

MANAGEMENT BOARD'S REPORT

on activities of PGE Capital Group
for the 3-month and 9-month period

ended September 30, 2022



Leading in the green transition

TABLE OF CONTENTS

1. PGE Capital Group	4
1.1. Characteristics of activities	4
2. Electricity market and regulatory and business environment	6
2.1. Macroeconomic environment	6
2.2. Market environment	8
2.3. CO ₂ emission rights granted free of charge	16
2.4. Regulatory environment	18
3. Activities of PGE Capital Group	36
3.1. Main business segments	36
3.2. PGE Group's key financial results	37
3.3. Operational segments	44
3.4. Significant events of the reporting period and subsequent events	77
4. Other elements of the report	98
4.1. Significant changes in organisation of the Capital Group	98
4.2. Publication of financial forecasts	108
4.3. Information about shares and other securities	108
4.4. Significant off-balance sheet items	109
5. Statement of the Management Board on the reliable preparation of the financial statements	110
6. Approval of the Management Board's Report	111
Glossary	112

Key financial data	Unit	Q3 2022	Q3 2021	% change	Q1-Q3 2022	Q1-Q3 2021	% change
Sales revenues	PLN million	19 355	10 942	77%	51 980	32 892	58%
EBIT	PLN million	805	972	-17%	5 059	4 130	22%
EBITDA	PLN million	1 926	2 110	-9%	8 318	7 364	13%
EBITDA margin	%	10%	19%		16%	22%	
Recurring EBITDA	PLN million	2 328	1 941	20%	6 540	6 160	6%
Recurring EBITDA margin	%	12%	18%		13%	19%	
Net profit	PLN million	621	545	14%	3 926	3 264	20%
Capital expenditures	PLN million	1 990	822	142%	3 834	3 069	25%
Net cash from operating activities	PLN million	3 536	4 515	-22%	8 529	7 805	9%
Net cash from investing activities	PLN million	-1 922	-978	97%	-4 642	-3 054	52%
Net cash from financial activities	PLN million	-751	-689	9%	1 177	-677	-

Key financial data		As at September 30, 2022	As at December 31, 2021	% change
Working capital	PLN million	4 435	917	384%
Net debt	PLN million	-1 837¹	4 228	-
Net debt /LTM EBITDA ² reported	x	-0.18	0.44	
Net debt /LTM EBITDA ² recurring	x	-0.22	0.52	

One offs and temporary items affecting EBITDA		Q3 2022	Q3 2021	% change	Q1-Q3 2022	Q1-Q3 2021	% change
Change of reclamation provision	PLN million	-422 ³	-508 ⁴	-17%	1 738	424	310%
Release of provision for prosumers	PLN million	19	0	-	56	0	-
LTC compensations	PLN million	1	1	0%	3	5	-40%
Change of actuarial provision	PLN million	0	35	-	-19	52	-
Release of provision for Voluntary Leave Programme	PLN million	0	0	-	0	11	-
Temporary items - rollover of transactions hedging the price of emission allowances ⁵	PLN million	0	641	-	0	712	-
Total	PLN million	-402	169	-	1 778	1 204	48%

¹ Estimated level of net economic financial debt (taking into account forward payment for CO₂ emission rights) amounts to PLN 11 140m.

² LTM EBITDA - Last Twelve Months EBITDA.

³ Including change of discount rate PLN -249 m and change of technical assumptions PLN -173 m.

⁴ Including change of technical assumptions PLN -1 069 m and change of discount rate PLN +561 m.

⁵ Temporary effect of rollover of EUA contracts DEC 21 for JAN 22 without effect on FY results. Effect improving the result for period Q1-Q3 2021 was cancelled out in Q4 2021.

1. PGE Capital Group

1.1. Characteristics of activities

Capital Group of PGE Polska Grupa Energetyczna S.A. ("PGE Capital Group", the "Capital Group", "PGE Group", the "Group") is the largest vertically integrated producer of electricity and heat in Poland. With a mix of own fuel sources, generation assets and distribution network, PGE Group provides a safe and reliable supply of electricity to 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 CO2 allowances and energy certificates and fuels and provision of services of the Corporate Centre to companies from the PGE Group.



DISTRIBUTION

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



CIRCULAR ECONOMY

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



OTHER OPERATIONS

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

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

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

2. Electricity market and regulatory and business environment

2.1. Macroeconomic environment

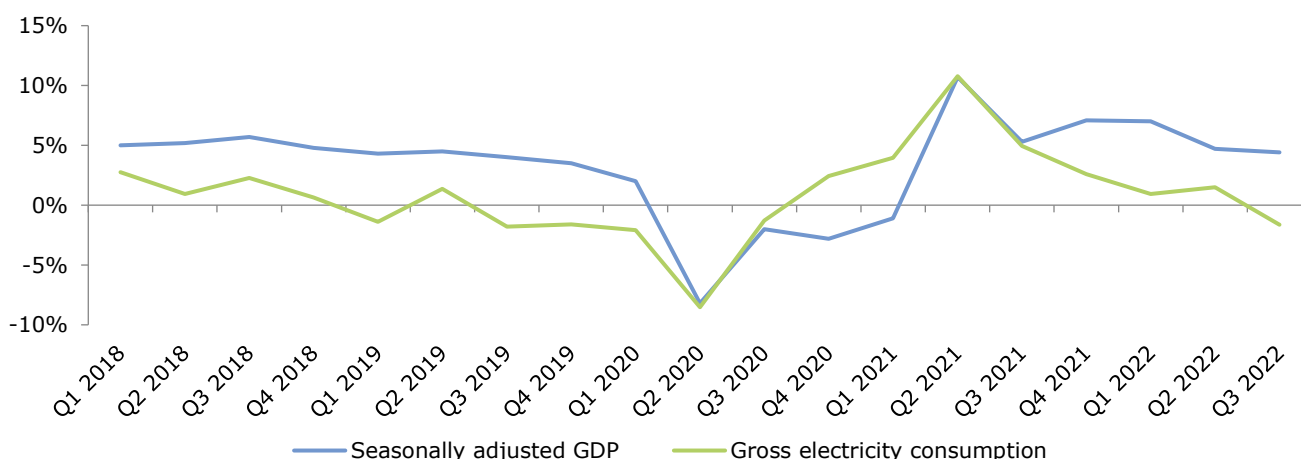
PGE Group's main operating area is Poland, and the domestic macroeconomic backdrop has a substantial impact on Group's results. At the same time, the condition of Poland's economy remains largely tied to the situation across the European Union and in global markets. The Group's financial results are 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 third quarter of 2022 decreased by approx. 1.6% y/y. This is the reversal of 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 from the beginning of 2022 was lower than the increase in demand in the analogical period of 2021 (when it was 6.38% y/y) and amounted to 0.28% y/y, primarily due to higher - by more than 9% - air temperatures in the period January-September 2022.

The Polish economy entered year 2022 accelerated and positive trends were maintained for most of the first quarter of 2022. Russia's aggression against Ukraine on February 24, 2022 caused the Polish economy to suffer negative consequences resulting from, inter alia, disrupted supply chains. A very good economic start to 2022 had a positive impact on the GDP result in the first quarter 2022. According to the Statistical Office of 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. Poland's economy slowed slightly in the second quarter of 2022, with GDP standing at 4.7%. This deterioration is primarily associated with lower growth in consumer spending, a slowdown in construction and stagnation in retail trading. Seasonally-adjusted GDP (at constant prices and reference year 2015) grew by 0.9% in real terms in the third quarter of 2022, compared to the previous quarter, and was 4.4% higher than in the previous year, which means that this is an economic slowdown. Despite this, Poland managed to avoid a technical recession, which occurs when GDP falls two quarters in a row.

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

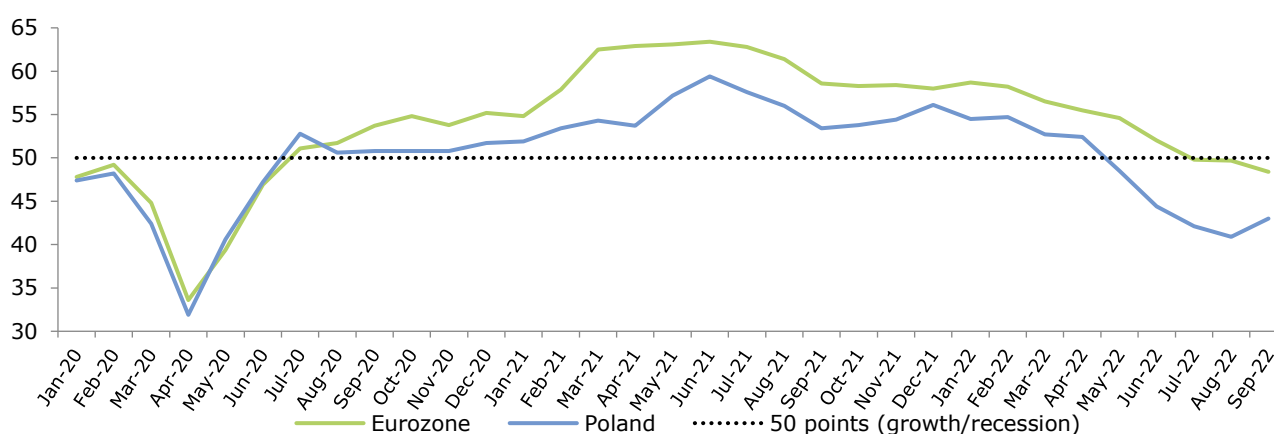


Source: Central Statistical Office of Poland, Polskie Sieci Elektroenergetyczne S.A. (PSE S.A.)

The Purchasing Managers' Index (PMI) reflects the negative impact of Russia's aggression against Ukraine. Increasing geopolitical tensions and rising inflation rates have led to a decline in new orders and industrial production, which has translated into a drop in business optimism visible in period from January to August 2022. The PMI for Polish industry recorded a slight increase in September 2022 but still remained below the

level of 50.0 points. A score below 50.0 points means that the surveyed managers do not expect the sector to improve. The surveyed companies reported unfavourable market conditions related to uncertainty and budget pressures caused by high inflation. Exports also declined for similar reasons, with demand for Polish products falling mainly in Germany. The outbreak of war had a destabilising effect on the situation in Polish industry. Production and new orders declined, trade with countries from across the eastern border was severely curtailed. The situation of Polish industry was also adversely influenced by rising fuel and energy prices, unfavourable exchange rate movements and cost inflation. This translated into a nearly 13% decline in the average PMI for January-September 2022 compared to the same period in 2021, to an average of 48.1 points. Polish industry is also affected by the condition of industry in the Eurozone, where the PMI for January-September 2022 decreased by almost 12% y/y and averaged 53.7 points. Also in the Eurozone, the rising economic activity of early 2022 was partially stopped by Russia's aggression against Ukraine, as reflected by the continued down trend of PMI: from 58.7 in January 2022 to 48.4 points in September 2022. Pessimistic business sentiment is mainly due to disrupted supply chains and market restrictions, as well as high fuel and electricity prices.

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



Source: Markit Economics

The value of industrial production sold was 9.8% higher in September 2022 than in both August 2022 and September 2021, when it had grown by 8.7% in comparison to the preceding period. In the period January – September 2022, industrial production sold was 12.3% higher than in the same period of 2021. The overall good result for the period January-September 2022 was primarily driven by a reversal in the downtrend for industrial production sold in the third quarter of 2022. In comparison to the previous year's September, investment goods production increased by 29.1% in September 2022, along with a 9.1% increase in non-durable consumer goods and supply goods (by 6.9%), whereas the production of durable consumer goods declined by 4.9% and energy-related goods went down by 0.9%.

2.2. Market environment

SITUATION IN THE NATIONAL POWER SYSTEM (NPS)

Table: Domestic electricity consumption (TWh).

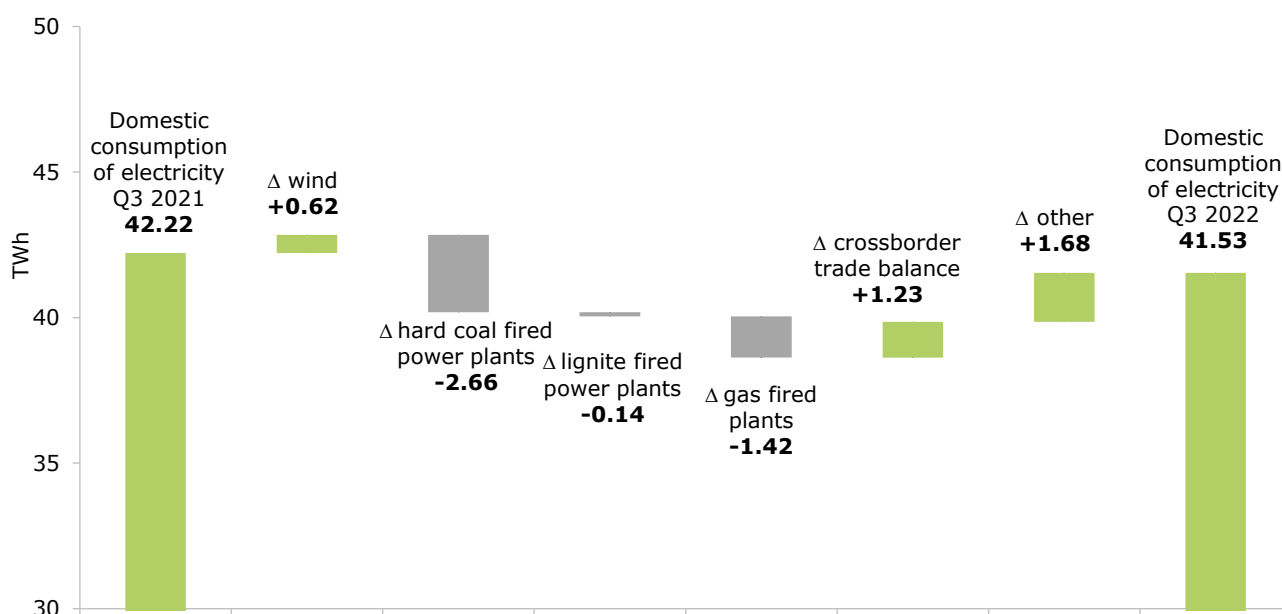
	Q3 2022	Q3 2021	% change	Q1-Q3 2022	Q1-Q3 2021	% change
Domestic electricity consumption, including:	41.53	42.22	-2%	128.94	128.58	0%
Wind farms	3.12	2.50	25%	13.57	9.26	47%
Industrial thermal hard-coal fired power plants	20.59	23.25	-11%	63.78	67.95	-6%
Industrial thermal lignite fired power plants	11.89	12.03	-1%	35.55	33.24	7%
Industrial gas-fired power plants	1.66	3.08	-46%	7.28	9.51	-23%
International exchange balance	0.21	-1.02	-	-1.50	2.25	-
Other (hydro power plants, other RES)	4.06	2.38	71%	10.26	6.37	61%

Source: PSE S.A. data.

