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ZE PAK SA CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE 3-MONTH PERIOD CONCLUDED ON 31 MARCH 2023.

30 May 2023

(in PLN thousand)

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the 3-month period concluded on 31 March 2023

	Note	Period concluded on 31 March 2023 (not audited)	Period concluded on 31 March 2022 (not audited)
Continuing operation			
Revenues, including:	*11.1*	**1 151 605**	**996 286**
Revenues from contracts with clients		1 096 375	958 035
Other revenues		55 230	38 251
Selling prime costs	*11.6*	(1 190 663)	(858 598)
Gross profit/(loss) on sales		**(39 058)**	**137 688**
Other operating revenues	*11.2*	5 156	22 243
Selling costs	*11.6*	(3 765)	(3 414)
Overheads	*11.6*	(53 665)	(29 832)
Other operating costs	*11.3*	(299 990)	(8 455)
Profit/(loss) on operating activities		**(391 322)**	**118 230**
Financial revenues	*11.4*	11 856	16 733
Financial costs	*11.5*	(34 179)	(8 328)
Gross profit/(loss)		**(413 645)**	**126 635**
Income tax (tax burden)	*12.1*	39 475	(23 153)
Net profit/(loss) on continuing operations		**(374 170)**	**103 482**
Net profit/(loss) for the period		**(374 170)**	**103 482**
(Loss)/profit attributable to parent company shareholders		(375 797)	103 670
(Loss)/profit attributable to non-controlling interests		1 627	(188)

	Note	Period concluded on 31 March 2023 (not audited)	Period concluded on 31 March 2022 (not audited)
(Loss)/Profit per share (in PLN):			
Basic/diluted for the financial year from continuing operations attributable to parent company shareholders	*13*	(7,39)	2,04

Accounting rules (policies) and additional explanatory notes to the consolidated financial statement constitute its integral part.

(in PLN thousand)

CONSOLIDATED FINANCIAL STATEMENT OF COMPREHENSIVE INCOME

for the 3-month period concluded on 31 March 2023

	Note	*Period concluded on 31 March 2023 (not audited)*	*Period concluded on 31 March 2022 (not audited)*
Net profit for the period		**(374 170)**	**103 482**
Other comprehensive income			
Items subject to reclassification to profit(loss) in subsequent reporting periods:			
Cash flow hedges		-	-
Exchange rate differences related to foreign unit conversion		(1)	25
Income tax on other comprehensive income		-	-
Net other comprehensive income subject to reclassification to profit/(loss) in subsequent reporting periods		(1)	25
Items not subject to reclassification to profit(loss) in subsequent reporting periods:			
Actuarial profits/(losses) on post-employment employee benefits		619	(215)
Income tax on other comprehensive income	*12.1*	(118)	41
Net other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		501	(174)
Net other comprehensive income		**500**	**(149)**
Comprehensive income for the period		**(373 670)**	**103 333**
Comprehensive income allocated to parent company shareholders		(375 297)	103 521
Comprehensive income allocated to non-controlling interests		1 627	(188)

(in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL STANDING

as at 31 March 2023

	Note	*31 March 2023 (not audited)*	*31 December 2022*
ASSETS			
Fixed assets			
Tangible fixed assets	*14*	1 874 435	1 726 864
Right-of-use assets	*15*	77 320	61 425
Investment property		1 775	1 782
Intangible assets	*16*	21 175	9 034
Goodwill	*17.1*	150 342	150 342
Other long-term financial assets	*17.1*	10 760	10 103
Other long-term non-financial assets	*17.2*	211	503
Deferred tax assets	*12.2*	71 577	18 462
Total fixed assets		**2 207 595**	**1 978 515**
Current assets			
Emission allowances	*16*	860 750	-
Inventories	*18*	165 101	120 972
Trade and other receivables	*19*	781 113	815 406
Income tax receivables		8 244	7 793
Short-term derivative financial instruments (assets)	*24.4*	8 805	19 824
Other short-term financial assets	*17.1*	-	-
Other short-term non-financial assets	*17.2*	206 000	130 112
Long-term receivables due from customers under contracts	*11.7*	8 815	4 084
Cash and cash equivalents	*20*	836 216	1 462 749
Total current assets		**2 875 044**	**2 560 940**
TOTAL ASSETS		**5 082 639**	**4 539 455**

(in PLN thousand)

	Note	*31 March 2023 (not audited)*	*31 December 2022*
LIABILITIES			
Equity			
Basic capital		101 647	101 647
Supplementary capital		1 232 981	1 232 981
Other reserve capitals		3 472	3 472
Retained profits / losses carried forward		(989 701)	(614 406)
Exchange rate differences related to foreign unit conversion		1	2
Equity allocated to parent company shareholders		**348 400**	**723 696**
Non-controlling interest equity		492 431	490 803
Total equity		**840 831**	**1 214 499**
Long-term liabilities			
Interest-bearing loans and borrowings	*22*	796 114	619 551
Long-term employee benefits		23 845	23 949
Trade liabilities and other financial liabilities (long-term)	*24.2*	262	258
Long-term lease liabilities	*15*	68 114	57 172
Subsidies and long-term deferred income	*24.5*	5 072	28 926
Other long-term provision accruals	*23*	788 214	440 356
Deferred income tax provisions	*12.2*	36 513	28 929
Total long-term liabilities		**1 718 134**	**1 199 141**
Short-term liabilities			
Trade liabilities and other financial liabilities (short-term)	*24.1*	310 569	273 436
Short-term lease liabilities	*15*	6 803	6 465
Current portion of interest-bearing loans and borrowings	*22*	419 299	488 176
Short-term financial derivatives (liabilities)		-	-
Other non-financial liabilities	*24.3*	33 206	99 094
Income tax liabilities		9	3 077
Short-term employee benefits		3 783	4 388
Subsidies and short-term deferred income		46	46
Long-term contract amounts payable to ordering party	*11.7*	3 759	4 226
Other short-term provisions and accruals	*23*	1 746 200	1 246 907
Total short-term liabilities		**2 523 674**	**2 125 815**
Total liabilities		**4 241 808**	**3 324 956**
TOTAL LIABILITIES		**5 082 639**	**4 539 455**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN thousand)

for the 3-month period concluded on 31 March 2023

	Note	Period concluded on 31 March 2023 (not audited)	Period concluded on 31 March 2022 (not audited)
Cash flows from operating activities			
Gross profit/(loss)		(413 645)	126 635
Adjustments for:			
Depreciation and amortization		13 332	10 769
Interest and shares in profits		34 523	
(Profit)/loss due to exchange rate differences		(673)	(19)
(Profit)/loss on investment activities		1 590	(1 417)
(Increase)/decrease in receivables		(45 993)	572 124
(Increase)/decrease in inventories		(18 931)	(7 051)
Increase/(decrease) in liabilities, except for loans and borrowings		(62 276)	(77 722)
Change in provisions, prepayments/accruals and employee benefits		847 724	265 970
Income tax paid		(9 668)	(1 790)
Expenses on CO_2 emission allowances		(860 750)	(1 161 127)
Other		(156)	(5 223)
Net cash from operating activities		**(514 923)**	**(278 851)**
Cash flows from investment activities			
Sales of tangible fixed assets and intangible assets		53	8 181
Acquisition of tangible fixed assets and intangible assets		(183 917)	(44 010)
Expenses and proceeds related to other financial assets		(92)	(19 546)
Other		(1)	(43)
Net cash from investment activities		**(183 957)**	**(55 418)**
Cash flows from financial activities			
Repayment of financial lease liabilities		(992)	-
Proceeds from loans, borrowings and debt securities		226 286	154 990
Repayment of loans, borrowings and debt securities		(134 770)	(3 498)
Interest paid		(18 177)	(1 945)
Net cash from financial activities		**72 347**	**149 547**
Net increase/(decrease) in cash and cash equivalents		**(626 533)**	**(184 722)**
Cash at beginning of period		**1 462 749**	**506 669**
Cash at end of period	*21*	**836 216**	**321 947**

(in PLN thousand)

CONSOLIDATED STATEMENT OF EQUITY CHANGES

for the 3-month period concluded on 31 March 2023 (not audited)

	Basic capital	*Supplementary capital*	*Other reserve capitals*	*Retained profits/Accumulated losses*	*Exchange rate differences related to foreign unit conversion*	*Total*	*Non-controlling interest equity*	*Total equity*
As at 1 January 2023	**101 647**	**1 232 981**	**3 472**	**(614 406)**	**2**	**723 696**	**490 803**	**1 214 499**
Net profit for the period	-	-	-	(375 797)	-	(375 797)	1 627	(374 170)
Total other comprehensive income	-	-	-	501	(1)	500	-	500
Comprehensive income for the period	**-**	**-**	**-**	**(375 296)**	**(1)**	**(375 297)**	**1 627**	**(373 670)**
Other changes	-	-	-	1	-	1	1	2
As at 31 March 2023 (not audited)	**101 647**	**1 232 981**	**3 472**	**(989 701)**	**1**	**348 400**	**492 431**	**840 831**

(in PLN thousand)

CONSOLIDATED STATEMENT OF EQUITY CHANGES

for the 3-month period concluded on 31 March 2022 (not audited)

	Basic capital	*Supplementary capital*	*Other reserve capitals*	*Retained profits/Accumulated losses*	*Exchange rate differences related to foreign unit conversion*	*Total*	*Non-controlling interest equity*	*Total equity*
As at 1 January 2022	**101 647**	**1 131 326**	**3 472**	**(711 828)**	**10**	**524 627**	**(395)**	**524 232**
Net profit for the period	-	-	-	103 670	-	103 670	(188)	103 482
Total other comprehensive income	-	-	-	(174)	25	(149)	-	(149)
Comprehensive income for the period	**-**	**-**	**-**	**103 496**	**25**	**103 521**	**(188)**	**103 333**
Transfer of profits by non-controlling interests to retained profits	-	-	-	(395)	-	(395)	395	-
Other changes	-	-	-	(198)	1	(197)	-	(197)
As at 31 March 2022 (not audited)	**101 647**	**1 131 326**	**3 472**	**(608 925)**	**36**	**627 556**	**(188)**	**627 368**

ACCOUNTING RULES (POLICIES) AND ADDITIONAL EXPLANATORY NOTES

1. General

The ZE PAK SA Capital Group ("Group", "Capital Group", "ZE PAK SA Group") consists of ZE PAK SA ("parent company", "Company", "ZE PAK SA") with its registered office in Konin at ul. Kazimierska 45 and its subsidiaries (see Note 2).

The interim condensed consolidated financial statement of the Group covers the 3-month period concluded on 31 March 2023 and contains comparative data for the 3-month period concluded on 31 March 2022 and the data as of 31 December 2022.

The parent company is entered into the Register of Entrepreneurs of the National Court Register kept by the District Court Poznań – Nowe Miasto and Wilda in Poznań, 9th Commercial Division of the National Court Register, under the KRS number 0000021374.

The parent company was assigned the statistical number (REGON) 310186795.

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

The main activities of the Group are:

1) generation and sale of electricity,

2) production and distribution of heat (steam and hot water),

3) lignite extraction,

Mr Zygmunt Solorz indirectly holds Company shares representing a total of 65.96% of the Company's share capital.

The Company has personal ties with other entities through Mr Zygmunt Solorz.

(in PLN thousand)

2. Group composition

The Group consists of ZE PAK SA and the following subsidiaries:

Subsidiaries

Entity	*Registered office*	*Scope of activity*	*Group's share in capital, %* As at 31 March 2023	*Group's share in capital, %* As at 31 December 2022
"PAK–Polska Czysta Energia" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holdings	59.59%	59.59%
"PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	100.00%	100.00%
"PAK Górnictwo" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machinery	100.00%	100.00%
Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Renovation and construction services	59.59%*	59.59%*
"PAK-Volt" SA	04-028 Warsaw Al. Stanów Zjednoczonych 61	Electricity sales	59.59%*	59.59%*
"PAK–PCE Polski Autobus Wodorowy" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Bus manufacturing	59.59%*	59.59%*
"PAK – PCE Fotowoltaika" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
„PAK–PCE Stacje H2" sp. z o.o. (formerly "PAK–PCE Biogaz" sp. z o.o.)	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PAK–PCE Biopaliwa i Wodór" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Electricity generation	59.59%*	59.59%*
"PAK–PCE Wiatr" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PG Hydrogen" sp. z o.o.	02-673 Warsaw ul. Konstruktorska 4	Manufacturing of engines and turbines, excluding aviation and automotive engines	52.00%*	52.00%*
"Exion Hydrogen Polskie Elektrolizery" sp. z o.o.	80-701 Gdańsk ul. Ku Ujściu 19	Design and manufacturing of electrolysers	47.67%*	47.67%*
"Exion Hydrogen Belgium" BV	Slachthuisstraat 120 Bus 12 2300 Turnhout	Design and manufacturing of electrolysers	47.67%*	47.67%*
"Farma Wiatrowa Kazimierz Biskupi" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Design and construction of wind farms	59.59%*	59.59%*
"PCE–OZE 1" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PCE–OZE 2" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PCE–OZE 3" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PCE–OZE 4" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PCE–OZE 5" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PCE–OZE 6" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	59.59%*	59.59%*
"PAK CCGT" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%
"MESE" sp. z o.o.	04-028 Warsaw	Electricity generation	53.63%*	53.63%*

(in PLN thousand)

