

1) Through subsidiaries, PGE S.A. continues its efforts to obtain a lignite mining concession for the Złoczew deposit. In the context of changes in the business surroundings, is PGE S.A. still considering mining lignite from this deposit and, if so, when should a decision on the investment in mining this lignite deposit or withdrawal from this investment be expected?

PGE is aware of the fact that the present regulatory and market environment, in particular the EU decarbonization policy, does not favour the exploitation of new lignite deposits. Nevertheless, in view of the strategic importance of the Bełchatów lignite mining and power generation complex for Poland's energy security, the PGE Capital Group is continuing its preparations for the exploitation of the Złoczew deposit. PGE's activities are aimed first of all at obtaining a concession for the exploitation of the Złoczew deposit as an option allowing the continued operation of the Bełchatów power plant after the currently used deposits have been exhausted. The very fact of obtaining a concession is not tantamount to the initiation of the investment project, which constitutes one of the PGE's three strategic options for the period after 2020.

Any final decision concerning the Złoczew deposit project can be made only after the fulfilment of the conditions specified in "The Programme for the Lignite Mining Sector in Poland" as adopted by the Council of Ministers in 2018.

The most important of these conditions are the following:

- making a decision on the role of lignite in the country's energy mix in the long-term perspective (at the level of Poland's energy policy),
- developing and implementing solutions ensuring economic predictability for new deposit-related investment project (such solutions need to be accepted by the EU),
- ensuring financing for potential investment projects.

2) How are PGE Group's cost of capital and ability to re-finance its debt and implement its investment programme affected by decisions being made by foreign banks and institutional investors to discontinue financing for coal projects (coal mines and power plants) and for companies that produce over 30-50% of electricity from coal? Particularly, does the Management Board anticipate increase of financial costs in 2019-2020?

PGE uses diversified sources of financing and we see no reason for an increase in cost of capital, taking into consideration the current level of reference interest rates in the interbank market. This is indicated by, for example, the high level of institutional interest in, and the attractive conditions of, the corporate bond issue conducted in May this year, as well as PGE's stable investment ratings.

We have been observing financial institutions' increasing interest in environmental issues; therefore, we are engaged in an ongoing dialogue aimed at the presentation of the Group's investment plans. We emphasize that investment projects of companies from PGE Group are oriented towards reducing the emissions of CO₂ and other harmful substances to the atmosphere, as well as eliminating low emission sources. Thus, we draw attention to the fact that any potential limitation of financing options for such projects could have a negative impact on the pace of the ongoing energy transition process.

3) Last week Generali announced that it would no longer provide insurance coverage for the Turów lignite mine after the expiry of the current contract at the end of this year. The insurer stated additionally that it would not provide insurance to existing hard coal and lignite mines. How do the decisions made by six out of the eight insurance companies previously involved in providing insurance coverage to coal/lignite mines and power plants in Poland influence PGE's choice of strategic options and estimates of insurance costs for planned lignite mines? When does PGE S.A. intend to update its strategy, adjusting it to the realities of 2019 and the subsequent years?

PGE comprehensively and responsibly deals with the issue of managing risks related to its business activities, taking into consideration all available solutions in the area of insurance. The major assets of the PGE Capital Group are insured by the company Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych. In PGE, strategic management is a continuous process, and strategic decisions are based on the whole range of the conditions of the external environment.

4) When does PGE S.A. intend to draft a strategy that specifies how the company will reach greenhouse gases emission neutrality (mainly CO₂) by 2050, together with a trajectory of getting to such emission neutrality and estimated levels of CO₂ emissions in 2020, 2025, 2030, 2035, 2040 and 2045?

PGE's long-term development prospects depend on Poland's energy policy which is to indicate the direction and predicted pace of changes. In turn, the definitions of expected changes will constitute a framework for future regulations. Poland's energy policy will specify the possibilities and pace of the economically efficient process of transformation. The transformation process itself, that is pursued by PGE Group, will also take into consideration, among other things, the interests of shareholders. The present investment plans of the PGE Capital Group provide for the consistent reduction of specific emissions. Taking into account the ongoing and planned investment projects, we assess the combined effect of CO₂ emission prevention at approximately 60 million tonnes during the period of ten years (2016-2026).

5) Does PGE S.A. intend to continue activities aimed at obtaining a lignite mining concession for the Gubin 2 deposit? If so, when does PGE S.A. expect to receive this concession?

