

MANAGEMENT BOARD'S REPORT

on activities of PGE Polska Grupa Energetyczna S.A.
and PGE Capital Group
for year 2022

ended December 31, 2022



Leading in the green transition

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Ladies and Gentlemen,

It is impossible to sum up year 2022 without mentioning the Russian aggression in Ukraine. This unacceptable act of terror has a huge impact on the fate of the entire world and has had an impact on the economy, including the power sector in Poland and in the world. A year after the start of the war, we see that both the domestic economy and we, the leader of the energy sector in Poland, have passed this difficult exam. Despite the huge turmoil on the fuel and energy markets, many variables and unknowns resulting from the unstable geopolitical situation, we consistently carried out our key tasks, which are secure and stable supplies of electricity and heat to our customers. In addition, we successfully organised the import and distribution of hard coal for the needs of households, institutions and enterprises. In accordance with the adopted Strategy, we also implemented further investments in low- and zero-emission energy sources, thanks to which we will achieve our goal of climate neutrality by 2050. By reducing CO₂ emissions and the resulting costs, which amounted to approx. PLN

20 billion in 2022 alone, these investments will also help limit the increase in electricity prices for customers.

Summing up the last year, we cannot forget about the achieved financial results. Despite the difficult market situation, we generated results comparable to those of 2021.

In 2023, we will continue the development of renewable energy from wind, water and solar on land, as well as projects for the construction of offshore wind farms in the Baltic Sea, from which the first electricity will flow in 2026. At the same time, we started the process of modernisation and expansion of the electricity distribution network, which is extremely important for the Polish energy sector and is crucial for the development of renewable energy sources and the connection of new generation capacities that will increase the security of energy supplies for consumers and Poland's energy sovereignty.

In December 2022, we announced the acquisition of PKP Energetyka, the closing of which is scheduled for spring 2023. The acquisition of this company will diversify our possibilities in the field of electricity distribution and new sources of income. Along with this acquisition, we will also acquire experts with competencies in, among others, the implementation of green transformation projects and the energy storage facilities, the construction of which is one of the elements of the implementation of the company's Strategy and energy balancing tools in the entire national power system.

Geopolitical changes, which caused violent turbulence on the fossil fuel market, as well as the suspension of imports of these fuels to Poland from the east, sparked a new discussion about the need to build nuclear power in Poland. Considering the energy security of Poland and all off-takers, PGE renewed efforts to build a nuclear power plant. In October 2022, we signed a letter of intent with the Polish energy company ZE PAK and the Korean KHNP, which is the first step towards building a nuclear power plant in the Konin region. The power plant will provide a stable source of clean, safe and cheaper than coal-based electricity, at the same time complementing the green generation capacities owned and pursued by the PGE Group. At the end of 2022, a preliminary investment plan was prepared, on the basis of which we decided to continue works. This investment is not only business-justified, but also very valuable and important for strengthening energy security and decarbonisation of the Polish energy sector.

The acquisition of PKP Energetyka, the implementation of the nuclear power plant construction project and the carve-out of coal-fired generation assets to National Energy Security Agency, planned for 2023, will permanently change the image of the Group and its business profile, which will also translate into the Group's Strategy.

The year 2023 promises to be as dynamic as the last year, and one of the challenges of the PGE Group will be updating the Strategy so that it takes into account the full business potential of the PGE Group, which results from the aforementioned changes.

Wojciech Dąbrowski
President of the Management Board
PGE Polska Grupa Energetyczna S.A.



2022 CALENDAR

JANUARY	Commencement of recapitalisation of the Company by way of share issue	
APRIL	Agreement for acquisition of wind farms with a total capacity of 84.2 MW	Signing of an investment agreement with the State Treasury
MAY	Registration of share capital increase following the share issue	
JUNE	Closing of the acquisition of wind farms with a total capacity of 84.2 MW	
JULY	Change of Company's registered office	
AUGUST	Conditional agreement for sale of shares in PGG	
SEPTEMBER	Decision of the European Commission – no objection to the individual support granted to MFW Baltica	PGE Group companies concluded agreement with PGNiG (currently PLN Orlen) for gas supplies
OCTOBER	Signing of a letter of intent on cooperation regarding the development of a nuclear power plant	
DECEMBER	Signing of PLN 2 bn loan agreement with European Investment Bank	Decision of the ERO President approving the support level for MFW Baltica
	Result of main capacity market auction for the year 2027	Preliminary agreement regarding the acquisition PKP Energetyka S.A.

Key financial data (PLN million)	Q4 2022	Q4 2021	% change	2022	2021	% change
Sales revenues	21 455	19 880	8%	73 435	52 772 ¹	39%
EBIT	-760	993	-	4 299	5 123	-16%
EBITDA	339	2 171	-84%	8 657	9 535	-9%
EBITDA margin	2%	11%		12%	18%	
Recurring EBITDA	580	1 969	-71%	7 120	8 129	-12%
Recurring EBITDA margin	3%	10%		10%	15%	
Net profit/loss	-536	681	-	3 390	3 945	-14%
Capital expenditures	3 219	1 593	102%	7 053	4 662	51%
Net cash from operating activities	3 080	-366	-	11 609	7 439 ¹	56%
Net cash from investing activities	-2 654	-1 313	-	-7 296	-4 367	-
Net cash from financial activities	-336	149	-	841	-528	-

Key financial data (PLN million)	31 grudnia 2022 roku	31 grudnia 2021 roku	% change
Working capital	-1 269	890 ¹	-
Net debt	-2 656²	4 228	-
Net debt /LTM reported EBITDA ³ (x)	-0.31	0.44	
Net debt /LTM recurring EBITDA ³ (x)	-0.37	0.52	

One off and temporary items affecting EBITDA (PLN million)	Q4 2022	Q4 2021	% change	2022	2021	% change
Change of reclamation provision	-17 ⁴	1 039 ⁵	-	1 721	1 463	18%
Provision for prosumers	18	-74	-	74	-74	-
LTC compensations	-1	-63	-	2	-58	-
Liability due to one-time benefit – carve-out of NABE	-187	0	-	-187	0	-
Change of actuarial provision	-54	12	-	-73	64	-
Voluntary Leave Programme	0	0	-	0	11	-
Temporary item – rolling over of transaction hedging the price of CO ₂ allowances ⁶	0	-712	-	0	0	-
Total	-241	202	-	1 537	1 406	9%

¹ The restatement of comparative data is described in Note 5 to the consolidated financial statements.

² Estimated level of economic financial net debt (taking into account future payments for CO₂ emission rights for 2022) amounts to PLN 14 373 million.

³ LTM EBITDA - Last Twelve Months EBITDA.

⁴ Including the effect of changing the discount rate PLN -46 million and the effect of changing technical assumptions PLN +29 million.

⁵ Including the effect of changing the discount rate PLN +1 361 million and the effect of changing technical assumptions PLN -322 million.

⁶ The effect of replacing EUA DEC 21 contracts with EUA JAN 22 without affecting the results of the full reporting year. The effect increasing the result for the period from Q1 to Q3 2021 was reversed in Q4 2021.

1. PGE Capital Group

1.1. Characteristics of activities

Capital Group of PGE Polska Grupa Energetyczna S.A. ("PGE Capital Group", the "Capital Group", "PGE Group", the "Group") is the largest vertically integrated producer of electricity and heat in Poland. With a mix of own fuel sources, generation assets and distribution network, PGE Group provides a safe and reliable supply of electricity to households, businesses and institutions. Moreover, PGE Group is the largest heat producer in the country.

The parent company of PGE Capital Group is PGE Polska Grupa Energetyczna S.A. (also "PGE S.A.", "PGE", the "Company"). PGE Group organizes its activities in seven operating segments:



CONVENTIONAL GENERATION

Core business of the segment includes extraction of lignite, production of electricity and heat from conventional sources.



DISTRICT HEATING

The core business of the segment includes production of electricity and heat in cogeneration sources as well as transmission and distribution of heat.



RENEWABLES

The core business of the segment includes electricity generation from renewable sources and in pumped-storage power plants and provision of ancillary services.



SUPPLY

The core business of the segment includes wholesale trading of electricity on domestic and international market, sale of electricity to final off-takers, trading of CO2 allowances and energy certificates and fuels and provision of services of the Corporate Centre to companies from the PGE Group.



DISTRIBUTION

The core business of the segment includes supply of electricity to final off-takers through the grid and HV, MV and LV infrastructure.



CIRCULAR ECONOMY

The activities of the segment include the provision of comprehensive services in the field of management of combustion by-products ("UPS"), provision of services in auxiliary areas for electricity and heat producers and the supply of materials based on UPS.



OTHER OPERATIONS

Other operations include provision of services, through the subsidiaries, to PGE Group, which include organisation of capital raising in form of Eurobonds (PGE Sweden), provision of IT, payroll and HR services, transportation and investing in start-ups.

Additionally, within the segment there are companies responsible for construction of CCGT units in Gryfino (PGE Gryfino 2050 sp. z o.o.), planned new low-emission unit in Rybnik (Rybnik 2050 sp. z o.o.) and other project companies of the Group.

The composition of the Capital Group is presented in note 1.3 to the consolidated financial statements.

1.2. Organisational structure

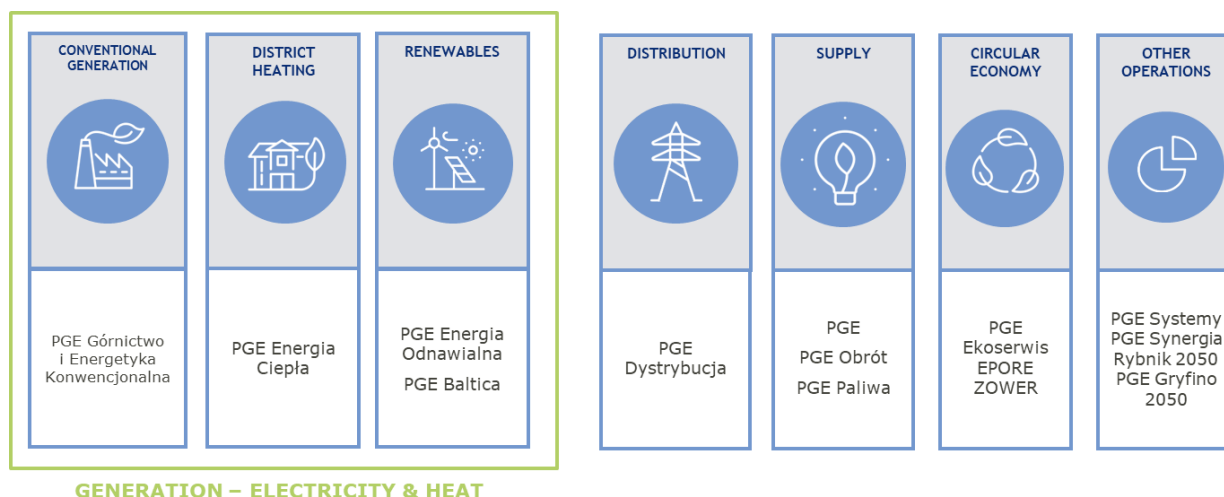
Gr PGE Capital Group as at December 31, 2022 consisted of:

- PGE S.A. - the parent company,
- 74 subsidiaries subject to consolidation,
- 2 associates,
- 1 jointly controlled entity,
- 3 joint operations.

All of PGE Group's companies are organised in main operating segments, i.e. Conventional Generation, District Heating, Renewables, Distribution, Supply, Circular Economy as well as Other operations.

Given its size, internal organisational changes and acquisitions, as well as planned sale of coal assets to National Energy Security Agency ("NABE"), PGE Group is in the process of streamlining its structures. The following diagram illustrates the Group's structure. A full composition of PGE Group, divided into segments as well as direct and indirect consolidated subsidiaries, is presented in note 1.3 to the Consolidated Financial Statements

Chart: Structure of PGE Capital Group¹

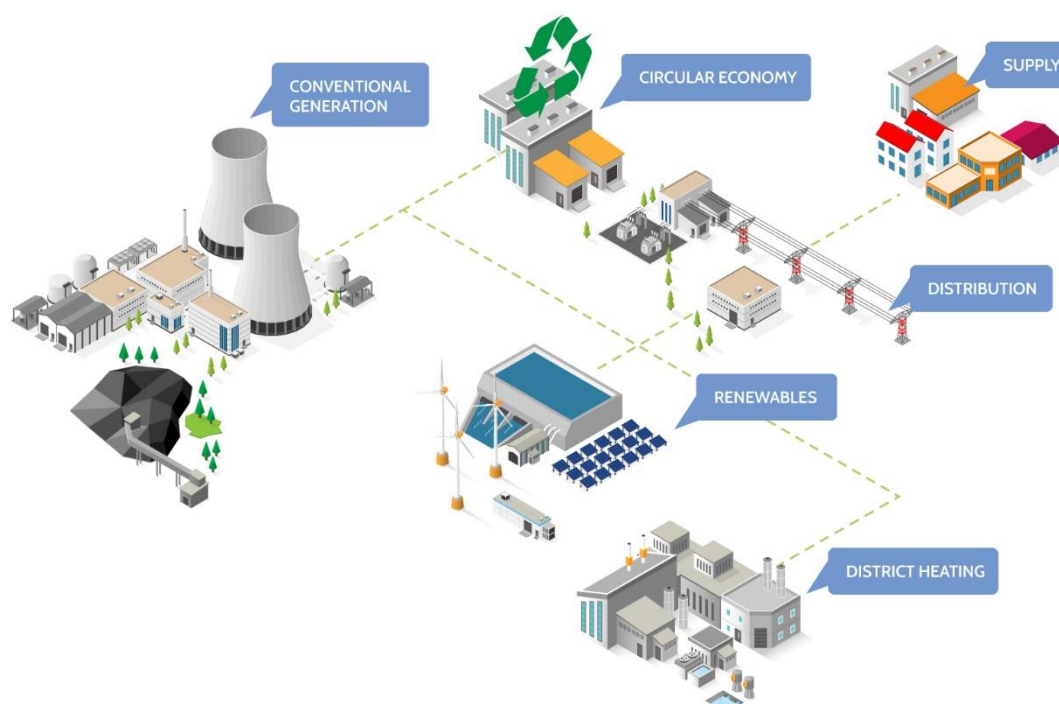


¹ Simplified structure – includes key entities.

1.3. Business model

PGE Group is the largest vertically integrated producer and supplier of electricity and the largest producer of district heating in Poland. The Group's activities span the entire value chain: from lignite mining at own mines, through generation of electricity and heat, to distribution and sales.

Chart: Current business mode of PGE Group.



PGE Group's generating assets account for approx. 42% of electricity output in Poland. Conventional Generation segment approx. 35%, District Heating and Renewables segments' share accounted for 5% and 2% accordingly in Poland with use of a variety of technologies. Conventional installations are based on lignite from PGE Group's own mines as well as hard coal, gas and biomass from external suppliers. Renewable sources are also used in electricity generation: wind energy, hydro energy and solar energy.

Generating units belonging to District Heating segment produce approx. 20% of heat in Poland.

Using its approx. 300 000 km of power lines, PGE Group distributes electricity to customers over an area encompassing approx. 40% of Poland's territory.

With a combination of own lignite resources, generation assets and distribution grids, PGE provides safe and reliable supplies of electricity to over 5.5 million customers in Supply segment, including households, businesses and institutions. This means that it supplies a third of electricity consumers in Poland. PGE is also the leader in district heating production.

In 2022, the PGE Capital Group has achieved an recurring EBITDA result of approximately PLN 7.1 billion.

The largest share of recurring EBITDA was generated by the Distribution segment (40%). The Distribution segment is also responsible for the largest capital expenditures in the amount of about PLN 2.6 billion, mainly upgrades and restoration of the power grid, as well as connecting new customers to the grid.

Supply segment is responsible for 27% of the Group's recurring EBITDA. There are no significant capital expenditures in this segment.

The Renewables segment generated 25% of the Group's recurring EBITDA. In 2022 investments were actively made in the development of renewable energy sources (PLN 0,5 billion). In accordance with the Strategy until, PGE Group is pursuing offshore wind farms project. The Group plans to achieve a capacity of 2.5 GW (within Joint Operation with Ørsted) by 2030 and 6.5 GW by 2040.

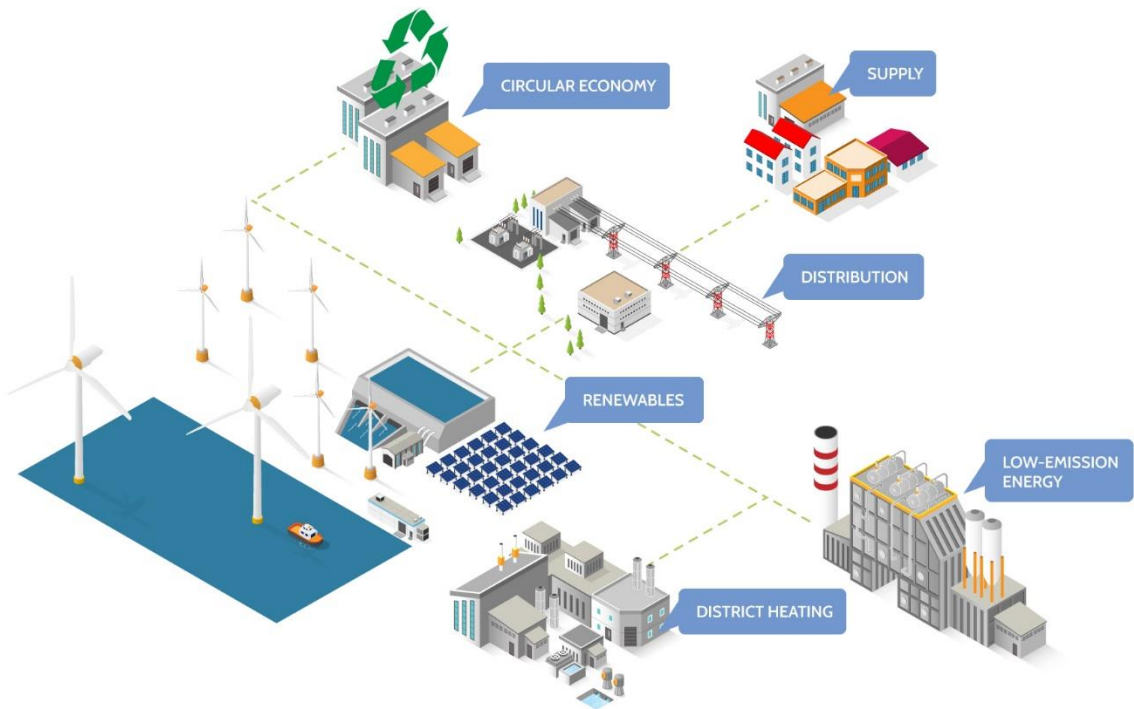
Conventional Generation segment generated 8% of the Group's recurring EBITDA. The Conventional Generation segment is also responsible for the capital expenditures in the amount of about PLN 0.8 billion. Those were mainly modernization and replacement investments, including increasing the efficiency of existing power plants and environmental upgrades.

The District Heating segment generates only a small fracture of the PGE Group's recurring EBITDA. At the same time, in this segment, capital expenditures amounted to PLN 1.1 billion and were mainly related to development related to construction of CCGT unit in Czechnica CHP plant.

The other segments do not have a significant share in the recurring EBITDA of the PGE Capital Group, while the Other Operations segment incurred significant capital expenditures (PLN 2.2 billion) due to the construction of new CCGT units by PGE Gryfino 2050 sp. z o.o.

As PGE Group's strategy is being implemented and the government's plan to carve out coal assets is finalised, PGE's business model is temporarily set to change – from being primarily an electricity producer, PGE will predominately become a distributor of energy. PGE Group's generating potential will be gradually re-built as investments in new generating assets, especially offshore wind farms, are implemented – the diagram below presents the target business model of the PGE Group.

Chart: Target business model of the PGE Group.



1.4. Competitive advantages of the Group

Assets	Strong financials	Strategy
<p>Leader in installed capacity and electricity and heat production. More than 5.5 million customers in Supply segment. 5.7 million customers in Distribution segment.</p> <p>Diversified activities conducted throughout the country – generation, distribution, wholesale and retail sale of electricity.</p> <p>RES leader: the largest producer of electricity from renewable sources (excluding biomass and biogas) with market share of approx. 7%. Over 770 MW capacity in wind farms.</p> <p>2022 Regulatory Asset Base in Distribution: PLN 19.6 bn – base of stable revenues.</p> <p>Offshore wind leader: offshore projects of approx. 3,4 GW in progress (including approx. 2.5 GW jointly with Ørsted).</p> <p>Potential location permits for offshore wind farms with a capacity of approx. 3.7 GW (together with partners).</p>	<p>Stable and diversified revenues. guaranteed income from the capacity market (Energy generation) and revenues from regulated activities (distribution and cogeneration). Net profit of PLN 3.4 billion in 2022.</p> <p>Strong credit ratings with stable outlook (Fitch BBB+ and Moody's Baa1).</p> <p>Proceeds from new issue of shares obtained in 2022 in amount of approx. PLN 3.2 billion, what secures financing of investing activities.</p> <p>High acquisition capabilities.</p> <p>Capability to actively participate in Energy transition.</p>	<p>Strategy until 2030 with 2050 perspective with a goal of achieving climate neutrality and 100% of green Energy for PGE Group customers in 2050.</p> <p>Evolution of generation portfolio towards renewables, with a significant share (6.5 GW) of offshore wind farms.</p> <p>Leader of sustainable energy transformation in Poland.</p> <p>Modern energy services.</p> <p>Efficient and effective organisation – lowering of fixed costs by 25% until 2030.</p> <p>CAPEX of PLN 75 billion in years 2021-2030 focused on renewable energy, decarbonisation of district heating and grid infrastructure with use of support funds at a level of min. 25%.</p>

1.5. Employment structure in PGE Capital Group

PGE Group is one of the largest employers in Poland, providing stable jobs to approx. 38 thousand people. It is thanks to their experience and involvement that we are able to build an organisation that combines social responsibility with business objectives.

Table: Employment level in PGE Capital Group at December 31, 2022 and December 31, 2021.

FTEs	Number of employees	Number of employees	% change
	December 31, 2022	December 31, 2021 ¹	
Total in PGE Group, including:	38 013	38 001	0%
Conventional Generation	19 574	19 585	0%
District Heating	3 628	3 705	-2%
Circular Economy	970	944	3%
Renewables	713	630	13%
Distribution	9 703	9 636	1%
Supply	2 702	2 459	10%
Other operations	723	1 042	-31%

¹ The presented data has been restated for the purpose of ensuring data comparability - Elbest Security sp. z o.o. from 2022 is presented in Conventional Generation segment; ELBIS sp. z o.o. from 2022 is presented in Other Operations.

The Group announced its goal of achieving climate neutrality by 2050 and being the leader of a sustainable energy transition. One of the pillars of the Strategy of the PGE Group is an efficient and effective organisation, which also means effective human capital management, adjustment of the employment structure to demographic changes and standardisation of support processes.

2. Strategy of PGE Group until 2030 with prospects until 2050

2.1. Objectives, key directions, mission and vision of the Strategy

OBJECTIVES OF THE STRATEGY

The Strategy is a response of the PGE Group to deep changes in the sector that have occurred in recent years, as well as to the social expectations, which will determine the sector's future. PGE Group plans to play a leadership role in the transition and modernisation of the energy sector in Poland and support building a market environment conducive to energy transition. PGE Group's objective is to balance all aspects of the business, maximizing the added value for Shareholders.

KEY DIRECTIONS IN DEVELOPMENT AND ACTIVITY RESTRICTIONS AREAS

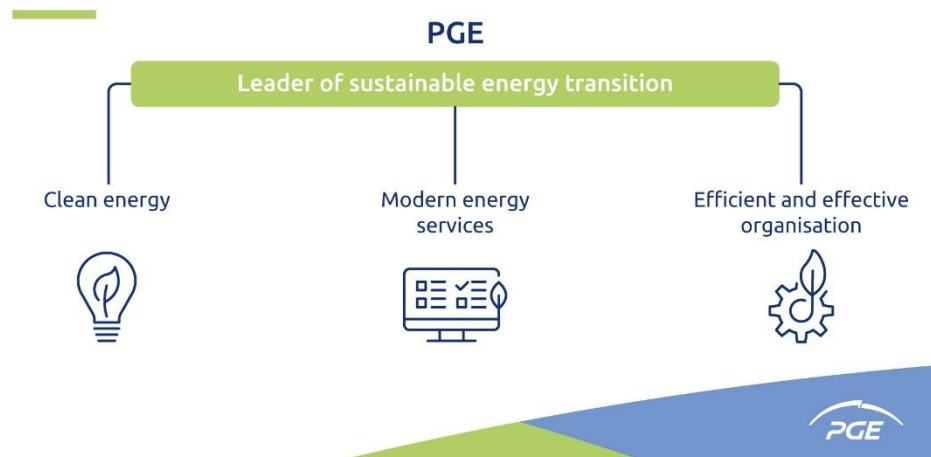
Key directions in development of the PGE Group will be offshore and onshore wind farms, photovoltaics, network infrastructure, low-emission and zero-emission heating and energy services. Divestment areas and activity restrictions include coal energy, nuclear energy program and support areas outside the core business.

MISSION AND VISION

PGE's mission is to provide energy for a safe future. In accordance with its long term vision PGE Group is to become a leader in sustainable energy transition in Poland. Vision of the Group translates into three strategic priorities, including:

- generation of environmentally friendly energy,
- provision of modern energy services,
- efficient and effective functioning of the Group.

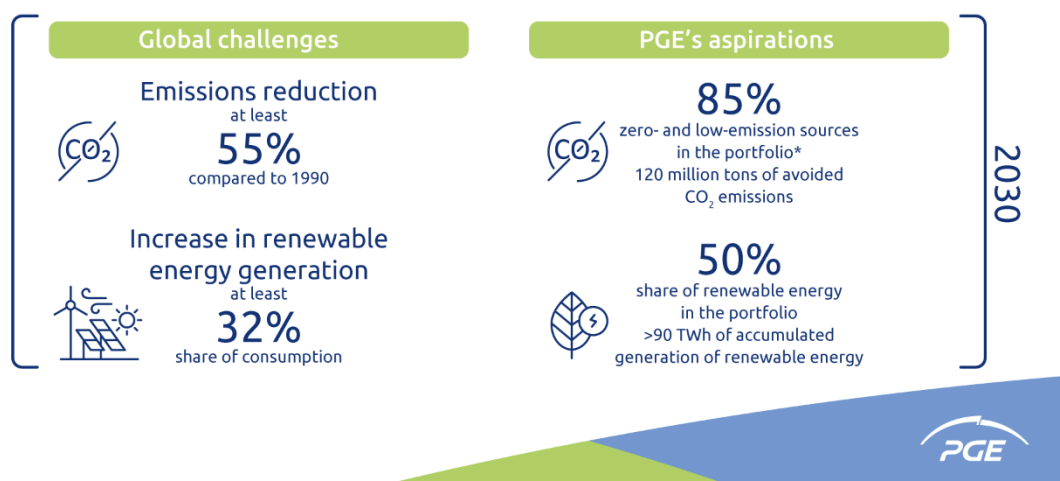
#PGE2050



ENVIRONMENTALLY FRIENDLY ENERGY

As a leader of transition, PGE Group declares to reduce its impact on the natural environment by achieving climate neutrality by 2050. We plan to reduce the production emissions by changing the technology, expanding the renewable energy portfolio and enabling our clients to participate in the transition thanks to attractive product offerings. By 2030 zero- and low-emission sources should constitute approx. 85% of the generation portfolio and share of renewable energy should amount to approx. 50% of the total generation.

#PGE2050

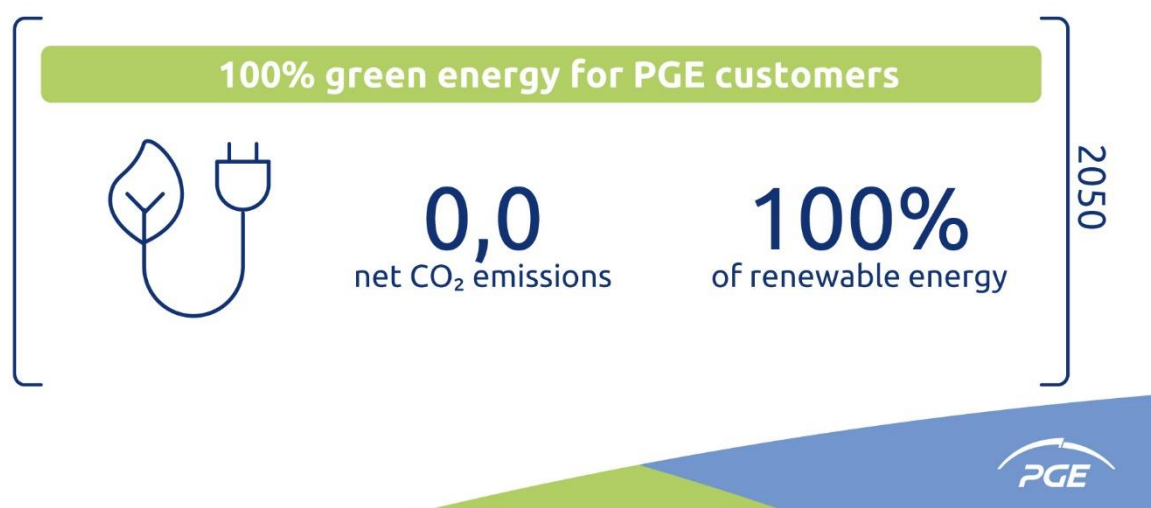


Greenhouse gas emission reduction targets have been set:

- 80% reduction in emissions by 2030 (compared to emissions in 2020),
- 100% reduction in emissions by 2050 (compared to emissions in 2020).

The strategy also sets targets for increasing the waste recirculation rate (> 65% by 2035) and reducing the volume of waste landfilled (10% by 2035).

#PGE2050



The PGE Group is ready to carry out the transition process of the sector: preparing the conventional electrical power system base to function in a new ownership structure. The PGE Group will be a pioneer in development and exploitation of offshore wind energy sector. Offshore wind capacity installed in the Baltic Sea should amount to 2.5 GW in 2030 and as a result of preparation of further projects in new locations – is to exceed 6.5 GW by 2040. At the same time the programme of building power in onshore wind farms and photovoltaics will be continued and expected new capacity should be increased by 2030 by more than 1 GW and more than 3 GW respectively. In the District Heating segment the Group plans transition of district heating towards low and zero-emission sources (share in heat production should be over 70% in 2030). At the same time PGE will

promote connections of individual heat sources or replacement for environmentally friendly installations. Important role in energy transition is performed by implementation of the principles of circular economy in all areas and minimization of the impact on the natural environment.

MODERN ENERGY SERVICES

Reliable network infrastructure and partnership with customers are the foundation of the energy transition. In Distribution segment the improvement of quality of services in the field of energy supplies is assumed (the time of interruptions in energy supplies will be reduced by 8% in the cities and by 50% in other areas in 2025, cost efficiency, efficiency of performance and transparency of connection processes will be streamlined). Grid modernisation and new energy storage units (planned 800 MW by 2030) are needed for the full use of distributed power sources and ensuring a secure operation of the transmission system. Financial stability and developing a new DSO regulatory model that guarantees meeting the challenges of transition are necessary to pursue those goals, which should improve expected free cash flow by PLN 0.7 billion until 2030. PGE Group wants to maintain the highest in the market customer satisfaction level resulting from the quality of energy offerings and services. The issue is addressed by development of professional energy services and integration of customer contact and service channels. Assumed increase in margin in the retail segment should amount to approx. PLN 0.4 billion (annual average).

The Group plans to build additional value by enabling customers to actively participate in the energy transition offering among other things RES installations for the clients and access energy, capacity and ancillary services markets (1.0 GW in market services). These activities should contribute to 25% rise in EBITDA of retail sales companies by 2030 compared to the 2019.

EFFICIENT AND EFFECTIVE ORGANISATION

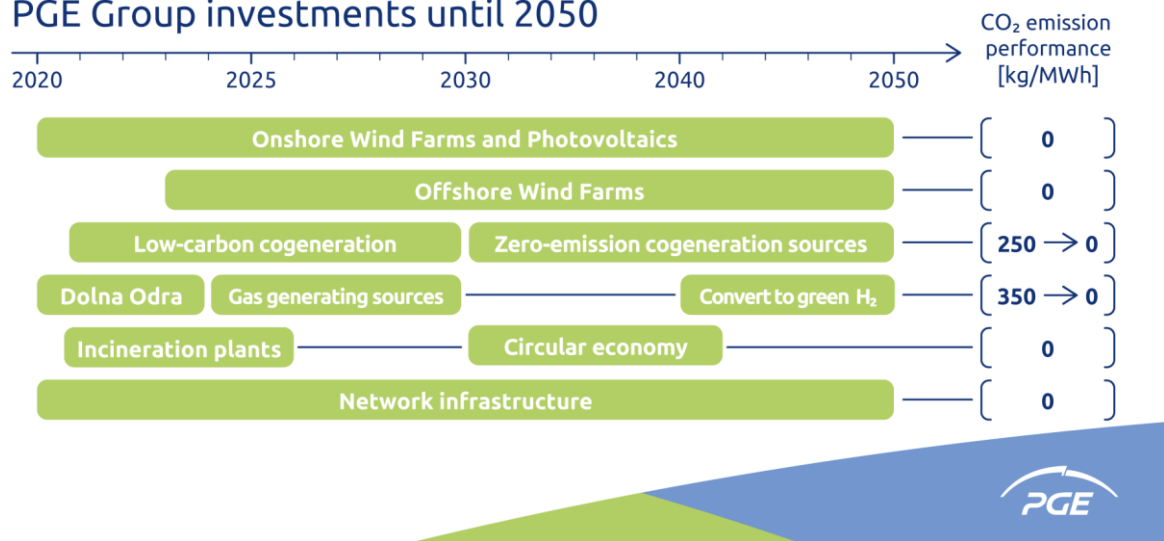
In order to meet the challenges resulting from decarbonisation, decentralisation and competition, PGE Group must improve its operational efficiency. The Group assumes reduction of fixed cost by approx. 15% until 2025 and approx. 25% by 2030 (compared to 2019, the figures do not include the effect in the Conventional Generation segment in case it is separated). The PGE Group's business profile will evolve towards requiring less work and changing key competences. Effective ICT area will be a lever for improving the efficiency of the PGE Group's operations through economic process automation and digitisation. Demographic trends will affect the employment level in the PGE Group and employee career paths. Assumed employment reduction should be at approx. 15% in 2030 and 50% in 2050 compared to 2019. This will require effective implementation of projects in the area of human capital management. Further staff development will be oriented to renewable energy and modern energy services.

INVESTMENTS

Investments of the PGE Group will be focused on the development of renewable energy, transition of district heating and grid infrastructure. There will be no new coal investments (both mining and generation) and investment decisions on gas sources will be made in 2025 at the latest. Total expected capex in years 2021-2030 will amount to approx. PLN 75bn and approx. 50% will be allocated to renewable energy sources (offshore wind farms, onshore wind farms and photovoltaics). Another key important area of spending is regulated activity, including grid infrastructure and low-emission cogeneration sources.

#PGE2050

PGE Group investments until 2050



EXPECTED FINANCIAL RESULTS OF THE STRATEGY

As a result of the strategy PGE Group wants to build stable EBITDA with the evolution of the structure towards green and regulated directions and limit its exposure to market risks. Implementation of an ambitious transition plan will be pursued while maintaining a stable level of debt and investment grade ratings. The goal of the PGE Group is a full use of dedicated financing options for green investments and off-balance sheet financing. Share of aid funds in the financial needs of the PGE Group until 2030 should amount to at least 25%.

2.2. Key actions and indicators related to Strategy implementation

Strategic priority	Objectives	Actions and results in 2022
CLEAN ENERGY		<p>Completed work on the Baltica 2 and 3 projects:</p> <ul style="list-style-type: none"> Contract signed for a construction design, including obtaining building permits; Tender launched to select General Contractor for power evacuation in the onshore section; Obtained an Environmental Conditions Decision for the power evacuation system (final and legally binding); Received the European Commission's Decision to grant support for the Baltica 2 and Baltica 3 projects together with the price and rate of return and receipt of the second decision of the URE President setting the Price of Support under the Contract for Difference (CfD) at the level requested by the project team; Selection of suppliers approved: Marine Transformer Stations (MSTs) for Baltica 3 offshore wind farm; turbines for Baltica 2 and 3; offshore export cables, foundations for turbines and for MSTs. <p>Completed work on the Baltica 1 project:</p> <ul style="list-style-type: none"> Contract signed for a Geological Works Projects for offshore geotechnical surveying; Contract signed for a wind, wave and current measurement campaign; Contract signed for environmental studies including obtaining an Environmental Conditions Decision for the implementation of the project and for preliminary offshore geophysical surveys; <p>Completed work on the development of the Offshore Program:</p> <ul style="list-style-type: none"> Submitted applications for Permit to Erect Artificial Islands in water bodies: 14.E.1, 14.E.2, 43.E.1, 44.E.1, 45.E.1, 46.E.1, 60.E.3 and 60.E.4.
	Construction of offshore wind farms: 2.5 GW by 2030 and more than 6.5 GW by 2040	
	Development of onshore wind farms: > 1 GW in new capacities by 2030	Acquisition of wind farms FW Radzyń with a capacity of 37 MW (in kujawsko-pomorskie voivodship), FW Ścieki with a capacity of 22 MW (in łódzkie voivodship) and FW Józwin with a capacity of 25 MW (in wielkopolskie voivodship). Total of 32 turbines with a total capacity of 84 MW average annual generation at the level of 240 GWh.
	PV development program > 3 GW installed capacity in 2030	<p>Capacities constructed in 2022: 19 MW; Under construction (own development) 154 MW; Capacity in construction permits: approx. 250 MW; Land secured: approx. 3,5 ha thousand;</p> <p>Acquisition of a portfolio of 6 projects with a total capacity of 25 MW in the first quarter 2022 and a portfolio of 28 projects with a total capacity of 59 MW in the fourth quarter of 2022.</p>
	Construction of 800 MW in energy storage systems by 2030	<p>Announcement of tender for a battery electricity storage facility in Żarnowiec with a capacity of over 200 MW;</p> <p>Commissioning of 4 large-scale battery electricity storage projects with a total capacity of 750 MW</p> <p>Commissioning of a distributed storage project across 50 locations with a total capacity of approx. 270 MW</p> <p>Development of 5 energy storage projects as part of hybrid RES systems with a capacity of approx. 80 MW</p> <p>Development of 3 energy storage projects for distribution grids with a total capacity of approx. 6 MW</p> <p>Feasibility study for the construction of Młoty pumped-storage power plant;</p>

	District-heating transition: Share of zero- and low-carbon sources in heating production at approx. 70% by 2030	<p>New EC Czechnica: launch of construction on a gas-and-steam unit with a pumped reserve boiler room and heat accumulator;</p> <p>Gdańsk CHP plant: preparation for the construction of new gas sources</p> <p>Gorzów CHP plant: work related to the construction of a peak load boiler facility and preparation for the final stage of gas-and-steam unit modernisation, i.e. construction of a new fan cooling tower;</p> <p>Zgierz CHP plant: installation of a gas reduction station and new cogeneration units and gas boilers</p> <p>Gdynia CHP plant: commissioning of the steam boiler, commencement of the installation of the water boilers and work on the development of a replacement for the gas-and-steam units, i.e. involving the construction of a gas engine unit and a biomass boiler</p> <p>Kraków CHP plant: development of complete design documentation for a high-pressure gas connection for production purposes</p> <p>Lublin Wrotków CHP plant: construction of foundations for reserve and peak load boiler and gas boilers</p> <p>Rzeszów CHP plant: construction of foundations for a gas station, assembly of a reserve and peak load boiler building</p> <p>Wrocław CHP plant: preparations for redevelopment of EC1</p> <p>New heat source in Gryfino: development of a new technological concept for Gryfino (with a higher RES share).</p>
	MODERN ENERGY SERVICES	
	Access to green energy for PGE Group customers	<p>Sales of PV installations up to 50kWp with a total volume of 6.6 MWp, number of contracts 590, lead conversion 6.6%</p> <p>Implementation of sales model in the form of PPA - signed contracts with a CMC customer in April 2022</p> <p>Estimated sales for 2022 under the 'Energy Naturally' offering: 2.8 TWh.</p>
	Highest customer satisfaction score on the market maintained	<p>Remained in second place in retail customer satisfaction index y/y (G tariff) with a CSI of 88%</p> <p>Maintained our leading position in the G customer service process. Customer service office ranks 1st in 6 out of 8 categories, contact centre ranks 2nd in 6 out of 8 categories</p> <p>New product sales channel via eBOK launched in 2022.</p>
	Profitability increase in energy services	Connection of new customers to district heating network (+218 MWt).
	Shorter interruptions in energy supply	<p>Addition of equipment necessary to support the PPN work process;</p> <p>Patent protection obtained for two inventions:</p> <p>Mobile system for uninterrupted supply of medium-voltage distribution grids;</p> <p>Autonomous Emergency Response System (SARSA).</p> <p>Increase in CTP (duration of power outage) rates due to particularly severe weather conditions.</p>
	EFFICIENT AND EFFECTIVE ORGANISATION	
	Optimisation of asset maintenance costs	<p>Transition to gas fuel in district heating;</p> <p>Use of autonomous drones and robots for inspection works at wind farms and hydropower plants.</p>
	Enhanced capability in remote customer service	<p>Expansion of electronic contact and sales channels (eBOK);</p> <p>Approx. 1.4 million customers using electronic invoices.</p>
	25% of financing for investment program raised from preferential sources	Approx. PLN 220 million in financing raised, including PLN 76 million in grants.
	Unified organisational structure and management system	<p>Update of internal business procedures and processes to more efficiency implement Strategy, including:</p> <p>Cooperation Model – i.e. PGE Group's operating model;</p>

Investment policy;
Selection of key performance indicators (KPIs) based on PGE Group's strategy – direct link between strategic objectives and bonus system;
Systemising and streamlining coal-based generating assets for the purposes of the carve-out process.

2.3. Prospects for the development in the short and medium term

	Key developments	Potential impact on PGE
MACROECONOMIC ENVIRONMENT - WORLD	<p>Following the energy crisis, there was a major rise in fuel and energy prices, which translated into very high levels of inflation, last seen in developed countries in the 1980s.</p> <p>Price index readings in the eurozone and the US increased month on month in the course of 2022, slowing down only towards the end of the year.</p> <p>The massive increase in energy prices also indirectly pushed up core inflation, prompting central banks to raise interest rates rapidly.</p> <p>Record fuel and electricity prices began to massively contribute to an economic downturn and slowing GDP growth, as well as a decline in electricity demand in the second half of the year. There also was a huge slump in demand in the gas market.</p> <p>There was a major deterioration in leading indicators in basically all of the world's major economies. The eurozone PMI fell from 59 points in January to 48 points in December. Consumer sentiment indicators also remain at levels signalling recession.</p> <p>Industrial production in the euro area, following a strong rebound in 2021, remained at a similar level in 2022. However, leading indicators suggest that industrial production can be expected to decline in the coming months.</p> <p>The European Commission has adopted the REPowerEU plan, which aims to decouple Europe from Russian fossil fuels and involves redirecting some of the EUR 225 billion in remaining funds and raising EUR 20 billion from the auctioning of CO₂ allowances deferred from future periods.</p>	<p>The downturn in the euro area should also be followed by a decline in industrial production in Poland, which makes it possible to expect a further drop in energy demand in the NPS.</p> <p>High gas prices in Europe are reducing generation in gas-fired thermal power plants. Conversely, rising market prices for coal at ARA ports are translating into increased generation costs using imported coal.</p> <p>Rising global commodity market prices are increasing the capital intensity of investments in both conventional and RES assets. Additionally, the global increase in fossil fuel prices is increasing demand for RES technologies, which also has an impact on increasing investment costs.</p> <p>High levels of core inflation translate into the need to maintain elevated interest rates for an extended period of time, which in turn raises the cost of financing.</p>
MACROECONOMIC ENVIRONMENT - POLAND	<p>2022 was characterised by declining GDP growth. The relatively stable growth in the first quarter was driven by inventory accumulation. In subsequent quarters, demand destruction became noticeable. The uncertainty prevailing in the markets influenced consumer</p>	<p>The expected slowdown in economic growth should translate into reduced demand for electricity. Price pressures (high costs of obtaining energy fuels, CO₂ emission allowances, distribution fees) will reduce energy consumption both in households and in industry and services. High</p>

	<p>scepticism and inhibited a considerable share of investments.</p> <p>The average annual inflation rate in 2022 was 14.4%. The average annual core inflation rate fluctuated around 9.1%. Rising energy prices was a significant, but not the only, reason for the high inflation rate in 2022.</p> <p>The National Bank of Poland's reference rate increased during the year from 2.25% to 6.75%.</p> <p>The rating agencies maintained Poland's high credit rating. They also emphasised that the outlook for the near future is stable.</p> <p>Yields on 10-year government bonds rose over the year from 3.5% in January 2022 to 6.5% in December 2022.</p> <p>Market enthusiasm over the lifting of a significant part of the covid restrictions was dampened by the turbulence resulting from the start of hostilities across the eastern border of the Republic of Poland.</p> <p>For much of the year, the PMI index was at levels signalling a crisis in the manufacturing sector. Throughout the year, a downward trend in PMI was noticeable.</p> <p>Increased population due to migration from Ukraine.</p> <p>The EC forecasts GDP growth in the coming years at 1% in 2023 and 2.6% in 2024.</p>	<p>energy prices may affect the profitability of energy-intensive industries. High energy prices and the availability of support schemes are likely to encourage consumers to install renewable energy sources.</p> <p>The influx of a large number of people from Ukraine is estimated to have increased electricity demand in 2022, and that is expected to continue in 2023.</p> <p>In the longer term, lower demand and changes in the energy mix could translate into a lower electricity price on the wholesale market and, especially, negatively affect the economics of coal-fired generation.</p> <p>No change is expected in Poland's long-term credit risk rating in PLN and foreign currencies, which, with other factors unchanged, should remain neutral for the cost of financing investment programs. Current inflation values and interest rate levels are expected to return to the levels assumed by the National Bank of Poland's targets in the coming years.</p> <p>Growth in construction price indexes and cost pressures in the specialised construction segment may result in higher expenditures for the planned investment program and higher costs for third-party services. A structural deficit of qualified employees may result in delays in implementing investments and renovations.</p>
TRENDS ON THE ELECTRICITY AND FUEL MARKETS	<p>In 2022, Poland's electricity demand declined by 0.9 TWh year-on-year, from 174.4 TWh to 173.5 TWh.</p> <p>In the third quarter of 2022, the average price of natural gas purchased from EU countries was over 951 PLN/MWh, a three-time increase year-on-year. The average purchase prices of natural gas significantly dropped – average price amounted to PLN 471/MWh.</p> <p>Coal prices at ARA ports rose from approx. 25 PLN/GJ in January to approx. 77 PLN/GJ in August. At the end of the year, prices are at around 30 PLN/GJ.</p> <p>As in the previous few months, in November 2022 domestic hard coal for the power industry was more expensive than a year earlier. The value of the PSCMI1 index was 26 PLN/GJ.</p> <p>The weighted average price of BASE on the Day-Ahead Market in 2022 was 796 PLN/MWh, denoting an increase by 395 PLN/MWh in comparison to 2021.</p> <p>The weighted average price of the annual contract for 2023 amounted to 1 112 PLN/MWh for the whole of 2022, an</p>	<p>There was an increase in coal-fired power generation in Europe in 2022 due to the increase in gas prices on European markets. This translated into an increase in coal prices in both the European and Polish markets. In the short term, there may be a risk of lower availability of domestic coal for the PGE Group's generation sources. However, the dynamic increase in the installed capacity of RES expected in the near future and the stabilisation of the situation on global fuel markets and, accordingly, energy prices on neighbouring markets should exert pressure on the reduction of generation from coal units.</p> <p>In the long term, problems with the availability of coal for households will lead to a shift away from solid fuels for household heating and towards other solutions, such as heat pumps, district heating or gas heating.</p> <p>Due to the embargo on Russian coal and the difficulty of accessing fuel for households, PGE Paliwa and Węglókoks were required in mid-July 2022 to purchase and import a total of 4.5 million tonnes of coal</p>

increase of 727 PLN/MWh compared to the price quoted for the BASE_Y-22 contract in 2021.

CO₂ prices continue to remain high. The average price in 2022 was around 81 EUR/tonne.

Gas and electricity prices reached an all-time high in 2022. Prices had already started to rise in the second half of 2021 when the global economy had started to recover from the COVID-19 standstill. And there were commodity shortages as a result of rising energy consumption. The situation was exacerbated by Russia's invasion of Ukraine and the gradual suspension of gas supplies from Russia to the European Union. Further complications included record high summer temperatures and low availability of nuclear power plants in France.

The continuing high level of global fuel prices translated into rising energy prices in neighbouring countries, resulting in a reversal of the balance of cross-border exchange, with Poland becoming a net exporter in 2022.

Record electricity generation from PV and wind in the EU in 2022. Poland generation increase of 8.6 TWh y/y.

Lower production from nuclear power plants due to failures of existing units and droughts that led to cooling water deficits.

Higher coal consumption in Europe due to elevated natural gas prices and difficult supplies from the Russian direction.

Partial or complete reduction of gas supplies from Russia for 13 EU Member States. Bulgaria, Poland, Lithuania, Latvia and Finland no longer receive any gas supplies from Russia.

Natural gas imports to Europe via LNG terminals from non-Russian suppliers increased by 75% y/y to reach 112 bcm. The Świnoujście LNG terminal received 5.7 bcm in 2022, in 2021 3.6 bcm. The main suppliers to the EU are Norway and the United States. Re-gasification capacity in Europe could be rapidly expanded with floating FSRU terminals.

Member states have set a condition that natural gas storage facilities must be filled to at least 80% by November 2022. Storage fill levels exceeded 91% in mid-October. This was driven by increased LNG supply and reduced consumption.

Introducing emergency interventions on natural gas consumption: The EU gas demand reduction target is 15%

suitable for individual households into Poland by October 31 of that year. In 2023, Poland will continue importing coal for household needs. PGE Paliwa states that it will import a total of approx. 10 million tonnes of coal by the end of April 2023.

Continued upward pressure on energy prices in Poland in the long term may have an adverse impact on energy consumption by energy-intensive consumers and on the competitiveness of electricity versus other energy carriers, and thus on the sales volume realised by PGE Group.

Growth in prices for retail customers may have a negative impact on the margins achieved by PGE Group in the Supply segment.

The new natural gas supply potential (the commissioned Baltic Pipe and the expansion of LNG terminals) will enable the development of CCGT generation units and the delivery of investments in high-efficiency gas cogeneration under the support scheme.

PGE Group is participating in a project to spin off coal generation assets from state-owned companies. The project will significantly change the Group's generation profile to a low-carbon one and reduce margin and production risks in coal units.

for the period August 2022 - March 2023, compared to the average of the last five years.

Natural gas consumption in the EU declined between August and November 2022 by 20% relative to the average level for this period in 2017-2021. The decrease in consumption in Poland was around 20%.

Baltic Pipe opening - September 28, 2022. On 30 November, the pipeline reached its target capacity of 10 bcm/year of gas from Norway.

Commissioning of the GIPL gas pipeline connecting Poland and Lithuania - May 1. The pipeline enables the receipt of liquefied gas supplies through the Lithuanian LNG terminal in Klaipeda.

Synchronisation of the Ukrainian and Moldavian electricity grids with the European continental grid. This will maintain grid stability and create conditions for mutually beneficial electricity trade.

Implementation of measures to address higher energy prices:

- Setting a target for overall reduction in electricity demand.
- Setting a revenue cap for inframarginal technologies.
- Solidarity contributions from windfall earnings.
- Establishment of regulated prices, social tariffs, temporary subsidies for private consumers and businesses (including SMEs and industry).

The Law on Emergency Measures to Reduce Electricity Prices and Support Certain Consumers in 2023 came into force.

Electricity prices for households in 2023 are frozen at the 2022 price level up to certain consumption limits.

A law introducing electricity price caps is in force since December 1, 2022. The maximum prices are 693 PLN/MWh for households and 785 PLN/MWh for utilities, local governments and SMEs. The maximum prices will be in force until December 31, 2023.

A cap on energy sales prices is imposed on generating and trading companies. Once these are exceeded, the companies are required to make a contribution to the Price Difference Payment Fund.

Electricity traders will be entitled to compensation related to the price cap for consumers paid from the Price Difference Payment Fund.

Continuation by the Ministry of State Assets of a project to transform the electricity sector in Poland and spin

	<p>off coal-fired generation assets from state-owned companies.</p> <p>Changes to the energy market model:</p> <ul style="list-style-type: none"> ■ Introduction of maximum offered prices in the Balancing Market in September/October 2022. ■ Removal of the stock exchange requirement. ■ New billing model for prosumers, i.e. net-billing. <p>Implementation of Flow Based Market Coupling in trade on the synchronous link in 2022.</p>	
DEVELOPMENT OF NEW TECHNOLOGIES	<p>The US-based Westinghouse Electric Company has been selected as the technology partner to build the first nuclear power plant in Poland. The plant is to be built using AP1000 technology.</p> <p>Conclusion of a letter of intent on the Pałnów nuclear power plant development between the Ministry of State Assets, the Ministry of Trade, Industry and Energy of Korea, ZE PAK, PGE and Korea Hydro & Nuclear Power (KHNP).</p> <p>The growing competitiveness of wind (including offshore wind) and photovoltaic technologies is observed, which is confirmed by the prices achieved in RES auctions and the dynamics of the increase in the number of micro-installations.</p> <p>Considerable growth in the heat pump market. In Poland, sales of heat pumps increased by 121% y/y.</p> <p>In some countries, dynamic dissemination of full-scale, new energy storage technologies is evident, providing, among other things, regulatory services to electricity systems or enhancing local security of energy supply.</p> <p>Systematic development of prosumer energy and a dynamic increase in the number of micro-installations.</p> <p>DEVELOPMENT OF E-MOBILITY</p> <p>Development of information and telecommunications technologies finding new applications in the energy sector.</p> <p>On November 2, 2022, Government adopted 'Polish hydrogen strategy to 2030 with an outlook to 2040 - November 2, 2022.</p>	<p>The stronger competitiveness of new RES installations affects the dynamics of their growth and changes the operating conditions of conventional units.</p> <p>The declining costs of offshore technology make it possible to use it to maintain the PGE Group's leadership in generation with a significantly reduced average portfolio carbon footprint.</p> <p>Commercialisation of energy storage on an industrial scale will enable better use of RES, complementing conventional capacity in the system balancing role, as well as improving local energy security.</p> <p>The development of DSR will allow the balancing of the NPS and reduce the risk of blackouts in situations of low power reserve due to fuel availability problems or uncontrollable operation of RES units.</p> <p>With the development of prosumer power generation, the variability of grid operating conditions at the local level is increasing, which implies the need for investment in infrastructure (connections, upgrades), with a reduction in the volume of electricity distributed. In the Conventional Power segment, there is a higher demand for generating units with high flexibility to balance distributed power generation.</p> <p>The development of electromobility will increase electricity demand and change its daily profile, which may slightly alter the operating conditions of some conventional units. However, this development requires investment in the development of grid infrastructure and charging points, as well as a charging management system. It is also possible to use batteries in electric cars as storage for energy produced by RES.</p> <p>PGE Group's use of new technologies and the potential of data resources can allow it to grow into new roles and areas of activity, as well as improving</p>

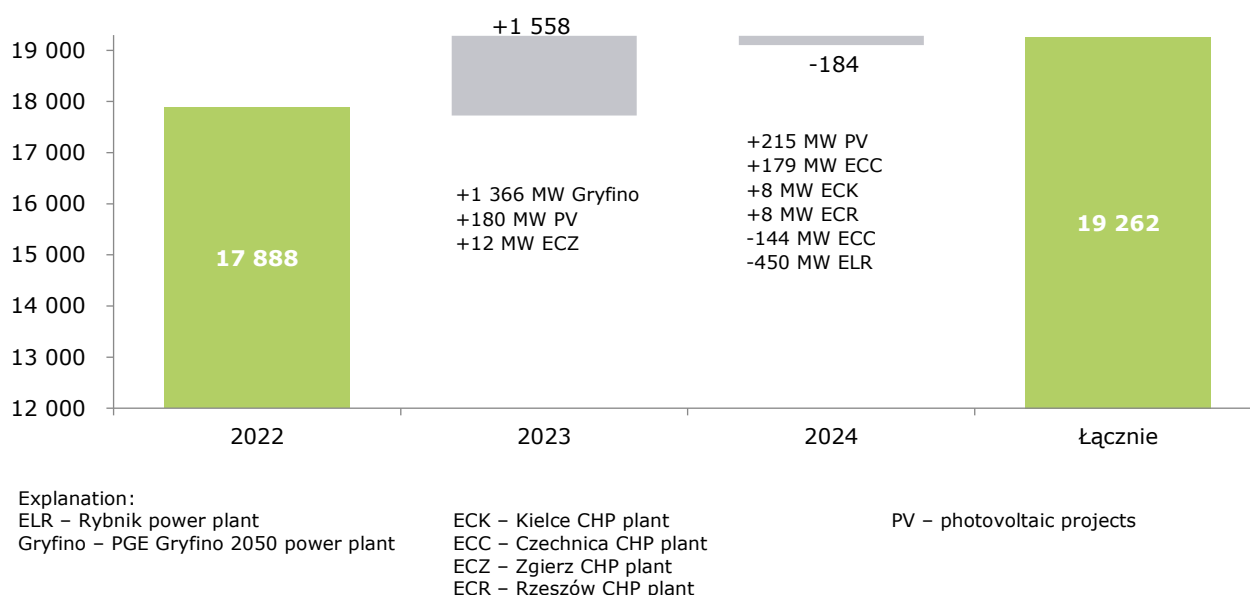
PROSPECTS FOR GROWTH OF ACHIEVABLE CAPACITIES

In connection with the implementation of the PGE Group's strategy for energy transition and the realisation of the government plan to separate coal assets, the business model of the PGE Group will change. Within the next 2 years, it is planned to develop low-emission gas-based and renewable (photovoltaic) capacities. The largest investment to be commissioned in 2022-2024 will be 2 CCGT units at the PGE Gryfino 2050 power plant. If the plan of separating coal assets to the planned NABE is implemented, there will be a significant estimated decrease in installed capacity.

During the transition period, PGE Group will primarily become an energy distributor. Only with the implementation of investments in new generation sources, especially offshore wind farms, the production potential of PGE will be rebuilt.

Chart presenting the growth of capacity illustrates commissioning and decommissioning of capacity of the PGE Capital Group as at the preparation date of this report. The schedules may change and capacity growth related to investments in renewables installations are dependent on the results of future RES auctions or the possibility of selling electricity under PPA contracts. In addition, the increases do not take into account potential acquisitions of RES installations and projects.

Chart: Prospects for growth of achievable capacities in years 2022-2024 (MW gross)¹



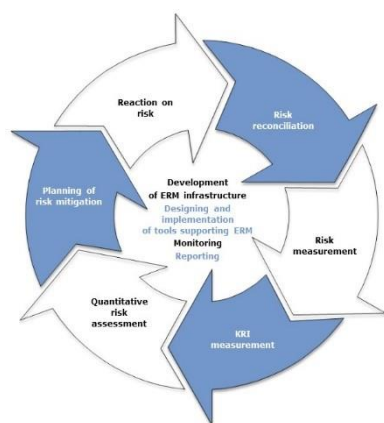
¹ Estimated data do not take into account carve-out of coal assets. In case of carve-out of coal assets the installed capacity will decrease by 12,852 MW.

ASSESSMENT OF INVESTMENT CAPACITIES

On-going and future investments are financed from funds generated by the core activity of the PGE Group, funds obtained from the issue of securities and from other types of external financing, e.g. bank loans and preferential loans.

Some future investments may be made with equity partners and/or project debt financing. Financial results achieved by the PGE Group and available credit limits secure sufficient resources to achieve its mid-term investment goals. The ability to raise new financing and refinance debt maturing in 2023, carve-out of coal portfolio from the PGE Group, development of the Group's efficiency, particularly lowering the operating expenses, as well as realization of substantial investments with equity partners and/or project debt financing, will be significant for the ability to finance the investment program in the long term. In the opinion of PGE, the planning processes in the Company ensure control over the level of investment expenditures and their coverage from available and planned sources of financing.

3. Risks in the PGE Group's operations



PGE S.A., as the Corporate Centre managing the Capital Group, creates and implements integrated risk management architecture at PGE Group. In particular, it shapes PGE Group's risk management policies, standards and practices, designs and develops internal IT tools to support these processes, specifies global risk appetite and adequate limits as well as monitors their levels. PGE Capital Group companies, as well as other entities from the electrical and power sector, are exposed to a number of risks and threats resulting from the specific operating activities and operating in specific market and regulatory environment.

In PGE Group risk management process is pursued based on the GRC (Governance - Risk - Compliance) model i.e. the concept of 3 lines of defense (Business - Risk - Audit). It allows adaptation and integration of each of the operational areas at all levels of management. Having established a top-level Risk Committee, which reports directly to the Management Board, supervision over the effectiveness of risk management in the Group is ensured. Function definition within corporate risk management allows an independent assessment of particular risks, their impact on PGE Group and limiting and controlling major risks using dedicated instruments. Formation of a separate compliance function within the Group guarantees that PGE Group's activities are in line with legal conditions and ensures observance of the adopted internal standards.

The PGE Capital Group has consequently developed a comprehensive risk management system. The Group measures and assesses risks in the key companies of the Group. Mechanism allowing identification of areas exposed to risk and risk level measurement methods are constantly verified and developed. Thanks to that, the significant risks concerning various areas of operations are identified and kept within the assumed limits by reducing negative effects of such risks and by taking preventive or corrective measures, in accordance with the presented cycle.

All identified and assessed risks relating to the Group's current activities are recorded in the risk register (risk books) maintained by the Risk and Insurance Department in PGE S.A. Risk books reflect changes in the value of particular risk parameters along with information on implemented mitigating activities (reducing the probability of occurrence and minimising negative consequences of a risk) and its operational efficiency. The effectiveness of the mitigating actions implemented is denoted by the following three categories:

- effective,
- to be improved,
- to be changed.

Among the most significant risks for PGE Group (presented in the table below) approx. 86% are mitigating actions from the effective category and approximately 14% from the category to be improved, while there were no mitigating actions from the category to be changed.







The table below presents the most significant risks identified in the PGE Capital Group together with their assessment in 2023 EOY perspective. A risk level indicates a risk's potential financial impact on the Group's

results, and a risk prospect (trend) indicates the probable direction of risk development. Potential events determining risk assessments in the previous report are now partially described in other sections of this report as period events.













The current scenario (2023 perspective) includes the potential carve-out of PGE Group's coal assets (Conventional Generation segment).

3.1. Current outlook

The main risks and threats of PGE S.A. and the PGE Group are presented below along with their assessment and outlook for year 2023.















Risk level					Mitigating actions and main tools used for the management of the risk	
		low	medium	high		
Risk outlook in the next period		↓ decrease	↑ growth	↔ stable		
Low level		Risk does not pose a threat and may be tolerated				
Medium level		Risk which needs preparation of the proper reaction based on analysis of costs and benefits				
High level		Intolerable risk, which needs immediate and active reaction, leading simultaneously to limitation of possible consequences and of probability of occurrence thereof				
Market and product risks Related to prices and volumes of offered products and services		Gross margin on electricity from the production assets of the PGE Capital Group and on trading in related products – its amount results from the uncertainty as to the future levels and volatility of market prices (electricity prices and the prices of key energy products - CO ₂ , fuels, including in particular hard coal, gas and the prices of certificates)		↑	Most important actions: Optimization of generation assets - definition of production scenarios for updated market parameters of electricity, CO2 and fuels. Margin-based approach to market risk limits rather than volume-based. Using consistent guidance in respect of process organisation in the context of commercial strategy and mid-term planning (strategy for hedging key exposures in the area of electricity and related product trading that correspond to the adopted risk appetite in the mid-term). Establishing position hedging levels with consideration given to the results of analysing pricing risk in respect of electricity and related products, VaR-based. Target hedging levels are specified taking into consideration the Group’s financial standing, in particular its strategic objectives. Monitoring exposures for individual areas in relation to the set limits and hedging strategies defined by the Risk Committee or the Management Board of PGE S.A. through operational reports prepared by the Department of Risk and Insurance Research, monitoring and analysing the electricity markets and sector trends in order to optimally use generation and selling capacities. Using the administrative appeal path provided for in the Energy Law and the Code of Civil Procedure. Acquiring new customers - diversification of channels to reach final off-takers and diversification of target groups by maintaining an extensive product portfolio and adapting offering to market.	
		Electricity and heat production – related to production planning and the negative impact of factors determining production capacities		↑		
		Electricity sales volumes - this risk derives from uncertainty related to the development of macroeconomic indicators affecting the demand for electricity and energy goods, including inter alia energy crisis, economic slowdown, war in Ukraine and undertaken countermeasures.		↑ ¹		

¹ The change in the risk trend is conditioned by the introduction of regulations regarding the abolition of the power exchange obligation.

	Tariffs (regulated prices) – resulting from the requirement to approve rates for distribution services and electricity and heat prices for particular groups of entities			<p>Current clients retention - a diversified portfolio of customer loyalty schemes and special offers dedicated to former clients who moved over to the competitors.</p> <p>Care for a high level of customer service by developing employees' competences and building relations with business and retail clients.</p> <p>Use of tools to supporting customer relations processes allows the Group better sales planning and organisation of sales.</p> <p>Ensuring the expected level of operational readiness of the individual capacity market units.</p>
	The Capacity Market – resulting from threats related to compliance with the capacity obligations of Capacity Market Units			
Property risks Related to development and maintenance of the assets	Failures and damage to property – connected with the operation and degradation over time of energy equipment and facilities and protection of energy equipment and facilities against destructive factors (including fire, effects of weather phenomena, intentional damage)			Most important actions: <ul style="list-style-type: none"> ▪ Diversification of the current structure of the production sources, Introducing a technology reducing the negative impact of atmospheric factors. ▪ Active pursuing of a strategy for building up and modernization of the production capacities. ▪ Performing maintenance repairs in line with the highest sector standards. ▪ Insurance of the most important production assets in the event of breakdown and property damage. Assets are insured based on an analysis of insurance costs, capabilities of insurance markets for specified risks or for particular types of assets, costs related to asset replacement and potential lost revenue. ▪ The systematic improvement of reliability of the power supply to the end users through modernization of the distribution grid. ▪ Continuous monitoring of environmental laws and regulations regarding environmental protection, and the energy policy.
	Tangible investments – related to the strategic development directions of the PGE Capital Group and the possibilities of obtaining financing for these projects			
	Asset management and maintenance investment - related to risks arising from the maintenance of production assets in good condition			
Operational risks Related to pursuing of ongoing economic processes	Fuel management – connected with uncertainty regarding the costs, quality, timeliness and volumes of fuel supply (mainly coal) and production raw material as well as the effectiveness of inventory management processes			Most important actions: <ul style="list-style-type: none"> ▪ Optimisation of equipment lifecycles and the availability of key assets. ▪ Timely inspections, repairs and modernisation of the existing assets. ▪ Optimisation of costs inter alia through monitoring of fuel prices and reserves and securing supply through long-term contracts with suppliers and through price fixing formulas.

² The decrease in the risk trend is due to the stabilisation of the regulations on the capacity fee.








³ The stabilisation of the risk trend results from the normalisation of fuel availability and prices in the country.

	Cybersecurity – the risk of deliberate disruption of the proper functioning of the information processing and exchange space created by IT systems operating at the PGE Capital Group			<ul style="list-style-type: none"> Monitoring of legal changes and changes in technical standards in the field of by-products. Investments in improving the efficiency of the combustion process. Constant monitoring of service availability. Creating Business Continuity Plans for critical systems, developing and testing emergency procedures. Continuous contact and cooperation with the Risk and Insurance Department and the Company's organisational units with regard to identified new risks or gaps in current insurance policies. Commencement of the internal broker's operational activity - PGE Asekuracja S.A. Centralisation of the claims handling process. Ongoing monitoring of changes in legal regulations. Training in regulations preventing money laundering and terrorist financing. Requirement to read Best Procurement Practices and the Code of Conduct for Business Partners of PGE Group companies. The approval path and internal regulations concerning the purchasing process. Control of the work environment. Training of employees in the field of occupational health and safety. Informing about threats, restrictions and rules related to the COVID-19 (dedicated tab on the Intranet). Conducting an intensive and effective dialogue in order to avoid escalation of potential disputes with the social partners and to work out the most favourable solutions with regard to employment and employment costs within PGE Capital Group connected therewith. PGE Group's active participation in internship programmes and cooperation with educational institutions in order to secure a pipeline of qualified personnel. Assessment and training of personnel in order to make optimal use of it within the Group's structures.
	Oversight of insurance policies - risks arising from the failure to tailor insurance policies to the needs or the Company's failure to comply with the terms of insurance policies which may result in lack of receiving a claim in whole or in part			
	Reputation – associated with the negative perception of the entity's image by its customers, counterparties, investors, Shareholders as well as the general public			
	Procurement - related to the ineffectiveness and incorrectness of the purchasing process			
	Human Resources – pertaining to difficulties in provision of personnel with the relevant experience, competences and ability to perform specific tasks			
	Social dialogue – related to the failure to reach an agreement between the Group's management and the social partners, which could lead to strikes / collective disputes			
Regulatory and legal risks Related to compliance with external and internal legal provisions	Environmental protection – resulting from industry regulations specifying which "environmental" requirements energy installations should meet and what are the principles for using the natural environment			Most important actions: <ul style="list-style-type: none"> Monitoring of the changes being introduced or proposed provides that our operations in key business segments are carried in compliance with the law and that PGE Capital Group has solutions which take into account potential changes in the legal environment. Social dialogue.

⁴ The level and trend of the risk was conditioned by the situation related to the planned carve-out of coal assets to NABE.

⁵ Increased risk trend related to the need to verify contractors in supply chains (sanctions lists).



⁶ Stabilization of the risk trend related to the sale of coal assets.

	Employee safety – associated with failures to provide safe working conditions		↔	<ul style="list-style-type: none"> ▪ Exercising operational supervision of planned and ongoing investment and modernisation measures with respect to their compliance with environmental requirements. ▪ Improvement of activities aimed at protecting and improving the state of the environment by implementing technological and organisational solutions ensuring efficient and effective management in this area. ▪ Reduction in the emission intensity of PGE Group's generating assets, development of low- and zero-carbon energy generation sources. ▪ Adaptation of internal regulations and practices to make sure that the activities are in compliance with the power sector regulations and binding law. ▪ Monitoring and analysing PGE Group's legal environment at an international level, together with risk assessment. ▪ Assessing the impact on PGE Group of proposed regulatory changes at an international level. ▪ Issuing opinions and influencing changes with regard to the legal environment at an international level in a strategic dimension. ▪ Managing cooperation and contacts with stakeholders as regards international regulations, including through the activities of PGE S.A.'s office in Brussels. ▪ Managing PGE Group companies' memberships in industry organisations, including as part of Eurelectric (via the Polish Electricity Association), COGEN Europe, Eurogas, WindEurope, EURACOAL (through the Union of Employers: Association of Lignite Miners) and others, and cooperating with trade organisations. ▪ Effective raising of external financing and state aid for the development of planned low- and zero-carbon investments by PGE Group.
	Climate – commitments on the EU and national level and under strategic objectives arising from the EU's climate and energy policy		↔	
	Concessions – resulting from the statutory requirement to hold concessions with regard to conducted operations		↔	
	Reporting and Taxes – related to changes in tax regulations and their interpretation as well as their practical, correct implementation		↗	
Financial risks Related to finance management	Credit risk – connected with the counterparty default, partial and/or late payment of receivables or a different type of breach of contractual conditions (for example failure to deliver/collect goods or failure to pay for any associated damages or contractual penalties)		↗ ⁸	Most important actions: <ul style="list-style-type: none"> ▪ Prior to executing a transaction, a counterparty assessment is carried out and forms a base for applying credit limits, that are regularly updated and monitored. Exposures that exceed established limits are hedged in accordance with the Group's credit risk management policy. The level of utilisation of limits is monitored on a regular basis, payment of receivables is monitored on an ongoing basis and early recovery procedures are in place. ▪ Applying a central financing model, which assumes – as a rule – that external capital is raised by PGE S.A. PGE Group subsidiaries use a variety of intra-group financing sources and liquidity risk is monitored using periodic planning for operating, investing and financing activities. ▪ As regards currency risk and interest rate risk, PGE Group has implemented internal management procedures. PGE Group companies execute derivative transactions involving interest rate- and/or currency-based instruments (IRS, CCIRS, FX Forward) only in order to hedge identified risk exposures. Regulations in force at the PGE Group do not allow, with regard to derivative transactions based on interest rates and currencies, to enter into speculative transactions, i.e. transactions which would be aimed at generating additional
	Liquidity risk – connected with the possibility of losing the ability to meet current liabilities and obtaining financing sources for business operations		↗	
	Interest rate risk – resulting from the negative impact of changes in		↔ ⁹	

⁷ Stabilisation of the risk trend related to the sale of coal assets.

⁸ Increased risk trend related to significant price increases despite the implemented legislative solutions.

⁹ Stabilisation of the trend related to the slowdown in the growth of domestic interest rates.

	market interest rates on PGE Group's cash flows			gains resulting from changes in the level of interest rates and changes in exchange rates, while exposing the Group to the risk of incurring a potential loss on this account.
	Foreign exchange risk – resulting from negative impact of exchange rate movements on PGE Group's cash flows denominated in currencies other than domestic currency			

3.2. Long-term outlook

Challenges and threats are assessed, that will arise for the PGE Group in the next decade. Each of the long-term risks is assessed in terms of its impact on the achievement of business goals, the company's image and business continuity. The presented result is the dominant (value most often appearing in the results) of these three aspects.

DEVELOPMENT DIRECTIONS - the risk of losing the PGE Group's leading position on the energy market.

ACCESS TO FINANCING - risk associated with failure by PGE Group to raise capital for planned investments.

COMPETITION - risk resulting from structural changes in the energy sector (inter alia creation of NABE), affecting the competitive environment of PGE Group.

GEOPOLITICS - risk stemming from changes in geopolitical factors and trends (e.g. EU politics, diverging interests of particular countries, war in Ukraine), causing limited access to raw material supply for PGE Group.

CLIMATE CHANGE (METEOROLOGY) - risk deriving from physical hazards related to the occurrence of extreme weather events and an increase in their frequency, as a result of which the PGE Group's assets may be damaged, as well as climate changes affecting the demand for electricity and heat.

ENERGY GENERATION SOURCES - risk associated with failure to develop generation resources from new energy sources (after NABE carve-out) at the expected volume.

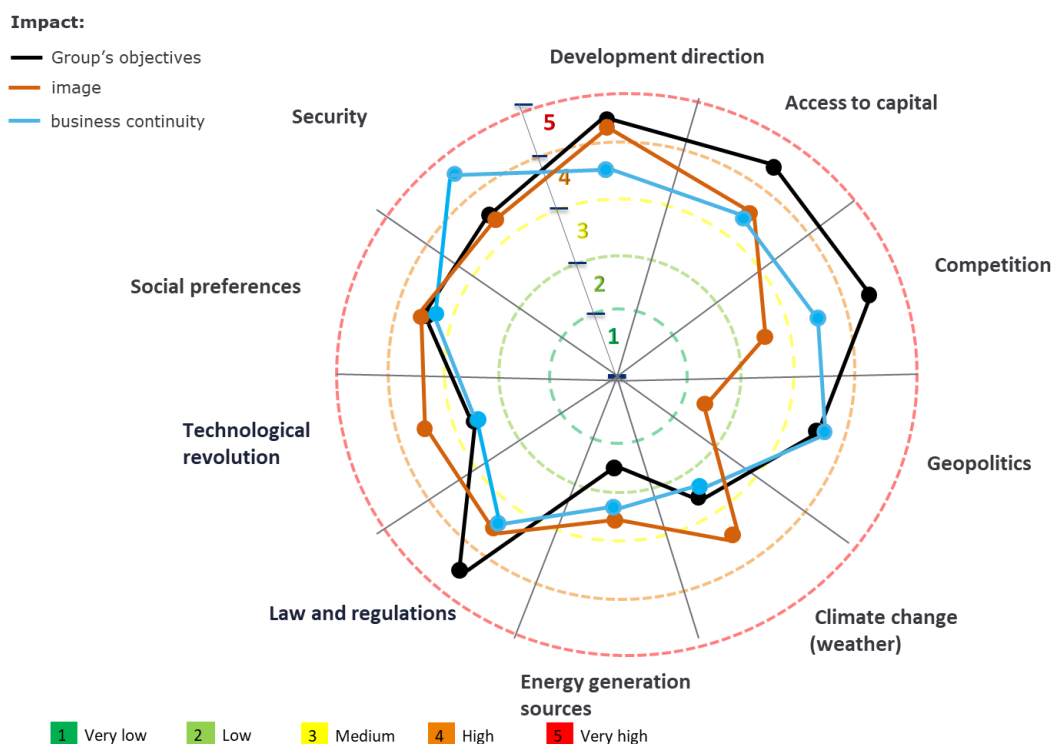
LAW AND REGULATIONS - risk associated with changes in the legal system and regulatory uncertainty, including: limitation of maximum margins, change of support systems, regulatory burdens resulting from environmental requirements.

TECHNOLOGICAL REVOLUTION - risk arising from technological development, which has a considerable impact on the direction of changes related to the energy market.

SOCIAL PREFERENCES - risks resulting from an expected further evolution of social preferences towards care for the environment, sustainability and social responsibility (from the perspective of mass customer expectations, assessment of employer attractiveness and public opinion).

SECURITY - risk associated with a negative impact of the geopolitical situation on both physical security and cybersecurity to PGE Group's business, including intentional disruption of the correct functioning of information processing and exchange space created by IT systems in place at PGE Group (interference in any element of PGE Group's infrastructure resulting in disruption of work of ICT (Information and Communication Technologies) and OT (Operational Technology) infrastructure.

