ZE PAK SA

QUARTERLY FINANCIAL REPORT FOR THE 3-MONTH PERIOD CONCLUDED ON 31 March 2023

30 MAY 2023

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(in PLN thousand)

BALANCE SHEET

Assets

	31 March 2023 (not audited)	*31 December 2022*	*31 March 2021 (not audited)*
A. Fixed assets	**1 619 746**	**779 112**	**2 063 064**
I. Intangible and legal assets	**862 998**	**2 420**	**1 162 901**
1. Costs of completed development work	-	-	-
2. Goodwill	-	-	-
3. Other intangible and legal assets	862 998	2 420	1 162 901
4. Advance payment on intangible and legal assets	-	-	-
II. Tangible fixed assets	**48 662**	**37 490**	**687 611**
1. Capital work	5 873	5 952	446 335
a) lands (including the perpetual usufruct of land)	1 646	1 647	1 682
b) buildings, premises, as well as civil and water engineering facilities	1 108	1 119	106 902
c) technical equipment and machinery	2 296	2 391	336 596
d) means of transport	62	64	145
e) other fixed assets	761	731	1 010
2. Capital work in progress	15 364	13 870	216 236
3. Advance payments for capital work in progress	27 425	17 668	25 040
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	**704 895**	**732 081**	**208 283**
1. Properties	-	-	-
2. Intangible assets	-	-	-
3. Long-term financial assets	704 895	732 081	208 283
a) in affiliates	704 743	731 929	198 635
– shares or stocks	690 437	687 842	186 227
– other securities	-	-	-
– loans granted	11 776	41 557	9 878
– other long-term financial assets	2 530	2 530	2 530
b) in other entities where the entity has equity interest	-	-	-
– shares or stocks	-	-	-
– other securities	-	-	-
– loans granted	-	-	-
– other long-term financial assets	-	-	-
c) in other entities	152	152	9 648
– shares or stocks	152	152	152
– other securities	-	-	-
– loans granted	-	-	-
– other long-term financial assets	-	-	9 496
4. Other long-term investments	-	-	-
V. Long-term prepayments	**3 191**	**7 121**	**4 269**
1. Deferred income tax assets	-	3 660	-
2. Other prepayments and accruals	3 191	3 461	4 269
B. Current assets	**1 462 392**	**2 005 531**	**1 019 040**
I. Inventories	**21 355**	**14 220**	**55 689**
1. Materials	21 257	11 841	28 189
2. Semi-finished products and products in progress	-	-	-
3. Finished products	-	-	-
4. Property rights	98	2 378	27 500
5. Advance payments for supplies	-	1	-
II. Short-term receivables	**610 396**	**487 932**	**693 206**

(in PLN thousand)

1. Receivables from affiliates	52 395	23 126	35 686
a) trade-related, with a payment period of:	52 393	20 499	35 296
– up to 12 months	52 393	20 499	35 296
– above 12 months	-	-	-
b) other	2	2 627	390
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	558 001	464 806	657 520
a) trade-related, with a payment period of:	26 901	46 514	159 008
– up to 12 months	26 901	46 514	159 008
– above 12 months	-	-	-
b) on account of taxes, subsidies, customs duties, social and health insurance, and other benefits	174 767	7 410	200 139
c) other	356 333	410 882	298 373
d) pursued in court	-	-	-
III. Short-term investments	**827 313**	**1 499 496**	**268 237**
1. Short-term financial assets	827 313	1 499 496	268 237
a) in affiliates	236 455	281 499	33 064
– shares or stocks	-	-	-
– other securities	-	-	-
– loans granted	236 455	281 499	33 064
– other short-term financial assets	-	-	-
b) in other entities	-	-	-
– shares or stocks	-	-	-
– other securities	-	-	-
– loans granted	-	-	-
– other short-term financial assets	-	-	-
c) cash and cash equivalents	590 858	1 217 997	235 173
– cash in hand and at bank	590 858	1 217 997	235 173
– other cash	-	-	-
– other monetary assets	-	-	-
2. Other short-term investments	-	-	-
IV. Short-term prepayments	**3 328**	**3 883**	**1 908**
C. Basic capital (fund) contributions due	**-**	**-**	**-**
D. Equity shares (stocks)	**-**	**-**	**-**
Total assets	**3 082 138**	**2 784 643**	**3 082 104**

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(in PLN thousand)

