ZE PAK SA

INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023

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

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(in thousand PLN)

BALANCE SHEET

Assets

	30 June 2023 (unaudited)	31 December 2022	30 June 2022 (unaudited)
A. Fixed assets	**924 096**	**779 112**	**1 414 937**
I. Intangible and legal assets	**64 454**	**2 420**	**1 572**
1. Costs of completed development work	-	-	-
2. Goodwill	-	-	-
3. Other intangible and legal assets	64 454	2 420	1 572
4. Advance payment on intangible and legal assets	-	-	-
II. Tangible fixed assets	**34 987**	**37 490**	**697 558**
1. Capital work	5 805	5 952	662 924
a) lands (including the perpetual usufruct of land)	1 654	1 647	1 682
b) buildings, premises, as well as civil and water engineering facilities	1 176	1 119	125 319
c) technical equipment and machinery	2 164	2 391	534 749
d) means of transport	60	64	144
e) other fixed assets	751	731	1 030
2. Capital work in progress	16 987	13 870	10 529
3. Advance payments for capital work in progress	12 195	17 668	24 105
III. Long-term receivables	-	-	-
1. From affiliates	-	-	-
2. From other entities, where the entity has equity interests	-	-	-
3. From other entities	-	-	-
IV. Long-term investments	**816 044**	**732 081**	**711 808**
1. Properties	-	-	-
2. Intangible assets	-	-	-
3. Long-term financial assets	816 044	732 081	711 808
a) in affiliates	815 892	731 929	697 876
– shares or stocks	800 414	687 842	685 287
– other securities	-	-	-
– loans granted	12 948	41 557	10 059
– other long-term financial assets	2 530	2 530	2 530
b) in other entities where the entity has equity interest	152	-	-
– shares or stocks	152	-	-
– other securities	-	-	-
– loans granted	-	-	-
– other long-term financial assets	-	-	-
c) in other entities	-	152	13 932
– shares or stocks	-	152	152
– other securities	-	-	-
– loans granted	-	-	-
– other long-term financial assets	-	-	13 780
4. Other long-term investments	-	-	-
V. Long-term prepayments	**8 611**	**7 121**	**3 999**
1. Deferred income tax assets	5 689	3 660	-
2. Other prepayments and accruals	2 922	3 461	3 999

(in thousand PLN)

BALANCE SHEET (cont.)

B. Current assets	**1 342 299**	**2 005 531**	**1 418 872**
I. Inventories	**15 938**	**14 220**	**54 888**
1. Materials	15 938	11 841	31 231
2. Semi-finished products and products in progress	-	-	-
3. Finished products	-	-	-
4. Goods	-	2 378	23 657
5. Advance payments for supplies	-	1	-
II. Short-term receivables	**498 070**	**487 932**	**713 096**
1. Receivables from affiliates	91 894	23 126	47 516
a) trade-related, with a payment period of:	91 892	20 499	47 516
– up to 12 months	91 892	20 499	47 516
– above 12 months	-	-	-
b) other	2	2 627	-
2. Receivables from other entities where the entity has equity interests	-	-	-
a) trade-related, with a payment period of:	-	-	-
– up to 12 months	-	-	-
– above 12 months	-	-	-
b) other	-	-	-
3. Receivables from other parties	**406 176**	464 806	**665 580**
a) trade-related, with a payment period of:	32 108	46 514	39 505
– up to 12 months	32 108	46 514	39 505
– above 12 months	-	-	-
b) on account of taxes, subsidies, customs duties, social and health insurance, and other benefits	49 301	7 410	54 003
c) other	324 767	410 882	572 072
d) pursued in court	-	-	-
III. Short-term investments	**827 099**	**1 499 496**	**649 564**
1. Short-term financial assets	827 099	1 499 496	649 564
a) in affiliates	242 181	281 499	33 064
– shares or stocks	-	-	-
– other securities	-	-	-
– loans granted	242 181	281 499	33 064
– other short-term financial assets	-	-	-
b) in other entities	-	-	397
– shares or stocks	-	-	-
– other securities	-	-	-
– loans granted	-	-	-
– other short-term financial assets	-	-	397
c) cash and cash equivalents	584 918	1 217 997	616 103
– cash in hand and at bank	584 918	1 217 997	616 103
– other cash	-	-	-
– other monetary assets	-	-	-
2. Other short-term investments	-	-	-
IV. Short-term prepayments	**1 192**	**3 883**	**1 324**
C. Basic capital (fund) contributions due	-	-	-
D. Equity shares (stocks)	-	-	-
TOTAL ASSETS	**2 266 395**	**2 784 643**	**2 833 809**

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(in thousand PLN)

BALANCE SHEET (cont.)