Diagram: Map of long-term risks



Source: own work

The location on the map based on the assessment of significance level shows the impact of a given risk for the PGE Capital Group in three different aspects:

- the achievement of business goals,
- the company's image,
- business continuity.

The map of long-term risks was prepared based on the elements dominating in the responses, according to the subjective perception of these risks in the assessments of the top management of the PGE Capital Group (Management Board Members and Division Directors) during the strategic workshop held on March 2, 2023.

3.3. Climate risks

The PGE Capital Group is aware of the impact of its operations on the climate, as well as the threats resulting from climate change for the Group's operations. This interdependence generates both risks and opportunities for development. Therefore, the expectations of stakeholders in terms of reporting the impact of activities on the environment are understandable, recognising climate risk management as a key element of strategic management, with a direct impact on financial aspects.

Therefore, the PGE Capital Group focuses not only on risks, but also on opportunities to ensure resilience to threats and increase the Group's sustainable revenues. In 2022, the PGE Capital Group undertook a number of actions aimed at achieving climate neutrality in 2050, which were indicated in the PGE Group's Strategy until 2030, and continues to work on the implementation of the PGE Group's ESG Strategy, focusing on 4 areas:

- competitiveness in the financial market,
- leading the green transition,
- corporate culture supporting sustainable development,
- active communication on sustainable development with all stakeholders.

The Group also carries out activities aimed at meeting regulatory requirements, both domestic and European. This applies to e.g. EU environmental taxonomy¹⁰, preparations for the Corporate Sustainability Reporting Directive (CSRD) and expectations of financial institutions, investors and customers.

Issues related to climate risk are subject to the rigors and guidelines resulting from the corporate risk management process. The body responsible for overseeing the corporate risk management process in the PGE Group, including climate risk, is the Risk Committee. The establishment of a Risk Committee at the highest management level, reporting directly to the Management Board, ensures supervision over the effectiveness of risk management in the Group. Such a location of the risk function allows for an independent assessment of individual risks and their impact on the PGE Group as well as mitigation and control of significant risks using dedicated instruments.

The assessment of climate and environmental risks is carried out on the basis of the General Procedure for Corporate Risk Management. In the PGE Group, climate-related risk is analyzed both in the context of the impact of climate change on the business and the impact of business on these changes. Identification and analysis of climate-related risk and continuous improvement of pro-environmental solutions as well as control tools allow for effective management and minimisation of climate impact, while caring for the PGE Group's financial results. The solutions developed by the PGE Group are aimed at its development and sustainable transformation in accordance with climate requirements and care for all stakeholders.

Climate issues are assessed centrally at PGE S.A. taking into account all types of activities of the entities included in the Capital Group. This means that the result of the assessment is provided at the PGE Capital Group level.

The approach to the issue of climate risks is inspired by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), however, the adopted method for the inventory and assessment of risks is an internal concept of PGE S.A..

In 2022 PGE Group once again participated in the Carbon Disclosure Project - CDP (<https://www.cdp.net/en>), an international study on corporate environmental impact. The Group responded to enquiries from global investors about the impact of its operations on climate and water resources and identified both risks and opportunities related thereto.

There is an interdependence between the risks and opportunities for businesses associated with the climate.

Any business is affected by two types of climate risks:

- **physical risk**, related to the physical effects of climate change i.e. real threats in the form of extreme weather events, drought, flooding;
- **risks associated with the transition** (so called transition risks) to a low-carbon and climate-resilient economy, which relate to meeting regulatory requirements, implementing new technologies or impact on the reputation of a business.

The changing climate and efforts to combat climate change, i.e. to mitigate and adapt to its effects, provide at the same time new opportunities and chances to develop business. This is why PGE Group focuses not only on risks but also on opportunities so as to ensure resilience to risks and to increase sustainable earnings.

¹⁰ The PGE Capital Group is obliged to make disclosure for 2022 to what extent its operations can be considered environmentally sustainable in accordance with Regulation 2020/852 of June 18, 2020 on establishing a framework to facilitate sustainable investments, amending Regulation 2019/2088 and with the Delegated Regulations on establishing a framework to facilitate sustainable investments.

The climate-related opportunities in the PGE Group concern above all:

- effective resource management, e.g. in the form of work on solutions in the field of waste management and recovery of valuable products from wind turbine blades;
- new sources of electricity through investments in offshore and onshore wind farms and photovoltaic farms, construction of emission-free hybrid electricity storage;
- new products - such as expansion of the product portfolio with PRO EKO initiatives - products that fit into low-emission heating systems, development of products / offers promoting low-emission activities, following changes in consumer preferences or development of offshore wind farms insurance solutions;
- increased resistance to climate change - e.g. in the form of building competences in the offshore wind energy industry as part of cooperation with PGE S.A. with high schools and universities in Poland, establishing scientific and research cooperation between PGE S.A. and institutes from the offshore wind energy or underground cabling industries.

PGE Group defines climate risk across following areas:

- difficulties in raising support funds and investment incentives - related to the growing impact of climate requirements relevant to the granting of aid funds and investment incentives in domestic regulations,
- requirements related to international regulations – related to EU legislation as regards energy and climate policy, in particular the Fit for 55 package,
- CO2 emissions – related to the rising costs of emission allowances, which could adversely affect the profitability of generating assets or bring these assets to a halt,
- operations – related to extreme weather events or changes in climate conditions, which could negatively influence PGE Group's assets and operating activities,
- investments – concerning a failure by PGE Group to fulfil investment commitments aimed at the green transition, at the EU and domestic level and for own strategic purposes.

Each of these areas of climate risk is assessed on a short, medium and long horizon. The adopted timeframes are aligned with external analyses.

ASSESSMENT OF THE IMPACT OF PHYSICAL CLIMATE RISKS ON THE OPERATIONS OF THE PGE GROUP

Global warming, changing precipitation patterns, rising sea levels and extreme weather events are increasingly challenging the resilience of power systems, increasing the likelihood of disruption. Climate change directly affects every segment of the power system:

- production potential and efficiency,
- demand for heating and cooling,
- resilience of transmission and distribution networks,
- demand patterns.

Being aware of the threats arising from climate change, as part of the first stage of the climate risk management process in 2022, the PGE Group carried out an assessment of significant physical (material) climate risks that may have a negative impact on its operations, supporting adaptation to climate change and increasing resistance to climate threats. Climatic factors in the form of mainly temperature, precipitation and wind and their negative impact on the Group's key activities were assessed.

The assessment of the risk related to climatic physical threats in PGE Capital Group in 2022 was carried out in the current and long-term perspective using scientific models describing possible climate scenarios i.e.:

- RCP 4.5 - an optimistic scenario, which assumes the introduction of new technologies in order to achieve a higher reduction of greenhouse gas emissions than at present, assuming that the increase in the average global temperature will be approx. 2.5°C at the end of the 21st century compared to the pre-industrial era,

- RCP 8.5 - pessimistic scenario, which assumes that the current growth rate of greenhouse gas emissions will be maintained, in the "business as usual" formula, assuming that the average temperature of the earth will increase by 4.5°C at the end of the 21st century compared to the pre-industrial era.

The assessment carried out showed a low or medium impact of risks related to physical climatic hazards on the key activities of the Group in 2022. In accordance with the adopted criterion, risks whose assessment showed a high impact were tested. An important role in the impact assessment process is played by e.g. implementation of adaptive measures developed in the PGE Capital Group, increasing the stability of power systems by applying solutions more resistant to weather conditions, e.g. a cabling program (replacement of overhead transmission networks with cables placed in the ground), preventive management of key infrastructure elements affecting business continuity, insurance in the event of events related to weather phenomena or precise analyzes of areas for new investments.

IMPACT OF TRANSITIONAL CLIMATE RISKS ON OPERATIONS

Transformational climate risks in the PGE Capital Group relate primarily to areas affecting the change towards achieving climate neutrality planned by 2050, i.e., among others: requirements and regulations of existing products and services (policy and law), replacement of existing products and services their low-emission counterparts (technology area) and stakeholder concerns/negative opinions (reputation area).

Examples of risks from the above areas by category:

POLITICS AND LAW

Climate regulations have a direct impact on energy companies. PGE Capital Group companies, like other entities in the energy sector, are exposed to risks and threats resulting from the nature of their operations and functioning in a specific market and regulatory and legal environment. The PGE Capital Group operates in an environment that is significantly influenced by domestic and foreign regulations. The risk of current regulations is particularly important in the context of raising capital, subsidies and support from aid funds.

The PGE Group undertakes a number of activities related to the monitoring of available sources of support, reliable preparation of application documentation and the use of expert know-how. The PGE Capital Group has extensive experience in obtaining preferential support, and has the knowledge and staff to successfully implement this process.

ARISING REGULATIONS

The arising regulations are important from the point of view of implementing the Strategy and supporting the effective transition to low- and zero-emission technologies. The PGE Capital Group strives to fully use the available financing options for green investments. Emerging regulatory changes, such as support for EU infrastructure to stimulate sustainable investment, the inclusion of non-financing, penalties for climate-negative transactions, may raise significant risks. These changes will affect the credit risk and may affect the financial flows generated by assets belonging to the PGE Capital Group and thus affect their income value.

The risk of rising costs of greenhouse gas emission allowances, including the reduction of the limit of free emission allowances for the heating sector, reduces the ability to finance low- and zero-emission investments.

The PGE Capital Group systematically takes steps to reduce greenhouse gas emissions. Decarbonisation of generation assets will intensify along with the implementation of the new Strategy of the PGE Capital Group. As a result, the Group's contribution to avoiding CO₂ emissions by 2030 is to amount to 120 million tonnes. At the same time, pro-environmental investments are the core of the PGE Capital Group's investment activities. In addition, the Group invests in the modernisation of assets and development investments, including the optimisation of combustion processes and the introduction of solutions aimed at improving production efficiency, higher efficiency of fuel and raw material consumption, and reducing the energy intensity of production processes and internal needs.

TECHNOLOGY

A permanent reduction in emission intensity is to be achieved in the PGE Capital Group by changing the generation technology, investing in new technologies, expanding the portfolio of renewable energy sources, developing the circular economy and enabling customers to participate in the energy transformation. Technological risk also includes the selection of optimal and effective new technologies, the use of the potential

by the PGE Capital Group. By 2030, the share of low- and zero-emission sources in the Group's generation portfolio is to reach 85%, and renewable energy sources will account for 50% of the generated energy. The PGE Capital Group strives to achieve climate neutrality by 2050.

REPUTATION

Reputation risk in the case of the PGE Group is very important, because the energy sector plays an important role in supporting the effective transition to a low-carbon economy, and ultimately a zero-carbon one. As a transformation leader, the PGE Group focuses on reducing its impact on the natural environment. A permanent reduction in emission intensity is to be achieved by changing the generation technology, expanding the portfolio of renewable energy sources and enabling customers to participate in the energy transformation by offering them attractive products. Lack of due attention to the low-carbon economy and ESG issues can cause problems with access to capital.

In order to reduce the risk, a Team for calculating the PGE Group's carbon footprint was established in the PGE Capital Group, a joint initiative was established within the Polish Society of Industrial CHP plants to develop a sector guide for a uniform approach to the carbon footprint of power plants, CHP plants, including heat transmission and distribution, and for activities in the field of electricity distribution, staffing of organisational units involved in processes related to reporting, decarbonisation and risk assessment was increased.

4. Electricity market and regulatory and business environment

4.1. Macroeconomic environment

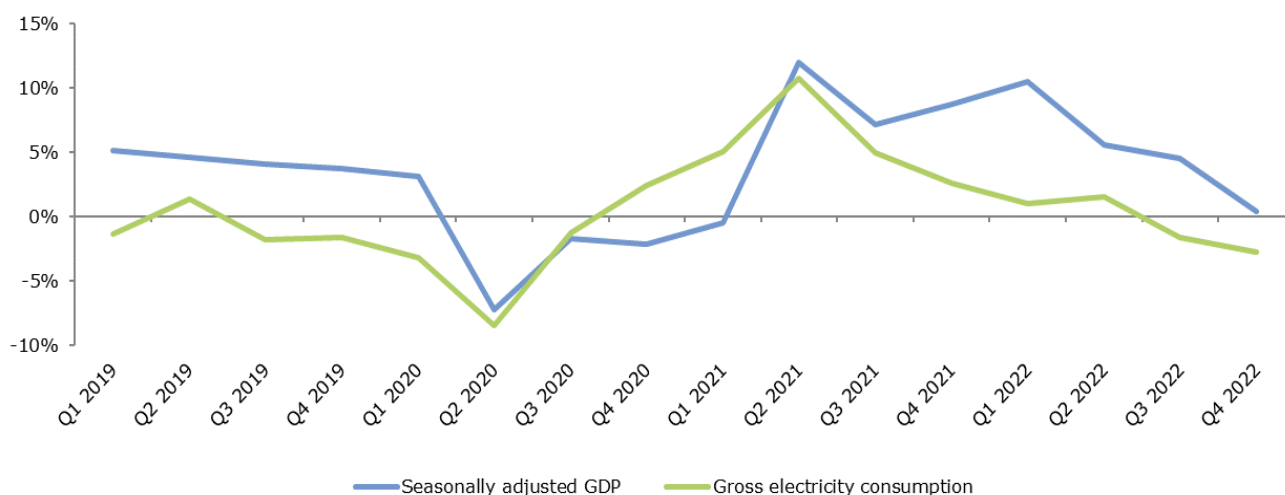
PGE Group's main operating area is Poland, and the domestic macroeconomic backdrop has a substantial impact on Group's results. At the same time, the condition of Poland's economy remains largely tied to the situation across the European Union and in global markets. The Group's financial results are affected by both the situation in specific segments of the economy and the financial markets, which affect the terms of PGE Group's debt financing.

As a rule of thumb, there is a historical correlation between change in electricity demand and change in the rate of economic growth in Poland. Considering PGE Group's position on the Polish power generation market, as well as its substantial share in the electricity sales and distribution market, changes in power and heat demand may have a significant impact on the Group's results.

Gross electricity consumption in 2022 decreased by approx. 0.53% y/y. This is the reversal of the up-trend in demand for electricity in Poland recorded in 2021. The considerable rise in electricity demand in 2021 was due to the economic rebound associated with overcoming the negative effects of COVID-19. The decline in demand in 2022 is due to the high prices of energy carriers and uncertainty in the economy.

The Polish economy entered year 2022 accelerated and positive trends were maintained for most of the first quarter of 2022. Russia's aggression against Ukraine on February 24, 2022 caused the Polish economy to suffer negative consequences resulting from, inter alia, disrupted supply chains. A very good economic start to 2022 had a positive impact on the GDP result in the first quarter 2022. According to the Statistical Office of Poland¹, Poland's GDP growth in the first quarter of 2022 amounted to 10.5% y/y, which is an improvement from Q1 2021, when GDP decreased by 0.5% y/y. Poland's economy slowed slightly in the second quarter of 2022, with GDP standing at 5.6%. This deterioration is primarily associated with lower growth in consumer spending, a slowdown in construction and stagnation in retail trading. Seasonally-adjusted GDP (at constant prices and reference year 2015) grew by 1% in real terms in the third quarter of 2022, compared to the previous quarter, and was 4.4% higher than in the previous year, which means that this is an economic slowdown. Despite this, Poland managed to avoid a technical recession, which occurs when GDP falls two quarters in a row. The year ended with a GDP growth rate of 4.9% at previous year's constant prices.

Chart: Seasonally adjusted GDP change vs. change in domestic gross electricity consumption.



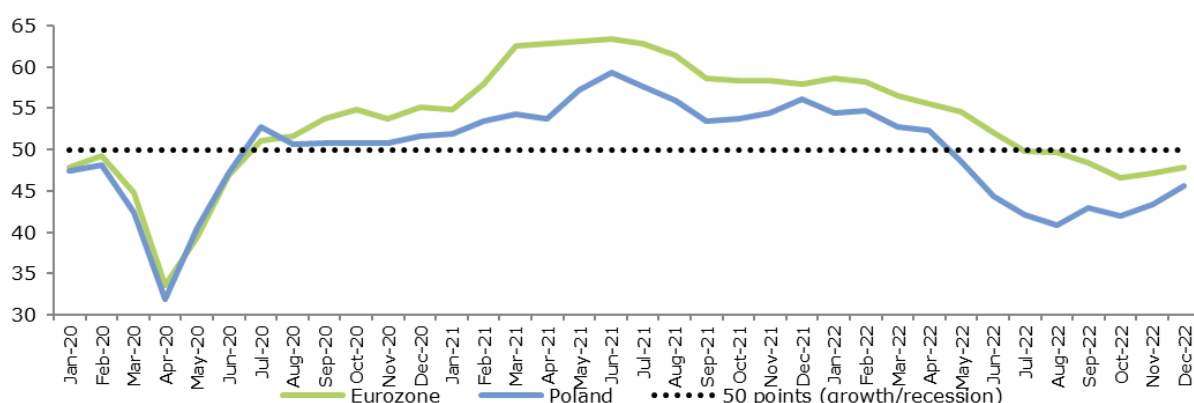
Source: Central Statistical Office of Poland, Polskie Sieci Elektroenergetyczne S.A. (PSE S.A.)

¹ Values of quarterly GDP estimates for years 2010 – 2021 and Q1 and Q2 2022 were adjusted by the Central Statistical Office of Poland in November 2022.

The Purchasing Managers' Index (PMI) reflects the negative impact of Russia's aggression against Ukraine. Increasing geopolitical tensions and rising inflation rates have led to a decline in new orders and industrial production, which has translated into a drop in business optimism visible in period from January to August

2022. The PMI for Polish industry recorded a slight increase from September 2022 but still remained below the level of 50.0 points. A score below 50.0 points means that the surveyed managers do not expect the sector to improve. The surveyed companies reported unfavourable market conditions related to uncertainty and budget pressures caused by high inflation. Exports also declined for similar reasons, with demand for Polish products falling mainly in Germany. The outbreak of war had a destabilising effect on the situation in Polish industry. Production and new orders declined, trade with countries from across the eastern border was severely curtailed. The situation of Polish industry was also adversely influenced by rising fuel and energy prices, unfavourable exchange rate movements and cost inflation. This translated into a nearly 13% decline in the average PMI for 2022 compared to 2021. At the end of 2022 PMI amounted to 43.4 points. Polish industry is also affected by the condition of industry in the Eurozone, where the PMI for 2022 decreased by almost 12% y/y and averaged 52.9 points. Also in the Eurozone, the rising economic activity of early 2022 was partially stopped by Russia's aggression against Ukraine, as reflected by the continued down trend of PMI: from 58.7 in January 2022 to 47.1 points at the end of 2022. Pessimistic business sentiment is mainly due to disrupted supply chains and market restrictions, as well as high fuel and electricity prices.

Chart: Manufacturing PMI in Poland and Eurozone (in points).



Source: Markit Economics

The value of industrial production sold in December 2022 was 1.0% higher than in December 2021. On the other hand, for the whole of 2022, industrial production sold was 10.2% higher than in 2021, when an increase of 14.8% on the corresponding period of the preceding year had been recorded. The overall good result for 2022 was primarily driven by a reversal in the downtrend for industrial production sold in the third quarter of 2022. Compared to December previous year, December 2022 saw an increase in the production of capital goods (by 10.7%), non-durable consumer goods (by 8.5%). There was a decrease in the production of energy-related goods (by 11.9%), durable consumer goods (by 7.9%) and supply goods (by 2.5%).

4.2. Market environment

SITUATION IN THE NATIONAL POWER SYSTEM (NPS)

Table: Domestic electricity consumption (TWh).

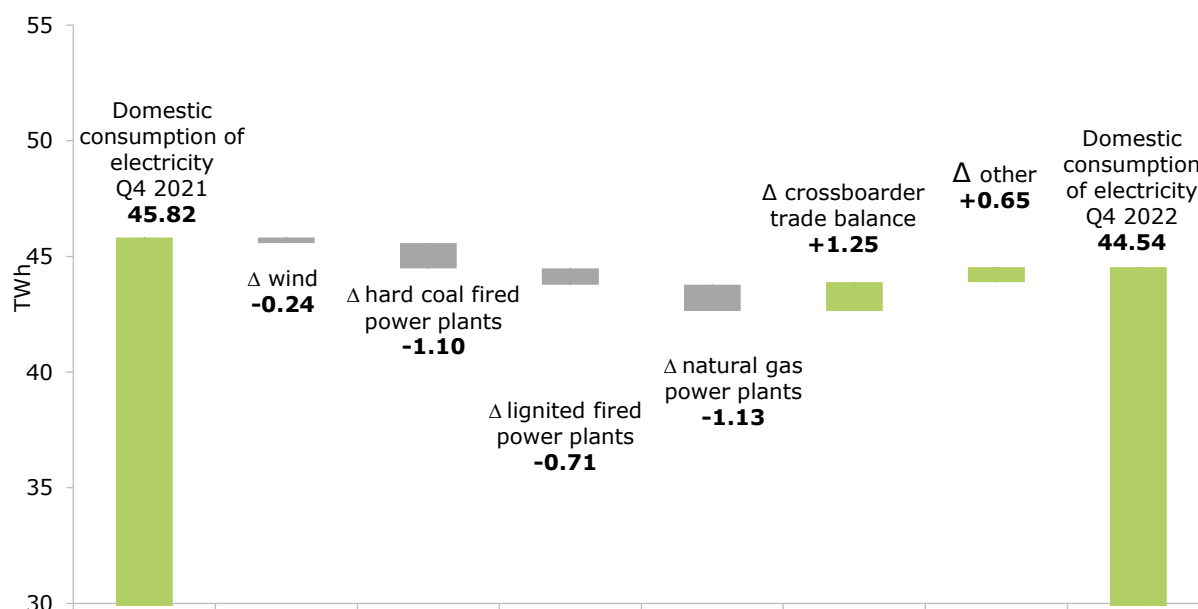
	Q4 2022	Q4 2021	% change	2022	2021	% change
Domestic electricity consumption, including:	44.54	45.82	-3%	173.48	174.40	-1%
Wind farms	4.73	4.97	-5%	18.31	14.23	29%
Industrial thermal hard-coal fired power plants	23.99	25.09	-4%	87.76	93.04	-6%
Industrial thermal lignite fired power plants	11.42	12.13	-6%	46.98	45.37	4%
Industrial gas-fired power plants	2.72	3.85	-29%	10.00	13.36	-25%
International exchange balance	-0.18	-1.43	-	-1.68	0.82	-
Other (hydro power plants, other RES)	1.86	1.21	54%	12.11	7.58	60%

Source: PSE S.A. data.

Q4 2022

In the fourth quarter of 2022, domestic electricity consumption declined by 1.3 TWh compared to the base period, mainly due to a slowing economy as a result of the on-going conflict in Ukraine and in connection with higher average daily temperatures y/y. As a result of deteriorating wind conditions, wind-based generation fell by 0.2 TWh compared to the same period last year. In the fourth quarter of 2022, Poland was a per-quarter energy exporter, similar to the fourth quarter of the previous year, but overall exports were lower by approx. 1.3 TWh. There was a decrease in production in hard coal-fired power stations (-1.1 TWh) due to disruptions in coal supplies to Europe and decrease in energy production in utility-scale lignite-fired power stations (-0.7 TWh) due to lower domestic consumption of electricity. In addition, rising fuel prices reduced generation based on natural gas (-1.1 TWh).

Chart: Energy balance in the NPS – Q4 2022 (TWh).

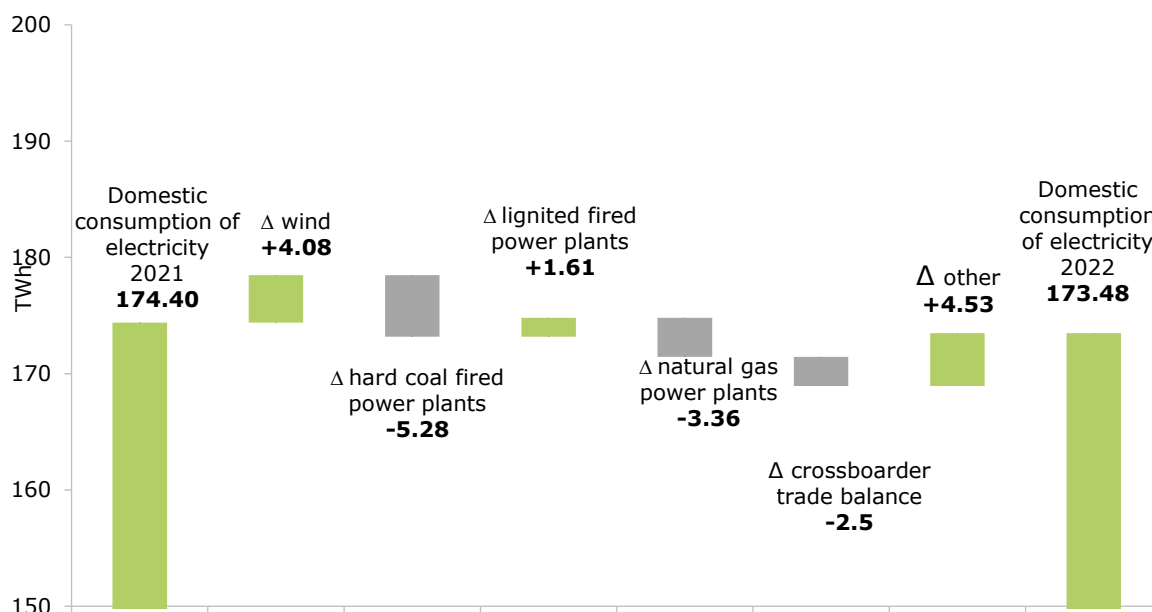


Source: own work based on data from PSE S.A.

2022

On a cumulative basis, domestic energy demand declined by 0.9 TWh compared to the base year. There was significantly higher wind generation, which increased by 4.1 TWh y/y. As a result of the price difference on cross-border interconnectors, the direction of trade changed - we went from being an importer in 2021 to an exporter in 2022 (a change of 2.5 TWh). Additionally, due to lower generation from hard coal-fired power stations (-5.3 TWh), higher generation from utility-scale lignite-fired power stations (+1.6 TWh) was needed to balance the power system. There was also a higher level of other generation units (+4.5 TWh), mainly due to higher generation from photovoltaics.

Chart: Energy balance in the NPS – cumulative (TWh).



Source: own work based on data from PSE S.A.

ELECTRICITY PRICES – DOMESTIC MARKET

DAY-AHEAD MARKET (RDN, SPOT MARKET)

Market/measure	Unit	Q4 2022	Q4 2021	% change	2022	2021	% change
RDN – average price ¹	PLN/MWh	776	623	25%	796	401	99%
RDN – trading volume	TWh	7.93	8.12	-2%	31.05	33.89	-8%

¹ Data from TGE, include weighted average monthly BASE prices

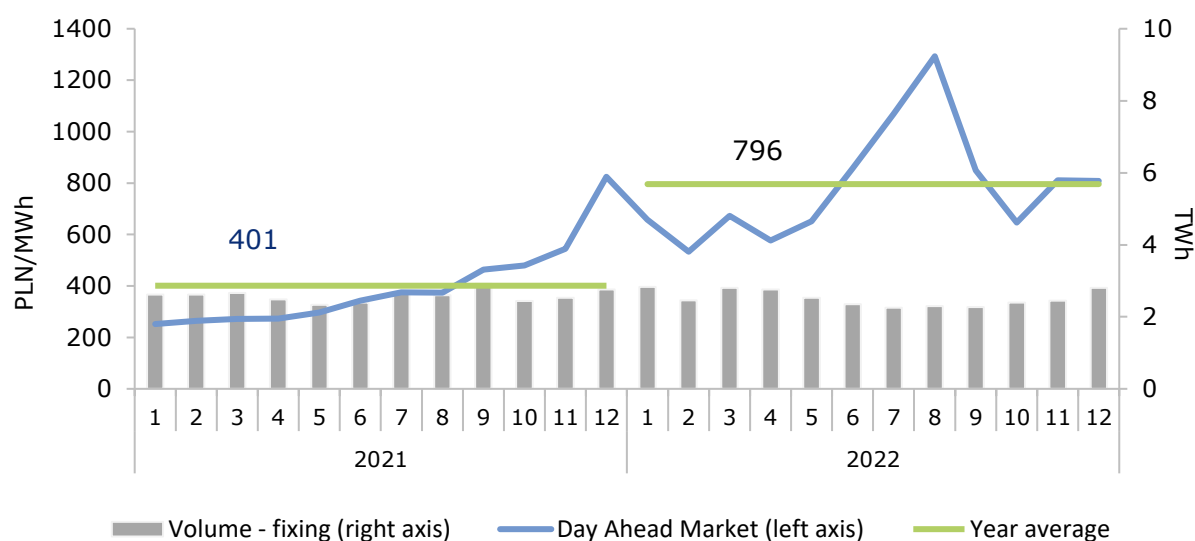
ANALYSIS – SELECTED PRICE FACTORS AFFECTING RDN QUOTATIONS

Factor	Unit	Q4 2022	Q4 2021	% change	2022	2021	% change
CO ₂ emission rights	EUR/t	77.38	68.16	14%	80.85	53.87	50%
Polish Steam Coal Market Index PSCMI-1	PLN/GJ	25.26	11.35	123%	19.77	11.42	73%
Wind generation NPS	TWh	4.73	4.97	-5%	18.31	14.23	29%
Ratio: wind generation/ NPS consumption	%	11%	11%		11%	8%	
Ratio: international trading/ NPS consumption	%	-	-		-	0%	

In the fourth quarter of 2022, the average electricity price on the day-ahead market was PLN 776/MWh and was higher by 25% than average price (PLN 623/MWh) in the analogous period of the previous year. The increase in energy prices resulted mainly from higher cost of CO₂ emission rights, higher prices of raw materials and their significantly limited supply, what is connected with the ongoing war in Ukraine.

In whole year 2022 the average electricity price on the day-ahead market was PLN 796/MWh, i.e. higher by 99% than average price (PLN 401/MWh) in the previous year. The increase in prices was related to the situation in the related products markets – average price of CO₂ emission rights in 2022 was higher by 50% y/y and amounted to EUR 81/t. Average PSCMI-1 in 2022 was at PLN 20/GJ, i.e. higher by 73% y/y. On the other hand, the decrease in the level of demand by 0.9 TWh y/y was a factor inhibiting more dynamic price increases.

Chart: Average monthly prices on the day-ahead market in 2021-2022 (TGE).¹



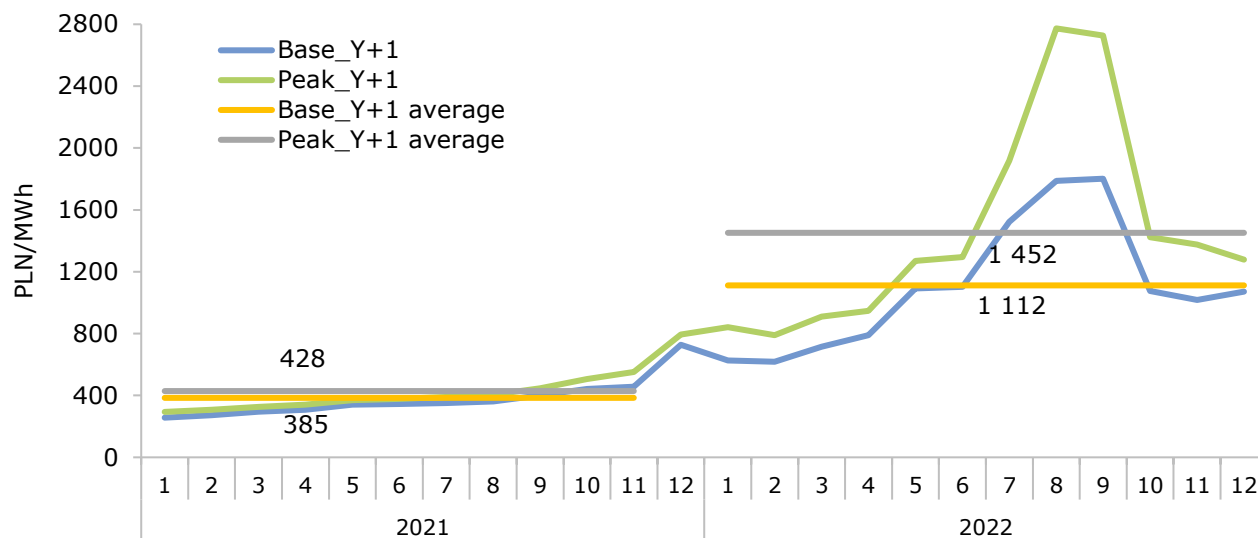
¹ Average monthly RDN prices calculated on the base of hourly quotations (fixing).

FORWARD MARKET

Market/measure	Unit	Q4 2022	Q4 2021	% change	2022	2021	% change
BASE Y+1 – average price	PLN/MWh	1 057	515	105%	1 112	385	189%
BASE Y+1 – trading volume	TWh	9.22	28.35	-67%	61.36	104.44	-41%
PEAK5 Y+1 – average price	PLN/MWh	1 339	567	136%	1 452	428	239%
PEAK5 Y+1 – trading volume	TWh	0.87	3.48	-75%	5.81	12.38	-53%

Electricity prices on forward market are shaped by the similar fundamental factors, as the prices on the Day-Ahead Market described above. The primary factor for the price increase was a significantly reduced supply, linked to the lower availability of hard coal. The high increase in the price of CO₂ allowances was also an important factor.

Chart: Average monthly prices on the forward market in 2021-2022 (TGE).¹

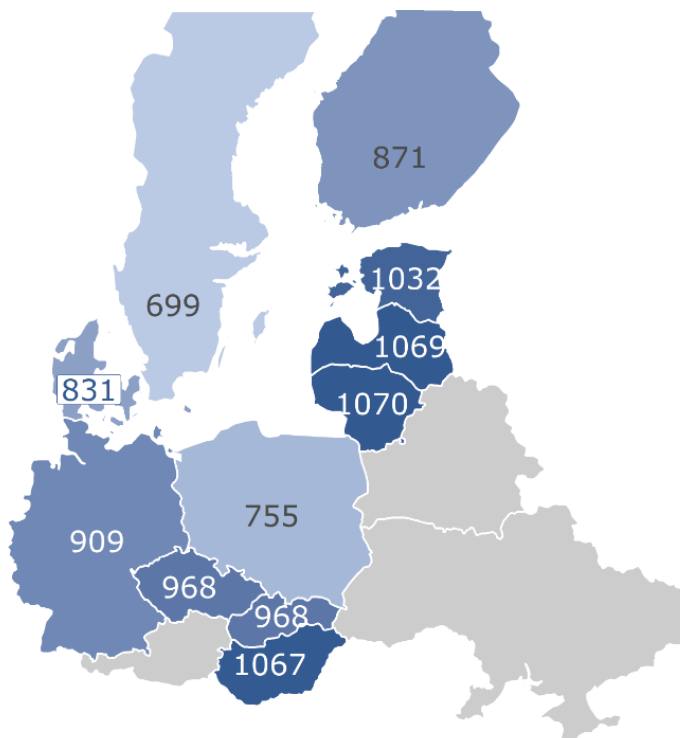


¹ Monthly average index level for forward contracts for the next year (Y+1), baseload and peak, weighted by the trading volume.

ELECTRICITY PRICES - INTERNATIONAL MARKET

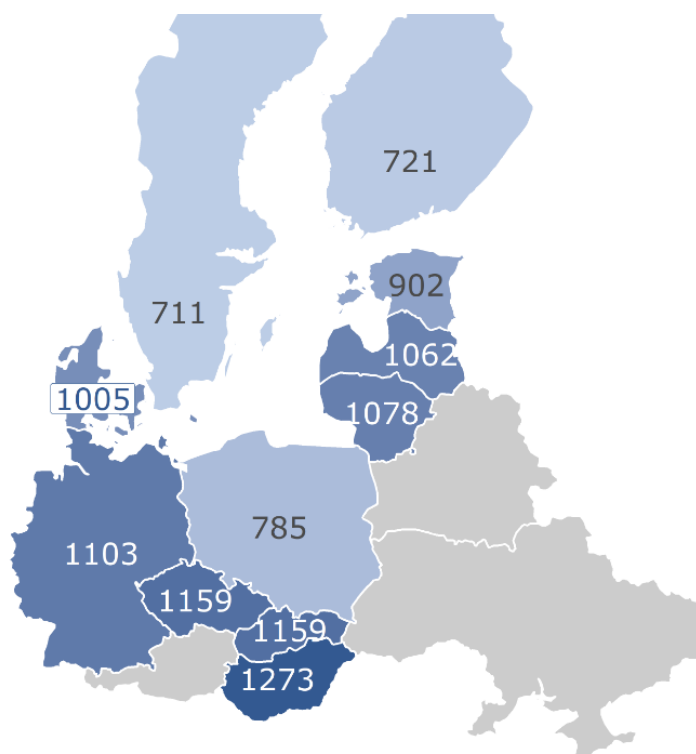
WHOLESALE MARKET (COMPARISON OF DAY-AHEAD MARKETS)

Chart: Comparison of average electricity prices on Polish market and on European markets in the fourth quarter of 2022 (prices in PLN/MWh, average exchange rate EUR/PLN 4.73).



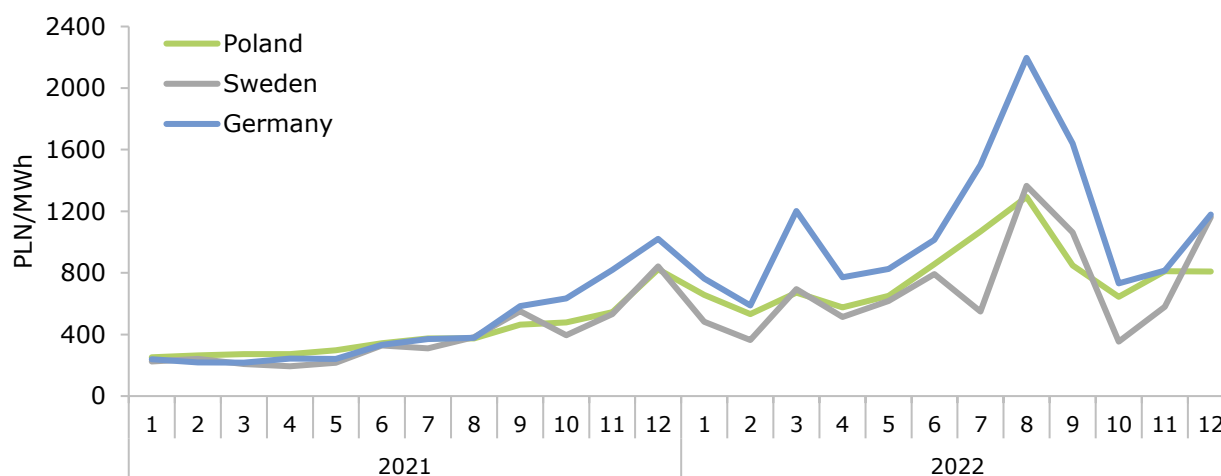
Source: TGE - RDN price level calculated on the basis of hourly quotations (fixing), EEX, Nordpool

Chart: Comparison of average electricity prices on Polish market and on European markets in 2022 (prices in PLN/MWh, average exchange rate EUR/PLN 4.69).



Source: TGE - RDN price level calculated on the basis of hourly quotations (fixing), EEX, Nordpool

Chart: Evolution of spot market prices.



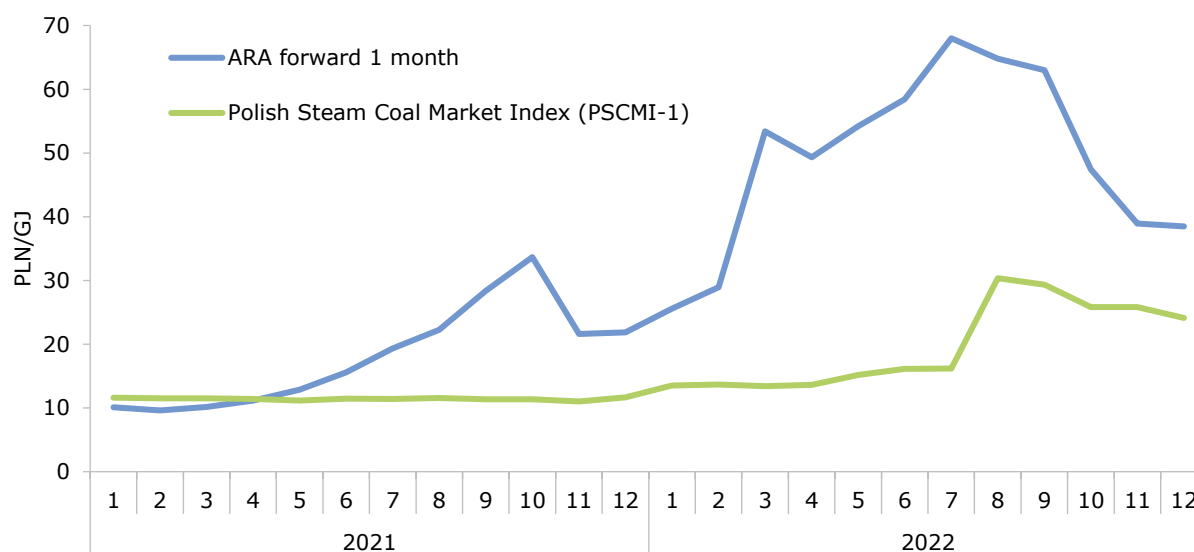
Source: TGE, EEX, Nordpool

In the fourth quarter of 2022, the y/y increase in prices on neighbouring markets ranged between PLN 52 and PLN 387/MWh, whereas in Poland the average price level increased by PLN 138/MWh y/y (increase by approx. 22%). The low correlation of energy prices results from differences in the technological mix (share of renewable energy sources) and the situation on the markets for related products. The price spread between Poland and its neighbouring countries is also due to differences in realised coal prices at home and abroad. The price of hard coal in ARA ports rose by 62% y/y in the fourth quarter, while the domestic pulverised coal price index, PSCMI-1, increased by 123% over the same period.

On an annual basis, average energy prices in the neighboring markets increased in range PLN 342-753/MWh y/y, whereas in Poland the average price level increased by PLN 387/MWh y/y (approx. 97%). The price spread

between Poland and its neighbouring countries was largely due to differences in realised coal prices and natural gas at home and abroad.

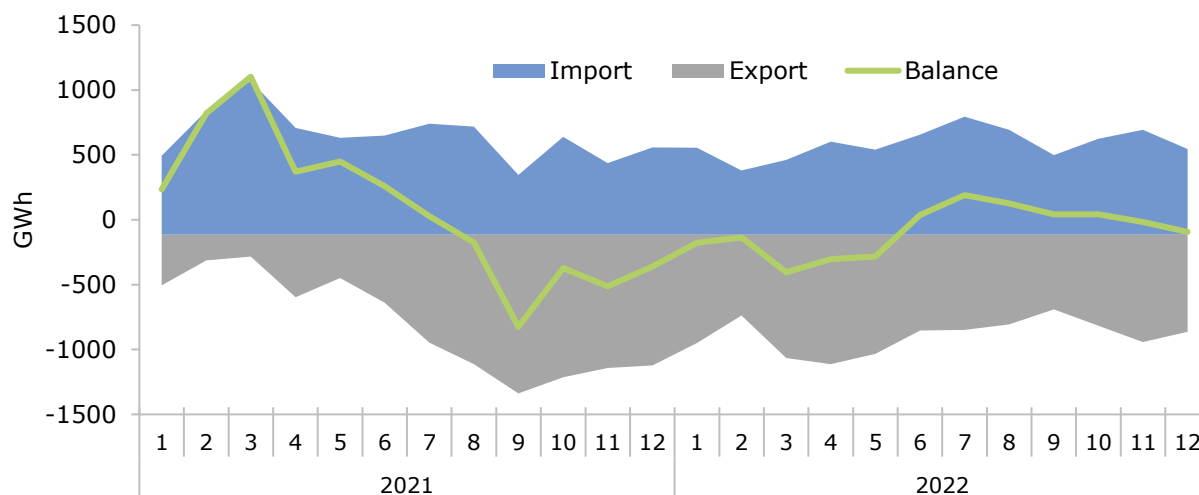
Chart: Hard coal indices ARA vs PSCMI-1¹¹.



Source: ARP, Bloomberg (API21MON OECD Index), own work.

INTERNATIONAL TRADING

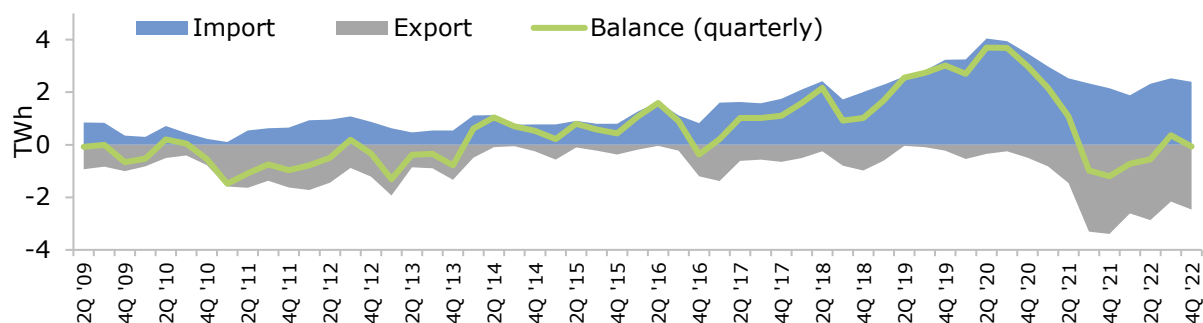
Chart: Monthly imports, exports and cross-border exchange balance in 2021-2022.



Source: own work based on data from PSE S.A.

¹¹ The comparison is illustrative only. Methodologies of counting the ARA and PSCMI1 indexes are different. Among other things, the ARA index includes insurance and delivery costs. The PSCMI 1 is an ex-mine index without insurance and delivery costs. Standards for calculating the caloric values are also different (ARA – 25.12 GJ/t vs. PSCMI1 caloric value - range 20-24 GJ/t). The aim is to compare the trend and not the absolute level. For illustration purposes ARA index is recalculated from USD/t to PLN/GJ.

Chart: Quarterly trading volumes – import, export and international trading balance in years 2009-2022.



Source: own work based on data from PSE S.A.

Global increase in fuel prices (which translate into an increase in the costs of electricity production from natural gas and hard coal) translated into an increase in energy prices in neighbouring countries, which in turn increased electricity export from Poland to neighbouring countries.

In the fourth quarter of 2022, Poland was a net exporter of electricity, with a trade balance of -0.1 TWh (imports 2.4 TWh, exports 2.5 TWh), up y/y by 1.3 TWh. Imports from Sweden (1.0 TWh) and Germany (0.9 TWh) had the greatest impact on the trade balance. At the same time, we exported the most electricity to Slovakia (1.4 TWh) and Lithuania (0.4 TWh).

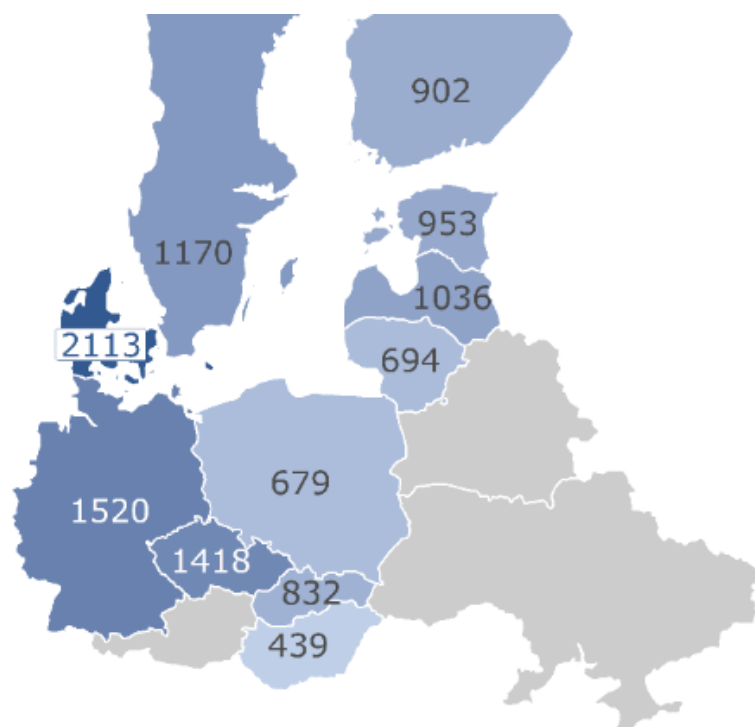
In 2022, the trade balance had a per export direction and amounted to -1.0 TWh (imports 9.1 TWh, exports 10.1 TWh). The largest contribution to the trade balance came from imports from Sweden (3.9 TWh), Germany (1.8 TWh) and Lithuania (1.7 TWh). At the same time, we exported the most electricity to Slovakia (5.4 TWh) and Germany (2.7 TWh).

RETAIL MARKET

The diversity of electricity prices for retail customers in the European Union depends both on the level of the wholesale prices of electricity and fiscal system, regulatory mechanism and support schemes in particular countries. In Poland in the first half of 2022¹² an additional burden (over sale price and cost of electricity distribution) for individual customers accounted for 38% of the electricity price. For comparison, in Denmark the proportion of additional charges in the price of electricity exceeded 48%.

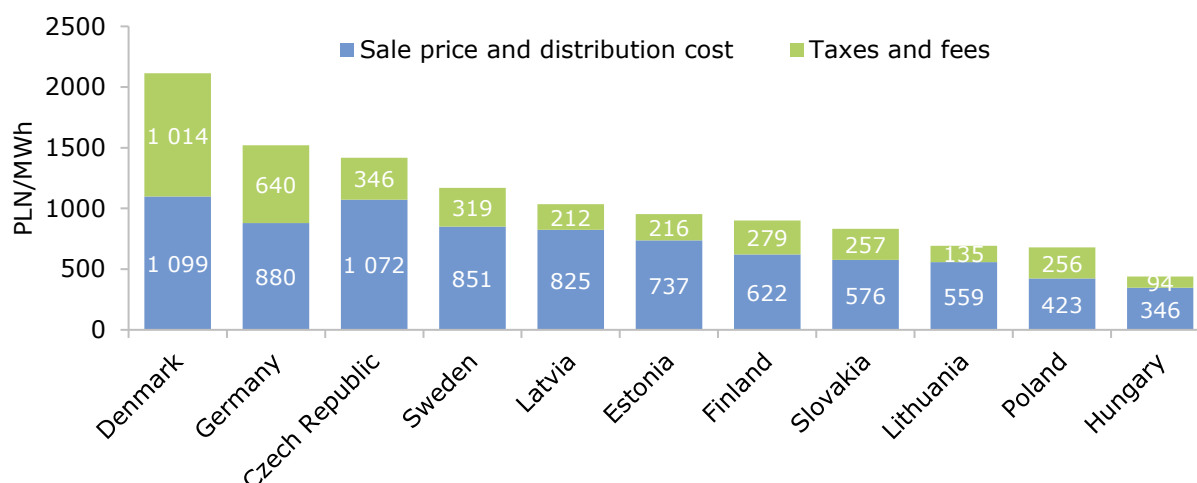
¹² Eurostat data on retail market are published in semi-annual intervals.

Chart: Comparison of average prices for individual customers in selected EU countries in the first half of 2022 (prices in PLN/MWh, average exchange rate EUR/PLN 4.63).



Source: own work based on Eurostat data.

Chart: The share of additional charges in electricity prices for the individual customers in selected EU countries in the first half of 2022 (prices in PLN/MWh, average exchange rate EUR/PLN 4.63).



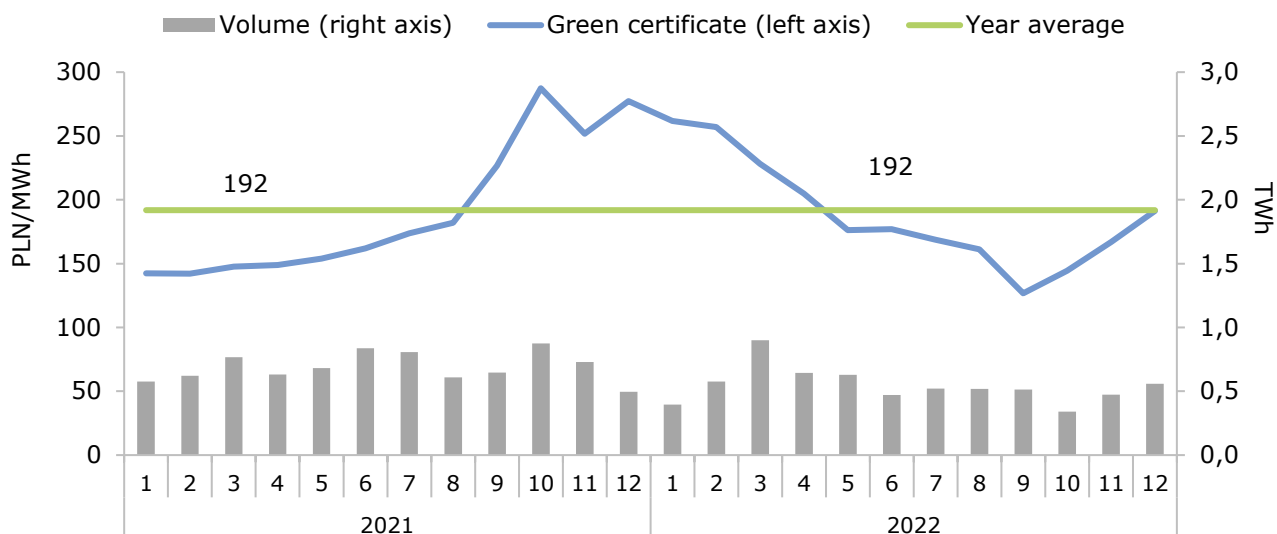
Source: own work based on Eurostat data.

PRICES OF CERTIFICATES

In the fourth quarter of 2022 the average price of green certificates (index TGE_{oea}) reached PLN 173/MWh and was lower by 37% compared to the analogical period of the previous year. An obligation to redeem green certificates changed as compared to 2021 (19.5%) and stood at 18.5% for 2022. The average price of green certificates in 2022 amounted to PLN 192/MWh and was at the same level as in 2021.

A regulation was published in July 2022 on the level of the green certificate redemption obligation for 2023. In 2023 the obligation level is set at 12%.

Chart: Average quarterly prices of green certificates (TGEozea).



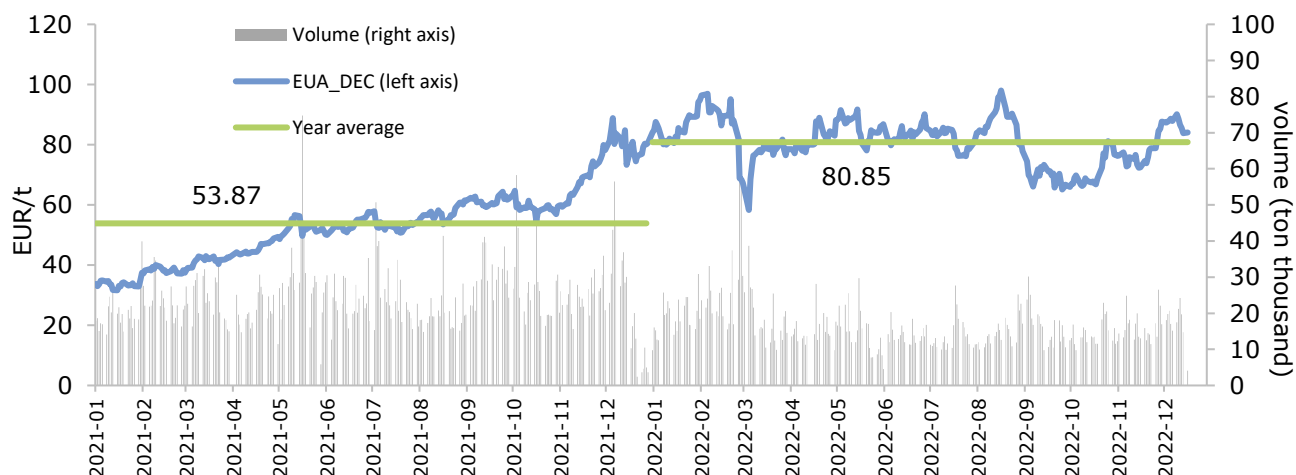
Source: Own work based on TGE quotations.

PRICES OF CO₂ EMISSION RIGHTS

EUA (European Union Allowances) prices are one of the key factors determining wholesale energy prices and PGE Group's financial results. Installations emitting CO₂ in the process of electricity or heat production bear the expenses for purchasing EUA allowances to cover the deficit (i.e. the difference between CO₂ emissions at PGE Group's generating units and the free-of-charge allowances received under derogation in accordance with the National Investment Plan). Wherein, last allocations granted free of charge were planned for realisation of investment tasks for 2019. It means that the free allocations for electricity generation, in accordance with the currently used method, ended when 2019 allowances were received.

In the fourth quarter of 2022 the weighted average price of EUA DEC 22 was EUR 77.38/t and was higher (by approx. 14%) than the average price of EUR 68.16/t for the EUR DEC 21 instrument in the similar period of the previous year. In the whole year 2022 the weighted average price of EUA DEC 22 was EUR 80.85/t and was 50% higher y/y than the average price of EUR 53.87/t for the EUR DEC 21 instrument in the previous year.

Chart: Prices of CO₂ emission rights.



Source: own work based on ICE exchange quotations

4.3. CO₂ emission rights granted free of charge

In accordance with Commission Implementing Regulation (EU) 2019/1842 of October 31, 2019 laying down rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards further arrangements for adjustment of the allocation of free CO₂ emission allowances due to changes in activity levels, the competent authority may suspend the issuance of free emission allowances to an installation until it is determined that there is no need to adjust the allocation to that installation or the Commission has adopted a decision concerning adjustments to the allocation to that installation.

In national legislation, the Act on the Greenhouse Gas Emission Trading Scheme introduced an additional condition for the issuance of emission allowances to installations. According to the general rules, allowances are issued by February 28 each year, however, in the case of installations, the issue of emission allowances takes place after the submission of an activity level report and the publication of information in the Public Information Bulletin on the website of the office serving the Minister of Climate and Environment. According to the Commission Regulation, activity level reports are submitted by March 31 each year, hence on April 8, 2022 emission allowances were issued to the accounts of the operators of installations in the Union Registry in accordance with the publication in the Public Information Bulletin of the Ministry of Climate and Environment on April 7, 2022. Entities whose reports were still being verified by the EC received allowances on April 28, 2022.

Table: Emission of CO₂ compared to the allocation of CO₂ emission allowances for 2022 (in tonnes).

Product	CO ₂ emissions in 2022	Allocation of CO ₂ emission rights for 2022 ¹
Electricity and heat	70 010 418	633 258

¹ Allowances for heat production.

4.4. Competitive environment

The electricity sector in Poland comprises four operating segments:

- generation of electricity,
- transmission, responsibility of the TSO – PSE S.A.,
- dystrybucja,
- sprzedaż detaliczna.

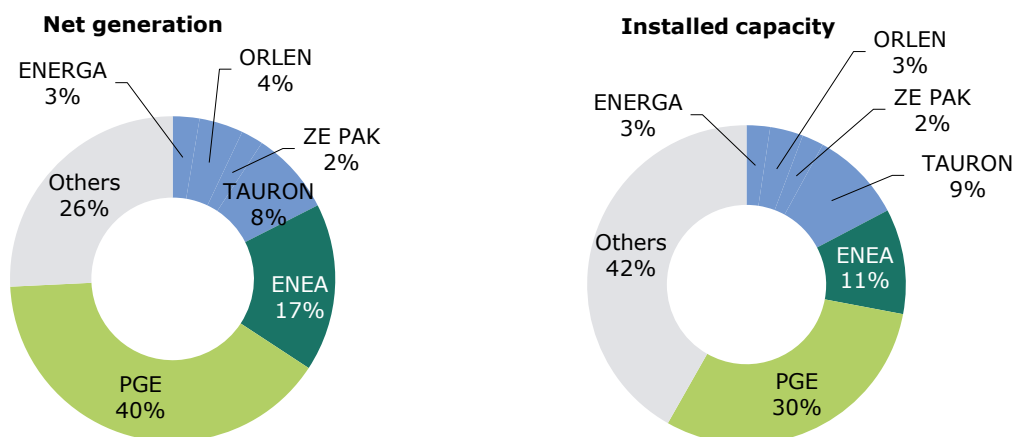
District heating sector may be also distinguished, within which PGE Group is active in heat generation, distribution and sales.

The key participants of the electricity market in Poland are four nationwide, vertically integrated energy concerns: PGE, TAURON Polska Energia S.A., ENEA S.A. and ENERGA S.A., which was acquired by PKN Orlen in 2020.

PGE Group is the undisputed leader in electricity generation with a market share of more than 40%. The Group produces more electricity than all of the competitors on the consolidated market combined, whilst having the largest achievable capacities, both conventional and renewable. Aside from integrated energy groups, significant producers on the market include PKN Orlen S.A., ZE PAK S.A. ("ZE PAK"), and PGNiG Termika S.A., since November 2022 in the PKN Orlen Group. While ZE PAK's production is based on industrial plants, PKN Orlen's and PGNiG's production is based on cogeneration units generating electricity together with heat.

In 2022 50% of the electricity produced in the country was hard coal-based - and this is a key fuel for PGE Group's competitors. Approximately 27% of the electricity produced in Poland was lignite-based. Aside from PGE Group, ZE PAK also bases its electricity production on lignite. The market share of renewable energy sources increased. Wind farms as well as photovoltaic installations have respectively approx. 10% and 5% share in electricity generation.

Chart: Estimated share of largest Polish electricity generators in installed capacity and net generation after three quarters of 2022.



Source: own work based on information published by the companies and Agencja Rynku Energii S.A. ("ARE").

Energy production from renewable sources is much more dispersed than the conventional generation market. In the previous year wind photovoltaics was the most dynamically developing sector. As of the end of December 2022, this technology had the largest share in total installed RES capacities – 12.2 GW, although the vast majority of installations (8.8 GW) belonged to approx. 1.2 million prosumers. The development of photovoltaics is an element of PGE Group's investment plan, which sees the construction of approx. 3 GW in capacity by 2030. So far, PGE Energia Odnawialna has secured approx. 3.5 thousand hectares of land for the purpose of building farms with a capacity of almost 2 GW. Moreover, in 2022 the company received approvals for the implementation of new projects with a total capacity of more than 250 MW. PGE Group remains the entity with the highest installed wind capacity – 772 MW and has over 9% share in total wind capacity installed

in Poland. Other notable wind farm operators include EDP Renewables Polska sp. z o.o., RWE Renewables Poland sp. z o.o., Polenergia S.A., TAURON Ekoenergia sp. z o.o. and PKN Orlen.

Offshore wind farms are an emerging RES segment in Poland. In the system's first phase, support is awarded by way of an administrative decision issued by the President of the Energy Regulatory Office, and from 2025 offshore wind farms projects will be able to participate in the auction system. In December 2022, the President of the Energy Regulatory Office issued decision in case of individual prices in contracts for difference for two offshore projects Baltica 2 and Baltica 3 with a total capacity of 2.5 GW which are being implemented jointly by PGE and Ørsted (JO).

Growth in the market prices of energy allows for the development of RES investments also outside the support system, based on PPAs.

In the distribution area, the country is divided into regions, with four large distribution system operators (the "DSO") on the market, who are required to carve out distribution activities from their other business: PGE Dystrybucja S.A., TAURON Dystrybucja S.A., Enea Operator sp. z o.o. and Energa-Operator S.A.

Aside from the above-mentioned energy groups, another significant entities include Stoen Operator sp. z o.o. (company from E.ON Group, previously innogy Stoen Operator sp. z o.o.), responsible for electricity distribution in Warsaw, as well as PKP Energetyka S.A. managing the railway electric network throughout the country (in December 2022 PGE S.A. signed preliminary agreement for acquisition of PKPE Holding sp. z o.o., and indirectly of 100% shares in PKP Energetyka S.A.).

A historical division of the distribution areas has substantial impact on the operating conditions of the business, and this specific situation is reflected in the distribution tariffs approved by the URE president. PGE Group operates in an area that is less urbanised and industrialised, meaning that it has approx. 5.7 million clients throughout an area of approx. 130 ths km² in the Distribution segment. For comparison, TAURON has a similar number of clients in an area nearly twice smaller and distributes a larger amount of energy.

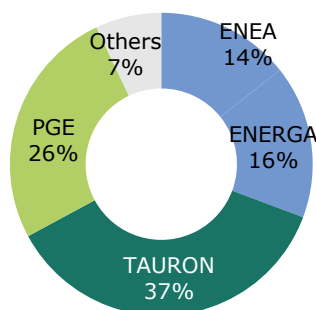
Chart: Areas of operation of Polish distribution system operators.



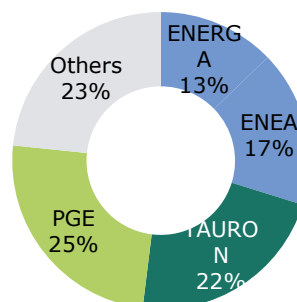
Source: own work.

Chart: Share of particular energy groups in volume of energy distributed and sales of electricity to final off-takers after three quarters of 2022.

Volume of distributed electricity



Sales to final off-takers



Source: own work based on information published by the companies, ARE and ERO.

In the retail segment, which covers sales to end customers – individual, small and medium enterprises as well as large industrial customers – most of the sales are conducted by the four largest energy groups and E.ON Polska S.A. (formerly innogy Polska S.A.). PGE Group and TAURON remain the leaders, having over 50% of the market. Both PGE Group and TAURON sell electricity to over five million clients. Despite a growing number of competitors in the segment, including companies for which electricity is not a core product, companies from outside the four largest Polish groups continue to control little market share. The leaders control almost 80% of the market, while other significant player is E.ON Polska S.A., based on sales connected with serving as distributor for the Warsaw area, as well as PKP Energetyka S.A.

The district heat production market in Poland is highly dispersed, with the four leading producers accounting for less than 40% of production countrywide. PGE Group is the undisputed leader of this market, too with a share at a level of approx. 20%. This market is of a local nature and bears the traits of a natural monopoly, with heating prices being set in an administrative procedure – tariffs approved by the President of the Energy Regulatory Office. The dominant producers focus their production activities in different urban areas therefore sector competition is limited and is local in nature. Besides PGE Group, the key producers of heat are:

- Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) - Warsaw agglomeration,
- Grupa Veolia - Poznań agglomeration, Łódź.

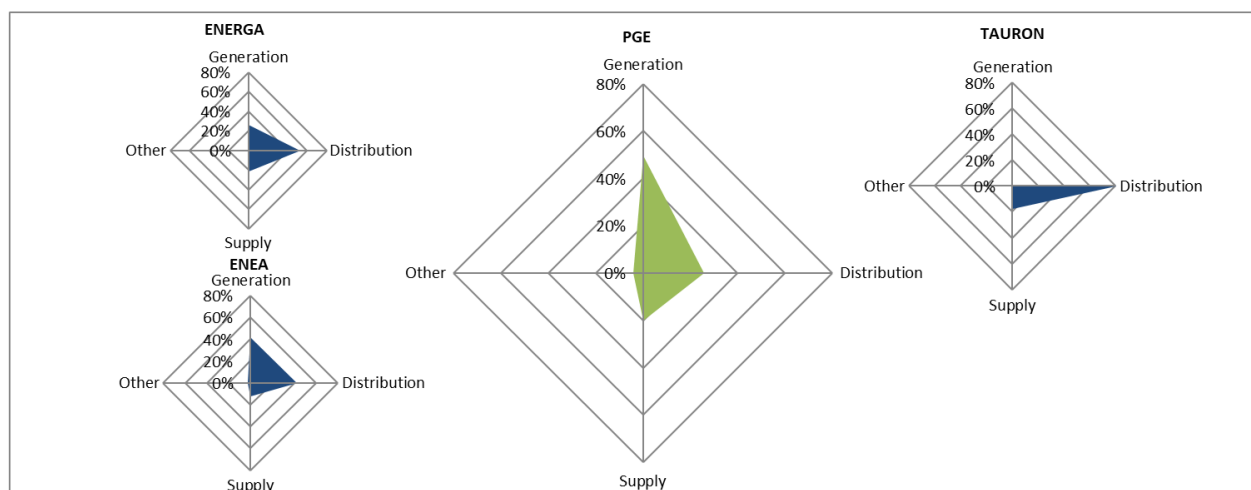
ENERGY GROUP PROFILES

The electricity sector is divided into segments, what is reflected in the operating segments of the respective energy groups. The generation and distribution segments play the largest role in creating the PGE Group's EBITDA. This allows to optimally deploy its competences and capitalise on opportunities arising in the generation area (both conventional and renewable) as well as in wholesale energy trade, whilst generating high and stable EBITDA on regulated activities.

With acquisitions of the Bogdanka mine and Połaniec power plant and the launch of a new unit at the Koźienice power plant, ENEA increased its share of EBITDA from the generation segment. This brought ENEA's profile closer to that of PGE Group.

A key feature of all the groups is a relatively small contribution of retail sales to operating profit, which is a result of sales margin levels, driven by strong competition in the segment.

Chart: Profiles of Polish energy groups (size of the chart is proportionate to share in the 9M 2022 EBITDA of respective business segments and the amount of total EBITDA).



¹ Generation - conventional and renewable generation, mining and district heating.


Source: Own study based on information published by companies.




4.5. Regulatory environment




PGE Group operates in an environment with a significant impact of domestic and foreign regulations. Presented below is a summary of the most significant decisions, which took place in period from January 1, 2022 until the publication date of this report and which could have an impact on PGE Group's operations in the coming years.


Legal regulations regarding the current rules for determining the prices of electricity and heat and the compensations due in this respect are described in chapter 7.1 of this report in the section Regulatory changes on the electricity market.



DOMESTIC REGULATORY ENVIRONMENT





Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	The bill on the amendment to the Energy Law and the Renewable Energy Sources Act. GLC list: UC74	<p>The draft act includes, in particular, proposals for provisions implementing into the Polish legal system Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal market in electricity and amending Directive 2012/27/EU.</p> <p>The draft expands on the directions of changes in regulations initiated in the act of May 20, 2021 on amendment of the act – Energy Law, and certain other acts. These include:</p> <ul style="list-style-type: none"> the technical ability to change electricity supplier within 24 hours, starting from 2026, implementation of civic institutions of energy communities, the customer's right to voluntarily and temporarily reduce electricity consumption ("DSR"), aggregation, contracts with dynamic electricity prices, definition of the aggregator's function on the electricity market, along with its tasks and authorisations, definition of demand response and active customer on the energy market, allow DSOs and TSOs to own certain energy storage installations, expand the Energy Regulatory Office's authority, regulations concerning system services, flexibility services and changes in balancing, <p>implementation of provisions introducing the separation of transmission and distribution</p>	The deadline for submitting comments was June 23, 2021 . On July 6, 2022 , the Council of Ministers Committee on Digitalisation approved the draft. The draft is at the stage of work in the European Affairs Committee at the Council of Ministers.	Referral for work in the Permanent Committee of the Council of Ministers.	The proposed solutions will have an impact on all of PGE Group's operating segments, especially the Supply and Distribution segments. The draft introduces or applies numerous EU laws addressing the electricity market, including directive 2019/944 on common rules for the internal market for electricity, and grid codes.



Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	The bill on the amendment to the Energy Law and the Renewable Energy Sources Act GLC list: UD162	activities from energy storage - (an energy system operator, with the exceptions provided for in the draft, cannot be the owner of and cannot build, operate or manage an energy storage system). The bill includes proposals for legislation to abolish the exchange obligation and to tighten liability for electricity market manipulations. The ERO President will have at their disposal appropriate tools to prevent abuses and attempted abuses in the electricity market. According to the explanatory memorandum to the bill, the abolition of the obligation is included in the Polish Electricity Market Reform Implementation Plan.	At a session on November 4, 2022 the Polish parliament adopted the act. On November 15, 2022 the bill was signed by the President of Poland.	The bill entered into force on November 29, 2022 .	The change to abolish the exchange obligation will have no adverse impact on the PGE Group's operations.
	Draft act on amendment of act on renewable energy sources and certain other acts. Sejm print no.: 1 382	The act introduces a change in the settlement method for renewable energy prosumers by replacing the current discount system, which provides for the possibility of storing energy in the grid and consuming it at any other time, with a net billing system, which means that energy is ultimately valued according to the value from the hour of generation and hour of consumption. Furthermore, the act requires prosumers entering the system from April 1, 2022 to pay a distribution fee (previously paid on behalf of prosumers by energy vendors). In order to enable vendors to settle with prosumers, the act requires DSOs to provide vendors with detailed metering information. Vendors will be required to provide detailed billing information to prosumers via a dedicated ICT system. The act also introduces the institution of collective prosumer (entered into force on April 1, 2022) and virtual prosumer (effective from July 2, 2024).	On December 14, 2021 the President signed the act. The act entered into force on April 1, 2022 , with the exception of provisions pertaining to the acquisition of the right to participate in the existing prosumer support system, which went into effect on December 22, 2021 and provisions concerning the virtual prosumer, which will enter into force on July 2, 2024 .	-	The draft is of key importance for the Supply segment, which currently has obligations to settle with prosumers and pay a distribution fee on their behalf to DSOs, and for the Distribution segment, which will be required to collect and compile metering data on prosumers.
	Draft act on amendment of the act on renewable energy sources and certain other acts Government Legislation Centre list: UC99	The act introduces amendments to several acts, including: Energy Law, Environmental Protection Law, in connection with heating going green, and other changes related to the necessity to implement directive RED II (regarding the promotion of the use of energy from renewable sources). Moreover, the act introduces new support systems for biomethane, to modernise RES installations and for existing RES installations to cover operating	The draft act was published for consultation on February 25, 2022 . It is currently the subject of internal work at the Ministry of Climate and Environment.	Referral to work in the Committee for European Affairs.	The draft is of significance for the Renewables segment, especially due to the possibility of using new support systems and for the District Heating segment in terms of increasing the use of heat generated from RES.




Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	Amendment of the act on investment in wind farms. GLC ref. no. UD207	expenses. The act also changes the definition of hybrid RES installations. Modification of rule 10H - mitigation by allowing municipalities to define in local spatial development plans (after consultation with local communities) a distance less than the statutory distance for wind farms from residential buildings, but not less than 500 m.	On December 15, 2021, the Joint Commission of the State Government and Local Government issued a positive opinion on the draft. In April 2022, the draft was transferred from the Ministry of Development and Technology to the Ministry of Climate and Environment. On July 5, 2022, the draft was adopted by the Council of Ministers and referred to the Sejm.	Parliamentary works.	The draft is of significance to the development of the Renewable Energy segment.
	Act amending the act on maritime safety and the act on maritime areas of the Republic of Poland and maritime administration. GLC ref. no. UD232 Sejm print no.: 2071	The act contains provisions aimed at ensuring safety during the construction and operation of offshore wind farms in the Polish exclusive economic zone of the Baltic Sea and equipment for the off-take of power from these installations. The legislation provides for the implementation of oversight mechanisms over the design, construction and operation of offshore wind farms, including a certification system and oversight activities related to the investment implementation process.	On July 7, 2022, the draft was passed by the Sejm. On July 20, 2022 the act was signed by the President of the Republic of Poland. The act entered into force on August 12, 2022.	-	The act is of significance to investments in the development of offshore wind farms. The introduction of excessive certification mechanisms may delay the investment and increase the cost of the investment to develop offshore wind farms.
	Draft Act amending the Act on the greenhouse gas emission allowance trading scheme and the Act - Environmental Protection Law	The aim of the act is to establish national legislation governing the establishment and operation of the Energy Transition Fund. The Energy Transition Fund is to be used to finance investments in the energy and industrials sectors excluding solid fossil fuels, i.e. coal.	On April 6, 2022, a revised version of the act was published by the Government Legislation Centre. PGE submitted comments on its own and as part of the Polish Association of Combined Heat and Power Plants and the Economic Association of Polish Power Plants. Analysis of the	Examination of the draft by the Council of Ministers and referral to the legal affairs committee of the Government Legislation Centre for consideration.	The draft will be relevant for the entire PGE Group, excluding coal assets. Funds from the Energy Transition Fund will be available to finance investments in the areas: RES, grids, storage, etc.





Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	<p>Draft Act amending the Act on reserves of crude oil, petroleum products and natural gas and the rules of conduct in situations of a threat to the state's fuel security and disturbances on the oil market and some other acts.</p> <p>Government Legislation Centre list: UC52</p>	<p>The draft intending to align the legal order regulating various aspects of ensuring fuel security in the field of natural gas with the provisions of Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard security of natural gas supply and repealing EU Regulation No 994/2010. The draft introduces a number of recommended solutions that, among other things:</p> <ul style="list-style-type: none"> change the rules for creating and maintaining (strategic) natural gas reserves, which will be the responsibility of the Government's Strategic Reserve Agency, set the volume of natural gas reserves per gas year at 35% of the total demand for type E gas during a period of 30 days of exceptionally high gas demand which may not occur more than once in 20 years, introduce a new way of financing natural gas reserves, which will consist of a monthly contribution to a special fund by a gas fee paid by obliged undertakings, define a protected customer, who, in principle, will not be subject to restrictions on the consumption of natural gas during supply degrees, regulate the rules for dealing with natural gas supply emergencies. 	<p>submitted comments is in progress.</p> <p>The deadline for submitting comments was May 13, 2022. On May 30, 2022, comments were published, but without a comment from the draft author.</p>	<p>Analysis by the Minister of Climate and Environment of the comments submitted as part of the public consultation.</p>	<p>The project is of significance to trading in gaseous fuels and the generation of electricity and heat in natural gas-fuelled generating units, taking into account the obligation of customers of the transmission service to pay a gas fee and the need to reduce the volumes of gas consumed during the introduction of feed-in stages.</p>
	<p>Regulation of the Minister of Climate and Environment on change in volume share of sum of electricity resulting from redeemed certificates of origin confirming the generation of electricity from renewable energy sources in 2023. GLC ref. no. 816</p>	<p>The regulation defines the level of obligation to redeem certificates of origin of energy from RES (PM OZE) for the so-called obligated entities in 2023. The regulation reduces the level of obligation for PM OZE from 18.5% in 2022 to 12.5%. At the same time, the rationale to the regulation provides for the possibility to further reduce the obligation level in subsequent years.</p>	<p>The regulation was adopted on July 13, 2022 and entered into force on August 11, 2022.</p>		<p>The reduced level of obligation may lower incremental revenue in the Renewable Energy segment from the sale of PM RES. At the same time, it reduces the burden on the Supply segment with the need to purchase a certain amount of PM OZE in relation to the volume of electricity traded.</p>
	<p>Regulation of Climate and Environment Minister</p>	<p>Regulation of Climate and Environment Minister regarding energy market processes implements the</p>	<p>On January 11, 2022 the Minister of Climate</p>		<p>The regulation will have a significant impact primarily</p>




Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	<p>regarding energy market processes.</p> <p>Government Legislation Centre list: UD603</p>	<p>statutory delegation contained in art. 11zh sec. 1 of the act - Energy Law. The regulation is to enable the preparation of IT systems (remote reading systems for electricity distribution system operators and the central energy market information system) in connection with new challenges on the electricity market. The definition of a full catalogue of energy market processes is necessary to ensure the transparency of obligations of all energy market participants, both electricity system users obligated to implement energy market processes through the Central Energy Market Information system ("CSIRE"), and for the Energy Market Information Operator ("OIRE") so that it is possible to assess the fulfilment by the above-mentioned entities of the obligations imposed on them.</p> <p>The regulation will define a catalogue of energy market processes, the implementation of which through CSIRE will be obligatory for system users. The catalogue of energy market processes includes the basic processes currently implemented on the electricity market, taking into account the greatest usefulness of CSIRE for system users.</p>	<p>and Environment signed the regulation. The regulation went into effect on February 16, 2022.</p>		<p>on the Distribution segment, but also on the following segments: Conventional Generation, Renewables and Supply.</p>
	<p>Regulation of Climate and Environment Minister regarding metering system</p> <p>Government Legislation Centre list: UD507</p>	<p>The regulation implements the statutory delegation contained in art. 11x sec. 2 of the act - Energy Law, which imposes on the minister responsible for energy the obligation to regulate therein, in consultation with the minister responsible for computerisation, the detailed requirements and standards to be met by the metering system. In addition, the draft regulation satisfies the obligation specified in art. 19 sec. 3 of Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal market in electricity and amending Directive 2012/27/EU, according to which Member States joining the introduction of smart metering systems adopt and publish minimum requirements functional and technical related to smart metering systems to be introduced in their territories.</p>	<p>The regulation was issued on March 22, 2022 and entered into force on April 23, 2022.</p>		<p>The regulation will have a significant impact primarily on the Distribution segment, but also on the following segments: Conventional Generation, Renewables and Supply.</p> <p>As regards the DSO's activities, it will be necessary to clarify requirements for metering systems, including electricity meters and metering system.</p>
	<p>Act on support allowance</p> <p>RCL register: 1 820</p>	<p>The act is intended to provide support to approx. 6.84 million households in Poland, including the most energy-poor households, by covering a part of</p>	<p>The act, published in the Journal of Laws of 2022 item 1, entered</p>	-	<p>The act generates costs for Supply segment due to new information obligations.</p>


Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	Draft Regulation on determination of specific conditions for loss of waste status for waste generated from combustion of fuels by energy Government Legislation Centre list: 655	their energy expenses and the related growing food prices. The aim of the proposed regulation (hereinafter: "draft") is to set out detailed conditions for the loss of waste status for waste generated in the process of combustion of fuels for energy-generation purposes. The conditions set out in the draft are intended to standardise the procedure for losing the status of waste already existing in business practice on the basis of general conditions for the status of waste (art. 14(1) of the Waste Act), to the extent applicable to waste generated in the process of combustion of fuels for energy-generation purposes.	into force on January 4, 2022 On July 4, 2022 , the draft was released from the legal committee. The EC notified the draft on July 13, 2022 .	Draft referred for further work in the Council of Ministers.	The project is important from the point of view of waste/combustion by-product management in PGE Group, especially for the Conventional Generation and District Heating segment.
	Regulation of the Minister for Climate and Environment on defining methods for economic cost-benefit analysis and data or data sources for this analysis. Government Legislation Centre list: 794	The regulation fulfils the obligation to eliminate an infringement identified by the EC regarding incorrect application and transposition of the Energy Efficiency Directive. In order to rectify this breach, a delegation for the minister responsible for energy matters to issue a regulation on defining methods for economic cost-benefit analysis and data or data sources for the purpose of this analysis was introduced. The aim of the analysis is to enable a more efficient allocation of resources by demonstrating the superiority of a given project over others from the point of view of social benefits.	On July 1, 2022 the regulation was adopted. It entered into force on July 20, 2022 .		The regulation is of significance to the District Heating segment.
	Regulation of the Minister of Climate and Environment amending the regulation on detailed rules for preparing and calculating tariffs and billing for heat supply Government Legislation Centre list: 795	The regulation intends primarily to: definition of the k value, being an element of the formula for calculating the reference index so that the k value can be calculated and published by the President of the Energy Regulatory Office depending on changes in the operating conditions of energy companies that burden the production of heat in cogeneration - for individual types of fuel referred to in art. 23 sec. 2 point 18 letter c of the Energy Law, determination of the k value so as to reflect the lack of a full sample of ETS sources in the average heat sale prices published by the President of the Energy Regulatory Office.	The regulation was published in the Journal of Laws on March 15, 2022 .	-	The draft is relevant to the District Heating segment as it will increase the heat tariff.
	Draft Regulation of the Minister for Climate and the Environment	In order to introduce the possibility of generating revenue that covers the cost of running the business of producing heat in cogeneration units, it is	Public consultation on the draft until September 29, 2022 .	Analysis of comments submitted in the course	The draft will increase revenues of CHP units commissioned prior to

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	amending the Regulation on detailed rules for shaping and calculating tariffs and settlements for heat supply Government Legislation Centre list: 916	necessary to amend § 13 sec. 6 of the amended regulation in such a way as to reflect the possibility of increasing the planned revenue, in accordance with the reference index published pursuant to art. 47 sec. 2f of the Energy Law by the President of URE, the value of which is determined on the basis of "value k" - i.e. the change in the costs charged to the unit of heat produced in cogeneration units, resulting from a major change in the conditions for energy enterprises to engage in business activity to the extent to which the costs associated with the business activity will be charged to heat production in the period in which the reference index is in force and were not charged to it in the period preceding the period of determining this indicator.		of the public consultation.	November 3, 2010. Depending on the final shape of the legislation, there is a risk of reduced revenues as a consequence of lower fuel and CO prices ₂ .
	Draft Act on amending the Act on maritime areas of the Republic of Poland and maritime administration Government Legislation Centre list: UD361	The purpose of the draft act is to modify the regulations on issuance of permits for the erection or use of artificial islands, structures and equipment in Polish maritime areas and on issuance of permits or agreements for cables or pipelines concerning a set of equipment for power evacuation. The draft also introduces regulations concerning the settlement of ties in proceedings to resolve applications for the issuance of permits to erect or use artificial islands, structures and equipment in Polish maritime areas.	The draft was adopted by the Sejm and referred to the Senate on October 27, 2022 .	Consideration of the bill by the Senate.	The draft is of significance from the viewpoint of PGE Group due to its impact on investments in the construction of offshore wind farms. The draft regulates issues related to the determination procedure, which will be necessary to grant a permit for the erection or use of artificial islands, structures and equipment in Polish maritime areas.
	Draft Regulation of the Minister of Infrastructure amending the Regulation on evaluation of applications in settlement procedures Government Legislation Centre list: 213	The aim of the draft is to clarify the rules for the determination procedure necessary for the selection of an entity that will obtain the permit for the erection or operation of artificial islands, installations and equipment in Polish maritime areas for the construction of offshore wind farms. The draft assumes, inter alia, changes in the scoring for fulfilling the criteria, as well as in the way of assessing the criterion concerning the financing of the planned project. It also resolves issues concerning the submission of documents by entities that prepare financial statements for which the financial year does not coincide with the calendar year.	On July 29, 2022 the project was signed by the Minister of Infrastructure and published in the Journal of Laws. The regulation entered into force on August 4, 2022 .	-	The draft is important for PGE Group due to its impact on investments in the construction of offshore wind farms.



Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	Draft Regulation of the Minister of Climate and Environment on the method of conducting settlements and balancing of the gas transmission system in periods of mandatory reserves of natural gas and during the period of restrictions in the off-take of natural gas. Government Legislation Centre list: 821, 929	The draft is intended to set out how settlements are to be carried out for released compulsory natural gas reserves and how the price for gaseous fuels used for these settlements is to be calculated, as well as how balancing of the gas transmission system is to be carried out and how imbalances are to be settled during the release of stocks. The draft sets out formulas for the calculation of: fees for collected mandatory reserves, fees for the release of mandatory reserves to the relevant entity ordering transmission services, fees for balancing activities, taking into account an entity ordering transmission services whose imbalance is negative and positive respectively, a fee related to the financial neutrality of balancing during the period of mandatory reserve release.	On May 17, 2022 , the draft was published on the Government Legislation Centre's website and sent for public consultation, which ended on May 20, 2022 . On October 5, 2022 , a new draft regulation was published, starting a legislative process. October 10, 2022 was the deadline for comments in the public consultation.	Analysis by the Minister of Climate and Environment of the comments submitted as part of the public consultation.	The draft is of importance from the point of view of trading in gaseous fuels, given the establishment of a system of settlements between PSE S.A. and the rules of the transmission service for balancing activities undertaken by PSE S.A.
	Draft Act amending the Act on the Management of Agricultural Property of the Treasury and certain other acts Government Legislation Centre list: UD376	The draft introduces regulations according under which agricultural properties belonging to the Agricultural Property Stock of the Treasury, which include at least 70% of uncultivated land/land of class IV will be able to be leased for the purpose of obtaining electricity from RES.	On April 19, 2022 , the draft was published on the Government Legislation Centre website. On May 10, 2022 , the public consultation closed.	Analysis by the Ministry of the Environment of the comments submitted in the public consultation.	The draft will make it possible to acquire new land, in particular wasteland included in the Agricultural Property Stock of the State Treasury, for RES investments.
	Draft Act amending the Act on Spatial Planning and Development and certain other acts Government Legislation Centre list: UD369	The draft introduces the principle that photovoltaic (PV) investments above 1 MW will only be allowed on the basis of a Local Spatial Development Plan. In the absence of an adopted Local Spatial Development Plan, it will not be possible to realise the investment in question on the basis of a decision on development conditions. The draft also provides for the possibility of applying a simplified procedure for the enactment or amendment to the Local Spatial Development Plan, including in the case of PV investments, but this does not apply to investments with significant impact on the environment.	On September 19, 2022 , a new draft law was published on the Government Legislative Centre's website, that was once again subject to inter-ministerial consultations. Following inter-ministerial consultations, an amended draft act was published on October 25, 2022 . The draft was examined by the Digitalisation Committee on November 7, 2022 .	Referred for the Standing Committee of the Council of Ministers.	The draft may slow down PV investments due to necessity to embed such investment in the Local Spatial Development Plan. The average time required to enact the Local Spatial Development Plan is around 3 years.




Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	Draft Ordinance of the Minister of Climate and Environment amending the Ordinance on fuel reserves at energy companies. Government Legislation Centre list: 849	The draft regulation differentiates the size of the reserve obligations for energy companies involved in (i) the generation of electricity in Centrally Dispatched Generating Units and (ii) the generation of heat, including cogeneration, or electricity in units other than Centrally Dispatched Generating Units, and introduces new algorithms for determining the size of this obligation for these companies.	On July 5, 2022 the draft was published on the Government Legislation Centre's website. On July 12 2022 the public consultation ended. The draft was the subject of a meeting of the Law Committee on September 19, 2022 .	Improvement of the draft by the Ministry of Climate and Environment according to the comments of the Law Committee.	The draft is relevant to electricity and heat generation. Adopting the new rules for determining fuel reserves will mean that they will need to be explicitly replenished for the needs of Centrally Dispatched Generating Units (counting the quantity depends on the installed capacity of the unit), which may be difficult or unfeasible in the face of the present energy crisis.
	Draft Regulation of the Minister of Climate and Environment on reference values for new and substantially modernised cogeneration units in 2023 Government Legislation Centre list: 927	The draft implements the statutory mandate contained in art. 15 sec. 7 of the Act of December 14, 2018 on the promotion of electricity from high-efficiency cogeneration (Polish Journal of Laws of 2022, item 553), which requires the minister responsible for energy to determine, by means of an Ordinance, by October 31 of each year, the reference values with a breakdown for new cogeneration units and substantially modernised cogeneration units, applicable in the following calendar year.	The regulation was published in the Journal of Laws on October 31, 2022 .	-	The draft affects the District Heating segment through reference values for new and substantially modernised CHP units participating in the support scheme for high-efficiency cogeneration.
	Draft Regulation of the Minister of Climate and Environment on the maximum quantity and value of electricity from high-efficiency cogeneration covered by support and the unit amounts of the guaranteed bonus in 2023. Government Legislation Centre list: 928	The draft Ordinance implements the statutory authorisation contained in art. 56 sec. 1 of the Act of December 14, 2018 on the promotion of electricity from high-efficiency cogeneration (Polish Journal of Laws of 2022, item 553), which requires the minister responsible for energy to determine, by way of an Ordinance, by October 31 of each year, the maximum quantity and value of electricity from high-efficiency cogeneration subject to support, including for cogeneration units located outside the territory of Poland. Additionally, the draft Ordinance sets out the unit amounts of the guaranteed bonus, also for small cogeneration units, and the maximum amount of the individual cogeneration bonus.	Public consultation on the draft until September 13, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft affects the District Heating segment by defining the level of the guaranteed unit bonus and the maximum amount of the individual CHP bonus for units participating in the support system for high-efficiency cogeneration
	Draft Regulation of the Minister of Climate and Environment on the granting of public aid for	The intent of issuing the proposed regulation of the Minister of Climate and Environment on granting public aid for investments in heating (cooling) sources in district heating systems under the NRP is	Public consultation until October 16, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft affects the co-financing of investments in district heating systems from NRP funds. The District


Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	investment in heating (cooling) sources in district heating systems under the National Recovery and Resilience Plan (NRP). Government Legislation Centre list: 930	to specify the detailed purpose, conditions and procedure for granting public aid for investments under the title B 1.1.1. Investments in heating (cooling) sources in district heating systems under the NRP. In the regulated scope, public aid will be granted to investment projects in heating (cooling) sources in district heating systems, concerning generation of energy in high-efficiency cogeneration and generation of energy from renewable sources, which will allow the development and modernisation of district heating systems for municipal and household purposes.			Heating segment may become a beneficiary.
	Draft Regulation of the Ministry of Development Funds and Regional Policy on the granting of aid for investment in high-efficiency cogeneration systems and for the promotion of energy from renewable sources under the regional programs for 2021-2027. Government Legislation Centre list: 37	The goal of this regulation is to create the conditions for supporting the social and economic development of the regions by allowing state aid for investment in high-efficiency cogeneration systems and for the promotion of energy from renewable sources under the regional programs for 2021-2027.	Public consultation until October 17, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft establishes the conditions to enable the granting of public aid for investment in high-efficiency cogeneration systems and for the promotion of energy from renewable sources under the regional programs for 2021-2027. The district heating segment can be a beneficiary.
	Draft Regulation of the Minister of Development Funds and Regional Policy on the granting of aid for investments in support of energy efficiency under the regional programs for 2021-2027 Government Legislation Centre list: 40	The aim of the regulation is to create the conditions for supporting social and economic development of regions by allowing public aid to be granted for investments leading to the achievement of energy efficiency as part of the regional programs for 2021-2027.	Public consultation until October 17, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft establishes the conditions for enabling the provision of public aid for investments leading to the achievement of energy efficiency as part of the regional programs for the period 2021-2027. The district heating segment can be a beneficiary.
	Regulation of the Minister of Development Funds and Regional Policy on the granting of aid for industrial research, experimental development works and	The aim of the regulation is to create an aid scheme regulating public aid for industrial research, experimental development and feasibility studies under the regional programs for the period 2021-2027.	Public consultation until October 17, 2022 . A table with comments was published on November 2, 2022 .	Referred for further work in the committees of the Council of Ministers.	The draft establishes the conditions to allow public aid for industrial research, experimental development and feasibility studies under the regional programs for 2021-2027. The district

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	feasibility studies under the regional programs for 2021-2027				heating segment can be a beneficiary.
	Government Legislation Centre list: 42				
	Regulation of the Minister of Development Funds and Regional Policy on the provision of investment aid for research infrastructure under the regional programs for 2021-2027.	The Regulation sets out the specific purpose, conditions and procedure for granting investment aid for research infrastructure to businesses under the regional programs for 2021-2027.	Public consultation until October 17, 2022 . A table with comments was published on November 2, 2022 .	Referred for further work in the committees of the Council of Ministers.	conditions and modalities for granting investment aid for research infrastructure to entrepreneurs under the regional programs for the period 2021-2027. The district heating segment can become a beneficiary.
	Government Legislation Centre list: 38				

INTERNATIONAL REGULATORY ENVIRONMENT

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
European Green Deal/ Fit for 55 package					
	Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the EU (ETS Directive) as well as implementing and delegated acts, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme (MSR Decision).	Combating climate change. Development of investment incentives through a CO ₂ price signal to develop low-emission sources.	On April 5, 2022 the EP plenary adopted its position on the revision of the MSR decision. On 22 June 2022 , the EP adopted its position on the revision of the ETS Directive at its plenary session. On June 29, 2022 , the EU Environment Council adopted a general approach to the revision of the ETS Directive. The first (July 11, 2022) and second and third (October 10, and November 10, 2022) round of inter-institutional negotiations between the Commission, the EP and the Council took place within the framework of the trilogues, which were inconclusive. On February 8, 2023 , the text of the agreement was approved by the ENVI Committee of the EP	The agreement reached in the trilogues still needs to be formally adopted by the Council and the EP during the plenary vote. The deadline for the transposition of the ETS Directive has been set as December 31, 2023 , with a few derogations possible until June 30, 2024 .	Increased competitiveness of renewable sources to the detriment of generation assets using high-emission fuels. Increase in operating costs for conventional generation of electricity and heat. Option to obtain direct investment support from the Modernisation Fund and Innovation Fund and partial free allocation of allowances to district heating. The introduction of changes to the mechanism provided for in art. 29a of the ETS Directive may reduce the fluctuations of the price of emission allowances. Revision of the ETS Directive and MSR decision, through the more ambitious climate goals, is likely to cause a further increase in prices of emission allowances.
	Directive 2018/2001 on the promotion of the use of energy from renewable sources (Renewable Energy Directive).	To adapt legislation related to increased share of renewables in reference to EU's new higher GHG reduction target by 2030.	On June 27, 2022 , the Transport, Telecommunications and Energy Council adopted a general approach on the RES Directive. On July 13, 2022 , the EP's lead committee ITRE adopted the final report on the RES Directive and the final standpoint of the European Parliament was adopted at the plenary session on September 14, 2022 . On October 6, November 15 and December 15, 2022, and on February 14 and March 6, 2023 , trilogues were held between the EC, the Council and the EP.	Further works as part of trilogues are on-going on the technical and political level. The proposed deadline for transposing the proposal into national law is December 31, 2024 .	Improvement in the competitiveness of low-emission sources of energy in comparison with high-emission sources. Larger share of renewable sources in the Polish energy mix by 2030, including a faster path of decarbonization of District Heating. Possibility of wider use of power-to-heat solutions in District Heating.

			As part of the trilogues, proposals for additional changes to the RES Directive will also be taken into account, resulting from legislative proposals included in the REPowerEU communication of the EC of May 18, 2022 , on which the EP voted its position on December 14, 2022 , and the Council adopted a general approach on December 19, 2022 .	
	Directive 2012/27/EU on energy efficiency (EED Directive).	To adapt legislation related to energy efficiency improvements in reference to EU's new higher GHG emission reduction target by 2030.	<p>On June 27, 2022, the Transport, Telecommunications and Energy Council adopted a general approach on the EED Directive.</p> <p>On July 13, 2022, the EP's lead committee ITRE adopted the final report on the EED Directive and the final standpoint of the European Parliament was adopted at the plenary session on September 14, 2022.</p> <p>On October 6, November 22 and December 14, 2022, and on March 2, 2023, trilogues between the EC, the Council and the EP took place, and on March 9 and 10, 2023, the last round of interinstitutional negotiations between the Commission, the EP and the Council took place, which resulted in a final agreement on the provisions of the EED directive. As part of the arrangements, a new binding EU-level target was set to reduce final energy consumption by 11.7% by 2030 compared to 2020.</p> <p>The on-going trilogues also included a proposal for an additional amendment to the EED, resulting from the legislative proposals included in the REPowerEU framework, referred to above in the EC REPowerEU communication.</p>	<p>The agreement reached in the trilogues still needs to be formally adopted by the Council and the EP. The published draft does not include a deadline for transposing the directive into national law.</p> <p>Improvement in the competitiveness of low-emission sources of energy in comparison with high-emission sources, particularly in heating systems.</p> <p>A faster phase-out of coal-based cogeneration from heating systems in connection with the introduction of a new emission criterion.</p> <p>Need for more extensive development of renewable sources and waste heat in district heating systems.</p> <p>A higher factor for annual final energy savings, resulting in an increase in burdens on the energy efficiency certificate system.</p>
 	Directive 2010/31/EU on the energy performance of buildings (EPBD).	Alignment of legislation related to improving the energy performance of buildings in the EU with respect to the 2050 climate neutrality target and the new higher 2030 EU GHG reduction target.	<p>On October 25, 2022, the TTE Council adopted a general approach on the EPBD.</p> <p>Further work in the EP and the Council's general approach take into account the proposals for additional amendments to the EPBD presented in the legislative proposal included in REPowerEU referred to above.</p>	<p>Adoption of positions by the Council and the EP allows the start of tripartite negotiations between the EC, the Council and the EP.</p> <p>The date for transposition of the Directive into national law is not</p> <p>Greater competitiveness of renewable energy sources as a heat source in buildings.</p> <p>Reduction in the heat demand of buildings due to improved energy performance.</p>

			On February 9, 2023 , the ITRE committee adopted the final report on the EPBD. The position of the EP was adopted at the plenary session on March 14, 2023 . In accordance with the EP's approach, from 2026 new public utility buildings, and from 2028 new residential buildings will have to meet the zero-emission criteria and, as a rule, be powered only with energy from RES. At the same time, the EP proposes minimum requirements for improving the efficiency of existing buildings, targets for solar energy and provisions to accelerate the development of charging points	specified in the published draft.	Faster rate of displacement of fossil fuels in the heating sectors, including district heating. Potential inhibition of growth of existing district heating systems due to proposed requirements for new and modernised buildings.
	Alternative Fuels Infrastructure Regulation (AFIR Regulation).	The aim of the new regulation, which repeals Directive AFID, is to ensure faster development of charging infrastructure and implement targets for charging station locations, including targets concerning distances between charging points throughout the trans-European TEN-T network.	On June 2, 2022 , the Transport, Telecommunications and Energy Council adopted a general approach on the AFIR Regulation. On October 3, 2022 , the EP's lead Committee on Transport and Tourism (TRAN) adopted its final report on the AFIR regulation. MEPs on the TRAN committee adopted more ambitious targets for the development of electromobility than originally proposed by the EC, as well as a greater consideration of the role and impact on distribution system operators. The EP plenary vote on the position on the AFIR regulation took place on October 19, 2022 . On October 27, 2022 , the first trilogue took place between the EC, the Council and the EP, during which the positions of the institutions were presented.	After the first trilogue, work was directed to the technical level. The next trilogue will take place on November 30, 2022 .	The necessity to prepare the power grid to perform obligations resulting from the AFIR Regulation in the distribution area.



Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control).

Introduction of new requirements tightening up the way in which emission levels are set in the integrated permit, the rules for obtaining derogations from BAT requirements and giving new competences to the EC. Public participation in appeal proceedings will be increased. Operators will be required to introduce an Environmental Management System, which will include, inter alia, a plan for the transition by 2050 in towards a sustainable, clean and climate neutral circular economy.

On April 5, 2022 the EC presented draft amendments to the Directive.

A preliminary draft report in the Environment, Public Health and Food Safety (ENVI) Committee was presented on November 14, 2022 and on December 7, 2022, amendments to the report were submitted.

On December 20, 2022, a orientation discussion of EU ministers was held in the Council.


On March 16, 2023, the Environment Council approved the general approach. According to the position of the Council, the approach to specifying emission levels in integrated permits was revised in order to maintain the current rules, and additionally, new derogations for installation operators and relaxation of provisions penalizing infringements of the provisions of the directive proposed by the European Commission were foreseen.

The legislative proposal is subject to further work in the European Parliament. The new directive is scheduled to enter into force at the end of 2024.


The ENVI committee's position is likely to be voted on April 25, 2023.



A plenary vote in the EP is expected in May 2023.


The entry into force of the proposed solutions may result in additional capital expenditures being incurred in the Conventional Generation and District Heating segments as well as cause additional costs related to the operation of installations falling under the scope of the IED Directive.

	<p>Amendment of Commission Delegated Regulation (EU) 2015/2402 on the review of the harmonised efficiency reference values for separate production of electricity and heat in application of Directive 2012/27/EU.</p>	<p>Update of the efficiency of separate generation of electricity and heat for the calculation of the primary energy savings ratio for the purposes of demonstrating compliance with the criteria for highly-efficient cogeneration.</p>	<p>On December 2, 2022, the EC launched public consultations on the draft amendments to the Delegated Regulation, which ended on December 30, 2022.</p> <p>The EC proposes to increase the efficiency of separate generation of heat and electricity (applied to, among others, hard coal and lignite) to the levels that are already in force for natural gas. The new values would apply to new and modernized fossil fuel cogeneration units put into operation from January 1, 2024. The harmonized efficiency reference values apply for a period of 10 years from the year of construction, and from the 11th year the values that would apply for a 10-year unit are applied (applicable for 1 year).</p>	<p>Adoption of amendments to the regulation delegated by the EC is planned in H2 2023.</p>	<p>Improvement of the competitiveness of low-emission energy sources compared to energy from high-emission sources, in particular in district heating systems.</p>
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The regulations concerning the financial perspective 2021-2027 and financing for sustainable economic growth

	<p>The Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment, changing the regulation (EU) 2019/2088 (the Taxonomy Regulation) and Delegated Regulation 2022/1214 specifying technical screening criteria for nuclear and gas power.</p>	<p>Facilitation of funding for sustainable economic growth in EU.</p>	<p>On February 2, 2022 the EC unveiled a delegated act setting out detailed technical screening criteria for the use of nuclear power and gas. On March 9, 2022, the European Commission officially adopted this delegated act.</p> <p>On June 14, 2022, the ECON and ENVI committees voted a resolution for the EP to reject the delegated act. However, the resolution was rejected when the EP plenary voted on July 6, 2022.</p> <p>On July 11, 2022, the deadline for the EP and Council to object expired. In the Council, the delegated act was also not rejected.</p> <p>On July 15, 2022, Delegated Regulation 2022/1214, setting out technical screening criteria for nuclear and gas power, was published in the Official Journal of the EU.</p>	<p>The delegated regulation applies from January 1, 2023.</p>	<p>Impact on availability and cost of funding obtained by PGE Group companies for investments. Direct impact on raising external capital in condensation and high-efficiency gas-fired cogeneration, depending on the locations and meeting criteria established by an additional delegated act.</p> <p>The obligation to include information on the share in the trade, CAPEX and OPEX of environmentally sustainable activities in the statement on non-financial information. Compliance with the "no significant harm" principle will be an additional criterion for the assessment of investment projects under EU financial instruments.</p>
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	<p>Directive 2022/2464 amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) 537/2014 on reporting companies in the field of sustainable development (CSRD).</p>	<p>Increasing corporate accountability and transparency on ESG issues (Environmental, Social and Corporate Governance).</p>	<p>On February 24, 2022, the Council adopted a general approach on the CSRD. On March 15, 2022, the JURI committee adopted the position of the EP. On June 21, 2022, the Council, the EP and the EC reached a political agreement. On November 10, 2022, the political agreement was approved by the plenary of the EP. The Council approved this agreement on November 28, 2022. On December 16, 2022, the directive was published in the Official Journal of the EU and entered into force on January 5, 2023.</p>	<p>This directive will apply to large enterprises for financial years beginning on or after January 1, 2024.</p>	<p>Increased obligations in the field of non-financial reporting by the PGE Capital Group .</p>
	<p>Directive of the European Parliament and of the Council on corporate sustainability due diligence and amending Directive (EU) 2019/1937 (CSDD).</p>	<p>To establish a framework that encourages companies to contribute to the pursuit of respect for human rights and environmental legislation in their operations and through their value chains.</p>	<p>On February 23, 2022, the EC presented a legislative proposal for a directive on corporate sustainability due diligence. The EC proposes:</p> <ul style="list-style-type: none"> the need to identify current and potential negative environmental and human rights impacts resulting from the company's activities and, in the case of the value chain, from the activities of the established business relationship of a given entity, the need to take appropriate measures to prevent, or where prevention is not possible or immediate, to adequately mitigate potential negative impacts on human rights and the environment arising from the company's activities and its subsidiaries and, in the case of the value chain, from the activities of the established business relationship. The lead committee in the EP is the Law Committee on Legal Affairs (JURI). 	<p>Working discussions will continue in the Council on the proposal for this directive. The EP position is expected to be finalised in the second quarter of 2023.</p>	<p>Increasing reporting obligations for PGE Group's value chain in terms of environmental and human rights impacts. Incorporating the due diligence policy on sustainability in the activities of the entire PGE Group.</p>

	<p>Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulation (EU) 2021/1060, Regulation (EU) 2021/2115, Directive 2003/87/EC and Decision (EU) 2015/1814.</p>	<p>Adding specific chapters to the NRP covering new reforms and investments to achieve REPowerEU objectives.</p>	<p>On May 18, 2022, the EC presented a legislative proposal to amend the Regulation establishing the Reconstruction and Resilience Facility (RRF).</p> <p>On October 3, 2022, the ENVI committee adopted its opinion on the regulation amending the RRF regulation indicating that the €20 billion for REPowerEU distributions in the NRP should be raised entirely from the sale of allowances from the Member State auction pool foreseen for 2027-2030 - with a deadline for sales by the end of 2025.</p> <p>On October 4, 2022, the Council reached agreement on a general approach regarding amendments to the RRF Regulation.</p> <p>According to the general approach:</p> <ul style="list-style-type: none"> ▪ The €20bn for the REPowerEU allocation in the NRP will come from the early sale of allowances from the Innovation Fund (EUR 15 billion) and from the Member States' auction pool (EUR 5 billion); these allowances are to be sold by the end of 2026, ▪ the scope of investments that can be financed under the REPowerEU chapter of the NRP has been expanded to include bottlenecks in the case of distribution and energy efficiency in the case of critical energy infrastructure, ▪ the allocation key has been changed in relation to the RRF Regulation, ▪ introduced the possibility for the EC to pay advances of 15% of the amount requested by a Member State to finance the REPowerEU chapter of the NRP. <p>On October 25, 2022, the Committee on Budgets (BUDG) and ECON adopted the EP's position regarding new RRF chapters within REPowerEU.</p> <p>According to this position:</p>	<p>The possibility of raising funds from the NRP for PGE Group's investments.</p>
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- an advance of 20% of the amount per Member State was introduced;
 - investments started after January 31, 2022 were financed;
 - it was decided that at least 35% of the funding received by a Member State should be allocated to actions with a cross-border or multinational dimension;
- the scope of investments that can be supported has been extended to include investments that increase energy storage capacity.

Regulations introducing changes on the electricity market in the EU



Council Regulation on emergency intervention to address high energy prices.

To establish emergency interventions to mitigate the effects of high energy prices through exceptional, targeted and time-limited measures.

On **September 9, 2022**, at an extraordinary meeting, the TTE Council called on the EC to propose measures to improve the energy market.
On **September 14, 2022**, the EC presented a draft Council regulation (pursuant to Article 122 TFEU).
On **September 30, 2022**, the TTE Council reached a political agreement on this regulation.
On **October 6, 2022**, the TTE Council formally adopted the regulation by qualified majority.
On **October 7, 2022**, Council Regulation 2022/1854 on emergency intervention to address high energy prices was published in the EU Official Journal. It entered into force the day after publication.
This regulation introduces an obligation to reduce electricity consumption, a cap on the market revenues that some producers earn from electricity generation and requires Member States to redistribute these funds in a targeted manner to end users.
The regulation also allows Member States to use public intervention to set prices for the supply of electricity to households and small and medium-sized businesses and introduces provisions for a temporary solidarity levy on

From **December 1, 2022**, there is a requirement to apply key articles of the regulation concerning the revenue cap for energy companies and the reduction of electricity consumption.
A draft electricity market reform is expected to be published **in the first half of 2023**.

The direct financial impact on PGE Group depends on the solutions adopted at the national level. Potential outflow of a part of PGE Group's revenues from RES generation and lignite-fired power plants (potentially also from hard coal-fired power plants).

EU companies operating mainly in the oil,
gas, coal and refinery sectors.

4.6. Supply markets - fuels

Lignite, hard coal, natural gas and biomass are key fuels used to generate electricity and heat by power plants and heat and power plants belonging to the PGE Group. The cost of fuel procurement constitutes a major share in electricity generation costs. PGE S.A., on the ground of Agreement for Commercial Management of Generation Capacities, secures supplies of raw materials (fuels and sorbents), their transport and related services to the Conventional Generation segment and to District Heating segment.

Lignite supplies to Bełchatów power plant and Turów power plant are carried out within a framework of regular cooperation between branches operating in the structure of Conventional Generation segment.

Lignite supplies to Zgierz CHP plant are provided under the framework agreement with KWB Bełchatów lignite mine and transport agreement with Betrains sp. z o.o. (company belonging to PGE Capital Group).

Biomass is obtained via procurement procedures from suppliers operating on the Polish biomass market.

The main supplier of the hard coal for the electricity and heat production needs in Conventional Generation and District Heating segments was Polska Grupa Górnicza S.A. (PGG S.A.). To a limited extent, deliveries from domestic producers are supplemented with imported volumes.

Gas supplies to PGE Energia Ciepła S.A., PGE Toruń S.A., KOGENERACJA S.A. are performed on the basis of a framework agreement and individual contracts that PGE Group companies concluded with PGNiG S.A. (now PKN Orlen) in September 2022.

According to the existing laws, an energy company dealing with the generation of electricity or heat is required to maintain fuel reserves in a volume ensuring the continuity of electricity or heat supply to customers. In October 2021, there was a breach of the minimum reserve levels in all of PGE GiEK S.A.'s hard coal-fired generating units (Opole power plant, Dolna Odra power plant, Rybnik power plant). By the end of 2021, the hard coal reserve levels were below the minimum volumes defined for a given month. The President of the Energy Regulatory Office approved these power plants' applications submitted in November 2021 and issued three separate administrative decisions extending the deadline for rebuilding the hard coal reserves until February 28, 2022. By the end of February 2022, the coal stock at Elektrownia Dolna Odra and Elektrownia Rybnik was rebuilt and exceeded the minimum level mandated by law, while at Elektrownia Opole the required coal stock was rebuilt in April 2022. Periods of reduction in hard coal stocks below the regulatory level also occurred in the following months of 2022 at all the generating units mentioned above. In particular, the maintenance of the minimum required level of hard coal stocks was significantly impacted by the change in regulations that came into force on November 28, 2022, which caused the required minimum levels of hard coal stocks at PGE GiEK S.A. to almost double. As a result, breaches of the minimum hard coal stock levels appeared in all the above-mentioned Branches at the end of November 2022. In December 2022, all of the above Branches applied to extend the deadline for rebuilding coal stocks to March 31, 2023. The URE President examined the application of Elektrownia Opole and issued an administrative decision extending the deadline for rebuilding hard coal stocks to March 31, 2023, while the other units did not receive a response to their applications by the date of this report. In February 2023, the legally required level of hard coal stocks was rebuilt at all PGE Group generating units.

The failure to maintain the minimum levels of hard coal stock and the problems in rebuilding these stocks were considerably affected by a range of factors beyond the Group's control, including primarily:






- unforeseen coal supply constraints, the main reasons for which were problems on the part of the rail carriers as well as a lack of sufficient coal supply from the major domestic suppliers,
- lack of full performance of contractual obligations by certain suppliers of hard coal,
- an accumulating backlog of rail shipments and untimely coal loading on the part of the mines,
- lack of PSE S.A.'s consent for all requested limitations of electricity generation,

- high (higher than planned) demand from PSE for electricity from PGE GiEK S.A.'s generating units,
- limitations in coal transport to the aforementioned generating units caused by repair and modernisation works of railway lines.

A detailed description of the fuel stock maintenance obligations can be found in note 28 to the consolidated financial statements. Moreover, in sec. 7.1 of these financial statements, sub-section: "Impact of war in Ukraine on PGE Group's activities" describes the impact of the war on raw material markets.

5. Activities of PGE Capital Group

5.1. Main business segments

					
	Conventional Generation	District Heating	Renewables	Distribution	Supply
Key assets of the segment	5 conventional power plants 2 lignite mines	16 CHP plants	20 wind farms 24 photovoltaic power plants 29 run-of-river hydro power plants 4 pumped-storage power plants, including 2 with natural flow	298 670 kms of distribution lines	-
Installed capacity electricity/heat	12 852 MWe/844 MWt	2 608 MWe/6 923 MWt	2 428 MWe/-	-	-
Electricity volumes	Net electricity generation 55.82 TWh	Net electricity generation 7.40 TWh	Net electricity generation 2.92 TWh	Electricity distribution volume 37.07 TWh	Sales to final off-takers 34.20 TWh ¹
Heat volumes	Heat production (net) 3.28 PJ	Heat production (net) 49.51 PJ	-	-	-
Market position	PGE Group is the leader of lignite mining in Poland (94%) PGE Group is also a national leader in electricity and district heat generation	-	PGE Group is the largest electricity producer from RES with market share of approx. 7% (excluding co- combustion of biomass and bio-gas)	Second domestic electricity distributor with regard to number of customers	Leader in wholesale and retail trading in Poland

¹ Data for PGE Obrót S.A.

BALANCE OF ENERGY OF PGE CAPITAL GROUP

Table: Sales, purchase, production and consumption of electricity in the PGE Capital Group (TWh).

Sales volume	Q4 2022	Q4 2021	% change	2022	2021 ²	% change
A. Sales of electricity outside the PGE Capital Group:	25.48	27.97	-9%	100.19	107.83	-7%
▪ Sales to end-users ¹	8.56	9.56	-10%	34.28	37.48	-9%
▪ Sales on the wholesale and balancing market	16.92	18.41	-8%	65.91	70.35	-6%
B. Purchases of electricity from outside of PGE Group (wholesale and balancing market)	9.70	11.08	-12%	38.62	42.86	-10%
C. Net production of electricity in units of PGE Capital Group	17.79	18.23	-2%	66.13	68.95	-4%
D. Own consumption DSO, lignite mines, pumped-storage power plants (D=C+B-A)	2.01	1.34	50%	4.56	3.98	15%

¹ Sale mainly by PGE Obrót S.A. and PGE Energia Ciepła S.A.

² In accordance with the amendments to IAS 16 data for 2021 were adjusted - energy output at the unit no. 7 at the Turów power plant in the period from synchronisation to the start of trial operation was taken into account.

The total volume of purchased and generated electricity is higher than the volume of electricity sold. The difference presented in point D results from the necessity to cover grid losses in the distribution business (DSO), consumption of energy at lignite mines and consumption of energy at pumped-storage power plants.

Lower energy sales on the wholesale market, including the balancing market, result from the market situation in 2022 and limitations in hard coal supplies. The lower purchase on the wholesale market is mainly the result of lower sales to end customers in the corporate client segment, who tend to diversify energy sources, mainly with greater use of RES.

Table: Net production of electricity (TWh).

Production volume	Q4 2022	Q4 2021	% change	2022	2021 ¹	% change
ELECTRICITY PRODUCTION IN TWh, including:	17.79	18.23	-2%	66.13	68.95	-4%
Lignite-fired power plants	9.63	9.81	-2%	39.51	37.30	6%
including co-combustion of biomass	0.00	0.00	-	0.00	0.00	-
Coal-fired power plants	5.10	4.97	3%	16.30	19.87	-18%
including co-combustion of biomass	0.00	0.00	-	0.00	0.02	-100%
Coal-fired CHP plants	1.34	1.47	-9%	4.34	4.56	-5%
including co-combustion of biomass	0.00	0.00	-	0.00	0.00	-
Gas-fired CHP plants	0.90	1.13	-20%	2.79	4.22	-34%
Biomass-fired CHP plants	0.07	0.10	-30%	0.25	0.37	-32%
Communal waste-fired CHP plants	0.00	0.01	-100%	0.03	0.04	-25%
Pumped-storage power plants	0.27	0.19	42%	0.95	0.69	38%
Hydroelectric plants	0.07	0.08	-13%	0.39	0.45	-13%
Wind power plants	0.41	0.47	-13%	1.57	1.45	8%
including RES generation	0.55	0.66	-17%	2.24	2.33	-4%

¹ In accordance with the amendments to IAS 16 data for 2021 were adjusted - energy output at the new unit of the Turów power plant in the period from synchronisation to the start of trial operation was taken into account in volume of 0.18 TWh.

The level of electricity production in 2022 was 4% lower compared to 2021. Generation at lignite-fired power plants was higher by 2.2 TWh. The increase in production at the Turów power plant is the result of higher generation from new unit no. 7, which was still being synchronized with the National Power System in the first

half of 2021 and operated in trial run. Additionally, more energy was produced by unit no. 6, which in 2021 remained longer in overhaul (extended medium overhaul of the unit no. 6 lasted from March to June 2021. Higher production at the Bełchatów power plant is mainly the result of shorter downtime in repairs by 2 694 h.

Higher production on wind farms (+0.1 TWh) is a result of better windiness in 2022.

Higher production in pumped storage power plants (+0.3 TWh) results from the nature of the operation of the generating units, which were used to a greater extent by PSE S.A. in 2022.

Lower production in hard coal-fired power plants (-3.6 TWh) results from decreased generation at Opole power plant, Rybnik power plant and Dolna Odra power plant, what is a consequence of longer reserve downtime of the units: by 7 331 h at Opole power plant, by 1 394 h for units 3-8 at Rybnik power plant and by 6 728 h for units at Dolna Odra power plant.

Lower generation from gas-fired CHP plants (-1.4 TWh) is mainly a result of lower profitability of production due to market conditions.

Lower production in hydro power plants is due to worse hydrological conditions in 2022.

A few percent drops in production were recorded in coal-fired CHP plants. Lower production in biomass CHP plants due to repairs in Szczecin CHP from June till November 2022.

HEAT PRODUCTION

Table: Net production of heat (PJ).

Heat production volume	Q4 2022	Q4 2021	% change	2022	2021	% change
Net production of heat in PJ, including	17.94	19.46	-8%	52.79	56.77	-7%
Lignite-fired power plants	0.80	0.86	-7%	2.61	2.82	-7%
Coal-fired power plants	0.21	0.22	-5%	0.67	0.68	-1%
Coal-fired CHP plants	13.92	14.52	-4%	39.90	40.94	-3%
Gas-fired CHP plants	2.22	3.08	-28%	7.26	9.99	-27%
Biomass-fired CHP plants	0.38	0.57	-33%	1.50	1.95	-23%
CHP plants fuelled by municipal waste	0.05	0.04	25%	0.30	0.11	173%
Other CHP plants	0.36	0.17	112%	0.55	0.28	96%

External temperatures contributed more than any other factor to lower net generation of heat in 2022 (y/y). The average temperatures in 2022 were by 1.4°C higher y/y, which translated into decreased production of heat.

HEAT SALES

In the fourth quarter of 2022 the heat sales volume in PGE Capital Group totalled 17.5 PJ and was lower by 1.4 PJ y/y.

In 2022, the volume of heat sold in the PGE Group amounted to 51.3 PJ and was lower by 3.8 PJ y/y. The above result was caused mainly by lower demand for heat due to the higher average outside temperatures than in 2021.

KEY OPERATING RESULTS OF PGE GROUP FOR 5 YEARS

Table: Key operating results.

Key operating results	Unit	2022	2021	2020	2019	2018
Electricity generation, net	TWh	66.13	68.95	58.13	58.32	65.91
including RES generation	TWh	2.24	2.33	2.32	2.04	1.76
Sales of electricity outside the PGE Capital Group	TWh	100.19	107.83	115.80	105.36	76.78
Sales of electricity to final off-takers ¹	TWh	34.28	37.48	41.17	44.01	42.57
Heat production	PJ	52.79	56.77	50.12	50.34	51.18
Heat sales	PJ	51.28	55.07	48.58	48.76	49.66
Electricity distribution	TWh	37.07	37.74	35.67	36.38	36.41

¹ After eliminating sales within the PGE Group, sales carried out mainly by PGE Obrót S.A. and PGE Energia Ciepła S.A.

Table: Installed capacity.

Installed capacity	Unit	2022	2021	2020	2019	2018
Electricity	MWe	17 888	17 791	17 957	17 780	16 225
Conventional Generation	MWe	12 852	12 852	13 285	13 247	11 701
District Heating	MWe	2 608	2 608	2 346	2 344	2 335
Renewables	MWe	2 428	2 331	2 326	2 189	2 189
Thermal energy	MWt	7 766	7 686	7 835	7 834	8 765
Conventional Generation	MWt	844	844	1 339	1 339	3 811
District Heating	MWt	6 922	6 842	6 496	6 495	4 954

5.2. PGE Group's key financial results

The best way to measure the profitability of energy companies is EBITDA (recurring). This is a result before depreciation, amortization, income tax and financial activities, including interest from drawn debt. EBITDA makes it possible to compare the results of companies regardless of the value of their assets, level of debt and existing income tax rates.

PGE Group's consolidated results are composed of the financial results of each of its operating segments. The following segments have the largest share in the Group's recurring EBITDA for 2022: Distribution (40%), Supply (27%), Renewables (25%) and Conventional Generation (8%). Other segments have an insignificant share in recurring EBITDA.

Chart: Main financial data of PGE Capital Group (PLN million)

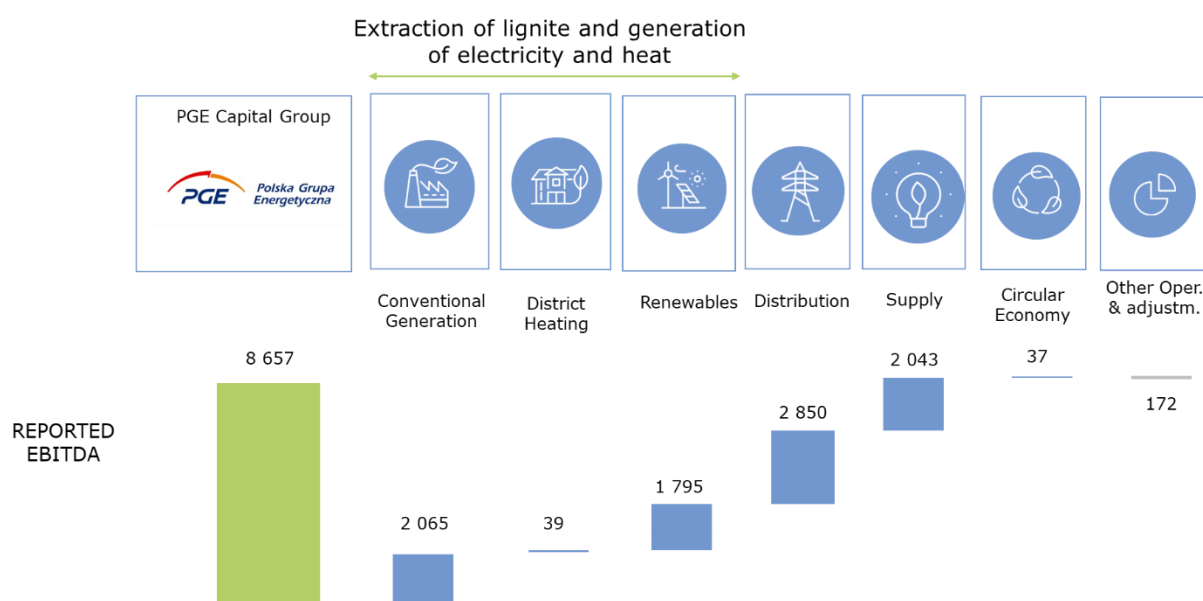
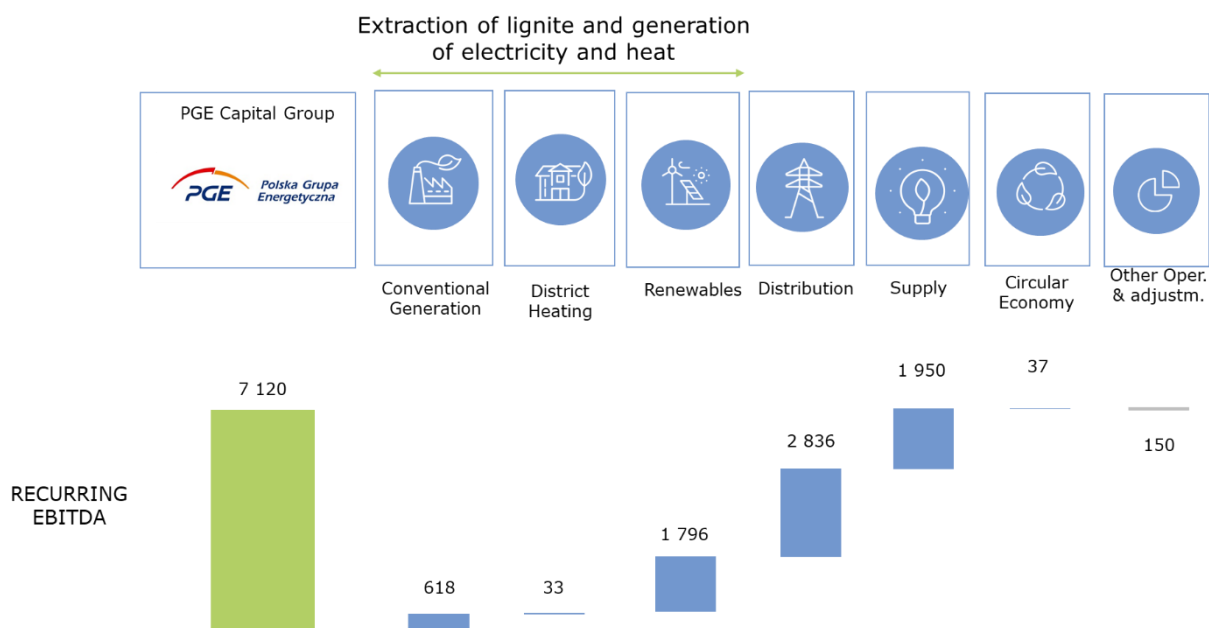


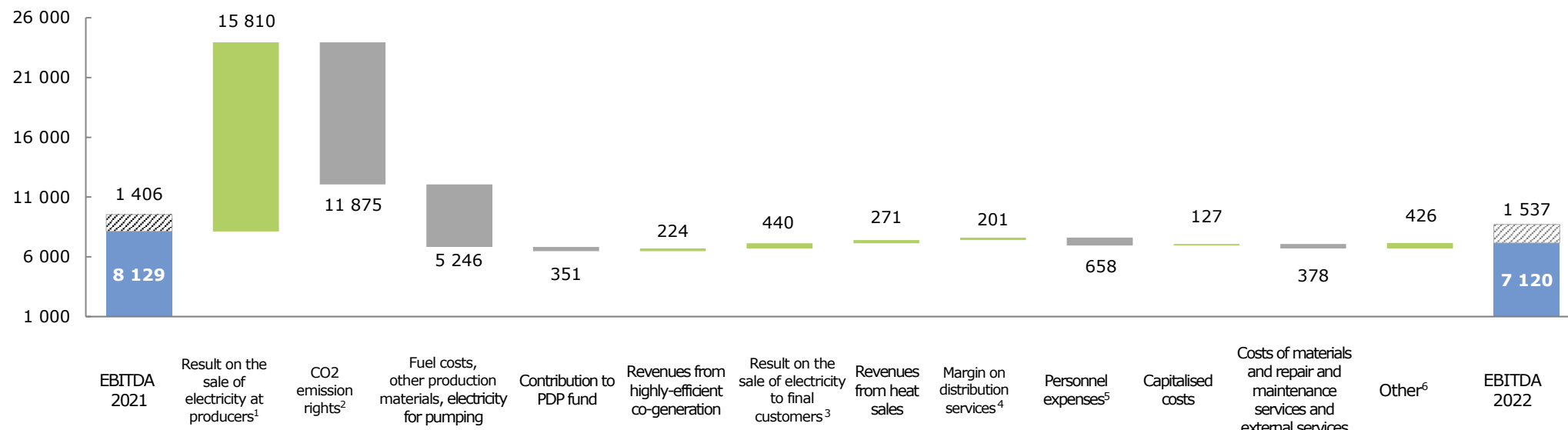
Table: Key financial figures of the PGE Capital Group for 5 years (PLN million).

Key financial figures	2022	2021	% change	2020	2019	2018
Sales revenues	73 435	52 772	39%	45 766	37 627	25 946
EBIT reported	4 299	5 123	-16%	1 408	-4 175	2 482
EBITDA reported	8 657	9 535	-9%	5 966	7 141	6 375
EBITDA recurring	7 120	8 129	-12%	6 184	6 637	6 712
One-offs ¹	1 537	1 406	9%	-218	504	-337
Net profit/loss	3 390	3 945	-14%	148	-3 928	1 511
Net debt	-2 656	4 228	-	7 267	11 217	9 518
Net debt /LTM EBITDA reported (x)	-0,31	0,44	-	1,22	1,57	1,49
Net debt /LTM EBITDA recurring (x)	-0,37	0,52	-	1,18	1,69	1,42
Working capital	-1 269	890	-	71	767	-3 395
Capital expenditures	7 053	4 662	51%	5 495	7 009	6 856

¹ One-offs at the EBITDA level.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Chart: Key factors affecting EBITDA in PGE Capital Group (in PLN million).



Chnage	15 810	-11 875	-5 246	-351	224	440	271	201	-658	127	-378	426	
Reported EBITDA 2021	9 535												
One-off/ temporary items 2021	1 406												
Recurring EBITDA 2021	8 129	18 249	8 399	5 434	0	7	844	2 718	4 437	5 174	562	3 435	3 754
Recurring EBITDA 2022		34 059	20 274	10 680	351	231	1 284	2 989	4 638	5 832	689	3 813	4 180
One-off/ temporary items 2022													
Reported EBITDA 2022													7 120
													1 537
													8 657

Reversal of impact of total one-offs increasing the reported result.

¹ Revenue from the sale of electricity reduced by the purchase cost of electricity.

Change in comparison to the values presented in 2021 - in accordance with the amendments to IAS 16, energy output at the new unit of the Turów power plant in the period from synchronisation to the start of trial operation was taken into account.

² Adjusted for result on resale of CO₂ emission rights, that was caused due to reductions by PSE S.A. and trading activities, and result on forward contracts.

³ Including margin adjustment on certificates at PGE Group.

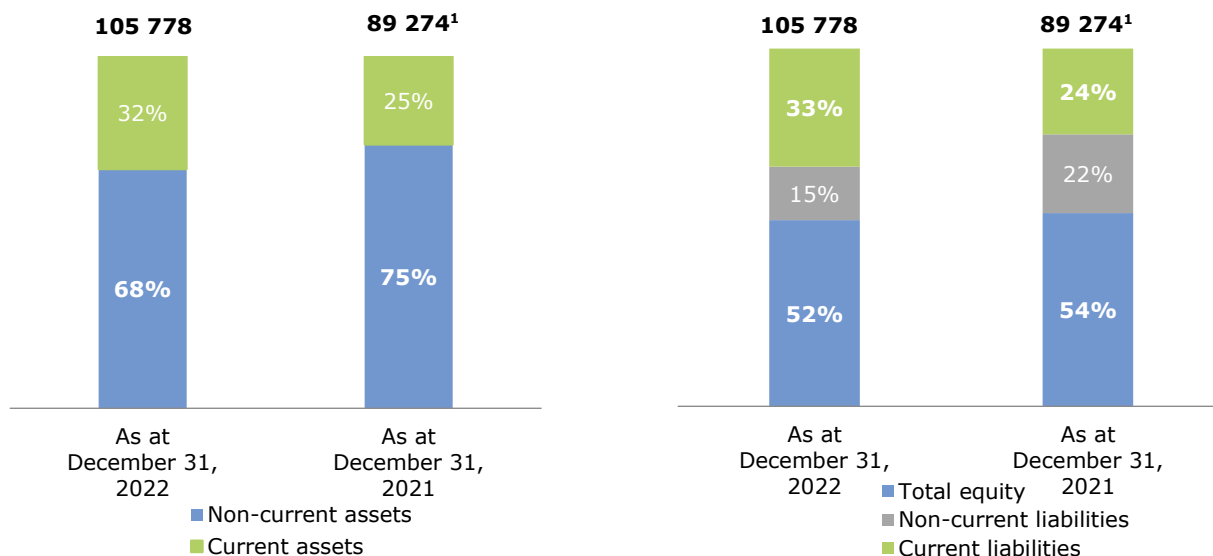
⁴ Including revenues from distribution services, transmission services (PSE), balance of transferred fees and costs of electricity purchased to cover balancing difference.

⁵ The item Personnel costs excluding impact of change in actuarial provision, liability due to one-time benefit - carve-out of NABE and costs of Voluntary Leave Program (one-offs).

⁶ Change in the item Other mainly as a result of a higher result on other operating activities - due to the reversal of the provision for claims from contractors and the write-down of receivables in retail sales companies; without taking into account the impact of the change in the provision for recultivation, provision for prosumers and LTC compensations (one-offs).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

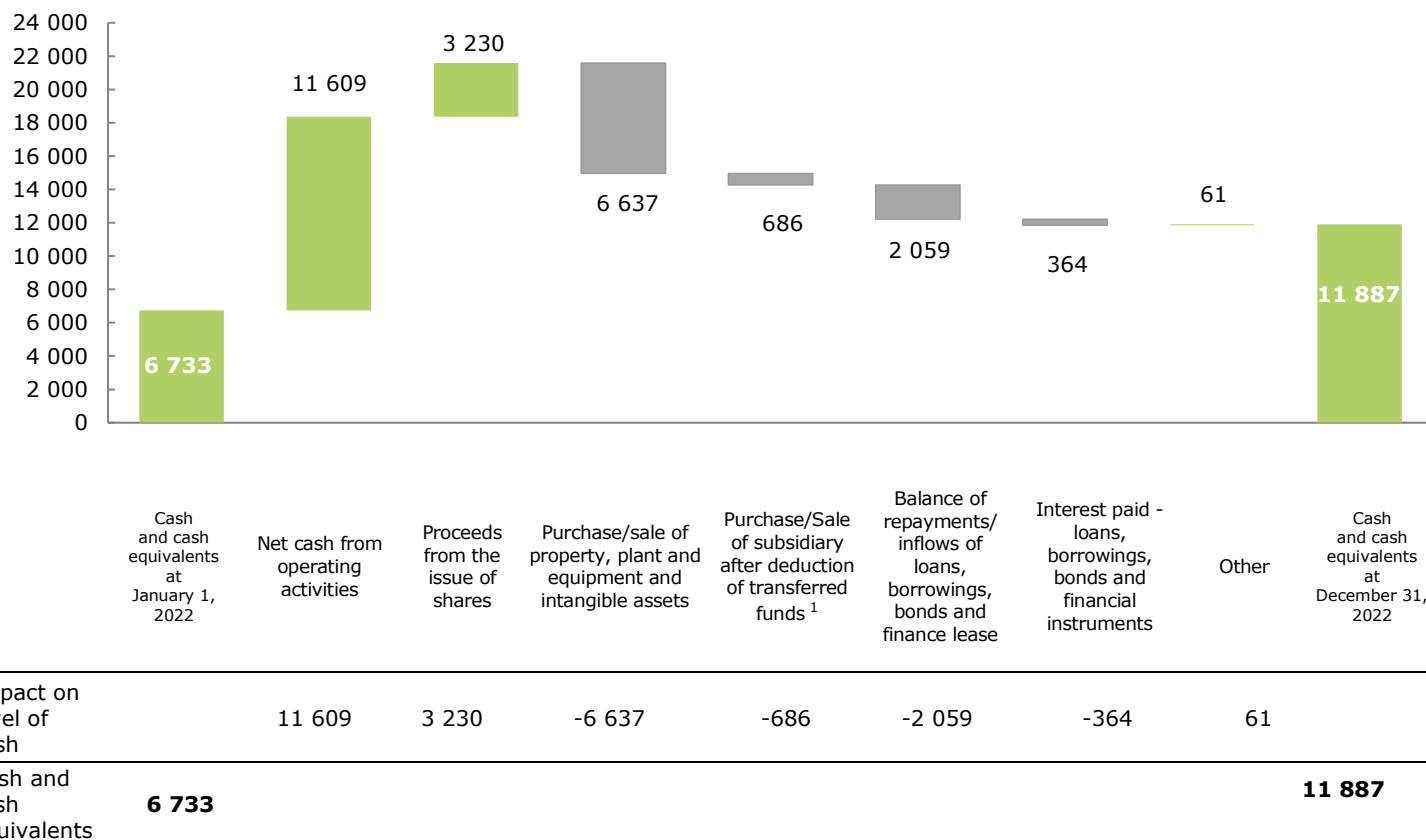
Chart: Structure of assets and equity and liabilities (in PLN million).



¹ Data restated.

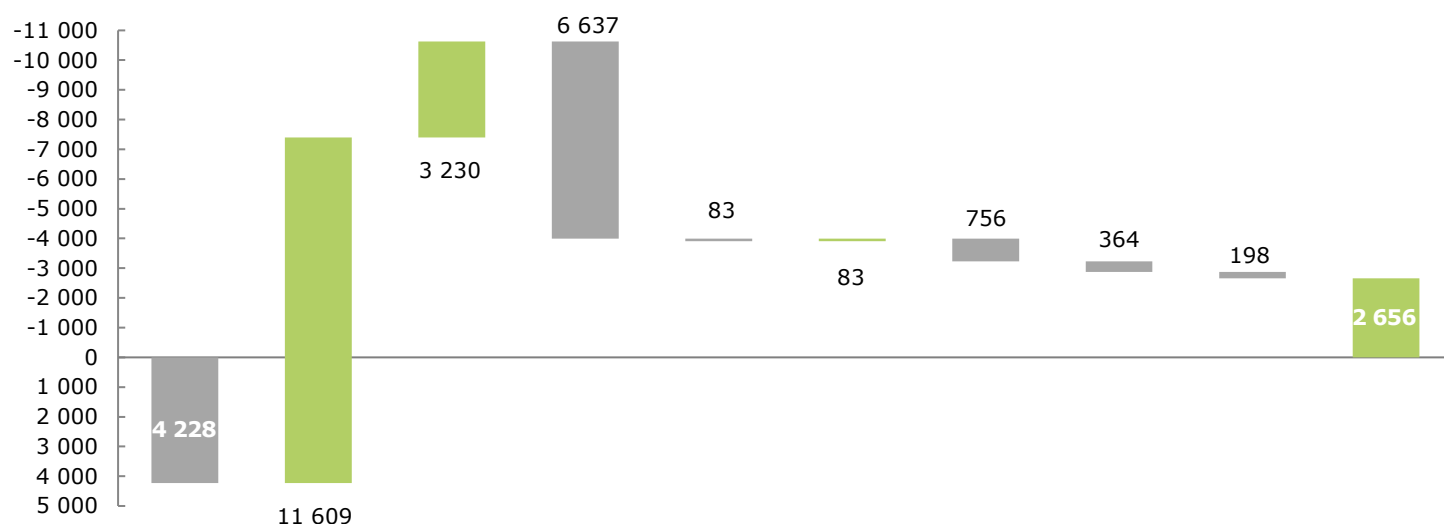
CONSOLIDATED STATEMENT OF CASH FLOWS

Chart: Net change in cash (in PLN million).



¹ Mainly cash spent by PGE EO S.A. on the purchase from Vanadium Holdco Limited of 100% of shares in Collfield Investments, which operates three wind farms. PLN 344 million constituted payment for the shares, PLN 595 million was related to subrogation of liabilities, while cash acquired amounted to PLN 183 million. Additionally, cash from the sale of shares in Elbest sp. z o.o. (PLN 88 m) reduced by cash and cash equivalents of the sold company (PLN 5 m) and other transactions are included as well as other transactions.

Chart: Net debt (in PLN million).



	Net financial debt December 31, 2021	Net cash from operating activities	Proceeds from the issue of shares	Purchase/sale of property, plant and equipment and intangible assets	Change in restricted cash	Sale of shares in Elbest ¹	Purchase of shares in SPVs (WF) ²	Interest on debt	Other	Net financial debt December 31, 2022 ³
Impact on level of net debt		-11 609	-3 230	6 637	83	-83	756	364	198	
Financial net debt	4 228									-2 656

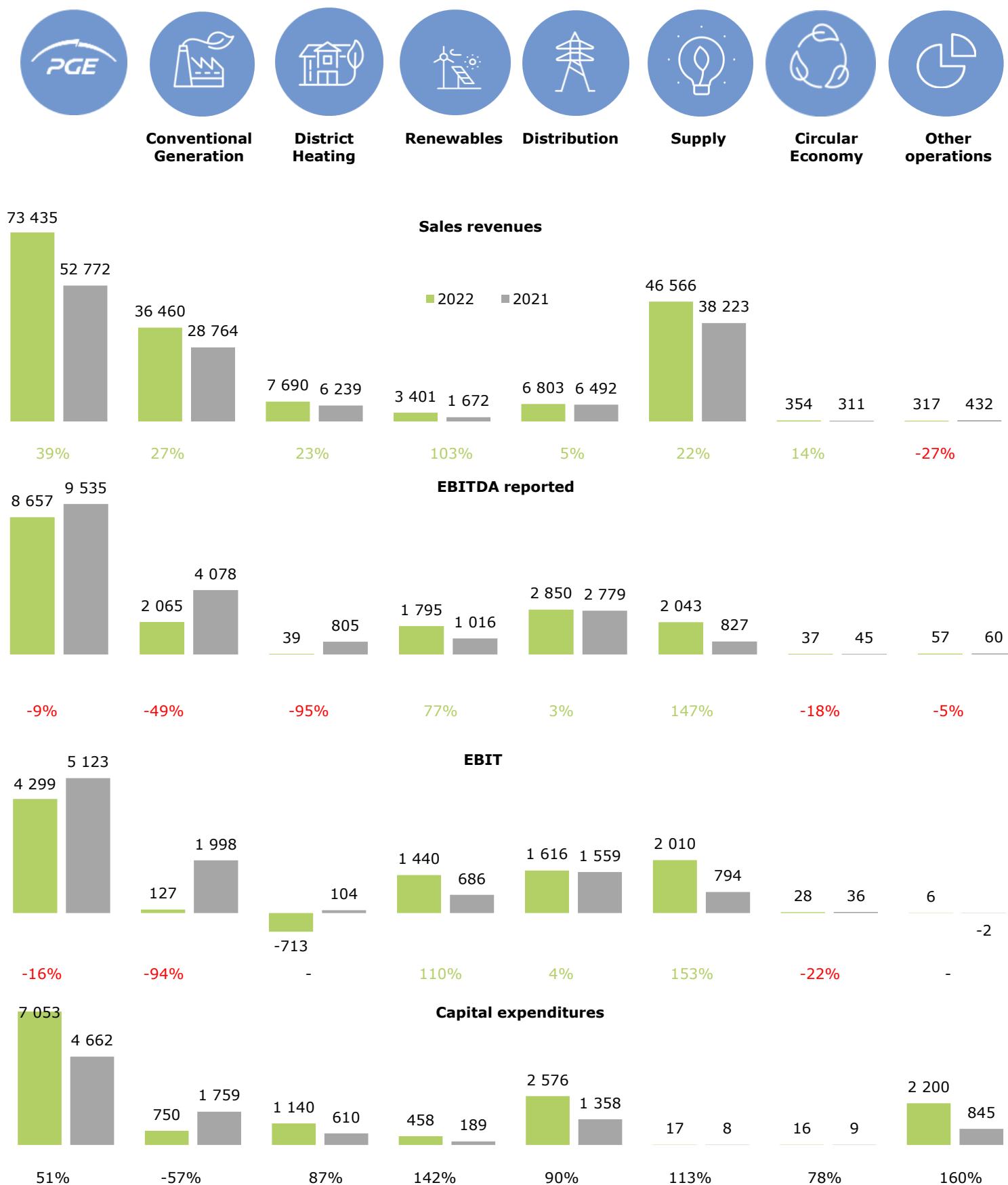
¹ Sale of shares in Elbest sp. z o.o. (PLN 88 m) reduced by cash and cash equivalents of the sold company (PLN 5 m).

² Purchase by PGE EO S.A. from Vanadium Holdco Limited of 100% of shares in Collfield Investments, which operates three wind farms. PLN 344 million constituted payment for the shares, PLN 595 million was related to subrogation of liabilities, while cash acquired amounted to PLN 183 million.

WF- wind farms

³ Estimated level of net economic financial debt (taking into account forward payment for CO₂ emission rights for 2022) amounts to PLN 14 373 million.

KEY RESULTS IN BUSINESS SEGMENTS (IN PLN MILLION)

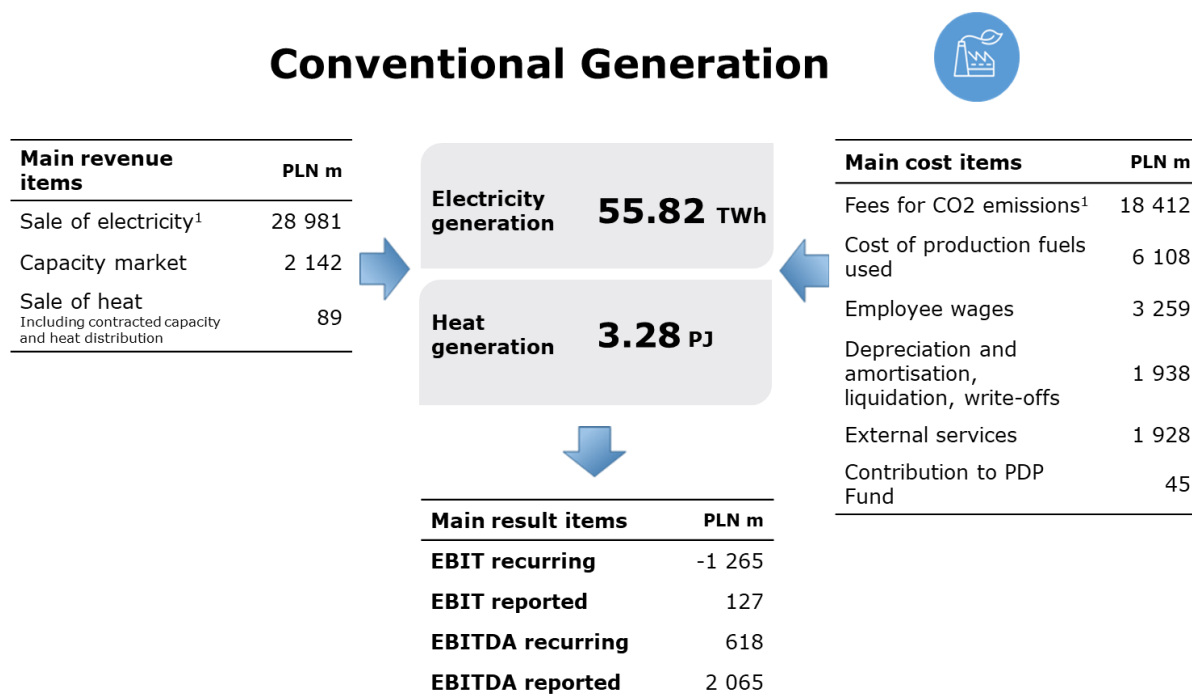


5.3. Operational segments

CONVENTIONAL GENERATION

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

This segment includes lignite mining and generation of electricity in conventional sources.



¹ managerial perspective

The main source of revenue in the Conventional Generation segment is **revenue from the sale of electricity** on the wholesale market, based on electricity prices that are shaped by supply and demand mechanisms, taking into account the variable costs of generation. At the same time, the segment's key cost items, given their size and volatility, and thus their impact on operating results, are the **fees for CO2 emissions** and **cost of production fuels**, mainly hard coal. Lignite-based production, which is of key significance for the Group, is based on own mines, therefore its cost is relatively stable and reflected mainly in fixed-cost items, i.e. personnel costs, third-party services and depreciation.

Revenue from the Capacity Market, a mechanism introduced to prevent electricity shortages in the NPS, constitutes a significant item in the segment's revenue in 2021. PGE GiEK S.A.'s power plants receive fees for performing the capacity obligation (a Capacity Market entity being on standby to supply electricity to the system and the obligation to supply specified capacity to the system when the system is under threat). Capacity Market revenue compensated for revenue from ancillary services. The cold intervention reserve and operational capacity reserve services were discontinued, while revenue from capacity reallocation remained.

In addition, this segment generates revenues from sales of heat produced at industrial plants.

Under the provisions of the Emergency Measures Act, from December 2022, electricity generating entities are required to make a contribution to the Price Difference Payment Fund.

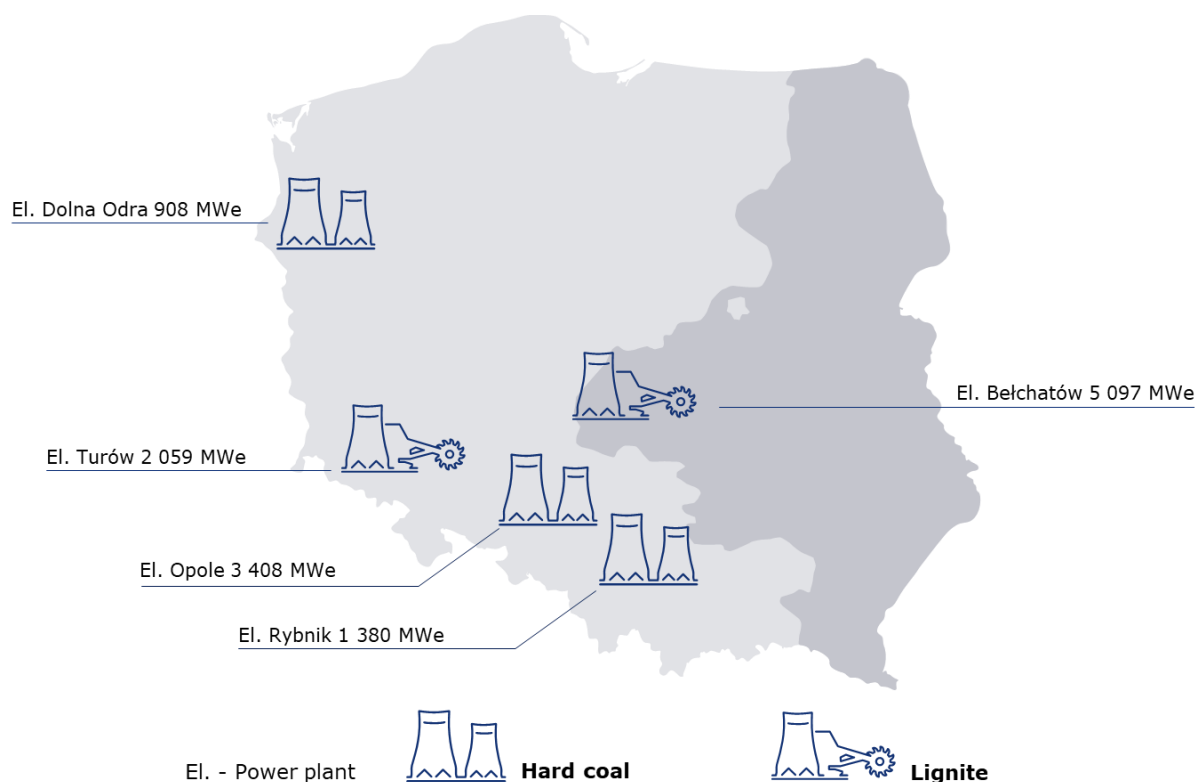
ASSETS

Conventional Generation segment consists of: 2 lignite mines and 5 conventional power plants.

From July 1, 2021 the Szczecin CHP plant and Pomorzany CHP plant and the heat grid in Gryfino were incorporated into the structures of District Heating segment.

Conventional Generation is the leader of lignite mining (its share in the extraction market of this raw material accounting for 94%¹³ of domestic extraction), it is also the largest generator of electricity as it generates approx. 35%¹⁴ of domestic gross electricity production. The generation is based on lignite extracted from mines owned by the company as well as hard coal and biomass.

Diagram: Main assets of the Conventional Generation segment with their installed capacity.



¹³ Own calculations based on data from Central Statistical Office of Poland.

¹⁴ Own calculations based on data from PSE S.A.

Chart: Change of installed capacity in Conventional Generation.

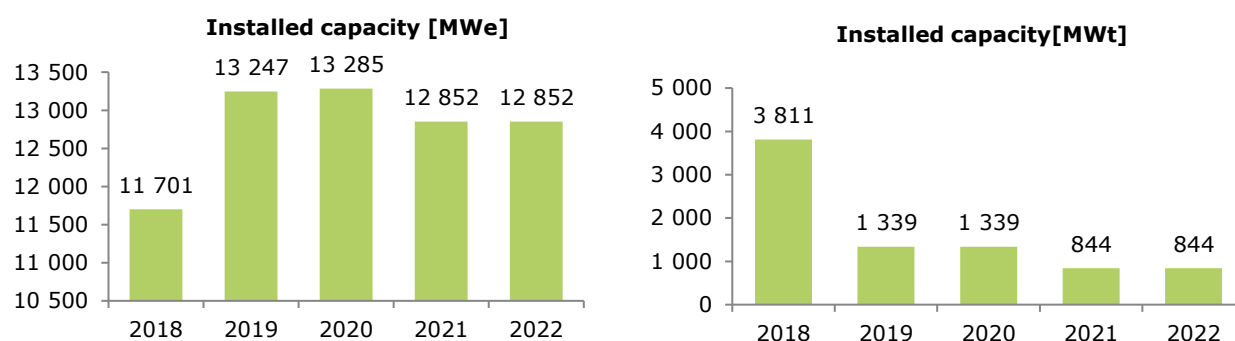


Table: Data in installed capacity in Conventional Generation.