Liabilities

		31 March 2023 (not audited)	31 December 2022	31 March 2022 (not audited)
A. Equity		**1 496 457**	**1 408 421**	**991 568**
I.	**Basic capital (fund)**	**101 647**	**101 647**	**101 647**
II.	**Supplementary capital (fund), including:**	1 766 996	**1 766 996**	**1 665 340**
	– 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**	**110 122**
	– 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)**	**88 036**	**543 584**	**126 731**
VII.	**Write-offs from net profit during the financial year (negative value)**	**-**	**-**	**-**
B. Liabilities and provisions for liabilities		**1 585 681**	**1 376 222**	**2 090 536**
I.	**Provisions for liabilities**	**1 440 158**	**1 268 605**	**1 638 696**
	1. Deferred income tax provisions	4 013	-	33 615
	2. Provision for retirement and similar benefits	20 095	20 095	24 143
	– long-term	7 774	7 769	9 757
	– short-term	12 321	12 326	14 386
	3. Other provisions	1 416 050	1 248 510	1 580 938
	– long-term	93 099	93 099	95 585
	– short-term	1 322 951	1 155 411	1 485 353
II.	**Long-term liabilities**	**129**	**129**	**114 919**
	1. To related entities	-	-	-
	2. To other entities in which the entity has equity interests	-	-	-
	3. To other entities	129	129	114 919
	a) loans and borrowings	-	-	114 571
	b) on account of debt securities issue	-	-	-
	c) other financial liabilities	-	-	-
	d) bills of exchange	-	-	-
	e) other	129	129	348
III.	**Short-term liabilities**	**143 142**	**106 282**	**332 999**
	1. Liabilities to related entities	33 589	18 141	21 574
	a) trade-related, with a maturity date of:	33 586	15 066	19 551
	– up to 12 months	33 586	15 066	19 551
	– above 12 months	-	-	-
	b) other	3	3 075	2 023
	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	103 809	84 199	304 630
	a) loans and borrowings	-	-	21 344
	b) on account of debt securities issue	-	-	-
	c) other financial liabilities	-	-	837
	d) trade-related, with a maturity date of:	82 923	41 808	223 433
	– up to 12 months	82 923	41 808	223 433
	– above 12 months	-	-	-
	e) received advance payments for supplies	-	7	497
	f) bills of exchange	-	-	-

	g) on account of taxes, customs duties, social and health insurance, and other public-law titles	8 524	28 183	8 838
	h) remuneration-related	4 082	4 666	4 621
	i) other	8 280	9 535	45 060
	4. Special funds	5 744	3 942	6 795
IV.	**Prepayments and accruals**	**2 252**	**1 206**	**3 922**
	1. Negative goodwill	-	-	-
	2. Other prepayments and accruals	2 252	1 206	3 923
	– long-term	225	225	259
	– short-term	2 027	981	3 663
Total liabilities		**3 082 138**	**2 784 643**	**3 082 104**

Konin, 30 May 2023

(in PLN thousand)

PROFIT AND LOSS STATEMENT (calculation variant)

		3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
A.	**Net revenues from the sales of products, goods and materials, including:**	**739 183**	**714 053**
	– from affiliates	18 249	26 153
	I. Net revenues from the sales of products	522 167	588 150
	II. Net revenues from goods and material sold	217 016	125 903
B.	**Costs of products, goods and materials sold, including:**	**628 956**	**563 750**
	– to affiliates	14 807	22 724
	I. Manufacturing costs of sold products	495 700	452 329
	II. Manufacturing costs of goods and materials sold	133 256	111 421
C.	**Gross profit (loss) from sales (A–B)**	**110 227**	**150 303**
D.	Selling costs	449	438
E.	Overheads	17 050	11 799
F.	**Profit (loss) from sales (C–D–E)**	**92 728**	**138 066**
G.	Other operating revenues	1 148	10 666
	I. Profit from the disposal of non-financial fixed assets	-	-
	II. Grants	-	11
	III. Revaluation of non-financial assets	-	-
	IV. Other operating revenues	1 148	10 655
H.	Other operating costs	5 919	11 159
	I. Profit/loss on disposal of non-financial fixed assets	-	791
	II. Revaluation of non-financial assets	-	3 202
	III. Other operating costs	5 919	7 166
I.	**Profit(loss) on operating activity (F+G–H)**	**87 957**	**137 573**
J.	Financial revenues	13 136	12 674
	I. Dividends and profit distribution, including:	-	-
	a) from affiliates, including:	-	-
	– in which the entity has equity interests	-	-
	b) from other entities, including:	-	-
	– in which the entity has equity interests	-	-
	II. Interest, including:	12 663	2 224
	– from affiliates	7 114	448
	III. Profit on the disposal of financial assets, including:	-	-
	– in affiliates	-	-
	IV. Revaluation of financial assets	37	7 560
	V. Other	436	2 890
H.	Financial costs	5 384	520
	I. Interest, including:	212	369
	– to affiliates	-	-
	II. Loss on disposal of financial assets, including:	-	-
	– in affiliates	-	-
	III. Revaluation of financial assets	-	-
	IV. Other	5 172	151
L.	**Gross profit (loss) (I+J–K)**	**95 709**	**149 727**
M.	Income tax	7 673	22 996
K.	Other mandatory decrease of profit (increase of loss)	-	-
O.	**Net profit (loss) (L–M–N)**	**88 036**	**126 731**

