MANAGEMENT BOARD'S REPORT

on activities of PGE Capital Group for the 3-month period

ended March 31, 2022

Leading in the green transition

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KEY FINANCIAL RESULTS OF THE PGE CAPITAL GROUP

Key financial data	Unit	Period ended March 31, 2022	Period ended March 31, 2021	Change %
Sales revenues	PLN million	16 897	11 942	41%
EBIT	PLN million	1 550	1 164	33%
EBITDA	PLN million	2 615	2 206	19%
EBITDA margin	%	15%	18%	
Recurring EBITDA	PLN million	2 596	2 206	18%
Recurring EBITDA margin	%	15%	18%	
Net profit	PLN million	1 062	835	27%
Capital expenditures	PLN million	895	839	7%
Net cash from operating activities	PLN million	1 304	-398	-
Net cash from investing activities	PLN million	-913	-845	8%
Net cash from financial activities	PLN million	-978	-36	2 617%

Key financial data		As at March 31, 2022	As at December 31, 2021	% change
Working capital	PLN million	1 725	917	88%
Net debt	**PLN million**	**4 194**	**4 228**	**-1%**
Net debt /LTM EBITDA[1] reported	x	0.42	0.44	
Net debt /LTM EBITDA[1] recurring	x	0.49	0.52	

One offs affecting EBITDA		Period ended March 31, 2022	Period ended March 31, 2021	% change
Release of provision for prosumers	PLN million	19	0	-
Total	**PLN million**	**19**	**0**	**-**

[1] *LTM EBITDA - Last Twelve Months EBITDA.*

1. PGE Capital Group

1.1. Characteristics of activities

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

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

CONVENTIONAL GENERATION

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

DISTRICT HEATING

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

RENEWABLES

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

SUPPLY

The core business of the segment includes wholesale trading of electricity on domestic and international market, sale of electricity to final off-takers, trading of CO_2 allowances and energy certificates and fuels and provision of services of the Corporate Centre to companies from the PGE Group.

DISTRIBUTION

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

CIRCULAR ECONOMY

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

OTHER OPERATIONS

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

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

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

2. Electricity market and regulatory and business environment

2.1. Macroeconomic environment

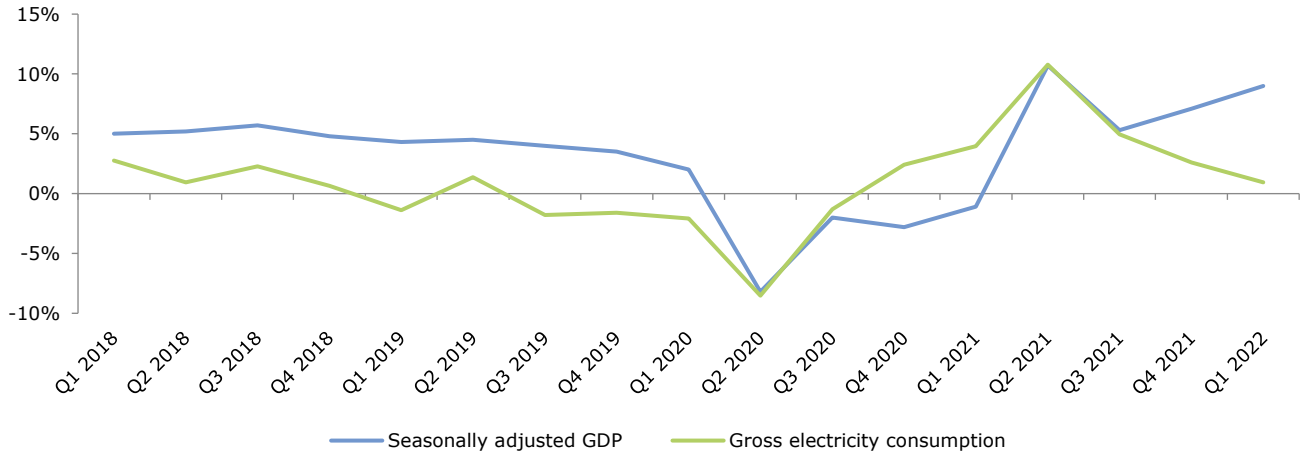
PGE Group's main operating area is Poland, and the domestic macroeconomic backdrop has a substantial impact on Group's results. At the same time, the condition of Poland's economy remains largely tied to the situation across the European Union and in global markets. The Group's financial results are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

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

Gross electricity consumption in the first quarter of 2022 increased by approx. 1% y/y. This maintains the up-trend in demand for electricity in Poland initiated in the first quarter of 2021. At the same time, the up-tick in demand in the first quarter of 2022 was lower than the increase in demand in Q1 2021 (4% y/y) primarily due to higher air temperatures in this period y/y.

The Polish economy entered 2022 strong, and positive trends continued for most of the first quarter of 2022. Russia's aggression against Ukraine on February 24, 2022 caused the Polish economy to suffer negative consequences resulting from, inter alia, disrupted supply chains. At the same time, thanks to refugee spending, private consumption should remain high, which made it possible to raise the forecast for Polish GDP growth in 2022 to 3.9% from 3.6% estimated earlier. A very good economic start to 2022 had a positive impact on the GDP result in the first quarter 2022. According to the Statistical Office of Poland, Poland's GDP growth in the first quarter of 2022 amounted to 9% y/y, which is an improvement from Q1 2021, when GDP contracted by 1% y/y.

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

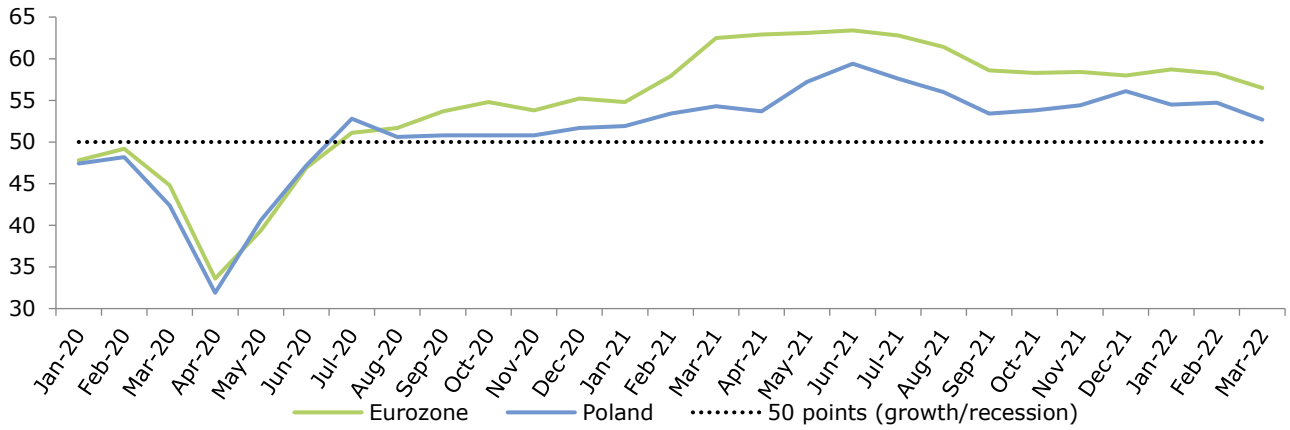


Source: MoF, Polskie Sieci Elektroenergetyczne S.A. (PSE S.A.)

The Purchasing Managers' Index (PMI) reflects the negative impact of Russia's aggression against Ukraine. PMI readings for industry in Poland in the first quarter of 2022 indicate moderately optimistic sentiment in industry at the beginning of 2022. A score above 50.0 points means that the surveyed managers expect the sector's situation to improve. The average PMI for industry in Poland in the first quarter of 2022 was 54 points, which means an increase of 1.4% y/y (the average PMI for industry in Poland in the first quarter of 2021 was 53.2 points). At the same time, March 2022 brought a spike in business uncertainty due to the war in Ukraine,

and the PMI reading for industry in Poland reached its lowest level in 14 months (52.7 points). The outbreak of war had a destabilising effect on the situation in Polish industry. Production and new orders declined, trade with countries across the eastern border was severely restricted. Additionally, rising fuel and energy prices, unfavourable exchange rate changes and cost inflation pose a huge challenge for many businesses. A declining PMI, but one that remains above 50 points, signals a slowdown in the rate of growth of economic activity, but at the same time it still means expansion in Polish industry. Polish industry is also influenced by the condition of Eurozone industry, where the PMI index in the first quarter of 2022 averaged 57.8 points, while in the same period last year it averaged 58.4 points. The rising economic activity in the Eurozone of early 2022 was also partially blocked by Russia's aggression against Ukraine, as reflected by a decline in the PMI to 56.5 points in March 2022. The reduction in optimistic business sentiment is mainly due to disrupted supply chains and downsized sales markets.

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



Source: Markit Economics

The value of industrial production sold was 17.3% higher in March 2022 than a year earlier. The dynamics turned out to be slightly lower than in February (17.6% y/y) and January (19.2% y/y), but definitely higher than what the analysts had been expecting. All major industries saw annualised production growth in March 2022. The production of energy-related goods increased the most, by 57.3%. To a lesser extent, the production of supply goods increased - by 15.3%, non-durable consumer goods - by 11.8%, durable consumer goods - by 7.9% and investment goods - by 5.9%. According to preliminary data from the Central Statistical Office, in March 2022, compared to March last year, an increase in sold production (in constant prices) was recorded in 31 (out of 34) industry sectors, including repair, maintenance and installation of machinery and equipment, mining of hard coal and lignite, manufacture of metal products. The data do not show the expected negative effects of the Russian invasion of Ukraine, and Polish industry is definitely rebounding from the pandemic bottom.

2.2. Market environment

SITUATION IN THE NATIONAL POWER SYSTEM (NPS)

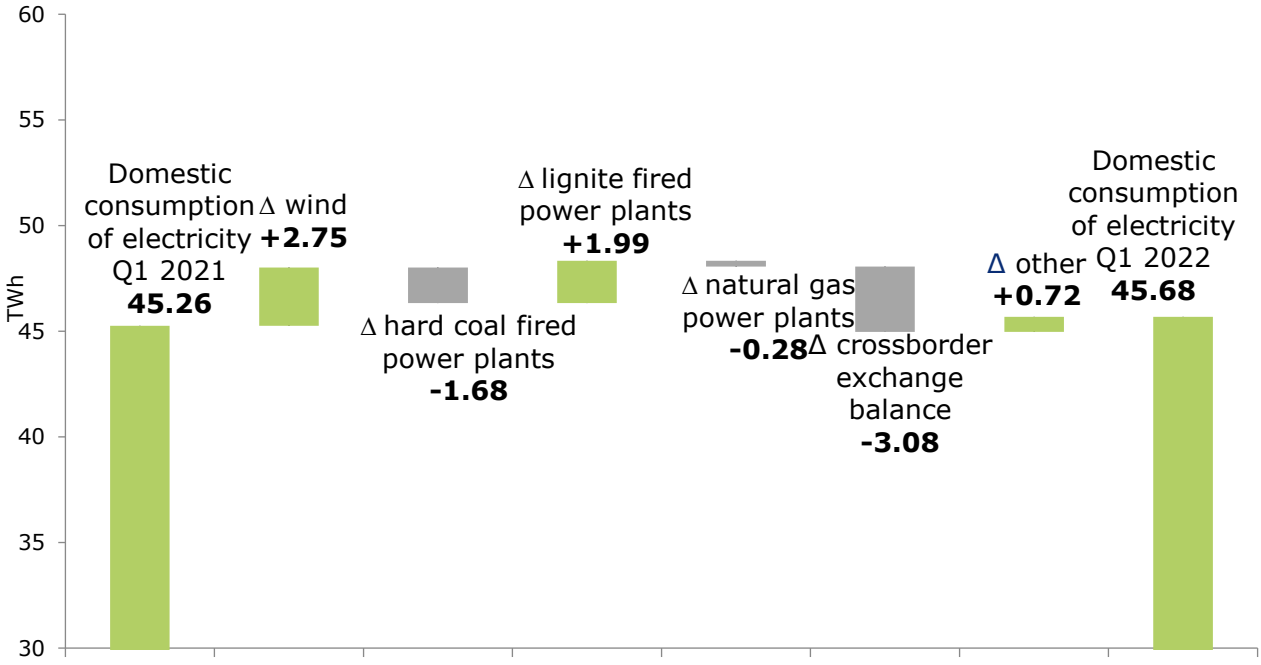
Table: Domestic electricity consumption (TWh).

	Q1 2022	Q1 2021	% change
Domestic electricity consumption, including:	**45.68**	**45.26**	**1%**
Wind farms	6.41	3.66	75%
Industrial thermal hard-coal fired power plants	22.70	24.38	-7%
Industrial thermal lignite fired power plants	12.31	10.32	19%
Industrial gas-fired power plants	3.14	3.42	-8%
International exchange balance	-0.96	2.12	-
Other (hydro power plants, other RES)	2.08	1.36	52%

Source: PSE S.A. data.

Domestic consumption electricity increased in the first quarter of 2022 (mainly due to increase in the demand of the Polish economy due to the lower impact of the coronavirus pandemic) by 0.4 TWh compared to the base period. Additionally, due to the situation in neighbouring countries, in the first quarter of 2022, Poland became a per-balance exporter of electricity (the foreign exchange balance decreased by 3.1 TWh y/y). At the same time, due to the disruption in coal supplies to Europe, there was a decline in production in hard coal-fired power plants (down by 1.7 TWh). As a result, despite the higher wind generation (an increase by 2.8 TWh y/y) resulting from the increase in installed capacity and more favourable wind conditions, more energy produced in utility lignite -fired power plants.

Chart: Energy balance in the NPS in the first quarter of 2022 y/y (TWh)



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

ELECTRICITY PRICES – DOMESTIC MARKET

DAY-AHEAD MARKET (RDN, SPOT MARKET)

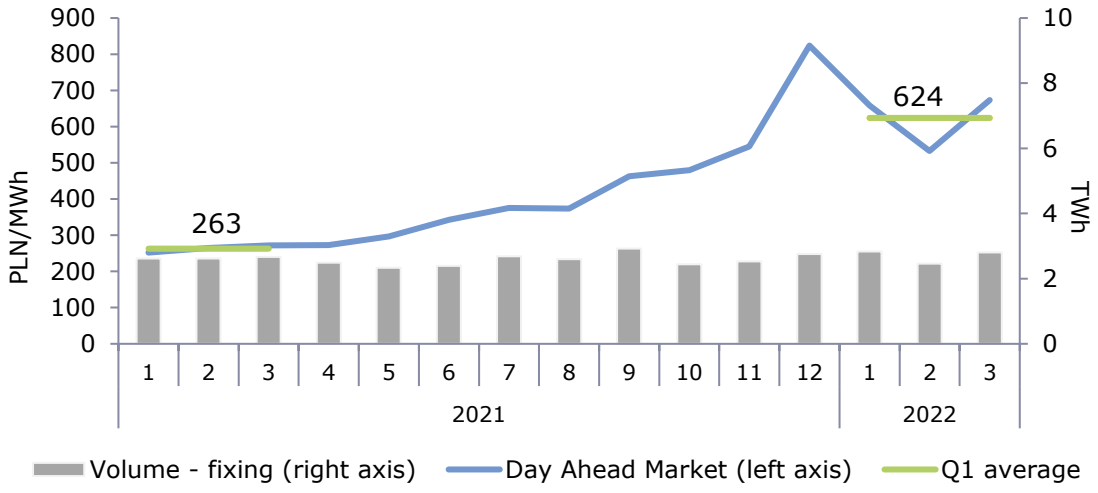
Market/measure	Unit	Q1 2022	Q2 2021	% change
RDN – average price	PLN/MWh	624	263	137%
RDN – trading volume	TWh	8.10	7.90	3%

ANALYSIS – SELECTED PRICE FACTORS AFFECTING RDN QUOTATIONS

Factor	Unit	Q1 2022	Q2 2021	% change
CO_2 emission rights	EUR/t	82.01	37.95	116%
Polish Steam Coal Market Index PSCMI-1	PLN/GJ	13.47	11.53	17%
Wind generation NPS	TWh	6.41	3.66	75%
Ratio: wind generation/ NPS consumption	%	14%	8%	
Ratio: international trading/ NPS consumption	%	-	5%	

In the first quarter of 2022, the average electricity price on the day-ahead market was PLN 624/MWh and was higher by 137% than average price (PLN 263/MWh) in the analogical period of the previous year. The increase in energy prices resulted mainly from higher demand by 0.4 TWh q/q, higher cost of CO_2 emission rights, higher prices of raw materials, what is connected with the ongoing war in Ukraine.

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



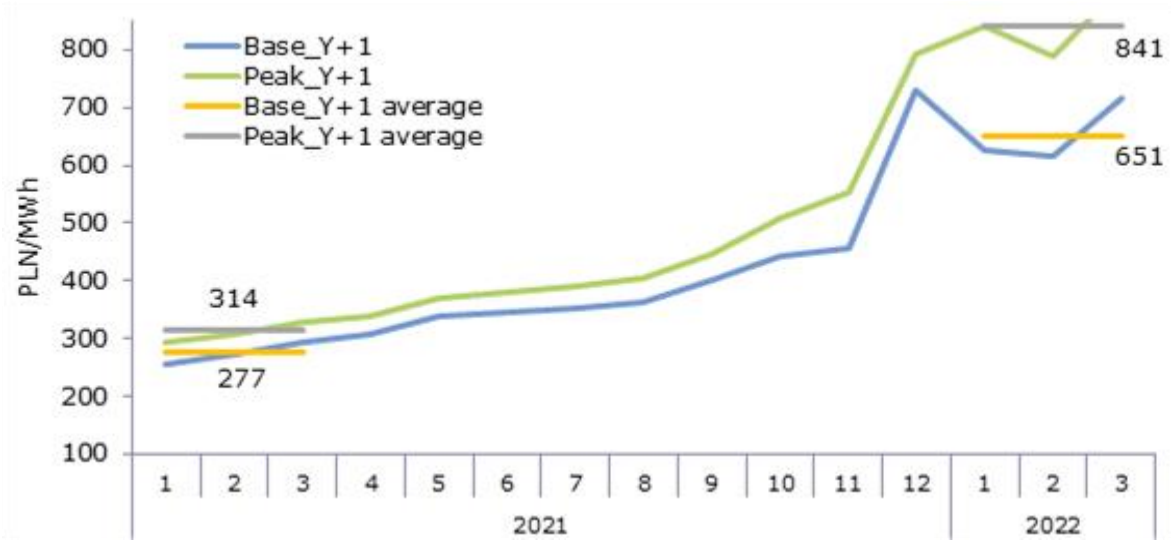
[1] *Average monthly RDN prices calculated on the base of hourly quotations (fixing).*

FORWARD MARKET

Market/measure	Unit	Q1 2022	Q2 2021	% change
BASE Y+1 – average price	PLN/MWh	651	277	135%
BASE Y+1 – trading volume	TWh	17.32	20.03	-14%
PEAK5 Y+1 – average price	PLN/MWh	841	314	168%
PEAK5 Y+1 – trading volume	TWh	1.73	2.11	-18%

Electricity prices on forward market are shaped by the similar fundamental factors, as the prices on the Day-Ahead Market described above. The observed forward market price increase y/y for the whole year for BASE_Y+1 is related to increased demand for electricity and very high prices of CO_2 and raw materials.

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

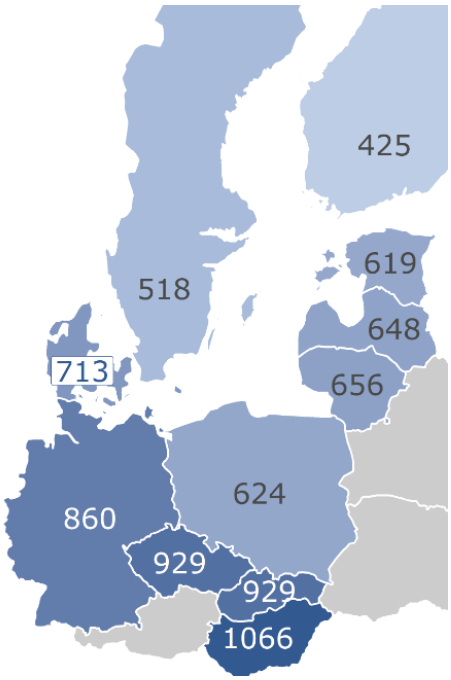


[1] *Monthly average index level for forward contracts for the next year (Y+1), baseload and peak, weighted by the trading volume.*

ELECTRICITY PRICES - INTERNATIONAL MARKET

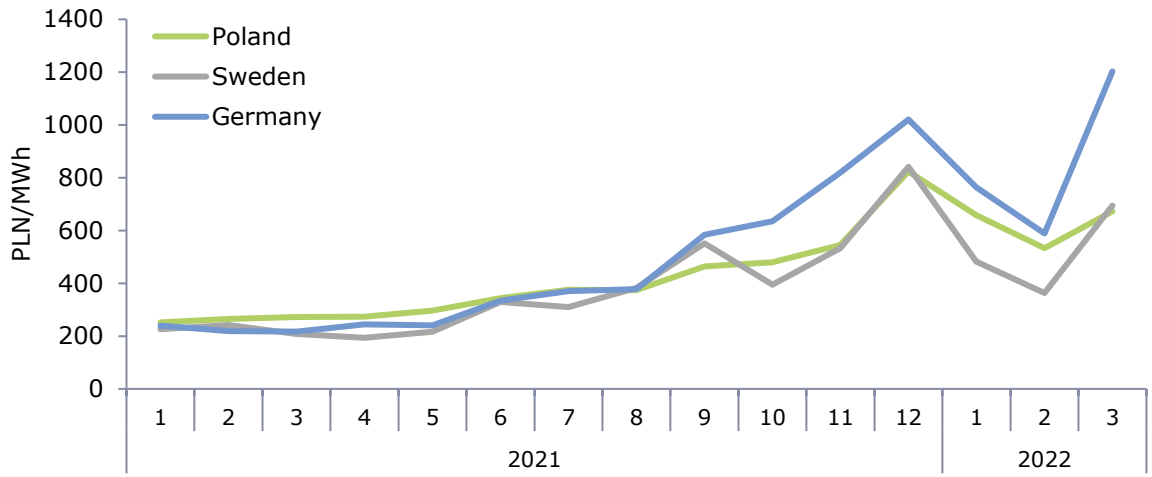
WHOLESALE MARKET (COMPARISON OF DAY-AHEAD MARKETS)

Chart: Comparison of average electricity prices on Polish market and on European markets in the first quarter of 2022 (prices in PLN/MWh, average exchange rate EUR/PLN 4.62).



Source: TGE, EEX, Nordpool

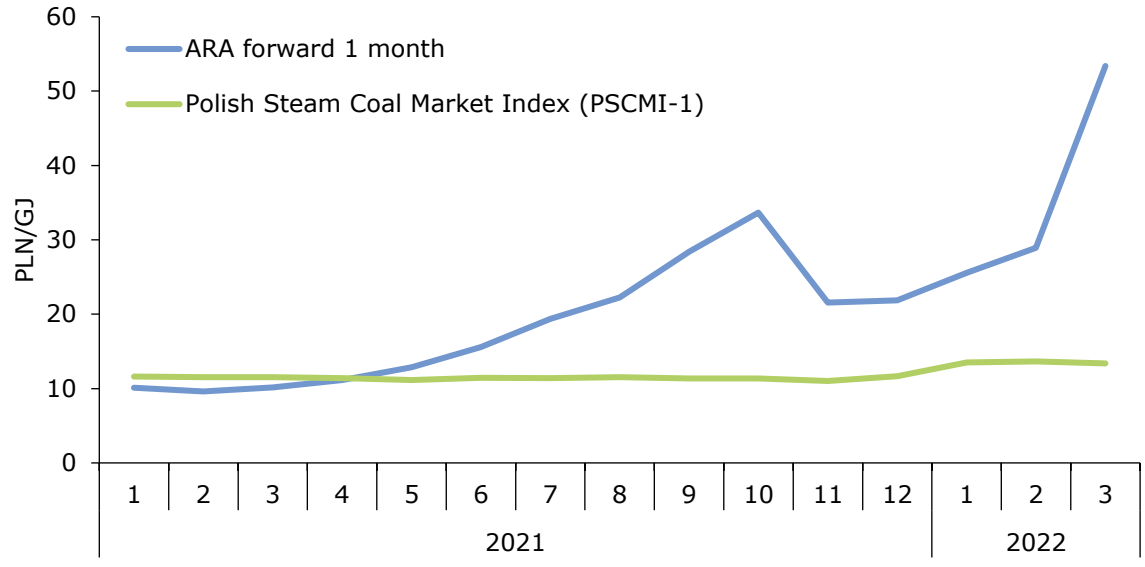
Chart: Evolution of spot market prices.



Source: TGE, EEX, Nordpool

In the first quarter of 2022, the y/y change in prices on neighbouring markets ranged between PLN 294 and PLN 635/MWh (i.e. approx. 131-282%), whereas in Poland the average price level has increased by PLN 361/MWh y/y (increase by approx. 137%). The low correlation of energy prices results from differences in the technological mix (share of renewable energy sources) and the situation on the markets for related products. The price of hard coal in ARA ports rose by 261% y/y, while the domestic pulverised coal price index, PSCMI-1, increased by 17% over the same period.

Chart: Hard coal indices ARA vs PSCMI-1[1].

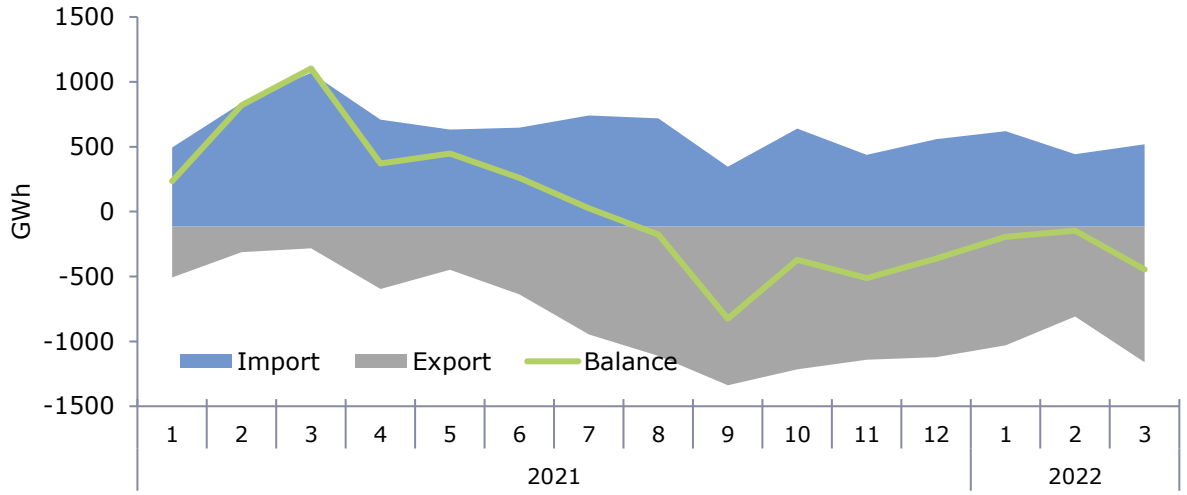


Source: ARP, Bloomberg (API21MON OECM Index), own work.