The present regulatory and market environment, in particular the EU decarbonization policy, does not favour the exploitation of new lignite deposits. In the case of the Gubin deposit, the additional source of risk is the cross-border character of a potential project, which implies, among other things, a high complexity of an environmental impact assessment procedure. However, in view of the fact that the draft of Poland's energy policy until 2020 is still being processed and, consequently, the long-term role of lignite in the Polish energy mix has not been definitely determined, PGE is continuing its work aimed at obtaining the concession for the mining of lignite from the Gubin deposit. According to the current work schedule, the concession is to be obtained at the end of 2020. Nevertheless, the granting of the concession will not be tantamount to the initiation of an investment process. Similarly to the case of the Złoczew deposit, any final decision concerning the Gubin lignite mining and power generation complex can be made only after the fulfilment of the conditions specified in "The Programme for the Lignite Mining Sector in Poland" as adopted by the Council of Ministers in 2018.

6) How does PGE intend to reconcile decarbonisation plans with the mining and combustion of lignite from the Złoczew open pit mine, which is expected to begin after 2030?

The potential development of the Złoczew open pit mine depends on the fulfilment of the conditions referred to in the answer to question 1. The possible exploitation of the Złoczew deposit will not make it possible to achieve the present capacities of the Bełchatów lignite mining and power generation complex. At present the lignite mining output from the Bełchatów and Szczerców deposits reaches the level of approximately 40 million tonnes/year. Meanwhile, the potential output of the Złoczew mine would be 18 million tonnes/year. Irrespective of any final decision in this respect, the whole range of the PGE Group's transformation activities encompasses reducing the emission capacity of its power generation portfolio and lowering CO2 emission levels.

7) What is the expected internal rate of return from investment in the Złoczew open pit mine? What would be the impact of PGE's involvement in the construction of the Złoczew open pit mine on the company's plans concerning the payment of dividend in 2020 and the subsequent years?

Apart from the regulatory issues mentioned above, which will be of critical importance for the final decision on the exploitation of the Złoczew deposit, it should be stressed that such a decision will not be made in isolation from the results of an economic analysis of the project at the level of the whole power generation complex (the mine, the retrofit of selected power generation units in the Bełchatów power plant, and ensuring transport of lignite from Złoczew to Bełchatów). For an investment project to get the go-ahead, its IRR has to be higher than the average weighted cost of capital for PGE CG. Only in such circumstances does a project create added value for shareholders and stand a chance of acquiring necessary financing. The development and implementation of solutions ensuring economic predictability (such solutions need to be accepted by the EU) as well as financing for new deposit-related investment projects are conditions specified in "The Programme for the Lignite Mining Sector in Poland" adopted by the Council of Ministers in 2018. All decisions in this matter will depend on the future EU climate policy, guidelines for Poland's energy policy, and development of a mechanism ensuring the economic viability of the planned investment project (such a mechanism will be of key importance for the final investment decision and the acquisition of financing).

8) On 7 January 2019 PGE started negotiations concerning its potential participation in the construction of the coal-fired Ostrołęka C power plant. What business benefits could PGE expect from its involvement in the construction of the coal-fired Ostrołęka C power plant? What would be the impact of PGE's involvement in the construction of the coal-fired Ostrołęka C power plant on the company's plans concerning the payment of dividend in 2020 and the subsequent years?

In view of the negotiations conducted with the shareholders of the coal-fired Ostrołęka C power plant, PGE makes no comment about this matter. The company will inform shareholders of all decisions made in this respect in accordance with the applicable information obligations.

9) What is the impact of a EUR 10 increase in the price of EUA on the expected IRR?

For PGE, the key decision-making criterion is the achievement of the internal rate of return set forth in The PGE Investment Policy. In principle, it should be higher than the average weighted cost of capital, which at present equals 7.29%.

The impact of changes in EUA prices may be either negative or positive, depending on the character of a particular investment project under analysis.

10) When will PGE announce the dates of shutting down coal-fired units in its commercial power plants and cogeneration plants, apart from those announced in the Management Board's report for the year 2018?

The power generation units operated by the PGE Capital Group have definite life times. The condition of power generation assets and related development plans are communicated to the transmission grid operator, which facilitates the proper preparation of development plans for the National Power Grid, necessary for ensuring long-term security of energy supply in Poland.