	Al. Stanów Zjednoczonych 61A			
“Park Wiatrowy Pałczyn 1” sp. z o.o.	70-479 Szczecin Al. Wojska Polskiego 68	Electricity generation – wind energy	59.59%*	59.59%*
“PAK Pątnów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%
“Ørsted Polska OF SPV 1” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	60.00%**	60.00%**
“Ørsted Polska OF SPV 6” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	60.00%**	60.00%**
“PAK ATOM” SA	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%
“PAK–PCE FW Okonek” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	59.59%*	59.59%*
“PAK–PCE FW Jastrowie” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	59.59%*	59.59%*
“Farma Wiatrowa Przyrów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	59.59%*	59.59%*
“Great Wind” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	59.59%*	59.59%*
“Eviva Lębork” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	59.59%*	59.59%*
“Elektrownie Wiatrowe Dobra” sp. z o.o.	91-862 Łódź ul. Warszawska 70A	Electricity generation – wind energy	59.59%*	59.59%*
“PAK Kopalnia Węgla Brunatnego Adamów”	62-700 Turek Warenka 23	Lignite extraction	100.00%	100.00%
“Horset” sp. z o.o.	03057 Kiev/Ukraine ul. Smoleńska 31/33		100.00%**	-
“Aquakon” sp. z o.o. under liquidation	62-610 Sompolno Police	Company under liquidation	99.08%*	99.08%*

* *Entities where ZE PAK SA has an indirect share in the capital.*

** *Companies not significant from the perspective of the ZE PAK SA Group and not subject to consolidation.*

Jointly controlled companies

“Ørsted Polska OF SPV 2” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	1.00%**	1.00%**
“Ørsted Polska OF SPV 3” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	1.00%**	1.00%**
“Ørsted Polska OF SPV 4” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	1.00%**	1.00%**
“Ørsted Polska OF SPV 5” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	1.00%**	1.00%**
“Ørsted Polska OF SPV 7” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	1.00%**	1.00%**
“Ørsted Polska OF SPV 8” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%**	50.00%**
“Ørsted Polska OF SPV 9” sp. z o.o. (formerly “Mawzorino Investments” sp. z o.o.)	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%**	50.00%**
“Ørsted Polska OF SPV 10” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%**	50.00%**

Description of Group structural changes

In Q1 2023, the Group's structure had undergone the following changes:

- On 25 January 2023, the Company acquired 100% of share in Horset sp. z o.o., a Ukrainian-law company with its seat in Kiev – the change has not yet been registered by the National Court Register.
- On 28 February 2023, PAK KWB Konin SA (acquiring company) and PAK KWB Adamów SA (acquired company) merger was effected.

Already after the end of the reporting period, on 13 April 2023, PGE and ZE PAK signed the articles of association of PGE PAK Energia Jądrowa SA. The company's objective and task will be to participate in the construction of a nuclear plant in Konin/Pątnów in Wielkopolska.

On 14 April 2023, PAK – PCE Czysta Energia sp. z o.o. acquired 100% of the shares in the share capital of Eviva Drzeżewo sp. z o.o., the task of which involves the construction and operation of a wind farm – the change has not yet been registered by the National Court Register (KRS).

As of 31 March 2023, share in the general number of votes held by the Group in subsidiaries is equal to the Group's share in capitals of these subsidiaries.

3. Parent company's Management Board composition

At the date of signing the report, the Management Board of ZE PAK SA includes:

- 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.

4. Basis for development of the interim consolidated financial statement

This interim condensed consolidated financial statement was developed in accordance with the International Accounting Standard No. 34 "Interim Financial Reporting" approved by the EU ("IAS 34").

The interim condensed consolidated financial statement does not include all information and disclosures required in the annual financial statement and shall be read together with the consolidated financial statement of the Group for the year concluded on 31 December 2022, authorised for issue on 27 April 2023.

This interim condensed consolidated financial statement was developed pursuant to the historical cost principle, except for the derivatives and other financial instruments.

This interim condensed consolidated financial statement is presented in Polish zloty ("PLN"), and all the values, unless indicated otherwise, are expressed in thousands of PLN.

4.1. Going concern assumption

This interim condensed consolidated financial statement was developed with assumed of the Group's activities in the foreseeable future, i.e., at least for the next 12 months after the date of this financial statement.

5. New standards and interpretations, which have been issued, but are not yet effective

In relation to the consolidated financial statement, the Group did not decide to apply the following, published standards, interpretations or improvements to applicable standards, prior to their effective date:

- **IFRS 14 "Regulatory deferral accounts"**

Accounting and disclosure principles for regulatory deferred items. Pursuant to a decision of the European Union, the process of approving a preliminary standard version will not be initiated prior to the publishing of the final standard version.

- **Improvements in IFRS 10 and IAS 28**

Contains guidelines on sales or contribution of assets by an investor to an affiliated company or a joint venture. Work on approval have been postponed indefinitely.

- **Improvements to IFRS 16 "Leases"**

Improvements apply to the method of measuring a sales transaction or leaseback liability. The improvement shall come into force on 1 January 2024.

At the date of approval of this consolidated financial statement for publication, the Management Board has not yet completed its work on evaluating the impact of introducing the aforementioned standards and interpretations on the Group's accounting principles (policy) in relation to the Group's operations or financial result.

The effective dates are dates arising from the wording of the standards announced by the International Financial Reporting Council. The dates of standard application within the European Union may differ from the dates of application arising from the wording of the standards and shall be announced upon approval for application by the European Union. The Group has not decided on an earlier application of any standard, interpretation or improvement, which has been published but has not yet come into force pursuant to the EU legislation.

6. Essential accounting principles (policy)

Accounting principles (policy) applied for the development of the interim condensed consolidated financial statement are in line with the ones applied for the development of the Group's annual consolidated financial statement for the year commenced on 1 January 2022.

7. Essential values based on professional judgement and estimates

The scope of essential values based on professional judgement and estimates has been presented in the consolidated financial statement for 31 December 2022 and has not changed during the current period, except for items described below.

7.1. War in Ukraine

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

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

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

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

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

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.

7.2. Other essential values based on professional judgement and estimates

Valuation of energy certificates

The Group recognises energy certificates of origin (green certificates) on account of generating energy from renewable and gas sources, and peak-load co-generation sources according to the fair value at the end of the month, during which they were produced. At the balance sheet date, the Group evaluates certificates of origin to the achievable net value – for green certificates on 31 March 2023 at PLN 199.39 per MWh. Price data is derived from the listings on the Towarowa Giełda Energii SA. A certificate impairment write-down is created if the sale price possible to achieve, minus the disposition costs, is lower than the historical production cost. The impairment write-down value reduces the value of inventories on account of certificates of origin and increases sales prime costs. Legal regulations concerning the market of energy renewable sources are a source of uncertainty.

Provisions for liabilities on account of greenhouse gas emissions (EUA)

The Group recognizes provisions for liabilities on account of greenhouse gas emissions. A new settlement period for emission allowances started on 1 January 2021. It will end on 31 December 2030. The assumption of this period is free allocation of emission allowances (EUA) resulting from thermal energy production only pursuant to Art. 10c of Directive 2009/29/EC. Significant fluctuations of CO_2 emission allowance prices and legal regulations associated with EU's climate policy are a source of uncertainty.

Emissions in the ZE PAK SA Group in 2022 amounted to 3 427 588 tons of CO_2.

Emissions in the ZE PAK SA Group in 2021 amounted to 4 870 451 tons of CO_2.

3 427 588 EUAs for the year 2022 will be redeemed in 2023.

8. Changes in estimates

Except for the ones described in the financial statement, there were no significant changes in the estimates and estimation methodologies during the 3-month period concluded on 31 March 2023 that would affect the current or future periods.

9. Seasonality of activities

The demand for electricity and heat, among consumers in particular, is subject to seasonal fluctuations. The practice so far has shown that electricity consumption was higher in the winter (mainly due to low temperatures and shorter days) and lower in the summer (due to the holiday period, higher ambient temperatures, and a longer day). A systematic increase in the demand for electricity in the summer has been recorded over the last few years, which is mainly caused by the rising number of operated air conditioners and cooling devices.

Regardless of the aforementioned factors, the meteorological conditions are becoming increasingly important for the Group's production volume. Previously, the Group's activity was not significantly based on demand seasonality, and was continuous (basically) all-year-round, owing to low unit operating costs. Currently, given the increasing share of RES the energy production segment, including, primarily, wind sources and photovoltaics, when estimating the Group's production volume, weather conditions, with particular emphasis on wind in Q1 and Q4, and sun in Q2 and Q3 are gaining importance. However, the risk associated with seasonality and meteorological conditions is not crucial for the Group's activities.

10. Operating segments

For management purposes, the Group was divided into parts based on products manufactured and services provided.

Thus, the following operating segments were distinguished:

- The Generation Segment covering generation of electricity from both conventional sources (including co-generation) and through biomass combustion and co-combustion. Basic fuels used by the Generation Segment are lignite and biomass. The Generation Segment includes the following entities:
  - ZE PAK S.A.
  - PAK – Polska Czysta Energia sp. z o.o.
  - PAK – PCE Fotowoltaika sp. z o.o.
  - PAK – PCE Biogaz sp. z o.o.
  - PAK – PCE Biopaliwa i Wodór sp. z o.o.
  - PAK – PCE Wiatr 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.
  - PAK CCGT sp. z o.o.
  - Park Wiatrowy Pałczyn 1 sp. z o.o.
  - Farma Wiatrowa Kazimierz Biskupi sp. z o.o.
  - Elektrownia Wiatrowa Dobra sp. z o.o.
  - Eviva Lębork sp. z o.o.
  - Farma Wiatrowa Przyrów sp. z o.o.
  - Great Wind sp. z o.o.
  - Farma Wiatrowa Jastrowie sp. z o.o.
  - Farma Wiatrowa Okonek sp. z o.o.
- The Extraction Segment, which covers lignite mining. The following entities operate under the Extraction Segment within the ZE PAK SA Capital Group:
  - "PAK Kopalnia Węgla Brunatnego Konin" SA
- The Renovation Segment, which provides construction and repair services. This Segment covers activities of the Przedsiębiorstwo Remontowe "PAK SERWIS" Sp. z o.o.
- The Sales Segment provides electricity sales services. The "PAK-Volt SA" company belongs to the Sales Segment.

The ZE PAK SA Group also conducts other types of activities, which have been included in the "Other" column. It contains the activities of other companies throughout Q1 2023.

Transaction prices used in transactions between operating segments are determined on an arm's length basis, similarly to transactions with non-related parties. None of the Group's operating segments has been merged with another segment in order to create the aforementioned operating segments for reporting purposes.

Revenues from transactions between segments are eliminated in the consolidation process.

The body making key decisions within the Group is the Management Board of ZE PAK SA. The Management Board separately monitors the segments' operating activity results in order to decide on allocation of resources, evaluation of allocation's outcomes, and activity results. The basis to assess operating results is the profit or loss from operating activities and EBITDA. EBITDA shall be viewed as a supplement and not replacement for the operating results reported pursuant to IFRS. EBITDA is a useful indicator of the ability to incur and service debt. The EBITDA level is not defined by the IFRS and can be calculated differently by other entities. The reconciliation and definitions applied by the ZE PAK SA Group for determining these measures are presented below.

(in PLN thousand)

The Group defines EBITDA as net profit excluding financial costs and revenues, income tax, depreciation and impairment write-downs on fixed assets and mining assets.

Total EBITDA for the entire ZE PAK SA Capital Group:

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Net profit/(Loss)	(374 170)	103 482
Financial revenues	- 11 856	- 16 733
Financial costs	+ 34 179	+ 8 328
Income tax	- 39 475	+ 23 153
Depreciation and impairment write-downs	+ 13 332	+ 10 769
EBITDA	377 990	128 999

Below you can find the results for segments in the periods concluded on 31 March 2023 and 31 March 2022.

(in PLN thousand)

3-month period concluded on 31 March 2023 (not audited)

	Generation	Extraction	Renovation	Sale	Other	Consolidation adjustments	Total
Revenues from sales to external clients	751 394	320	21 726	375 506	2 659	-	1 151 605
Revenues from inter-segment sales	151 019	196 402	32 719	212	27 961	(408 313)	-
Sales revenues	**902 413**	**196 722**	**54 445**	**375 718**	**30 620**	**(408 313)**	**1 151 605**
Selling prime costs	(741 513)	(414 222)	(55 401)	(371 551)	(29 819)	421 843	(1 190 663)
Gross profit/(loss) on sales	**160 900**	**(217 500)**	**(956)**	**4 167**	**801**	**13 530**	**(39 058)**
Other operating revenues	696	4 028	123	1	315	(7)	5 156
Selling costs	(1 026)	-	-	(1 819)	(920)	-	(3 765)
Overheads	(28 235)	(14 390)	(3 820)	(1 243)	(5 977)	-	(53 665)
Other operating costs	(9 737)	(289 905)	(61)	(243)	(44)	-	(299 990)
Financial revenues	14 326	878	79	563	239	(4 229)	11 856
Financial costs	(26 960)	(7 508)	(204)	(1 516)	(2 220)	4 229	(34 179)
Gross profit/(loss)	**109 964**	**(524 397)**	**(4 839)**	**(90)**	**(7 806)**	**13 523**	**(413 645)**
Income tax (tax burden)	(12 043)	49 542	842	2 167	864	(1 897)	39 475
Net profit/(loss) on continuing operations	**97 921**	**(474 855)**	**(3 997)**	**2 077**	**(6 942)**	**11 626**	**(374 170)**
Profit/(loss) on operating activities, excl. financial operations and income tax	**122 598**	**(517 767)**	**(4 714)**	**863**	**(5 825)**	**13 523**	**(391 322)**
Depreciation and amortization	10 650	1 490	629	3	806	(246)	13 332
EBITDA	**133 248**	**(516 277)**	**(4 085)**	**866**	**(5 019)**	**13 277**	**(377 990)**

(in PLN thousand)

3-month period concluded on 31 March 2022 (not audited)

