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1. Introduction.

Acting pursuant to Article 382 § 3 of the Commercial Companies Code and § 18 clause 1 items 1 and 2 of the Statutes of PGE Polska Grupa Energetyczna S.A., and with respect to the content of Article 4a in connection with Article 49b clause 9 and Article 55 clause 2c of the Accounting Act of 29 September 1994 ("Accounting Act"), the Supervisory Board evaluated the following:

1. The standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022,
2. The consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022,
3. The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022,
4. The non-financial information statement on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022,
5. The motion of the Management Board to be submitted to the General Meeting of PGE Polska Grupa Energetyczna S.A. and relating to the proposed distribution of the Company's net profit for the financial year 2022.

In its resolution no. 125/XII/2023 of 21 March 2023, the Supervisory Board of PGE Polska Grupa Energetyczna S.A. evaluated positively the following documents:

1. The standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022,
2. The consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022,
3. The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022,
4. The non-financial information statement on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022.

Additionally, in the aforementioned resolution, the Supervisory Board of PGE Polska Grupa Energetyczna S.A. accepted the document entitled "The Supervisory Board's evaluation of the financial statements as well as the report on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022", which, pursuant to §70 clause 1 item 14 and § 71 clause 1 item 12 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information to be released by issuers of securities and the conditions for recognising as equivalent information required under the laws of a country which is not a Member State, was published as an element of the standalone annual report and the consolidated annual report of PGE Polska Grupa Energetyczna S.A. and posted on the website www.gkpge.pl.

Besides the Supervisory Board's own analyses, the evaluation was also based on the results of the audits indicated in the reports of the independent certified auditor on the audits of the standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 and the consolidated financial statements of the PGE Capital Group for 2022. The standalone and consolidated financial statements for the financial year 2022 were audited by the company PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, entered in the register of entities authorised to audit financial statements under registration number 477, the said register being kept in the custody of the Polish Audit Supervision Agency.

Pursuant to Article 382 § 3 of the Commercial Companies Code and § 18 clause 1 item 3 of the Statutes of PGE Polska Grupa Energetyczna S.A., the Supervisory Board of PGE Polska Grupa Energetyczna S.A. is obliged to draw up a report on the results of the aforementioned evaluation

and to submit such a report to the General Meeting of the company Polska Grupa Energetyczna S.A.

The Supervisory Board finds as follows:

2. Evaluation of the following documents:

2a) The standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022.

1. The Supervisory Board became acquainted with and analysed The standalone financial statements of PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022 consisting of the following: the statement of comprehensive income, the statement of financial position as at 31 December 2022, the statement of changes in equity, the statement of cash flows for the period from 1 January 2022 to 31 December 2022, general information, bases for the preparation of the financial statements, as well as notes and additional information and explanations.
2. The standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the financial year 2022:
 - present truly and fairly the economic and financial position of the Company as at 31 December 2022, as well as its financial result and cash flows for the financial year ended 31 December 2022, in accordance with the applicable International Financial Reporting Standards as approved by the European Union, and the adopted accounting principles (policy);
 - with respect to their form and content, are consistent with the legal regulations applicable to the Company and the provisions of the Company Statutes;
 - have been drawn up on the basis of correctly maintained account books, in accordance with the provisions of Chapter 2 of the Accounting Act.

2b) The consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022.

1. The Supervisory Board became acquainted with and analysed The consolidated financial statements of PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022 consisting of the following: the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2022, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2022 to 31 December 2022, general information, bases for the preparation of the financial statements, as well as notes and additional information and explanations.
2. The consolidated financial statements for the financial year 2022:
 - present truly and fairly the economic and financial position of the Group as at 31 December 2022, as well as its financial result and cash flows for the financial year ended 31 December 2022, in accordance with the applicable International Financial Reporting Standards as approved by the European Union, and the adopted accounting principles (policy);
 - with respect to their form and content, are consistent with the legal regulations applicable to the Group and the Statutes of the parent company.

During the course of the analyses of the financial statements, the Audit Committee of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. held regular meetings with the representatives of the audit firm. The Audit Committee became also familiar with the reports of the independent certified auditor on the audit of the annual consolidated financial

statements, the standalone financial statements, as well as the final report of the independent certified auditor for the Audit Committee.

In consequence of the above, the Audit Committee recommended that the Supervisory Board evaluate positively the submitted financial statements for the year 2022.

2c) The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022.

1. The report is consistent with the information included in the standalone financial statements and the consolidated financial statements.
2. The Company properly executes its tasks related to its objects specified in § 3 of the Statutes of PGE Polska Grupa Energetyczna S.A.
3. The report has been drawn up in accordance with Article 49 and Article 55 clause 2a of the Accounting Act as well as § 70 and § 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information to be released by issuers of securities and the conditions for recognising as equivalent information required under the laws of a country which is not a Member State.

2d) The non-financial information statement on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022.

The non-financial information statement of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group is consistent with the requirements of the Accounting Act, which implements Directive 2014/95/EU into the Polish law. The statement presents non-financial information for the period from 1 January to 31 December 2022 and includes consolidated data for the PGE Capital Group and for the parent company – PGE Polska Grupa Energetyczna S.A.

The PGE Capital Group consists of the parent company PGE Polska Grupa Energetyczna S.A. and 74 consolidated subsidiaries. Consolidation covers also 3 jointly owned entities, 2 associates and 1 jointly controlled entity. The non-financial information statement covers 31 companies in which employment was reported.

The reporting of non-financial information of PGE Polska Grupa Energetyczna and the the PGE Capital Group takes into account selected indexes of the Global Reporting Initiative (GRI) standard in the 2016 version and includes references to the 10 principles of the Global Compact.

The key new elements in the 2022 non-financial information statement include the following:

- expanding the scope of reporting to include priority areas identified by stakeholders during dialogue sessions,
- reporting in line with the current Global Reporting Initiative 2021 standards,
- presenting activities in line with the EU Environmental Taxonomy systematics,
- introducing the diversity policy of the PGE Capital Group,
- extending the scope of reporting by OHS indexes,
- extending the description of the management /corporate governance principles.

2e) The motion of the Management Board to be submitted to the General Meeting of PGE Polska Grupa Energetyczna S.A. and relating to the proposed distribution of the Company's net profit for the financial year 2022.

In its resolution no. 134/17/2023 of 21 March 2023, in view of the Company's reporting, in the financial statements for the year 2022, a net profit of PLN 3,096,758,749.73 (say: three billion ninety-six million seven hundred and fifty-eight thousand seven hundred and forty-nine zloty and seventy-three groszy), the Management Board decided to submit a motion concerning the distribution of the profit for the year 2022 to the General Meeting, proposing to allocate the entire net profit for the year ended 31 December 2022 to the supplementary capital.

Having considered the aforementioned motion, in its resolution no. 126/XII/2023 of 21 March 2023, the Supervisory evaluated positively the aforementioned motion of the Management Board to the Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A.

Final conclusions.

In view of the above, the Supervisory Board has evaluated positively the following:

1. The standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022,
2. The consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022,
3. The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022,
4. The non-financial information statement on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022,
5. The motion of the Management Board to be submitted to the General Meeting of PGE Polska Grupa Energetyczna S.A. and relating to the proposed distribution of the Company's net profit for the financial year 2022,

and recommends that the Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A. approve the documents referred to in items 1-3 above and allocate the Company's net profit for the financial year 2022 to the Company's supplementary capital, in accordance with the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. referred to in item 5 above.

3. An evaluation of the company's position, taking into account the adequacy and effectiveness of the company's systems for internal control, risk management, ensuring compliance with standards or applicable practices and internal audit.

The Supervisory Board of PGE Polska Grupa Energetyczna S.A. (hereinafter also "PGE", "PGE S.A.", "Company") has been bound by the corporate governance principles specified in the 2021 edition of "The Good Practices of Companies Listed on the Warsaw Stock Exchange" ("The Good Practices") which were adopted by the Board of the Warsaw Stock Exchange in resolution no. 13/1834/2021 on 29 March 2021, became effective as of 1 July 2021.

This report has been prepared on the basis of The Good Practices and the Commercial Companies Code; it includes a brief assessment of the Company's position, taking into consideration its internal control, risk management and compliance systems as well as the internal audit function. The report also presents information on the fulfilment of the Management Board's disclosure obligations vis-à-vis the Supervisory Board. This evaluation has been prepared based on the documents submitted by the Management Board, discussions held with the members of the Management Board during the meetings of the Supervisory Board and discussions held during the meetings of the permanent committees operating within the Supervisory Board, as well as the following reports submitted to the Supervisory Board: The standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year 2022 ended 31 December 2022, the Management Board's report on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022, the non-financial information statement on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year 2022 ended 31 December 2022 and the annual compliance report for the year 2022.

3a) Significant events in 2022.

IMPACT OF THE WAR IN UKRAINE ON THE PGE GROUP'S ACTIVITIES

The PGE Capital Group (hereinafter also referred to as "the PGE CG", "the Group", "the 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 Distribution segment. The PGE Group's distribution area covers over 40% of Poland's territory, including areas near the borders 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 the 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). The 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.

The 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 Polskie Górnictwo Naftowe i Gazownictwo S.A.) and Operatora Gazociągów Przesyłowych 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 S.A. and PGE Obrót S.A. 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 emission allowances 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 emission allowances 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.

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

On 3 February 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 4 February 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 4 February 2022 the President of the Court of Justice issued an order removing the case from the register.

On 7 February 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 3 February 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 4 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 7 April 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 30 March 2021 on the maximum price for electricity generated in an offshore wind farm and fed into the grid.

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. The 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 13 December 2022 the decision of the President of the Energy Regulatory Office was received, referred to in Art. 18 of the Offshore Act of 17 December 2020, 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.

PLANNED TRANSFER OF COAL ASSETS TO THE NATIONAL ENERGY SECURITY AGENCY

On 1 March 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 S.A., TAURON Polska Energia S.A. and ENERGA S.A. 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 23 July 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 finalisation 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.

SALE OF ELBEST SP. Z O.O. HOTELS TO POLSKI HOLDING HOTELOWY SP. Z O.O. (PHH)

On 15 December 2021 PHH signed a conditional agreement with PGE S.A. to purchase ten hotels and facilities owned by Elbest Sp. z o.o. On 4 March 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.

RECAPITALISATION OF THE COMPANY BY WAY OF SHARES ISSUE PGE'S MANAGEMENT BOARD DECISION ON COMMENCEMENT OF THE PROCESS

On 18 January 2022 the Management Board of PGE adopted the resolution on commencement of the recapitalisation 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 3.2 billion in the course of the capital increase process.

The issue proceeds are intended to support PGE Group's investments in 3 areas:

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

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

SIGNING OF AN INVESTMENT AGREEMENT WITH THE STATE TREASURY

On 5 April 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 3.2 billion.

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;
- 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.

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 6 April 2022 (Issue Resolution). The Management Board of the Company, acting on the basis of the authorisation 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.

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

On 6 April 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.

DETERMINATION OF THE ISSUE PRICE OF SHARES

On 7 April 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.

CLOSING OF THE SUBSCRIPTION AND ALLOCATION OF SHARES

On 22 April 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.

REGISTRATION OF THE RIGHTS TO THE E SERIES SHARES WITH KDPW

On 27 April 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.

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

On 28 April 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.

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

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

COMPLETION OF THE SUBSCRIPTION OF E SERIES SHARES

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

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

On 19 May 2022, the Management Board of PGE S.A. learned that on 18 May 2022 t on 18 May 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 6 April 2022 convened on 7 March 2022 and resumed on 6 April 2022.

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 31 May 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.

WSE RESOLUTIONS

On 1 June 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 3 June 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 6 June 2022, subject to the registration of these shares by the KDPW on 6 June 2022 and their coding as PLPGER000010.

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

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

On 1 July 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 6 April 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.

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

An application was submitted on 9 February 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.

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 31 December 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 21 June 2022, restructuring proceedings were opened. By 30 September 2022, a list of claims was submitted to the court. On 21 December 2022, the Restructuring Plan was filed with the court by the Administrator. On 27 January 2023, a decision was issued to approve the Restructuring Plan.

At the end of 2022 and in February 2023, judgments unfavourable 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 unfavourable 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 22 March 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.

ASSUMPTIONS FOR THE UPDATE OF POLAND'S ENERGY POLICY 2040

On 29 March 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 1 April 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 10 June 2022. The acquisition by PGE EO S.A. of 100% of shares in the company was closed on 21 June 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.

CONTRACT SIGNED FOR IMPLEMENTATION OF BILLING AND CRM SYSTEM FOR PGE GROUP CUSTOMERS

On 29 April 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.

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

On 26 May 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 9 June 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 26 October 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.

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 13 July 2022 PGE Paliwa sp. z o.o. (a PGE Group company) received a decision from the Prime Minister (adjusted on 8 August 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 2 November 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 27 October 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 27 October 2022 on preferential purchase of solid fuel for households should be submitted by the Company by 25 February 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 30 April 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 3 August 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 WĘGLOKOKS 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 7 October 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 26 October 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.

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 27 December 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 20 June 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 27 December 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 31 December 2022.

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 18 October 2022, the Act of 7 October 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 4 November 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 1 January 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 1 December 2022 to 31 December 2023. The maximum price limit for eligible customers also applies to electricity sales agreements concluded or amended after 23 February 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 30 November 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 1 January 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 1 December 2022 to 31 December 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 8 November 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 1 January 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 31 December 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 emission allowances, 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 1 September 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 emission allowances 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 emission allowances trading on an ongoing basis.

AGREEMENT FOR DISPOSAL OF SHARES IN SUBSIDIARIES

On 23 September 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 30 September 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 1 October 2022 – 31 December 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.

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 31 October 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 Pałtów. 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 7 March 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 8 March 2023 an appropriate application was submitted to the Office of Competition and Consumer Protection.

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.

THE SIGNING OF A PRELIMINARY AGREEMENT REGARDING THE ACQUISITION OF 100% OF THE SHARES IN PKPE HOLDING

On 28 December 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 31 March 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 3 April 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.

