	**19 440**

28. Other operating costs

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Non-financial asset revaluation, including:	6 711	617 847
– liability value impairment write-down	-	9 024
– inventories value impairment write-down	-	27 721
– impairment write-downs against tangible assets	-	577 804
– capital work in progress impairment write-down	-	2 067
– certificate impairment write-down	6 711	1 231
Other operating costs, including:	4 791	3 616
– litigation and enforcement proceeding costs	43	170
– Adamów Power Plant fixed asset liquidation costs	-	1 514
– transfer pricing adjustment	-	170
– provision on account of CO_2 allowance return	275	59
– loss on realized forward contract for CO_2 allowance purchase	1 407	559
– result on discontinued investments	-	-
– in-kind and financial donations granted	1 083	40
– equipment failure costs	101	189
– inventory liquidation costs	804	19
– compensation and penalties paid	33	463
– actuarial losses	205	-
– other operating costs	840	433

(in PLN thousand)

Other operating costs, total	**11 502**	**621 463**

29. Financial revenues

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Profit on dividends and share in profits, including:	3 222	46
– profit on share in affiliated entities, including:	3 000	-
• PAK Górnictwo sp. z o.o.	3 000	-
– profit on share in other entities	222	46
Interest, including:	17 889	1 132
– interest on loans granted to affiliated entities, including:	5 193	983
✓ realized interest	2 571	833
✓ unrealized interest	2 622	150
• PAK Górnictwo sp. z o.o.	-	32
• PAK – VOLT SA	762	209
• PAK KWB Konin SA	1 847	554
• PAK – Polska Czysta Energia sp. z o.o.	1 810	-
• PAK – PCE Polski Autobus Wodorowy sp. z o.o.	-	38
• PAK – PCE Fotowoltaika sp. z o.o.	734	147
• PG Hydrogen sp. z o.o.	3	3
• PAK CCGT sp. z o.o.	37	-
– other interest from affiliated entities	-	-
– interest from other contractors	70	1
– bank interest	12 626	148
Investment revaluation, including	-	5 676
– financial asset impairment write-down	-	5 676
Other, including:	9 068	747
– surety interest inflows	9 067	-
– other	1	747
Financial revenues, total	**30 179**	**7 601**

30. Financial costs

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Loss on investment disposal	-	-
Interest, including:	3 366	863
– interest to affiliated entities	-	75
– interest to other entities	7	238
– budget interest	22	11
– bank interest	3 319	512
– other interest (including lease liabilities)	18	27
Financial asset revaluation, including:	1 395	7 184
– PAK KWB Konin SA shares impairment write-down	-	7 184
Other, including:	12 040	4 774
– realized negative exchange rate differences	9 549	2 428
– other financial costs	311	139
– provision discount	2 180	2 207
Financial costs, total	**16 801**	**12 821**

31. Capital work in progress production cost

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Capital work in progress production cost, including	54 080	137 173
– interest on liabilities (contracted to fund CWIP production)	721	3 061
– liability exchange rate differences (contracted to fund CWIP production)	-	-

(in PLN thousand)

32. Revenues and costs of extraordinary value or incidental

Until signing the financial statement for the period concluded on 31 December 2022, i.e., until 27 April 2023, there were no recorded revenues and costs of extraordinary value or incidental, besides the sale of OPE Konin Power Plant described in *Note 24* that were not and should have been recognized in the financial year statement.

33. Structure of cash accepted to the cash flow statement

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Cash in bank, including:	1 217 991	411 939
− cash in VAT accounts	2 831	4 905
Funds in cash	6	6
Other cash	-	-
Cash, total	**1 217 997**	**411 945**
Cash in PLN	303 448	183 148
Cash in foreign currencies (converted)	914 549	228 797
Cash in EUR	195 004	49 745
Foreign exchange rate differences	3 178	(39)
Cash in the Cash Flow Statement	**1 221 175**	**411 906**

34. Reasons behind differences between changes in certain balance sheet items and changes of the same items disclosed in the cash flow statement

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Investment activity		
− profit on investment disposal	(403 192)	(13 978)
− fixed asset impairment write-downs	-	579 265
− financial asset write-downs	-	7 184
− other	(451)	7
Profit (loss) on investment activities in the cash flow statement	**(403 643)**	**572 478**

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Prepayments and accruals		
Balance sheet change in prepayments and accruals	(6 170)	1 436
− change in accruals	(920)	414
− change in special funds	(814)	(91)
Change in cash flow statement prepayments and accruals	**(7 904)**	**1 759**

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Provisions		
The balance sheet change in the condition of provisions	(102 493)	376 357
− use of the provision related to the redemption of EUA for 2021	1 256 143	642 616
Cash flow statement provisions change	**1 153 650**	**1 018 973**

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Liabilities		
Balance sheet change in short- and long-term liabilities and loans	(356 488)	285 713
− change in credit-related liabilities	120 279	(120 279)
− change in lease liabilities	-	291
− change in investment liabilities	(1 586)	39 516
− change in financial liabilities	4,057	(3 605)
Cash flow statement liabilities change	**(233 738)**	**201 636**

(in PLN thousand)

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Receivables		
Balance sheet change in receivables	(868 432)	(977 659)
– transfer to CO_2 emission allowance security	-	44 128
– PAK CCGT sp. z o.o. capital deposit compensation	21 199	-
Cash flow statement receivables change	**(847 233)**	**(933 531)**

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Other adjustments		
Balance sheet change in other adjustments	-	-
– purchase of CO_2 emission allowances	(1 319 522)	(707 199)
– derivative instrument liability	2,070	4,479
Change under *other* in cash flow statement adjustment	**(1 317 452)**	**(702 720)**