Main fuel types	Installed capacity (MWe)	Installed capacity (MWe)	% change	Installed capacity (MWt)	Installed capacity (MWt)	% change
	2022	2021		2022	2021	
Hard coal	5 696	5 696	0%	251	251	0%
Lignite	7 156	7 156	0%	593	593	0%
Total	12 852	12 852	0%	844	844	0%

Table: Electricity production (TWh).

Main fuel types	Q4 2022	Q4 2021	% change	2022	2021	% change
Hard coal	5.11	4.97	3%	16.30	20.17	-19%
Lignite	9.63	9.81	-2%	39.52	37.12	6%
Biomass	0.00	0.01	-100%	0.00	0.13	-100%
Total	14.74	14.79	0%	55.82	57.42	-3%

Table: Heat production (PJ).

Main fuel types	Q4 2022	Q4 2021	% change	2022	2021	% change
Hard coal	0.21	0.22	-5%	0.67	1.69	-60%
Lignite	0.80	0.86	-7%	2.61	2.82	-7%
Biomass	0.00	0.00	-	0.00	0.62	-100%
Total	1.01	1.08	-6%	3.28	5.13	-36%

Table: Availability and capacity factors in Conventional Generation.

	2022	2021	2020	2019	2018
Availability¹					
Power plants - lignite	86.0%	82.7%	82.2%	78.4%	82.9%
Power plants - hard coal	87.4%	78.2%	80.2%	81.4%	84.8%
Capacity factor¹					
Power plants - lignite	75.2%	70.8%	58.3%	62.4%	75.5%
Power plants - hard coal	35.8%	42.6%	34.2%	38.2%	52.0%

¹ Without units no. 1-2 in Dolna Odra power plant, unit no. 1 in Bełchatów power plant and units no. 1-2 in Rybnik power plant from 2018 (peak reserve units).

LIGNITE MINING

Table: Lignite resources data as at the end of 2022 and lignite output in 2022.

Deposit	Resources - as at the end of 2022 (Mg million)	Output in 2022 (Mg million)
Bełchatów – Field Bełchatów	Industrial 9.67	3.31
Bełchatów – Field Szczerców	Industrial 510.82	37.89
Turów	Industrial 261.07	9.88
Total	Industrial 781.56	51.08

KEY FINANCIAL FIGURES IN THE SEGMENT

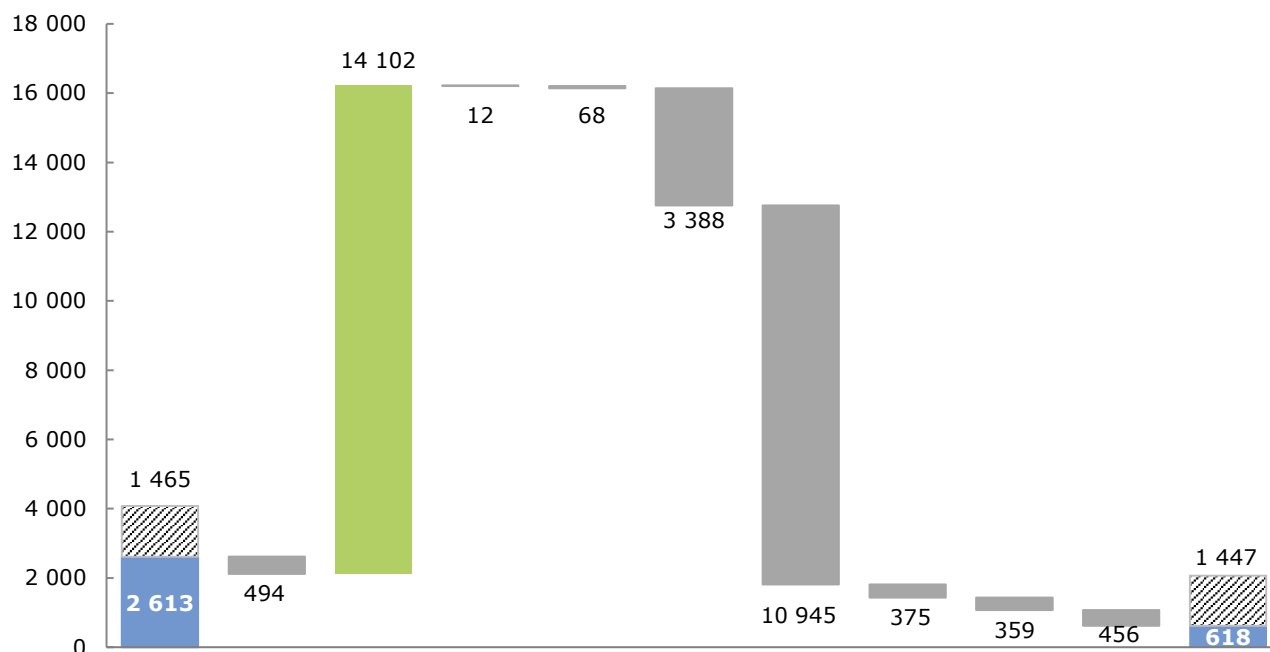
Table: Data on key financial figures in the Conventional Generation (PLN million).

PLN million	2022	2021	% change	2020	2019	2018
Sales revenues	36 460	28 764	27%	25 251	19 245	12 375
EBIT reported	127	1 998	-94%	-647	-7 109	379
EBITDA reported	2 065	4 078	-49%	1 725	2 880	2 101
EBITDA recurring	618	2 613	-76%	1 905	2 698	2 262
One-offs ¹	1 447	1 465	-1%	-180	182	-161
Capital expenditures	750	1 759	-57%	2 372	4 018	4 122

PLN million	Q4 2022	Q4 2021	% change
Sales revenues	10 543	12 048	-12%
EBIT reported	-1 095	732	-
EBITDA reported	-622	1 275	-
EBITDA recurring	-352	887	-
One-offs ¹	-270	388	-
Capital expenditures	350	50	600%

¹ One-offs at EBITDA level.

Chart: Key changes of recurring EBITDA in Conventional Generation (in PLN million) – managerial perspective.



	EBITDA 2021	Electricity production - volume ¹	Electricity production - price ¹	Capacity Market ²	Heat sales	Costs of fuel	Costs of CO ₂ ³	Costs of ZHZW ⁴	Personnel expenses ⁵	Other ⁶	EBITDA 2022
Change		-494	14 102	-12	-68	-3 388	-10 945	-375	-359	-456	
Reported EBITDA 2021	4 078										
One-offs items 2021	1 465										
Recurring EBITDA 2021	2 613	15 374		2 154	157	2 720	7 467	774	2 633	1 478	
Recurring EBITDA 2022		28 982		2 142	89	6 108	18 412	1 149	2 992	1 934	618
One-offs 2022											1 447
Reported EBITDA 2022											2 065

 Reversal of impact of total one-offs increasing the reported result.

¹ Change in comparison to the values presented in 2021 - in accordance with the amendments to IAS 16, energy output at the new unit of the Turów power plant in the period from synchronisation to the start of trial operation was taken into account.

² Managerial perspective.

³ Costs reduced by resale of CO₂ emission rights, that was caused due to reductions by PSE S.A. and trading activities.

⁴ ZHZW – Agreement for Commercial Management of Generation Capacities.

⁵ The item Personnel costs excluding impact of change in actuarial provision and liability due to one-time benefit related to carve-out of NABE (one-off).

⁶ Other without including the impact of change of the reclamation provision (one-off).

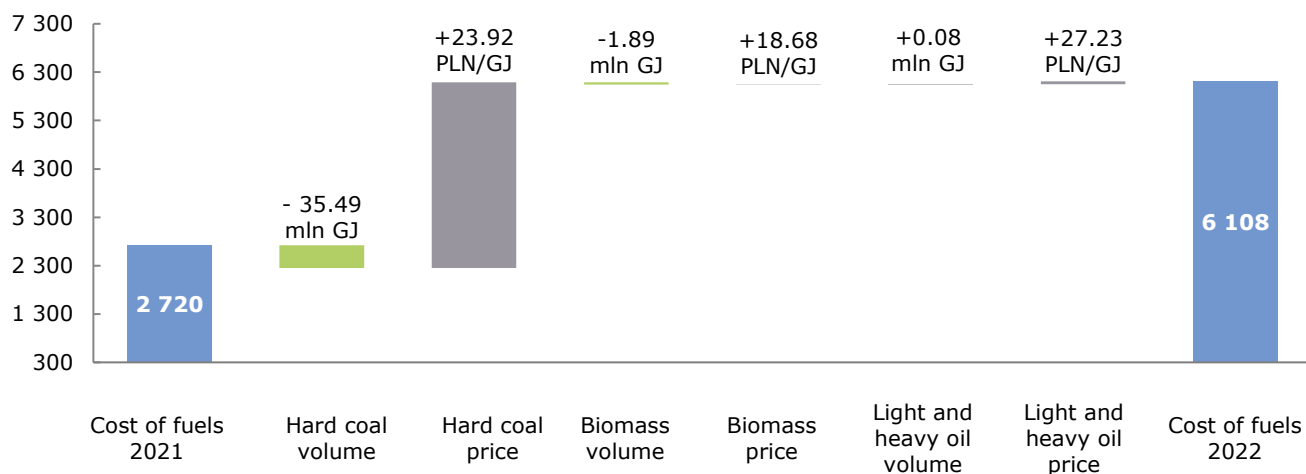
Table: Data on one-offs in Conventional Generation (PLN million).

One-offs	2022	2021	Zmiana %
Change of reclamation provision	1 714	1 446	19%
Change of actuarial provision	-80	19	-
Liability due to one-time benefit – carve-out of NABE	-187	-	-
Total	1 447	1 465	-1%

Key factors affecting the EBITDA result of Conventional Generation segment on y/y basis included:

- **Increase in revenues from the sale of electricity**, which results from: higher average selling price of electricity by PLN 258/MWh y/y, which translated into an increase in revenues by approx. PLN 14 102 million; lower sales volume by 1.8 TWh, which resulted in a decrease in revenues by approx. PLN 494 million.
- **Lower result obtained from the Capacity Market** as a result of as a result of lower rates, which was mostly compensated by higher level of contracted capacity obligations and an increase in the share of PGE GiEK S.A. in the breakdown of costs and benefits (especially in the context of the exclusion from the division in 2022 of gas units of the District Heating segment, due to their cogeneration support).
- **Higher fuel consumption costs**, mainly hard coal, due to the much higher fuel price. Lower costs of biomass consumption results from the inclusion of the Szczecin CHP Plant in the District Heating segment's structures from July 1, 2021. Main changes on different types of fuel are presented in the chart below.
- **Higher CO₂ costs** as a result of higher average cost of CO₂ by PLN 178/t. Main changes are shown in the chart below.
- **Higher ZHZW** (Commercial Management of Generation Capacities) **costs** results from higher value of energy under management due to higher average electricity price
- **Higher personnel expenses** mainly in connection with the implementation of agreements concluded with the social party.
- **The increase in the item 'other'** is mainly caused by:
 - higher repair costs, mainly due to higher costs of consumables, including diesel oil, and as a result of higher fees for external services,
 - higher other variable costs (including limestone dust and limestone) as a result of increased production from lignite,
 - contribution for PDP Fund,
 - lower level of cost capitalisation for in-house implementation of investments due to the smaller scope of tasks performed.

Chart: Costs of production fuels consumption in Conventional Generation (in PLN million).

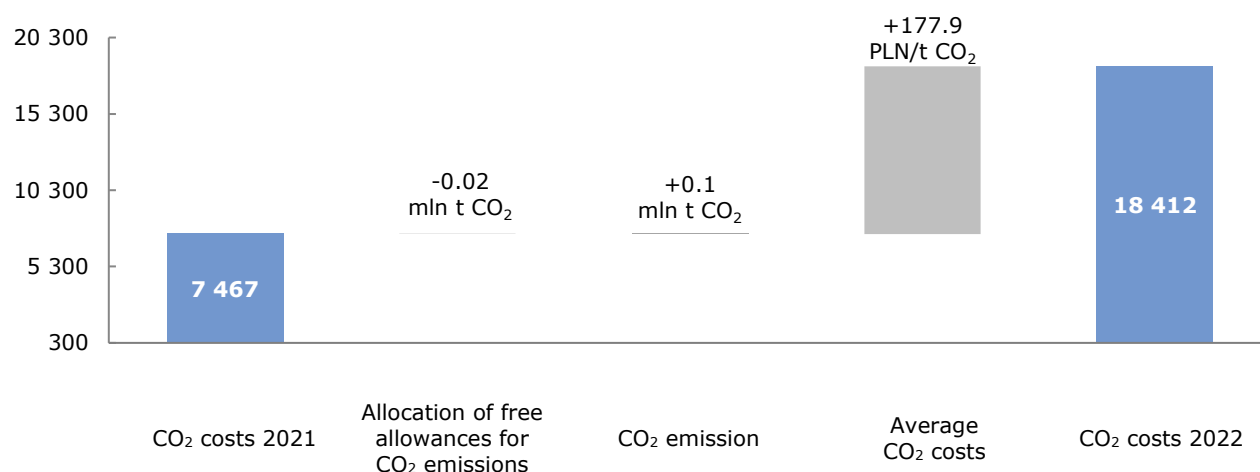


Change	-467	3 835	-44	0	4	60
Cost of fuels 2021	2 720	2 574		45		101
Cost of fuels 2022		5 942		1		165
						6 108

Table: Data on use of production fuels consumption in Conventional Generation.

Fuel type	2022		2021	
	Volume (tons ths)	Cost (PLN million)	Volume (tons ths)	Cost (PLN million)
Hard coal	7 356	5 942	8 759	2 574
Biomass	2	1	223	45
Fuel oil – light and heavy	54	165	52	101
Total		6 108		2 720

Chart: CO₂ costs in Conventional Generation segment (in PLN million).



Change	2	10	10 933
CO ₂ costs 2021	7 467		
CO ₂ costs 2022			18 412

Table: Data on CO₂ costs in Conventional Generation.

Dane dot. CO ₂	2022	2021	% change
Allocation of free allowances for CO ₂ emissions (tons)	63 753	83 839	-24%
CO ₂ emission (tons)	61 510 908	61 431 598	0%
Average CO ₂ costs (PLN/t CO ₂) ¹	299.6	121.7	146%

¹ Managerial perspective.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Conventional Generation segment

PLN million	2022	2021	% change
Investments in generating capacities, including:	638	1 678	-62%
Development	4	588	-99%
Modernisation and replacement	634	1 090	-42%
Other	112	81	38%
Total	750	1 759	-57%

KEY EVENTS IN THE CONVENTIONAL GENERATION SEGMENT

Modernisation investments aimed at reducing the negative impact of production on the natural environment:

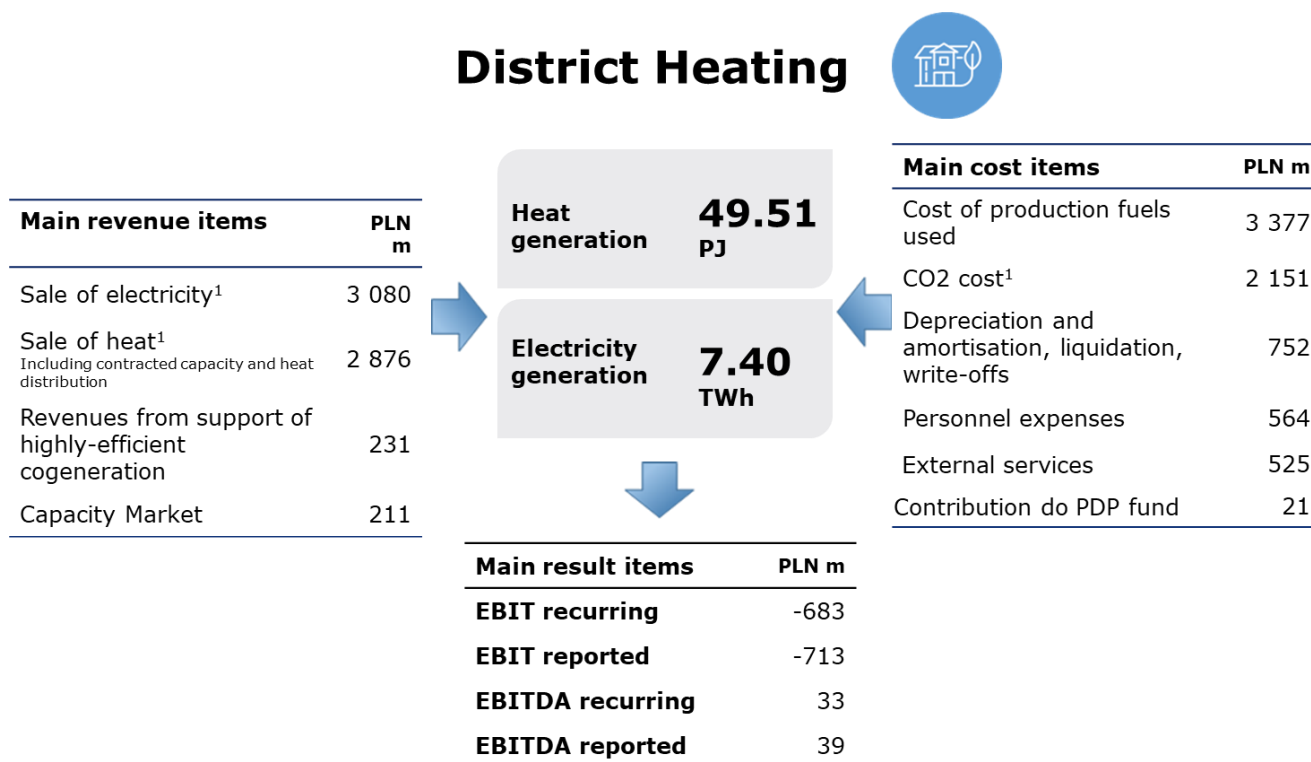
- On January 3, 2022, the **electrostatic precipitator of unit 4 at the Opole power plant** was put into service, the final acceptance after guarantee measurements was carried out on March 7, 2022.

- On January 25, 2022, the **modernisation of the flue gas desulphurisation system of unit 3 and unit 4 was completed at the Bełchatów power plant** – and the system was put into service.
- On February 15 2022, the **modernisation of the flue gas desulphurisation system of unit 8 at the Bełchatów power plant** was completed – and the system was put into service.
- On February 25, 2022, the construction phase consisting of the construction of a steel structure with internal walls and roof sheathing was completed as part of the task "**Extension of the Turów power plant wastewater treatment plant** - main node building".
- In March 2022, a 14-day trial run of the non-catalytic reduction of nitrogen oxides removal installation for unit 7 of the Bełchatów power plant was performed.
- On March 9, 2022, the **electrostatic precipitator of unit 5 at the Rybnik power plant** was put into service following modernisation.
- An **SNCR** flue gas NOx reduction system was commissioned at unit 7 of the **Bełchatów power plant** on June 10, 2022.
- On June 14, 2022, final acceptance was performed for the construction of a bromine salt dosing system on units 1-6 at the Turów plant, together with a bromine salt storage and distribution system.
- On June 28, 2022, the final acceptance protocol for measurements of the **NOx emission reduction system at unit 4 at the Opole plant was signed**. The task concerning NOx emission reduction at units 1 - 4 has been completed. Thus, the assumptions of the Opole plant's adaptation program regarding compliance with emission parameters (dust, nitrogen oxides, hydrogen chloride, hydrogen fluoride, ammonia) have been met.
- On July 8, 2022, a contract for the deployment of a boiler plant with two steam generators at the **Rybnik power plant** was started by the contractor - Zakład Automatyki Przemysłowej INTEC sp. z o.o.
- On August 21, 2022, the flue gas desulphurisation (FGD) system at unit 8 at the **Bełchatów power plant** was turned off for inspection, cleaning and condition assessment of the sprinkler system.
- In August 2022, as part of the construction of a wastewater treatment plant at the **Turów power plant**, pressure testing of the installation of three lines (ultrafiltration and reverse osmosis) was carried out and the handover of individual equipment at Site A commenced.
- On September 22, 2022, a 14-day trial run of the SNCR (flue gas purification technology - selective non-catalytic reduction) system at unit 9 at the **Bełchatów power plant** was started.
- On September 27, 2022, a report on warranty measurements of FGD 5 and 6 at the **Bełchatów power plant** was received and the achievement of the main technical parameters of desulphurisation efficiency was confirmed.
- On December 13, 2022, Annex 2 to the Contract for the construction of an **industrial wastewater treatment plant** was signed with contractor SEEN Technologie sp. z o.o. for the development of a chemical agent dosing system and with regard to the development of the pilot installation of the 2nd stage of reverse osmosis in the industrial wastewater treatment plant at the **Turów Power Plant**.
- On December 15, 2022, the 240-hour trial operation of lines 4-6 of the **industrial wastewater treatment plant at Turów Power Plant** (facility A - precipitation, ultrafiltration and reverse osmosis plant) was completed. These lines are now in continuous operation.
- On December 19, 2022, an **SNCR flue gas denitrification system** at unit 9 of the **Bełchatów Power Plant** was commissioned.

DISTRICT HEATING

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

Core business of the District Heating segment includes production of electricity and heat from cogeneration sources as well as distribution of heat.



¹ managerial perspective

As in the case of Conventional Generation, this segment's significant revenues are **revenues from electricity sales**, however, they are usually directly related to generation of heat which in turn depends on demand that is highly seasonal and depends on external temperatures. This is why, in contrast to industrial power plants in Conventional Generation, as a rule, CHP plants do not have any considerable impact on the development of prices for electricity on the wholesale market.

Revenues from the sale and distribution of heat are regulated revenues. Energy companies independently set tariffs and present them to the President of the Energy Regulatory Office (the "ERO President") for approval. Heat production at PGE Group takes place in cogeneration units, which tariffs for heat are calculated using a simplified approach (compared to tariffs based on a full cost structure), based on reference prices, conditioned on average sales prices for heat generated in units with specific fuel other than cogeneration units. They are published each year by the ERO President. Tariffs for heat production for cogeneration units in a given tariff year thus reflect changes in the costs of heat-generation units (not co-generation units) in the previous calendar year. The cost approach is applied in the case of tariffs for heat distribution, which allows to cover justified costs (mainly the costs of heat losses and property tax) and a return on invested capital, in line with guidelines from the ERO President. Distribution tariffs for heat are in place at branches in Gorzów and Zgierz, as well as by Kogeneracja S.A., PGE Toruń and Zielona Góra CHP.

Generation of heat and electricity is directly related to key variable costs of the segment, i.e. **the cost of production fuel used** (in particular, hard coal and gas) and **the cost of fees for CO₂ emissions** and **contribution to PDP fund**.

Electricity production in high-efficiency cogeneration is additionally remunerated. Until 2018, CHPs generated **revenue from the sale of energy origin certificates**, i.e. cogeneration certificates (yellow and red). From 2019, due to a change in support model, they receive support at a level covering increased operating costs

related to production. The support mechanism in the form of certificates is in place also for biomass-fired generating assets. This type of production is additionally remunerated by awarding origin certificates, i.e. green certificates, the sale of which generates additional revenue. Within the segment such revenues is obtained at Szczecin biomass CHP and biomass unit in Kielce CHP.

Revenue from the Capacity Market, a mechanism introduced to prevent electricity shortages in the National Power System, constitutes a significant item in the segment's revenue, starting from 2021. CHP plants receive fees for performing the capacity obligation (a Capacity Market entity being on standby to supply electricity to the system and the obligation to supply specified capacity to the system when the system is under threat).

Weather conditions substantially affect the segment's results. Temperatures directly shape the level of heat demand. Simultaneously, the level of heat production determines the level of electricity production in co-generation, which is an additional source of revenues that decisively affects the CHP plant's profitability.

Under the provisions of the Emergency Measures Act, from December 2022, electricity generating entities are required to make a contribution to the Price Difference Payment Fund.

ASSETS

The following companies are included in the segment: PGE EC S.A., KOGENERACJA S.A., EC Zielona Góra S.A., PGE Toruń S.A. and MEGAZEC sp. z o.o. In addition, from July 1, 2021, Szczecin CHP, Pomorzany CHP and the district heating network in Gryfino, recognised until June 30, 2021 as part of the Conventional Generation segment, were included in the structures of the District Heating segment.

Currently, the segment includes 16 combined heat and power plants.

District Heating is the largest heat producer in Poland. Generation is based mainly on hard coal and natural gas.

Diagram: Main assets of the District Heating segment and their installed capacity.

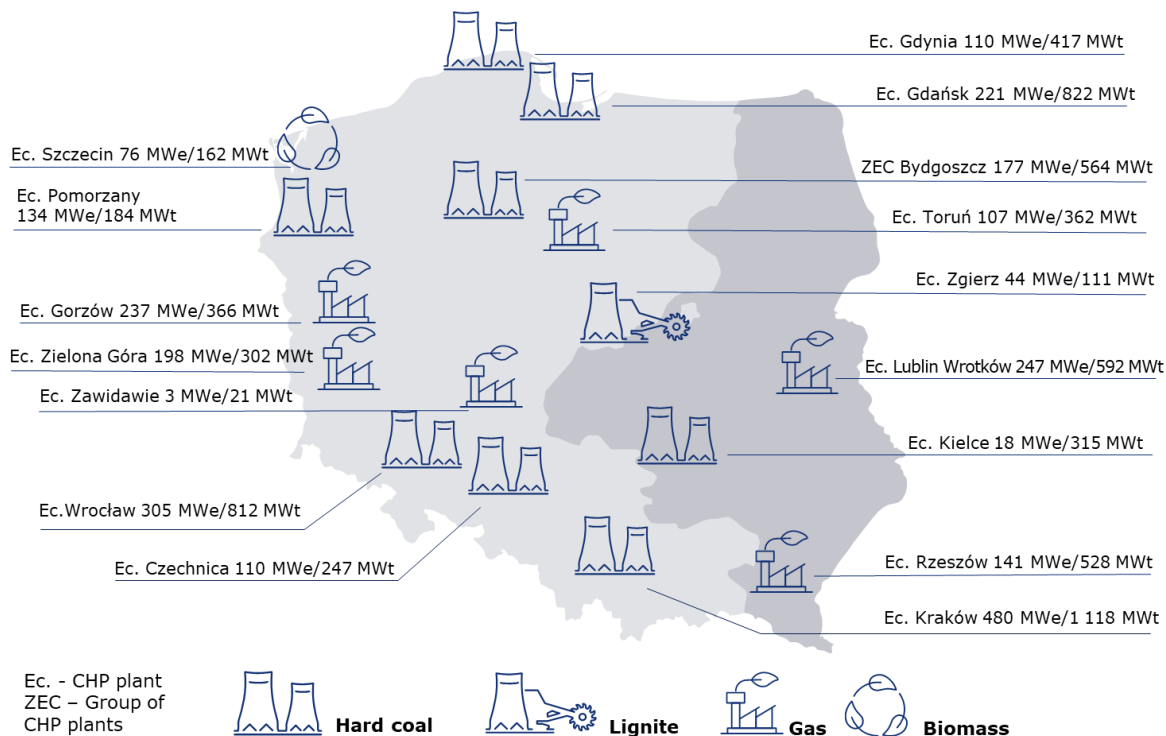


Chart: Change of installed capacity in District Heating

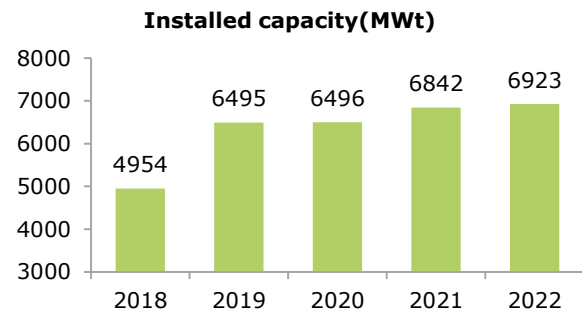
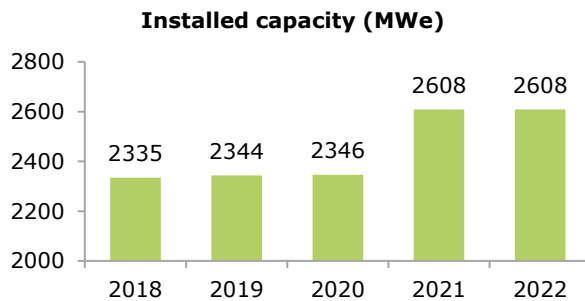


Table: Data on installed capacity in District Heating

Main fuel types	Installed capacity (MWe)	Installed capacity (MWe)	% change	Installed capacity (MWt)	Installed capacity (MWt)	% change
	2022	2021		2022	2021	
Hard coal	1 592	1 592	0%	4 575	4 495	2%
Gas	925	925	0%	2 150	2 150	0%
Biomass	83	83	0%	176	176	0%
Other	8	8	0%	22	21	5%
Total	2 608	2 608	0%	6 923	6 842	1%

Table: Electricity production (TWh).

Main fuel types	Q4 2022	Q4 2021	% change	2022	2021	% change
Hard coal	1.31	1.44	-9%	4.25	4.17	2%
Gas	0.90	1.13	-20%	2.79	4.22	-34%
Biomass	0.07	0.10	-30%	0.25	0.26	-4%
Other	0.03	0.04	-25%	0.11	0.11	0%
Total	2.31	2.71	-15%	7.40	8.76	-16%

Table: Heat production (PJ).

Main fuel types	Q4 2022	Q4 2021	% change	2022	2021	% change
Hard coal	13.92	14.52	-4%	39.90	39.47	1%
Gas	2.22	3.08	-28%	7.26	9.99	-27%
Biomass	0.38	0.57	-33%	1.50	1.34	12%
Other	0.41	0.21	95%	0.85	0.84	1%
Total	16.93	18.38	-8%	49.51	51.64	-4%

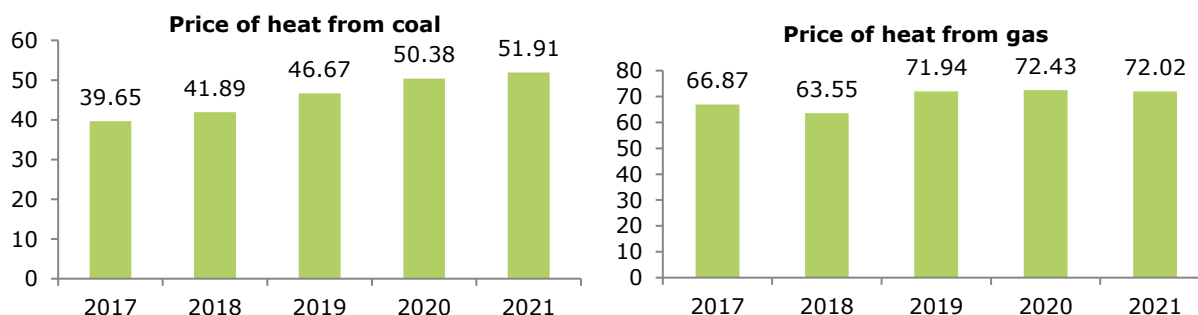
Table: Availability and capacity factors in District Heating.

	2022	2021	2020	2019
Availability	75.3%	79.7%	75.8%	81.0%
Capacity factors	36.8%	41.0%	46.7%	46.0%

TARIFFS IN DISTRICT HEATING

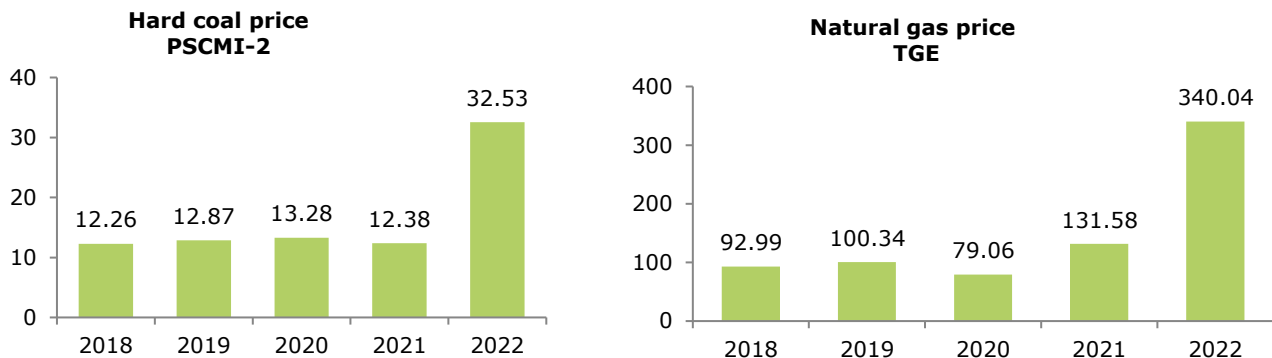
Due to the fact that the income on heat sales for CHP plant are tarified as part of the so-called simplified method, they are characterised by a relative delay in the transfer of costs (annual or two-year). They are based on the year-to-year dynamics of average costs (including fuels used) incurred by entities that are not co-generation entities for the year preceding the time of tariff setting.

Charts: Changes in the reference price of heat for hard coal and natural gas (PLN/GJ).



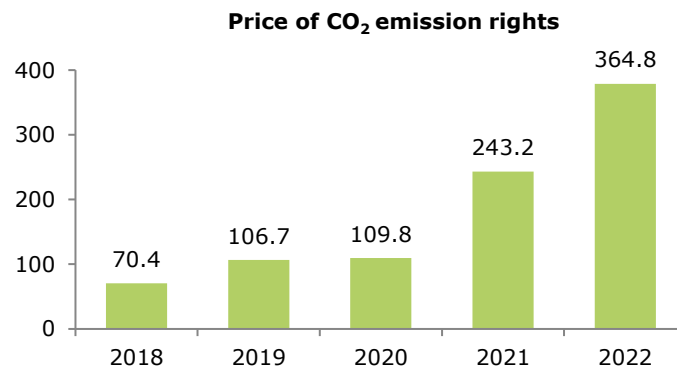
Source: ERO.

Changes in costs of fuels – hard coal (PLN/GJ) – PSCMI 2¹⁵ and gas (PLN/MWh) - TGE.



Source: ARP, TGE.

Chart: Changes in price of CO₂ emission rights¹⁶ (PLN/t).



Source: ICE.

Reflecting previous cost increases, the reference price of heat produced from hard coal increased by 3% in 2021. It is a base to the increase in heat prices for co-generation entities establishing the tariff during 2022. In 2022 the average market price of coal increased by 163%, while the average price of CO₂ emission rights increased by 50% in comparison to 2021.

Tariffs for the production of heat from gas in 2022 are set based on an change in the reference price, whereas in 2022 gas prices are already significantly higher than in previous periods. Prices of gas in TGE forward contracts stood at approx. PLN 340/MWh (i.e. increase by 158%).

¹⁵ PSCMI-2 Polish Steam Coal Market Index 2 - the average prices for pulverised coals sold on the domestic heating market.

¹⁶ Arithmetic average of the daily and monthly records in a given period (spot price).

KEY FINANCIAL FIGURES IN THE SEGMENT

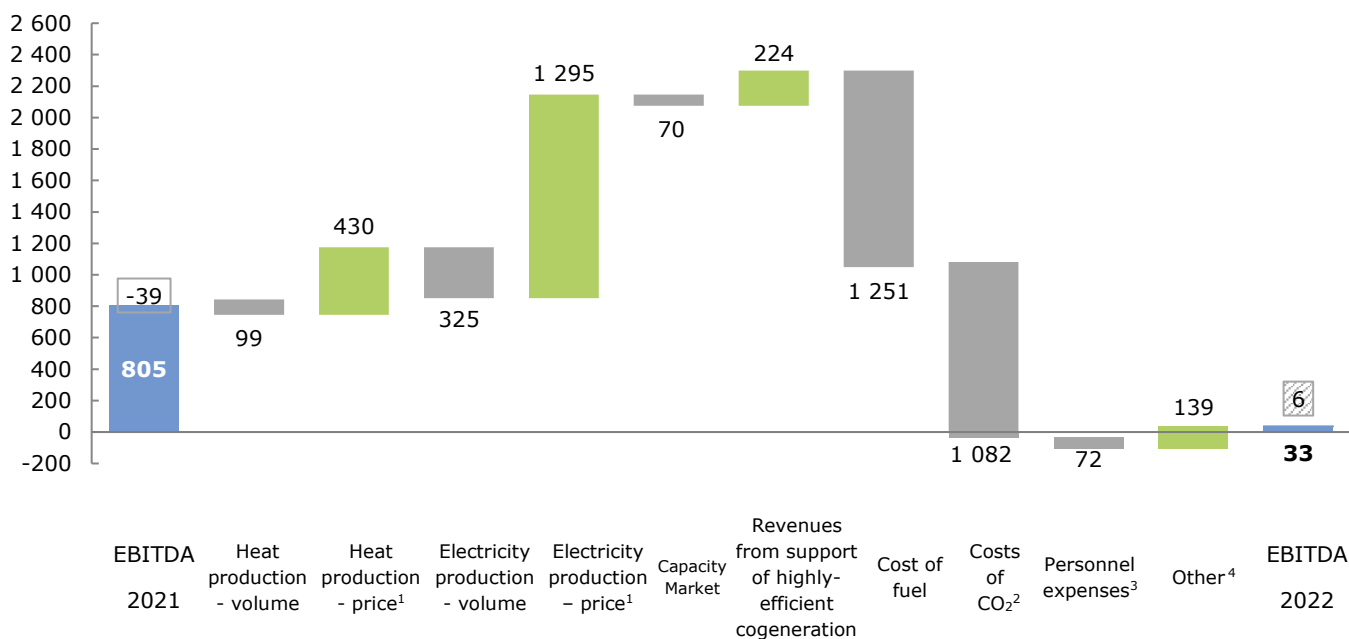
Table: Data on key financial figures in District Heating (PLN million).

PLN million	2022	2021	% change	2020	2019	2018
Sales revenues	7 690	6 239	23%	4 899	6 058	5 508
EBIT reported	-713	104	-	304	595	196
EBITDA reported	39	805	-95%	947	1 186	852
EBITDA recurring	33	844	-96%	928	926	982
One-offs ¹	6	-39	-	19	260	-130
Capital expenditures	1 140	610	87%	671	548	775

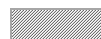
PLN million	Q4 2022	Q4 2021	% change
Sales revenues	2 796	2 430	15%
EBIT reported	-203	-283	-
EBITDA reported	-10	-62	-
EBITDA recurring	-6	65	-
One-offs ¹	-4	-127	-
Capital expenditures	618	236	162%


¹ One-offs at EBITDA level.

Chart: Key changes of EBITDA in District Heating (in PLN million) – managerial perspective.



Change	-99	430	-325	1 295	-70	224	-1 251	-1 082	-72	139	
Reported EBITDA 2021											805
One-offs items 2021											-39
Recurring EBITDA 2021		2 545		2 110	281	7	2 126	1 069	489	415	
Recurring EBITDA 2022		2 876		3 080	211	231	3 377	2 151	561	276	33
One-offs 2022											6
Reported EBITDA 2022											39

 Reversal of impact of total one-offs increasing the reported result.

 Reversal of impact of total one-offs decreasing the reported result.

¹ Value adjusted for costs of certificates redemption.

² Costs reduced by resale of CO₂ emission rights surplus resulting from reductions by PSE S.A. and trading activities.

³ The item Personnel expenses excluding impact of change in actuarial provision (one-off).

⁴ Other without including the impact of change of the reclamation provision and LTC compensations (one-offs).

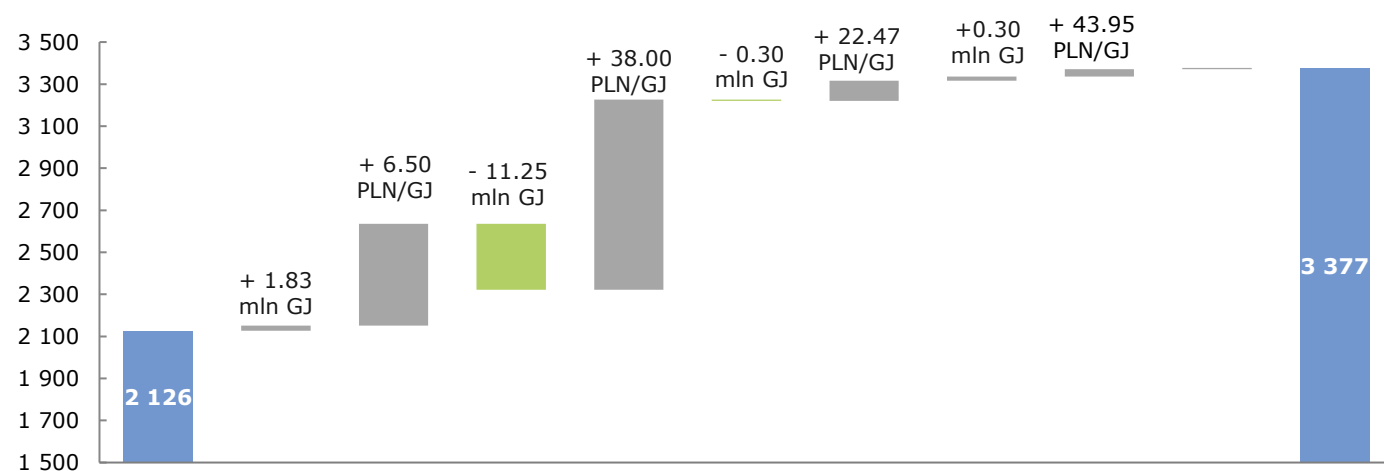
Table: Data on one-off and temporary items in District Heating segment (PLN m).

One-offs	2022	2021	% change
Change in the reclamation provision	7	16	-56%
Change in the actuarial provision	-3	3	-
LTC compensations	2	-58	-
Total	6	-39	-

Key factors affecting the EBITDA result of District Heating segment on y/y basis included:

- **Lower volume of net heat production** in 2022 y/y is a result of higher outside temperatures compared to analogical period of 2021. The average temperatures were by 1.4° C higher, what translated into decreased heat production (by 2.1 PJ).
- **Increase of heat sale price** is a result of increased tariffs for heat for the CHP plants following the publication by the ERO of new reference prices for heat production in units not being co-generation units and the amendment of the tariff regulation.
- **Increase in revenues from the sale of electricity**, which results from: higher average selling price of electricity by PLN 175 /MWh y/y, which translated into an increase in revenues by approx. PLN 1 295 million; compensated by a lower sales volume by 1.3 TWh, which resulted in a decrease in revenues by approx. PLN 325 million.
- **Lower revenues from Capacity Market**, due to the granting of a higher level of support for highly-efficient cogeneration, while limiting the number of units that can participate in the Capacity Market.
- **Higher revenues due to support for high-efficiency cogeneration** due to the granting of a higher individual cogeneration bonus for gas-fired units.
- **Higher fuel consumption costs** which are caused by higher gas prices and higher price of hard coal use. The details are shown in the chart below.
- **Higher CO₂ costs** are mainly a result of higher price of allowances. The details are shown in the chart below.
- **Higher personnel expenses** result mainly from of wage increases due to wage agreements and the increase in the minimum wage.
- **The lower level of the item other** is mainly due to lower other operating costs as a result of the agreement with ENEA (regarding the sale of certificates) and higher revenue from forced generation, partly offset by the contribution to the Price Differential Payment Fund made in December 2022.

Chart: Consumption costs of production fuels in District Heating (in PLN million).

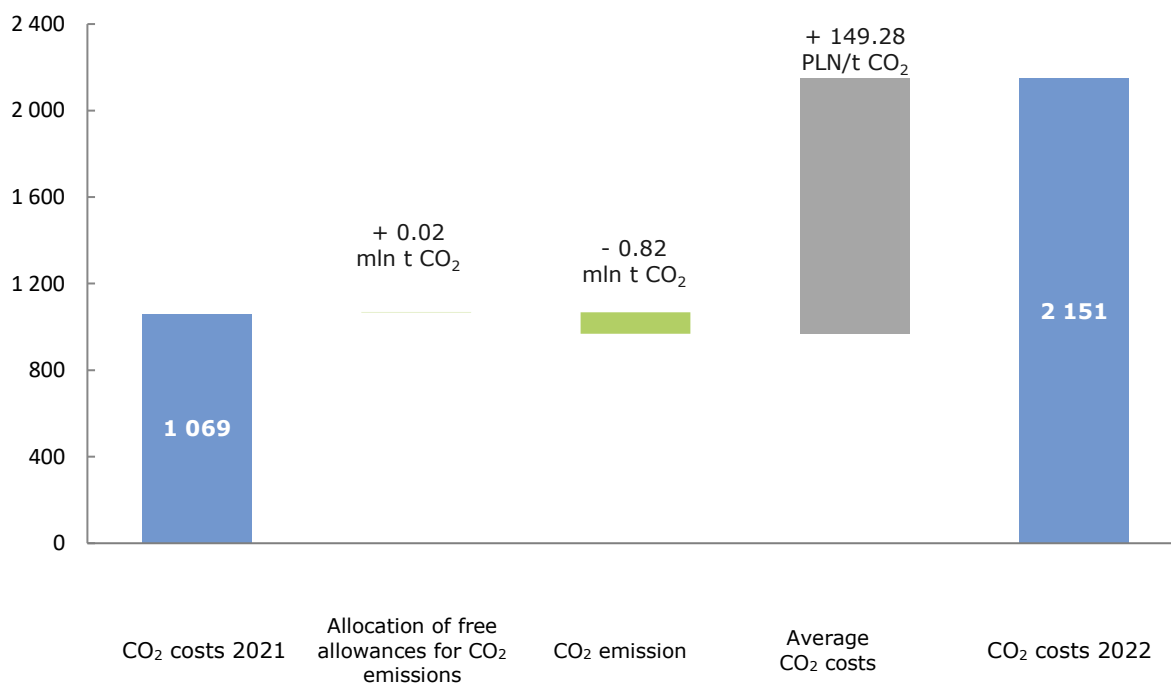


	Costs 2021	Hard coal volume	Hard coal price	Gas volume	Gas price	Biomass volume	Biomass price	Fuel oil - volume	Fuel oil - price	Other raw materials	Costs 2022
Change	26	484	-315	905	-6	96	19	35	7		
Costs of fuel 2021	2 126	1 007		980		95		32		12	
Costs of fuel 2022		1 517		1 570		185		86		19	3 377

Table: Data on use of production fuels consumption in District Heating.

Fuel type	2022		2021	
	Volume (tons ths)	Cost (PLN million)	Volume (tons ths)	Cost (PLN million)
Hard coal	3 380	1 517	3 224	1 007
Gas (cubic metres ths)	832 945	1 570	1 173 402	980
Biomass	479	185	486	95
Fuel oil and other raw materials	-	105	-	44
Total		3 377		2 126

Chart: CO₂ costs in District Heating (PLN million).



Change	-2	-99	1 183
CO ₂ costs 2021	1 069		
CO ₂ costs 2022	2 151		

Table: Data on CO₂ costs in District Heating.

Data regarding CO ₂	2022	2021	% change
Allocation of free allowances for CO ₂ emissions (tons)	569 505	554 435	3%
CO ₂ emission (tons)	8 499 418	9 314 784	-9%
Average CO ₂ costs (PLN/t CO ₂) ¹	271.31	122.03	122%

¹ Managerial perspective.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in District Heating segment.

PLN million	2022	2021	% change
Investments in generating capacities, including:	1 076	552	95%
Development	679	289	135%
Modernisation and replacement	397	263	51%
Other	64	58	10%
Total	1 140	610	87%

KEY ACTIVITIES IN DISTRICT HEATING SEGMENT

- The turnkey construction of the new **Czechnica CHP plant, i.e. CCGT unit** with a total gross capacity of 179 MWe and 163 MWt, heat accumulator and four water boilers with total capacity of 152 MWt, is in progress. In 2022, reserve-peak boilers and gas turbines were placed on foundations. The foundations of the 110kV switching station and the steam turbine unit were completed.
- At the **Gorzów Wielkopolski, Lublin and Rzeszów CHPs, peak load boiler construction** projects continued. In the fourth quarter of 2022, construction work continued, including the foundation work of the boiler plants and other construction facilities. In Gorzów and Lublin, the most important stage of implementation was the delivery and installation of boilers, completed in November and December 2022. In the most advanced project at CHP Rzeszów, where deliveries had already been made and 6 gas boilers were placed on foundations, work was carried out on finishing the boiler hall, construction of the electrical building and construction of the gas pipeline.
- At the **Zielona Góra CHP** plant within a **gas turbine modernization**, after completing all assembly and commissioning work and after synchronising the gas turbine generator with the NPS, the warranty measurement stage took place - a measurement report was received in November 2022, the results of which are positive - the contract parameters have been achieved. The final acceptance protocol was signed on November 29, 2022.
- At **Kraków CHP, Wrocław CHP and Gdańsk CHP** (CHPs with wet flue gas desulphurisation), the modernisation of **wastewater treatment systems** continued.
- At the **Rzeszów CHP**, the construction of the second line of the **Waste-to-Energy Incinerator** is in progress. On May 26, 2022, the contract for this investment was signed with a Consortium comprising PORR S.A. and Termomeccanica Ecologia. On September 21, 2022, the construction site was officially handed over to the Contractor. Arrangements and opinions on documentation and verification of agreements with Subcontractors are in progress. Deliveries of equipment are planned for the second half of 2023.
- The investment program at **EC Bydgoszcz I** (EC I) and **EC Bydgoszcz II** (EC II) is in progress:
 - **EC I:** construction of four gas boilers is in progress (total capacity 38 MWt). On October 4, 2022 a Permit for the construction was obtained and the construction site was handed over to the Contractor (Energotechnika-Energorozruch S.A.) on October 14. December 2022 saw the delivery of three boilers, which were placed on foundations.
 - **EC II:** on September 26, 2022 a contract was signed with a consortium of Polimex Energetyka and Polimex Mostostal for the construction of a **cogeneration source** based on **five gas engines** with a total capacity of 52.6 MWe/ 50.8 MWt and a reserve-peak heat source. A service agreement for the cogeneration units for 10 years was also signed. Design work is currently in progress and preparations are being made for the start of facility work.
- An investment program is in progress at the **Zgierz CHP**, involving the deployment of three **gas engines** with a total capacity of 15 MWe, as well as a reserve-peak boiler unit and a small (100 kW)

photovoltaic installation. In 2022, construction work was underway, including demolition, relocation and earthworks, and the foundations for the gas preparation station were built. The Contractor is currently at the construction stage of the main building housing gas engines, which have already been purchased from the manufacturer. The construction phase of the gas preparation station has been completed.

- At **Kielce CHP plant**, the construction of gas-fired **water boilers** of approx. 5x32 MWt is underway. Construction of a cogeneration system based on a 7.32 MWe and 12.42 MWt gas turbine with a recovery boiler has also begun. A protocol handover of the construction site to the Contractor took place on January 4, 2023. The entry into operation of the investment is planned for the second quarter of 2023.
- At **Gdynia CHP plant**, on December 22, 2022, the tender procedure for the turnkey construction of a **gas-steam unit** with associated infrastructure was cancelled due to the receipt of bids exceeding the amount that the awarding party intended to allocate to finance the contract. A decision was made to change the investment technology, and work on the technical documentation is currently in progress. PGE Energia Ciepła is currently preparing technological optimisation for CHP Gdynia. In 2023, it plans to launch a new tender procedure for the technological scope that will meet the new regulatory requirements.

KEY PROJECT IN 2022

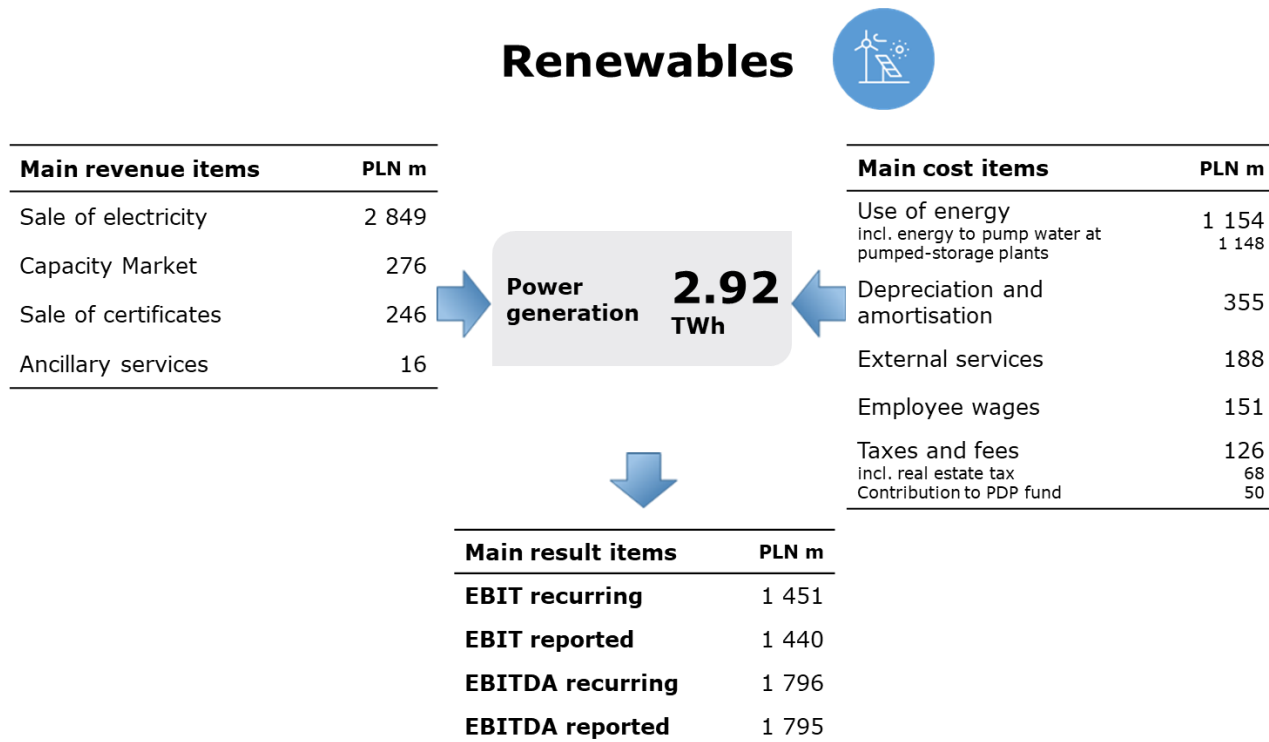
Aim of the project	Budget ¹	Expenditures incurred ¹	Capital expenditures in 2022 ¹	Fuel/ Net efficiency	Contractor	Investment completion date
Construction of New Czechnica CHP Plant	PLN 1.2 bn	approx. PLN 430m	PLN 392m	Natural gas/ 85% in cogeneration	Syndicate of: Polimex Mostostal S.A. (Leader) / Polimex Energetyka sp. z o.o.	Q2 2024

¹ Expenditures incurred do not include financing costs and expenses in the form of advances paid to the General Contractor for the Project and to the other contractors.

RENEWABLES

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

This segment is involved in the generation of electricity from renewable sources and in pumped storage power plants.



The Renewables segment is based mainly on **revenues from the sale of electricity**, however contrary to production at industrial plants within the Conventional Generation segment, this revenue is subject to a larger degree to changes in weather conditions and prices on the spot market due to the renewables sales model in place. Electricity output volume translates into property rights (green certificates) and revenue from the sale of energy origin certificates obtained by the segment's assets, excluding hydropower plants over 5 MWe.

Revenue from the Capacity Market, a mechanism introduced to prevent electricity shortages in the National Power System, constitutes a significant item in the segment's revenue, starting from 2021. Selected power plants in the Renewables segment receive fees for performing the capacity obligation (a Capacity Market Entity being on standby to supply electricity to the system and the obligation to supply specified capacity to the system when the system is under threat). Capacity Market revenue compensated for revenue from ancillary services. The readiness intervention reserve service was discontinued.

On the cost side, the most important items include: **use of energy to pump water at pumped-storage plants, depreciation of segment assets** and **third-party services**, mainly the repair services. Property tax and employee wages also constitute a significant cost item in this segment. Under the provisions of the Emergency Measures Act, from December 2022, electricity generating entities are required to make a contribution to the Price Difference Payment Fund.

ASSETS

The PGE Capital Group's operations in renewable energy are managed by the PGE Energia Odnawialna S.A. Due to the profile of operations, the segment also includes companies from the Offshore area, which are responsible for all activities related to offshore wind energy.

Assets in the segment include:

- 20 wind farms,
- 24 photovoltaic power plants,
- 29 run-of-river hydro power plants,
- 4 pumped-storage power plants, including 2 with natural flow.

Diagram: Main assets of the Renewables segment and their installed capacity.

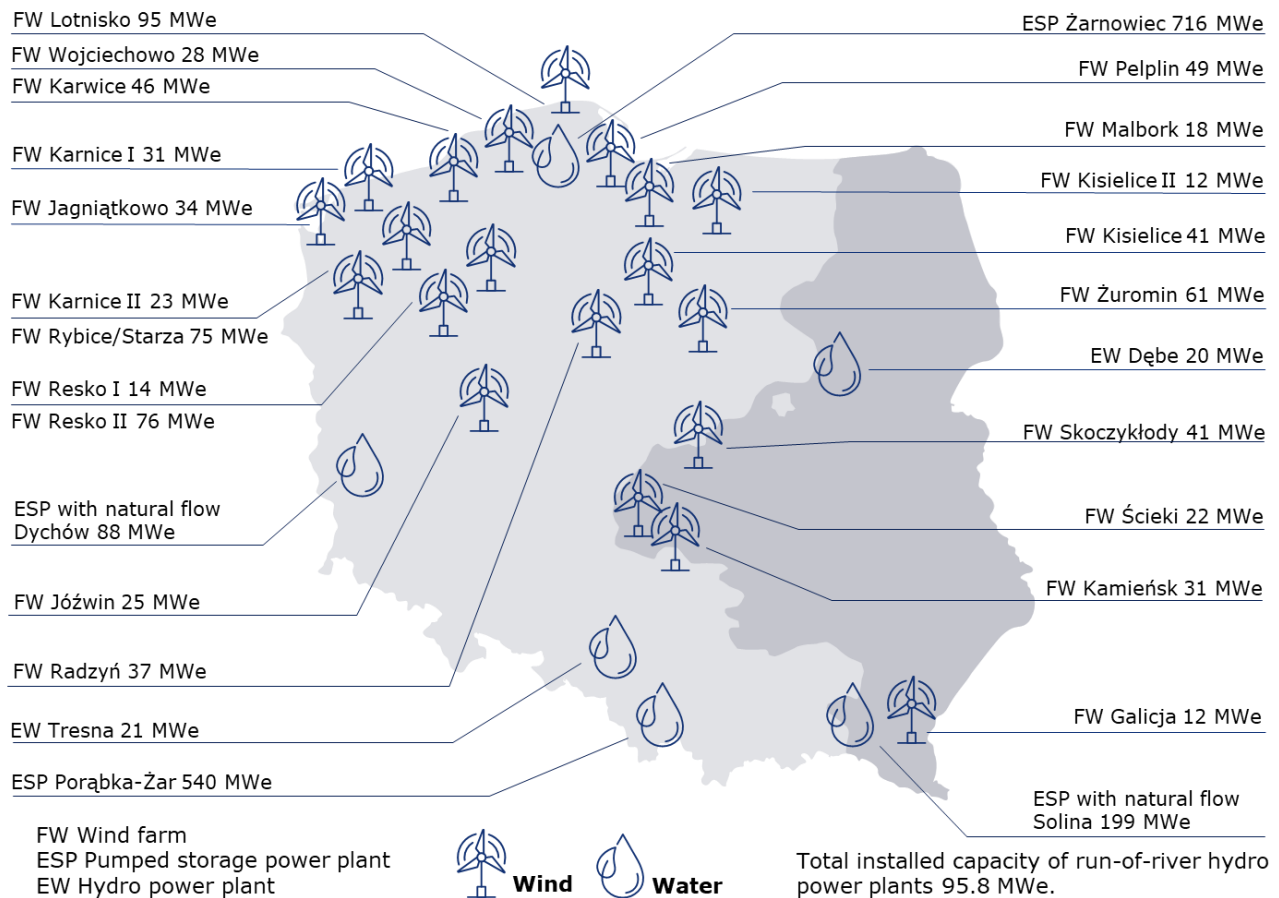


Chart: Change of installed capacity in Renewables (MWe).

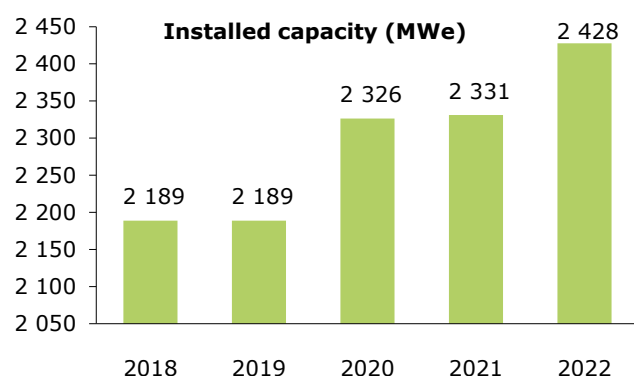


Table: Data on installed capacity in power plants in Renewables (MWe).

Type of power plant	2022	2021	% change
Run-of-river hydro power plants	96	96	0%
Pumped-storage power plants	1 251	1 256	0%
Pumped-storage power plants with natural flow	287	287	0%
Wind farms	772	688	12%
PV	22	4	450%
Total	2 428	2 331	4%

Table: Energy production (GWh).

Type of power plant	Q4 2022	Q4 2021	% change	2022	2021	% change
Run-of-river hydro power plants	55	54	2%	261	290	-10%
Pumped-storage power plants	251	186	35%	910	675	35%
Pumped-storage power plants with natural flow	36	27	33%	171	172	-1%
Wind farms	406	469	-13%	1 568	1 448	8%
PV	1	1	0%	5	5	0%
Total	749	737	2%	2 915	2 590	13%

Table: Availability and capacity factor in Renewables.

	2022	2021	2020	2019	2018
Availability					
Run-of-river hydro power plants	92.1%	88.6%	90.1%	91.8%	86.2%
Wind farms	97.6%	97.2%	97.0%	97.3%	97.4%
capacity factor					
Run-of-river hydro power plants	31.8%	35.3%	31.7%	30.2%	29.5%
Wind farms	26.0%	25.7%	28.0%	28.0%	23.7%

KEY FINANCIAL FIGURES IN THE SEGMENT

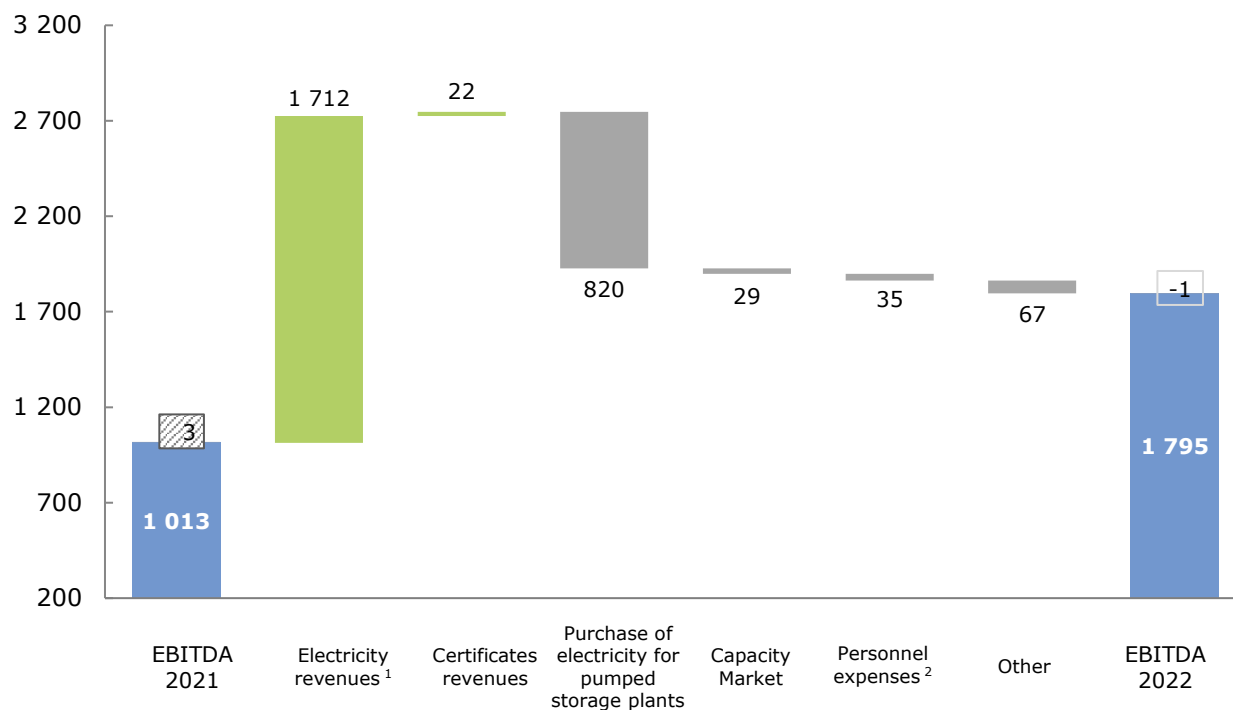
Table: Data on key financial figures in Renewables (PLN million).

PLN million	2022	2021	% change	2020	2019	2018
Sales revenues	3 401	1 672	103%	1 091	1 039	839
EBIT reported	1 440	686	110%	405	657	205
EBITDA reported	1 795	1 016	77%	597	517	463
EBITDA recurring	1 796	1 013	77%	597	519	463
One-offs ¹	-1	3	-	-	-2	-
Capital expenditures	458	189	142%	715	151	103


PLN million	Q4 2022	Q4 2021	% change
Sales revenues	900	671	34%
EBIT reported	305	327	-7%
EBITDA reported	393	420	-6%
EBITDA recurring	395	418	-6%
One-offs ¹	-2	2	-
Capital expenditures	258	85	204%

¹ One-offs at the EBITDA level.

Chart: Key changes of EBITDA in Renewables (in PLN million) – managerial perspective.



Change	1 712	22	-820	-29	-35	-67	
Reported EBITDA 2021	1 016						
One-offs 2021	3						
Recurring EBITDA 2021	1 013	1 137	224	328	305	115	210
Recurring EBITDA 2022		2 849	246	1 148	276	150	277
One-offs 2022							-1
Reported EBITDA 2022							1 795

 Reversal of impact of total one-offs improving the reported result.

 Reversal of impact of total one-offs decreasing the reported result.

¹ The sum of electricity revenues includes revenues from main generation technologies (wind, water, PV, pumped storage).

² The item Personnel expenses excluding impact of change in actuarial provision (one-off).

Table: Data on one-offs in Renewables (PLN m).

One-offs	2022	2021	% change
Change in the actuarial provision	-1	2	-
Change in the reclamation provision	0	1	-100%
Total	-1	3	-

Key factors affecting the y/y results of Renewables included:

- **Increase in revenues from electricity sales** results from: higher average electricity sale price by PLN 502/MWh y/y, what translated into increase of revenues by approx. PLN 1 576 million; higher sales volume by 335 GWh, what caused revenues increase of approx. PLN 136 million.
- **Increased revenues from sales of certificates** resulting mainly from: higher sales volume by 112 GWh, what translated into increase of revenues by approx. PLN 20 million; higher average electricity sale price by PLN 2/MWh y/y, as a result, revenues increased by approx. PLN 2 million.
- **The increase in electricity purchase costs** for pumping in pumped storage power plants results from: higher average electricity purchase price by PLN 337/MWh y/y, which translated into an increase in costs by PLN 614 million; higher purchase volume by 702 GWh, contributing to an increase in costs by PLN 206 million.
- **Lower revenues from Capacity Market**, mainly due to lower rates compared to the previous year.
- **The increase in personnel costs** is mainly a result of higher employment due to the development of the Offshore Energy and Renewable Energy areas.
- **Higher level in item Other** results mainly from higher operating costs, caused by the development of the Offshore Energy and Renewable Energy areas and contribution to the PDP Fund made in December 2022.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Renewables segment.

PLN million	2022	2021	% change
Investments in generating capacities, including:	457	174	163%
Development	352	88	300%
Modernisation and replacement	105	86	22%
Other	1	15	-93%
Total	458	189	142%

KEY EVENTS IN RENEWABLES

- Offshore wind program:

As part of **offshore wind farms** investments, 8 applications for a new location permit for an offshore wind farms in the Baltic Sea was submitted to the Ministry of Infrastructure. Currently, PGE Group is implementing investments in the Baltic Sea with a total capacity of approx. 3.5 GW (including 2.5 GW in JO with Ørsted) on the basis of three location permits secured in 2012. Works carried out in these areas are on schedule. In September 2022, the Regional Directorate for Environmental Protection in Gdańsk issued a decision on environmental conditions for power evacuation for the Baltica-2 and Baltica-3 projects, which became final and binding (no appeals were filed). Important administrative decisions concerning, among others, construction permits are expected to be secured. Tenders for individual investment stages are in progress. PGE Group and Ørsted have selected the consortium of Ramboll Polska and Projmors Biuro Projektów Budownictwa Morskiego as the building design contractor for both phases of the offshore project. The strategic goal of the PGE Group in the offshore energy area is to build at least 6.5 GW of capacity by 2040. According to government assumptions included in PEP2040, offshore wind farms in the Polish zone of the Baltic Sea in 2040 will have a capacity of approx. 8-11 GW. There are currently 11 reservoirs available in the Baltic Sea, under which PGE Group and other entities apply for permits to build and use artificial islands.

■ PGE Group PV Development Program:

- On February 4, 2022 PGE EO S.A. acquired 7 photovoltaic projects with a total capacity of 26 MW;
- In the second quarter of 2022, contracts were signed with the General Contractors of photovoltaic installations with a total capacity of 37 MW (i.e. PV Gutki 1 of 6 MW, PV Gutki 2 of 6 MW, PV Huszlew 1 of 5 MW, PV Huszlew 2 of 8 MW, PV Zawidów 1&2 of 2 MW and 10 installations of up to 1 MW;
- On June 28, 2022, the technical acceptance of the 1 MW Bedlno Radzyńskie PV farm took place. The remaining 18 PV projects of up to 1 MW each are under construction.
- In the fourth quarter of 2022, facility work on 19 PV projects with a total capacity of approx. 18 MW that were supported in the 2021 RES auction was completed;
- On November 16, 2022, a contract was signed with the General Contractor of the 25 MW PV Augustynka plant - SOLARTECH sp. z o.o.;
- On December 6, 2022, a contract was concluded with the General Contractor of the 100 MW PV Jeziórko project, SOLARTECH sp. z o.o.;
- On December 9, 2022, the acquisition of 28 projects with valid technical connection conditions with a total capacity of 59 MW was finalised¹⁷;
- the development of further photovoltaic farm projects continued, including the acquisition of land rights and obtaining the required administrative decisions aimed at obtaining construction permits. In 2022, PGE Energia Odnawialna S.A. received construction permits for projects with a total capacity of over 250 MW (including projects from acquisitions completed in 2022).

■ **Modernisation of technological equipment at the Dębe hydro power plant**

On June 3, 2022, the contract for completing the modernisation of technological equipment at the **Dębe hydroelectric power station** was signed with the consortium of Elbis sp. z o.o. and Ramb sp. z o.o., after a previous contract for the modernisation task had been cancelled due to the insolvency of the general contractor (ZRE Gdańsk S.A.). Work is progressing on schedule and the contract is scheduled for completion in 2024.

■ **Comprehensive modernisation program of Porąbka-Żar pumped-storage power plant**

In the second quarter of 2022, procurement procedures related to **Porąbka-Żar** pumped-storage power plant comprehensive modernisation program were resolved with the selection of contractors for the modernisation of the technological part, modernisation of the upper reservoir and modernisation of the fairway structures. The modernisation includes, inter alia, replacement with new ones of the existing four hydrosets that have been in operation since the beginning of the plant's operation, i.e. since 1979, modernisation of the asphalt concrete screen of the upper reservoir (last modernisation in 1995) and replacement modernisations on the fairway facilities. Carrying out the investments will extend the operation of the power station by at least another 30 years. Design work and preparatory work for the start of facility works are currently in progress. The main modernisation works are scheduled to start in 2024.

■ **Acquisition of onshore wind farms**

On June 21, 2022 PGE completed transaction of acquisition of 3 onshore wind farms with a total capacity of 84.2 MW (FW Radzyń of 36.9 MW, FW Ścieki of 22 MW and FW Józwin of 25.3 MW), what means for PGE Group the increase of installed capacity in onshore wind farms from 688 MW to 772 MW.

¹⁷ In addition, a tender procedure was announced for the design and construction of the following PV installations: February 10, 2023 Żółtańce 1 with a capacity of 5 MW, February 14, 2023 Żółtańce 2 and 3 with a capacity of 5 MW each.

VOLUME, CUSTOMERS AND OPERATING DATA

PGE Dystrybucja S.A. operates in the area of 129 829 sq. km and delivers electricity to approximately 5.7 million customers.

Diagram: Area of PGE distribution grid.



Table: Volume of distributed energy (TWh)

Tariff	Q4 2022	Q4 2021	% change	2022	2021	% change
A tariff group	1.32	1.36	-3%	5.35	5.40	-1%
B tariff group	3.67	3.87	-5%	14.81	14.96	-1%
C+R tariff groups	1.75	1.84	-5%	6.66	6.84	-3%
G tariff group	2.78	2.73	2%	10.25	10.54	-3%
Total	9.52	9.80	-3%	37.07	37.74	-2%

Table: Number of customers according to power take-off points.

Tariffs	2022	2021	% change
A tariff group	134	118	14%
B tariff group	13 484	13 029	3%
C+R tariff groups	480 663	488 553	-2%
G tariff group	5 163 322	5 089 033	1%
Total	5 657 603	5 590 733	1%

Table: Key operational data.

Operational data	Unit	2022	2021	2020	2019	2018
Number of stations, including:	pieces	96 588	95 987	95 603	95 014	94 203
number of transformer stations	pieces	96 129	95 455	94 955	94 326	93 684
MVA power	MVA	33 475	32 956	32 663	32 347	31 696
Total length of power lines	km	298 670	297 029	295 613	293 825	291 002
HV lines	km	10 437	10 383	10 336	10 317	10 284
MV lines	km	115 580	115 049	114 539	113 856	112 418
LV lines	km	172 653	171 597	170 738	169 652	168 300
Grid loss ratio	%	4.3	4.7	5.2	4.8	5.1
SAIDI, including:	minutes	495	368	251	261	299
Planned	minutes	35	34	40	58	87
Unplanned with catastrophic	minutes	460	334	211	203	212
SAIFI, including:	per customer	5.20	4.28	3.67	3.88	3.92
Planned	per customer	0.20	0.19	0.24	0.31	0.47
Unplanned with catastrophic	per customer	5.00	4.09	3.43	3.57	3.45
Connection time	days	341	267	206	199	211

KEY FINANCIAL FIGURES IN THE SEGMENT

Table: Data on key financial figures in Distribution (PLN million).

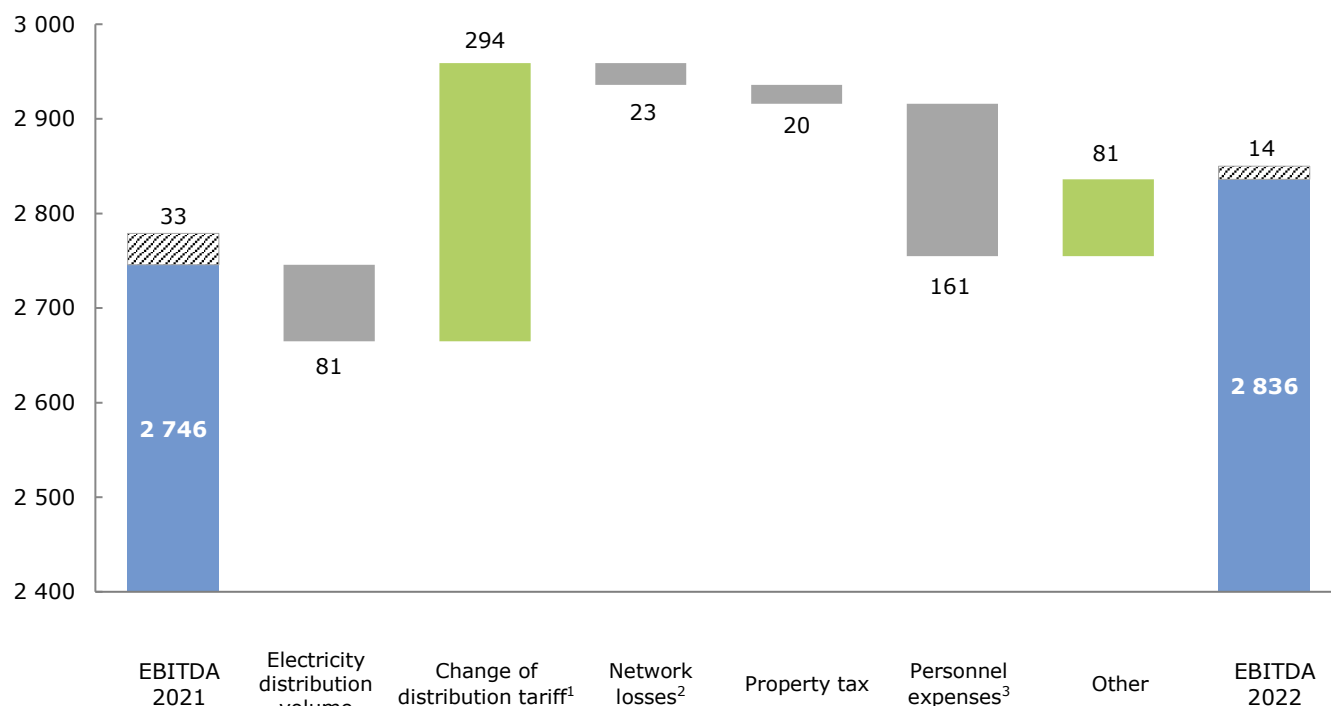
PLN million	2022	2021	% change	2020	2019	2018
Sales revenues	6 803	6 492	5%	6 396	6 155	5 878
EBIT reported	1 616	1 559	4%	1 093	1 101	1 277
EBITDA reported	2 850	2 779	3%	2 306	2 306	2 463
EBITDA recurring	2 836	2 746	3%	2 331	2 340	2 503
One-offs ¹	14	33	-58%	-25	-34	-40
Capital expenditures	2 576	1 358	90%	1 680	2 225	1 853

PLN million	Q4 2022	Q4 2021	% change
Sales revenues	1 796	1 713	5%
EBIT reported	383	432	-11%
EBITDA reported	710	732	-3%
EBITDA recurring	689	723	-5%
One-offs ¹	21	9	133%
Capital expenditures	1 361	440	209%


¹ One-offs at the EBITDA level.