INFORMATION OBLIGATIONS CONCERNING THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES SET OUT IN THE RULES OF THE STOCK EXCHANGE.

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 29 March 2021 and are obeyed by PGE starting from 1 July 2021.

In the report on the application of the DPSN 2021, PGE 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 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. The person responsible for compliance, on the other hand, reports directly to the President of the Management Board.

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 14 December 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 9 June 2016 on the rules for determining the remuneration of persons managing certain companies.

INFORMATION ABOUT AN INCIDENTAL VIOLATION OF THE DPSN 2021

On 24 June 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 22 June 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.

The information disclosure obligations concerning the application of the principles of corporate governance specified in the rules of providing current and periodic information by issuers of securities.

Applicable as at the date of publishing the PGE 2022 annual report, i.e. 21 March 2023, the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information to be released by issuers of securities and the conditions for recognising as equivalent information required under the laws of a country which is not a Member State (Journal of Laws of 2018, item 757) obliges issuers of securities to publish announcements about the application of the corporate governance principles in an annual report on an issuer's activities (§ 70 clause 6 point 5). In 2023, pursuant to the aforementioned Regulation, the Company made a relevant declaration in "The Management Board's report on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2022" concerning the application of the corporate governance principles in the year 2022, which was publicly announced on 21 March 2023.

The aforementioned declaration includes information which fulfils the requirements of the aforementioned Regulation, including:

- Information on the collection of the corporate governance principles binding the Company in 2022,
- Information on refraining from the application of the corporate governance principles,
- Information on the diversity policy,
- A description of the basic features of the systems of internal control and risk management related to the process of drawing up standalone and consolidated financial statements,
- Information on the Company's shareholders holding significant blocks of shares,
- Information on the Company's shareholders having special controlling powers,
- A description of limitations in the exercise of voting rights related to existing shares,
- A description of limitations in the assignment of titles to securities issued by the Company,
- Information on the rules of amending the Company Statutes,
- A description of the manner of the functioning of the General Meeting and its basic powers as well as the shareholders' rights and their exercise,
- A description of the rules concerning the appointment and dismissal of managers and supervisors as well as their powers,

- Information on the composition and activities of the Company's management and supervisory bodies as well as the Supervisory Board's committees,
- Additional information concerning the audit committee, including information on the fulfilment of the independence criteria, knowledge and skills of the members of the committee, the policy of selecting an audit firm,
- Information on remuneration of the members of the governing bodies of PGE S.A.,
- Information on shares and other securities.

Information regarding the DPSN 2021 was presented to the Shareholders by the Management Board at the Ordinary General Meeting held on 22 June 2022, together with information on the status of their application and with particular attention paid to the principles of good practices, which are mainly applied through the actions or omissions of the company's Shareholders.

The Supervisory Board's verification of the Company's fulfilment of its information disclosure obligations regarding the application of corporate governance principles was carried out within the framework of the evaluation of the Management Board's Report on the Activities of PGE Polska Grupa Energetyczna S.A. for the year 2022 regarding the Statement on the application of corporate governance.

The Supervisory Body evaluates positively the manner of the Company's fulfilment of its information disclosure obligations concerning the application of the corporate governance principles as specified in the Regulations of the Warsaw Stock Exchange and the rules of providing current and periodic information by issuers of securities.

3b) Changes in organisation of the Capital Group.

Establishment of companies

On 4 October 2021 PGE S.A. set up 6 one-person limited liability companies with their registered offices in Warsaw with the following 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. Registration of the companies in the National Court Register: PGE Inwest 20 sp. z o.o. - 2 March 2022, PGE Inwest 21 sp. z o.o. - 2 March 2022, PGE Inwest 22 sp. z o.o. - 2 March 2022, PGE Inwest 23 sp. z o.o. - 24 March 2022, PGE Inwest 24 sp. z o.o. - 16 March 2022 and PGE Inwest 25 sp. z o.o. - 3 March 2022.

Acquisition or disposal of shares by companies

On 18 November 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 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), i.e. 95 shares in EWB 4, 95 shares in EWB 5 and 422 shares in 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, representing 33.8 per cent each of the shares in the share capitals of EWB 4, EWB 5 and EWB 6. The entry into force of the conditional share sale agreement and the transfer of ownership of the shares to ENEA S.A. depended on the fulfilment of conditions precedent. On 1 August 2022, the ownership of EWB 4, EWB 5 and EWB 6 shares was transferred to ENEA S.A.

On 18 November 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. The ownership of the shares in PGE Baltica 4 was transferred to TAURON Polska Energia S.A. on 27 September 2022.

On 15 December 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 4 March 2022, the ownership of the above-mentioned Elbest shares was transferred to PHH.

On 14 January 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. On 15 July 2022 the share capital increase was registered with the National Court Register.

On 4 February 2022 PGE Energia Odnawialna S.A. as a buyer and a natural person (sole shareholder 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 4 February 2022.

On 17 March 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 Towarzystwo Funduszy Inwestycyjnych Energia S.A. (TFI Energia) held by PGE S.A. The finalisation 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. On 15 July 2022, the ownership of the shares in TFI Energia was transferred to PZU.

On 1 April 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. On 21 June 2022, the ownership of the shares was transferred to PGE Energia Odnawialna S.A.

On 4 April 2022 a conditional sale agreement was concluded for all of the shares owned by PGE Toruń S.A. (PGE Energia Ciepła S.A. is the controlling shareholder of this company) in Przedsiębiorstwo Usługowo - Handlowe „Torec” sp. z o.o. with its registered office in Toruń (PUH Torec). The conditions for the transfer of the ownership of shares set out in the aforementioned agreement were giving the sale price to the seller and the adoption of a

resolution on the redemption of the shares by the General Meeting of PUH Torec. These conditions were fulfilled, therefore on 21 March 2022 the ownership of shares was transferred and since that date PUH Torec has not been part of the PGE Capital Group.

On 3 August 2022, a conditional agreement was concluded between all the shareholders of Polska Grupa Górnicza S.A. with its seat in Katowice (PGG), 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 11 April 2003 on the shaping of the agricultural system, within the period specified in Art. 3a sec. 4 of this Act – this condition was met. On 25 October 2022, a change was made in the register of shareholders of PGG and thus the ownership to the PGG shares was transferred to the State Treasury.

On 23 September 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 respectively, BESTGUM POLSKA sp. z o.o. with registered office in Rogowiec (BESTGUM POLSKA), BETRANS sp. z o.o. with registered office in Kalisz (BETRANS), ELMEN sp. z o.o. with registered office in Rogowiec (ELMEN), ELTUR-SERWIS sp. z o.o. with registered office in Bogatynia (ELTUR-SERWIS), MegaSerwis sp. z o.o. with its registered office in Bogatynia (MegaSerwis), RAMB sp. z o.o. with registered office in Piaski (RAMB) (together referred to as the companies), representing 100% of the companies' share capitals (shares), 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, 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 23 September 2022.

On 25 October 2022 PGE GiEK S.A. as a seller and PGE S.A. as a buyer signed share sale agreement concerning all possessed by PGE GiEK S.A. shares in Energoserwis Kleszczów sp. z o.o. with registered office in Rogowiec (Energoserwis Kleszczów), i.e. 2 040 shares, with a total nominal value of PLN 204 000, representing 51% in the share capital. The the ownership of the above-mentioned shares in Energoserwis Kleszczów was transferred to PGE S.A. on 25 October 2022.

On 9 December 2022 PGE Energia Odnawialna S.A. as a buyer and a natural person (sole shareholder of Mithra companies) as the seller concluded 10 share sale agreements in the following companies:

- 1) Mithra D sp. z o.o. with its seat in Poznań (Mithra D),
- 2) Mithra F sp. z o.o. with its seat in Poznań (Mithra F),
- 3) Mithra G sp. z o.o. with its seat in Poznań (Mithra G),
- 4) Mithra H sp. z o.o. with its seat in Poznań (Mithra H),
- 5) Mithra I sp. z o.o. with its seat in Poznań (Mithra I),
- 6) Mithra K sp. z o.o. with its seat in Poznań (Mithra K),
- 7) Mithra M sp. z o.o. with its seat in Poznań (Mithra M),
- 8) Mithra N sp. z o.o. with its seat in Poznań (Mithra N),
- 9) Mithra O sp. z o.o. with its seat in Poznań (Mithra O),
- 10) Mithra P sp. z o.o. with its seat in Poznań (Mithra P)(jointly the Mithra companies),

i.e. 100 shares in the 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. The transfer of ownership of shares to PGE Energia Odnawialna S.A. took place on 9 December 2022.

On 23 December 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 S.A. with its seat in Bogatynia, 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 25 October 2022. PGE S.A. is the sole shareholder in PGE Ekoserwis S.A. On 10 January 2023 a change was made in the register of shareholders of EPORE.

On 28 December 2022 the Extraordinary General Meeting of ElectroMobility Poland S.A. with its seat in Warsaw (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 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%. On 16 January 2023, the increase in the share capital of ElectroMobility Poland was registered in the National Court Register.

On 28 December 2022 PGE S.A. as a buyer and Edison Holdings S.à.r.l. as a seller 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 3 April 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 the following conditions:

- obtaining consent from the Office of Competition and Consumer Protection;
- concluding the court dispute on the privatisation of PKP Energetyka S.A.;
- obtaining consent of the Minister of State Assets;
- obtaining approvals from financing entities.

In the case of the occurrence of the circumstances specified in the Preliminary Agreement, the parties may withdraw from the transaction.

On 4 January 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 Zakłady Pomiarowo-Badawcze Energetyki „Energopomiar” sp. z o.o. with seat in Gliwice (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 shareholders 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 4 January 2023.

Increase of share capital of subsidiaries

PGE Baltica 1 sp. z o.o. (currently: Elektrownia Wiatrowa Baltica-8 sp. z o.o.)

On 4 November 2021 the Extraordinary General Meeting 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. The share capital increase was entered in the register of companies on 12 January 2022.

PGE Baltica 2 sp. z o.o.

On 20 December 2021 the Extraordinary General Meeting 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. The share capital increase was entered in the register of companies on 24 May 2022.

PGE Baltica 3 sp. z o.o.

On 20 December 2021 the Extraordinary General Meeting 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. The share capital increase was entered in the register of companies on 2 June 2022.

PGE Baltica 5 sp. z o.o.

On 20 December 2021 the Extraordinary General Meeting 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. The share capital increase was entered in the register of companies on 2 June 2022.

PGE Baltica 6 sp. z o.o.

On 20 December 2021 the Extraordinary General Meeting 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. The share capital increase was entered in the register of companies on 12 May 2022.

PGE Soleo 1 sp. z o.o. (currently: PGE Soleo Kleszczów sp. z o.o.)

On 21 December 2021, the Extraordinary General Meeting 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). The share capital increase was entered in the register of companies on 12 May 2022.

Elektrownia Wiatrowa Baltica-2 sp. z o.o.

On 23 December 2021 the Extraordinary General Meeting of Shareholders 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:

- 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.

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. The share capital increase was entered in the register of companies on 20 April 2022.

Elektrownia Wiatrowa Baltica-3 sp. z o.o.

On 23 December 2021 the Extraordinary General Meeting of Shareholders of 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:

- 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.

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. The share capital increase was entered in the register of companies on 27 May 2022.

PGE Inwest 14 sp. z o.o.

On 8 February 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 13 April 2022.

PGE Inwest 12 sp. z o.o.

On 6 April 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 6 June 2022.

Elektrownia Wiatrowa Baltica-2 sp. z o.o.

On 30 June 2022 the Extraordinary General Meeting of Shareholders 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:

- 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 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.

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. The share capital increase was entered in the register of companies on 4 November 2022.

Elektrownia Wiatrowa Baltica-3 sp. z o.o.

On 30 June 2022 the Extraordinary General Meeting of Shareholders 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:

- 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 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.

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-2 sp. z o.o. The share capital increase was entered in the register of companies on 19 October 2022.

Elektrownia Wiatrowa Baltica-1 sp. z o.o.

On 14 July 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 19 September 2022.

PGE Inwest 12 sp. z o.o.

On 1 August 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 21 September 2022.

PGE Inwest 21 sp. z o.o.

On 9 November 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 20 January 2023.

PGE Inwest 22 sp. z o.o.

On 16 November 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 23 January 2023.

PGE Inwest 23 sp. z o.o.

On 16 November 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 23 January 2023.

PGE Inwest 24 sp. z o.o.

On 16 November 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 12 January 2023.

PGE Inwest 25 sp. z o.o.

On 16 November 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 20 January 2023.

Elektrownia Wiatrowa Baltica 10 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 1 March 2023.

Elektrownia Wiatrowa Baltica 11 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 1 March 2023.

Elektrownia Wiatrowa Baltica 12 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 16 March 2023.

PGE Inwest 2 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 7 March 2023.

PGE Inwest 9 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 13 February 2023.

PGE Inwest 10 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 21 February 2023.

PGE Inwest 11 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 10 March 2023.

PGE Inwest 20 sp. z o.o.

On 23 December 2022 the Extraordinary General Meeting of Shareholders 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. The share capital increase was entered in the register of companies on 21 February 2023.

PGE Baltica 2 sp. z o.o.

On 3 March 2023 the Extraordinary General Meeting of Shareholders of PGE Baltica 2 sp. z o.o. adopted resolution on a share capital increase from PLN 610 358 000 to PLN 619 897 000, i.e. by PLN 9 539 000, through issue of new 9 539 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. As at the time of preparing this information, the share capital increase has not been entered in the register of companies.

PGE Baltica 3 sp. z o.o.

On 3 March 2023 the Extraordinary General Meeting of Shareholders of PGE Baltica 3 sp. z o.o. adopted resolution on a share capital increase from PLN 782 304 000 PLN to PLN 794 589 000 , i.e. by PLN 12 285 000, through issue of new 12 285 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. As at the time of preparing this information, the share capital increase has not been entered in the register of companies.

Elektrownia Wiatrowa Baltica-1 sp. z o.o.