Q3 2022

In the third quarter of 2022, domestic electricity consumption declined by 0.7 TWh compared to the base period, mainly due to a slowing economy due to the on-going conflict in Ukraine and as a result of higher average daily temperatures y/y. As a result of the increase in installed capacity and more favourable wind conditions, wind-based generation grew by 0.6 TWh compared to the same period last year. Poland was a net importer of energy in the third quarter 2022, while it was a net exporter of energy in the third quarter last year (change of +1.2 TWh). There was a decrease in production in hard coal-fired power stations (-2.7 TWh) due to disruptions in coal supplies to Europe and in energy production in utility-scale lignite-fired power stations (-0.1 TWh) due to higher generation from renewable power plants. In addition, significantly rising fuel prices reduced generation based on natural gas (-1.4 TWh).

Chart: Energy balance in the NPS – Q3 2022 (TWh).

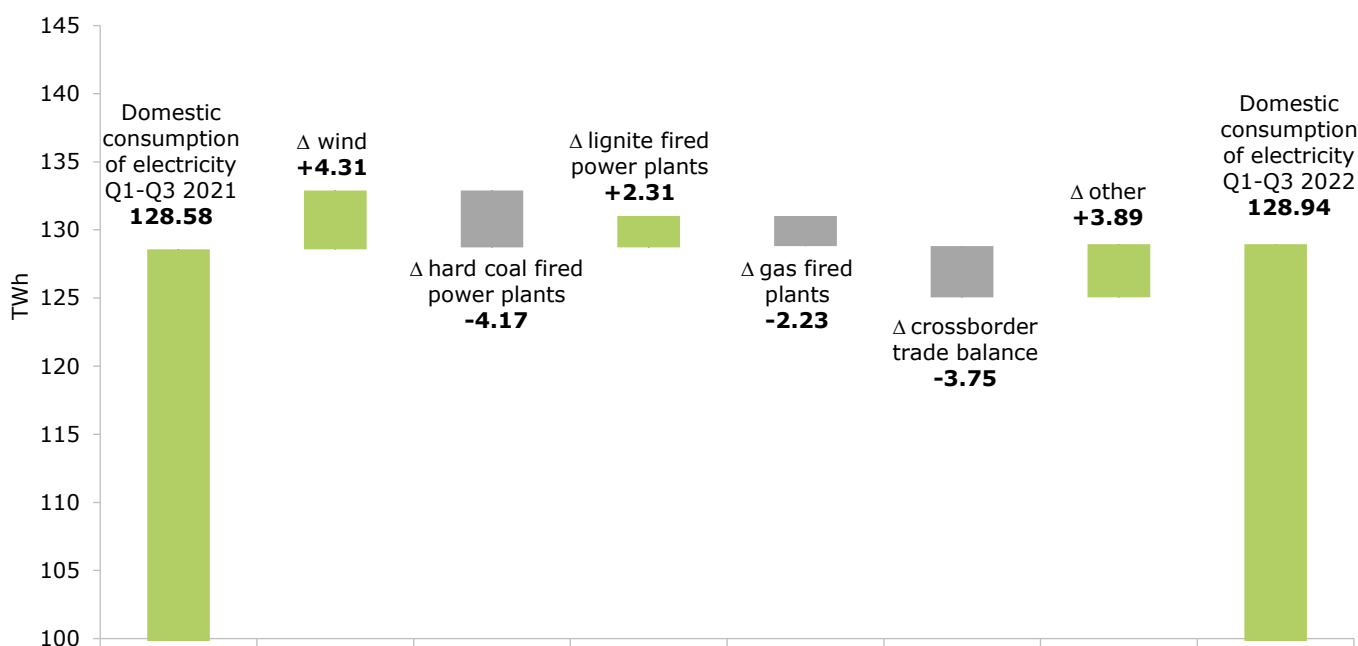


Source: own work based on data from PSE S.A.

Q1-Q3 2022

On a cumulative basis, domestic energy demand grew slightly in comparison to the base period (+0.4 TWh). Wind-based generation significantly higher, up by 4.3 TWh y/y. As a result of the price difference on cross-border interconnectors, net imports declined by 3.8 TWh compared to the same period last year. Additionally, due to lower generation from hard coal-fired power stations (-4.2 TWh), higher generation from utility-scale lignite-fired power stations (+2.3 TWh) was needed to balance the power system. There was also a higher level of other generation units (+3.9 TWh), mainly due to higher generation from photovoltaics.

Chart: Energy balance in the NPS – Q1-Q3 2022 (TWh).



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

ELECTRICITY PRICES – DOMESTIC MARKET

DAY-AHEAD MARKET (RDN, SPOT MARKET)

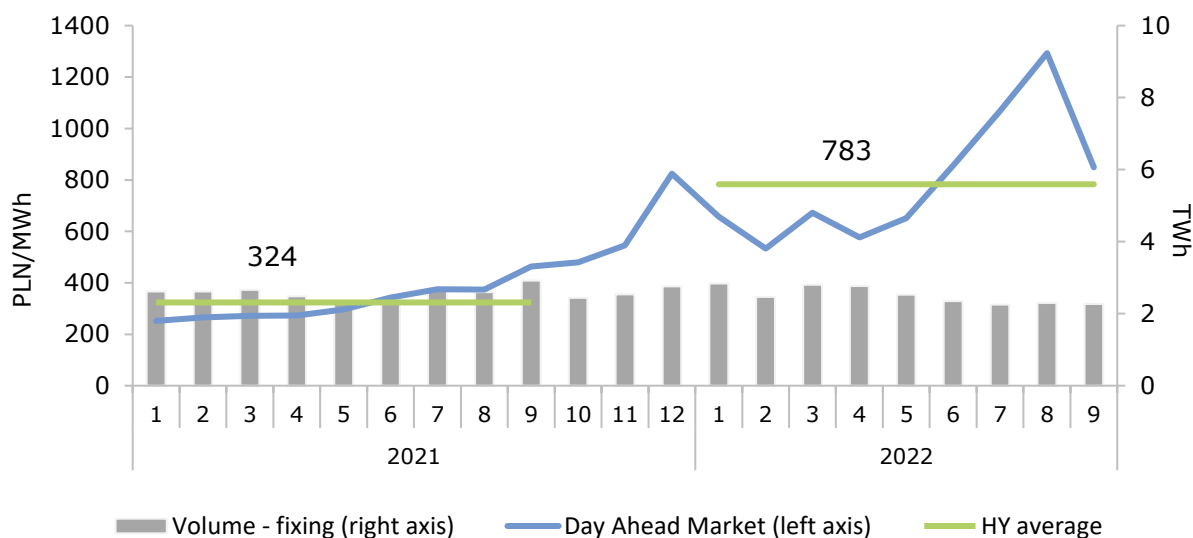
Market/measure	Unit	Q3 2022	Q3 2021	% change	Q1-Q3 2022	Q1-Q3 2021	% change
RDN – average price	PLN/MWh	1 072	404	165%	783	324	142%
RDN – trading volume	TWh	6.82	8.21	-17%	22.56	23.33	-3%

ANALYSIS – SELECTED PRICE FACTORS AFFECTING RDN QUOTATIONS

Factor	Unit	Q3 2022	Q3 2021	% change	Q1-Q3 2022	Q1-Q3 2021	% change
CO ₂ emission rights	EUR/t	79.36	57.18	39%	81.77	49.02	67%
Polish Steam Coal Market Index PSCMI-1	PLN/GJ	25.30	11.44	121%	17.94	11.44	57%
Wind generation NPS	TWh	3.12	2.50	25%	13.57	9.26	47%
Ratio: wind generation/ NPS consumption	%	8%	6%		11%	7%	
Ratio: international trading/ NPS consumption	%	1%	-		-	2%	

In the three quarters of 2022, the average electricity price on the day-ahead market was PLN 783/MWh and was higher by 142% than average price (PLN 324/MWh) in the analogical period of the previous year. The increase in energy prices resulted mainly from higher demand by 0.4 TWh y/y, higher cost of CO₂ emission rights, higher prices of raw materials and their significantly limited supply, what is connected with the ongoing war in Ukraine.

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



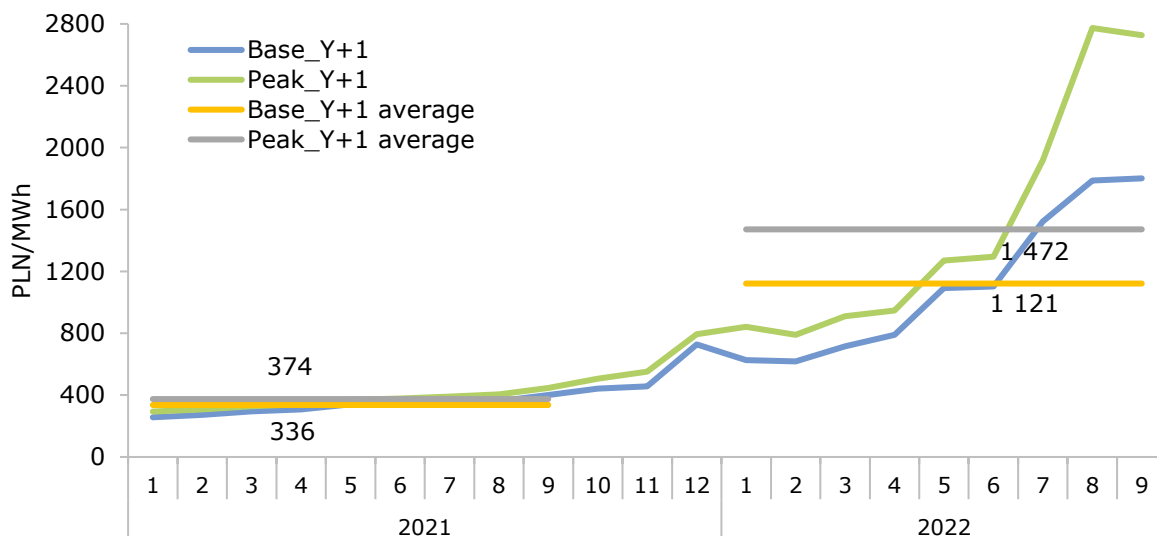
¹ Average monthly RDN prices calculated on the base of hourly quotations (fixing).

FORWARD MARKET

Market/measure	Unit	Q3 2022	Q3 2021	% change	Q1-Q3 2022	Q1-Q3 2021	% change
BASE Y+1 – average price	PLN/MWh	1 699	375	353%	1 121	336	234%
BASE Y+1 – trading volume	TWh	17.88	30.95	-42%	52.14	76.09	-31%
PEAK5 Y+1 – average price	PLN/MWh	2 498	418	498%	1 472	374	294%
PEAK5 Y+1 – trading volume	TWh	1.53	3.60	-58%	4.94	8.90	-44%

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

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

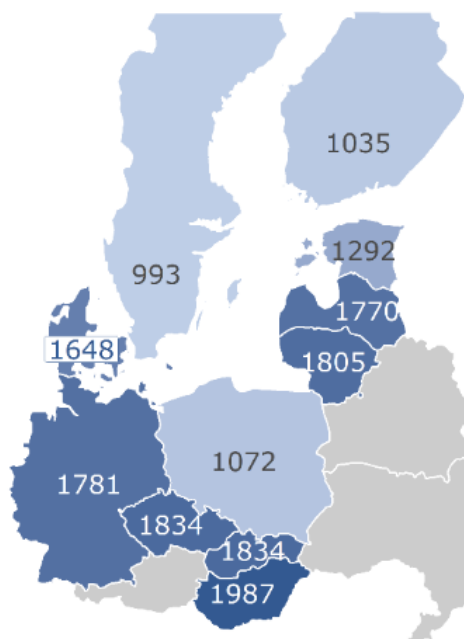


¹ Monthly average index level for forward contracts for the next year (Y+1), baseload and peak, weighted by the trading volume.