Liabilities

		30 June 2023 (unaudited)	*31 December 2022*	*30 June 2022 (unaudited)*
A. Equity		**1 634 296**	**1 408 421**	**972 774**
I.	**Basic capital (fund)**	**101 647**	**101 647**	**101 647**
II.	**Supplementary capital (fund), including:**	**1 766 996**	**1 766 996**	**1 667 193**
	– sale value (issue value) surplus over the nominal share (stock) value	380 030	380 030	380 030
III.	**Revaluation capital (fund), including:**	**8 466**	**8 466**	**108 268**
	– on account of fair value revaluation	-	-	-
IV.	**Other reserve capitals (funds), including:**	**3 472**	**3 472**	**3 472**
	– created in accordance with the company's articles of association	-	-	-
	– for equity shares (stocks)	-	-	-
V.	**Profit (loss) from previous years**	**(472 160)**	**(1 015 744)**	**(1 015 744)**
VI.	**Net profit (loss)**	**225 875**	**543 584**	**107 938**
VII.	**Write-offs from net profit during the financial year (negative value)**	**-**	**-**	**-**
B. Liabilities and provisions for liabilities		**632 099**	**1 376 222**	**1 861 035**
I.	**Provisions for liabilities**	**460 578**	**1 268 605**	**660 619**
	1. Deferred income tax provisions	-	-	36 431
	2. Provision for retirement and similar benefits	13 430	20 095	15 868
	– long-term	7 744	7 769	9 800
	– short-term	5 686	12 326	6 068
	3. Other provisions	447 148	1 248 510	608 320
	– long-term	93 026	93 099	95 650
	– short-term	354 122	1 155 411	512 670
II.	**Long-term liabilities**	**129**	**129**	**124 198**
	1. To related entities	-	-	-
	2. To other entities in which the entity has equity interests	-	-	-
	3. To other entities	129	129	124 198
	a) loans and borrowings	-	-	123 850
	b) on account of debt securities issue	-	-	-
	c) other financial liabilities	-	-	-
	d) bills of exchange	-	-	-
	e) other	129	129	348
III.	**Short-term liabilities**	**168 884**	**106 282**	**1 072 376**
	1. Liabilities to related entities	76 516	18 141	33 706
	a) trade-related, with a maturity date of:	76 516	15 066	33 706
	– up to 12 months	76 516	15 066	33 706
	– above 12 months	-	-	-
	b) other	-	3 075	-

(in thousand PLN)

BALANCE SHEET (cont.)

2. Liabilities to other entities, in which the entity has equity interests	-	-	-
a) trade-related, with a maturity date of:	-	-	-
– up to 12 months	-	-	-
– above 12 months	-	-	-
b) other	-	-	-
3. Liabilities to other entities	87 455	84 199	1 032 797
a) loans and borrowings	-	-	30 324
b) on account of debt securities issue	-	-	-
c) other financial liabilities	-	-	325
d) trade-related, with a maturity date of:	68 332	41 808	48 036
– up to 12 months	68 332	41 808	48 036
– above 12 months	-	-	-
e) received advance payments for supplies	-	7	843
f) bills of exchange	-	-	-
g) on account of taxes, customs duties, social and health insurance, and other public-law titles	6 550	28 183	9 163
h) remuneration-related	4 103	4 666	4 668
i) other	8 470	9 535	939 438
4. Special funds	4 913	3 942	5 873
IV. Prepayments and accruals	**2 508**	**1 206**	**3 842**
1. Negative goodwill	-	-	-
2. Other prepayments and accruals	2 508	1 206	3 842
– long-term	225	225	248
– short-term	2 283	981	3 594
Total liabilities	**2 266 395**	**2 784 643**	**2 833 809**

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(in thousand PLN)

PROFIT AND LOSS STATEMENT (calculation type)