On 3 March 2023 the Extraordinary General Meeting of Shareholders of Elektrownia Wiatrowa Baltica-1 sp. z o.o. adopted resolution on a share capital increase from PLN 99 545 000 PLN to PLN 200 504 000 , i.e. by PLN 100 959 000, through issue of new 201 918 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. As at the time of preparing this information, the share capital increase has not been entered in the register of companies.

Additional payments for companies shares

PGE Inwest 12 sp. z o.o.

On 21 March 2022 the Extraordinary General Meeting of Shareholders 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 30 April 2022. In accordance with the above resolution of the Extraordinary General Meeting of Shareholders, the additional payment was made by PGE S.A. on 30 March 2022.

PGE Klaster sp. z o.o. – return of the additional payments

On 23 March 2022 the Extraordinary General Meeting of Shareholders 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 General Meetings of 29 March 2018, 23 October 2018 and 2 July 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 31 March 2022, and then PLN 10 000 000 in each subsequent quarter, starting from 1 April 2022, until the payments are fully repaid no later than 31 December 2026.

PGE Inwest 9 sp. z o.o.

On 28 March 2022 the Extraordinary General Meeting of Shareholders 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 30 April 2022. In accordance with the above resolution of the Extraordinary General Meeting of Shareholders, the additional payment was made by PGE S.A. on 30 March 2022.

PGE Soleo 7 sp. z o.o.

On 14 July 2022 the Extraordinary General Meeting of Shareholders 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 30 July 2022. In accordance with the above resolution of the Extraordinary General Meeting of Shareholders, the additional payment was made by PGE Energia Odnawialna S.A. on 22 July 2022.

PGE Soleo 2 sp. z o.o.

On 26 July 2022 the Extraordinary General Meeting of Shareholders 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 15 August 2022. In accordance with the above resolution of the Extraordinary General Meeting of Shareholders, the additional payment was made by PGE Energia Odnawialna S.A. on 17 August 2022.

PGE Soleo 3 sp. z o.o. i PGE Soleo 6 sp. z o.o.

On 26 July 2022 the Extraordinary General Meetings of Shareholders 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 15 August 2022. In accordance with the above resolutions of the Extraordinary General Meetings of Shareholders, the additional payments were made by PGE Energia Odnawialna S.A. on 17 August 2022.

PGE Inwest 21 sp. z o.o.

On 25 October 2022 the Extraordinary General Meeting of Shareholders 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 30 November 2022. In accordance with the above resolution of the Extraordinary General Meeting of Shareholders, the additional payment was made by PGE S.A. on 4 November 2022.

PGE Inwest 22 sp. z o.o., PGE Inwest 23 sp. z o.o., PGE Inwest 24 sp. z o.o. i PGE Inwest 25 sp. z o.o.

On 31 October 2022 the Extraordinary General Meetings of Shareholders of the companies adopted resolutions to obligate the sole shareholder of the company, i.e. PGE S.A., to make additional payments to their 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 30 November 2022. In accordance with the above resolutions of the General Meetings of Shareholders, the additional payments were made by PGE S.A. on 4 November 2022.

PGE Soleo 2 sp. z o.o.

On 8 February 2023 the Extraordinary General Meetings of Shareholders of the company PGE Soleo 2 sp. z o.o. 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. in the company, by 9 February 2023. In accordance with the above resolutions of the General Meetings of Shareholders, the additional payments were made by PGE Energia Odnawialna S.A. on 10 February 2023.

PGE Soleo 3 sp. z o.o.

On 8 February 2023 the Extraordinary General Meetings of Shareholders of the company PGE Soleo 3 sp. z o.o. 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. in the company, by 9 February 2023. In accordance with the above resolutions of the Extraordinary General Meetings of Shareholders, the additional payments were made by PGE Energia Odnawialna S.A. on 10 February 2023.

Mergers

On 3 November 2021 the Extraordinary General Meeting of PGE Energia Ciepła S.A. (Acquiring company) and the Extraordinary General Meeting of Shareholders of Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. with its seat in Zgierz (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 Przedsiębiorstwo Energetyki Ciepłej sp. z o.o.. The merger was entered in the register of companies on 3 January 2022.

On 15 March 2022 the Extraordinary General Meeting of Shareholders of Przedsiębiorstwo Transportowo-Usługowe „ETRA” sp. z o.o. with its seat in Białystok (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. The merger was entered in the register of companies on 21 March 2022.

On 20 May 2022 the Extraordinary General Meeting of PGE Energia Odnawialna S.A. (acquiring company) and the Extraordinary General Meeting of Shareholders of Bio-Energia sp. z o.o with its seat in Warsaw (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. The merger was entered in the register of companies on 30 June 2022.

On 3 October 2022 the Extraordinary General Meeting of PGE Energia Ciepła S.A. (acquiring company) and the Extraordinary General Meeting of Shareholders of PGE Gaz Toruń sp. z o.o. with its seat in Warsaw (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.. The merger was entered in the register of companies on 2 November 2022.

On 28 November 2022 the Extraordinary General Meeting of PGE Energia Odnawialna S.A. (acquiring company) and the Extraordinary General Meetings of Shareholders 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., with their seats in Warsaw (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. The merger was entered in the register of companies on 30 December 2022.

On 19 December 2022 the Extraordinary General Meeting of PGE Energia Odnawialna S.A. (acquiring company) and the Extraordinary General Meetings of Shareholders of companies Collfield Investments sp. z o.o., Future Energy sp. z o.o., Elwiatr Pruszyński sp. z o.o. with their seats in Kraków, and Radzyn Clean Energy Poland sp. z o.o. with its seat in Warsaw (acquired companies) took resolutions on the merger of the companies pursuant to Article 492 § 1 item 1 of the Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired companies 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 companies without their 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. The merger was entered in the register of companies on 30 December 2022.

Liquidation of companies

On 1 March 2021 the Extraordinary General Meeting of Shareholders of PGE Trading GmbH with its seat in Berlin (PGE Trading), in which PGE holds 100% of the share capital, adopted resolution on dissolution of PGE Trading GmbH and appointment of a liquidator to carry out liquidation activities.

On 31 March 2022 the Extraordinary General Meeting of Shareholders of PGE Nowa Energia sp. z o.o., in which PGE holds 100% of the share capital, adopted a resolution on dissolution of PGE Nowa Energia sp. z o.o. and appointment of a liquidator to carry out liquidation activities.

3c) Economic and financial situation.

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				31 December 2022	31 December 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 allowances	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 in domestic market.

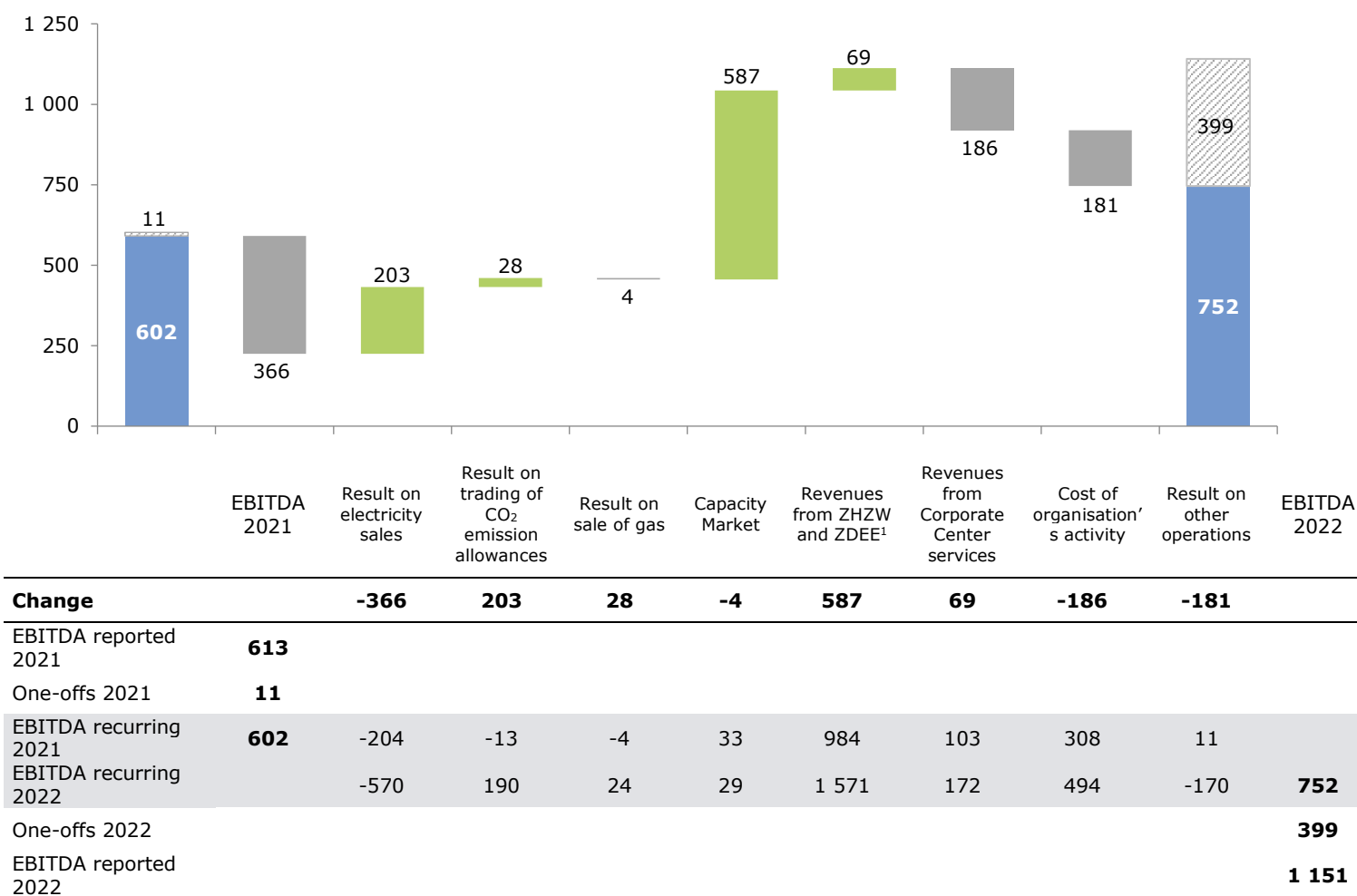
KEY FINANCIAL FIGURES OF PGE S.A. FOR 5 YEARS

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).



 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 (mIn 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:

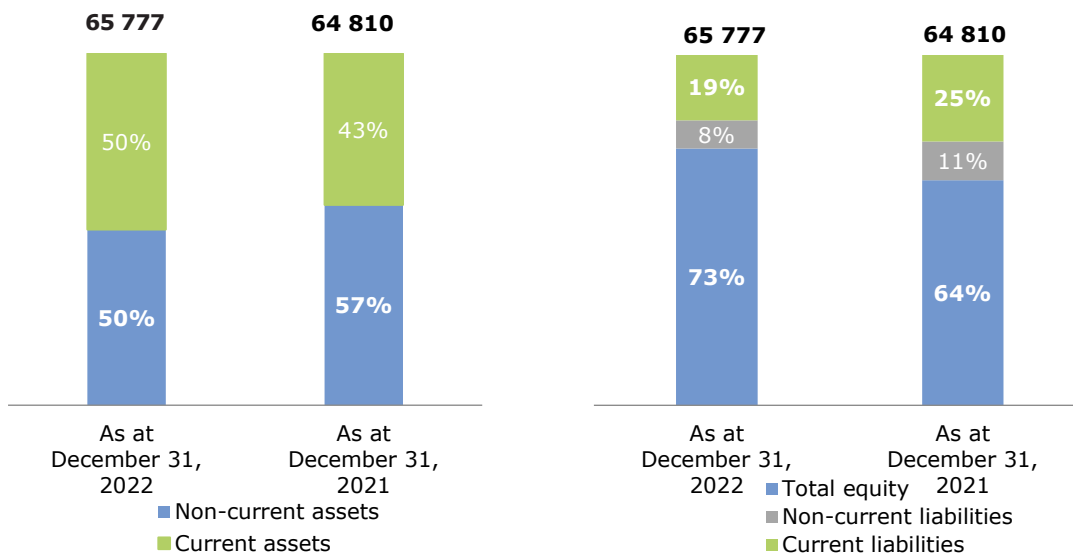
- **Increased revenues from dividends** mainly as a result of higher dividends from PGE Dystrybucja by PLN 354 million and from PGE Energia Odnawialna by PLN 284 million, with the lower revenues from PGE Energia Ciepła by PLN 251 million,
- **The increase in interest** is due to an increase in loans 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 emission allowances.