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

Chart: Key changes of EBITDA in Distribution (in PLN million) – managerial perspective.



Change	-81	294	-23	-20	-161	81	
Reported EBITDA 2021	2 779						
One-offs 2021	33						
Recurring EBITDA 2021	2 746	4 706	560	449	1 242	291	
Recurring EBITDA 2022		4 919	583	469	1 403	372	2 836
One-offs 2022							14
Reported EBITDA 2022							2 850

 Reversal of impact of total one-offs increasing the reported result.

¹ Excluding cost of transmission services from PSE S.A.

² Adjusted for revenues from the Balancing market.

³ The item Personnel expenses excluding impact of change in actuarial provision (one-off).

Table: Data on one-offs in Distribution (PLN m).

One-offs	2022	2021	% change
Change in the actuarial provision	14	33	-58%
Total	14	33	-58%

Key factors affecting results of Distribution segment y/y included:

- **A decrease in the volume of distributed** electricity by 0.67 TWh, resulting mainly from lower electricity consumption in the household tariff group in comparison to the previous year, when there had been increased pandemic restrictions, resulting in the need to work and study remotely and therefore higher electricity consumption by households. Additionally, there was a decrease in the number of energy consumption points in the tariff of small and medium-sized businesses and farms.
- **Increase in rates in tariff for 2022** by PLN 7.9/MWh compared to the tariff for the previous year, that translated into an increase in revenues from the sale of distribution services.

- **Higher costs of electricity purchases** to cover network losses mainly as a result of significant increase in electricity prices.
- **Increase of costs of tax on real estate** results from increase in the value of buildings and higher tax rates.
- **Increase in personnel costs** due to increasing employment costs resulting from increased inflation pressure.
- **Increase in item other** resulting mainly from higher revenues from the connection fees.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Distribution segment.

PLN million	2022	2021	% change
Investments, including:	2 561	1 357	89%
Development investments	1 154	665	74%
Modernisation and replacement investments	1 407	692	103%
Other	15	1	1 400%
Total	2 576	1 358	90%

KEY EVENTS IN DISTRIBUTION

- **Connecting new customers** to the distribution grid was on-going in 2022, recording the expenditures in amount of PLN 1 097 million.
- **Czosnów node:** In 2022, PGE Group completed the final stage of its investment in the construction of two high-voltage cable lines from the 400/110 kV Mościska substation, which is owned by PSE, to the 110/15 kV substation in Łomianki and towards the 110/15 kV Czosnów substation. On November 22, 2022, the final acceptance report for the investment was signed. This actions made it possible to "close the power ring", as a result of which, in the event of one line being switched off or some of its elements being damaged, energy is still supplied to customers. The 110/15 kV substation in Czosnów along with the HV power lines will enhance the security of electricity supply and make it possible to connect new facilities to the grid.
- **Program LTE450:** tenders were pursued in 2022 for the purchase and implementation of CORE LTE450 core network components as well as the purchase and implementation of RAN LTE450 radio network components along with the technical support service.
- **Cabling program:** in 2022 PGE continued to implement its cabling program for medium-voltage (MV) grids up to the level of 30% of MV networks owned by PGE Dystrybucja S.A., incurring expenditures in amount of PLN 503 million in the third quarter of 2022 **Program Kablowania:** Grupa PGE w 2022 roku kontynuowała realizację Programu Kablowania sieci średniego napięcia (SN) do poziomu skablowania 30% sieci SN stanowiących własność PGE Dystrybucja S.A, ponosząc nakłady w wysokości 503 mln PLN.
 - 2 285 km of MV cable lines were completed from the start of the Program in 2019 until the end of December 2022,
 - 515 km of MV cable lines were installed in 2022,
 - in order to speed up the Cabling Program, a machine for laying underground MV cable lines was purchased at the end of 2022.
- **Installation program for remote reading meters:** This project is mandatory and results from the requirements imposed on Distribution System Operators (DSO) by the legislator in the amended Energy Law. In 2022, actions were taken to:

- purchase of remote reading meters for end customers for years 2023 – 2024,
- purchase of metres and modems for MV/LV substations for years 2023 – 2025,
- purchase of the service of installing meters at end users,
- purchase of services of modernisation and installation of meters in MV/LV substations.

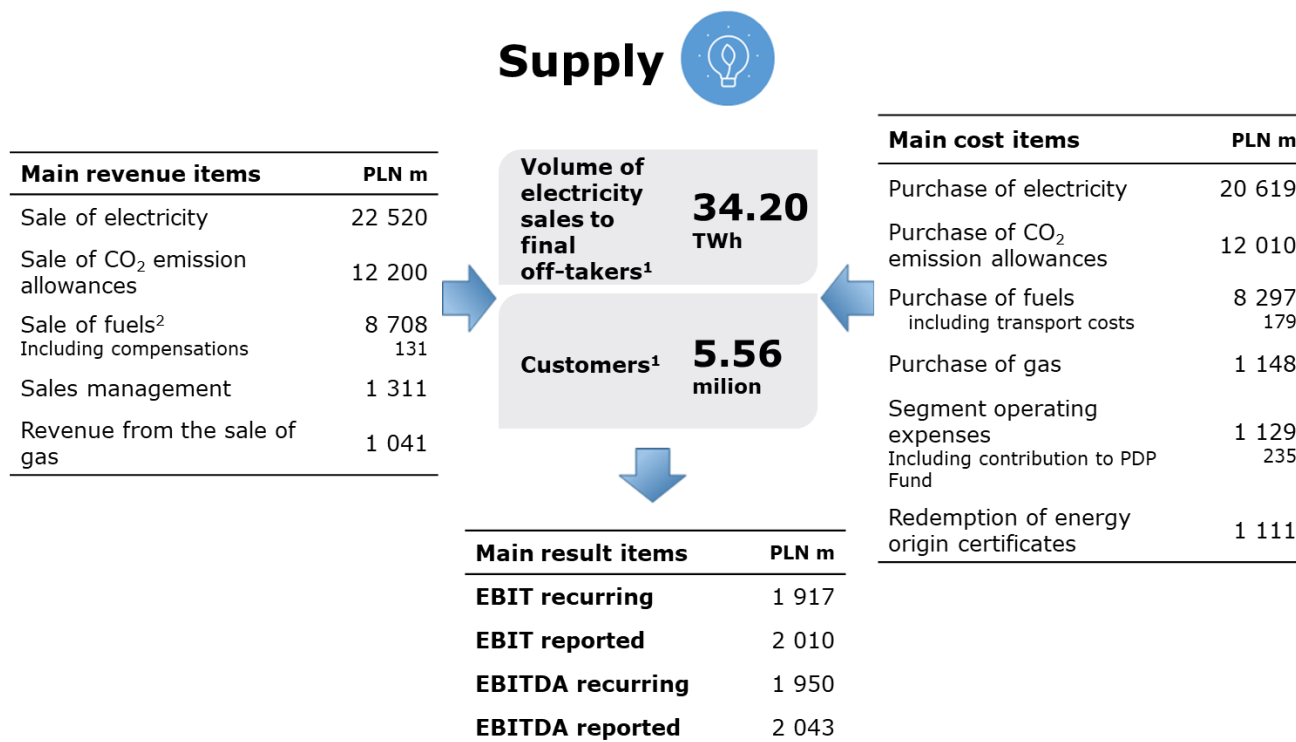
According to the provisions of the law, the DSO has until December 31, 2028, to install remote reading meters connected to a remote reading system in energy consumption points representing at least 80% of the total number of end-customer energy consumption points.

EP Directive 2019/994 specifies that at least 80% of final customers must be equipped with smart meters. PGE Dystrybucja S.A. has decided to meter 100% of customers by 2030. The rationale for replacing meters at all customers by 2030 is mainly related to the need to ensure equal treatment of customers and to provide a uniform way of implementing business processes, both in terms of customer relations, vendors, as well as in terms of maintenance of metering systems, which will also maximise project benefits.

- **Implementation of central systems CRM and Billing (NCB program):** A tender procedure for the performance of an order encompassing the implementation of a comprehensive, central IT solution to support key business processes at PGE Group being performed by PGE Obrót S.A. and PGE Dystrybucja S.A. was settled in 2022. This will consist of two billing systems – separate for each of the companies – and a CRM system for PGE Obrót S.A. On April 29, 2022, PGE Systemy S.A., a PGE Group company, signed a contract with the contractor A2 Customer Care from Atende Group selected in the tender - for the development and implementation of the CRM Billing system in the Group. The new solution will replace the existing billing and CRM systems for customer service at PGE Group. At the end of the year, the investment task implemented in the NCB main stream moved from the analysis phase to the pilot implementation phase.

SUPPLY

Supply segment activities include Group's wholesale and retail trading of electricity. Wholesale trading includes mainly electricity trading on behalf of and for Conventional Generation segment, District Heating segment and Renewables segment.



¹ Data for PGE Obrót S.A.

² Managerial perspective

As part of retail-market activities, the key source of **segment's revenue is sale of electricity** to final customers. This is sale to business and institutional clients, which constitutes more than 70% of the sales volume, and to retail clients. The segment's revenue also includes the **sale of natural gas and fuels**, mainly: pulverised coal and coarse coal, which is sold by PGE Paliwa sp. z o.o. In 2022, in connection with the decisions of the Prime Minister, PGE Paliwa was required to purchase thermal coal with parameters similar to the quality parameters used by households and import it to Poland.

Additionally, based on the provisions of the Emergency Measures Act, a system of compensation for trading companies for maximum prices and discounts was introduced from December 2022. At the same time, electricity trading companies are required to make a contribution to the Price Difference Payment Fund.

Electricity sales are matched by the **costs to purchase electricity on the wholesale market** and **costs to redeem certificates** as part of the support system for renewable sources and energy efficiency.

As part of the activities on the wholesale market, CO₂ purchases are made for the needs of the Conventional Generation and District Heating segments, which is reflected both in terms of costs and revenues. At the same time, a significant revenue item is the provision of services to the Group's companies related to the management of purchases and sales of electricity and related products.

The Supply segment also incurs costs related to the Group's corporate centre.

VOLUME, CUSTOMERS AND OPERATING DATA

Table: Volume of electricity sales to final off-takers (TWh)¹.

Tariffs	Q4 2022	Q4 2021	% change	2022	2021	% change
A tariff group	1.86	1.79	4%	7.32	7.29	0%
B tariff group	2.83	3.50	-19%	11.85	13.68	-13%
C+R tariff groups	1.51	1.67	-10%	5.85	6.31	-7%
G tariff group	2.32	2.57	-10%	9.18	10.04	-9%
Total	8.52	9.53	-11%	34.20	37.32	-8%

¹ Data for PGE Obrót S.A.

Table: Volume of electricity sales to final off-takers (TWh)¹.

Tariffs	2022	2021	% change	2020	2019	2018
A tariff group	7.32	7.29	0%	9.35	9.87	10.21
B tariff group	11.85	13.68	-13%	14.79	15.67	13.65
C+R tariff groups	5.85	6.31	-7%	6.75	7.55	6.76
G tariff group	9.18	10.04	-9%	9.75	9.81	9.77
Total	34.20	37.32	-8%	40.64	42.90	40.39

¹ Data for PGE Obrót S.A.

Table: Number of customers according to power take-off points¹.

Tariffs	2022	2021	% change	2020	2019	2018
A tariff group	154	139	11%	142	169	153
B tariff group	11 072	11 877	-7%	12 575	12 708	11 718
C+R tariff groups	405 766	421 164	-4%	446 253	450 126	447 081
G tariff group	5 102 455	5 021 702	2%	4 954 863	4 869 622	4 812 012
Total	5 519 447	5 454 882	1%	5 413 833	5 332 625	5 270 964

¹ Data for PGE Obrót S.A.

KEY FINANCIAL FIGURES IN THE SEGMENT

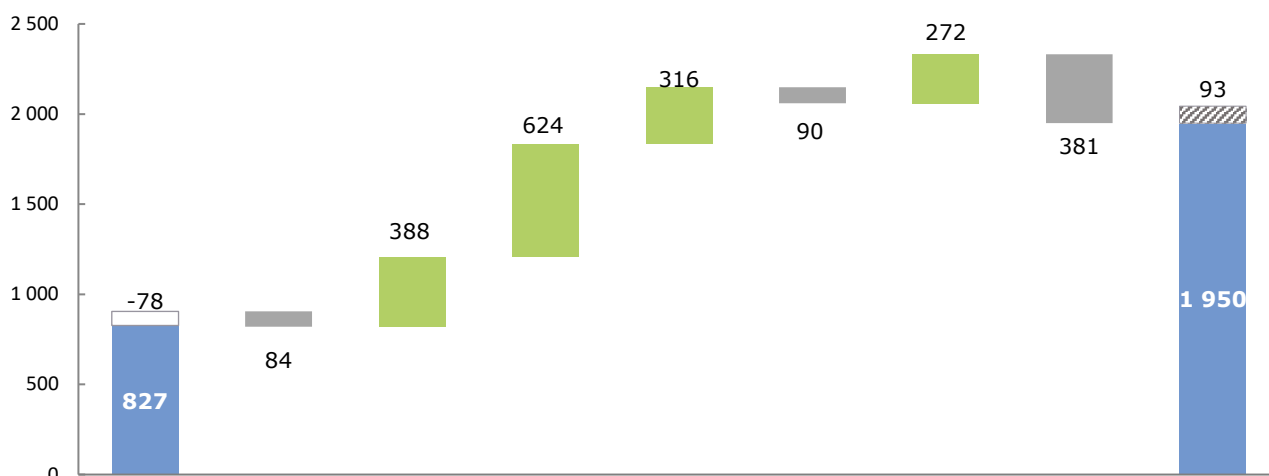
Table: Data on key financial figures in Supply (PLN million).

PLN million	2022	2021	% change	2020	2019	2018
Sales revenues	46 566	38 223	22%	29 017	17 312	14 377
EBIT reported	2 010	794	153%	577	247	203
EBITDA reported	2 043	827	147%	612	280	227
EBITDA recurring	1 950	905	115%	637	181	233
One-offs ¹	93	-78	-	-25	99	-6
Capital expenditures	17	8	113%	16	30	14

PLN milion	Q4 2022	Q4 2021	% change
Sales revenues	14 400	20 481	-30%
EBIT reported	350	-203	-
EBITDA reported	358	-195	-
EBITDA recurring	337	-103	-
One-offs ¹	21	-92	-
Capital expenditures	6	4	50%

¹ One-off at the EBITDA level.

Chart: Key changes of EBITDA in Supply (in PLN million) – managerial perspective.



	EBITDA 2021	Result on electricity - volume	Result on electricity - margin	Revenues from services provided to other segments of the PGE Group	Result on sale of fuels	Personnel expenses ¹	Result on other operating activities ²	Other	EBITDA 2022
Change		-84	388	624	316	-90	272	-381	
Reported EBITDA 2021	827								
One-offs 2021	-78								
Recurring EBITDA 2021	905	924		999	-12	365	-295	346	
Recurring EBITDA 2022		1 228		1 623	304	455	-23	727	1 950
One-offs 2022									93
Reported EBITDA 2022									2 043

Reversal of impact of total one-offs decreasing the reported result.

Reversal of impact of total one-offs increasing the reported result.

¹ The item Personnel expenses excluding impact of change in actuarial provision and provision for Voluntary Leave Program (one-offs).

² Without including the impact of provision for prosumers (one-off).

Table: Data on one-offs in Supply (PLN million).

One-offs	2022	2021	% change
Change in actuarial provision	-2	6	-
Voluntary Leave Program	0	11	-
Provision for prosumers ¹	95	-95	-
Total	93	-78	-

¹ In connection with the amendment of the Act on Renewable Energy Sources of October 29, 2021, introducing changes in settlements with prosumers and specifying the period of support for existing prosumers, it was considered that the conditions for creating provisions for onerous contracts within the meaning of IAS 37 were met. The provision was created for contracts for 2022. In 2022, provision was fully released for the projected loss on the sale of electricity to prosumers.

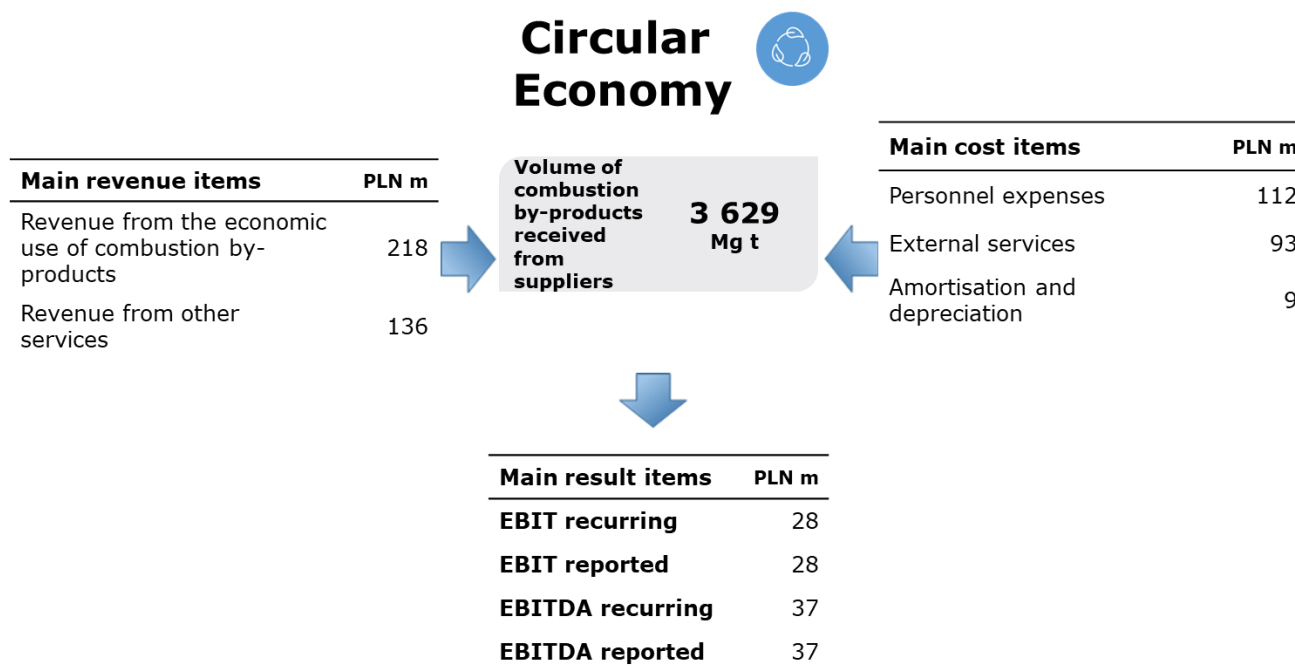
Key factors affecting EBITDA of Supply segment y/y included:

- **The higher result on electricity** is the result of higher average electricity selling price, partially compensated by lower sales volume.
- **Increase of revenues from services performed within the Group** resulting mainly from higher revenues from the Agreement for Commercial Management of Generation Capacities as a consequence of increased trading value of electricity under management and the result of the margin on CO₂ trading with PGE Group companies.
- **Higher result on fuel sales** as a result of significantly higher sales volume of coarse coal and fine coal.
- **Higher personnel expenses** as a consequence of organisational changes and the ongoing process of changing remuneration.
- **Higher result on other operating activities** as a result of changes in provisions being recognised for future doubtful receivables and impairment losses on trade receivables at the retail sale companies.
- **Lower result on item 'Other'** as a result of higher costs of settlements with prosumers and in consequence of recognizing contribution to PDP Fund.

CIRCULAR ECONOMY

segment description and its business model

The activities of the segment include the provision of comprehensive services in the field of management of combustion by-products ("UPS"), provision of services in auxiliary areas for electricity and heat producers and the supply of materials based on UPS.



From the beginning of 2021, PGE Group reports a new operating segment – Circular Economy, which includes the following companies: PGE Ekoserwis S.A., EPORE S.A., ZOWER sp. z o.o. The management of combustion by-products at PGE Group turns waste into high-value substances that are used in other branches of economy (cement industry, construction, road-building, mining) and thus reduces the volume of ultimate waste generated.

The main revenue source in the Circular Economy segment is **revenue from the economic use of combustion by-products**, which includes revenue from the sale of products manufactured on the basis of combustion by-products in internal production processes and the sale of services related to the management of combustion by-products. The level of revenue depends on multiple factors, including commercial potential for selling combustion by-products, in processed and unprocessed form, seasonality of industries purchasing combustion by-products, seasonality of suppliers of combustion by-products (power plants, combined heat-and-power plants), volumes collected, efficiency of production infrastructure, capabilities for storing combustion by-products as materials inventories intended for production, as well as market conditions.

Revenue from other services includes revenue from the sale of continuous and ad hoc services provided to electricity and heat producers, including the operation of ash handling systems and equipment, operation of technological lines, operation of mill facilities and operation of fuel and combustion by-product storage sites.

Table: Data on the volume of combustion by-products received from suppliers in the Circular Economy segment.

Mg thousand	2022	2021	% change
Volume of combustion by-products received	3 629	3 283	11%

KEY FINANCIAL FIGURES IN THE SEGMENT

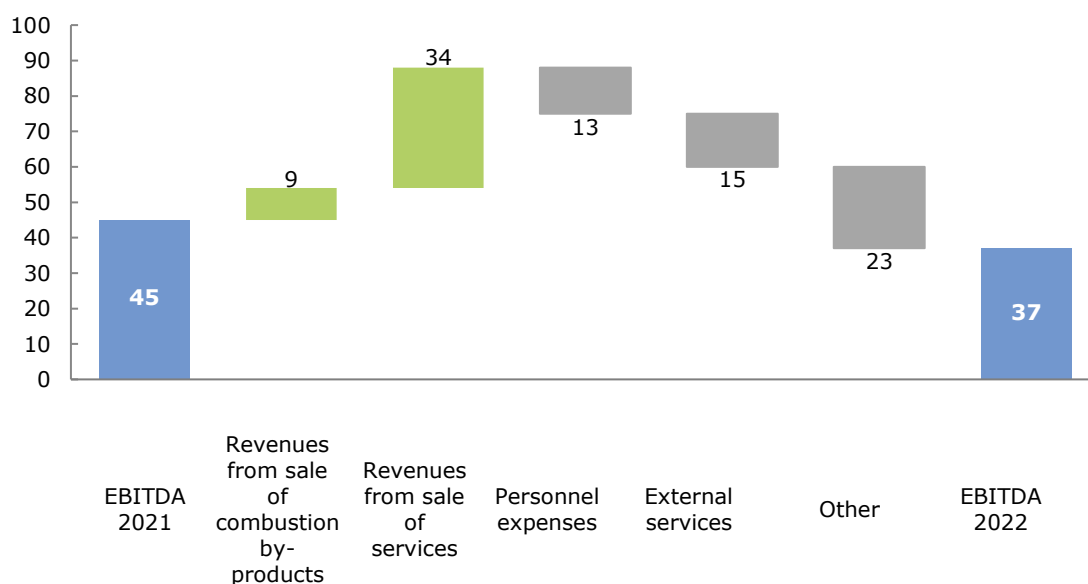
Table: Data on key financial figures in Circular Economy (PLN million).

PLN million	2022	2021	% change
Sales revenues	354	311	14%
EBIT reported	28	36	-22%
EBITDA reported	37	45	-18%
One-offs ¹	-	-	-
Capital expenditures	16	9	78%

PLN million	Q4 2022	Q4 2021	% change
Sales revenues	109	95	15%
EBIT reported	-12	2	-
EBITDA reported	-10	4	-
One-offs ¹	-	-	-
Capital expenditures	14	5	180%

¹ One-offs at the EBITDA level.

Chart: Key factors affecting EBITDA in Circular Economy segment (in PLN million) – managerial perspective.



Change		9	34	-13	-15	-23	
EBITDA 2021	45	209	102	99	78	89	
EBITDA 2022		218	136	112	93	112	37

Key factors affecting EBITDA of Circular Economy segment included:

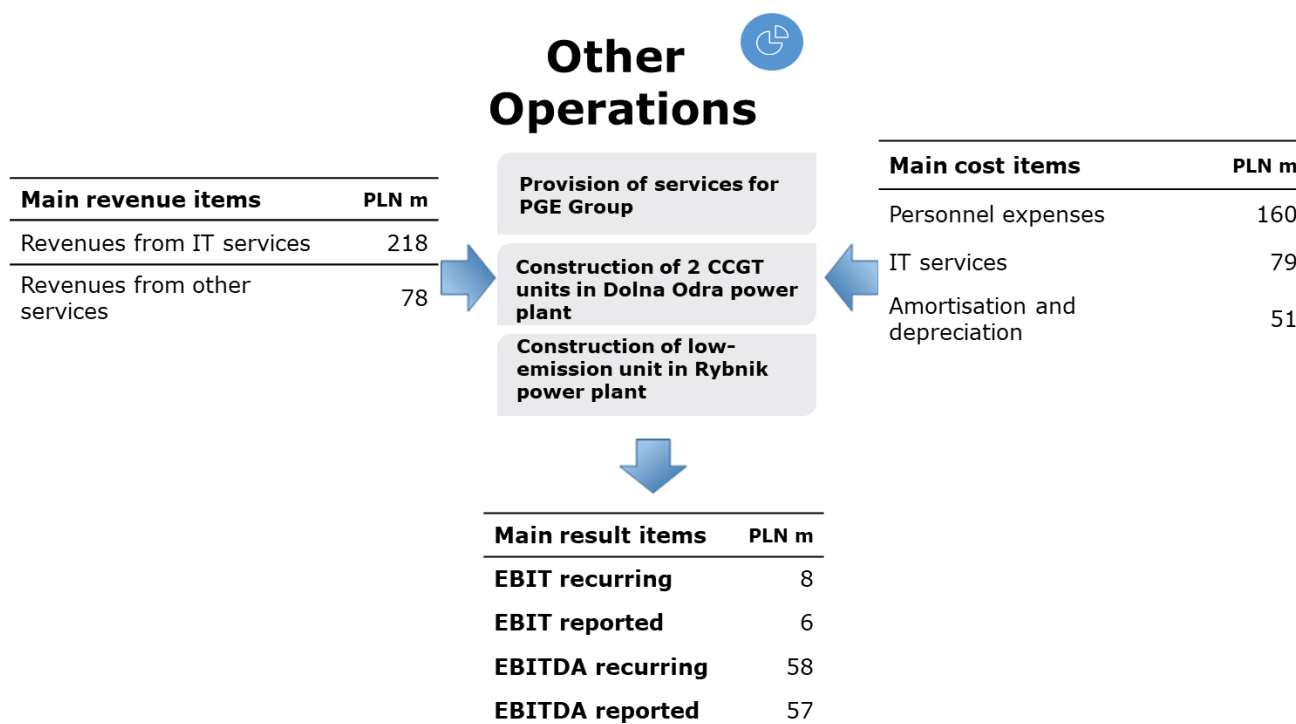
- **Higher revenues from sale of combustion by-products**, caused by higher collection volumes of combustion by-products from producers that is possible to be managed.
- **Higher revenues from the sale of services**, which is the result of higher revenues from the rental of heavy equipment and higher service labour costs.
- **Higher level of personnel costs** is mainly the result of the ongoing process of changing wages.
- **Higher third-party service costs**, resulting mainly from higher combustion by-products management costs.
- **Higher level of item Other**, mainly due to an increase in the consumption of fuels and production materials and lower revenue from the sale of other goods.

OTHER OPERATIONS

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

Core activities of the segment include provision of services to PGE Group, inter alia organisation of capital raising in form of Eurobonds (PGE Sweden), provision of IT, payroll and HR services, transportation and investing in start-ups.

In addition, the segment's structures include companies responsible for the construction of new, low-emission generation units. On October 1, 2021 a project was separated from PGE GiEK S.A. (Dolna Odra Power Plant), constituting an organized part of the enterprise, in the scope including the construction of gas and steam units. The project was transferred to company PGE Inwest 8 sp. z o.o. (current name: PGE Gryfino 2050 sp. z o.o.). The structure of the Other Operations also includes a company PGE Rybnik 2050 sp. z o.o., which is responsible for construction of low-emission unit on the premises of Rybnik power plant.



KEY FINANCIAL FIGURES IN THE SEGMENT

Table: Data on key financial figures in the Other Operations (PLN million).

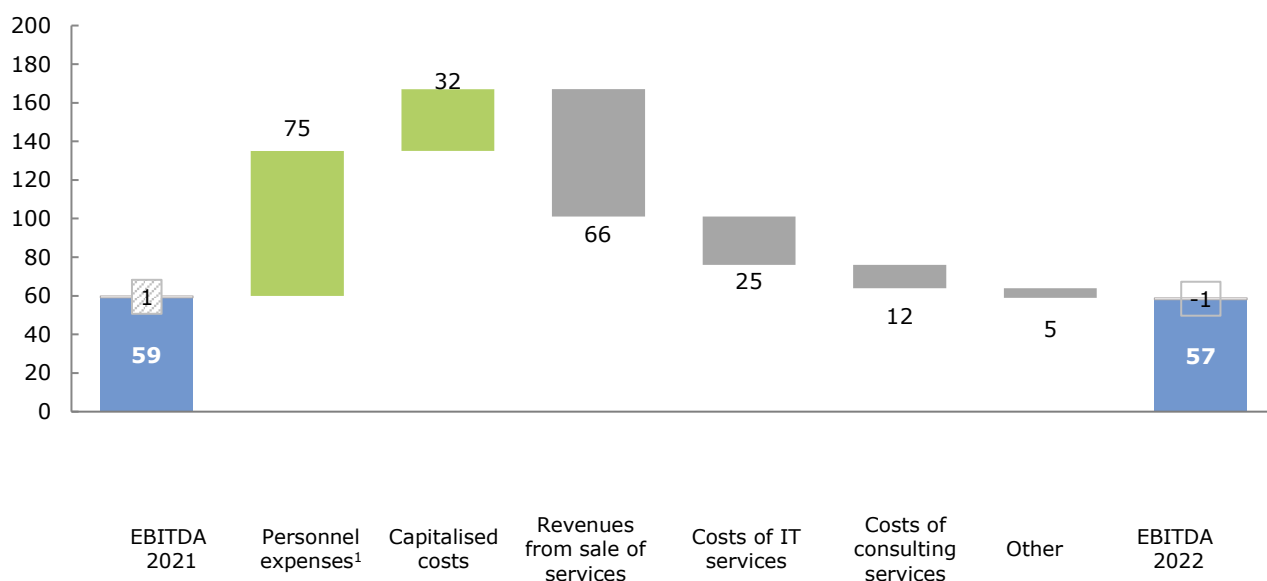
PLN million	2022	2021	% change	2020	2019	2018
Sales revenues	317	432	-27%	501	501	500
EBIT reported	6	-2	-	-138	-29	-17
EBITDA reported	57	60	-5%	18	55	65
EBITDA recurring	58	59	-2%	-7	56	65
One-offs ¹	-1	1	-	25	-1	0
Capital expenditures	2 200	845	160%	170	208	162

PLN million	Q4 2022	Q4 2021	% change
Sales revenues	96	96	0%
EBIT reported	8	-31	-
EBITDA reported	23	-15	-
EBITDA recurring	24	-16	-
One-offs ¹	-1	1	-
Capital expenditures	662	801	-17%

¹ One-offs at the EBITDA level.

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

Chart: Key factors affecting EBITDA in Other operations segment (in PLN million) – managerial perspective.



Change	75	32	-66	-25	-12	-5	
EBITDA reported 2021	60						
One-offs 2021	1						
EBITDA recurring 2021	59	234	14	362	54	6	23
EBITDA recurring 2022		159	46	296	79	18	28
One-offs 2022							
EBITDA reported 2022							58
							-1
							57

Reversal of impact of total one-offs increasing the reported result.

Reversal of impact of total one-offs decreasing the reported result.

¹ The item Personnel expenses excluding impact of change in actuarial provision (one-off).

Table: Data on one-off items in Other Operations (PLN million).

One-offs	2022	2021	% change
Change in actuarial provision	-1	1	-
TOTAL	-1	1	-

Key factors affecting EBITDA of Other Operations segment included:

- **Lower personnel expenses** in connection with transferring from the beginning of 2022 Elbest Security sp. z o.o. to the Conventional Generation segment and sale of Elbest sp. z o.o.
- **Higher capitalised costs** as a result of higher cost allocation to assets in 2022 due to projects carried out by PGE Systemy S.A.
- **Lower revenues from sale of services** in connection with transferring of Elbest Security sp. z o.o. to the Conventional Generation segment, merger of ETRA sp. z o.o. with PGE Dystrybucja S.A. and sale of Elbest sp. z o.o. with the simultaneous transfer of Elbis sp. z o.o. from Conventional Generation segment to Other Operations.

- **Higher costs of IT services** resulting from the purchase of external services in order for PGE Systemy S.A. to provide a wider range of services to PGE Group and deliver new investment programs, especially LTE450.
- **Higher costs of advisory services** in connection with the transfer of Elbis sp. z o.o. to the Other Operations segment.
- **Lower result on item 'Other'**, mainly due to the sale of Torec sp. z o.o. and as a result of the increase in the share capital of 4Mobility S.A., which consequently meant that the company ceased to be a subsidiary within the PGE Capital Group.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Other operations segment.

PLN million	2022	2021	% change
Total	2 200	845	160%

KEY ACTIVITIES IN OTHER OPERATIONS

- A design for the construction of a **gas-and-steam unit** with a capacity of approx. 800-900 MW is in preparation at **Rybnik 2050 sp. z o.o.**. Conditions for connection to the NPS have been issued and a pre-connection agreement has been signed with the gas transmission pipeline operator Gaz - System S. A.(Gaz-System) to build a gas pipeline, for which a valid environmental decision is already in force. On January 11, 2023, information was published about the selection of the most favourable bid for the selection of the General Contractor, which will be the Consortium of Polimex Mostostal S.A. and Siemens sp. z o.o. and the value of the contract is approx. PLN 3 billion net. The contract also includes a multi-annual maintenance contract with a net value of approx. PLN 0.8 billion. In December, the main auction of the capacity market for 2027 was held. All of the submitted capacity for the gas-steam unit in Rybnik was contracted.
- Work continued on the construction of two **new gas-and-steam units** of 671 MWe each (**PGE Gryfino 2050 sp. z o.o.**). The key elements of the engine room of unit 9 and unit 10 have been placed on foundations, and assembly work of the entire turbine set is in progress. At the beginning of December 2022, voltage tests for the generators were successfully completed, in January 2023 deliveries of gas compressors were made, further pressure tests of the boilers were carried out, and cabling began. As regards the construction of the gas connection - assemblies are underway - approx. 80% of the gas pipeline route has been completed. Construction and installation work on the buildings and auxiliary facilities were continued. The material advancement of the project at the end 2022 was more than 85%.
- At company **PGE Inwest 14 sp. z o.o.** Work is in progress on a Battery Electricity Storage System (BESS) project at ESP Żarnowiec, which will be one of the largest energy storage facilities of its kind in Europe. The project has obtained a decision on environmental conditions and conditions for connection to the 400 kV transmission grid. Another milestone for the project was the first concession promise for electricity storage in Poland. Combining the existing 716 MW Żarnowiec pumped-storage plant with BESS will result in an innovative hybrid installation with a total power rating of at least 921 MW and a capacity of over 4.6 GWh. The capacity of the entire installation corresponds to the capacity of the largest conventional units in Poland, which has a significant impact on increasing the level of flexibility of the NPS, taking into account the constantly increasing share of RES and the progressing phase out of coal-fired units. The BESS will be able to provide a full range of regulatory system services, serve to restore the power system or supply energy to approx. 200,000 households for a period of 5 hours (with an average load of 1 kW per house). The BESS in 2022 was granted entry to the Capacity Market Register. In the first quarter of 2023, BESS will, in accordance with the procedure, reapply for registration in the Capacity Market Register, and further activities in 2023 will be related to the preparation of a public procurement procedure for the construction of BESS and the power evacuation system. In addition, BESS will perform the function of technical and commercial balancing for unstable RES, i.e. onshore and offshore wind farms owned by PGE Group.

KEY PROJECT IN OTHER OPERATIONS

Aim of the project	Budget ¹	Expenditures incurred ¹	Capital expenditures in 2022 ¹	Fuel/ Net efficiency	Contractor	Investment completion date
Construction of two CCGT units no. 9 and 10 at PGE Gryfino 2050	PLN 4.3 bn	PLN 2.8 bn	PLN 2.0 bn	Natural gas/ 63%	Syndicate of companies: General Electric (consortium leader) and Polimex Mostostal	December 2023

¹ Expenditures incurred do not include expenses in the form of advances paid to the General Contractor for the Investment and to the other contractors.

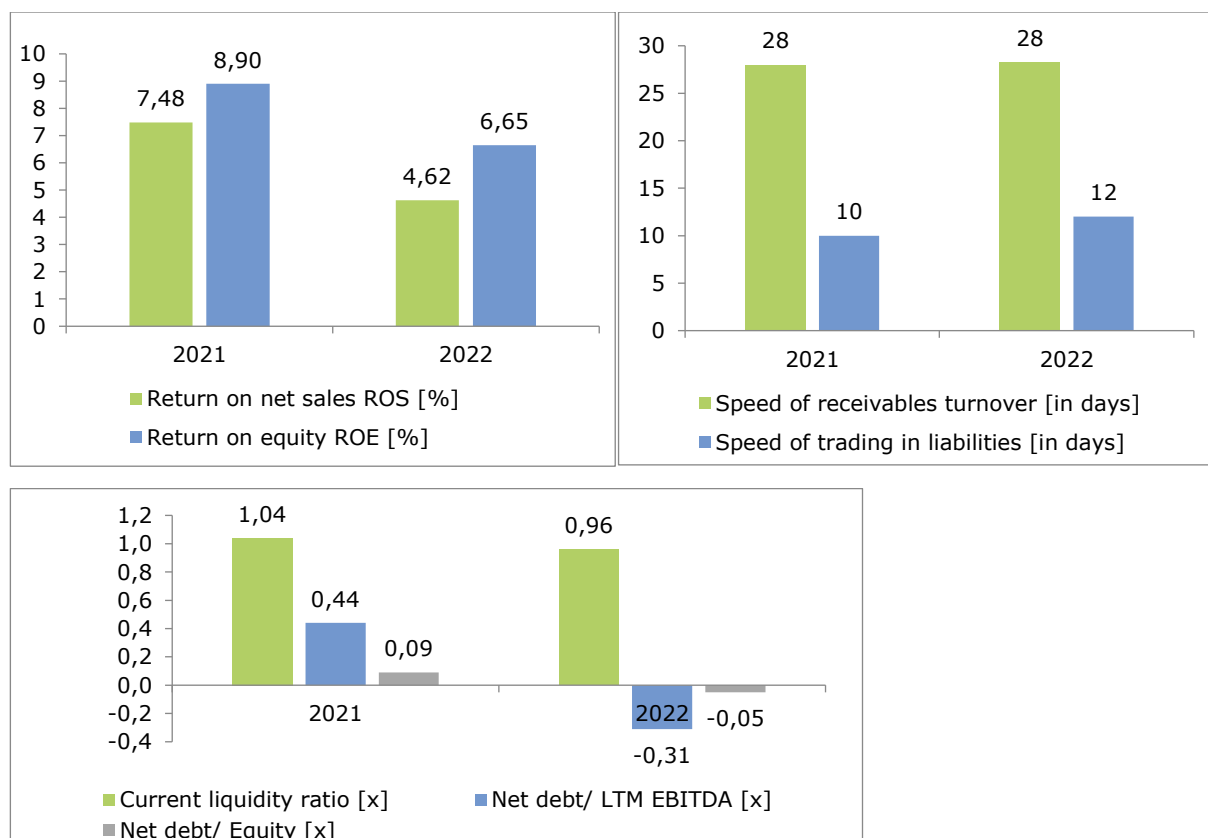
5.4. Management of financial resources and financial liquidity

NET DEBT OF THE GROUP AND MAIN FINANCIAL RATIOS

Table: Group's net debt as at December 31, 2022 and December 31, 2021.

PLN million	As at December 31, 2022	As at December 31, 2021
Cash on hand and cash at bank	1 429	5 059
Overnight deposits	801	5
Short-term deposits	6 147	1 124
Proceeds from the issue of shares	2 716	-
Funds on VAT accounts	794	545
Cash and cash equivalents	11 887	6 733
Adjustment for restricted cash	-295	-212
Loans granted	0	77
Cash at PGE Group's disposal	11 592	6 598
Current loans and borrowings	2 062	2 099
Bonds issued - current	21	13
Current lease	54	48
Non-current loans and borrowings	3 808	5 757
Bonds issued - non-current	2 046	2 033
Non-current lease	945	876
Gross financial debt (short and long-term)	8 936	10 826
Net financial debt	-2 656	4 228

Charts: Key financial ratios.



MANAGEMENT OF FINANCIAL RESOURCES AND FINANCIAL LIQUIDITY

PGE Group's existing financing model takes into account the use of funds from its core activities, debt financing in the form of commercial bank credit facilities and bond programmes, credit facilities from Bank Gospodarstwa Krajowego ("BGK"), credit facilities from multilateral institutions such as the European Investment Bank ("EIB") or the European Bank for Reconstruction and Development ("EBRD") as well as in the form of preferential financing. In order to effectively manage liquidity, within the Group we have introduced a cash-pooling system, with participation of 29 Group companies.

The most important available external financing sources for PGE Group at December 31, 2022 are as follows¹ powyżej:

- Domestic bond programme of up to PLN 5.0 billion (*not committed*).
- Euro Medium Term Note (EMTN) bond programme of up to EUR 2.0 billion (*not committed*).
- 2 credit facilities from BGK as part of the "Inwestycje polskie" ("Polish investments") programme, amounting to PLN 1.5 billion in total – amount withdrawn: PLN 1.0 billion.
- Syndicated loan - term facility of PLN 3.6 billion – amount withdrawn: PLN 1.5 billion¹⁸.
- 3 credit facilities from the EIB with a total value of PLN 4.0 billion - PLN 3.5 billion will be used for projects related to distribution network modernisation and expansion, while PLN 0.5 billion for financing and re-financing of the construction of cogeneration units¹⁹.
- Green facility loan of PLN 0.3 billion from EIB for financing of "green projects".
- PLN 0.5 billion credit facility from the EBRD to support implementation of a long-term programme for distribution network development and modernisation – amount withdrawn: PLN 0.4 billion
- Multi-purpose financing line of PLN 2.0 billion from BGK intended for financing the interventional purchase of coal²⁰.
- Multi-purpose financing line of PLN 1.6 billion from BGK intended for financing the interventional purchase of coal.
- Multi-purpose financing line of PLN 2.0 billion from Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP) intended for financing the interventional purchase of coal.
- Multi-purpose financing line of PLN 0.5 billion (not more than equivalent of USD 0.1 billion) from Bank Polska Kasa Opieki S.A. (Pekao S.A.) intended for financing the interventional purchase of coal.
- Current-account overdraft facilities.

PGE Group's financing policy features diverse maturities for specific financial instruments, which along with the diversification of financing sources, helps the Group to optimise its financing costs. The Group aspires to implement a responsible financial policy, which entails maintaining its net debt to EBITDA ratios at a level that makes it possible to retain investment-grade ratings.

¹⁸ On March 1, 2023 a syndicated revolving loan agreement of PLN 2.3 billion was signed.

¹⁹ On February 3, 2023 a loan agreement of PLN 1.4 billion was signed with EIB.

²⁰ Agreement terminated on March 9, 2023 by PGE S.A. Moreover, on March 1, 2023 a multi-purpose financing line of PLN 1.6 billion was signed with BGK.

Diagram: Currency profile of the Group's debt and the Group's debt breakdown by fixed and floating rate (including hedging transactions).

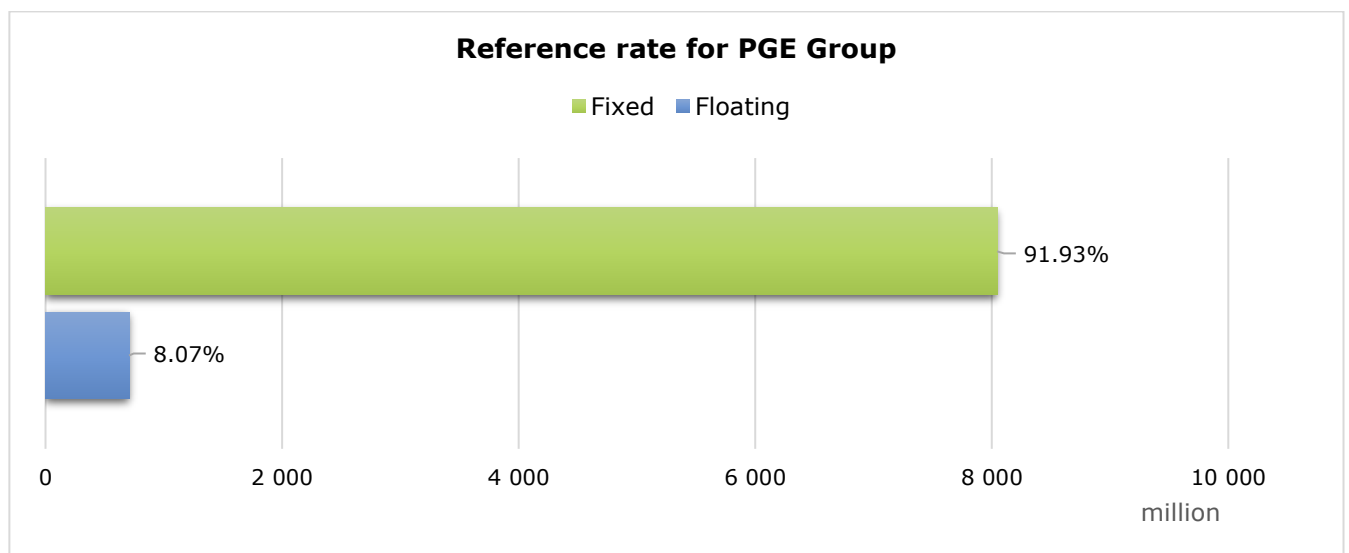
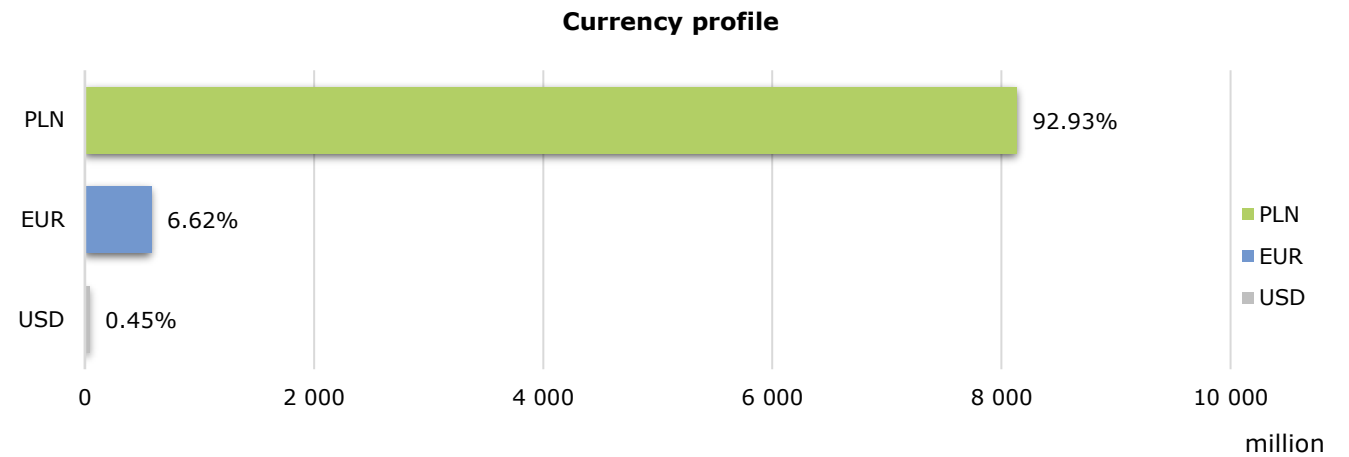
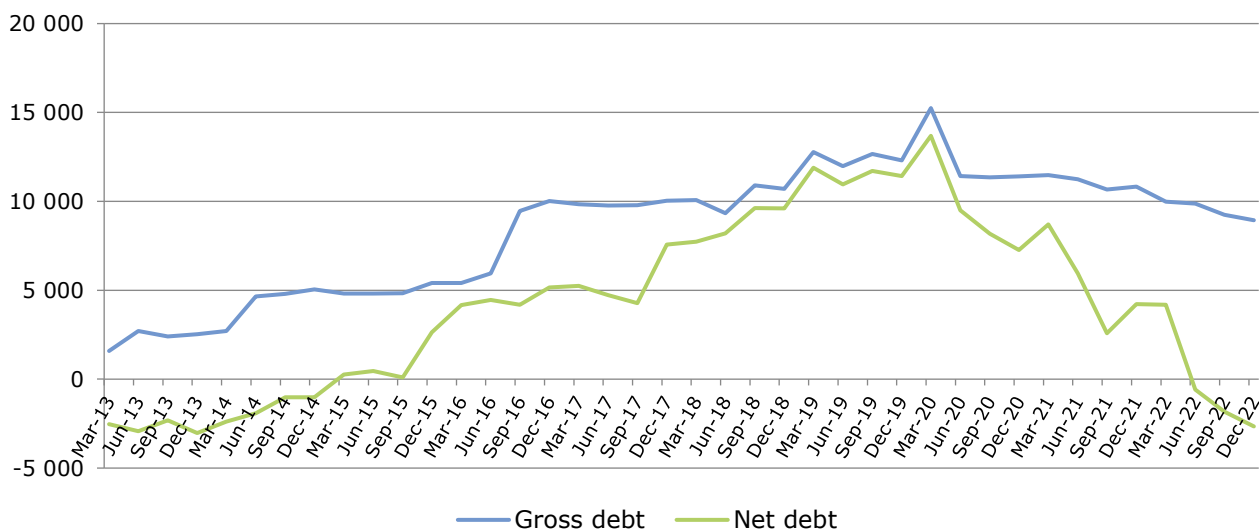
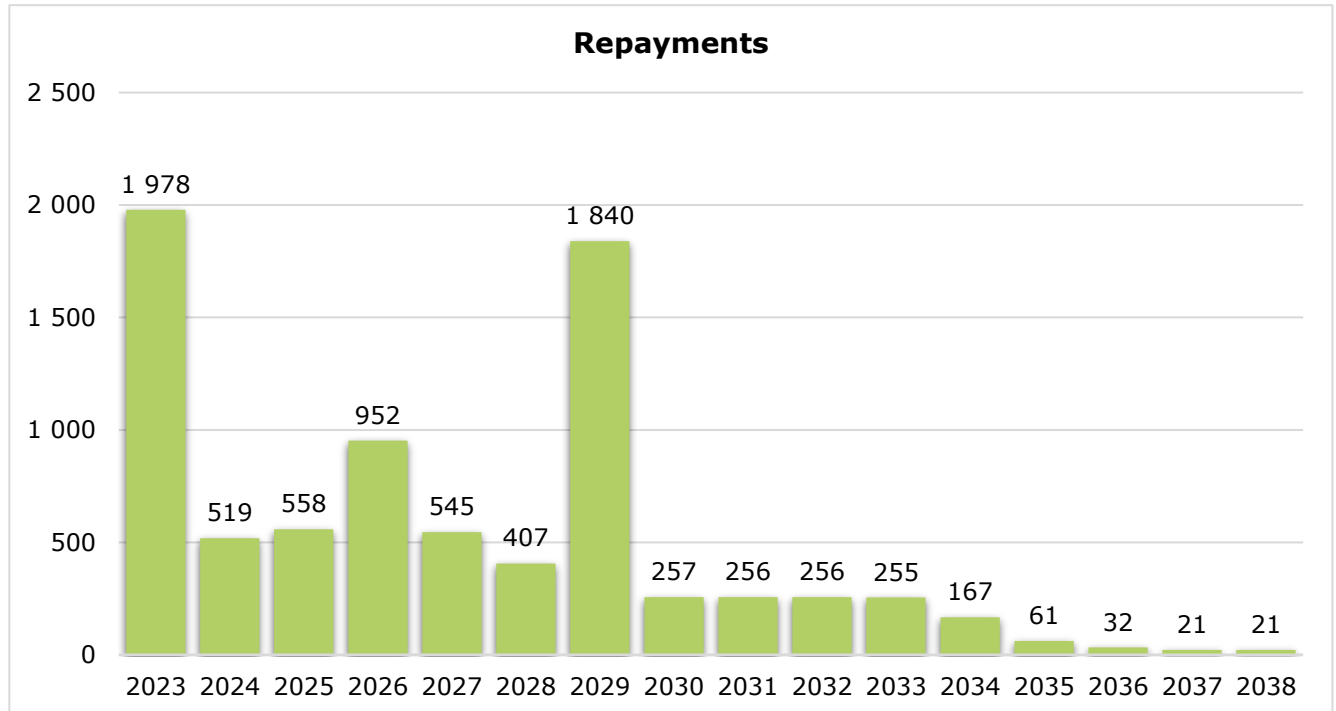


Chart: Net and gross debt (PLN million).



External long-term debt is mainly drawn by PGE S.A. and PGE Sweden AB (Swedish SPV for Eurobonds issues). Companies from the PGE Group have long-term debt under the preferential financing from institutions like National Fund for Environmental Protection and Water Management and Voivodship Fund for Environmental Protection and Water Management.

Diagram: Debt maturity profile (PLN million) as at December 31, 2022.



BONDS ISSUED

Company (Issuer)	Party of the agreement	Type of financing	Signing date of the program (yyyy-mm-dd)	Maturity date of the program (yyyy-mm-dd)	Maximum value of the program (million)	Utilisation (million)	Currency
PGE S.A.	Bank Polska Kasa Opieki S.A. and ING Bank Śląski S.A.	Domestic market bonds	2011-08-29	-	5 000	1 400	PLN
PGE Sweden AB	BNP Paribas, CITIGROUP Global Markets Ltd., ING Bank N.V., London Branch, Nordea Bank Danmark A/S, Powszechna Kasa Oszczędności Bank Polski S.A. and Societe Generale	Eurobonds	2015-05-22	-	2 000	138	EUR

INTRA-GROUP BONDS

Company (Issuer)	Party of the agreement	Type of financing	Signing date of the program (yyyy-mm-dd)	Maturity date of the program (yyyy-mm-dd)	Maximum value of the program (million)	Utilisation (million)	Currency
PGE GiEK S.A.	ING Bank Śląski S.A.	Intra-group bonds	2011-06-20	2025-12-31	11 558	4 070	PLN
PGE GiEK S.A.	ING Bank Śląski S.A.	Intra-group bonds	2010-09-13	2025-12-31	4 091	0	PLN
PGE GiEK S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	Intra-group bonds	2009-11-30	2025-12-31	3 700	1 510	PLN

BANK LOANS AND ADVANCES

Table: Information about the most significant bank loans and advances signed in 2022.

Company (Lender)	Party of the agreement	Type of financing	Signing date (yyyy-mm-dd)	Maturity date (yyyy-mm-dd)	Liability limit (million) ¹	Currency	Fixed/ floating rate
PGE Paliwa sp. z o.o.	Pekao S.A.	Multi-purpose loan	2022-12-30	2023-10-31	500	PLN	Floating
PGE S.A.	BGK	Multi-purpose line	2022-09-05	2023-06-30	2 000	PLN	Floating
PGE S.A.	EBI	Term loan	2022-12-09	2042-12-09	2 000	PLN	Fixed/floating
PGE S.A.	PKO BP	Multi-purpose loan	2022-12-20	2023-10-31	2 000	PLN, USD	Floating
PGE S.A.	BGK	Multi-purpose line	2022-12-20	2023-12-31	1 600	PLN	Floating

¹ Values over PLN 100 million.

LOANS GRANTED

Table: Advances granted by PGE S.A. in 2022.

Company (Borrower)	Party of the agreement	Type of financing	Signing date (yyyy-mm-dd)	Maturity date (yyyy-mm-dd)	Liability limit (million) ¹	Currency	Fixed/ floating rate
PGE Obrót S.A.	PGE S.A.	Advance	2022-02-10	2025-02-10	275	PLN	Floating
PGE Obrót S.A.	PGE S.A.	Advance	2022-03-28	2025-03-28	600	PLN	Floating
PGE Paliwa sp. z o.o.	PGE S.A.	Advance	2022-03-04	2023-03-03	200	PLN	Floating
PGE Energia Odnawialna S.A.	PGE S.A.	Advance	2022-06-15	2023-06-15	282	PLN	Floating
PGE Paliwa sp. z o.o.	PGE S.A.	Advance	2022-08-05	2023-08-04	385	PLN	Floating
PGE Paliwa sp. z o.o.	PGE S.A.	Advance	2022-08-29	2023-08-29	210	PLN	Floating
PGE Dystrybucja S.A.	PGE S.A.	Advance	2022-08-30	2023-08-30	274	PLN	Floating
PGE Paliwa sp. z o.o.	PGE S.A.	Advance	2022-09-26	2023-09-26	2 300	PLN	Floating
PGE Energia Ciepła S.A.	PGE S.A.	Advance	2022-10-28	2023-12-29	2 700	PLN	Floating
PGE Toruń S.A.	PGE S.A.	Advance	2022-10-27	2023-12-29	500	PLN	Floating
PGE Energia Ciepła S.A.	PGE S.A.	Advance	2022-11-16	2025-11-14	232	PLN	Floating
PGE Dystrybucja S.A.	PGE S.A.	Advance	2022-11-08	2023-11-08	950	PLN	Floating
PGE Energia Odnawialna S.A.	PGE S.A.	Advance	2022-11-10	2025-11-07	116	PLN	Floating
PGE Paliwa sp. z o.o.	PGE S.A.	Advance	2022-12-29	2023-10-31	300	USD	Floating

¹ Values over PLN 100 million.GUARANTEES

In connection with the establishment of the EMTN Programme, on May 22, 2014 Deed of guarantee was issued by PGE for the liabilities of PGE Sweden AB (publ). Guarantee amounts to EUR 2 500 million and refers to liabilities of PGE Sweden AB (publ) arising from the issue of the Eurobonds under the Programme up to EUR 2 000 million. Guarantee will be valid until December 31, 2041. Financial terms of the guarantee will depend on the terms of Eurobonds issued by PGE Sweden AB (publ) and the remuneration for the guarantee will be reflected in the interest rates applied to loans granted to PGE S.A.

In 2019, PGE S.A. conducted a public procurement procedure concerning guarantee lines, under which requests for the issue (or annexation) of guarantees are submitted to banks in order to secure transaction deposits and deposits to secure transactions carried out by PGE Dom Maklerski S.A. on the Polish Power Exchange to the account of customers, i.e. PGE S.A. and companies from the PGE Group or transactions carried out by PGE S.A. and companies from the PGE Group on the Polish Power Exchange, whose clearing entity is IRGIT. In addition, the guarantees issued may constitute security for agreements related to the offsetting of security deposits within power groups established for the benefit of the PGE Group companies or the related surety agreements concluded with IRGIT. Agreements concerning guarantee lines are in effect until June 2023.

In June 2020, an agreement was concluded between PGE S.A. and BGK for establishment of a guarantee line in the amount of PLN 250 million. Under the agreement, PGE S.A. may request issuance of bank guarantees for the liabilities of PGE S.A. and selected companies from the PGE Group for a period of 36 months from January 2021 with the guarantee validity period of up to 5 years.

In March 2022, a Deed of Guarantee was established in favour of Citigroup Global Markets Europe AG (as beneficiary) for the liabilities of PGE Dom Maklerski S.A. (as guarantee recipient) to the amount of EUR 265 million. The Deed of Guarantee secures the settlement of transactions concluded on The Ice Futures Europe ("ICE") and European Energy Exchange ("EEX") commodity exchanges, for which Citigroup Global Markets Europe AG is the clearing entity. The Deed of Guarantee is valid until December 21, 2023.

In June 2022, a Deed of Guarantee was established in favour of Macquarie Bank Europe Designated (as beneficiary) for the liabilities of PGE Dom Maklerski S.A. (as guarantee recipient) to the amount of EUR 130 million. The Deed of Guarantee secures the settlement of transactions concluded on ICE and EEX, for which Macquarie is the clearing entity. The Deed of Guarantee is valid until December 31, 2024.

Table: Main guarantees granted by the PGE Group companies as at December 31, 2022.

Company	Beneficiary	Entity for whose liabilities a guarantee was issued (Debtor)	Form of security	Validity of guarantee (yyyy-mm-dd)		Value of guarantee (million)	Currency
				Beginning	End		
PGE S.A.	Bondholders	PGE Sweden AB	Guarantee of financial instrument	2014-05-22	2041-12-31	2 500	EUR
PGE Paliwa sp. z o.o.	Pekao S.A.	PGE Paliwa sp. z o.o.	Guarantee	2022-12-30	2024-01-31	2 500	PLN
PGE S.A.	PKO BP S.A.	PGE S.A.	Guarantee	2022-12-21	2024-01-31	2 300	PLN
PGE Paliwa sp. z o.o.	PKO BP S.A.	PGE Paliwa sp. z o.o.	Guarantee	2022-12-15	2025-01-31	2 000	PLN
PGE S.A.	IRGIT	PGE Dom Maklerski S.A.	Corporate Guarantee	2019-09-30	2023-09-30	2 000	PLN

The total amount of guarantees granted by the companies of the PGE Capital Group and mandatory on December 31, 2022 amounted to approx. PLN 15 229 million, approx. EUR 2 912 million and USD 0.2 million.

Table: Main guarantees received by the PGE Group companies and valid as at December 31, 2022.

Company	Guarantee issuer	Entity for whose liabilities a guarantee was issued (Debtor)	Form of security	Validity of guarantee (YYYY-mm-dd)		Value of guarantee (million) ¹	Currency
				Beginning	End		
PGE Gryfino 2050 sp. z o.o.	Societe Generale S.A.	Generali Electric Services GmbH	Performance bond	2020-01-29	2024-01-11	264	PLN
PGE Gryfino 2050 sp. z o.o.	Intesa Sanpaolo S.p.A.S.A.	Generali Electric Services GmbH	Guarantee	2020-03-02	2023-02-15	165	PLN
PGE Gryfino 2050 sp. z o.o.	Intesa Sanpaolo S.p.A.S.A.	Polimex Mostostal S.A.	Performance bond	2021-02-11	2024-01-11	137	PLN
KOGENERACJA S.A.	Intesa Sanpaolo S.p.A.S.A.	Polimex Mostostal S.A.	Performance bond	2021-06-23	2025-05-30	120	PLN

¹ Values over PLN 100 million.

The total amount of guarantees received by the companies of the PGE Capital Group and mandatory on December 31, 2022 amounted to more than PLN 1 949 million, EUR 0.4 million and USD 3.4 million. Guarantees were received in connection with investments being pursued and day-to-day operations and include mainly: advance payments guarantees and performance bonds.

DESCRIPTION OF STRUCTURE OF MAIN CAPITAL DEPOSITS OR MAIN CAPITAL INVESTMENTS MADE WITHIN THE ISSUER'S CAPITAL GROUP IN A GIVEN FINANCIAL YEAR

Information on PGE Group's structure are presented in note 1.3 to the consolidated financial statements. Investments in associates and entities jointly controlled valued using the equity method are presented in note 13 to the consolidated financial statements. Changes in the Capital Group's structure which took place in 2022 and capital investments related thereto are described in p. 7.2 of this report.

6. Parent company of PGE Group – PGE S.A.

Pursuant to art. 55 section 2a of the Accounting Act and § 71 section 8 Regulation of the Minister of Finance on current and periodic information, the Company has prepared the report on activities of PGE S.A. and of the Capital Group in form of one document. Other required elements of the report on activities of the Companies which are not included in chapter 6, are identical with the ones in the report on activities of PGE Capital Group.

6.1. Key financial results of PGE S.A.

Key financial data (PLN million)	Q4 2022	Q4 2021	% change	2022	2021	% change
Sales revenues	10 110	19 805	-49%	35 922	35 917	0%
EBIT	209	50	318%	1 139	601	90%
EBITDA	212	53	300%	1 151	613	88%
EBITDA margin (%)	2%	0%		3%	2%	
Recurring EBITDA	206	53	289%	752	602	25%
Recurring EBITDA margin (%)	2%	0%		2%	2%	
Net profit	306	35	774%	3 097	1 734	79%
Capital expenditures	1	1	-	6	2	200%
Net cash from operating activities	2 101	-62	-	-1 105	938	-
Net cash from investing activities	-625	-1 804	-	5 428	1 887	188%
Net cash from financial activities	-399	61	-	954	-1 016	-

Key financial data			December 31, 2022	December 31, 2021	% change
Working capital			17 253	11 517	50%
Shares in subsidiaries			29 445	29 532	0%
Net debt			-10 906	-5 337	-
Net debt /LTM reported EBITDA ¹			-9.48	-8.71	-
Net debt /LTM recurring EBITDA ¹			-14.50	-8.87	-

One-offs affecting EBITDA	Q4 2022	Q4 2021	% change	2022	2021	% change
Valuation of forward contracts for CO ₂ emission rights	6	-	-	399	-	-
Voluntary Leave Program	-	-	-	-	11	-
Total	6	-	-	399	11	3 527%

¹ LTM EBITDA - Last Twelve Months EBITDA.

REVENUES BY GEOGRAPHICAL AREAS

PGE S.A. in 2022 earned 100% revenues mostly in domestic market.

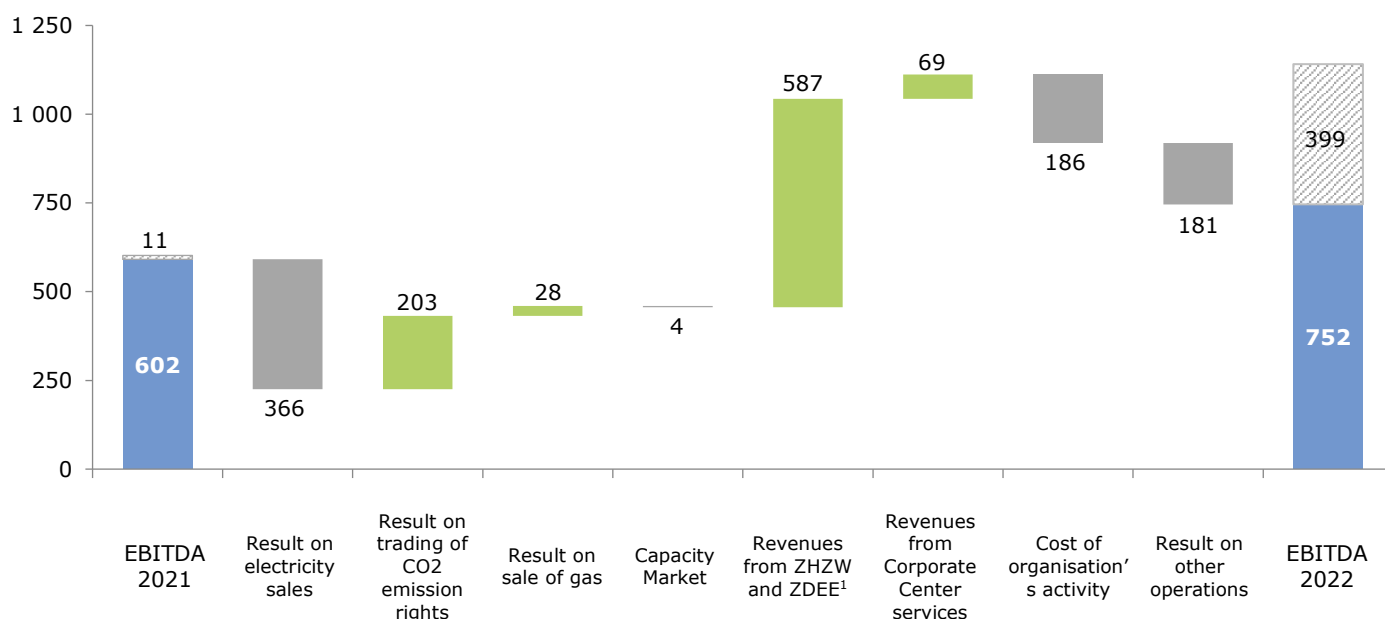
KEY FINANCIAL FIGURES OF PGE S.A. FOR 5 YEARS

Table: Data on key financial figures of PGE S.A. (PLN million).

PLN million	2022	2021	% change	2020	2019	2018
Sales revenues	35 922	35 917	0%	27 541	15 146	11 450
EBIT reported	1 139	601	90%	712	779	509
EBITDA reported	1 151	613	88%	724	791	522
EBITDA recurring	752	602	25%	745	687	522
One-offs ¹	399	11	3 527%	-21	104	-
Net profit/loss	3 097	1 734	79%	1 744	-1 259	-203
Net debt	-10 906	-5 337	-	-397	4 769	6 373
Net debt /LTM EBITDA reported	-9.48	-8.71	-	-0.55	6.03	12.21
Net debt /LTM EBITDA recurring	-14.50	-8.87	-	-0.53	6.94	12.21
Working capital	17 253	11 517	50%	8 985	5 814	-788
Capital expenditures	6	2	200%	4	6	2

¹ One-off at the EBITDA level.

Chart: Key changes of EBITDA in PGE S.A. (in PLN million).



Change		-366	203	28	-4	587	69	-186	-181	
EBITDA reported 2021	613									
One-offs 2021	11									
EBITDA recurring 2021	602	-204	-13	-4	33	984	103	308	11	
EBITDA recurring 2022		-570	190	24	29	1 571	172	494	-170	752
One-offs 2022										399
EBITDA reported 2022										1 151

 Reversal of impact of total one-offs reducing the reported result.

 Reversal of impact of total one-offs improving the reported result.

¹ZDEE – Securing Electricity Supply.

Key factors affecting the results of PGE S.A. on y/y basis included:

- **The lower result on sales of electricity** is attributable to lower unitary margin on sales of electricity by PLN 9.0/MWh. It results from increase in electricity prices in 2022, when average price of base contract on spot market doubled compared to 2021. The need for PGE S.A. to balance the demand and supply of electricity for retail trade purposes on the Day Ahead Market, given such a large y/y increase in prices, decreased the result.
- **The higher result on trading in CO2 emission allowances** was driven by margin of PLN 152 million charged in transactions with PGE Group companies effective from January 2022 and valuation of forward transactions.
- **The higher result on gas trading** is the result of a higher unit margin on gas sales of PLN 8/MWh, which is mainly due to the increase in gas prices on the market and very large fluctuations in daily spot prices on the exchange.
- **The decrease in revenue from the Capacity Market**, mainly due to the revenue from manager cost reimbursement for 2020 that took place in 2021.

- **Increased revenues from the Group companies** from the services of ZHZW and ZDEE result mainly from higher value of electricity trading under management on behalf of PGE Group companies. The increase in the value of electricity results from a higher price of electricity by PLN 214/MWh, with a lower volume of managed electricity by 12.6 TWh.
- **The increase in revenues from the provision of Corporate Centre services** is a result of increased revenues from licence agreements and support agreements. Higher revenues from licence agreements were influenced by higher revenues of PGE Group companies. Higher revenues from support agreements were mostly driven by higher revenues from the audit area, which is a result of the centralisation of the aforementioned area from October 2021.
- The **increase in the organisation's operating costs** is mainly influenced by the contribution in 2022 to the Price Difference Payment Fund of PLN 88 million, higher personnel costs, as a result of the increase in employment, and higher costs for sponsoring and advertising activities.
- The **lower result on other activities** - was influenced by impairment losses on receivables (recognition of an impairment loss in 2022 for receivables of Enesta sp. z o.o. in the amount of PLN 154 million, and release of an impairment loss in 2021 for receivables of Green S.A.) and a higher amount of a donation made to the PGE Foundation.

FINANCIAL OPERATIONS

Table: Financial operations (mln PLN).

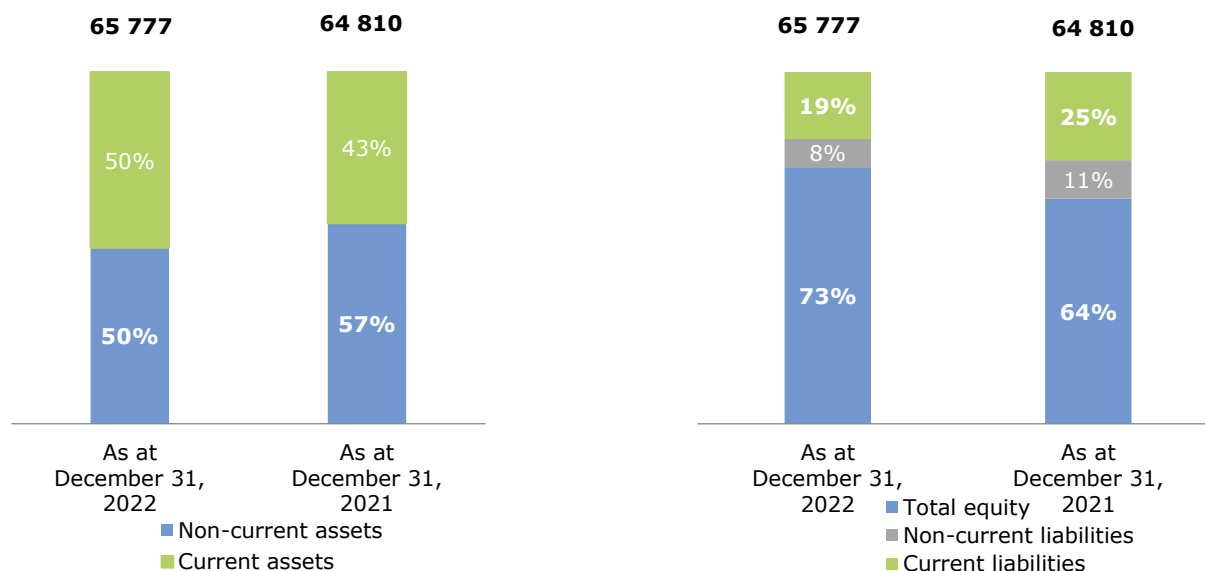
Financial revenues and expenses	2022	2021	% change
Dividends from PGE Capital Group companies	1 639	1 252	31%
Interest	663	141	370%
Profit/(Loss) on disposal of investments	35	-36	-
Revaluation of financial instruments	3	-33	-
Reversal/creation of impairment losses	-17	-7	-
Foreign exchange translations	-31	-4	-
Other	-1	-	-
Result on financial operations	2 291	1 313	74%

Key factors affecting the financial results of PGE S.A. on y/y basis included:

- Increased revenues from dividends mainly as a result of higher dividends from PGE Dystrybucja by PLN 354 million and from PGE Energia Odnawialna by PLN 284 million, with the lower revenues from PGE Energia Ciepła by PLN 251 million,
- The increase in interest is due to an increase in loans granted to PGE Group companies and an increase in interest rates,
- Gain/loss on disposal of investments: in 2022, the most significant item was the gain realised on the sale of shares of companies providing services to the emerging National Energy Security Agency (NABE) in the amount of PLN 30 million, while in 2021 the loss is mainly due to the sale of PGE EJ1 sp. z o.o. where a loss of PLN 39 million was incurred,
- Revaluation of financial instruments: mainly due to the valuation of forward transactions hedging exchange rates and interest rates (CCIRS) in 2021 adjusted by PLN -31 million,
- Change on impairment loss – in 2022 an impairment loss of PLN 17 million was created for PGE Nowa Energia sp. z o.o. in liquidation, in 2021 an impairment loss of PLN 28 million was created for PGE Group Companies and write-off on shares of Elbest sp. z o.o. was partly reversed,
- The increase in foreign exchange differences is mainly due to the purchase of CO₂.

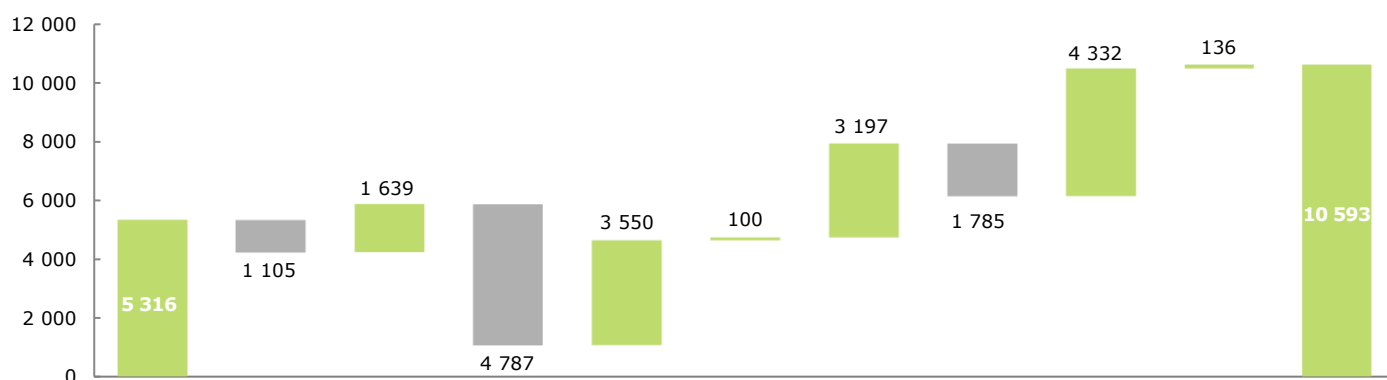
STATEMENT OF FINANCIAL POSITION

Chart: Structure of assets and equity and liabilities (PLN million).



