

ZE PAK SA CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2023

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

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 9-month period ended 30 September 2023

	Note	9-month period ended 30 September 2023 (unaudited)	3-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2022 (unaudited)	3-month period ended 30 September 2022 (unaudited)
<i>Continuing operations</i>					
Sale revenues, incl.:	11.1	2 277 130	819 918	3 093 364	1 137 001
Revenues from contracts with clients		2 147 347	775 961	2 972 667	1 099 331
Other revenues		129 783	43 957	120 697	37 670
Selling prime costs	11.6	(1 434 600)	(443 535)	(2 645 013)	(899 139)
Gross profit/(loss) on sales		842 530	376 383	448 351	237 862
Other operating revenues	11.2	101 424	88 242	69 747	29 030
Selling costs	11.6	(860)	(151)	(10 710)	(4 518)
Overheads	11.6	(87 282)	(30 688)	(97 409)	(35 872)
Other operating costs	11.3	(585 628)	(20 439)	(17 097)	(9 706)
Profit/(loss) on operating activities		270 184	413 347	392 882	216 796
Financial revenues	11.4	40 195	28 226	64 513	34 126
Financial costs	11.5	(6 557)	13 693	(60 840)	(35 549)
Gross profit/(loss)		303 822	455 266	396 555	215 373
Income tax (tax burden)	12.1	(55 431)	(86 960)	(108 347)	(79 744)
Net profit/(loss) on continuing operations		248 391	368 306	288 208	135 629
<i>Discontinued operations</i>					
Net profit/(loss) from discontinued operations	14	(49 192)	6 365	-	-
Net profit/(loss) for the period:		199 199	374 671	288 208	135 629
Net profit/(loss) from continuing operations attributable to parent company shareholders		248 391	368 306	281 671	129 092
Net profit/(loss) from continuing operations attributable to non-controlling interests		-	-	-	-
Net profit/(loss) for the period attributable to parent company shareholders		223 199	376 220	281 671	129 092
Net profit/(loss) for the period attributable to non-controlling interests		(24 000)	(1 549)	6 537	6 537
<i>Profit / (loss) per share (in PLN):</i>					
Basic / diluted for the financial year from continuing operations attributable to parent company shareholders	13	4,89	7,25	5,54	2,54
Basic / diluted for the financial year attributable to parent company shareholders	13	4,39	7,40	5,54	2,54

CONSOLIDATED FINANCIAL STATEMENT OF COMPREHENSIVE INCOME

for the 9-month period ended 30 September 2023

	<i>Note</i>	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Net profit for the period		199 199	374 671	288 208	135 629
Other comprehensive income					
<i>Items subject to reclassification to profit(loss) in subsequent reporting periods:</i>					
Exchange rate differences related to foreign unit conversion		39	89	44	42
Income tax on other comprehensive income		-	-	-	-
Net other comprehensive income subject to reclassification to profit/(loss) in subsequent reporting periods		39	89	44	42
<i>Items not subject to reclassification to profit(loss) in subsequent reporting periods:</i>					
Actuarial profits/(losses) on post-employment employee benefits		(635)	(1 565)	(160)	(100)
Income tax on other comprehensive income	<i>12.1</i>	121	298	30	19
Net other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		(514)	(1 267)	(130)	(81)
Net other comprehensive income		(475)	(1 178)	(86)	(39)
Comprehensive income for the period		198 724	373 493	288 122	135 590
Comprehensive income allocated to parent company shareholders		222 724	375 042	281 585	129 053
Comprehensive income allocated to non-controlling interests		(24 000)	(1 549)	6 537	6 537

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

as at 30 September 2023

	<i>Note</i>	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
ASSETS			
Fixed assets			
Tangible fixed assets	<i>15</i>	339 316	1 726 864
Right-of-use assets	<i>16</i>	38 317	61 425
Goodwill	<i>18.1</i>	-	150 342
Investment property		1 760	1 782
Intangible assets	<i>17</i>	2 472	9 034
Other long-term financial assets	<i>18.1</i>	578 153	10 103
Other long-term non-financial assets	<i>18.2</i>	2 548	503
Long-term derivative financial instruments (assets)		-	-
Deferred tax assets	<i>12.2</i>	32 148	18 462
Total fixed assets		994 714	1 978 515
Current assets			
Emission allowances	<i>17</i>	62 375	-
Inventories	<i>19</i>	17 120	120 972
Trade and other receivables	<i>20</i>	530 769	815 406
Income tax receivables		427	7 793
Short-term derivative financial instruments (assets)		-	19 824
Other short-term financial assets	<i>18.1</i>	247 799	-
Other short-term non-financial assets	<i>18.2</i>	91 945	130 112
Assets from contracts with customers		2 577	4 084
Cash and cash equivalents		1 229 229	1 462 749
Total current assets		2 182 241	2 560 940
TOTAL ASSETS		3 176 955	4 539 455

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	Nota	30 September 2023 (unaudited)	31 December 2022
LIABILITIES AND EQUITY			
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		(650 309)	(817 713)
Net profit (loss)		223 199	203 307
Exchange rate differences related to foreign unit conversion		41	2
Equity allocated to parent company shareholders		931 031	723 696
Non-controlling interest equity		466 803	490 803
Total equity		1 377 834	1 214 499
<i>Long-term liabilities</i>			
Interest-bearing loans and borrowings	22	-	619 551
Long-term employee benefits		22 648	23 949
		-	-
Trade liabilities and other financial liabilities (long-term)		318	258
Long-term lease liabilities	16	39 967	57 172
Long-term derivative financial instruments		-	-
Subsidies and long-term deferred income	24.5	5 072	28 926
Other long-term provision accruals	23	758 506	440 356
Deferred income tax provisions	12.2	31 794	28 929
Total long-term liabilities		858 305	1 199 141
<i>Short-term liabilities</i>			
Trade liabilities and other financial liabilities (short-term)	26.2	178 777	273 436
Short-term lease liabilities		-	6 465
Current portion of interest-bearing loans and borrowings		-	488 176
Short-term financial derivatives (liabilities)		-	-
Other non-financial liabilities	24.3	44 691	99 094
Income tax liabilities		7 904	3 077
Short-term employee benefits		3 292	4 388
Subsidies and short-term deferred income		46	46
Long-term contract amounts payable to ordering party		2 783	4 226
Other short-term provisions and accruals	23	703 323	1 246 907
Total short-term liabilities		940 816	2 125 815
Total liabilities		1 799 121	3 324 956
Total liabilities and equity		3 176 955	4 539 455

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

CONSOLIDATED CASH FLOW STATEMENT

for the 9-month period ended 30 September 2023

	Note	9-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2022 (unaudited)
Cash flows from operating activities			
Gross profit/(loss) from continuing operations		303 822	396 555
Gross profit/(loss) from discontinued operations		(56 875)	-
Adjustments for:			
Depreciation and amortization		13 270	32 548
Interest and shares in profits		(18 975)	15 019
(Profit)/loss due to exchange rate differences		(17 618)	280
(Profit)/loss on investment activities		93 863	(13 968)
(Increase)/decrease in receivables		(26 003)	151 817
(Increase)/decrease in inventories		643	(27 451)
Increase/(decrease) in liabilities, except for loans and borrowings		(29 133)	(190 150)
Change in provisions, prepayments/accruals and employee benefits		965 185	806 724
Income tax paid		(52 914)	(108 175)
Expenses on CO ₂ emission allowances		(1 179 709)	(1 319 523)
Other		(259 982)	971
Net cash from operating activities from continuing operations		(207 551)	(255 353)
Net cash from operating activities from discontinued operations		154 474	(255 353)
<i>Cash flows from investment activities</i>			
Sales of tangible fixed assets and intangible assets		4 719	20 753
Acquisition of tangible fixed assets and intangible assets		(92 076)	(280 777)
Expenses and proceeds related to other financial assets		117 025	(7 200)
Acquisition of subsidiaries		(7 594)	(93 374)
Received dividends		18	-
Received interests		1 564	-
Repayment of granted loans		109 205	-
Granted loans		(52 323)	-
Other		-	235
Net cash flow from financial activities from continuing operations		80 538	(360 363)
Net cash flow from financial activities from discontinued operations		(461 343)	-
<i>Cash flows from financial activities</i>			
Proceeds from increasing the value of shares			478 730
Proceeds from loans, borrowings and debt securities			608 716
Repayment of loans, borrowings and debt securities			(20 803)
Interest paid		(1 008)	(21 632)
Other			1 393
Net cash from financial activities from continuing operations		(1 008)	1 046 404
Net cash from financial activities from discontinued operations		458 755	-
Net increase/(decrease) in cash and cash equivalents from continuing operations		(128 021)	430 688
Balance sheet change in cash due to exchange rate differences from continuing operations		17 618	-
Net increase/(decrease) in cash and cash equivalents from discontinued operations		151 886	-
Cash at the beginning of the period from continuing operations		1 339 632	506 669

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

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Cash at the beginning of the period from discontinued operations	123 116	-
Cash at the end of the period from continuing operations	1 229 229	937 357
Cash at the end of the period from discontinued operations	275 002	-
Cash at the end of the period from discontinued operations, sold	275 002	-

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 9-month period ended 30 September 2023

	Note	Basic capital	Supplementary capital	Other reserve capitals	Retained profits / Accumulated losses	Exchange rate differences related to foreign 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		-	-	-	223 199	-	223 199	(24 000)	199 199
Total other comprehensive income		-	-	-	(514)	39	(475)	-	(475)
Comprehensive income for the period		-	-	-	222 685	39	222 724	(24 000)	198 724
Acquisition of subsidiaries		-	-	-	-	-	-	-	-
Liquidation of a subsidiary		-	-	-	-	-	-	-	-
Liquidation of fixed assets		-	-	-	-	-	-	-	-
Transfer of profits of non-controlling shareholders to retained earnings		-	-	-	-	-	-	-	-
Other changes		-	-	-	(35 389)	-	(35 389)	-	(35 389)
As at 30 September 2023		101 647	1 232 981	3 472	(427 110)	41	931 031	466 803	1 377 834

for the 9-month-period ended 30 September 2022

	Note	Basic capital	Supplementary capital	Other reserve capitals	Retained profits / Accumulated losses	Exchange rate differences related to foreign 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		-	-	-	281 671	-	281 671	6 537	288 208
Total other comprehensive income		-	-	-	(130)	44	(86)	-	(86)
Comprehensive income for the period		-	-	-	281 541	44	281 585	6 537	288 122
Acquisition of subsidiaries		-	-	-	(70 193)	-	(70 193)	-	(70 193)
Liquidation of a subsidiary		-	-	-	(3 379)	-	(3 379)	-	(3 379)
Liquidation of fixed assets		-	1 853	-	(1 853)	-	-	-	-

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Transfer of profits of non-controlling shareholders to retained earnings	-	-	-	(395)	-	(395)	395	-
Other changes	-	-	-	-	-	-	478 730*	478 730
As at 30 September 2022	101 647	1 133 179	3 472	(506 107)	54	732 245	485 267	1 217 512

* Purchase of shares by Cyfrowy Polsat SA.

ADDITIONAL EXPLANATORY NOTES

1 General information

The ZE PAK SA Capital Group ("Group", "Capital Group", "ZE PAK SA Group") consists of ZE PAK SA ("parent company", "Company", "ZE PAK SA") and its subsidiaries (see Note 2).

The interim condensed consolidated financial statements of the Group cover the period of 9 months ended 30 September 2023 and include comparative data for the period of 9 months ended 30 September 2022 and data as at 31 December 2022. The interim condensed consolidated statement of comprehensive income, the consolidated income statement and additional explanatory notes additionally present financial information for the 3-month period ended 30 September 2023 and comparative data for the 3-month period ended 30 September 2022.