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

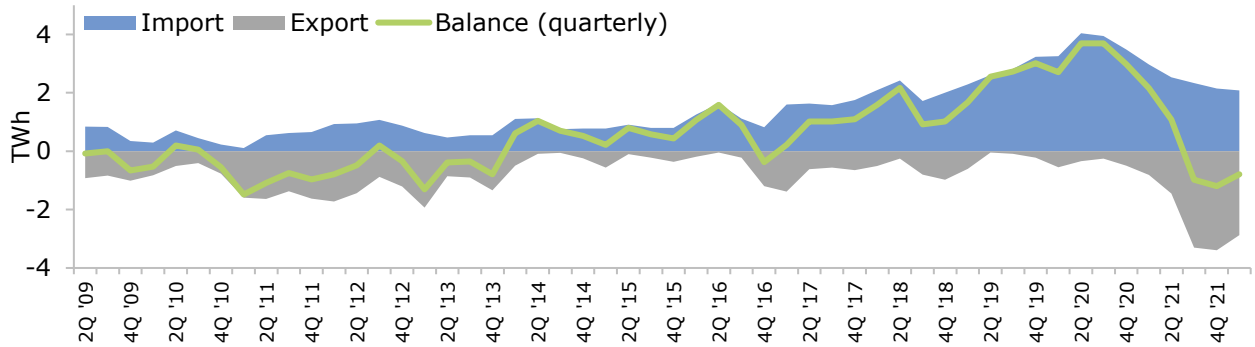
INTERNATIONAL TRADING

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



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

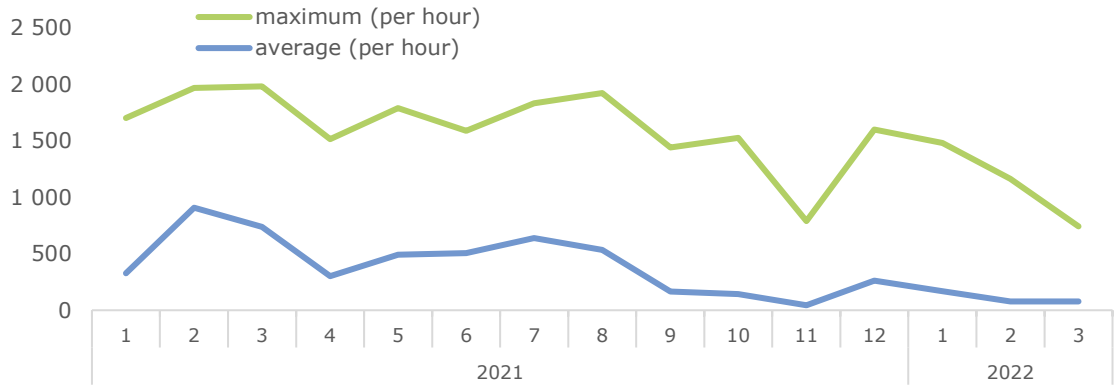
Chart: Quarterly trading volumes – import, export and international trading balance in years 2009-2022.



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

In the first quarter of 2022, Poland was a net exporter of electricity, and the commercial exchange balance was -1.0 TWh (3.7 TWh import, 4.7 TWh export) and was lower by 3.1 TWh on a y/y basis. Export to Czechia and Slovakia together with import from Germany and Lithuania had the largest impact on the balance of commercial exchange.

Chart: Parallel exchange balance [2]: average vs. maximum hourly flow in particular months.



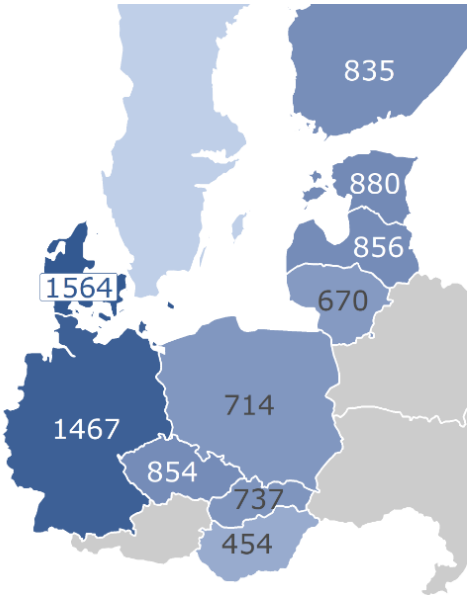
Source: own work based on PSE S.A. data.

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

RETAIL MARKET

The diversity of electricity prices for retail customers in the European Union depends both on the level of the wholesale prices of electricity and fiscal system, regulatory mechanism and support schemes in particular countries. In Poland in the second half of 2021[3] an additional burden (over sale price and cost of electricity distribution) for individual customers accounted for 44% of the electricity price and in comparison to EU average of 39%. In Denmark and Germany the proportion of additional charges in the price of electricity exceeded 50%.

Chart: Comparison of average prices for individual customers in selected EU countries in the second half of 2021[3] (prices in PLN/MWh, average exchange rate EUR/PLN 4.54).

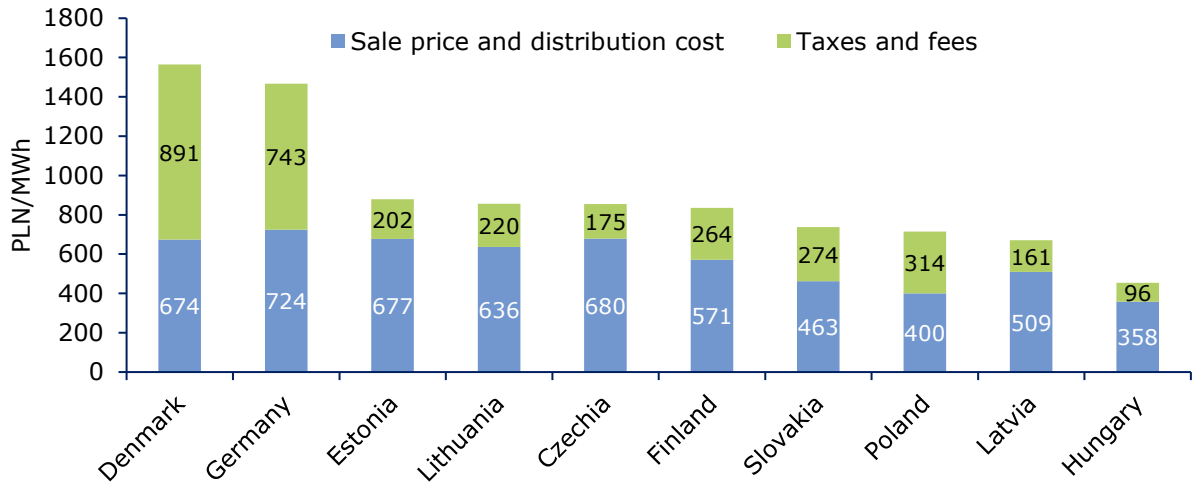


Source: own work based on Eurostat data.

[2] *Parallel exchange – exchange between synchronised system on borders with Germany, Czechia and Slovakia.*

[3] *Eurostat data on retail market are published in semi-annual intervals.*

Chart: The share of additional charges in electricity prices for the individual customers in selected EU countries in the second half of 2021 (prices in PLN/MWh, average exchange rate EUR/PLN 4.54).

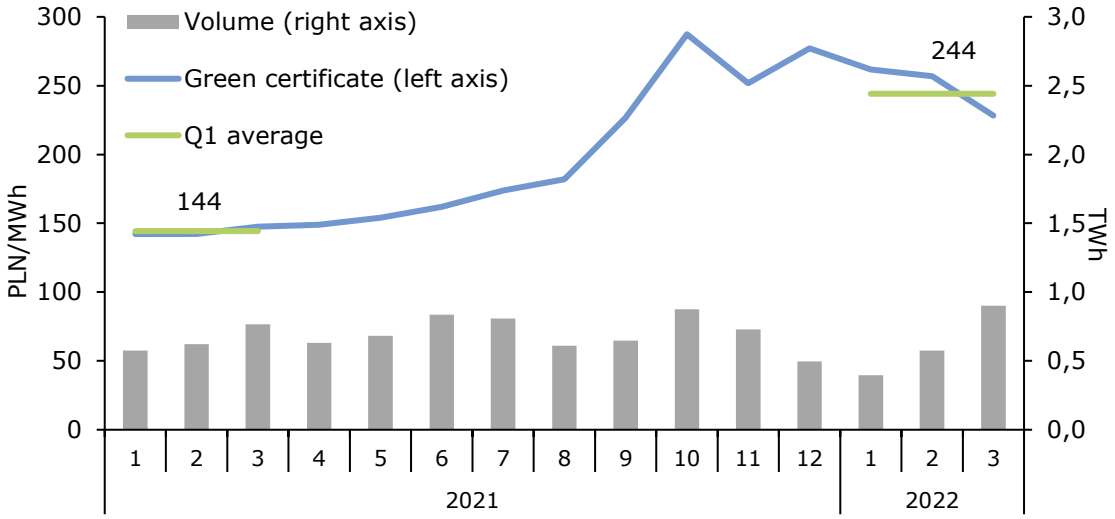


Source: own work based on Eurostat data.

PRICES OF CERTIFICATES

In the first quarter of 2022 the average price of green certificates (index TGEozea) reached PLN 244/MWh and was higher by 69% compared to the analogical period of the previous year. An obligation to redeem green certificates has changed as compared to 2021 (19.5%) and currently stands at 18.5% for 2022.

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



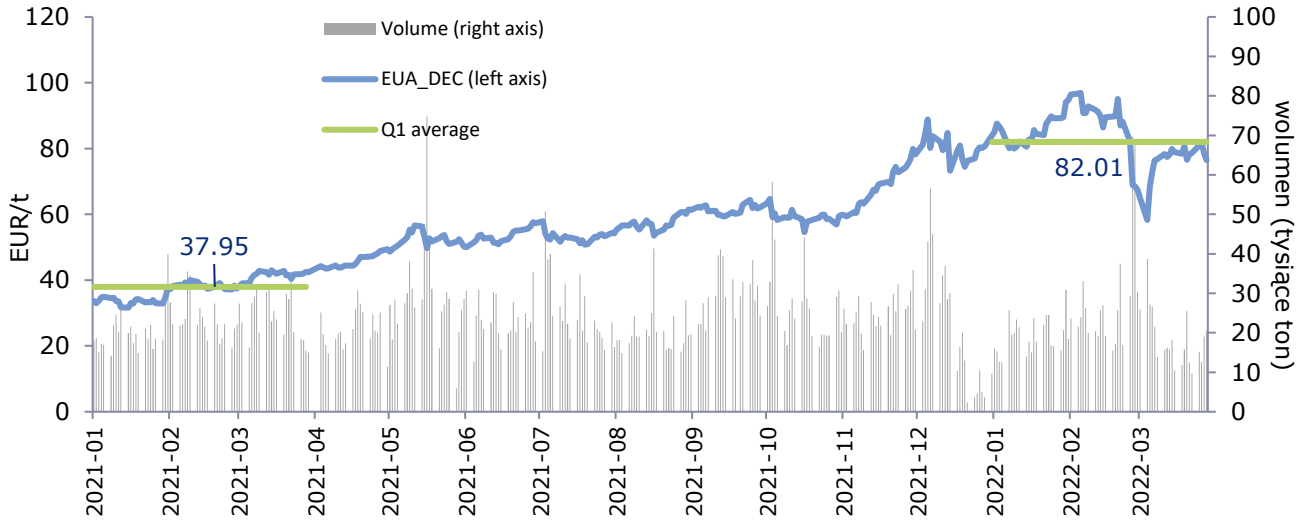
Source: Own work based on TGE quotations.

PRICES OF CO_2 EMISSION RIGHTS

EUA (European Union Allowances) prices are one of the key factors determining wholesale energy prices and PGE Group's financial results. Installations emitting CO_2 in the process of electricity or heat production bear the expenses for purchasing EUA allowances to cover the deficit (i.e. the difference between CO_2 emissions at PGE Group's generating units and the free-of-charge allowances received under derogation in accordance with the National Investment Plan). Wherein, last allocations granted free of charge were planned for realisation of investment tasks for 2019. It means that the free allocations for electricity generation, in accordance with the currently used method, ended when 2019 allowances were received.

Following a sudden slump caused by the outbreak of the COVID-19 pandemic in mid-March 2020, the prices of CO_2 emission allowances began recovering until reaching dynamic growth from November 2020. In the first quarter of 2022, the weighted average price of EUA DEC 22 was EUR 82.01 /t and was considerably higher (by 116%) than the average price of EUR 37.95/t for the EUR DEC 21 instrument in the similar period of the previous year.

Chart: Prices of CO_2 emission rights.



Source: own work based on ICE exchange quotations

2.3. CO_2 emission rights granted free of charge

In accordance with Commission Implementing Regulation (EU) 2019/1842 of October 31, 2019 laying down rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards further arrangements for adjustment of the allocation of free CO_2 emission allowances due to changes in activity levels, the competent authority may suspend the issuance of free emission allowances to an installation until the competent authority has determined that there is no need to adjust the allocation to that installation or the Commission has adopted a decision concerning adjustments to the allocation to that installation.

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

Table: Emission of CO_2 compared to the allocation of CO_2 emission allowances for 2022 (in tonnes).

Product	CO_2 emissions in Q1 2022	Allocation of CO_2 emission rights for 2022[1]
Electricity	16 204 048	-
Heat	2 020 907	637 813
Total	**18 224 955**	**637 813**

[1] *Allowances for heat production.*

2.4. Regulatory environment

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

DOMESTIC REGULATORY ENVIRONMENT

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
PGE	The bill on the amendment to the Energy Law and the Renewable Energy Sources Act. GLC list: UC 74	The draft act includes, in particular, proposals for provisions implementing into the Polish legal system Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal market in electricity and amending Directive 2012/27/EU. The draft expands on the directions of changes in regulations initiated in the act of May 20, 2021 on amendment of the act – Energy Law, and certain other acts. These include: • the technical ability to change electricity supplier within 24 hours, starting from 2026, • implementation of civic institutions of energy communities, • the customer's right to voluntarily and temporarily reduce electricity consumption ("DSR"), aggregation, contracts with dynamic electricity prices, • definition of the aggregator's function on the electricity market, along with its tasks and authorisations, • definition of demand response and active customer on the energy market, • allow DSOs and TSOs to own certain energy storage installations, • expand the Energy Regulatory Office's authority, • regulations concerning system services, flexibility services and changes in balancing, • introduction of provisions introducing the separation of transmission and distribution activities from energy storage - (an energy	The deadline for submitting comments was **June 23, 2021**. **On January 19, 2022** the Ministry of Climate and Environment published a set of responses to the comments submitted.	Publication of draft following consultations, sent to Council of Ministers for further work.	The proposed solutions will have an impact on all of PGE Group's operating segments, especially the Supply and Distribution segments. The draft introduces or applies numerous EU laws addressing the electricity market, including directive 2019/944 on common rules for the internal market for electricity, and grid codes.

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
		system operator, with the exceptions provided for in the draft, cannot be the owner of and cannot build, operate or manage an energy storage system).			
	The bill on the amendment to the Energy Law and the Renewable Energy Sources Act GLC list: UD162	The bill includes proposals for legislation to abolish the exchange obligation and to tighten liability for electricity market manipulations. The ERO President will have at their disposal appropriate tools to prevent abuses and attempted abuses in the electricity market. According to the explanatory memorandum to the bill, the abolition of the obligation is included in the Polish Electricity Market Reform Implementation Plan.	Comments submitted during public consultations were published on **April 8, 2021.**	Submitted for further work in the Council of Ministers.	The proposed change to abolish the exchange obligation will have no adverse impact on the PGE Group's operations.
	Draft act on amendment of act on renewable energy sources and certain other acts. Sejm print no.: 1 382	The act introduces a change in the settlement method for renewable energy prosumers by replacing the current discount system, which provides for the possibility of storing energy in the grid and consuming it at any other time, with a net billing system, which means that energy is ultimately valued according to the value from the hour of generation and hour of consumption. Furthermore, the act requires prosumers entering the system from April 1, 2022 to pay a distribution fee (previously paid on behalf of prosumers by energy vendors). In order to enable vendors to settle with prosumers, the act requires DSOs to provide vendors with detailed metering information. Vendors will be required to provide detailed billing information to prosumers via a dedicated ICT system. The act also introduces the institution of collective prosumer (entered into force on April 1, 2022) and virtual prosumer (effective from July 2, 2024).	**On December 14, 2021** the President signed the act. The act entered into force on **April 1, 2022**, with the exception of provisions pertaining to the acquisition of the right to participate in the existing prosumer support system, which went into effect on **December 22, 2021** and provisions concerning the virtual prosumer, which will enter into force on **July 2, 2024.**	-	The draft is of key importance for the Supply segment, which currently has obligations to settle with prosumers and pay a distribution fee on their behalf to DSOs, and for the Distribution segment, which will be required to collect and compile metering data on prosumers.
	Amendment of the act on investment in wind farms. GLC ref. no. UD207	Modification of rule 10H - mitigation by allowing municipalities to define in local spatial development plans (after consultation with local communities) a distance less than the statutory distance for wind farms from residential buildings, but not less than 500 m.	The deadline for submitting comments to the draft act was **June 4, 2021**. **On December 15, 2021,** the Joint Commission of the State Government and Local Government issued a positive opinion on	Publication of draft, further consultations or submission of draft to Council of Ministers for further work.	The draft is of significance to the development of the Renewable Energy segment.

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
			the draft, after which the draft (originally scheduled to take place in **January 2022**) will be discussed by the Permanent Committee of the Council of Ministers. **In mid-April 2022,** the draft was transferred from the Ministry of Development and Technology to the Ministry of Climate and Environment.		
	Draft act amending the act on maritime safety and the act on maritime areas of the Republic of Poland and maritime administration. GLC ref. no. UD232 Sejm print no.: 2071	The draft act contains provisions aimed at ensuring safety during the construction and operation of offshore wind farms in the Polish exclusive economic zone of the Baltic Sea and equipment for the off-take of power from these installations. To achieve this goal, the legislation provides for the implementation of appropriate oversight mechanisms over the design, construction and operation of offshore wind farms, including a certification system and oversight activities related to the investment implementation process.	**On February 22, 2022** the draft act was adopted by the Council of Ministers and referred to the Polish parliament. **On March 2, 2022** the draft was submitted to the Sejm and was directed for the first reading in committees. The project was notified to the European Commission on **February 23, 2022**. The period specified by the European Commission, during which the Member State should postpone the acceptance of the notified draft, expired on **May 24, 2022**.	Consideration of the draft act by the Committee on Maritime Affairs and Inland Navigation.	The draft is of significance to investments in the development of offshore wind farms. The introduction of excessive certification mechanisms may delay the investment and increase the cost of the investment to develop offshore wind farms.

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	Regulation of the Minister of Climate and Environment on change in volume share of sum of electricity resulting from redeemed certificates of origin confirming the generation of electricity from renewable energy sources in 2023. GLC ref. no. 816	The regulation defines the level of obligation to redeem certificates of origin of energy from RES (PM OZE) for the so-called obligated entities in 2023. The regulation reduces the level of obligation for PM OZE from 18.5% to 10.5% compared to the level in effect in 2022. At the same time, the rationale to the regulation provides for the possibility to further reduce the obligation level in subsequent years.	The draft regulation was subject to consultation, with comments submitted until **April 7, 2022.**	Analysis of submitted comments by the Ministry of Climate and Environment.	The reduced level of obligation may lower incremental revenue in the Renewable Energy segment from the sale of PM RES. At the same time, it reduces the burden on the Supply segment with the need to purchase a certain amount of PM OZE in relation to the volume of electricity traded.
	Draft regulation of Climate and Environment Minister regarding energy market processes Government Legislation Centre list: UD 603	Draft regulation of Climate and Environment Minister regarding energy market processes implements the statutory delegation contained in art. 11zh sec. 1 of the act - Energy Law. The draft regulation is to enable the preparation of IT systems (remote reading systems for electricity distribution system operators and the central energy market information system) in connection with new challenges on the electricity market. The definition of a full catalogue of energy market processes is necessary to ensure the transparency of obligations of all energy market participants, both electricity system users obligated to implement energy market processes through the Central Energy Market Information system ("CSIRE"), and for the Energy Market Information Operator ("OIRE") so that it is possible to assess the fulfilment by the above-mentioned entities of the obligations imposed on them. The regulation will define a catalogue of energy market processes, the implementation of which through CSIRE will be obligatory for system users. The catalogue of energy market processes includes the basic processes currently implemented on the electricity market, taking into account the greatest usefulness of CSIRE for system users.	**On January 11, 2022** the Minister of Climate and Environment signed the regulation.	The regulation went into effect on **February 16, 2022**.	The regulation will have a significant impact primarily on the Distribution segment, but also on the following segments: Conventional Generation, Renewables and Supply.
	Draft regulation of Climate and Environment Minister regarding metering system Government Legislation Centre list: UD507	The draft regulation implements the statutory delegation contained in art. 11x sec. 2 of the act - Energy Law, which imposes on the minister responsible for energy the obligation to regulate therein, in consultation with the minister responsible for computerisation, the detailed requirements and standards to be met by the metering system. In addition, the draft regulation satisfies the obligation	The regulation was issued on **March 22, 2022**.	The regulation entered into force on **April 23, 2022.**	The regulation will have a significant impact primarily on the Distribution segment, but also on the following segments: Conventional Generation, Renewables and Supply.

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
		specified in art. 19 sec. 3 of Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal market in electricity and amending Directive 2012/27 / EU, according to which Member States joining the introduction of smart metering systems adopt and publish minimum requirements functional and technical related to smart metering systems to be introduced in their territories.			As regards the DSO's activities, it will be necessary to clarify requirements for metering systems, including electricity meters and metering system.
	Draft Regulation of the Minister of Climate and Environment amending the regulation on detailed rules for preparing and calculating tariffs and billing for heat supply RCL register: 795	The draft amends the reference index, which is an integral part of the tariffing process for heat from cogeneration. The amendments concern: • definition of the k value, being an element of the formula for calculating the reference index so that the k value can be calculated and published by the President of the Energy Regulatory Office depending on changes in the operating conditions of energy companies that burden the production of heat in cogeneration - for individual types of fuel referred to in art. 23 sec. 2 point 18 letter c of the Energy Law. • determination of the k value so as to reflect the lack of a full sample of ETS sources in the average heat sale prices published by the President of the Energy Regulatory Office.	The regulation was published on **March 14, 2022** in the Journal of Laws. It entered into force on **March 28, 2022**.	-	The regulation has a positive impact on the District Heating segment, both on heat generation in heating plants and cogeneration units. Positive changes in the tariffing process will accelerate the transfer of the company's operating costs and may provide an additional stimulus for investment.
	Draft act on support allowance RCL register: 1 820	The draft is intended to provide support to approx. 6.84 million households in Poland, including the most energy-poor households, by covering a part of their energy expenses and the related growing food prices. From PGE Group's viewpoint, additional obligations, including information obligations, are introduced.	The act, published in the Journal of Laws of 2022 item 1, entered into force on **January 4, 2022**	-	The draft is of importance to electricity vendors. The act generates costs for Supply segment due to new information obligations. Protective obligations for sensitive customers are also introduced.
	Draft Regulation on determination of specific conditions for loss of waste status for waste generated from combustion of fuels by energy Government Legislation Centre list: 655	The aim of the proposed regulation (hereinafter: "draft") is to set out detailed conditions for the loss of waste status for waste generated in the process of combustion of fuels for energy-generation purposes. The conditions set out in the draft are intended to standardise the procedure for losing the status of waste already existing in business practice on the basis of general conditions for the status of waste (art. 14(1) of the Waste Act), to the extent applicable to	The draft was published and referred to public consultation on **February 7, 2022.**	Analysis of comments sent by Ministry of Climate and Environment and subsequent consideration of draft at the Legal Committee.	The project is important from the point of view of waste/combustion by-product management in PGE Group, especially for the Conventional Power and District Heating segment.

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
		waste generated in the process of combustion of fuels for energy-generation purposes.			
	Draft Regulation of the Minister for Climate and Environment on defining methods for economic cost-benefit analysis and data or data sources for this analysis. Government Legislation Centre list: 794	The draft regulation fulfils the obligation to eliminate an infringement identified by the EC regarding incorrect application and transposition of the Energy Efficiency Directive. In order to rectify this breach, a delegation for the minister responsible for energy matters to issue a regulation on defining methods for economic cost-benefit analysis and data or data sources for the purpose of this analysis was introduced. The aim of the analysis is to enable a more efficient allocation of resources by demonstrating the superiority of a given project over others from the point of view of social benefits.	The draft was published and sent for public consultation on **March 29, 2022**	Referred for further work in the Council of Ministers.	The project is of significance to the District Heating segment.
	Draft Act on amending certain acts to simplify administrative procedures for citizens and businesses Government Legislation Centre list: UD266	The primary intention of the draft's author is to reduce regulatory burden that is disadvantageous to business. The draft consists of a number of proposals, which are intended to work towards a more friendly regulatory environment.	The draft was published and referred to public consultation on **April 6, 2022.**	Referred for further work in the Council of Ministers.	The project is of significance to all PGE Group companies as it aims to introduce administrative simplification.
	Draft Act on amending the Act on maritime areas of the Republic of Poland and maritime administration Government Legislation Centre list: UD361	The purpose of the draft act is to modify the regulations on issuance of permits for the erection or use of artificial islands, structures and equipment in Polish maritime areas and on issuance of permits or agreements for cables or pipelines concerning a set of equipment for power evacuation. The draft also introduces regulations concerning the settlement of ties in proceedings to resolve applications for the issuance of permits to erect or use artificial islands, structures and equipment in Polish maritime areas.	**On March 24, 2022** the draft was published on the Government Legislation Centre's website and referred for public consultation, which ended on **April 7, 2022.**	Analysis by the Minister of Infrastructure of the comments sent as part of the public consultation.	The draft is of significance from the viewpoint of PGE Group due to its impact on investments in the construction of offshore wind farms. The draft regulates issues related to the determination procedure, which will be necessary to grant a permit for the erection or use of artificial islands, structures and equipment in Polish maritime areas.
	Draft Regulation of the Minister of Infrastructure amending the Regulation on evaluation of applications in settlement procedures	The aim of the draft is to clarify the rules for the determination procedure necessary for the selection of an entity that will obtain the permit for the erection or operation of artificial islands, installations and equipment in Polish maritime areas for the construction of offshore wind farms. The draft assumes, inter alia, changes in the scoring for fulfilling the criteria, as well as in the way of assessing the	**On March 24, 2022** the draft was published on the Government Legislation Centre's website and referred for public consultation, which	Analysis by the Minister of Infrastructure of the comments sent as part of the public consultation.	The draft is important for PGE Group due to its impact on investments in the construction of offshore wind farms.

