

# Consolidated report on payments to public administration for 2021

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PGE Polska Grupa Energetyczna S.A.  
for 2021

ended December 31, 2021  
(in PLN 000s)



*Prowadzimy w zielonej zmianie*

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## 1. Basis for preparing the consolidated report on payments to public administration

The basis for preparing this report on payments to public administration is Chapter 6a of the Accounting Act of September 29, 1994 ("Act") (Polish Journal of Laws of 2021, item 217). Pursuant to these provisions, entities operating in extractive industries and entities engaged in the logging of primary forests, provided that they meet the criteria specified in the Act, are to prepare a report on payments made to public administration as at the balance sheet date alongside their annual financial statements. The Act defines entities operating in extractive industries as entities pursuing activities consisting of the exploration, prospecting, discovery, production and mining of mineral resources, oil, natural gas or other commodities within the types of economic activity listed in section B, divisions 05-08 of the Polish Classification of Economic Activities.

The Act also requires a consolidated report on payments to public administration to be prepared. The consolidated report on payments to public administration should include the data of the parent company and its subsidiaries operating in extractive industries or engaged in the logging of primary forests, provided that they meet the criteria specified in the Act.

PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna ("Company," "PGE GiEK S.A.") is the only PGE Group company that meets the criteria in Chapter 6a of the Act. In connection with the above, this consolidated report on payments to public administration includes PGE GiEK S.A.'s data only.

The main economic activity of PGE GiEK S.A. ("Company") is activity listed in section D, division 35, of the Polish Classification of Economic Activities ("PKD"), i.e.:

- Production of electricity (PKD 35.11.Z),
- Transmission of electricity (PKD 35.12.Z),
- Distribution of electricity (PKD 35.13.Z),
- Trade in electricity (PKD 35.14.Z),
- Production and supply of steam, hot water and air for air conditioning installations (PKD 35.30.Z).

The Company also conducts economic activity listed in PKD in section B Mining and quarrying. This is mainly lignite mining (PKD 05.20.Z), which is mainly used as fuel in power plants belonging to the Company.

Moreover, in accordance with the Statutes, activities of the Company include also:

- quarrying of ornamental and building stone, limestone, gypsum, chalk and slate (PKD 08.11.Z)
- operation of gravel and sand pits; mining of clays and kaolin (PKD 08.12.Z),
- mining of minerals for chemical industry and for production of fertilizers (PKD 08.91.Z),
- extraction of peat (PKD 08.92.Z),
- extraction of salt (PKD 08.93.Z),
- other mining and quarrying not elsewhere classified (PKD 08.99.Z).

Those activities are of marginal significance for the Company and are conducted as activities accompanying lignite mining.

The Company's organisational structure as of January 1, 2021 included 7 branches:

- Branch Elektrownia Bełchatów,
- Branch Kopalnia Węgla Brunatnego Bełchatów,
- Branch Kopalnia Węgla Brunatnego Turów,
- Branch Elektrownia Turów,
- Branch Elektrownia Opole,
- Branch Zespół Elektrowni Dolna Odra,
- Branch Elektrownia Rybnik.

Mining activities are conducted at two branches, i.e.:

- Branch Kopalnia Węgla Brunatnego Bełchatów,
- Branch Kopalnia Węgla Brunatnego Turów.

Mining activity conducted pursuant to concessions for lignite mining.

## 2. Rules applied in preparing the report on payments to public administration

Pursuant to art. 63e point 6 of the Act, payments are understood as amounts paid, in cash or in kind, on the following account:

- receivables from production,
- taxes on income, production or profits of companies, excluding taxes on consumption such as tax on goods and services, personal income tax or tax on sales,
- royalties,
- dividends,
- concession fees and premiums for discovery and production,
- licence fees, lease fees, fees for launching activities as well as other considerations for issuing a licence or concession,
- payments for infrastructure improvements;

concerning the activities listed in art. 63e points 1 and 2 of the Act.

The activity listed in point 1 art. 63e of the Act consists of the exploration, prospecting, discovery, production and mining of minerals, oil, natural gas or other commodities within the types of economic activity listed in section B, divisions 05-08 of the Polish Classification of Economic Activities, whereas the activity listed in point 2 art. 63e of the Act is the activity referred to in section A division 02, group 02.2 PKD (wood harvesting from primary forests).

The Company does not harvest wood from primary forest areas therefore all amounts indicated in this report, unless explicitly stated otherwise, apply only to mining activity being conducted in the Company's two Branches listed above and do not include amounts paid to public administration on the account of other types of activity carried out at the Company's other Branches.

This report on payments to public administration takes into consideration the following items:

Payment title defined in art. 63a of the Accounting Act	Titles of taxes and fees assigned by the Subsidiary to each of the payment titles listed in the Accounting Act
Receivables from production	The Company did not make any such payments to public administration in 2021.
Taxes on income, production or profits of companies, excluding taxes on consumption such as tax on goods and services, personal income tax or tax on sales	Corporate income tax
Royalties	The Company did not make any such payments to public administration in 2021.
Dividends	The Company did not make any such payments to public administration in 2021.
Concession fees and premiums for discovery and production	production fee, mining use fee
Licence fees, lease fees, fees for launching activities as well as other considerations for issuing a licence or concession	fee for perpetual usufruct of land fee for excluding land from agricultural and forestry production fee for paid use of geological information fee for economic use of the environment property tax tax on means of transport farming tax forest tax
Payments for infrastructure improvements	The Company did not make any such payments to public administration in 2021.

