

ZMIENIAMY SIĘ
DLA WAS



ZEPAK
Energia dla Ciebie

ZE PAK SA CAPITAL GROUP

MANAGEMENT BOARD'S REPORT ON THE OPERATION OF THE CAPITAL GROUP IN THE 1ST HALF OF 2022

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



SEPTEMBER 29, 2022

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1. SELECTED FINANCIAL DATA

<i>Selected consolidated financial data</i>	<i>Zloty thousand</i>	<i>Zloty thousand</i>	<i>Euro thousand</i>	<i>Euro thousand</i>
	<i>6 months 2022 period from 01.01.2022 to 30.06.2022</i>	<i>6 months 2021 period from 01.01.2021 to 30.06.2021</i>	<i>6 months 2022 period from 01.01.2022 to 30.06.2022</i>	<i>6 months 2021 period from 01.01.2021 to 30.06.2021</i>
Sales revenue	1 956 363	985 718	421 385	216 775
Operating profit/loss	176 086	15 600	37 927	3 431
Profit/loss before tax	181 182	10 443	39 025	2 297
Net profit/loss for the period	152 579	19 989	32 864	4 396
Net profit attributable to equity holders of the parent	152 579	19 989	32 864	4 396
Total comprehensive income	152 532	19 905	32 854	4 377
Net cash flow from operating activities	(434 899)	(364 131)	(93 672)	(80 078)
Net cash flow from investing activities	(190 619)	(253 756)	(41 058)	(55 805)
Net cash flow from financing activities	1 046 100	205 280	225 321	45 144
Net increase / (decrease) in cash and cash equivalents	420 592	(412 607)	90 592	(90 739)
Net profit per share (in zloty/euro per share)	3,00	0,39	0,65	0,09
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>As at 30.06.2022</i>	<i>As at 31.12.2021</i>	<i>As at 30.06.2022</i>	<i>As at 31.12.2021</i>
Total assets	3 537 356	3 311 762	755 748	720 042
Fixed assets	1 493 534	1 273 696	319 090	276 927
Current assets	2 043 822	2 038 066	436 658	443 116
Total equity	1 123 615	524 232	240 058	113 978
Share capital	101 647	101 647	21 717	22 100
Share capital attributable to equity holders of the parent	644 885	524 627	137 778	114 064
Total liabilities	2 413 741	2 787 530	515 691	606 064
Long-term liabilities	1 190 619	794 587	254 373	172 759
Short-term liabilities	1 223 122	1 992 943	261 317	433 305
Book value per share (in zloty/euro per share)	22,11	10,31	4,72	2,24
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

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Selected financial data of ZE PAK SA	Zloty thousand	Zloty thousand	Euro thousand	Euro thousand
	6 months 2022 period from 01.01.2022 to 30.06.2022	6 months 2021 period from 01.01.2021 to 30.06.2021	6 months 2022 period from 01.01.2022 to 30.06.2022	6 months 2021 period from 01.01.2021 to 30.06.2021
Net revenues from sales of products, goods and materials	1 410 437	898 509	303 797	197 596
Operating profit/loss	114 991	40 255	24 768	8 853
Profit/loss before tax	133 751	33 901	28 809	7 455
Net profit/loss for the period	107 938	48 378	23 249	10 639
Net cash flow from operating activities	193 951	(452 169)	41 775	(99 439)
Net cash flow from investing activities	(19 818)	(122 124)	(4 269)	(26 857)
Net cash flow from financing activities	30 544	146 762	6 579	32 275
Net cash flow together	204 677	(427 531)	44 086	(94 021)
Net profit per share (in zloty/euro per share)	2.12	0,95	0.46	0,21
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>As at</i> 30.06.2022	<i>As at</i> 31.12.2021	<i>As at</i> 30.06.2022	<i>As at</i> 31.12.2021
Total assets	2 833 809	2 701 772	605 437	587 418
Fixed assets	1 414 937	842 868	302 298	183 256
Current assets	1 418 872	1 858 904	303 139	404 162
Equity	972 774	864 837	207 831	188 033
Share capital	101 647	101 647	21 717	22 100
Liabilities and provisions for liabilities	1 861 035	1 836 935	397 606	399 386
Long-term liabilities	124 198	107 378	26 535	23 346
Short-term liabilities	1 072 376	356 335	229 111	77 474
Book value per share (in zloty/euro per share)	19.14	17,02	4.09	3,70
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

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

- particular items of statement of comprehensive income (Profit & loss account) and statement of cash flows (Cash flow) – according to the exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period starting from January 1, 2022 to June 30, 2022, which is 4.6427 EUR/PLN and from January 1, 2021 to June 30, 2021, which is 4.5472 EUR/PLN;
- particular items of the Statement of financial position (Balance sheet) according to average EUR/PLN exchange rate published by the National Bank of Poland as of June 30, 2022, i.e. 4.6806 EUR/PLN and as of December 31, 2021, i.e. 4.5994 EUR/PLN.

2. DESCRIPTION OF THE GROUP

2.1. Basic information

As of June 30, 2022 ZE PAK SA Capital Group (hereinafter referred to as the „Group”, „Capital Group”, „ZE PAK SA Group”) is composed of a dominant entity ZE PAK SA and forty one subsidiaries, i.e. PAK Kopalnia Węgla Brunatnego Konin SA (hereinafter referred to as „PAK KWB Konin SA”), PAK – Polska Czysta Energia sp. z o.o. (hereinafter referred to as „PAK – PCE sp. z o.o.”), PAK – PCE Fotowoltaika sp. z o.o., PAK – PCE Wiatr sp. z o.o., PAK – PCE Biopaliwa i Wodór sp. z o.o., PAK – PCE Polski Autobus Wodorowy sp. z o.o., PAK – PCE Stacje H2 sp. z o.o. (former PAK – PCE Biogaz sp. z o.o.), PG Hydrogen sp. z o.o., Exion Hydrogen Polskie Elektrolizery sp. z o.o., PAK CCGT sp. z o.o., Farma Wiatrowa Kazimierz Biskupi sp. z o.o., PCE – OZE 1 sp. z o.o., PCE – OZE 2 sp. z o.o., PCE – OZE 3 sp. z o.o., PCE – OZE 4 sp. z o.o., PCE – OZE 5 sp. z o.o., PCE – OZE 6 sp. z o.o., MESE sp. z o.o., Park Wiatrowy Pałczyn 1 sp. z o.o., Park Wiatrowy Pałczyn 2 sp. z o.o., Przedsiębiorstwo Remontowe PAK Serwis sp. z o.o. (hereinafter referred to as „PAK Serwis” sp. z o.o.), PAK – Volt SA, PAK Górnictwo sp. z o.o., Exion Hydrogen Belgium BV, PAK Pątnów sp. z o.o., Ørsted Polska OF SPV 1 sp. z o.o., Ørsted Polska OF SPV 2 sp. z o.o., Ørsted Polska OF SPV 3 sp. z o.o., Ørsted Polska OF SPV 4 sp. z o.o., Ørsted Polska OF SPV 5 sp. z o.o., Ørsted Polska OF SPV 6 sp. z o.o., Ørsted Polska OF SPV 7 sp. z o.o., Ørsted Polska OF SPV 8 sp. z o.o., Ørsted Polska OF SPV 9 sp. z o.o. (former Mawzorino Investments sp. s o.o.), Ørsted Polska OF SPV 10 sp. z o.o., PAK – PCE FW Okonek sp. z o.o., PAK – PCE FW Jastrowie sp. z o.o., Farma Wiatrowa Przyrów sp. z o.o., Great Wind sp. z o.o., PAK Kopalnia Węgla Brunatnego Adamów SA in liquidation (hereinafter referred to as „PAK KWB Adamów SA in liquidation”) and Aquakon sp. z o.o. in liquidation.

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

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

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

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

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

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

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

As part of its transformation activities, the Group is also active in the area of offshore wind farm construction projects. It is also planned to use the assets at Pątnów Power Plant for the implementation of the SMR (Small Modular Reactor) technology, which is currently in the pre-commercial phase. Both of the above projects are developed in cooperation with external partners.

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

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

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

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

2.2. Structure

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

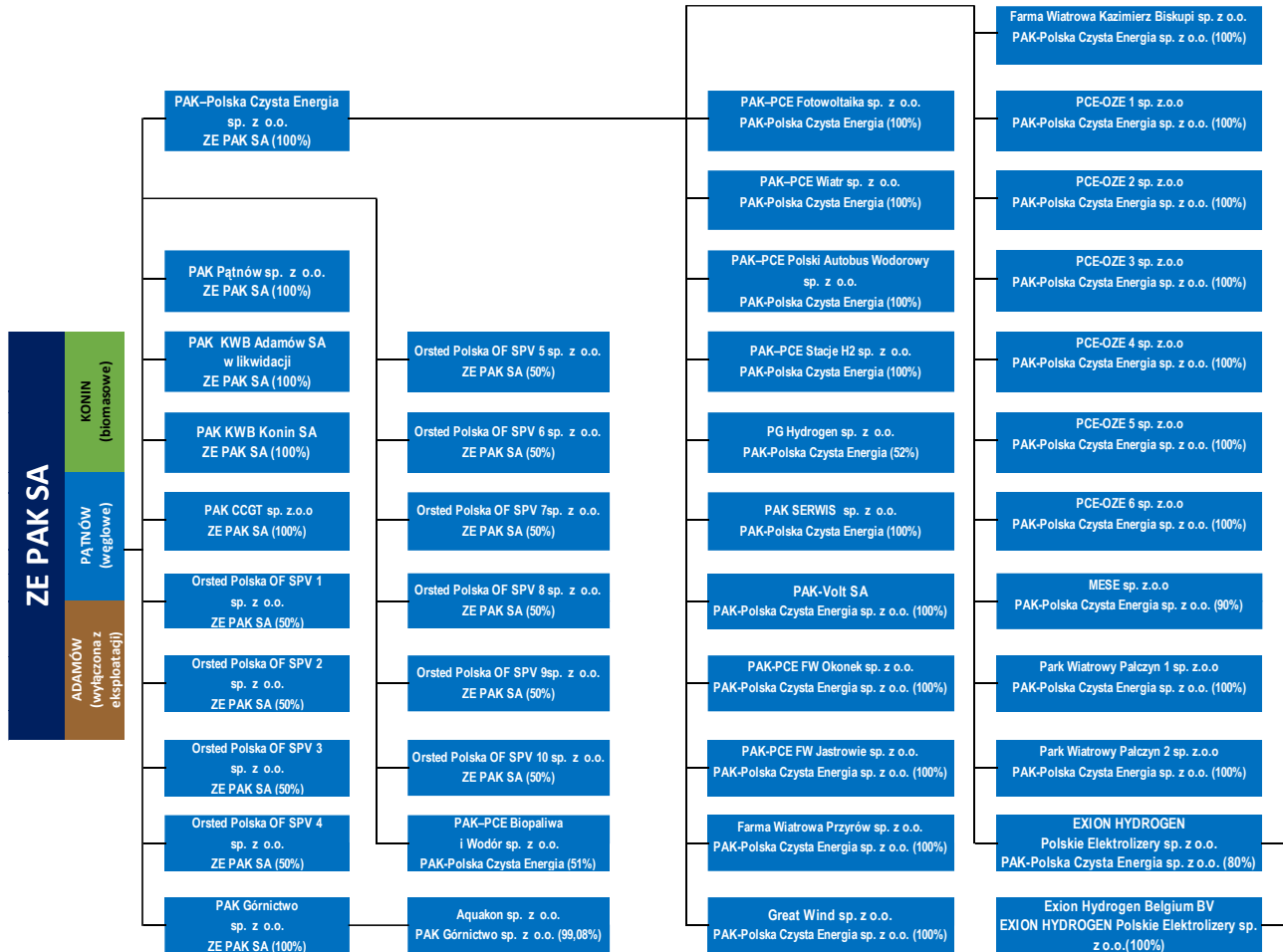


Table 1: Description of the Group's companies (excluding ZE PAK SA)