ELECTRICITY PRICES - INTERNATIONAL MARKET

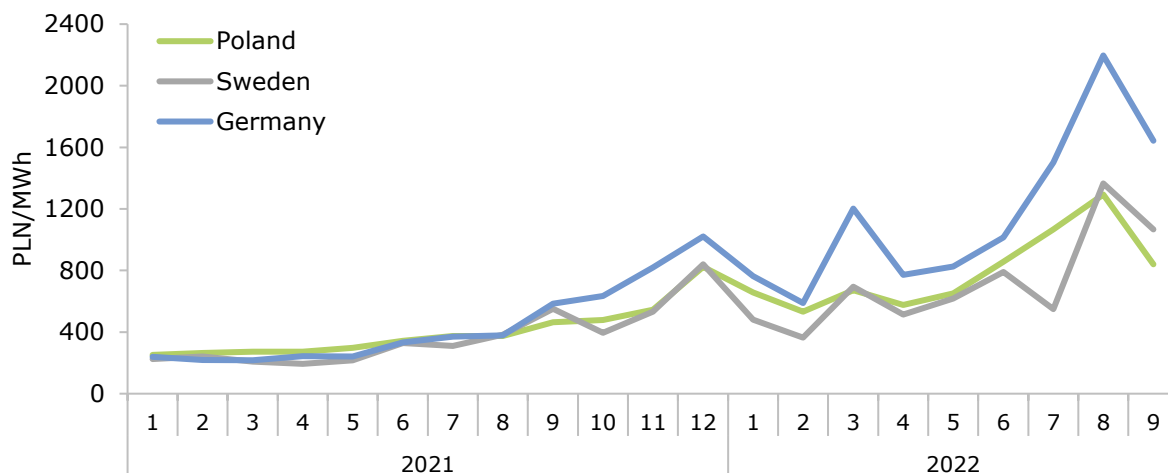
WHOLESALE MARKET (COMPARISON OF DAY-AHEAD MARKETS)

Chart: Comparison of average electricity prices on Polish market and on European markets in the third quarter of 2022 (prices in PLN/MWh, average exchange rate EUR/PLN 4.74).



Source: TGE, EEX, Nordpool

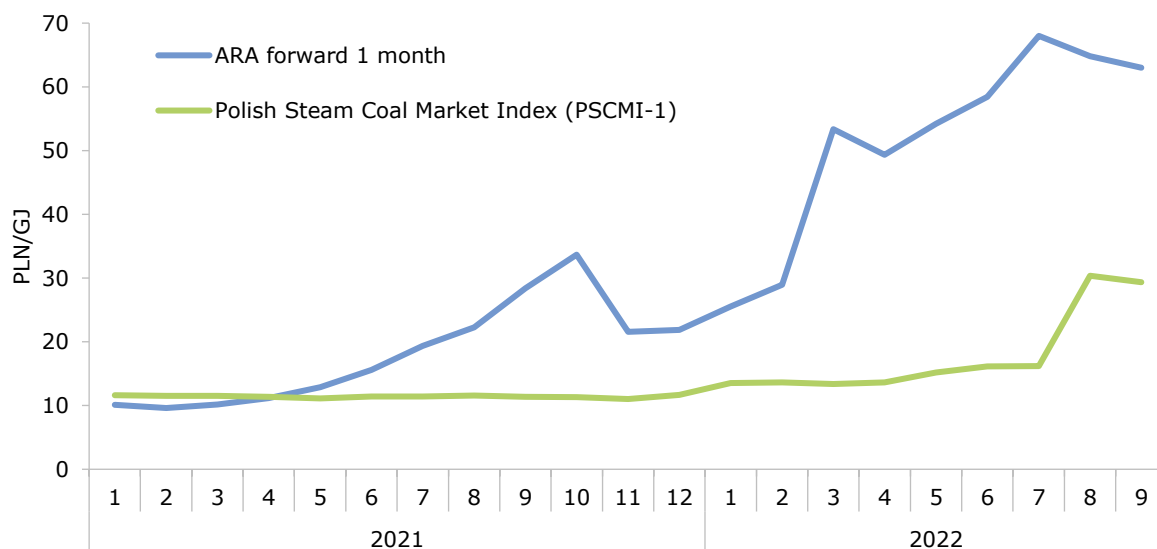
Chart: Evolution of spot market prices.



Source: TGE, EEX, Nordpool

In the third quarter of 2022, the y/y increase in prices on neighbouring markets ranged between PLN 579 and PLN 1 472/MWh (i.e. growth by approx. 140-302%), whereas in Poland the average price level has increased by PLN 668/MWh y/y (increase by approx. 165%). The low correlation of energy prices results from differences in the technological mix (share of renewable energy sources) and the situation on the markets for related products. The price spread between Poland and its neighbouring countries is also due to differences in realised coal prices at home and abroad. The price of hard coal in ARA ports rose by 234% y/y, while the domestic pulverised coal price index, PSCMI-1, increased by 121% over the same period.

Chart: Hard coal indices ARA vs PSCMI-1¹.

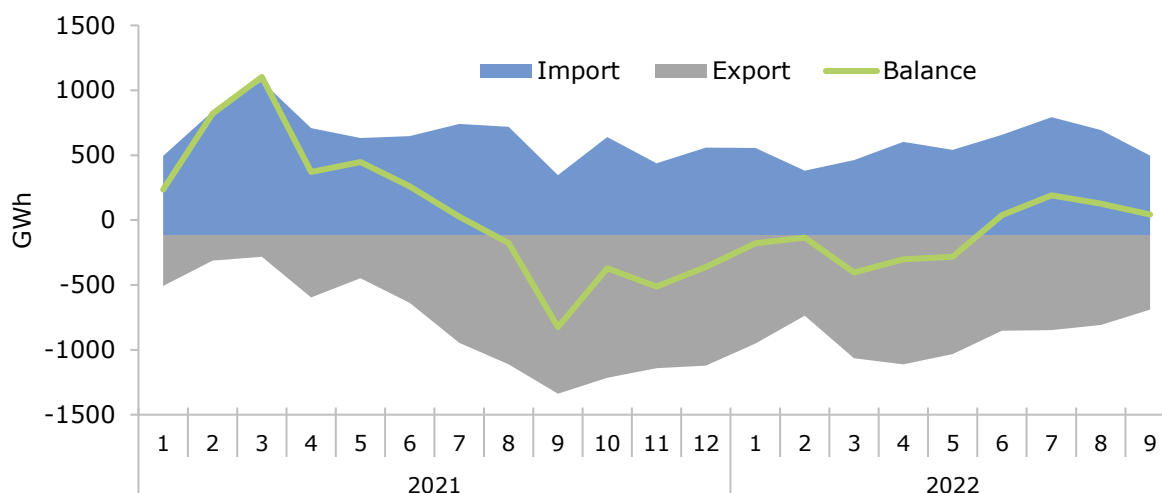


Source: ARP, Bloomberg (API21MON OECM Index), own work.

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

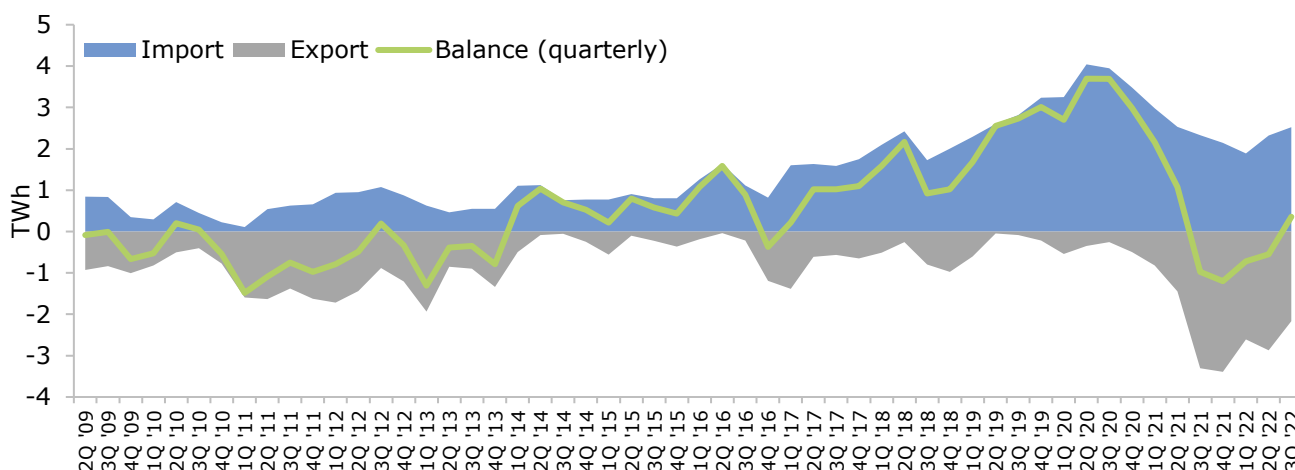
INTERNATIONAL TRADING

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



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

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

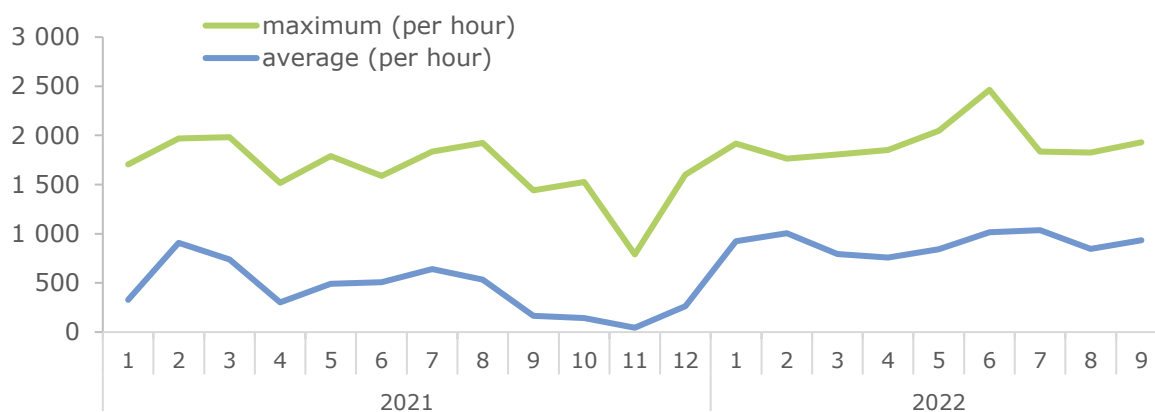


Source: own work based on data from PSE S.A.

In the third quarter of 2022, Poland once again became a net importer of electricity, with a trade balance of 0.4 TWh (imports 2.5 TWh, exports 2.1 TWh), 1.4 TWh higher y/y. The largest impact on the trade balance came from imports from Sweden (1.0 TWh), Germany (0.5 TWh, with exports of 0.6 TWh), Ukraine (0.4 TWh), Lithuania (0.4 TWh) and exports to Slovakia (1.1 TWh).

In the first three quarters of 2022, the trade balance was -0.9 TWh (imports 6.7 TWh, exports 7.6 TWh), down by 3.2 TWh y/y. The largest impact on the trade balance came from imports from Sweden (3.0 TWh), Germany (0.9 TWh, with exports of 2.4 TWh), Lithuania (1.5 TWh) and exports to Slovakia (4.0 TWh).

Chart: Parallel exchange balance²: average vs. maximum hourly flow in particular months.



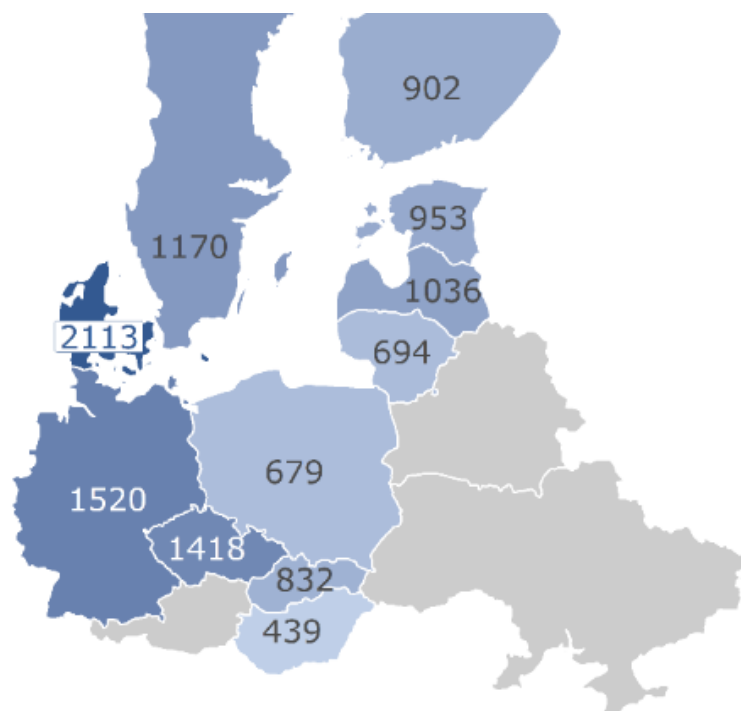
Source: own work based on data from PSE S.A.

Global increase in fuel prices (which translate into an increase in the costs of electricity production from natural gas and hard coal) translated into an increase in energy prices in neighbouring countries, which in turn 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 first half of 2022³ an additional burden (over sale price and cost of electricity distribution) for individual customers accounted for 38% of the electricity price and in comparison to EU average of 39%. For comparison, in Denmark the proportion of additional charges in the price of electricity exceeded 48%.