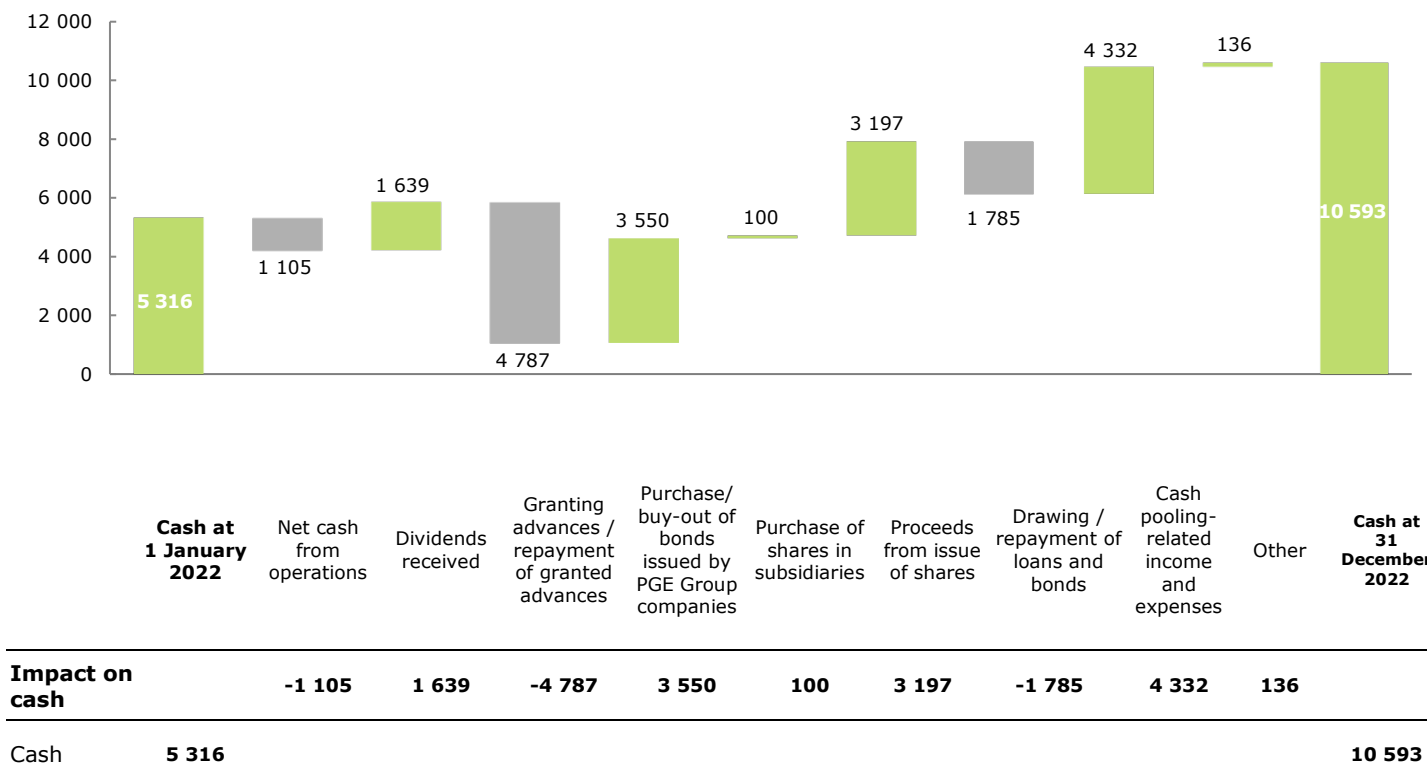
Statement Of Financial Position

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



STATEMENT OF CASH FLOWS

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

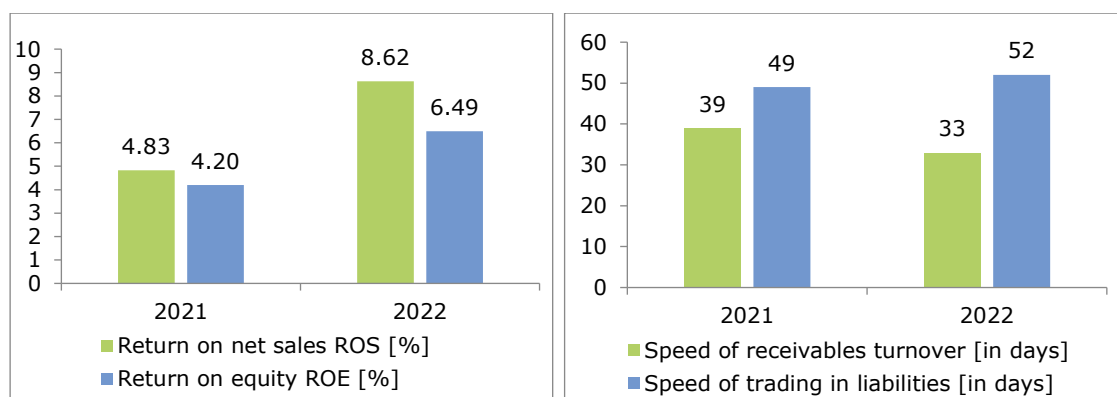


NET DEBT OF PGE S.A. AND MAIN FINANCIAL RATIOS

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

PLN million	As at 31 December 2022	As at 31 December 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.



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

3d) The sponsoring policy.

The document regulating sponsoring activities is "The General Procedure for Sponsoring Activities in PGE Polska Grupa Energetyczna S.A. and in other companies of the PGE Capital Group", which has been in force since 21 April 2021. In 2021, the sponsoring policy in the PGE Capital Group was structured through the adoption of the Sponsoring Strategy in the PGE Capital Group. The Strategy

provides for sponsoring programmes within which individual activities in the area of sponsoring culture, sport and industry events will be carried out in the coming years.

The Sponsoring Strategy comprises the following sponsoring programmes: PGE MOCna League (sponsoring the PGE National Stadium and professional sports clubs and leagues), MOC e-mocji (esports initiatives), The Sports Winter with PGE (supporting skating), The POWER of the Wind and Water (sailing), PGE Junior (sports academies for children and youth), PGE Cultural Energy Group (high culture, including philharmonic halls), PGE Proud of Their History (supporting projects promoting historical memory, e.g. the Warsaw Uprising Museum, the Museum of Polish Children - Victims of Totalitarianism), PGE We Lead in the Green Change (congresses and industry events devoted to the power sector).

In 2022, PGE's sponsoring activities were focused, as in the previous years, on the support of sport (professional sport as well as amateur sport for children and young people) and culture.

PGE S.A. developed sponsoring projects with the Polish Sailing Association, the Polish Canoeing Association and the Polish Swimming Association to support initiatives related to renewable energy (wind and water) and pro-environmental attitudes.

PGE Polska Grupa Energetyczna S.A. supported several important areas of the Polish Sailing Association's activities in 2022. The first area was the support of the Polish Sailing Association's national team, from among whom a group of PGE Sailing Team Poland Ambassadors was selected. The Ambassadors represented Poland at regattas all over the world, winning medals in world and European championships and in World Cup regattas, but also got involved in the promotion of offshore wind energy and PGE Group investments in this sector. The cooperation also included the National Sailing Education Programme called PolSailing. This is Poland's largest comprehensive programme to support and popularise sailing, carried out by the Polish Sailing Association in cooperation with district sailing associations and sports clubs, and with funding from the Ministry of Sport and Tourism. Virtual regattas (e-sailing) and the Gdynia Sailing Days sailing festival were also organised as part of the Polish Sailing Association's support.

In November 2022, PGE S.A. established cooperation with the Polish Swimming Federation. The cooperation included, among other things, the sponsoring of the national team competing in the World Championships, European Championships and other international events, and support for the most important events in Poland organised by the Polish Swimming Federation.

PGE Polska Grupa Energetyczna S.A. also became the main sponsor of the Polish Canoeing Association. The cooperation covered events of such rank as the World Championships, European Championships and World Cups with the participation of the Polish National Team. A very important area of cooperation between PGE S.A. and the Polish Canoeing Association was also the popularisation of tourist and amateur canoeing in Poland.

Cooperation was also continued with PGE Ekstraliga - the largest speedway league in the world - and sports clubs: PGE Skra Bełchatów, PGE FKS Stal Mielec and PGE Spółnia Stargard. As part of the MOCna Liga PGE sponsoring programme, cooperation was also established with the DevelopRes Rzeszów volleyball club, the current Polish Vice-Champion team in women's volleyball, in 2022. The agreement with the Polish Esport League concerning the naming rights to the PLE Champions Division (PGE Champions Division PLE) was extended for another three years.

PGE Polska Grupa Energetyczna S.A. became the largest sponsor of Polish skating in 2022 as the Main Partner of the Polish Figure Skating Association and the Polish Speed Skating Association. In 2022, 14 sporting events were held as part of PGE's cooperation with the Polish Figure Skating Federation, and the PGE logo accompanied the national skating team

during 10 national and 29 international competitions co-organised by the PFSF. As part of the promotion of skating, continuously since 2018, together with the Polish Figure Skating Federation, PGE CG companies have been implementing the "Come Skating" project. In 2022, nine open days were organised in several Polish cities as part of the project.

The "Winter PGE National Tour" project was also implemented. This most recognisable winter tour of Polish ice rinks hosted 400,000 people in 10 cities.

In 2022, PGE S.A. supported the sporting development of children and young people through the PGE Junior programme - sponsoring children's sports clubs, mainly in regions where PGE S.A. conducts business. In 2022, the project supported 22 amateur clubs in various disciplines.

In 2022, the PGE Group supported 16 philharmonics across Poland (the Lower Silesian Philharmonic in Jelenia Góra joined the group of philharmonics sponsored so far) and is one of the most recognisable patrons of culture in the country.

PGE has supported new cultural institutions such as: The National Museum in Lublin (as patron of the Museum) and the National Museum in Cracow, where PGE became patron of the Gallery of the 20th and 21st centuries. Thanks to PGE's support, an exhibition of works by Tamara Łempicka, among others, was organised. In 2022, PGE continued its cooperation with the National Museum in Warsaw as Patron of the 19th Century Art Gallery. In addition, it supported the Museum's 160th anniversary celebrations as Jubilee Partner. Its support of the Jubilee resulted in many outstanding exhibitions of works by, among others, Chagall or Witkacy, and the organisation of the exhibition: "Solstice. Painting of the North 1880-1910".

As a patron of the New Crown Treasury at Wawel Castle, PGE supported one of the most important permanent exhibitions of 2022 presenting the most valuable Polish historical memorabilia. PGE is also a patron of the Wawel Royal Castle's education and social projects.

In 2022, PGE implemented the campaign "We invite everyone to participate", which encourages and inspires people to participate in and enjoy culture. The campaign is also an expression of PGE's approach to the patronage of culture - the Group wants to participate in it in an active and engaging way.

Total sponsoring expenses in 2022 in PGE S.A. amounted to PLN 54,782,845.25, including:

- Sponsoring of culture: PLN 6,411,250.00;
- Sponsoring of sport: PLN 44,479,244.20;
- Conferences and congresses: PLN 3,852,451.05;
- Other: PLN 39,900.00

The compliance of the followed sponsoring policy with "The General Procedure – The Principles of Conducting Sponsoring Activities in PGE Polska Grupa Energetyczna S.A. and the other companies belonging to the PGE Capital Group" is evaluated every year on the basis of an examination of the effectiveness of sponsoring activities carried out by an independent external auditor. An evaluation of conducted activities is included in a yearly report submitted to the Management Board and the Supervisory Board of PGE S.A. The effect of a positive evaluation of the conducted sponsoring policy is annual resolutions of the Management Board of PGE S.A. accepting relevant reports as well as the acceptance of information on the results of inspections carried out by the Supervisory Board of PGE S.A.

The Supervisory Board considers the sponsoring policy of PGE S.A. as reasonable.

3e) Charitable and social activities.

The main areas of PGE's social involvement are defined in "The general procedure for the management of social involvement activities in the PGE Group", as well as in "The general procedure for planning and implementing donations in the PGE Capital Group". The PGE Group's approach to building relations with stakeholders is also defined in The Strategy of the PGE Capital Group and The Code of Ethics of the PGE Capital Group.

The PGE Group actively participates in the implementation of all 17 UN Sustainable Development Goals, and in its strategy identifies four of them, whose implementation it supports in a special way. These are: Goal 7. – affordable and clean energy; Goal 11. – sustainable cities and communities; Goal 12. – responsible consumption and production and Goal 13. – climate action. The charitable and social activities of the PGE Group fulfil the principles of Goal 11.

An important element of the PGE Group's corporate social responsibility is the PGE Foundation. The profile of the Foundation's activities results from the PGE Group's strategy, corporate communication and marketing strategy and brand strategy. The Foundation supports historical, educational, environmental and social activities. It fulfils its mission through its own projects and projects implemented in cooperation with partners. It makes donations for charitable purposes, projects in the field of cultivating historical memory and national identity, projects in the field of education, upbringing and sport. It also supports health protection and promotion projects, projects related to environmental protection, ecology and many others. In 2022, the PGE Foundation received nearly 1,300 requests for donations. The Foundation made almost 700 donations for a total amount of over PLN 15.7 million.

In 2022, from the first day of Russia's aggression against Ukraine, the PGE Group carried out activities to help refugees, supported organisations and institutions giving them shelter and helped complete humanitarian transports sent to Ukrainian cities. PGE Group companies also supported the Ukrainian energy sector and sent aid to Ukrainian soldiers in areas of major warfare.

PGE Group companies, through the PGE Foundation, donated over PLN 1.5 million in financial donations. The donations were transferred to Caritas branches throughout Poland. The funds were used, among other things, for emergency aid, securing accommodation needs, medical assistance and psychological support for children. Support was also given to associations and organisations that organise and send humanitarian transports deep into fighting Ukraine. Thanks to this aid, more than 50 tonnes of bandages, medicines, food and other most necessary items were sent to the cities affected by the hostilities.

The PGE Foundation also donated more than 1,500 therapeutic teddy bears to children from Ukrainian families crossing the border into Poland and to children from Ukrainian orphanages residing in centres on Polish territory. The toys were sent to refugee centres run by Caritas, municipalities and city offices, as well as to municipal family assistance centres, which help refugees find a peaceful home in Poland.

At the special request of the municipality of Ustrzyki Dolne, PGE Dystrybucja S.A. built a temporary low-voltage line to supply electricity to the tents at the Krościenko border crossing, which house medical aid points, food distribution centres and related facilities for the refugees.

PGE CG companies also directed support to the Ukrainian energy sector, which is still facing the problem of maintaining continuity of production and energy supplies in the areas most affected by the war. PGE Dystrybucja S.A. donated to its eastern neighbour materials necessary to restore the destroyed infrastructure and maintain continuity of energy supply. The equipment was donated to Ukrainian power engineers through the Government Strategic Reserve Agency.

PGE Group companies supported the purchase of three fully-equipped inflatable tents to augment accommodation for refugees from eastern Ukraine arriving in Lviv and Truskavets, close to the Polish border. The tents are fully equipped with high quality equipment, including generators, lighting, air conditioning and heaters. The purchase and transport of the tents to Lviv and Truskavets was organised by the Przemyśl branch of the Polish Association Against Disability, which has been carrying out humanitarian transports across our eastern border since the beginning of the Russian aggression. The equipment was ordered and purchased in cooperation with the State Fire Service in Przemyśl to best meet the needs of the refugees.