Entity	Registered office	Scope of operations	% Group's share in the capital	
			As at 30 June 2022	As at 31 December 2021
„PAK – Polska Czysta Energia” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holding companies	100.00%	100.00%
„PAK Kopalnia Węgla Brunatnego Konin” SA	62-540 Kleczew ul. 600-lecia 9	Lignite mining	100.00%	100.00%
„PAK Górnictwo” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machines	100.00%	100.00%
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair service	100.00%*	100.00%*
„PAK – Volt” SA	04-028 Warszawa Al. Stanów Zjednoczonych 61	Trade of electricity	100.00%*	100.00%
„PAK – PCE Polski Autobus Wodorowy” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production of buses	100.00%*	100.00%*
„PAK – PCE Fotowoltaika” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00%*	100.00%

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„PAK – PCE Stacje H2” sp. z o.o. (former „PAK – PCE Biogaz” sp. z o.o.)	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PAK – PCE Biopaliwa i Wodór” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Generation of electricity	51.00%	100.00% *
„PAK – PCE Wiatr” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PG Hydrogen” sp. z o.o.	02-673 Warszawa ul. Konstruktorska 4	Manufacture of engines and turbines, except aircraft, car and motorcycle engines	52.00% *	52.00% *
„Exion Hydrogen Polskie Elektrolizery” sp. z o.o.	80-701 Gdańsk ul. Ku Ujściu 19	Design and production of electrolysers	80.00% *	80.00%
„Exion Hydrogen Belgium” BV	Slachthuisstraat 120 Bus 12 2300 Turnhout	Design and production of electrolysers	80.00% *	80.00% *
„Farma Wiatrowa Kazimierz Biskupi” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Design and production of wind farms	100.00% *	100.00% *
„PCE – OZE 1” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PCE – OZE 2” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PCE – OZE 3” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PCE – OZE 4” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PCE – OZE 5” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PCE – OZE 6” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00% *	100.00% *
„PAK CCGT” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00%	100.00%
„MESE” sp. z o.o.	04-028 Warszawa Al. Stanów Zjednoczonych 61A	Generation of electricity	90.00% *	90.00% *
„Park Wiatrowy Pałczyn 1” sp. z o.o.	70-479 Szczecin Al. Wojska Polskiego 68	Generation of electricity – wind power engineering	100.00% *	100.00% *
„Park Wiatrowy Pałczyn 2” sp. z o.o.	70-479 Szczecin Al. Wojska Polskiego 68	Generation of electricity – wind power engineering	100.00% *	100.00% *
„PAK Pątnów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00%	-
„Ørsted Polska OF SPV 1” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 2” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 3” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 4” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 5” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 6” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 7” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 8” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-

„Ørsted Polska OF SPV 9” sp. z o.o. (former „Mawzorino Investments” sp. z o.o.)	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„Ørsted Polska OF SPV 10” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	-
„PAK – PCE FW Okonek” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	100.00%*	-
„PAK – PCE FW Jastrowie” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	100.00%*	-
„Farma Wiatrowa Przyrów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	100.00%*	-
„Great Wind” sp. z o.o.	02-797 Warszawa ul. Franciszka Klimczaka 1	Generation of electricity – wind power engineering	100.00%*	-
„PAK Kopalnia Węgla Brunatnego Adamów” SA in liquidation	62-700 Turek Warenka 23	Lignite mining	100.00%	100.00%
„Aquakon” sp. z o.o. in liquidation	62-610 Sompolno Police	In liquidation	99.08%*	99.08%*

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

In the case of Great Wind sp. z o.o. the change has not yet been disclosed in the National Court Register.

In the case of PAK – PCE Biopaliwa i Wodór sp. z o.o. As at the date of publication of this report, 100% of shares are held by PAK – PCE sp. z o.o.

In the case of PAK – Polska Czysta Energia sp. z o.o. As at the date of publication of this report, the shareholding structure is as follows: ZE PAK SA holds 59.6% and Cyfrowy Polsat SA holds 40.4% (more detailed description of changes in ownership in the section describing events after the balance sheet date).

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

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

In the first half of 2022, the following changes took place in the Group's structure:

- 28 February 2022 - the Company acquired 100% of shares in PAK Pątnów sp. z o.o., PAK – PCE sp. z o.o. acquired 100% of shares in the following companies: Farma Wiatrowa Okonek sp. z o.o. and Farma Wiatrowa Jastrowie sp. z o.o., shares of ZE PAK SA in PAK-Volt SA, PAK – PCE Fotowoltaika sp. z o.o. and Exion Hydrogen Polskie Elektrolizery sp. z o.o. were contributed in kind to PAK – PCE sp. z o.o.;
- On March 3, 2022, PAK – PCE sp. z o.o. acquired 100% of shares in Farma Wiatrowa Przyrów sp. z o.o.;
- On March 8, 2022, the Company acquired shares in 5 companies - 50% of shares in each of them (these are companies named 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.);
- On April 13, 2022, the Company concluded with Ørsted Wind Power A/S (ORS) an additional sale agreement regarding shares in another 5 project companies, as a result of which the Company will acquire from ORS 50% of 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. (on May 24, 2022, the change of the company's name to Ørsted Polska OF SPV 9 sp. z o.o. was registered) and Ørsted Polska OF SPV 10 sp. z o.o.;
- On May 31, 2022, the National Court Register registered a change of the name of PAK – PCE Biogaz sp. z o.o. to PAK – PCE Stacje H2 sp. z o.o.;
- On June 10, 2022, PAK – PCE sp. z o.o. acquired 100% of shares in Great Wind sp. z o.o. – the change has not yet been disclosed in the National Court Register.

Already after the end of the reporting period, on August 5, 2022, a company under the name PAK - ATOM SA, which is a 100% subsidiary of ZE PAK SA was registered in the National Court Register. On August 29, 2022 PAK - PCE sp. z o.o. transferred all shares of Park Wiatrowy Pałczyn 2 sp. z o.o. for Park Wiatrowy Pałczyn 1 sp. z o.o. - this change was registered in the National Court Register on September 7, 2022. Also on August 29, 2022, PAK - PCE sp. z o.o. acquired 100% of shares in the wind company Eviva Lębork sp. z o.o. – the change has not yet been disclosed in the National Court Register.

2.4. Composition of the Management Board

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

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

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

3.1. Significant achievements and failures during the reporting period

Brief description of the achieved financial results

In the first half of 2022, total sales revenues amounted to PLN 1,956,363 thousand and compared to the first half of 2021 increased by PLN 970,645 thousand, i.e. by 98.47%.

The increase in total sales revenues was mainly influenced by the increase in revenues from the sale of electricity, mainly due to a higher price by 98.64% and a 19.16% increase in the total volume of electricity sales. At the same time, in the case of sales of electricity from own production, a decrease in volume by 4.84% was recorded, while sales of purchased energy increased by 78.67% compared to the same period of the previous year. The decrease in production was due to a smaller amount of coal available for extraction in the mines supplying the Company. It should be noted that while net production based on coal decreased by 9%, net production of RES energy increased by 10%, mainly due to the launch of new units, including unit 5 at the Konin power plant and the photovoltaic farm in Brudzew. At the same time, the share of RES energy in the structure of own energy increased to 11.1% in the first half of 2022 from 8.7% in the first half of 2021. The net production volumes of individual power plants of the Group are presented in Chart 3.

In the first half of 2022, revenues from the capacity market amounted to PLN 84,071 thousand and compared to the same period of the previous year decreased by PLN 7,732 thousand, i.e., by 8.42%. Lower revenues are due to the lower contracted price for 2022, as well as lower revenue realized on the secondary market.

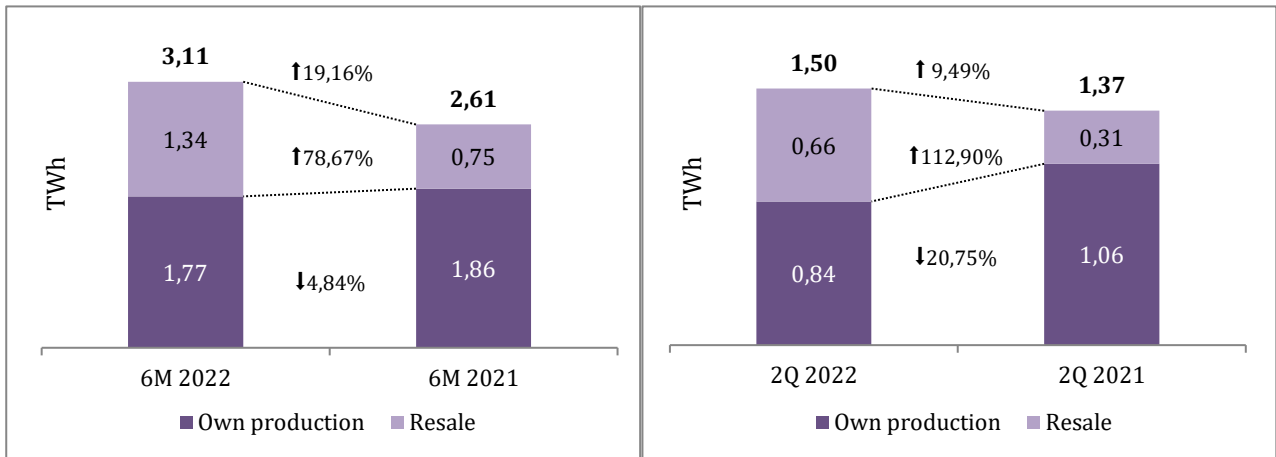
In the first half of 2022, compared to the first half of 2021, revenues from the sale of property rights from certificates of origin of energy decreased by PLN 1,350 thousand, i.e., by 4.29%. The decrease in revenues was mainly due to the sale of rights at prices lower than the prices recorded in the month of their production.

Revenues from the termination of LTC (termination of the long-term power and electricity sales agreement) in the first half of 2022 decreased by PLN 24,725 thousand, i.e., by 31.86% as a result of realizing a higher margin on production from unit 9.

Revenues from heat sales in the first half of 2022 amounted to PLN 29,926 thousand and were higher than those achieved in the first half of 2021 by PLN 1,254 thousand, i.e., 4.37%. The increase in revenues from heat sales occurred as a result of a higher volume and sales price compared to the corresponding period of the previous year.

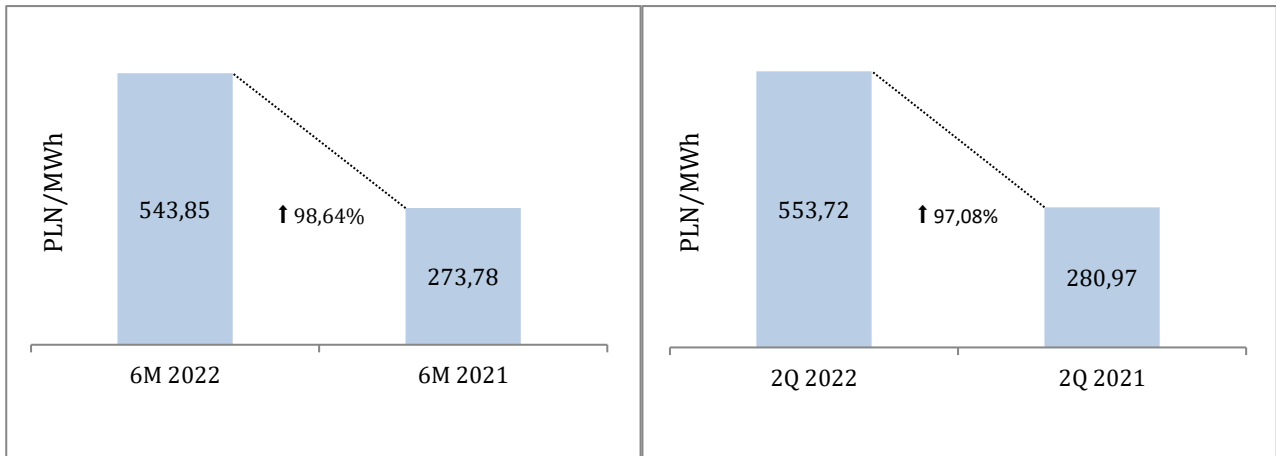
Revenues from construction contracts in the first half of 2022 in relation to revenues obtained in the corresponding period of the previous year decreased by PLN 2,768 thousand, i.e., by 14.43%.