The Parent Company is entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court Poznań – Nowe Miasto and Wilda in Poznań, IX Commercial Division of the National Court Register, under KRS number 0000021374.

The parent company was assigned the statistical number REGON 310186795.

The duration of the parent company and the entities of the Group is indefinite.

The Group's core business is:

- 1) generation and sale of electricity,
- 2) production and sale of heat (steam and hot water),
- 3) lignite mining.

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

Through Mr. Zygmunt Solorz, the Company has personal connections with other entities.

2 Companies in which ZE PAK SA holds shares

List of companies, in which ZE PAK SA holds shares:

Entity	Registered office	Scope of operations	As at the day of publication of the statement	% Group's share in the capital	
				As at 30 September 2023	As at 31 December 2022
ZE PAK SA subsidiaries					
„PAK Kopalnia Węgla Brunatnego Konin” SA	62-540 Kleczew ul. 600-lecia 9	Lignite mining	100.00%	100.00%	100.00%
„PAK Górnictwo” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machines	100.00%	100.00%	100.00%
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair service	100.00%	100.00%	59.59%*
„PAK CCGT” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00%	100.00%	100.00%
„PCE-OZE 5” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00%	100.00%	59.59%*
„PAK Pątnów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100.00%	100.00%	100.00%
„Ørsted Polska OF SPV 1” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	60.00%	60.00%	60.00%
„Ørsted Polska OF SPV 6” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	60.00%	60.00%	60.00%
„PAK ATOM” SA	62-510 Konin ul. Kazimierska 45	Generation of electricity	-	100.00%	100.00%
„Horset” sp. z o.o.	03057 Kijów/Ukraina ul. Smoleńska 31/33		100.00%	100.00%	-
Companies in which ZE PAK SA holds shares and consolidates using equity method					

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„PAK – Polska Czysta Energia” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holding companies	49.50%	49.50%	59.59%
„PAK – Volt” SA	04-028 Warszawa Al. Stanów Zjednoczonych 61	Trade of electricity	49.50%*	49.50%*	59.59%*
„PAK – PCE Polski Autobus Wodorowy” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production of buses	49.50%*	49.50%*	59.59%*
„PAK – PCE Fotowoltaika” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„PAK – PCE Stacje H2” sp. z o.o. (formerly „PAK – PCE Biogaz” sp. z o.o.)	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„PAK – PCE Biopaliwa i Wodór” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Generation of electricity	49.50%*	49.50%*	59.59%*
„PAK – PCE Wiatr” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„PG Hydrogen” sp. z o.o.	02-673 Warszawa ul. Konstruktorska 4	Manufacture of engines and turbines, except aircraft, car and motorcycle engines	25.74%*	25.74%*	52.00%*
„Exion Hydrogen Polskie Elektrolizery” sp. z o.o.	80-701 Gdańsk ul. Ku Ujściu 19	Design and production of electrolysers	39.60%*	39.60%*	47.67%*
„Exion Hydrogen Belgium” BV	Slachthuisstraat 120 Bus 12 2300 Turnhout	Design and production of electrolysers	39.60%*	39.60%*	47.67%*
„Farma Wiatrowa Kazimierz Biskupi” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Design and production of wind farms	49.50%*	49.50%*	59.59%*
„PCE-OZE 1” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„PCE-OZE 2” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„PCE-OZE 3” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„PCE-OZE 4” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„PCE-OZE 6” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	49.50%*	49.50%*	59.59%*
„MESE” sp. z o.o.	04-028 Warszawa Al. Stanów Zjednoczonych 61A	Generation of electricity	-	44.55%*	53.63%*
„Park Wiatrowy Pałczyn 1” sp. z o.o.	70-479 Szczecin Al. Wojska Polskiego 68	Generation of electricity – wind power engineering	49.50%*	49.50%*	59.59%*
„PAK – PCE FW Okonek” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	-	49.50%*	59.59%*
„PAK – PCE FW Jastrowie” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	-	49.50%*	59.59%*
„Farma Wiatrowa Przyrów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	49.50%*	49.50%*	59.59%*
„Great Wind” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	49.50%*	49.50%*	59.59%*
„Eviva Lębork” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	49.50%*	49.50%*	59.59%*
„Elektrownie Wiatrowe Dobra” sp. z o.o.	91-862 Łódź ul. Warszawska 70A	Generation of electricity – wind power engineering	49.50%*	49.50%*	59.59%*
Eviva Drzewo” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity – wind power engineering	49.50%*	49.50%*	-

Jointly controlled companies					
PGE PAK Energia Jądrowa SA	62-510 Konin ul. Kazimierska 45	Generation of electricity	50.00%	50.00%	-
„Ørsted Polska OF SPV 8” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	50.00%	50.00%
„Ørsted Polska OF SPV 9” sp. z o.o. (formerly „Mawzorino Investments” sp. z o.o.)	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	50.00%	50.00%
„Ørsted Polska OF SPV 10” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	50.00%	50.00%	50.00%
Other companies in which ZE PAK SA holds shares					
„Ørsted Polska OF SPV 2” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	1.00%	1.00%
„Ørsted Polska OF SPV 3” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	1.00%	1.00%
„Ørsted Polska OF SPV 4” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	1.00%	1.00%
„Ørsted Polska OF SPV 5” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	1.00%	1.00%
„Ørsted Polska OF SPV 7” sp. z o.o.	00-801 Warszawa ul. Chmielna 73	Generation of electricity – offshore wind engineering	1.00%	1.00%	1.00%
Zakłady Pomiarowo-Badawcze Energetyki Energopomiar sp. z o.o.	44-100 Gliwice ul. Gen. J. Sowińskiego 3	Measurement, research and consultancy services regarding, among others power engineering	2.96%	2.96%	2.96%
Huta Łaziska SA	43-170 Łaziska Górne ul. Cieszyńska 23	Production of ferroalloys	11.19%	11.19%	11.19%

As at September 30, 2023, the Group's share in the total number of votes held by its subsidiaries was equal to the Group's share in the capital of these entities.

Description of changes in the Group's structure

On July 3, 2023, the Company sold shares representing approx. 10.1% of the share capital of PAK – PCE and approx. 10.1% of votes at the general meeting of shareholders of PAK – PCE to Cyfrowy Polsat (CP). As a result of the transaction, the Company holds approx. 49.5% of shares in PAK – PCE, while CP holds approx. 50.5% of shares in PAK – PCE. In connection with the transaction, the Company lost control in PAK-PCE and is subject to consolidation using the equity method.

3 Composition of the Management Board of the parent company

As at the date of publication of the report, the Management Board of ZE PAK SA is composed of:

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

4 Basis for the preparation of the interim condensed consolidated financial statements

These interim consolidated condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as endorsed by the EU (IAS 34).

The interim consolidated condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2022, approved for publication on April 27, 2023.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivatives and other financial instruments.

The carrying amount of the assets and liabilities recognised is adjusted for changes in fair value attributable to the risk against which these assets and liabilities are hedged.

These interim condensed consolidated financial statements are presented in PLN ("PLN") and all figures, unless otherwise indicated, are in thousands of PLN.

4.1 Going concern assumptions

These interim condensed consolidated financial statements have been prepared on a going concern basis for the foreseeable future, i.e. at least for the next 12 months from the date of these financial statements.

5 New standards and interpretations that have been published but have not yet entered into force

In the consolidated financial statements, the Group did not decide to apply the following published standards, interpretations or amendments to the existing standards before their effective date:

IFRS 14 „Deferred Regulatory Items”

Accounting and disclosure policies for regulatory deferred items. According to the decision of the European Commission, the process of approving the standard in the preliminary version will not be initiated before the publication of the standard in the final version.

Amendments to IFRS 10 and IAS 28

It provides guidelines for the sale or contribution of assets by an investor to an associated company or joint venture. Work on the approval has been postponed indefinitely.

Amendments to IFRS 16 „Leasing”

The changes concern the method of valuation of liabilities under sale and leaseback transactions. The change is effective from 1 January 2024.

As at the date of approval of these consolidated financial statements for publication, the Management Board has not yet completed work on the assessment of the impact of the introduction of the above standards and interpretations on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results.

The effective dates are the dates resulting from the content of the standards promulgated by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union. The Group has not decided to apply any standard, interpretation or amendment that has been published but has not yet entered into force in the light of European Union regulations

6 Material accounting policies

The accounting policies used to prepare the interim condensed consolidated financial statements are consistent with those used to prepare the Group's annual consolidated financial statements for the year that began on January 1, 2022.

7 Meaningful values based on professional judgment and estimation

The range of material values based on professional judgment and estimates was presented in the consolidated financial statements prepared as at 31 December 2022 and has not changed in the current period.

7.1 War in Ukraine

On February 24, 2022, Russian troops entered Ukraine, and thus an armed conflict broke out between the two countries. The armed conflict in the immediate vicinity of the Polish borders has a very large impact on the social, economic and political situation both in Poland and in the entire region. The impact of this conflict is also important from the point of view of the geopolitical balance of power in the world.

Despite the fact that the Company focuses its operations on the domestic market and there are no direct links with Russia and Ukraine, the impact of the armed conflict on the Company's operations is felt through indirect channels. Given that both countries play an important role as producers and exporters of a range of commodities, one of the first consequences of the conflict was significantly increased volatility in commodity and financial markets. This is especially true for the energy and agricultural sectors. The inability to predict all the consequences of the armed conflict in Eastern Europe also makes investors less willing to take risks.

High volatility on the commodity markets (especially on the energy market and the CO₂ emission allowances market) means that the Company may have to replenish margins to secure open positions on the forward market.

In extreme situations, this can lead to problems with ensuring adequate liquidity. On the other hand, a lower risk appetite on financial markets may lead to a worse valuation of assets and currencies in the markets of countries such as Poland, which are in the immediate vicinity of war areas, which may mean a worse valuation of the Company's assets and increased operating costs.

From the point of view of the Company's operations, the scope of sanctions imposed on countries such as Russia and Belarus due to the impact of these sanctions on trade in relation to certain goods, especially energy resources, is also important. Russia is one of the largest suppliers of gas and oil to Europe. The reduction in the supply of these raw materials has a significant impact on the level of electricity prices in Europe and in Poland, mainly due to the cross-border exchange of electricity.

In the current situation, it is impossible to precisely predict the scale of the ongoing armed conflict or its duration, nor is it possible to predict all the consequences of this conflict that may directly or indirectly affect the Company's operations. The Company is monitoring the development of the situation on an ongoing basis, and measures are also taken to mitigate the adverse consequences of the unstable situation. The Company has increased, among m.in, the availability of various forms of hedging its positions on the forward market for energy and CO₂ emission allowances. In the current situation, the Company assesses the degree of impact of the consequences of the armed conflict on its operations as moderate. This report does not disclose additional adjustments and provisions for the situation in Ukraine.

7.2 Other material values based on professional judgment and estimation

Provision for greenhouse gas emission liabilities (EUAs)

The Group recognises a provision for liabilities due to greenhouse gas emissions. From 1 January 2021, the next trading period for emission allowances is in force, which will end on 31 December 2030. The assumption of this period is the free allocation of emission allowances (EUAs) resulting from the production of heat energy only on the basis of Article 10c of Directive 2009/29/EC. The source of uncertainty is significant fluctuations in the prices of CO₂ emission allowances and legal regulations related to the climate policy of the European Union.

Emissions in the 9-month period ended September 30, 2023 amounted to 1,354,824 tons of CO₂. Emissions in the ZE PAK SA Group in 2022 amounted to 3,427,588 tons of CO₂. In 2023, 3,427,588 EUAs for 2022 were redeemed.