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	Government Legislation Centre list: 213	criterion concerning the financing of the planned project. It also resolves issues concerning the submission of documents by entities that prepare financial statements for which the financial year does not coincide with the calendar year.	ended on **March 27, 2022.**		

INTERNATIONAL REGULATORY ENVIRONMENT

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
European Green Deal/ Fit for 55 package					
	Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the EU (ETS Directive) as well as implementing and delegated acts, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme (MSR Decision).	Combating climate change. Development of investment incentives through a CO_2 price signal to develop low-emission sources.	**On July 14, 2021** the European Commission presented a draft reform of ETS and MSR decision (relevant legislative proposals). ENVI is the leading committee on the draft reform of the ETS directive at the European Parliament, and Peter Liese (EPS, DE) is the rapporteur. ENVI is the leading committee on the MSR decision, and Cyrus Engerer (S&D, MT) is the rapporteur. **On April 5, 2022** the EP plenary adopted its position on the revision of the MSR decision, advocating the extension of the MSR until 2030. After 2023, 23% of the market surplus is to be placed in the MAR. Furthermore, the EP favoured maintaining a 24% intake rate and a cap of 200 million allowances held in the MSR. **On April 20, 2022** the ITRE Committee (as an associated committee) adopted its position on amendments to the ETS Directive. **On May 17, 2022**, the position was adopted by the ENVI committee. The ENVI Commission proposes a number of changes to the ETS Directive. The most important thing is to propose a higher emission reduction target (67% compared to 2005 for the ETS sectors) than the one resulting from the EC legislative proposal (61% compared to 2005). Other changes are aimed at, inter alia, to a faster path of withdrawing the free allocation for industry due to the	The legislative proposal is being proceeded in accordance with the regular procedure by the European Parliament and Council. The position on the revision of the ETS directive will be voted during the plenary session of the EP **on June 6-9, 2022.** The European Parliament wants to to begin negotiations with the Council and the European Commission on the final shape of the inter-institutional agreement in the second half of the year. Reaching a general agreement in the Council on the revision of the ETS Directive and the Market Stability Reserve decision is a priority for the current French Presidency. This is likely to happen at the end of June 2022. The EC expects that negotiations at EU institutions may last until 2023, so that the higher EU targets can be implemented from **2024**. The deadline to transpose the changes in the ETS directive as stated in the	Increased competitiveness of renewable sources and – in short-term- gas units to the detriment of generation assets using high-emission fuels. Increase in operating costs for conventional generation of electricity. Option to obtain direct investment support from the Modernisation Fund and Innovation Fund. Another revision of the ETS Directive and MSR decision is likely to cause a further increase in prices of emission allowances.

			introduction of CBAM[4], limiting excessive increases in allowance prices and limiting the role of financial institutions on the ETS market.	draft is **December 31, 2023.**	
	Directive 2018/2001 on the promotion of the use of energy from renewable sources (Renewable Energy Directive).	To adapt legislation related to increased share of renewables in reference to EU's new higher GHG reduction target by 2030.	**On July 14, 2021,** as part of Fit for 55, the European Commission presented a legislative proposal that includes a draft amendment to the renewables directive. It proposes a range of measures to achieve a higher binding target of 40% of energy from renewable sources in gross final energy consumption in 2030 at the EU level. ITRE is the leading committee in the European Parliament, and Markus Pieper (EPL, DE) is the rapporteur.	The legislative proposal has been sent for further work at the Council and European Parliament. The adoption of the Council's general approach is expected in **the second quarter of 2022** and the final report of the ITRE committee in the EP on **July 13, 2022** (provisional date). The proposed deadline for transposing the proposal into national law is **December 31, 2024**.	Improvement in the competitiveness of low-emission sources of energy in comparison with high-emission sources. Larger share of renewable sources in the Polish energy mix by 2030.
	Directive 2012/27/EU on energy efficiency (EED Directive).	To adapt legislation related to energy efficiency improvements in reference to EU's new higher GHG emission reduction target by 2030.	**On July 14, 2021** as part of Fit for 55 the EC presented a legislative proposal concerning a draft amendment of the EED directive. It proposes a set of measures to achieve at EU level a binding target to reduce energy consumption by at least 9% in 2030 in comparison to 2020. ITRE is the leading committee in the European Parliament, and Niels Fuglsang (S&D, DK) is the rapporteur.	The legislative proposal is subject to further work at the Council and European Parliament. The adoption of the Council's general approach is expected in **the second quarter of 2022** and the final report of the ITRE committee in the EP on **June 14, 2022** (provisional date). The published draft does not include a deadline for transposing the directive into national law.	Improvement in the competitiveness of low-emission sources of energy in comparison with high-emission sources, particularly in heating systems. A faster phase-out of coal-based cogeneration from heating systems in connection with the introduction of a new emission criterion. Need for more extensive development of renewable sources in district heating systems. A higher factor for annual final energy savings will result in an increase in burdens on the energy efficiency certificate system.

[4] *CBAM - Carbon Border Adjustment Mechanism – a mechanism, the essence of which is the financial burden on products imported to the EU from countries with lower environmental standards, so that they are not cheaper than their counterparts produced in the EU.*

	Directive 2010/31/EU on the energy performance of buildings (EPBD).	Alignment of legislation related to improving the energy performance of buildings in the EU with respect to the 2050 climate neutrality target and the new higher 2030 EU GHG reduction target .	On **December 15, 2021**, the European Commission, as part of the next stage of the Fit for 55 legislative package, presented a legislative proposal for a draft amendment of the EPBD. The new directive aims to contribute to making all buildings zero-carbon by 2050. Ciarán Cuffe was elected rapporteur for the Lead Committee of ITRE (Green Party, IR). **On April 1, 2022** the EC's public consultation ended. PGE Group submitted its position paper raising the need for: ▪ replacing the requirement for new and modernised zero-emission buildings to be powered only by RES or waste heat, heat from efficient district heating and cooling systems, to include also heat generated from natural gas, ▪ maintaining financial incentives for the purchase of boilers for gaseous fuels, ▪ taking into account the impact of legislation on DSOs, including on the market for flexibility services and the role of electricity in meeting the primary energy needs of buildings.	The legislative proposal was sent for further work at the Council and the European Parliament. The date for transposition of the Directive into national law is not specified in the published draft.	Greater competitiveness of renewable energy sources as a heat source in buildings. Reduction in the heat demand of buildings due to improved energy performance. Faster rate of displacement of fossil fuels in the heating sectors, including district heating. Potential inhibition of growth of existing district heating systems due to proposed requirements for new and modernised buildings.

	Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity (ETD Directive).	To adapt legislation related to tax on energy products and electricity to the EU's new higher GHG emission target by 2030.	**On July 14, 2021** as part of Fit for 55 the EC presented a legislative proposal that includes a draft revision of the ETD directive. ECON is the leading committee in the European Parliament, and Johan van Overtveld (EKR, BE) is the rapporteur.	The legislative proposal is subject to further work at the Council and European Parliament. The legislative proposal is being proceeded in accordance with the consultation procedure by the European Parliament and Council. Planned completion of work on the European Parliament's position - **Q3 2022.** The proposal deadline for transposing the directive is **January 1, 2023.**	Increase in the minimum tax rates for energy products.
	Alternative Fuels Infrastructure Regulation (AFIR Regulation).	The aim of the new regulation, which repeals Directive AFID, is to ensure faster development of charging infrastructure and implement targets for charging station locations, including targets concerning distances between charging points throughout the trans-European TEN-T network.	**On July 14, 2021** as part of Fit for 55 the EC presented a legislative proposal covering the AFIR Regulation. TRAN is the leading committee at the European Parliament, and Ismail Ertug (S&D, DE) is the rapporteur.	The legislative proposal is subject to further work at the Council and European Parliament. The adoption of the final TRAN Committee report in the EP is expected on **July 11, 2022**.	The necessity to prepare the power grid to perform obligations resulting from the AFIR Regulation in the distribution area.

	Regulation on guidelines for trans-European energy infrastructure (revision of the TEN-E Regulation).	Establishing guidelines for the development of trans-European energy infrastructure and new criteria for projects of common interests ("PCI").	**On December 14, 2021**, in the trilogues between the EP, the EC and the Council, a preliminary agreement was reached on the new shape of the TEN-E regulation provisions. **On April 5, 2022** the EP approved the agreement in plenary. The content of the regulation agreed in the trilogues included a new category of radial infrastructure for offshore wind farms and new, more liberalised criteria for smart grid projects .	The new regulation is expected to be published in the EU Official Journal in **the second quarter of 2022**.	The definition of rules for implementing PCI is a potential opportunity for certain PGE Group investments to apply for the status of PCI projects that may receive financial support from the Connecting Europe Facility.
	Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control).	Introduction of new requirements tightening up the way in which emission levels are set in the integrated permit, the rules for obtaining derogations from BAT requirements and giving new competences to the EC. Public participation in appeal proceedings will be increased. Operators will be required to introduce an Environmental Management System, which will include, inter alia, a plan for the transition by 2050 in towards a sustainable, clean and climate neutral circular economy.	**On April 5, 2022** the EC presented draft amendments to the Directive. The EC proposes: ▪ a change of rules for determining BAT emission thresholds, including the need to justify the achievable emission level, ▪ introduction of requirements relating to energy efficiency, ▪ enhance public participation in proceedings, ▪ introduction of a mandatory environmental management system, ▪ possibility of pursuing claims for damage caused by the operation of installations and changes in the burden of proof, ▪ change of rules for granting derogations, including the preparation of guidelines by the EC.	The legislative proposal is subject to further work in the Council and the European Parliament. The new directive is scheduled to enter into force at the **end of 2024**.	The entry into force of the proposed solutions may result in additional capital expenditures being incurred in the Conventional Generation and District Heating segments.

The regulations concerning the financial perspective 2021-2027 and financing for sustainable economic growth

	The Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment, changing the regulation (EU) 2019/2088 (the Taxonomy Regulation) and delegated act to this regulation determining technical screening criteria.	Facilitation of funding for sustainable economic growth in EU.	On **February 2, 2022** the EC unveiled a delegated act setting out detailed technical screening criteria for the use of nuclear power and gas. On **March 9, 2022**, the European Commission officially adopted this delegated act. **On April 7, 2022,** the ECON and ENVI committees decided to launch an objection procedure by the European Parliament against the delegated act . In the first quarter of 2022, the Sustainable Finance Platform published : • a report on the taxonomy of harmful activities and activities with no significant environmental impact, • a report on the social taxonomy, and • a report on the technical screening criteria for the next environmental targets.	Expiry of the time-limit for raising objections to the delegated act on nuclear energy and gas – **Q3/Q4 2022.**	Impact on availability and cost of funding obtained by PGE Group companies for investments. Direct impact on raising external capital for investments in condensation and high-efficiency gas-fired cogeneration, depending on the locations and meeting criteria established by an additional delegated act. The obligation to include information on the share in the trade, CAPEX and OPEX of environmentally sustainable activities in the statement on non-financial information or consolidated statement on non-financial information.
	European Commission Revised Climate, Energy and Environmental Aid Guidelines 2022 (CEEAG).	Definition of new rules for award of state aid, adapted to EU's new reduction targets resulting from the Climate Law.	On **January 27, 2022**, the CEEAG Guidelines were formally adopted by the European Commission and went into effect. Publication in the Official Journal took place on **February 18, 2022.**	-	Change in the terms for notifying public aid in PGE Group. Some provisions tighten the criteria for obtaining public aid, others specify the rules for obtaining public aid .

	Revision of Regulation 651/2014 of 17 June 2014 declaring certain types of aid compatible with the internal market pursuant to Art. 107 and 108 of the Treaty (GBER regulation).	The regulation is intended to facilitate the implementation of state aid measures by Member States without prior notification in the area of: • regional aid, • risk finance aid, • aid for research, development and innovation, • aid for environmental protection and energy purposes.	The draft amendment extends the set of measures exempted from prior notification and raises notification thresholds for climate, environmental and energy measures where objectively justified. It is also intended to provide additional flexibility by taking into account higher aid intensities, in particular where the aid is awarded on the basis of a competitive bidding process. Public consultations of the draft were completed on **December 8, 2021.**	A meeting with the State Aid Advisory Committee (composed of experts and the European Commission) will be held in the **first half of 2022**. It will take place after the European Commission has analysed the comments received during the public consultation. The regulation is expected to be adopted and published in **mid-2022**.	Change in the terms for notifying public aid in PGE Group. Some provisions tighten the criteria for obtaining public aid, others specify the rules for obtaining public aid.

Additional information with regard to international regulatory environment

Segments	Proceeding	Objective of the action brought	Key events	Next stage	Impact on PGE Group
Complaint against Poland lodged by Czechia (Case C-121/21) including an application for interim measures					
	Proceeding in the case Czechia vs. Poland (Case C-121/21).		On **February 3, 2022**, the Advocate General issued an opinion on the complaint and found some of the Czech side's allegations to be legitimate. On **February 3, 2022** the prime ministers of the Polish and Czech governments initialled a bilateral agreement setting out the terms for withdrawal of the Czech Republic's case from the Court of Justice of the European Union. On **February 4, 2022** the Czech Republic informed the Court that, pursuant to art. 147 § 1 of the Rules of Procedure, as a result of the settlement of the present dispute concluded with the Republic of Poland, it waives all claims. Accordingly, on **February 4, 2022** the President of the Court of Justice issued an order removing the case from the register.	-	Impact on the operation of the Turów energy complex, pursuant to the bilateral agreement. Exploitation of the deposit in accordance with the terms of the concession.

3. Activities of PGE Capital Group

3.1. Main business segments





	Conventional Generation	**District Heating**	**Renewables**	**Distribution**	**Supply**
Key assets of the segment	5 conventional power plants 2 lignite mines	16 CHP plants	17 wind farms [1] 5 photovoltaic power plants 29 run-of-river hydro power plants 4 pumped-storage power plants, including 2 with natural flow	297 189 kms of distribution lines	-
Installed capacity electricity/heat	12 852 MWe/844 MWt	2 608 MWe/6 919 MWt	2 331 MWe/-	-	-
Electricity volumes	Net electricity generation 13.61 TWh	Net electricity generation 2.80 TWh	Net electricity generation 0.91 TWh	Electricity distribution volume 9.79 TWh	Sales to final off-takers 9.09 TWh[2]
Heat volumes	Heat production (net) 1.21 PJ	Heat production (net) 20.63 PJ	-	-	-
Market position	PGE Group is the leader of lignite mining in Poland (93%) PGE Group is also a national leader in electricity and district heat generation	-	PGE Group is the largest electricity producer from RES with market share of approx. 8% (excluding co-combustion of biomass and bio-gas)	Second domestic electricity distributor with regard to number of customers	Leader in wholesale and retail trading in Poland

[1] A conditional agreement was signed for the purchase of 3 onshore wind farms with a total capacity of 84.2 MW. The condition precedent for the transaction is obtaining the consent of the Office of Competition and Consumer Protection. The closing of the Transaction is planned for the second quarter of 2022.

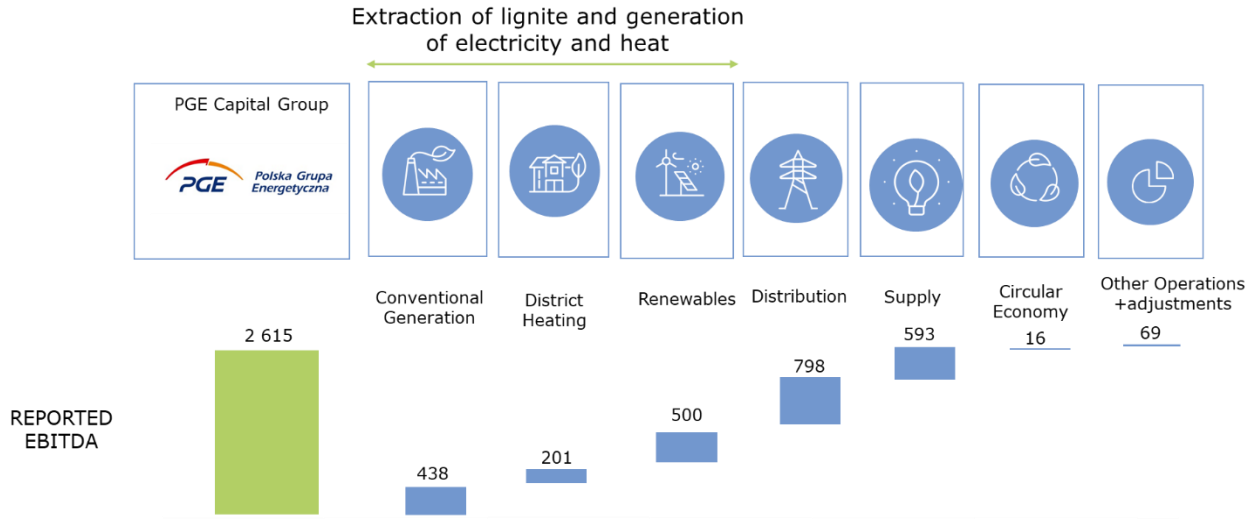
[2] Data for PGE Obrót S.A.

3.2. PGE Group's key financial results

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

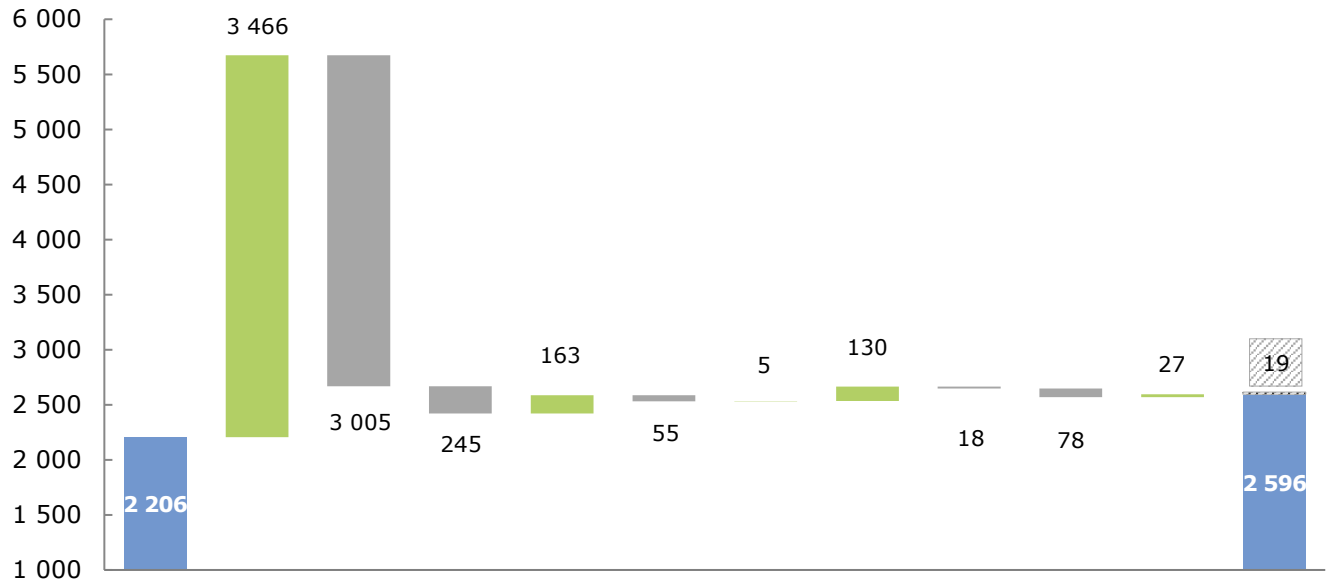
PGE Group's consolidated results are composed of the financial results of each of its operating segments. The Distribution segment and Supply segment made the largest contribution to the Group's result for the first quarter of 2022, participating respectively in 31% and 23% of the Group's EBITDA. The Renewables segment contributed 19%, Conventional Generation segment 17% and District Heating segment contributed 8% to the Group's EBITDA.

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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



	EBITDA Q1 2021	Result on the sale of electricity at producers[1]	CO_2 emission rights[2]	Fuel costs	Revenues from support of highly-efficient cogeneration and certificates	Revenues from RUS[3]	Result on the sale of electricity to final customers[4]	Margin on distribution services[5]	Personnel costs	Capitalised costs	Other[6]	EBITDA Q1 2022
Change		**3 466**	**-3 005**	**-245**	**163**	**-55**	**5**	**130**	**-18**	**-78**	**27**	
Reported EBITDA Q1 2021	**2 206**											
One-offs Q1 2021	**0**											
Recurring EBITDA Q1 2021	**2 206**	4 233	1 919	1 316	70	98	260	1 108	1 350	117		
Recurring EBITDA Q1 2022		7 699	4 924	1 561	233	43	265	1 238	1 368	39		**2 596**
One-offs Q1 2022												**19**
Reported EBITDA Q1 2022												**2 615**

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

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

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

[3] *RUS- ancillary services.*

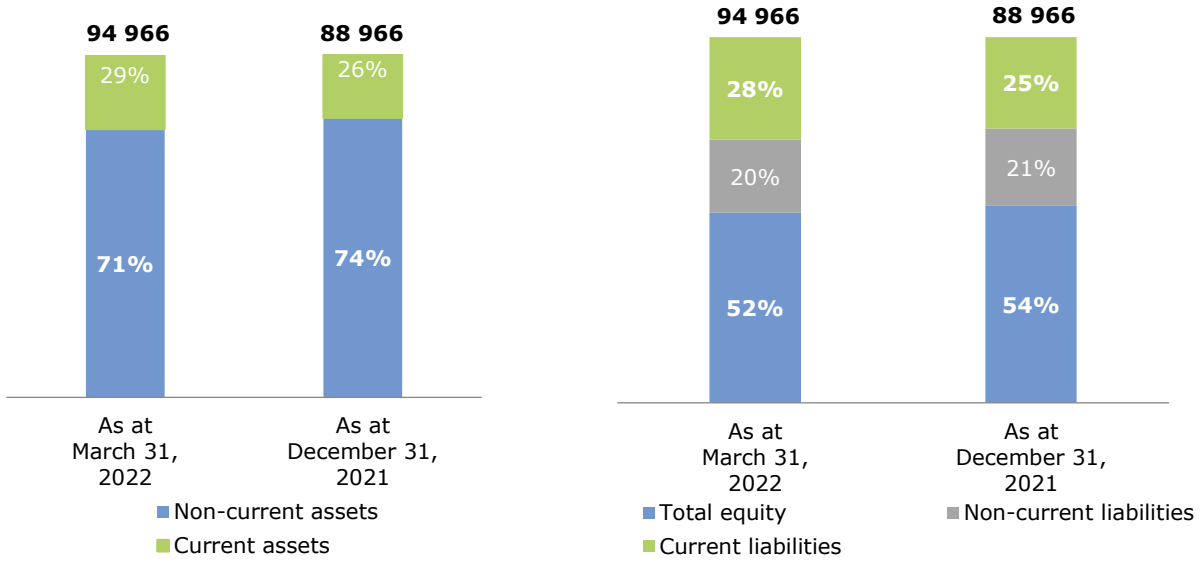
[4] *Including margin adjustment on certificates at PGE Group.*

[5] *Including revenues from distribution services, transmission services (TSO), balance of transferred fees and costs of electricity purchased to cover balancing difference.*

[6] *Other without including the impact of release of the provision for prosumers (one-off).*

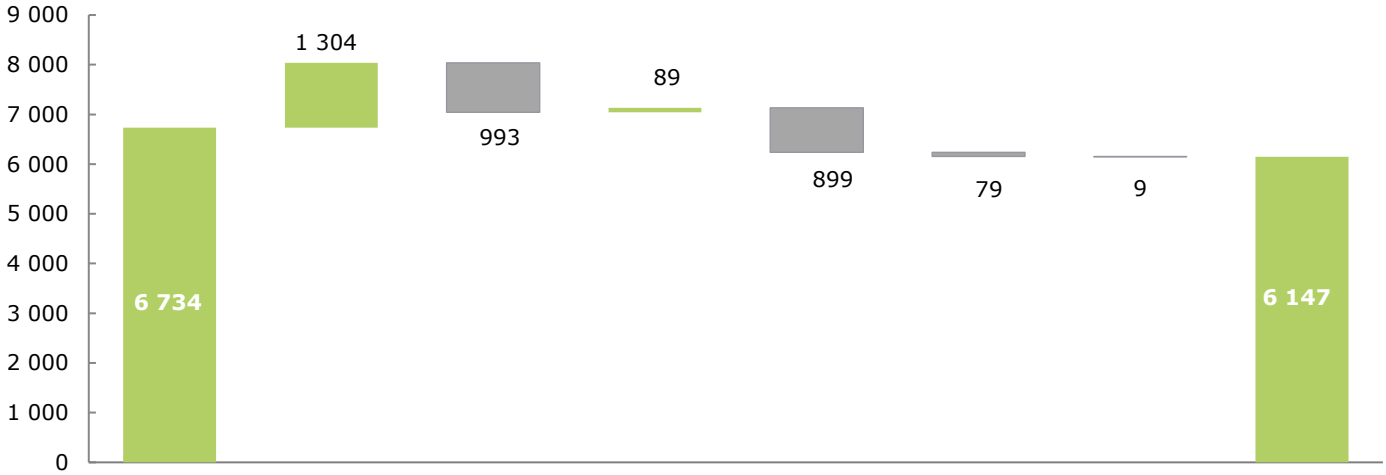
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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



CONSOLIDATED STATEMENT OF CASH FLOWS

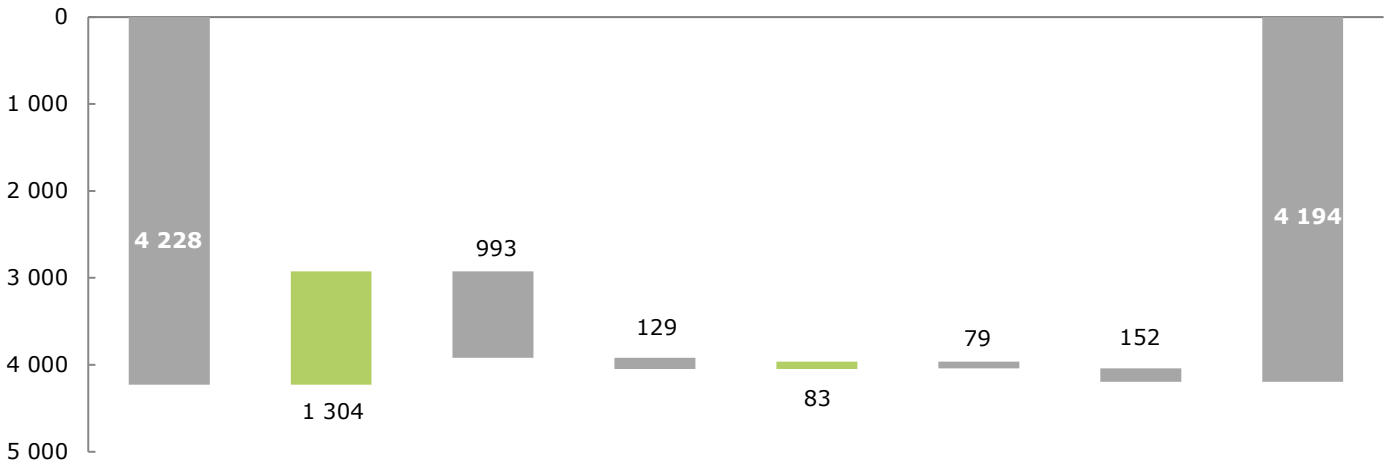
Chart: Net change in cash (in PLN million).



	Cash and cash equivalents at January 1, 2022	Net cash from operating activities	Purchase/sale of property, plant and equipment and intangible assets	Sale of other financial assets after deduction of transferred funds[1]	Balance of repayments/ inflows of loans, borrowings, bonds and finance lease	Interest paid - loans, borrowings, bonds and financial instruments	Other	Cash and cash equivalents at March 31, 2022
Impact on level of cash		1 304	-993	89	-899	-79	-9	
Cash and cash equivalents	**6 734**							**6 147**

[1] *Mainly cash from the sale of shares in Elbest sp. z o.o. (PLN 88 m) reduced by cash and cash equivalents of the sold company (PLN 5 m) .*

Chart: Net debt (in PLN million).