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Investment activity inflows		
– dividends received from affiliated entities	3 000	-
– repayment of loans from affiliated entities	35 010	7 700
– interest received from affiliated entities	2 570	833
– dividends received from other entities	222	46
– change in capital contributions	-	4 969
Financial asset inflows in the cash flow statement	**40 802**	**13 548**

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Acquisition of intangible and legal assets, as well as tangible assets		
– capital expenditure on tangible fixed assets	52 579	137 173
– change in investment liabilities	(1 586)	38 031
– change in advance payments for capital work in progress	16 798	(4 415)
– outlays on intangible assets	1 501	134
Acquisition of intangible assets and tangible fixed assets in the cash flow statement	**69 292**	**170 923**

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Expenditure on financial assets in affiliated entities		
Balance sheet change in expenditure on financial assets in affiliated entities	-	-
– acquisition of shares in newly established Companies	2 600	45
– acquisition of shares and stocks in affiliated entities	9 032	13 235
– loans granted to affiliated entities	316 259	6 062
Expenditure on financial assets in affiliated entities in the cash flow statement	**327 891**	**19 342**

35. Information on average employment divided into occupational groups

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Employee group		
Management Board	5	5
Administration	70	66
Sales	18	18
Production	448	526
Other	327	316
Total employment	**868**	**931**

(in PLN thousand)

36. Information on audit company remuneration, paid or due for the financial year

The following table presents the remuneration of an entity entitled to audit financial statements paid or due to the year concluded on 31 December 2022, and on 31 December 2021, divided into types of services:

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Statutory audit within the meaning of Art. 2(1) of the act on statutory auditors	490	450
Other approval-related services	28	28
Tax advisory services	-	-
Other services	-	-
Total, including	**518**	**478**
– due at the balance sheet date	230	240
– paid at the balance sheet date	288	238

37. Information on remuneration, together with remuneration on profit and pensions paid or due to persons making up management and supervisory bodies

Remuneration of persons making up management and supervisory or administrative bodies of the Company amounted to:

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Remuneration		
Company Management Board	3 103	4 376
Supervisory Board	1 372	1 244
Remuneration, total	**4 475**	**5 620**

38. Information on loans and benefits similar in nature granted to persons making up management and supervisory bodies

Both in the financial year concluded on 31 December 2022, and in the previous year, the Company did not grant any loans and similar benefits to members of management and supervisory bodies.

39. Information on joint ventures not subject to consolidation

The Company did not undertake joint ventures not subject to consolidation.

40. Information on the capital group and transactions with affiliated entities

40.1. Capital Group

a) The Company operates within the Elektrim SA Capital Group.

The consolidated financial statement at the highest tier of the capital group, with the Company being its part as a subsidiary, is developed by Elektrim SA with its registered office in Warsaw. The duration of the parent and member companies of the Capital Group is unlimited. The statement is available at the Company's registered office at 77/79 Pańska Street in Warsaw.

a) The Company is the parent company and develops consolidated financial statements. The ZE PAK SA Capital Group ("Group", "Capital Group", "ZE PAK SA Group") consists of ZE PAK SA ("parent company", "Company") and its subsidiaries. The Group's consolidated financial statement covers the year concluded on 31 December 2022 and includes comparative data for the year concluded on 31 December 2021. The Consolidated Financial Statement is available at the Company's registered office in Konin, at 45 Kazimierska Street.

The duration of the parent and member companies of the Capital Group is unlimited.

The main activities of the Group are:
1) generation and sale of electricity,
2) production and distribution of heat (steam and hot water),

(in PLN thousand)

3) lignite extraction.

The consolidated financial statement includes the Statements from the following companies:

Entity	*Registered office*	*Scope of activity*	*Group's share in capital, %*	
			As at 31 December 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 holdings	59.59%*	100.00%
"PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	100.00%	97.68%*
"PAK Górnictwo" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machinery	100.00%	100.00%
PAK Pątnów" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	-
PAK Atom SA	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	-
Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Renovation and construction services	59.59%*	100.00%*
„PAK-Volt" SA	00-834 Warsaw ul. Pańska 77/79	Electricity sales	59.59%*	100.00%
"PAK – PCE Polski Autobus Wodorowy" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Bus manufacturing	59.59%*	100.00%*
"PAK – PCE Fotowoltaika" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%
„PAK – PCE Stacje H2 sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*
"PAK – PCE Biopaliwa i Wodór" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Electricity generation	59.59%*	100.00%*
"PAK – PCE Wiatr" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*
PAK – PCE FW Okonek sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	-
PAK – PCE FW Jastrowie sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	-
"PG Hydrogen" sp. z o.o.	02-673 Warsaw ul. Konstruktorska 4	Manufacturing of engines and turbines, excluding aviation and automotive engines	30.98%*	52.00%*
"Exion Hydrogen Polskie Elektrolizery" sp. z o.o.	04-028 Warsaw Al. Stanów Zjednoczonych 61	Design and manufacturing of electrolysers	47.67%*	80.00%
"Exion Hydrogen Belgium" BV	Slachthuisstraat 120 Bus 12 2300 Turnhout	Design and manufacturing of electrolysers	47.67%*	80.00%*
"PAK CCGT" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%
"Farma Wiatrowa Kazimierz Biskupi" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Design and construction of wind farms	59.59%*	100.00%*
"PCE – OZE 1" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*
"PCE – OZE 2" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*
"PCE – OZE 3" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*
"PCE – OZE 4" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*
"PCE – OZE 5" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*

(in PLN thousand)