### Corporate income tax

In 2014 PGE Górnictwo i Energetyka Konwencjonalna S.A. signed the 25-year agreement concerning a tax group named "PGK PGE 2015" where PGE Polska Grupa Energetyczna S.A., which is PGE GiEK S.A.'s parent, is the representing entity. An annex to this tax group agreement was signed in 2021, reducing the duration of PGK PGE 2015 by 7 years, i.e. until December 31, 2021. Aside from the representing entity and PGE GiEK S.A., the tax group includes other PGE Group companies. The tax group has been a corporate income tax payer since January 1, 2015. The Polish Corporate Income Tax Act treats tax groups as separate income tax payers. This means that companies within PGK PGE 2015 are not treated as separate entities for corporate income tax purposes, with PGK PGE 2015 being treated as one whole entity instead. PGK PGE 2015's tax base will constitute the group's aggregate income, calculated as the excess of the income of the companies that make up the group over their losses. Thus from 2015, the Company's corporate income tax is not transferred directly to the tax authority, but to the representing entity. Then, the representing entity transfers the corporate income tax calculated from the tax group's total income to the tax authority.

Considering the above circumstances, and in connection with the fact that corporate income tax is calculated at the Company's level, in this report it is recognised in amounts remitted to the representing entity, as the

full amount calculated on the total income of the Company rather than income from mining activities only, less overpayment refunds received.

### Information contained in the report

The payment amounts presented in this report constitute the amounts of cash transfers to public administration in 2021 on account of specific titles, less any returns received in 2021. The Subsidiary did not make any in-kind payments to public administration in 2021.

Pursuant to art. 63f sec. 2 of the Act, the payment report is to contain the following information:

- total amount of payments made to public administration of a given state, broken down into payments to specific public administration levels;
- total amount of payments broken down into the titles listed in art. 63e point 6 to specific public administration levels of a given state;
- in the event that payments were attributed by the entity to a specific project – total amount of payments by specific project and broken down by the payment titles listed in art. 63e point 6.

The Company attributed its payments to public administration to two projects. These projects are related to activities conducted in:

- Branch Kopalnia Węgla Brunatnego Bełchatów,
- Branch Kopalnia Węgla Brunatnego Turów.

## 3. Payments to public administration made in 2021

### 3.1 Total amount paid to public administration, by level of public administration and by payment title

Public administration levels	Tax on income, production or profit	Concession fees and premiums for discovery and production	Fees for licences, rent, launch of activities and others	Total
<b>National government administration organs and entities supervised or controlled by these organs</b>	-	<b>64,297</b>	<b>36,141</b>	<b>100,438</b>
<b>Local government administration organs and entities supervised or controlled by these organs</b>	-	<b>54,861</b>	<b>173,284</b>	<b>228,145</b>
<i>Cities and municipalities</i>	-	<i>54,861</i>	<i>150,436</i>	<i>205,297</i>
<i>Powiat authorities</i>	-	-	<i>3,817</i>	<i>3,817</i>
<i>Voivodship authorities</i>	-	-	<i>19,031</i>	<i>19,031</i>
<b>Corporate income tax*</b>	<b>102,981</b>	-	-	<b>102,981</b>
<b>Total</b>	<b>102,981</b>	<b>119,158</b>	<b>209,425</b>	<b>431,564</b>

\* as described in point 2, in connection with having signed a tax group agreement, the Company does not make payments for corporate income tax to the relevant tax authority but instead transfers it to the representing entity – PGE Polska Grupa Energetyczna S.A. The presented amount constitutes the balance of tax payments to PGE and received refunds of overpayments, in an amount calculated based on the entire Company's income and not just income from extractive industries.

### 3.2 Total amount of payments by project and by payment title

#### 3.2.1 Project KWB Bełchatów

Public administration levels	Concession fees and premiums for discovery and production	Fees for licences, rent, launch of activities and others	Total
<b>National government administration organs and entities supervised or controlled by these organs</b>	<b>55,061</b>	<b>29,642</b>	<b>84,703</b>
<b>Local government administration organs and entities supervised or controlled by these organs</b>	<b>46,654</b>	<b>123,116</b>	<b>169,770</b>
<i>Cities and municipalities</i>	<i>46,654</i>	<i>108,448</i>	<i>155,102</i>
<i>Powiat authorities</i>	-	<i>1,717</i>	<i>1,717</i>
<i>Voivodship authorities</i>	-	<i>12,951</i>	<i>12,951</i>
<b>Total</b>	<b>101,715</b>	<b>152,758</b>	<b>254,473</b>

### 3.2.2 Project KWB Turów

Public administration levels	Concession fees and premiums for discovery and production	Fees for licences, rent, launch of activities and others	Total
<b>National government administration organs and entities supervised or controlled by these organs</b>	<b>9,236</b>	<b>6,499</b>	<b>15,735</b>
<b>Local government administration organs and entities supervised or controlled by these organs</b>	<b>8,207</b>	<b>50,168</b>	<b>58,375</b>
<i>Cities and municipalities</i>	8,207	41,988	50,195
<i>Powiat authorities</i>	-	2,100	2,100
<i>Voivodship authorities</i>	-	6,080	6,080
<b>Total</b>	<b>17,443</b>	<b>56,667</b>	<b>74,110</b>

Warsaw, March 21, 2022

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**      **Paweł Cioch**

**Vice-President of the Management Board**      **Lechosław Rojewski**

**Vice-President of the Management Board**      **Paweł Śliwa**

**Vice-President of the Management Board**      **Ryszard Wasilek**