	Generation	Extraction	Renovation	Sale	Other	Consolidation adjustments	Total
Revenues from sales to external clients	677 532	601	7 129	310 296	728	-	996 286
Revenues from inter-segment sales	40 109	93 974	29 778	182	36 034	(200 077)	-
Sales revenues	**717 641**	**94 575**	**36 907**	**310 478**	**36 762**	**(200 077)**	**996 286**
Selling prime costs	(565 766)	(118 119)	(31 020)	(305 019)	(33 484)	194 810	(858 598)
Gross profit/(loss) on sales	**151 875**	**(23 544)**	**5 887**	**5 459**	**3 278**	**(5 267)**	**137 688**
Other operating revenues	10 666	10 298	71	-	1 208	-	22 243
Selling costs	(401)	-	-	(2 403)	(610)	-	(3 414)
Overheads	(15 064)	(8 474)	(2 604)	(867)	(2 823)	-	(29 832)
Other operating costs	(7 798)	(651)	(32)	(52)	(19)	97	(8 455)
Financial revenues	18 125	1 090	138	52	52	(2 724)	16 733
Financial costs	(5 626)	(3 993)	(125)	(980)	(328)	2 724	(8 328)
Gross profit/(loss)	**151 777**	**(25 274)**	**3 335**	**1 209**	**758**	**(5 170)**	**126 635**
Income tax (tax burden)	(23 652)	-	(770)	832	(564)	1 001	(23 153)
Net profit/(loss) on continuing operations	**128 125**	**(25 274)**	**2 565**	**2 041**	**194**	**(4 169)**	**103 482**
Profit/(loss) on operating activities, excl. financial operations and income tax	**139 278**	**(22 371)**	**3 322**	**2 137**	**1 034**	**(5 170)**	**118 230**
Depreciation and amortization	7 982	1 189	616	3	1 151	(172)	10 769
Impairment write-down	-	-	-	-	-	-	-
EBITDA	**147 260**	**(21 182)**	**3 938**	**2 140**	**2 185**	**(5 342)**	**128 999**

(in PLN thousand)

11. Revenues and costs

11.1. Revenues from contracts with clients

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Material structure		
Revenues from the sale of goods and services, including:		
Revenues from the sale of own-production electricity	579 278	482 866
Revenues from sales of electric energy from trade	392 310	382 463
Revenues from sales of thermal energy	36 839	18 463
Capacity market revenues	34 650	43 592
Other sales revenues	33 899	27 268
Revenues from construction service contracts	19 414	4 497
Revenues from sales of goods and services	**1 096 390**	**959 149**
Excise tax	(15)	(1 114)
Revenues from sales of goods and services including excise duty	**1 096 375**	**958 035**
Property rights on energy certificates of origin, including:	23 481	20 436
Revenues from the production of green certificates	*23 481*	*20 557*
Profit (loss) from the sale of energy certificates of origin	-	*(121)*
Compensation for termination of long-term contracts	31 749	17 815
Total sales revenues	1 151 605	996 286

11.2. Other operating revenues

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Compensation revenues	1	18
Redemption of a receivable impairment write-down	80	26
Revenues from scrap sales and demolition	1 334	11 940
Profit from sales of non-financial fixed assets	684	7 093
Sales of other materials	2 305	2 708
Other	752	458
Other total operating revenues	5 156	22 243

11.3. Other operating costs

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Provision creation	289 387	138
Costs of shortages and damages	-	622
Costs of fixed asset liquidation	-	3 678
Donations given	9 457	1 053
Other	1 146	2 964
Total other operating expenses	299 990	8 455

The *provision creation* item includes the revaluation of the provision for the reclamation of open pits where lignite is no longer extracted, amounting to PLN 385 569.

(in PLN thousand)

11.4. Financial revenues

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Revenues from interest	10 542	3 480
Positive foreign exchange differences	495	906
Measurement of exchange rate hedging instruments (forward)	-	11 045
Other	819	1 302
Total financial revenues	11 856	16 733

11.5. Financial costs

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Interest	22 278	5 323
Negative foreign exchange differences	5 158	69
Power unit decommissioning provision discount	-	65
Land reclamation provision discount	4 938	2 365
Other	1 805	506
Total financial costs	34 179	8 328

11.6. Costs by type

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Depreciation and amortization	13 332	10 769
Impairment write-downs against inventories	1 392	3 202
Consumption of materials	190 726	93 472
Outsourcing	32 712	21 087
Taxes and fees excluding excise tax	114 986	32 648
CO_2 emission costs	167 706	243 393
Employee benefits	102 516	93 176
Other costs by type	267 501	9 775
Value of goods and materials sold and of sold energy purchased in trade	367 470	391 657
Total costs by type	1 258 341	899 179
Items recognized in prime cost of sales	1 190 663	858 598
Items recognized in selling costs	3 765	3 414
Items recognized in overheads	53 665	29 832
Change in product stock	9 891	7 389
Costs of generating house-load services	357	(54)

The *other costs by type* item includes revaluation of the provision for the reclamation of operating “Jóźwin” and “Tomisławice” open pits amounting to PLN 267 440.

(in PLN thousand)

11.7. Construction service contracts

The Group performs contracts, which are settled in the course of the work – by way of issuing partial invoices in accordance with work progress and a final invoice after work completion.

The services provided under these contracts are services provided over time. Contract performance periods range from 2 months to 6 years, although these are often 1–2-year contracts. Partial invoices with a payment deadline of usually 30 days are issued in the course of the contracts. In the case of certain high-value contracts, the Group has the option to receive an advance payment. Advance payments are settled through partial invoices and a final invoice.

The revenues for Q1 2023 did not include the part of the revenues, for which the obligations to provide a service had already been recognized in previous reporting periods.

Assets and liabilities related to concluded contracts for construction and installation services

The change in contract valuation applies to both changes associated with concluded contract change orders and the level of contractual work progress.

Outstanding service obligations

The total realizable price of the transaction allocated to obligations of providing services, which were not fulfilled (or partially fulfilled) at the end of the reporting period:	*31 March 2023 (not audited)*	*31 December 2022*
- up to 1 year	79 091	130 801
Total	79 091	130 801

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Gross amount due from ordering parties on account of contractual work:	8 815	1 121
Gross amount payable to ordering parties on account of contractual work:	3 759	2 972

12. Income tax

12.1. Tax burden

Tax burden main components for the 3-month periods concluded on 31 March 2023 and 31 March 2022 are as follows:

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Recognized in profit or loss		
Current income tax		
Current income tax liabilities	4 864	1 987
Deferred income tax		
Associated with the creation and reversal of temporary differences	(41 865)	21 159
Other changes	(2 474)	7
Tax burden in consolidated profit or loss	**(39 475)**	**23 153**
Included in the consolidated statement of comprehensive income		
Tax on net profit/(loss) from revaluation of cash flow hedges	-	-

Tax on actuarial profit/loss	(118)	41
Tax benefit/(tax burden) recognized in other comprehensive income	**(118)**	**41**

12.2. Deferred income tax

Deferred income tax results from the following positions:

	31 March 2023 (not audited)	*31 December 2022*
Deferred tax asset		
Balance sheet provisions	8 978	8 476
Interest and foreign exchange differences	2 126	1 709
Valuation of uncompleted construction service contracts	4 367	3 318
Tax loss from previous years	1 343	-
Inventories impairment write-down	227	234
Liability impairment write-down	2 169	2 464
Fixed asset impairment write-down		3 027
Difference between the balance sheet and tax value of fixed assets	917	1 805
Settlements with employees	25	670
Other	66 381	7 036
Total	86 533	28 739
Deferred tax provisions		
Difference between the balance sheet and tax value of fixed assets	12 769	19 572
Receivable on account of LTC	13 109	7 067
Energy certificates	7 149	5 469
Interest and foreign exchange differences	1 550	2
Valuation of uncompleted construction service contracts	4 922	3 081
Acquired CO_2 emission allowances	2 267	-
Other	9 703	4 015
Total	51 469	39 206
After consolidating balances at Capital Group company level, deferred tax is presented as:		
Asset:	**71 577**	**18 462**
Provision:	**36 513**	**28 929**

13. Earnings per share

Basic profit per a single share is calculated through dividing the net profit for the period per ordinary shareholders of the parent company by the weighted average number of issued ordinary shares occurring throughout the entire period,

Diluted earnings per share is calculated through dividing the net earnings per period allocated to ordinary shareholders by the weighted average number of ordinary shares issued within the period, adjusted by the weighted average of ordinary shares that would be issued when converting all dilutive potential equity instruments into ordinary shares.

The data regarding earnings and shares used to calculate the basic and diluted earnings per share is shown below:

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*

(in PLN thousand)

Net profit (loss) from continuing operations attributable to parent company shareholders.	(375 797)	103 670
Net profit (loss) from discontinued operations attributable to parent company shareholders.	-	-
Net profit (loss) attributable to ordinary shareholders, applied to calculate diluted earnings per share	(375 797)	103 670
Weighted average number of ordinary shares, applied to calculate the basic and diluted earnings per share	50 823 547	50 823 547

The table below shows earnings per share in PLN, for the 3-month period concluded on 31 March 2023 And 31 March 2022, presented in the profit and loss statement.

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Basic and diluted earnings for the financial year, allocated to parent company shareholders	(7,39)	2,04
Basic and diluted earnings from continuing operations, allocated to parent company shareholders	(7,39)	2,04

In the period between the balance sheet date and this financial statement development, there were no other transactions concerning ordinary shares or potential ordinary shares.

(in PLN thousand)

14. Tangible fixed assets

3-month period concluded on 31 March 2023 (not audited)

	*Lands, including perpetual usufruct rights**	*Buildings and structures*	*Technical equipment*	*Means of transport*	*Other fixed assets*	*Capital work in progress*	*Total*
Gross value as at 1 January 2023	258 640	1 980 028	4 908 714	41 366	36 883	613 040	7 838 671
Direct purchase	50	-	304	496	179	178 788	179 817
Renovations	-	-	(72)	-	-	-	(72)
Transfer from capital work in progress	2 102	72	2 608	-	69	(4 851)	-
Sales and liquidation	(71)	(2 172)	(798)	(180)	(255)	-	(3 476)
Reclassification	-	-	96	6 153	(110)	(25 654)	(19 515)
Other changes	-	620	-	-	-	-	620
Gross value as at 31 March 2023	260 721	1 978 548	4 910 852	47 835	36 766	761 323	7 996 045
Redemption and impairment write-downs as at 1 January 2023	56 786	1 768 407	4 169 137	39 842	25 038	52 597	6 111 807
Impairment write-down for the period	1 226	2 916	7 651	191	436	(61)	12 359
Impairment write-down (status change)	-	-	719	-	-	(719)	-
Sales and liquidation	-	(2 172)	(555)	(180)	(255)	-	(3 162)
Reclassification	-	-	96	-	(110)	-	(14)
Other changes	-	620	-	-	-	-	620
Redemption and impairment write-downs as at 31 March 2023	58 012	1 769 771	4 177 048	39 853	25 109	51 817	6 121 610
Net value as at 1 January 2023	201 854	211 621	739 577	1 524	11 845	560 443	1 726 864
Net value as at 31 March 2023	202 709	208 777	733 804	7 982	11 657	709 559	1 874 435

**this item also includes land exploited for extraction of minerals with the opencast method*

(in PLN thousand)

3-month period concluded on 31 March 2022 (not audited)

	*Lands, including perpetual usufruct rights**	*Buildings and structures*	*Technical equipment*	*Means of transport*	*Other fixed assets*	*Capital work in progress*	*Total*
Gross value as at 1 January 2022	247 822	2 079 896	5 027 263	54 855	34 901	314 069	7 758 806
Direct purchase	-	-	240	14	265	54 441	54 960
Company acquisition	-	-	-	-	-	3 685	3 685
Renovations	-	-	(72)	-	-	-	(72)
Transfer from capital work in progress	5 863	3 018	487	-	377	(9 745)	-
Sales and liquidation	(15)	(6 375)	(54 283)	(2 494)	(886)	-	(64 053)
Reclassification	-	-	-	-	-	1 637	1 637
Other changes	-	-	-	-	-	(21 470)	(21 470)
Gross value as at 31 March 2022	253 670	2 076 539	4 973 635	52 375	34 657	342 617	7 733 493
Redemption and impairment write-downs as at 1 January 2022	53 041	1 882 107	4 474 644	51 483	24 933	90 340	6 576 548
Impairment write-down for the period	1 133	2 045	6 162	345	287	(61)	9 911
Impairment write-down (status change)	-	3 018	122	-	-	(3 141)	(1)
Sales and liquidation	(12)	(6 375)	(51 561)	(2 494)	(885)	-	(61 327)
Other changes	-	-	-	-	-	(21 470)	(21 470)
Redemption and impairment write-downs as at 31 March 2022	54 162	1 880 795	4 429 367	49 334	24 335	65 668	6 503 661
Net value as at 1 January 2022	194 781	197 789	552 619	3 372	9 968	223 729	1 182 258
Net value as at 31 March 2022	199 508	195 744	544 268	3 041	10 322	276 949	1 229 832

**this item also includes land exploited for extraction of minerals with the opencast method*

14.1. Value impairment test involving the assets of the ZE PAK SA Capital Group

Identification of cash-generating units (CGUs)

According to IAS 36: “A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset’s cash-generating unit).

When distinguishing CGUs within the Group’s company’s, the independent generation of cash flows in terms of the functioning of individual companies was analysed and additional premises, used to updated financial projections were taken into account.

The following CGU was separated within ZE PAK SA:

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

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

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

In the light of the above, as at 1 July 2022, ZE PAK SA structures still include “CGU Pątnów Power Plant”, while “CGU Konin Power Plant” remains within the PAK – PCE Biopaliwa i Wodór sp. z o.o. Company.

In Q1 2022, PAK KWB Konin SA's lignite mine conducted its operations at the Jóźwin and Tomisławice open pits, while PAK KWB Adamów SA has remained a company in liquidation as of 14 September 2020. On 5 October 2022, the Extraordinary General Meeting of PAK KWB Adamów SA in liquidation adopted Resolution No. 1 on the abrogation of the Company's liquidation and consequently decided on the Company's continued existence and operation on a general basis. On 19 October 2022, the Management Board of PAK KWB Adamów SA adopted a resolution on the Merger of PAK KWB Adamów SA (acquired company) and PAK KWB Konin SA (acquiring company).