PGE Dystrybucja S.A. provided accommodation at its "Energetyk" Training and Recreation Centre in Nałęczów, where 120 family members of Ukrainian energy workers fleeing Russian aggression in Ukraine found shelter. They were provided with food, care as well as hygiene products and all necessary supplies. A dozen or so, after receiving assistance, set off to continue their journey to their relatives. Employees of PGE CG companies were also involved in the ongoing assistance to the families living in the centre by donating the most necessary items, including clothing, hygiene products, nappies and baby food.

Employees of PGE Group companies have been involved in the campaign to help refugees since the first day of Russia's aggression against Ukraine. They collected and donated more than 6 tonnes of basic necessities, including food, hygiene products, medicines and blankets, to nearly 100 refugee centres and several hundred Ukrainian families living in private accommodation. The parcels handed over to centres housing children from orphanages also included clothing, toys and educational games, as well as several hundred complete school kits for children starting education in Polish schools.

More than 500 volunteers from PGE CG companies were involved in helping the refugees. From the first day of Russia's attack on Ukraine, up to 50 volunteers a day worked in the border areas, helping to welcome refugees in Poland and relocate them in homes and centres.

Furthermore, for many years, the PGE Group has been involved in and initiated pro-environmental activities. "Forests Full of Energy" is a programme of the PGE Group that for 23 years has been pursuing the same objective – the reconstruction of Polish forests and improvement of air quality and groundwater levels. In the previous years, trees were planted in locations indicated and prepared by foresters from Regional Directorates of State Forests. In 2020 PGE S.A. changed the formula of the project and initiated cooperation with institutions involved in nature protection. PGE S.A. established cooperation with the Biebrzański National Park, Świętokrzyski National Park, Roztoczański National Park, Kampinoski National Park, Słowiński National Park and Wigierski National Park, implementing active nature conservation, educational, scientific and research and infrastructural projects.

In 2022, PGE S.A. continued its cooperation with the League for Nature Conservation as part of its strategic partnership. Environmental, educational and ecological projects were implemented, and a popular science conference entitled "Protection of birds in urban areas" was held.

The PGE Group supports local activities aimed at social welfare, including assistance for individuals and families who find themselves in difficult situations. This support is carried out through the employee volunteer programme.

The Supervisory Board considers the charitable and social policy of PGE S.A. as reasonable.

3f) The remuneration policy.

The PGE Capital Group is one of the five largest employers in Poland, ensuring stable employment for close to 40,000 people in more than 200 locations all over Poland.

On 9 September 2016 the Act on the Principles of Determining Remuneration for People Managing Some Companies of 9 June 2016, the so-called new Chimney Act, entered into force. The new Chimney Act regulates, among other things, the manner of establishing the principles of determining remuneration for members of management boards and supervisory boards in companies where the State Treasury is a shareholder (e.g. PGE), and in particular specifies how remuneration is determined and granted to members of management boards and supervisory boards (the principles of determining remuneration for members of management boards and supervisory boards are adopted by a general meeting, while a supervisory board adopts resolutions on concrete conditions of remunerating members of a management board). The Act also specifies selected clauses of agreements for the provision of management services to be entered into with members of management boards.

On 14 December 2016 the Extraordinary General Meeting convened upon a motion submitted by the Minister of Energy representing the State Treasury acting in the capacity of a shareholder adopted a resolution on the shaping of the principles of remuneration for members of the Management Board of PGE S.A. The principles were subsequently amended by resolution no. 37 of the Ordinary General Meeting of 27 June 2017 and resolution no. 4 of the Extraordinary General Meeting of 2 December 2019. They were further amended by resolution no. 5 of the Extraordinary General Meeting of "PGE Polska Grupa Energetyczna S.A." of 7 March 2022 on determining the amount of remuneration for members of the Management Board. According to these resolutions, the remuneration of members of the Management Board consists of a fixed part constituting a monthly basic salary and a variable part constituting supplementary remuneration for a given financial year, depending on the achievement of managerial objectives. In 2022 the Supervisory board established managerial objectives and indicators determining their achievement.

In accordance with the Act of 16 October 2019 amending the Act on public offering, conditions governing the introduction of financial instruments to an organised trading system and public companies, as well as certain other acts, on 26 June 2020 the Ordinary General Meeting adopted resolution no. 9 on the adoption of "The Remuneration Policy for Members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A.", which was amended by a resolution of the Extraordinary General Meeting of 22 June 2022, in connection with the adoption of resolution no. 5 of the Extraordinary General Meeting of "PGE Polska Grupa Energetyczna S.A." of 7 March 2022 on determining the amount of remuneration for members of the Management Board. The adopted Remuneration Policy maintains the solutions adopted in resolution no. 37 of the Ordinary General Meeting of 27 June 2017 and resolution no. 4 of the Extraordinary General Meeting of 2 December 2019 and resolution no. 5 of the Extraordinary General Meeting of "PGE Polska Grupa Energetyczna S.A." of 7 March 2022 providing for the division of remuneration of members of the Management Board into a fixed part constituting the basic monthly remuneration and a variable part depending on the achievement of management objectives for a given year, as well as additional cash or non-cash benefits.

The remuneration package for the employees and directors of PGE S.A. consists of a permanent part (comprising a base salary), a variable part (comprising annual bonuses for directors, quarterly bonuses for other employees, annual awards depending on the achievement of the Company's objectives, and individual discretionary awards for outstanding achievements). Since 2014 PGE S.A. has used market payroll data to monitor the competitiveness of its remuneration packages. Annual bonuses for directors and quarterly bonuses for employees depend on a degree to which individual objectives have been achieved (management by objectives). Furthermore, PGE S.A. provides its employees with an extensive system of non-payroll benefits such as medical services,

the employee pension plan, low-cost meals, electricity consumption compensation, partial or complete financing of professional training courses. PGE S.A. employees receive also benefits from the Corporate Social Benefits Fund.

3g) Factors important for development.

	Key developments	Potential impact on PGE CG
MACROECONOMIC ENVIRONMENT - WORLD	<ul style="list-style-type: none"> 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. 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. The massive increase in energy prices also indirectly pushed up core inflation, prompting central banks to raise interest rates rapidly. 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. 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. 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. 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 emission allowances deferred from future periods. 	<ul style="list-style-type: none"> 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. 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. 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. 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.
MACROECONOMIC ENVIRONMENT - POLAND	<ul style="list-style-type: none"> 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 scepticism and 	<ul style="list-style-type: none"> 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

	<p>inhibited a considerable share of investments.</p> <ul style="list-style-type: none"> • 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. • The National Bank of Poland's reference rate increased during the year from 2.25% to 6.75%. • The rating agencies maintained Poland's high credit rating. They also emphasised that the outlook for the near future is stable. • Yields on 10-year government bonds rose over the year from 3.5% in January 2022 to 6.5% in December 2022. • 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. • 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. • Increased population due to migration from Ukraine. • The EC forecasts GDP growth in the coming years at 1% in 2023 and 2.6% in 2024. 	<p>households and in industry and services. High 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> <ul style="list-style-type: none"> • 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. • 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. • 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. • 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>	<ul style="list-style-type: none"> • In 2022, Poland's electricity demand declined by 0.9 TWh year-on-year, from 174.4 TWh to 173.5 TWh. • 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. • 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. 	<ul style="list-style-type: none"> • 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

- 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.
- 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.
- The weighted average price of the annual contract for 2023 amounted to 1 112 PLN/MWh for the whole of 2022, an increase of 727 PLN/MWh compared to the price quoted for the BASE_Y-22 contract in 2021.
- CO₂ emission allowance 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 on neighbouring markets should exert pressure on the reduction of generation from coal units.
- 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.
- 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 suitable for individual households into Poland by 31 October 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.

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% 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 – 28 September 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 – 1 May 2022. 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 1 December 2022. The

	<p>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 31 December 2023.</p> <ul style="list-style-type: none"> • 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 off coal-fired generation assets from state-owned companies. • Changes to the energy market model: <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. ◦ Implementation of Flow Based Market Coupling in trade on the synchronous link in 2022.
<p>DEVELOPMENT OF NEW TECHNOLOGIES</p>	<ul style="list-style-type: none"> • 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. • Conclusion of a letter of intent on the Pątnów 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). • 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. • Considerable growth in the heat pump market. In Poland, sales of heat pumps increased by 121% y/y. • 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. • The stronger competitiveness of new RES installations affects the dynamics of their growth and changes the operating conditions of conventional units. • 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. • 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. • 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.

	<ul style="list-style-type: none"> • Systematic development of prosumer energy and a dynamic increase in the number of micro-installations. • DEVELOPMENT OF E-MOBILITY • Development of information and telecommunications technologies finding new applications in the energy sector. • On 2 November 2022, Government adopted 'Polish hydrogen strategy to 2030 with an outlook to 2040 – 2 November 2022. 	<ul style="list-style-type: none"> • 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. • 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. • 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
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3h) Risks and threats for PGE S.A. and PGE CG.

Risks in the PGE Capital 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.

The most important risks and threats for the operations of PGE S.A. and the PGE Capital Group include the following:

- **market and product risks related to the prices and volumes of products and services offered (on the revenue and cost side), in particular:**

- Gross margin on electricity from the production assets of the PGE Capital Group and on trading in related products,
 - Electricity and heat production,
 - Electricity sales volumes,
 - Tariffs (regulated prices),
 - The Capacity Market;
- **property risks related to asset development and maintenance, in particular:**
 - Failures and damage to property,
 - Tangible investments,
 - Asset management and maintenance investment;
 - **operational risks related to the execution of current business processes, in particular:**
 - Fuel management ,
 - Cybersecurity,
 - Oversight of insurance policies,
 - Reputation,
 - Procurement,
 - Human Resources,
 - Social dialogue;
 - **regulatory and legal risks related to compliance with the requirements of the external and internal legal environment, in particular:**
 - Environmental protection,
 - Employee safety,
 - Climate,
 - Concessions,
 - Reporting and Taxes,
 - Risks related to specific measures introduced in 2022 in the market for energy and related products (e.g. in the area of gas, heat, fuels) to protect end consumers from the effects of price increases as a result of the conflict in Ukraine and its economic consequences;
 - **financial risks related to financial management, in particular:**
 - Credit risk,
 - Liquidity risk,
 - Interest rate risk,
 - Foreign exchange risk;

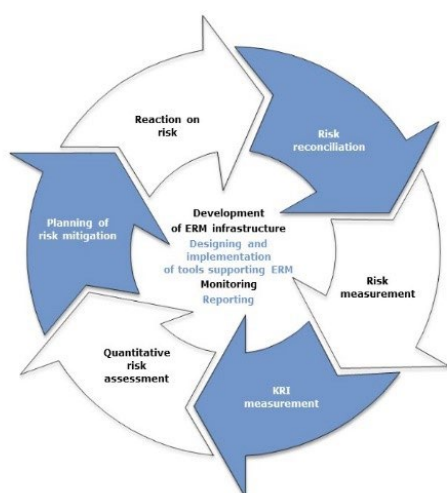
Internal control and risk management system.

PGE S.A. has an internal control system and a corporate risk management system. These systems comprise a set of solutions, developed and implemented by the Company's management and employees, allowing for reasonable assurance that the business objectives of the PGE CG are

achieved. The Company's Management Board is responsible for the establishment of these systems, including the determination of the strategy for their development and operation.

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-legal 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 defence (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 following are the most important risk mitigation measures.

Market and product risks.

Actions:

- Optimisation of generation assets - definition of production scenarios for updated market parameters of electricity, CO₂ and fuels.
- Using consistent guidance in respect of process organisation in the context of commercial strategy and mid-term planning.
- Establishing position hedging levels with consideration given to the results of analysing pricing risk in respect of electricity and related products, VaR-based.
- Implementing a strategy of hedging key exposures in electricity and related products trading over the medium term. The level of hedging of open positions is determined taking into account the risk appetite, the results of the electricity and related products price risk measurement, the liquidity of the individual markets as well as the Group's financial situation and the objectives arising from the Group's strategy.
- Research, monitoring and analysing the electricity markets and sector trends in order to optimally use generation and selling capacities.
- 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.
- Current clients retention - a diversified portfolio of customer loyalty schemes and special offers dedicated to former clients who moved over to the competitors.
- Care for a high level of customer service by developing employees' competences and building relations with business and retail clients.
- Use of tools to supporting customer relations processes allows the Group better sales planning and organisation of sales.
- Ensuring the expected level of operational readiness of the individual capacity market units.
- Signing multi-year contracts for the collection of generated by-products.
- Undertaking appropriate lobbying activities for legislative changes favourable to the Company.
- Preparation of duly substantiated financial documents to justify the support requested, possible appeals against decisions of the ERO.

Property risks.

Actions:

- 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 modernisation of the production capacities.
- ESG-sensitive sustainable development.
- 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 modernisation of the distribution grid.

- Continuous monitoring of environmental laws and regulations regarding environmental protection, and the energy policy.

Operational risks.

Actions:

- Optimisation of equipment lifecycles and the availability of key assets.
- Timely inspections, repairs and modernisation of the existing assets.
- Service contracts to enable efficient and rapid remedial action.
- 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.
- Continual monitoring of service availability.
- Creating Business Continuity Plans for critical systems, developing and testing emergency procedures.
- 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 the 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.

Regulatory and legal risks.

Actions:

- 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.
- 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 and others, as well as cooperation with Euracoal industry organisations.
- Effective raising of external financing and permitted state aid for the development of planned low- and zero-emission investments by the PGE Capital Group.

Financial risks.