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(in PLN thousand)

CASH FLOW STATEMENT (indirect method)

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
A. Cash flows from operating activities		
I. Net profit (loss)	88 036	126 731
II. Total adjustments	(763 943)	(339 164)
1. Depreciation and amortization	506	4 523
2. Profits (losses) on foreign exchange differences	1 572	468
3. Interest and shares in profits (dividends)	5 938	(350)
4. Profit (loss) on investment activities	-	1 244
5. Change in provisions	171 553	267 598
6. Change in inventories	(7 134)	1 536
7. Change in receivables	(158 644)	663 158
8. Change in short-term liabilities, excluding loans and borrowings	39 502	(39 955)
9. Change in prepayments and accruals	7 333	2 494
10. Other adjustments	(824 569)	(1 239 880)
III. Net cash flows from operating activities (I±II)	(675 907)	(212 433)
B. Cash flows from investment activities		
I. Proceeds	121 418	70 914
1. Disposal of intangible and legal assets, as well as tangible assets	-	70 536
2. Disposal of property, as well as intangible and legal assets	-	-
3. From financial assets, including:	121 418	378
a) in affiliates	121 418	378
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	70 868	50 106
1. Acquisition of intangible and legal assets, as well as tangible assets	15 952	22 229
2. Investments in real estate, as well as intangible and legal assets	-	-
3. Financial assets, including:	54 916	27 877
a) in affiliates	54 916	27 877
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)	50 550	20 808
C. Cash flows from financial activities		
I. Proceeds	-	15 635
1. Net proceeds from the issue of shares (stock emission) and other capital instruments, as well as capital contributions	-	-
2. Loans and borrowings	-	15 635
3. Emission of debt securities	-	-
4. Other financial proceeds	-	-
II. Expenses	211	314
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	-	-
5. Buy-out of debt securities	-	-
6. On account of other financial liabilities	-	-
7. Financial lease liability payments	-	67

(in PLN thousand)

8. Interest	211	247
9. Other financial expenses	-	-
III. Net cash flows on financial activities (I-II)	(211)	15 321
D. Total net cash flows (A.III±B.III±C.III)	(625 568)	(176 304)
E. Cash flow change in the balance sheet, including:	(627 139)	(176 772)
– cash flow change related to foreign exchange differences	1 572	468
F. Cash at beginning of period	1 221 175	411 906
G. Cash at end of period (F±D), including	595 607	235 602
– restricted cash	5 573	4 260

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(in PLN thousand)

STATEMENT OF EQUITY CHANGES

	3-month period concluded on 31 March 2023 (not audited)	*12-month period concluded on 31 December 2022*	*3-month period concluded on 31 March 2022 (not audited)*
I. Equity at beginning of period (BO)	**1 408 421**	**864 837**	**864 836**
– amendments in accounting principles	-	-	-
– error adjustments	-	-	-
I.a. Equity at beginning of period (BO), after adjustments	**1 408 421**	**864 837**	**864 836**
1. Basic capital at beginning of period	101 647	101 647	101 647
1.1. Basic capital changes	-	-	-
a) increase	-	-	-
b) decrease	-	-	-
1.2. Basic capital at end of period	**101 647**	**101 647**	**101 647**
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	-	-	-
– profit distribution	-	-	-
– fixed asset liquidation	-	101 656	-
b) decrease	-	-	-
– share redemption	-	-	-
– loss coverage	-	-	-
2.2. Supplementary capital at end of period	**1 766 996**	**1 766 996**	**1 665 340**
3. Revaluation capital at beginning of period – amendments in adopted accounting principles (policy)	8 466	110 122	110 466
3.1. Revaluation capital changes	-	(101 656)	-
a) increase	-	-	-
b) decrease	-	(101 656)	-
– fixed asset liquidation	-	(101 656)	-
3.2. Revaluation capital at end of period	**8 466**	**8 466**	**110 466**
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)	(1 015 744)
5.1. Profit from previous years at beginning of period	-	-	-
– amendments in accounting principles	-	-	-
– error adjustments	-	-	-
5.2. Profit from previous years at beginning of period, after adjustments	-	-	-
a) increase	-	-	-
– distribution of profit from previous years	-	-	-
b) decrease	-	-	-
– distribution of profit to supplementary capital	-	-	-
– dividend payments	-	-	-
5.3. Profit from previous years at end of period	-	-	-
5.4. Loss from previous years at beginning of period	(472 160)	(713 809)	(1 015 744)
– amendments in accounting principles	-	-	-
– error adjustments	-	-	-
5.5. Loss from previous years at beginning of period, after adjustments	(472 160)	(713 809)	(1 015 744)
a) increase	-	(301 935)	-
– loss from previous years carried forward to be covered	-	(301 935)	-