On 28 February 2023, PAK Kopalnia Węgla Brunatnego Konin Spółka Akcyjna merged with PAK Kopalnia Węgla Brunatnego Adamów Spółka Akcyjna. The merger was effected pursuant to Art. 492§ 1 point 1 of the Code of Commercial Companies, through acquisition of the Acquired Company by the Acquiring Company, i.e., transferring all assets of PAK KWB Adamów SA – Acquired Company to PAK KWB Konin SA – Acquiring Company, in exchange of a share granted to ZE PAK SA by PAK KWB Konin SA.

A significant part of the fixed assets of the companies: PAK KWB Konin SA and PAK KWB Adamów SA has been so far written-off, and the fixed assets reported in the consolidated financial statement mainly include land measured at fair value.

In relation to these companies, i.e., PAK KWB Konin SA and PAK KWB Adamów SA, as cash-generating units, there were no identified groups of assets generating independent cash inflows, since the revenues generated by individual asset groups are, for some reason, very closely connected with each other. As a result, a mine is expected to provide power plants with a certain amount of coal; it is irrelevant, which open pit it originates from. As a result, coal is supplied to power plants from several open pits interchangeably. Also the organisational structure and registration systems are subordinated to such an established production target. An additional factor that determines CGU separation was the update strategy of the ZE PAK SA Group, which assumed accelerating the decommissioning of coal-related activities on one hand, and developing RES-related operations on the other. Furthermore, 2022 was the first full year of electricity generation by the PV farm in Brudzew.

The arguments above prejudged distinguishing the following cash-generating units within the ZE PAK SA Capital Group:

- fixed assets (generating) of ZE PAK SA – Pątnów Power Plant (“CGU Pątnów Power Plant” – black energy) – units No. 1, 2, 5 (so-called Pątnów I Power Plant) and unit No. 9 (formerly the so-called Pątnów II Power Plant) recognized as a single CGU due to process and commercial links;

- fixed assets (generating) PAK – PCE Biopaliwa i Wodór Sp. z o.o. – Konin Power Plant ("CGU Elektrownia Konin" – green biomass energy);
- fixed assets (generating) of PAK PCE Fotowoltaika – photovoltaic farm ("CGU Fotowoltaika Brudzew")
- fixed assets (extraction) and mining assets of PAK KWB Konin SA related to Jóźwin, Tomisławice and Drzewce open pits ("CGU PAK KWB Konin").

Moreover, the remaining CGUs were separated within the following segments: Renovations, Sales, and Others.

Analysis of premises to conduct value impairment tests as at 31 March 2023

Pursuant to IAS 36, at the end of every reporting period the Management Board evaluates whether there are any premises indicating that fixed assets may have been impaired. In case of identifying such premises, the Group estimates a recoverable value of such assets. Therefore, in each case the Group analyses the premises that might affect an asset value impairment, and determines cash-generating units within the Group's companies.

The Management Board took into account the following premises:

- periodic maintenance of Parent Company's stock market capitalization in 2021, 2022 and Q1 2023 below the net asset carrying amount;
- Regulation of the Council of Ministers of 8 November 2022 on the method for price limit calculation.

Individual CGUs were analysed:

- CGUs associated with generating the so-called black electricity, i.e., "CGU Pątnów Power Plant) – baseline operation scenario assumes operation of all Pątnów Power Plant units until the end of 2024. The previous scenario assumed the operation of coal-fired units No. 1, 2 and 5 at the Pątnów Power Plant until 2024, and the 474 MW unit (formerly Pątnów II Power Plant) was supposed to operate longer than until 2030. The Group has adopted a baseline operating scenario for its coal-fired units until 2024, which is the deadline until which these assets are eligible for support in the form of the capacity market mechanism. The Company perceives the current market situation in terms of the relationship between the prices of energy and CO_2 emission allowances as highly volatile and risky. The coal extraction and generation activity after 2024 will have to entail undertaking a number of investments, including ones enabling further operation of the Tomisławice open pit and adapting the 474 MW unit to environmental requirements. The Company sees opportunities in incurring such investment outlays and extending the operation of such coal-related assets after 2024, however, closely associates taking such actions on introducing a support mechanism after 2024 that would mitigate the risk of operating the Group's generation assets planned for decommissioning. Due to the fact that the Group's coal-fired units cannot currently participate under such a mechanism after 2024, the Company, guided by the principle of reasonable expectations, shortened the operating period of coal related extraction and generation assets. Simultaneously, the Company does not rule out changing the expected operating period of coal assets if a satisfactory support mechanism is established after 2024. Based on the conducted tests as at 31 December 2021 and taking into account the aforementioned factors, it was concluded that there was a need for a write-off in the "CGU Pątnów Power Plant" segment in the amount of PLN 654 661.9, i.e., up to the land value. In connection with the Regulation of the Council of Ministers of 8 November 2022 on the method for price limit calculation published on 9 November, the Company analysed the provisions set out in the Regulation and its outcomes, in particular, in relation to the costs incurred by the Company and the impact of maximum energy sales price limits set in the Regulation on the profitability of the Company's production activities in 2023. Due to the fact that a significant part of the assets under "CGU Pątnów Power Plant" has already been written-off, the Group withdrew for testing these assets on 31 March 2023.
- CGUs associated with coal extraction – mining assets have been already written-off up to the land fair value, therefore, the Group does not recognize a need to test these assets;
- CGUs associated with green electricity generation, i.e. "CGU Konin Power Plant" – renewable biomass energy. Generating energy from a renewable source is in line with EU's climate policy that is aimed at a radical reconstruction of the economy towards a growing utilization of renewable energy sources. Furthermore, there is an evident growing demand for generation from biomass units for qualification reasons – as a RES that stabilizes the production of non-controllable wind and PV farm modules. The Company has also analysed the stipulations in the Regulation of the Council of Ministers dated 8 November 2022 on the method for price limit calculation. It should be stressed that the sale value of the Konin Power Plant in the form of OPE to PAK – PCE Biopaliwa i Wodór Sp. z o.o. significantly exceeds the asset book value. Therefore, the Group decided to waive testing these assets.

(in PLN thousand)

- CGU Fotowoltaika Brudzew - it should be stressed that energy sales were previously secured pursuant to a sales contract concluded on 12 March 2021 between PAK – PCE Fotowoltaika sp. z o.o and Polkomtel sp. z o.o. In turn, on 30 March 2023, an Agreement was signed that terminated an electricity sales agreement of 12 March 2021 between PAK – PCE Fotowoltaika sp. z o.o. and Polkomtel sp. z o.o. The termination of the agreement became effective on 31 March 2023 and resulted from a change in the electricity generation and trading management model within the Polsat Plus Group, leading to a designation of another entity from the capital group responsible for the purchase of electricity generated in a renewable energy source operated by generators from the Polsat Plus Group or associated with the Polsat Plus Group. On the same day, 30 March 2023, the Agreement for the sale of electricity generated in a renewable energy source was concluded between PAK – PCE Fotowoltaika sp. z o.o. and PAK VOLT SA. The Agreement is intended to stabilise the relations between the Parties through its duration and the permanence of the sales legal relationship, which is to ensure a specific supply volume at an agreed price, thus providing, among other things, funds for the repayment of the Seller's liabilities to Banks, and guaranteeing the recipient electricity from a renewable energy source, which will allow it to achieve its energy transition objectives;

Due to guaranteeing energy take-off receipt at a price that ensures profitability for the repayment of loan obligations, asset testing was abandoned.

15. Right-of-use assets and lease liabilities

As of 1 January 2019, the Group has been applying IFRS 16 “Leases” for the first time. According to this standard, the groups balance sheet recognizes right-of-use assets and lease liabilities.

The Group as a leaseholder

The Group is a party to lease agreements in terms of underlying assets, such as:

- land, including perpetual usufruct rights,
- motor vehicles,
- machines.

Lease agreements are concluded for a period of 4 to 14 years and indefinitely, and the perpetual usufruct rights have been granted for a period of 40 to 100 years. Lease fees are indexed pursuant to the act on land management.

The lease period for motor vehicles is 2 to 5 years.

The lease period for machines (vulcanizing presses) is 2 to 5 years. The agreement is based on the underlying asset after the lease period ends.

All lease agreements are concluded in PLN.

Lease liability maturity analysis:

	31 March 2023 (not audited)	*31 December 2022*
Up to 1 year	6 793	7 366
1 - 3 years	16 012	15 716
3 - 5 years	9 497	13 930
Over 5	147 548	139 658
Total, acc. to non-discounted payments	179 849	176 670
Book value	74 917	63 637

Amounts recognized in the cash flow statement

	3-month period concluded on 31 March 2023 (not audited)	*Year concluded on 31 December 2022*
Total cash outflow	4 901	6 314

Right-of-use

(in PLN thousand)

Right-of-use assets include assets utilized pursuant to land lease agreements, perpetual usufruct right to land and financial lease at PAK KWB Konin SA, PAK KWB Adamów SA under liquidation and ZE PAK SA.

	3-month period concluded on 31 March 2023 (not audited)	*Year concluded on 31 December 2022*
Gross value as at 1 January	86 726	67 296
Redemption on 1 January	(25 301)	(21 440)
Net value as at 1 January	61 425	45 856
Increases	16 656	19 430
Depreciation for the period	(761)	(3 861)
As at the end of the period	77 320	61 425

Additional qualitative and quantitative information on lease-related activities

In connection with concluded lease agreements, the Group is potentially exposed to future cash outflows that have not been included in the measurement of lease-related liabilities. This includes risk resulting from:

- floating lease fees,
- lease extension and lease termination option,
- guaranteed residual value, and
- non-commenced leases, to which the leaseholder is obliged.

Floating lease fees

Current lease agreements do not contain floating lease fees

Extension option

Until the date of publishing this statement, the Group did not conclude any lease agreements that contain extension options.

(in PLN thousand)

16. Intangible assets

Long-term intangible assets – period of 3 months concluded on 31 March 2023 (not audited)

	Patents and licenses	*Computer software*	*Other intangibles*	*Total*
Gross value as at 1 January 2022	21 344	7 588	627	29 559
Reductions	-	(887)	-	(887)
Increases	-	409	12 353	12 760
Gross value as at 31 March 2022	21 344	7 110	12 980	41 434
Redemption and impairment write-downs as at 1 January 2022	18 775	1 238	512	20 525
Impairment write-down for the period	179	32	1	212
Impairment write-down	-	-	-	-
Reductions	-	(478)	-	-
Redemption and impairment write-downs as at 31 March 2022	18 954	792	513	20 259
Net value as at 1 January 2022	2 569	6 350	115	9 034
Net value as at 31 March 2022	2 390	6 318	12 467	21 175

(in PLN thousand)

Long-term intangible assets – period of 3 months concluded on 31 March 2022 (not audited)

	Patents and licenses	*Computer software*	*Other intangibles*	*Total*
Gross value as at 1 January 2022	22 294	2 134	609	25 037
Reductions	-	-	-	-
Increases	-	-	74	74
Gross value as at 31 March 2022	22 294	2 134	683	25 111
Redemption and impairment write-downs as at 1 January 2022	20 144	2 134	376	22 654
Impairment write-down for the period	194	-	2	196
Impairment write-down	-	-	-	-
Reductions	-	-	-	-
Redemption and impairment write-downs as at 31 March 2022	20 338	2 134	378	22 850
Net value as at 1 January 2022	2 150	-	233	2 383
Net value as at 31 March 2022	1 956	-	305	2 261

(in PLN thousand)

Emission allowances

	31 March 2023 (not audited)	*31 March 2022 (not audited)*
	Certified emission reduction units (EUA)	*Certified emission reduction units (EUA)*
Gross value as at 1 January	-	-
Purchase	860 750	1 161 127
Gross value as at 31 March	860 750	1 161 127

17. Other assets

17.1. Other financial assets

	31 March 2023 (not audited)	*31 December 2022*
Deposits and investments	-	-
MPDF* deposits and investments	4,572	4,646
Shares	4,112	4,112
Deposits	-	1,007
Loans granted	336	318
Goodwill	13,778	13,778
Amount resulting from initial acquisition settlement, including:	136,564	136,564
Farma Wiatrowa Przyrów sp. z o.o.	*16,200*	*16,200*
Great Wind sp. z o.o.	*76,127*	*76,127*
Elektrownie Wiatrowe Dobra sp. z o.o.	*4,713*	*4,713*
Eviva Lębork sp. z o.o.	*39,524*	*39,524*
Other	1,740	20
Other total financial assets	161,102	160,445
Short-term	-	-
Long-term	161,102	160,445

**MPDF – mining plant decommissioning fund*

Establishing a mining plant decommissioning fund arises from the Geological and Mining Law act.

17.2. Other non-financial assets

	31 March 2023 (not audited)	*31 December 2022*
VAT receivables	183,947	96,491
Insurance	2,746	3,582
Other budget receivables	249	336

(in PLN thousand)

Other prepayments and accruals	8,845	4,723
Research and development work	-	10,916
Advance payments for supplies	9,533	13,386
Advance payments for capital work in progress	697	-
Other	194	1,181
Other non-financial assets, total	206,211	130,615
short-term	206,000	130,112
long-term	211	503

The main components of the *Other prepayments and accruals* item in Q1 2023 are settlements related to calls and tenders at PLN 1 075 thousand, CSBF (Company Social Benefits Fund) settlements in the amount of PLN 2 581 thousand.

18. Inventories

	31 March 2023 (not audited)	*31 December 2022*
Production fuel	35,054	10,997
Spare parts and other materials	53,789	55,990
Energy certificates of origin	70,198	53,985
Goods	6,060	-
Total inventories according the purchase price (production cost) or obtainable net value, whichever is lower	165,101	120,972

Energy certificates of origin associated to energy production from renewable energy sources are reported according to fair value at the end of the month, in which the renewable sources energy was produced.