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

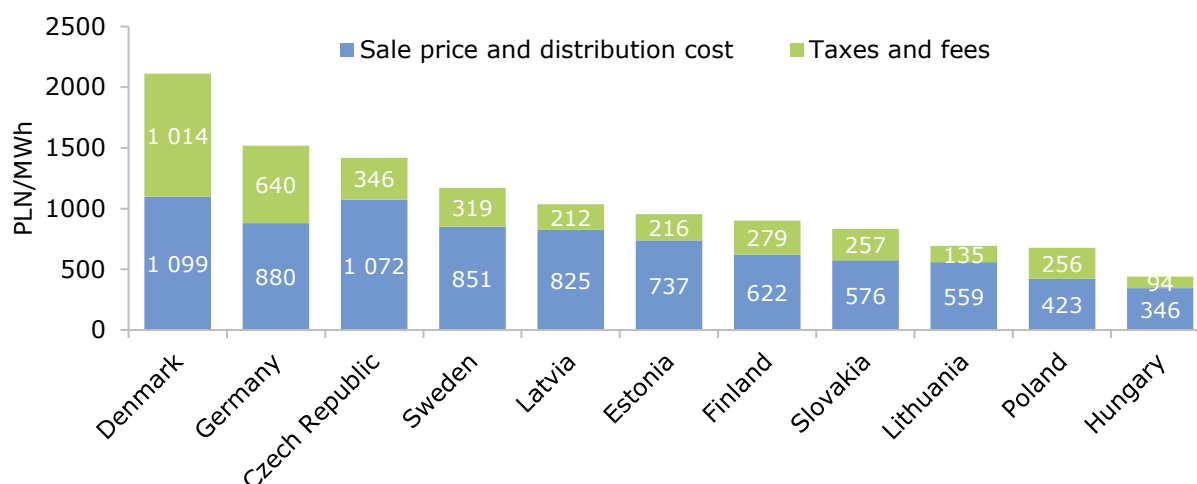


Source: own work based on Eurostat data.

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 first half of 2022 (prices in PLN/MWh, average exchange rate EUR/PLN 4.63).



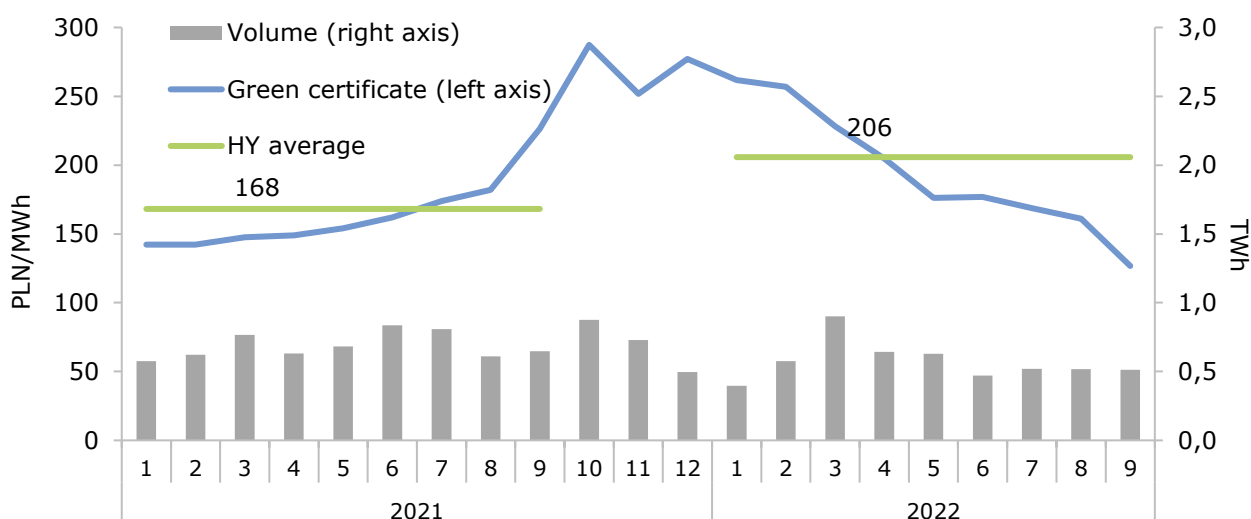
Source: own work based on Eurostat data.

PRICES OF CERTIFICATES

In the three quarters of 2022 the average price of green certificates (index TGE_{oeza}) reached PLN 206/MWh and was higher by 26% 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.

At the same time, a regulation was published in July 2022 on the level of the green certificate redemption obligation for 2023. In 2023 the obligation level is set at 12%. Lowering the level of the required obligation led to the price declines recorded in the third quarter of 2022

Chart: Average quarterly prices of green certificates (TGE_{oeza}).



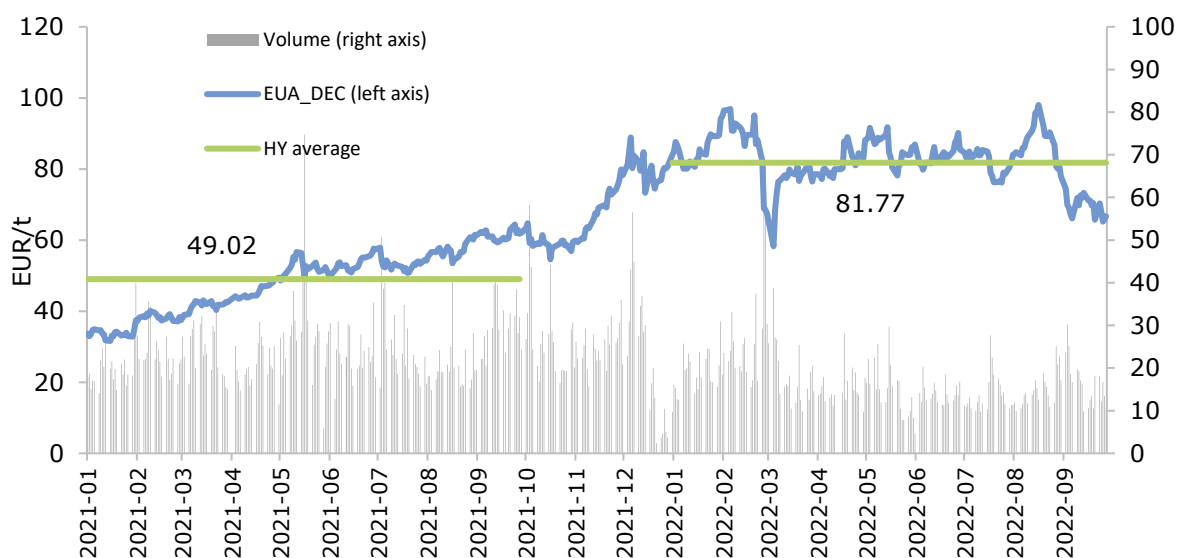
Source: Own work based on TGE quotations.

PRICES OF CO₂ EMISSION RIGHTS

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

In the three quarters of 2022, the weighted average price of EUA DEC 22 was EUR 81.77/t and was considerably higher (by 67%) than the average price of EUR 49.02/t for the EUR DEC 21 instrument in the similar period of the previous year.

Chart: Prices of CO₂ emission rights.



Source: own work based on ICE exchange quotations

2.3. CO₂ emission rights granted free of charge

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

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

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

Product	CO ₂ emissions in Q3 2022	Allocation of CO ₂ emission rights for 2022 ¹
Electricity	16 703 046	0
Heat	424 719	618 654
Total	17 127 765	618 654


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.



Legal regulations regarding the current rules for determining the prices of electricity and heat and the compensations due in this respect are described in chapter 3.4 of this report in the section Electricity and heat prices.



DOMESTIC REGULATORY ENVIRONMENT





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




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	<p>The bill on the amendment to the Energy Law and the Renewable Energy Sources Act GLC list: UD162</p>	<ul style="list-style-type: none"> implementation of provisions introducing the separation of transmission and distribution activities from energy storage - (an energy system operator, with the exceptions provided for in the draft, cannot be the owner of and cannot build, operate or manage an energy storage system). <p>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.</p>	<p>At a session on November 4, 2022 the Polish parliament adopted the act. On November 15, 2022 the bill was signed by the President of Poland.</p>	<p>The bill will enter into force on November 29, 2022.</p>	<p>The change to abolish the exchange obligation will have no adverse impact on the PGE Group's operations.</p>
	<p>Draft act on amendment of act on renewable energy sources and certain other acts. Sejm print no.: 1 382</p>	<p>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).</p>	<p>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.</p>	<p>-</p>	<p>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.</p>
	<p>Draft act on amendment of the act on renewable energy sources and certain other acts Government Legislation Centre list: UC99</p>	<p>The act introduces amendments to several acts, including: Energy Law, Environmental Protection Law, in connection with heating going green, and other changes related to the necessity to implement directive RED II (regarding the promotion of the use of energy from renewable sources).</p>	<p>The draft act was published for consultation on February 25, 2022. It is currently the subject of internal work at the</p>	<p>Referral to work in the Committee for European Affairs.</p>	<p>The draft is of significance for the Renewables segment, especially due to the possibility of using new support systems and for the District Heating segment in</p>




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	<p>Amendment of the act on investment in wind farms. GLC ref. no. UD207</p>	<p>Moreover, the act introduces new support systems for biomethane, to modernise RES installations and for existing RES installations to cover operating expenses. The act also changes the definition of hybrid RES installations.</p> <p>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.</p>	<p>Ministry of Climate and Environment.</p> <p>On December 15, 2021, the Joint Commission of the State Government and Local Government issued a positive opinion on the draft. In April 2022, the draft was transferred from the Ministry of Development and Technology to the Ministry of Climate and Environment. On July 5, 2022, the draft was adopted by the Council of Ministers and referred to the Sejm.</p>	<p>Parliamentary works.</p>	<p>terms of increasing the use of heat generated from RES.</p> <p>The draft is of significance to the development of the Renewable Energy segment.</p>
	<p>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</p>	<p>The act contains provisions aimed at ensuring safety during the construction and operation of offshore wind farms in the Polish exclusive economic zone of the Baltic Sea and equipment for the off-take of power from these installations. 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.</p>	<p>On July 7, 2022, the draft was passed by the Sejm. On July 20, 2022 the act was signed by the President of the Republic of Poland. The act entered into force on August 12, 2022.</p>	<p>-</p>	<p>The act is of significance to investments in the development of offshore wind farms. The introduction of excessive certification mechanisms may delay the investment and increase the cost of the investment to develop offshore wind farms.</p>
	<p>Draft Act amending the Act on the greenhouse gas emission allowance trading scheme and the Act - Environmental Protection Law</p>	<p>The aim of the act is to establish national legislation governing the establishment and operation of the Energy Transition Fund. The Energy Transition Fund is to be used to finance investments in the energy and industrial sectors excluding solid fossil fuels, i.e. coal.</p>	<p>On 6 April 2022, a revised version of the act was published by the Government Legislation Centre. PGE submitted comments on its own and as part of the Polish Association of Combined Heat and</p>	<p>Examination of the draft by the Council of Ministers and referral to the legal affairs committee of the Government Legislation Centre for consideration.</p>	<p>The draft will be relevant for the entire PGE Group, excluding coal assets. Funds from the Energy Transition Fund will be available to finance investments in the areas: RES, grids, storage, etc.</p>




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




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	<p>from renewable energy sources in 2023. GLC ref. no. 816</p>				<p>purchase a certain amount of PM OZE in relation to the volume of electricity traded.</p>
	<p>Regulation of Climate and Environment Minister regarding energy market processes. Government Legislation Centre list: UD603</p>	<p>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 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.</p>	<p>On January 11, 2022 the Minister of Climate and Environment signed the regulation. The regulation went into effect on February 16, 2022.</p>		<p>The regulation will have a significant impact primarily on the Distribution segment, but also on the following segments: Conventional Generation, Renewables and Supply.</p>
	<p>Regulation of Climate and Environment Minister regarding metering system Government Legislation Centre list: UD507</p>	<p>The regulation implements the statutory delegation contained in art. 11x sec. 2 of the act - Energy Law, which imposes on the minister responsible for energy the obligation to regulate therein, in consultation with the minister responsible for computerisation, the detailed requirements and standards to be met by the metering system. In addition, the draft regulation satisfies the obligation specified in art. 19 sec. 3 of Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal market in electricity and amending Directive 2012/27 / EU, according to which Member States joining the introduction of smart metering systems</p>	<p>The regulation was issued on March 22, 2022 and entered into force on April 23, 2022.</p>		<p>The regulation will have a significant impact primarily on the Distribution segment, but also on the following segments: Conventional Generation, Renewables and Supply. As regards the DSO's activities, it will be necessary to clarify requirements for metering systems, including electricity meters and metering system.</p>

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	Act on support allowance RCL register: 1 820	adopt and publish minimum requirements functional and technical related to smart metering systems to be introduced in their territories. The act is intended to provide support to approx. 6.84 million households in Poland, including the most energy-poor households, by covering a part of their energy expenses and the related growing food prices.	The act, published in the Journal of Laws of 2022 item 1, entered into force on January 4, 2022	-	The act generates costs for Supply segment due to new information obligations.
	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 waste generated in the process of combustion of fuels for energy-generation purposes.	On July 4, 2022 , the draft was released from the legal committee. The EC notified the draft on July 13, 2022 .	Draft referred for further work in the Council of Ministers.	The project is important from the point of view of waste/combustion by-product management in PGE Group, especially for the Conventional Generation and District Heating segment.
	Regulation of the Minister for Climate and Environment on defining methods for economic cost-benefit analysis and data or data sources for this analysis. Government Legislation Centre list: 794	The regulation fulfils the obligation to eliminate an infringement identified by the EC regarding incorrect application and transposition of the Energy Efficiency Directive. In order to rectify this breach, a delegation for the minister responsible for energy matters to issue a regulation on defining methods for economic cost-benefit analysis and data or data sources for the purpose of this analysis was introduced. The aim of the analysis is to enable a more efficient allocation of resources by demonstrating the superiority of a given project over others from the point of view of social benefits.	On July 1, 2022 the regulation was adopted. It entered into force on July 20, 2022 .		The regulation is of significance to the District Heating segment.
	Regulation of the Minister of Climate and Environment amending the regulation on detailed rules for preparing and calculating tariffs and billing for heat supply Government Legislation Centre list: 795	The regulation intends primarily to: <ul style="list-style-type: none"> 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, 	The regulation was published in the Journal of Laws on March 15, 2022 .	-	The draft is relevant to the District Heating segment as it will increase the heat tariff.