	Net financial debt December 31, 2021	Net cash from operating activities	Purchase/sale of property, plant and equipment and intangible assets	Change in restricted cash	Sale of shares Elbest sp. z o. o.[1]	Interest on debt	Other	Net financial debt March 31, 2022
Impact on level of net debt		**-1 304**	**993**	**129**	**-83**	**79**	**152**	
Financial net debt	**4 228**							**4 194**

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

KEY RESULTS IN BUSINESS SEGMENTS (IN PLN MILLION)

	Conventional Generation	District Heating	Renewables	Distribution	Supply	Circular Economy
Sales revenues						
Q1 2022	16 897	7 753	2 460	766	1 807	11 853	78
Q1 2021	11 942	5 890	1 884	323	1 677	10 498	58
	41%	32%	31%	137%	8%	13%	34%
EBITDA						
Q1 2022	2 615	438	201	500	798	593	16
Q1 2021	2 206	511	510	193	658	352	9
	19%	-14%	-61%	159%	21%	68%	78%
EBIT						
Q1 2022	1 550	-52	28	416	497	585	13
Q1 2021	1 164	41	357	104	348	343	7
	33%	n/a	-92%	300%	43%	71%	86%
Capital expenditures						
Q1 2022	895	95	110	53	253	5	0
Q1 2021	839	417	120	20	287	3	4
	7%	-77%	-8%	165%	-12%	67%	n/a

BALANCE OF ENERGY OF PGE CAPITAL GROUP

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

Volume	Q1 2022	Q1 2021	% change
A . Sales of electricity outside the PGE Capital Group:	**26,34**	**27,25**	**-3%**
Sales to end-users [1]	*9,10*	*9,67*	-6%
Sales on the wholesale and balancing market	*17,24*	*17,58*	-2%
B. Purchases of electricity from outside of PGE Group (wholesale and balancing market)	10,23	11,38	-10%
C. Net production of electricity in units of PGE Capital Group	17,32	17,27	0%
D. Own consumption DSO, lignite mines, pumped-storage power plants (D=C+B-A)	**1,21**	**1,40**	**-14%**

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

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

Lower energy sales on the wholesale market, including the balancing market, result from the market situation in the first quarter of 2022 and limitations in hard coal supplies. The lower purchase on the wholesale market is mainly the result of lower sales to end customers in the corporate client segment.

Table: Net production of electricity (TWh).

Production volume	Q1 2022	Q1 2021[1]	% change
ELECTRICITY PRODUCTION IN TWh, including:	**17.32**	**17.27**	**0%**
Lignite-fired power plants	10.30	8.76	*18%*
including co-combustion of biomass	*0.00*	*0.00*	-
Coal-fired power plants	3.31	4.54	-27%
including co-combustion of biomass	*0.00*	*0.01*	*-100%*
Coal-fired CHP plants	1.58	1.69	-7%
including co-combustion of biomass	*0.00*	*0.00*	-
Gas-fired CHP plants	1.12	1.45	-22%
Biomass-fired CHP plants	0.09	0.09	*0%*
Communal waste-fired CHP plants	0.01	0.01	0%
Pumped-storage power plants	0.22	0.20	10%
Hydroelectric plants	0.14	0.14	0%
Wind power plants	0.55	0.39	41%
including RES generation	0.79	0.64	23%

[1] *In connection with the changes in the scope of IAS 16, the data for the first quarter of 2021 were adjusted, taking into account the production from unit No. 7 in Turów power plant from synchronization to the beginning of the trial run in the amount of 0.18 TWh.*

The level of electricity production in the first quarter of 2022 was at a level similar to the comparable period.

Higher generation at lignite-fired power plants (+1.5 TWh) results from higher average load factors per unit at the Turów power plant's units 1-6 by 29 MW, i.e. by 16% and units 2-14 in Bełchatów power plant by 25 MW, i.e. o 8%. The units 1-6 at Turów power plant were in overhauls shorter by 1 067 h and units 2-12 in Bełchatów power plant by 702 h. In addition, the production from the new unit No. 7 at the Turów

Power Plant was higher by 0.4 TWh as a result of the low base, where in the first quarter of 2021 this unit was still being synchronized with the National Power System.

Higher production on wind farms (+0.2 TWh) is a result of better windiness in the first quarter of 2022.

Lower production in hard coal-fired power plants (-1.2 TWh) results from decreased generation at Opole power plant and Rybnik power plant, what is a consequence of longer reserve downtime of the units: by 2 797 h at Opole power plant and by 1 378 h for units 3-8 at Rybnik power plant.

Lower generation from gas-fired CHP plants (-0.3 TWh) is mainly a consequence of lower generation at Lublin Wrotków CHP plant due to a unit failure in December 2021 and lower profitability of production due to market conditions.

Production at coal-fired CHP plants, biomass plants, waste-to-energy plants, pumped storage power plants and hydro power plants remained at similar level as in the base period.

HEAT PRODUCTION

Table: Net production of heat (PJ).

Production volume	Q1 2022	Q1 2021	% change
Net production of heat in PJ, including:	**21.84**	**23.50**	-7%
Lignite-fired power plants	0.96	1.04	-8%
Coal-fired power plants	0.24	0.25	-4%
Coal-fired CHP plants	16.32	17.06	-4%
Gas-fired CHP plants	3.34	4.31	-23%
Biomass-fired CHP plants	0.76	0.74	3%
CHP plants fuelled by municipal waste	0.08	0.04	100%
Other CHP plants	0.14	0.06	133%

External temperatures contributed more than any other factor to higher net generation of heat in the first quarter of 2022 (y/y). The average temperatures in 2022 were by 2.3°C higher y/y, which translated into decreased production of heat.

HEAT SALES

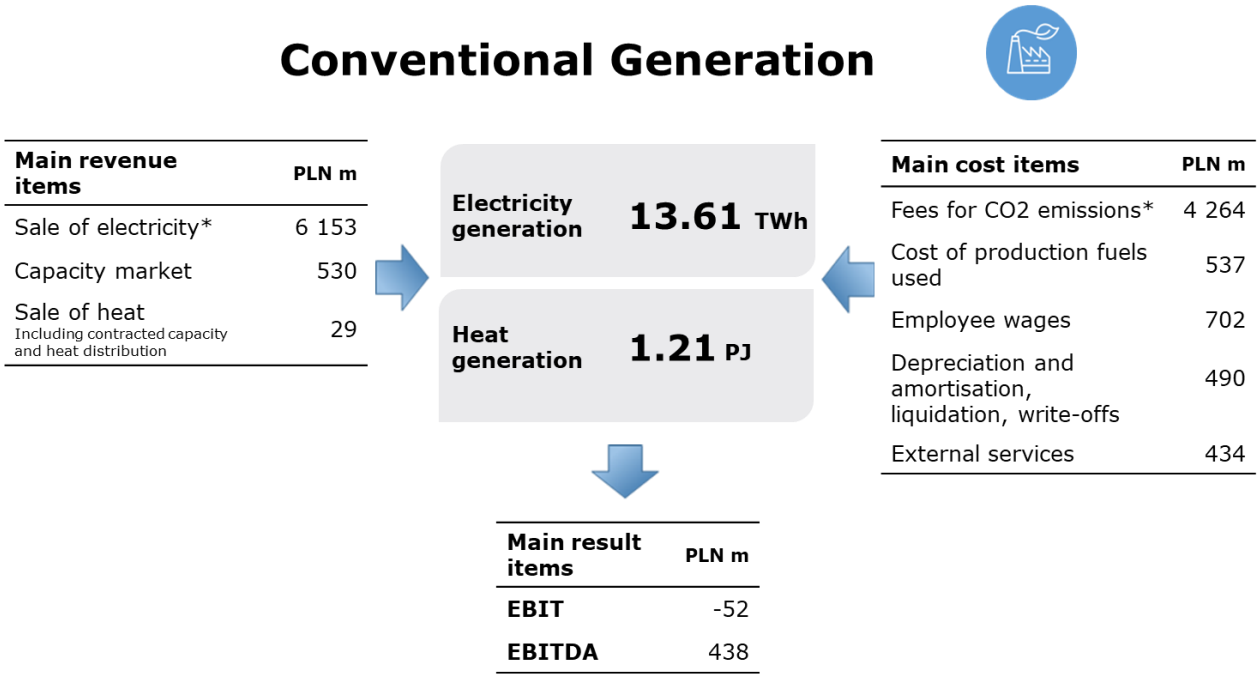
In 2022 the heat sales volume in PGE Capital Group totalled 21.28 PJ and was lower by 1.68 PJ y/y. The above result was caused mainly by lower demand for heat due to the higher average outside temperatures than in 2021.

3.3. Operational segments

CONVENTIONAL GENERATION

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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



[1] managerial perspective

The main source of revenue in the Conventional Generation segment is **revenue from the sale of electricity** on the wholesale market, based on electricity prices that are shaped by supply and demand mechanisms, taking into account the variable costs of generation. At the same time, the segment's key cost items, given their size and volatility, and thus their impact on operating results, are the **fees for CO_2 emissions** and **cost of production fuels**, mainly hard coal. Lignite-based production, which is of key significance for the Group, is based on own mines, therefore its cost is relatively stable and reflected mainly in fixed-cost items, i.e. personnel costs, third-party services and depreciation.

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

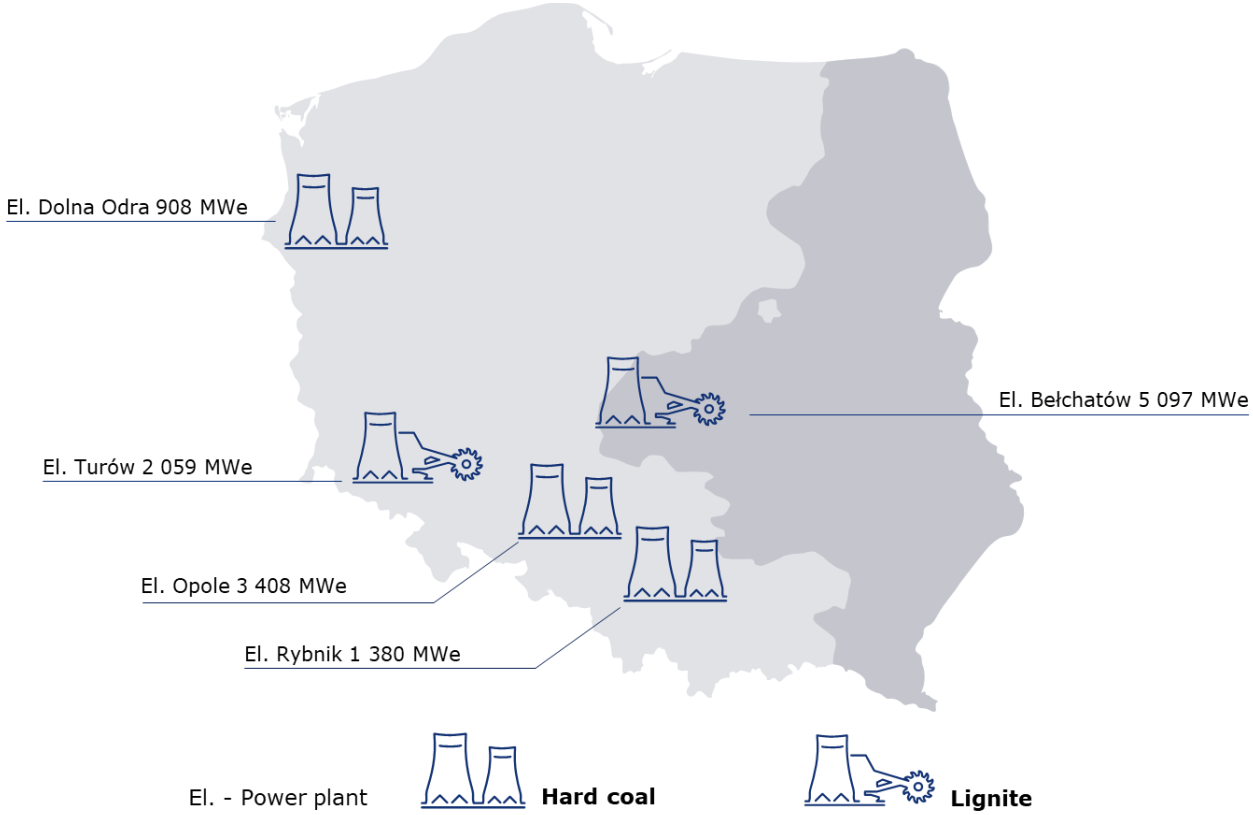
In addition, this segment generates revenues from sales of heat produced at industrial plants. From July 1, 2021 the Szczecin CHP plant and Pomorzany CHP plant and the heat grid in Gryfino have been incorporated into the structures of District Heating segment.

ASSETS

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

Conventional Generation is the leader of lignite mining (its share in the extraction market of this raw material accounting for 93%[5] of domestic extraction), it is also the largest generator of electricity as it generates approx. 32%[6] of domestic gross electricity production. The generation is based on lignite extracted from mines owned by the company as well as hard coal and biomass.

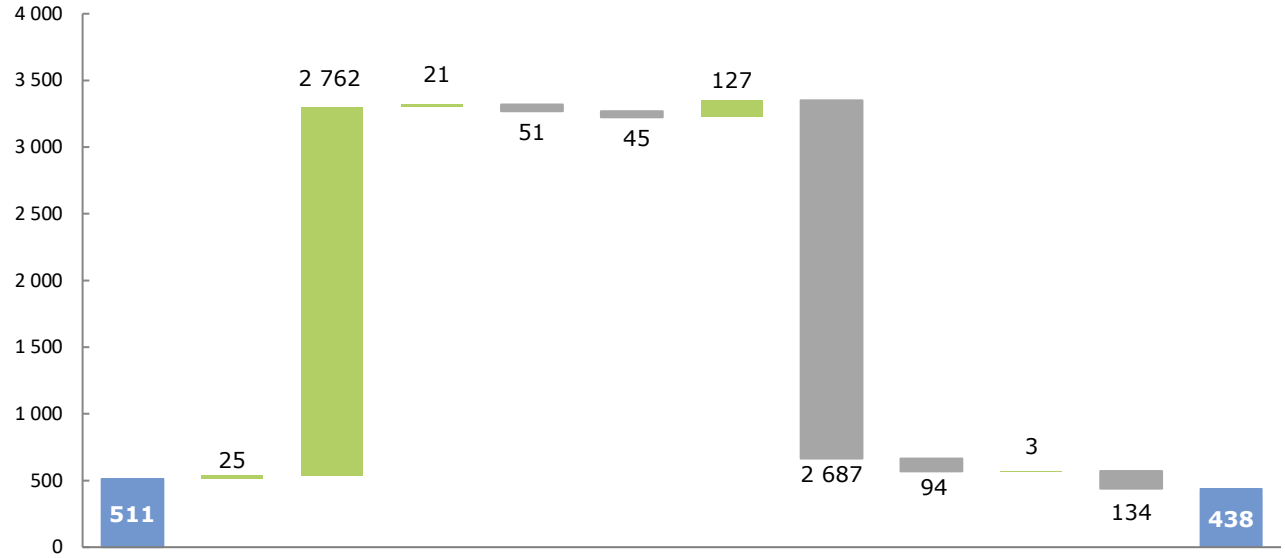
Diagram: Main assets of the Conventional Generation segment with their installed capacity.



[5] Own calculations based on data from Central Statistical Office of Poland.
[6] Own calculations based on data from PSE S.A.

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q1 2021	Electricity production difference in volume	Electricity production difference in price	Capacity Market[1]	Revenues from agreement with TSO	Heat sales	Costs of fuel	Costs of CO_2[2]	Costs of Commercial Management of Generation Capacities	Personnel expenses	Other	EBITDA Q1 2022
Change		**25**	**2 762**	**21**	**-51**	**-45**	**127**	**-2 687**	**-94**	**3**	**-134**	
EBITDA Q1 2021	**511**	3 366		509	90	74	664	1 577	172	705	410	
EBITDA Q1 2022		6 153		530	39	29	537	4 264	266	702	544	**438**

[1] *Managerial perspective.*

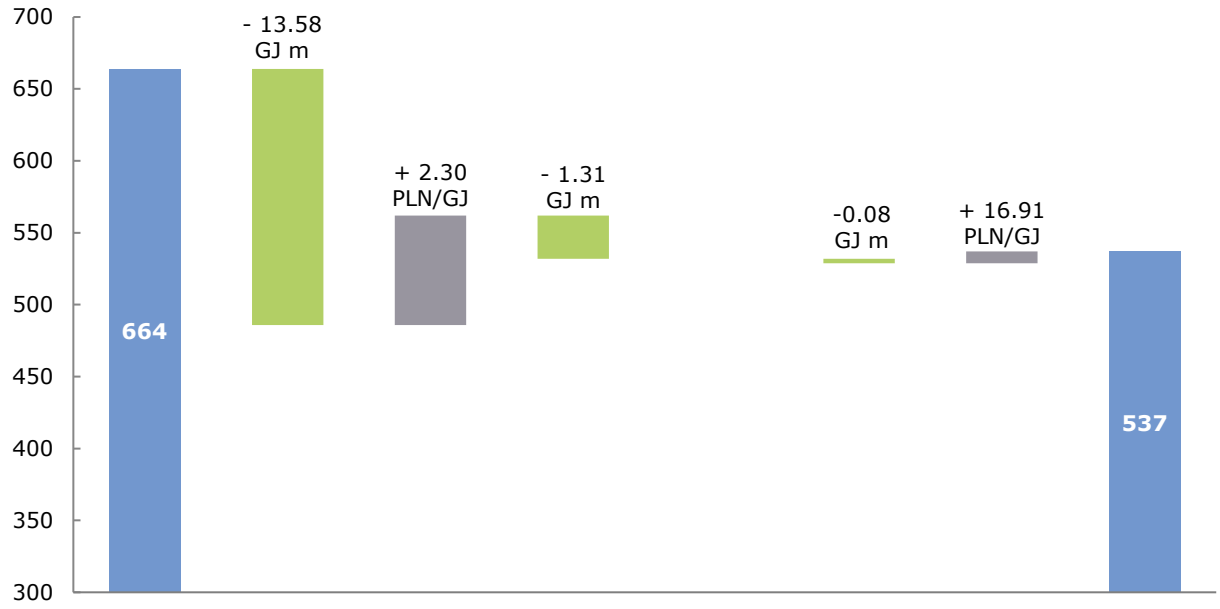
[2] *Costs reduced by resale of CO2 emission rights, that was caused due to reductions by PSE S.A. and trading activities.*

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

- **Comparable net electricity production volume** in PGE GiEK S.A. (+0.3 TWh) (see p. 2.2 of this report).
- **Increase in electricity prices** due to rising energy prices on forward market for 2022 in comparison with the 2021 delivery contracts.
- **Higher result obtained from the Capacity Market** as a result of a lower base due to delays in the start-up of unit No. 7 in Turów in the comparable period.
- **Lower revenues from ancillary control services**, mainly as a result of lower revenues from the provision of the capacity reallocation service.
- **Lower revenues from the sale of heat**, due to the inclusion of Szczecin CHP plant and Pomorzany CHP plant into the structures of the District Heating segment from July 1, 2021.
- **Lower fuel consumption costs**, mainly hard coal, due to decreased generation based on this fuel (see p. 2.2 of this report). Lack of costs of biomass consumption results from the inclusion of the Szczecin CHP Plant in the District Heating segment's structures from July 1, 2021. Main changes on different types of fuel are presented in the chart below.
- **Higher CO_2 costs** as a result of higher average cost of CO_2 by PLN 175.0/t CO_2. Main changes are shown in the chart below.
- **Higher commercial costs** results from higher value of energy under management due to higher average electricity price.

- **Lower personnel expenses** due to ongoing optimisation process.
- **The increase in the item 'other'** is mainly caused by lower level of cost capitalisation for in-house implementation of investments due to the smaller scope of tasks performed, payment of a donation to the Liberec County in connection with the signed settlement between governments of Poland and Czechia regarding Turów lignite mine and lack of revenues from the sale of green certificates as a result of the inclusion of Szczecin CHP plant into the structures of the District Heating segment as of July 1, 2021.

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

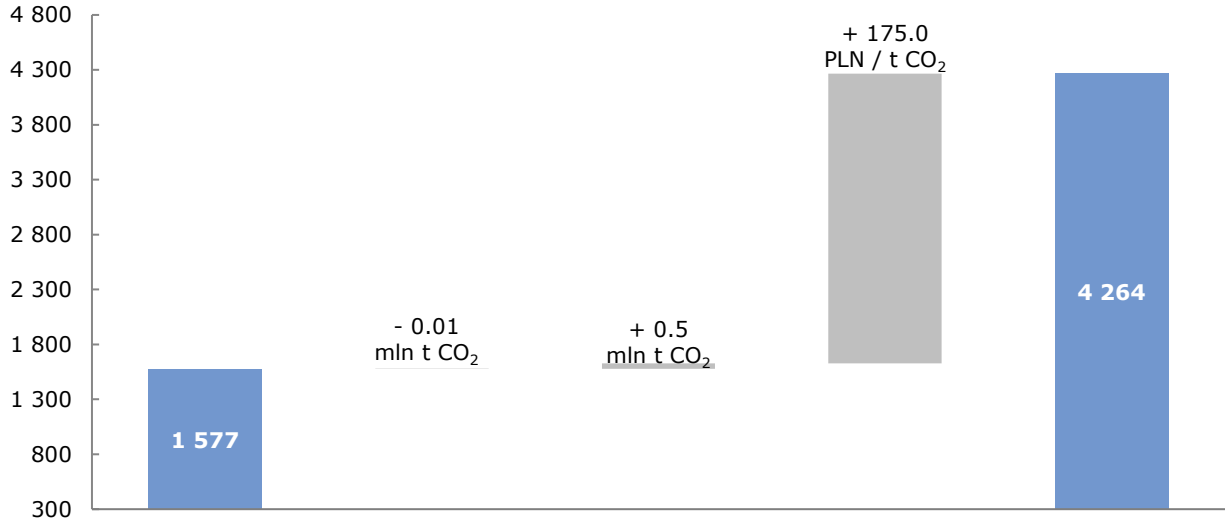


Change		**-178**	**76**	**-30**	**0**	**-3**	**8**	
Cost of fuels Q1 2021	**664**	612		30		22		
Cost of fuels Q1 2022		510		0		27		**537**

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

Fuel type	Q1 2022 Volume (tons ths)	Q1 2022 Cost (PLN million)	Q1 2021 Volume (tons ths)	Q1 2021 Cost (PLN million)
Hard coal	1 532	510	2 064	612
Biomass	0	0	160	30
Fuel oil – light and heavy	11	27	13	22
Total		**537**		**664**

Chart: CO_2 costs in Conventional Generation segment (in PLN million).



	CO_2 costs Q1 2021	Allocation of free allowances for CO_2 emissions	CO_2 emission	Average CO_2 costs	CO_2 costs Q1 2022
Change		**1**	**49**	**2 637**	
CO_2 costs Q1 2021	**1 577**				
CO_2 costs Q1 2022					**4 264**

Table: Data on CO_2 costs in Conventional Generation.

Data regarding CO_2	Q1 2022	Q1 2021	% change
Allocation of free allowances for CO_2 emissions (tons)	15 503	28 829	-46%
CO_2 emission (tons)	15 079 259	14 621 443	3%
Average CO_2 costs (PLN/t CO_2)[1]	283.1	108.1	162%

[1] *Managerial perspective.*

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Conventional Generation segment

PLN m	Q1 2022	Q1 2021	% change
Investments in generating capacities, including:	89	412	-78%
• Development	0	242	-
• Modernisation and replacement	89	170	-48%
Other	6	5	20%
Total	**95**	**417**	**-77%**
Capitalised costs of overburden removal in mines	0	0	-
Total with capitalized costs of overburden removal	**95**	**417**	**-77%**

KEY EVENTS IN THE CONVENTIONAL GENERATION SEGMENT

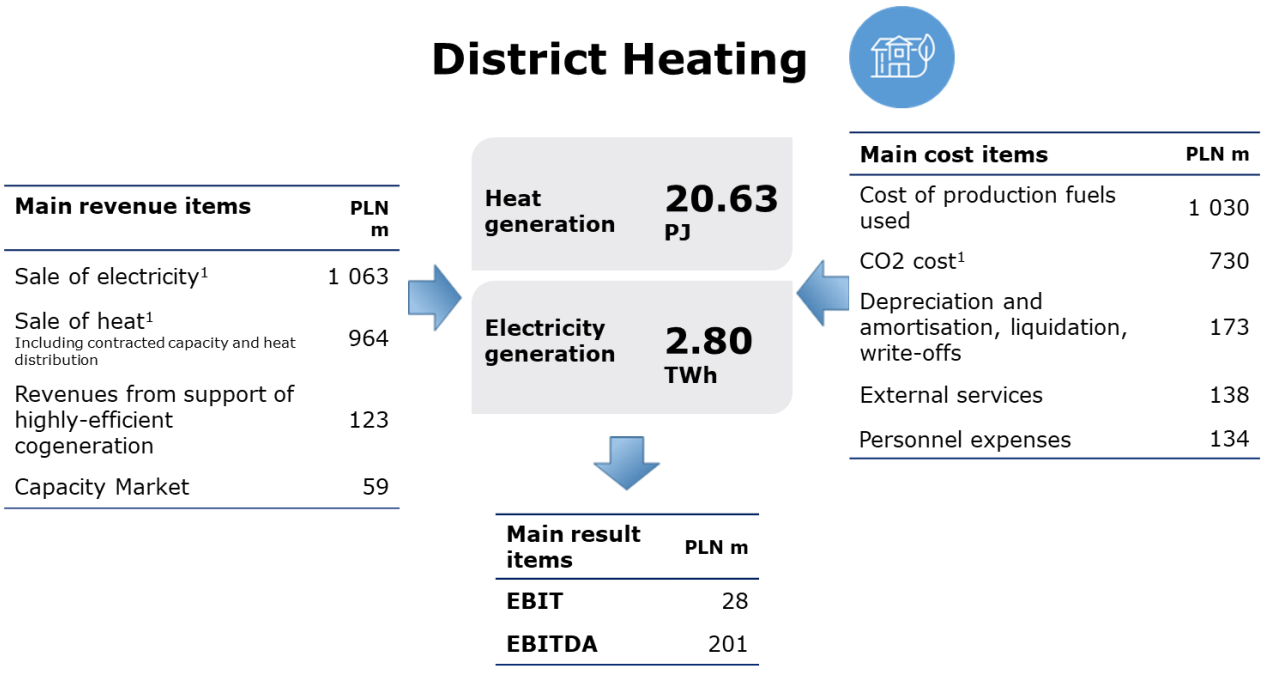
Modernisation investments aimed at reducing the negative impact of production on the natural environment:

- On January 3, 2022, the electrostatic precipitator of unit 4 at the Opole power plant was put into service, the final acceptance after guarantee measurements was carried out on March 7, 2022.
- On January 25, 2022, the modernisation of the flue gas desulphurisation system of unit 3 and unit 4 was completed at the Bełchatów power plant – and the system was put into service.
- On February 15 2022, the modernisation of the flue gas desulphurisation system of unit 8 at the Bełchatów power plant was completed – and the system was put into service.
- On February 25, 2022, the construction phase consisting of the construction of a steel structure with internal walls and roof sheathing was completed as part of the task "Extension of the Turów power plant wastewater treatment plant - main node building.".
- In March 2022, a 14-day trial run of the non-catalytic reduction of nitrogen oxides removal installation for unit 7 of the Bełchatów plant was performed.
- On March 9, 2022, the electrostatic precipitator of unit 5 at the Rybnik power plant was put into service following modernisation.

DISTRICT HEATING

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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



Main revenue items	PLN m
Sale of electricity[1]	1 063
Sale of heat[1] Including contracted capacity and heat distribution	964
Revenues from support of highly-efficient cogeneration	123
Capacity Market	59

Main cost items	PLN m
Cost of production fuels used	1 030
CO2 cost[1]	730
Depreciation and amortisation, liquidation, write-offs	173
External services	138
Personnel expenses	134

Main result items	PLN m
EBIT	28
EBITDA	201

** managerial perspective*

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

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

Generation of heat and electricity is directly related to key variable costs of the segment, i.e. **the cost of production fuel used** (in particular, hard coal and gas) and **the cost of fees for CO_2 emissions**.