In Q1 2023, ZE PAK SA sold 12 857 887 and Biopaliwa i Wodór sp. z o.o. sold 62 724 932 green certificates.

An important component of the ‘other materials’ item and ‘non-strategic spare parts’ are materials, semi-finished products and tools required to manufacture hydrogen buses.

Spare parts constitute inventories for the purposes of ongoing repairs and servicing.

19. Trade and other receivables

	31 March 2023 (not audited)	*31 December 2022*
Trade receivables	271,558	345,762
Compensation receivables in connection with LTC termination	68,997	37,292
Receivables related to hedging energy purchases on the balancing market	-	5,785
Other receivables	440,558	426,567
Net receivables	781,113	815,406
Receivables impairment write-down	26,051	26,113
Gross receivables	807,164	841,519

As at 31 March 2023, in the *other receivables* row the Group primarily reports receivables related to deposits securing transactions on the Polish Power Exchange (TGE) and purchasing CO_2 emission allowance units (EUAs) in the amount of PLN 302 985 thousand (VAT deductible in the following periods at PLN 76 124 thousand) and a deposit associated with grid connection in the amount of PLN 21 199 thousand.

(in PLN thousand)

The Group analyses and mitigates the credit risk associated with cash through ongoing monitoring of financial institution ratings and mitigates the risk of concentrated surplus cash in a single financial institution, through its internal risk management rules. The entire receivable impairment write-down concerns individual receivables.

The Group has an appropriate policy in terms of selling only to verified clients. The top management believes that this removes additional credit risk above the risk determined by the bad debt impairment write-down, relevant to the Group's trade receivables.

20. Cash and cash equivalents

Cash at bank bears interest at floating rates, which depend on the interest rate on one-day bank deposits. Short-term deposits are submitted for various periods; from one day to three months, depending on the current Group's demand for cash and bear fixed interest rates. The fair value of cash and cash equivalents as at 31 March 2023 amounts to PLN 836 216 thousand (as at 31 March 2022: PLN 321 947 thousand).

The balance of cash and cash equivalents reported in the consolidated cash flow statement consisted of the following items:

Cash structure

	31 March 2023 (not audited)	*31 March 2022 (not audited)*
Cash at bank and in hand	836 216	1 462 749
Short-term deposits	-	-
Total balance of cash and cash equivalents reported in the balance sheet:	836 216	1 462 749

21. Dividends paid and proposed for payment

The Group did neither pay nor declare the payment of dividends in Q1 2023.

22. Interest-bearing bank loans and borrowings

Long-term	*Due date*	*31 March 2023 (not audited)*	*31 December 2022*
Investment loan at Pekao SA in the amount of PLN 160 000 thousand, interest rate at WIBOR 3M + bank margin (PAK PCE SA Biopaliwa i Wodór)	31 December 2030	111 539	115 676
Term investment loan from the consortium of PKO BP, Pekao SA and mBank SA banks in the amount of PLN 138 000 thousand, interest rate at WIBOR 1 M + bank margin (PAK – PCE Fotowoltaika sp. z o.o.)	31 December 2035	121 200	112 060
Investment loan at Bank Gospodarstwa Krajowego in the amount of PLN 165 000 thousand, interest rate at WIBOR 3M + bank margin (Farma Wiatrowa Kazimierz Biskupi)	20 December 2038	103 294	77 525
Loan from Cyfrowy Polsat SA up to PLN 60 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	53 464	52 356

(in PLN thousand)

Loan from Cyfrowy Polsat SA up to EUR 15 000 thousand or its equivalent in PLN, interest rate at WIBOR 1Y or EURIBOR 1Y + margin (Exion Hydrogen Polskie Elektrolizery sp. z o.o.)	31 December 2026	31 609	30 890
Loan from Cyfrowy Polsat SA up to PLN 69 600 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	57 694	10 963
Loan from Cyfrowy Polsat SA up to PLN 34 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	24 278	18 785
Loan from Cyfrowy Polsat SA up to PLN 11 500 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	12 691	12 393
Loan from Cyfrowy Polsat SA up to PLN 6 750 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	7 406	7 231
Loan from Cyfrowy Polsat SA up to PLN 236 400 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	138 775	91 405
Loan from Cyfrowy Polsat SA up to PLN 160 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	29 727	28 427
Loan from Cyfrowy Polsat SA up to EUR 10 300 thousand or its equivalent in PLN, interest rate at EURIBOR 3M + margin or WIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	8 637	8 670
Loan from Cyfrowy Polsat SA up to PLN 77 900 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	70 095	53 164
Loan from Cyfrowy Polsat SA up to PLN 83 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	12 103	-
Loan from Cyfrowy Polsat SA up to PLN 82 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	7 030	-
Loan from Cyfrowy Polsat SA up to PLN 60 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	4 940	-
Loan from Cyfrowy Polsat SA up to PLN 50 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2025	1 632	-
TOTAL		**796 114**	**619 545**

Short-term	*Due date*	*31 March 2023 (not audited)*	*31 December 2022*

Loan from Cyfrowy Polsat SA in the amount of PLN 86 000 thousand, interest rate at WIBOR 3M + bank margin (PAK – Volt S.A.)	30 June 2023	-	63 961
Loan from Cyfrowy Polsat SA up to PLN 63 200 thousand or its equivalent in EUR, interest rate at WIBOR 3M + margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31 December 2023	68 262	66 623
Investment loan at Pekao SA in the amount of PLN 160 000 thousand, interest rate at WIBOR 3M + bank margin (PAK PCE SA Biopaliwa i Wodór)	31 December 2030	29 121	29 482
Term investment loan from the consortium of PKO BP, Pekao SA and mBank SA banks in the amount of PLN 138 000 thousand, interest rate at WIBOR 1 M + bank margin (PAK – PCE Fotowoltaika sp. z o.o.)	31 December 2035	7 300	18 737
Bank loan at EFG Bank AG Zurich in the amount of PLN 360 000 thousand, interest rate at WIBOR + bank margin (PAK – Polska Czysta Energia sp. z o.o.)	on demand	314 554	309 311
Loan in the amount of PLN 58 thousand from Galeon sp. z o.o., interest rate at WIBOR 6M (PG Hydrogen sp.z o.o.)	6 September 2023	62	61
TOTAL		**419 299**	**488 175**

23. Provisions, and prepayments and accruals

23.1. Accruals

	31 March 2023 (not audited)	*31 December 2022*
Provision for bonuses and holiday leaves	28 149	22 482
Insurance company compensation	936	886
Financial statement audit	300	420
Other	11 160	1 430
Total	40 545	25 218
short-term	40 168	25 218
long-term	377	-

Provisions for retirement benefits and other post-employment benefits are reported by the Group under “Employee benefits” of the financial position statement, broken down into long- and short-term. The main components of the *Other* item are accruals related to land at Eviva Lębork sp. z o.o. amounting to PLN 9 140 thousand, and a provision for the penalty for exceeding the amount of ash released into the atmosphere in 2015, amounting to PLN 1 190 thousand.

(in PLN thousand)

23.2. Changes in provisions

	EUA redemption provision	*Provision for the return of CO_2 emission allowances*	*Provision for fixed asset liquidation costs*	*Provision for liquidation of ash landfills*	*Provision for the redemption of energy certificates of origin*	*Provision for reclaiming mining areas*	*Other*	*Total*
As at 1 January 2023	1 154 221	-	20 875	72 225	25 868	358 691	30 165	1 662 045
increase	167 539		-	-	5 635	668 236	129 350	970 760
reductions, incl.:	-	-	-	-	-	(111 397)	(27 539)	(138 936)
utilization	-	-	-	-	-	*(31 367)*	-	*(31 367)*
redemption	-	-	-	-	-	*(80 030)*	*(27 539)*	*(107 569)*
As at 31 March 2023 (not audited)	1 321 760	-	20 875	72 225	31 503	915 530	131 976	2 493 869
Long-term	-	-	20 875	72 225	31 503	661 550	1 684	787 837
Short-term	1 321 760	-	-	-	-	253 980	130 292	1 706 032
As at 1 January 2022	1 233 534	7 097	20 614	74 906	13 053	362 050	19 757	1 731 011
increase	1 154 221	275	261	-	29 670	26 251	42 541	1 253 219
reductions, incl.:	(1 233 534)	(7 372)	-	(2 681)	(16 855)	(29 610)	(32 133)	(1 322 185)
utilization	*(1 233 534)*	*(7 372)*		(2 681)	(996)	(2 305)	-	*(1 246 888)*
redemption	-	-	-	-	(15 859)	(27 305)	*(32 133)*	*(75 297)*
As at 31 December 2022	1 154 221	-	20 875	72 225	25 868	358 691	30 165	1 662 045
Long-term	-	-	20 875	72 225	-	336 506	10 750	440 356
Short-term	1 154 221	-	-	-	25 868	22 185	19 415	1 221 689

(in PLN thousand)

23.3. Description of essential provision titles

23.3.1. Provisions for liabilities on account of greenhouse gas emissions (EUA)

The Group recognizes the provision for redeeming GHG emission allowances. As at 31 March 2023, the created provision amounted to PLN 1 321 760 thousand.

Carbon dioxide emission allowances

A new settlement period for emission allowances started on 1 January 2021. It will end on 31 December 2030. The assumption of this period is free allocation of emission allowances (EUA) resulting from thermal energy production only pursuant to Art. 10a of Directive 2009/29/EC. In 2022, the Group will receive a negligible amount of free CO_2 emission allowances, i.e., 13 476 EUAs, resulting from allocation to heat generation. Therefore, virtually the entire amount of emission allowances required by the ZE PAK SA Group must be purchased on the secondary market.

As at 1 January 2023, the EUA balance at ZE PAK SA was 141 629 EUAs, of which 2 016 EUAs in KOBIZE and 139 613 EUAs in IRGIT. EUAs were held by IRGIT in KOBIZE as collateral for electricity trading. In Q1 2023, ZE PAK SA purchased concluded futures contracts for MAR23 in the amount of 2 502 000 EUAs. EUA balance as at 31 March 2023 was 2 643 629 EUAs, including 2 504 016 EUAs in the KOBIZE account and 139 613 in the IRGIT account.

The provision is established in correlation to the selling prime cost.

Carbon dioxide allowances in the 3-month period concluded on 31 March 2023 (not audited)

		ZE PAK SA CG
	CO_2 emission (in tonnes)*	433 034
		volume (in tonnes)
	Balance at the start of period	2 016
	Acquired	2 502 000
	Balance at the end of period	2 504 016

Carbon dioxide allowances in the 3-month period concluded on 31 March 2022 (not audited)

		Zespół Elektrowni Pątnów-Adamów-Konin S.A.
	CO_2 emission (in tonnes)*	939 802
		volume (in tonnes)
EUAs	Balance at the start of period	-
	Acquired	4 355 000
	Balance at the end of period	4 355 000

**Physical redemption of the emission allowances for a given year is conducted in the first months of the next year.*

23.3.2. Provision for reclamation of ash storage yards and costs of fixed asset liquidation

The Group is creating a provision for future costs of land reclamation, pursuant to the legal obligation arising from "Integrated permits". Data developed by a third-party expert constitute grounds for provision estimation. The provision amount is estimated and verified at each balance sheet date, pursuant to estimated costs to be incurred in the future and discounts. As at 31 March 2023, the created provision amounted to PLN 72 225 thousand.

Due to the legal obligation to liquidate fixed assets after their period of use, the Group is creating the provision for projected future costs, which will be necessary to pay for fulfilment of this obligation. As at 31 March 2023, the provision due to this amounted to PLN 20 875 thousand. The provision is established in correlation to the selling prime cost. A change in the strategy and the associated electricity generation shortening based on lignite combustion will lead to an earlier start of the ash dump reclamation process.

(in PLN thousand)

23.3.3. Reclamation provisions and other related to mining activity

PAK KWB Konin SA and PAK KWB Adamów SA under liquidation are obliged to reclaim areas of extraction works pursuant to the Geological and Mining Law act. Therefore, the Group is creating a provision both for area reclamation costs related to current coal extraction within a given open pit and for the reclamation of a final excavation pursuant to the coal extraction progress of individual open pits at the balance sheet date.

The provision is created based on future reclamation cost estimates on the basis of reports by independent experts estimating reclamation costs, as commissioned by the Management Board. Estimates concerning projected reclamation costs are analysed periodically; however, at every reporting date, the size of provision is verified in accordance with current assumptions on the discount and inflation rates, and the size of extraction.

As part of conducted activities, PAK KWB Konin SA is obliged to restore to the original condition, or to rebuild damages caused by the mine operations. Therefore, the Group establishes a provision for projected costs that it is obliged to incur under concluded agreements. Estimates concerning projected costs related to mining plant operations are updated at every reporting date.

The provision for the liquidation of facilities and reclamation of mining areas, and on account of the preparation of exploitation areas at PAK KWB Konin SA as at 31 March 2022 amounted to PLN 915 530 thousand and decreased compared to the year concluded on 31 December 2022 by PLN 556 839 thousand. In calculating the provision, the Group adopted the following assumptions: discount rate at a level of 6.7%, and inflation rate at a level of 3.3%.

The provision is established in correlation to the selling prime cost.

23.3.4. Provision for the redemption of energy certificates of origin

In association to the sales of electricity to final consumers, the Group is obliged to redeem a specified number of certificates of origin concerning energy from renewable energy sources, gas, and peak load co-generation. As at 31 March 2023, the provision established for this purpose amounted to PLN 31 503 thousand. The provision is established in correlation to the selling prime cost.