11) The inhabitants of the Czech Republic indicate that by the year 2044, 30.000 Czechs will be deprived of potable water sources in consequence of the continued mining operations in the Turów open pit mine. Does the Management Board take into consideration the creation of a provision for the payment of compensation for this loss?

PGE does not think it is necessary to create such a provision, following the principle of preventing any negative impact of its business activities on the natural and social environments. The PGE Capital Group monitors and analyses, on an ongoing basis, the impact of its mining and power generation operations in the natural environment and performs activities aimed at its protection. For many years the influence of the Turów open pit mine on underground water resources has been monitored by Polish-Czech and Polish-German teams of specialists. The monitoring network consists of about 550 boreholes and test results confirm that the mine does not cause the drainage of potable water intakes located in the Czech Republic. Special protection actions are required only at the water intake in Uhelna. Consequently, the company has taken measures to develop technical methods of reducing the negative impact of the mine on the surrounding area. A decision has been made to build a counter-filtration barrier and its technical is currently being designed. The result will be securing the Uhelna water intake from the potential impact of the Turów open pit mine.

12) According to the REMIT Regulation (Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency), PGE Górnictwo i Energetyka Konwencjonalna S.A. is obliged to publish, among other things, information on planned and unplanned capacity deficits of its power generation units on the power exchange information platform. With respect to the Bełchatów power plant, the platform published information that Bełchatów's unit no. 1 will be shut down as of 1 June 2019. However, the application for changes in the integrated permit for the Bełchatów power plant filed in February this year shows that what the company requests is not a shut-down, but only a reduction in the operation of unit no. 1 to 500 hours/year as of August 2021. Why the discrepancy? Thus, does the company intend to continue to operate unit no. 1 or to shut it down?

In April 2019 a decision was made to shut down unit no. 1 in the Bełchatów power plant as of 1 June 2019. The activities conducted at present are connected with disconnecting the unit from the national power grid and obtaining necessary changes in the integrated permit.

13) The Bełchatów power plant conducts tests of various mercury emission reduction methods. How advanced are such tests and when will the company choose a particular mercury emission reduction method for all units?

As a result of numerous tests conducted over a period of many years the company has developed its own flue gas "demercuration" method which guarantees mercury emissions at the level lower than that required in the EU standards (BAT conclusions). The technology developed in the Bełchatów power plant consists in adding a targeted (adjusted to the composition of the fuel) bromine salt

mixture to lignite upstream the mills. In the mills, the mixture and lignite undergo the process of homogenization. Subsequently, during combustion mercury oxidizes to bromine salt, which easily absorbs on ash particles. One of the ingredients of the mixture very easily combines with sulphur oxides, which frees space on ash particles. Both processes take place in a boiler. Consequently, mercury and SO₂ have already been removed, to a particular degree, from flue gas leaving a boiler. Before the tests conducted in Bełchatów the technology based on the solutions mentioned above had not been used or tested in Poland. It constitutes a novelty in the Polish market. The developed solutions will be applied in the other plants operated by PGE Górnictwo i Energetyka Konwencjonalna S.A.

14) The Bełchatów power plant is in the course of changing its integrated permit, which results from the necessity to adjust to emission limits specified in the BAT conclusions. Is it possible at this moment to exclude the possibility of a scenario in which, before the effective date of the BAT conclusions in 2021, the Bełchatów power plant will apply for a derogation from the emission limits specified in the BAT conclusions with respect to mercury or any other substance?

The Bełchatów power plant is implementing the programme of adjusting its power generation units to the BAT conclusions and, according to the schedule, will complete it in year 2021. The programme is being conducted according to plans and at present the company does not take into consideration any scenario providing for a derogation from the emission limits specified in the BAT conclusions.

15) At the end of 2018, acting under the Environmental Protection Law, the Greenpeace Polska Foundation sent the company an official demand to take preventive measures, in particular to eliminate completely CO₂ emissions from energy generation plants operated by PGE and its subsidiaries by the year 2030. So far, the company has not responded to the demand. How and when are you going to respond to the received demand and manage the risk resulting from it?

With respect to its strategic activities and taking into consideration social interests in the area of energy security, PGE conducts its activities in accordance with the applicable regulations, including Poland's energy policy and the national plan for energy and climate for the years 2021-2030.

PGE systematically undertakes initiatives aimed at reducing emissions generated by power generation plants and increasing their energy efficiency. The company also conducts activities in the area of natural environment protection in accordance with the applicable standards, reducing its impact on the environment and taking into account environmental, social, and economic costs.