Chart 1: Electricity sales



Source: Internal data

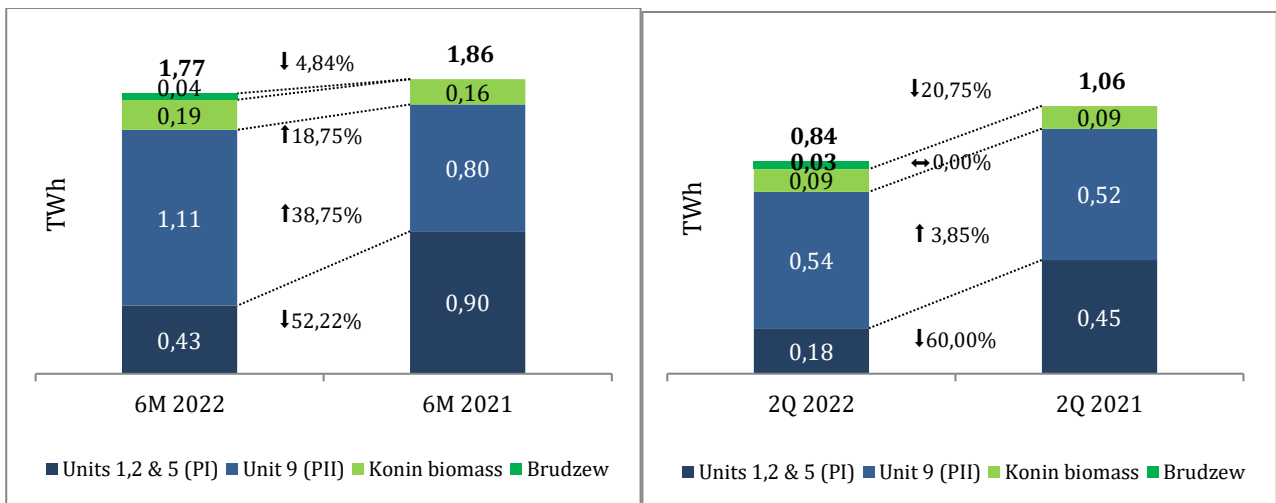
Chart 2: Average electricity prices*



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

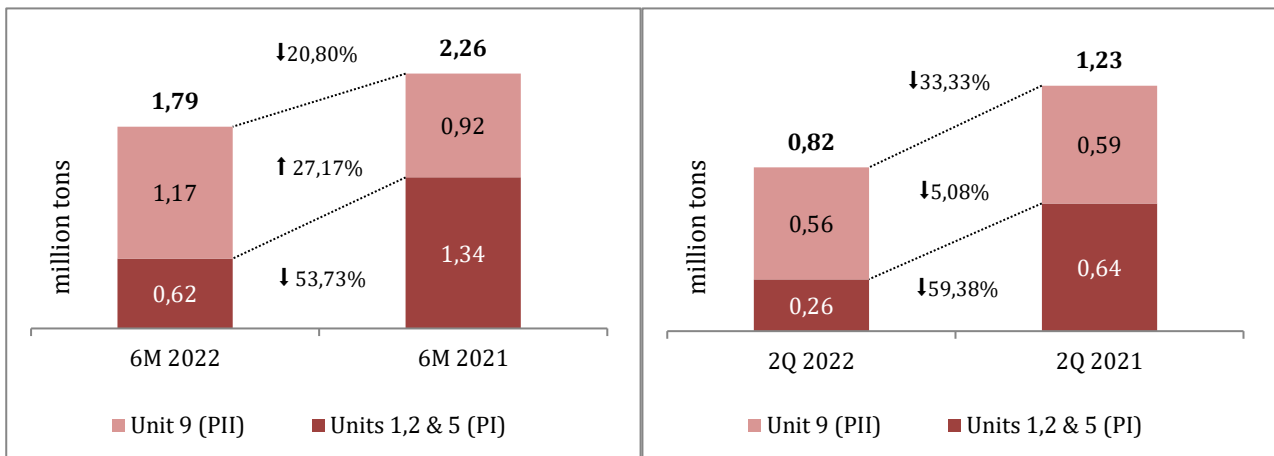
Source: Internal data

Chart 3: Net electricity production



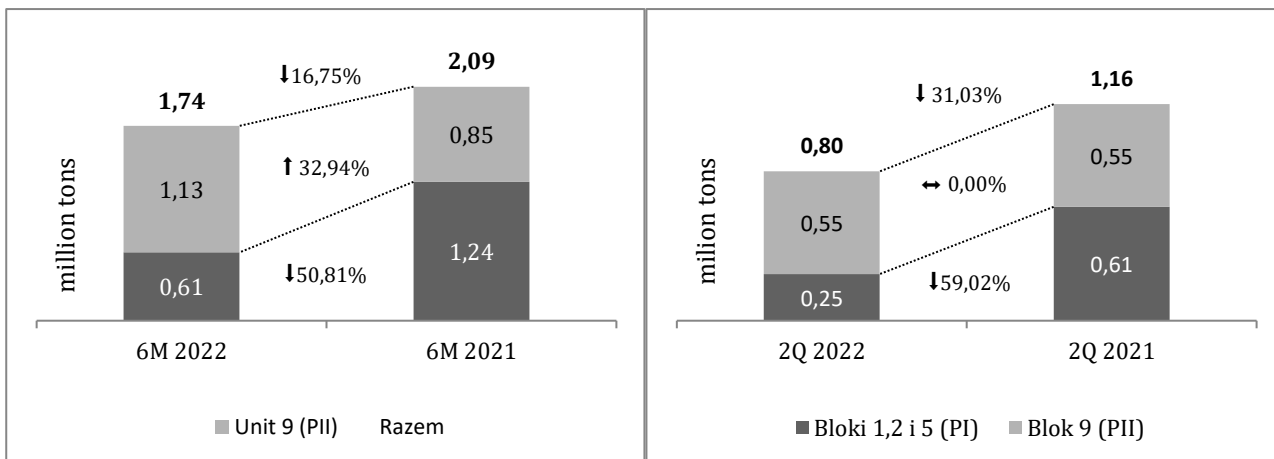
Source: Internal data

Chart 4: Lignite consumption



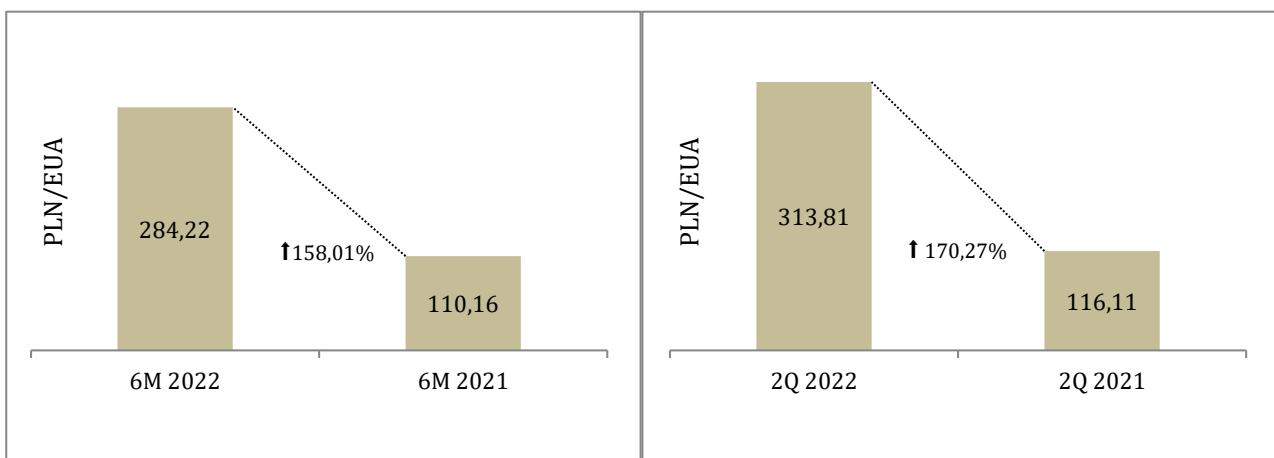
Source: Internal data

Chart 5: CO₂ emission



Source: Internal data

Chart 6: Average prices of EUA purchase (European Union Allowances – CO₂ emission allowances)*



* Average price calculated as the cost of purchased EUA for a period concerned, divided by the volume of CO₂ emission.

Source: Internal data

Table 2: List of consolidated sale revenues

	Zloty thousand 6 months period ended 30 June 2022	Zloty thousand 6 months period ended 30 June 2021	Zloty thousand change	%
				dynamics
Revenues from the sale of goods, including:	1 875 509	877 273	998 236	113.79
– Revenues from the sale of electricity (own)	899 538	523 322	376 216	71.89
– Revenues from the sale of traded electricity	795 309	191 501	603 808	315.30
– Revenues from the Capacity Market	84 071	91 803	(7 732)	(8.42)
– Revenues from the sale of heat	29 926	28 672	1 254	4.37
– Revenues from contracts for construction services	16 419	19 187	(2 768)	(14.43)
– Other sale revenues	50 246	22 788	27 458	120.49
Excise	(2 173)	(657)	(1 516)	230.75
Other revenues, including:	83 027	109 102	(26 075)	(23.90)
– Property rights on Energy certificates of origin	30 140	31 490	(1 350)	(4.29)
– Compensation for termination of LTC	52 887	77 612	(24 725)	(31.86)
Total sale revenues	1 956 363	985 718	970 645	98.47

Table 3: Selected items of the consolidated income statement

	Zloty thousand 6 months period ended 30 June 2022	Zloty thousand 6 months period ended 30 June 2021	Zloty thousand change	%
				dynamics
Sales revenues	1 956 363	985 718	970 645	98.47
Prime cost	(1 745 874)	(931 053)	(814 821)	87.52
Gross sales profit (loss)	210 489	54 665	155 824	285.05
Other operating revenues	40 717	28 440	12 277	43.17
Cost of sales	(6 192)	(2 513)	(3 679)	146.40
General and administrative expenses	(61 537)	(53 491)	(8 046)	15.04
Other operating costs	(7 391)	(11 501)	4 110	(35.74)
Profit (loss) from operating activities	176 086	15 600	160 486	1 028.76
Financial revenues	30 387	1 117	29 270	2 620.41
Financial costs	(25 291)	(6 274)	(19 017)	303.11
Gross profit (loss)	181 182	10 443	170 739	1 634.96
Income tax (tax load)	(28 603)	9 546	(38 149)	-
Net profit (loss)	152 579	19 989	132 590	663.31
Net other comprehensive income	(47)	(84)	37	(44.05)
Comprehensive income	152 532	19 905	132 627	666.30
EBITDA*	198 725	83 176	115 549	138.92

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

The cost of sales in the first half of 2022 amounted to PLN 1,745,874 thousand and increased by PLN 814,821 thousand, i.e., by 87.52%, compared to the cost incurred in the first half of 2021. The increase in the value of purchased electricity sold on the market and the higher costs of CO₂ emissions resulting from a higher average price for emission allowances contributed the most to the increase in the own cost. In addition, a provision for loss was created on one of the contracts for the sale of electricity generated from a biomass unit due to rising biomass prices. On the other hand, depreciation and amortization decreased as a result of impairment losses on coal assets as at the end of 2021, as well as taxes and fees.