	6-month period ended 30 June 2023 (unaudited)	*6-month period ended 30 June 2022 (unaudited)*
A. Net revenues from the sales of products, goods and materials, including:	**1 569 677**	**1 410 437**
– from affiliates	150 955	62 633
I. Net revenues from the sales of products	1 133 843	1 102 210
II. Net revenues from goods and material sold	435 834	308 227
B. Costs of products, goods and materials sold, including:	**1 317 864**	**1 279 172**
– to affiliates	131 077	67 785
I. Manufacturing costs of sold products	1 032 182	1 034 501
II. Manufacturing costs of goods and materials sold	285 682	244 671
C. Gross profit (loss) from sales (A–B)	**251 813**	**131 265**
D. Selling costs	**727**	**919**
E. Overheads	**28 141**	**22 674**
F. Profit (loss) from sales (C–D–E)	**222 945**	**107 672**
G. Other operating revenues	**3 493**	**18 252**
I. Profit from the disposal of non-financial fixed assets	22	-
II. Grants	-	23
III. Revaluation of non-financial assets	-	-
IV. Other operating revenues	3 471	18 229
H. Other operating costs	**6 503**	**10 933**
I. Profit/loss on disposal of non-financial fixed assets	-	791
II. Revaluation of non-financial assets	-	5 555
III. Other operating costs	6 503	4 587
I. Profit(loss) on operating activity (F+G–H)	**219 935**	**114 991**
J. Financial revenues	**22 657**	**22 302**
I. Dividends and profit distribution, including:	(644)	-
a) from affiliates, including:	(644)	-
– in which the entity has equity interests	-	-
b) from other entities, including:	-	-
– in which the entity has equity interests	-	-
II. Interest, including:	22 503	5 097
– from affiliates	13 111	1 183
III. Profit on the disposal of financial assets, including:	-	-
– in affiliates	-	-
IV. Revaluation of financial assets	37	12 820
V. Other	761	4 385
H. Financial costs	**18 746**	**3 542**
I. Interest, including:	287	3 240
– to affiliates	-	-
II. Loss on disposal of financial assets, including:	-	-
– in affiliates	-	-
III. Revaluation of financial assets	-	-
IV. Other	18 459	302
L. Gross profit (loss) (I+J–K)	**223 846**	**133 751**
M. Income tax, incl.:	**(2 029)**	**25 813**
– current part	-	-
N. Other mandatory decrease of profit (increase of loss)	**-**	**-**
O. Net profit (loss) (L–M–N)	**225 875**	**107 938**

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(in thousand PLN)

CAHS FLOW STATEMENT (indirect method)

	6-month period ended 30 June 2023 (unaudited)	*6-month period ended 30 June 2022 (unaudited)*
A. Cash flows from operating activities		
I. Net profit (loss)	**225 875**	**107 938**
II. Total adjustments	**(827 356)**	**86 013**
1. Depreciation and amortization	956	10 205
2. Profits (losses) on foreign exchange differences	(1 200)	(657)
3. Interest and shares in profits (dividends)	(12 998)	3 217
4. Profit (loss) on investment activities	(1 187)	800
5. Change in provisions	345 488	545 664
6. Change in inventories	(1 718)	2 338
7. Change in receivables	(46 318)	611 721
8. Change in short-term liabilities, excluding loans and borrowings	65 856	218 412
9. Change in prepayments and accruals	3 474	2 345
10. Other adjustments, incl.:	(1 179 709)	(1 308 032)
– acquisition of CO_2 emission allowances	(1 179 709)	(1 295 924)
III. Net cash flows from operating activities (I±II)	**(601 481)**	**193 951**
B. Cash flows from investment activities		
I. Proceeds	**150 950**	**71 468**
1. Disposal of intangible and legal assets, as well as tangible assets	16 417	70 536
2. Disposal of property, as well as intangible and legal assets	-	-
3. From financial assets, including:	134 533	932
a) in affiliates	134 533	932
– disposal of financial assets		
– dividends and shares in profits		
– repayment of granted long-term loans	133 147	10
– interest	1 386	922
– other proceeds related to financial assets		
b) in other entities	-	-
– disposal of financial assets	-	-
– dividends and shares in profits	-	-
– repayment of granted long-term loans	-	-
– interest	-	-
– other proceeds related to financial assets	-	-
4. Other investment proceeds	-	-
II. Expenses	**183 506**	**91 286**
1. Acquisition of intangible and legal assets, as well as tangible assets	18 212	52 261
2. Investments in real estate, as well as intangible and legal assets	-	-
3. Financial assets, including:	165 294	39 025
a) in affiliates	165 294	39 025
b) in other entities	-	-
– acquisition of financial assets	-	-
– long-term loans granted	-	-
4. Other investment expenses	-	-
III. Net cash flows from investment activities (I-II)	**(32 556)**	**(19 818)**

(in thousand PLN)

CASH FLOW STATEMENT (indirect method) (cont.)