"PCE – OZE 6" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	100.00%*
"MESE" sp. z o.o.	04-028 Warsaw Al. Stanów Zjednoczonych 61A		53.63%*	90.00%*
"Park Wiatrowy Pałczyn 1" sp. z o.o.	70-479 Szczecin Al. Wojska Polskiego 68	Electricity generation	59.59%*	100.00%*
"Park Wiatrowy Pałczyn 2" sp. z o.o.	70-479 Szczecin Al. Wojska Polskiego 68	A merger with Park Wiatrowy Pałczyn 2 sp. z o.o. was enacted in 2022	-	100.00%*
Farma Wiatrowa Przyrów sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	-
Great Wind sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	-
Eviva Lębork sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	-
Elektrownie Wiatrowe Dobra sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	-
„PAK Kopalnia Węgla Brunatnego Adamów" SA	62-700 Turek Warenka 23	Lignite extraction	100.00%	100.00%
"Aquakon" sp. z o.o. under liquidation	62-610 Sompolno Police	Liquidated company	-	99.08%*

* *Entities with partially or completely indirect share of ZE PAK SA via other ZE PAK SA Group*

The financial statements of the following Companies have not been subject to consolidation:

Entity	*Registered office*	*Scope of activity*	*Group's share in capital, %* *As at 31 December 2022*	*As at 31 December 2021*
Ørsted Polska OF SPV 1 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	60.00%	-
Ørsted Polska OF SPV 2 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	1.00%	-
Ørsted Polska OF SPV 3 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	1.00%	-
Ørsted Polska OF SPV 4 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	1.00%	-
Ørsted Polska OF SPV 5 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	1.00%	-
Ørsted Polska OF SPV 6 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	60.00%	-
Ørsted Polska OF SPV 7 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	1.00%	-
Ørsted Polska OF SPV 8 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	50.00%	-
Mawzorino Investments sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	50.00%	-
Ørsted Polska OF SPV 10 sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation	50.00%	-

As of 31 December 2022, share in the general number of votes held by the Group in subsidiaries is equal to the Group's share in capitals of these subsidiaries.

(in PLN thousand)

40.2. Transactions with affiliated entities

Transaction with affiliated entities have been concluded on an arm's length basis. Volume of transactions with entities controlled by the parent company amounted to:

PAK Kopalnia Węgla Brunatnego Konin SA

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Purchases	524 547	476 561
Sale	13 027	14 148
Other operating revenues	264	1 600
Interest – financial income	1 847	554

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	9 619	6 957
Loans granted	25 000	25 000
Other receivables	793	-
Other liabilities	-	48

PAK Kopalnia Węgla Brunatnego Adamów SA

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Purchases	150	182
Sale	4 479	4 612

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	893	956
Liabilities due to supplies, works and services	15	31
Other receivables	35	-

Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Purchases	86 187	106 777
Sale	8 012	8 067
Other operating revenues	11	14
Interest – financial costs	-	75

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	1 022	595
Liabilities due to supplies, works and services	14 015	14 249
Other receivables	179	-
Other liabilities	3 075	3 277

PAK Górnictwo sp. z o.o.

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Purchases	3 152	6 206
Sale	22 452	22 494
Interest – financial income	-	32
Other operating revenues	2	2
Received dividends and shares in profits	3 000	-

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	1 487	1 943
Liabilities due to supplies, works and services	363	1 346
Other receivables	132	-

(in PLN thousand)

__*PAK – VOLT SA*__

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Purchases	90	-
Sales	38 439	70 269
Other operating revenues	48	15
Interest – financial income	762	209

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	1 319	12 514
Liabilities due to supplies, works and services	237	200
Loans granted	38 039	8,000
Other receivables	-	2

__*PAK – PCE Biopaliwa i Wodór sp. z o.o.*__

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Purchases	810	-
Sales	10 531	-
Other operating revenues described in *Note 24*	921 619	-

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	4 221	-
Liabilities due to supplies, works and services	427	-
Other receivables	1 329	-

__*PAK – Polska Czysta Energia sp. z o.o.*__

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Sales	460	127
Other operating revenues	201	610
Interest – financial income	1 810	-

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	162	887
Loans granted	248 432	-

__*PG Hydrogen sp. z o.o.*__

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Sales	7	-
Interest – financial income	3	3

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	1	-
Loans granted	66	72

(in PLN thousand)

PAK – PCE Fotowoltaika sp. z o.o.

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Purchases	-	-
Sales	1 950	1 503
Other operating revenues	99	958
Interest – financial income	734	147

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	1 084	3 935
Liabilities due to supplies, works and services	-	-
Loans granted	10 381	6 147

PAK – PCE Polski Autobus Wodorowy sp. z o.o.

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Sales	976	964
Other operating revenues	2	-
Interest – financial income	-	38

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	303	287
Other receivables	56	-

PAK CCGT sp. z o.o.

	Year concluded on 31 December 2022	*Year concluded on 31 December 2021*
Sales	575	7
Interest – financial income	37	-

	31 December 2022	*31 December 2021*
Receivables on account of supplies, works and services	77	9
Loans granted	1 137	-

Other companies

Affiliated entity		*Sales*	*Other operating revenues*	*Purchases*	*Receivables*	*Other receivables*
PCE – OZE 1 sp. z o.o	*2022*	96	-	-	11	-
	2021	20	-	-	25	–
PCE – OZE 2 sp. z o.o	*2022*	93	–	-	11	–
	2021	20	–	-	25	–
PCE – OZE 3 sp. z o.o	*2022*	93	–	-	10	–
	2021	20	–	-	25	–
PCE – OZE 4 sp. z o.o	*2022*	93	–	-	10	–
	2021	20	-	-	25	-
PCE – OZE 5 sp. z o.o	*2022*	180	-	-	22	-
	2021	20	-	-	25	-
PCE – OZE 6 sp. z o.o	*2022*	93	-	-	10	–
	2021	20	-	-	25	-
PAK – PCE Stacje H2 sp. z o.o.	*2022*	4	-	-	1	27
	2021	–	-	-	–	-