Table 4: Consolidated costs by type

	<i>Zloty thousand</i> <i>6 months period</i> <i>ended</i> <i>30 June 2022</i>	<i>Zloty thousand</i> <i>6 months period</i> <i>ended</i> <i>30 June 2021</i>	<i>Zloty thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Depreciation	22 639	67 576	(44 937)	(66.50)
Impairment write-down on inventory	5 554	-	5 554	-
Consumption of materials	199 575	163 487	36 088	22.07
Outsourcing	52 834	41 151	11 683	28.39
Taxes and fees excluding excise tax	65 157	73 750	(10 593)	(11.65)
Costs of CO ₂ emissions	495 243	230 260	264 983	115.08
Costs of employee benefits	195 931	188 552	7 379	3.91
Other costs by type	45 047	17 970	27 077	150.68
Value of sold goods and materials and sold traded electricity	762 518	220 683	541 835	245.53
Total costs by type	1 844 498	1 003 429	841 069	83.82

Other operating income in the first half of 2022 amounted to PLN 40,717 thousand and was higher by PLN 12,277 thousand than in the corresponding period of the previous year. The high level of revenues is the result of higher revenues from the demolition and sale of recovered materials (scrap), as well as the sale of unplanned fixed assets and unnecessary inventory.

Selling expenses in the first half of 2022 amounted to PLN 6,192 thousand and were higher by PLN 3,679 thousand than in the corresponding period of the previous year.

General and administrative expenses in the first half of 2022 amounted to PLN 61,537 thousand and were higher than those incurred in the corresponding half of the previous year by PLN 8,046 thousand, i.e., 15.04%.

Other operating expenses in the first half of 2022 amounted to PLN 7,391 thousand and decreased by PLN 4,110 thousand compared to the first half of the previous year. High costs last year were related to the recognition of PLN 9,028 thousand in the costs due to the write-off on receivables.

In the first half of 2022, the ZE PAK SA Group realized a profit of PLN 176,086 on operating activities, higher than last year by PLN 160,486 thousand.

In the first half of 2022, the achieved results were affected by a positive result of financial activities in the amount of PLN 5,096 thousand. In the corresponding period of the previous year, the result on financial activities was negative and amounted to PLN 5,157 thousand. The positive balance, despite a significant increase in borrowing costs, is the result of a positive valuation of the concluded instruments hedging the level of interest rate and the exchange rate.

In the first half of 2022, the Group realized a gross profit of PLN 181,182 thousand. Net profit in the first half of 2022 amounted to PLN 152,579 thousand and was higher than in the first half of 2021 by PLN 132,590 thousand, i.e., by 663.31%.

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

In the first half of 2022, unusual events affecting assets, equity, profit or cash flows were revealed. The Company identified the need to establish a provision related to the electricity sale agreement in the second half of 2022 to one of the external customers. The provision results from the need to incur costs necessary to perform the electricity sales agreement, which exceed the expected benefits from its implementation. The agreement concerns the sale of electricity generated in a biomass unit, while the costs that caused the need to establish a reserve are directly related to the increase in biomass purchase prices. The described provision resulted in a decrease in EBITDA and the Company's net result for the first half of 2022 by PLN 31,473 thousand. With respect to the consolidated results for the first half of 2022, the provision will result in a decrease in EBITDA and the Group's net result by PLN 31,473 thousand.

In the first half of 2022, a number of legal transactions also took place, as a result of which Cyfrowy Polsat SA became the owner of 49% of shares in the share capital of PAK – PCE Biopaliwa i Wodór sp. z o.o. ("PP BiW"), and the Company became the owner of 51% of shares in the share capital of PP BiW. The change in the ownership structure of PP BiW was accompanied by an increase in the company's capital. The funds from the capital increase were intended for the purchase from the Company of all energy activities carried out at Konin Power Plant, consisting in particular in the

production of electricity from biomass, constituting an organized part of the enterprise ("ZCP Elektrownia Konin"). As a result of the acquisition of shares by Cyfrowy Polsat SA, the consolidated statement of financial position presented the equity of non-controlling shareholders in the amount of PLN 478,730 thousand, and cash from this operation increased the position of cash and cash equivalents.

Implementation of investment projects

In the first half of 2022, ZE PAK SA Group completed the implementation of a large project consisting in the adaptation of K-7 coal boiler at Konin power plant for the exclusive combustion of biomass along with the necessary technical infrastructure and started the construction of a wind farm in Kazimierz Biskupi and Miłosław communes. The 70 MWp photovoltaic farm in Brudzew commune was put into operation at the end of 2021. In the first half of 2022, the official premiere of the hydrogen bus also took place. In addition, investment activity focused on launching projects related to the production and distribution of hydrogen, as well as on preparatory work for the implementation of further renewable energy sources and the necessary tasks to ensure the maintenance of current efficiency and more effective use of the mining and generation assets held.

ZE PAK SA key investments in the implementation phase

Adaptation of K-7 boiler in Konin Power Plant to biomass combustion (biomass unit no. 2)

The task was to adapt the infrastructure previously used for the production of energy and heat from lignite to burn biomass. In this way, a second biomass unit has been created at Konin power plant, which, in addition to energy production for the National Power System, will also be an emergency source for heat production in the event of the withdrawal of the biomass unit currently operating in Elektrownia Konin.

The contractor for the conversion of a coal-fired boiler into a fluidized bed boiler operating in the BFB technology and its adaptation to biomass combustion was Valmet Technologies Oy based in Espoo Finland. As part of the task, the so-called technological islands (TG5 turbine, G5 generator, biomass feeding installation and ash removal installation from under the electrostatic precipitator, electrostatic precipitator, digital unit control system) were also completed.

At the end of 2021, the boiler was fired up and the rated speed of the turbine was achieved, and the biomass unit was synchronized with the National Energy System. The block tests required by PSE were successfully completed. The final stage of acceptance works for the modernized block was a trial run, which also ended with a positive result. During the trial run, measurements were also made to check the achievement of the guaranteed technical parameters by the contractors of the modernization. In April 2022, the unit was put into operation.

Thanks to the modernization carried out in Konin power plant, 105 MWe unit (55 MWe unit and another 50 Mwe unit) of power using biomass as the primary fuel is available.

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

The shares in Farma Wiatrowa Kazimierz Biskupi were purchased together with the wind farm project consisting of 7 turbines with a total capacity of 17.5 MW. The general contractor for the contract for the construction and commissioning of a wind farm is PAK Serwis sp. z o.o. and the supplier of the seven wind turbines is Siemens Gamesa Renewables Energy. PAK Serwis sp. z o.o. will be responsible for the scope of works related to the implementation of foundations for wind turbines, construction of target access and temporary roads, construction of the electrical system of connections between windmill switchboards and GPO (Main Acceptance Point), construction of GPO, connection of GPO with 110kV switchgear, enabling power evacuation to the power system and construction of a superior wind farm control system together with the facility technical protection system. On February 22, 2022 the construction site has been handed over to the contractor. Currently, construction works related to technical infrastructure are being carried out - foundations have been made along with reinforcement for the assembly of wind turbines, works on access roads and service yards for all wind turbines are being finalized. In the field of electrical works, work is underway on laying cable lines and building a GPO station. Siemens Gamesa plans to start assembling wind turbines in November 2022.

Construction of a wind farm in Miłosław commune

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

Design work on a bus prototype powered by hydrogen fuel cells

The project of the Polish Hydrogen Bus was launched in September 2020. The goal is to develop a new eco-friendly bus powered by hydrogen cells from scratch.

As part of the project, conceptual work and technical analysis of the selection of the main components of the bus (hydrogen cells, cylinders, batteries and drive) were carried out. Calculations were made to ensure the greatest overall energy efficiency in the designed bus. In order to achieve the maximum range, a modular construction of hydrogen cylinders with a pressure of 350 and 700 bar was developed.

As part of the construction work, a new bus design was designed, taking into account trends in ergonomics and modern appearance, dedicated to hydrogen-powered buses. On this basis, a prototype construction documentation of the bus was prepared.

Work on the construction of the bus prototype began at the end of April 2021. The first elements of the skeleton were made. Cooperation was established with suppliers who are leaders in the bus industry, orders were placed for key subassemblies and components.

In May 2021, a project fiche (New Energy Programme) was submitted to the National Fund for Environmental Protection and Water Management in order to obtain co-financing for the project. The fiche was positively assessed by the National Fund for Environmental Protection and Water Management, the company went to the next stage and submitted an application for preferential financing.

In October 2021, the construction of the prototype was completed and tests of the bus began, and on April 20, 2022, the produced city bus received EU approval. On May 30, 2022, the official premiere and presentation of the bus under the name NesoBus took place. In the following months, NesoBus was tested with passengers in many cities on bus routes by municipal transport companies.

ZE PAK SA key investments in the preparatory phase

The Group carried out the design works related to the following new investment projects:

- construction of a hydrogen production plant with associated infrastructure at Konin power plant,
- construction of hydrogen buses factory,
- autonomous supply of electricity and heat to a single-family house, based on its own renewable energy sources using hydrogen as a storage and energy carrier,
- construction of a photovoltaic farm in the area of Przykona commune,
- construction of a wind farm in the area of Przyrów commune,
- construction of another photovoltaic farm in the area of Brudzew commune (PV Cambria),
- construction of wind farm in the area of Człuchów commune.

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

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

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

The first step towards building a hydrogen plant at the Konin Power Plant was the conclusion on April 9, 2020 of a contract with Hydrogenics Europe N.V. Belgium to purchase an electrolyser that will initially produce hydrogen in the amount of 1000 kg H₂ / day. At a later stage, thanks to the modular construction of the hydrogen plant and preparation of the infrastructure, it will be possible to increase production capacity, depending on the demand for hydrogen. The original delivery date of the electrolyser indicated in the contract was in mid-2021, however due to reasons attributable

to the supplier, resulting from force majeure, it was extended. An annex to the contract was concluded changing the type of electrolyser to HyLYZER 500-30 and the delivery date. The delivery of the electrolyser with the power supply system and the compressor room with the hydrogen refuelling system is planned for the end of the third quarter of 2022.

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

Construction of hydrogen buses factory

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

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

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

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

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

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

Construction of a photovoltaic farm in the area of Przykona commune

Design works related to the construction of another photovoltaic farm with a rated power of approximately 180-200 MWp in the area of the Adamów open pit, located in the area of the Przykona commune are underway. On August 23, 2021, the resolution of the Commune Council of Przykona, regarding the Local Spatial Development Plan, entered into force, the adopted plan determines the allocation of the land for the construction of a photovoltaic power plant with accompanying infrastructure. On January 5, 2022, an environmental decision was obtained, which became final on February 3, 2022. On March 31, 2022, the conditions for connection were obtained together with a gas and steam unit of the 600 MWe class. Another administrative permit that will be required to obtain is a building permit.

In June 2022, an agreement was concluded with Zilinskis from Toruń for the development of technical documentation along with obtaining a permit for the reconstruction of the 110kV line and increasing its transmission capacity between GPZ Adamów and Adamów Station 110/220kV.

Construction of a wind farm in the area of Przyrów commune

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

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

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

The project will be connected to the GPO used for the needs of Brudzew 70 MWp wind farm, as the second part of this investment. Work is currently underway to adapt the Connection Conditions to enable the collection of energy from the Cambria photovoltaic farm.