8 Change in estimates

In the 9-month period ended September 30, 2023, in connection with the liquidation of open-pit mines, the provision for reclamation of mining areas was updated in the amount of PLN 607,650 thousand. The change in the estimates of the amount of the provision results from a change in the estimates found in the first half of 2023. The costs of the provision also include the costs of exclusion of land from agricultural and forestry activities and the costs of electricity, and all costs of taxes and other costs of reclamation were verified. Expenditures planned until 2024 are included in cost of sales. The remaining amount was included in other operating expenses.

9 Seasonality of operations

The demand for electricity and heat, especially among consumers, is subject to seasonal fluctuations. So far, practice has shown that electricity consumption increased in winter (mainly due to low temperatures and shorter days) and decreased in summer (due to the holiday season, higher ambient temperatures and longer days). In recent years, there has been a systematic increase in the demand for electricity in summer, mainly due to the growing number of refrigeration and air conditioning equipment used.

Regardless of the factors described above, meteorological conditions are becoming increasingly important for the Group's production level. In the past, the Group's operations were not subject to the seasonality of demand to a significant extent, due to low costs, the units were operated continuously (on a basis) almost throughout the year. Currently, taking into account the growing share of RES in the segment of energy producers, including primarily wind sources and photovoltaics, weather conditions are becoming increasingly important when estimating the Group's production volume, with particular emphasis on wind conditions in the first and fourth quarters and sunny conditions in the second and third quarters. However, the risk related to seasonality and meteorological conditions is not key to the Group's operations.

10 Operating segments

In connection with the sale of shares in POLSKO-PCE, as at September 30, 2023, the Company changed the division into segments. For management purposes, the Group has been divided into parts based on the products manufactured and services provided.

Therefore, the following operating segments have been distinguished:

- 1) The Generation segment includes electricity generation. and includes the following units:
 - ZE PAK SA
 - PCE – OZE 5 sp. z o.o.
 - PAK CCGT sp. z o.o.
- 2) The Mining segment, which includes lignite mining. The Mining Segment of the ZE PAK SA Capital Group operates:
 - "PAK Kopalnia Węgla Brunatnego Konin" SA
- 3) Renovation segment providing services in the area of construction and renovation services. The segment includes the activities of Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.

The ZE PAK SA Group also conducts other types of activities, which are included in the "Other" column. In the period of 9 months of 2023, the activities of other companies are included there.

Transaction prices applied in transactions between operating segments are determined on an arm's length basis, similarly to transactions with unrelated parties. None of the Group's operating segments was merged with another segment to create the above reportable operating segments.

Revenue from transactions between segments is eliminated in the consolidation process.

The body making key decisions in the Group is the Management Board of ZE PAK SA. The Management Board monitors the operating results of the segments separately in order to make decisions regarding the allocation of resources, the assessment of the impact of this allocation and the results of operations. The basis for assessing the results of operations is the profit or loss on operating activities and EBITDA. EBITDA should be viewed as an addition to, and not a substitute for, the results of operations presented in accordance with IFRS. EBITDA is a useful indicator of debt borrowing and servicing capacity. EBITDA is not defined by IFRS and may be calculated differently by other entities. The following is the arrangement and definitions used by the ZE PAK SA Group to determine these measures.

The Group defines EBITDA as net profit excluding finance income and costs, income tax, depreciation and amortization and impairment losses on fixed assets and mining assets.

Total EBITDA for entire Capital Group of ZE PAK SA

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>
Net profit / (loss) from continuing operations	248 391	288 208
Financial revenues	- 40 195	- 64 513
Financial costs	+ 6 557	+ 60 840
Income tax	+ 55 431	+ 108 347
Depreciation and impairment write-downs	+ 13 270	+ 32 548
EBITDA from continuing operations	<u>283 454</u>	<u>425 430</u>
EBITDA from discontinued operations	<u>19 192</u>	<u>-</u>
EBITDA	<u>302 646</u>	<u>425 430</u>

The following tables present the results of segments for the 9-month periods ended September 30, 2023 and September 30, 2022.

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*Interim condensed consolidated financial statements for the 9 months ended 30 September 2023
(in PLN thousands)*

Operating segments for a period of 9 months ended 30 September 2023 (unaudited)

	<i>Generation</i>	<i>Mining</i>	<i>Renovation</i>	<i>Sale</i>	<i>Other</i>	<i>Consolidation adjustments</i>	<i>Total</i>
Revenues from sales to external clients	2 183 647	1 014	88 106	-	4 363	-	2 277 130
Revenues from inter-segment sales	291 952	751 434	110 478	-	92 177	(1 246 041)	-
Sales revenues	2 475 599	752 448	198 584	-	96 540	(1 246 041)	2 277 130
Selling prime costs	(2 059 766)	(355 171)	(177 176)	-	(83 930)	1 241 443	(1 434 600)
Gross profit/(loss) on sales	415 833	397 277	21 408	-	12 610	(4 598)	842 530
Other operating revenues	27 015	12 113	171	-	591	61 534	101 424
Selling costs	-	-	-	-	(860)	-	(860)
Overheads	(31 638)	(32 591)	(10 833)	-	(12 220)	-	(87 282)
Other operating costs	(17 142)	(575 543)	(181)	-	(398)	7 636	(585 628)
Financial revenues	175 860	2 326	203	-	2 227	(140 421)	40 195
Financial costs	(137 444)	(3 986)	(477)	-	(5 070)	140 421	(6 557)
Gross profit/(loss)	432 484	(200 404)	10 291	-	(3 120)	64 571	303 822
Income tax (tax burden)	(44 456)	(2 662)	(2 674)	-	(898)	(4 741)	(55 431)
Net profit/(loss) on continuing operations	388 028	(203 066)	7 617	-	(4 018)	59 830	248 391
Profit/(loss) on operating activities, excl. financial operations and income tax	394 068	(198 744)	10 565	-	(227)	64 572	270 184
Depreciation	6 063	3 839	1 773	-	2 195	(600)	13 270
Impairment write-down	-	-	-	-	-	-	-
EBITDA from continuing operations	400 131	(194 905)	12 338	-	1 918	63 972	283 454
EBITDA from discontinued operations							19 192
EBITDA							302 646

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*Interim condensed consolidated financial statements for the 9 months ended 30 September 2023
(in PLN thousands)*

Operating segments for a period of 9 months ended 30 September 2022 (unaudited)

	<i>Generation</i>	<i>Mining</i>	<i>Renovation</i>	<i>Sale</i>	<i>Other</i>	<i>Consolidation adjustments</i>	<i>Total</i>
Revenues from sales to external clients	2 098 034	1 860	43 858	943 502	6 110	-	3 093 364
Revenues from inter-segment sales	175 747	407 571	91 059	432	95 849	(770 658)	-
Sales revenues	2 273 781	409 431	134 917	943 934	101 959	(770 658)	3 093 364
Selling prime costs	(1 955 859)	(336 783)	(128 008)	(904 373)	(93 809)	773 819	(2 645 013)
Gross profit/(loss) on sales	317 922	72 648	6 909	39 561	8 150	3 161	448 351
Other operating revenues	43 748	27 371	108	215	2 081	(3 776)	69 747
Selling costs	(1 395)	-	-	(5 366)	(3 949)	-	(10 710)
Overheads	(48 143)	(28 127)	(8 284)	(2 841)	(10 014)	-	(97 409)
Other operating costs	(15 344)	(989)	(206)	(207)	(266)	(85)	(17 097)
Financial revenues	65 276	3 632	836	642	4 272	(10 145)	64 513
Financial costs	(49 676)	(14 022)	(293)	(4 471)	(3 325)	10 947	(60 840)
Gross profit/(loss)	312 388	60 513	(930)	27 533	(3 051)	102	396 555
Income tax (tax burden)	(103 673)	(8)	176	(3 991)	(1 354)	503	(108 347)
Net profit/(loss) on continuing operations	208 715	60 505	(754)	23 542	(4 405)	605	288 208
Profit/(loss) on operating activities, excl. financial operations and income tax	296 788	70 903	(1 473)	31 362	(3 998)	(700)	392 882
Depreciation	25 578	3 787	1 911	8	2 815	(1 551)	32 548
Impairment write-down	-	-	-	-	-	-	-
EBITDA	322 366	74 690	438	31 370	(1 183)	(2 251)	425 430

11 Revenues and costs

11.1 Sale revenues

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Material structure				
Revenues from the sale of goods and services, including:				
Revenues from the sale of own-production electricity	1 652 493	436 399	1 397 176	497 638
Revenues from sales of electric energy from trade	911 202	199 376	1 305 778	510 469
Revenues from sales of thermal energy	51 867	5 938	42 293	12 367
Capacity market revenues	129 783	47 387	121 868	37 797
Other sales revenues	90 502	53 092	75 631	25 385
Revenues from construction service contracts	72 870	38 289	32 744	16 325
Revenues from sales of goods and services	2 908 717	780 481	2 975 490	1 099 981
Excise tax	(38)	(10)	(2 823)	(650)
Revenues from sales of goods and services including excise duty	2 908 679	780 471	2 972 667	1 099 331
Property rights from energy certificates of origin, including	39 010	-	41 720	11 580
Compensation for termination of LTC	88 635	39 434	78 977	26 090
Total other revenues			120 697	37 670
Total sale revenues	<u>3 036 324</u>	<u>819 905</u>	<u>3 093 364</u>	<u>1 137 001</u>
Sale revenues from discontinued operations	(759 194)	13	-	-
Sale revenues from continuing operations	<u>2 277 130</u>	<u>819 918</u>	<u>3 093 364</u>	<u>1 137 001</u>

Revenues from the capacity market are revenues from readiness to supply electricity to the system or to supply specific power.

11.2 Other operating revenues

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Compensation revenues	93	7	899	783
Use of a forward contract securing the purchase of CO2 emission allowances	-	-	5 236	5 236
Exchange rate differences related to the purchase of CO2 emission allowances	-	-	4 790	4 790
Redemption of a receivable impairment write-down	2 084	2 028	497	13
Settlement of subsidies	-	-	57	34
Profit from sales of non-financial fixed assets	82 489	81 718	16 900	(214)
Release of the provision for costs and losses and write-off of liabilities	523	524	7 658	7 403
Revenues from demolition and sale of scrap	-	-	25 907	7 677
Sale of other materials	-	-	6 395	2 089
Other	16 374	3 972	1 408	1 219
Total other operating revenues	<u>101 563</u>	<u>88 249</u>	<u>69 747</u>	<u>29 030</u>
Other operating revenues from discontinued operations	(139)	(7)	-	-

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Other operating revenues from continuing operations	101 424	88 242	69 747	29 030
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The item *Profit from the sale of non-financial fixed assets* included a realized margin on the sale of fixed assets in the amount of PLN 79,497 thousand in connection with the transaction of sale of PAK - PCE shares, which was previously eliminated as a margin on sales between the companies of the ZE PAK Group.