PAK - PCE Wiatr sp. z o.o.	*2022*	4	-	-	–	–
	2021	–	-	-	–	–
Farma Wiatrowa Przyrów sp. z o.o.	*2022*	26	2	-	9	10
	2021	-	-	-	-	–
PAK Pątnów" sp. z o.o.	*2022*	6	-	-	-	–
	2021	–	-	-	–	–
Exion Hydrogen Polskie Elektrolizery sp. z o.o.	*2022*	4	-	-	-	30
	2021	–	-	-	–	–
Farma Wiatrowa Kazimierz Biskupi sp. z o.o.	*2022*	428	66	-	182	10
	2021	–	–	-	–	–
Park Wiatrowy Pałczyn 1 sp. z o.o.	*2022*	183	–	-	39	–
	2021	–	–	-	–	–
PAK – PCE FW Okonek sp. z o.o.	*2022*	6	–	-	7	–
	2021	–	–	-	–	–
PAK – PCE FW Jastrowie sp. z o.o.	*2022*	5	–	-	6	–
	2021	–	–	-	–	–
Great Wind sp. z o.o.	*2022*	2	–	-	1	13
	2021	–	–	-	–	–
Eviva Lębork sp. z o.o.	*2022*	1	–	-	1	13
	2021	–	–	-	–	–
Aquakon sp. z o.o. under liquidation	*2022*	25	–	6	2	-
	2021	19	–	3	–	–
Total	*2022*	1 342	68	6	322	113
	2021	139	-	3	150	-

41. List of companies with Company's equity interest or 20% of the total number of votes in the company's governing body

As at 31 December 2022

	Entity name	*Registered office*	*Number of shares*	*Balance sheet value of shares/stocks***	*Share in the share capital (%)*	*Net profit (loss) for the year concluded on 31 December 2022**	*Equity as at 31 December 2022**
1.	PAK KWB Konin SA	Kleczew	24 750 000	-	100.00	35 181	(221 201)
2.	PAK KWB Adamów SA	Turek	12 000 000	-	100.00	(8 316)	(15 263)
3.	PAK Atom SA	Konin	10 000	2 500	100.00	(8)	2 492
4.	PAK Pątnów" sp. z o.o.	Konin	2 000	101	100.00	(26)	74
5.	PAK Górnictwo sp. z o.o.	Konin	141 000	-	100.00	7 426	29 356
6.	PAK – Polska Czysta Energia sp. z o.o.	Konin	14 118 705	660 166	59.59	(8 572)	1 179 243
7.	PAK CCGT sp. z o.o.	Konin	424 080	21 204	100.00	(767)	20 437
8.	Ørsted Polska OF SPV 1-10	Warsaw	-	3 871	-	n/a	n/a

* *Data of Companies is not final.*
** *Balance sheet value of shares/stocks results from direct and indirect equity interest.*

As at 31 December 2021

(in PLN thousand)

	Entity name	*Registered office*	*Number of shares*	*Balance sheet value of shares/stocks***	*Share in the share capital (%)*	*Net profit (loss) for the year concluded on 31 December 2021*	*Equity as at 31 December 2021*
1.	PAK KWB Konin SA	Kleczew	24 750 000	-	100.00	(188 499)	(256 382)
2.	PAK KWB Adamów SA under liquidation	Turek	12 000 000	-	100.00	44 275	(6 947)
3.	Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	Konin	189 419	9 755	100.00	10 831	36 222
4.	PAK Górnictwo sp. z o.o.	Konin	141 000	-	100.00	3 893	24 946
5.	PAK – VOLT SA	Warsaw	2 950 000	91 750	100.00	(3 590)	16 943
6.	PAK – PCE Fotowoltaika sp. z o.o.	Konin	958 000	48 000	100.00	945	48 680
7.	PAK – Polska Czysta Energia sp. z o.o.	Konin	902 565	22 060	100.00	1 144	45 989
8.	PAK – PCE Biogaz sp. z o.o.	Konin	1 000	50	100.00	(8)	40
9.	PAK – PCE Wiatr sp. z o.o.	Konin	1 000	50	100.00	(9)	39
10.	PAK – PCE Biopaliwa i Wodór sp. z o.o.	Konin	1 000	50	100.00	(21)	27
11.	PCE – OZE 1 sp. z o.o.	Konin	100	5	100.00	(88)	(83)
12.	PCE – OZE 2 sp. z o.o.	Konin	100	5	100.00	(297)	(292)
13.	PCE – OZE 3 sp. z o.o.	Konin	100	5	100.00	(68)	(63)
14.	PCE – OZE 4 sp. z o.o.	Konin	100	5	100.00	(64)	(59)
15.	PCE – OZE 5 sp. z o.o.	Konin	100	5	100.00	(324)	(319)
16.	PCE – OZE 6 sp. z o.o.	Konin	100	5	100.00	(226)	(221)
17.	PAK CCGT sp. z o.o.	Konin	100	5	100.00	(9)	(4)
18.	FW Kazimierz Biskupi sp. z o.o.	Konin	330 200	30 464	100.00	(298)	16 192
19.	PW Pałczyn 1 sp. z o.o.	Szczecin	50	5	100.00	(5)	(16)
20.	PW Pałczyn 2 sp. z o.o.	Szczecin	50	5	100.00	(5)	(16)
21.	MESE sp. z o.o.	Warsaw	90	1	90.00	(3)	(4)
22.	PAK – PCE Polski Autobus Wodorowy sp. z o.o.	Konin	121 000	12 100	100.00	(1 215)	17 513
23.	PG Hydrogen sp. z o.o.	Warsaw	26	-	52.00	(17)	(23)
24.	Exion Hydrogen Polskie Elektrolizery sp. z o.o.	Warsaw	80	40	80.00	(789)	(743)
25.	Aquakon sp. z o.o. under liquidation	Police	5 070	1 536	99.08	97	3899

+* *Balance sheet value of shares/stocks results from direct and indirect equity interest.*

All shares in subsidiaries, as at both 31 December 2022 and 31 December 2021, were not privileged.