23.3.5. Other provisions

The main items in *other provisions* as at 31 March 2023 at PAK VOLT SA are proceeds from future periods amounting to PLN 99 785 thousand, at PAK KWB Konin SA are provisions for mining damage in the amount of PLN 329 thousand, provisions for pending court proceedings in the amount of PLN 2 047 thousand, provision for operating expenses in the amount of PLN 706 thousand, a provision for mining use remuneration in the amount of PLN 211 thousand, a provision for expropriation of acquired property in the amount of PLN 9 486 thousand, provisions for permanent exclusion of lands for the final reservoir after the Adamów open pit in the amount from forestry production of PLN 15 828 thousand. Mining damage provisions and the provision on permanent exclusion from production are established in correspondence with prime selling costs, and the provisions for pending court proceedings in correspondence with other operating costs.

24. Trade liabilities, other liabilities, and prepayments and accruals

24.1. Trade liabilities and other financial liabilities (short-term)

	31 March 2023 (not audited)	*31 December 2022*
Trade liabilities:	247 426	222 025
Other liabilities:		
Investment liabilities	37 086	26 511
Employee remuneration liabilities	15 145	16 328
Security liabilities	5 060	1 849
Other liabilities	5 852	6 723
Total	310 569	273 436

(in PLN thousand)

As at 31 March 2023, in the row “Other liabilities” the Group primarily reports liabilities related to settlements with employees and pay-roll deductions amounting to PLN 1 709 thousand, as well as CSBF settlements in the amount of PLN 820 thousand.

Principles and payment terms regarding financial liabilities above:

Trade liabilities do not bear interest and are usually settled within either 14-day or 30-day periods. Interest-related liabilities are usually settled within either monthly or quarterly periods during the entire financial year.

24.2. Trade liabilities and other financial liabilities (long-term)

	31 March 2023 (not audited)	*31 December 2022*
Short-term liabilities to other units - over 12 months	-	-
Other	262	258
Total	262	258

24.3. Other non-financial liabilities

	31 March 2023 (not audited)	*31 December 2022*
VAT liabilities	4 805	34 576
Environmental fee liabilities	4 353	6 013
Excise duty liabilities	29	1 053
Social insurance liabilities	17 308	21 493
Personal income tax	3 523	4 507
Other budget liabilities	278	2 185
Advance payments for supplies	1 276	25 607
Service fee	-	3 079
Other	1 634	581
Total	33 206	99 094

Liabilities related to environmental charges concern charges for air pollution, waste storage, intake of water and wastewater disposal. The settlement period is one year.

Liabilities due to mining fees concern charges for the extracted mineral resulting from the Geological and Mining Law. The half-year is a settlement period.

The main component of the “Other” item is the surplus of liabilities over CSBF assets in the amount of PLN 1 051 thousand.

24.4. Derivative financial instruments

	31 March 2023 (not audited)	*31 December 2022*
Interest rate hedging instruments (IRS SWAP) (assets)	8 805	19 824
Exchange rate hedging instruments (forwards) (liabilities)	-	-
Total	8 805	19 824

(in PLN thousand)

short-term – assets	8 805	19 824
short-term – liabilities		-

24.5. Subsidies and deferred income (long-term)

	31 March 2023 (not audited)	*31 December 2022*
Difference on receivable purchase	-	24 656
Long-term subsidies	-	224
Other	5 072	4 046
Total	5 072	28 926

The main component of the "Other" item comprises lands received from the District Starosty and Commune free-of-charge in the amount of PLN 3 895 thousand.

25. Contingent liabilities and the description of essential court proceedings

In addition to the liabilities described in notes 26 and 27, as at 31 March 2023 the Group did not have other contingent liabilities, granted guarantees, and sureties.

25.1. Legal proceedings

Proceedings related to the environmental decision issued with respect to PAK KWB Konin SA concerning the Tomisławice lignite deposit

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 the Wierzbinek Commune issued an environmental decision regarding the lignite open pit. On 5 December 2008, this decision was contested by nine natural persons supported by the Greenpeace foundation due to alleged gross infringement of legal regulations. On 25 March 2009, the Self-government Appeal Court dismissed the application to reverse the environmental decision. The plaintiffs applied for a 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 decided that the environmental decision, pursuant to which the license for the extraction of lignite at the Tomisławice deposit was granted, was a gross breach of legal regulations. PAK KWB Konin SA and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court revoked the contested decision of the Provincial Administrative Court in Poznań and referred the case to judicial review. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision revoking the decision of the Self-government Appeal Court of 25 March 2009 on dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open cast by PAK KWB Konin S.A. On 7 January 2013, PAK KWB Konin S.A. submitted a cassation appeal against the described judgement.

After examination during a hearing on 7 October 2014, the Supreme Administrative Court dismissed PAK KWB Konin SA's cassation appeal against the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 revoking the decision of the Self-government Appeal Court in Konin of 25 March 2009 dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open cast.

Dismissal of the cassation appeal by PAK KWB 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 18 January 2019, the Self-government Appeal Court in Konin issued a decision refusing to deem the environmental decision issued on 7 August

2007 by the Head of the Wierzbinek Commune and associated with the operation of the lignite open pit in Tomisławice as invalid. Next, the Court upheld its decision against which an appeal at the Provincial Administrative Court in Poznań had been filed.

Therefore, the decision of the Self-government Appeal Court means that the environmental decision issued by the Head of the Wierzbinek Commune still remains in legal circulation. The decision is not binding and final. A petition for a judicial review by the Self-government Appeal Court in Konin was submitted.

On 19 June 2020, the Company was informed that a closed-door hearing at the Provincial Administrative Court in Poznań resulted in a judgement dismissing the appeal against the decision of the Self-government Appeal Court in Konin regarding the refusal to deem the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune and associated with the operation of the lignite open pit in Tomisławice as invalid.

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

The Greenpeace Polska Foundation with its registered office in Warsaw and Józef Imbiorski filed a cassation appeal against the judgement of the Provincial Administrative Court in Poznań of 18 June 2020 to the Supreme Administrative Court. On 26 October 2020, PAK KWB Konin submitted a response to the cassation appeal, filing for dismissal. A hearing date in this case is still to be set.

BAT conclusions entering into force

The Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing best available techniques (BAT) conclusions for establishing best available techniques (BAT) conclusions for large combustion plants, under Directive 2010/75/EU of the European Parliament and of the Council is in force as of 18 August 2021. Integrated permits for all energy combustion facilities currently operated at ZE PAK SA have been adapted to the requirements of BAT Conclusions, taking into account individual deviations from limit emission values. The Company conducts its generation activities in line with the permissible emission limits arising from the IED Directive and BAT Conclusions. Constant emission monitoring systems, expanded according to BAT 4 requirements, constitute grounds for the verification of ZE PAK SA's fulfilment of the requirements set out in the Commission Implementing Decision (EU) 2017/1442 on emissions of pollutants into the air. At the date of signing this statement, there are no pending court proceedings associated with BAT.

25.2. Contingent liabilities associated with power plant decommissioning

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

The Adamów Power Plant has already terminated its activities and is currently undergoing the decommissioning of the system located there. The end date for the operation of systems located in Pątnów can also be specified due to strategic directions announced last year. The end period for the operation of older units in Pątnów can be set at the end of 2024, and the newer 474 MW unit (former Pątnów II Power Plant), assuming an effective support system is in place, could be operated until 2030 at the latest. Based on experience associated with decommissioning the Adamów power plant, the interest and value of placed bids, it should be reasonably assumed that the value of dismantled equipment, scrap and aggregate from decommissioned plants is able to cover the unit decommissioning and reclaiming costs.

26. Liability payment securities

In order to secure the payment of liabilities, the Group employs numerous forms of securities. Mortgages and registered pledges are the most common ones.

As at 31 March 2023 and 31 December 2022, the Group had the following liabilities secured against its assets and other securities related to liability payments:

(in PLN thousand)

Liabilities secured by assets

Agreement	*Security type*	*31 March 2023 (not audited)* *Security amount*	*Currency*	*31 December 2022* *Security amount*	*Currency*
Term investment loan agreement at Pekao SA for PLN 160 000 thousand for PAK PCE Biopaliwa i Wodór Sp. z o.o.	First priority financial and registered pledge on PAK PCE Biopaliwa i Wodór bank accounts at Pekao SA	Up to 192 000	PLN	Up to 192 000	PLN
	First priority mortgage on Konin Power Plant real estate	Up to 192 000	PLN	Up to 192 000	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 160 000	PLN	Up to 160 000	PLN
	Transfer of future and current claims, rights and receivables of the Assignor on account of insurance and heat supply contracts	Up to 160 000	PLN	Up to 160 000	PLN
	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 192 000	PLN	Up to 192 000	PLN
Multi-purpose credit limit agreement at Pekao SA for PLN 25 000 thousand for PAK PCE Biopaliwa i Wodór Sp. z o.o.	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 37 500	PLN	Up to 37 500	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 25 000	PLN	Up to 25 000	PLN
Multi-purpose credit limit agreement at Pekao SA for PLN 50 000 thousand for ZE PAK SA	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 75 000	PLN	Up to 75 000	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 50 000	PLN	Up to 50 000	PLN
Bank guarantee line agreement at Pekao SA for PLN 80 000 thousand for ZE PAK SA	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 120 000	PLN	Up to 120 000	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 80 000	PLN	Up to 80 000	PLN
	Cash deposit at Pekao SA	Up to 4 000	PLN	Up to 4 000	PLN

(in PLN thousand)

Bank guarantee limit agreement at Santander Bank Polska SA for PLN 100 000 thousand for ZE PAK SA	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 120 000	PLN	Up to 120 000	PLN
Bank guarantee agreement at mBank SA for PLN 1 650 thousand for Farma Wiatrowa Kazimierz Biskupi sp. z o.o.	Security deposit in cash	Up to 1 650	PLN	Up to 1 650	PLN
Investment loan agreement at Bank Gospodarstwa Krajowego in the amount of PLN 165 000 thousand for Farma Wiatrowa Kazimierz Biskupi Sp. z o.o.	financial and registered pledges for 100% of the shares in Farma Wiatrowa Kazimierz Biskupi	Up to 247 500	PLN	Up to 247 500	PLN
	registered pledge on assets and property rights of Farma Wiatrowa Kazimierz Biskupi	Up to 247 500	PLN	Up to 247 500	PLN
	financial and registered pledges on receivables under the Bank Account Agreement	Up to 247 500	PLN	Up to 247 500	PLN
	transfer to cash receivable collateral under specific Project Documents, Overrun Cost Payment Guarantee and insurance contracts	Up to 247 500	PLN	Up to 247 500	PLN
	power of attorney to bank accounts pursuant to the Power of Attorney to Bank Accounts	Up to 247 500	PLN	Up to 247 500	PLN
	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 by Farma Wiatrowa Kazimierz Biskupi in the form of a notarial deed	Up to 247 500	PLN	Up to 247 500	PLN
	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure by a Shareholder (PAK – PCE) in the form of a notarial deed	Up to 247 500	PLN	Up to 247 500	PLN
	a guarantee of payment of Overrun Costs pursuant to the Overrun Cost Payment Guarantee	Up to 13 500	PLN	Up to 13 500	PLN
Multi-purpose credit limit agreement at Pekao SA for PLN 20 000 thousand for PR PAK SERWIS sp. z o.o.	Power of attorney covering bank accounts at Pekao SA	Up to 20 000	PLN	Up to 20 000	PLN
	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 30 000	PLN	Up to 30 000	PLN
	Transfer of receivables from commercial contracts for a minimum of 50% of the limit amount	Up to 79 711	PLN	Up to 96 549	PLN

(in PLN thousand)

Framework agreement at mBank SA for PLN 3 300 thousand for PR PAK SERWIS Sp. z o.o.	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure by PR PAK SERWIS Sp. z o.o.	Up to 15 000	PLN	Up to 15 000	PLN
	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure by ZE PAK SA	Up to 11 000	PLN	Up to 11 000	PLN
Term investment loan and VAT loan agreement at PKO BP SA, Pekao SA and mBank SA for PLN 175 000 thousand for PAK – PCE Fotowoltaika Sp. z o.o.	First priority financial and registered pledge on PAK – PCE Fotowoltaika's bank accounts at PKO BP, Pekao SA and mBank SA	Up to 313 600	PLN	Up to 262 500	PLN
	First priority contractual joint mortgage on PAK – PCE Fotowoltaika's properties	Up to 273 000	PLN	Up to 262 500	PLN
	Second priority mortgage on PAK – PCE Fotowoltaika's real estate to secure IRS hedging contract liabilities and associated transactions at PKO BP SA, Pekao SA and mBank SA	Up to 15 800 (PKO BP SA) Up to 15 800 (Pekao SA) Up to 9 000 (mBank SA)	PLN PLN PLN	Up to 12 000 (PKO BP SA) Up to 12 000 (Pekao SA) Up to 7 500 (mBank SA)	PLN PLN PLN
	First priority registered pledge on assets and rights of PAK – PCE Fotowoltaika at PKO BP SA	Up to 313 600	PLN	Up to 262 500	PLN
	First priority financial and registered pledge on all PAK – PCE Fotowoltaika's share capital shares at PKO BP, Pekao SA and mBank SA	Up to 313 600	PLN	Up to 262 500	PLN
	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure by ZE PAK (as a guarantor) for securing liabilities under a syndicated loan agreement and IRS hedging contracts with associated transactions for PKO BP SA	Up to 10 000	PLN	Up to 10 000	PLN
	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure to PAK – PCE Fotowoltaika, for securing liabilities under a syndicated loan agreement and IRS hedging contracts with associated transactions at PKO BP SA, Pekao SA and mBank SA	Up to 118 550 (PKO BP SA) Up to 118 550 (Pekao SA) Up to 76 500 (mBank SA)	PLN PLN PLN	Up to 117 750 (PKO BP SA) Up to 117 750 (Pekao SA) Up to 58 500 (mBank SA)	PLN PLN PLN

(in PLN thousand)