C. Cash flows from financial activities		
I. Proceeds	**-**	**38 467**
1. Net proceeds from the issue of shares (stock emission) and other capital instruments, as well as capital contributions	-	-
2. Loans and borrowings	-	38 467
3. Emission of debt securities	-	-
4. Other financial proceeds	-	-
II. Expenses	**242**	**7 923**
1. Acquisition of own shares	-	-
2. Dividends and other payments to owners	-	-
3. Expenses related to profit distribution, other than payments to owners	-	-
4. Repayment of loans and borrowings	-	4 571
5. Buy-out of debt securities	-	-
6. On account of other financial liabilities	-	-
7. Financial lease liability payments	-	135
8. Interest	242	3 217
9. Other financial expenses	-	-
III. Net cash flows on financial activities (I-II)	**(242)**	**30 544**
D. Total net cash flows (A.III±B.III±C.III)	**(634 279)**	**204 677**
E. Cash flow change in the balance sheet, including:	**(633 079)**	**204 157**
– cash flow change related to foreign exchange differences	1 200	518
F. Cash at beginning of period	**1 221 175**	**411 905**
G. Cash at end of period (F±D), including	**586 896**	**616 582**
– restricted cash	5 404	8 142

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(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY

	6-month period ended 30 June 2023 (unaudited)	*12-month period ended 31 December 2022*	*6-month period ended 30 June 2022 (unaudited)*
I. Equity at the beginning of the period (BO)	**1 408 421**	**864 836**	**864 836**
– amendments in adopted accounting principles (policies)	-	-	-
– error adjustments	-	-	-
I.a. Equity at beginning of period (BO), after adjustments	**1 408 421**	**864 836**	**864 836**
1. Basic capital at beginning of period	101 647	101 647	101 647
1.1. Basic capital changes	-	-	-
a) increase	-	-	-
– shares issue	-	-	-
b) decrease	-	-	-
– redemption of shares	-	-	-
1.2. Basic capital at end of period	**101 647**	**101 647**	**101 647**
2. Supplementary capital at beginning of period	1 766 996	1 665 340	1 665 340
2.1. Supplementary capital changes	-	101 656	-
a) increase	-	101 656	-
– share issue over the nominal value	-	101 656	-
– profit distribution	-	-	-
– revaluation of fixed assets	-	-	1 853
b) decrease	-	-	-
– loss coverage	-	-	-
– redemption of shares	-	-	-
2.2. Supplementary capital at end of period	**1 766 996**	**1 766 996**	**1 667 193**
3. Revaluation capital at beginning of period – amendments in adopted accounting principles (policy)	8 466	110 122	110 122
3.1. Revaluation capital changes	-	(101 656)	-
a) increase	-	-	-
b) decrease	-	(101 656)	-
– fixed assets liquidation	-	(101 656)	-
– impairment write-down on fixed assets	-	-	1 854
3.2. Revaluation capital at end of period	**8 466**	**8 466**	**108 268**
4. Other reserve capitals at beginning of period	3 472	3 472	3 472
4.1. Changes in other reserve capitals	-	-	-
a) increase	-	-	-
b) decrease	-	-	-
– loss coverage	-	-	-
4.2. Other reserve capitals at end of period	**3 472**	**3 472**	**3 472**
5. Profit (loss) from previous years at beginning of period	(472 160)	(713 809)	(713 809)
5.1. Profit from previous years at beginning of period	543 584	-	-
– amendments in adopted accounting principles (policies)	-	-	-
– error adjustments	-	-	-

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY (cont.)