At the end of every reporting period, the Management Board of the Company evaluates whether there are any premises indicating that shares/stocks in subsidiaries may have been impaired.

42. Information on fulfilling the obligations of Art. 44 of the Energy Law act

The Company's core business is electricity generation. Pursuant to Art. 44 of the Energy Law act, the Company shall only be obliged to separate electricity generation from the unit entitled to receive funds for covering stranded costs. Other generating entities, the energy-related activity of which does not have to be separated pursuant to Art. 44(2) have been disclosed under other activities.

To ensure equal treatment of consumers and eliminate cross-subsidization, Art. 44(1) of the Energy Law act obliges power utilities to keep accounting records in a manner enabling separate calculation of costs and revenues, profit and loss on conducted business activity in the field of supplying gas fuels or energy, including fixed costs, variable costs and revenues, separately for generation, transmission, distribution and trading of gas fuels or energy, gas fuel storage and natural gas liquefaction or liquefied natural gas re-gasification, also in relation to tariff-specified consumer groups, as well as in the scope not related to the aforementioned activities.

In order to satisfy the aforementioned requirement, the Company keeps accounting records that allows to separately calculate costs and revenues, profit and loss on individual types of activities set out in Art. 44(1) of the Energy Law act. Revenues related to the sales of electricity, thermal energy, property rights and system services have been distinguished with respect to revenues. With respect to costs, the Company keeps records ensuring that costs are divided into variable and fixed. The variable costs depend on the extent of electricity and heat generation, and these are the costs of the consumption of coal, auxiliary liquid fuels, such as heavy oil or heating oil and limestone flour, the costs of consumption of chemicals for technological purposes, charges for the economic use of the environment in terms of water, post-production waste and volatile pollutant emission into the air, and the costs of CO_2 emission allowances. The costs depended on the extent of production also include the costs related to the sale of energy: excise tax, statutory charges related to certification and participation in open energy markets. Other costs are fixed costs. The cost-allocation keys, based on which the primes costs of internal electricity and thermal energy generation and other activities are recognized, constitute a basis for the settlement of costs for each activity.

In order to satisfy the requirements aimed at ensuring the equal treatment of consumers and eliminating cross-subsidization between activities, Art. 44(2) of the Energy Law act obliges power utilities to, within the disclosure of additional information in their annual financial statement, present appropriate balance sheet and income statement items separately for individual types of conducted business activity in the field of transmission or distribution of electricity, transmission, distribution or storage of gas fuels, gas fuel trading, natural gas liquefaction or liquefied natural gas re-gasification, as well as to indicate the principles of allocation of assets and liabilities, and costs and revenues to each of these activities.

Art. 44(2) of the Energy Law act stipulates that "...A power utility dealing with the generation of electricity and having the right to receive funding to cover stranded costs pursuant to the act of 29 June 2007 on the principles of covering costs incurred by producers in relation to premature termination of long-term capacity and electricity sale contracts, as part of disclosures in the additional information of their annual financial statement, referred to in sect. 1a, presents appropriate balance sheet items and income statement separately for the conducted business activity in the field of electricity generation for generating units within the meaning of this act, for which the adjustment period within the meaning of this act has not ended, and indicates the principles of allocating assets and liabilities, and costs and revenues to each of these activities.

As part of its activities, the Company identified the obligation to separate electricity generation by the 474 MW unit No. 9 (formerly Pątnów II Power Plant), where we have the right to receive funding to cover stranded costs pursuant to the act of 29 June 2007 on the principles of covering costs incurred by producers in relation to premature termination of long-term capacity and electricity sale agreements set out in Art. 44(2a) of the Energy Law act.

In order to satisfy the aforementioned requirement, the Company keeps accounting records that allows to separately calculate costs and revenues, profit and loss on individual types of activities set out in Art. 44(1) and 44(2a) of the Energy Law act. In relation to revenues, the Company separated revenues related to the sale of electricity from the generating unit covered by an LTC and other activities, i.e., electricity generation from other units and the sales of other services and materials.

Income statement

The Company draws up the Income Statement in accordance with the Accounting Act provisions and it keeps a register of expenses based on their nature. Revenues from the sales of electricity, revenues from LTCs, revenues from system services and the costs of their production at unit No. 9 have been disclosed in the *Activity of unit No. 9* column in the income statement. Revenues from the sales of electricity in other generating units and revenues from system services provided by other units, as well as the production costs of other generating units, and other revenues from services and materials have been disclosed in the *Other activities* column. The Company keeps a register of prime costs by their nature and recognises the costs incurred during a given reporting period and the costs related to that period as part of the conducted business activity. Prime costs are divided into variable costs and fixed costs.

The variable costs depend on the extent of electricity generation, and these are the costs of the consumption of coal, auxiliary liquid fuels, such as light heating oil and limestone flour, the costs of consumption of chemicals for technological purposes, charges for the economic use of the environment in terms of water, post-production waste and volatile pollutant emission into the air, and the costs of CO_2 emission allowances.

The costs depended on the extent of production also include the costs related to the sale of energy: excise tax, statutory charges related to certification and participation in open energy markets. Other costs are fixed costs. Costs are recorded in the accounts of team 5 (cost centres). The cost-allocation keys, based on which the prime costs of internal electricity generation and other service activities are recognized, constitute a basis for the settlement of costs for each activity. Variable costs are settled using the "physical cost allocation method". Fixed costs are settled using an allocation key as generated energy and system services. Fixed cost allocation key calculation was based on "Industry cost statement for energy sector". Costs for other service activities are allocated using an allocation key for individual organisational units in the service and provision of services to consumers.