Electricity production in high-efficiency cogeneration is additionally remunerated. Until 2018, CHPs generated **revenue from the sale of energy origin certificates**, i.e. cogeneration certificates (yellow and red). From 2019, due to a change in support model, they receive support at a level covering increased operating costs related to production. The support mechanism in the form of certificates is in place also for biomass-fired generating assets. This type of production is additionally remunerated by awarding origin

certificates, i.e. green certificates, the sale of which generates additional revenue. Within the segment such revenues is obtained at Szczecin biomass CHP and biomass unit in Kielce CHP.

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

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

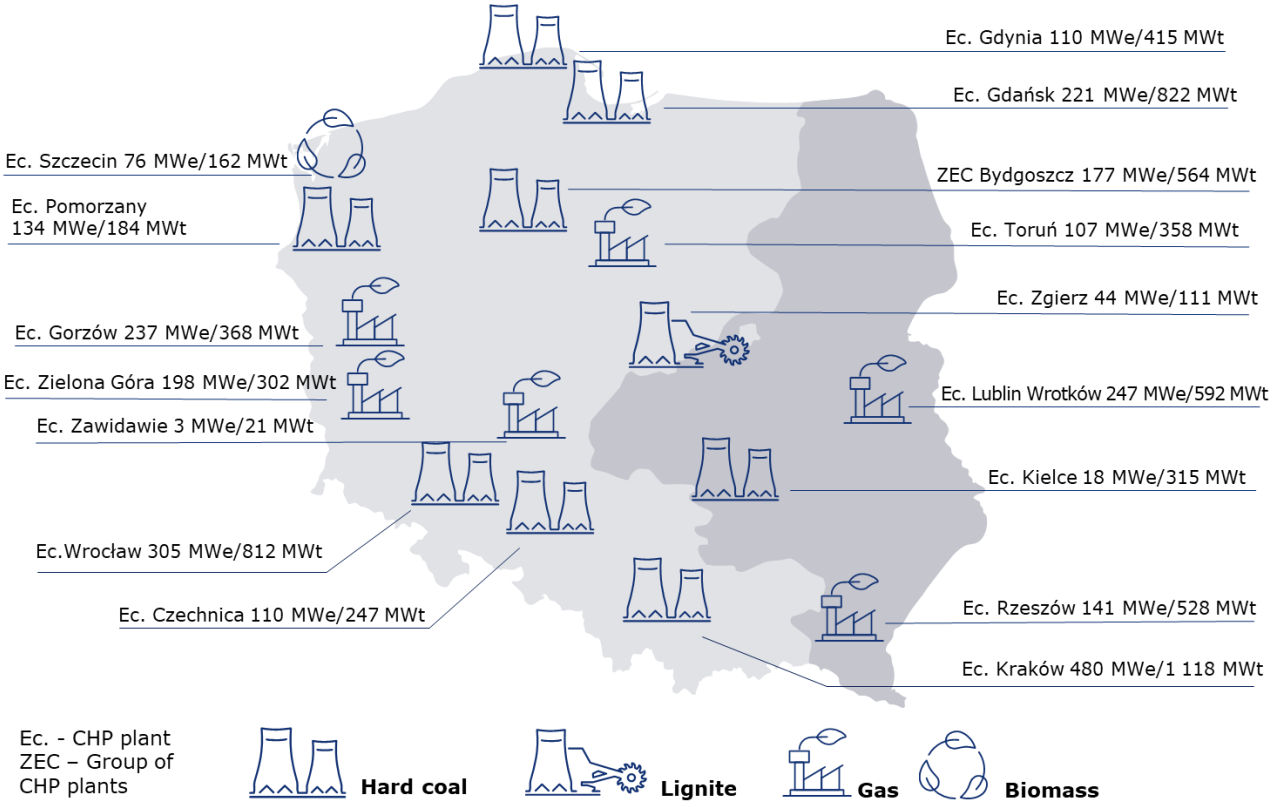
ASSETS

District Heating within PGE Capital Group combines CHP plants separated from the EDF Polska assets acquired on November 14, 2017 and CHP plants separated from PGE GiEK. Since January 2, 2019 the following companies has been included in the segment.: PGE EC S.A., KOGENERACJA S.A., Elektrociepłownia Zielona Góra S.A., PGE Toruń S.A., PGE Gaz Toruń sp. z o.o., and MEGAZEC sp. z o.o. In addition, from July 1, 2021, Szczecin CHP, Pomorzany CHP and the district heating network in Gryfino, recognised until June 30, 2021 as part of the Conventional Generation segment, were included in the structures of the District Heating segment.

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

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

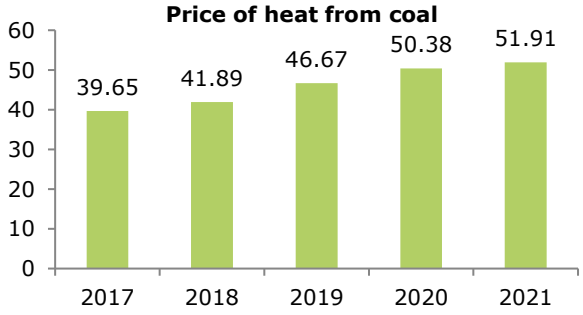
Diagram: Main assets of the District Heating segment and their installed capacity.

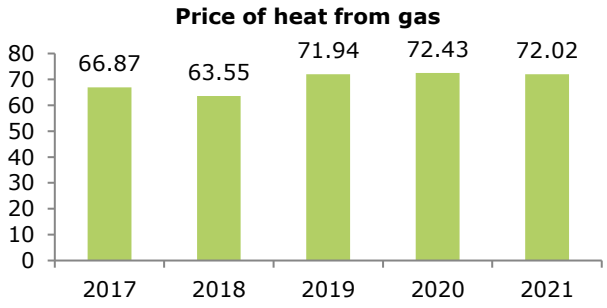


TARIFFS IN DISTRICT HEATING

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

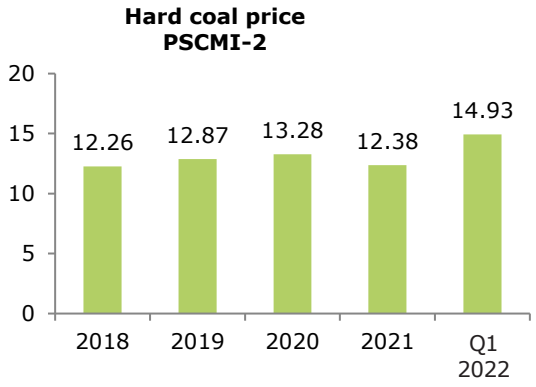
Charts: Changes in the reference price of heat for hard coal and natural gas (PLN/GJ).

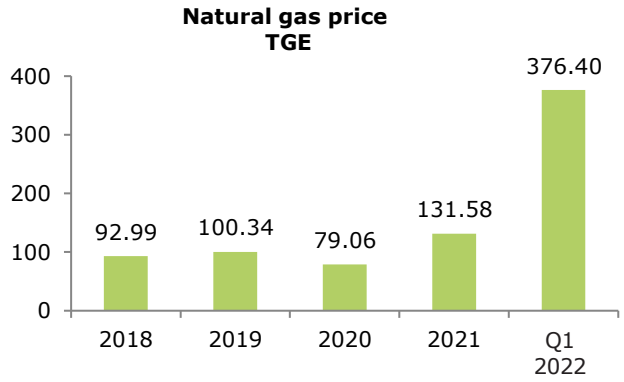




Source: ERO.

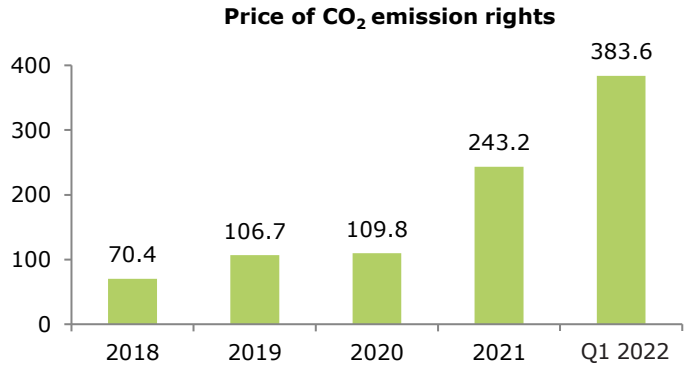
Charts: Changes in costs of fuels – hard coal (PLN/GJ) – PSCMI 2[7] and gas (PLN/MWh) - TGE.





Source: ARP, TGE.

Chart: Changes in price of CO_2 emission rights[8] (PLN/t).



Source: ICE.

Reflecting previous cost increases, the reference price of heat produced from hard coal increased by 2% in 2021. It is a base to the increase in heat prices for co-generation entities establishing the tariff during 2022. In the first quarter of 2022 the average market price of coal increased by 21%, while the average price of CO_2 emission rights increased by 58% in comparison to 2021.

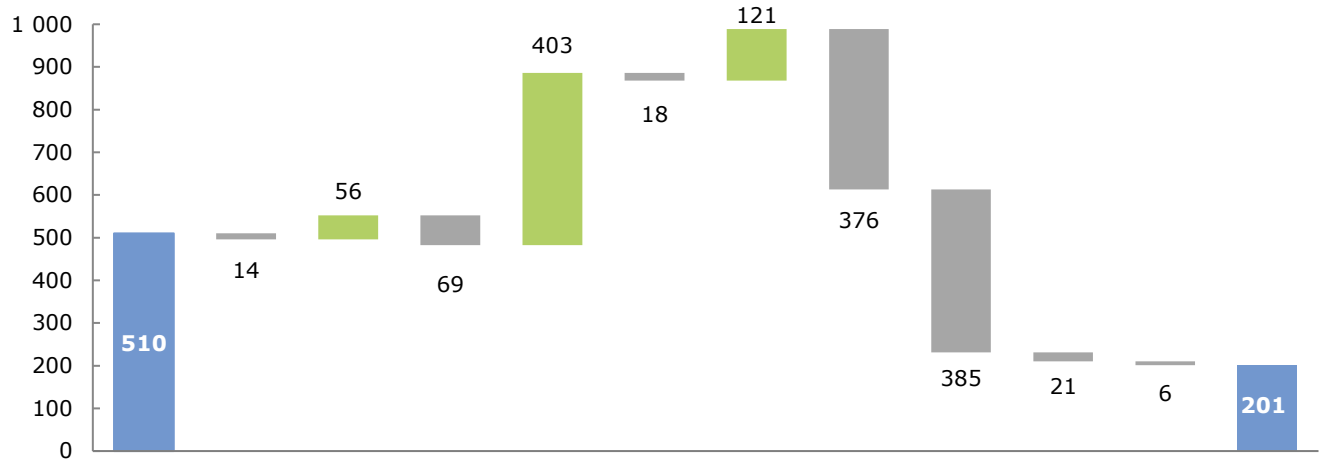
Tariffs for the production of heat from gas in 2022 are set based on an change in the reference price, whereas in the first quarter of 2022 gas prices are already higher than in previous periods. Prices of gas in TGE forward contracts stand at approx. PLN 376/MWh.

[7] *PSCMI-2 Polish Steam Coal Market Index 2 - The average prices for pulverised coals sold to industrial and municipal heat plants, other industrial customers and other domestic customers in Poland.*

[8] *Arithmetic average of the daily and monthly records in a given period (spot price).*

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q1 2021	Heat production - volume	Heat production - price[1]	Electricity production - volume	Electricity production – price[1]	Capacity Market	Revenues from support of highly-efficient cogeneration	Cost of fuel	Costs of CO_2[2]	Personnel expenses	Other	EBITDA Q1 2022
Change		**-14**	**56**	**-69**	**403**	**-18**	**121**	**-376**	**-385**	**-21**	**-6**	
EBITDA Q1 2021	**510**	922		729		77	2	654	345	113	108	
EBITDA Q1 2022		964		1 063		59	123	1 030	730	134	114	**201**

[1] *Adjusted for costs of certificates redemption.*

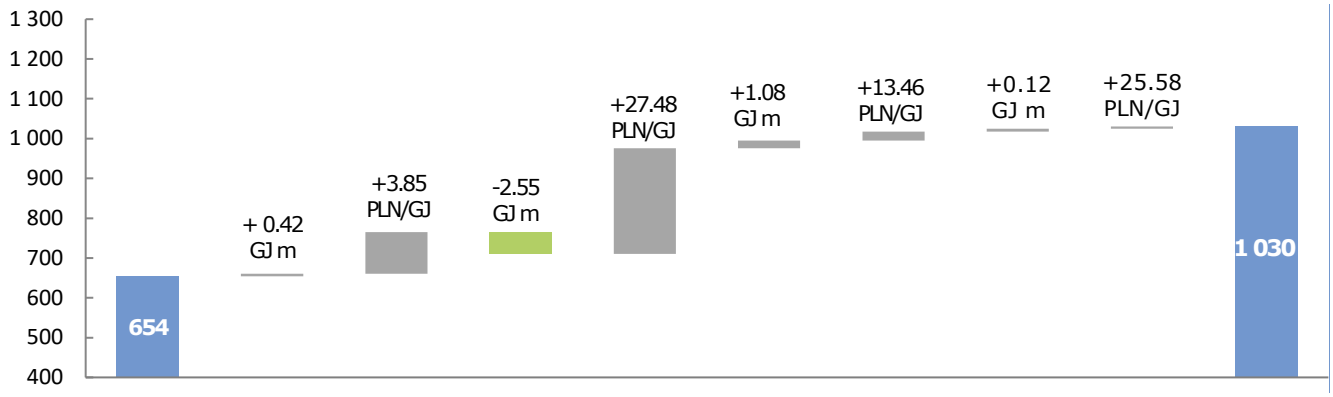
[2] *Adjusted for result on resale of CO2 emission rights, assigned to a given period.*

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

- **Lower volume of net heat production** in the first quarter of 2022 y/y is a result of higher outside temperatures compared to 2021. The average temperatures were by 2.3° C higher, what translated into decreased heat production (by 0.4 PJ).
- **Increase of heat sale price** is a result of increased tariffs for heat for the CHP plants in the second half of 2021 following the publication by the ERO of new reference prices for heat production in units not being co-generation units.
- **Lower net electricity production volume** in the segment as a result of lower electricity generation from gas, due to failure of CCGT unit at the Lublin CHP plant.
- **Increase in electricity sale prices** due to higher forward contracts with 2022 delivery as compared to the contracts with 2021 delivery.
- **Lower revenues from Capacity Market,** due to the granting of a higher level of support for highly-efficient cogeneration, while limiting the number of units that can participate in the Capacity Market.
- **Higher revenues due to. support for high-efficiency cogeneration** due to the granting of a higher guaranteed cogeneration bonus for gas-fired units.
- **Higher fuel consumption costs** which are caused by higher gas and hard coal prices and increased volume of hard coal consumption. Additionally, due to the inclusion of CHP Pomorzany in the structures of the District Heating segment, the consumption of biomass increased. The details are shown in the chart below.

- **Higher CO_2 costs** are mainly a result of higher price of allowances. The details are shown in the chart below.
- **Higher personnel expenses** result mainly from including, from 1 July 2021, Szczecin CHP, Pomorzany CHP and the heating network in Gryfino in the structures of the District Heating segment.

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

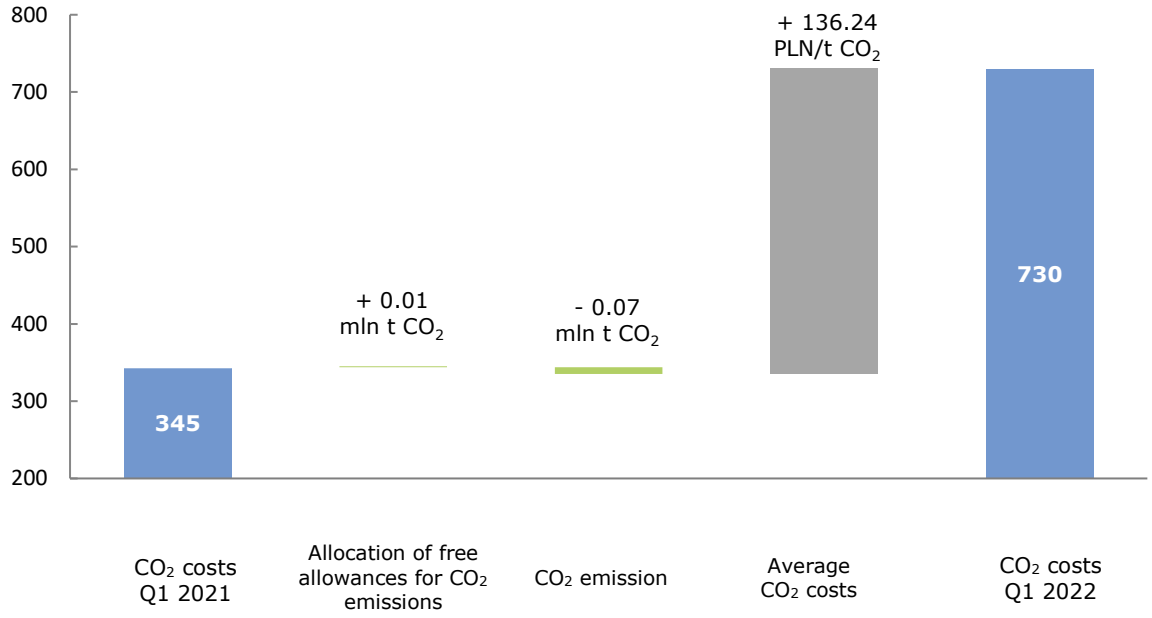


	Costs Q1 2021	Hard coal volume	Hard coal price	Gas volume	Gas price	Biomass volume	Biomass price	Oil and other raw materials - volume	Oil and other raw materials - price	Costs Q1 2022
Change		**6**	**105**	**-55**	**265**	**20**	**22**	**7**	**6**	
Costs of fuel Q1 2021	**654**	370		262		10		12		
Costs of fuel Q1 2022		481		472		52		25		**1 030**

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

Fuel type	Q1 2022		Q1 2021	
	Volume (tons ths)	Cost (PLN million)	Volume (tons ths)	Cost (PLN million)
Hard coal	1 247	481	1 193	370
Gas (cubic metres ths)	322 011	472	391 245	262
Biomass	205	52	64	10
Fuel oil and other raw materials	-	25	-	12
Total		**1 030**		**654**

Chart: CO_2 costs in District Heating (PLN million).



Change		**-1**	**-9**	**395**	
CO_2 costs Q1 2021	**345**				
CO_2 costs Q1 2022					**730**

Table: Data on CO_2 costs in District Heating.

Data regarding CO_2	Q1 2022	Q1 2021	% change
Allocation of free allowances for CO_2 emissions (tons)	247 209	234 470	5%
CO_2 emission (tons)	3 145 696	3 219 233	-2%
Average CO_2 costs (PLN/t CO_2)[1]	251.92	115.68	118%

[1] *Managerial perspective.*

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in District Heating segment.

PLN m	Q1 2022	Q1 2021	% change
Investments in generating capacities, including:	106	112	-5%
• Development	76	93	-18%
• Modernisation and replacement	30	19	58%
Other	4	8	-50%
Total	**110**	**120**	**-8%**

KEY ACTIVITIES IN DISTRICT HEATING SEGMENT

- The turnkey construction of the new Czechnica CHP plant, i.e. CCGT unit with a total gross capacity of 179.4 MWe and 162.9 MWt, heat accumulator and four water boilers with total capacity of 152 MWt, is in progress. The financial advancement of the project is at approx. 7% and the material advancement is at about 5%. The project schedule provides for the commissioning of the CCGT unit in the second quarter of 2024. New units will replace currently existing hard coal-fired CHP plant. Work carried out

at the site in the first quarter of 2022 included earthworks - excavation for the foundations of the main buildings, and concrete works for the foundations of the turbine sets were started.

- At the Zgierz CHP, a contract was signed on March 15, 2022, with the General Contractor of Investment for the installation of 15 MWe gas engines, as well as a standby/peak boiler facility and a photovoltaic installation (100 kV). The project received a cogeneration bonus in auction in March 2022.

KEY PROJECT IN 2022

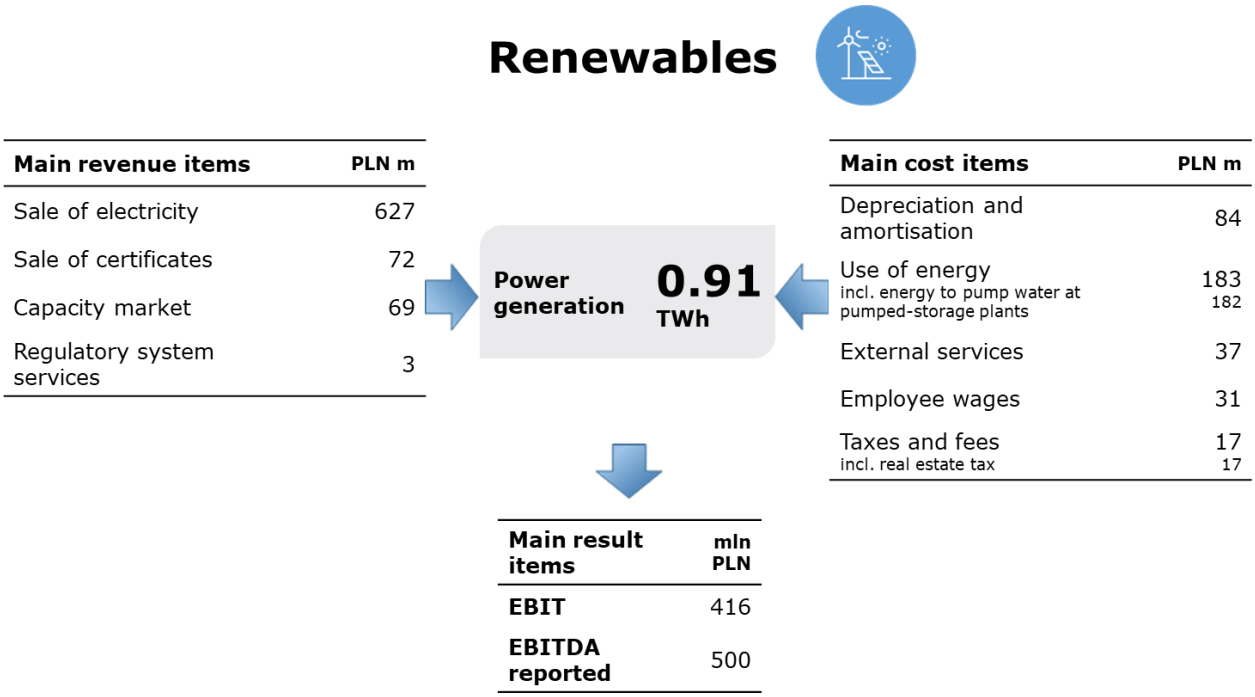
Aim of the project	Budget[1]	Expenditures incurred[1]	Capital expenditures in 2022[1]	Fuel/ Net efficiency	Contractor	Investment completion date
Construction of New Czechnica CHP Plant	PLN 1.2 bn	approx. PLN 85m	PLN 47 m	Natural gas/ 85% in cogeneration	Syndicate of: Polimex Mostostal S.A. (Leader) / Polimex Energetyka sp. z o.o.	Q2 2024

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

RENEWABLES

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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



Main revenue items	PLN m
Sale of electricity	627
Sale of certificates	72
Capacity market	69
Regulatory system services	3

Main cost items	PLN m
Depreciation and amortisation	84
Use of energy incl. energy to pump water at pumped-storage plants	183 182
External services	37
Employee wages	31
Taxes and fees incl. real estate tax	17 17

Main result items	mln PLN
EBIT	416
EBITDA reported	500

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

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

On the cost side, the most important items include: depreciation of segment assets, use of energy to pump water at pumped-storage plants and third-party services, mainly the repair services. Property tax and employee wages also constitute a significant cost item in this segment.

ASSETS

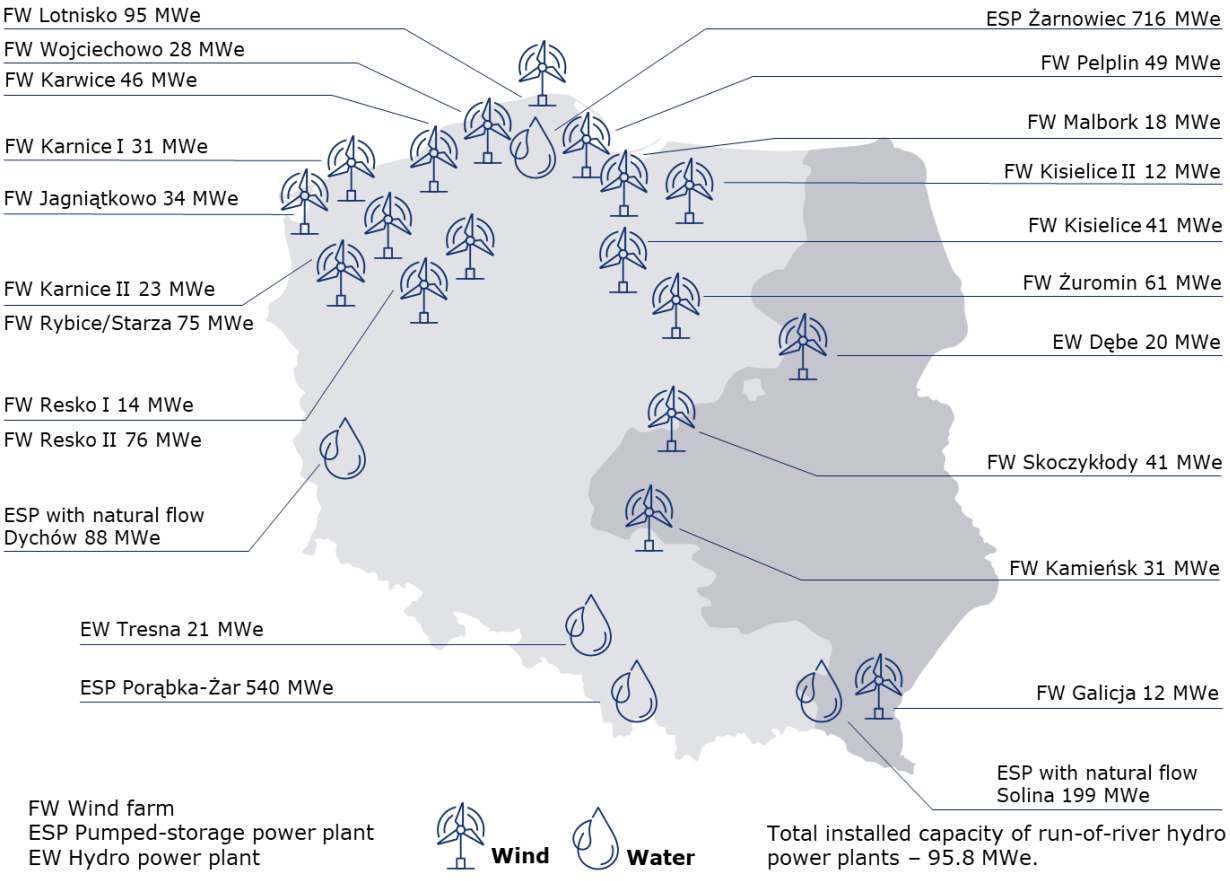
The PGE Capital Group's operations in renewable energy are managed by the PGE Energia Odnawialna S.A. Due to the profile of operations, the segment also includes companies from the Offshore area, which are responsible for all activities related to offshore wind energy.

Assets in the segment include:

- 17 wind farms[1]
- 5 photovoltaic power plants,
- 29 run-of-river hydro power plants,
- 4 pumped-storage power plants, including 2 with natural flow.