STATEMENT OF CASH FLOWS

Chart: Net change in cash (in PLN million).



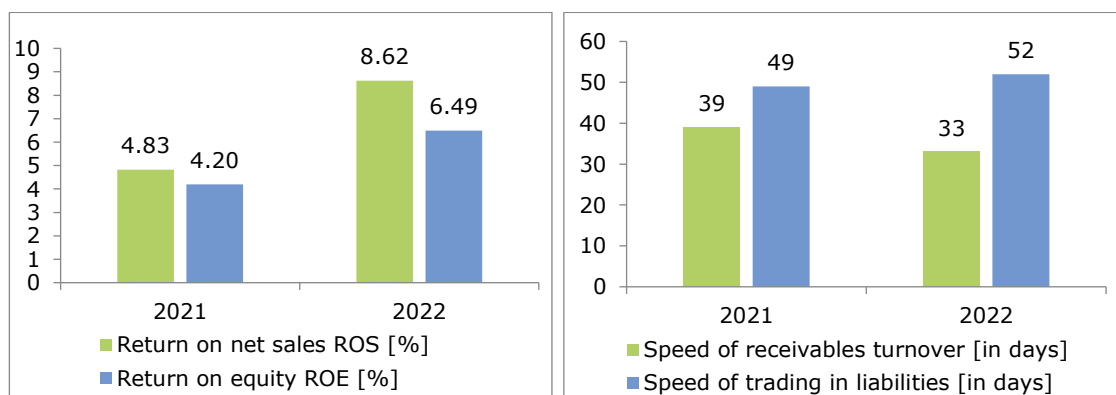
	Cash at January 1, 2022	Net cash from operations	Dividends received	Granting advances / repayment of granted advances	Purchase/ buy-out of bonds issued by PGE Group companies	Purchase of shares in subsidiaries	Proceeds from issue of shares	Drawing / repayment of loans and bonds	Cash pooling-related income and expenses	Other	Cash at December 31, 2022
Impact on cash		-1 105	1 639	-4 787	3 550	100	3 197	-1 785	4 332	136	
Cash	5 316										10 593

NET DEBT OF PGE S.A. AND MAIN FINANCIAL RATIOS

Table: Company's net debt as at December 31, 2022 and December 31, 2021.

PLN million	As at December 31, 2022	As at December 31, 2021
Cash on hand and cash at bank	559	3 858
Overnight deposits	764	-
Short-term deposits	8 574	1 100
Funds on VAT accounts	696	358
Cash and cash equivalents	10 593	5 316
Short-term loans and debt securities (PGE Group)	12 747	9 820
Loans and receivables - cash pooling	348	449
Cash at the Company's disposal	23 688	15 585
Current loans and borrowings	1 920	1 812
Short-term bonds (interest)	13	5
Short-term liabilities - cash pooling	5 614	1 346
Lease liabilities (short-term and long-term)	24	20
Non-current loans and borrowings	3 812	5 666
Bonds issued - non-current	1 399	1 399
Gross financial debt (short and long-term)	12 782	10 248
Net financial debt	-10 906	-5 337

Charts: Key financial ratios.



6.2. Key operational figures of PGE S.A.

Table: Volume of electricity sales (in TWh).

Sales volume	Q4 2022	Q4 2021	% change	2022	2021	% change
Sale of electricity to the Group companies	10.79	11.28	-4%	39.94	42.02	-5%
Sale of electricity on the power exchange and in bilateral transactions outside the Group	0.05	0.46	-89%	0.77	1.57	-51%
Sale within the balancing group and on the balancing market	0.46	0.32	44%	1.64	1.39	18%
Total electricity sales	11.30	12.06	-6%	42.35	44.98	-6%

PGE S.A. acts as a wholesale trading competence centre for the PGE Capital Group. The y/y decline in electricity sales volumes to PGE Group companies in 2022 primarily resulted from a decrease in trading with PGE Obrót S.A. in order to secure retail customers' needs for electricity supply. The decline in electricity sales volumes to retail customers is mainly the result of lower level of sales to large customers from the professional segment and tariff customers. The decrease in electricity sales volumes to entities from outside PGE Group is due to the decline in turnover on TGE.

Table: Summary of electricity sales (TWh) for 5 years.

Sales volume	2022	2021	2020	2019	2018
Sale of electricity to the Group companies	39.94	42.02	51.75	46.24	44.92
Sale of electricity on the power exchange and in bilateral transactions outside the Group	0.77	1.57	4.07	2.60	2.70
Sale within the balancing group and on the balancing market	1.64	1.39	1.26	1.42	1.27
Total electricity sales	42.35	44.98	57.08	50.26	48.89

Table: Volume of natural gas sales [in TWh].

Sales volume	Q4 2022	Q4 2021	% change	2022	2021	% change
Sale of natural gas to the Group	1.15	0.82	40%	2.86	3.09	-7%
Sale of natural gas outside the Group	0.35	0.23	52%	0.71	0.79	-10%
Total natural gas sales	1.50	1.05	43%	3.57	3.88	-8%

The y/y lower volume of natural gas sales results from a lower volume of gas sold to entities from the PGE Capital Group for securing the needs of retail customers and external entities and sold on TGE.

Table: Volume of natural gas sales [TWh] for 5 years.

Sales volume	2022	2021	2020	2019	2018
Sale of natural gas to the Group	2.86	3.09	3.21	2.31	2.99
Sale of natural gas outside the Group	0.71	0.79	0.60	2.58	2.68
Total natural gas sales	3.57	3.88	3.81	4.89	5.67

6.3. Ownership structure

State Treasury is a main shareholder of PGE S.A. State Treasury and holds 1 365 601 493 Company's ordinary shares with nominal value of PLN 8.55 each, representing 60.86% (increase from 57.39% as a result of acquisition of E series shares issued in 2022) of company's share capital and entitling to perform 1 365 601 493 votes at the general meeting of the Company. State Treasury stake represents 60.86% of the total number of votes

In addition, The State Treasury informed about the subsidiary holding PGE shares and the total number of votes by both entities and its percentage share in the total number of votes. According to the notification, taking into account the number of shares (18 697 608) held by a subsidiary of the State Treasury, i.e. Towarzystwo Finansowe Silesia sp. z o.o., the State Treasury holds a total of 1 384 299 101 shares constituting 61.70% of the share capital of the Company and entitling to exercise 1 384 299 101 votes, which constitutes 61.70% of the total number of votes.

State Treasury is the only shareholder holding at least 5% of the Company's shares (more information on the ownership structure in p. 8.4 of this report).

6.4. Dividend policy

In May 2017 the Management Board decided to recommended to suspend dividend payment from the profit for years 2016, 2017 and 2018 facing the need to finance an ambitious development program and limitation of the debt level increase.

After that period, the Management Board of the Company intended to make a recommendation to the General Meeting of the Company of dividend payment for shareholders at the level of 40-50% of the consolidated net profit attributable to the equity holders adjusted by the value of impairment loss on property, plant and equipment and intangible fixed assets. The dividend policy is subject to reservation that the amount for each individual dividend distribution will depend, in particular, on the Company's overall indebtedness, expected capital expenditures and prospective acquisitions.

In line with the dividend policy, in particular as a result of the analysis of the Company's debt in the context of the implementation of the investment program (in line with the assumptions of the PGE Group's Strategy until 2030) and potential acquisitions, as well as taking into account market uncertainty, e.g. as a result of the recession caused by the COVID-19 pandemic, the PGE Management Board recommended not to pay dividends for years 2019-2021. Ordinary General Meetings in 2020, 2021 and 2022 adopted resolutions in accordance with the recommendations of the PGE Management Board.

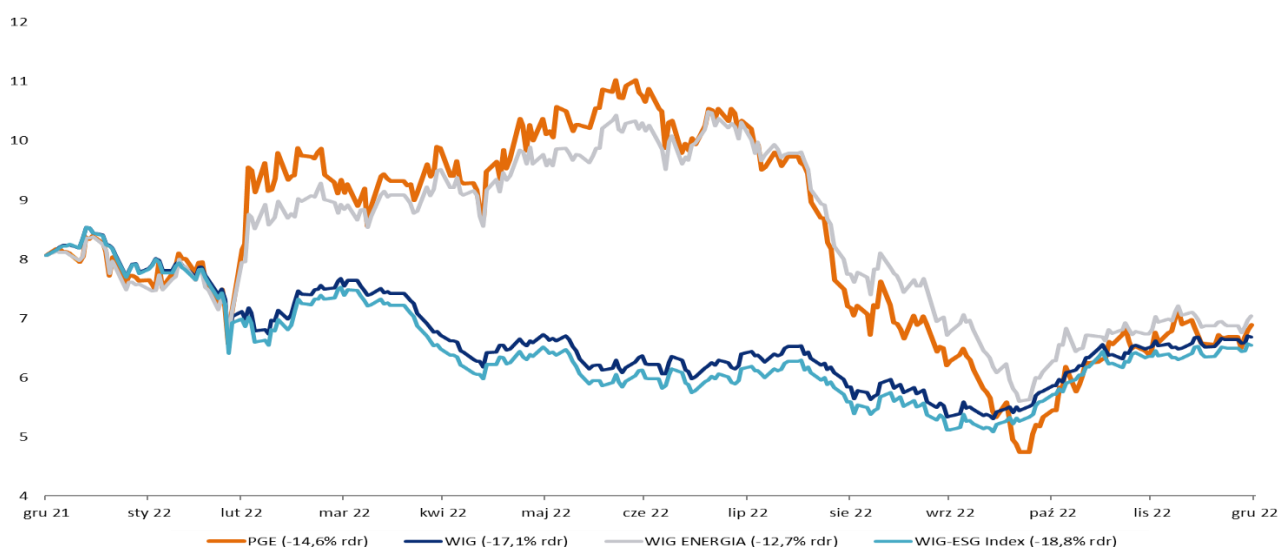
The dividend policy is periodically verified by the Management Board of the Company.

6.5. PGE S.A. shares on the stock exchange

PGE S.A. shares are listed in the continuous trading system on the Main Market of Warsaw Stock Exchange ("WSE"). PGE has the largest market capitalization among Polish companies from power sector listed on WSE. PGE shares are included in the most important WSE indexes: WIG20 – the index of the largest and most liquid companies, WIG – the index of all companies from the Main Market, and WIG Energia – the index of power sector companies. On September 3, 2019, the WSE started to publish the WIG-ESG (Environment, Social, Governance) index which includes companies from WIG20 and mWIG40 indices.

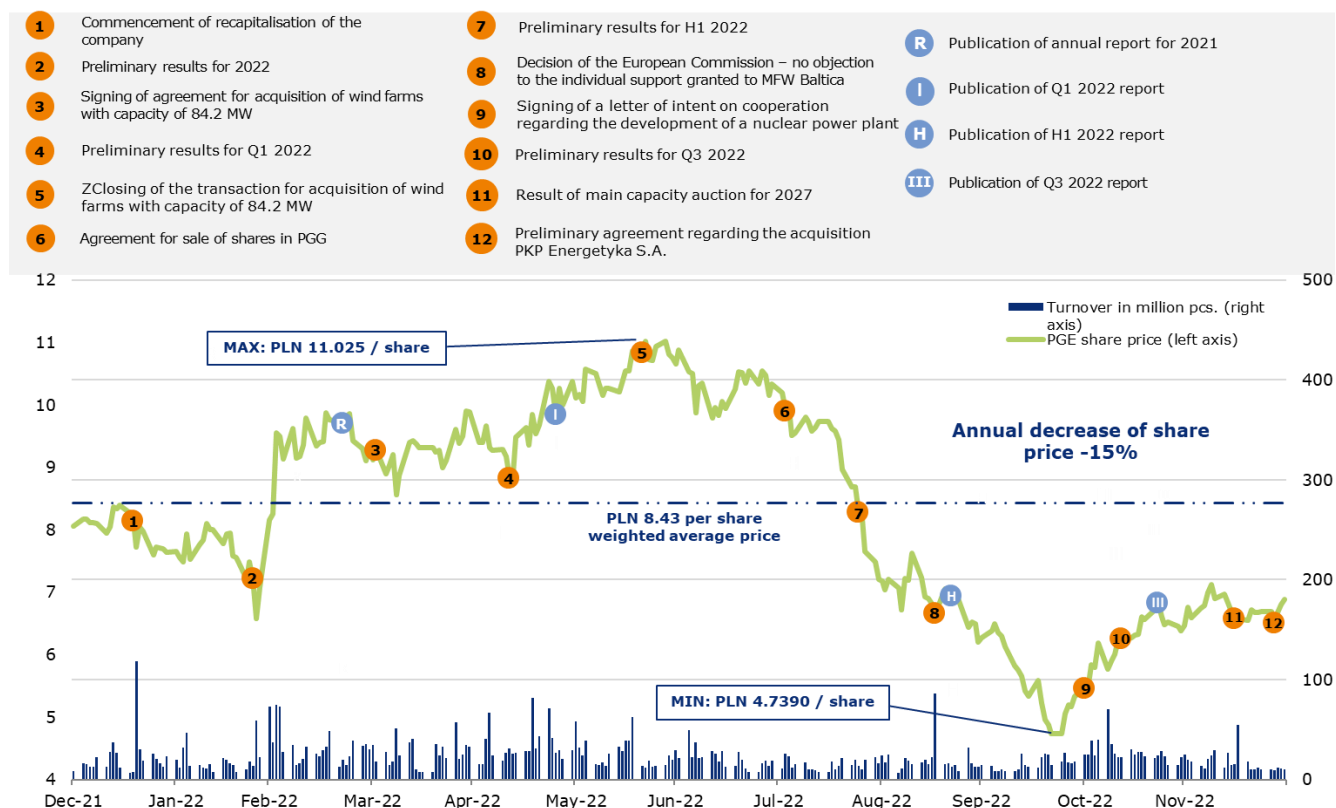
In 2022 PGE shares quotation were in range PLN 4.7390-11.0250. Average market capitalisation (value of all shares of the Company) in 2022 amounted to approx. PLN 18 billion. Average trading volume amounted to 2.9 million shares per session and average trading amount reached approx. PLN 23.5 million.

Chart: Quotes of PGE share price in relation to the WIG, WIG - ENERGY and WIG - ESG Index (PLN).



Source: Bloomberg.

Chart: Key events on the background of stock quotes of PGE in 2022 (PLN).



Source: Bloomberg, Company's data.

Table: Key data on PGE S.A. shares.

	2022	2021
Turnover value (PLN m)	6 108	5 527
Average turnover volume (pcs)	2 907 387	2 528 725
Maximum price during the year (PLN) ¹	11.0250	10.75
Minimum price during the year (PLN) ¹	4.7390	6.30

¹ Stock prices relate to closing.

Source: Bloomberg.

All Company shares are bearer shares. Shares are not privileged, however the Company's Statute provides for special rights for the State Treasury, e.g. with respect to the appointment of members of the Supervisory Board (more information on special powers for the State Treasury in section 8.4 of this report).

6.6. Rating

PGE S.A. holds ratings assigned by two rating agencies: Fitch Ratings Ltd. ("Fitch") and Moody's Investors Service Limited ("Moody's").

	Moody's	Fitch
Long-term company rating	Baa1	BBB+
Rating outlook	stable	stable
Date of rating assignment	September 2, 2009	September 2, 2009
Date of the latest rating confirmation	January 13, 2023	January 24, 2023
Poland long-term rating	A2	A-
Rating outlook	stable	stable

At the beginning of 2023 rating agencies Moody's and Fitch affirmed long-term rating of PGE S.A. at investment grade respectively at Baa1 and BBB+, both with stable outlook. Both agencies underline affirmation results from strong market position of PGE in the Polish electricity sector.

In its January 2023 announcement, Fitch indicates that the rating reflects the business profile of the PGE Group, which is the largest integrated Polish energy group and has a high share of revenues from regulated activities - electricity distribution and the Capacity Market. The main constraints for the higher rating is the high share of electricity production from coal, resulting in high emissivity of generation assets and the Group's exposure to high costs of CO₂ emission allowances. According to Fitch, the announced takeover of PKP Energetyka S.A. will support the business profile of the PGE group by increasing the share of regulated revenues. Spin-off of coal assets to NABE would also support the company's credit profile, allowing the Company to focus its activities on distribution and RES, increasing the possibility of obtaining external financing.

Moody's analysts confirmed the rating of PGE S.A. also in January 2023. According to the opinion issued by this agency, the confirmation of the assigned rating takes into account the leading position on the energy market in Poland, the strategy assuming concentration on the Renewables and Distribution segments after the separation of conventional coal assets and the low leverage ratios.

These factors are offset by uncertainty regarding the implementation of the government's plan to take over PGE Group's coal assets, challenges related to revenues resulting from regulations introducing maximum retail prices for electricity, the group's high exposure to price volatility on fuel markets and large planned capital expenditures absorbing operating cash flow and carrying the risk of timely completion of the investment.

Moody's also emphasizes the stable revenues from regulated activities (Distribution and District Heating segments), which are responsible for approx. 35% of EBITDA and low leverage ratios.

Ratings assigned by both agencies confirm PGE's long-term credibility on the capital and credit market.

7. Other elements of the report

7.1. Significant events of the reporting period and subsequent events

IMPACT OF WAR IN UKRAINE ON PGE GROUP'S ACTIVITIES

PGE Group is the largest energy group in Poland. The Group's units meet over 40% of the country's electricity demand and serve over 5.5 million customers in Supply segment, while PGE Group's distribution area covers over 40% of Poland's territory, including areas on the border with Ukraine and Belarus. The Group's activities are therefore of exceptional importance for the country's energy security. It is crucial for PGE Group to secure the continuity of operation of power plants and CHPs and distribution infrastructure so as to ensure uninterrupted supplies of electricity and heat to residents, institutions and businesses.

In connection with the situation in Ukraine, a Crisis Team has been established at the central level of PGE Group to continuously monitor threats and identify potential risks. The Crisis Team's work includes monitoring the security of electricity and heat generation and supply and the protection of critical and IT infrastructure. Its tasks also include undertaking actions minimising the risk of a crisis situation, preparing the Company in the event of a crisis situation and planning, organising and coordinating works ensuring continuity of the Company's and PGE Group's operations.

Crisis teams have also been formed at the Group's key companies, operating 24 hours a day, carrying out continuous monitoring and identifying potential risks in order to minimise risk to electricity and heat supplies.

All key PGE Group companies have adopted guidelines for developing business continuity plans. On this basis, companies develop and then implement their own business continuity plans that take into account the specifics of the company. A key assumption of business continuity plans is the development of a catalogue of risks for critical processes, on the basis of which emergency scenarios (instructions, procedures) are developed and adopted. The emergency scenarios are periodically tested and continuously updated. In the current situation, companies have been tasked with urgently updating and reviewing internal regulations and business continuity plans.

Cybersecurity has grown significantly in importance in the current geopolitical situation. PGE Group has implemented special procedures for monitoring Information and communication technologies (ICT) networks due to increased activity of criminal groups aiming to attack ICT and Operational Technology (OT) systems. With the CHARLIE-CRP state of alert in force, the emergency plans have been reviewed. This significant change in the Group's operating context triggered the launch of a threat analysis and risk estimation for cybersecurity incidents. There is also an increased focus on protecting the supply chain against cyberattacks.

The reality of cyber threats is confirmed by attacks carried out against the Group's ICT infrastructure and users of information systems. Targeted attacks aimed at phishing or attempting to install malware have attracted particular attention recently. DDoS (Distributed Denial of Service) attacks have also been identified, the aim of which is to seize all available and free resources in order to prevent the entire service from functioning. Identified attacks were documented, information about them was passed to the relevant State authorities.

The counter measures taken (monitoring, incident handling and system recovery) allow attacks to be successfully repelled. These actions, combined with adequate management, lead to the build-up of resilience in cyberspace. At the same time, development and improvement of security management appropriate to the identified risks is implemented.

The physical security of the Group's facilities also has been strengthened. In order to protect key energy infrastructure, the Group cooperates with all services responsible for security in Poland, with a particular focus on the Internal Security Agency (ABW). In addition, PGE Dystrybucja is continuously supported by the Territorial Defence Forces (TDF).

KEY AREAS IN PGE GROUP AFFECTED BY THE WAR IN UKRAINE

- fuel availability and prices,
- disruption of the component supply chain,
- rising inflation and interest rates and a weakening of the national currency,
- prices of CO2 emission allowances,
- improving energy efficiency,
- greater pressure on the energy transition through RES development,
- import of hard coal,
- cybersecurity,
- geopolitics,
- counterparties (sanctions lists).

PGE'S KEY OPERATING RISKS RELATED TO THE WAR IN UKRAINE

- reduced availability of hard coal on the Polish market due to the planned embargo on supplies of this raw material from Russia,
- increase in hard coal and gas prices on the international market,
- logistical disruptions due to the high utilisation of rolling stock and changes to current travel routes,
- reduced availability of biomass on the Polish market due to the suspension of feedstock imports from Belarus,
- logistical disruptions in road transport related to fuel prices and the availability of service providers' employees.

RISKS RELATED TO GAS SUPPLIES

- CHP Gorzów and CHP Zielona Góra are supplied with field gas (so-called Ln nitrogenous gas). Due to the use of dedicated transmission infrastructure between the mine and the CHP plant, these generating assets are neutral to supply disruptions to Poland's National Gas Transmission System.
- EC Toruń, EC Zawidawie, EC Czechnica, EC Lublin Wrotków, EC Rzeszów, EC Zgierz, EC Bydgoszcz, EC Kielce are supplied with high-methane gas (so-called gas E). Gas E taken from the National Gas Transmission System is secured in the form of adequate storage and in Poland this is at a relatively high level.

PGE Group has no influence over the directions of supply and management of fuel transmission therefore the risk of possible disruptions lies with Polski Koncern Naftowy Orlen S.A. (previously PGNiG) (PKN Orlen) and the Transmission System Operator (Gaz-System S.A.). PGE has established communication channels with PKN Orlen and Gaz-System S.A. in commercial and operational management in cooperation with the respective PGE Group location. In accordance with national gas supply constraint management programs, securing supplies for electricity and heat generation is favoured over other customers.

IMPACT OF FUEL AVAILABILITY CONSTRAINTS ON ELECTRICITY GENERATION

- In the case of gas fuel, due to the lack of stock-holding capacities, a reduced availability translates into an immediate disruption in electricity and heat production. However, if there are back-up coal-fuelled water boilers at a CHP plant, it is possible to produce heat until these stocks are exhausted (this pertains to CHP Lublin Wrotków and CHP Rzeszów). In the case of CHP Gorzów, an OP-140 coal-fired steam boiler constitutes a back-up. At CHP Zielona Góra, oil boilers serve as back-up for heat production.

- The main suppliers of hard coal for electricity and heat production are Polish mining companies and coal importing companies. Currently, CHP plants have reserves of hard coal to enable uninterrupted production of electricity and heat. Centrally Dispatched Generating Units (JWCD), due to significant load and problems on the hard coal market, have problems maintaining the minimum required stocks, resulting in the need to reduce production in order to maintain continuous operation of the units.

The electricity supply for PGE Dystrybucja and PGE Obrót is secured on a commercial basis. The physical supply of energy is conditioned by the current balancing and operation of the NPS. Disruptions in electricity generation will affect the energy supply depending on the location on the grid in the NPS. So far, PGE Group has not identified any risk associated with electricity or heat supply to residents, institutions and businesses.

IMPACT OF WAR ON COMMODITY AND FINANCIAL MARKETS

The energy crisis has spread across Poland, Europe and the world. The war in Ukraine is having a major impact on the heat and electricity market in Poland. It significantly affects the prices and availability of energy raw materials, which has translated into energy and CO₂ prices and the prices of goods and services, thereby affecting margin levels and capital raising opportunities. The disruption or complete shutdown of many production sites in Ukraine has disrupted the supply chain of components for key investments, or significantly increased their prices. The war in Ukraine has also highlighted the huge role of renewable energy sources (RES), the development of which is a response to the cut-off of energy supplies from Russia and high energy prices. Renewable sources are not burdened by fuel and CO₂ costs. Instead, high energy prices are forcing improvements in energy efficiency and operational efficiency. There is also pressure mounting to accelerate the energy transition in line with the European Union's climate policy, using the phase-out of fossil fuels to modernise the Polish economy. And as the leader of Poland's national energy transition, PGE Group is integrating the need to achieve climate neutrality into its long-term business strategy. At the same time, PGE Group is making an important contribution to maintaining the country's energy security by ensuring the import of hard coal from directions such as South America for the needs of both electricity producers and households. It is also inevitable that behavioural patterns of energy market customers will change, leading to economical energy consumption. This is in order to avoid heat shortage problems and electricity in the winter period. PGE Group mitigates these risks by continuing its policy of hedging electricity generation costs along with energy sales on the wholesale market, which is reflected both in hedging CO₂ emission allowances and foreign currencies for transaction purposes.

In order to protect against major hikes in electricity prices for some customers, regulations have been put in place, resulting in the requirement to apply capped prices in the supply of electricity to eligible customers. The regulations provide for compensation for trading companies that sell electricity at capped prices. The method of calculating compensation generates the risk of not fully covering the costs of electricity generation and supply and limits the margins obtained on electricity sales.

Also, in line with the current decision to impose war sanctions on Russia and Belarus, PGE Group has introduced contractor compliance verification in its supply chains.

As a consequence, the aforementioned risks may have a material impact on individual areas of PGE Group's operations and future financial performance. In particular, the recoverable amount of selected asset items, the level of expected credit losses and the measurement of financial instruments may change.

The introduction by the European Union of an embargo on oil supplies from Russia will not be without an impact on the wider energy market, not least because of potential fuel price increases.

In view of the dynamic course of the war on the territory of Ukraine and its macroeconomic and market consequences, PGE Group will monitor its development on an ongoing basis and any events that occur will be reflected accordingly in the Group's future financial statements.

LEGAL ASPECTS

THE ISSUE OF COMPENSATION REGARDING THE CONVERSION OF SHARES

Information on the issue of compensation regarding the conversion of shares are described in note 28.5 to the consolidated financial statements.

INFORMATION CONCERNING PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINISTRATION AUTHORITIES

Significant proceedings pending in front of courts, competent arbitration authority or public administration authority are described in note 28.5 to the consolidated financial statements.

TERMINATION BY ENEA S.A. OF AGREEMENTS FOR SALE OF CERTIFICATES

Information on termination by ENEA S.A. of agreements for sale of certificates are described in note 28.5 to the consolidated financial statements.

INFORMATION CONCERNING THE GUARANTEES FOR LOANS GRANTED BY THE COMPANY OR A SUBSIDIARY

As at December 31, 2022 PGE S.A. and subsidiaries did not grant guarantees to other entities or to a subsidiary, where a value of guarantees constitutes at least 10% of the Company's equity.

INFORMATION ON ISSUE, REDEMPTION AND REPAYMENT OF DEBT SECURITIES AND OTHER SECURITIES

Information on issue, redemption and repayment of debt securities and other securities is described in p. 7.2 of the foregoing report and in note 1.3 to the consolidated financial statements.

TRANSACTIONS WITH RELATED ENTITIES

Information about transactions with related entities is presented in note 31 to the consolidated financial statements.

SETTLEMENT OF THE DISPUTE BETWEEN CZECH REPUBLIC AND POLAND ON PROLONGATION OF MINING CONCESSION FOR KWB TURÓW MINE

On February 3, 2022 the prime ministers of the Polish and Czech governments initialled a bilateral agreement setting out the terms for withdrawal of the Czech Republic's case from the Court of Justice of the European Union.

On February 4, 2022 the Czech Republic informed the Court that, pursuant to art. 147 § 1 of the Rules of Procedure, as a result of the settlement of the present dispute concluded with the Republic of Poland, it waives all claims. Accordingly, on February 4, 2022 the President of the Court of Justice issued an order removing the case from the register.

On February 7, 2022, an Agreement was executed between PGE GiEK S.A., PGE S.A. and the State Treasury defining rules for cooperation in executing the Agreement executed on February 3, 2022 between the Government of the Czech Republic and the Government of the Republic of Poland on cooperation in respect of the impact on the territory of the Czech Republic of KWB Turów's operations.

Pursuant to this Agreement, PGE GiEK S.A. undertook to build an earth embankment, monitor noise, monitor air quality, drill four boreholes to monitor water aquifer levels, complete the construction of an anti-filtration screen, carry out land displacement measurements and replace the lighting system at KWB Turów.

PGE GiEK S.A. further pledged to undertake activities for the donation of EUR 10 million by the PGE Foundation for the Liberec Region in the Czech Republic. The donation was made in February 2022.

The exploitation of the deposit is carried out in accordance with the conditions resulting from the concession.

GRANTING OF CONTRACTS FOR DIFFERENCE FOR PGE GROUP'S OFFSHORE WIND FARMS

On April 7, 2021, the ERO President awarded right to cover negative balance of electricity (the "Contract for Difference", "CfD") to the Baltica-2 and Baltica-3 offshore wind farms projects with a total capacity of up to 2.5 GW. The right to the CfD guarantees a price at a maximum of PLN 319.60/MWh in accordance with the Decree of the Minister of Climate and Environment of Poland and the Act of December 17, 2020 on promoting electricity generation in offshore wind farms. The CfD award, including the final price, is subject to final approval from the European Commission.

The PGE Group and Ørsted started a process of individual negotiations with the European Commission regarding the determination of an individual price in the Contract for Difference. A set of documents - required for the so-called offshore act - was filed. They documents were verified by the ERO and the Office of Competition and Consumer Protection ("UOKiK") and then at the beginning of February 2022, they were submitted to the European Commission.

In September 2022 PGE received from the ERO a decision of the European Commission stating no objection to the individual support at the level which does not exceed PLN 319.60/MWh granted for both stages of Baltica Offshore wind farm - Baltica 2 and Baltica 3, with a total capacity of 2.5 GW (pursued jointly with Ørsted). EC decision was issued within the process of individual notification of support for investors, required by EU regulations on state aid. Obtaining the decision of the EC is necessary for all projects implemented in the so-called the first phase of the Polish offshore program, that in 2021 received support in contract for difference formula by the decision of the President of the Energy Regulatory Office (ERO).

Finally, on December 13, 2022 the decision of the President of the Energy Regulatory Office was received, referred to in Art. 18 of the Offshore Act, setting the support price under the contract for difference (CfD) at the requested maximum allowable level of PLN 319.6/MWh. The price will be subject to annual indexation with the average annual price index of consumer goods and services in total from the previous calendar year.

Current reports of PGE S.A.:

[Granting of contracts for difference for PGE's offshore wind farms](#)

[ERO President decision](#)

[PLANNED TRANSFER OF COAL ASSETS TO THE NATIONAL ENERGY SECURITY AGENCY](#)

On March 1, 2022, the Council of Ministers adopted a resolution on accepting the document: "Transformation of the electricity sector in Poland. Separation of generation coal assets from companies with State Treasury shareholding". According to the document, the asset spin-off process will be pursued through acquisition by the State Treasury from PGE S.A., ENEA S.A., TAURON Polska Energia S.A. and ENERGA S.A. all assets related to the generation of energy in hard coal-fired and lignite-fired power plants, including service companies providing services to them. Due to the inseparability of lignite-fired energy complexes, lignite mines will also be among the acquired assets. Assets related to hard coal mining will not be transferred to the entity dealing with generation of electricity in coal units. CHP plants will not be subject to this transaction, as they are planned to be modernised towards low and zero-emission sources. It is planned that the carve-out of assets from the energy groups will take place through the purchase of shares of individual companies directly by the State Treasury and their subsequent consolidation within NABE - if this option is selected, consolidation within NABE will take place through their contribution to a capital increase in PGE GiEK S.A.

NABE will operate as a holding company, concentrated around PGE GiEK S.A., and the companies being acquired from ENEA, TAURON and ENERGA as subsidiaries in its group.

NABE will be a fully self-sufficient entity, capable of procuring all internal and external functions, i.e. HR, IT, procurement, trading, to ensure seamless operations either independently or - in the transition period - based on contracts signed with external entities, including companies from which the assets are being carved out.

All potential transactions required under the selected structure related to the carve out of assets will be carried out on the basis of a market valuation by an independent entity and following independent due diligence. The individual valuations will take into account the financial liabilities that the generating companies being carved out as part of the transaction have to their parent companies and/or financial liabilities to financing institutions.

The method of settlement of the transaction, due to the indebtedness of the generation companies towards parent entities in their capital groups, will be subject to detailed arrangements between the State Treasury and the current owners and creditors.

According to the document, after the separation of coal-fired generation assets, energy companies will focus on developing their activities on the basis of their assets in the area of distribution, heating, trading and generation of energy in low- and zero-emission sources.

NABE's role will be to provide the necessary power balance in the energy system. NABE will focus on maintenance and modernisation investments necessary to maintain the efficiency of the coal-fired units in operation, including those aimed at reducing the carbon intensity of the units in operation.

On July 23, 2021, PGE S.A., ENEA, TAURON and ENERGA concluded an agreement with the State Treasury regarding cooperation in the process of separating coal energy assets and their integration into NABE.

As at the preparation date of this report, work is in progress related to the finalization of the due diligence process, valuation of the spin-off companies and determination of other key parameters of the future sale transaction. In particular, the valuation and rules for settling the debt and other liabilities related to the separated assets have not yet been determined. The necessary corporate decisions regarding the sale of coal assets have not been made. Therefore, it is currently not possible to reliably estimate the impact of the spin-off on the PGE Group's future financial reports, including the level of expected future credit losses.

Current report of PGE S.A.:

[Agreement regarding co-operation in spin-off of coal assets to National Energy Security Agency](#)

[SALE OF ELBEST SP. Z O.O. HOTELS TO POLSKI HOLDING HOTELOWY SP. Z O.O. \(PHH\)](#)

On December 15, 2021 PHH signed a conditional agreement with PGE S.A. to purchase ten hotels and facilities owned by Elbest Sp. z o.o. On March 4, 2022, the share sale transaction was completed.

The acquisition of Elbest sp. z o.o.'s hotels and facilities by PHH is yet another step in PHH's consolidation of State Treasury-owned hotel businesses while for the PGE Group it is an element of streamlining the structure and carrying out tasks aimed at focusing on the core business.

PGE's press release:

[Sale of Elbest hotels to PHH.](#)

[Finalisation of the sale of shares in Elbest sp. z o.o.](#)

[RECAPITALIZATION OF THE COMPANY BY WAY OF SHARES ISSUE](#)

PGE'S MANAGEMENT BOARD DECISION ON COMMENCEMENT OF THE PROCESS

On January 18, 2022 the Management Board of PGE adopted the resolution on commencement of the recapitalization of the Company in connection with planned investment projects in the area of renewable energy, decarbonisation and distribution.

The resolution provided for a proposal to the Extraordinary General Meeting of the Company to adopt a resolution on lowering the share capital by way of reducing the par value of shares and simultaneously increasing the share capital by way of issuing series E shares under the private subscription procedure, depriving the existing shareholders entirely of the pre-emptive right to all series E shares, applying for admission and introduction of series E shares or rights to series E shares to trading on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange], dematerialising series E shares or rights to series E shares, as well as amending the Company Statutes.

The intention of the Management Board of the Issuer was to obtain from investors an amount of approx. PLN 3 billion in the course of the capital increase process.

The issue proceeds are intended to support PGE Group's investments in three areas:

- development of renewable energy sources,
- decarbonisation through development of low-carbon sources,
- development of distribution.

The Extraordinary General Meeting on April 6, 2022 adopted the proposed resolution.

Current reports of PGE S.A.:

[Commencement of recapitalisation of the Company](#)

[Convening of the Extraordinary General Meeting](#)

[Draft resolutions for the Extraordinary General Meeting](#)

[Content of the resolutions of the Extraordinary General Meeting of PGE](#)

[Content of the resolutions of the Extraordinary General Meeting of PGE p. 2](#)

SIGNING OF AN INVESTMENT AGREEMENT WITH THE STATE TREASURY

On April 5, 2022 the Company signed an investment agreement with the State Treasury represented by the Prime Minister, in relation to the planned issue of new series E shares of the Company with exclusion of pre-emptive rights of the existing shareholders, which will be a private placement, directed only to selected investors. Pursuant to the Investment Agreement, the State Treasury expresses its intention to subscribe for up to 373,952,165 new shares, issued by the Company for a cash contribution from the Reprivatisation Fund, in the total amount not exceeding PLN 3,197,291,010.75.

The Company has made a commitment to the State Treasury that it will use the New Funds in their entirety for the implementation by the Company and its subsidiaries (PGE Dystrybucja S.A., PGE Energia Odnawialna S.A., PGE Energia Ciepła S.A., Rybnik 2050 sp. z o.o.) of investment projects in three areas: intensification of development of renewable energy sources RES; development of distribution under the Distribution of the Future programme; and decarbonisation through development of low-emission sources. The Investment Agreement governs the rules for the use of the funds and the consequences of a breach of those rules, the Company's obligations and warranties in connection with the transfer of the funds, the reporting and accounting obligations for the funds and the State Treasury's inspection powers. If the funds are used contrary to the Investment Agreement or the Investment Agreement is improperly performed, the Company shall be obligated to return all or part of the funds or to pay contractual or guarantee penalties to the State Treasury, depending on the type of provision violated.

Current report of PGE S.A.:

[Signing of an investment agreement](#)

ADOPTION OF SUBSCRIPTION RULES BY THE PGE'S MANAGEMENT BOARD

The public offering of shares was carried out pursuant to the resolution of the Extraordinary General Meeting of the Company of April 6, 2022 (Issue Resolution). The Management Board of the Company, acting on the basis of the authorization resulting from the Issue Resolution, adopted the Subscription Rules. The offer was addressed only to investors who received an invitation to participate from an investment company conducting the book-building process for shares.

Detailed rules for subscription in connection with the issue and offer of PGE S.A. shares:

[Subscription rules](#)

CONCLUSION OF A SHARE PLACEMENT AGREEMENT AND COMMENCEMENT OF BOOK BUILDING PROCESS

On April 6, 2022 the Company entered into an agreement with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Branch - Brokerage Office in Warsaw, as the Global Coordinator, Bookrunner and Offering Agent.

At the same time, the book-building process (accelerated book building) was commenced by way of private subscription of 373,952,165 series E ordinary bearer shares issued by the Company.

Current report of PGE S.A.:

[Conclusion of a share placement agreement and commencement of book building process](#)

DETERMINATION OF THE ISSUE PRICE OF SHARES

On April 7, 2022 after completion of the accelerated book building for series E shares, the management Board of the Company set the issue price of Series E Shares at PLN 8.55 per one Series E Share. The price was determined based on the results of the book-building process, as well as taking into account all the circumstances affecting the determination of the issue price, including, in particular, the macroeconomic and

economic situation, the situation on capital markets at the time of the public offering, current events and their impact on the Company's business prospects, as well as based on the recommendations of the Offering Agent.

Current report of PGE S.A.:

[Determination of the issue price of shares](#)

CLOSING OF THE SUBSCRIPTION AND ALLOCATION OF SHARES

April 22, 2022 The Management Board of PGE S.A. adopted a resolution on the allocation of all series E shares to investors participating in the subscription process. The State Treasury, which is PGE's majority shareholder, acquired shares with an issue value of approximately PLN 2.5bn. Open pension funds took up shares with an issue value of approx. PLN 450 million, and other investors were allocated shares with an issue value of approx. PLN 250 million.

Current report of PGE S.A.:

[Closing of the subscription and allocation of shares](#)

PGE's press release: [Closing of the subscription and allocation of shares](#)

REGISTRATION OF THE RIGHTS TO THE E SERIES SHARES WITH KDPW

On April 27, 2022, the Central Securities Depository of Poland ("KDPW") issued a statement on the conclusion of a contract with PGE S.A. for the registration of rights to series E shares in the depository for securities.

Current report of PGE S.A.:

[Registration of the rights to the E series shares](#)

ADMISSION AND INTRODUCTION OF THE RIGHTS TO THE E SERIES SHARES TO THE STOCK EXCHANGE TRADING

On April 28, 2022 the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. adopted resolution regarding the admission and introduction to the stock exchange trading on the main market of GPW.

Current report of PGE S.A.:

[Admission and introduction of the rights to the E series shares to the stock exchange trading](#)

ANNOUNCEMENT OF KDPW ON THE REGISTRATION OF THE RIGHTS TO THE E SERIES SHARES

On April 29, 2022 an Announcement of the KDPW was received regarding the information that the rights to series E shares will be registered on May 2, 2022.

Current report of PGE S.A.:

[Announcement of KDPW](#)

COMPLETION OF THE SUBSCRIPTION OF E SERIES SHARES

On May 11, 2022, the Management Board of PGE S.A. provided information on the completed subscription for E series shares.

Current report of PGE S.A.:

[Completion of subscription](#)

[Completion of subscription p.2](#)

REGISTRATION OF SHARE CAPITAL INCREASE AND AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

On May 19, 2022, the Management Board of PGE S.A. learned that on May 18, 2022 t on May 18, 2022 the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of National Court Register registered the amendment of the Company's Articles of Association pursuant to Resolution no. 7 of the Extraordinary General Meeting of the Company dated April 6, 2022 convened on March 7, 2022 and resumed on April 6, 2022.

Current report of PGE S.A.:

[Registration of the share capital increase](#)

CONDITIONAL REGISTRATION OF E SERIES SHARES WITH KDPW

The Management Board of PGE received information on declaration No. 479/2022 of the National Depository for Securities of May 31, 2022 regarding the conclusion of an agreement with the Company on the registration in the depository of securities of 373.952.165 E series shares under ISIN PLPGER000010 code, on the condition of introduction to trading on a regulated market to which other shares of the Issuer bearing the aforementioned ISIN code have been introduced.

Current report of PGE S.A.:

[Conditional registration of shares](#)

WSE RESOLUTIONS

On June 1, 2022 the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. („GPW”) adopted the following resolutions:

- resolution no. 503/2022 regarding the designation of the last day of trading on the main market of GPW of the rights to E series ordinary bearer shares according to which the Management Board of the GPW designated June 3, 2022 as the last date of trading of 373 952 165 rights to E Series shares marked by KDPW with PLPGER000085 code,
- resolution no. 504/2022 regarding the admission and introduction to stock exchange trading on the main market of GPW 373 952 165 E series ordinary bearer shares. Pursuant to the resolution, the GPW Board decided to introduce E Series Shares to trading on the main market on June 6, 2022, subject to the registration of these shares by the KDPW on June 6, 2022 and their coding as PLPGER000010.

The abovementioned resolutions entered into force on the date of its adoption.

Current report of PGE S.A.:

[WSE resolutions](#)

REGISTRATION OF CHANGE OF COMPANY'S REGISTERED OFFICE ADDRESS AND AMENDMENTS TO THE COMPANY'S STATUTES

On July 1, 2022 the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of National Court Register registered the amendments to the Company's Statutes pursuant to resolution no. 4 of the Extraordinary General Meeting of the Company dated April 6, 2022.

As a result of registration of changes, the registered office of the Company was changed from Warsaw to Lublin and the new address of the company's registered office is as follows: aleja Kraśnicka 27, 20-718 Lublin.

The Management Board of the Company also informed about the amendments in the Company's Statutes.

Current report of PGE S.A.:

[Registration of change of Company's registered office address and amendments to the Company's Statutes](#)

SUBMISSION OF APPLICATIONS FOR LOCATION PERMITS FOR OFFSHORE WIND FARMS IN THE BALTIC SEA

An application was submitted on February 9, 2022 to the Ministry of Infrastructure for the issue of a new location permit for an offshore wind farm in the Baltic Sea. This is the eighth such application filed by PGE Group. The area covered by the application (14.E.2) is located at Ławica Odrzana.

PGE is currently implementing investments in the Baltic Sea with a total capacity of approx. 3.5 GW (including 2.5 GW with Ørsted) on the basis of three location permits secured in 2012. Works carried out in these areas are on schedule. Important administrative decisions concerning, among others, environmental permits for onshore infrastructure related to power evacuation and subsequently construction permits are expected to be secured in the coming months. Tenders for individual investment stages are in progress.

PGE Group's strategic objective in offshore is to develop at least 6.5 GW in capacity by 2040. According to the governmental assumptions stated in Poland's Energy Policy 2040, offshore wind farms in the Polish zone of the Baltic Sea will reach approx. 8-11 GW in capacity by 2040.

There are currently 10 areas available in the Baltic Sea where PGE and other entities try to secure permits to build and use artificial islands.

PGE's press releases:

[Applications for a location permit for offshore wind farms](#)

[Applications for a location permit for offshore wind farms - p.2](#)

[Applications for a location permit for offshore wind farms - p.3](#)

PROVISION FOR CLAIMS FROM CONTRACTORS OF ENESTA SP. Z O.O.

In 2021 ENESTA sp. z o.o. (currently ENESTA sp. z o.o. in restructurisation) terminated unfavourable contracts for the supply of electricity and natural gas. Therefore, as at December 31, 2021, a provision was created for claims from contractors in the amount of PLN 279 million. In 2022, some contractors brought their claims to court. After unsuccessful attempts to reach an agreement with its counterparties, ENESTA applied for restructuring proceedings. On June 21, 2022, restructuring proceedings were opened. By September 30, 2022, a list of claims was submitted to the court. On December 21, 2022, the Restructuring Plan was filed with the court by the Administrator. On January 27, 2023, a decision was issued to approve the Restructuring Plan.

At the end of 2022 and in February 2023, judgments unfavorable to the company were passed in pending proceedings. The judgments established the existence and validity of contracts for the sale of electricity and natural gas. As a result, the provision created in 2021 for litigation was reversed. Due to the need to continue the implementation of unfavorable sales contracts, a provision was created at the end of 2022 for onerous contracts in 2023 in the amount of PLN 37 million. In addition, provisions were created for potential court disputes in connection with the reserve sale carried out in 2022 by the supplier of last resort in the amount of PLN 56 million.

Sales revenues invoiced by ENESTA in 2022, assuming that the termination of the contracts was effective, were adjusted in accordance with binding court judgments.

As at 31 December 2022, the value of assets and equity and liabilities of ENESTA amounts to PLN 134 million and the value of equity to PLN (-)236 million.

RECOMMENDATION NOT TO PAY DIVIDEND FOR 2021

On March 22, 2022 the Management Board decided on the recommendation not to pay dividend for 2021 to the PGE's shareholders. Decision was taken in accordance with the dividend policy and is a result of analysis of Company's indebtedness, expected capital expenditures and potential acquisitions (in line with the PGE Group's Strategy until 2030 with 2050 perspective), in the context of current market volatility and uncertainty.

Current report of PGE S.A.:

[Recommendation not to pay dividend](#)

ASSUMPTIONS FOR THE UPDATE OF POLAND'S ENERGY POLICY 2040

On March 29, 2022, the Council of Ministers adopted assumptions to update Poland's Energy Policy 2040 - enhancing energy security and independence, submitted by the Minister of Climate and Environment.

The government updated the assumptions for Poland's Energy Policy 2040 in order to neutralise or reduce risks related to potential crisis situations in the country and internationally. This is also in alignment with the main objective of the energy policy, i.e. to guarantee energy security while ensuring the competitiveness of the economy and reducing the environmental impact of the energy sector.

The present international situation affects many aspects of energy policy and makes it necessary to change the approach to ensuring energy security towards greater diversification and independence. The revision of

PEP2040 will aim to choose the right path in the new geopolitical and economic situation, also keeping in mind the protection of consumers from excessive energy price increases and from escalating energy poverty.

The updated PEP2040 must also take into account energy sovereignty, a particular element of which is to ensure rapid independence of the national economy from imported fossil fuels (coal, oil and natural gas) and derivatives (LPG, diesel, petrol, paraffin) from Russia and other countries subject to economic sanctions. The idea is to diversify supplies, invest in production capacities, line infrastructure and storage as well as in alternative fuels.

In the other pillars of Poland's energy policy - just transition, building a zero-carbon system and improving air quality - measures to reduce the demand for fossil fuels from Russia and other countries subject to economic sanctions will be accelerated in order to increase Poland's energy security while aiming to build innovation in the economy and strengthen it.

Key changes in PEP2040:

- expanding technological diversification and capacities based on domestic sources,
- further development of renewable energy sources,
- improving energy efficiency,
- further diversifying supplies and providing alternatives to hydrocarbons,
- aligning investment decisions on gas-fired generation capacity with fuel availability,
- use of coal-fired units,
- implementation of nuclear energy,
- development of grids and energy storage,
- negotiating changes to EU regulations.

[SIGNING OF AN AGREEMENT FOR ACQUISITION OF WIND FARMS WITH A TOTAL CAPACITY OF 84.2 MW](#)

On April 1, 2022 PGE Energia Odnawialna S.A. and Vanadium Holdco Limited entered into a conditional sale agreement, under which PGE acquired 100% of the shares in the capital of Collfield Investments sp. z. o.o. ("Collfield"), a company holding of 100% of the shares in SPVs operating three wind farms with a total capacity of 84.2 MW. The condition precedent of the Transaction was obtaining consent of the Office of Competition and Consumer Protection, which was obtained on June 10, 2022. The acquisition by PGE EO S.A. of 100% of shares in the company was closed on June 21, 2022. Transaction value amounted to PLN 939 million. The Transaction value also includes cash in the accounts of Collfield and its subsidiaries in amount of PLN 183 million.

The Transaction is part of the implementation of the PGE Group's Strategy, which assumes, inter alia, over 1 GW of new capacity in onshore wind farms by 2030, including through acquisitions. After the transaction closing, the installed capacity of the PGE Group in this technology increased by 12% up to over 770 MW. The acquisition will enable the PGE Group to maintain the position of the largest domestic producer of electricity from renewable sources.

Current reports of PGE S.A.:

[Signing of a conditional agreement](#)

[The fulfilment of the condition precedent](#)

[Transaction closing](#)

[CONTRACT SIGNED FOR IMPLEMENTATION OF BILLING AND CRM SYSTEM FOR PGE GROUP CUSTOMERS](#)

On April 29, 2022, PGE Systemy S.A., a PGE Group company, signed a contract with the contractor A2 Customer Care from Atende S.A. Group selected in the tender - for the development and implementation of the CRM Billing system in the Group.

The order covers implementation of a comprehensive, central IT solution to support key business processes at PGE Group being performed by PGE Obrót S.A. and PGE Dystrybucja S.A., consisting of two billing systems - separate for each of the companies - and a CRM system for PGE Obrót. The new solution will replace the existing billing and CRM systems for customer service at PGE Group. Currently, the acceptance of the analytical phase is underway. The project is expected to be completed in the first half of 2025.

PGE's press release:

[Contract for implementation of billing and CRM systems](#)

ISSUING A DEBIT NOTE TO THE CONSORTIUM CONSTRUCTING UNIT NO. 7 IN TURÓW POWER PLANT

On May 26, 2022 in connection with failure to meet the availability factor of the unit in Turów power plant in the first year of the guarantee period, PGE GiEK issued a debit note for PLN 562 million to the consortium of Mitsubishi Power Europe GmbH, TECNICAS REUNIDAS S.A. oraz BUDIMEX S.A. In a letter dated June 9, 2022, the consortium rejected the debit note sent as unfounded and refused to pay the amount requested. The value of the note was fully recognised as a revaluation write-off.

In July 2022, a demand for payment was submitted to the consortium, which was rejected. In October 2022, the consortium applied for mediation. On October 26, 2022, PGE GiEK S.A. sent the contractor a response to the letter regarding potential mediation, noting that the possibility of conducting mediation will be possible after bringing the unit to a condition compliant with the provisions of the contract and its failure-free operation.

Current report of PGE S.A.:

[Issuing a debit note](#)

IMPLEMENTATION BY PGE PALIWA SP. Z O.O. OF THE DECISION OF THE PRESIDENT OF THE COUNCIL OF MINISTERS CONCERNING THE PURCHASE OF COAL BY HOUSEHOLDS

On July 13, 2022 PGE Paliwa sp. z o.o. (a PGE Group company) received a decision from the Prime Minister (adjusted on August 8, 2022) instructing the purchase of at least 3 million tonnes of thermal coal with parameters similar to the quality parameters used by households and its import into the country by the end of April 2023. The company is in the process of implementing the decision.

The implementation of the above mentioned decision will result in a temporary increase in PGE Group's cash requirements and a potential temporary increase in debt in connection with the settlement of coal purchase and resale transactions. In the current conditions, the company does not expect the implemented actions to have a material impact on PGE Group's consolidated financial result.

PGE Paliwa sp. z o.o. was also named in the Regulation of the Minister of State Assets of November 2, 2022, on the list of entities authorised to conduct sales of solid fuel to municipalities, as one of six market-entry entities authorised to conduct sales of solid fuel to municipalities for sale under preferential purchase. According to the provisions of the Act of October 27, 2022, on preferential purchase of solid fuel for households, the sale price of solid fuel may not be higher than PLN 1 500 gross. At the same time, the market-entry entity is entitled to compensation in the amount of the product of the quantity of solid fuel and the difference between the justified average unit cost of solid fuel in that period and the average net selling price of solid fuel in that period, plus value added tax.

At the same time, the company estimated and recognised a provision for compensation for deliveries made in 2022. The application for compensation for this period in accordance with the Act of October 27, 2022 on preferential purchase of solid fuel for households should be submitted by the Company by February 25, 2023. The Company plans to submit the application on time. Subsequent applications will be submitted for the period of a calendar month, within 60 days from the last day of the month to which the application relates.

The Company is currently in the sales process.

SALES OF LIGNITE BY PGE GIEK S.A. TO INDIVIDUAL CUSTOMERS

PGE GiEK S.A. started selling lignite to individual customers. Thanks to a change in regulations, lignite from Poland's two largest mines in Bełchatów and Turów can be used for heating purposes.

The launch of lignite outlets for individual customers who use coal for their own heating needs, as declared by the Central Emission Evidence for Buildings (CEEB), is made possible by amendments to existing regulations prohibiting the sale of coal for use in households or combustion installations with a rated thermal input of less than 1 MW. The regulations are in force until April 30, 2023.

The start of sales of lignite to household customers complements PGE Group's offering to the municipal and household sectors and further facilitates customers' access to coal.

Each household that has declared a coal-fired heating source in its CEEB declaration will be able to take advantage of the opportunity to purchase lignite in a limit of 2 to 6 tonnes only from one of the two PGE GiEK S.A. mines, i.e. Turów or Bełchatów. Lignite for individual customers is sold after prior telephone order and scheduling a collection date.

Retail sales accounts for a small percentage of total output and will not affect the continued stable supply of coal to the Bełchatów and Turów power plants. As before, lignite from both mines will primarily be used to produce electricity, covering a large proportion of domestic demand.

CONDITIONAL AGREEMENT FOR SALE OF SHARES IN PGG

On August 3, 2022 a Conditional Agreement was signed for the sale of shares of Polska Grupa Górnicza S.A. („PGG”). The sellers in the Shares Sale Agreement include: PGE GiEK, ECARB Sp. z o.o., PGNiG Termika S.A., ENEA S.A., Polski Fundusz Rozwoju S.A., Towarzystwo Finansowe Silesia Sp. z o.o. and WĘGŁOKOKS S.A., and the purchaser is the State Treasury of Republic of Poland (the “State Treasury”).

According to the Shares Sale Agreement, PGE GiEK will sell to the State Treasury all possessed shares in PGG, i.e. 6 000 000 ordinary registered shares (representing 15.32% in the PGG's share capital), for the amount of PLN 1 for all possessed shares. The value of the investment in PGG was fully written down, therefore the transaction will not have a significant impact on future consolidated financial statements of the PGE Capital Group.

The transfer of the ownership of shares will take place provided that the National Support Centre for Agriculture (KOWR) will not exercise the pre-emption right.

On October 7, 2022, PGE GiEK S.A. informed the Ministry of State Assets of the fulfilment of the condition precedent to the execution of an agreement on the sale of PGG shares, concerning the pre-emptive right to purchase PGG shares. The KOWR has not exercised its right.

On October 26, 2022, the Management Board of PGG notified PGE GiEK S.A. of the transfer of PGG shares to the State Treasury in connection with the fulfilment of the terms of the sale agreement.

Current report of PGE S.A.:

[Conditional agreement for sale of shares in PGG](#)

INSPECTION PROCEEDINGS CARRIED OUT BY THE OFFICE OF COMPETITION AND CONSUMER PROTECTION AT PGE OBRÓT S.A.

ADDRESS BY THE PRESIDENT OF THE OFFICE OF COMPETITION AND CONSUMER PROTECTION UNDER ART. 49A OF THE ACT ON COMPETITION AND CONSUMER PROTECTION (ADDRESS WITHOUT THE COMMENCEMENT OF PROCEEDINGS)

The subject of the proceedings was the raising of objections by the Office of Competition and Consumer Protection concerning the insufficient presentation of information regarding the offers on the website - the lack of information on the comparison of fees and prices for the promotional offer in relation to the price list resulting from the basic consumer tariff. Furthermore, PGE Obrót S.A. was asked to provide general information on the LUMI brand and noted the need to present an appropriate explanation on the website regarding prices during the anti-inflation shield period.

The recommendations of the Office of Competition and Consumer Protection have been implemented and there is no threat of a penalty against the company.

The issuance of a decision by the UOKiK delivered on December 27, 2022 ends the proceedings without the imposition of a penalty (subject to the fulfilment of the voluntary obligations reflected in the decision - e.g. communication obligations).

OFFICE OF COMPETITION AND CONSUMER PROTECTION INVESTIGATIONS/PROCEEDINGS FOR RECOGNITION OF STANDARD TERMS AND CONDITIONS AS PROHIBITED

The Office of Competition and Consumer Protection called on PGE Obrót S.A. to provide explanations regarding the content of the terms and conditions of the offers, concerning the provisions on the calculation of contractual penalties, and to submit the relevant terms and conditions. Through a decision of June 20, 2022, as a result of the investigation, proceedings were initiated to declare the provisions of the template as prohibited.

In the event of an unfavourable decision in the above case, there is a risk of a penalty of up to 10% of the company's annual turnover. At the same time, the company has started to cooperate with the Office of Competition and Consumer Protection in order to end the case amicably, on the basis of art. 23c of the Act on Competition and Consumer Protection (voluntary undertaking by an entrepreneur to take or abandon certain actions aimed at ending a violation of a prohibition), without imposing a penalty.

In cooperation with the Office of Competition and Consumer Protection, the content of the company's obligation to communicate to consumers and return the contractual penalties accrued and paid in the period covered by the proceedings was developed, which allowed to terminate the proceedings without imposing a penalty. On December 27, 2022, the Decision of the President of the UOKiK was delivered, ending the proceedings.

IMPAIRMENT TESTS ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS AND GOODWILL

Property, plant and equipment is PGE Group's most significant group of assets. Due to variable macroeconomic conditions PGE Group regularly verifies indications of impairment for its assets. When assessing the market situation PGE Group uses both its own analytical tools and support from independent analytical centres. In previous reporting periods, PGE Group recognised substantial impairment allowances of property, plant and equipment of Conventional Generation segment and the Renewables segment. An impairment loss that had been recognised in the Renewables segment was also reversed in previous reporting periods.

The Group analysed impairment indications and identified factors that could result in changes to the asset values in the above segments and in company PGE Gryfino 2050 sp. z o.o. as at December 31, 2022.

The results of tests for impairment of property, plant and equipment are presented in Note 3 to the consolidated financial statements.

REGULATORY CHANGES ON THE ELECTRICITY MARKET

Due to the energy market crisis, the legislator decided to introduce regulations that temporarily introduce exceptional solutions for electricity prices and tariffication in 2023. On October 18, 2022, the Act of October 7, 2022, on special measures to protect electricity consumers in 2023 in connection with the situation on the electricity market (Act for Households) entered into force and on November 4, 2022, the Act on emergency measures to limit the level of electricity prices and support certain consumers in 2023 entered into force.

Pursuant to the Act for households, in 2023 an electricity trading company is required to apply to the aforementioned households customers prices equal to those contained in the tariff in force on January 1, 2022 for individual tariff groups up to certain consumption limits. Once the consumption limits for household consumers are exceeded, a maximum price of 693 PLN/MWh (price excluding VAT and excise duty) will be used for billing off-takers in households in accordance with the Emergency Measures Act in 2023. This means that electricity prices have been fixed by law and therefore in 2023 the tariffs approved by the President of the Energy Regulatory Office will not have a direct impact on electricity prices for households.

Additionally, in accordance with the Emergency Measures Act in 2023, the maximum electricity price for other eligible customers is set at 785 PLN/MWh (price excluding VAT and excise duty). This price, in principle, applies from December 1, 2022 to December 31, 2023. The maximum price limit for eligible customers also applies to electricity sales agreements concluded or amended after February 23, 2022, in which case the maximum price will also apply to settlements for the period from the date of conclusion or amendment of these agreements until November 30, 2022. Electricity companies are required to make systematic refunds resulting from the application of the maximum prices until the end of 2023.

Electricity trading companies, in accordance with the implemented regulations, is entitled to compensation for applying electricity prices in their settlements with household customers at the same level as on January 1, 2022. The compensation is the product of the electricity consumed at the point of consumption, up to the maximum consumption limits entitling customers to apply to them the prices from 2022 and the difference between the price of electricity resulting from the electricity tariff approved by the President of the Energy Regulatory Office for 2023 and the electricity prices approved in the tariff for 2022. In turn, for applying the maximum price of PLN 693/MWh in settlements with household customers, trading companies will be entitled to compensation in the amount of the product of the volume of electricity consumed in a given month and the difference between the reference price and the maximum price, for each energy point. The reference price will be the price of electricity resulting from the electricity tariff approved by the President of URE for 2023. Compensation will also be due for the use of maximum prices in settlements with other eligible entities. In this case, in principle, the reference price for compensation payments will be calculated on the basis of electricity prices in exchange contracts and the prices of electricity purchased for sale to eligible customer, plus the cost of redemption of energy certificates of origin and a margin.

The mechanisms introduced in the Act for Households and the Emergency Measures in 2023 Act should as a rule compensate trading companies for the price reduction.

PGE Group's financial position from December 1, 2022 to December 31, 2023 is also affected by the provisions of the Emergency Measures in 2023 Act, which provide for the requirement to make monthly contributions to the account of the Price Difference Payment Fund (PDP Fund) by electricity producers and power companies that are engaged in the business of electricity trading. The contribution to the PDP Fund is the product of the volume of electricity sales and the positive volume-weighted average difference of the market price of electricity sold and the volume-weighted average of the price cap of electricity sold, as regulated in the Regulation of the Council of Ministers of November 8, 2022 on the method of calculating the price cap.

A different way of calculating the price cap has been defined for individual generation sources:

- for units generating energy from lignite and hard coal, the price limit takes into account, among other things, the unit cost of fuel consumed, the cost of CO₂ emission allowances, the efficiency of the generating units, a margin and a certain level of investment allowance and for coverage of fixed costs of 50 PLN/MWh.
- for units generating energy from RES, the price limit is determined with reference to the reference price referred to in art. 77 sec. 3 p. 1 of the Renewable Energy Sources Act increased by a supplement of PLN 50, whereby for hydroelectric power plants the price limit will be 40% of this reference price.

For electricity trading companies, on the other hand:

- for energy sold to final consumers, the price limit is the product of the volume-weighted average price of electricity purchased on a given day and a margin defined as 1.035 or 1.03 (plus the unit cost of redemption of certificates of origin),
- for energy sold to customers other than final consumers, the price limit is the product of the volume-weighted average price of energy purchased on a given day and the margin defined as 1.015 or 1.01.

From January 1, 2023 onwards, trading companies will calculate the amount of the contribution to the Fund for the calendar month to which the settlement relates, taking into account the volume of electricity sales, the market price and the price cap for periods of 3 decades of that month, i.e. from the 1st to the 10th, from the 11th to the 20th and from the 21st to the last day of the month. Until December 31, 2022, the Fund contributions were calculated separately for each day of the month.

The above regulations had the following impact on PGE Group's financial results:

- Fund contribution for December 2022 amounted to PLN 351 million (decreasing financial result).
- reduction in revenue for 2022 under the Emergency Measures Act in 2023 amounted to PLN 808 million.
- estimate of compensation due for 2022 was PLN 543 million.

The above figures for reduction in revenue and compensation payable are estimates determined to the best knowledge available to PGE Group at the date of this report.

MARGIN DEPOSITS

In connection with their forward transactions on the power exchange TGE, for which the underlying commodity is electricity and natural gas, PGE Group companies are required to put up margin deposits, which constitutes the basic element of the clearing guarantee system for forward markets. The margins are lodged by entities opening positions in futures contracts and their task is to secure the risk related to cleared futures and forward transactions.

Collateral margins are composed of the initial margin and the variation margin.

The clearinghouse Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT) determines the required value of the collateral margin as a sum of the initial margin and the variation margin.

The variation margin is responsible for the on-going alignment of the portfolio value with market values, can take positive (surplus) as well as negative values (margin requirement) and is subject to daily updates. The clearinghouse accepts both monetary and non-monetary collateral - bank guarantees, CO₂, property rights, sureties and declaration of submission to enforcement in the form of a notarial deed in accordance with Art. 777 of the Civil Code.

In addition, for PGE Group Companies, the IRGiT applies mutual netting of initial and variation margins within the Netting Group, which has the effect of reducing the value of required security deposits.

In 2022 the amount of collateral deposits increased significantly, but their level was monitored on an ongoing basis and did not pose a threat to the ability to service the liabilities of PGE Capital Group companies. The PGE Group also used many non-cash collaterals available, in accordance with the IRGiT regulations, in order to minimise collaterals in the form of cash.

From September 1, 2022, the IRGiT introduced updates to the order and amount of recognition of non-monetary collateral to cover the required security deposits. The updated IRGiT rules set the maximum amount of security to be provided in the form of a declaration of submission to execution in the form of a notarial deed pursuant to art. 777 of the Civil Code up to 90% of the value of the required security deposits. The remaining 10% of the value of the required security deposits may be covered by up to 90% with bank guarantees and/or property rights and CO₂ recognised by IRGiT, with at least 10% covered by cash.

Due to the group's excess deposits, PGE Group is not required to make security deposits from mid-December 2022.

PGE Group also enters into forward transactions on ICE Exchange, for which the underlying instrument is CO₂ emission allowances. Margin deposits are required to secure open positions in futures contracts. The margins consist of the Initial Margin and the daily adjustment of the price to the market settlement value (Variation Margin). For a long position, a fall in the current day's clearing prices compared to the previous day's clearing prices means the necessity to make Variation Margin deposits, while an increase in prices compared to the previous day means that you will receive a Variation Margin.

The PGE Group makes settlements related to CO₂ trading on an ongoing basis.

AGREEMENT FOR DISPOSAL OF SHARES IN SUBSIDIARIES

On September 23, 2022, PGE S.A. signed agreements with PGE GiEK S.A. for the disposal of shares in the companies: BESTGUM POLSKA, BETRANS, ELMEN, ELTUR-SERWIS, MegaSerwis and RAMB. Thus, PGE GiEK S.A. acquired the ownership of 100% of shares in these companies.

The companies provide services to PGE Group mines and power plants. After the separation of the coal assets, they will perform tasks for NABE.

AGREEMENT WITH PGNiG (CURRENTLY PKN ORLEN) FOR GAS SUPPLIES

On September 30, 2022, PGE Energia Ciepła S.A., PGE Toruń S.A., KOGENERACJA S.A. and PGE Gryfino 2050 Sp. z o.o. concluded a framework agreement with PGNiG (currently PKN Orlen) for sale of gas fuel along with individual contracts related to gas supplies for 10 generating units of PGE Group.

The estimated value of the individual contracts, for period October 1, 2022 – December 31, 2025, amounts to approx. PLN 23 billion. The pricing formula will be based on gas market price indices.

The gas supply agreement will contribute to ensuring Poland's energy security for the coming years and is a guarantee of stable energy and heat supplies to customers. The contracted fuel will supply both CHP plants where, in accordance with the strategy, the decarbonisation process is being carried out, as well as new gas and steam units under construction.

Current report of PGE S.A.:

[PGE Group companies concluded agreement with PGNiG for gas supplies](#)

SIGNING OF A LETTER OF INTENT REGARDING A COOPERATION REGARDING THE DEVELOPMENT OF A NUCLEAR POWER PLANT AND INITIAL AGREEMENT ON SETTING-UP OF SPV

On October 31, 2022 PGE S.A. signed with Korea Hydro & Nuclear Power Co. Ltd. and ZE PAK S.A. a letter of intent, the aim of which is to start cooperation as part of the strategic Polish-Korean project to build a nuclear power plant in Pątnów. The parties have decided to start the cooperation in order to develop plan for the nuclear power plant based on the Korean technology APR1400, particularly to perform analysis of data regarding geotechnical, seismic and environmental conditions, develop an estimated budget for the preparatory work, construction phase and production phase along with the proposed Project financing model as well as to create an expected Project implementation schedule along with the definition of dates for key milestones.

Pątnów area is indicated in the Energy Policy of Poland until 2040 and in the Polish Nuclear Power Programme as one of four possible locations of nuclear power plant in Poland.

On March 7, 2023 PGE signed with ZE PAK S.A. an initial agreement on setting-up a joint special purpose vehicle (the "SPV") for the nuclear power plant construction project. SPV will have a form of a joint-stock company based in Konin that will then acquire or subscribe for shares in a company with a task to pursue project of nuclear power plant construction with a potential share of technological partner

The agreement includes a summary of main terms of parties' cooperation in terms of joint venture intended to participate in implementation of nuclear power plant investment, including determination of corporate governance rules and operations of the SPV and limitations in selling shares of the SPV. The parties will possess equal number of shares in the SPV and corporate rules will be based on the rule of joint control.

Setting up the joint venture is dependent on the obtaining the consent of the President of the Office of Competition and Consumer Protection for concentration. On March 8, 2023 an appropriate application was submitted to the Office of Competition and Consumer Protection.

Current report of PGE S.A.:

[Signing of a letter of intent regarding a cooperation regarding the development of a nuclear power plant](#)

[Initial agreement on setting up of SPV](#)

RESULT OF MAIN CAPACITY MARKET AUCTION FOR THE YEAR 2027

PSE S.A. published preliminary results of the main capacity auction for year 2027, including the clearing price of 406.35 PLN/kW/year. The price of capacity obligation in multi-year contracts will be adjusted every year with the annual average consumer price index.

Total capacity obligation of 1 197.374 MW was ultimately contracted for units owned by PGE Group, including:

- 794.580 MW in 17-years contract,
- 179.625 MW in 7-years contracts,
- 223.169 MW in 1-year contracts.

The above clearing price is not a final result of power market auction. Final results are to be published by the President of Energy Regulatory Office on its website in the section Biuletyn Informacji Publicznej.

Total capacity obligation contracted for units owned by PGE Group for the year 2027, including long-term obligations contracted in the auctions for the years 2021-2026, amounts to 9 413.619 MW.

Current report of PGE S.A.:

[Preliminary results of main capacity market auction for the year 2027](#)

THE SIGNING OF A PRELIMINARY AGREEMENT REGARDING THE ACQUISITION OF 100% OF THE SHARES IN PKPE HOLDING

On December 28, 2022, PGE and Edison Holdings S.à r.l. signed a preliminary share sale agreement regarding the shares in PKPE Holding Sp. z o.o. (the "Company"), pursuant to which parties committed to conclude a promised agreement for the sale of 100% of the shares in PKPE Holding sp. z o.o. In performance of the Preliminary Agreement, PGE will directly acquire 100% of the shares in PKPE Holding sp. z o.o., and, indirectly, 100% of the shares in PKP Energetyka S.A., and shares in other subsidiaries owned by PKPE Holding sp. z o.o.

PKPE Holding sp. z o.o. is a holding company controlling a number of entities the activities of which are concentrated around PKP Energetyka S.A. (the "PKPE Group"). The PKPE Group is an energy distributor and seller of energy to the traction grid, and additionally provides traction grid maintenance.

The price to be paid by PGE was determined to be approximately PLN 1 913.5 million on the basis of the enterprise value as at March 31, 2022, of approximately PLN 5 944.5 million. The price will be subject to eventual adjustments, in particular by the amount of outflow from the PKPE Group to the group of Edison Holdings S.à r.l.

The closing of the transaction is planned to take place on April 3, 2023. The payment for the shares will be effectuated on the transaction closing date.

In certain cases concerning, inter alia, the differences between the values of the actual and the projected selected financial data, the parties may withdraw from the Preliminary Agreement.

The closing of the transaction is conditional upon the satisfaction, in particular, of the following conditions:

- obtaining the consent of the Office of Competition and Consumer Protection;
- closing the court dispute concerning the privatisation of PKP Energetyka;
- obtaining the consent of the Minister of State Assets;
- obtaining waivers from the financing institutions.

In the case of the occurrence of the circumstances specified in the Preliminary Agreement, the parties may withdraw from the transaction.

The acquisition of PKPE Holding Sp. z o.o. is in line with PGE Group's strategy. As a result of the transaction, PGE Group will gain access to the distribution grid throughout the whole country.

Current report of PGE S.A.:

[Signing of the agreement on acquisition PKP Energetyka S.A.](#)

SIGNING OF A LOAN AGREEMENT WITH EUROPEAN INVESTMENT BANK

On February 3, 2023 PGE signed a loan agreement with European Investment Bank ("EIB"). The value of the loan agreement amounts to PLN 1.4 billion, the loan will be intended for implementation of the projects in the distribution segment, including MV lines cabling program, connection of new off-takers and generating units as well as installation of smart meters. Investments are planned to be implemented in years 2022-2025.

Loan availability period is 24 months from the agreement signing date and the maturity date will be maximum 18 years from the drawing date of the last installment under the agreement. The interest rate will be determined before the payment of the each installment. The agreement does not provide for tangible collaterals. After signing the above mentioned agreement, total nominal value of the financing from EIB amounts to PLN 5.7 billion.

Current report of PGE S.A.:

[Signing of a loan agreement with EIB](#)

SIGNING OF THE AGREEMENT FOR CONSTRUCTION OF THE POWER UNIT IN RYBNIK

On February 9, 2023 Rybnik 2050 sp. z o.o., a subsidiary of PGE, signed an agreement with consortium of: Polimex Mostostal S.A. (consortium leader), Siemens Energy Sp. z o.o. (consortium member), Siemens Energy Global GmbH & Co. KG (consortium member). The subject matter of the agreement is the performance of construction and assembly works and other works by the consortium, in order to build a gas and steam unit in Rybnik with a gross capacity of 882 MWe.

The value of the agreement amounts to PLN 3.0 billion net. In connection with the agreement, a service agreement was also signed with regard to gas turbine for the period of at least 12 years starting from the commissioning date of the unit. The value of the service agreement amounts to PLN 0.8 billion net. Total value of all signed agreements amounts to PLN 3.8 billion net.

The Agreement provides for contractual penalties for the contractor related to, among others, failure to meet the deadline for commissioning of the unit, failure to comply with the guaranteed net rated capacity, failure to deliver the guaranteed level of availability and failure to meet guaranteed net efficiency of the unit.

The total sum of contractual penalties resulting from all failures cannot exceed 20% of the net value of the agreement.

In case of withdrawal from the agreement in full or in the scope of the unfulfilled part for reasons for which one of the parties is liable under the agreement the other party is entitled to charge the responsible party with a contractual penalty in the amount of 10% of the value of the agreement. The agreement also includes an indexation clause which takes into account potential increase of the contractor's remuneration by half of the cumulative increase in the prices of construction and assembly production which are published on the website of the Central Statistical Office of Poland. The maximum indexation of the remuneration due to the above cannot exceed 15% of the agreement's value.

Current report of PGE S.A.:

[Signing of the agreement for construction of the power unit in Rybnik](#)

SIGNING OF THE SYNDICATED LOAN

On March 1, 2023 the revolving loan agreement was signed by PGE S.A. with a syndicate consisting of the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank of China (Europe) S.A. with its seat in Luxemburg, acting in Poland through its branch Bank of China (Europe) S.A. (Spółka Akcyjna) Oddział w Polsce, Industrial and Commercial Bank of China (Europe) S.A. with its seat in Luxemburg, acting in Poland through its branch Industrial and Commercial Bank of China (Europe) S.A. (Spółka Akcyjna) Oddział w Polsce, Alior Bank S.A. and Santander Bank Polska S.A. The subject matter of the agreement includes granting by the banks of the revolving loan of up to PLN 2 330 million. The loan may be utilised for:

- finance the day-to-day operations of PGE S.A. and the Group in particular in line with the long term Group strategy aiming at reduction of emissions and increase of production of electricity from renewable sources;
- finance investment and capital expenditure in connection with the operations of PGE S.A. and the PGE group, other than investments in new carbon assets;
- refinancing of the financial liabilities of PGE and PGE Group.

The Loan will be available for use as from the date of fulfilment of the conditions precedent specified in the agreement. The agreement provides for interest periods not longer than 6 months. The final repayment date falls on February 26, 2027. Interest rate of the loan will be calculated on the floating rate based on the relevant WIBOR rate (reference rate) plus margin. The margin may be periodically adjusted depending on the ESG rating assigned to PGE by a specialised agency. According to the provisions of the agreement, PGE undertakes to keep the consolidated net debt to consolidated EBITDA at a level not higher than 4:1 in the case PGE holds investment grade credit rating or at a level not higher than 3.5:1 in the case PGE does not held investment grade credit rating.

The loan is not secured on any of the assets of PGE or of the PGE Group.

Current report of PGE S.A.:

[Signing of the syndicated loan](#)

7.2. Significant changes in organisation of the Capital Group

Changes which occurred in the PGE Capital Group's structure in the period from January 1, 2022 until the publication date of this report, are presented in note 1.3 to consolidated financial statements and described below.