(in PLN thousand)

Condensed income statement for individual activities for 2022 and 2021

Year concluded on 31 December 2022	*Total*	*Activity of unit No. 9**	*Other activities*
Sales revenues	2 789 738	1 789 646	1 000 092
Costs of sold products, goods and materials	(2 493 348)	(1 477 032)	(1 016 316)
Selling costs	(1 692)	(575)	(1 117)
Overheads	(55 828)	(16 521)	(39 307)
Other operating revenues	391 514	-	391 514
Other operating costs	(11 502)	-	(11 502)
Operating result	**618 882**	**295 519**	**323 363**
Financial revenues	30 179	-	30 179
Financial costs	(16 801)	-	(16 801)
Gross profit (Loss)	**632 260**	**295 519**	**336 741**
Income tax	(88 676)	-	(88 676)
Net profit (Loss)	**543 584**	**295 519**	**248 065**

Year concluded on 31 December 2021	*Total*	*Activity of unit No. 9**	*Other activities*
Sales revenues	2 246 878	1 077 863	1 169 015
Costs of sold products, goods and materials	(2 112 566)	(934 467)	(1 178 099)
Selling costs	(2 357)	(380)	(1 977)
Overheads	(51 955)	(3 596)	(48 359)
Other operating revenues	19 440	-	19 440
Other operating costs	(621 463)	(557 205)	(64 258)
Operating result	**(522 023)**	**(417 785)**	**(104 238)**
Financial revenues	7 601	-	7 601
Financial costs	(12 821)	-	(12 821)
Gross profit (Loss)	**(527 243)**	**(417 785)**	**(109 458)**
Income tax	(225 308)	-	(225 308)
Net profit (Loss)	**(301 935)**	**(417 785)**	**115 850**

**Unit subject to a compensation system in relation to a premature termination of long-term capacity and electricity sale contracts*

Balance

In the balance sheet, the selected items, for which figures can be reliably presented, were shown.

Intangible assets and tangible fixed assets have been divided according to a key of sales revenues recorded by individual activities, taking into account the division into electricity and other activities. Intangible assets in the form of CO_2 emission allowances – separated based on actual acquisition. Capital work in progress, as well as advance payments for capital work in progress have been separated on the basis of a detailed analysis of economic content within individual entries in the book of accounts and balances of individual accounts being part of a given balance sheet item.

Inventories have been separated on the basis of a detailed analysis of economic content within individual entries in the book of accounts and balances of individual accounts being part of this balance sheet item.

Short-term receivables represent only receivables for supplies and services, and have been divided on the basis of the revenues registered on the analytic accounts, which are appropriate for given types of activities.

The item of provisions and prepayments is limited to the provision for the cost of purchasing emission allowances, and it was separated based on registered costs.

Short-term liabilities have been separated on the basis of a detailed analysis of economic content within individual accounting book content and balances of individual accounts being part of this balance sheet item.

(in PLN thousand)

Assets and liabilities associated with the activity of the unit covered by the LTC system have been disclosed in the *Activity of unit No. 9* column. Other assets associated with the activity of other electricity generating units have been disclosed in the *Other activities* column.

Selected items of the balance sheet in the division into the types of activities

31 December 2022	*Total*	*Activity of unit No. 9**	*Other activities*
Assets			
A. Fixed assets	**39 910**	**519**	**39 391**
I. Intangible and legal assets	**2 420**	**-**	**2 420**
2. CO_2 emission allowances	-	-	-
3. Other intangible and legal assets	2 420	-	2 420
II. Tangible fixed assets	**37 490**	**519**	**36 971**
1. Fixed assets	5 952	519	5 433
a) lands (including the perpetual usufruct of land)	1 647	400	1 247
b) buildings, premises, as well as civil and water engineering facilities	1 119	-	1 119
c) technical equipment and machinery	2 391	119	2 272
d) means of transport	64	-	64
e) other fixed assets	731	-	731
2. Capital work in progress	13 870	-	13 870
3. Advance payments for capital work in progress	17 668	-	17 668
B. Current assets	**492 115**	**327 815**	**164 300**
I. Inventories	**14 220**	**5 759**	**8 461**
1. Materials	11 841	5 759	6 082
4. Goods	2 378	-	2 378
5. Advance payments for supplies	1	-	1
II. Short-term receivables	**477 895**	**322 056**	**155 839**
a) trade-related, with a payment period of:	67 013	42 793	24 220
b) other	410 882	279 263	131 619
Liabilities	-		
VI. Net profit (loss)	**543 584**	**295 519**	**248 065**
3. Other provisions	1 155 411	748 360	407 051
III. Short-term liabilities	**41 808**	**24 819**	**16 989**
a) trade-related, with a maturity date of:	41 808	24 819	16 989

31 December 2021	*Total*	*Activity of unit No. 9**	*Other activities*
Assets			
A. Fixed assets	**661 976**	**405**	**661 571**
I. Intangible and legal assets	**1 917**	**-**	**1 917**
2. CO_2 emission allowances	-	-	-
3. Other intangible and legal assets	1 917	-	1 917
II. Tangible fixed assets	**660 059**	**405**	**659 654**
1. Fixed assets	450 232	405	449 827
a) lands (including the perpetual usufruct of land)	1 685	405	1 280
b) buildings, premises, as well as civil and water engineering facilities	107 942	-	107 942