5.2. Profit from previous years at beginning of period, after adjustments	-	-	-
a) increase	-	-	-
– distribution of profit from previous years	-	-	-
b) decrease	(543 584)	-	-
– distribution of profit to supplementary capital	-	-	-
– cover of loss from previous years	(543 584)	-	-
5.3. Profit from previous years at end of period	-	-	-
5.4. Loss from previous years at beginning of period	(1 015 744)	(713 809)	(713 809)
– amendments in adopted accounting principles (policies)	-	-	-
– error adjustments	-	-	-
5.5. Loss from previous years at beginning of period, after adjustments	(1 015 744)	(713 809)	(713 809)
a) increase	-	(301 935)	(301 935)
– loss from previous years carried forward to be covered	-	(301 935)	(301 935)
b) decrease	543 584	-	-
– cover of loss from previous years	543 584		
5.6. Loss from previous years at end of period	(472 160)	(1 015 744)	(1 015 744)
5.7. Profit (loss) from previous years at end of period	**(472 160)**	**(1 015 744)**	**(1 015 744)**
6. Net result	**225 875**	**543 584**	**107 938**
a) net profit	225 875	543 584	107 938
b) net loss	-	-	-
c) profit write-offs	-	-	-
II. Equity at end of period (BZ)	**1 634 296**	**1 408 421**	**972 774**
III. Equity after recognizing proposed profit distribution (loss coverage)	**1 634 296**	**1 408 421**	**972 774**

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ADDITIONAL INFORMATION

1. General information about the Company

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

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

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

The existence of the Company shall be unlimited.

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

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

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

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

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

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

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

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

Intangible assets

In accordance with the Accounting Act, the Company presents the purchased CO2 emission allowances as intangible assets. For IFRS purposes, it qualifies as an emission right.

Tangible fixed assets

a) Measurement of tangible fixed assets

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

b) Allotment of renovation components

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

c) Appraisal of land and perpetual usufruct

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

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

d) Capitalisation external funding costs

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

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

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

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

e) Spare parts:

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

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

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

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

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

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

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

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

(in thousand PLN)

The table below shows the differences as at 30 June 2023 (unaudited data):

	Balance sheet value acc. to AoA	*Balance sheet value acc. to IFRS*	*Value adjustment*
Tangible fixed assets	34 987	28 585	(6 402)
Equity	1 634 296	1 623 718	(10 578)
Deferred tax provision	0	10	10

Summary of the effects of disclosed differences in the area of net profit and equity:

	30 June 2023 (unaudited)
AoA net profit	225 875
Tangible fixed assets adjustment	(741)
IFRS16 adjustment	(791)
IFRS net profit	224 343

	30 June 2023 (unaudited)
AoA capital	1 634 296
Tangible fixed asset adjustment	26 792
IFRS 9 adjustment	(41)
IFRS16 adjustment	(37 329)
IFRS equity	1 623 718

3. Going concern assumptions

The Company's financial statements were prepared assuming that the Company would continue its business activities in the foreseeable future, i.e. for a period of at least 12 months after the balance sheet date, i.e. after June 30, 2023.

4. Merger of commercial companies

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

5. Adopted accounting principles (policy)

The accounting principles adopted by the Company, including the asset and liability measurement method and the financial result measurement method are in accordance with the provisions of the act of 29 September 1994 on accounting (JoL 2023, item 120) and were described in the ZE PAK SA's financial statement for the financial year ended on 31 December 2022 and published on 27 April 2023.

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

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

7. Previous periods error adjustments

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

(in thousand PLN)

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

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

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

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

Impairment write-downs	*31 December 2022*	*changes*			*30 June 2023 (unaudited)*
		creation	*use*	*redemption*	
Inventories	73 307	-	-	-	73 307

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

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

Impairment write-downs	*31 December 2022*	*changes*			*30 June 2023 (unaudited)*
		creation	*use*	*redemption*	
Intangible fixed assets	1 278	-	-	-	1 278
Tangible fixed assets	2 991 668	-	-	302	2 991 366
Financial assets	341 168	-	-	-	341 168
Receivables	19 128	-	-	1	19 127