11.3 Other Operating costs

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Loss on the sale of tangible fixed assets	-	(787)	500	-
Provision creation	569 286	8 084	281	6
Impairment write-down on receivables	41	19	508	11
Penalties and compensations	30	14	51	1
Costs of fixed assets liquidation	200	0	0	0
Energy damage	15	10	145	145
Donations given	9 609	64	1 147	37
Costs of trade unions	46	8	39	6
Costs of shortages and damage	9	-	804	-
Return of free CO2 emission allowances due to the abandonment of the investment	-	-	7 519	7 519
Other	8 572	5 391	6 142	1 987
Total other operating costs	587 808	12 803	17 097	9 706
Other operating costs from discontinued operations	(2 180)	7 636	-	-
Other operating costs from continuing operations	585 628	20 439	17 097	9 706

11.4 Financial revenues

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Revenues from interest	34 827	15 241	10 292	5 498
Foreign exchange gains	17 052	11 676	16 368	14 207
Other	1 701	1 300	7 867	4 749
Total financial revenues	53 580	28 217	64 513	34 126
Financial revenues from discontinued operations	(13 385)	9	-	-
Financial revenues from continuing operations	40 195	28 226	64 513	34 126

11.5 Financial costs

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Interest	38 794	799	45 680	27 587
Valuation and execution of derivative financial instruments	29 697	-	2 458	2 338
Foreign exchange losses	(262)	(16 075)	1 606	1 571
Provision discount for liquidation of power units	3 704	1 234	195	65
Provision discount for reclamation	-	-	7 095	2 365

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Investment value update	-	-	945	945
Other	3 911	285	2 861	678
Total financial costs, incl.:	75 844	(13 757)	60 840	35 549
Financial costs from discontinued operations	(69 287)	64	-	-
Financial costs from continuing operations	6 557	(13 693)	60 840	35 549

11.6 Costs by type

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Depreciation and amortisation	33 535	4 339	32 548	9 907
Impairment write-downs on fixed assets	-	-	-	-
Impairment write-downs on inventories	4 137	13	6 870	1 316
Material consumption	407 617	95 707	331 917	132 342
Outsourcing	53 366	5 843	86 310	33 476
Taxes and fees excluding excise tax	211 329	43 740	98 155	32 998
CO ₂ emission costs	518 619	166 319	762 807	267 564
Employee benefits	294 169	85 254	299 908	103 977
Other costs by type	32 141	14 166	19 766	(25 281)
Value of goods and materials sold and of sold energy purchased in trade	886 938	151 430	1 158 482	395 964
Total costs by type, incl.:	2 441 851	566 811	2 796 763	952 263
Costs by type from discontinued operations	(718 446)	39 896	-	-
Costs by type from continuing operations	1 723 405	606 707	2 796 763	952 263
Items recognized in prime cost of sales	1 434 600	443 535	2 645 013	899 139
Items recognized in selling costs	860	151	10 710	4 518
Items recognized in overheads	87 282	30 688	97 409	35 872
Change in product stock	199 473	132 253	43 380	12 561
Costs of generating house-load services	1 190	80	251	173

11.7 Construction service contracts

The Group executes contracts that it settles during the performance of works – issuing partial invoices adequate to the progress of works and a final invoice after the completion of works.

The services provided under these contracts are services provided over time. The period of implementation of contracts varies from 2 months to 6 years, although these are often 1-2 year contracts. During the term of contracts, partial invoices are issued, the payment term of which is usually 30 days. In the case of the implementation of certain high-value contracts, the Group has the option of obtaining an interim payment. Advance payments are settled with partial invoices and a final invoice.

The revenues of the third quarter of 2023 did not include the part of revenues for which the obligations to perform the performance had already been recognized in previous reporting periods.

Remaining performance obligations

<i>The total amount of the transaction price allocated to performance obligations that remain unsatisfied (or partially unsatisfied) at the end of the reporting period to be fulfilled:</i>	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
- up to 1 year	44 131	130 801
Total	44 131	130 801

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<i>The total amount of the transaction price allocated to performance obligations that remain unsatisfied (or partially unsatisfied) at the end of the reporting period to be fulfilled:</i>	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>
The gross amount due from the ordering party for work under the contract:	2 577	1 592
The gross amount due to the ordering party for work under the contract:	2 783	2 467

12 Income tax

12.1 Tax burden

The main components of the tax burden for the 9-month period ended September 30, 2023 and September 30, 2022 are as follows:

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
<i>Recognized in profit or loss</i>				
<i>Current income tax</i>				
Current income tax liabilities	45 238	26 687	119 054	117 556
<i>Deferred income tax</i>				
Associated with the creation and reversal of temporary differences	(627)	52 848	(10 711)	(37 809)
Other changes	3 038	(357)	4	(3)
Tax burden in consolidated profit or loss:	47 649	79 178	108 347	79 744
from discontinued operations	7 783	(1 435)	-	-
from continuing operations	55 432	96 179	108 347	79 744
<i>Included in the consolidated statement of comprehensive income</i>				
Tax on actuarial profit/loss	121	298	30	19
Tax benefit/(tax burden) recognized in other comprehensive income	121	298	30	19

12.2 Deferred income tax

Deferred income tax results from the following positions:

	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
<i>Deferred tax assets</i>		
Balance sheet provisions	33 799	8 476
Interest and foreign exchange differences	2	1 709
Valuation of uncompleted construction service contracts	2 333	3 318
Tax loss from previous years	-	-
Inventories impairment write-down	227	234
Liability impairment write-down	1 872	2 464
Difference between the balance sheet and tax value of fixed assets	-	1 805
Settlements with employees	22	670
Other	1 556	7 036
Total deferred tax assets	39 811	28 739
<i>Deferred tax provisions</i>		
Difference between the balance sheet and tax value of fixed assets	9 294	19 572
Receivable on account of LTC	7 479	7 067

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Energy certificates	28	5 469
Interest and foreign exchange differences	5 762	2
Valuation of uncompleted construction service contracts	2 004	3 081
Recognition of receivables due to contractual penalties	16	16
Other	65	4 015
Total deferred tax provision	24 648	39 206
After offsetting the balances at the level of companies from the Capital Group, deferred tax is presented as:		
Assets	32 148	18 462
Total assets	32 148	18 462
Provision	31 794	28 929
Total provision	31 794	28 929

Due to the update of tax projections in the current period, a tax asset in the amount of PLN 53,044 thousand was created in ZE PAK and KWBK, which will be realized in 2023.

13 Profit per one share

Basic profit per a single share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares issued during the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period adjusted for the weighted average of the ordinary shares that would have been issued on the conversion of all dilutive potential equity instruments into ordinary shares.

The data regarding profit and shares used to calculate basic and diluted earnings per share are presented below:

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Net profit (loss) from continuing operations attributable to parent company shareholders.	248 390	368 306	281 671	129 092
Net profit from discontinued operations attributable to parent company shareholders.	(49 192)	6 365	-	-
Net profit (loss) attributable to ordinary shareholders, applied to calculate diluted earnings per share	223 199	376 220	281 671	129 092
Weighted average number of ordinary shares, applied to calculate the basic and diluted earnings per share	50 823 547	50 823 547	50 823 547	50 823 547

The table below shows the profit/(loss) per share in Polish zlotys for the period of 9 months ended September 30, 2023 and September 30, 2022, presented in the profit and loss account.

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>3-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>	<i>3-month period ended 30 September 2022 (unaudited)</i>
Basic/diluted from profit/(loss) allocated for parent company shareholders	4,89	7,25	5,54	2,54
Basic/diluted from profit/(loss) for the period allocated for parent company shareholders	4,39	7,40	5,54	2,54

In the period between the balance sheet date and the date of preparation of these financial statements, there were no changes in the number of ordinary shares or potential ordinary shares.

14 Discontinued activity

In connection with the sale of shares in PAK – Polska Czysta Energia sp. z o.o. individual items of the profit and loss account for the period of 9 months of 2023 were excluded, as presented below.

	<i>9-month period ended 30 September 2023 (unaudited)</i>
Revenues	759 194
Selling prime cost	(718 446)
Gross profit/(loss) on sales	40 748
Other operating revenues	139
Selling costs	(6 638)
Overheads	(33 143)
Other operating costs	(2 179)
Profit/(loss) on continuing operations	(1 073)
Financial revenues	13 385
Financial costs	(69 287)
Gross profit/(loss)	(56 975)
Income tax (tax burden)	7 783
Net profit/(loss) on discontinued operations	(49 192)

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15 Tangible fixed assets

9-month period ended 30 September 2023 (unaudited)

	<i>Lands, including perpetual usufruct rights*</i>	<i>Buildings and structures</i>	<i>Technical equipment</i>	<i>Means of transport</i>	<i>Other fixed assets</i>	<i>Capital work in progress</i>	<i>Total</i>
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	2 142	-	373	-	441	359 580	362 536
Purchase of the company	-	-	-	-	-	-	-
Renovations	-	-	-	-	-	-	-
Transfer from capital work in progress	6 888	11 322	3 273	-	153	(21 636)	-
Sale	(87 087)	(244 352)	(665 000)	(8 800)	(8 400)	(911 180)	(1 924 819)
Liquidation	-	(3 827)	(2 084)	(1)	(434)	-	(6 346)
Sale and liquidation	(87 087)	(248 179)	(667 084)	(8 801)	(8 834)	(911 180)	(1 931 165)
Reclassification	-	-	96	6 153	(110)	-	6 139
Other changes	-	(620)	-	-	-	-	(620)
Gross value as at 30 September 2023	180 583	1 742 551	4 245 371	38 718	28 533	39 804	6 275 561
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	2 970	6 476	17 093	755	1 120	(182)	28 232
Impairment write-down (status change)	-	10 221	719	-	-	(10 940)	-
Sales and liquidation	(45 573)	(84 106)	(15 430)	(3 549)	(2 095)	(53 647)	(204 400)
Reclassification	-	-	96	-	(110)	-	(14)
Other changes	-	620	-	-	-	-	620
Redemption and impairment write-downs as at 30 September 2023	14 183	1 701 618	4 171 615	37 048	23 953	(12 172)	5 936 245
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 30 September 2023	166 400	40 933	73 756	1 670	4 580	51 977	339 316

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

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9-month period ended 30 September 2022 (unaudited)

	<i>Lands, including perpetual usufruct rights*</i>	<i>Buildings and structures</i>	<i>Technical equipment</i>	<i>Means of transport</i>	<i>Other fixed assets</i>	<i>Capital work in progress</i>	<i>Total</i>
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	573	1 707	1 557	988	803	243 031	248 659
Renovations	-	-	(216)	-	-	-	(216)
Transfer from capital work in progress	8 210	23 797	207 688	303	2 038	(242 036)	-
Sales and liquidation	(1 068)	(128 615)	(318 441)	(12 523)	(1 415)	-	(462 062)
Reclassification	8	(8)	-	-	-	7 293	7 293
Other changes	-	-	-	-	-	(21 470)	(21 470)
Gross value as at 30 September 2022	<u>255 545</u>	<u>1 976 777</u>	<u>4 917 851</u>	<u>43 623</u>	<u>36 327</u>	<u>300 887</u>	<u>7 531 010</u>
	-	-	-	-	-	-	-
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	3 470	6 130	20 006	1 005	1 278	(182)	31 707
Impairment write-down (status change)	-	5 024	1 354	-	-	(6 378)	-
Sales and liquidation	(920)	(127 003)	(315 523)	(10 063)	(1 399)	-	(454 908)
Other changes	-	-	-	-	-	(21 470)	(21 470)
Redemption and impairment write-downs as at 30 September 2022	<u>55 591</u>	<u>1 766 258</u>	<u>4 180 481</u>	<u>42 425</u>	<u>24 812</u>	<u>62 310</u>	<u>6 131 877</u>
	-	-	-	-	-	-	-
Net value as at 1 January 2022	<u>194 781</u>	<u>197 789</u>	<u>552 619</u>	<u>3 372</u>	<u>9 968</u>	<u>223 729</u>	<u>1 182 258</u>
Net value as at 30 September 2022	<u>199 954</u>	<u>210 519</u>	<u>737 370</u>	<u>1 198</u>	<u>11 515</u>	<u>238 577</u>	<u>1 399 133</u>

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

15.1 Impairment test of the assets of ZE PAK SA Capital Group

Identification of cash-generating units (CGUs)

According to IAS 36, "cash-generating units (CGUs) are the smallest identifiable groups of assets generating inflows from current use, which are independent of inflows from other assets or groups of assets. If there is any indication that an asset may have lost part of its value, the recoverable amount of that individual asset is estimated. If it is not possible to estimate the recoverable amount of a single 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 separating CGUs within the Group companies, an analysis of the independence of cash flow generation in terms of the functioning of individual companies was carried out and the fact that ZE PAK SA sold shares in PAK – Polska Czysta Energia sp. z o.o. to Cyfrowy Polsat S.A. was taken into account, as a result of which ZE PAK SA holds approximately 49.5% of shares in PAK-PCE, while CP holds approximately 50.5% of shares in PAK-PCE.