(in PLN thousand)

b) decrease	-	-	-
– loss coverage with supplementary and reserve capital	-	-	-
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	**88 036**	**543 584**	**126 731**
a) net profit	88 036	543 584	-
b) net loss	-	-	126 731
c) profit write-offs	-	-	-
II. Equity at end of period (BZ)	**1 496 457**	**1 408 421**	**991 567**
III. Equity after recognizing proposed profit distribution (loss coverage)	**1 496 457**	**1 408 421**	**991 567**

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ADDITIONAL INFORMATION TO THE CONDENSED 3-MONTH FINANCIAL STATEMENT

1. General information about the Company

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

The company is entered into the 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 (Dz.U. 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 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:

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 PLN thousand)

The table below shows the differences as at 31 March 2023 (data not audited):

	Balance sheet value acc. to AoA	*Balance sheet value acc. to IFRS*	*Value adjustment*
Tangible Fixed Assets	48 662	42 708	(5 954)
Equity	1 496 457	1 486 058	(10 399)

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

	31 March 2023 (not audited)
AoA Net profit/loss	88 036
Tangible fixed asset adjustment	(19)
IAS19 Adjustment - Actuarial profits (losses)	(379)
IFRS 16 Adjustment – Lease	(791)
IFRS net profit	86 847

	31 March 2023 (not audited)
AoA capital	1 496 457
Tangible fixed asset adjustment	26 971
IFRS 9 Adjustment – Asset impairment	(41)
IFRS 16 Adjustment – Lease	(37 329)
IFRS equity	1 486 058

3. Going concern assumption

The Company’s financial statement was developed with Company's going concern assumed for the foreseeable future, i.e., at least the next 12 months after the date of this financial statement.

4. Merger of commercial companies

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

5. Adopted accounting principles (policy)

The accounting principles adopted by the Company, including the asset and liability measurement method and the financial result measurement method are in accordance with the provisions of the act of 29 September 1994 on accounting (Dz.U. 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. Error adjustment

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.

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.

(in PLN thousand)

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*			*31 March 2023 (not audited)*
		creation	*utilization*	*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*			*31 March 2023 (not audited)*
		creation	*utilization*	*redemption*	
Intangible assets	1 278	-	-	-	1 278
Tangible fixed assets	2 991 668	-	-	57	2 991 611
Financial assets	341 168	-	-	-	341 168
Receivables	19 128	-	-	-	19 128

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*			*31 March 2023 (not audited)*
		creation	*utilization*	*redemption*	
Provisions for retirement and similar benefits, including:	20 095	2 004	-	2 004	20 095
– provisions for retirement and post-mortem benefits	9 598	1 124	-	2 004	8 718
– annual bonus provision	6 681	-	-	-	6 681
– unused holidays provision	3 816	880	-	-	4 696
CO_2 emission allowances provision	1 154 147	167 613	-	-	1 321 760
Reclamation provision	72 224	-	-	-	72 224
Liquidation provision	20 875	-	-	-	20 875
Provision for charges	1 264	-	-	74	1 190
Cost prepayments for:	41	1 210	164	-	1 087
– fees for the commercial utilization of the environment	-	687	-	-	687
– duty to redeem property rights	-288	523	65	-	170
– provision for current year costs	329	-	99	-	230
Deferred income	1 165	-	-	-	1 165
Total	**1 269 811**	**170 827**	**164**	**2 078**	**1 438 396**

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

In the 3-month period concluded on 31 March 2023, there had been a change in the provisions and assets related to deferred income tax, i.e.,:

- a change in assets, increasing the tax load by PLN 355 thousand,
- a change in provisions, increasing the tax load by PLN 7 318 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 3-month period concluded on 31 March 2023, the Company purchased or accepted from investments, tangible fixed assets in the amount of PLN 256 thousand.

As at 31 March 2023, the liabilities of the Company on account of the purchase of tangible fixed assets amount to PLN 3 166 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 3 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., 30 May 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 31 March 2023.

20. Events of previous years recognised in the financial statement

Until the date of the financial statement for the period concluded on 31 March 2023, i.e. until 30 May 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 accounting year.

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, Last year, the armed conflict in the immediate vicinity of Polish borders largely affects the social, economic and political situation, both in Poland and the entire region. Its impact is also significant from the perspective of the geopolitical balance of global forces.

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

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

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

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

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

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 25.1),
– information on changes in contingent liabilities or contingent assets, which had occurred since the end of the last financial year (CCFS items 25.2, 26 and 27),
– information regarding paid (or declared) dividends (CCFS item 21),
– information on significant events after the balance sheet date (CCFS item 32)

Konin, 30 May 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 ....