(in PLN thousand)

c) technical equipment and machinery	339 815	-	339 815
d) means of transport	147	-	147
e) other fixed assets	643	-	643
2. Capital work in progress	187 291	-	187 291
3. Advance payments for capital work in progress	22 536	-	22 536
B. Current assets	**1 373 778**	**640 936**	**732 842**
I. Inventories	**57 225**	**1 964**	**55 261**
1. Materials	23 852	1 964	21 888
4. Goods	33 373	-	33 373
3. Finished products	-	-	-
II. Short-term receivables	**1 316 553**	**638 972**	**677 581**
a) trade-related, with a payment period of:	171 531	67 408	104 123
b) other	1 145 022	571 564	573 458
Liabilities	-		
VI. Net profit (loss)	**(301 935)**	**(417 875)**	**114 850**
3. Other provisions	1 337 342	559 570	777 772
III. Short-term liabilities	**147 666**	**62 251**	**85 415**
a) trade-related, with a maturity date of:	58 662	25 948	32 714
b) other	89 004	36 303	52 701

43. Goals and rules of financial risk management

The main financial instruments applied by ZE PAK SA include bank loans, borrowings granted by affiliates and other institutions, cash and short-term deposits. The main goal of these financial instruments is to obtain funds for ZE PAK SA's activities. The Company also has other financial instruments, such as trade receivables and liabilities created directly in relation to its conducted activities.

The main types of financial instrument risk for ZE PAK SA include the interest rate risk and currency risk. The Management Board verifies and consults the rules of managing each of these kinds of risk. The Group also monitors the market price risk regarding all held financial instruments.

Despite the fact that the Company conducts its activities in Poland, where it incurs costs and generates revenues in PLN, there are a few significant factors that make the financial results dependent on WIBOR interest rates and the EUR/PLN exchange rate. The most important factors include:

- transactions related to EUA purchase are settled in EUR,
- the Company utilizes debt financing based on a variable interest rate.

Interest rate risk

ZE PAK SA's potential exposure to the risk caused by interest rate changes mainly concerns long-term financial liabilities.

ZE PAK SA holds financial liabilities, primarily floating-rate loans and borrowings. Exposure of the Company to the risk associated with interest rate changes mainly concerns long-term financial liabilities related to investment funding.

The interest rate of financial instruments with a floating interest rate is updated in periods shorter than one year. The interest on financial instruments with a fixed interest rate is constant throughout the entire period up to the maturity/due date of these instruments.

Credit risk

The credit risk is a potential credit event, which may be materialised in the form of such factors as a counterparty's insolvency, partial repayment of receivables, significant delay in the repayment of receivables or another unforeseen derogation from contractual terms.

(in PLN thousand)

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

The main consumer of the Company's electricity is the Towarowa Giełda Energii SA. Transactions concluded on the exchange market are settled on a day-to-day basis, which minimises the credit risk. For this reason, the Company does not employ additional securities arising from the phenomenon of receivable accumulation.

In relation to other financial assets of the Company, such as cash and its equivalents, financial assets available for sale, the Company's credit risk arises as a result of the inability of payment by the other party to the agreement, and the maximum exposure to this risk is equal to the balance sheet value of these derivatives.

The Company analyses and mitigates the credit risk associated with cash through ongoing monitoring of financial institution ratings and mitigates the risk of concentrated surplus cash in a single financial institution, through its internal risk management rules.

Long-term ratings granted to banks where the Company holds cash:

Bank name	*Rating awarded by a Rating Agency*		
	Fitch	S&P	Moody's
PEKAO SA	BBB	BBB+	A2
PKO BP	-	-	A2
BGK	A-	-	-
mBank	BBB-	BBB	-
Bank Millennium	-	-	Baa3
Santander Bank Polska	BBB+	-	A3

Company cash as at 31 December 2022, broken down into individual bank credit ratings:

Rating level by individual rating agencies			*Cash amount as at 31 December 2022*
Moody's	*S&P*	*Fitch*	
Aaa	AAA	AAA	-
Aa1	AA+	AA+	-
Aa2	AA	AA	-
Aa3	AA-	AA-	-
A1	A+	A+	-
A2	A	A	4 572
A3	A-	A-	990 064
Baa1	BBB+	BBB+	100 693
Baa2	BBB	BBB	122 454
Baa3	BBB-	BBB-	314
Ba1	BB+	BB+	-
Ba2	BB	BB	-
Ba3	BB-	BB-	
B1	B+	B+	-
B2	B	B	-
B3	B-	B-	-
Caa1	CCC+	CCC	-

(in PLN thousand)

Caa2	CCC		-
Caa3	CCC-		-
Ca	CC		-
	C		-
C	D	DDD	-
–		DD	-
–		D	-
TOTAL			**1 217 997**

Currency risk

ZE PAK SA is exposed to the currency risk associated with concluded transactions.

As at 31 December 2022, ZE PAK SA applied instruments aimed at limiting the risk related to exchange rate changes, e.g., for a part of the flows associated with the purchase of CO_2 emission allowances. Forward transactions are used to secure the exchange rate. The Management Board is constantly monitoring the financial position and market situation and can make the decision to use financial instruments limiting the exchange rate risk, if needed. According to the principles applied at ZE PAK SA, transactions are in the form of a security and will be adapted to the secured item in terms of volume and maturity date.

Financial instruments

As at 31 December 2022 and 31 December 2021, the Company held the following financial instruments measured at fair value:

	31 December 2022	*Level 1*	*Level 2*	*Level 3*
Asset-hedging derivatives	-	-	-	-
Liability-hedging derivatives	-	-	-	-

	31 December 2021	*Level 1*	*Level 2*	*Level 3*
Asset-hedging derivatives	-	-	5 675	-
Liability-hedging derivatives	-	-	3 606	-

As at 31 December 2022 and 31 December 2021, the fair value of financial instruments other than derivatives, did not significantly differ from balance sheet values, primarily due to the fact that in the case of short-term instruments, the discount effect was not significant and that related transactions are concluded under market terms; for this reason, the fair value of the said financial instruments has been presented as the balance sheet value.