Taking into account the above, as at 30 September 2023, the following cash-generating units were separated within the ZE PAK SA Capital Group:

- non-current (generation) assets of ZE PAK SA – Pątnów Power Plant ("CGU Pątnów Power Plant" – black energy) – units 1, 2, 5 (the so-called Pątnów I Power Plant) and unit 9 (formerly the so-called Pątnów II Power Plant) were recognized as one CGU due to technological and commercial connections;
- non-current (mining) assets and mining assets of PAK KWB Konin SA related to open-pit mines in Józwin and Tomisławice ("CGU PAK KWB Konin"),

In addition, the remaining CGUs were separated within the segments: Repairs and Other.

In accordance with IAS 36, at the end of each reporting period, the Management Board assesses whether there is any indication that non-current assets may have been impaired. If it is found that such indications exist, the Group estimates the recoverable amount of the assets. Therefore, the Group each time analyses the indications that may affect the impairment of any of the assets and determines the cash-generating units (CGUs) within the Group companies.

The main reason was that the market capitalisation of the Parent Entity was temporarily below the carrying amount of net assets.

Taking into account the fact that the base operating scenario envisages the operation of the Pątnów Power Plant units until the end of 2024 and a significant part of the assets within the "CGU Pątnów Power Plant" has already been written off, i.e. up to the value of the land, the Group has withdrawn from testing these assets as at September 30, 2023.

As of September 30, 2023, the PAK KWB Konin SA lignite mine conducted business activity on the Józwin and Tomisławice opencast mines.

CGU's mining assets related to coal mining have already been written off at fair value of land, therefore the Group does not see the need to test these assets.

16 Right-of-use assets and lease liabilities

Starting from 1 January 2019, the Group applied IFRS 16 Leases for the first time. In accordance with this standard, the Group recognises a right-of-use asset and a lease liability in the balance sheet.

The Group as a lessee

The Group is a party to lease agreements with respect to the underlying assets such as:

- land, including the right of perpetual usufruct of land,
- motor vehicles,
- Machine.

Land lease agreements are concluded for a period of 4 to 14 years and for an indefinite period, and the rights of perpetual usufruct of land have been obtained for a period of 40 to 100 years. Lease payments are indexed in accordance with the with the Land Management Act.

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

The lease period of the machines is from 2 to 5 years. The agreement includes an option to purchase the underlying asset at the end of the lease term. All leasing agreements were concluded in PLN.

Lease liability maturity analysis:

	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
Up to 1 year	4 815	7 366
1 - 3 years	11 942	15 716
3 - 5 years	7 292	13 930
Over 5 years	106 322	139 658
Total, acc. to non-discounted payments	<u>130 371</u>	<u>176 670</u>
Book value	<u>39 967</u>	<u>63 637</u>

Right of use

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.

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>12-month period ended 31 December 2022 (unaudited)</i>
Gross value as at 1 January 2019	86 726	67 296
Redemption as at 1 January	(25 301)	(21 440)
Net value as at 1 January	61 425	45 856
Increases	58 121	19 430
Depreciation for the period	(4 682)	(3 861)
Other changes	(74 897)	-
As at the end of the period	<u>39 967</u>	<u>61 425</u>

Additional qualitative and quantitative information on leasing activities

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

- variable lease payments,
- the option to extend the lease and the option to terminate the lease,
- from the guaranteed residual value and
- from leases that have not yet been started, to which the lessee is obliged.

Variable lease payments

Current lease agreements do not include variable lease payments.

Extension option

By the date of publication of this report, the Group had not entered into lease agreements that contain extension options.

17 Intangible assets

Long-term intangible assets – 9-month period ended 30 September 2023 (unaudited)

	<i>Patents and licenses</i>	<i>Computer software</i>	<i>Other intangibles</i>	<i>Total</i>
Gross value as at 1 January 2023	21 344	7 588	627	29 559
Decreases	(20 621)	(6 827)	(77 048)	(104 496)
Increases	17 111	443	76 421	93 975
Other changes	-	-	-	-
Gross value as at 30 September 2023	<u>17 834</u>	<u>1 204</u>	<u>-</u>	<u>19 038</u>
Redemption and impairment write-downs as at 1 January 2023	18 775	1 238	512	20 525
Impairment write-down for the period	535	489	-	1 024

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Impairment write-down	-	(882)	-	(882)
Decreases	(3 582)	(7)	(512)	(4 101)
Other changes	-	-	-	-
Redemption and impairment write-downs as at 30 September 2023	15 728	838	-	16 566
Net value as at 1 January 2023	2 568	6 350	115	9 034
Net value as at 30 September 2023	2 106	366	-	2 472

Long-term intangible assets – 9-month period ended 30 September 2022 (unaudited)

	<i>Patents and licenses</i>	<i>Computer software</i>	<i>Other intangibles</i>	<i>Total</i>
Gross value as at 1 January 2022	22 294	2 134	599	25 027
Decreases	(444)	(13)	-	(457)
Increases	97	605	3 259	3 961
Gross value as at 30 September 2022	21 947	2 726	3 858	28 531
Redemption and impairment write-downs as at 1 January 2022	20 144	2 134	366	22 644
Impairment write-down for the period	(852)	7	-	(845)
Impairment write-down	-	-	-	-
Decreases	(202)	(13)	-	(215)
Redemption and impairment write-downs as at 30 September 2022	19 090	2 128	366	21 584
Net value as at 1 January 2022	2 150	-	233	2 383
Net value as at 30 September 2022	2 857	598	3 492	6 947

Emission allowances

	<i>Certified emission reduction units (EUA) in 2023 (unaudited)</i>	<i>Certified emission reduction units (EUA) in 2022 (unaudited)</i>
Gross value as at 1 January	-	-
Purchase	1 215 889	1 363 651
Sale	-	(94 926)
Transfer to IRGIT security	-	(12 582)
EUA redemption	(1 153 514)	(1 256 143)
Net value as at 1 January	-	-
Net value as at 30 September	62 375	-

18 Other assets

18.1 Other financial assets and goodwill

	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
Investments and deposits	-	-
MPDF* investments and deposits	3 828	4 646
Shares	553 248	4 112

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Deposits	-	1 007
Granted loans	259 031	318
Goodwill	-	13 778
Net amount resulting from initial acquisition settlement, incl.:	-	136 564
– Farma Wiatrowa Przyrów sp. z o.o.	-	16 200
– Great Wind sp. z o.o.	-	76 127
– Elektrownie Wiatrowe Dobra sp. z o.o.	-	4 713
– Eviva Lębork sp. z o.o.	-	39 524
Other	9 845	20
Other total financial assets and goodwill, incl.:	825 952	160 445
Short-term	247 799	-
Long-term	578 153	160 445

*MPDF – mining plant decommissioning fund

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

On July 3, 2023, we lost control of PAK-Polska Czysta Energia sp. z o.o. through the sale of shares. In the report for 9 months of 2023, we value shares using the equity method and present them in other financial assets under shares.

18.2 Other non-financial assets

	30 September 2023 (unaudited)	31 December 2022
VAT receivables	71 798	96 491
Insurance	1 662	3 582
Other budget receivables	77	336
Other non-financial assets	2 439	-
Other accruals	11 675	4 723
Research and development work	-	10 916
Advance payments for deliveries	5 080	13 386
Advance payments for fixed assets under construction	63	-
Other	1 699	1 181
Other total non-financial assets, incl.:	94 493	130 615
Short-term	91 945	130 112
Long-term	2 548	503

19 Inventories

	30 September 2023 (unaudited)	31 December 2022
Production fuel	11 616	10 997
Spare parts and other materials	5 504	55 990
Energy certificates of origin	-	27 577
Goods	-	26 408
Total inventories according to the lower of two values: purchase price (production cost) and net realizable value	17 120	120 972

Spare parts constitute a reserve for the needs of current renovations and servicing.

20 Trade and other receivables

	30 September 2023 (unaudited)	31 December 2022
Trade receivables	164 856	345 762
Compensation receivables in connection with LTC termination	39 361	37 292
Receivables related to hedging energy purchases on the balancing market	-	5 785
Investment receivables	-	-

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Other receivables	326 552	426 567
Net receivables	530 769	815 406
Impairment write-down on receivables	19 611	26 113
Gross receivables	550 380	841 519

As at 30 September 2023, the Group presents mainly receivables from deposits securing transactions on the Polish Power Exchange and securing the purchase of CO2 emission allowances (EUAs) in the amount of PLN 637,781 thousand.

The Group analyses and reduces credit risk in relation to cash through ongoing monitoring of ratings of financial institutions and reduces the risk of concentration of surplus cash in one financial institution, using the internal rules of risk management rules. The entire impairment loss on receivables relates to individual receivables.

The Group has an appropriate policy in place to sell only to verified customers. As a result, in the opinion of the management, there is no additional credit risk beyond the level specified in the impairment loss on bad receivables appropriate for the Group's trade receivables.

21 Dividends paid and proposed for payment

ZE PAK SA did not pay or declare a dividend in the 9 months of 2023.

22 Interest-bearing bank loans and borrowings (*)

	<i>Due date</i>	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
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)	31.12.2030	-	115 682
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.)	31.12.2035	-	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)	20.12.2038	-	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.)	31.12.2025	-	52 356
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.)	31.12.2026	-	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.)	31.12.2025	-	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.)	31.12.2025	-	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.)	31.12.2025	-	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.)	31.12.2025	-	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.)	31.12.2025	-	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.)	31.12.2025	-	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.)	31.12.2025	-	8 670

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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.)	31.12.2025	-	53 164
Total long-term interest-bearing loans and borrowings		-	619 551
	<i>Due date</i>	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
Loan from Cyfrowy Polsat SA in the amount of PLN 86 000 thousand, interest rate at WIBOR 3M + bank margin (PAK – Volt S.A.)	30.06.2026	-	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.)	31.12.2025	-	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)	31.12.2030	-	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.)	31.12.2035	-	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	-	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.)	06.09.2023	-	62
Total short-term interest-bearing loans and borrowings		-	488 176

*/ Due to the sale of PAK – PCE Group on July 3, 2023, the indicated credits and loans were no longer recorded in the financial statements of the ZE PAK Group as of September 30, 2023.

23 Provisions and accruals

23.1 Accruals

	<i>30 September 2023 (unaudited)</i>	<i>31 December 2022</i>
Provision for bonuses and holiday leaves	16 635	22 482
Insurance company compensation	890	886
Financial statement audit	0	420
Other	3 256	1 430
Total	20 781	25 218
Short-term	20 781	25 218
Long-term		-

Provisions for retirement benefits and other post-employment benefits are presented in the Group's statement of financial position under "employee benefits" broken down into long-term and short-term.

The main components of the item "Other" are provisions for fees for economic use of the environment in the amount of PLN 2,057 thousand and a provision for penalties for exceeding the amount of dust released into the air in 2015 in the amount of PLN 1,190 thousand. At the Group's request, the Provincial Inspector of Environmental Protection set the deadline for deferring the payment of the above-mentioned penalty for 31 March 2023, in accordance with the implementation of individual stages of the schedule of the project "Preparation of the Adamów Power Plant sites for new investments".