	Declaration on submission to the writ of execution pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure, by PAK-Polska Czysta Energia, using held shares in PAK-PCE Fotowoltaika, to secure liabilities under a syndicated loan agreement and IRS hedging contracts with associated transactions at PKO BP SA, Pekao SA and mBank SA	Up to 118 550 (PKO BP SA) Up to 118 550 (Pekao SA) Up to 76 500 (mBank SA)	PLN PLN PLN	Up to 117 750 (PKO BP SA) Up to 117 750 (Pekao SA) Up to 58 500 (mBank SA)	PLN PLN PLN
	Power of attorney to PAK – PCE Fotowoltaika's bank accounts at Pekao SA, PKO BP SA and mBank SA	Up to 219 000	PLN	Up to 175 000	PLN
	Assignment of receivables under each of the insurance policies in relation to the Project and assignment of receivables under Material Project Documents	Up to 219 000	PLN	Up to 175 000	PLN
	Surety by ZE PAK SA up to PLN 10.0 MM	Up to 10 000	PLN	Up to 10 000	PLN
Agreement for co-financing in the form of a preferential loan with the National Fund for Environmental Protection and Water Management in the amount of PLN 50 000 to PAK – PCE Polski Autobus Wodorowy Sp. z o.o.	deposit promissory note, ZE PAK SA's promissory note surety, contractual mortgage for properties up to 125% of the loan amount, registered pledge on movables, assignment of insurance contract rights.	Up to 62 500	PLN	Up to 50 000	PLN
Agreement for co-financing in the form of a subsidy with the National Fund for Environmental Protection and Water Management in the amount of PLN 20 000 to PAK – PCE Stacje H2 Sp. z o.o.	deposit promissory note, ZE PAK SA's promissory note surety	Up to 20 000	PLN	-	-

Other securities of liability payments

Granted guarantees

Guarantee type	*31 March 2023 (not audited)* *Security amount*	*Currency*	*31 December 2022* *Security amount*	*Currency*
Performance bond	5 683	PLN	6 120	PLN
Bid bond payment guarantee	280	PLN	480	PLN
Defect and failure removal guarantee	4 871 694	PLN EUR	4 429 673	PLN EUR
Advance payment return/payment guarantees (including TGE/IRGIT transaction securing guarantees)	24 349 158 596	PLN EUR	174 349 161 878	PLN EUR

Furthermore, the Group employs sales contract assignments, insurance policy assignments, power of attorneys to bank accounts and declaration to the writ of execution as securities for liability repayment.

(in PLN thousand)

The table below shows granted sureties in total.

	31 March 2023 (not audited)	*Currency*	*31 December 2022*	*Currency*
Intra-group sureties	-	PLN	-	PLN
Sureties granted to extra-Group entities	131 762 4 809	PLN EUR	111 762 4 809	PLN
Total granted sureties	**131 762** **4 809**	**PLN** **EUR**	**111 762** **4 809**	**PLN**

The table below shows received sureties in total.

	31 March 2023 (not audited)	*Currency*	*31 December 2022*	*Currency*
Intra-group sureties	-	PLN	-	PLN
Sureties received from extra-Group entities	14 978	PLN	14 978	PLN
Total received sureties	**14 978**	**PLN**	**14 978**	**PLN**

27. Received guarantees

Guarantee type	*31 March 2023 (not audited)* *Security amount*	*Currency*	*31 December 2022* *Security amount*	*currency*
Performance bond	1 268 75 405	PLN EUR	2 355 85 817	PLN EUR
Defect and failure removal guarantee	10 570 -	PLN EUR	8 736 -	PLN EUR
Advance payment guarantees	- 2 704	PLN EUR	- 2 704	PLN EUR
Payment guarantees / deposit	100 -	PLN EUR	- -	PLN EUR

28. Information on affiliates

The table below shows total amounts of transactions concluded with affiliates for the 3-month period concluded on 31 March 2023 and 31 March 2022, as well as receivables and liabilities as at 31 March 2023 and 31 March 2022.

Affiliated entity		*Sales to affiliated entities*	*Purchases from affiliated entities*	*Receivables from affiliated entities*	*Liabilities to affiliated entities*
Elektrim S.A.	2023	-	30	-	-
	2022	-	30	-	-
Megadex Development sp. z o.o.	2023	34	-	16	-
	2022	22	-	3	-
Megadex Serwis sp. z o.o.	2023	-	-	-	-
	2022	-	25 508	-	-
Polkomtel sp. z o.o.	2023	83 876	2 404	2 206	3 829
	2022	67 701	3 724	18 145	3 957
Laris Investments sp. z o.o.	2023	177	-	102	-

(in PLN thousand)

	2022	280	-	170	-
Laris Technologies sp. z o.o.	2023	2 297	-	-	-
	2022	1 762	-	870	-
CPE sp. z o.o.	2023	-	138	-	161
	2022	-	102	-	177
Plus Flota sp. z o.o.	2023	-	724	-	290
	2022	-	483	-	247
Cyfrowy Polsat	2023	4 424	1 692	-	441
	2022	-	-	-	-
Esoleo sp. z o.o.	2023	15	9 000	-	1 372
	2022	-	390	-	160
Netia SA	2023	19 733	-	302	-
	2022	7 270	5	4 142	-
TK Telekom sp. z o.o.	2023	1 319	-	13	-
	2022	824	-	498	-
Petrotel sp. z o.o.	2023	199	-	53	-
	2022	75	-	30	-
Total	**2023**	**112 074**	**13 988**	**2 692**	**5 652**
	2022	**77 934**	**30 237**	**23 858**	**4 541**

28.1. Loan granted to a Management Board member

Both in the 3-month period concluded on 31 March 2023, and in the one concluded on 31 March 2022, the Parent Company did not grant any loans and similar benefits to members of management and supervisory bodies.

28.2. Other transactions with the participation of Management Board's members

Both in the 3-month period concluded on 31 March 2023, and in the one concluded on 31 March 2022, there were no transactions with the participation of the members of management and supervisory bodies.

28.3. Remuneration of the Group's senior management

28.3.1. Remuneration paid or payable to the members of the Group's Management Board and Supervisory Board

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Parent company Management Board		
Short-term employee benefits	5 038	832
Benefits on account of employment termination		-
Parent company Supervisory Board		
Short-term employee benefits	355	352
Management Boards of subsidiaries		
Short-term employee benefits	1 426	957
Supervisory Board of subsidiaries		

Short-term employee benefits	607	-
Total	7 426	2 141

28.3.2. Remuneration paid or payable to other top management members

	3-month period concluded on 31 March 2023 (not audited)	*3-month period concluded on 31 March 2022 (not audited)*
Short-term employee benefits	2 915	2 534
Benefits on account of employment termination	100	-
Post-employment benefits	36	-
Total amount of remuneration paid to the top management members (except for members of the Management Board and the Supervisory Board)	3 051	2 534

29. Goals and rules of financial risk management

Main financial instruments employed by the Group include bank loans, loans granted by affiliates and other institutions, cash and short-term deposits. The main goal of these financial instruments is to obtain funds for the Group's activities. The Group also has other financial instruments, such as trade receivables and liabilities created directly within its conducted activities.

The main kinds of risk resulting from the Group's financial instruments include the interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and consults the rules of managing each of these kinds of risk – these rules are discussed briefly below. The Group also monitors the market price risk regarding all its held financial instruments.

29.1. Interest rate risk

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

Interest rate risk – sensitivity to changes

In the interest rate risk sensitivity analysis, the Group employs a parallel shift of the interest rate curve by a potential change of reference interest rates during the coming year. For the purposes of the interest rate risk sensitivity analysis, average reference interest rate levels in a given year were used. The scale of potential interest rate changes was estimated based on implied volatilities of ATMF ("At-the-Money-Forward"; forward option to determine the volatility of financial instruments) options for an interest rate quoted on the interbank currency market, for which the Group has the exposure to interest rate risk from the balance sheet date.

(in PLN thousand)

	31 March 2023 (not audited)		***Analysis of the interest rate risk sensitivity as at 31 March 2023***							
			WIBOR				***EURIBOR***			
Financial instrument classes			***WIBOR + 141 bps***		***WIBOR – 141 bps***		***EURIBOR + 95 bps***		***EURIBOR – 95 bps***	
	carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	161 102	4 571	64	-	(64)	-	-	-	-	-
Trade and other receivables	781 113	-	-	-	-	-	-	-	-	-
Derivative financial instruments	8 805	8 805	124	-	(124)	-	-	-	-	-
Cash and cash equivalents	836 216	836 216	6 832	-	(6 832)	-	3 341	-	(3 341)	-
Interest-bearing loans and borrowings	(1 215 413)	(1 215 413)	(17 137)	-	17 137	-	-	-	-	-
Trade liabilities and other financial liabilities	(310 831)	-	-	-	-	-	-	-	-	-
Financial lease liabilities	(74 917)	(74 917)	(1 056)	-	1 056	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**186 075**	**(440 738)**	**(11 173)**	**-**	**11 173**	**-**	**3 341**	**-**	**(3 341)**	**-**

bp – base points

(in PLN thousand)

Financial instrument classes	***31 March 2022 (not audited)***		***Analysis of the interest rate risk sensitivity as at 31 March 2022***							
			WIBOR				***EURIBOR***			
			WIBOR +20 bp		***WIBOR -20 bp***		***EURIBOR +81.63 bp***		***EURIBOR -81.63 bp***	
	carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	38 304	1	-	-	-	-	-	-	-	-
Trade and other receivables	636 646	-	-	-	-	-	-	-	-	-
Derivative financial instruments (assets)	17 698	17 698	35		(35)					
Cash and cash equivalents	321 947	321 947	307	-	(307)	-	1 377	-	(1 377)	-
Interest-bearing loans and borrowings	(603 014)	(603 014)	(1 206)	-	1 206	-	-	-	-	-
Trade liabilities and other financial liabilities	(356 266)	-	-	-	-	-	-	-	-	-
Lease liabilities	(43 534)	-	-	-	-	-	-	-	-	-
Derivative financial instruments (liabilities)	(3 606)	(3 606)	(7)		7					
Total	**8 175**	**(266 974)**	**(871)**	**-**	**871**	**-**	**1 377**	**-**	**(1 377)**	**-**

bp – base points

(in PLN thousand)

29.2. Currency risk

The Group is exposed to the currency risk associated with concluded transactions. As at 31 March 2023, none of the Group's companies had active instruments employed to mitigate the foreign exchange risk (e.g., forward EUR/PLN transactions).

Potential currency rate changes were calculated based on annual volatilities implied for currency options quoted on the interbank market for a given pair of currencies as at the balance sheet date.

The Group identifies the exposure to EUR/PLN exchange rate changes. The table below shows the gross financial result sensitivity to reasonable exchange rate changes, assuming non-variability of other risk factors for these financial instrument classes exposed to the exchange rate change risk.

	31 March 2023 (not audited)		***Analysis of the currency risk sensitivity as at 31 March 2023***			
			EUR/PLN			
Financial instrument classes			**EUR/PLN exchange rate 7.28%**		**EUR/PLN exchange rate - 7.28%**	
			5.0159		**4.3351**	
	carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	161 102	-	-	-	-	-
Trade and other receivables	781 113	1 380	100	-	(100)	-
Derivative financial instruments (assets)	8 805	-	-	-	-	-
Cash and cash equivalents	836 216	351 690	25 603	-	(25 603)	-
Interest-bearing loans and borrowings	(1 215 413)	-	-	-	-	-
Trade liabilities and other financial liabilities	(310 831)	(6 288)	(458)	-	458	-
Lease liabilities	(74 917)	-	-	-	-	-
Derivative financial instruments (liabilities)	-	-	-	-	-	-
Total	**186 075**	**346 782**	**25 245**	**-**	**(25 245)**	**-**

(in PLN thousand)

Financial instrument classes	*31 March 2022 (not audited)*		*Analysis of the currency risk sensitivity as at 31 March 2022*			
			EUR/PLN			
			EUR/PLN exchange rate 8.95%		**EUR/PLN exchange rate - 8.95%**	
			5.0689		**4.2361**	
	carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	38 304	-	-	-	-	-
Trade and other receivables	636 646	3 894	349	-	(349)	-
Derivative financial instruments (assets)	17 698					
Cash and cash equivalents	321 947	168 654	15 095	-	(15 095)	-
Interest-bearing loans and borrowings	(603 014)	-	-	-	-	-
Trade liabilities and other financial liabilities	(356 266)	(27 233)	(2 437)	-	2 437	-
Lease liabilities	(43 534)	-	-	-	-	-
Derivative financial instruments (liabilities)	(3 606)	(3 606)	(323)		323	
Total	**8 175**	**141 709**	**12 684**	**-**	**(12 684)**	**-**

(in PLN thousand)

29.3. Credit risk

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

The Group concludes transactions only with reputable companies of good credit rating. All clients who want to use trade credits are subject to initial verification procedures. Furthermore, owing to ongoing monitoring of receivables, the Group's exposure to the risk of unrecoverable receivables is insignificant.

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

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

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

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

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

Cash of the PAK Capital Group as at 31 March 2023, broken down into individual bank credit ratings:

Rating level by individual rating agencies			*Cash amount as at 31 March 2023 (excl. cash in hand) (not audited)*
Moody's	*S&P*	*Fitch*	
Aaa	AAA	AAA	-
Aa1	AA+	AA+	-
Aa2	AA	AA	-
Aa3	AA-	AA-	-
A1	A+	A+	-
A2	A	A	9 310
A3	A-	A-	53 629
Baa1	BBB+	BBB+	576 465
Baa2	BBB	BBB	110 310

(in PLN thousand)

Baa3	BBB-	BBB-	86 253
Ba1	BB+	BB+	-
Ba2	BB	BB	42
Ba3	BB-	BB-	207
B1	B+	B+	-
B2	B	B	-
B3	B-	B-	-
Caa1	CCC+	CCC	-
Caa2	CCC		-
Caa3	CCC-		-
Ca	CC		-
	C		-
C	D	DDD	-
–		DD	-
–		D	-
TOTAL			836 216

29.4. Liquidity risk

The Group monitors the no-fund risk by means of a tool for periodic liquidity planning. This tool takes into account the maturity/due dates of both investments and financial assets (e.g., receivable accounts, other financial assets), as well as projected cash flows from operating activities.