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

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

Provisions and accruals	*31 December 2022*	*changes*			*30 June 2023 (unaudited)*
		creation	*use*	*redemption*	
Provisions for retirement and similar benefits, including:	20 095	3 024	7 174	2 515	13 430
− provisions for retirement and post-mortem benefits	9 598	1 485	-	2 515	8 568
− annual bonus provision	6 681	493	7 174	-	0
− unused holidays provision	3 816	1 046	-	-	4 862
CO_2 emission allowances provision	1 154 147	352 932	1 153 514	633	353 932
Reclamation provision	72 224	-	-	73	72 151
Liquidation provision	20 875	-	-	-	20 875
Provision for charges	1 264	-	-	74	1 190
Cost prepayments for:	41	1 853	556	-	1 338
− fees for the commercial utilization of the environment	-	1 263	65	-	1 198
− duty to redeem property rights	-288	590	162	-	140
− provision for current year costs	329	-	329	-	0
Deferred income	1 165	5	-	-	1 170
Total	**1 269 811**	**357 814**	**1 161 244**	**3 295**	**463 086**

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

In the 6-month period concluded on 30 June 2023, there had been a change in the provisions and assets related to deferred income tax, i.e.:

- a change in assets, decreasing the tax load by PLN 2 069 thousand,
- a change in provisions, increasing the tax load by PLN 40 thousand.

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

Within the 6-month period concluded on 30 June 2023, the Company purchased or accepted from investments, tangible fixed assets in the amount of PLN 468 thousand.

As at 30 June 2023, the liabilities of the Company on account of the purchase of tangible fixed assets amount to PLN 2 738 thousand.

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

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

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

In the 6 months of 2023, ZE PAK SA and subsidiaries, consolidated under the Group, did not conclude transactions with affiliates on other than market terms.

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

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

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

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

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

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

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

During the reporting period until the development date of this financial statement, i.e., 28 September 2023, there were no events, which had not been, and should have been recognised in the accounting books and the financial statement, for the period concluded on 30 June 2023.

20. Events of previous years recognised in the financial statement

Until the date of the financial statement for the period concluded on 30 June 2023, i.e. until 28 September 2023, there were no other significant events regarding the previous years, which had not, and should have had been recognised in the financial statement for the 6-month period ended 30 June 2023.

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

War in Ukraine

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

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

High volatility of commodity markets (especially the energy and CO_2 allowances markets) means that the Company risks having to replenish open position margins on the futures markets.

In extreme situations, it may lead to problems with ensuring adequate liquidity. Whereas a lower propensity to take risk in financial markets may lead to a worse measurement of assets and foreign currencies in such markets as Poland, which are in the immediate vicinity of war zones. This, in turn, may mean worse measurement of the Company's assets and increased operating expenses.

The scope of sanctions imposed on such countries as Russia or Belarus is also important from the perspective of Company's activities. This is due to the impact such sanctions have on trade in relation to specific goods, energy raw materials in particular. Russia is one of the largest gas and oil suppliers for Europe. Reduced supply of these raw materials clearly translates to electricity price level in Europe and Poland, primarily due to the cross-border electricity exchange.

In the current situation, it is impossible to precisely predict the scale of the ongoing armed conflict or its duration, and it is also impossible to predict all the consequences of this conflict that may directly or indirectly affect the Company's operations. The Company monitors the development of the situation on an ongoing basis and actions are taken to mitigate the unfavourable consequences of the unstable situation. The company increased, among others: availability of various forms of securing its positions on the forward energy and CO2 emission allowances market, talks are also held with biomass suppliers in order to develop mutually satisfactory solutions in the field of biomass supplies. In the current situation, the Company assesses the degree of impact of the consequences of the armed conflict on its operations as moderate. This report does not disclose additional adjustments and provisions for the situation in Ukraine.

22. Other information

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

- explanations regarding the seasonality or cyclic nature of the issuer's activities within the presented period (CCFS item 9),
- information on significant settlements due to lawsuits (CCFS item 28.1),
- information on changes in contingent liabilities or contingent assets, which had occurred since the end of the last financial year (CCFS items 28.2, 29 and 30),
- information regarding paid (or declared) dividends (CCFS item 23),
- information on significant events after the balance sheet date (CCFS item 35).

Konin, 28 September 2023

SIGNATURES:

Piotr Woźny
President of the Management Board ....

Zygmunt Artwik
Vice President of the Management Board ....

Andrzej Janiszowski
Vice President of the Management Board ....

Maciej Nietopiel
Vice President of the Management Board ....

Katarzyna Sobierajska
Vice President of the Management Board ....

Aneta Desecka
Chief Accountant ....