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(in PLN thousands)

23.2 Changes in provisions

	<i>EUA redemption provision</i>	<i>Provision for the return of free CO₂ emission allowances</i>	<i>Provision for fixed asset liquidation costs</i>	<i>Provision for liquidation of ash landfills</i>	<i>Provision for the redemption of energy certificates of origin</i>	<i>Provision for reclaiming mining areas</i>	<i>Other</i>	<i>Total</i>
As at 1 January 2023	1 154 221	-	20 875	72 225	25 868	358 691	30 165	1 662 045
Increases	519 251	-	-	525	629	702 892	32 805	1 256 102
Decreases, incl.:	(1 154 221)	-	-	(74)	(26 354)	(253 694)	(42 754)	(1 477 097)
<i>use</i>	(1 153 514)	-	-	-	(11 065)	(124 727)	(14 743)	(1 304 049)
<i>release</i>	(707)	-	-	(74)	(15 289)	(128 968)	(28 011)	(173 048)
As at 30 September 2023	519 251	-	20 875	72 676	143	807 888	20 216	1 441 048
Long-term	-	-	20 875	0	0	664 627	329	758 506
Short-term	519 251	-	-	72 676	143	143 262	19 920	682 542
As at 1 January 2022	1 233 534	7 097	20 614	74 906	13 053	362 050	19 757	1 731 011
Increases	1 154 221	275	261	-	29 670	26 251	42 541	1 253 219
Decreases, incl.:	(1 233 534)	(7 372)	-	(2 681)	(16 855)	(29 610)	(32 133)	(1 322 185)
<i>use</i>	(1 233 534)	(7 372)	-	(2 681)	(996)	(2 305)	-	(1 246 888)
<i>release</i>	-	-	-	-	(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

23.3 Description of significant reserve titles

23.3.1 Provision for greenhouse gas emission liabilities (EUAs)

The Group recognises a provision for the redemption of greenhouse gas emission allowances. As at September 30, 2023, the amount of the provision is PLN 740,198 thousand.

CO2 emission allowances

From 1 January 2021, the next trading period for emission allowances is in force, which will end on 31 December 2030. The assumption of this period is the free allocation of emission allowances (EUAs) resulting from the production of heat energy only on the basis of Article 10a of Directive 2009/29/EC. In 2022, the Group will receive a negligible amount of free CO2 emission allowances, i.e. 13,476 EUAs, resulting from the allocation for heat production. Therefore, practically the entire amount of emission allowances needed by the ZE PAK SA Group must be purchased on the secondary market. As of January 1, 2023, the number of EUA units in ZE PAK SA was 141,629 EUAs, of which 2,016 EUAs in KOBIZE and 139,613 EUAs in IRGIT. The EUAs were held by IRGIT in KOBIZE as a security for electricity trade. In the first quarter of 2023, ZE PAK SA redeemed the concluded futures contracts on MAR23 in the amount of 2,502,000 EUAs. As at March 31, 2023, the balance of EUAs amounted to 2,643,629 EUAs, of which 2,504,016 EUAs were on the KOBIZE account and 139,613 on the IRGIT account. ZE PAK's account in KOBIZE received 992,000 EUAs for the settlement of futures contracts (of which 162,000 EUAs from mBank and 830,000 EUAs from AXPO Polska) in April 2023. On April 7 this year, the ZE PAK Group redeemed 2,241,205 EUAs for CO2 emissions from 2022, while on April 12, 13,476 EUAs were credited to the BIW account for free EUA units for the production of electricity resulting from heat. On April 14, 2023, ZE PAK received a refund of 139,613 EUAs from the IRGIT account and thus ZE PAK no longer has any EUAs on this account. As of 30.09.2023, the balance of EUA units in the ZE PAK Group is 221,517. A provision is created in correspondence with the cost of goods sold.

CO2 emission allowances

	9-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2022 (unaudited)
	tons	tons
CO2* emission	932 864	2 630 571
Balance at the start of the period	-	-
Acquired	3 494 000	4 591 500
Received free	15 492	11 825
Sale and transfer for security	-	(71 500)
Refund from IRGIT security	139 613	340 152
Redemption	(3 427 588)	(4 871 977)
Balance at the end of the period	221 517	-

* The physical redemption of emission allowances for a given year takes place by April 30 of the following year.

23.3.2 Provision for reclamation of ash landfills and costs of decommissioning of fixed assets

The Group recognises a provision for future land reclamation costs based on the legal obligation under the "Integrated Permits". The basis for estimating the size of the reserve is data prepared by internal services. The value of the provision is estimated and verified as at each balance sheet date on the basis of estimated costs to be incurred in the future and a discount. As at September 30, 2023, the provision created amounted to PLN 72,554 thousand.

Due to the existence of a legal obligation to liquidate fixed assets after their useful life, the Group creates a provision for expected future costs that will be necessary to incur to meet this obligation. As at September 30, 2023, the provision on this account amounted to PLN 20,875 thousand. A provision is created in correspondence with the cost of goods sold. The change in strategy and the related shortening of electricity production based on lignite combustion will result in an earlier start of the process of reclamation of the ash landfill.

23.3.3 Reclamation and other provisions related to mining operations

PAK KWB Konin SA are obliged under the Mining and Geological Law to rehabilitate the areas where mining works were carried out. Therefore, the Group recognises a provision both for the costs of land reclamation related to current coal

mining in a given open pit and for the costs of reclamation of the final excavation at the stage of advancement of coal mining in individual open pits as at a given balance sheet date.

The provision is created on the basis of estimates of future reclamation costs based on reports of independent experts estimating the costs of reclamation at the request of the Management Board. Estimates of the expected reclamation costs are updated periodically, except that for each reporting date, the amount of the provision is verified in accordance with the current assumptions regarding the discount rate, inflation and production volume.

PAK KWB Konin SA, as part of its operations, is obliged to restore the original state or rebuild damage caused by the operation of the mining plant. Therefore, the Group creates a provision for the expected costs that it is obliged to incur under the concluded agreements. Estimates of the expected costs related to the operation of a mining plant are updated on each reporting date.

As at 30 September 2023, the provision for the decommissioning of facilities and reclamation of mining areas and for the preparation of mining areas in PAK KWB Konin SA amounted to PLN 804,062 thousand and increased by PLN 456,637 thousand as compared to the year ended 31 December 2022. When calculating the provision, the Group adopted a discount rate of 6.85%.

The provision is created in correspondence with cost of sales and other operating expenses.

23.3.4 Other reserves

The main items of other provisions as at 30 September 2023 in 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 1 596 thousand, provision for remuneration for mining use in the amount of PLN 523 thousand, provision for service charges in the amount of PLN 512 thousand. Provisions for mining damage and provision for permanent shutdown are recognised in correspondence with cost of sales, and provisions for pending litigation in correspondence with other operating expenses.

24 Trade liabilities, other liabilities and accruals

24.1 Trade liabilities and other financial liabilities (long-term)

	30 September 2023 (unaudited)	31 December 2022
Other financial liabilities	-	-
Other	318	258
Total	318	258

24.2 Trade liabilities and other financial liabilities (short-term)

	30 September 2023 (unaudited)	31 December 2022
Trade liabilities:	154 346	222 025
Other liabilities, incl.:	24 432	51 411
– Investment liabilities	812	26 511
– Employee remuneration liabilities	13 935	16 328
– Deposit liabilities	-	1 849
– Other liabilities	9 685	6 723
Total	178 777	273 436

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.

24.3 Other non-financial liabilities

	30 September 2023 (unaudited)	31 December 2022
VAT liabilities	19 550	34 576
Environmental fee liabilities	-	6 013
Excise duty liabilities	33	1 053
Social insurance liabilities	16 427	21 493

Personal income tax	7 941	4 507
Other budget liabilities	46	2 185
Advance payments for supplies	-	25 607
Service fee	-	3 079
Other	694	581
Total	44 691	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.

24.4 Derivative financial instruments

	30 September 2023 (unaudited)	31 December 2022
Interest rate hedging instruments (IRS SWAP) (assets)	-	19 824
Exchange rate hedging instruments (forwards) (liabilities)	-	-
Total	-	19 824

24.5 Subsidies and deferred income (long-term)

	30 September 2023 (unaudited)	31 December 2022
Difference on receivable purchase	-	24 656
Long-term subsidies	225	224
Other	4 847	4 046
Total	5 072	28 926

25 Contingent liabilities and the description of essential court proceedings

In addition to the liabilities described in notes 26.2, 27 and 28 as at 30 June 2023 the Group did not have other contingent liabilities, granted guarantees, and sureties.

25.1 Legal proceedings

In the third quarter of 2023, ZE PAK SA and the companies consolidated within the Group were not a party to any proceedings pending before a court, a body competent for arbitration proceedings or a public administration body that would be significant from the point of view of the value of the subject of the dispute or the prospects for the operation of the Capital Group, with the exception of described below.

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

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

the decision repealing the decision of the Self-government Appeal Court of 25 March 2009 refusing to declare the invalidity of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune, related to the extraction of lignite from Tomisławice open pit by PAK KWBK SA. On 7 January 2013, PAK KWBK Konin SA submitted a cassation appeal from the described decision.

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

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

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

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

Against the judgment of the Provincial Administrative Court in Poznań of June 18, 2020, the Greenpeace Polska Foundation with its registered office in Warsaw and Józef Imbierski filed a cassation complaint to the Supreme Administrative Court. On October 26, 2020, PAK KWB Konin filed a response to the cassation complaint, requesting its dismissal. A hearing date has not yet been set in this case.

25.1.2 Proceedings regarding formal decisions related to the construction of the CCGT unit at Adamów Power Plant

Decision on environmental conditions

By decision of August 7, 2023, the Mayor of Turek determined, at the request of PAK CCGT sp. z o.o. environmental conditions for the project called "Construction of a 600 MW class CCGT unit with accompanying infrastructure on the premises of the Adamów Power Plant" (DEC – Decision on environmental Conditions). By resolution of August 8, 2023, the Mayor granted DEC - pursuant to Art. 108 § 1 of the Act of June 14, 1960, Code of Administrative Procedure (Journal of Laws of 2023, item 775, as amended) - immediate enforceability, indicating that "The implementation of this investment is of particular importance for ensuring Poland's energy security, preventing losses for the national economy that could arise in situations of power shortages, as well as the important social interest of ensuring stable electricity supplies for households". On August 28, 2023, the Earth Society (ES) filed an appeal against the decision. On September 14, 2023, ES supplemented the complaint by indicating arguments which, in its opinion, prove the lack of legal grounds for issuing the decision.

On September 4, 2023, ES filed an appeal against DEC, attaching a study regarding the impact of the planned project on surface waters to it. During further appeal proceedings, ES submitted further letters attaching additional studies.

In a letter of October 9, 2023, the Local Government Appeals Board in Konin summoned PAK CCGT sp. z o.o. to provide explanations by responding to the allegations in the complaint, Es's appeal, as well as the submitted studies.

By letter of November 6, 2023, PAK CCGT sp. z o.o. requested to change the deadline for presenting a position on the matter to February 9, 2024, indicating that the company should commission an expert opinion relating to the allegations contained in both the letters and studies submitted by ES.

In a letter addressed to the Local Government Appeals Board in Konin of November 21, 2023, PAK CCGT sp. z o.o. presented its position on the complaint, in particular referring to the allegations raised by ES.

Construction permit

By decision No. 483/23 of October 24, 2023, the Mayor of Turek approved the land development design and the architectural and construction design and granted PAK CCGT sp. z o.o. permit for the construction of the block part as part of the task "Construction of the 600 MW CCGT Unit with accompanying infrastructure at Adamów Power Plant".

As a result of considering the application of PAK CCGT sp. z o.o., in a decision of October 31, 2023, the Mayor of Turek granted the construction permit immediate enforceability.

In a letter of October 31, 2023, the authorized natural person appealed against the building permit. The appeal together with the case files were forwarded by the Mayor of Turek to the Wielkopolska Voivodeship Office and registered.

According to the knowledge obtained by the Company, the authorized natural person submitted a declaration of withdrawal of the appeal.