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	<p>Draft Regulation of the Minister for Climate and the Environment amending the Regulation on detailed rules for shaping and calculating tariffs and settlements for heat supply</p> <p>Government Legislation Centre list: 916</p>	<ul style="list-style-type: none"> 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. <p>In order to introduce the possibility of generating revenue that covers the cost of running the business of producing heat in cogeneration units, it is necessary to amend § 13 sec. 6 of the amended regulation in such a way as to reflect the possibility of increasing the planned revenue, in accordance with the reference index published pursuant to art. 47 sec. 2f of the Energy Law by the President of URE, the value of which is determined on the basis of "value k" - i.e. the change in the costs charged to the unit of heat produced in cogeneration units, resulting from a major change in the conditions for energy enterprises to engage in business activity to the extent to which the costs associated with the business activity will be charged to heat production in the period in which the reference index is in force and were not charged to it in the period preceding the period of determining this indicator.</p>	<p>Public consultation on the draft until September 29, 2022.</p>	<p>Analysis of comments submitted in the course of the public consultation.</p>	<p>The draft will increase revenues of CHP units commissioned prior to November 3, 2010. Depending on the final shape of the legislation, there is a risk of reduced revenues as a consequence of lower fuel and CO prices₂.</p>
	<p>Draft Act on amending the Act on maritime areas of the Republic of Poland and maritime administration</p> <p>Government Legislation Centre list: UD361</p>	<p>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.</p>	<p>The draft was adopted by the Sejm and referred to the Senate on October 27, 2022.</p>	<p>Consideration of the bill by the Senate.</p>	<p>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.</p>
	<p>Draft Regulation of the Minister of Infrastructure amending the Regulation on evaluation of applications in settlement procedures</p>	<p>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</p>	<p>On July 29, 2022 the project was signed by the Minister of Infrastructure and published in the Journal of Laws. The regulation</p>	<p>-</p>	<p>The draft is important for PGE Group due to its impact on investments in the construction of offshore wind farms.</p>



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	Government Legislation Centre list: 213	fulfilling the criteria, as well as in the way of assessing the criterion concerning the financing of the planned project. It also resolves issues concerning the submission of documents by entities that prepare financial statements for which the financial year does not coincide with the calendar year.	entered into force on August 4, 2022 .		
	Draft Regulation of the Minister of Climate and Environment on the method of conducting settlements and balancing of the gas transmission system in periods of mandatory reserves of natural gas and during the period of restrictions in the off-take of natural gas. Government Legislation Centre list: 821, 929	The draft is intended to set out how settlements are to be carried out for released compulsory natural gas reserves and how the price for gaseous fuels used for these settlements is to be calculated, as well as how balancing of the gas transmission system is to be carried out and how imbalances are to be settled during the release of stocks. The draft sets out formulas for the calculation of: <ul style="list-style-type: none"> fees for collected mandatory reserves, fees for the release of mandatory reserves to the relevant entity ordering transmission services, fees for balancing activities, taking into account an entity ordering transmission services whose imbalance is negative and positive respectively, a fee related to the financial neutrality of balancing during the period of mandatory reserve release. 	On May 17, 2022 , the draft was published on the Government Legislation Centre's website and sent for public consultation, which ended on May 20, 2022 . On October 5, 2022 , a new draft regulation was published, starting a legislative process. 10 October 2022 was the deadline for comments in the public consultation.	Analysis by the Minister of Climate and Environment of the comments submitted as part of the public consultation.	The draft is of importance from the point of view of trading in gaseous fuels, given the establishment of a system of settlements between PSE S.A. and the rules of the transmission service for balancing activities undertaken by PSE S.A.
	Draft Act amending the Act on the Management of Agricultural Property of the Treasury and certain other acts Government Legislation Centre list: UD376	The draft introduces regulations according under which agricultural properties belonging to the Agricultural Property Stock of the Treasury, which include at least 70% of uncultivated land/land of class IV will be able to be leased for the purpose of obtaining electricity from RES.	On April 19, 2022 , the draft was published on the Government Legislation Centre website. On May 10, 2022 , the public consultation closed.	Analysis by the Ministry of the Environment of the comments submitted in the public consultation.	The draft will make it possible to acquire new land, in particular wasteland included in the Agricultural Property Stock of the State Treasury, for RES investments.
	Draft Act amending the Act on Spatial Planning and Development and certain other acts Government Legislation Centre list: UD369	The draft introduces the principle that photovoltaic (PV) investments above 1 MW will only be allowed on the basis of a Local Spatial Development Plan. In the absence of an adopted Local Spatial Development Plan, it will not be possible to realise the investment in question on the basis of a decision on development conditions. The draft also provides for the possibility of applying a simplified procedure for the enactment or amendment to the Local Spatial Development Plan, including in the case of PV investments, but this does not apply to	On September 19, 2022 , a new draft law was published on the Government Legislative Centre's website, that was once again subject to inter-ministerial consultations. Following inter-ministerial consultations, an	Referred for the Standing Committee of the Council of Ministers.	The draft may slow down PV investments due to necessity to embed such investment in the Local Spatial Development Plan. The average time required to enact the Local Spatial Development Plan is around 3 years.

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		investments with significant impact on the environment.	amended draft act was published on October 25, 2022 . The draft was examined by the Digitalisation Committee on November 7, 2022 .		
	<p>Draft Ordinance of the Minister of Climate and Environment amending the Ordinance on fuel reserves at energy companies.</p> <p>Government Legislation Centre list: 849</p>	The draft regulation differentiates the size of the reserve obligations for energy companies involved in (i) the generation of electricity in Centrally Dispatched Generating Units and (ii) the generation of heat, including cogeneration, or electricity in units other than Centrally Dispatched Generating Units, and introduces new algorithms for determining the size of this obligation for these companies.	On July 5, 2022 the draft was published on the Government Legislation Centre's website. On July 12, 2022 the public consultation ended. The draft was the subject of a meeting of the Law Committee on September 19, 2022 .	Improvement of the draft by the Ministry of Climate and Environment according to the comments of the Law Committee.	The draft is relevant to electricity and heat generation. Adopting the new rules for determining fuel reserves will mean that they will need to be explicitly replenished for the needs of Centrally Dispatched Generating Units (counting the quantity depends on the installed capacity of the unit), which may be difficult or unfeasible in the face of the present energy crisis.
	<p>Draft Regulation of the Minister of Climate and Environment on reference values for new and substantially modernised cogeneration units in 2023</p> <p>Government Legislation Centre list: 927</p>	The draft implements the statutory mandate contained in art. 15 sec. 7 of the Act of December 14, 2018 on the promotion of electricity from high-efficiency cogeneration (Polish Journal of Laws of 2022, item 553), which requires the minister responsible for energy to determine, by means of an Ordinance, by October 31 of each year, the reference values with a breakdown for new cogeneration units and substantially modernised cogeneration units, applicable in the following calendar year.	The regulation was published in the Journal of Laws on October 31, 2022 .	-	The draft affects the District Heating segment through reference values for new and substantially modernised CHP units participating in the support scheme for high-efficiency cogeneration.
	<p>Draft Regulation of the Minister of Climate and Environment on the maximum quantity and value of electricity from high-efficiency cogeneration covered by support and the unit amounts of the guaranteed bonus in 2023.</p>	The draft Ordinance implements the statutory authorisation contained in art. 56 sec. 1 of the Act of December 14, 2018 on the promotion of electricity from high-efficiency cogeneration (Polish Journal of Laws of 2022, item 553), which requires the minister responsible for energy to determine, by way of an Ordinance, by October 31 of each year, the maximum quantity and value of electricity from high-efficiency cogeneration subject to support, including for cogeneration units located outside the territory of Poland. Additionally, the draft Ordinance sets out the unit amounts of the guaranteed bonus,	Public consultation on the draft until September 13, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft affects the District Heating segment by defining the level of the guaranteed unit bonus and the maximum amount of the individual CHP bonus for units participating in the support system for high-efficiency cogeneration

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
	<p>Government Legislation Centre list: 928</p> <p>Draft Regulation of the Minister of Climate and Environment on the granting of public aid for investment in heating (cooling) sources in district heating systems under the National Recovery and Resilience Plan (NRP).</p> <p>Government Legislation Centre list: 930</p>	<p>also for small cogeneration units, and the maximum amount of the individual cogeneration bonus.</p> <p>The intent of issuing the proposed regulation of the Minister of Climate and Environment on granting public aid for investments in heating (cooling) sources in district heating systems under the NRP is to specify the detailed purpose, conditions and procedure for granting public aid for investments under the title B 1.1.1. Investments in heating (cooling) sources in district heating systems under the NRP. In the regulated scope, public aid will be granted to investment projects in heating (cooling) sources in district heating systems, concerning generation of energy in high-efficiency cogeneration and generation of energy from renewable sources, which will allow the development and modernisation of district heating systems for municipal and household purposes.</p>	Public consultation until October 16, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft affects the co-financing of investments in district heating systems from NRP funds. The District Heating segment may become a beneficiary.
	<p>Draft Regulation of the Ministry of Development Funds and Regional Policy on the granting of aid for investment in high-efficiency cogeneration systems and for the promotion of energy from renewable sources under the regional programs for 2021-2027.</p> <p>Government Legislation Centre list: 37</p>	<p>The goal of this regulation is to create the conditions for supporting the social and economic development of the regions by allowing state aid for investment in high-efficiency cogeneration systems and for the promotion of energy from renewable sources under the regional programs for 2021-2027.</p>	Public consultation until October 17, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft establishes the conditions to enable the granting of public aid for investment in high-efficiency cogeneration systems and for the promotion of energy from renewable sources under the regional programs for 2021-2027. The district heating segment can be a beneficiary.
	<p>Draft Regulation of the Minister of Development Funds and Regional Policy on the granting of aid for investments in support of energy efficiency under the regional programs for 2021-2027</p> <p>Government Legislation Centre list: 40</p>	<p>The aim of the regulation is to create the conditions for supporting social and economic development of regions by allowing public aid to be granted for investments leading to the achievement of energy efficiency as part of the regional programs for 2021-2027.</p>	Public consultation until October 17, 2022 .	Analysis of comments submitted in the course of the public consultation.	The draft establishes the conditions for enabling the provision of public aid for investments leading to the achievement of energy efficiency as part of the regional programs for the period 2021-2027. The district heating segment can be a beneficiary.