ESTABLISHMENT OF COMPANIES

Segment	Entity	Date of establishment/ registration in the National Court Register (NCR)	Comment
Other operations	PGE Inwest 20 sp. z o.o.	March 2, 2022	On October 4, 2021 PGE S.A. set up 6 one-person limited liability companies with headquarters in Warsaw with names: PGE Inwest 20 sp. z o.o., PGE Inwest 21 sp. z o.o., PGE Inwest 22 sp. z o.o., PGE Inwest 23 sp. z o.o., PGE Inwest 24 sp. z o.o. and PGE Inwest 25 sp. z o.o. Share capital of the companies amount to PLN 25 000 each.
	PGE Inwest 21 sp. z o.o.	March 2, 2022	
	PGE Inwest 22 sp. z o.o.	March 2, 2022	
	PGE Inwest 23 sp. z o.o.	March 24, 2022	
	PGE Inwest 24 sp. z o.o.	March 16, 2022	
	PGE Inwest 25 sp. z o.o.	March 3, 2022	

ACQUISITION OR DISPOSAL OF SHARES BY THE COMPANIES

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
Renewables	Elektrownia Wiatrowa Baltica-4 sp. z o.o. („EWB 4”), Elektrownia Wiatrowa Baltica-5 sp. z o.o. („EWB 5”) and Elektrownia Wiatrowa Baltica-6 sp. z o.o. („EWB 6”) – sale by PGE S.A. of 33.8% shares in EWB 4, EWB 5 and EWB 6 (conditional share sale agreement)	November 18, 2021 The ownership of the shares in EWB 4, EWB 5 and EWB 6 was transferred to ENEA S.A. on August 1, 2022	On November 18, 2021 a conditional agreement was signed between PGE S.A. as vendor and ENEA S.A., based in Poznań, as buyer to sell some of the shares held by PGE S.A. in EWB 4, EWB 5 and EWB 6, i.e. 95 shares of EWB 4, 95 shares of EWB 5 and 422 shares of EWB 6, with a total nominal value of PLN 95 000 in the case of EWB 4, PLN 95 000 in the case of EWB 5 and PLN 422 000 in the case of EWB 6, constituting 33.8% of the share capital of EWB 4, EWB 5 and EWB 6, respectively. The entry of this conditional share sale agreement into force and transfer of ownership to ENEA S.A. were subject to compliance with conditions precedent.
Renewables	PGE Baltica 4 sp. z o.o. with its seat in Warsaw (“PGE Baltica 4”) – sale by PGE S.A. of 44.96% shares in PGE Baltica 4 (conditional share sale agreement)	November 18, 2021 The ownership of the shares in PGE Baltica 4 was transferred to TAURON Polska Energia S.A. on September 27, 2022	On November 18, 2021 a conditional agreement was signed between PGE S.A. as vendor and TAURON Polska Energia S.A. as buyer to sell some of the shares held by PGE S.A. in PGE Baltica 4, i.e. 526 shares, with a total nominal value of PLN 526 000, constituting 44.96% of the share capital. The entry of this conditional share sale agreement into force and transfer of ownership to TAURON Polska Energia S.A. were subject to compliance with conditions precedent.
Other Operations	Elbest sp. z o.o. with its seat in Bełchatów (“Elbest”) – sale by PGE S.A. of 100% shares in Elbest (conditional share sale agreement)	December 15, 2021 On March 4, 2022, the ownership title was transferred to PHH.	On December 15, 2021 a conditional agreement was signed between PGE S.A. as vendor and Polski Holding Hotelowy sp. z o.o. based in Warsaw as buyer to sell all the shares held by PGE S.A. in Elbest, i.e. 116 812 shares, with a total nominal value of PLN 116 812 000, constituting 100% of the share capital. The entry of this conditional share sale agreement into force and transfer of ownership to PHH was subject to compliance with conditions precedent. After meeting the conditions precedent, on March 4, 2022, the ownership of the above-mentioned Elbest shares was transferred to PHH.
Other Operations	4Mobility S.A. with its seat in Warsaw (“4Mobility”) – increase of the share capital of 4Mobility and acquisition of all new shares by another shareholder, i.e. by EFF B.V. (the Netherlands)	January 14, 2022/ July 15, 2022	On January 14, 2022 the Extraordinary General Meeting of 4Mobility adopted resolutions to increase share capital from PLN 364 316 to PLN 494 316, i.e. by PLN 130 000, through the issue of 1 300 000 ordinary shares series H, with a nominal value of PLN 0.10 each. All of the new shares were offered by way of a private subscription to EFF B.V., based in Maastricht (Netherlands) – the existing shareholder of 4Mobility. As a result of the share capital increase, PGE Nowa Energia sp. z o.o. in liquidation stake in 4Mobility decreased from 51.47% to 37.93%, meaning that PGE Nowa Energia sp. z o.o. in liquidation is no longer the parent company of 4Mobility.

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
Renewables	Mithra A sp. z o.o. with its seat in Poznań, Mithra B sp. z o.o. with its seat in Poznań, Mithra L sp. z o.o. with its seat in Poznań, Mithra V sp. z o.o. with its seat in Warsaw (Mithra companies) – acquisition by PGE Energia Odnawialna S.A. 100% shares in the share capital of Mithra companies (share sale agreements)	February 4, 2022	On February 4, 2022 PGE Energia Odnawialna S.A. as a buyer and a natural person (sole partner of Mithra companies) as the seller concluded 4 share sale agreements in Mithra companies, i.e. 100 shares in Mithra companies, with a total nominal value of PLN 400 000 in case of Mithra A sp. z o.o., PLN 328 000 in case of Mithra B sp. z o.o., PLN 200 000 in case of Mithra L sp. z o.o. and PLN 5 000 in case of Mithra V sp. z o.o., constituting 100% in the share capitals of Mithra companies. Transfer of ownership of shares to PGE Energia Odnawialna S.A. took place on February 4, 2022.
Other Operations	Towarzystwo Funduszy Inwestycyjnych Energia S.A. with its seat in Warsaw (TFI Energia) – sale by PGE S.A. of 100% shares in TFI Energia (preliminary share sale agreement)	March 17, 2022 The ownership of the shares was transferred to PZU on July 15, 2022	On March 17, 2022 PGE S.A. as a seller and Powszechny Zakład Ubezpieczeń S.A. as a buyer signed a preliminary share sale agreement for sale of 100% shares in TFI Energia held by PGE S.A. The finalization of the sale of shares required the approvals of the Polish Financial Supervision Authority and the President of the Office of Competition and Consumer Protection.
Renewables	Collfield Investments sp. z o.o. with its seat in Cracow – acquisition by PGE Energia Odnawialna S.A. 100% shares in Collfield Investments holding 100% of the shares in 3 SPVs	April 1, 2022 The ownership of the shares was transferred to PGE Energia Odnawialna S.A. on June 21, 2022	On April 1, 2022 PGE Energia Odnawialna S.A. as a buyer and Vanadium Holdco Limited as a seller, belonging to Green Investment Group Fund, which in turn is part of a global fund Macquarie with its seat in Australia, signed a conditional share sale agreement, under which PGE acquired 100% of the shares in the capital of Collfield Investments, a company holding of 100% of the shares in SPVs operating three wind farms with a total capacity of 84.2 MW, i.e. in companies Future Energy sp. z o.o., „Elwiatr Pruszyński” sp. z o.o. and Radzyn Clean Energy Poland sp. z o.o. The condition precedent of the Transaction was obtaining consent of the Office of Competition and Consumer Protection.
Other Operations	Przedsiębiorstwo Usługowo - Handlowe „Torec” sp. z o.o. with its seat in Toruń (PUH Torec) – sale by PGE Toruń S.A. 100% shares in PUH Torec (conditional share sale agreement)	April 4, 2022 The ownership of the shares was transferred on March 21, 2022.	On April 4, 2022 a conditional sale agreement was concluded for all of the assets owned by PGE Toruń S.A. (PGE Energia Ciepła S.A. holds 100% of the company's shares) shares in PUH Torec. The conditions for the transfer of ownership of shares specified in the above-mentioned the agreement, i.e. the transfer of the sale price to the seller and the adoption of a resolution on the redemption of shares by the Shareholders' Meeting of PUH Torec, have been fulfilled, therefore, from April 21, 2022, PUH Torec is not part of the PGE Capital Group.

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
-	Polska Grupa Górnicza S.A. with its seat in Katowice (PGG) – sale by PGE GiEK S.A. of all shares in PGG (conditional share sale agreement)	August 3, 2022 On October 25, 2022, a change was made in the register of shareholders of PGG	On August 3, 2022, a conditional agreement was concluded between all PGG shareholders, including PGE GiEK S.A. and the State Treasury, for the sale to the State Treasury of all PGG shares, representing 100% of PGG's share capital. As a result of the concluded conditional share sale agreement, PGE GiEK S.A. sold shares representing 15.32% in the share capital of PGG. The transfer of the ownership of shares will take place provided that the National Support Centre for Agriculture (KOWR) will not exercise the pre-emption right, pursuant to art. 3a section 4 of the Act of April 11, 2003 on the shaping of the agricultural system, within the period specified in Art. 3a sec. 4 of this Act – this condition was met.
Conventional Generation	BESTGUM POLSKA sp. z o.o. with its seat in Rogowiec (BESTGUM POLSKA), BETRANS sp. z o.o. with its seat in Kalisko (BETRANS), ELMEN sp. z o.o. with its seat in Rogowiec (ELMEN), ELTUR-SERWIS sp. z o.o. with its seat in Bogatynia (ELTUR-SERWIS), MegaSerwis sp. z o.o. with its seat in Bogatynia (MegaSerwis), RAMB sp. z o.o. with its seat in Piaski (RAMB) (jointly as companies) – sale by PGE S.A. of 100% shares in the share capital of the companies (share sale agreements) – intragroup transaction	September 23, 2022	On September 23, 2022 PGE S.A. (sole shareholder of the companies) as a seller and PGE GiEK S.A. as a buyer signed 6 share sale agreements in companies, representing 100% shares in the share capital of the companies, i.e.: 1) 16 784 shares in BESTGUM POLSKA, with a nominal value of PLN 16 784 000, 2) 32 157 shares in BETRANS, with a nominal value of PLN 16 078 500, 3) 4 440 shares in ELMEN, with a nominal value of PLN 999 000, 4) 69 749 shares in ELTUR-SERWIS, with a nominal value of PLN 34 874 500, 5) 2 100 shares in MegaSerwis, o with a nominal value of PLN 2 100 000, 6) 38 926 shares in RAMB, with a nominal value of PLN 38 926 000. The ownership of the shares was transferred to PGE GiEK S.A. took place on September 23, 2022.
Conventional Generation	Energoserwis Kleszczów sp. z o.o. with its seat in Rogowiec (Energoserwis Kleszczów) – sale by PGE GiEK S.A. of all possessed shares in Energoserwis Kleszczów to PGE S.A.	October 25, 2022	On October 25, 2022 PGE GiEK S.A. as a seller and PGE S.A. as a buyer signed share sale agreement concerning all possesses by PGE GiEK S.A. shares in Energoserwis Kleszczów, i.e. 2 040 shares, with a total nominal value of PLN 204 000, representing 51% in the share capital. The ownership of the shares was transferred to PGE S.A. on October 25, 2022.

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
	(share sale agreement) – intragroup transaction		
Renewables	Mithra D sp. z o.o. with its seat in Poznań, Mithra F sp. z o.o. with its seat in Poznań, Mithra G sp. z o.o. with its seat in Poznań, Mithra H with its seat in Poznań, Mithra I sp. z o.o. with its seat in Warsaw, Mithra K sp. z o.o. with its seat in Poznań, Mithra M sp. z o.o. with its seat in Poznań, Mithra N sp. z o.o. with its seat in Poznań, Mithra O sp. z o.o. with its seat in Poznań and Mithra P sp. z o.o. with its seat in Poznań (Mithra companies) - acquisition by PGE Energia Odnawialna S.A. 100% shares in the share capital of Mithra companies (share sale agreements)	December 9, 2022	On December 9, 2022 PGE Energia Odnawialna S.A. as a buyer and a natural person (sole partner of Mithra companies) as the seller concluded 10 share sale agreements in Mithra companies, i.e. 100 shares in Mithra companies, with a total nominal value of PLN 424 000 in case of Mithra D sp. z o.o., PLN 248 000 in case of Mithra F sp. z o.o., PLN 380 000 in case of Mithra G sp. z o.o., PLN 135 300 in case of Mithra H sp. z o.o., PLN 5 000 in case of Mithra I sp. z o.o., PLN 5 000 in case of Mithra K sp. z o.o., PLN 5 000 in case of Mithra M sp. z o.o., PLN 5 000 in case of Mithra N sp. z o.o., PLN 5 000 in case of Mithra O sp. z o.o. and PLN 5 000 in case of Mithra P sp. z o.o., constituting 100% in the share capitals of Mithra companies. Transfer of ownership of shares to PGE Energia Odnawialna S.A. took place on December 9, 2022.
Circular Economy	EPORE S.A. with seat in Bogatynia (EPORE) – sale by PGE GiEK S.A. of all possessed shares in EPORE to PGE Ekoserwis S.A. with seat in Wrocław (share sale agreement) – intragroup transaction	December 23, 2022/ On January 10, 2023 a change was made in the register of shareholders of EPORE.	On December 23, 2022 PGE GiEK S.A. as a seller and PGE Ekoserwis S.A. as a buyer signed share sale agreement concerning all possessed by PGE GiEK S.A. shares in EPORE, i.e. 63 963 shares, with a total nominal value of PLN 31 981 500, representing 100% in the share capital. The ownership of the shares was transferred to PGE S.A. on October 25, 2022. PGE S.A. is the sole shareholder in PGE Ekoserwis S.A.
-	ElectroMobility Poland S.A. with seat in Warsaw (ElectroMobility Poland) -	December 28, 2022/	On December 28, 2022 the Extraordinary General Meeting of ElectroMobility Poland adopted a resolution on increasing the share capital of the company from PLN 284 739 562 to PLN 534 738 926.92 PLN, i.e. by PLN 249 999 364.92, by private placement of 50 748 series C shares

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
	share capital increase of ElectroMobility Poland and acquisition of all new shares by the State Treasury	January 16, 2023	with numbers from 1 to 50 748, with a nominal value of PLN 4 926.29 each. The Extraordinary General Meeting of the company decided to deprive the existing Shareholders of the pre-emptive rights to the new shares in their entirety and to offer all new shares to be acquired by the State Treasury (one of the Shareholders of ElectroMobility Poland) in exchange for a cash contribution. As a result of acquisition by the State Treasury of new shares in the increased share capital of ElectroMobility Poland, share of PGE S.A. in the share capital of this company decreased from 4.33% to 2.30%.
-	PKPE Holding sp. z o.o. with seat in Warsaw (PKPE Holding) – acquisition by PGE S.A. from Edison Holdings S.à r.l. with seat in Luxembuorg of all shares in PKPE Holding representing 100% in the share capital of PKPE Holding owning inter alia 100% shares in PKP Energetyka S.A. with seat in Warsaw (preliminary agreement).	December 28, 2022 No transfer of ownership of shares - conditions precedent not met yet.	On December 28, 2022 PGE S.A. as a buyer and Edison Holdings S.à r.l. as a seller zawarta signed preliminary agreement regarding the acquisition of the shares in PKPE Holding. As a result PGE S.A. and Edison Holdings S.à r.l. committed to conclude a promised agreement for the sale of 100% of the shares in PKPE Holding (Preliminary Agreement). In performance of the Preliminary Agreement, PGE will directly acquire from Edison Holdings S.à r.l. 100% of the shares in PKPE Holding, and, indirectly 100% of the shares in PKP Energetyka S.A. and shares in other subsidiaries owned by PKPE Holding. The closing of the transaction is planned to take place on April 3, 2023. The payment for the shares will be effectuated on the transaction closing date. The closing of the transaction is conditional upon the satisfaction of certain conditions. In the case of the occurrence of the circumstances specified in the Preliminary Agreement, the parties may withdraw from the transaction.
-	Zakłady Pomiarowo-Badawcze Energetyki „Energopomiar” sp. z o.o. with seat in Gliwice (Energopomiar) – sale by PGE S.A. and PGE Energia Ciepła S.A. of all possessed shares in Energopomiar to PGE GiEK S.A. (share sale agreement) – intragroup transaction	January 4, 2023	On January 4, 2023 PGE S.A. and PGE Energia Ciepła S.A. as sellers and PGE GiEK S.A. as a buyer signed share sale agreement regarding all shares possessed by PGE S.A. and PGE Energia Ciepła S.A. in Energopomiar, i.e. 1 share each in this company, with a nominal value of PLN 1 007 774.28 in case of the share owned by PGE S.A. and with a nominal value of PLN 418 288.40 in case of the share owned by PGE Energia Ciepła S.A., jointly representing 26.48% in the share capital. As a result of the concluded share sale agreement, PGE S.A. and PGE Energia Ciepła S.A. ceased to be partners of Energopomiar, and PGE GiEK currently holds shares constituting in total 49.79% share in Energopomiar. Transfer of ownership of shares to PGE GiEK S.A. took place on January 4, 2023.

INCREASE OF SHARE CAPITAL OF SUBSIDIARIES

Segment	Entity	Date of registration in the NCR	Comment
Renewables	PGE Baltica 1 sp. z o.o. (currently: Elektrownia Wiatrowa Baltica-8 sp. z o.o.)	January 12, 2022	On November 4, 2021 the Extraordinary Assembly of Partners of PGE Baltica 1 sp. z o.o. adopted resolution on a share capital increase from PLN 20 000 to PLN 986 000, i.e. by PLN 966 000, through issue of new 966 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 2 sp. z o.o.	May 24, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 2 sp. z o.o. adopted resolution on a share capital increase from PLN 606 216 000 to PLN 610 358 000, i.e. by PLN 4 142 000, through issue of new 4 142 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 3 sp. z o.o.	June 2, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 3 sp. z o.o. adopted resolution on a share capital increase from PLN 774 491 000 to PLN 782 304 000, i.e. by PLN 7 813 000, through issue of new 7 813 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 5 sp. z o.o.	June 2, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 5 sp. z o.o. adopted resolution on a share capital increase from PLN 46 768 000 to PLN 53 853 000, i.e. by PLN 7 085 000, through issue of new 7 085 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE Baltica 3 sp. z o.o. in cash. PGE Baltica 3 sp. z o.o. holds 100% in the share capital.
Renewables	PGE Baltica 6 sp. z o.o.	May 12, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 6 sp. z o.o. adopted resolution on a share capital increase from PLN 36 516 000 to PLN 39 933 000, i.e. by PLN 3 417 000, through issue of new 3 417 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE Baltica 2 sp. z o.o. in cash. PGE Baltica 2 sp. z o.o. holds 100% in the share capital.
Renewables	PGE Soleo 1 sp. z o.o. (currently: PGE Soleo Kleszczów sp. z o.o.)	May 12, 2022	On December 21, 2021, the Extraordinary Assembly of Partners of PGE Soleo 1 sp. z o.o. adopted resolutions on the amendment of the Founding Deed (change of the company's name to PGE Soleo Kleszczów sp. z o.o. and its seat to Kleszczów) and on the increase of the company's share capital from PLN 100 000 to PLN 4 200 000, i.e. by PLN 4 100 000, through the creation of new 4 100 company shares with a par value of PLN 1 000 each. The increase in the company's share capital was acquired as follows: PGE Energia Odnawialna S.A. took up 2 000 newly issued shares with a nominal value of PLN 1 000 each, with a total nominal value of PLN 2 000 000 and covered them in full with a cash contribution of PLN 2 000 000, Kleszczów commune acquired 2 100 newly issued shares with a nominal value of PLN 1 000 each, with a total nominal value of PLN 2 100 000 and covered them in full with a cash contribution of PLN 2 100 000.

			As a result of the above-mentioned acquisition of shares in the company and increase of the share capital of the company, PGE Energia Odnawialna S.A. and the Kleszczów Commune hold shares in the company, each representing 50% of the share capital, and the company currently has the status of a jointly controlled company. Currently, the company's name is: PGE Soleo Kleszczów sp. z o.o., and its seat is Kleszczów (Kleszczów commune, łódzkie voivodship).
Renewables	Elektrownia Wiatrowa Baltica-2 sp. z o.o.	April 20, 2022	<p>On December 23, 2021 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-2 sp. z o.o. adopted resolution on a share capital increase from PLN 199 895 000 to PLN 199 905 000, i.e. by PLN 10 000, through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows:</p> <ul style="list-style-type: none"> • PGE Baltica 6 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares, • Ørsted Baltica 2 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of PLN 69 572 451.01, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 69 567 451.01 was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code. <p>PGE Baltica 6 sp. z o.o. and Ørsted Baltica 2 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-2 sp. z o.o.</p>
Renewables	Elektrownia Wiatrowa Baltica-3 sp. z o.o.	May 27, 2022	<p>On December 23, 2021 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-3 sp. z o.o. adopted resolution on a share capital increase from PLN 254 844 000 to PLN 254 854 000, i.e. by PLN 10 000 PLN, , through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows:</p> <ul style="list-style-type: none"> • PGE Baltica 5 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares, • Ørsted Baltica 3 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of PLN 71 454 737.75 PLN, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 71 449 737.75 PLN was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code. <p>PGE Baltica 5 sp. z o.o. and Ørsted Baltica 3 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-3 sp. z o.o.</p>
Other Operations	PGE Inwest 14 sp. z o.o.	April 13, 2022	On February 8, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 4 434 000 to PLN 7 434 000, i.e. by PLN 3 000 000. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 12 sp. z o.o.	June 6, 2022	On April 6, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 50 000 PLN to PLN 3 550 000, i.e. by PLN 3 500 000 PLN. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.

Renewables	Elektrownia Wiatrowa Baltica-2 sp. z o.o.	November 4, 2022	<p>On June 30, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-2 sp. z o.o. adopted resolution on a share capital increase from PLN 199 905 000 PLN to PLN 199 915 000 PLN, i.e. by PLN 10 000, through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows:</p> <p>PGE Baltica 6 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares,</p> <p>Ørsted Baltica 2 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of DKK 30 425 917.09 and PLN 20 281 653.04 PLN, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 38 716 602.79 was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code.</p> <p>PGE Baltica 6 sp. z o.o. and Ørsted Baltica 2 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-2 sp. z o.o.</p>
Renewables	Elektrownia Wiatrowa Baltica-3 sp. z o.o.	October 19, 2022	<p>On June 30, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-3 sp. z o.o. adopted resolution on a share capital increase from PLN 254 854 000 to PLN 254 864 000, i.e. by PLN 10 000, through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows:</p> <p>PGE Baltica 5 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares,</p> <p>Ørsted Baltica 3 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of DKK 26 482 822.99 and PLN 9 620 352.12, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 25 665 547.87 was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code .</p> <p>PGE Baltica 5 sp. z o.o. and Ørsted Baltica 3 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-3 sp. z o.o.</p>
Renewables	Elektrownia Wiatrowa Baltica-1 sp. z o.o.	September 19, 2022	<p>On July 14, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-1 sp. z o.o. adopted resolution on a share capital increase from PLN 32 545 000 to PLN 99 545 000, i.e. by PLN 67 000 000, through issue of new 134 000 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.</p>
Other Operations	PGE Inwest 12 sp. z o.o.	September 21, 2022	<p>On August 1, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 3 550 000 to PLN 6 196 000, i.e. by PLN 2 646 000. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.</p>
Other Operations	PGE Inwest 21 sp. z o.o.	January 20, 2023	<p>On November 9, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 25 000 PLN to PLN 8 980 000, i.e. by PLN 8 955 000. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.</p>

Other Operations	PGE Inwest 22 sp. z o.o.	January 23, 2023	On November 16, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 25 000 PLN to PLN 4 588 000, i.e. by PLN 4 433 000. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 23 sp. z o.o.	January 23, 2023	On November 16, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 25 000 PLN to PLN 4 458 000, i.e. by PLN 4 563 000. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 24 sp. z o.o.	January 12, 2023	On November 16, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 25 000 PLN to PLN 4 468 000, i.e. by PLN 4 443 000. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 25 sp. z o.o.	January 20, 2023	On November 16, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 25 000 PLN to PLN 2 858 000, i.e. by PLN 2 833 000. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	Elektrownia Wiatrowa Baltica 10 sp. z o.o.	March 1, 2023	On December 23, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica 10 sp. z o.o. adopted resolution on a share capital increase from PLN 25 000 to PLN 134 000, i.e. by PLN 109 000, through issue of new 109 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	Elektrownia Wiatrowa Baltica 11 sp. z o.o.	March 1, 2023	On December 23, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica 11 sp. z o.o. adopted resolution on a share capital increase from PLN 25 000 to PLN 135 000, i.e. by PLN 110 000, through issue of new 110 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	Elektrownia Wiatrowa Baltica 12 sp. z o.o.	Not yet registered	On December 23, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica 12 sp. z o.o. adopted resolution on a share capital increase from PLN 25 000 to PLN 135 000, i.e. by PLN 110 000, through issue of new 110 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 2 sp. z o.o.	March 7, 2023	On December 23, 2022 the Extraordinary Assembly of Partners of PGE Inwest 2 sp. z o.o. adopted resolution on a share capital increase from PLN 60 000 to PLN 170 000, i.e. by PLN 110 000, through issue of new 110 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 9 sp. z o.o.	February 13, 2023	On December 23, 2022 the Extraordinary Assembly of Partners of PGE Inwest 9 sp. z o.o. adopted resolution on a share capital increase from PLN 50 000 to PLN 160 000, i.e. by PLN 110 000, through issue of new 110 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.

Other Operations	PGE Inwest 10 sp. z o.o.	February 21, 2023	On December 23, 2022 the Extraordinary Assembly of Partners of PGE Inwest 10 sp. z o.o. adopted resolution on a share capital increase from PLN 50 000 to PLN 160 000, i.e. by PLN 110 000, through issue of new 110 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 11 sp. z o.o.	March 10, 2023	On December 23, 2022 the Extraordinary Assembly of Partners of PGE Inwest 11 sp. z o.o. adopted resolution on a share capital increase from PLN 50 000 to PLN 160 000, i.e. by PLN 110 000, through issue of new 110 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 20 sp. z o.o.	February 21, 2023	On December 23, 2022 the Extraordinary Assembly of Partners of PGE Inwest 20 sp. z o.o. adopted resolution on a share capital increase from PLN 25 000 to PLN 115 000, i.e. by PLN 110 000, through issue of new 90 shares of the company with a nominal value of PLN 1 000 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.

ADDITIONAL PAYMENTS FOR COMPANIES SHARES

Segment	Entity	Transaction date	Comment
Other Operations	PGE Inwest 12 sp. z o.o.	March 21 – 30, 2022	On March 21, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution to obligate the sole shareholder of the company, i.e. PGE S.A., to make an additional payment to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 30 000, i.e. in the amount of PLN 600 to each share held by PGE S.A., by April 30, 2022. In accordance with the above resolution of the Extraordinary Assembly of Partners, the additional payment was made by PGE S.A. on March 30, 2022.
Renewables	PGE Klaster sp. z o.o.	March 23, 2022 (return of additional payments by December 31, 2026)	On March 23, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution on the return of additional payments in the amount of PLN 248 000 000 contributed by the sole shareholder of the company, i.e. PGE Energia Odnawialna S.A., imposed by the resolutions of the Company's Assemblies of Partners of March 29, 2018, October 23, 2018 and July 2, 2019. The refunds will be made in quarterly instalments in the amount of PLN 70 000 000 in the first quarter of 2022, i.e. until March 31, 2022, and then PLN 10 000 000 in each subsequent quarter, starting from April 1, 2022, until the payments are fully repaid no later than December 31, 2026.
Other Operations	PGE Inwest 9 sp. z o.o.	March 28 – 30, 2022	On March 28, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution to obligate the sole shareholder of the company, i.e. PGE S.A., to make an additional payment to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 60 000, i.e. in the amount of PLN 1 200 to each share held by PGE S.A., by April 30, 2022. In accordance with the above resolution of the Extraordinary Assembly of Partners, the additional payment was made by PGE S.A. on March 30, 2022.
Renewables	PGE Soleo 7 sp. z o.o.	July 14 – 22, 2022	On July 14, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution to obligate the sole shareholder of the company, i.e. PGE Energia Odnawialna S.A., to make an additional payment to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 50 000, i.e. in the amount of PLN 500 to each share held by PGE

			Energia Odnawialna S.A., by July 30, 2022. In accordance with the above resolution of the Extraordinary Assembly of Partners, the additional payment was made by PGE Energia Odnawialna S.A. on July 22, 2022.
Renewables	PGE Soleo 2 sp. z o.o.	July 26 – August 17, 2022	On July 26, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution to obligate the sole shareholder of the company, i.e. PGE Energia Odnawialna S.A., to make an additional payment to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 100 000, i.e. in the amount of PLN 1 000 to each share held by PGE Energia Odnawialna S.A., by August 15, 2022. In accordance with the above resolution of the Extraordinary Assembly of Partners, the additional payment was made by PGE Energia Odnawialna S.A. on August 17, 2022.
Renewables	PGE Soleo 3 sp. z o.o. PGE Soleo 6 sp. z o.o.	July 26 – August 17, 2022	On July 26, 2022 the Extraordinary Assemblies of Partners of the companies adopted resolutions to obligate the sole shareholder of the companies, i.e. PGE Energia Odnawialna S.A., to make additional payments to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 50 000 in case of each company, i.e. in the amount of PLN 500 to each share held by PGE Energia Odnawialna S.A. in the companies, by August 15, 2022. In accordance with the above resolutions of the Extraordinary Assemblies of Partners, the additional payments were made by PGE Energia Odnawialna S.A. on August 17, 2022.
Other Operations	PGE Inwest 21 sp. z o.o.	October 25 – November 4, 2022	On October 25, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution to obligate the sole shareholder of the company, i.e. PGE S.A., to make an additional payment to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 45 000, i.e. in the amount of PLN 1 800 to each share held by PGE S.A., by November 30, 2022. In accordance with the above resolution of the Extraordinary Assembly of Partners, the additional payment was made by PGE S.A. on November 4, 2022.
Other Operations	PGE Inwest 22 sp. z o.o. PGE Inwest 23 sp. z o.o. PGE Inwest 24 sp. z o.o. PGE Inwest 25 sp. z o.o.	October 31 – November 4, 2022	On October 31, 2022 the Extraordinary Assemblies of Partners of the companies adopted resolutions to obligate the sole shareholder of the company, i.e. PGE S.A., to make additional payments to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 27 000 in case of each company, i.e. in the amount of PLN 1 080 to each share held by PGE S.A. in the companies, by November 30, 2022. In accordance with the above resolutions of the Extraordinary Assemblies of Partners, the additional payments were made by PGE S.A. on November 4, 2022.

MERGERS

Segment	Acquiring company/acquired company	Date of transaction/ registration in the National Court Register	Comment
District Heating	PGE Energia Ciepła S.A. - /Przedsiębiorstwo Energetyki Ciepłej	November 3, 2021/	On November 3, 2021 the Extraordinary General Meeting of PGE Energia Ciepła S.A. (Acquiring company) and the Extraordinary Assembly of Partners of Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. with its seat in Zgierz (acquired company) adopted resolutions on the merger of the companies

Segment	Acquiring company/acquired company	Date of transaction/ registration in the National Court Register	Comment
	sp. z o.o. with its seat in Zgierz	January 3, 2022 (merger date)	in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Energia Ciepła S.A. was the sole shareholder of Przedsiębiorstwo Energetyki Ciepłej sp. z o.o.
Other Operations	PGE Dystrybucja S.A./ Przedsiębiorstwo Transportowo-Usługowe „ETRA” sp. z o.o. with its seat in Białystok (ETRA)	March 15, 2022/ March 21, 2022 (merger date)	On March 15, 2022 the Extraordinary Assembly of Partners of ETRA (acquired company) adopted resolution on the merger with PGE Dystrybucja S.A. (acquiring company) in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company, pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Dystrybucja S.A. was the sole shareholder of ETRA.
Other Operations	PGE Energia Odnawialna S.A./ Bio-Energia sp. z o.o with its seat in Warsaw (Bio-Energia)	May 20, 2022/ June 30, 2022 (merger date)	On May 20, 2022 the Extraordinary General Meeting of PGE Energia Odnawialna S.A. (acquiring company) and the Extraordinary Assembly of Partners of Bio-Energia (acquired company) adopted resolutions on the merger of the companies in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Energia Odnawialna S.A. was the sole shareholder of Bio-Energia.
District Heating	PGE Energia Ciepła S.A./ PGE Gaz Toruń sp. z o.o. with its seat in Warsaw (PGE Gaz Toruń)	October 3, 2022/ November 2, 2022	On October 3, 2022 the Extraordinary General Meeting of PGE Energia Ciepła S.A. (acquiring company) and the Extraordinary Assembly of Partners of PGE Gaz Toruń (acquired company) adopted resolutions on the merger of the companies in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Energia Ciepła S.A. was the sole shareholder of PGE Gaz Toruń.
Renewables	PGE Energia Odnawialna S.A./ PGE Soleo 4 sp. z o.o., PGE Soleo 5 sp. z o.o., PGE Soleo 6 sp. z o.o., PGE Soleo 7 sp. z o.o., Mithra A sp. z o.o., Mithra L sp. z o.o., Mithra V sp. z o.o., with seats in Warsaw	November 28, 2022/ December 30, 2022 (merger date)	On November 28, 2022 the Extraordinary General Meeting of PGE Energia Odnawialna S.A. (acquiring company) and the Extraordinary Assemblies of Partners of companies PGE Soleo 4 sp. z o.o., PGE Soleo 5 sp. z o.o., PGE Soleo 6 sp. z o.o., PGE Soleo 7 sp. z o.o., Mithra A sp. z o.o., Mithra L sp. z o.o. and Mithra V sp. z o.o. (acquired companies) adopted resolutions on the merger of the companies in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Energia Odnawialna S.A. was the sole shareholder of the acquired companies.

Segment	Acquiring company/acquired company	Date of transaction/ registration in the National Court Register	Comment
Renewables	PGE Energia Odnawialna S.A./ Collfield Investments sp. z o.o. with seat in Cracow, Future Energy sp. z o.o. with seat in Cracow, Elwiatr Pruszyński sp. z o.o. with seat in Cracow and Radzyn Clean Energy Poland sp. z o.o. with seat in Warsaw	December 19, 2022/ December 30, 2022 (merger date)	On December 19, 2022 the Extraordinary General Meeting of PGE Energia Odnawialna S.A. (acquiring company) and the Extraordinary Assemblies of Partners of companies Collfield Investments sp. z o.o., Future Energy sp. z o.o., Elwiatr Pruszyński sp. z o.o. and Radzyn Clean Energy Poland sp. z o.o. (acquired companies) Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Energia Odnawialna S.A. was the sole shareholder of Collfield Investments sp. z o.o., and Collfield Investments sp. z o.o. was the sole shareholder of Future Energy sp. z o.o., Elwiatr Pruszyński sp. z o.o. and Radzyn Clean Energy Poland sp. z o.o.

LIQUIDATION OF COMPANIES

Segment	Company in liquidation	Date of transaction/ registration in the National Court Register	Comment
Supply	PGE Trading GmbH in liquidation with seat in Berlin ("PGE Trading")	March 1, 2021/ PGE Trading has not been removed from the commercial register kept by the District Court in Berlin-Charlottenburg	On March 1, 2021 the Extraordinary Assembly of Partners of PGE Trading, in which PGE holds 100% of the share capital, adopted resolution on dissolution of PGE Trading and appointment of a liquidator to carry out liquidation activities of PGE Trading.
Other Operations	PGE Nowa Energia sp. z o.o. in liquidation with seat in Warsaw (PGE Nowa Energia)	March 31, 2022/ PGE Nowa Energia is not yet removed from the register of entrepreneurs of the National Court Register	On March 31, 2022 the Extraordinary Assembly of Partners of PGE Nowa Energia, in which PGE holds 100% of the share capital, adopted resolution on dissolution of PGE Nowa Energia and appointment of a liquidator to carry out liquidation activities.

7.3. Publication of financial forecasts

PGE S.A. did not publish financial forecasts.

7.4. Significant off-balance sheet items

Significant off-balance sheet items are described in notes 11 and 24 to the consolidated financial statements.

7.5. Branches of the Company

The company has a Branch of the Center for Knowledge and Development of the PGE Group with its registered office in Lublin.

7.6. Entity authorised to audit of financial statements

An entity authorised to audit stand-alone financial statements of PGE S.A. and consolidated financial statements of PGE Capital Group for 2022 is PKF Consult sp. z o.o. sp.k. (PKF) on the ground of the agreement signed on January 21, 2022. More information regarding the co-operation of PGE Capital Group with the auditor is presented in note 32 to the consolidated financial statements.

7.7. Information on entity authorised to audit financial statements

Based on a statement from the Supervisory Board, the Management Board of PGE S.A. announces that the entity authorised to audit separate financial statements and consolidated financial statements, carrying out the audit of the annual financial statements: separate and consolidated, was selected in accordance with the provisions of law, especially as regards audit firm selection and selection procedure:

- the audit firm and members of the team performing the audit met the conditions for preparing an impartial and independent report on audit of annual financial statements in accordance with the existing regulations, professional standards and professional ethics rules,
- the existing regulations concerning audit firm and lead statutory auditor rotation and mandatory grace periods are being observed,
- PGE S.A. has a policy for selecting audit firms and a policy for provision of additional non-audit services to the issuer by the audit firm, entity related to the audit firm or a member of its network, including services conditionally exempt from the prohibition to provide by the audit firm.

8. Statement on implementation of Corporate Governance

This Statement on implementation of corporate governance in PGE S.A. in 2022 was prepared on the basis of § 70 section 6 point 5 of the Regulation of the Minister of Finance dated March 29, 2018 on current and periodic information published by issuers of securities and on conditions under which such information may be recognized as being equivalent to information required by the regulations of law of a state which is not a member state.

Corporate governance is a set of rules of conduct addressed both to the governing bodies of companies and the members of these bodies and to majority and minority shareholders. Corporate governance rules apply to the widely define corporate management and they lead to greater transparency at listed companies, improved quality of companies' communication with investors, reinforcing the protection of shareholder rights, including in matters not addressed by law. Since its IPO in 2009, PGE S.A. has applied the corporate governance rules contained in the Best Practices published by the Warsaw Stock Exchange, on which the Company's shares are listed. The contents of the document are the result of the work of experts who are members of the WSE Corporate Governance Consultative Committee, representing the interests of various groups of capital market participants.

8.1. Application of corporate governance principles by the Company

In 2022 PGE S.A. was obliged to follow the corporate governance principles described in "Best Practices of WSE Listed Companies 2021" (further: Best Practices 2021). Best Practices 2021 were adopted with the Resolution of the Board of the WSE no. 13/1834/2021 on March 29, 2021 and are obeyed by PGE starting from July 1, 2021. The text of the Best Practices is published on the official website of the Warsaw Stock Exchange devoted to corporate governance: <https://www.gpw.pl/best-practice2021>

Moreover, pursuant to Art. 7 sec. 3 of the Act on the principles of state property management, the Prime Minister may specify best practices in the field of corporate governance. Due to the fact that the Prime Minister did not specify the best practices referred to above, in terms of best practices in 2022, the Company did not apply any other practices - apart from those indicated in the DPSN.

Companies complying with the Best Practices are required to report on their application. In 2021, a comprehensive study of compliance with the Best Practices at the Company and the Group was carried out, involving a number of relevant departments. A matrix of the responsibilities of the organisational units in relation to each principle was prepared and the data and necessary explanations were collected to determine the degree of compliance with the Best Practices. Additionally, the Company took into account the Corporate Governance Committee's guidance on the application of the Best Practices rules, which was edited based on questions raised by issuers. The application status report was presented to the Management Board and the Supervisory Board of the Company with explanations and comments. The Company's Management Board approved the report on July 30, 2021 and the company published the report in the EIB system on that date. In the report, the Company declared the application of 53 Best Practices rules, which, according to the statements available at the date of preparation of this report on the Best Practices Scanner website (<https://www.gpw.pl/dpsn-skaner>), means the achievement of a COMPLY factor (declared level of compliance with the Best Practices 2021) of 84%, compared to 82% for the Energy sector and 79% for WIG index companies. The Company monitors the application of the rules on an on-going basis and publishes relevant information in the event of a breach.

In December 2021, a Sustainability Committee was established at the Company, which is responsible for the implementation of ESG principles at PGE Group, including as part of governance management, and prepares recommendations and recommendations for increasing the scope of application of the Best Practices. As part of the work of the Sustainability Committee for 2023, it is envisaged to review the status of the application of the Best Practices with a view to issuing recommendations for the

implementation of measures to reduce the principles not applied by the Company, including the adoption of a diversity policy towards the Management Board and the Supervisory Board.

Table: Information on the Company's application of selected DPSN rules in 2022.

Scope	Selected aspects concerning the application of Best Practices
Disclosure Policy, Investor Communications	<p>In 2022, the Company engaged in multi-channel communication with capital market participants - through the website and a dedicated Investor Relations tab, email correspondence to investors following significant events at PGE Group, meetings with analysts and investors.</p> <p>After the pandemic, the Company was gradually returning to participating in stationary investor conferences in Poland and Europe, as well as in the USA. In May 2022, PGE S.A. took part for the first time in the WallStreet conference organised by the Association of Individual Investors, participating in the debate "National champions in the face of price shocks and major economic turbulence. Will they come out stronger or weaker?" and presented PGE Group during the "Shareholder Forum." The WallStreet conference was also an opportunity to talk to individual investors, exchange experiences in the area of investor relations and ESG with other listed companies, stock market educators, as well as financial journalists.</p> <p>Each time before the publication of a periodic report, PGE S.A. published estimated results, together with information on one-off events. In addition, a presentation detailing the presented estimated results and key factors influencing the change in the result y/y was published on the website.</p> <p>Following the publication of its results, the Company held four Management Board conferences for journalists and analysts to discuss the operating and financial results for the period and the Company's growth prospects. The conferences were also broadcast live online, after which a transcript of the broadcast was posted on the corporate website. An opportunity was provided each time for participants to ask questions.</p> <p>The publications on the website also included:</p> <ul style="list-style-type: none"> periodic result presentations together with the analyst package and a supplement to the presentation in the form of an xls file; investor presentation – updated periodically; presentation on the acquisition of PKP Energetyka S.A. by PGE S.A.; Presentation from the WallStreet retail investor conference; editable xls file, which includes financial and operating data presented in the form of time series starting from the first quarter of 2011 until the latest reporting period; consensus of analysts' forecasts; calendar of events. <p>With a view to transparency in the implementation of the concept of sustainability and presentation of the Company's impact on its environment, PGE Group's Integrated Report was published online. The report for 2021 is available at https://raportzintegrowany2021.qkpgc.pl/en/</p>
Management Board and Supervisory Board	<p>Principles that were in force when performing functions in the Management Board and the Supervisory Board:</p> <ul style="list-style-type: none"> Management Board and Supervisory Board members hold the adequate competences, skills and experience necessary to perform the entrusted functions; performing functions in the Management Board of the Company was the main area of professional activity of the Members of the Management Board; at December 31, 2022 5 members of the Supervisory Board met the independence criteria; Members of the Supervisory Board devoted the necessary amount of time to perform their duties; The Chairwoman of the Supervisory Board did not combine her function with managing the work of the Audit Committee; The Company delegated administrative and financial resources necessary to ensure the efficient functioning of the Supervisory Board.
Internal systems and functions	<p>PGE maintained efficient internal control, risk management and compliance systems and an efficient internal audit function;</p> <p>PGE's organisation included units responsible for the tasks of individual systems and functions;</p>

Scope	Selected aspects concerning the application of Best Practices
	<p>the operation of the internal audit was independent, the head of the Audit Department reported to the President of the Management Board and functionally to the Chairman of the Audit Committee;</p> <p>the remuneration of persons responsible for risk and compliance management and the head of the internal audit was dependent on the implementation of the assigned tasks and not on the short-term results of the Company.</p>
General meeting, shareholder relations	<p>General Meetings were convened on dates in accordance with the provisions of law, and the Company selected the place and date of the General Meeting in a way that enabled the largest possible number of Shareholders to participate in the meeting;</p> <p>four General Meetings of the Company were held in 2022 - all General Meetings were broadcast live;</p> <p>Media representatives were allowed to attend the General Meetings;</p> <p>Members of the Management Board and Supervisory Board participated in the General Meetings in composition that allowed them to comment on the matters being discussed during the General Meeting and to provide substantive answer to the questions asked;</p> <p>At the Ordinary General Meeting on June 22, 2022, the Company's Management Board presented and discussed the financial and operating results for 2021 comparing the figures presented with previous years;</p> <p>Information on the application of the Best Practices by PGE S.A. was also presented at the Ordinary General Meeting;</p> <p>In 2022, the Company carried out a rights-exempt share issue taking into account the principles set out in section 4.13 of the Best Practices.</p>
Conflict of interest, related party transactions	<p>Company had in place transparent procedures for managing conflicts of interest and for related party transactions where a conflict of interest may occur;</p> <p>Members of the management board and members of the supervisory board refrained from professional or other activities which might caused a conflict of interest or adversely affect their reputation as members of the corporate body;</p> <p>The Regulations of the Management Board and the Supervisory Board contained provisions obliging Members of the governing bodies to inform about the conflict of interest of other Members of the governing bodies;</p> <p>No Shareholder was privileged over other Shareholders with regard to related party transactions. The company has a section on significant related party transactions on its website https://www.gkpge.pl/dla-inwestorow/lad-korporacyjny/istotne-transakcje-ustawa-o-ofercie - there were no such transactions in 2022.</p>
Remuneration	<p>The Company has a Remuneration Policy for the Members of the Management Board and Supervisory Board of PGE S.A. adopted by the Ordinary General Meeting of the Company on June 26, 2020 and modified by the Ordinary General Meeting on June 22, 2022;</p> <p>The content of the Remuneration Policy and the report together with the Auditor's Report regarding the assessment of the report on remuneration of PGE Management Board and Supervisory Board Members for 2019-2020 and for 2021 are available on the company's website at: https://www.gkpge.pl/en/for-investors/corporate-governance/remuneration-policy</p> <p>Remuneration of members of the Management Board and Supervisory Board as well as key managers is sufficient to attract, retain and motivate people with competences necessary for proper management and supervision of the company;</p> <p>The amount of remuneration of the Members of the Supervisory Board is not dependent on the Company's short-term results - in accordance with the resolution of the General Meeting, the monthly remuneration of the Members of the Supervisory Board was determined as the product of the average monthly remuneration in the enterprise sector without payments of rewards from profit in the fourth quarter of the previous year, announced by the President of the Central Statistical Office and the multiplier: 1.7 (for the Chairperson of the Supervisory Board), 1.5 (for other Members of the Supervisory Board).</p>

Other Best Practices

PGE Group has had a Code of Ethics in place since 2015. PGE Group's Code of Ethics is a set of values and principles that apply throughout PGE Group. The Code sets out PGE Group's core ethical values and the standards expected of employees, including management.

Everyone acting for and on behalf of PGE Group is required to be familiar with the Code and, above all, to observe the values and principles set out in the document.

PGE Group's Code of Ethics regulates the manner in which irregularities are reported in the event of breaches and non-compliance with applicable values and principles.

Our values are:

- **Partnership** – is identification with PGE Group and the resulting cooperation, effective and creative collaboration, leading to synergy, in every area of activity - for the benefit of customers, owners, employees and business partners; resulting from good cooperation between companies and segments, as well as between individual employees and between teams. Partnership - is a relationship based on respect.
- **Development** – is the continuous improvement of people, organisations, processes and technologies, creating conditions for innovation, actively seeking new solutions. Development requires the courage to introduce changes and create a new reality.
- **Responsibility** – is caring for the energy security of the country, the development of the Polish economy and the sustainable development of the company, for the company as a good place to work and to maintain the highest standards of health and safety, the reliability of both the organisation and each employee. Responsibility is honesty in every action that is taken.

INFORMATION ON EXCEPTIONS IN APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES

In 2022 the Company applied the Best Practices 2021, except for the rules indicated below (1.3.2, 1.4.2, 2.1, 2.2, 2.11.6, 3.5, 3.7, 3.8, 4.1 and 6.4):

- **1.3.2** „Companies integrate ESG factors in their business strategy, including in particular social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations”.

In its business strategy, the company takes into account broadly understood social and employee factors. However, the strategy does not cover issues related to the actions taken and planned to ensure equal treatment of women and men. The Company strives to ensure that the measures taken in employee affairs are based on equal treatment of both genders.

- **1.4.2** „To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target”.
- Currently, the company does not present information about actions taken or planned in order to ensure the wages equality with regard to gender. The equal pay ratio is presented in the Company's non-financial statements.

- **2.1** „Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%”.

PGE Polska Grupa Energetyczna S.A. has not yet developed a diversity policy applicable to the company's governing bodies. Recruitment process for the managerial positions includes such elements as proper education, professional experience, qualifications and competences of the candidates and does not disqualify any candidates in terms of elements of the diversity policy that

are indicated in the principle. In terms of gender diversity on the Company's Management Board, the minority share is around 17%, while on the Supervisory Board it is around 29%.

- **2.2** „Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1”

PGE Polska Grupa Energetyczna S.A. has not yet developed a diversity policy applicable to the company's governing bodies. Recruitment process for the managerial positions includes such elements as proper education, professional experience, qualifications and competences of the candidates and does not disqualify any candidates in terms of elements of the diversity policy that are indicated in the principle. In the Company's view, the versatility of the Company's bodies is ensured by the diversity of the members of the Management Board and the Supervisory Board in terms of education, expertise in various fields, and professional experience. In terms of gender diversity on the Company's Management Board, the minority share is around 17%, while on the Supervisory Board it is around 29%.

- **2.11.6** „In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following: information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.”

The company has no formal diversity policy applicable to the Management Board and the Supervisory Board, therefore, it does not prepare a report with information on the degree of implementation of the diversity policy.

- **3.5** „Persons responsible for risk and compliance management report directly to the president or other member of the management board”.

In accordance with the current organisational structure, the person responsible for risk management reports to the Managing Director of Finance, who reports directly to the member of the Management Board. The lack of direct reporting to the Head of the Department in charge of risk management is due to the Company's organisational structure and the consistent capture of risks together with financial issues. Regardless of subordination to the Director of the Finance Division as part of his responsibilities, the Director of the Risk and Insurance Department has direct contact with the Member of the Management Board in charge of Finance. Natomiast osoba odpowiedzialna za Compliance podlega bezpośrednio Prezesowi Zarządu.

- **3.7** „Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks”.

Principle is not applied in relation to principle 3.5 in case of persons responsible for risk management in some group's companies, which are material to the group's activity. At the other Group companies of significant importance to the Group's business, the persons appointed for risk management and compliance tasks report to the Presidents or Members of the Management Board.

- **3.8** „The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report”.

Currently, information about assessment of the efficiency of the systems and functions referred to in principle 3.1, are presented to the Supervisory Board by the directors of particular departments and the president of the Management Board. The company's authorities will take steps to implement this principle, entrusting this task to the unit responsible for internal audit.

- **4.1** „Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to

the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed”.

The Management Board of PGE does not exclude adoption of the above-mentioned principle in future. In opinion of PGE's Management Board, non-compliance with the above principle will not affect the reliability of the information policy and does not cause a risk of limitations or difficulties for shareholders to participate in general meetings. The Company provides real-life broadcast of the general meeting.

- **6.4** „As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee”.

Remuneration of Members of the Supervisory Board of PGE S.A. was defined by Resolution No. 5 of the Extraordinary General Meeting of December 14, 2016 on the rules for determining the remuneration of Members of the Supervisory Board, according to which the monthly remuneration of members of the Supervisory Board was set as a product of the average remuneration in the business sector exclusive of profit-based bonuses in the fourth quarter of the previous year as announced by the President of the Central Statistical Office of Poland and the following factor: 1.7 (for the chairperson of the Supervisory Board), 1.5 (for the other members of the Supervisory Board). The remuneration of Supervisory Board members does not depend on the number of meetings held, but the work in committees is not remunerated additionally. Paid to Members of the Supervisory Board of PGE S.A. the remuneration complies with the rules set out in the Act of June 9, 2016 on the rules for determining the remuneration of persons managing certain companies.

INFORMATION ABOUT AN INCIDENTAL VIOLATION OF BEST PRACTICES

June 24, 2022 PGE S.A. published a report in the WSE's EBI system on an incidental breach of rule 4.9.1 of the Best Practices: „Candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website”. The following explanation is provided in the comment:

The agenda of the Ordinary General Meeting convened for June 22, 2022 included an item concerning changes in the composition of the Supervisory Board of PGE S.A. in connection with the expiry of the term of office of the Members of the Supervisory Board. Prior to the Ordinary General Meeting, the Company did not receive any proposals from Shareholders for candidates to the Supervisory Board. The candidacies were presented during the Ordinary General Meeting and therefore an incidental breach of the principle occurred in the light of the Best Practices rules. The Management Board of PGE S.A. would like to point out that all candidacies to the Supervisory Board concerned persons who were on the Supervisory Board of PGE S.A. during the current term of office, therefore they were known to Shareholders and information about these persons was permanently available on the Company's website. In addition, prior to voting on appointments to the Supervisory Board, it was standard practice for the Chairperson of the General Meeting of PGE S.A. to declare a recess in order to enable Shareholders to better prepare and to allow proxies to consult candidates with Shareholders. In view of the above, enabling the participants of the General Meeting to properly prepare and vote on candidacies with due discernment (objective of rule 4.9.1), in the opinion of the Management Board of PGE S.A., has not been significantly restricted.

In addition, the Company indicated that there have been no incidental breaches of the rule in the previous two years.

DESCRIPTION OF THE BASIC CHARACTERISTICS OF INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT SYSTEMS USED IN THE COMPANY DURING PREPARATION OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Company applies the following mechanisms of internal control and risk management during preparation of the financial statements:

PRINCIPLES OF SUPERVISION OVER PREPARATION OF FINANCIAL STATEMENTS.

To ensure the application of uniform accounting principles in the PGE Capital Group, an EU IFRS-compliant accounting policy of the PGE Capital Group has been developed. Policy is binding for the companies using IFRS for preparation of their statutory financial statements and at preparation of the IFRS-compliant reporting packages for the consolidation. The accounting policy is updated in the event of changes in regulations or in the event of significant events not described previously in the Policy. The Management Board of the parent company is responsible for developing and updating the Policy.

Before every reporting period the companies subject to consolidation receive detailed guidelines from PGE S.A. with regard to method and closing date of the accounting books, preparation and submitting the reporting packages and template updated for a given period.

MANAGEMENT MECHANISMS FOR INFORMATION SYSTEM USED FOR FILING AND FINANCIAL REPORTING WITH PROTECTION MECHANISMS.

The Company keeps accounting books in the integrated information system. The system ensures division of competencies, coherent entries in the books and control between the general ledger and subsidiary ledgers. The system can be modified to ensure adequacy of the technical solutions to the changing accounting principles and legal standards. The adopted IT solutions ensure access control and protection against unauthorized interference. The rules for archiving financial and accounting data are also implemented.

Consolidation of the financial statements is performed in the dedicated financial program. The program ensures consistency of reporting for the purposes of consolidation for all companies of the Capital Group, regardless of the accounting system used for statutory purposes. All companies of the Capital Group enter data in the same system.

Data for the consolidation program are partly entered automatically from accounting systems and the rest is completed manually. The functionality of the program ensures verification of internal data consistency, reconciliation of turnover, settlements and flows between the companies of the Capital Group and the automation of repeated consolidation adjustments. Ultimately, the program generates reports that are the basis for the preparation of consolidated financial statements.

There is also access control and rights to edit and approve financial data entered into the consolidation program.

PRINCIPLES OF VERIFICATION AND EVALUATION OF REPORTS.

The management of the particular companies are responsible for preparation of the reporting packages under consolidation. Management is responsible for the preparation and approval of the data. In addition, the reporting packages of significant subsidiaries are verified by the reporting team in the parent company and by an independent auditor. The reporting data of the subsidiaries are also analysed by the parent company in terms of deviations from financial plans and comparable periods.

Director of the Reporting and Tax Department of the Company is responsible for the preparation of stand-alone and consolidated financial statements. Statutory auditors perform an independent assessment of reliability and correct preparation of the financial statements of PGE S.A. and financial statements of companies subject to consolidation.

The auditor selection procedure and the policy of cooperation with the auditor ensure his independence from the Company and the Capital Group. In accordance with the policy adopted by the Audit Committee, updated in 2020, the maximum uninterrupted duration of engagements for audits of financial statements, carried out by the same audit firm or an audit firm associated with this audit firm or any member of the network operating in the European Union countries to which these audit firms, may not exceed 10 years, provided that the key statutory auditor may not audit the financial statements for a period longer than 5 years and that the key statutory auditor may re-audit the financial statements after at least 3 years from the end of the last auditing financial statements

The PGE Group has implemented a multi-stage process of approving financial statements with the participation of Supervisory Boards of the companies under consolidation. Stand-alone and consolidated financial statements of PGE S.A. are evaluated by the Supervisory Board. The Audit Committee operates within the Supervisory Board and is responsible, among others, for: monitoring the independence of the statutory auditor, monitoring the effectiveness of internal control systems, reviewing interim and annual financial statements of the. Stand-alone financial statements of the companies subject to consolidation are evaluated by the Supervisory Boards of such companies. The financial statements are approved by the General Meetings of the companies.

INTERNAL AUDIT, CORPORATE RISK MANAGEMENT AND OTHER ELEMENTS OF CONTROL

The Company has an internal audit that covers all areas of activity of the PGE Capital Group, excluding protection of classified information, which is regulated by the appropriate act. Internal audit operates on the basis of the Audit Regulations at PGE Group developed taking into account the International Standards for the Professional Practice of Internal Auditing. PGE S.A. also implements the recommendations of the Warsaw Stock Exchange contained in the document "Best Practices of Companies Listed on the Warsaw Stock Exchange 2021" regarding the maintenance of an effective internal audit function, appropriate to the company's size, type and scale of operations.

The audit function has been consolidated within PGE Group since October 2021 and is carried out by the Audit Department, which carries out audit tasks for the Corporate Centre and individual PGE Group companies. The exceptions are PGE Group companies to be separated within NABE, where separate audit structures exist. The Director of the Audit Department reports directly to the President of PGE S.A.'s Management Board. Internal audit matters are also presented to the Audit Committee of the Supervisory Board through communication of the results of individual audit assignments and collective, cyclical reporting covering the entire functioning of internal audit at PGE Group. The Audit Committee is a collegiate advisory and opinion-making body of the Supervisory Board, composed of its Members.

The Audit Department's internal structure comprises Audit Offices dedicated to the individual Business Segments of PGE Group and Departments performing activities from the Corporate Centre level. In order to maintain audit independence, the Audit Department in the organisational structure of PGE S.A. reports directly to the President of the Management Board of PGE S.A. Both the Director and the internal auditors support the Company's operational and reporting processes by participating in the performance of advisory tasks and by communicating to the substantive units of PGE S.A. important issues resulting. One of the features of the internal control system at PGE Group is that it operates on the basis of on-going cooperation between the units responsible for audit, security, compliance and internal supervision. This cooperation is carried out in particular through on-going and immediate exchange of information.

In addition, PGE S.A. has in place an Information Coordination System consisting of the coordination - by the unit competent for security - of investigations carried out in the area of security and crisis management by this unit and by the units competent for audit, compliance and internal supervision, in accordance with their jurisdiction, as well as by the organisational units competent for security and crisis management in PGE Group companies.

SHAREHOLDERS WITH A SIGNIFICANT STAKE

Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at Company's General Meeting are presented in p. 8.4 of the foregoing report.

SHAREHOLDERS WITH SPECIAL CONTROL POWERS

Company shares are ordinary, bearer shares listed at the regulated market of the Warsaw Stock Exchange. Company shares are not privileged.

Despite the fact that the Company shares are not privileged, the Statutes provides for special powers for the State Treasury as long as it is the shareholder of the Company. In accordance with statutory provisions, the State Treasury may demand in writing that the Management Board convene the General Meeting, demand that certain matters be placed on the agenda, submit draft resolutions pertaining to matters placed on the agenda of the General Meeting or matters which may be placed on the agenda.

The State Treasury is authorised to appoint one member of the Supervisory Board by means of a written statement submitted to the Management Board of the Company. Such nomination or dismissal takes effect from the date on which the relevant notification is delivered to the Management Board and does not require a General Meeting resolution. The State Treasury may exercise this power regardless of the voting right when appointing other members of the Supervisory Board.

On the ground of the Statutes, the State Treasury holds special right with regard to selection of the Supervisory Board members. Selection of half of members of the Supervisory Board, appointed by the General Meeting, shall be elected from among persons indicated by the State Treasury. The Supervisory Board selects the Chairperson of the Supervisory Board from among its members wherein the Chairperson of the Supervisory Board shall be elected from among persons indicated by the State Treasury. This State Treasury's right is valid until its stake in the Company is not less than 20%.

LIMITATIONS REGARDING EXERCISE OF THE VOTING RIGHTS FROM THE EXISTING SHARES

As from June 29, 2011 the Statutes of the Company provide the limitations regarding exercise of the voting rights in shares. The voting right of shareholders shall be limited in such manner that at the General Meeting, none of them may exercise more than 10% of the total number of votes existing in the Company as at the date of holding the General Meeting, subject to the provision that for the purposes of determining the obligations of entities acquiring considerable blocks of shares as provided for in the Act on public offerings, conditions for introducing financial instruments to an organised trading system and public companies of July 29, 2005, such limitation of the voting right shall be regarded as non-existent.

The above limitation does not apply to the State Treasury and shareholders acting with the State Treasury on the basis of agreements concerning the joint exercise of the voting right related to shares.

In addition, for the purposes of limiting the voting right, votes belonging to shareholders between whom there exists a relationship of domination or dependence (Shareholders Group) shall be cumulated; in the event that the cumulated number of votes exceeds 10% (ten per cent) of the total number of votes in the Company, it shall be subject to reduction.

The accumulation of votes shall consist in the summing of the number of votes remaining at the disposal of shareholders belonging to a Shareholders Group.

The reduction of votes shall consist in decreasing the total number of votes in the Company to which shareholders belonging to a Shareholders Group are entitled at the General Meeting to the threshold of 10% (ten per cent) of the total number of votes in the Company.

The accumulation and reduction of votes together with the detailed description of the shareholders between whom there exists a relationship of domination or dependence are governed by the principles included in the Company's Statutes.

Moreover, each shareholder who intends to participate in the General Meeting, directly or by proxy, shall be obliged, without a separate call, to notify the Management Board or the Chairperson of the General Meeting of the fact that he holds, directly or indirectly more than 10% (ten per cent) of the total number of votes in the Company. This obligation does not apply to the State Treasury. A person who has failed to comply or has complied improperly with that obligation to provide information may exercise the voting right exclusively from one share until the remedy of such failure to. The exercise of the voting right from the other shares by such person shall be ineffective.

Irrespective of the above provision, in order to establish a basis for the accumulation and reduction of votes, a shareholder, the Management Board, the Supervisory Board and the particular members of these bodies may demand that a shareholder provide information whether he is a person having the status of a dominant or dependent entity with respect to another shareholder. The right referred to in the preceding sentence shall also cover the right to demand that a shareholder disclose the number of votes that such shareholder holds independently or together with other shareholders.

At the time when the share of the Company's share capital held by the State Treasury falls below 5%, the limitation of the above voting right shall expire.

LIMITATIONS REGARDING THE TRANSFER OF OWNERSHIP OF THE COMPANY'S SECURITIES

There are no limitations regarding the transfer of ownership of the Company's securities, that the Company is aware of, apart from the limitations regarding the shares of the Company that belong to the State Treasury, resulting from the Act of December 16, 2016 on rules of management of the state assets. Pursuant to art. 13 of the Act in question, shares or rights attached to shares belonging to the State Treasury - as a rule - cannot be sold. Disposal of shares in violation of this prohibition is invalid. Possible sale is permitted, inter alia, to another company whose Shareholder is exclusively the State Treasury or another legal entity or a company expressly mentioned in the aforementioned Act. The manner of sale is also described in the Act.

8.2. Rules for amendments to the Company's Statutes

In accordance with provisions of the Code of Commercial Companies, any amendments to the Company's Statutes require a resolution to be passed by the General Meeting and an entry to the register of entrepreneurs. A resolution on amendments to the Company's Statutes is made with a majority of three fourth votes. The General Meeting of the Company may authorise the Supervisory Board to agree on the uniform text of the amended Company's Statutes or introduce other editing changes as specified in the resolution of the General Meeting. Amendments to the Company's Statutes shall be valid from the day an entry is made to the register of entrepreneurs.

MODE OF OPERATION OF THE GENERAL MEETING OF THE COMPANY, ITS KEY POWERS AND THE RIGHTS OF SHAREHOLDERS AND THE MANNER OF THEIR EXECUTION

Rules of the General Meeting are determined in the Code of Commercial Companies and the Company's Statutes. The additional issues related to the activities of the General Meeting are regulated by the Rules of the General Meeting approved on March 30, 2010 by the Extraordinary General Meeting.

A Shareholder or Shareholders representing at least one-twentieth of the share capital may request that a General Meeting be convened. They may also request that certain matters be placed on the agenda of the next General Meeting. The State Treasury is also entitled to this right as long as it remains a shareholder. The request should be submitted to the Management Board no later than 21 days before the scheduled date of the General Meeting, and if submitted after this date, it will be treated as a request to convene an Extraordinary General Meeting. The request should include a justification or a draft resolution concerning the proposed agenda item. The request may be submitted in electronic form.

At the request of a Shareholder, the list of Shareholders will be sent to him/her free of charge by e-mail to the address he/she has indicated. A Shareholder has the right to request a copy of motions on matters on the agenda within one week prior to the General Meeting. Each Shareholder may, during the General Meeting, propose draft resolutions concerning matters on the agenda in accordance with the provisions of the Polish Commercial Companies Code.

A Shareholder has the right, until the discussion on an agenda item is closed, to propose amendments to the content of the draft resolution proposed for adoption by the General Meeting. The proposal should be justified by the Shareholder. Proposals may be submitted in writing to the Chairperson or orally to the minutes of the meeting. The proposal should indicate the name and surname or name (business name) of the Shareholder, and in the case of a Shareholder represented by a representative, also the name and surname of the representative. A Shareholder raising an objection has the opportunity to submit a brief justification of the objection to the minutes of the General Meeting.

The Company's Statutes and the Rules of the General Meeting are available on the PGE's website at.

[Statute of PGE S.A.](#)

[Regulations](#)

CONVENING AND CANCELLING THE GENERAL MEETING

The General Meeting is convened in the manner and in circumstances described in the Code of Commercial Companies and the Company's Statutes. The detailed method of convening and cancelling the General Meeting is defined in the Rules of the General Meeting.

Pursuant to the Statutes of the Company, the Management Board shall convene the General Meeting on its own initiative, at the written demand of the Supervisory Board or demand of the shareholder or shareholders representing at least one twentieth of the share capital or at the written demand of the State Treasury as long as the State Treasury remains a shareholder of the Company.

The General Meeting should be convened within two weeks of the demand, by the Supervisory Board, shareholder or the State Treasury. If the General Meeting is not convened within two weeks of the demand, the registry court may authorise the shareholder or shareholders making such a demand to convene the Extraordinary General Meeting. Announcement about the convening of the general Meeting of the Company and Materials issued to shareholders in connection with the General Meeting, in particular draft resolutions proposed for voting by the General Meeting and other essential materials are provided by the Company at least 26 days before the date of the General Meeting of the Company on the corporate website www.gkpge.pl, in the manner specified for submitting current information pursuant to regulations on public offering and conditions governing the introduction of financial instruments to organised trading, and public companies.

Cancelling of the General Meeting or changing the date of the Meeting supervenes through announcement on the company's website. The Company makes efforts to ensure that cancelling of the General Meeting or changing the date of the Meeting creates the least negative results for the Company and the shareholders.

Cancelling of the General Meeting is possible only on the petitioners' permission or when holding of the meeting faces extraordinary obstacles or is nonrepresentational.

Cancelling of the General Meeting and changing the date of the Meeting shall occur promptly after occurrence of rationale justifying the cancelling or change of date, but not later than seven days before the date of the General Meeting, except when it is not possible or excessively difficult under the given circumstances, then the cancelling or change of date may occur at any time before the General Meeting date.

COMPETENCIES OF THE GENERAL MEETING OF THE COMPANY

According to the provisions of the Code of Commercial Companies and Company's Statutes the General Meeting's main competences include adoption of resolutions on the following matters:

- review and approval of the report of the Management Board on the activities of the Company and the Capital Group, financial statements and the consolidated financial statements for the past financial year,
- granting approval of fulfilment of duties by the Members of the Supervisory Board and Members of the Management Board,
- decision on the distribution of profit or covering the loss,
- appointment and recall of Members of the Supervisory Board and determination of rules of remuneration for the Members of the Supervisory Board,
- acquisition and lease of the undertaking or its organised part and placing a limited material right thereon,
- concluding credit, loan, suretyship or similar agreement with a member of the Management Board, Supervisory Board, proxy, liquidator or in the name of any of such persons,
- increase and reduction of the share capital of the Company,
- issue of convertible bonds or preferential bonds, issue of subscription warrants,
- decisions regarding claims for repair of damage caused during founding of the company and management or supervision over the Company,
- merger, transformation and division of the Company,
- redemption of shares,
- amendment to the Statutes and change of the subject of activities of the Company,
- dissolution and liquidation of the Company,
- the PGE's disposal of shares/interests in a company with respect to which frequencies from the ranges 452.5-457.5 MHz and 462.5-467.5 MHz have been reserved pursuant to a decision on frequency reservation to be issued, after consultations with the minister competent for energy-related matters, by the President of the Electronic Communication Office,
- the determination of the manner of voting at the General Meeting of a company with respect to which frequencies from the ranges 452.5-457.5 MHz and 462.5-467.5 MHz have been reserved pursuant to a decision on frequency reservation to be issued, after consultations with the minister competent for energy-related matters, by the President of the Electronic Communication Office, on matters concerning amendments to such a company's statutes / agreement.

The sale and purchase of real property, perpetual usufruct or share in real properties does not require a resolution of the General Meeting.

The General Meeting of Shareholders may vote on resolutions pertaining only to matters included on the detailed agenda, with reservation to art. 404 of the Code of Commercial Companies. This article stipulates that no resolution may be passed on items not on the agenda unless the entire share capital is represented at the General Meeting and no one present objects to the passing of the resolution. Only a motion to convene an Extraordinary General Meeting and motions of a procedural nature may be passed, even though they were not included in the agenda of the meeting.

PARTICIPATION IN THE GENERAL MEETING OF THE COMPANY

The right to participate in the General Meeting is available only to persons who are shareholders of the Company sixteen days before the date of the General Meeting (date of registration of participation in the General Meeting). Lienors and users, who have the voting right, may participate in the General Meeting, if they are registered in the stockholders' ledger as at the date of registration of participation in the General Meeting.

A shareholder may participate in the General Meeting provided that the shareholder presents a personal certificate confirming the right to participate in the General Meeting issued by the entity which keeps the securities account.

A shareholder participates in the General Meeting and exercises the right to vote in person or through the Proxy. Proxy to participate in the General Meeting and exercise the right to vote must be granted in writing or in electronic form. Proxy granted in electronic form should be sent to the e-mail address of the Company stated in the announcement on the General Meeting, no later than before the beginning of the General Meeting. From the date the General Meeting is convened, the Company provides a form with a specimen of proxy in electronic form on its website. The Proxy of a shareholder exercises all the rights of the shareholder unless proxy provides otherwise. If the shareholder has shares recorded in more than one securities account, the shareholder may appoint a Proxy to exercise rights in shares recorded in each account.

VOTING AT THE GENERAL MEETING OF THE COMPANY

Resolutions of the General Meeting are passed with the absolute majority of votes, subject to other provisions of the Code of Commercial Companies and the Company's Statutes. One Company share carries the right to one vote at the General Meeting of the Company.

Subject to governing provisions of the law and of the Statutes, the voting shall be open. A secret voting is administered during appointments of members of Company's authorities or liquidators, and motions for recalling or prosecuting and during voting on personal matters. A secret voting should be also administered when requested by at least one of the shareholders present or represented at the General Meeting. The General Meeting may pass a resolution to override secret voting for matters pertaining to founding of a commission appointed by the General Meeting.

GENERAL MEETINGS IN 2022

In 2022, four General Meetings of the Company were held. Extraordinary General Meetings were held on March 7, 2022, April 6, 2022 and December 14, 2022, and the Annual General Meeting was held on June 22, 2022.

On March 7, 2022, the Extraordinary General Meeting of the Company passed resolutions on, among other things:

- to consent to the voting method determined by the Management Board of PGE S.A. at the General Meeting of PGE Systemy S.A. on amendments to the Articles of Association of PGE Systemy S.A.,
- principles for determining the remuneration of members of the Management Board.

On April 6, 2022, the Extraordinary General Meeting passed resolutions on, among other things:

- lowering the share capital by reducing the nominal value of shares with a simultaneous increase in the share capital by way of issuing E series shares in a private subscription, depriving the existing shareholders of the pre-emptive right to all E series shares entirely, applying for admission and introduction of E series shares or rights to E series shares to trading on a regulated market managed by the Warsaw Stock Exchange, dematerialisation of E series shares or rights to E series shares and amendment to the Company's Articles of Association,
- change of the Company's registered office from Warsaw to Lublin,
- amendments to the Company's Articles of Association in connection with the change of registered office.

On June 22, 2022, the Annual General Meeting passed resolutions on, among other things:

- approval of "Separate financial statements of PGE Polska Grupa Energetyczna S.A. for the year 2021 ended December 31, 2021 in accordance with EU IFRS (in millions of PLN)",
- approval of the "Consolidated financial statements of PGE Polska Grupa Energetyczna S.A. for 2021 year ended December 31, 2021 in accordance with EU IFRS (in millions of PLN)",

- approval of the "Report of the Management Board on the activities of PGE Polska Grupa Energetyczna S.A. and PGE Group for the year 2021 ended December 31, 2021",
- distribution of the Company's net profit for the financial year 2021,
- approval of the "Report on the activities of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. for 2021",
- approval of the "Report of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. on the assessment of the Company's situation in 2021, including the assessment of the internal control systems, risk management, compliance and internal audit function",
- approval of the "Report on Remuneration of the Members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A.",
- adoption of the "Remuneration Policy for the Members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A.",
- grant a vote of approval to all members of the Management Board and Supervisory Board.

On December 14, 2022, the Extraordinary General Meeting of the Company only adopted resolutions of a procedural nature in connection with the failure of Shareholders to submit motions on the subject of adopting resolutions on changes to the composition of the Supervisory Board.

8.3. Composition and the description of operations of the management and supervisory bodies and its committees

MANAGEMENT BOARD

MANAGEMENT BOARD MEMBERS

As at January 1, 2022, the Company's Management Board was composed of:

Name and surname of the Management Board	Position	
Wojciech Dąbrowski	President of the Management Board	from February 20, 2020
Wanda Buk	Vice-President for Regulatory Affairs	from September 1, 2020
Ryszard Wasilek	Vice-President for Operations	from February 20, 2020
Paweł Śliwa	Vice-President for Innovations	from February 20, 2020
Paweł Cioch	Vice-President for Corporate Affairs	from February 24, 2020 until November 17, 2022
Lechosław Rojewski	Vice-President for Finance	from June 9, 2021

On November 17, 2022 the Supervisory Board adopted resolution on dismissal of Mr Paweł Cioch, Vice-President for Corporate Affairs, of which the Company's Management Board informed in current report No. 52/2022, in accordance with Art. 56 sec. 1 of the Act on Public Offering - current and periodic information.

As at December 31, 2022, the Company's Management Board was composed of:

Name and surname of the Management Board	Position	
Wojciech Dąbrowski	President of the Management Board	from February 20, 2020
Wanda Buk	Vice-President for Regulatory Affairs	from September 1, 2020
Ryszard Wasilek	Vice-President for Operations	from February 20, 2020
Paweł Śliwa	Vice-President for Innovations	from February 20, 2020
Lechosław Rojewski	Vice-President for Finance	from June 9, 2021

On January 4, 2023, as a result of the qualification procedure, the Supervisory Board adopted Resolution No. 107/XII/2023 on the appointment of Mr. Rafał Włodarski to the Management Board of PGE S.A., entrusting the function of Vice President of the Management Board for Support and Development with effect from January 9, 2023.

At the publication date of this report, the Management Board works in following composition:

- Wojciech Dąbrowski – President of the Management Board
- Wanda Buk – Vice-President for Regulatory Affairs
- Lechosław Rojewski – Vice-President for Finance
- Paweł Śliwa – Vice-President for Innovations
- Ryszard Wasilek – Vice-President for Operations
- Rafał Włodarski – Vice-President for Support and Development.

Wojciech Dąbrowski – President of the Management Board



Mr Wojciech Dąbrowski was appointed to the Management Board of PGE of the 11th term on February 20, 2020. He graduated from the Faculty of Law and Administration at the University of Warsaw. He later completed postgraduate studies at the Warsaw University of Technology, in the Faculty of Power and Aeronautical Engineering, in the area of steam exploitation, gas and steam-gas power plants, combined heat and power plants. Moreover, he is a graduate of the Leon Kozłowski Academy and the University of Warsaw, in Management in Public Administration.

Mr Dąbrowski has been working as a manager in the energy sector for ten years. From November 2017 to February 2020, he was the President of the Management Board of the PGE EC, where he completed the process of Polish heat industry assets integration, acquired by PGE from the French company EDF. From January 2016 to November 2017, he was President of the Management Board of the PGNiG Termika S.A., where he completed the process of acquisition in PEC Jastrzębie and SEJ Jastrzębie, strengthening the market position of PGNiG Termika. Between 2011 and 2016, he was Vice-President of the Municipal Heat Energy Company in Wołomin Ltd.

Wanda Buk – Vice-President for Regulatory Affairs



Wanda Buk was appointed to the Management Board of the eleventh term of office as from September 1, 2020. She is an attorney, she graduated from the Faculty of Law and Administration at the University of Łódź, as well as the Faculty of French Business Law at the Université de Poitiers in France. She also graduated International Military Relations at the War Studies Academy, European Academy of Diplomacy, postgraduate studies at the Warsaw School of Economics and the prestigious Leadership Academy for Poland programme organised by the Center for Leadership in cooperation with Harvard University.