The Group's objective is to maintain the balance between financing continuity and flexibility through employing various financing sources, such as overdraft facilities, bank credits, bonds, priority shares and financial lease agreements.

The table below shows financial liabilities of the Group as at 31 March 2023 and 31 December 2022, by maturity date and based on contractual non-discounted payments.

(in PLN thousand)

31 March 2023 (not audited)	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5*	*Total*
Interest-bearing loans and borrowings	6 071	402 040	621 866	186 138	1 216 115
Trade liabilities and other financial liabilities	264 592	33 861	12 368	10	310 831
Lease liabilities	27	6 776	40 467	27 647	74 917
Total					

31 March 2022 (not audited)	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5*	*Total*
Interest-bearing loans and borrowings	5 941	192 414	282 668	123 651	604 674
Trade liabilities and other financial liabilities	318 285	35 308	2 669	4	356 266
Lease liabilities	303	6 013	23 488	13 730	43 534
Total	**324 529**	**233 735**	**308 825**	**137 385**	**1 004 474**

The derivatives shown in the tables above were presented as gross values of non-discounted payments. However, these contracts can be settled either in gross values, or net amounts. The blow tables present agreements of these values to the balance sheet values of derivatives:

31 March 2023 (not audited)	*On demand*	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5*	*Total*
Current net market value (currency forwards)	-	-	-	-	-	-

31 December 2022	*On demand*	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5*	*Total*
Current net market value (currency forwards)	-	-	-	-	-	-

(in PLN thousand)

30. Financial instruments

30.1. Balance sheet and fair value of individual financial instrument classes

The table below shows a list of the Group's financial instruments, broken down into individual asset and liability classes and categories, pursuant to IFRS 9.

		Balance sheet value	
Financial assets	Category pursuant to IFRS 9	*31 March 2023 (not audited)*	*31 December 2022*
Other financial assets	FAaAC	161 102	160 445
Trade and other receivables	FAaAC	781 113	815 406
Derivative financial instruments	MaFVtFR	8 805	19 824
Cash and cash equivalents	FAaAC	836 216	1 462 749
Financial liabilities			
Interest-bearing bank loans and borrowings, including:		1 215 413	1 107 727
Long-term	OFLaAC	796 114	619 551
Short-term	OFLaAC	419 299	488 176
Trade liabilities and other financial liabilities	OFLaAC	310 831	273 694
Lease liabilities	OFLaAC	74 917	63 637
Derivative financial instruments	MaFVtFR	-	-

Abbreviations used:

MaFVtFR – Financial assets/liabilities measured at fair value through financial result/capitals

OFLaAC – Other financial liabilities at amortised cost

FAaAC – Financial asset at amortised cost

(in PLN thousand)

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

	31 March 2023 (not audited)	*Level 1*	*Level 2*	*Level 3*
Asset-hedging derivatives	-	-	8 805	-
Liability-hedging derivatives	-	-	-	-

	31 December 2022	*Level 1*	*Level 2*	*Level 3*
Asset-hedging derivatives	-	-	19 824	-
Liability-hedging derivatives	-	-	-	-

As at 31 March 2023 and 31 December 2022, the fair value of financial instruments other than derivatives, did not significantly differ from balance sheet values, primarily due to the fact that in the case of short-term instruments, the discount effect was not significant and that related transactions are concluded under market terms; for this reason, the fair value of the said financial instruments has been presented as the balance sheet value.

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

As at 31 March 2023, the derivatives, forward currency purchase transactions, were measured at fair value. The difference in discounted future cash flows between the forward price at the measurement date and the transaction price as per the quotations prepared by an appropriate bank, multiplied by foreign currency contract face value is calculated for the purposes of measuring currency contracts. The measurement of these instruments was classified as level 2 in the fair value measurement hierarchy.

In the 3-month period concluded on 31 March 2023 and concluded on 31 December 2022, there we no shifts between level 1 and level 2 of the fair value hierarchy, and none of the instruments was shifted to level 3 of the fair value hierarchy.

(in PLN thousand)

30.2. Financial instrument interest rate risk

The table below shows the interest rate gap, which constitutes the Group's exposure to the interest rate risk and the concentration of this risk broken down into currencies and interest type.

	Interest type	*Carrying value on 31 March 2022 (not audited)*	*Carrying value on 31 December 2022*
Financial assets exposed to the interest rate risk - PLN	Fixed	-	-
	Floating	489 097	541 688
Financial assets exposed to the interest rate risk - other currencies	Fixed	-	-
	Floating	351 690	925 709
Financial liabilities exposed to the interest rate risk - PLN	Fixed	-	-
	Floating	1 215 413	1 107 726
Financial liabilities exposed to the interest rate risk - other currencies	Fixed	-	-
	Floating	-	-
Net exposure - PLN	Fixed	-	-
	Floating	(726 316)	(566 038)
Net exposure - other currencies	Fixed	-	-
	Floating	351 690	925 709

The interest rate of floating-rate financial instruments is updated in periods shorter than one year. The interest on fixed-rate financial instruments is constant throughout the entire period up to the maturity/due date of these instruments. Other financial instruments of the Group, not included in the tables above, do not bear interest and, thus, are not subject to the interest rate risk.

30.2.1. Collaterals

As at 31 March 2023, none of the Group's companies had active instruments employed to mitigate the foreign exchange risk (e.g., forward EUR/PLN transactions).

The Group secures the risk of CO_2 emission allowance price changes using forward transactions to purchase the allowances for its own needs. The tables below show the summary of forward transactions active as at 31 March 2023 and 31 March 2022.

31 March 2023 (not audited)

Type of concluded transactions	*Number of purchased allowances*	*Total face value of transactions in thous. EUR*	*Transaction currency*	*Maturity date*
Forward transactions	3 077 000	249 281	EUR	Up to one year
Forward transactions	12	932	EUR	Over one year

31 March 2022 (not audited)

Type of concluded transactions	*Number of purchased allowances*	*Total face value of transactions in thous. EUR*	*Transaction currency*	*Maturity date*
Forward transactions	2 462 000	137 290	EUR	Up to one year
Forward transactions	597 000	43 667	EUR	Over one year

(in PLN thousand)

31. Capital management

The main goal of the Group's capital management is to maintain a good credit rating and safe equity ratios, which would support the Group's operating activities and increase the value for its shareholders.

The Group manages the capital structure, and amends it due to changes in the economic conditions. In the 3-month period concluded on 31 March 2023 and the year concluded on 31 December 2022, there were no introduced amendments to the goals, rules and processes applicable within this area.

The Group monitors the balance of its capitals using leverage ratio, which is calculated as a relation of net debt to the sum of capitals plus net debt. The Group's net debts include interest-bearing loans and borrowings, trade and other liabilities, minus cash and cash equivalents. Capital includes equity less the supplementary capitals on account of unrealised net profits.

	31 March 2023 (not audited)	*31 December 2022*
Interest-bearing loans and borrowings	1 215 413	1 107 727
Financial derivatives (liabilities)	-	-
Trade liabilities and other financial liabilities	310 831	273 694
Minus cash and cash equivalents	836 216	1 462 749
Net debt	690 028	(81 328)
Equity	840 831	1 214 499
Capital from the revaluation of hedging instruments	-	-
Total capital	840 831	1 214 499
Net capital and debt	1 530 859	1 133 171
Leverage ratio	45.07%	(7.18%)

32. Significant events after the balance sheet date

Change in the composition of ZE PAK SA Supervisory Board

On 13 April 2023, Mr Maciej Stec submitted a statement on resigning from the position of a ZE PAK SA Supervisory Board Member. His reason for the resignation was the planned appointment to the Management Board of PGE PAK Energia Jądrowa SA with its seat in Konin.

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

On 14 April 2023, PAK – Polska Czysta Energia sp. z o.o. purchased from Polish Wind Holdings B.V., a company established and operating under the laws of the Kingdom of the Netherlands, 100% shares in the share capital of the Eviva Lębork sp. z o.o. project company with its seat in Słupsk.

PAK – PCE sp. z o.o. acquired project company shares from the seller as part of an investment project that involves executing an RES system within the Główczyce, Damnica and Potęgowo communes, Słupsk district, Pomorskie province.

The investment project involves the construction of a wind farm complex with an effective capacity of 88 MW. Wind conditions in this region enable estimating annual farm output at approx. 240 GWh. The project has already been granted a set of administrative permits that enable commencing construction work on the wind turbines. The planned investment project commissioning date is Q4 2025. The total estimated investment expenditure associated with the acquisition and implementation of the investment project will amount to PLN 920 MM.

In the light of acquiring the project company, PAK – PCE sp. z o.o. concluded a loan agreement with Cyfrowy Polsat S.A., with its seat in Warsaw. Under the agreement, PAK – PCE sp. z o.o. was granted a loan of up to PLN 99 MM, to be paid in Polish zloty or EUR, on terms specified therein. Pursuant to the provisions of the agreement, the loan maturity date has been set at 31 December 2025. The financial terms and other terms of the Agreement do not deviate from market terms.

Park Wiatrowy Pałczyn 1 sp. z o.o. concluding a loan agreement with BANK POLSKA KASA OPIEKI SA

On 20 April 2023, Park Wiatrowy Pałczyn 1 sp. z o.o. (Pałczyn 1) concluded a loan agreement with BANK POLSKA KASA OPIEKI, pursuant to which the bank granted Pałczyn 1 an investment loan of up to PLN 95.5 MM and a VAT loan of up to PLN 5 MM. Loans are intended to finance and refinance the construction costs of a wind farm with a combined installed capacity of 9.6 MW, located in Miłosław commune in the Wielkopolskie province.

Pursuant to the agreement, Park Wiatrowy Pałczyn 1, as the borrower, undertook to make an own fund contribution in the amount of at least PLN 23.9 MM. The final repayment date for the investment loan is 20 December 2038, while the final repayment date for the VAT loan is 31 December 2023. The interest rate applicable to each loan use is equal to the annual interest rate, which is the total of the margin set out in the agreement and an appropriate WIBOR rate. The bank shall be entitled to commissions on behalf of granting the loans, the amount of which has been set at a level not different than market rates.

Other obligations of the debtor under the agreement do not differ from these commonly applied within similar loan transactions, in terms of maintaining selected financial indices at a level specified by the contract in particular.

The contract entails establishing securities in the form of a financial and registered pledge on shares in Park Wiatrowy Pałczyn 1 sp. z o.o., a financial and registered pledge on bank accounts and a power of attorney to each of the said bank accounts, a registered pledge on company's assets, assignment under contracts constituting material project documentation, assignments under insurance policies and declarations by Park Wiatrowy Pałczyn 1 sp. z o.o. on submission to the writ of execution pursuant to Art. 777 (1) cl. 5 and 6 of the Code of Civil Procedure.

Integrated permit – repeal of the contested decision of the Minister of Climate and Environment

On 22 May 2023, at a public hearing, the Provincial Administrative Court (WSA) in Warsaw announced a judgement where the WSA repealed the decision of the Minister of Climate dated 21 November 2022 (DIŚ-III.415.63.2021) – file ref. No. IV SA/Wa 167/23, which was contested by the Greenpeace Polska Foundation. At the same time, the Provincial Administrative Court in Warsaw - did neither repeal nor state the invalidity of the decision by the first instance authority, i.e., Marshal's Decision (dated 2 October 2020 on the adaptation of the integrated permit for the operation of the Fuel Combustion System at the Pątnów Power Plant and Konin Power Plant to the requirement of BAT conclusions, granting a derogation from emission limit values), the decision by the Marshal of the Wielkopolskie Province dated 30 December 2021, ref. No. DSK-III.7222.93.2021, and the decision of the Marshal dated 30 December 2021, ref. No. DSK-III.7222.1919.2021.

The above means that the Company can still apply granted derogations from emission limit values and operate generating assets at the Pątnów and Konin Power Plants.

The judgement is not legally binding. The Company will make a decision as to whether file a cassation complaint within the statutory deadline for its submission. Currently, the Company is waiting for WSA to deliver it a written justification of this judgement.

Integrated permit – dismissal of the complaint by Greenpeace Polska against the decision of the Minister of Climate and Environment

On 24 May 2023, at a public hearing, the Provincial Administrative Court in Warsaw (WSA) announced a judgement, with which the WSA dismissed the complaint submitted by the Greenpeace Polska Foundation against the decision of the Minister of Climate and Environment dated 21 November 2022, ref. No.: DIŚ-III.435.12.2020.AŻ.1. File ref. No.: IV SA/Wa 166/23. The contested decision confirmed the possibility of the 474 MW power unit (formerly Elektrownia Pątnów II Sp. z o.o., today owned by ZE PAK SA) to apply derogations from emission limit values set out in BAT conclusions until 17 August 2024. These derogations have been previously established in the decision by the Marshal of the Wielkopolskie Province.

In an oral justification of the judgement, WSA stated that:

- the decision of the Minister of Climate, contrary to the raised allegations, does not violate the law to the extent justifying its repeal,

- the allegations of procedural and substantive law did not deserve considering,

- the materials collected in relation to the case enabled the Minister of Climate to make a decision, and the prerequisites for applying the aforementioned derogations, questioned by the Greenpeace Polska Foundation, have been met.

The WSA judgement means that the Company has the right to operate the 474 MW power unit with the application of the aforementioned derogations.

The judgement is legally binding, and each party shall be entitled to file a cassation complaint to the WSA. The company will file a request to the WSA to draw up and submit a justification of the judgement issued.

Konin, 30 May 2023