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	<p>Regulation of the Minister of Development Funds and Regional Policy on the granting of aid for industrial research, experimental development works and feasibility studies under the regional programs for 2021-2027</p> <p>Government Legislation Centre list: 42</p>	<p>The aim of the regulation is to create an aid scheme regulating public aid for industrial research, experimental development and feasibility studies under the regional programs for the period 2021-2027.</p>	<p>Public consultation until October 17, 2022. A table with comments was published on November 2, 2022.</p>	<p>Referred for further work in the committees of the Council of Ministers.</p>	<p>The draft establishes the conditions to allow public aid for industrial research, experimental development and feasibility studies under the regional programs for 2021-2027. The district heating segment can be a beneficiary.</p>
	<p>Regulation of the Minister of Development Funds and Regional Policy on the provision of investment aid for research infrastructure under the regional programs for 2021-2027.</p> <p>Government Legislation Centre list: 38</p>	<p>The Regulation sets out the specific purpose, conditions and procedure for granting investment aid for research infrastructure to businesses under the regional programs for 2021-2027.</p>	<p>Public consultation until October 17, 2022. A table with comments was published on November 2, 2022.</p>	<p>Referred for further work in the committees of the Council of Ministers.</p>	<p>conditions and modalities for granting investment aid for research infrastructure to entrepreneurs under the regional programs for the period 2021-2027. The district heating segment can become a beneficiary.</p>

INTERNATIONAL REGULATORY ENVIRONMENT

Segments	Regulation	Regulation objectives	Latest conclusions	Next stage	Impact on PGE Group
European Green Deal/ Fit for 55 package					
	Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the EU (ETS Directive) as well as implementing and delegated acts, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme (MSR Decision).	Combating climate change. Development of investment incentives through a CO ₂ price signal to develop low-emission sources.	On April 5, 2022 the EP plenary adopted its position on the revision of the MSR decision. On 22 June 2022 , the EP adopted its position on the revision of the ETS Directive at its plenary session, setting a 63% reduction target in the ETS sectors. On June 29, 2022 , the EU Environment Council adopted a general approach to the revision of the ETS Directive. In the general approach to the revision of the IAS decision, also adopted on June 29, 2022 , the Council opted to accept the EC's legislative proposal without making other changes to the parameters of the reserve's operation. The first (July 11, 2022) and second and third (October 10, and November 10, 2022) round of inter-institutional negotiations between the Commission, the EP and the Council took place within the framework of the trilogues, which were inconclusive.	The next round of inter-institutional negotiations (trilogue) are likely to continue until 2023. The deadline to transpose the changes in the ETS directive as stated in the draft is December 31, 2023 .	Increased competitiveness of renewable sources to the detriment of generation assets using high-emission fuels. Increase in operating costs for conventional generation of electricity and heat. Option to obtain direct investment support from the Modernisation Fund and Innovation Fund and partial free allocation of allowances to district heating. The introduction of changes to the mechanism provided for in art. 29a of the ETS Directive may reduce the fluctuations of the price of emission allowances. Another revision of the ETS Directive and MSR decision, through the more ambitious climate goals, is likely to cause a further increase in prices of emission allowances.
	Directive 2018/2001 on the promotion of the use of energy from renewable sources (Renewable Energy Directive).	To adapt legislation related to increased share of renewables in reference to EU's new higher GHG reduction target by 2030.	On June 27, 2022 , the Transport, Telecommunications and Energy Council adopted a general approach on the RES Directive. On July 13, 2022 , the EP's lead committee ITRE adopted the final report on the RES Directive and the final standpoint of the European Parliament was adopted at the plenary session on September 14, 2022 . Inter alia, MEPs adopted a higher overall RES target of 45% and correspondingly higher sector targets. The ITRE committee also	Further works as part of trilogues are on-going on the technical and political level. The proposed deadline for transposing the proposal into national law is December 31, 2024 . With regard to the changes resulting from the REPowerEU communication, further work is in progress in the	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.

adopted the possibility to count electricity from RES towards targets in district heating. **On October 6, 2022**, the first trilogue between the EC, the Council and the EP took place, during which the positions of these institutions were presented.

Additionally, as part of the REPowerEU Communication, the European Commission on **May 18, 2022** presented proposals for additional amendments to the RES Directive as regards the acceleration of administrative procedures and the issuance of decisions for RES installations.

A draft report by Markus Pieper (EPP, DE) rapporteur on this matter in the leading ITRE committee of the European Parliament was published on **September 5, 2022**.

On **November 14, 2022**, the ITRE committee adopted the final report .

Council leading to the adoption of a general approach and in the EP before the vote at the December plenary session.



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 **June 27, 2022**, the Transport, Telecommunications and Energy Council adopted a general approach on the EED Directive.

On **July 13, 2022**, the EP's lead committee ITRE adopted the final report on the EED Directive and the final standpoint of the European Parliament was adopted at the plenary session on **September 14, 2022**. Inter alia, MEPs adopted a higher final energy reduction target of 40% by 2030 and 42.5% for primary energy relative to 2007. Countries would determine binding national contributions and the coefficient for new annual final energy savings was set at 2%. As regards the definitions of high-efficiency cogeneration and efficient district heating or cooling, the EP made no significant changes to the EC proposal.

On October 6, 2022, the first trilogue between the EC, the Council and the EP took place, during which the positions of these institutions were presented .

The on-going trilogues also included a proposal for an additional amendment to the

Further works as part of trialogues are on-going on the technical and political level.



The next trilogue will take place on November 22, 2022. 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 and waste heat in district heating systems.



A higher factor for annual final energy savings, resulting in an increase in burdens on the energy efficiency certificate system.

	<p>Directive 2010/31/EU on the energy performance of buildings (EPBD).</p>	<p>Alignment of legislation related to improving the energy performance of buildings in the EU with respect to the 2050 climate neutrality target and the new higher 2030 EU GHG reduction target.</p>	<p>EED, resulting from the EC's REPowerEU communication of May 18, 2022.</p> <p>On June 6, 2022, MEP Ciarán Cuffe (Greens/EFA, Ireland), rapporteur in the EP's ITRE committee, presented a draft report on the EPBD.</p> <p>On October 25, 2022, the TTE Council adopted a general approach on the EPBD. According to the Council's position, newly built residential buildings will have to be zero-carbon from 2030, and this requirement by 2050 will also apply to those built earlier. The maximum primary energy consumption of new buildings will, as a rule, be determined at member state level, with the stipulation that states will determine the trajectory of primary energy reduction for existing buildings.</p> <p>Further work in the EP and the Council's general approach take into account the proposals for additional amendments to the EPBD outlined within the European Commission's REPowerEU communication of May 18, 2022.</p>	<p>The legislative proposal was sent for further work at the Council and the European Parliament. The report is scheduled to be voted on in the ITRE committee on November 29, 2022. The vote in the EP plenary is tentatively set for December 12, 2022. The date for transposition of the Directive into national law is not specified in the published draft.</p>	<p>Greater competitiveness of renewable energy sources as a heat source in buildings.</p> <p>Reduction in the heat demand of buildings due to improved energy performance.</p> <p>Faster rate of displacement of fossil fuels in the heating sectors, including district heating.</p> <p>Potential inhibition of growth of existing district heating systems due to proposed requirements for new and modernised buildings.</p>
	<p>Alternative Fuels Infrastructure Regulation (AFIR Regulation).</p>	<p>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.</p>	<p>On June 2, 2022, the Transport, Telecommunications and Energy Council adopted a general approach on the AFIR Regulation.</p> <p>On 3 October 2022, the EP's lead Committee on Transport and Tourism (TRAN) adopted its final report on the AFIR regulation. MEPs on the TRAN committee adopted more ambitious targets for the development of electromobility than originally proposed by the EC, as well as a greater consideration of the role and impact on distribution system operators.</p> <p>The EP plenary vote on the position on the AFIR regulation took place on October 19, 2022.</p> <p>On October 27, 2022, the first trilogue took place between the EC, the Council and the EP, during which the positions of the institutions were presented.</p>	<p>After the first trilogue, work was directed to the technical level. The next trilogue will take place on November 30, 2022.</p>	<p>The necessity to prepare the power grid to perform obligations resulting from the AFIR Regulation in the distribution area.</p>

	<p>Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control).</p>	<p>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.</p>	<p>On April 5, 2022 the EC presented draft amendments to the Directive. The EC proposes:</p> <ul style="list-style-type: none"> ▪ a change of rules for determining BAT emission thresholds, including the need to justify the achieved 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. <p>A preliminary draft report in the Environment, Public Health and Food Safety (ENVI) Committee was presented on November 14, 2022.</p>	<p>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 ENVI committee is expected to propose amendments to the report by December 7, 2022. The ENVI committee's position is likely to be voted on April 25, 2023. A plenary vote in the EP is expected in May 2023.</p>	<p>The entry into force of the proposed solutions may result in additional capital expenditures being incurred in the Conventional Generation and District Heating segments.</p>
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The regulations concerning the financial perspective 2021-2027 and financing for sustainable economic growth

	<p>The Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment, changing the regulation (EU) 2019/2088 (the Taxonomy Regulation)</p>	<p>Facilitation of funding for sustainable economic growth in EU.</p>	<p>On February 2, 2022 the EC unveiled a delegated act setting out detailed technical screening criteria for the use of nuclear power and gas. On March 9, 2022, the European Commission officially adopted this delegated act.</p> <p>On June 14, 2022, the ECON and ENVI committees voted a resolution for the EP to reject the delegated act. However, the resolution was rejected when the EP plenary voted on July 6, 2022.</p>	<p>The delegated regulation will apply from January 1, 2023.</p>	<p>Impact on availability and cost of funding obtained by PGE Group companies for investments. Direct impact on raising external capital for investments in condensation and high-efficiency gas-fired cogeneration, depending on the locations and meeting criteria established by an additional delegated act.</p> <p>The obligation to include information on the share in the trade, CAPEX and</p>
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<p>and Delegated Regulation 2022/1214 specifying technical screening criteria for nuclear and gas power.</p>	<p>On July 11, 2022, the deadline for the EP and Council to object expired. In the Council, the delegated act was also not blocked. On July 15, 2022, Delegated Regulation 2022/1214, setting out technical screening criteria for nuclear and gas power, was published in the Official Journal of the EU.</p>	<p>OPEX of environmentally sustainable activities in the statement on non-financial information or consolidated statement on non-financial information. Compliance with the "no significant harm" principle will be an additional criterion for the assessment of investment projects under EU financial instruments.</p>		
	<p>Directive of the European Parliament and of the Council on corporate sustainability due diligence and amending Directive (EU) 2019/1937 (CSDD). To establish a framework that encourages companies to contribute to the pursuit of respect for human rights and environmental legislation in their operations and through their value chains.</p>	<p>On February 23, 2022, the EC presented a legislative proposal for a directive on corporate sustainability due diligence. The EC proposes:</p> <ul style="list-style-type: none"> ▪ the need to identify current and potential negative environmental and human rights impacts resulting from the company's activities and, in the case of the value chain, from the activities of the established business relationship of a given entity, ▪ the need to take appropriate measures to prevent, or where prevention is not possible or immediate, to adequately mitigate potential negative impacts on human rights and the environment arising from the company's activities and its subsidiaries and, in the case of the value chain, from the activities of the established business relationship. ▪ The lead committee in the EP is the Law Committee on Legal Affairs (JURI). 	<p>Working discussions will continue in the Council on the proposal for this directive. The EP position is expected to be finalised in the second quarter of 2023. Agreement on the general approach in the Council is expected between the fourth quarter of 2022 and the first quarter of 2023.</p>	<p>Increasing reporting obligations for PGE Group's value chain in terms of environmental and human rights impacts. Incorporating the due diligence policy on sustainability in the activities of the entire PGE Group.</p>
	<p>Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Adding specific chapters to the NRP covering new reforms and investments to achieve REPowerEU objectives.</p>	<p>On May 18, 2022, the EC presented a legislative proposal to amend the Regulation establishing the Reconstruction and Resilience Facility (RRF). On October 3, 2022, the ENVI committee adopted its opinion on the regulation amending the RRF regulation indicating that the €20 billion for REPowerEU distributions in the NRP should be raised entirely from the sale of allowances from the Member</p>	<p>Further work on the EP position will take place in October-November 2022. Trilogues are planned for November and December 2022. The regulation should enter into force in</p>	<p>The possibility of raising funds from the NRP for PGE Group's investments.</p>

<p>Regulation (EU) 2021/1060, Regulation (EU) 2021/2115, Directive 2003/87/EC and Decision (EU) 2015/1814.</p>	<p>State auction pool foreseen for 2027-2030 - with a deadline for sales by the end of 2025. On October 4, 2022, the Council reached agreement on a general approach regarding amendments to the RRF Regulation. According to the general approach:</p> <ul style="list-style-type: none"> ▪ The €20bn for the REPowerEU allocation in the NRP will come from the early sale of allowances from the Innovation Fund (EUR 15 billion) and from the Member States' auction pool (EUR 5 billion); these allowances are to be sold by the end of 2026, ▪ the scope of investments that can be financed under the REPowerEU chapter of the NRP has been expanded to include bottlenecks in the case of distribution and energy efficiency in the case of critical energy infrastructure, ▪ the allocation key has been changed in relation to the RRF Regulation, ▪ introduced the possibility for the EC to pay advances of 15% of the amount requested by a Member State to finance the REPowerEU chapter of the NRP. <p>On October 25, 2022, the Committee on Budgets (BUDG) and ECON adopted the EP's position regarding new RRF chapters within REPowerEU. According to this position:</p> <ul style="list-style-type: none"> • an advance of 20% of the amount per Member State was introduced; • investments started after January 31, 2022 were financed; • it was decided that at least 35% of the funding received by a Member State should be allocated to actions with a cross-border or multinational dimension; • the scope of investments that can be supported has been extended to 	<p>January or February 2023.</p>
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include investments that increase energy storage capacity.

Regulations introducing changes on the electricity market in the EU



Council Regulation on emergency intervention to address high energy prices.

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

On **September 9, 2022**, at an extraordinary meeting, the TTE Council called on the EC to propose measures to improve the energy market.

On **September 14, 2022**, the EC presented a draft Council regulation (pursuant to Article 122 TFEU).

On **September 30, 2022**, the TTE Council reached a political agreement on this regulation.

On **October 6, 2022**, the TTE Council formally adopted the regulation by qualified majority.

On **October 7, 2022**, Council Regulation 2022/1854 on emergency intervention to address high energy prices was published in the EU Official Journal. It entered into force the day after publication.

This regulation introduces an obligation to reduce electricity consumption, a cap on the market revenues that some producers earn from electricity generation and requires Member States to redistribute these funds in a targeted manner to end users.

The regulation also allows Member States to use public intervention to set prices for the supply of electricity to households and small and medium-sized businesses and introduces provisions for a temporary solidarity levy on EU companies operating mainly in the oil, gas, coal and refinery sectors.






From **December 1, 2022**, there will be a requirement to apply key articles of the regulation concerning the revenue cap for energy companies and the reduction of electricity consumption.

A draft electricity market reform is expected to be published **in H1 2023**.