Actions:

- In the area of credit risk: carrying out a counterparty scoring assessment prior to entering into commercial transactions, on the basis of which an internal rating and credit limit is established, which is regularly updated and monitored. Exposures exceeding the set limits are hedged in accordance with the Group's Credit Risk Management Procedure. The level of utilisation of the limits is monitored on a regular basis and ongoing monitoring of receivables payments is carried out and early recovery is applied. The Corporate Centre determines and manages the PGE CG's global exposure to individual counterparties (suppliers and customers of PGE CG Companies) on the basis of the exposure of individual PGE CG Companies.
- In the area of liquidity management: the use of a central financing model in the Group, according to which, as a rule, external financing is obtained by PGE S.A. Subsidiaries in the Group use various sources of intragroup financing, and liquidity risk is monitored by means of periodic planning tools with regard to operating, investing and financing activities. Due to a very significant impact of high volatility of market prices - electricity and related products (CO₂ emission allowances, gas and coal), on the demand for working capital necessary to finance the conducted trading activities (including, in particular, the financing of security deposits on exchanges where the PGE Capital Group conducts trading activities with a particular focus on the purchase of CO₂ emission allowances with an increasing price trend and volatility of the CO₂ emission allowances prices), it is crucial to ensure adequate liquidity to finance these activities. Analyses are being carried out with a view to optimising the PGE CG's financing model in the context of securing financing for the PGE CG's operating activities (trading strategy), investment activities and financial activities. The Company monitors the performance of the net debt/EBITDA ratio at a level guaranteeing the maintenance of credit ratings at the investment level and, consequently, the possibility of financing the implementation of the Group's strategy.
- In the area of currency risk and interest rate risk, the 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. The 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

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.

Long-term risks

The PGE CG does not focus only on risks related to its current operations, but also on long-term risks and risks resulting from climate change. The risks that may affect the Group's operations in the next decade are also identified and assessed. Personnel at the highest management level (Board Members and Division Directors) assess the impact of the perception of the development of long-term risks. Each long-term risk is assessed in terms of its impact on the achievement of the Group's objectives, image and business continuity. This action allows the Group to prepare for emerging challenges and to safeguard the long-term development of the Group.

While risks to current operations affect PGE's operations and financial performance, risks of a long-term nature may affect the success of the implementation of the strategy and the future of the entire organisation. Their identification is key to ensuring the sustainability of the PGE Group.

The following are the areas in which challenges and risks are identified for the PGE CG over the next decade:

- Development directions
 - Access to finance
 - Competition
 - Geopolitics
 - Climate change (meteorology)
 - Energy generation sources
 - Law and regulations
 - Technological revolution
 - Social preferences
 - Security

Climate risk

The PGE Capital Group is aware of the impact of its activities on the climate, as well as of the risks arising from climate change for the Group's activities. It is known that the business activities of PGE CG companies both affect and depend on the climate, this interdependence generates both risks and opportunities for development. Therefore, the expectations of stakeholders to report on the environmental impact of operations are understood, climate risk management is recognised as a key element of strategic management, with a direct impact on financial aspects.

In view of the above, the PGE CG is focusing not only on risks but also on opportunities to ensure resilience to risks and to increase sustainable CG revenues. The PGE Capital Group has taken a number of actions in 2022 aimed at achieving climate neutrality in 2050, already indicated in the PGE Group Strategy to 2030, and continues to work on the implementation of the PGE Group ESG Strategy, focusing on 4 areas: competitiveness in the financial market, a leader in green transformation, a corporate culture that supports sustainable development and active communication on sustainable development with all stakeholders. The Group is also implementing measures to meet regulatory requirements, both national and European. This includes the EU Taxonomy, preparation for the Corporate Sustainability Reporting Directive (CSRD), as well as the expectations of financial institutions, investors and customers.

Climate risk issues are subject to the rigours and guidelines arising from the corporate risk management process. The body responsible for overseeing the PGE Group's corporate risk management process, including climate risk, is the Risk Committee, as in the case of financial risks. The establishment of the Risk Committee at the highest management level, reporting directly to the Management Board, ensures oversight of the effectiveness of risk management in the Group. This positioning of the risk function allows for an independent assessment of individual risks, their impact on the PGE Group and the mitigation and control of material risks through 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 risks are analysed both in the context of the impact of climate change on business and the impact of business on climate change. Identification and analysis of climate-related risks and continuous improvement of pro-environmental solutions as well as control tools allow for effective management and minimisation of climate impact, while taking care of the PGE Group's financial performance. The solutions that the PGE Group develops are aimed at its development and sustainable transformation in line with climate requirements and care for all stakeholders.

Climate issues are assessed centrally in PGE S.A., taking into account all activities of the CG and its constituent entities. This means that the result of the assessment is reported jointly, at the CG 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 method adopted regarding the inventory and assessment of risks, is an internal PGE concept.

In 2022, the PGE Group once again took part in an international study on the company's environmental impact, the Carbon Disclosure Project - CDP (<https://www.cdp.net/en>). 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.

There is an interdependence between climate-related risks and opportunities for business. Every business is affected by two types of climate risks:

- physical risks, related to the physical effects of climate change, i.e. real threats in the form of extreme weather events, drought, flooding;
- Transition risks (also known as transformation/transition risks) towards a low-carbon and climate-resilient economy and relate to meeting regulatory requirements, implementing new technologies or the impact on a company's reputation.

A changing climate and activities to mitigate and adapt to the effects of climate change are at the same time providing new opportunities and chances for business development. Therefore, the PGE Group is focusing not only on risks but also on opportunities in order to ensure its resilience to risks and to increase sustainable profits. The PGE Group's climate-related opportunities primarily concern:

- resource efficiency, e.g. by working on waste management solutions and recovering valuable products from wind turbine blades;
- new energy sources, e.g. by investing in offshore and onshore wind farms, as well as photovoltaic farms, the construction of emission-free hybrid electricity storage;
- new products, e.g. expanding the product portfolio with PRO EKO initiatives - products that fit in with low-carbon heating systems, developing products/offers that promote low-carbon activities, following changes in consumer preferences or developing insurance solutions for Offshore Wind Farms (OWF);
- increased resilience to climate change in the form of, inter alia, competence building in the offshore wind power industry as part of PGE S.A.'s cooperation with secondary

schools and universities in Poland, the establishment of scientific and research cooperation between PGE S.A. and institutes from the offshore wind power industry in Poland, or underground cabling.

Climate risk in the PGE CG has been defined in the following five areas:

- sourcing of aid funds and investment incentives in national regulations - related to increasing the impact of climate requirements relevant to the allocation of aid funds and investment incentives in national regulations,
- international regulations - related to EU energy and climate policy legislation, in particular under the pending Fit for 55 package,
- CO₂ - related to the rising cost of emission allowances, which may adversely affect the profitability of generating units or lead to the suspension of production at these units,
- operational - related to extreme weather phenomena or changes in climatic conditions that may adversely affect PGE CG's assets and operations,
- investment - relating to the PGE Group's failure to meet its investment commitments, aimed at green transformation, at EU, national and its own strategic objectives.

Each area of climate risk described above is assessed in the short, medium and long term. The time horizons adopted are based on analogy with ongoing external studies.

Assessing the impact of physical climate risks on operations

Global warming, changing precipitation patterns, rising sea levels and extreme weather events are increasingly posing serious challenges to the resilience of electricity systems, increasing the likelihood of disruption. Climate change directly affects every segment of the electricity system: both generation potential and capacity, heating and cooling demand, transmission and distribution network resilience and demand patterns.

Aware of the risks posed by climate change, the PGE Group, as part of the first phase of its climate risk management process, conducted an assessment of significant climatic physical (material) risks in 2022 - which could have a negative impact on its operations, supporting adaptation to climate change and enhancing resilience to climate risks. The climatic factors assessed were primarily temperature, precipitation and wind and their negative impact on key activities in the Group.

An assessment of the risks associated with climatic physical hazards in the PGE CG 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 to achieve a higher reduction in greenhouse gas emissions than today, assuming that the increase in average global temperature will be around 2.5 at the end of the 21st century relative to the pre-industrial era, and
- RCP 8.5- a pessimistic scenario that assumes a continuation of the current rate of increase in greenhouse gas emissions, on a business-as-usual basis, assuming that, by the end of the 21st century, the Earth's average temperature will have risen by 4.5° relative to the pre-industrial era.

The assessment carried out showed a low or medium impact of risks related to climatic physical hazards on key activities in the Group in 2022. According to the adopted criterion, risks whose assessment showed a high impact were subject to testing. An important role in the impact assessment process is played by, among others, the implementation of adaptation

measures developed in the PGE Capital Group, increasing the resilience of the power systems to climate change in the form of the application of more weather-resistant solutions in the form of a cabling programme (replacement of overhead transmission networks with cables placed in the ground), preventive management of key elements of infrastructure affecting business continuity, insurance against events related to weather phenomena or precise analyses of land for new investments.

Impact of transformational climate risks on operations

Transformational climate risks in the PGE Group mainly relate to areas affecting the transformation towards achieving the planned climate neutrality by 2050, i.e., among others: requirements and regulation of existing products and services (area: policy and law), replacement of existing products and services with their low-carbon counterparts (area: technology) and stakeholder concerns/negative opinions (area: reputation). Examples of risks from the above areas are listed below, by category:

Politics and law

Climate regulations have a direct impact on energy companies. PGE 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 characterised by a significant impact of domestic and foreign regulations. The risk of current regulations is particularly significant in the context of obtaining capital, subsidies and support from aid funds.

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

Emerging regulations

Emerging regulations are important to implement the strategy and support an effective transition to low-carbon technologies. The PGE Group is committed to making full use of available financing options for green investments. Emerging regulatory changes, such as EU infrastructure support to stimulate sustainable investments, consideration of lack of financing, penalties for climate negative transactions, may give rise to significant risks. These changes will have an impact on credit risk and may affect the cash flows generated by PGE CG's assets and thus affect their income value.

The risk of rising costs of greenhouse gas emission allowances, including a reduction in the cap on free emission allowances for district heating, has the effect of reducing the ability to finance low- and zero-carbon investments.

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

Technology

A sustainable reduction in emissions intensity is to be achieved in the PGE Capital Group by changing generation technologies, investing in new technologies, expanding the portfolio of renewable energy sources, developing the circular economy and enabling customers to participate in the energy transition. Technology risk also includes the selection of optimal and efficient new technologies, the use of potential by the PGE Capital Group. By 2030, the share of low- and zero-carbon sources in the Group's generation portfolio is expected to reach 85% and renewable energy sources will account for 50% of energy generated. The PGE Capital Group aims to achieve climate neutrality by 2050.

Reputation

Reputational risk for the PGE Group is highly relevant as the energy sector plays an important role in supporting an effective transition to a low-carbon and ultimately zero-carbon economy. As a leader in the transition, the PGE Group is focused on reducing its environmental impact. A sustainable reduction in emissions intensity is to be achieved by changing generation technologies, expanding the renewable portfolio and enabling customers to participate in the energy transition by offering them attractive products. Failure to pay due attention to the low-carbon economy and ESG issues may cause problems with access to capital.

In order to mitigate risk in the PGE Capital Group, a team for the calculation of the carbon footprint of the PGE Group was established, a joint initiative was created within the Polish Association of Combined Heat and Power Plants to develop a sectoral guide for the uniform recognition of the carbon footprint of power plants, combined heat and power plants, including heat transmission and distribution, and electricity distribution activities, and the staffing of organisational units involved in processes related to reporting, decarbonisation and risk assessment was increased.

3i) The compliance management system in the PGE Capital Group.

Compliance in the PGE Capital Group.

The PGE Group management system's functioning and continuous improvement are based on legal regulations, adopted values and ethical standards of operation. The PGE Group operates in compliance with the law, internal regulations and high ethical standards. Consequently, it requires compliance with the same rules of conducting business from its counterparties. The PGE Capital Group operates a compliance management system based on the recommendations of the ISO 37301 Compliance Management Systems (CMS) standard, which formulates the requirements for developing, implementing and ensuring the effectiveness of compliance management systems. The system is also consistent with the standards set by the Warsaw Stock Exchange: "Recommended standards for a compliance management system with respect to counteracting corruption and a whistleblower protection system in companies listed on the markets organised by the Warsaw Stock Exchange".

The PGE Group has an organisational structure dedicated to the performance of compliance tasks. In PGE S.A., it is the Compliance Department, whose director, acting in the capacity of Compliance Officer, reports directly to the Audit Committee of the PGE Supervisory Board. The companies and branches of the PGE Group appoint Compliance Coordinators who report to the head of the Compliance Department in PGE SA with respect to the performance of their tasks. These persons are also provided with an appropriate direct reporting path to the Management Board of a given company. Currently, there are 49 Compliance Coordinators in the PGE Group. The compliance

management system in 2022 included the Corporate Centre and 21 direct subsidiaries of PGE S.A. with active operations (in September 2022, 6 of these companies were sold to PGE GIEK S.A. and one was acquired from this company). The implemented solutions apply to all employees of the PGE Capital Group and other persons performing work for the Group, regardless of their positions.

The main objective of compliance is to develop proposals and support the Management Boards of PGE CG companies in the implementation of uniform operating principles in the PGE Capital Group, as a result of which the organisational culture in the PGE Group promotes compliance with the law and ethical principles as well as activities in line with the principles of sustainable business.

This objective is pursued through the following:

- support for the PGE CG Strategy, with regard to the implementation of the designated development directions of the PGE Capital Group, taking into account the applicable laws and internal regulations;
- education and communication with respect to issues related to compliance with the law and internal regulations as well as an attitude of integrity.
- support for the implementation of transparent processes that ensure that non-compliance and rule violations can be identified, explained and promptly remedied;
- the minimisation of the risk of non-compliance that may result in penalties, sanctions, or loss of reputation and credibility as a result of non-compliance with regulations and standards that are sanctioned by the law or constitute the best practices in the field.

The compliance objectives were pursued through three compliance processes:

- a) **The compliance education process** through cyclical training on the Code of Ethics and compliance regulations, implementation of thematic training on ethics and compliance, and communication on the PGE Group's principles and values;
- b) **The process of clarifying non-compliance incidents**, which included obtaining information on suspicion and/or occurrence of Non-Compliance Incidents and conducting investigations, collecting and analysing signals of potential abuse, coordinating actions to minimise the risks of their occurrence, handling the channel of reports from whistle-blowers;
- c) **The compliance monitoring process** comprising the cycle of standard activities of the compliance management system, i.e. identification of laws and regulations, assessment of risks in the compliance interest, conducting compliance assessments and development and implementation of the annual Compliance Programme and ongoing analytical activities for prevention or early detection of irregularities, initiation of compliance monitoring and reporting.