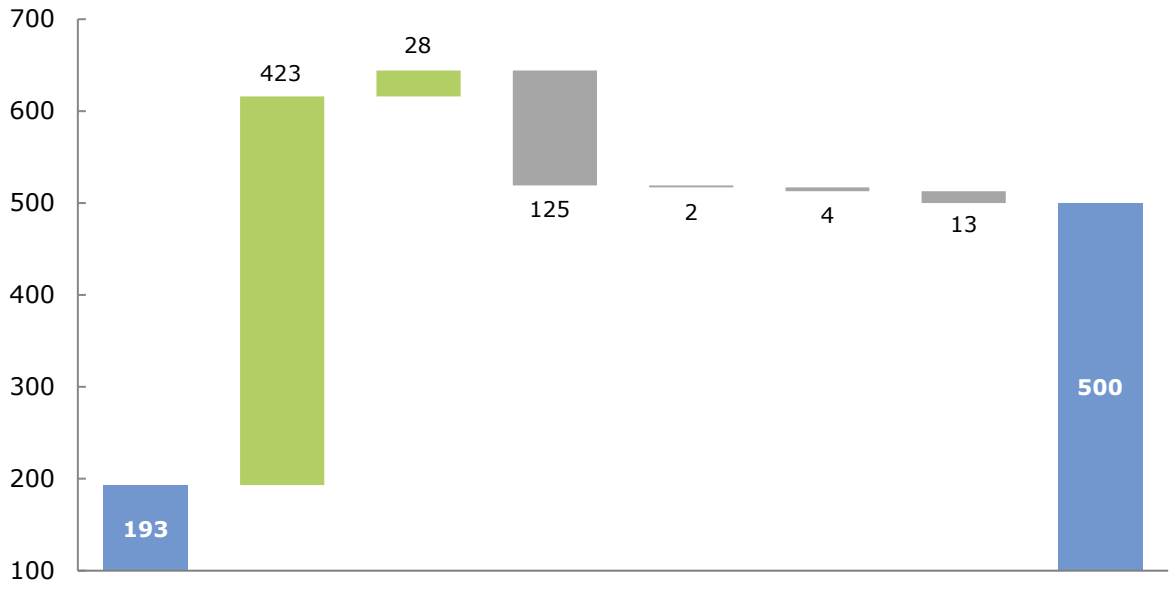
[1] A conditional agreement was signed for the purchase of 3 onshore wind farms with a total capacity of 84.2 MW. The condition precedent for the transaction is obtaining the consent of the Office of Competition and Consumer Protection. The closing of the Transaction is planned for the second quarter of 2022.

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



KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q1 2021	Electricity revenues [1]	Certificates revenues	Purchase of electricity for pumped storage plants	Capacity Market	Personnel expenses	Other	EBITDA Q1 2022
Change		**423**	**28**	**-125**	**-2**	**-4**	**-13**	
EBITDA Q1 2021	**193**	204[2]	44	57	71	27	42	
EBITDA Q1 2022		627	72	182	69	31	55	**500**

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

[2] *Change in the presentation of the results in the Q1 2021 (transfer of a part of revenues from the item Other to the item Revenues from electricity).*

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

- **Increase in revenues from electricity sales** results from: higher average electricity sale price by PLN 362/MWh y/y, what translated into increase of revenues by approx. PLN 357 million; higher sales volume by 241 GWh, what caused revenues increase of approx. PLN 66 million.
- **Increased revenues from sales of certificates** resulting mainly from: higher sales volume by 141 GWh, what translated into increase of revenues by approx. PLN 18 million higher average electricity sale price by PLN 23/MWh y/y, what translated into increase of revenues by approx. PLN 10 million.
- **The increase in electricity purchase costs for pumping** in pumped storage power plants results from: higher average electricity purchase price by PLN 280/MWh y/y, which translated into an increase in costs by PLN 109 million; higher purchase volume by 85 GWh, which contributed to an increase in costs by PLN 16 million.
- **Decrease in Capacity Market,** mainly due to lower rates compared to the previous year.
- **The increase in personnel costs** is mainly a result of higher employment due to the development of the Offshore Energy and Renewable Energy areas.
- **Decrease in other** results mainly from higher operating costs, caused by the development of the Offshore Energy and Renewable Energy areas.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Renewables segment.

PLN m	Q1 2022	Q1 2021	% change
Investments in generating capacities, including:	51	18	183%
• Development	45	6	650%
• Modernisation and replacement	6	12	-50%
Other	2	2	0%
Total	**53**	**20**	**165%**

KEY EVENTS IN RENEWABLES

In the first quarter of 2022, work continued on the construction of 19 PV projects with a total capacity of approx. 18 MW, which secured support in the 2021 RES auction.

At the same time, tendering procedures were launched at the beginning of 2022 for projects that received construction permit decisions last year, including, inter alia, large-scale investments such as PV Augustynka (25 MW), PV Gutki 1 and 2 (total 12 MW) and PV Huszlew 1 and 2 (total 13 MW), PV Jeziórko (100 MW).

In the first quarter of 2022, active efforts to develop further photovoltaic farm projects were carried out, including acquiring land rights and obtaining the required administrative decisions necessary for securing construction permits.

As part of offshore investments, 8 applications for a new location permit for an offshore wind farms in the Baltic Sea was submitted to the Ministry of Infrastructure.

Currently, PGE is implementing investments in the Baltic Sea with a total capacity of approx. 3.5 GW (including 2.5 GW in JO with Ørsted) on the basis of three location permits secured in 2012. Works carried out in these areas are on schedule. 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.

The strategic goal of the PGE Group in the offshore energy area is to build at least 6.5 GW of capacity by 2040. According to government assumptions included in PEP2040, offshore wind farms in the Polish zone of the Baltic Sea in 2040 will have a capacity of approx. 8-11 GW.

There are currently 11 reservoirs available in the Baltic Sea, under which PGE and other entities apply for permits to build and use artificial islands.

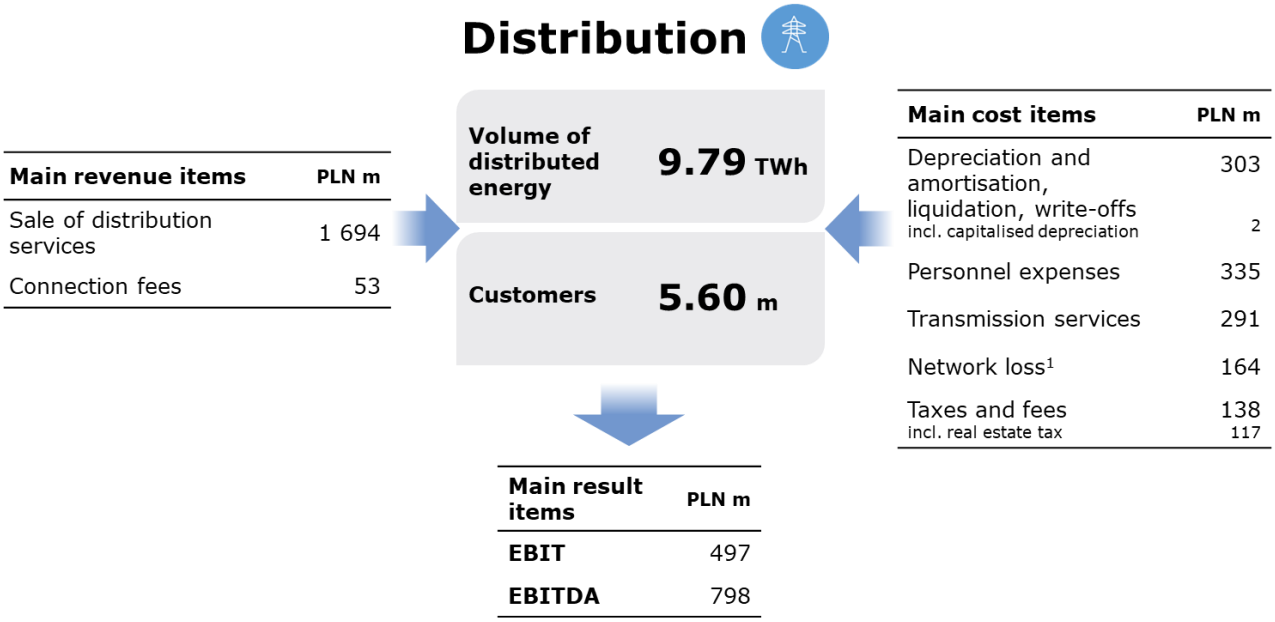
On April 1, 2022 PGE signed a conditional agreement to acquire three onshore wind farms with a total capacity of 84.2 MW what increases PGE Group's onshore wind installed capacity from 688 MW to 772 MW and its market share from 9.6% to 10.8%.

The farms being acquired are located in three voivodeships: Kujawsko-Pomorskie (FW Radzyń, 36.9 MW), Łódzkie (FW Ścieki, 22 MW) and Wielkopolskie (FW Jóźwin, 25.3 MW). The assets being the subject of the transaction include 32 turbines with a total capacity of 84.2 MW and average annual production of 240 GWh, which makes it possible to meet the demand of 120 000 households, i.e. a city the size of Lublin. All of the acquired farms have long-term contracts in place for the purchase of green electricity, which partially secure the produced volumes even until 2030. The farms will benefit from a green certificate support system until around 2030.

DISTRIBUTION

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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



Main revenue items	PLN m
Sale of distribution services	1 694
Connection fees	53

Main cost items	PLN m
Depreciation and amortisation, liquidation, write-offs incl. capitalised depreciation	303 2
Personnel expenses	335
Transmission services	291
Network loss[1]	164
Taxes and fees incl. real estate tax	138 117

Main result items	PLN m
EBIT	497
EBITDA	798

[1] *managerial perspective.*

Segment revenue is based on a tariff for electricity distribution services, which is approved by the ERO President every year at company request and is regulated. The tariff allow costs related to the distribution system operator's on-going activities to be transferred. These are both justified operating costs, depreciation, as well as costs related to the necessity to cover grid losses on electricity distribution or the purchase of transmission services from the TSO. At the same time, the tariff reflects the **costs transferred in fees** such as the RES fee, the transition fee, the co-generation fee and the capacity fee.

The key element shaping the Distribution segment's result is **return on company's invested capital**. This is based on the Regulatory Asset Base ("RAB"), which is established on the basis of completed investments and taking into account asset depreciation. The Regulatory Asset Base serves as the basis for calculating return on capital, using weighted average cost of capital, which is published by the ERO President in accordance with a set formula and using as the risk free rate the average yield on 10-year State Treasury bonds with the longest maturity during the 36-month period preceding the tariff application submission, quoted on the Treasury BondSpot market. In addition, return on capital depends on the achievement of individual quality targets set by the ERO President for performance indicators including: interruption time, interruption frequency, connection time and (not yet included) time to provide metering and settlement data.

VOLUME, CUSTOMERS AND OPERATING DATA

PGE Dystrybucja S.A. operates in the area of 129 829 sq. km and delivers electricity to approximately 5.60 million customers.

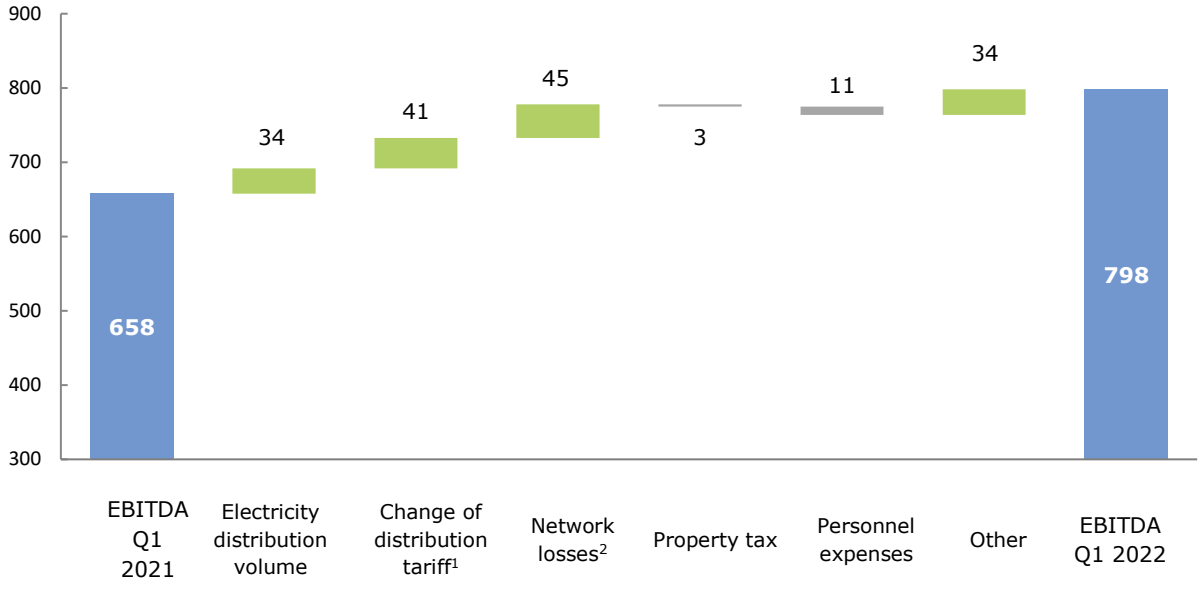
Diagram: Area of PGE distribution grid.

Table: Volume of distributed energy and number of customers.

Tariff	Volume (TWh)		Number of customers according to power take-off points	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021
A tariff group	1.28	1.25	121	111
B tariff group	3.83	3.65	13 130	12 579
C+R tariff groups	1.89	1.82	486 605	486 165
G tariff group	2.79	2.80	5 105 007	5 045 375
Total	**9.79**	**9.52**	**5 604 863**	**5 544 230**

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



Change		**34**	**41**	**45**	**-3**	**-11**	**34**	
EBITDA Q1 2021	**658**	1 252		209	114	324	53	
EBITDA Q1 2022		1 327		164	117	335	87	**798**

[1] *Excluding cost of transmission services from PSE S.A.*

[2] *Adjusted for revenues from the Balancing market.*

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

- **Increased volume of distributed energy** by 0.26 TWh, resulting mainly from higher demand.
- **Decrease in rates in tariff for 2022** by PLN 4.2/MWh compared to the tariff for the previous year, that translated into an increase in revenues from the sale of distribution services.
- **Lower costs of electricity purchases to cover network losses** mainly as a result of as a result of the additional valuation of the compensation settlement with PGE Obrót.
- **Increase of costs of tax on real estate** results from increase in the value of buildings and higher tax rates.
- **Increase in personnel costs** due to increasing employment costs.
- **Change in other** resulting mainly from significantly higher revenues from the connection fees.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Distribution segment.

PLN m	Q1 2022	Q1 2021	% change
Development investments	147	139	6%
Modernisation and replacement investments	103	135	-24%
Other	3	13	-77%
Total	**253**	**287**	**-12%**

KEY EVENTS IN DISTRIBUTION

- **Connection of new off-takers:** The program of connecting customers to the distribution grid was on-going in the first quarter of 2022, recording the highest expenditures (PLN 139 million). Customer connections constitute development tasks for PGE Dystrybucja S.A., resulting in increased connection capacity and contributing to greater connection possibilities in the future.

- **Czosnów node:** In the first quarter of 2022, PGE Group was implementing the final stage of investment within the Czosnów node. The 110/15 kV substation in Czosnów along with the HV power lines currently under construction will enhance the security of electricity supply and make it possible to connect new facilities to the grid. The Czosnów node is the most expensive and largest grid investment in the Mazowsze region being implemented by PGE Dystrybucja. The Main Electrical Substation Czosnów has already been built along with two tracks of a 110 kV cable line with the length of 14.8 km, which connects the existing substation in Łomianki with the new 110/15 kV substation in Czosnów and is the longest HV cable line owned by PGE Dystrybucja.

- **Program LTE450:** In the first quarter of 2022 tenders for the purchase and implementation of CORE LTE450 core network components as well as the purchase and implementation of RAN LTE450 radio network components along with the technical support service.

  The LTE450 communications network is one of PGE Group's most important investments. The LTE technology provides voice broadband communications, which is indispensable in modern times. The modern LTE450 network and the telecommunications system under construction will support the integration of renewable energy sources, distributed generation and energy storage, as well as ensure reliable dispatcher communication and remote communication with energy meters.

- **Cabling program:** In the first quarter of 2022, PGE continued to implement its cabling program for medium-voltage (MV) grids up to the level of 30% of MV networks owned by PGE Dystrybucja S.A. The program to increase the share of cable lines to 30% in the MV network of PGE Dystrybucja S.A. consists in the reconstruction of MV power networks from overhead lines to cable lines, in particular in places of those sections of overhead lines where the nuisance and the impact on the failure rate are the greatest.

- **Program to build and deploy a Central Technical System for Distribution Asset Management:** The main aim of the project being implemented in Q1 2022 is to optimise and automate distribution asset management processes as a result of applying a central and standardised IT solution at PGE Dystrybucja S.A. The program increases the effectiveness of CAPEX spending and, following its deployment, will streamline the processes of development and maintenance of network assets, reduce the failure rate of the managed power grid and the level of losses, obtain additional financial effects resulting from energy efficiency for modernisation investments.

- **Installation program for remote reading meters:** This project is mandatory and results from the requirements imposed on Distribution System Operators by the legislator in the amended Energy Law, Journal of Laws of June 18, 2021, item 1093 (Energy Law), regarding the installation of remote reading meters. The required corporate approvals were obtained in the first quarter of 2022. Work is underway for the preparation of tender documents. According to the provisions of the Energy Law, the electricity distribution system operator has until December 31, 2028, to install remote reading meters connected to a remote reading system in energy consumption points representing at least 80% of the total number of end-customer energy consumption points.

- **New CRM Billing - NCB for PGE Group customers:** A tender procedure for the performance of an order encompassing the implementation of a comprehensive, central IT solution to support key business processes at PGE Group being performed by PGE Obrót S.A. and PGE Dystrybucja S.A. was continued in the first quarter of 2022. This will consist of two billing systems – separate for each of the companies – and a CRM system for PGE Obrót S.A. On April 29, 2022, PGE Systemy, a PGE Group company, signed a contract with the contractor A2 Customer Care selected in the tender - for the development and implementation of the CRM Billing system in the Group. The new solution will replace the existing billing and CRM systems for customer service at PGE Group.

SUPPLY

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

Supply

Main revenue items*	PLN m
Sale of CO_2 emission allowances	5 413
Sale of electricity	5 256
Sale of fuels	513
Sales management	315
Revenue from the sale of gas	292

Volume of electricity sales to final off-takers[1] **9.09 TWh**

Customers[1] **5.41 milion**

Main cost items*	PLN m
Purchase of CO_2 emission allowances	5 296
Purchase of electricity	4 670
Purchase of fuels including transport costs	480 13
Redemption of energy origin certificates	349
Purchase of gas	223
Segment operating expenses	194

Main result items	PLN m
EBIT	585
EBITDA	593

[1] *Data for PGE Obrót S.A.*

As part of retail-market activities, the key source of **segment's revenue is sale of electricity** to final customers. This is sale to business and institutional clients, which constitutes more than 70% of the sales volume, and to retail clients. The segment's revenue also includes the **sale of fuels**, mainly: pulverised coal and coarse coal, which is sold by PGE Paliwa sp. z o.o., and **sale of natural gas.**

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

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

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

VOLUME, CUSTOMERS AND OPERATING DATA

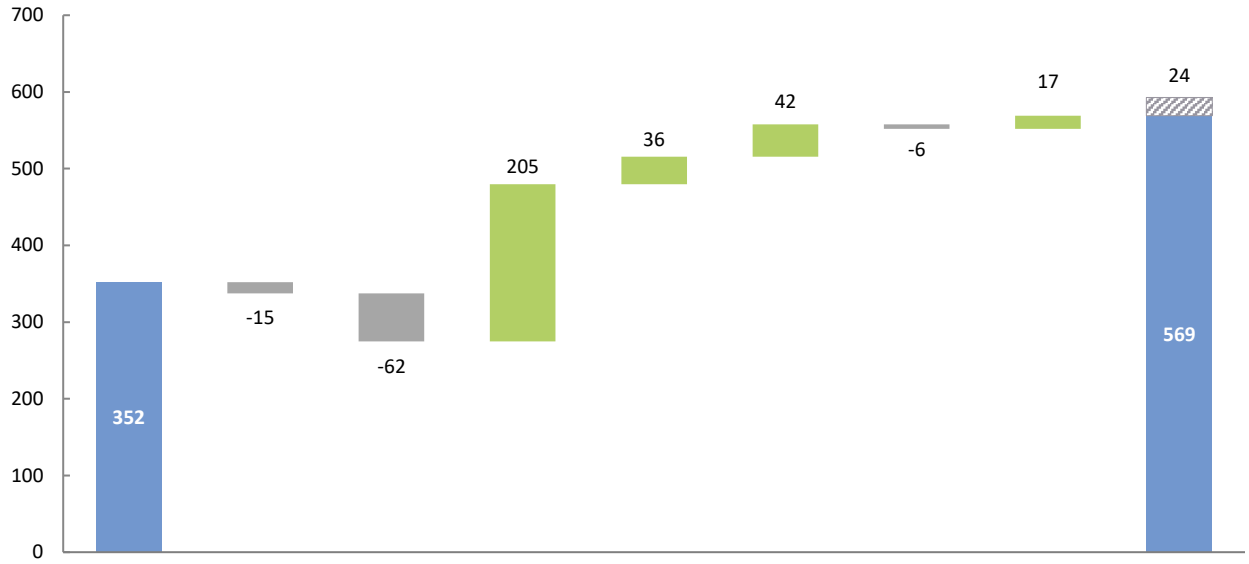
Table: Volume of electricity sales to final off-takers and number of customers.

Tariff	Volume (TWh) [1]		Number of customers according to power take-off points[1]	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021
A tariff group	1.76	1.76	149	141
B tariff group	3.12	3.42	11 047	11 859
C+R tariff groups	1.61	1.70	409 380	422 446
G tariff group	2.60	2.72	5 036 960	4 975 916
Total	**9.09**	**9.60**	**5 457 536**	**5 410 362**

[1] *Data for PGE Obrót S.A.*

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q1 2021	Result on electricity - volume	Result on electricity - margin	Revenues from services provided to other segments of the PGE Group	Result on sale of gas	Result on sale of CO_2	Personnel expenses	Other[1]	EBITDA Q1 2022
Change		**-15**	**-62**	**205**	**36**	**42**	**-6**	**17**	
Reported EBITDA Q1 2021	**352**								
One-off Q1 2021	**0**								
Recurring EBITDA Q1 2021	**352**	286		216	-2	2	96	-54	
Recurring EBITDA Q1 2022		209		421	34	44	102	-37	**569**
One-offs Q1 2022									**24**
Reported EBITDA Q1 2022									**593**

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

[1] *Item Other without including the impact of release of the provision for prosumers (one-off).*

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

One-off	Q1 2022	Q1 2021	% change
Release of the provision for prosumers [1]	24	-	n/a

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

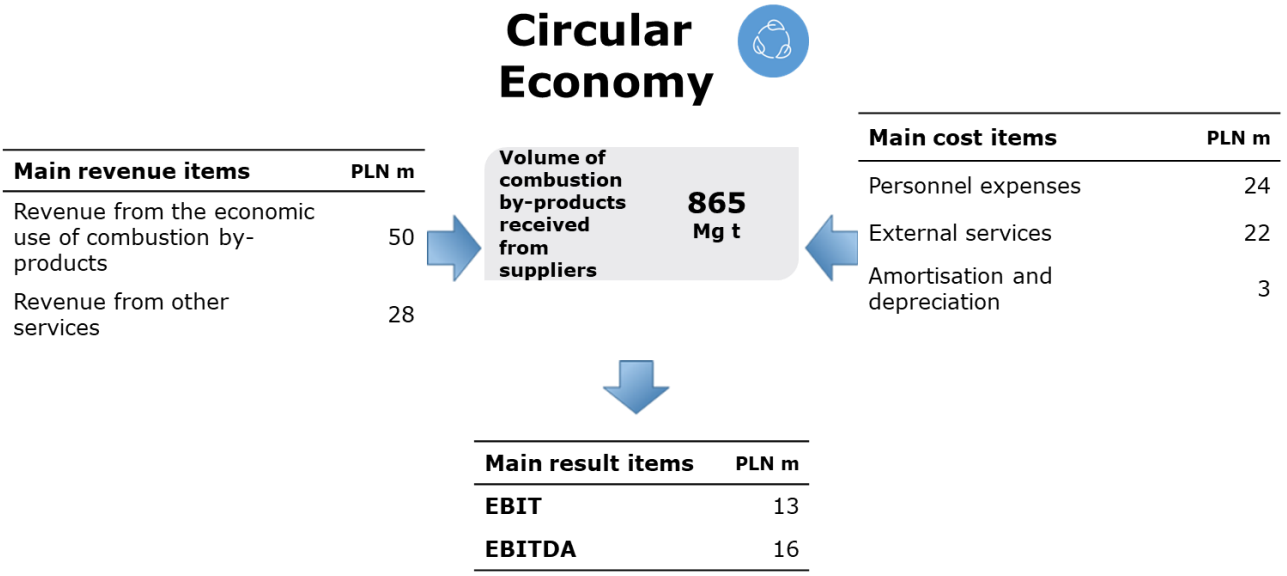
Key factors affecting EBITDA of Supply segment y/y included:

- **Lower result on electricity** is the effect of higher portfolios balancing costs.
- **Increase of revenues from services performed within the Group** resulting mainly from higher revenues from the Agreement for Commercial Management of Generation Capacities as a consequence of increased trading value of electricity under management.
- **Higher result on fuel sales** as a result of a higher result on the sale of coarse coal and fine coal and on the management of financial instruments.
- **Higher result on sale of CO_2** mainly as a result of the higher margin realized on the sale of allowances on the exchange and, as a result, the valuation of futures contracts.
- **Higher personnel expenses** influenced by organisational changes and the ongoing process of changing remuneration.

CIRCULAR ECONOMY

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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



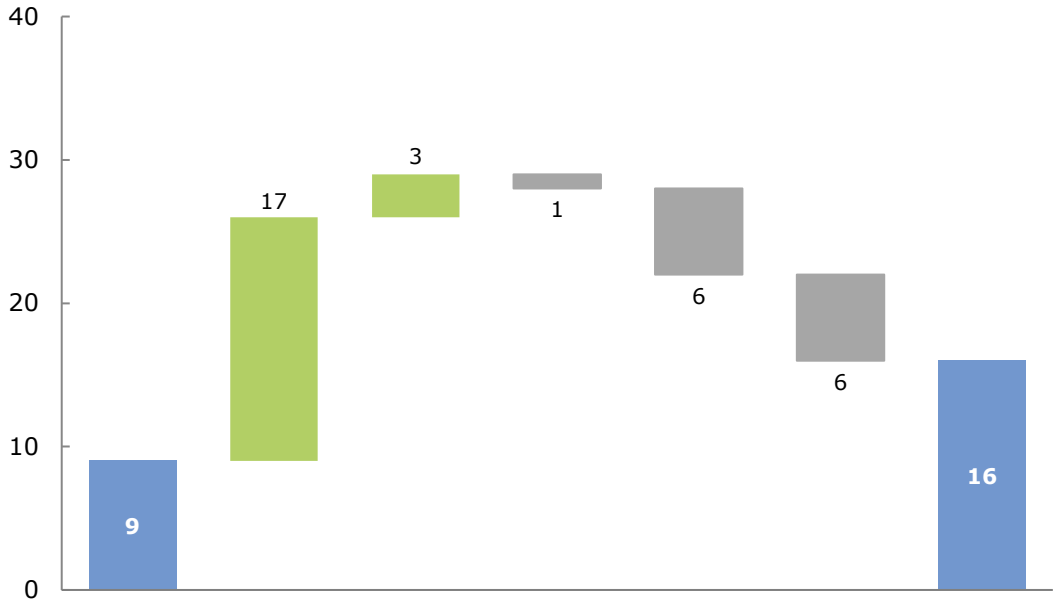
From the beginning of 2021, PGE Group reports a new operating segment – Circular Economy, which includes the following companies: PGE Ekoserwis S.A., EPORE S.A., ZOWER sp. z o.o. The management of combustion by-products at PGE Group turns waste into high-value substances that are used in other branches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

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

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

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q1 2021	Revenues from sale of combustion by-products	Revenues from sale of services	Personnel expenses	External services	Other	EBITDA Q1 2022
Change		**17**	**3**	**-1**	**-6**	**-6**	
EBITDA Q1 2021	**9**	33	25	23	16	10	
EBITDA Q1 2022		50	28	24	22	16	**16**

Key factors affecting EBITDA of Circular Economy segment included:

- **Higher revenues from sale of combustion by-products,** caused by higher collection volumes of combustion by-products from suppliers.
- **Higher revenues from the sale of services,** which is the result of higher revenues from the rental of heavy equipment.
- **Higher level of personnel costs** is mainly the result of the increase in salaries y/y.
- **Higher third-party service costs**, mainly concerning higher costs of transporting combustion by-products from production units.
- Higher level of item Other, mainly due to an increase in the consumption of fuels and production materials.