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

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	20 wind farms 5 photovoltaic power plants 29 run-of-river hydro power plants 4 pumped-storage power plants, including 2 with natural flow	297 716 kms of distribution lines	-
Installed capacity electricity/heat	12 852 MWe/844 MWt	2 608 MWe/6 919 MWt	2 416 MWe/-	-	-
Electricity volumes¹	Net electricity generation 14.55 TWh	Net electricity generation 0.88 TWh	Net electricity generation 0.60 TWh	Electricity distribution volume 8.93 TWh	Sales to final off-takers 8.24 TWh ²
Heat volumes¹	Heat production (net) 0.43 PJ	Heat production (net) 3.85 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 Presented data regard Q3 2022.

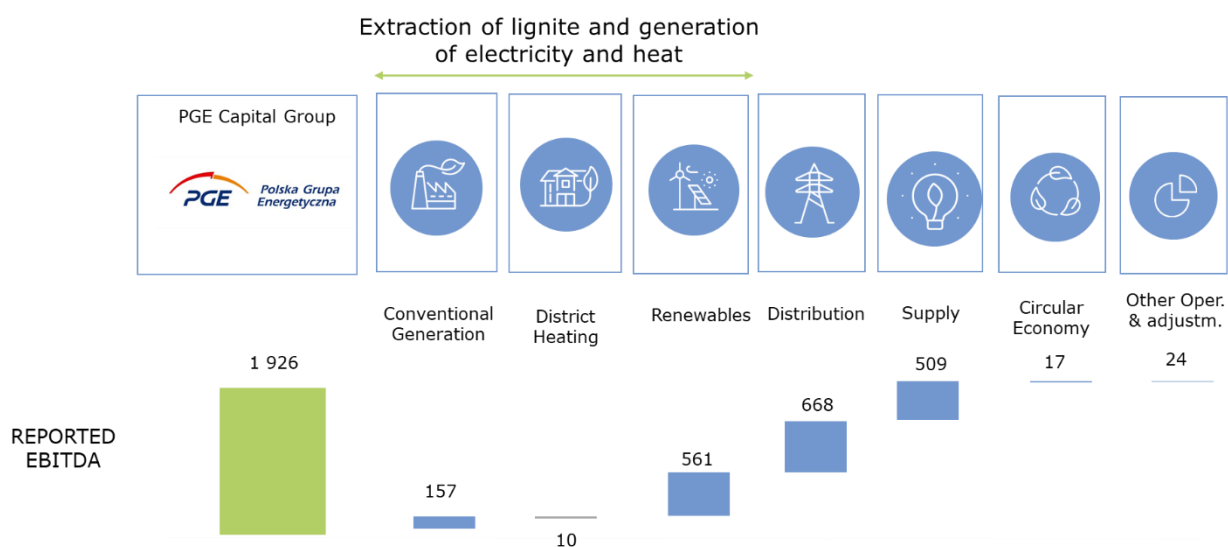
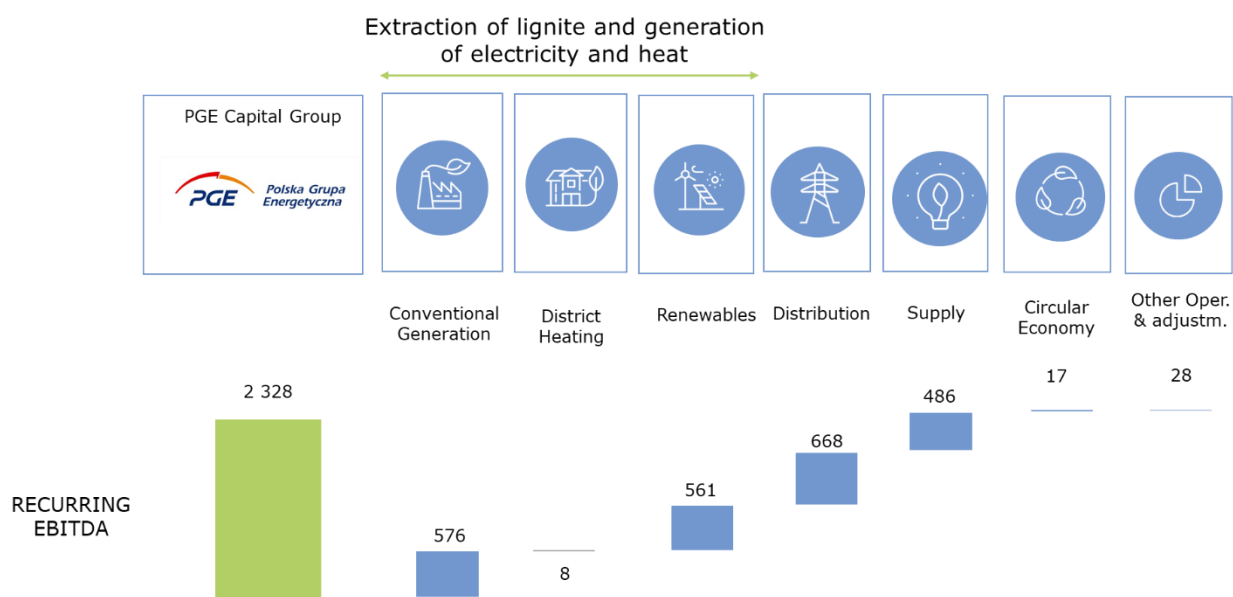
² Data for PGE Obrót S.A.

3.2. PGE Group's key financial results

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

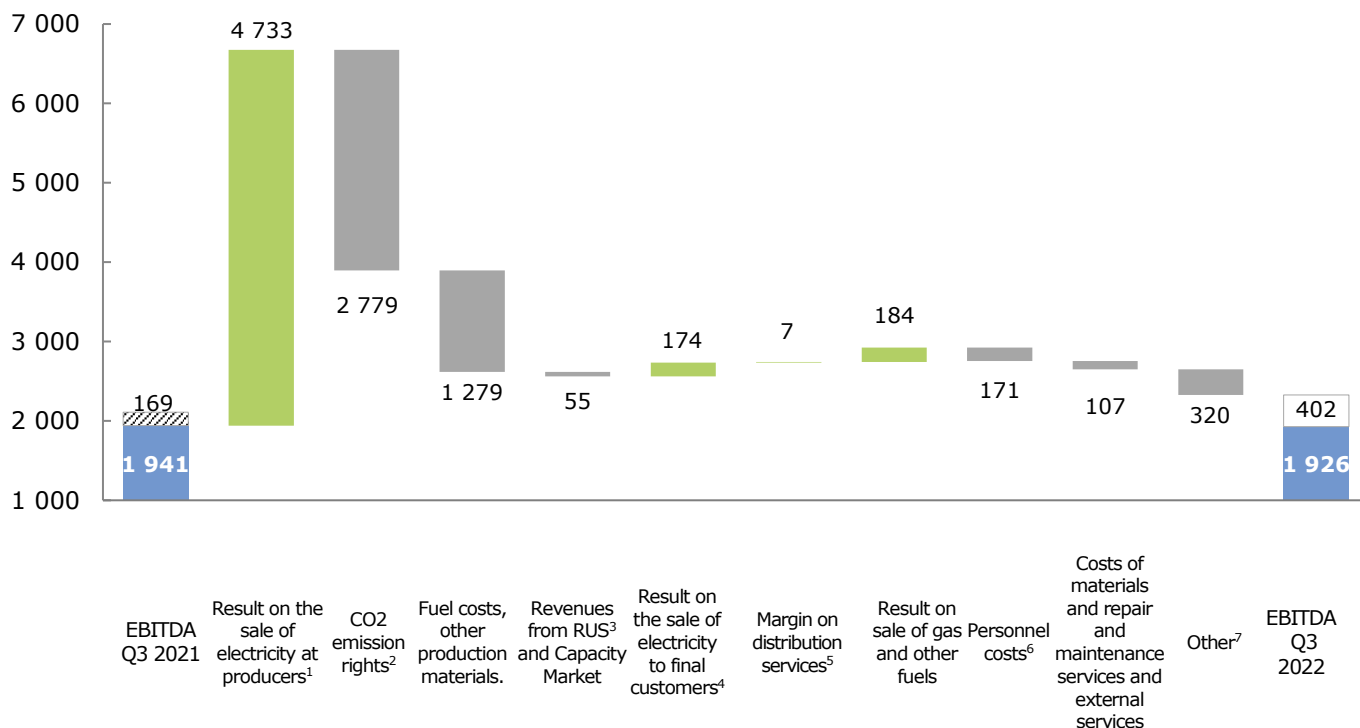
PGE Group's consolidated results are composed of the financial results of each of its operating segments. The Distribution segment, Conventional Generation segment, Renewables segment and Supply segment made the largest contribution to the Group's recurring EBITDA for the third quarter of 2022, participating respectively in 29%, 25%, 24% and 21% of the result. Other segments have an insignificant share in recurring 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).



Change	4 733	-2 779	-1 279	-55	174	7	184	-171	-107	-320	
Reported EBITDA Q3 2021	2 110										
One-off/ temporary items Q3 2021	169										
Recurring EBITDA Q3 2021	1 941	4 826	2 357	1 158	784	281	1 080	-8	1 226	830	549
Recurring EBITDA Q3 2022		9 559	5 136	2 437	729	455	1 087	176	1 397	937	229
One-off/ temporary items Q3 2022											-402
Reported EBITDA Q3 2022											1 926

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

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

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

Change in comparison to the values presented in Q3 2021 - in accordance with the amendments to IAS 16, energy output at the new unit of the Turów power plant in the period from synchronisation to the start of trial operation was taken into account.

² Adjusted for result on resale of CO2 emission rights, that was caused due to reductions by PSE S.A. and trading activities, and result on forward contracts. Presentation change in comparison to the values presented in Q3 2021 - CO₂ costs included, except for electricity and heat production.

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.

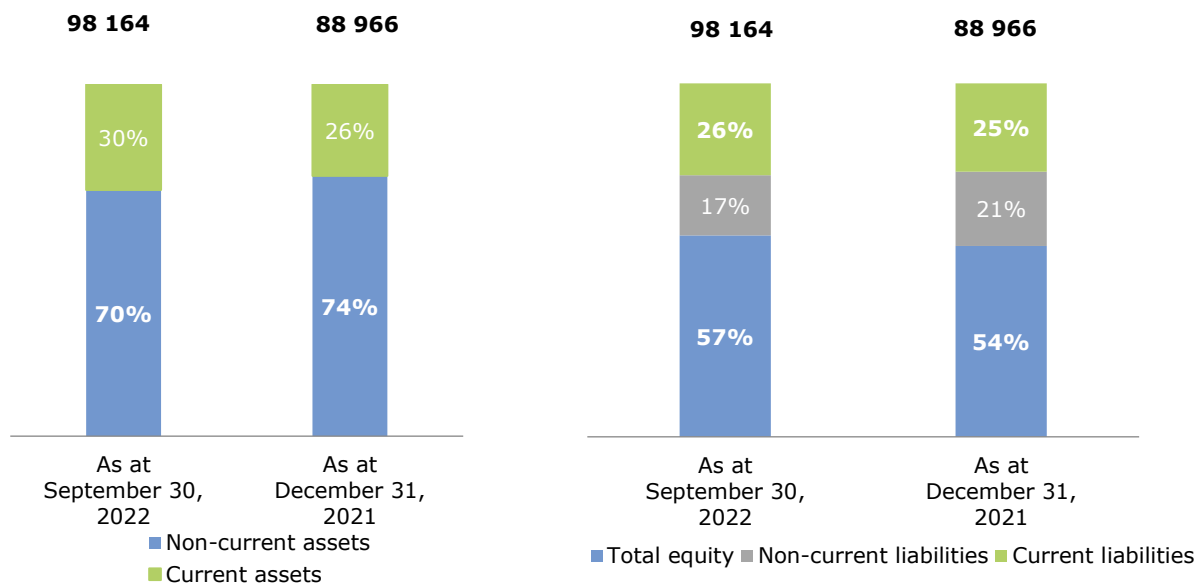
⁶ The item Personnel costs excluding impact of change in actuarial provision and Voluntary Leave Program (one-offs).

⁷ Change in Other mainly due to lower result in other operating activities - higher write-downs on trade receivables and higher provisions for doubtful future receivables in retail sale companies.

Other without including the impact of change of the reclamation provision, provision for prosumers and LTC compensations (one-offs) and result on rollover of transactions hedging the price of emission allowances (temporary item).