The organisation of the compliance function in the PGE Capital Group.

The Supervisory Board of PGE S.A.

The Supervisory Board supervises and monitors the compliance management system within the PGE Capital Group, evaluates the effectiveness of the compliance system and function on the basis of, among other things, periodic reports. The tasks related to the ongoing supervision and monitoring of the compliance system are the responsibility of the Audit Committee of the Supervisory Board.

The Management Board of PGE S.A.

Within the internal control system, the Management Board of PGE S.A. implements and maintains, besides the risk management function and the internal audit function, an effective compliance management system, implements adequate and effective solutions ensuring that the employees and executives of the PGE Capital Group will conduct business activities in an honest and ethical manner consistent with the legal and regulatory obligations and with the adopted internal regulations of the PGE Capital Group. The Management Board of PGE S.A. in particular manages the course of compliance management in the PGE Capital Group and ensures resources necessary for the effective execution of the process, provides the organisational unit competent for compliance affairs with necessary access to information and data indispensable for the execution of its tasks, determines the main directions in compliance management in the PGE Capital Group, provides the Supervisory Board (including its Audit Committee) with relevant information and reports concerning the functioning of the compliance management system in the PGE Capital Group.

Compliance Department in PGE S.A.

The director of the Compliance Department reports to a member of the PGE S.A. Management Board. The basic role of the compliance function is supporting the organisation in the development of an organisational culture based on the principle of compliance with the law, the principles of ethics, and the principles of sustainable business. The organisational structure of the Compliance Department comprises two divisions:

- the Compliance Management Division;
- the Compliance Control Division.

Organisation of the system in the PGE Capital Group.

The compliance management system in the PGE Group comprises the Corporate Centre and direct subsidiaries of PGE S.A. conducting active operations. In indirect subsidiaries, the compliance system is implemented through their supervisory companies. In total, the system covers 21 companies.

In the companies of the PGE Capital Group, the role of compliance is fulfilled by employees appointed as Compliance Coordinators or employees who have been assigned the function of Compliance Coordinators as part of their additional duties. In order to ensure an efficient response to the companies' needs in the area of Corporate Centre support and to facilitate a comprehensive analysis of their individual needs, each company has been assigned dedicated Compliance Department employees as supervisors. A supervisor, through better knowledge of the specifics of the company's operations, provides more effective support to the Compliance Coordinator in their tasks, but also passes on experiences and lessons learned from specific situations when designing group solutions in the Corporate Centre.

Annual Compliance Report 2022.

In order to simplify the Compliance reporting process, the Annual Compliance Report for 2022 was developed. It consists of a synthesis of the information contained in:

- PGE Capital Group Compliance Assessment for the period October 2021 - September 2022;
- PGE Capital Group Compliance Review for 2022;
- PGE Capital Group Compliance Programme for 2023.

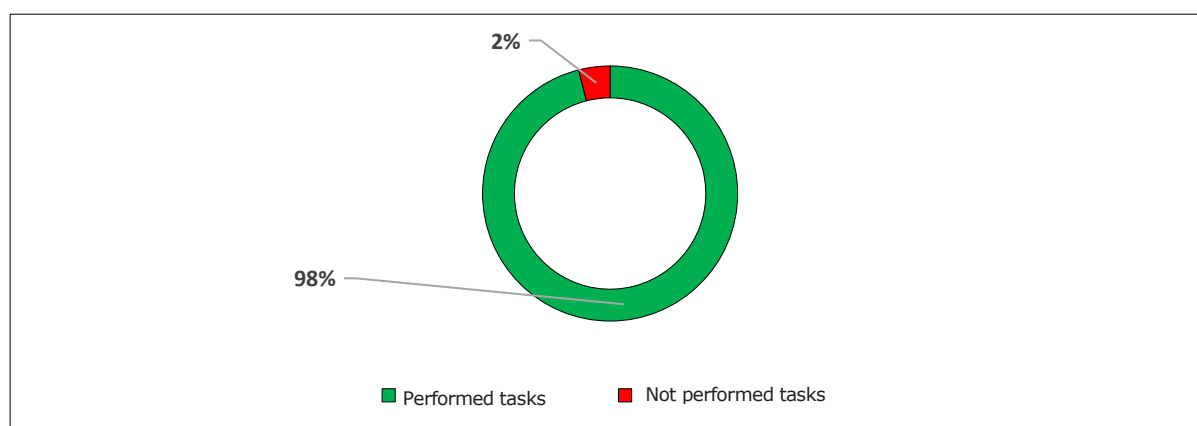
This model was introduced in 2021 and was judged to be effective due to its compactness, synthetic nature and avoidance of repetition.

The basic tool used to perform the compliance function in the PGE CG is an annual compliance programme.

With respect to the reporting year covered by this report of the Supervisory Board, "The Compliance Programme of the PGE Capital Group for 2022" adopted by the Management Board in resolution no. 98/14/2022 of 8 March 2022 and "The Compliance Program of PGE Polska Grupa Energetyczna S.A. for 2022" adopted by the Management Board in resolution no. 166/24/2020 of 29 March 2021 were in force.

The tasks under the Compliance Programmes of the PGE Capital Group companies were completed in 98%, which means that the level of completion is 2 percentage points higher than in 2021. The performance of the Compliance Programmes can be considered very good, all the more so as it was another year when there were restrictions on social distance (remote working) caused by COVID-19.

Graph no. 1 The status of the performance of the PGE Capital Group Compliance Programme tasks for 2022. [%]



Nine companies of the PGE CG implemented the tasks from the adopted Compliance Programmes at the level of at least 90%, two companies (PGE GIEK S.A. and BESTGUM Polska sp. z o.o.) did not implement the Programme and the ten companies listed below implemented their tasks in 100%:

- PGE Energia Odnawialna S.A.,
- PGE Ventures sp. z o.o.,
- MegaSerwis sp. z o.o.,
- Eltur-Serwis sp. z o.o.,
- BETRANS sp. z o.o.,
- Elbest Security sp. z o.o.,
- PGE Synergia sp. z o.o.,
- PGE Dom Maklerski S.A.,
- RAMB sp. z o.o.,
- Megazec sp. z o.o.

It should be noted that in the previous evaluation cycle (for 2021), eight companies achieved 100% implementation of the Compliance Programme.

The main tasks approved in the Compliance Programme for the PGE Capital Group companies for 2022 included:

- implementation of updated internal regulations regarding the organisation of the Compliance area, with particular emphasis on the principles of cooperation with financial institutions and project companies;
- updating of the AML/CFT regulation to bring its provisions in line with the current state of the law and the content of the communications of the General Inspector of Financial Information, including ensuring that corporate governance and companies analyse the subject matter of their business activities in relation to the scope of the definitions of mandatory institutions indicated in Art. 2 of the Money Laundering and Terrorism Financing Counteraction Act of 1 March 2018, when decisions are made in a company to change or expand its business activities in order to avoid the risk of undertaking activities subject to the Money Laundering and Terrorism Financing Counteraction Act rigours without meeting the statutory requirements, and launching a series of training sessions in this regard;
- implementation of a procedure for the management of intellectual property rights in the area of development and innovation;
- unification of channels of information on changes in the law;
- implementation of ongoing monitoring of the implementation of recommendations resulting from compliance monitoring and investigations;
- launching of an assessment of the effectiveness of the compliance area.

98% of the above-mentioned tasks from the PGE CG Compliance Programme were implemented, of which 7% of the tasks were implemented differently, and only 2% were not implemented.

PGE S.A. had 53 tasks planned for 2022 in the Compliance Programme, to which 5 tasks were added during the year. Overall, 93% of the planned tasks were completed. Of the 17 main tasks, 11 of the following issues were completed in 100%:

- implementation of the Compliance Management process;
- organisation and resources of the compliance management system;
- ethics communication;
- investigations;
- compliance monitoring;
- monitoring compliance with laws and regulations (standards), good practices;
- preventing corruption, including conflicts of interest;
- personal data protection;
- the company's own activities resulting from the compliance assessment;
- the company's own activities resulting from the identification of risks;
- own activities.

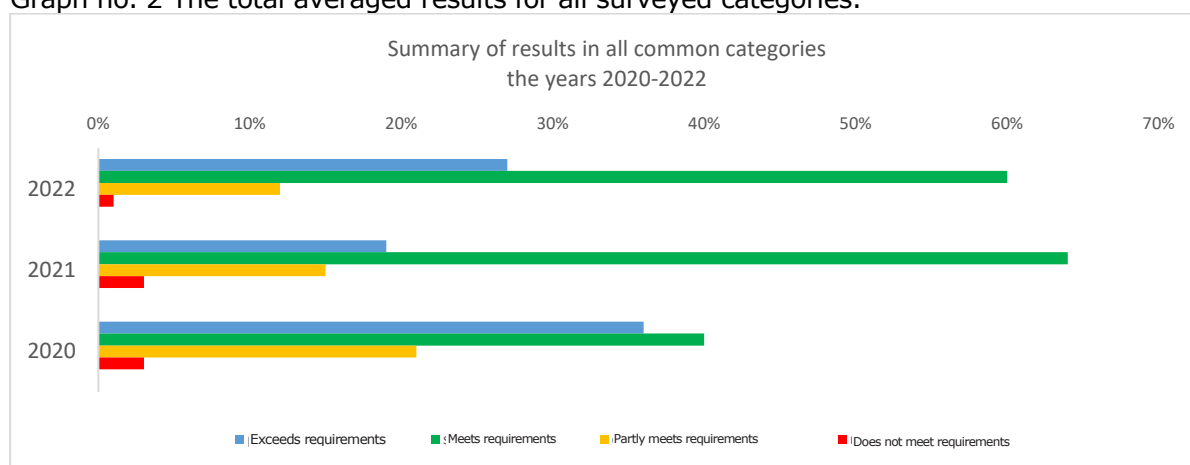
Four of the planned tasks have not been completed, but will continue in 2023. These are:

- conducting a review of internal regulations with a view to identifying control mechanisms for counteracting defined abuses in PGE S.A. and recommending the introduction of changes to reduce the risk of abuses;
- ensuring that data on subcontractors are recorded as part of the company's purchase procedures/implementation of investments;

- building a mechanism for verification of business partners prior to the establishment of a business relationship and in the event that their cooperation with PGE S.A. is of a long-term nature;
- developing comprehensive solutions concerning the protection of intellectual property in the PGE Capital Group.

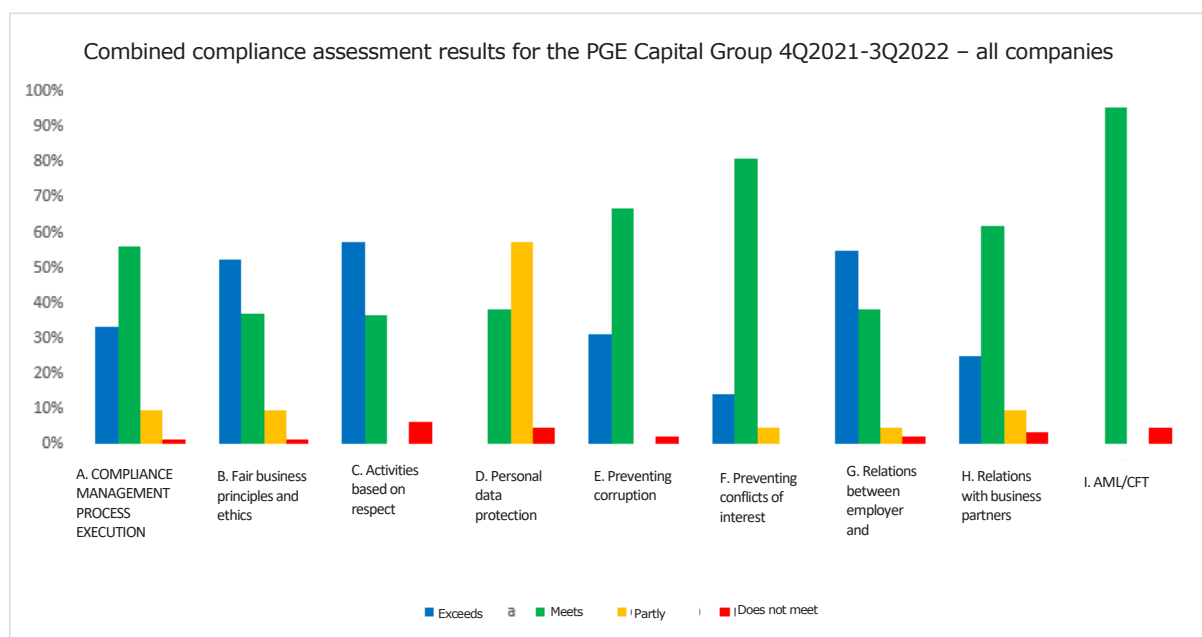
The results of the compliance assessment for the period October 2021 - September 2022 indicate steady progress in building an organisational culture based on the values and principles contained in the PGE Group Code of Ethics, as shown in Graph 2. Activities in this respect will continue within the framework of the tasks included in the PGE Group Compliance Programme for 2023 and recommendations included in individual company assessments.

Graph no. 2 The total averaged results for all surveyed categories.



Nine compliance areas were examined as part of the compliance assessment: implementation of the compliance management process, fair business principles and ethics, anti-corruption, conflict of interest, anti-money laundering and countering the financing of terrorism (AML/FT), relations with business partners, respectful activities, personal data protection, and employer-employee relations. Additionally, in the part dedicated to certain PGE CG companies, the following areas were analysed: principles of fair competition (applicable to PGE S.A., PGE Dystrybucja S.A., PGE Obrót S.A., PGE EC S.A.), protection of consumer rights, customer relations (applicable to PGE Dystrybucja S.A., PGE Obrót S.A., PGE EC S.A.), compliance of the trade area (applicable to PGE S.A.), activities of companies with branch compliance coordinators (applicable to PGE GIEK S.A., PGE Obrót S.A., PGE EC S.A.). In the areas requiring improvement, actions were planned in the Compliance Programme for 2023. The graph below presents the aggregate results of the compliance assessment for the period under review.