OTHER OPERATIONS

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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

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

The structure of the Other Operations also includes a company PGE Rybnik 2050 sp. z o.o., which is responsible for construction of low-emission unit in Rybnik power plant.

Other Operations

Main revenue items	PLN m
Revenues from IT services	57
Other revenues	33

Provision of services for PGE Group

Construction of 2 CCGT units in Dolna Odra power plant

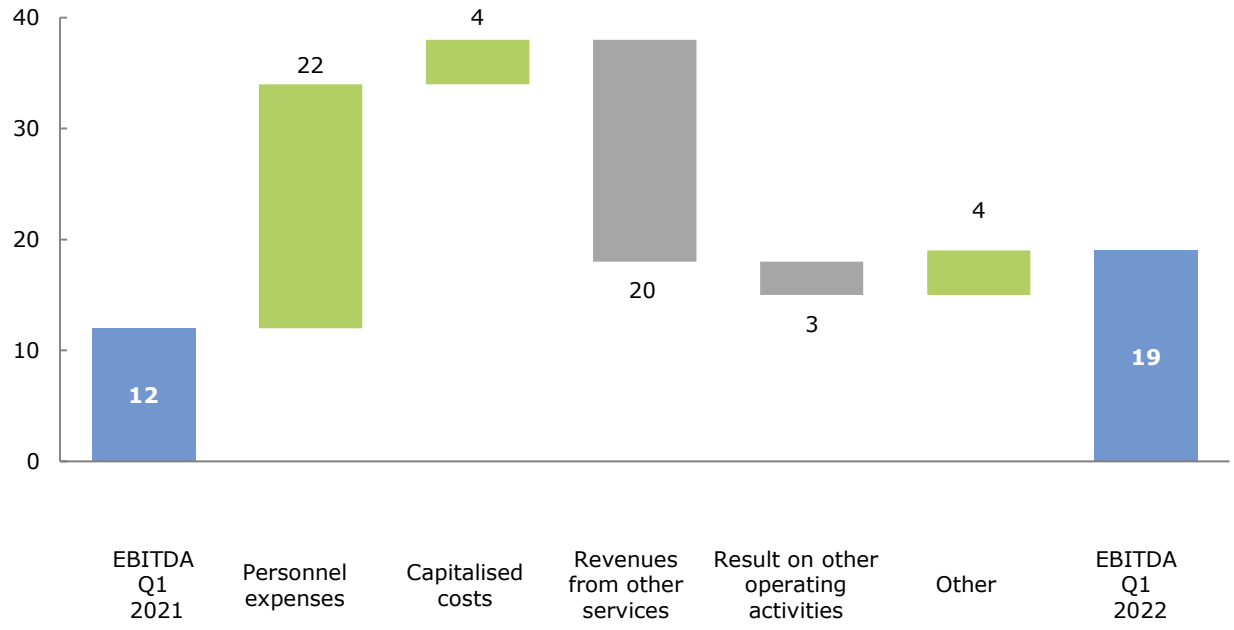
Construction of low-emission unit in Rybnik power plant

Main cost items	PLN m
Personnel expenses	41
Amortisation and depreciation	13
IT services	12

Main result items	PLN m
EBIT	6
EBITDA	19

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



Change		**22**	**4**	**-20**	**-3**	**4**	
EBITDA Q1 2021	**12**	63	5	30	3	-37	
EBITDA Q1 2022		41	9	10	0	-41	**19**

Key factors affecting EBITDA of Other Operations segment included:

- **Lower personnel expenses** in connection with transferring from the beginning of 2022 Elbest Security sp. z o.o. to the Conventional Generation segment and sale of shares in PGE EJ1 in March 2021.
- **Higher capitalised costs** as a result of higher cost allocation to assets in Q1 2022 due to projects carried out by PGE Systemy.
- **Lower revenues from other services** due to transferring Elbest Security sp. z o.o. to the Conventional Generation segment.
- **Lower result on other operating activities,** mainly due to the recognition of a contractual penalty received by PGE Systemy in the first quarter of 2021.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Other operations segment.

PLN m	Q1 2022[1]	Q1 2021	% change
Total	**394[1]**	**18**	**2 089%**

[1] The data for Q1 2022 include the value of capital expenditures on the project to build two gas and steam units pursued by PGE Gryfino sp. z o.o. and a low-emission unit for the construction of which Rybnik 2050 sp. z o.o. is responsible.

KEY ACTIVITIES IN OTHER OPERATIONS

- A design for the construction of a gas-and-steam unit with a capacity of approx. 800-900 MW at Rybnik power plant is in preparation (Rybnik 2050 Sp. z o.o.). In February 2022, an application was submitted for the issue of conditions for connection to the National Power System. A tender procedure is being carried out to select a general contractor for the investment. On April 25, 2022, a pre-connection agreement was signed with Gaz-System S.A. for the connection of the planned unit to the gas transmission pipeline.
- In the first quarter of 2022, work continued on the construction of two new gas-and-steam units of 671 MWe each (PGE Gryfino 2050 Sp. z o.o.). The advancement of the Project within the General Contractor's scope at the end of March was 62%. Works on the construction site consisted mainly of erecting building structures as well as delivering and starting the assembly of technological installations, including among others recovery boilers.

KEY PROJECT IN OTHER OPERATIONS

Aim of the project	Budget[1]	Expenditures incurred[1]	Capital expenditures in 2022[1]	Fuel/ Net efficiency	Contractor	Investment completion date	Status
Construction of two CCGT units no. 9 and 10 in Dolna Odra power plant	PLN 4.3 bn	PLN 1.2 bn	PLN 369 m	Natural gas / 63%	Syndicate of companies: General Electric (consortium leader) and Polimex Mostostal	December 2023	At the March 31, 2022, the progress of work under the Project was estimated at approx. 62%. Work on the construction site regarding the erection of the main building structures and the assembly of technological installations, including recovery boilers.

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

3.4. Significant events of the reporting period and subsequent events

IMPACT OF WAR IN UKRAINE ON PGE GROUP'S ACTIVITIES

PGE Group is the largest energy group in Poland. The Group's units meet approx. 43% of the country's electricity demand and serve over 5.5 million customers, while PGE Group's distribution area covers over 40% of Poland's territory, including areas on the border with Ukraine and Belarus. The Group's activities are therefore of exceptional importance for the country's energy security. It is crucial for PGE Group to secure the continuity of operation of power plants and CHPs and distribution infrastructure so as to ensure uninterrupted supplies of electricity and heat to residents, institutions and businesses.

In connection with the situation in Ukraine, a Crisis Team has been established at the central level of PGE Group to continuously monitor threats and identify potential risks. The Crisis Team's work includes monitoring the security of electricity and heat generation and supply and the protection of critical and IT infrastructure. Its tasks also include undertaking actions minimising the risk of a crisis situation, preparing the Company in the event of a crisis situation and planning, organising and coordinating works ensuring continuity of the Company's and PGE Group's operations.
Crisis teams have also been formed at the Group's key companies, operating 24 hours a day, carrying out continuous monitoring and identifying potential risks in order to minimise risk to electricity and heat supplies. All key PGE Group companies have adopted guidelines for developing business continuity plans. On this basis, companies develop and then implement their own business continuity plans that take into account the specifics of the company. A key assumption of business continuity plans is the development of a catalogue of risks for critical processes, on the basis of which emergency scenarios (instructions, procedures) are developed and adopted. The emergency scenarios are periodically tested and continuously updated. In the current situation, companies have been tasked with urgently updating and reviewing internal regulations and business continuity plans.

Cybersecurity has grown significantly in importance in the current geopolitical situation. PGE Group has implemented special procedures for monitoring ICT networks due to increased activity of criminal groups aiming to attack ICT and 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 physical security of the Group's facilities 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
- greater pressure on the energy transition,
- 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.
- CHP Toruń, CHP Zawidawie, CHP Lublin-Wrotków and CHP Rzeszów are supplied with high-methane gas (so-called gas E). Gas E taken from the National Gas Transmission System is secured in the form of adequate storage and in Poland this is at a relatively high level.

PGE Group has no influence over the directions of supply and management of fuel transmission therefore the risk of possible disruptions lies with PGNiG and the Transmission System Operator (Gaz-System S.A.). PGE has established communication channels with PGNiG 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. The generating units have reserves of hard coal to enable uninterrupted production of electricity and heat.

The electricity supply for PGE Dystrybucja and PGE Obrót is secured on a commercial basis. The physical supply of energy is conditioned by the current balancing and operation of the National Power System. 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 war in Ukraine has significantly affected energy commodity prices, which has translated into energy and CO_2 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. 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 CO_2 emission allowances and foreign currencies for transaction purposes.

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.

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.

CHANGES IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD MEMBERS

From January 1, 2022 till March 31, 2022 a as at the publication date of this report the Management Board has worked in following composition:

Name and surname of the Management Board	Position	
Wojciech Dąbrowski	President of the Management Board	from February 20, 2020
Wanda Buk	Vice-President for Regulatory Affairs	from September 1, 2020
Paweł Cioch	Vice-President for Corporate Affairs	from February 24, 2020
Lechosław Rojewski	Vice-President for Finance	from June 9, 2021
Paweł Śliwa	Vice-President for Innovations	from February 20, 2020
Ryszard Wasiłek	Vice-President for Operations	from February 20, 2020

SUPERVISORY BOARD MEMBERS

From January 1, 2022 till January 18, 2022 the Supervisory Board worked in following composition:

Name and surname	Position
Anna Kowalik	Chairman of the Supervisory Board
Artur Składanek	Vice-Chairman of the Supervisory Board – independent
Grzegorz Kuczyński	Secretary of the Supervisory Board - independent
Janina Goss	Supervisory Board Member - independent
Zbigniew Gryglas	Supervisory Board Member
Tomasz Hapunowicz	Supervisory Board Member - independent
Marcin Kowalczyk	Supervisory Board Member
Mieczysław Sawaryn	Supervisory Board Member - independent
Radosław Winiarski	Supervisory Board Member

From January 18, 2022 until the date of publication of this report the Supervisory Board has worked in following composition:

Name and surname	Position
Anna Kowalik	Chairman of the Supervisory Board
Artur Składanek	Vice-Chairman of the Supervisory Board – independent
Grzegorz Kuczyński	Secretary of the Supervisory Board - independent
Janina Goss	Supervisory Board Member - independent
Zbigniew Gryglas[1]	Supervisory Board Member - independent
Tomasz Hapunowicz	Supervisory Board Member - independent
Marcin Kowalczyk	Supervisory Board Member
Mieczysław Sawaryn	Supervisory Board Member - independent
Radosław Winiarski	Supervisory Board Member

[1] *On January 18, 2022, Zbigniew Gryglas submitted a statement regarding the independence criteria.*

From January 1, 2022 until the date of publication of this report, the committees have worked in following compositions.

Name and surname of the member of the Supervisory Board	Audit Committee	Corporate Governance Committee	Strategy and Development Committee	Appointment and Remuneration Committee
Janina Goss	Member			Member
Zbigniew Gryglas		Member	Member	
Tomasz Hapunowicz		Chairman	Member	
Marcin Kowalczyk			Member	
Anna Kowalik	Member		Member	Member
Grzegorz Kuczyński	Chairman	Member		
Mieczysław Sawaryn			Member	Chairman
Artur Składanek	Member		Chairman	
Radosław Winiarski	Member		Member	

LEGAL ASPECTS

THE ISSUE OF COMPENSATION REGARDING THE CONVERSION OF SHARES

Information on the issue of compensation regarding the conversion of shares are described in note 23.4 to the consolidated financial statements.

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

Significant proceedings pending in front of courts, competent arbitration authority or public administration authority are described in note 23.4to the consolidated financial statements.

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

Information on termination by ENEA S.A. of agreements for sale of certificates are described in note 23.4 to the consolidated financial statements.

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

Within the Group, in the first quarter of 2022 PGE S.A. and subsidiaries did not grant guarantees to other entities or to a subsidiary, where a value of guarantees constitutes at least 10% of the Company's equity.

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

Information on issue, redemption and repayment of debt securities and other securities is described in p. 4.1 of the foregoing report and in note 1.3 to the consolidated financial statements.

TRANSACTIONS WITH RELATED ENTITIES

Information about transactions with related entities is presented in note 25 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

The PGE Group and Ørsted have 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.

The decision of the European Commission is expected in the third quarter of 2022.

Current report of PGE S.A.:

Granting of contracts for difference for PGE's offshore wind farms.

PLANNED TRANSFER OF COAL ASSETS TO THE NATIONAL ENERGY SECURITY AGENCY

On March 1, 2022, the Council of Ministers adopted a resolution on accepting the document: "Transformation of the electricity sector in Poland. Separation of generation coal assets from companies with State Treasury shareholding". According to the document, the asset spin-off process will be pursued through acquisition by the State Treasury from PGE S.A., ENEA S.A., TAURON Polska Energia S.A. and ENERGA S.A. all assets related to the generation of energy in hard coal-fired and lignite-fired power plants, including service companies providing services to them. Due to the inseparability of lignite-fired energy complexes, lignite mines will also be among the acquired assets. Assets related to hard coal mining will not be transferred to the entity dealing with generation of electricity in coal units. CHP plants will not be subject to his transaction, as they are planned to be modernized towards low and zero-emission sources. The assets may be carved out from the energy groups through the following:

- 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.,
- or through conditional purchase of shares of the companies by PGE GiEK S.A., on the condition that the State Treasury will then purchase shares in PGE GiEK S.A.

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

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

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

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

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

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

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

According to the framework schedule, the commencement of the due diligence process is scheduled for Q3/Q4 2022, and the valuation of the carved-out companies for the fourth quarter 2022. The sale of assets to NABE is planned for the fourth quarter 2022.

The method of valuation and settlement of debt and other liabilities related to the assets has not yet been determined. In connection with this, it is currently not possible to determine the impact of this division on the future financial statements of PGE and PGE Group.

Current report of PGE S.A.:

Agreement regarding co-operation in spin-off of coal assets to National Energy Security Agency.

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

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

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

PGE's press release:

Sale of Elbest hotels to PHH.

Finalisation of the sale of shares in Elbest sp. z o.o.

RECAPITALIZATION OF THE COMPANY BY WAY OF SHARES ISSUE

PGE'S MANAGEMENT BOARD DECISION ON COMMENCEMENT OF THE PROCESS

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

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

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

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

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

The Extraordinary General Meeting on March 7, 2022 did not adopt a resolution due to the break in the proceeding announced until April 6, 2022. After resuming the proceedings on April 6, 2022 the resolution was adopted.

Current reports of PGE S.A.:

Commencement of recapitalisation of the Company

Convening of the Extraordinary General Meeting

Draft resolutions for the Extraordinary General Meeting

Content of the resolutions of the Extraordinary General Meeting of PGE

Content of the resolutions of the Extraordinary General Meeting of PGE p. 2

SIGNING OF AN INVESTMENT AGREEMENT WITH THE STATE TREASURY

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

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

Current report of PGE S.A.:

Signing of an investment agreement

ADOPTION OF SUBSCRIPTION RULES BY THE PGE'S MANAGEMENT BOARD

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

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

Subscription rules

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

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

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

Current report of PGE S.A.:

Conclusion of a share placement agreement and commencement of book building process

DETERMINATION OF THE ISSUE PRICE OF SHARES

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

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

Current report of PGE S.A.:

Determination of the issue price of shares

CLOSING OF THE SUBSCRIPTION AND ALLOCATION OF SHARES

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

Current report of PGE S.A.:

Closing of the subscription and allocation of shares

PGE's press release:

Closing of the subscription and allocation of shares

REGISTRATION OF THE RIGHTS TO THE E SERIES SHARES WITH KDPW

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

Current report of PGE S.A.:

Registration of the rights to the E series shares

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

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

Current report of PGE S.A.:

Admission and introduction of the rights to the E series shares to the stock exchange trading

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

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

Current report of PGE S.A.:

Announcement of KDPW

COMPLETION OF THE SUBSCRIPTION OF E SERIES SHARES

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

Current report of PGE S.A.:

Completion of subscription

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

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

Current report of PGE S.A.:

Registration of the share capital increase

SUBMISSION OF APPLICATION FOR A LOCATION PERMIT FOR OFFSHORE WIND FARMS IN THE BALTIC SEA

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

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

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

There are currently 11 areas available in the Baltic Sea where PGE and other entities try to secure permits to build and use artificial islands.

PGE's press releases:

Applications for a location permit for offshore wind farms

Applications for a location permit for offshore wind farms - p.2

Applications for a location permit for offshore wind farms - p.3

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

In 2021, ENESTA sp. z o.o. terminated unfavourable contracts for the supply of electricity and natural gas. Therefore, as at December 31, 2021, a provision was created for claims from contractors in the amount of PLN 279 million. In the first quarter of 2022, some contractors brought their claims to court. In some cases, the amount of the claims is higher than the amount of the provision created. The difference between the amount of claims and the amount of created provisions was disclosed in contingent liabilities.

AFFIRMATION OF PGE'S RATING BY FITCH AT BBB+ WITH STABLE OUTLOOK

On January 28, Fitch affirmed rating of PGE S.A. at BBB+ with stable perspective. Rating by Fitch reflects PGE's business profile as the largest Polish integrated electric utility with large electricity generation and distribution businesses, and moderate financial leverage. The key positive factors include PGE Group's Strategy, intending transition of the Group's profile towards renewables and low-emission sources, stable revenues from regulated businesses like distribution and capacity market. In addition, the divestment of PGE's coal assets to National Agency for Energy Security, would likely be positive for PGE's credit profile. The potential risk include margin levels in supply segment and a temporary increase in debt related to a high level of investment expenditures.

Moreover, Fitch positively assessed the planned new issue of shares, from which the proceeds are to be spent on development in distribution, renewables and low-emission sources.

PGE's press release:

Affirmation of rating at BBB+

RECOMMENDATION NOT TO PAY DIVIDEND FOR 2021

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

Current report of PGE S.A.:

Recommendation not to pay dividend

ASSUMPTIONS FOR THE UPDATE OF POLAND'S ENERGY POLICY 2040

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

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

The present international situation affects many aspects of energy policy and makes it necessary to change the approach to ensuring energy security towards greater diversification and independence. The revision of PEP2040 will aim to choose the right path in the new geopolitical and economic situation, also keeping in mind the protection of consumers from excessive energy price increases and from escalating energy poverty.

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

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

Key changes in PEP2040:

- expanding technological diversification and capacities based on domestic sources,

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

SIGNING OF A CONDITIONAL 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 will acquire 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 is obtaining consent of the Office of Competition and Consumer Protection. The closing of the Transaction is planned in the second quarter of 2022. Transaction value will amount to more than PLN 900 million and will be calculated at the Transaction's closing date, based on certain mechanisms set out in the Agreement. The Transaction value also includes cash in the accounts of Collfield and its subsidiaries.

The Transaction is part of the implementation of the PGE Group's Strategy to 2030, announced on October 19, 2020, which assumes, inter alia, over 1 GW of new capacity in onshore wind farms by 2030, including through acquisitions. After the transaction is finalised, the installed capacity of the PGE Group in this technology will increase by 12% up to over 770 MW. The acquisition will enable the PGE Group to maintain the position of the largest domestic producer of electricity from renewable sources.

Current report of PGE S.A.:

Signing of a conditional agreement

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

On April 29, 2022, PGE Systemy, a PGE Group company, signed a contract with the contractor A2 Customer Care 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. Implementation works will begin later this year. The project is expected to be completed in 2025.

PGE's press release:

Contract for implementation of billing and CRM systems

4. Other elements of the report

4.1. Significant changes in organisation of the Capital Group

Changes which occurred in the PGE Capital Group's structure in the period from January 1, 2022 until the publication date of this report, are presented in note 1.3 to consolidated financial statements and described below.

ESTABLISHMENT OF COMPANIES

Segment	Entity	Date of establishment/ registration in the National Court Register (NCR)	Comment
Renewables	Elektrownia Wiatrowa Baltica 9 sp. z o.o. Elektrownia Wiatrowa Baltica 10 sp. z o.o. Elektrownia Wiatrowa Baltica 11 sp. z o.o. Elektrownia Wiatrowa Baltica 12 sp. z o.o.	December 1, 2021 February 18, 2022 December 17, 2021 December 17, 2021	On October 4, 2021 PGE S.A. set up 4 one-person limited liability companies with headquarters in Warsaw with names: Elektrownia Wiatrowa Baltica 9 sp. z o.o., Elektrownia Wiatrowa Baltica 10 sp. z o.o., Elektrownia Wiatrowa Baltica 11 sp. z o.o. and Elektrownia Wiatrowa Baltica 12 sp. z o.o. The share capital of Elektrownia Wiatrowa Baltica 9 sp. z o.o. is PLN 981 000, and share capital of other companies - PLN 25 000 each.
Renewables	PGE Inwest 20 sp. z o.o. PGE Inwest 21 sp. z o.o. PGE Inwest 22 sp. z o.o. PGE Inwest 23 sp. z o.o. PGE Inwest 24 sp. z o.o. PGE Inwest 25 sp. z o.o.	March 2, 2022 March 2, 2022 March 2, 2022 March 24, 2022 March 16, 2022 March 3, 2022	On October 4, 2021 PGE S.A. set up 6 one-person limited liability companies with headquarters in Warsaw with names: PGE Inwest 20 sp. z o.o., PGE Inwest 21 sp. z o.o., PGE Inwest 22 sp. z o.o., PGE Inwest 23 sp. z o.o., PGE Inwest 24 sp. z o.o. and PGE Inwest 25 sp. z o.o. Share capital of the companies amount to PLN 25 000 each.

ACQUISITION OR DISPOSAL OF SHARES BY THE COMPANIES

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
Renewables	Elektrownia Wiatrowa Baltica-4 sp. z o.o. („EWB 4"), Elektrownia Wiatrowa Baltica-5 sp. z o.o. („EWB 5") and Elektrownia Wiatrowa Baltica-6 sp. z o.o. („EWB 6") – sale by PGE S.A. of 33.8% shares in EWB 4, EWB 5 and EWB 6 (conditional share sale agreement)	November 18, 2021 As at the date of preparation of this report, conditions precedent have not been met.	On November 18, 2021 a conditional agreement was signed between PGE S.A. as vendor and ENEA S.A., based in Poznań, as buyer to sell some of the shares held by PGE S.A. in EWB 4, EWB 5 and EWB 6, i.e. 95 shares of EWB 4, 95 shares of EWB 5 and 422 shares of EWB 6, with a total nominal value of PLN 95 000 in the case of EWB 4, PLN 95 000 in the case of EWB 5 and PLN 422 000 in the case of EWB 6, constituting 33.8% of the share capital of EWB 4, EWB 5 and EWB 6, respectively. The entry of this conditional share sale agreement into force and transfer of ownership to ENEA S.A. are subject to compliance with conditions precedent.
Renewables	PGE Baltica 4 sp. z o.o. with its seat in Warsaw („PGE Baltica 4") – sale by PGE S.A. of 44.96% shares in PGE Baltica 4 (conditional share sale agreement)	November 18, 2021 As at the date of preparation of this report, conditions precedent have not been met.	On November 18, 2021 a conditional agreement was signed between PGE S.A. as vendor and TAURON Polska Energia S.A. based in Katowice 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. are subject to compliance with conditions precedent.
Other Operations	Elbest sp. z o.o. with its seat in Bełchatów („Elbest") – sale by PGE S.A. of 100% shares in Elbest (conditional share sale agreement)	December 15, 2021 On March 4, 2022, the ownership title was transferred to PHH.	On December 15, 2021 a conditional agreement was signed between PGE S.A. as vendor and Polski Holding Hotelowy sp. z o.o. based in Warsaw as buyer to sell all the shares held by PGE S.A. in Elbest, i.e 116 812 shares, with a total nominal value of PLN 116 812 000, constituting 100% of the share capital. The entry of this conditional share sale agreement into force and transfer of ownership to PHH was subject to compliance with conditions precedent. After meeting the conditions precedent, on March 4, 2022, the ownership of the above-mentioned Elbest shares was transferred to PHH.
Other Operations	4Mobility S.A. with its seat in Warsaw („4Mobility") – increase of the share capital of 4Mobility and acquisition of all new shares by another shareholder, i.e. by EFF B.V. (the Netherlands)	January 14, 2022 Not yet registered in the NCR.	On January 14, 2022 the Extraordinary General Meeting of 4Mobility adopted resolutions to increase share capital from PLN 364 316 to PLN 494 316, i.e. by PLN 130 000, through the issue of 1 300 000 ordinary shares series H, with a nominal value of PLN 0.10 each. All of the new shares were offered by way of a private subscription to EFF B.V., based in Maastricht (Netherlands) – the existing shareholder of 4Mobility. As a result of the share capital increase, PGE Nowa Energia sp. z o.o. in liquidation stake in 4Mobility decreased from 51.47% to 37.93%, meaning that PGE Nowa Energia sp. z o.o. is no longer the parent company of 4Mobility.
Renewables	Mithra A sp. z o.o. with its seat in Poznań,	February 4, 2022	On February 4, 2022 PGE Energia Odnawialna S.A. as a buyer and and a natural person (sole partner of Mithra companies) as the seller concluded 4 share sale agreements in Mithra companies, i.e. 100 shares in Mithra companies, with a total nominal value of PLN 400 000 in case of Mithra A sp. z o.o., PLN 328 000 in case of Mithra

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
	Mithra B sp. z o.o. with its seat in Poznań, Mithra L sp. z o.o. with its seat in Poznań, Mithra V sp. z o.o. with its seat in Warsaw (Mithra companies) – acquisition by PGE Energia Odnawialna S.A. 100% shares in the share capital of Mithra companies (share sale agreements)		B sp. z o.o., PLN 200 000 in case of Mithra L sp. z o.o. and PLN 5 000 in case of Mithra V sp. z o.o., constituting 100% in the share capitals of Mithra companies. Transfer of ownership of shares to PGE Energia Odnawialna S.A. took place on February 4, 2022.
Other Operations	Towarzystwo Funduszy Inwestycyjnych Energia S.A. with its seat in Warsaw (TFI Energia) – sale by PGE S.A. of 100% shares in TFI Energia (preliminary share sale agreement)	March 17, 2022 No consents required to transfer the ownership of shares - as at the date of preparation of this report.	On March 17, 2022 PGE S.A. as a seller and Powszechny Zakład Ubezpieczeń S.A. with its seat in Warsaw as a buyer signed a preliminary share sale agreement for sale of 100% shares in TFI Energia held by PGE S.A. The finalization of the sale of shares requires the approvals of the Polish Financial Supervision Authority and the President of the Office of Competition and Consumer Protection.
Renewables	Collfield Investments sp. z o.o. with its seat in Cracow – acquisition by PGE Energia Odnawialna S.A. 100% shares in Collfield Investments holding 100% of the shares in 3 SPVs	April 1, 2022 No consents required to transfer the ownership of shares - as at the date of preparation of this report.	On April 1, 2022 PGE Energia Odnawialna S.A. as a buyer and Vanadium Holdco Limited as a seller, belonging to Green Investment Group Fund, which in turn is part of a global fund Macquarie with its seat in Australia, signed a conditional share sale agreement, under which PGE will acquire 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. The condition precedent of the Transaction is obtaining consent of the Office of Competition and Consumer Protection.
Other Operations	Przedsiębiorstwo Usługowo - Handlowe „Torec" sp. z o.o. with its seat in Toruń (PUH Torec) – sale by PGE Toruń S.A. 100% shares in PUH Torec (conditional share sale agreement)	April 4, 2022	On April 4, 2022 a conditional sale agreement was concluded for all of the assets owned by PGE Toruń S.A. (PGE Energia Ciepła S.A. holds 100% of the company's shares) shares in PUH Torec. The conditions for the transfer of ownership of shares specified in the above-mentioned the agreement, i.e. the transfer of the sale price to the seller and the adoption of a resolution on the redemption of shares by the Shareholders' Meeting of PUH Torec, have been fulfilled, therefore, from April 21, 2022, PUH Torec is not part of the PGE Capital Group.