Ms. Wanda Buk has held position of the Undersecretary of State at the Ministry of Digital Affairs since July 2018. She has been managing Telecommunications Department, Legal Department, International Policy Department and Office of the Minister. At the same time she has been a member of the Committee for European Union, the Standing Committee of the Council of Ministers and the Joint Central Government and Local Government Committee. From January 2016, Wanda Buk was the director of the Digital Poland Project Centre. She managed the institution responsible for implementation of European funds earmarked for the digitisation of the country. She was responsible for the implementation of EU-funded projects with a total value of PLN 10 billion, including: building IT and telecommunications infrastructure providing access to fast broadband, development of high availability and quality electronic services, digitisation in public administration and culture, building digital skills on a national scale with particular emphasis on coding, as well as promoting basic computer science knowledge in various social groups. She worked in a number of law firms, where she implemented infrastructure projects, including ones financed from public funds. She also advised entities operating on the regulated market.



Lechosław Rojewski - Vice-President for Finance

Lechosław Rojewski was appointed to the Management Board of PGE S.A. of the 11th term of office on June 9, 2021. Mr. Lechosław Rojewski is a graduate of Gdynia Maritime University, AGH University of Science and Technology in Kraków and doctoral studies at the Institute of Economics at the Polish Academy of Sciences in Warsaw. He completed numerous training and courses in accounting, taxes, controlling, IAS, IFRS and finances. Entitled to provide services consisting in maintenance of accounting ledgers. He was a participant of Controlling and Management Accounting Academy. Certified European Fund advisor. Worked as an assistant professor in Kotarbiński University of Information Technology and Management in Olsztyn. He collaborated with WSB University (Wyższa Szkoła Bankowa) in Gdańsk and Gdynia as well as with the University of Business and Administration in Gdynia.

In the years 2019-2021 he was the Vice-President of the Management Board for finance at Węglokoks S.A. From 2016 to 2019, he was associated with Port Gdański Eksploatacja S.A., where he first served as the Vice-President of the Management Board for finance and then the President of the Management Board. Moreover, he gained experience while working in production, service and commercial companies and on the positions of an expert, coordinator and moderator of EU projects concerning the implementation of strategic planning in a company and the introduction of innovative technical and organisational solutions ensuring effective competitiveness in the national and foreign markets. He has broad experience in restructuring of companies, optimisation of financial and accounting processes, planning and budgeting, management of financial flows and mitigation of foreign exchange risk. He also implemented integrated IT systems (ERPs).



Paweł Śliwa – Vice-President for Innovations

Mr Paweł Śliwa was appointed to the Management Board of PGE of the 11th term on February 20, 2020. Mr. Paweł Śliwa graduated from Law and Administration Faculty at the Maria Curie-Skłodowska University in Lublin, branch in Rzeszów. He completed PhD studies on the Cardinal Stefan Wyszyński University in Warsaw. Completed attorney apprenticeship in Regional Bar Council in Rzeszów.

From March 1, 2016 till March 22, 2016 he held a position of the Supervisory Board member of PGE. Since November 2011 he has been a judge of the Tribunal of State. From 2002 Mr. Paweł Śliwa has run a Law Firm in Gorlice. Since October 2010 a councilor in the legislative assembly of Małopolskie voivodship. In years 2005-2012 ran a Solicitor's Partnership in Gorlice. In years 2006-2007 he held the position of the Vice-Chairman of the Supervisory Board of Ruch S.A.

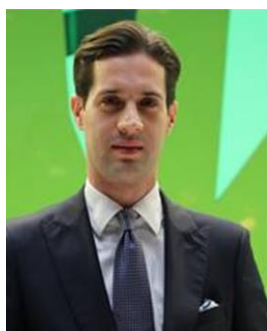


Ryszard Wasilek – Vice-President for Operations

Mr Ryszard Wasilek was appointed to the Management Board of PGE of the 11th term on February 20, 2020. He graduated from the Faculty of Mechanical Engineering at the Szczecin University of Technology, and completed postgraduate studies District Heating and Heating of the Warsaw University of Technology, Faculty of Environmental Engineering.

From 2003 till 2016 he was the President of the Management Board of a district heating company Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Stargard. In years 1990-1994 Mr. Ryszard Wasilek served as the Deputy President of Stargard, responsible for economic policy and in years 1994-2003 worked at KielArt Sp. z o.o. in Szczecin as CEO – Chairman.

He's been a Member of the Council of the Stargard Chamber of Commerce (since 2004), a Member of the Regional Council of the Polish Chamber of District Heating – North-Western Region (since 2010) and a Member of the National Council of the Polish Chamber of District Heating (since 2014). In years 1993-1994 Ryszard Wasilek was also the President of the Western Pomerania Municipal Community "Euroregion Pomerania".



Rafał Włodarski – Vice-President for Support and Development.

Mr Rafał Włodarski was appointed to the Management Board of PGE of the 11th term on January 4, 2023. A graduate of the Faculty of Law and Administration of the University of Warsaw. In 2013, after completing his legal counsel training conducted by the Warsaw Bar Association, he was admitted to the bar.

Until January 2023 Mr. Rafał Włodarski served as Deputy Director of the Supervision Department I at the Ministry of State Assets, and prior to joining the Ministry of State Assets he worked with leading law firms in Poland, where as a member of the Energy & Natural Resources, Corporate/M&A and Banking&Finance practices he participated in a number of key transactions in the Polish market, with an aggregate value in excess of PLN 10 billion. Moreover, between September 2020 and January 2023 he was the Supervisory Board member of ENEA S.A.



Paweł Cioch – Vice-President for Corporate Affairs

Mr Paweł Cioch was appointed to the Management Board of PGE of the 11th term on February 24, 2020. Doctor of Law, a graduate of the Faculty of Law, Canon Law and Administration of the Catholic University of Lublin in 2003. In 2006 he completed a judicial apprenticeship completed with a judicial exam at the Court of Appeal in Rzeszów, as well as obtained a PhD in legal sciences at KUL and was registered on the roll of attorneys-at-law.

He specializes in providing legal services to commercial law companies and public finance sector entities. For many years, he provided legal services to capital companies in the manufacturing, transport and construction industries, as well as local government units and organizational units of the State Treasury. Mr Cioch has experience in the implementation of corporate governance in capital companies. Since 2007, the owner of the Law Firm of Attorney-at-Law - dr Paweł Cioch, and since 2016 the Managing Partner of the law firm Cioch & Partnerzy. At the same time, since 2018 he has been the Legal Advisor of the Marshal of the Lublin Province.

The Management Board of the Company consists of from one to seven members, including President; the remaining members fulfil the functions of Vice-Presidents. Members of the Management Board are appointed for a joint three-year term of office.

The Management Board or individual members of the Management Board are appointed and recalled by the Supervisory Board, following a competitive procedure intended to test and evaluate the candidates' qualifications and to select the best candidate for the position of Management Board member, with the stipulation that candidates for this post must meet the conditions specified in binding PGE's Statutes.

Pursuant to § 15 sec. 2, 3 of PGE's Statutes, a candidate for a Member of the Management Board may be a person fulfilling jointly the following conditions:

- shall meet the conditions specified in Article 22 of the State Property Management Act;
- has higher education or higher education acquired abroad and recognized in the Republic of Poland on the basis of separate regulations;
- has at least a five years' period of employment on the basis of an employment agreement, appointment, selection, nomination, a cooperative employment agreement, or providing services on the basis of other agreements, or conducting business activities in the capacity of a self-employed entrepreneur;
- has at least three years' experience of working at managerial or independent positions, or experience resulting from business activities conducted in the capacity of a self-employed entrepreneur;
- meets requirements other than these specified in items 1–3, specified in separate regulations, in particular, a candidate does not breach any restrictions or prohibitions related to the holding of a position of a member of a governing body in commercial companies.

Pursuant to § 15 sec. 4 of the Statutes a candidate for a Management Board Member cannot be a person who fulfils at least one of the following conditions:

- holds a position of a social coworker or is employed in an office of a Member of the Parliament, a Member of the Senate or a Member of the European Parliament on the basis of an employment agreement or performs work on the basis of a contract of mandate or any other contract of a similar character;
- is a member of a political party's body representing a political party and authorized to incur liabilities;

- is employed by a political party on the basis of an employment agreement or performs work on the basis of a contract of mandate or any other contract of a similar character;
- holds an elective position in a trade union functioning in the company or a trade union functioning in a company belonging to the capital group;
- a candidate's social or business activities are in conflict with the interests of the company..

In addition, each member of the Management Board may be recalled or suspended by the General Meeting or, for major reasons, suspended by the Supervisory Board. A resolution of the Supervisory Board on the suspension of a member of the Management Board must include a justification. The Supervisory Board may delegate members of the Supervisory Board to perform activities of the members of the Management Board on a temporary basis. A member of the Management Board submits his/her resignation in writing to the Supervisory Board at the address of the registered office of the Company.

COMPETENCIES OF THE MANAGEMENT BOARD

The Management Board administers affairs of the Company and represents the Company in all court and out-of-court affairs. The Management Board deals with all the matters related to managing the affairs of the Company, not reserved by the law or Statutes for the General Meeting or the Supervisory Board.

Co-operation of two Members of the Management Board or one member of the Management Board with a proxy is required to make statements on behalf of the Company. In the event that the Management Board comprises one member, declarations of intent on behalf of the Company may be made by the sole Management Board member.

The *modus operandi* of the Management Board and internal division of competence among Management Board members as regards managing the Company's affairs are specified in regulations of the Management Board.

Pursuant to the Statutes of the Company, resolutions of the Management Board are required for all matters that go beyond the scope of ordinary acts of the Company. In the case of a voting tie, the President of the Management Board has the casting vote.

In accordance with the PGE's Statutes, resolutions of the Management Board are required particularly for the following:

- the Company's acquisition or disposal of the following components of assets: real property, perpetual usufruct, interest in real property or perpetual usufruct, shares, interests or other participation rights,
- incurring credits and loans,
- granting sureties and guarantees by the Company and issuance of promissory notes,
- making donations and releasing from debts,
- concluding agreements not related to the Company's business activities specified in § 3 clause 1 of the Statutes,
- appointing commercial proxies,
- appointing Company proxies authorised to incur liabilities with a value exceeding PLN 400 000, excluding (i) the powers of attorney to conclude agreements or incur liabilities related to trade in electricity and gas, related products and rights related thereto, and related to the purchase and sale of fuels and raw materials (ii) powers of attorney *ad litem*,
- adopting the Regulations of the Management Board,
- approving the Company's Organisational Regulations,
- establishing and closing Branches,
- establishing of another company,

- adopting the Company's yearly and long-term financial plans, including investment, marketing and sponsorship plans,
- approving the rules of conducting sponsorship activity,
- adopting the Company's development Strategy,
- determining the method of exercising the voting right at general meetings or general meetings of the companies in which the Company holds shares or interests,
- making advanced payments towards planned dividends,
- approving the materials submitted by the Management Board to the Supervisory Board.

Regardless of the above mentioned matters, resolutions of the Management Board are required for any matter referred by the Management Board to the Supervisory Board or the General Meeting.

The Statutes do not provide for detailed regulations which authorise Members of the Management Board to decide on the issue or buy-out of shares.

ACTIVITIES AND ORGANISATION OF WORK OF THE MANAGEMENT BOARD

The Management Board manages Company's affairs in a transparent and effective manner based on and within the limits of the governing provisions of the law, including the Code of Commercial Companies, provisions of the Company's Statutes, Rules of the Management Board and other internal regulations governing in the Company.

The works of the Management Board are headed by the President of the Management Board. Meetings of the Management Board are convened by the President of the Management Board on his/her own initiative or on the motion of a member of the Management Board. Management Board meetings may take place without having been formally called, provided that all Management Board members were effectively notified about the meeting and none of the Management Board members object to the meeting taking place and to the proposed meeting agenda.

Minutes are taken for each meeting of the Management Board and signed by the members of the Management Board, not excluding persons who filed a dissenting opinion or were temporarily absent when adopting any of the resolutions. The minutes are stored in the Book of Minutes. Resolutions of the Management Board are passed with an absolute majority of votes in an open voting. In case of voting parity, the President of the Management Board has the decisive vote. A secret voting is administered by a member of the Management Board. All members of the Management Board must be properly notified of the scheduled meeting for the resolutions to be valid. A member of the Management Board may present an opposing opinion with a justification to be included in the minutes.

Resolutions may be made in writing or using means of direct remote communications.

Competencies of members of the Management Board regarding the ordinary management to operating areas in which individual members of the Management Board perform the leading role. For the functions performed, each member of the Management Board is assigned appropriate scope of responsibilities for the Company's affairs, as presented below.

At the date of publication of this report, the responsibilities of the individual Management Board Members are as follows:

Mr Wojciech Dąbrowski – President of the Management Board is authorised and responsible for managing the activities of PGE S.A. in area covering the following organisation units: Security Department, Mergers and Acquisitions Department, Corporate Communication Department, Marketing and Advertising Department, Investor Relations and ESG Department, Compliance Department, Audit Department, Internal Supervision Department, Department of Law and Corporate Governance, Office of Services for Company's Authorities, and in the field of supervision over subsidiaries of PGE S.A. is entrusted substantive supervision over the following companies and their subsidiaries: PGE Energia Ciepła S.A., PGE Baltica sp. z o.o. along with

other companies engaged in the Offshore Wind Farm Construction Program and supervision over PGE Foundation;

Mrs Wanda Buk - Vice-President for Regulations is authorised and responsible for managing the activities of PGE S.A. in area covering the following organisation units: Sales and Customer Relations Department, Regulations Department, Bureau for Supporting Instruments, International Relations, and in the field of supervision over subsidiaries of PGE S.A. is entrusted substantive supervision over PGE Obrót S.A. and its subsidiaries;

Mr Ryszard Wasilek – Vice-President for Operations is authorised and responsible for managing the activities of PGE S.A. in area covering the following organisation units: : Operational Management and Investments Department, Department of Production Material Supplies, Department of Trading, Department of Conventional Energy Trading, Department of Raw Materials for Conventional Generation, Dialogue and Social Relations Department and in the field of supervision over subsidiaries of PGE S.A. is entrusted substantive supervision over the following companies and their subsidiaries: PGE GiEK S.A., PGE Dystrybucja S.A., PGE Trading GmbH w likwidacji, ELBIS sp. z o.o., ELBEST Security sp. z o.o.; Megazec sp. z o.o., PGE Gryfino 2050 sp. z o.o., Rybnik 2050 sp. z o.o., Energoserwis Kleszczów sp. z o.o.;

Mr Paweł Śliwa – Vice-President for Innovations is authorised and responsible for managing the activities of PGE S.A. in area covering the following organisation units: Department of Integration and Internal Advisory, Department of Development and Innovation, Department of Offshore Wind Energy, Department of Circular Economy, and in the field of supervision over subsidiaries of PGE S.A. is entrusted substantive supervision over the following companies and their subsidiaries: PGE Energia Odnawialna S.A., PGE Ekoserwis S.A., PGE Ventures sp. z o.o., PGE Inwest 12 sp. z o.o., PGE Inwest 14 sp. z o.o., PGE Inwest 21 sp. z o.o., PGE Inwest 22 sp. z o.o., PGE Inwest 23 sp. z o.o., PGE Inwest 24 sp. z o.o., PGE Inwest 25 sp. z o.o., ElectroMobility Poland S.A., PGE Nowa Energia sp. z o.o. w likwidacji;

Mr Lechosław Rojewski – Vice-President for Finance is authorised and responsible for managing the activities of PGE S.A. in area covering the following organisation units: Controlling Department, Reporting and Tax Department, Risk and Insurance Department, Treasury Department, IT Strategy Department, Market Analysis Department, and in the field of supervision over subsidiaries of PGE S.A. is entrusted substantive supervision over the following companies and their subsidiaries: PGE Dom Maklerski S.A., PGE Systemy S.A., PGE Synergia sp. z o.o., PGE Sweden AB, PGE Asekuracja S.A.;

Mr Rafał Włodarski – Vice-President for Support and Development from January 9, 2023 is authorised and responsible for managing the activities of PGE S.A. in area covering the following organisation units: Administration Department, Human Capital Management and Organisational Culture Department, Procurement Department, Occupational Health and Safety Office, Department of Nuclear Energy, and in the field of supervision over subsidiaries of PGE S.A. is entrusted substantive supervision over the following companies and their subsidiaries: PGE Inwest 2 sp. z o.o., PGE Inwest 9 sp. z o.o., PGE Inwest 10 sp. z o.o., PGE Inwest 11 sp. z o.o., PGE Inwest 20 sp. z o.o.

Mr Paweł Cioch – until the date on which he was Vice-President of the Management Board for Corporate Affairs, i.e. until November 17, 2022, he was authorised and responsible for managing the activities of PGE S.A. in area covering the following organisation units: Administration Department, Human Capital Management and Organisational Culture Department, Procurement Department, Occupational Health and Safety Office, and in the field of supervision over subsidiaries of PGE S.A. was entrusted substantive supervision over the following companies and their subsidiaries: PGE Dystrybucja S.A., PGE Inwest 2 sp. z o.o., PGE Inwest 9 sp. z o.o., PGE Inwest 10 sp. z o.o., PGE Inwest 11 sp. z o.o., PGE Inwest 20 sp. z o.o., PGE Inwest 21 sp. z o.o., PGE Inwest 22 sp. z o.o., PGE Inwest 23 sp. z o.o., PGE Inwest 24 sp. z o.o., PGE Inwest 25 sp. z o.o.

SUPERVISORY BOARD

Supervisory Board of PGE S.A. operates on the basis of the Act of September 15, 2000 - Code of Commercial Companies and the Company's Statute and Regulations of the Supervisory Board, the content of which is available on the Company's website.

SUPERVISORY BOARD MEMBERS

As at January 1, 2022, the Company's Supervisory Board was composed of:

Name and surname	Position
Anna Kowalik	Chairman of the Supervisory Board
Artur Składanek	Vice-Chairman of the Supervisory Board – independent
Grzegorz Kuczyński	Secretary of the Supervisory Board - independent
Janina Goss	Supervisory Board Member - independent
Zbigniew Gryglas ¹	Supervisory Board Member - independent
Tomasz Hapunowicz	Supervisory Board Member - independent
Marcin Kowalczyk	Supervisory Board Member
Mieczysław Sawaryn	Supervisory Board Member - independent
Radosław Winiarski	Supervisory Board Member

¹ Due to the termination of the legal relation between Mr Zbigniew Gryglas and the Ministry of State Assets, on January 18, 2022, Mr Zbigniew Gryglas submitted a statement regarding the independence criteria.

On June 22, 2022, the Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A. appointed the Supervisory Board of the twelfth term of office. Additionally, on July 12, 2022 the Company received a statement of the Minister of State Assets appointing Mr. Zbigniew Gryglas as a member of the Supervisory Board of the Company.

As at December 31, 2022, the Company's Supervisory Board was composed of:

Name and surname	Position
Anna Kowalik	Chairman of the Supervisory Board
Artur Składanek	Vice-Chairman of the Supervisory Board – independent
Radosław Winiarski	Secretary of the Supervisory Board
Janina Goss	Supervisory Board Member - independent
Zbigniew Gryglas	Supervisory Board Member - independent
Tomasz Hapunowicz	Supervisory Board Member - independent
Marcin Kowalczyk ¹	Supervisory Board Member
Mieczysław Sawaryn	Supervisory Board Member - independent

¹ On February 9, 2023, the Company received the resignation of Mr Marcin Kowalczyk from membership in the Supervisory Board of PGE S.A. effective February 9, 2023.

As at the date of publication of this report the Supervisory Board works in following composition:

- Anna Kowalik - Chairman of the Supervisory Board
- Artur Składanek - Vice-Chairman of the Supervisory Board
- Radosław Winiarski - Secretary of the Supervisory Board
- Janina Goss - Supervisory Board Member
- Zbigniew Gryglas - Supervisory Board Member
- Tomasz Hapunowicz - Supervisory Board Member
- Mieczysław Sawaryn - Supervisory Board Member

Anna Kowalik – Chairperson of the Supervisory Board

She is a graduate of the Faculty of Law and Administration at the University of Warsaw. A legal counsel (after completing the legal adviser apprenticeship in Warsaw) with many years of experience in corporate supervision over companies with State Treasury shareholding, including companies of significant importance to the state economy in the Ministry of State Treasury.

She was the director of the Legal Office at the Ministry of Energy and the Deputy Director of Legal Department at the Ministry of State Assets. Participant of many trainings in the field of commercial law, public companies and economy. Lecturer in commercial law at trainings for managerial staff and for candidates for a supervisory board member in companies with the Treasury shareholding. Member of supervisory boards in the following companies: Polskie Linie Lotnicze LOT S.A., Kombinat Koksochemiczny Zabrze S.A., Pabianickie Zakłady Farmaceutyczne Polfa S.A., Inowrocławskie Zakłady Chemiczne Soda Mątwy S.A., Zakłady Chemiczne Rudniki S.A., Metalplast Złotów S.A. and the function of the Partner's Proxy at Fabryka Obrabiarek do Drewna sp. z o.o. in Bydgoszcz.

Artur Składanek – Vice-Chairman of the Supervisory Board

Mr. Artur Składanek holds Master Engineer degree obtained from Institute of Chemistry at the Warsaw University of Technology in 1983. During years 1983 – 1985 he was taking individual studies at the Faculty of Power and Aeronautical Engineering at the Warsaw University of Technology.

During years from 1994 to 2007 Mr. Artur Składanek was running his own business activity - AWI – Przedsiębiorstwo Wielobranżowe. From June 2007 Mr. Artur Składanek started to work in Finpol Rohr sp. z o.o. as a Production Specialist and from January 2008 has held a position of Director of Production. Since January 2018 a chief specialist for business development in Radpol S.A. and since 2020 he heads the research and development department at Radpol S.A.

Mr. Artur Składanek has a diploma confirming the passing of an exam for candidates for members of supervisory bodies of State Treasury companies.

In accordance with the submitted statement, Mr. Tomasz Hapunowicz meets the independence criteria of a supervisory board member, determined in Best Practices 2021.

Radosław Winiarski – Secretary of the Supervisory Board

Mr. Radosław Winiarski graduated from Faculty of Management at the University of Warsaw. Since 2001 he has been working as a researcher at the above faculty in the Department of Economy's Financial Systems, within the Unit of Banking and Financial Markets. In 2007 he earned PhD in Economics, at his alma mater – in the field on management.

In years 2007-2016 he was employed in the Ministry of State Treasury and in years 2016-2019 employed at the Ministry of Energy. Mr Radosław Winiarski used to be a member of supervisory boards of inter alia ENEA S.A., H. Cegielski S.A. and Polfa Tarchomin S.A. Since September 2017 Mr. Radosław Winiarski has been a member of supervisory board of Lotos Upstream sp. z o.o. Since 2019, he has been associated with the Ministry of State Assets, where he is the head of the Department in the Department of Analysis and Reporting.

Janina Goss – Member of the Supervisory Board

Ms. Janina Goss is a graduate of Law Faculty at the University of Łódź. A legal counsel.

In years 1968-1990 she worked in the Management Board of Spółem, including 20 years as a legal counsel. In years 1990-2003 Member of the Local Government Appeal Council in Łódź, in years 1991-2003 she was employed as legal counsel in Provincial Inspectorate of Environmental Protection in Łódź. In years 2006-2009 she was a Supervisory Board member in TVP S.A., including approx. 2 years at the position of the Chairman of the Supervisory Board. In years 2009-2010 she was a Supervisory Board member in Polskie Radio S.A. Since 2012 Ms. Janina Goss has held a position of Management Board member in Srebrna Sp. z o.o.

In period from June 23, 2016 till January 10, 2023 she was a member of the Supervisory Board in Bank Ochrony Środowiska S.A. From January 11, 2023, she is a member of the Supervisory Board of PKN ORLEN S.A.

In accordance with the submitted statement, Ms. Janina Goss meets the independence criteria of a supervisory board member, determined in Best Practices 2021.

Zbigniew Gryglas – Member of the Supervisory Board

Mr. Zbigniew Gryglas is a graduate of the National School of Public Administration, ART Olsztyn and completed postgraduate studies at the Warsaw School of Economics.

He has over a dozen years of experience in the ownership supervision over companies with State Treasury shareholding, gained at the Ministry of the Treasury (1996-2006) and the Ministry of State Assets (2019-2021). He completed an internship at the European Commission - Directorate-General for Energy. Member of the Sejm Committee on Energy and the State Treasury of the 8th parliamentary term. Chairman of the Parliamentary Offshore Wind Energy Group (OWE) 2016-2019, and in the years 2020-2021 Plenipotentiary of the Minister of State Assets for OWE. Many years of experience in working in the bodies of commercial law companies, including the energy sector ones, among others: Chairman of the Supervisory Board of Nafta Polska S.A. in the years 2000-2005, Chairman of the Supervisory Board of Naftoport Sp. z o.o. in the years 2005-2006. Member of the Supervisory Boards of the following companies: H. Cegielski Poznań S.A., Polpharma S.A., RPBI S.A., SSSE S.A. In the years 2009-2015, he ran a business activity in the field of mergers and acquisitions as well as investment project evaluations.

One of the co-authors of the Power Sector Restructuring Programme of 2006 establishing the currently existing four Energy Groups (PGE S.A., ENEA S.A., TAURON Polska Energia S.A. and ENERGA S.A.) and one of the co-authors of the Act on supporting electricity generation in offshore wind farms.

In accordance with the submitted statement, Mr. Zbigniew Gryglas meets the independence criteria of a supervisory board member, determined in Best Practices 2021.

Tomasz Hapunowicz – Member of the Supervisory Board

Mr. Tomasz Hapunowicz graduated from Faculty of Humanities at Podlasie University in Siedlce and Post graduate studies of local government and local development at the University of Warsaw.

In years 2010-2021 he held position of Zbuczyn Commune head. Od listopada 2016 roku Członek Rady Nadzorczej Torpol S.A. Since November 2016, he has been a member of the Supervisory Board of Torpol S.A. Previously, he was a manager of cultural institute and was a specialist in external funds. He is experienced in execution of investments financed from EU funds. Author and coordinator of several dozen projects financed from EU funds. Mr. Tomasz Hapunowicz has a diploma confirming the passing of an exam for candidates for members of supervisory bodies of State Treasury companies.

In accordance with the submitted statement, Mr. Tomasz Hapunowicz meets the independence criteria of a supervisory board member, determined in Best Practices 2021.

Mieczysław Sawaryn – Member of the Supervisory Board

Mr. Mieczysław Sawaryn is a graduate of history and a graduate of law studies, having finished legal practice in Bar Association of Szczecin.

Mieczysław Sawaryn in years 1996-1998 was a Member of the Supervisory Board of a heating company Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Gryfino. In years 1998-2014 Mr. Mieczysław Sawaryn was a Councillor of the Gryfino Town Council, in years 2006-2014 being the President of the Council. In years 1998-1999 he was Management Board Member of Gryfino Commune. In years 2011-2014 and 1999-2007 he run his own Legal Office in Gryfino. In years 2002-2004 he was a Member of the Regional Bar Council in Szczecin at the Bar Association of Szczecin. In years 2006-2007 Mr. Mieczysław Sawaryn served as a Board Member of ZEDO S.A. in Nowe Czarnowo. In years 2006-2011 Mr. Mieczysław Sawaryn was employed in ZEDO S.A., at first as the CEO and then as the Director of Human Resources and Law, being responsible for consolidation of ZEDO S.A. within PGE Capital Group. Member of the Supervisory Board of Regional Hospital in Gryfino in years 2012-2014. Since 2014 he has been the Mayor of Town and Community Gryfino.

In accordance with the submitted statement, Mr. Mieczysław Sawaryn meets the independence criteria of a supervisory board member, determined in Best Practices 2021.

Grzegorz Kuczyński – Secretary of the Supervisory Board

Mr. Grzegorz Kuczyński Ph. D. is a graduate of the Faculty of Law and Administration at the University of Gdańsk. PhD in civil law. Before training as a lawyer he trained as a judge.

He was an assistant professor of the Chair of Civil Law at the Department of Law and Administration of the University of Gdańsk in years 2005-2013 and an assistant in years 1997-2005.

Since 2007 a partner of Gotkowicz Kosmus Kuczyński & Partners Law Firm.

In accordance with the submitted statement, Mr. Grzegorz Kuczyński meets the independence criteria of a supervisory board member, determined in Best Practices 2021.

In the Supervisory Board of PGE S.A. sat until June 22, 2022.

Marcin Kowalczyk – Member of the Supervisory Board

Mr. Marcin Kowalczyk is a graduate of the Faculty of Law and Administration at the University of Warmia and Mazury in Olsztyn. He completed post-graduate studies at the National Defense University in Warsaw. He holds an MBA from the Warsaw Management University.

He started his professional career as an assistant in the political office of the Minister of National Defense and a representative for the protection of classified information in the Chancellery of the President of the Republic of Poland. He was also the deputy president of the Military Property Agency and sat on the Supervisory Board of the Military Property Agency. He worked in a managerial position at PGE Energia Odnawialna S.A. In 2018-2020 he was the vice-president of Wojskowe Przedsiębiorstwo Handlowe Sp. z o.o. From May 2020, he had been associated with PGE Dystrybucja S.A., first as the Vice-President of the Management Board, and from September 2020 as the President of the Management Board. Until February 2023 he was the Head of the Political Cabinet of the Minister of State Assets. He has been Vice-President of the Management Board of Grupa Azoty S.A. since February 10, 2023.

In the Supervisory Board of PGE S.A. sat until February 9, 2023.

RULES OF APPOINTING AND RECALLING OF THE SUPERVISORY PERSONNEL

According to the valid Statutes, Members of the Supervisory Board are appointed for a joint term of office of three years. The Supervisory Board consists of five to nine members appointed and recalled by the General Meeting. The Supervisory Board elected by way of group voting shall consist of five members. With the exception of the Member of the Supervisory Board appointed by the State Treasury, member of the Supervisory Board may be appointed and dismissed by the General Meeting at all times by way of a written declaration submitted to the Management Board. State Treasury's entitlement is valid until it remains a shareholder. Moreover, a half of members of the Supervisory Board (except the Supervisory Board member mentioned in the previous sentence), shall be elected from among persons identified by the State Treasury, until its stake in the share capital falls below 20%. At the time when this right of the State Treasury expires, another shareholder with the highest stake in the Company's share capital acquires that right, provided that he holds at least 20% in the Company's share capital.

According to the provisions of the Statutes, the Supervisory Board shall include at least one person appointed by the General Meeting from among persons meeting the criteria of independence specified in the principles of corporate governance adopted by the Board of the Warsaw Stock Exchange. Proposing a candidate for this position a shareholder nominating such candidate shall be obliged to submit to the minutes of the General Meeting such candidate's written declaration confirming his/her independency.

The State Treasury's failure to appoint one member of the Supervisory Board or the General Meeting's failure to elect members of the Management Board meeting the criteria of independence or the absence of such persons in the composition of the Supervisory Board shall not prevent the Supervisory Board from adopting valid resolutions.

ACTIVITIES AND ORGANISATION OF THE SUPERVISORY BOARD

The operating procedure of the Supervisory Board is described in the Statutes of the Company and in the Rules of the Supervisory Board. The Supervisory Board performs its obligations collectively, however, it may delegate individual members for temporary and independent performance of certain supervisory activities. The Supervisory Board meets as required, not less often than once every two months.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board or the Vice-Chairman in the absence of the Chairman. The meeting of the Supervisory Board is convened by sending out a written invitation to all members of the Supervisory Board at least seven days before the schedule date of the meeting.

This period of seven days may be shortened to two days in justified cases. The Meeting of the Supervisory Board may be also convened on demand of each member of the Supervisory Board or the motion of the Management Board (the person filing the motion proposes the agenda). Then the meeting should be convened within two weeks. If the Chairman of the Supervisory Board fails to convene the meeting within that period, the person filing the motion may convene the meeting on his/her own, stating the date, place and proposed agenda. The agenda may be changed if all members of the Supervisory Board are present at the meeting and no one objects to the change.

Supervisory Board meetings may take place without having been formally called, provided that all Supervisory Board members are present at the meeting and none of the Supervisory Board members object to the meeting taking place and to the proposed meeting agenda.

The Supervisory Board passes resolutions if at least half of the members of the Supervisory Board are present at the meeting and all the members have been invited. The Supervisory Board passes resolutions in an open voting. A secret voting is administered when requested by a member of the Supervisory Board, and during voting on personal matters. Resolutions of the Supervisory Board may be made in writing or using means of direct remote communications. The latter cannot be used for resolutions on the appointment or recalling of the Chairman, Vice-Chairman and Secretary of the Supervisory Board, and appointment, recalling or suspending a member of the Management Board and determining the remuneration and other contractual terms and executing agreements with Management Board members, except for competences reserved for the Company's General Meeting resulting from mandatory provisions of law.

In 2022, 15 in-office meetings of the Supervisory Board were held. 197 resolutions were adopted with 96% attendance. If a Supervisory Board member was absent from a meeting, the Supervisory Board passed a resolution to excuse him or her.

COMPETENCIES OF THE SUPERVISORY BOARD

Pursuant to the provisions of the Statutes, the Supervisory Board maintains a continuous supervision over activities of the Company in all areas of the Company's activities. In 2019, the Ordinary General Meeting of Shareholders, by Resolution no. 27 of May 15 on amendments to § 18 of the Company's Statutes, clarified the provisions related to the amendment of the Act of December 16, 2016 on Principles of Management of State Property. The said resolution of the Ordinary General Meeting introduced amendments to § 18(2) of the PGE's Statutes with respect to the disposal of fixed assets, extending the powers of the Supervisory Board.

The competencies of the Supervisory Board include inter alia:

- review of the report of the Management Board on the activities of the Company and the separate financial statements for the past financial year for compliance with the books, documents and the actual status. This also applies to the report of the Management Board on the activities of the Capital Group and consolidated financial statements of the Capital Group if prepared,
- review of the motions of the Management Board on the division of profit or covering the loss,
- presenting the General Meeting with a written report on the results of activities referred to in the aforementioned two points,
- appointing the statutory auditor to audit the unit financial statements and the consolidated financial statements of the Capital Group if any,

- approval of the annual and long-term financial plans of the Company, including investment, marketing and sponsoring plans, as well as specifying the scope and dates of presentation of such plans by the Management Board,
- giving opinions on the principles of conducting sponsorship activities and assessing the effectiveness of the sponsoring activities carried out by the Company,
- approval of the development strategy of the Company,
- approval of the rules which lays down detailed operating procedure of the Supervisory Board,
- approval of the rules of the Management Board of the Company,
- establishing the uniform text of the Company's Statutes,
- setting remuneration and other terms of agreements and concludes agreements with the members of the Management Board (including the President of the Management Board), subject to competencies of the General Meeting resulting from the binding laws,
- giving opinions on the Management Board's reports on expenses on representation, legal services, marketing services, public relations services, social communication services and legal advisory connected with management as well as report on compliance with the best practices, referred to in Art. 7 sec. 3 of the Act of December 16, 2016 on the principles of state property management,
- giving opinions on the change in the rules of disposal of fixed assets, determined in § 41(1) of the Company's Statutes,
- approval of the remuneration policy for the Capital Group,
- providing opinions on all the motions for resolutions submitted by the Management Board to the General Meeting.

In addition, the Supervisory Board's competencies particularly include:

- delegating members of the Supervisory Board to perform, on a temporary basis, activities of the members of the Management Board who cannot fulfill their duties,
- granting consent for the members of the Management Board to hold positions in authorities of other companies.

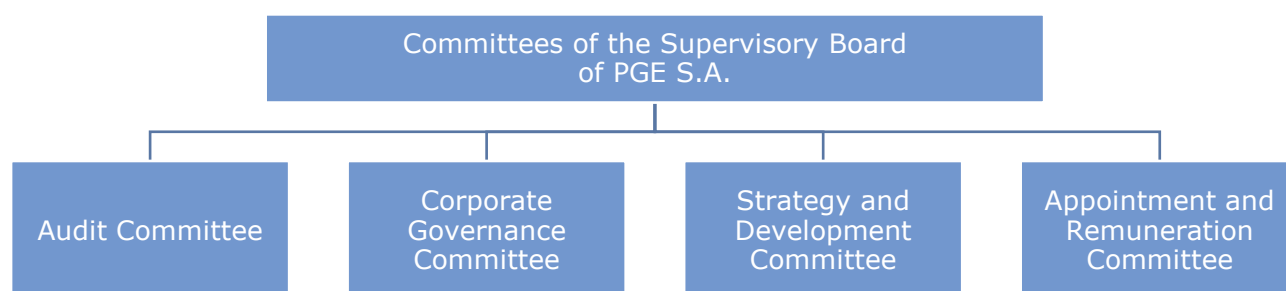
Documents that in detail regulate the competences of the Supervisory Board i.e. the Statutes of the Company and the Rules of the Supervisory Board are available on the corporate website.

COMMITTEES OF THE SUPERVISORY BOARD

In accordance with the Company's Statutes, the Rules of the Supervisory Board or a resolution of the General Meeting may provide for establishment of committees within the Supervisory Board, in particular the audit committee and the appointment and remuneration committee. The current Rules of the Supervisory Board provide that the Supervisory Board may appoint standing or ad hoc committees, acting as collective advisory and opinion-making bodies of the Supervisory Board. The particular goal of the committees is to provide the Supervisory Board with opinions and recommendations on matters within the competencies of the committees. The committees are established by the Supervisory Board out of its members. The committee consists of 3 to 5 people. The committee appoints a chairman out of its members. The chairman convenes meetings of the committee, manages works of the committee and represents the committee in relations with the authorities and employees of the Company. The mandate of a committee member expires with the expiry of the mandate of the member of the Supervisory Board, resignation from membership in the committee or recalling from the committee by the Supervisory Board. Each Member of the Supervisory Board may participate in committee meetings. The committee chairman may invite to the meetings members of the Management Board, Company employees and other persons whose participation is advisable. Decisions of the committee are made on a consensus basis, unless the regulations of a given committee state otherwise.

The document regulating in detail the scope and object of the Committees' activities is the Rules of Procedure of the Supervisory Board of PGE S.A.

Chart: Committees of the Supervisory Board of PGE S.A.



The document regulating in detail the scope and subject of the activities of the Committees is the Regulations of the Supervisory Board of PGE S.A.

In 2022, the composition of the Committees of the Supervisory Board was as follows:

As at January 1, 2022 the committees of the Supervisory Board were operating in following composition:

Name and surname of the member of the Supervisory Board	Audit Committee	Corporate Governance Committee	Strategy and Development Committee	Appointment and Remuneration Committee
Janina Goss	Member			Member
Zbigniew Gryglas		Member	Member	
Tomasz Hapunowicz		Chairman	Member	
Marcin Kowalczyk			Member	
Anna Kowalik	Member		Member	Member
Grzegorz Kuczyński	Chairman	Member		
Mieczysław Sawaryn			Member	Chairman
Artur Składanek	Member		Chairman	
Radosław Winiarski	Member		Member	

On June 22, 2022, the Ordinary General Meeting of PGE S.A. appointed the Supervisory Board of the 12th term of office. The first meeting of the Supervisory Board of the new term of office was held on July 12, 2022. On that day, Committees of the Supervisory Board were appointed in a new composition.

As at December 31, 2022 the committees of the Supervisory Board were operating in following composition:

Name and surname of the member of the Supervisory Board	Audit Committee	Corporate Governance Committee	Strategy and Development Committee	Appointment and Remuneration Committee
Janina Goss	Member			Member
Zbigniew Gryglas ¹		Member	Member	
Tomasz Hapunowicz		Chairman	Member	
Marcin Kowalczyk ²			Member	Member
Anna Kowalik	Member	Member	Member	Member
Mieczysław Sawaryn	Member	Member	Member	Chairman
Artur Składanek	Chairman		Member	
Radosław Winiarski	Member		Chairman	

¹ On July 26, 2022, Mr. Zbigniew Gryglas was appointed to the Committees: Strategy and Development and Corporate Governance.

² On February 9, 2023, the Company received the resignation of Marcin Kowalczyk from membership in the Supervisory Board of PGE S.A. effective February 9, 2023.

The detailed scope of competences of individual Committees of the Supervisory Board of PGE can be found in the Regulations of the Supervisory Board available on the website of PGE S.A..

AUDIT COMMITTEE

As at the date of publication of the report, the composition of the Audit Committee was as follows:

- Artur Składanek - Chairman
- Janina Goss - Member
- Anna Kowalik - Member
- Mieczysław Sawaryn - Member
- Radosław Winiarski - Member

The Audit Committee operates on the basis of the Regulations of the Audit Committee of the Supervisory Board of PGE S.A., which meets the requirements of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Supervision (the Act on Statutory Auditors). The Company also has the following documents adopted by the Audit Committee:

- Policy and Procedure for the Selection of the Audit Firm to Conduct the Audit (Auditor Selection Policy).
- Policy on the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and by a member of the audit firm's network (Service Provision Policy).

All members of the Audit Committee of the Supervisory Board of the 12th term of office have submitted a declaration for the record that they meet the requirements set out in the Act on Statutory Auditors regarding the Audit Committee.

In 2022 the Supervisory Board Audit Committee had the following members:

- meeting statutory independence criteria: Janina Goss, Grzegorz Kuczyński (until June 22, 2022), Mieczysław Sawaryn and Artur Składanek,
- having knowledge and skills in accounting or auditing financial statements due to their education and experience: Radosław Winiarski,
- having knowledge and skills in the industry in which the company operates due to their education and professional experience: Anna Kowalik oraz Artur Składanek.

Curricula vitae of the Members of the Audit Committee of the Supervisory Board containing details of their education and professional experience, confirming that they possess the requirements indicated above, are available above and on the PGE S.A. website.

The main task of the Audit Committee is assessment of the correctness and effectiveness of internal control at PGE S.A. and PGE Group and cooperation with the statutory auditors of the Company. The Audit Committee's tasks include in particular defining the rules for selecting an audit firm to audit the Company's financial statements and monitoring the Company's financial reporting.

The Audit Committee at PGE S.A. held 10 meetings in 2022 with an attendance rate of 92%. At its meetings, the Audit Committee analysed, among other things, reports for 2021 i.e. the Company's separate financial statements, the consolidated financial statements of the PGE Capital Group, and the Management Board's report on the activities of the Company and the PGE Capital Group for the year 2021. The Audit Committee held also regular meetings with the representatives of the auditors – the company PKF Consult sp. z o.o. sp.k. in the scope of year 2022.

Furthermore, the Audit Committee analysed the Company's separate financial statements for the first half of 2022, as well as the consolidated financial statements of the PGE Capital Group for the same period.

In 2022 the Audit Committee approved the compliance programme of PGE Group for the year 2022.

The Audit Committee issued its positive opinion on the audit plan of the PGE Capital Group for the year 2022.

The Audit Committee also analysed:

- the results of audits carried out at the Company and PGE Group,
- information on the consolidation of the internal audit area at PGE Group,
- information on the performance and functioning of the Audit Department of PGE S.A. following the consolidation of the audit area at PGE Group,
- information on the progress of on-going procedures for the selection of external legal and financial advisers
- report on services provided by the Auditor of PGE S.A. and entities related to the Auditor to PGE Group companies for 2021.
- information on the adoption of a recommendation to the Supervisory Board on the evaluation of transactions entered into by PGE S.A. and its subsidiaries with related parties on an arm's length basis in the ordinary course of business.

SELECTION OF THE AUDIT FIRM TO CARRY OUT THE AUDIT

Pursuant to the Auditor Selection Policy, the selection of the auditing firm to audit the financial statements of the Company and the consolidated financial statements of PGE Group is made in compliance with the mandatory provisions of law and internal regulations, in particular:

- Act on Statutory Auditors, in particular art. 130 sec. 3 point 2 of this Act,
- Public Procurement Law (i.e.: Polish Journal of Laws 2019, item 1 843 as amended),
- PGE Group's General Procurement Procedure,
- PGE S.A. Procurement Manual,
- Auditor Selection Policy,
- Guidelines for the selection and co-operation with the audit firm auditing the annual financial statements of the State-owned Company of September 2017.

The first audit engagement will be with an audit firm for a period of not less than 2 years, renewable for successive periods of at least 2 years. The maximum duration of uninterrupted audit engagements with the same audit firm or an audit firm affiliated with that audit firm or any Member of a network operating in countries of the European Union to which those audit firms belong will not exceed 10 years, with the proviso that the key Auditor may not audit for more than 5 years and that the key Auditor may re-perform an audit after a period of at least 3 years has elapsed since the completion of the last audit.

The auditor auditing the non-consolidated financial statements of PGE S.A. and the consolidated financial statements of PGE Group for 2022-2024 is PKF Consult sp. z o.o. sp.k. (PKF Consult). PKF Consult was selected in a procurement procedure in the form of negotiations with an announcement.

In accordance with the Auditor Selection Policy, the following criteria and conditions of participation were taken into account in the tender process:

- Price for carrying out the audit and permitted additional services;
- Knowledge of the energy industry and the specifics of state-owned companies;
- Experience in auditing public entities;
- Composition and experience of the audit team;
- Size and organisational capacity to carry out the audit of PGE Group.

The criteria for selecting the audit firm and the method of evaluation of the bids were determined by the Supervisory Board, on the recommendation of the Audit Committee. The selection of the audit firm to carry out the audit of the financial statements is made by the Supervisory Board, following a recommendation by the Audit Committee. The selection of PKF Consult by the Supervisory Board was in line with the recommendation of the Audit Committee.

In accordance with the Service Provision Policy a statutory auditor or audit firm conducting a statutory audit at PGE S.A. or any of its network members may not provide any prohibited non-audit services directly or indirectly to PGE S.A. and PGE Group companies.

The aforesaid prohibited non-audit services include:

- services indicated in Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC ("Regulation no. 537/2014") (in 5 section 1 of the Regulation no. 537/2014),
- other non-financial revision services.

Table: Allowed non-audit services.

The scope of the allowed service	Indication whether the service was provided in 2022 or will be provided for 2022
services: conducting economic and financial due diligence, issuing of comfort letters in connection with prospectuses issued by the audited entity, conducted in compliance with the national standard for related services and consisting of agreed procedures	No
assurance services as regards pro forma financial information, earnings forecasts or estimated results published in a prospectus of the audited entity	No
auditing of historic financial information for the prospectus referred to in Commission Regulation (EC) No 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements	No
verification of consolidation packages	Yes
confirming compliance with conditions included in credit agreements based on analysis of financial information from financial statements audited by the audit firm	Yes
assurance services concerning reporting on corporate governance, risk management and corporate social responsibility	No
services consisting of evaluating the compliance of information disclosed by financial institutions and investments firms with information disclosure requirements concerning capital adequacy and variable pay components	Yes
assurances concerning financial statements or other financial information intended for supervision authorities, supervisory board or other supervisory body of the company or owners, exceeding the scope of statutory audit and intended to help these entities in compliance with their statutory obligations	Yes
review of standalone and consolidated financial statements	Yes
open workshops, thematic conferences, industry meetings or other events that are open in nature and are not prepared for or adapted to the needs of PGE S.A., PGE Group companies or their employees	No

The Audit Committee approved the provision by the Auditor of the services indicated in the table above.

The provision of these services by an audit firm performing a statutory audit of PGE S.A. and by members of the network for PGE S.A. and PGE Group companies is possible only in as far as this is not linked to tax policy after the Audit Committee at PGE S.A.'s Supervisory Board carries out an assessment of independence threats and precautions as referred to in the Act on statutory auditors. In the case of the aforesaid open training sessions, thematic conferences, industry meetings and other events, the assessment of threats and safeguards for independence referred to in the Act on Statutory Auditors is carried out by the Audit Committee of PGE S.A. only if, in a given financial year, the value of these services, provided jointly by PGE S.A. and the PGE Group Companies to a statutory auditor or audit firm carrying out statutory audits of PGE S.A. or a member of the network to which the statutory auditor or audit firm belongs, reaches the limit set in the Policy.

The Services Provision Policy also specifies how a PGE Group company may request the Audit Committee of PGE S.A. to carry out the aforementioned assessment. The Audit Committee will take a written position within 14 calendar days of receiving a request to perform the assessment.

CORPORATE GOVERNANCE COMMITTEE

At the date of publication of the report, the composition of the Corporate Governance Committee was as follows:

- Tomasz Hapunowicz - Chairman
- Zbigniew Gryglas - Member
- Anna Kowalik - Member
- Mieczysław Sawaryn - Member

The tasks of the Corporate Governance Committee include, in particular, evaluating the implementation of corporate governance principles in the Company and evaluating the manner in which the Company fulfils its disclosure obligations with respect to the application of corporate governance principles and submitting recommendations or initiatives for changes in this area to the Supervisory Board, providing opinions on internal acts and other documents of the Company submitted to the Supervisory Board which have a significant impact on corporate governance, as well as initiating and developing proposals for amendments to the Company's internal acts concerning corporate governance and submitting them to the Supervisory Board.

There were 3 minuted meetings of the Corporate Governance Committee in 2022, with 100% attendance.

The following topics were the subject of the meetings of the Corporate Governance Committee in 2022:

- Discussion of amendments to the Statutes and recommendation to adopt the consolidated text of the Statutes of PGE Polska Grupa Energetyczna S.A. The amendment of the Statutes resulted from the adoption of resolutions by the Extraordinary General Meeting on:
 - reduction of the share capital by PLN 3,178,593,409.30 by reducing the nominal value of each share of the Company from PLN 10.25 to PLN 8.55 and transferring this amount from the reduction of the share capital to the Company's supplementary capital,
 - increase in share capital by PLN 3,179,291,010.75 to PLN 19,183,746,098.70 through the issue of 373,952,165 series E shares by way of a private placement with exclusion of pre-emptive subscription rights,
- Discussion of amendments to the Articles of Association and recommendation to adopt the consolidated text of the Articles of Association of PGE S.A. The amendment of the Company's Articles of Association was related to the change of the Company's registered office, including changes ensuring the possibility of holding the General Meetings both at the Company's registered office or in a location which is the registered office of the Company operating the regulated market on which the Company's shares are traded.
- Discussion of amendments to the Rules of Procedure of the Supervisory Board of PGE S.A. adapting the Rules to the Best Practices 2021 of Companies Listed on the WSE and new provisions of the Code of Commercial Companies.

STRATEGY AND DEVELOPMENT COMMITTEE

At the date of publication of the report, the composition of the Strategy and Development Committee was as follows:

- Radosław Winiarski - Chairman
- Zbigniew Gryglas - Member
- Tomasz Hapunowicz - Member
- Anna Kowalik - Member
- Mieczysław Sawaryn - Member
- Artur Składanek - Member

The Strategy and Development Committee is responsible for providing opinions and presenting recommendations to the Supervisory Board on issues related to the determination of the strategy and development planning of the Company and PGE Group. In particular, the Strategy and Development Committee's tasks include providing opinions on strategy and strategic plans as well as on investments having a significant impact on the Company's assets submitted to the Supervisory Board by the Management Board.

There were 3 minuted meetings of the Strategy and Development Committee in 2022, with 100% attendance.

The following topics were the subject of the Strategy and Development Committee in 2022:

- Reports on the conduct of the Offshore Wind Farm Program (Offshore Program),
- Information of the Management Board of PGE S.A. on key projects and activities currently carried out in the area of research, development and innovation at PGE Group and on activities carried out under the Electricity Storage Program at PGE Group,
- Information on implemented projects in the area of research, development and innovation,
- Company Management Board information on the status of the LTE 450 Program and the status of the NCB Program.

APPOINTMENT AND REMUNERATION COMMITTEE

At the date of publication of the report, the composition of the Nomination and Remuneration Committee was as follows:

- Mieczysław Sawaryn - Chairman
- Janina Goss - Member
- Anna Kowalik - member

The Appointment and Remuneration Committee's task is facilitating achievement of strategic goals of the Company by presenting the Supervisory Board with opinions and motions on the development of the management structure, including remuneration system and selection of properly qualified personnel. In particular, the tasks of the Nomination and Remuneration Committee include:

- initiating and giving an opinion on the arrangements for the appointment of Management Board members,
- giving its opinion on the solutions proposed by the Management Board regarding the Company's management system in order to ensure that the Company's management is efficient, consistent and secure and compliance with the law and internal regulations,
- periodically reviewing and recommending principles for determining the incentive remuneration of members of the Management Board and senior executives, in accordance with the interests of the Company,
- periodically reviewing the remuneration system for members of the Management Board and executives reporting directly to the members of the Management Board, including management contracts and incentive schemes and submitting to the Supervisory Board proposals for their design in the context of achieving the Company's strategic objectives,
- providing opinions to the Supervisory Board on the justification for the award of performance-related remuneration in the context of assessing the extent to which the Company's specific tasks and objectives have been achieved,
- evaluating the Company's human resources management system.

There were 3 meetings of the Nomination and Remuneration Committee in 2022, with one absence of a Committee member.

The subject matter of the meetings of the Nomination and Remuneration Committee in 2022 included:

- Discussion of the proposal of Management Objectives for the PGE S.A. Management Board for 2022.
- Discussion of the Report on the implementation of the Management Objectives by the PGE S.A. Management Board for 2021.

REMUNERATION OF THE MANAGEMENT OF PGE S.A.

RULES WITH RESPECT TO THE DETERMINATION OF REMUNERATION FOR THE MANAGEMENT BOARD MEMBERS OF PGE S.A.

On September 9, 2016, the Act of June 9, 2016 on the principles of determining the amount of remuneration for persons managing certain companies – so called new Public Sector Salary Cap Act – came into force. The new Public Sector Salary Cap Act determines, inter alia, principles for determining remuneration in companies with a stake of the State Treasury (for example PGE), in particular determines the way in which the remuneration of the members of the Management Board and Supervisory Board is set (rules for determining remuneration of the Management Board and Supervisory Board are adopted by the General Meeting and the Supervisory Board adopts resolutions on specific conditions of the management board remuneration). The act also determines select provisions of management services agreements executed with management board members.

On December 14, 2016, the Company's Extraordinary General Meeting adopted resolution 4 on determining the rules for remuneration for members of the Management Board of PGE S.A., subsequently changed through resolution 37 of the Company's Ordinary General Meeting of June 27, 2017. Subsequently, on March 7, 2022, the Company's Extraordinary General Meeting adopted Resolution 5 revoking the previously adopted principles for shaping the remuneration of the Members of the Management Board of the Company and introduced new principles for shaping the remuneration of the Members of the Management Board of the Company. The changes resulting from the resolution of March 7, 2022 were subsequently incorporated into the Remuneration Policy for the Members of the Management Board and Supervisory Board of PGE S.A. by Resolution 11 of the Ordinary General Meeting of the Company of June 22, 2022.

In accordance with the Company's internal acts in force remuneration for Management Board members consists of a fixed component in the form of a monthly base salary, and a variable component constituting supplementary pay for the Company's financial year, depended on progress in achieving management objectives.

Table: Remuneration and benefits received in 2022 by the Members of the Management Board of PGE S.A. (in PLN).

Name and surname of the Management Board member	Fixed salary - Management Contract	Variable remuneration for 2021	Remaining ingredients Severance payment/ Compensation for non-competition	Refund of social security contributions	Total
Wojciech Dąbrowski	792 680.40	407 319.60	0.00	3 236.89	1 203 236.89
Wanda Buk	739 835.04	384 714.20	0.00	0.00	1 124 549.24
Paweł Cioch	651 465.85	384 714.20	246 611.68	0.00	1 282 791.73
Lechosław Rojewski	739 835.04	217 126.40	0.00	0.00	956 961.44
Paweł Śliwa	739 835.04	384 714.20	0.00	0.00	1 124 549.24
Ryszard Wasilek	739 835.04	384 714.20	0.00	0.00	1 124 549.24

The total remuneration achieved by the Management Board members in 2022 amounted to PLN 6.8 million (according to PIT11). In cost perspective (including mark-ups and provisions), in 2022 the remuneration cost of all persons who acted as Management Board members of PGE S.A., amounted to PLN 9.2 million.

RULES WITH RESPECT TO THE DETERMINATION OF REMUNERATION FOR THE SUPERVISORY BOARD MEMBERS OF PGE S.A.

The amounts of remuneration of the Supervisory Board Members of PGE S.A. were determined by the resolution no. 5 of the Extraordinary General Meeting of December 14, 2016 concerning the principles of determining the amount of remuneration for members of the Supervisory Board of PGE S.A. These rules are taken into account in the Remuneration Policy for the Members of the Management Board and Supervisory Board of PGE S.A. adopted by Resolution 9 of the General Meeting of the Company of June 26, 2020, amended by Resolution of the General Meeting of the Company of June 22, 2022.

In accordance with the applicable internal acts of the Company the monthly remuneration of members of the Supervisory Board was set as a product of the average remuneration in the business sector exclusive of profit-based bonuses in the fourth quarter of the previous year as announced by the President of the Central Statistical Office of Poland and the following factor: 1.7 (for the chairperson of the Supervisory Board), 1.5 (for the other members of the Supervisory Board).

Table: Remuneration received by the Supervisory Board Members of PGE S.A. who in 2022 performed their functions (in PLN).

Name and surname of the Supervisory Board member	Remuneration value
Anna Kowalik	89 837.16
Janina Goss	81 001.74 ¹
Zbigniew Gryglas	75 690.74 ¹
Tomasz Hapunowicz	79 268.04
Marcin Kowalczyk	80 571.62 ¹
Grzegorz Kuczyński	37 872.51
Mieczysław Sawaryn	79 268.04
Artur Składanek	79 268.04
Radosław Winiarski	80 107.80 ¹

¹ This item includes remuneration for the period of fulfilling the duties of a member of the Supervisory Board, i.e. the basic salary and reimbursement of overpaid social security contributions.

Total remuneration earned in 2022 by the members of the Supervisory Board in PGE S.A. amounted to PLN 682.9 thousand. In cost perspective (including mark-ups), the remuneration cost of all persons who acted as Supervisory Board members amounted to PLN 767.3 thousand in 2022.

8.4. Information about shares and other securities

SHARE CAPITAL AND OWNERSHIP STRUCTURE

As at January 1, 2022 the share capital of PGE S.A. amounted to PLN 19 165 048 497.25 PLN and split into 1 869 760 829 shares with a nominal value of PLN 10.25 each.

Table: Share capital of the Company.

Series/ issue	Type of shares	Type of privilege	Number of shares	Value of series/issue at nominal value	Capital payment method
"A"	ordinary	n/a	1 470 576 500	15 073 409 125.00	contribution in kind/cash
"B"	ordinary	n/a	259 513 500	2 660 013 375.00	cash
"C"	ordinary	n/a	73 228 888	750 596 102.00	merger with PGE GiE
"D"	ordinary	n/a	66 441 941	681 029 895.25	merger with PGE Energia S.A.
Total			1 869 760 829	19 165 048 497.25	

On the ground of the letter from the Ministry of the State Treasury of April 27, 2016, the State Treasury held 1 072 984 098 ordinary shares of the Company, representing 57.39% of the Company's share capital and entitling to 1 072 984 098 votes on the General Meeting of the Company, constituting 57.39% of total votes.

Table: Ownership structure of the Company's share capital as at January 1, 2022¹.

	State Treasury		Other shareholders		Total	
	nominal value of shares (PLN)	% share in the share capital and votes	nominal value of shares (PLN)	% share in the share capital and votes	nominal value of shares (PLN)	% share in the share capital and votes
Shares at January 1, 2022	10 998 087 004.50	57.39	8 166 961 492.75	42.61	19 165 048 497.25	100.00

¹ Ownership structure presented on the basis of information available to the Company.

All of the Company shares have been paid.

Although the Company's shares are not privileged, the Statutes of the Company provide for special rights of the State Treasury until it remains a shareholder of the Company, what was described in details in p. 8.1 of this report.

SHAREHOLDERS WITH A SIGNIFICANT STAKE

On the ground of the letter from the Ministry of the State Treasury of April 27, 2016, the State Treasury held 1 072 984 098 ordinary shares of the Company, representing 57.39% of the Company's share capital and entitling to 1 072 984 098 votes on the General Meeting of the Company, constituting 57.39% of total votes.

Table: Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at the General Meeting of PGE S.A. at June 30, 2022:

Shareholder	Number of shares	Number of votes	% in total votes on General Meeting
State Treasury	1 072 984 098	1 072 984 098	57.39%
Others	796 776 731	796 776 731	42.61%
Total	1 869 760 829	1 869 760 829	100.00%

On April 6, 2022, the Extraordinary General Meeting of PGE Polska Grupa Energetyczna S.A. adopted Resolution No. 7 on decreasing the share capital by way of reducing the par value of shares and simultaneously increasing the share capital by way of issuing series E shares under the private subscription procedure, depriving the existing shareholders entirely of the preemptive right to all series E shares, applying for admission and introduction of series E shares or rights to series E shares to trading on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange), dematerialising series E shares or rights to series E shares, as well as amending the Company Statutes.

In connection with § 1 - 3 of Resolution No. 7 of the Extraordinary General Meeting of PGE of April 6, 2022, § 7 of the Company Statutes is amended in such a way that it will have the following wording:

„The share capital of the Company shall be PLN 19,183,746,098.70 (say: nineteen billion one hundred and eighty-three million seven hundred and forty-six thousand and ninety-eight zloty and seventy groszy) and shall be divided into 2,243,712,994 (say: two billion two hundred and forty-three million seven hundred and twelve thousand nine hundred and ninety-four) shares with a par value of PLN 8.55 (say: eight zloty and fifty-five groszy) each, including:

- 1,470,576,500 series "A" bearer shares,
- 259,513,500 series "B" bearer shares,
- 73,228,888 series "C" bearer shares,
- 66,441,941 series "D" bearer shares,
- 373,952,165 series "E" bearer shares.

An application for an appropriate entry on amendment of the Company's Articles of Association has been submitted to the National Court Register.

May 18, 2022 changes in the share capital of PGE S.A. were registered in the National Court Register, about which the Company informed in the current report No. 29/2022 of May 19, 2022.

The State Treasury also acquired shares of a new issue under an investment agreement with which PGE S.A. signed with the State Treasury on April 5, 2022.

On May 20, 2022, the Minister of State Assets, representing the State Treasury, sent a notification informing about the change in the number of shares and the share in the total number of votes held by the State Treasury in the Company. Currently, the State Treasury holds 1 365 601 493 shares, constituting 60.86% of the Company's share capital and entitling to exercise 1 365 601 493 votes, which constitutes 60.86% of the total number of votes.

In addition, The State Treasury informed about the subsidiary holding PGE shares and the total number of votes by both entities and its percentage share in the total number of votes. According to the notification, taking into account the number of shares (18 697 608) held by a subsidiary of the State Treasury, i.e. Towarzystwo Finansowe Silesia sp. z o.o. based in Katowice, the State Treasury holds a total of 1 384 299 101 shares constituting 61.70% of the share capital of the Company and entitling to exercise 1 384 299 101 votes, which constitutes 61.70% of the total number of votes.

Table: Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at the General Meeting of PGE S.A. as at the publication date of this report:

Shareholder	Number of shares	Number of votes	% in total votes on General Meeting
State Treasury	1 365 601 493	1 365 601 493	60.86%
State Treasury's subsidiary – Silesia sp. z o.o.	18 697 608	18 697 608	0.84%
State Treasury and its subsidiary - total	1 384 299 101	1 384 299 101	61.70%
Others	859 413 893	859 413 893	38.30%
Total	2 243 712 994	2 243 712 994	100.00%

TREASURY SHARES

As at December 31, 2022 PGE S.A. and subsidiaries did not hold any treasury shares.

SHARES OF THE PARENT COMPANY OWNED BY THE MEMBERS OF MANAGEMENT AND SUPERVISORY AUTHORITIES

According to the best knowledge of the Management Board of the Company, none of the members of management and supervisory authorities of the Company held shares of the parent company or shares in entities related to PGE S.A. as at the date of publishing of this report.

9. Statement on non-financial data

A separate report on non-financial data of PGE Polska Grupa Energetyczna S.A. and PGE Group for 2022, drafted in accordance with art. 49b sec. 9 of the Accounting Act, was published together with the Management Board's report on activities of PGE Polska Grupa Energetyczna S.A. and PGE Group for 2022 and is available at PGE Group's website in the section dedicated to financial data for 2021: www.gkpge.pl

10. Statement on the reliable preparation of the financial statements

To the best knowledge of the Management Board of PGE S.A., the annual separate financial statements and consolidated financial statements and comparable data were prepared in accordance with the governing accounting principles, present a fair, true and reliable view of the material and financial situation as well as financial result of the parent company and of PGE Capital Group.

The report of the Management Board on the activities of PGE Polska Grupa Energetyczna S.A. and PGE Capital Group presents a true view of the development, achievements and situation of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group, and provides a description of the basic risks and threats.

11. Approval of the Management Board's Report

The foregoing Management Board's Report on activities of PGE Polska Grupa Energetyczna S.A. and the Capital Group was approved for publication by the Management Board of the parent company on March 20, 2023.

Warsaw, March 20, 2023

Signatures of members of the Management Board of PGE Polska Grupa Energetyczna S.A.

**President
of the
Management
Board**

Wojciech Dąbrowski

--

**Vice-
President
of the
Management
Board**

Wanda Buk

--

**Vice-
President
of the
Management
Board**

Lechosław Rojewski

--

**Vice-
President
of the
Management
Board**

Paweł Śliwa

--

**Vice-
President
of the
Management
Board**

Ryszard Wasilek

--

**Vice-
President
of the
Management
Board**

Rafał Włodarski

--

Glossary

Ancillary control services (ACS)	services provided to the transmission system operator, which are indispensable for the proper functioning of the National Power System and ensure the keeping of required reliability and quality standards.
Achievable capacity	the maximum sustained capacity of a generating unit or generator, maintained continuously by a thermal generator for at least 15 hours or by a hydroelectric generator for at least five hours, at standardized operating conditions, as confirmed by tests.
ARA	USD hard coal price index in EU. Loco in harbours Amsterdam-Rotterdam-Antwerp
Balancing market	a technical platform for balancing electricity supply and demand on the market. The differences between the planned (announced supply schedules) and the actually delivered/off-taken volumes of electricity are settled here. The purpose of the balancing market is to balance transactions concluded between individual market participants and actual electricity demand. The participants of the balancing market can be the generators, customers for electricity understood as entities connected to a network located in the balancing market area (including off-takers and network customers), trading companies, electricity exchanges and the TSO as the balancing company.
Base, baseload	standard product on the electricity market: a constant hourly power supply per day in a given period, for example week, month, quarter or year.
BAT	Best Available Technology
Best Practices	Documents „Best Practice for WSE Listed Companies 2016” adopted by the resolution of the WSE Supervisory Board of October 13, 2015 and effective from January 1, 2016 until June 30, 2021 and „Best Practice for WSE Listed Companies 2016 2021” adopted by the resolution of the WSE Supervisory Board of March 29, 2021 and effective from July 1, 2021.
Biomass	solid or liquid substances of plant or animal origin, subject to biodegradation, obtained from agricultural or forestry products, waste and remains or industries processing their products as well as certain other biodegradable waste in particular agricultural raw materials.
Black energy	popular name for energy generated as a result of combustion of black coal or lignite.
CCGT	Combined Cycle Gas Turbine
Circular economy	system that minimises the consumption of resources and the level of waste as well as emissions and energy losses by creating a closed loop of processes in which waste from one process is used as resources in other processes so as to maximally reduce the quantity of production waste
Co-combustion	the generation of electricity or heat based on a process of combined, simultaneous combustion in one device of biomass or biogas together with other fuels; part of the energy thus generated can be deemed to be energy generated with the use of renewable sources.
Co-generation	the simultaneous generation of heat and electricity or mechanical energy in the course of one and the same technological process.
Constrained generation	the generation of electricity to ensure the quality and reliability of the national power system; this applies to generating units in which generation must continue due to the technical limitations of the operation of the power system and the necessity of ensuring its adequate reliability.
CVC fund	Corporate Venture Capital; in the CVC model, portfolio companies, aside from financial support, receive the opportunity to verify their ideas in a corporate setting
Distribution	transport of energy through distribution grid of high (110 kV), medium (15kV) and low (400V) voltage in order to supply the customers.
Distribution System Operator (DSO)	a power company engaging in the distribution of gaseous fuels or electricity, responsible for traffic in the gas or electricity distribution systems, current and long-term security of operation of the system, the operation, maintenance, repairs and indispensable expansion of the distribution network, including connections to other gas or power systems.

Energy cluster	civil-law arrangement that may include natural persons, legal entities, scientific units, research institutes or local government units, concerning the generation, distribution or trade in energy and energy demand balancing, with this energy being from renewable sources or other sources or fuels, within a distribution grid with nominal voltage below 110 kV, within the operational area of the given cluster, not exceeding the area of one district (powiat) in the meaning of the act on district authorities) or 5 municipalities (gmina) in the meaning of the act on municipal authorities; an energy cluster is represented by a coordinator, which is a cooperative, association, foundation appointed for this purpose or any member of the energy cluster indicated in the civil-law arrangement
ERO	Energy Regulatory Office (pol. URE).
EUA	European Union Allowances: transferable CO ₂ emission allowances; one EUA allows an operator to release one tonne of CO ₂ .
EU ETS	European Union Greenhouse Gas Emission Trading Scheme) EU emission trading scheme. Its operating rules are set out in the ETS Directive, amended by the Directive 2009/29/EC of the European Parliament and of the Council of April 23, 2009 (OJ EU L. of 2009, No. 140, p. 63–87).
EV	Electric vehicle
FIT/FIP	Feed-in-Tariff (FIT) and Feed-in-Premium (FIP): system of subsidies to the market price of electricity performed by Zarządca Rozliczeń S.A.
Generating unit	a technically and commercially defined set of equipment belonging to a power company and used to generate electricity or heat and to transmit power.
GJ	Gigajoule, a unit of work/heat in the SI system, 1 GJ = 1000/3.6 kWh = approximately 278 kWh.
GPZ	main power supply point, a type of transformer station used for the processing or distribution of electricity or solely for the distribution of electricity.
Green certificate	popular name for energy generated from renewable energy sources.
GW	gigawatt, a unit of capacity in the SI system, 1 GW = 10 ⁹ W.
GWe	one gigawatt of electric capacity.
GWt	one gigawatt of heat capacity.
HCl	hydrogen chloride.
Hg	mercury.
HICP	Harmonised Index of Consumer Prices
High Voltage Network (HV)	a network with a nominal voltage of 110 kV.
IED	Industrial Emissions Directive
IGCC	Integrated Gasification Combined Cycle.
Installed capacity	the formal value of active power recorded in the design documentation of a generating system as being the maximum achievable capacity of that system, confirmed by the acceptance protocols of that system (a historical value, it does not change over time.
IRiESP	the Transmission Network Operation and Maintenance Manual required to be prepared by a transmission system operator pursuant to the Energy Law; instructions prepared for power networks that specify in detail the terms and conditions of using these networks by system users as well as terms and conditions for traffic handling, operation and planning the development of these networks; sections on transmission system balancing and system limitation management, including information on comments received from system users and their consideration, are submitted to the ERO President for approval by way of a decision.
IRZ	Cold Intervention Reserve Service – service consisting of maintaining power units ready for energy production. Energy is produced on request of PSE S.A.
KRI	Key Risk Indicator
KSE	the National Power System, a set of equipment for the distribution, transmission and generation of electricity, forming a system to allow the supply of electricity in the territory of Poland.
KSP	the National Transmission System, a set of equipment for the transmission of electricity in the territory of Poland.

kV	kilo volt, an SI unit of electric potential difference, current and electromotive force; 1kV= 103 V.
kWh	kilowatt-hour, a unit of electric energy in the SI system defined as the volume of electricity used by the 1 kW equipment over one hour. 1 kWh = 3,600,000 J = 3.6 MJ.
kWp	a power unit dedicated to determining the power of photovoltaic panels, means the amount of electricity in the peak of production.
Low Voltage Network (LV)	a network with a nominal voltage not exceeding 1 kV.
LTC	long-term contracts on the purchase of capacity and electricity entered into between Polskie Sieci Elektroenergetyczne S.A. and electricity generators in the years 1994-2001.
Medium-voltage network (MV)	an energy network with a nominal voltage higher than 1 kV but lower than 110 kV.
MEV	Minimum Energy Volumes.
MSR	Market Stability Reserve (relating to CO ₂)
MW	a unit of capacity in the SI system, 1 MW = 10 ⁶ W.
MWe	one megawatt of electric power.
MWt	one megawatt of heat power.
NAP	National emissions Allocation Plan, prepared separately for the national emission trading system and for the EU emission trading system by the National Administrator of the Emission Trading System.
NAP II	National CO ₂ emissions Allocation Plan for the years 2008-2012 prepared for the EU emission trading system adopted by the Ordinance of the Council of Ministers of July 1, 2008 (Dz. U. of 2008, No. 202, item 1248).
NH ₃	ammonia
Nm ³	normal cubic meter; a unit of volume from outside the SI system signifying the quantity of dry gas in 1 m ³ of space at a pressure of 101.325 Pa and a temperature of 0°C.
NO _x	nitrogen oxides.
N:W ratio	Ration of volume of overburden removed in m ³ to the mass of extracted coal in tons
OTF	Organised Trading Facilities
Operational Capacity Reserve (ORM)	ORM constitutes of generation capacities of active Production Scheduling Units (JGWa) in operation or layover, representing excess capacity over electricity demand available to the TSO under the Energy Sale Agreements and on the Balancing Market in unforced generation
Peak, peakload	a standard product on the electricity market; a constant power supply from Monday to Friday, each hour between 7:00 a.m. and 10:00 p.m. (15-hour standard for the Polish market) or between 8:00 a.m. and 8:00 p.m. (12-hour standard for the German market) in a given period, for example week, month, quarter or year.
Peak power pumped storage plants	special type of hydro-power plant allowing for electricity storage. It uses the upper reservoir, to which water is pumped from the lower reservoir using electricity (usually excessive in system). The pumped storage facilities provide ancillary control services for the national power system. In periods of increased demand for electricity, water from the upper reservoir is released through the turbine. This way, electricity is produced.
PJ	Petajoule, a unit of work/heat in the SI system, 1 PJ = approx. 278 GWh
Property rights	negotiable exchange-traded rights under green and co-generation certificates
Prosumer	end customer who purchases electricity under a comprehensive agreement and generates electricity only from renewable sources at a micro-installations for own purposes, unrelated to economic activities
PSCMI1	Polish Steam Coal Market Index 1 - average level of prices of coal dust sold to industrial-scale power plants in Poland

RAB	Regulatory Asset Base.
Red certificate	a certificate confirming generation of electricity in co-generation with heat.
Red energy	popular name for electricity co-generated with heat.
Regulator	the President of ERO, fulfilling the tasks assigned to him in the energy law. The regulator is responsible for, among others, giving out licenses for energy companies, approval of tariffs for energy companies, appointing Transmission System Operators and Distribution System Operators.
Renewable Energy Source (RES)	a source of generation using wind power, solar radiation, geothermal energy, waves, sea currents and tides, flow of rivers and energy obtained from biomass, landfill biogas as well as biogas generated in sewage collection or treatment processes or the disintegration of stored plant or animal remains.
RIG	Readiness Interventional Reserve - the power plant's readiness to provide the active power generation service or its consumption at the request of PSE.
SAIDI	System Average Interruption Duration Index - index of average system interruption time (long, very long and disastrous), expressed in minutes per customer per year, which is the sum of the interruption duration multiplied by the number of consumers exposed to the effects of this interruption during the year, divided by the total number of off-takers. SAIDI does not include interruptions lasting less than three minutes and is determined separately for planned and unplanned interruptions. It applies to breakdowns in the low (LV), medium (MV) and high voltage (HV), wherein SAIDI in quality tariff does not include interruptions on low voltage.
SAIFI	System Average Interruption Frequency Index - index of average system amount of interruptions (long, very long and disastrous), determined as number of off-takers exposed to the effects of all such interruptions during the year divided by the total number of off-takers. SAIFI does not include interruptions lasting less than three minutes and is determined separately for planned and unplanned interruptions. It applies to breakdowns in the low (LV), medium (MV) and high voltage (HV), wherein SAIFI in quality tariff does not include interruptions on low voltage .
SCR	Selective catalytic reduction
SNCR	Selective non-catalytic reduction
Start-up	early-stage company established in order to build new products or services and characterised by a high level of uncertainty. The most common features of start-ups are: short operational history (up to 10 years), innovativeness, scalability, higher risk than in the case of traditional businesses but also potential higher returns on investment
Tariff	the list of prices and rates and terms of application of the same, devised by an energy enterprise and introduced as binding on the customers specified therein in the manner defined by an act of parliament.
Tariff group	a group of customers off-taking electricity or heat or using services related to electricity or heat supply to whom a single set of prices or charges and terms are applied.
TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange), a commodity exchange on which trading can take place in electricity, liquid or gas fuels, extraction gas, emission allowances and property rights whose price depends directly or indirectly on electric energy, liquid or gas fuels and emission allowances, admitted to commodity exchange trading.
TPA, TPA rule	Third Party Access, the owner or operator of the network infrastructure to third parties in order to supply goods/services to third party customers.
Transmission of electricity	transport of electricity through high voltage (220 and 400 kV) transmission network from generators to distributors.
Transmission System Operator (TSO)	a power company engaging in the transmission of gaseous fuels or electric energy, responsible for traffic in a gas or power transmission system, current and long-term security of operation of that system, the operation, maintenance, repair and indispensable expansion of the transmission system, including connections with other gas or power systems. In Poland, for the period from July 2, 2014 till December 31, 2030 Polskie Sieci Elektroenergetyczne S.A. was chosen as a TSO in the field of electricity transmission.
TWh	terawatt hour, a multiple unit for measuring of electricity unit in the system SI. 1 TWh is 10 ⁹ kWh.
Ultra-high-voltage	an energy network with a voltage equal to 220 kV or higher.

network (UHV)	
V (volt)	electrical potential unit, electric voltage and electromotive force in the International System of Units (SI), $1 \text{ V} = 1 \text{ J}/1 \text{ C} = (1 \text{ kg} \times \text{m}^2) / (\text{A} \times \text{s}^3)$.
W (watt)	a unit of power in the International Systems of Units (SI), $1 \text{ W} = 1 \text{ J}/1 \text{ s} = 1 \text{ kg} \times \text{m}^2 \times \text{s}^{-3}$.
Yellow certificate	a certificate confirming generation of energy in gas-fired power plants and CCGT power plants.
Yellow energy	popular name for energy generated in gas-fired power plants and CCGT power plants.