Graph no. 3 The summary results of the compliance assessment of all companies belonging to the PGE CG for the period October 2021 – September 2022.



The compliance assessment collectively produced the following responses overall:

- 27% (last year 19%) of responses indicate that requirements were exceeded,
- 60% (last year 64%) of responses indicate that requirements were met,
- 12% (last year 15%) of responses indicate that requirements were partly met,
- 1% (last year 3%) of responses indicate that requirements were not met.

The Supervisory Board evaluates positively the functioning of the compliance management system in PGE S.A. in 2022.

3j) Internal audit.

As a company listed on the regulated market managed by the Warsaw Stock Exchange ("WSE"), PGE S.A. follows the WSE's recommendations included in the 2021 edition of the document entitled "The Good Practices of Companies Listed on the Warsaw Stock Exchange" concerning the maintenance of an effective internal audit function corresponding to the Company's size as well as the type and scale of the conducted business activities. In PGE S.A. and in the PGE Capital Group, the internal audit function is fulfilled by the Group's own structures established and developed in accordance with The International Standards of the Internal Audit Professional Practice promoted by the international auditors' organisation – the Institute of Internal Auditors (IIA).

The audit function within the PGE CG has been consolidated since October 2021 and is carried out by the Audit Department of PGE S.A., which performs audit tasks for the Corporate Centre and individual PGE CG companies. The resources of the consolidated Audit Department were built on the basis of the audit structures functioning in PGE Capital Group companies, as a result of internal recruitment. The consolidation of the area did not include the PGE CG companies to be separated under NABE. Audit structures are still maintained in these companies. Audit support services for PGE CG companies are provided by the Audit Department on the basis of concluded contracts. As at 31 December 2022, 28 support agreements were in force.

The Company's internal audit covers all areas of the PGE Capital Group's operations with the exception of the protection of classified information, the control of which is regulated by the Act. The objective of internal audit is to carry out, in a systematic and orderly manner, an independent and objective assessment of the business processes conducted by the PGE Capital Group with respect to the implementation of effective and appropriate systems of risk management, control, and corporate governance. The internal audit system functions in the PGE Capital Group on the basis of the Internal Audit Regulations developed pursuant to the International Standards for the Professional Practice of Internal Audit, carrying out planned and ad hoc audit tasks in both the parent company and the subsidiaries. Internal audit supports PGE CG in achieving its objectives by providing the corporate bodies, the management, and the PGE CG companies with information on the effectiveness of the processes of risk management, control and corporate governance, as well as related consultancy. The results of audits are reported to the Management Board as well as the Audit Committee of the Supervisory Board.

Audit Regulations

The Audit Regulations of the PGE Capital Group define the principles for the implementation of internal audit in PGE and the companies of the PGE Capital Group, the ethical standards applicable to internal auditors and the principles for the Compliance Department's coordination or monitoring inspections and audits carried out in the companies of the PGE Capital Group by external entities. The Regulations in their current wording specify the implementation of the internal audit function in the PGE Capital Group divided into: Part A - in PGE S.A. and PGE CG Companies included in the consolidation of the audit area and Part B - in PGE CG Companies not included in the consolidation of the audit area.

Audit plan

Internal audit activities are planned and based on the Annual Audit Plan of the PGE CG. It is approved by the Management Board of PGE S.A. The plan is built on the basis of audit needs identified and reported by the Supervisory Board, members of the Management Board and directors of the PGE S.A. organisational units, as well as other audit needs occurring in the PGE CG companies. The Annual Audit Plan is also built on the basis of the Long-Term Audit Plan, which is developed in four-year cycles.

The PGE CG Annual Audit Plan includes the topics of audit tasks to be performed entirely by the audit teams of the Audit Department and tasks to be performed jointly with the audit units of the PGE CG companies that have not been included in the consolidation of the audit area (under the supervision of a coordinator from the Audit Department). Such activities create the possibility of providing comprehensive information on the audited area on the PGE CG scale (from many companies).

Ad hoc assignments

Irrespective of the execution of the Annual Audit Plan, the Audit Department carries out ad hoc audit assignments initiated at the request of a member of the PGE Management Board supervising the Audit Department. In addition, based on the provisions of the support service contracts, an ad hoc audit assignment may also be carried out on the basis of a written order from the President of the Management Board of the audited Company, a member of the Management Board designated by the President or a member of the Management Board to whom the audit area has been assigned in accordance with the division of competences.

Furthermore, the Audit Department may conduct explanatory procedures for the purpose of preliminary verification of information on possible irregularities – the result of such a

procedure is the ascertainment that there exist or there do not exist reasons for initiating an ad hoc audit measure, as well as execute advisory tasks.

Monitoring of recommendations

The implementation of recommendations from audit tasks is the responsibility of the management of relevant organisational units in PGE or the PGE CG companies. Pursuant to the Audit Regulations for the PGE Capital Group, the Audit Department monitors the process of implementing issued recommendations.

Audits in 2022

Audit activities were based on the Annual Audit Plan of the PGE CG as approved by the Management Board. In addition, the Audit Department also carried out tasks requested by PGE CG companies on the basis of concluded agreements. In 2022, work was also continued on tasks started by the units of the Audit Departments in the companies acquired before consolidation.

In 2022, the Audit Department was involved in the performance of 101 tasks, including 96 audit tasks, 3 clarifying investigations and 2 advisory tasks.

Resources of the Audit Department

The Audit Department's internal structure includes Audit Offices dedicated to servicing individual PGE CG Business Segments and Departments implementing activities from the Corporate Centre level. The following audit implementation units function within the Audit Department:

- the Audit Division at the Audit Department Headquarters – dedicated to the performance of scheduled audits in the PGE Capital Group,
- the Ad-hoc Audit Division at the Audit Department Headquarters – dedicated to the performance of ad-hoc audits in the PGE Capital Group,
- the Audit Office for District Heating and UPS – dedicated to the performance of planned and ad hoc audits in the District Heating and Circular Economy Business Segments,
- the Audit Office for Distribution – dedicated to the performance of planned and ad hoc audits in the Electricity Distribution Business Segment,
- the Audit Office for Trading – dedicated to the performance of planned and ad hoc audits in the Retail Sales Business Segment,
- the Audit Office for RES – dedicated to the performance of planned and ad hoc audits in the Renewable Power Generation Business Segment.

The Audit Department structure includes also the Analysis, Reporting and Settlement Division. It deals in particular with conducting settlements with the companies, invoicing and other activities related to cooperation with the companies, and is also responsible for current activities, such as the development of plans and collective statements and reports concerning the Department's operations, coordination of inspections carried out in PGE by external entities, monitoring the implementation of issued recommendations, etc. The Department's employees also perform audit tasks.

In 2022, the Analysis, Reporting and Settlement Division also carried out activities aimed at consolidating the management systems audit area in the PGE CG.

As at 31 December 2022, the Audit Department's headcount was 60 (per 58.5 FTEs).

Training

Besides meeting the individual needs of employees to improve their competences, participation in training courses and conferences mainly involves participation in the Audit Academy – a series of training courses for auditors from PGE and the PGE CG companies with internal audit units (or independent auditor positions).

Coordination and monitoring of external inspections

The Audit Department is responsible for the coordination of external audits carried out in PGE, as well as for the maintenance of the entrepreneur's audit book. The Audit Department also maintains a repository of knowledge concerning inspections conducted in the PGE Capital Group by external control bodies.

In 2022, PGE S.A. underwent three audits conducted by the Supreme Chamber of Control:

- 1) Audit P/22/012 "Selected expenditure of companies with State Treasury shareholding and foundations established by these companies, as well as financial management and implementation of statutory objectives of foundations established by these companies". The audit was completed. The final version of the audit report did not identify any irregularities and no post-audit conclusions were formulated.
- 2) Audit P/22/015 "Development of the electricity distribution network". The audit is ongoing, with a planned completion date of 12 May 2023.
- 3) Audit P/22/016 "Operation of the power market in the electricity system". The audit mandate expired on 3 March 2023.

The Audit Department, on the basis of information provided by the internal audit units in PGE CG companies, also maintains a register of audits carried out in these companies and, on the basis of concluded support agreements, monitors audits carried out in other PGE CG companies. The information provided by the audit units of the PGE Capital Group companies shows that in 2022 external audit bodies carried out 244 external audits in the companies.

Taking into account the day-to-day supervision of the Audit Department's activities performed, inter alia, through reporting to the Audit Committee of the Supervisory Board of PGE S.A., the Supervisory Board positively evaluates the operation of the internal audit function in PGE S.A. in 2022.

4. Internal control and risk management mechanisms in the preparation of financial statements.

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 unauthorised 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. The 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.

The 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, 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.

The Supervisory Board positively assesses the internal control and risk management mechanisms in the process of preparing the financial statements.

5. Information on the fulfilment by the Company's Management Board of its disclosure obligations under Article 3801 of the Commercial Companies Code, together with data relating to the remuneration of the Supervisory Board's consultant in 2022.

In 2022, the Management Board presented the Supervisory Board with regular information on the Management Board's resolutions and their subject matter.

The Management Board informed the Supervisory Board about the situation of the Company and the PGE Group, including in particular monthly presentation of information on the economic and financial position of the Company together with the results of the PGE Group. It presented key financial data with regard to the realisation of the Company's and the PGE Group's EBITDA result, the margins obtained and the fixed controllable costs incurred, with particular attention paid to personnel costs and the costs of repairs and maintenance. The information provided also included an analysis of capital expenditure incurred with a commentary on major investment projects. The Supervisory Board was also informed about the level of the PGE Group's current net debt and the realisation of bank covenants. The data provided were discussed with an indication of the main deviations from the values planned and realised in the previous year.

The Company's Management Board informed the Supervisory Board about the realisation of the set directions of business development understood as the realisation of the business strategy, long-term interests and stability of the Company reflected in the Management Objectives defined by the General Meeting and specified in more detail by the Company's Supervisory Board. Among the general Management Objectives set for 2022 by the General Meeting, it is necessary to indicate the objectives related to the achievement of certain financial (EBITDA, net debt/EBITDA) and technical indexes: carrying out investment projects to support the implementation of the Group's strategy, carrying out research projects to effectively exploit the potential of innovation and building a systemic approach to communication. The bonus criteria set for the individual members of the Management Board for 2022 included the achievement of key business development directions and were intended to motivate them to take action oriented towards the Company's main strategic objectives.

The Company's Management Board systematically informed the Supervisory Board, on a quarterly basis, about the situation of the PGE CG in the operational and investment areas. Investment plans in individual segments and their performance against the plan were analysed. Regular information was provided on the implementation of strategic investments in 2022. PGE CG carried out activities within three strategic investment portfolios:

- Portfolio of Megainvestments;
- Portfolio of strategic development projects;
- Portfolio of strategic modernisation and renewal projects.

The Supervisory Board also regularly familiarised itself with the technical condition of the assets of the PGE CG and its subsidiaries, electricity generation, heat sales, and the state of hard coal stocks.

The Management Board also presented information on the Company's situation in the human resources area, including the adoption at the beginning of 2022 of the Human Capital Management Area Business Strategy Implementation Plan for 2022 – 2025. It identifies joint initiatives that are being implemented by the Corporate Centre in cooperation with the companies, as well as key initiatives for each segment. In 2022, project teams were being led on four joint initiatives in the PGE CG.

In March 2022, the Management Board also reported on the establishment of a branch of PGE S.A. called the PGE Group Knowledge and Development Centre based in Lublin, which acts as a centre

of expertise for the PGE Capital Group in the creation of recruitment, development and training policies and industrial process safety policies, including occupational health and safety.

Information was also provided on the activities of the Competence Development Centre of the Łódź Province and PGE Polska Grupa Energetyczna S.A. in Wola Grzymalina, which conducted intensive development and training activities, thanks to which in 2022 the first graduates completed the following courses: Renewable Energy Equipment and Systems Technician, Programming Technician, Automation Technician. Courses were also held in the following specialisations: Renewable Energy Equipment and Systems Technician, Programming Technician, Automation Technician.

A project to consolidate the HR area in selected PGE CG companies was also executed.

Information on the OHS situation in the PGE CG was also presented. Proactive and reactive health and safety objectives were implemented for the top management of PGE CG subsidiaries. The measures taken in the PGE Group contributed to a reduction in the number of occupational accidents by 30 compared to 2021 and by 46 compared to 2020.

During the Supervisory Board meetings held in 2022, financial flows related to the implementation of commercial activities in the Capital Group, general information illustrating the situation in the energy market, the financial dimension of commercial activities related to the implementation of the strategy in light of the objectives arising from the Financial Plan, and margin forecasts of the main PGE CG companies were presented.

The Management Board also reported on transactions and other events or circumstances which materially affect or may affect the Company's assets, including its profitability or liquidity.

In summary, the Supervisory Board concludes that the Management Board properly fulfilled its obligations under the provision of Article 380¹ of the Code of Commercial Companies related to providing information to the Supervisory Board.

The Management Board kept the Supervisory Board informed on an ongoing basis about the resolutions adopted by the Management Board and their subject matter, about the situation of the company, including with regard to its assets, as well as about important circumstances in the management of the company's affairs, in particular in the operational, investment and personnel areas, and about the progress in implementing the set directions for the development of the company's activities. Information was also provided on transactions and other events or circumstances that materially affect or may affect the company's assets, including its profitability or liquidity.

Most of the information in question was prepared on a monthly or quarterly basis and discussed by the Management Board at the Supervisory Board meetings.

In 2022, there was no payment of remuneration for the commissioning of expert reports or studies commissioned by the Supervisory Board to consultants pursuant to Article 382¹ of the Commercial Companies Code.

Chairperson of the Supervisory Board
of the company PGE Polska Grupa Energetyczna S.A.

Anna Kowalik



Members of the Supervisory Board:

Janina Goss

Zbigniew Gryglas

Tomasz Hapunowicz

Mieczysław Sawaryn

Artur Składanek

Radosław Winiarski