INCREASE OF SHARE CAPITAL OF SUBSIDIARIES

Segment	Entity	Date of registration in the NCR	Comment
Renewables	PGE Baltica 1 sp. z o.o. (currently: Elektrownia Wiatrowa Baltica-8 sp. z o.o.)	January 12, 2022	On November 4, 2021 the Extraordinary Assembly of Partners of PGE Baltica 1 sp. z o.o. adopted resolution on a share capital increase from PLN 20 000 to PLN 986 000, i.e. by PLN 966 000, through issue of new 966 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 2 sp. z o.o.	Not yet registered in the NCR.	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 2 sp. z o.o. adopted resolution on a share capital increase from PLN 606 216 000 to PLN 610 358 000, i.e. by PLN 4 142 000, through issue of new 4 142 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 3 sp. z o.o.	Not yet registered in the NCR.	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 3 sp. z o.o. adopted resolution on a share capital increase from PLN 774 491 000 to PLN 782 304 000, i.e. by PLN 7 813 000, through issue of new 7 813 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 5 sp. z o.o.	Not yet registered in the NCR.	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 5 sp. z o.o. adopted resolution on a share capital increase from PLN 46 768 000 to PLN 53 853 000, i.e. by PLN 7 085 000, through issue of new 7 085 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE Baltica 3 sp. z o.o. in cash. PGE Baltica 3 sp. z o.o. holds 100% in the share capital .
Renewables	PGE Baltica 6 sp. z o.o.	May 12, 2022.	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 6 sp. z o.o. adopted resolution on a share capital increase from PLN 36 516 000 to PLN 39 933 000, i.e. by PLN 3 417 000, through issue of new 3 417 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE Baltica 2 sp. z o.o. in cash. PGE Baltica 2 sp. z o.o. holds 100% in the share capital.
Renewables	PGE Soleo 1 sp. z o.o.	May 12, 2022.	On December 21, 2021, the Extraordinary Assembly of Partners of PGE Soleo 1 sp.z o.o. adopted resolutions on the amendment of the Founding Deed (change of the company's name to PGE Soleo Kleszczów sp.z o.o. and its seat to Kleszczów) and on the increase of the company's share capital from PLN 100 000 to PLN 4 200 000, i.e. by PLN 4 100 000, through the creation of new 4 100 company shares with a par value of PLN 1 000 each. The increase in the company's share capital was acquired as follows: • PGE Energia Odnawialna S.A. took up 2 000 newly issued shares with a nominal value of PLN 1 000 each, with a total nominal value of PLN 2 000 000 and covered them in full with a cash contribution of PLN 2 000 000, • Kleszczów commune acquired 2 100 newly issued shares with a nominal value of PLN 1 000 each, with a total nominal value of PLN 2 100 000 and covered them in full with a cash contribution of PLN 2 100 000. As a result of the above-mentioned acquisition of shares in the company and increase of the share capital of the company, PGE Energia Odnawialna S.A. and the Kleszczów Commune hold shares in the company, each representing 50% of the share capital, and the company currently has the status of a jointly controlled company. Currently, the company's name is: PGE Soleo Kleszczów sp. z o.o., and it seat is Kleszczów (Kleszczów commune, łódzkie voivodship).

Renewables	Elektrownia Wiatrowa Baltica-2 sp. z o.o.	April 20, 2022	On December 23, 2021 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-2 sp. z o.o. adopted resolution on a share capital increase from PLN 199 895 000 to PLN 199 905 000, i.e. by PLN 10 000, through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows: • 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.
Renewables	Elektrownia Wiatrowa Baltica-3 sp. z o.o.	Not yet registered in the NCR.	On December 23, 2021 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-3 sp. z o.o. adopted resolution on a share capital increase from PLN 254 844 000 to PLN 254 854 000, i.e. by PLN 10 000 PLN, , through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows: • 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.
Other Operations	PGE Inwest 14 sp. z o.o.	April 13, 2022	On February 8, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 4 434 000 to PLN 7 434 000, i.e. by PLN 3 000 000. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 9 sp. z o.o.	Not yet registered in the NCR.	March 31, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 50 000 PLN to PLN 9 750 000, i.e. by PLN 9 700 000 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.
Other Operations	PGE Inwest 12 sp. z o.o.	Not yet registered in the NCR.	On April 6, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 50 000 PLN to PLN 3 550 000, i.e. by PLN 3 500 000 PLN. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.

ADDITIONAL PAYMENTS FOR COMPANIES SHARES

Segment	Entity	Transaction date	Comment
Renewables	PGE Inwest 12 sp. z o.o.	March 21 – 30, 2022	On March 21, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution to obligate the sole shareholder of the company, i.e. PGE S.A., to make an additional payment to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 30 000, i.e. in the amount of PLN 600 to each share held by PGE S.A., by April 30, 2022. In accordance with the above resolution of the Extraordinary Assembly of Partners, the additional payment was made by PGE S.A. on March 30, 2022.
Renewables	PGE Klaster sp. z o.o.	March 23, 2022 (return of additional payments by December 31, 2026)	On March 23, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution on the return of additional payments in the amount of PLN 248 000 000 contributed by the sole shareholder of the company, i.e. PGE Energia Odnawialna S.A., imposed by the resolutions of the Company's Assemblies of Partners of March 29, 2018, October 23, 2018 and July 2, 2019. The refunds will be made in quarterly instalments in the amount of PLN 70 000 000 in the first quarter of 2022, i.e. until March 31, 2022, and then PLN 10 000 000 in each subsequent quarter, starting from April 1, 2022, until the payments are fully repaid no later than December 31, 2026.
Other Operations	PGE Inwest 9 sp. z o.o.	March 28 – 30, 2022	On March 28, 2022 the Extraordinary Assembly of Partners of the company adopted a resolution to obligate the sole shareholder of the company, i.e. PGE S.A., to make an additional payment to its shares within the meaning of Article 177 of the Commercial Companies Code, in the total amount of PLN 60 000, i.e. in the amount of PLN 1 200 to each share held by PGE S.A., by April 30, 2022. In accordance with the above resolution of the Extraordinary Assembly of Partners, the additional payment was made by PGE S.A. on March 30, 2022.

MERGERS

Segment	Acquiring company/acquired company	Date of transaction/ registration in the National Court Register	Comment
District Heating	PGE Energia Ciepła S.A. -/Przedsiębiorstwo Energetyki Cieplnej sp. z o.o. with its seat in Zgierz	November 3, 2021/ January 3, 2022 (*merger date*)	On November 3, 2021 the Extraordinary General Meeting of PGE Energia Ciepła S.A. (Acquiring company) and the Extraordinary Assembly of Partners of Przedsiębiorstwo Energetyki Cieplnej 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 Cieplnej sp. z o.o.
Other Operations	PGE Dystrybucja S.A./ Przedsiębiorstwo Transportowo-Usługowe „ETRA" sp. z o.o. with its seat in Białystok (ETRA)	March 15, 2022/ March 21, 2022 (*merger date*)	On March 15, 2022 the Extraordinary Assembly of Partners of ETRA (acquired company) adopted resolution on the merger with PGE Dystrybucja S.A. (acquiring company) in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired

Segment	Acquiring company/acquired company	Date of transaction/ registration in the National Court Register	Comment
			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.

LIQUIDATION OF COMPANIES

Segment	Company in liquidation	Date of transaction/ registration in the National Court Register	Comment
Supply	PGE Trading GmbH in liquidation with seat in Berlin ("PGE Trading")	March 1, 2021/ PGE Trading has not been removed from the commercial register kept by the District Court in Berlin-Charlottenburg	On March 1, 2021 the Extraordinary Assembly of Partners of PGE Trading, in which PGE holds 100% of the share capital, adopted resolution on dissolution of PGE Trading and appointment of a liquidator to carry out liquidation activities of PGE Trading.
Other Operations	PGE Nowa Energia sp. z o.o. in liquidation with seat in Warsaw (PGE Nowa Energia)	March 31, 2022/ PGE Nowa Energia is not yet removed from the register of entrepreneurs of the National Court Register	On March 31, 2022 the Extraordinary Assembly of Partners of PGE Nowa Energia, in which PGE holds 100% of the share capital, adopted resolution on dissolution of PGE Nowa Energia and appointment of a liquidator to carry out liquidation activities of PGE Nowa Energia.

4.2. Publication of financial forecasts

PGE S.A. did not publish financial forecasts.

4.3. Information about shares and other securities

SHAREHOLDERS WITH A SIGNIFICANT STAKE

on the ground of the letter from the Ministry of the State Treasury of April 27, 2016, the State Treasury holds 1 072 984 098 ordinary shares of the Company, representing 57.39% of the Company's share capital and entitling to 1 072 984 098 votes on the General Meeting of the Company, constituting 57.39% of total votes.

Table: Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at the General Meeting of PGE S.A. at March 31, 2022.

Shareholder	Number of shares	Number of votes	% in total votes on General Meeting
State Treasury	1 072 984 098	1 072 984 098	57.39%
Others	796 776 731	796 776 731	42.61%
Total	**1 869 760 829**	**1 869 760 829**	**100.00%**

On April 6, 2022, the Extraordinary General Meeting of PGE Polska Grupa Energetyczna S.A. adopted Resolution No. 7 on decreasing the share capital by way of reducing the par value of shares and simultaneously increasing the share capital by way of issuing series E shares under the private subscription procedure, depriving the existing shareholders entirely of the preemptive right to all series E shares, applying for admission and introduction of series E shares or rights to series E shares to trading on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange], dematerialising series E shares or rights to series E shares, as well as amending the Company Statutes.

In connection with § 1 - 3 of Resolution No. 7 of the Extraordinary General Meeting of PGE of April 6, 2022, § 7 of the Company Statutes is amended in such a way that it will have the following wording:

„The share capital of the Company shall be PLN 19,183,746,098.70 (say: nineteen billion one hundred and eighty-three million seven hundred and forty-six thousand and ninety-eight zloty and seventy groszy) and shall be divided into 2,243,712,994 (say: two billion two hundred and forty-three million seven hundred and twelve thousand nine hundred and ninety-four) shares with a par value of PLN 8.55 (say: eight zloty and fifty-five groszy) each, including:

- 1,470,576,500 series "A" bearer shares,
- 259,513,500 series "B" bearer shares,
- 73,228,888 series "C" bearer shares,
- 66,441,941 series "D" bearer shares,
- 373,952,165 series "E" bearer shares.

An application for an appropriate entry on amendment of the Company's Articles of Association has been submitted to the National Court Register.

May 18, 2022 changes in the share capital of PGE S.A. were registered in the National Court Register, about which the Company informed in the current report No. 29/2022 of May 19, 2022.

The State Treasury also acquired shares of a new issue under an investment agreement with which PGE S.A. signed with the State Treasury on April 5, 2022.

On May 20, 2022, the Minister of State Assets, representing the State Treasury, sent a notification informing about the change in the number of shares and the share in the total number of votes held by the State Treasury in the Company. Currently, the State Treasury holds 1 365 601 493 shares, constituting 60.86% of the Company's share capital and entitling to exercise 1 365 601 493 votes, which constitutes 60.86% of the total number of votes.

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

Table: Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at the General Meeting of PGE S.A. as at the publication date of this report:

Shareholder	Number of shares	Number of votes	% in total votes on General Meeting
State Treasury	1 365 601 493	1 365 601 493	60.86%
State Treasury's subsidiary – Silesia Sp. z o.o.	18 697 608	18 697 608	0.84%
State Treasury and its subsidiary - total	1 384 299 101	1 384 299 101	61.70%
Others	859 413 893	859 413 893	38.30%
Total	**2 243 712 994**	**2 243 712 994**	**100.00%**

TREASURY SHARES

As at March 31, 2022 PGE S.A. and subsidiaries did not hold any treasury shares.

SHARES OF THE PARENT COMPANY OWNED BY THE MEMBERS OF MANAGEMENT AND SUPERVISORY AUTHORITIES

According to the best knowledge of the Management Board of the Company, none of the members of management and supervisory authorities of the Company did not hold shares of the parent company as of the date of publishing of the report for the first quarter of 2022.

4.4. Significant off-balance sheet items

Significant off-balance sheet items are described in notes 10 and 23 to the consolidated financial statements.

5. Statement on the reliable preparation of the financial statements

To the best knowledge of the Management Board of PGE S.A., the quarterly consolidated financial statements and comparative data, were prepared in accordance with the governing accounting principles, presents a fair, true and reliable view of the material and financial situation of PGE Capital Group and its financial result.

The report of the Management Board on the activities of PGE Capital Group presents a true view of the development, achievements and situation of the Capital Group.

6. Approval of the Management Board's Report

The foregoing Management Board's Report on activities of PGE Capital Group was approved for publication by the Management Board of the parent company on May 24, 2022.

Warsaw, May 24, 2022

Signatures of members of the Management Board of PGE Polska Grupa Energetyczna S.A.

President of the Management Board	**Wojciech Dąbrowski**	
Vice-President of the Management Board	**Wanda Buk**	
Vice-President of the Management Board	**Paweł Cioch**	
Vice-President of the Management Board	**Lechosław Rojewski**	
Vice-President of the Management Board	**Paweł Śliwa**	
Vice-President of the Management Board	**Ryszard Wasiłek**	

Glossary

AKPiA	Control, measurement and automation apparatus area
Ancillary control services (ACS)	services provided to the transmission system operator, which are indispensable for the proper functioning of the National Power System and ensure the keeping of required reliability and quality standards.
Achievable capacity	the maximum sustained capacity of a generating unit or generator, maintained continuously by a thermal generator for at least 15 hours or by a hydroelectric generator for at least five hours, at standardized operating conditions, as confirmed by tests.
ARA	USD hard coal price index in EU. Loco in harbours Amsterdam-Rotterdam-Antwerp
Balancing market	a technical platform for balancing electricity supply and demand on the market. The differences between the planned (announced supply schedules) and the actually delivered/off-taken volumes of electricity are settled here. The purpose of the balancing market is to balance transactions concluded between individual market participants and actual electricity demand. The participants of the balancing market can be the generators, customers for electricity understood as entities connected to a network located in the balancing market area (including off-takers and network customers), trading companies, electricity exchanges and the TSO as the balancing company.
Base, baseload	standard product on the electricity market: a constant hourly power supply per day in a given period, for example week, month, quarter or year.
BAT	Best Available Technology
Best Practices	Documents „Best Practice for WSE Listed Companies 2016" adopted by the resolution of the WSE Supervisory Board of October 13, 2015 and effective from January 1, 2016 until June 30, 2021 and „Best Practice for WSE Listed Companies 2016 2021" adopted by the resolution of the WSE Supervisory Board of March 29, 2021 and effective from July 1, 2021.
Biomass	solid or liquid substances of plant or animal origin, subject to biodegradation, obtained from agricultural or forestry products, waste and remains or industries processing their products as well as certain other biodegradable waste in particular agricultural raw materials.
Black energy	popular name for energy generated as a result of combustion of black coal or lignite.
CCGT	Combined Cycle Gas Turbine
Circular economy	system that minimises the consumption of resources and the level of waste as well as emissions and energy losses by creating a closed loop of processes in which waste from one process is used as resources in other processes so as to maximally reduce the quantity of production waste
Co-combustion	the generation of electricity or heat based on a process of combined, simultaneous combustion in one device of biomass or biogas together with other fuels; part of the energy thus generated can be deemed to be energy generated with the use of renewable sources.
Co-generation	the simultaneous generation of heat and electricity or mechanical energy in the course of one and the same technological process.
Constrained generation	the generation of electricity to ensure the quality and reliability of the national power system; this applies to generating units in which generation must continue due to the technical limitations of the operation of the power system and the necessity of ensuring its adequate reliability.
CVC fund	Corporate Venture Capital; in the CVC model, portfolio companies, aside from financial support, receive the opportunity to verify their ideas in a corporate setting
Distribution	transport of energy through distribution grid of high (110 kV), medium (15kV) and low (400V) voltage in order to supply the customers.
Distribution System Operator (DSO)	a power company engaging in the distribution of gaseous fuels or electricity, responsible for traffic in the gas or electricity distribution systems, current and long-term security of operation of the system, the operation, maintenance, repairs and indispensable expansion of the distribution network, including connections to other gas or power systems.

Energy cluster	civil-law arrangement that may include natural persons, legal entities, scientific units, research institutes or local government units, concerning the generation, distribution or trade in energy and energy demand balancing, with this energy being from renewable sources or other sources or fuels, within a distribution grid with nominal voltage below 110 kV, within the operational area of the given cluster, not exceeding the area of one district (powiat) in the meaning of the act on district authorities) or 5 municipalities (gmina) in the meaning of the act on municipal authorities; an energy cluster is represented by a coordinator, which is a cooperative, association, foundation appointed for this purpose or any member of the energy cluster indicated in the civil-law arrangement
ERO	Energy Regulatory Office (pol. URE).
EUA	European Union Allowances: transferable CO_2 emission allowances; one EUA allows an operator to release one tonne of CO_2.
EU ETS	European Union Greenhouse Gas Emission Trading Scheme) EU emission trading scheme. Its operating rules are set out in the ETS Directive, amended by the Directive 2009/29/EC of the European Parliament and of the Council of April 23, 2009 (OJ EU L. of 2009, No. 140, p. 63—87).
EV	Electric vehicle
FIT/FIP	Feed-in-Tariff (FIT) and Feed-in-Premium (FIP): system of subsidies to the market price of electricity performed by Zarządca Rozliczeń S.A.
Generating unit	a technically and commercially defined set of equipment belonging to a power company and used to generate electricity or heat and to transmit power.
GJ	Gigajoule, a unit of work/heat in the SI system, 1 GJ = 1000/3.6 kWh = approximately 278 kWh.
GPZ	main power supply point, a type of transformer station used for the processing or distribution of electricity or solely for the distribution of electricity.
Green certificate	popular name for energy generated from renewable energy sources.
GW	gigawatt, a unit of capacity in the SI system, 1 GW = 10^9 W.
GWe	one gigawatt of electric capacity.
GWt	one gigawatt of heat capacity.
HCl	hydrogen chloride.
Hg	mercury.
HICP	Harmonised Index of Consumer Prices
High Voltage Network (HV)	a network with a nominal voltage of 110 kV.
IED	Industrial Emissions Directive
IGCC	Integrated Gasification Combined Cycle.
Installed capacity	the formal value of active power recorded in the design documentation of a generating system as being the maximum achievable capacity of that system, confirmed by the acceptance protocols of that system (a historical value, it does not change over time.
IRiESP	the Transmission Network Operation and Maintenance Manual required to be prepared by a transmission system operator pursuant to the Energy Law; instructions prepared for power networks that specify in detail the terms and conditions of using these networks by system users as well as terms and conditions for traffic handling, operation and planning the development of these networks; sections on transmission system balancing and system limitation management, including information on comments received from system users and their consideration, are submitted to the ERO President for approval by way of a decision.
IRZ	Cold Intervention Reserve Service – service consisting of maintaining power units ready for energy production. Energy is produced on request of PSE S.A.
KRI	Key Risk Indicator
KSE	the National Power System, a set of equipment for the distribution, transmission and generation of electricity, forming a system to allow the supply of electricity in the territory of Poland.

KSP	the National Transmission System, a set of equipment for the transmission of electricity in the territory of Poland.
kV	kilo volt, an SI unit of electric potential difference, current and electromotive force; 1kV= 103 V.
kWh	kilowatt-hour, a unit of electric energy in the SI system defined as the volume of electricity used by the 1 kW equipment over one hour. 1 kWh = 3,600,000 J = 3.6 MJ.
kWp	a power unit dedicated to determining the power of photovoltaic panels, means the amount of electricity in the peak of production.
Low Voltage Network (LV)	a network with a nominal voltage not exceeding 1 kV.
LTC	long-term contracts on the purchase of capacity and electricity entered into between Polskie Sieci Elektroenergetyczne S.A. and electricity generators in the years 1994-2001.
Medium-voltage network (MV)	an energy network with a nominal voltage higher than 1 kV but lower than 110 kV.
MEV	Minimum Energy Volumes.
MSR	Market Stability Reserve (relating to CO_2)
MW	a unit of capacity in the SI system, 1 MW = 10^6 W.
MWe	one megawatt of electric power.
MWt	one megawatt of heat power.
NAP	National emissions Allocation Plan, prepared separately for the national emission trading system and for the EU emission trading system by the National Administrator of the Emission Trading System.
NAP II	National CO_2 emissions Allocation Plan for the years 2008-2012 prepared for the EU emission trading system adopted by the Ordinance of the Council of Ministers of July 1, 2008 (Dz. U. of 2008, No. 202, item 1248).
NH_3	ammonia
Nm^3	normal cubic meter; a unit of volume from outside the SI system signifying the quantity of dry gas in 1 m3 of space at a pressure of 101.325 Pa and a temperature of 0°C.
NO_x	nitrogen oxides.
N:W ratio	Ration of volume of overburden removed in m^3 to the mass of extracted coal in tons
OTF	Organised Trading Facilities
Operational Capacity Reserve (ORM)	ORM constitutes of generation capacities of active Production Schedular Units (JGWa) in operation or layover, representing excess capacity over electricity demand available to the TSO under the Energy Sale Agreements and on the Balancing Market in unforced generation
Peak, peakload	a standard product on the electricity market; a constant power supply from Monday to Friday, each hour between 7:00 a.m. and 10:00 p.m. (15-hour standard for the Polish market) or between 8:00 a.m. and 8:00 p.m. (12-hour standard for the German market) in a given period, for example week, month, quarter or year.
Peak power pumped storage plants	special type of hydro-power plant allowing for electricity storage. It uses the upper reservoir, to which water is pumped from the lower reservoir using electricity (usually excessive in system). The pumped storage facilities provide ancillary control services for the national power system. In periods of increased demand for electricity, water from the upper reservoir is released through the turbine. This way, electricity is produced.
PJ	Petajoule, a unit of work/heat in the SI system, 1 PJ = approx. 278 GWh
Property rights	negotiable exchange-traded rights under green and co-generation certificates

Prosumer	end customer who purchases electricity under a comprehensive agreement and generates electricity only from renewable sources at a micro-installations for own purposes, unrelated to economic activities
PSCMI1	Polish Steam Coal Market Index 1 - average level of prices of coal dust sold to industrial-scale power plants in Poland
RAB	Regulatory Asset Base.
Red certificate	a certificate confirming generation of electricity in co-generation with heat.
Red energy	popular name for electricity co-generated with heat.
Regulator	the President of ERO, fulfilling the tasks assigned to him in the energy law. The regulator is responsible for, among others, giving out licenses for energy companies, approval of tariffs for energy companies, appointing Transmission System Operators and Distribution System Operators.
Renewable Energy Source (RES)	a source of generation using wind power, solar radiation, geothermal energy, waves, sea currents and tides, flow of rivers and energy obtained from biomass, landfill biogas as well as biogas generated in sewage collection or treatment processes or the disintegration of stored plant or animal remains.
RIG	Readiness Interventional Reserve - the power plant's readiness to provide the active power generation service or its consumption at the request of PSE.
SAIDI	System Average Interruption Duration Index - index of average system interruption time (long, very long and disastrous), expressed in minutes per customer per year, which is the sum of the interruption duration multiplied by the number of consumers exposed to the effects of this interruption during the year, divided by the total number of off-takers. SAIDI does not include interruptions lasting less than three minutes and is determined separately for planned and unplanned interruptions. It applies to breakdowns in the low (LV), medium (MV) and high voltage (HV), wherein SAIDI in quality tariff does not include interruptions on low voltage.
SAIFI	System Average Interruption Frequency Index - index of average system amount of interruptions (long, very long and disastrous), determined as number of off-takers exposed to the effects of all such interruptions during the year divided by the total number of off-takers. SAIFI does not include interruptions lasting less than three minutes and is determined separately for planned and unplanned interruptions. It applies to breakdowns in the low (LV), medium (MV) and high voltage (HV), wherein SAIFI in quality tariff does not include interruptions on low voltage .
SCR	Selective catalytic reduction
SNCR	Selective non-catalytic reduction
Start-up	early-stage company established in order to build new products or services and characterised by a high level of uncertainty. The most common features of start-ups are: short operational history (up to 10 years), innovativeness, scalability, higher risk than in the case of traditional businesses but also potential higher returns on investment
Tariff	the list of prices and rates and terms of application of the same, devised by an energy enterprise and introduced as binding on the customers specified therein in the manner defined by an act of parliament.
Tariff group	a group of customers off-taking electricity or heat or using services related to electricity or heat supply to whom a single set of prices or charges and terms are applied.
TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange), a commodity exchange on which trading can take place in electricity, liquid or gas fuels, extraction gas, emission allowances and property rights whose price depends directly or indirectly on electric energy, liquid or gas fuels and emission allowances, admitted to commodity exchange trading.
TPA, TPA rule	Third Party Access, the owner or operator of the network infrastructure to third parties in order to supply goods/services to third party customers.
Transmission of electricity	transport of electricity through high voltage (220 and 400 kV) transmission network from generators to distributors.
Transmission System Operator (TSO)	a power company engaging in the transmission of gaseous fuels or electric energy, responsible for traffic in a gas or power transmission system, current and long-term security of operation of that system, the operation, maintenance, repair and indispensable expansion of the transmission system, including connections with

	other gas or power systems. In Poland, for the period from July 2, 2014 till December 31, 2030 Polskie Sieci Elektroenergetyczne S.A. was chosen as a TSO in the field of electricity transmission.
TWh	terawatt hour, a multiple unit for measuring of electricity unit in the system SI. 1 TWh is 10^9 kWh.
Ultra-high-voltage network (UHV)	an energy network with a voltage equal to 220 kV or higher.
V (volt)	electrical potential unit, electric voltage and electromotive force in the International System of Units (SI), 1 V= 1J/1C = (1 kg x m^2) / (A x s^3).
W (watt)	a unit of power in the International Systems of Units (SI), 1 W = 1J/1s = 1 kg x m^2 x s^{-3}.
Yellow certificate	a certificate confirming generation of energy in gas-fired power plants and CCGT power plants.
Yellow energy	popular name for energy generated in gas-fired power plants and CCGT power plants.