25.2 Contingent liabilities related to decommissioning of power plants

The obligation to carry out the decommissioning and reclamation of the area results from the integrated permits for the operation of fuel combustion installations in the Pątnów and Konin and Adamów power plants belonging to ZE PAK SA. In the event of termination of operations, the above-mentioned entities are obliged to carry out the liquidation of all facilities and installation equipment in accordance with the requirements resulting from the provisions of the construction law. After their liquidation, the area of the installations should be developed in accordance with the arrangements made with the local government body. In particular, a project for the decommissioning of facilities and equipment should be drawn up, taking into account the requirements of environmental protection, mainly in relation to waste management.

The Adamów Power Plant has already closed its operations and the process of decommissioning the installations located there is currently underway. Due to the announced directions of the strategy, it is also possible to determine the date of completion of the operation of the installations located in Pątnów. The period of termination of operation of the older units in Pątnów can be determined at the end of 2024, and the newer unit with a capacity of 474 MW (former Pątnów II Power Plant), assuming an effective support system is in place, could be operated until 2030 at the latest. Based on the experience related to the decommissioning of the Adamów Power Plant, the interest and value of the bids submitted, it should be reasonably assumed that the value of the dismantled equipment, scrap metal and aggregate from the decommissioned installations is able to cover the costs of decommissioning and reclamation of the units.

26 Collateral for the repayment of liabilities

In order to secure the repayment of liabilities, the Group uses many forms of collateral. The most common are mortgages and registered pledges.

As at 30 September 2023 and as at 31 December 2022, the Group had the following liabilities secured on its assets and other collateral for the repayment of liabilities:

Liabilities secured by assets

<i>Agreement</i>	<i>Security type</i>	<i>30 September 2023</i>	<i>currenc</i>	<i>31 December 2022</i>	<i>currenc</i>
		<i>Security amount</i>	<i>y</i>	<i>Security amount</i>	<i>y</i>
Multi-purpose credit limit agreement at Pekao SA for PLN 20 000 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

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	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
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
	Power of attorney covering bank accounts at Pekao SA	Up to 20 000	PLN	Up to 20 000	PLN
Multi-purpose credit limit agreement at Pekao SA for PLN 20 000 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 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 52 559	PLN	Up to 96 549	PLN
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

Other securities of liability payments

Granted guarantees

Guarantee type	30 September 2023 (unaudited)		31 December 2022	
	Security amount	Currency	Security amount	Currency
Performance bond	2 949	PLN	6 120	PLN
Bid bond payment guarantee	-	PLN	480	PLN
Default and failure removal guarantee	4 286	PLN	4 429	PLN
	606	EUR	673	EUR
Advance payment return/payment guarantees (including TGE/IRGIT transaction securing guarantees)	4 070	PLN	174 349	PLN
	-	EUR	161 878	EUR

Moreover, the Group uses assignments from sales contracts and assignments from insurance policies as security for the repayment of liabilities.

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Granted sureties

Sureties type	30 September 2023 (unaudited)		31 December 2022	
	Security amount	Currency	Security amount	Currency
Sureties received from extra-Group entities	131 678	PLN	111 762	PLN
	3 796	EUR	4 809	EUR
Total granted sureties	131 678	PLN	111 762	PLN
	3 796	EUR	4 809	EUR

27 Received guarantees and sureties

Received guarantees

Type of security	30 September 2023 (unaudited)		31 December 2022	
	Security amount	Currency	Security amount	Currency
Performance bond	3 230	PLN	2 355	PLN
	-	EUR	85 817	EUR
Default and failure removal guarantee	5 875	PLN	8 736	PLN
Bid bond payment guarantee	-	EUR	2 704	EUR
Payment guarantee	2 000	PLN	-	PLN

Received sureties

Type of security	30 September 2023 (unaudited)		31 December 2022	
	Security amount	Currency	Security amount	Currency
Sureties received from extra-Group entities	-	PLN	14 978	PLN
Total received sureties	-	PLN	14 978	PLN

28 Information on affiliates

The following table presents the total amounts of significant transactions concluded with related entities for the 9-month period ended September 30, 2023 and September 30, 2022, as well as receivables and liabilities as at September 30, 2023 and September 30, 2022. Transactions with related entities are carried out on market terms.

Affiliated entity	Period	Sales to affiliated entities	Purchases from affiliated entities	Receivables from affiliated entities	Liabilities to affiliated entities
Megadex Development sp. z o.o.	III quarters of 2023	68	-	-	-
	III quarters of 2022	-	-	-	-
Polkomtel sp. z o.o.	III quarters of 2023	87 466	2 334	-	235
	III quarters of 2022	192 528	16 560	21 698	914
Polkomtel Infrastruktura sp. z o.o.	III quarters of 2023	171	-	32	-
	III quarters of 2022	-	-	-	-
Laris Investments sp. z o.o.	III quarters of 2023	346	-	-	-
	III quarters of 2022	1 003	-	253	-
Laris Technologies sp. z o.o.	III quarters of 2023	-	-	-	-
	III quarters of 2022	5 733	-	1 397	-
CPE sp. z o.o.	III quarters of 2023	-	495	-	120
	III quarters of 2022	-	658	-	381
Plus Flota sp. z o.o.	III quarters of 2023	16	2 834	-	414
	III quarters of 2022	-	1 725	-	542
Cyfrowy Polsat	III quarters of 2023	6 243	6 137	-	-
	III quarters of 2022	9 180	1 835	3 086	28
Esoleo sp. z o.o.	III quarters of 2023	931	130	564	2

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	III quarters of 2022	20	650	-	1 330
Netia S.A.	III quarters of 2023	-	-	-	-
	III quarters of 2022	25 514	12	6 759	-
TK Telekom sp. z o.o.	III quarters of 2023	-	-	-	-
	III quarters of 2022	2 598	-	646	-
Elektrim S.A.	III quarters of 2023	-	-	-	-
	III quarters of 2022	-	90	-	-
Petrotel sp. z o.o.	III quarters of 2023	-	-	-	-
	III quarters of 2022	309	-	101	-
PAK-PCE Biopaliwa i Wodór sp. z o.o.	III quarters of 2023	104 388	501	82 130	423
	III quarters of 2022	-	-	-	-
PAK-PCE Fotowoltaika sp. z o.o.	III quarters of 2023	1 665	45	3 183	18
	III quarters of 2022	-	-	-	-
Farma Wiatrowa Kazimierz Biskupi sp. z o.o.	III quarters of 2023	2 279	-	2 022	-
	III quarters of 2022	-	-	-	-
Farma Wiatrowa Przyrów sp. z o.o.	III quarters of 2023	16 538	-	15 180	-
	III quarters of 2022	-	-	-	-
PAK -Volt S.A.	III quarters of 2023	256	11	225	8
	III quarters of 2022	-	-	-	-
PAK-PCE Stacje H2 sp. z o.o.	III quarters of 2023	493	3	345	3
	III quarters of 2022	-	-	-	-
PAK-PCE Polski Autobus Wodorowy sp. z o.o.	III quarters of 2023	464	-	246	-
	III quarters of 2022	-	-	-	-
PAK - Polska Czysta Energia sp. z o.o.	III quarters of 2023	89	-	81	-
	III quarters of 2022	-	-	-	-
PAK-PCE Wiatr Sp. z o.o.	III quarters of 2023	1	-	1	-
	III quarters of 2022	-	-	-	-
PAK-PCE FW Okonek sp. z o.o.	III quarters of 2023	1	-	10	-
	III quarters of 2022	-	-	-	-
PAK-PCE FW Jastrowie sp. z o.o.	III quarters of 2023	1	-	9	-
	III quarters of 2022	-	-	-	-
Farma Wiatrowa Przyrów sp. z o.o.	III quarters of 2023	83	-	529	-
	III quarters of 2022	-	-	-	-
PG Hydrogen Sp. z o.o.	III quarters of 2023	2	-	1	-
	III quarters of 2022	-	-	-	-
Gread Wind sp. z o.o.	III quarters of 2023	87	-	63	-
	III quarters of 2022	-	-	-	-
Eviva Lębork sp. z o.o.	III quarters of 2023	57	-	38	-
	III quarters of 2022	-	-	-	-
Eviva Drzeżewo sp. z o.o.	III quarters of 2023	11	-	-	-
	III quarters of 2022	-	-	-	-
PCE-OZE 1 sp. z o.o.	III quarters of 2023	52	-	42	-
	III quarters of 2022	-	-	-	-
PCE-OZE 2 sp. z o.o.	III quarters of 2023	23	-	19	-
	III quarters of 2022	-	-	-	-
PCE-OZE 3 sp. z o.o.	III quarters of 2023	23	-	19	-
	III quarters of 2022	-	-	-	-
PCE-OZE 4 sp. z o.o.	III quarters of 2023	23	-	19	-
	III quarters of 2022	-	-	-	-
PCE-OZE 6 sp. z o.o.	III quarters of 2023	23	-	19	-
	III quarters of 2022	-	-	-	-
Elektrownie Wiatrowe Dobra sp. z o.o.	III quarters of 2023	81	-	57	-

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	III quarters of 2022	-	-	-	-
Maciej Nietopiel	III quarters of 2023	-	430	-	25
	III quarters of 2022	-	180	-	25
KD Management Krzysztof Dziaduszyński	III quarters of 2023	-	45	-	6
	III quarters of 2022	-	45	-	6
Doradztwo Strategiczne Maciej Koński	III quarters of 2023	-	225	-	31
	III quarters of 2022	-	225	-	31
Paweł Markowski	III quarters of 2023	-	248	-	34
	III quarters of 2022	-	248	-	34
Impact Paweł Lisowski	III quarters of 2023	-	248	-	34
	III quarters of 2022	-	248	-	34
Andrzej Janiszowski	III quarters of 2023	-	1 425	-	31
	III quarters of 2022	-	225	-	31
Total	III quarters of 2023	221 881	15 111	104 834	1 384
Total	III quarters of 2022	236 885	22 701	33 940	3 356

28.1 Loan granted to a member of the Management Board

Both in the 9-month period ended 30 September 2023 and in the 9-month period ended 30 September 2022, the Parent Company did not grant any loans or benefits of a similar nature to the members of the management and supervisory bodies.

28.2 Other transactions involving members of the Management Board

Both in the 9-month period ended 30 September 2023 and in the 9-month period ended 30 September 2022, there were no transactions involving persons who were members of the 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

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>
Parent company Management Board		
Short-term employee benefits	6 504	2 326
Benefits on account of employment termination	-	-
Parent company Supervisory Board		
Short-term employee benefits	970	1 033
Management Boards of subsidiaries		
Short-term employee benefits	5 008	2 849
Post-employment benefits	-	160
Supervisory Board of subsidiaries		
Short-term employee benefits	1 852	-
Total	14 334	6 368

28.3.2 Remuneration paid or payable to other top management members

	<i>9-month period ended 30 September 2023 (unaudited)</i>	<i>9-month period ended 30 September 2022 (unaudited)</i>
Short-term employee benefits	8 402	9 263
Post-employment benefits	35	45

Termination benefits	99	-
Total amount of remuneration paid to the top management members (except for members of the Management Board and the Supervisory Board)	8 536	9 308

29 Objectives and principles of financial risk management

The Group's main financial instruments include bank borrowings, loans received from related parties and other institutions, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also has other financial instruments, such as trade receivables and payables, which arise directly in the course of its business.

The main types of risk arising from the Group's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and agrees on the rules for managing each of these risks, which are briefly discussed below. The Group also monitors market price risk related to all financial instruments held by it.

In connection with the sale of the PAK Group – PCE on July 3, 2023, the sensitivity analysis contained in points 32-34 does not include financial instruments of the PAK Group – PCE Group and was carried out on the basis of the balance sheet of the ZE PAK Group for continuing operations.

29.1 Interest rate risk

The Group's potential exposure to the risk caused by changes in interest rates relates primarily to 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.