Construction of wind farm in the area of Człuchów commune

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

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

Significant events during the reporting period

PAK – Polska Czysta Energia sp. z o.o. acquires a wind project - „Przyrów”

On March 4, 2022, PAK – Polska Czysta Energia sp. z o.o. acquired from KI Foundation, a foundation established and operating in accordance with the laws of the Republic of Malta, 200 (two hundred) shares with a nominal value of PLN 50.00 each, representing 100% of the total share capital of Farma Wiatrowa Przyrów sp. z o.o. with its seat in Warsaw.

PAK-PCE acquired the shares from the seller as part of an investment project consisting in the implementation of RES installations by PAK-PCE in the form of a set of 14 (fourteen) wind farms within the commune of Przyrów, Częstochowa county, śląskie voivodship.

The investment project provides for the construction of a wind farm consisting of 14 (fourteen) wind turbines with a total capacity of 42 MW in Przyrów. The wind conditions in this region make it possible to estimate the annual production of the farm at nearly 105.2 GWh. The project has a complete set of administrative and legal permits allowing for the commencement of construction works on wind turbines. The transaction documentation provides for obtaining a set of administrative and legal permits allowing for the completion of construction works and connection of the Farm to the network. The expected date for launching the farm is the third quarter of 2024 at the latest. The total estimated capital expenditure related to the acquisition and implementation of the farm will amount to nearly PLN 342 million.

Acquisition of project companies and conclusion of a partner agreement with Ørsted Wind Power A/S

On March 8, 2022, the Company concluded the share purchase agreement with Ørsted Wind Power A/S based in Fredericia, Denmark (ORS) for 5 project companies, under which the Company acquired from 50% of 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. On April 13, 2022, the Company concluded additional agreement with ORS regarding the shares in further 5 projects companies as a result of which the Company acquired 50% of shares from ORS 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). The Parties obtained the consent of the President of the Office for Competition and Consumer Protection to implement the concentration, consisting in the creation by ORS and the Company of ten joint entrepreneurs.

The parties also concluded the partnership agreement specifying the principles of *corporate governance* in the Joint Venture Companies and the terms of further cooperation.

The parties planned to jointly submit applications for permit issuance for the construction and use of artificial islands, structures and devices in the maritime areas of the Republic of Poland for offshore wind farm projects in the upcoming deciding proceedings, conducted in accordance with Art. 27d et seq. of the Act of March 21, 1991 on the maritime areas of the Republic of Poland and maritime administration.

Changes in the Supervisory Board

On March 10, 2022, the Extraordinary General Meeting of Shareholders of the Company appointed three new members to the Supervisory Board of the Company: Mr. Jarosław Grzesiak, Mr. Tobiasz Solorz and Mr. Piotr Żak. The appointment resolutions entered into force upon their adoption.

On March 30, 2022, Mr. Leszek Wysocki resigned from membership in the Supervisory Board of the Company.

On April 13, 2022, the Supervisory Board of the Company adopted a resolution on entrusting the function of Deputy Chairman to Mr. Piotr Żak. On April 22, 2022, the Extraordinary General Meeting of Shareholders of the Company established a new number of members of the Supervisory Board of the Company and dismissed Mr. Grzegorz Krystek from the function of a member of the Supervisory Board.

The consent to the target regulation of an organized part of the enterprise of ZE PAK SA related to the energy activities conducted as part of Elektrownia Pątnów for PAK Pątnów Sp. z o.o., i.e. leasing, and then making an in-kind contribution to PAK Pątnów Sp. z o.o.

On March 10, 2022 the Extraordinary General Meeting of ZE PAK SA adopted a resolution on the consent to the target ordinance of an organized part of the enterprise including a group of property and non-property components and a team of employees necessary to run a business within Pątnów Power Plant, which consists in independent and comprehensive generation of electricity and heat using Pątnów 1 Power Plant (installed capacity of 644 MW) and Pątnów 2 Power Plant (installed capacity of 474 MW), hereinafter referred to as "ZCP Pątnów", which will be sold in two stages - lease of ZCP Pątnów for PAK Pątnów Sp. z o.o. seated in Konin and in-kind contribution of ZCP Pątnów to PAK Pątnów Sp. z o.o. seated in Konin.

The Extraordinary General Meeting of ZE PAK SA authorized the Management Board of the Company to take all steps necessary to implement this Resolution.

Increasing the limit of available financing in the loan agreement concluded by PAK Polska Czysta Energia Sp. z o.o.

On May 23, 2022, PAK – Polska Czysta Energia sp. z o.o. increased the amount of available financing in the Agreement concluded with EFG Bank Ltd. based in Zurich. The amount of the available loan was increased by PLN 125 million, i.e., to PLN 300 million. The funds obtained will be used to finance projects in the field of renewable energy sources and the production and use of green hydrogen, implemented by the Borrower's subsidiaries. The financial terms and other terms of the Loan Agreement do not differ from the market terms.

Acquisition of a wind project by the subsidiary of ZE PAK SA, i.e. PAK-Polska Czysta Energia sp. z o.o.

On June 10, 2022, PAK – Polska Czysta Energia sp. z o.o. seated in Konin decided to acquire from Polish Wind Holdings B.V., a company established and operated in accordance with the law of the Kingdom of Netherlands, 100% of shares in the share capital of Great Wind sp. z o.o. seated in Warsaw.

PAK – PCE sp. z o.o. acquired the shares from the seller as part of an investment project consisting in the implementation of RES installations that provides for the construction of a wind farm consisting of 33 (thirty three) wind turbines with a total capacity of 72.6 MW in Człuchów, pomorskie voivodship.

The wind conditions in this region make it possible to estimate the annual production of the farm at 230 GWh. The project has a complete set of administrative and legal permits allowing for the commencement of construction works on wind turbines. The transaction documentation provides for obtaining a set of administrative and legal permits allowing for the completion of construction works and connection of the Farm to the network. The expected date for launching the Farm is the third quarter of 2024 at the latest. Due to the secured connection capacity, the project has the potential to develop an additional photovoltaic farm with a maximum capacity exceeding 50 MWp. The total estimated capital expenditure related to the acquisition and implementation of the Farm will amount to ca. PLN 725 million

Człuchów wind farm project is the largest investment project acquired by PAK PCE so far. The scale of wind power planned to be installed in wind projects acquired so far by PAK PCE is growing to over 140 MW.

In order to finance the investment project, PAK-PCE (as the borrower) concluded a loan agreement with Cyfrowy Polsat S.A. based in Warsaw, as the lender, to the amount of PLN 236,400,000 (two hundred and thirty six million four hundred thousand zlotys).

The loan agreement provides the possibility to take the loan in PLN or EUR by PAK – PCE sp. z o.o. on the terms specified in the agreement, taking into account the needs resulting from the schedule of the investment project, while at the same time, the loan agreement will provide for the borrower to obtain alternative forms of financing the investment project and the potential early repayment of the loan granted under the loan agreement.

Registration of amendments to the Articles of Association of ZE PAK SA

On June 14, 2022, the District Court Poznań – Nowe Miasto and Wilda in Poznań, IX Commercial Division of the National Court Register registered the amendments to the Articles of Association of the Company adopted by the Extraordinary General Meeting of Shareholders of ZE PAK SA on March 10, 2022, consisting in the repeal of the current content of the Company's Articles of Association in its entirety and then adoption of the new content and the unified text of ZE PAK SA Articles of Association.

Conclusion of the contract by PAK-PCE Polski Autobus Wodorowy sp. z o.o. for the construction of a production plant for buses powered by hydrogen cells

On June 15, 2022, PAK-PCE Polski Autobus Wodorowy sp. z o.o. concluded a contract with Mostostal Puławy SA based in Puławy for the implementation of the task entitled "Construction of a production plant for hydrogen-powered buses, including an office building and associated infrastructure". The subject of the contract is the implementation of the above-mentioned tasks in the "Design and Build" formula in the area covered by the building permit, in Świdnik, in Lubelskie Voivodeship.

Pursuant to the provisions of the contract, the lump sum remuneration for the performance of the subject of the contract was set at PLN 72.7 million net and will be settled in two instalments - for the development of design documentation and for the performance of complete construction and finishing works.

The deadline for completion of construction works is scheduled for June 30, 2023. The guarantee of proper performance of works in accordance with the contract will be granted for a period of 60 months.

Significant events after the balance sheet date

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

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

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

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

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

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

Pursuant to the framework agreement, in the event that any of the ORS Companies obtains a permit for the construction and use of artificial islands, structures and devices in the maritime areas of the Republic of Poland for offshore wind farm projects, in the next resolving procedure, conducted in accordance with Art. 27d et seq. of the Act of March 21, 1991 on

the maritime areas of the Republic of Poland and maritime administration, the Company will have the right to request another increase in the share capital of a given ORS Company, under which all new shares will be acquired by the Company. As a result of the increase in the share capital of a given ORS Company, the Company and ORS will each hold 50% of shares in a given ORS Company. If the Company fails to submit a request to increase the share capital, after obtaining the Permit by a given ORS Company, ORS will be entitled to buy out all shares in a given ORS Company held by the Company. With regard to ZE PAK companies, such a right to demand another share capital increase was not provided for.

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

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

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

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

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

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

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

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

On 29 June 2022, the Company and Cyfrowy Polsat SA concluded another annex (“Annex 2”), which shifts the long stop date and the date for completing one of the milestones the said contract, i.e., the transfer of the Konin Power Plant OPE. Annex 2 was also concluded in relation to the failure to meet one of the conditions precedent associated with the transfer to PAK-PCE of the receivables of PAK-PCE subsidiaries, i.e., PCE OZE 1-6, and a change in the manner and sequence of legal actions conducted under the contract.

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

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

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

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

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

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

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

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

It is planned to establish appropriate securities in connection with the agreement. It is also planned to conclude a direct contract and a power purchase agreement (PPA) for the power generated at Kazimierz Farm with Polkomtel sp. z o.o.

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

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

Proceedings on an environmental decision issued to PAK KWB Konin SA concerning lignite deposit in Tomisławice

PAK KWB Konin SA is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomisławice. On 7 August 2007, the Head of Wierzbinek Commune issued an environmental decision regarding the lignite open cast. On 5 December 2008, this decision was contested by nine physical persons supported by the Greenpeace organisation due to alleged major infringement of the regulations of the law. On 25 March 2009, the Self-government Appeal Court dismissed the application to reverse the environmental decision. The plaintiffs applied for the judicial review. On 4 May 2009, after the judicial review, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań ruled that the environmental decision, pursuant to which the license for the extraction of lignite at Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWBK SA and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court overturned the contested decision of the Provincial Administrative Court in Poznań and referred the matter for reconsideration. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision repealing the decision of the Self-government Appeal Court of 25 March 2009 refusing to declare the invalidity of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune, related to the extraction of lignite from Tomisławice open pit by PAK KWBK SA. On 7 January 2013, PAK KWBK Konin SA submitted a cassation appeal from the described decision.

After the review on the hearing on 7 October 2014, the Supreme Administrative Court dismissed the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA from the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 repealing the decision of the Self-government Appeal Court in Konin of 25 March 2009 refusing the annulment of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune related to the extraction of lignite from Tomisławice open pit.

Dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA means that the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 became legally binding and the case regarding the statement of invalidity of the environmental decision will be examined again by the Self-government Appeal Court. On 18th January 2019 the Local Government Appeal Court in Konin issued a decision refusing to annul the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune related to the exploitation of Tomisławice lignite open pit. Subsequently, the Government Appeal Court upheld its decision, from which a complaint was filed with Poznań Administrative Court.

On June 19, 2020 the Company received information on the issuance, in closed session by the Provincial Administrative Court in Poznań, of a judgment dismissing the complaint against the decision of the Local Government Appeals Board in Konin regarding refusal to annul the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune associated with the exploitation of Tomisławice lignite mine.