The measurement of interest-bearing loans and borrowings after initial recognition is concluded pursuant to the amortized cost method, taking into account contractual costs associated with obtaining a given loan or borrowing, as well as the discount and obtained bonuses.

44. War in Ukraine

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

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

High volatility of commodity markets (especially the energy and CO_2 allowances markets) means that the Company risks having to replenish open position margins on the futures markets. In extreme situations, the high volatility within the futures market and the associated need to supplement deposits may lead to problems with ensuring adequate liquidity. Whereas a lower propensity to take risk in financial markets may lead to a worse measurement of assets and foreign currencies in such markets as Poland, which are in the immediate vicinity of war zones. This, in turn, may mean worse measurement of the Company's assets and increased operating expenses.

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

After more than a year since the outbreak of the armed conflict next to our eastern border, its impact on the economic situation and energy raw material prices seems significantly lower than in the initial phase. It looks as if the level of uncertainty regarding its escalation is diminishing. Supply shocks related to the inflow of raw materials from the east have been unloaded through supplies from other directions, while economic entities used the elapsed time to adapt their functional models to the new situation. The volatility associated with the prices of individual goods, currencies and assets has also decreased substantially. It seems that the current stage of the armed conflict, as well as the involvement of the international community and third-parties in the form of major powers, countries that shape the global geopolitical situation, increase the chances of reducing the intensity of military operations or working out a certain agreement in the future.

However, it is in the current situation to predict neither the scale of the ongoing armed conflict's future intensity nor its duration or all its consequences that can directly or indirectly affect the Company's activities. The Company monitors the development of the situation on an ongoing basis. It also took actions mitigating adverse consequences of the unstable situation. The Company increased, among others, the availability of different forms of securing its positions within the energy and CO_2 allowance futures market, while stabilizing also the situation related to biomass supplies. In the current situation, the Company evaluates the impact that the armed conflict has on its activities as minor. Whereas, in the reduced intensity of the conflict and the possibility of mutual economic opening of Ukraine and EU countries, the Company sees opportunities to establish cooperation in the broadly perceived energy sector. No additional adjustments and provisions on account of the situation in Ukraine were disclosed in this statement.

45. Events after the balance sheet date

Signing of a letter of intent regarding cooperation in the field of investment aimed at improving water retention and the development of renewable and nuclear energy

On 26 January 2023, ZE PAK SA, the Poznań University of Life Sciences and Polish Waters concluded in Poznań a letter of intent related to establishing cooperation with regards to conducting environmental research and analyses, as well as technical solutions aimed at improving the environmental condition in the region of the Konin-Turek energy basin, with particular focus of new investments by ZE PAK S.A. in renewable and nuclear energy.

Preventing adverse climate change documented by the results of scientific research, and ensuring energy security require conducting a properly prepared energy transition. An answer to such a challenge is the development of nuclear energy and support for energy from renewable sources.

The agreement concluded in Poznań is aimed at establishing cooperation with relation to the ongoing energy transition at ZE PAK S.A., using the substantive and technical potential of the letter's signatories in relation to environmental and technical studies covering planned investment projects. In particular, the joint actions are to be undertaken in the field of assessing the nuclear power plant site, reconstructing water resources in Eastern Wielkopolska, and the ongoing revitalization of mining and industrial areas. The area of cooperation will involve, among others, joint actions towards:

- shaping new ecosystems within degraded and devastated areas;
- reconstructing water resources in Eastern Wielkopolska and incorporating ZE PAK S.A.'s post-mining sites to the existing hydrographic network, which will contribute to improve water relations in the region and provide a new function (retention and anti-flood) for created post-mining reservoirs;
- assessing the potential nuclear power plant site in Pątnów;
- using post-mining areas for producing energy from renewable sources.

The implementation of the presented objectives is to bring benefits for the widest possible group of stakeholders, with particular focus on water and energy security of Poland. The actions taken fall in line with the objectives and recommendations in terms of limiting the adverse environmental impact, development of alternative fuels and energy efficiency improvement, set out in documents at national and EU levels.

Conclusion of an agreement and the establishment of a new joint company PGE PAK Energia Jądrowa - construction of a nuclear power plant in Konin/Pątnów in Wielkopolska

On 7 March 2023, the Company and PGE Polska Grupa Energetyczna S.A. with its seat in Lublin concluded a preliminary agreement on the establishment of a joint special-purpose company in the form of a joint-stock company with its seat in Konin, to commence direct cooperation with regards to the construction of a nuclear power plant based on the Korean APR1400 technology.

On 13 April 2023, as a follow-up to the concluded agreement, PGE and ZE PAK signed the articles of association of the PGE PAK Energia Jądrowa S.A. company. PGE and ZE PAK will hold 50% of the shares in PGE PAK Energia Jądrowa, which will allow to preserve and secure the State Treasury's interest in this project. The objective and task of the company will be to participate in the planned construction of the nuclear power plant in Konin/Pątnów in Wielkopolska. The power plant is treated as a joint venture between PGE PAK Energia Jądrowa S.A. and the Korean KHNP. The investment project will be implemented based on a safe and proven technology of ARP 1400 reactors.

The task of PGE PAK Energia Jądrowa is to develop three investment project elements, namely, the feasibility study, site and land survey, and an environmental impact assessment for the purposes of the planned nuclear power plant construction.

According to the assumptions, PGE PAK Energia Jądrowa S.A. will represent Poland at all project stages, including the implementation of site and environmental studies, funding acquisition and the development, jointly with the Korean side, of a detailed project schedule, as well as at subsequent stages of obtaining permits and administrative decisions.

Konin, 27 April 2023

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 ....