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Financial instruments classes	30 September 2023 (unaudited)		Analysis of the interest rate risk sensitivity as at 30 September 2023								
			WIBOR				EURIBOR				
			WIBOR + 160pb		WIBOR - 160pb		EURIBOR + 76,58pb		EURIBOR - 76,58pb		
			carrying amount	value at risk	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss
Other financial assets	825 952	3 828	61	-	(61)	-	-	-	-	-	-
Trade and other receivables	530 769	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	1 229 229	1 229 229	10 787	-	(10 787)	-	4 251	-	(4 251)	-	-
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	-
Trade liabilities and other financial liabilities	(179 096)	-	-	-	-	-	-	-	-	-	-
Financial lease liabilities	(39 967)	(39 967)	(639)	-	639	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Total	2 366 888	1 193 090	10 209	-	(10 209)	-	4 251	-	(4 251)	-	-

bps – base points

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Financial instruments classes	30 September 2022 (unaudited)		Analysis of the interest rate risk sensitivity as at 30 September 2022							
			WIBOR				EURIBOR			
			WIBOR + 201pb		WIBOR - 201pb		EURIBOR + 81,56pb		EURIBOR - 81,56pb	
	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	135 724	4 698	21	-	(21)	-	-	-	-	-
Trade and other receivables	1 153 174	-	-	-	-	-	-	-	-	-
Derivative financial instruments	25 646	25 646	113	-	(113)	-	-	-	-	-
Cash and cash equivalents	937 529	937 529	2 154	-	(2 154)	-	4 847	-	(4 847)	-
Interest-bearing loans and borrowings	(1 085 857)	(1 085 857)	(4 778)	-	4 778	-	-	-	-	-
Trade liabilities and other financial liabilities	(249 763)	-	-	-	-	-	-	-	-	-
Financial lease liabilities	(44 656)	(44 656)	(196)	-	196	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	871 797	(162 640)	(2 686)	-	2 686	-	4 847	-	(4 847)	-

bps – base points

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29.2 Currency risk

The Group is exposed to the currency risk associated with concluded transactions. As at 30 June 2023, none of ZE PAK SA 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.

<i>Financial instruments classes</i>	<i>30 September 2023 (unaudited)</i>		<i>Analysis of the currency risk sensitivity as at 30 September 2023</i>			
			<i>EUR / PLN</i>			
			<i>EUR / PLN + 4,2713%</i>		<i>EUR / PLN - 4,2713%</i>	
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>4,8336</i>		<i>4,4376</i>	
		<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>	
Other financial assets	825 952	-	-	-	-	-
Trade and other receivables	530 769	-	-	-	-	-
Derivative financial instruments (assets)	-	-	-	-	-	-
Cash and cash equivalents	1 229 229	555 057	23 708	-	(23 708)	-
Interest-bearing loans and borrowings						
Trade liabilities and other financial liabilities	(179 096)	(723)	(31)	-	31	-
Lease liabilities	(39 967)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Total	2 366 888	554 334	23 677	-	(23 677)	-

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<i>Financial instruments classes</i>	<i>30 September 2022 (unaudited)</i>		<i>Analysis of the currency risk sensitivity as at 30 September 2022</i>			
			<i>EUR / PLN</i>			
			<i>EUR / PLN + 8,87%</i>		<i>EUR / PLN - 8,87%</i>	
			<i>5,0958</i>		<i>4,2654</i>	
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>
Other financial assets	135 724	-	-	-	-	-
Trade and other receivables	1 153 174	1 064	112	-	(112)	-
Derivative financial instruments (assets)	25 646	-	-	-	-	-
Cash and cash equivalents	937 529	447 931	47 212	-	(47 212)	-
Interest-bearing loans and borrowings	(1 085 857)	-	-	-	-	-
Trade liabilities and other financial liabilities	(249 763)	(32 055)	(3 379)	-	3 379	-
Lease liabilities	(44 656)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Total	871 797	416 940	43 945	-	(43 945)	-

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

Cash of ZE PAK Capital Group as at 30 September 2023 broken down into individual bank credit ratings:

Rating level by individual rating agencies			Cash amount as at 30 September 2023 (excl. cash in hand) (unaudited)
Moody's	S&P	Fitch	
Aaa	AAA	AAA	-
Aa1	AA+	AA+	-
Aa2	AA	AA	-
Aa3	AA-	AA-	-
A1	A+	A+	-
A2	A	A	70
A3	A-	A-	15
Baa1	BBB+	BBB+	661 993
Baa2	BBB	BBB	532 827
Baa3	BBB-	BBB-	34 112
Ba1	BB+	BB+	-
Ba2	BB	BB	6
Ba3	BB-	BB-	206
B1	B+	B+	-
B2	B	B	-
B3	B-	B-	-
Caa1	CCC+	CCC	-
Caa2	CCC	-	-
Caa3	CCC-	-	-

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Ca	CC		-
	C		-
C	D	DDD	-
-		DD	-
-		D	-
Total			1 229 229

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 30 September 2023 and 30 September 2022, by maturity date and based on contractual non-discounted payments.

30 September 2023 (unaudited)	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Interest-bearing loans and borrowings	-	-	-	-	-
Trade liabilities and other financial liabilities	128 007	50 770	305	13	179 095
Lease liabilities	15	4 730	20 353	14 869	39 967
Derivative financial instruments	-	-	-	-	-
Total	128 022	55 500	20 658	14 882	219 062

30 September 2022 (unaudited)	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Interest-bearing loans and borrowings	6 571	385 590	577 500	116 043	1 085 704
Trade liabilities and other financial liabilities	214 018	32 964	2 717	64	249 763
Lease liabilities	325	4 695	23 488	16 148	44 656
Derivative financial instruments	-	67 813	-	-	67 813
Total	220 914	491 062	603 705	132 255	1 447 936

30 Financial instruments

30.1 Balance sheet 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.

	Category pursuant to IFRS 9	30 September 2023 (unaudited)	31 December 2022
<i>Financial assets</i>			
Other financial assets	FAaAC	825 952	160 445
Trade and other receivables	FAaAC	530 769	815 406
Derivative financial instruments	MaFVtFR	-	19 824
Cash and cash equivalents	FAaAC	1 229 229	1 462 749
<i>Financial liabilities</i>			
Interest-bearing bank loans and borrowings, including:		-	1 381 421
			1 107 727

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Long-term	OFLaAC	-	619 551
Short-term	OFLaAC	-	488 176
Trade liabilities and other financial liabilities	OFLaAC	179 096	273 694
Lease liabilities	OFLaAC	39 967	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

As at 30 September 2023 and 31 December 2022, the Group held the following financial instruments measured at fair value:

	30 September 2023 (unaudited)	Level 1	Level 2	Level 3
Asset-hedging derivatives	-	-	-	-
Liability-hedging derivatives	-	-	-	-
	31 December 2022	Level 1	Level 2	Level 3
Asset-hedging derivatives	-	-	19 842	-
Liability-hedging derivatives	-	-	-	-

As at 30 September 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 30 September 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 9-month period concluded on 30 September 2023 and concluded on 31 December 2022, there were 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.

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 30 September 2023 (unaudited)	Carrying amount on 31 December 2022
Financial assets exposed to the interest rate risk - PLN	Fixed	-	-
	Floating	678 000	541 688
Financial assets exposed to the interest rate risk - other currencies	Fixed	-	-
	Floating	555 057	925 709
Financial liabilities exposed to the interest rate risk - PLN	Fixed	-	-
	Floating	-	1 107 726
Financial liabilities exposed to the interest rate risk - other currencies	Fixed	-	-
	Floating	-	-

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Net exposure - PLN	Fixed	-	-
	Floating	678 000	(566 038)
Net exposure - other currencies	Fixed	-	-
	Floating	555 057	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 Hedging

As at September 30, 2023, none of the Group companies had active instruments to limit the risk resulting from changes in exchange rates. (e.g. forward EUR/PLN transactions).

30 September 2023 (unaudited)

<i>Type of concluded transactions</i>	<i>Number of purchased allowances</i>	<i>Total face value of transactions in thous. EUR</i>	<i>Transaction currency</i>	<i>Maturity date</i>
Forward transactions	-	-	-	-

30 September 2022 (unaudited)

<i>Type of concluded transactions</i>	<i>Number of purchased allowances</i>	<i>Total face value of transactions in thous. EUR</i>	<i>Transaction currency</i>	<i>Maturity date</i>
Forward transactions	(EUR/PLN)	14 000	67 813	December 2022

The Group secures the risk of CO₂ 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 30 September 2023 and 30 September 2022.

30 September 2023 (unaudited)

<i>Type of concluded transactions</i>	<i>Number of purchased allowances</i>	<i>Total face value of transactions in thous. EUR</i>	<i>Transaction currency</i>	<i>Maturity date</i>
Forward transactions	2 085 000	173 365	EUR	Up to 1 year
Forward transactions	915 000	85 176	EUR	Over 1 year

30 September 2022 (unaudited)

<i>Type of concluded transactions</i>	<i>Number of purchased allowances</i>	<i>Total face value of transactions in thous. EUR</i>	<i>Transaction currency</i>	<i>Maturity date</i>
Forward transactions	3 394 000	220 006	EUR	Up to 1 year
Forward transactions	2 097 000	174 297	EUR	Over 1 year

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 9-month period concluded on 30 September 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.

	30 September 2023 (unaudited)	31 December 2022
Interest-bearing loans and borrowings	-	1 107 727
Financial derivatives (liabilities)	-	-
Trade liabilities and other financial liabilities	179 096	273 694
Minus cash and cash equivalents	1 229 229	1 462 749
Net debt	(1 050 133)	(81 328)
Equity	1 377 834	1 214 499
Capital from the revaluation of hedging instruments	-	-
Total capital	1 377 834	1 214 499
Net capital and debt	327 701	1 133 171
Leverage ratio	(320,45%)	(7,18%)

32 Significant events after the balance sheet date

Consents of the supervisory bodies regarding the construction of CCGT unit in Adamów

On November 20, 2023, the Supervisory Board of PAK CCGT sp. z o.o. gave a consent to conduct the procedure of the contract launch ("Notice to Proceed") and to pay Consortium an advance payment of 20% of EPC Agreement by PAK CCGT sp. z o.o. At the same time, also on November 20, 2023, the Supervisory Board of ZE PAK SA granted consent to increase the share capital and supplementary capital of PAK CCGT sp. z o.o., by a total of PLN 408.1 million, and to grant a loan to this company by ZE PAK SA in the amount up to PLN 280 million. Additionally, on November 20, 2023 the Supervisory Board of ZE PAK SA gave the consent to the Company to issue a surety resulting from EPC Agreement. Formal consents issued by the Supervisory Boards of ZE PAK SA and PAK CCGT sp. z o.o. are the last formal elements enabling the commencement of the implementation of the EPC Agreement.

"Principal Decision" regarding the construction of a nuclear power plant

On November 24, 2023, PGE PAK Energia Jądrowa sp. z o.o. received the principal decision issued by the Ministry of Climate and Environment regarding the construction of a nuclear power plant in place of the currently operating coal power plant in Konin region. It allows for initiating works in the indicated location. It confirms the compliance of the planned investment with the goals of Poland's energy policy.

The planned project envisages the construction of at least two units with a total capacity of 2,800 MW using the APR1400 technology, developed by the Korean company KHNP. PGE PAK Energia Jądrowa sp. z o.o. is an entity where ZE PAK SA and PGE Polska Grupa Energetyczna SA each hold 50% of the shares. PGE PAK Energia Jądrowa SA represents the Polish side in all stages of the project, including carrying out location and environmental studies, obtaining financing and preparing a detailed investment schedule together with the Korean side, as well as obtaining permits and administrative decisions in subsequent stages.