The judgment of the Provincial Administrative Court in Poznań, dated June 18, 2020, means that the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune, is still in legal circulation.

Against the judgment of the Provincial Administrative Court in Poznań of June 18, 2020, the Greenpeace Polska Foundation with its registered office in Warsaw and Józef Imbierski filed a cassation complaint to the Supreme Administrative Court. On October 26, 2020, PAK KWB Konin filed a response to the cassation complaint, requesting its dismissal.

5. INFORMATION REGARDING THE SHAREHOLDING STRUCTURE

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

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

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

<i>Shareholder</i>	<i>pcs</i>	<i>%</i>
	<i>Number of shares and corresponding number of votes at the General Meeting</i>	<i>Share in the total number of shares/votes</i>
Zygmunt Solorz (indirectly) through:	33 523 911	65.96
– <i>Argumenol Investment Company Limited</i>	<i>33 523 911</i>	<i>6.,96</i>
Nationale – Nederlanden OFE	4 503 242	8.86
OFE PZU „Złota Jesień”	4 635 719	9.12

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

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

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

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

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

<i>Name</i>	<i>ZE PAK SA shares as at the day of submitting this report</i>	<i>ZE PAK SA shares as at the day of submitting the previous report</i>
Piotr Woźny	0	0

Zygmunt Artwik	0	0
Maciej Nietopiel	0	0
Andrzej Janiszowski	0	0
Katarzyna Sobierajska	0	0

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

<i>Name</i>	<i>ZE PAK SA shares as at the day of submitting this report</i>	<i>ZE PAK SA shares as at the day of submitting the previous report</i>
Zygmunt Solorz	0	0
Wiesław Walendziak	0	0
Tomasz Szelaĝ	0	0
Henryk Sobierajski	0	0
Sławomir Zakrzewski	0	0
Maciej Stec	0	0
Alojzy Z. Nowak	0	0
Jarosław Grzesiak	0	0
Tobias Solorz	0	0
Piotr Źak	0	0

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

ZE PAK SA has not published any financial forecasts.

7. INFORMATION REGARDING THE PAID OR DECLARED DIVIDENDS

The Company did not pay or declare dividend payment in the first half of 2022.

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

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

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

PAK – Polska Czysta Energia sp. z o.o. granted a loan on January 4, 2022 to Park Wiatrowy Pałczyn 2 sp. z o.o. in the amount of PLN 14,000 thousand or its equivalent in EUR, with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

On February 21, 2022, ZE PAK SA granted a surety to KWB SIENIAWA sp. z o.o. in the amount of PLN 30,000 thousand for the liabilities of the subsidiary of the Capital Group, i.e. PAK KWB Konin SA. The surety was granted by ZE PAK SA as a security for the contract for the purchase and sale of lignite signed between PAK KWB Konin SA and KWB SIENIAWA sp. z o.o.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on February 28, 2022 to Park Wiatrowy Pałczyn 1 sp. z o.o. in the amount of PLN 59,500 thousand or its equivalent in EUR, with the repayment date by the end of December 2025. The

loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on February 28, 2022 to Park Wiatrowy Pałczyn 2 sp. z o.o. in the amount of PLN 10,100 thousand or its equivalent in EUR, with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 4, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of PLN 3,053 thousand with the repayment date till November 2022. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 4, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of PLN 450 thousand with the repayment date till June 2022. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 4, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of PLN 900 thousand with the repayment date till June 2022. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 4, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of PLN 260 thousand with the repayment date till June 2022. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 4, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of PLN 58 thousand with the repayment date till June 2022. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 4, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of PLN 1,063 thousand with the repayment date till July 2022. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

On March 4, 2022, ZE PAK SA granted a surety to KI Foundation in the amount of EUR 2,703 thousand for the liabilities of a subsidiary of the Capital Group, i.e. Farma Wiatrowa Przyrów sp. z o.o. The surety was granted by ZE PAK SA as a security for the contract for the sale of shares in Farma Wiatrowa Przyrów sp. z o.o. signed between PAK - Polska Czysta Energia sp. z o.o. and ZE PAK SA and the KI Foundation.

On March 4, 2022, ZE PAK SA granted a surety to KI Foundation in the amount of EUR 1,350 thousand for the liabilities of a subsidiary of the Capital Group, i.e. Farma Wiatrowa Przyrów sp. z o.o. The surety was granted by ZE PAK SA as a security for the contract for the sale of shares in Farma Wiatrowa Przyrów sp. z o.o. signed between PAK - Polska Czysta Energia sp. z o.o. and ZE PAK SA and the KI Foundation.

On March 4, 2022, ZE PAK SA granted a surety to Conerga sp. z o.o. in the amount of PLN 3,875 thousand for the liabilities of the subsidiary of the Capital Group, i.e. Farma Wiatrowa Przyrów sp. z o.o. The surety was granted by ZE PAK SA as a security for the contract for the sale of shares in Farma Wiatrowa Przyrów sp. z o.o. signed between PAK - Polska Czysta Energia sp. z o.o. and ZE PAK SA and the KI Foundation.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 14, 2022 to PAK – PCE Polski Autobus Wodorowy sp. z o.o. in the amount of PLN 11,500 thousand or its equivalent in EUR, with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project consisting in investments related to the development and production of hydrogen buses.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 14, 2022 to PAK – PCE Polski Autobus Wodorowy sp. z o.o. in the amount of PLN 34,000 thousand or its equivalent in EUR, with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project consisting in investments related to the development and production of hydrogen buses.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 18, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of PLN 7,300 thousand or its equivalent in EUR, with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 21, 2022 to PAK–PCE Biogaz sp. z o.o. in the amount of PLN 500 thousand with the repayment date by the end of December 2025. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 8, 2022 to PCE-OZE 3 sp. z o.o. in the amount of PLN 20 thousand with the repayment date by the end of June 2023. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 10, 2022 to PCE-OZE 2 sp. z o.o. in the amount of PLN 60 thousand with the repayment date by the end of June 2023. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 10, 2022 to PCE-OZE 4 sp. z o.o. in the amount of PLN 60 thousand with the repayment date by the end of June 2023. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 10, 2022 to PCE-OZE 5 sp. z o.o. in the amount of PLN 60 thousand with the repayment date by the end of June 2023. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 10, 2022 to Great Wind sp. z o.o. in the amount of PLN 30,124 thousand with repayment on demand. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 8, 2022 to PCE-OZE 6 sp. z o.o. in the amount of PLN 20 thousand with the repayment date by the end of June 2023. The loan is intended to finance current operating activities.

ZE PAK SA granted a loan on March 15, 2022 to PAK CCGT sp. z o.o. in the amount of PLN 150 thousand with the repayment date by the end of June 2026. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on March 15, 2022 to PCE-OZE 6 sp. z o.o. in the amount of PLN 400 thousand with the repayment date by the end of June 2023. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 21, 2022 to Great Wind sp. z o.o. in the amount of EUR 25,000 thousand or its equivalent in PLN with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 23, 2022 to Farma Wiatrowa Przyrów sp. z o.o. in the amount of EUR 13,000 thousand or its equivalent in PLN with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

ZE PAK SA granted a loan on March 29, 2022 to PAK – PCE Fotowoltaika sp. z o.o. in the amount of PLN 3,500 thousand with the repayment date by the end of December 2035. The loan is intended to finance current operating activities.

ZE PAK SA granted a loan on June 29, 2022 to PAK CCGT sp. z o.o. in the amount of PLN 950 thousand with the repayment date by the end of June 2024. The loan is intended to finance current operating activities.

PAK – Polska Czysta Energia sp. z o.o. granted a loan on June 29, 2022 to Farma Wiatrowa Kazimierz Biskupi sp. z o.o. in the amount of PLN 130,000 thousand or its equivalent in EUR with the repayment date by the end of December 2025. The loan is intended for the implementation of an investment project in renewable energy sources (RES) in the form of wind farms.

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

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

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

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

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

- macro-economic trends in the Polish economy and the demand for electricity;
- regulatory environment;
- electricity prices;
- prices and supply of certificates of origin;

- fuel costs, coal extraction costs;
- CO₂ allowances costs;
- compensation for the stranded costs related to the termination of PPA for unit 9 in Elektrownia Pątnów II;
- seasonality and meteorological conditions;
- investment expenses;
- EUR/PLN exchange rate and interest rates level.

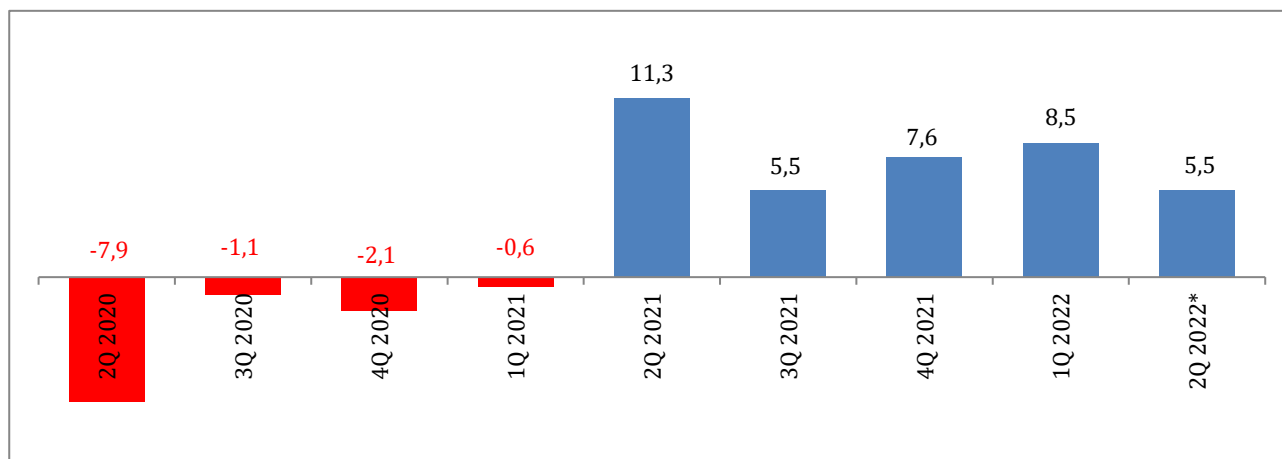
Moreover, an important factor that may have a significant impact on the financial results are the results of tests for impairment of assets, if there are premises for their performance. It should be noted that the valuation model of the Company's assets shows sensitivity to a range of parameters, among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

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

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

According to preliminary estimates, the seasonally unadjusted gross domestic product (GDP) in the second quarter of 2022 increased by 5.5% year-on-year in real terms, compared to an increase of 11.3% in the corresponding quarter of 2021. This was influenced by the increase in domestic demand, which amounted to 7.2%. Compared to the previous quarter, in Q2 2022 seasonally adjusted GDP decreased by 2.1% in real terms, and it was also the third largest quarterly decline in GDP in the history of comparable statistics dating back to 1995.

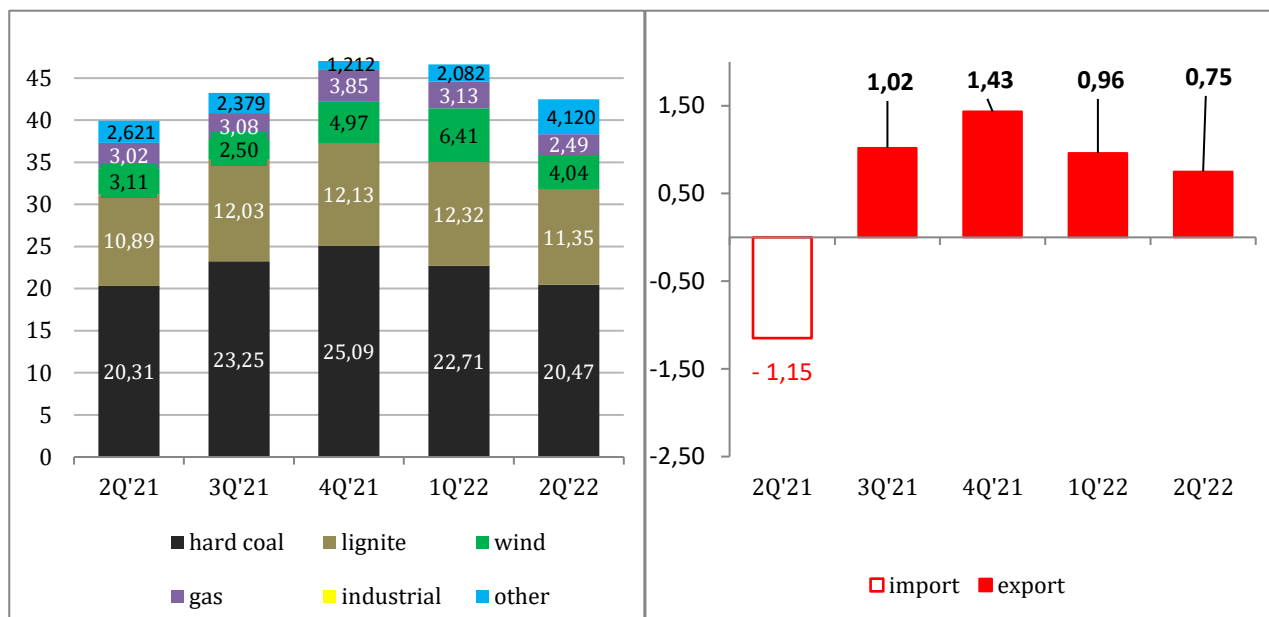
Chart 7: GDP dynamics [%] in relations to analogous quarter of the previous year (yearly average fixed prices)



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

Source: Own elaboration based on CSO data

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



Source: Own elaboration based on PSE data

Data on the operation of the National Power System and the Balancing Market, presented by Polskie Sieci Elektroenergetyczne SA, indicate that gross domestic electricity consumption in the first half of 2022 amounted to 87.41 TWh¹ and compared to the first half of the previous year it increased by 1.21%. In the first half of 2022, gross production of electricity amounted to 89.12 TWh, which means an increase of 7.25% compared to the corresponding period of the previous year. Hard coal-fired power plants had the largest share in the production structure, production from hard coal amounted to 43.18 TWh. 23.67 TWh were produced from lignite. Comparing half-year to half-year, a decrease in production based on hard coal by 3.4% and an increase in production based on lignite by 11.58% was recorded. Wind farms produced 10.45 TWh, which is over 54% more than in the corresponding period of the previous year. Generation from gas-fired power plants decreased by 12.67% compared to the corresponding period of 2021, when production was recorded at the level of 5.62 TWh. The foreign exchange balance in the first half of 2022 amounted to 1.71 TWh on the export side, which means that Poland is still an exporter of electricity.

11.2. Regulatory environment

Entities operating on the electricity market operate in a regulatory environment that is subject to constant change, mainly through the impact of EU law on national law. The most important legal regulations to which electricity producers are subject are the Energy Law Act, including provisions on the obligation to sell energy on stock exchange markets, the Act on renewable energy sources, defining the principles of support for specific energy generation technologies, the Act on Environmental Protection Law, which defines the principles sustainable use of the environment. The above laws transpose into the Polish legal order directives and regulations of the European Commission as well as international conventions regarding, among other rules for the single wholesale electricity market, environmental protection and climate change (including CO₂ emissions). Tax law, interpretations and recommendations issued in particular by the Energy Regulatory Office should also be taken into account. Any changes in the above-mentioned areas may be of great importance for the Group's operations. Regulatory risk is one of the most significant electricity generators in the industry.

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

On December 16, 2021, as a result of the main auction for the delivery year 2026, carried out according to the parameters specified in *Regulation of the Minister of Climate of August 6, 2022 on parameters of the main auction for the delivery year 2025 and parameters of additional auctions for the delivery year 2022*, PAK CCGT sp. z o.o. concluded a capacity

¹ Table no. 3. Structure of electricity production in domestic power plants, amounts of electricity exchanged with foreign countries and domestic energy consumption - monthly amounts and from the beginning of the year - gross amounts.

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

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

An important event for the financial results of the Company in the regulatory environment is the reform of the balancing market, which has been underway since 2019, when intensive work began to adapt the balancing market to the requirements of European law. In May 2020, the document Polish Plan for the Implementation of Reforms in the Balancing Market was adopted, which was a milestone in works on the reform of the balancing market. As a result of adopting the provisions of the plan, the balancing market reform will be carried out in two stages, and ultimately it is to introduce, among others, scarcity pricing mechanism, as well as major changes in system services and settlements on the balancing market. A significant change introduced by the reform, proceeded in stages, is the change in the rules for determining the settlement price of the deviation of sales and purchase of energy from the balancing market, effective from January 1, 2022, depending on the contracting status of the National Power System, which prevents price arbitrage on the balancing market and on the day ahead market of TGE S.A.

In addition, from the point of view of the Group's financial results, and above all from the point of view of the company's liquidity management in 2022, it is also important to pass in January 2022 an act amending the so-called "Anti-crisis shield", which changed the rules applicable in the system securing the clearing of transactions concluded on the exchange, expanding the range of options for contributing non-cash collateral to the clearing guarantee system, opening for the Company as an entity that performs the obligation referred to in Art. 49a paragraph. 1 of the Act of April 10, 1997. - Energy law, the possibility of submitting a declaration submitted in the form of a notarial deed on submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure, which gives the company greater flexibility in financial management.

Among the significant issues in the regulatory environment, work on the reform of the ETS system, which is currently underway in the EU bodies, is also important. The discussed changes include scenarios of changes in the functioning of the Market Stability Reserve (IAS) and the possible exclusion of financial institutions from the ETS. Any possible changes to the ETS may affect the trading level of EUA units.

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

In addition, on September 9 this year, a draft regulation of the Minister of Climate and Environment was published at the level of national legislation amending the regulation on detailed conditions for the operation of the power system, which provides for changes to the rules for offering electricity on the Balancing Market operated by PSE S.A. by establishing the rules of bidding on the Balancing Market in relation to the maximum price resulting from the variable costs of generation. The justification for the amendment of the so-called "system regulation" shows that changes in the area of bidding on the Balancing Market will consequently give a price signal from lowering prices also on the short-term and futures markets of electricity. The draft regulation is currently in the phase of urgent consultations and it is not known in what shape it will be finally adopted, however, each change to the system regulation affects the Company's finances to varying degrees.

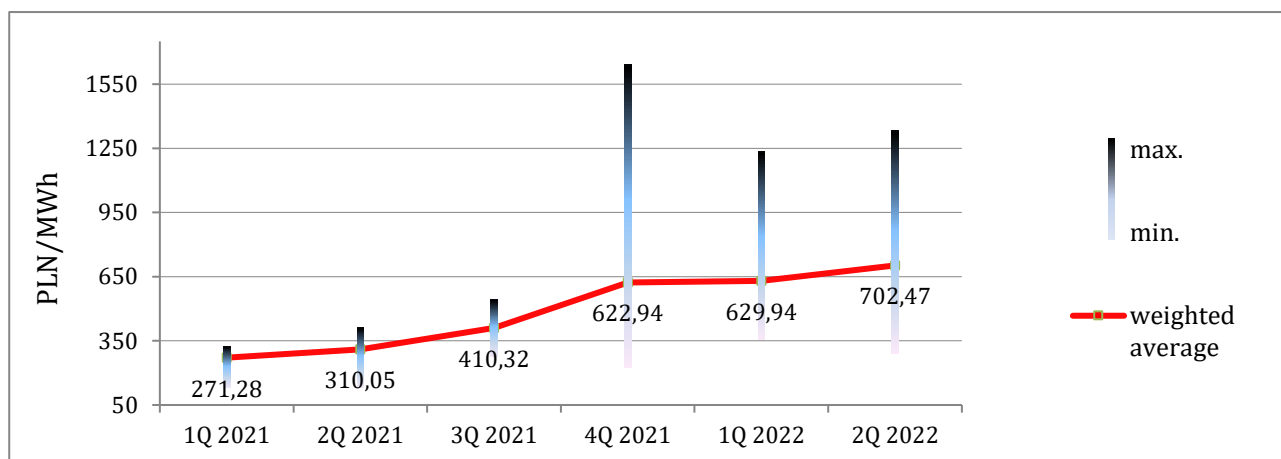
11.3. Electricity prices

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

On the day-ahead market on TGE S.A., invariably from the second quarter of 2020, the weighted average price from the TGeBASE indices maintains a strong upward trend. Despite the lower trading volume on the exchange compared to the first quarter of 2022, the average for the second quarter of 2022 was higher than the average for the first quarter of 2022 by PLN 72.53/MW (price maximum PLN 1,330.99/MWh on June 30, 2022). Price increases in the second quarter of 2022 were dictated by the high demand for energy in Poland and Western Europe. The high price levels in the reporting period were still stimulated by the unstable situation related to gas supplies in Europe and the increase in the price of this fuel, as well as the increase in coal prices. Factors related to market volatility have intensified after Russia's aggression against Ukraine. Planned repairs of generating units as well as unplanned shutdowns of power units, caused both by failures of generating units, but also by a deficit in coal supplies, also contributed to the price increases. The direction of cross-border electricity trade also continued to influence the level of prices. Poland was an exporter of energy in the next quarter in a row.

The weighted average BASE price on the Day-Ahead Market on TGE SA for the second quarter of 2022 was at the level of PLN 702.47/MWh, which means an increase compared to the second quarter of 2021 by PLN 392.42/MWh², i.e., by approximately 127 %.

Chart 9: Electricity prices (TGeBase)³



Source: Own elaboration based on TGE data

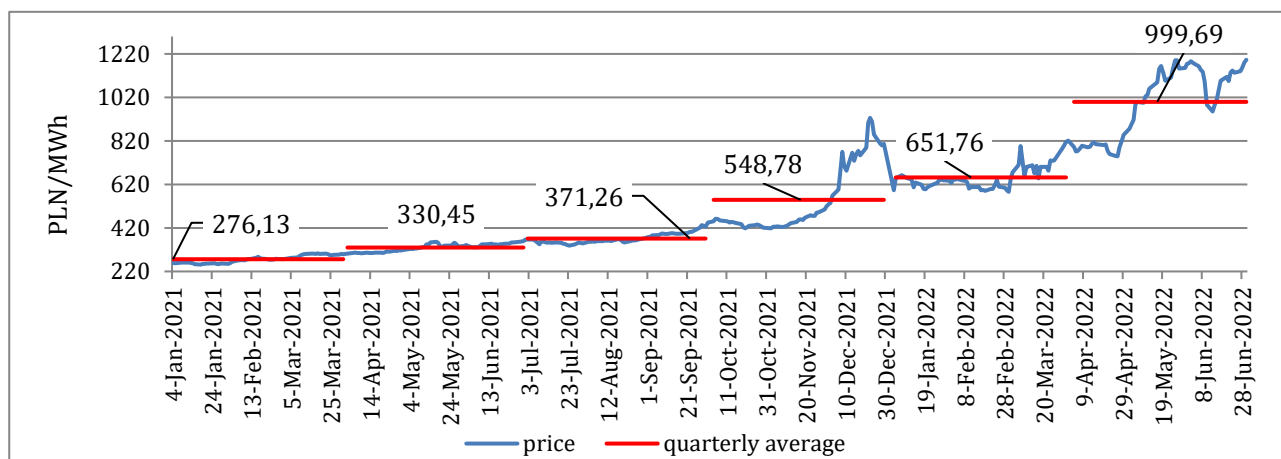
The arithmetic average of daily settlement prices for the reference BASE_Y-23 futures contract in Q2 2022 was PLN 999.69/MWh, which means an increase in relation to the BASE_Y-22 futures contract quoted in Q2 2021 by PLN 669.24 PLN/MWh, i.e., by approximately 202%. Although at the beginning of the second quarter of 2022 the price peaks did not break the highs from the first quarter of 2022, in the second quarter of 2022 a sharp increase in quotations took place at the end of April, reaching the level of PLN 1,191/MWh at the end of May 2022. At the beginning of June 2022, there was a temporary price correction, after which at the end of June the energy price reached a maximum of PLN 1,193/MWh.

²source ww.tge.pl

³ In June 2019, TGE SA liquidated the IRDN index, currently the base reference index is the TGeBase index.

Similarly to the Day-Ahead and Intraday Market (DAM&ID), the factors related to market instability intensified after Russia's aggression against Ukraine. The development of the armed conflict in Ukraine will continue to have a significant impact on the Electricity Futures Markets in Poland and Europe (unstable gas and coal situation in Europe and thus strong price increases on the markets). Moreover, jumps in prices of CO2 emission allowances contributed to jumps in prices on the futures market, as well as on the TGE SA Day-Ahead and Overnight Markets.

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



Source: Own elaboration based on TGE data

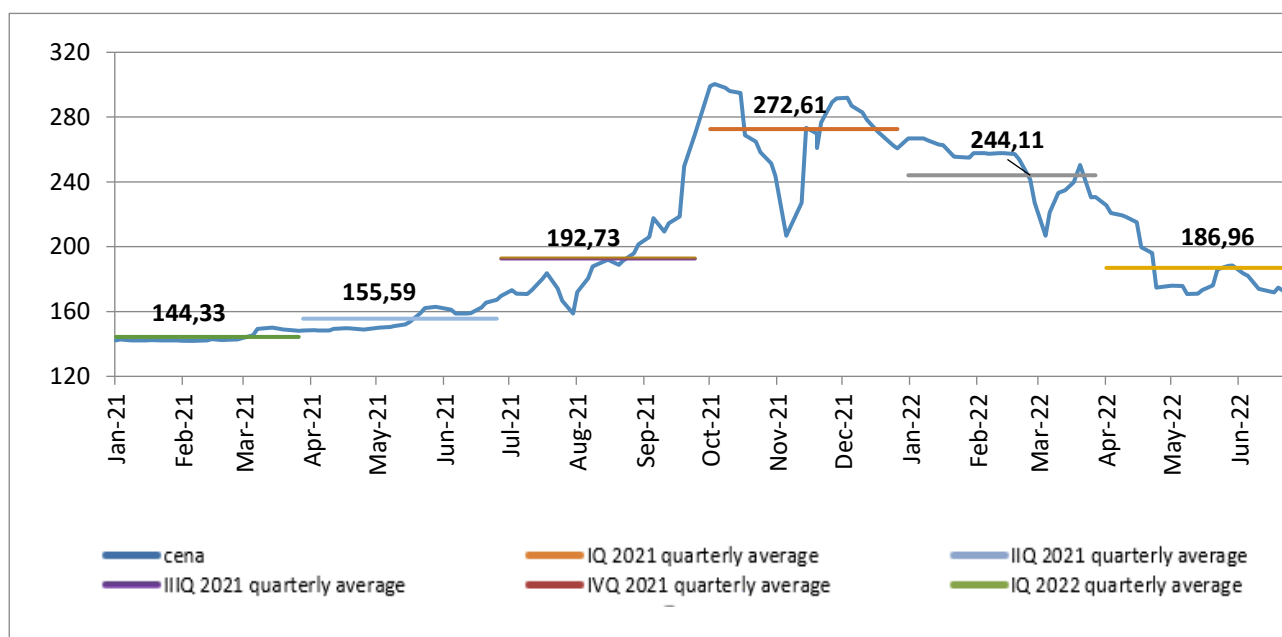
11.4. Prices and supply of certificates of origin

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

From the beginning of the first half of 2022, the price of PMOZE_A certificates of origin was in a downward trend, in January 2022 the volume-weighted average price on the sessions of the Property Rights Market (RPM) for the PMOZE_A instrument was PLN 261.66/MWh, which means a decrease by PLN 15.52/MWh compared to December 2021. In February and March there were further price drops. In April 2022, the volume-weighted average price at RPM sessions for the PMOZE_A instrument was PLN 204.77/MWh, which means a decrease by PLN 23.45/MWh compared to March 2022. In May, there were further price drops, which lasted until the end of the second quarter of 2022. The last session in June closed with a price of PLN 173.31/MWh, and the weighted average price in June was PLN 176.95/MWh. Despite the drop in prices in the second quarter of 2022, the weighted average price compared to the corresponding second quarter of 2021 increased by PLN 31.37/MWh.

Such a large drop in prices can still be associated with the proposal of the Ministry of Climate and Environment that plans in 2023 to significantly reduce the obligation to share green energy from redeemed certificates of origin, the so-called green certificates. This argues that the burden on end users is too high. The proposal of the Ministry of Climate and Environment reduces the quantitative share of the sum of electricity resulting from redeemed certificates of origin from 18.5% in 2022 to only 10% in 2023.

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



Source: Own elaboration based on TGE data

11.5. Extraction and supply costs of coal and other fuel

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

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

The deposits exploited by the Group's mines have a certain abundance. The possibility of achieving the assumed level of electricity production depends on the extraction capacity and the quality of coal mined in the currently exploited deposits. In the following years, a decrease in the extracted volumes of coal should rather be expected due to the end of the exploitation of two out of three exploited lignite opencasts - coal mining in Józwin opencast will be carried out until the end of 2022, while Drzewce opencast ended its operation completely on August 11, 2022. The Company intends to gradually move away from coal-based power generation and focus more and more on low-carbon and carbon neutral electricity generation projects. The implementation of the project to build a gas and steam unit at Adamów Power Plant, which was the subject of the capacity market auction won in December 2021, will mean an increase in the importance of gaseous fuel in the balance of energy supplies for the Group in the future. In addition, in April 2022, a second biomass unit with a capacity of 50 MWe was put into operation at Konin Power Plant, which already produces electricity and serves as an additional source of heat for the previously operating biomass unit, supplying the city of Konin with heat. The new unit won the capacity market auction held in December 2019 and concluded a capacity contract for 17 years of supply, contracting 40 MW of capacity obligation. The total capacity of biomass sources in the Konin Power Plant is currently 105 MW.

11.6. CO₂ emission allowances costs

The activities in the scope of generating electricity and heat from conventional sources are associated with the need to incur the CO₂ emission costs. In view of the fact that these costs represent an important item in the structure of the costs

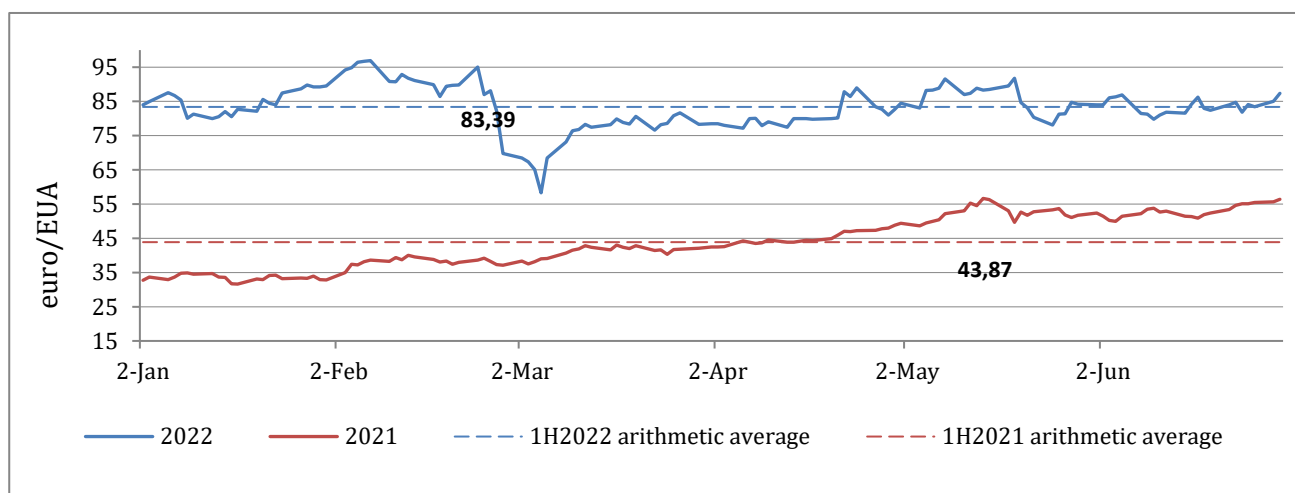
incurred by the producers of energy from lignite, the impact of emitted quantities of CO₂ and the risk of price changes of CO₂ emission allowances (EUA) is of great importance to the activities' results.

In 2022, the Group will receive a negligible amount of free CO₂ emission allowances, i.e. 11,825 EUA, resulting from allocation to heat production. Therefore, practically the entire amount of emission allowances needed by the ZE PAK SA Group must be purchased on the secondary market.

In the first half of 2022, the prices of CO₂ emission allowances followed a linear trend. The average EUA price in this period was EUR 83.39/EUA. In February, large fluctuations in EUA prices were observed due to Russia's aggression against Ukraine, which began on February 24 this year. By that date, allowance prices had risen to a historic level of around EUR 96.50. After February 24, 2022, CO₂ prices began to fall due to the systematic sale of allowances, qualifying EUA allowances as high-risk assets. The downward trend, which started at the end of February, reduced EUA prices at the beginning of March to the level of EUR 58.00/EUA. Sharp declines in allowance prices were followed by an equally quick rebound, typical of such situations, as a result of which allowances made up most of their losses in a few days and increased by 37%, to the level of approx. EUR 79.5 in March 2022. In April, EUA prices were close to the average EUA price in the first half of 2022. In May 2022, EUA prices managed to reach the price level of EUR 91 twice. The first time it happened after the information about the planned suspension of oil imports from Russia, the second time - in connection with the ENVI committee's proposal limiting the supply of allowances in the future (including an increase in the reduction target, tightening of the MSR or faster withdrawal of free allowances to the CBAM sectors). The prices of EUA allowances on the ICE exchange in June 2022 increased from EUR 80.00 to approximately EUR 89.00.

The arithmetic average of EUA quotations in the first half of 2022 was EUR 83.39, while in the first half of 2021 it was EUR 43.87, which means an increase of EUR 39.52, i.e. 90%.

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



Source: Own elaboration based on ICE data

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

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

Due to the early termination (on 1 April 2008) of PPA, pursuant to the Act of PPA, the Company is entitled to receive sufficient compensation. The amount of compensation is estimated according to an applicable formula specified in the Act. The Company is covered by the said act by the end of 2025. The mechanism determining the amount of revenues related to compensation for stranded costs largely functions on the basis of offsetting, therefore the risk related to the level of revenues from this source is to a certain extent dependent on other types of risk affecting the level of costs and revenues, e.g. energy prices or prices of allowances for emissions.

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

11.8. Seasonality and meteorological conditions

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

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

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

11.9. Investment expenses

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

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

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

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

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

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

SIGNATURES:

Piotr Woźny
President of the Management Board

Zygmunt Artwik
Vice President of the Management Board

Maciej Nietopiel
Vice President of the Management Board

Andrzej Janiszowski
Vice President of the Management Board

Katarzyna Sobierajska
Vice President of the Management Board