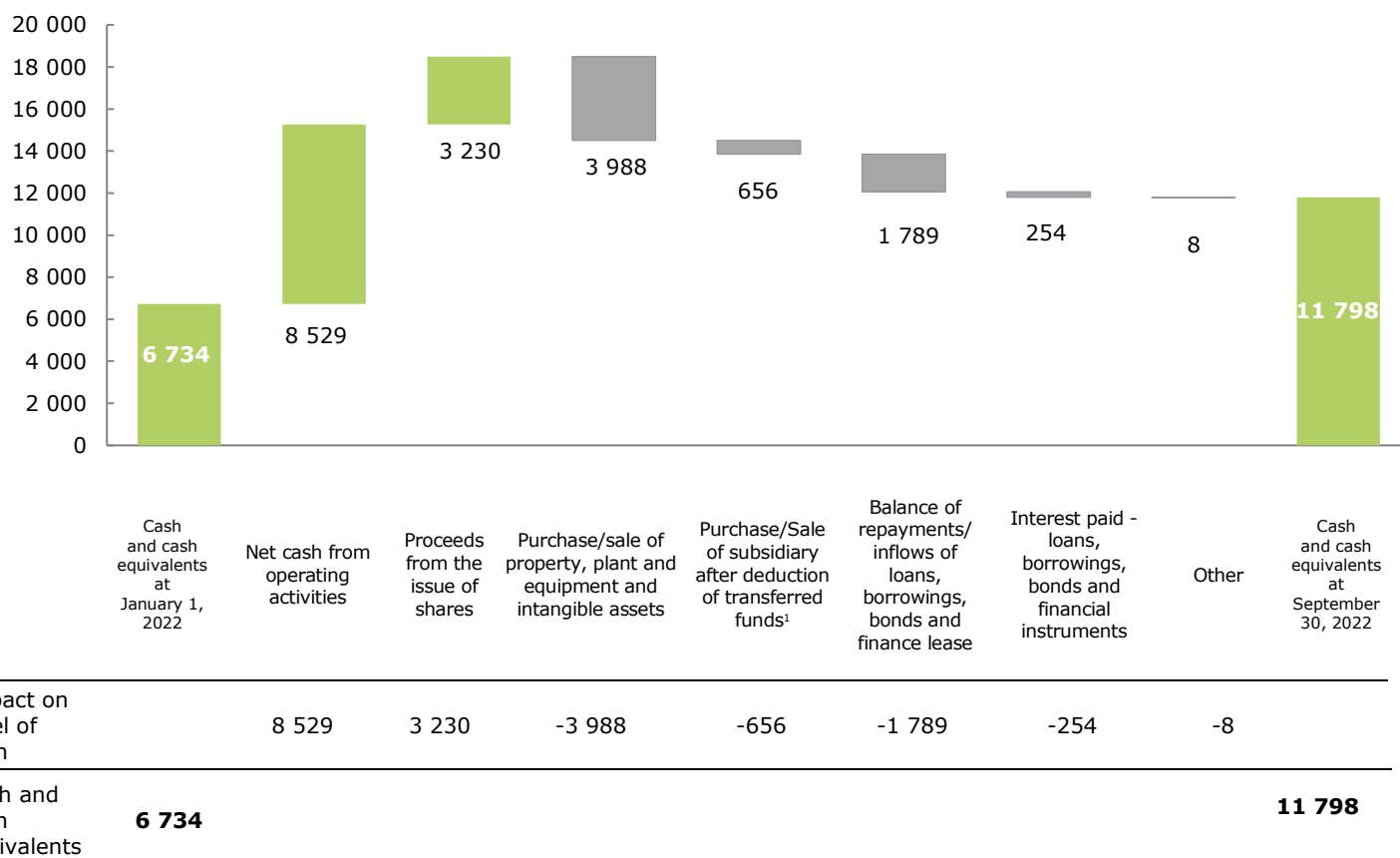
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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



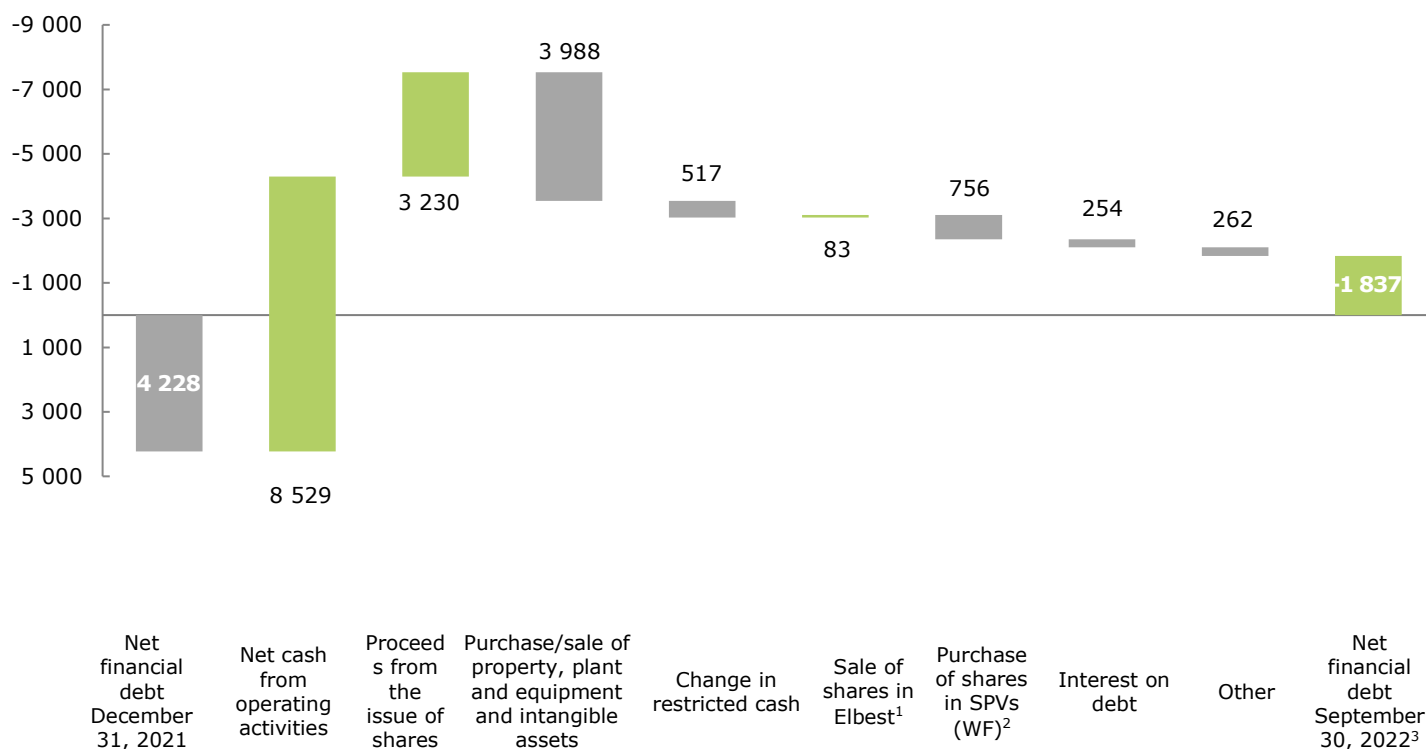
CONSOLIDATED STATEMENT OF CASH FLOWS

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



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

Chart: Net debt (in PLN million).



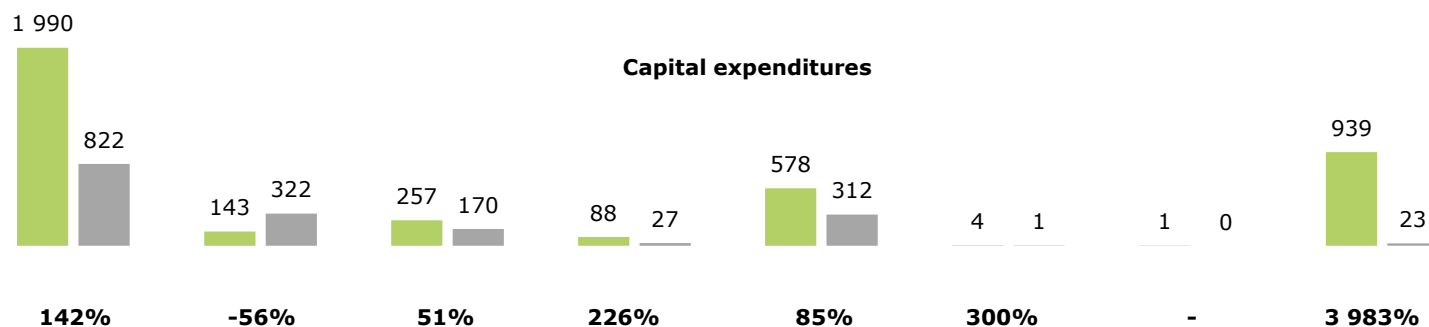
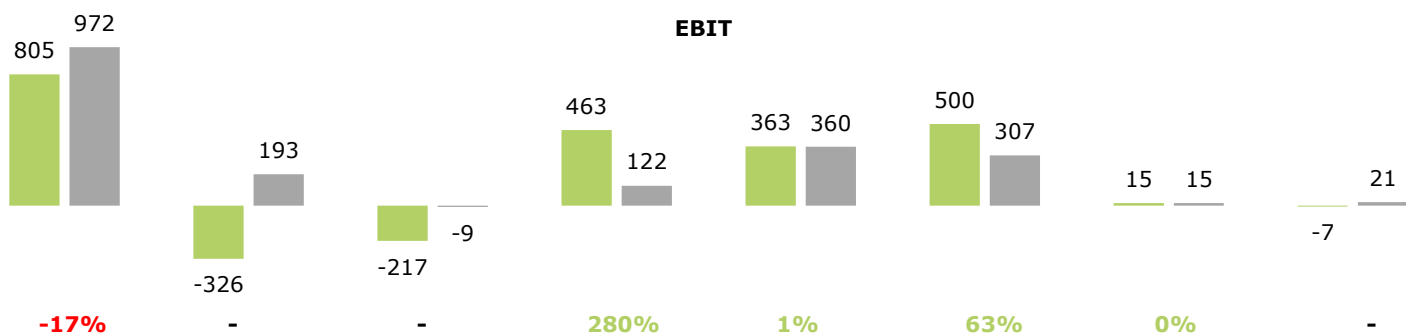
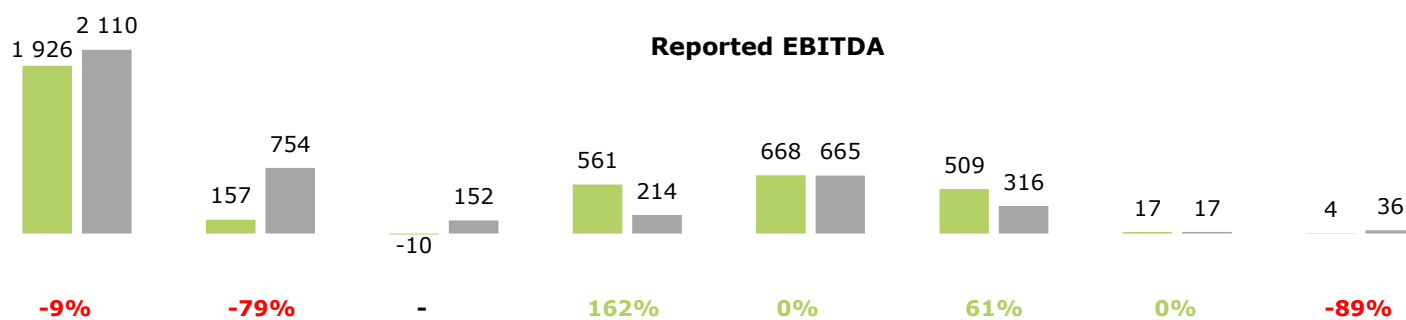
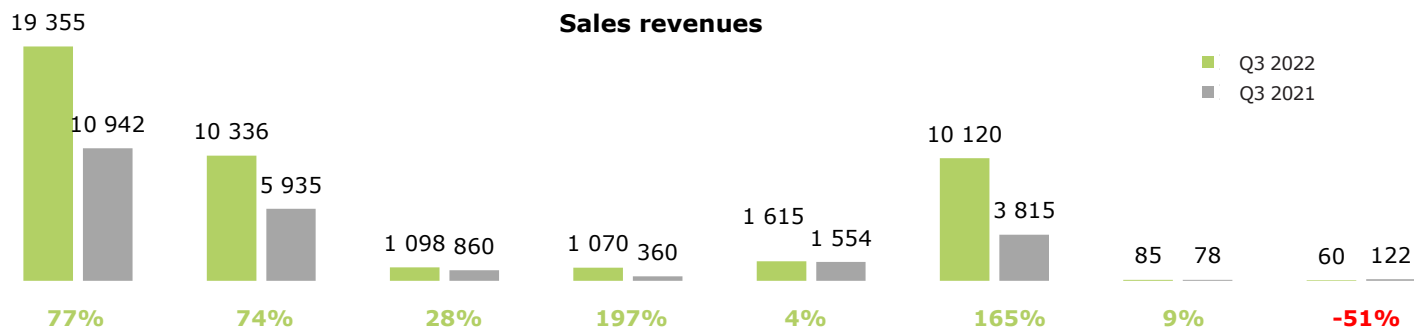
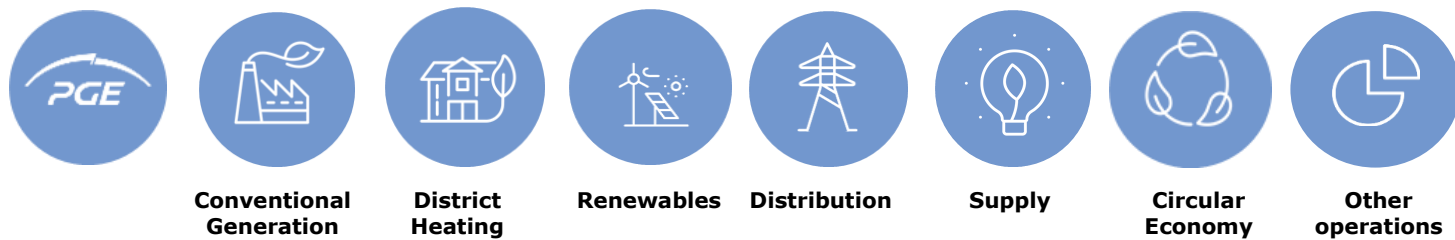
Impact on level of net debt									
		-8 529	-3 230	3 988	517	-83	756	254	262
Financial net debt	4 228								-1 837

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

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

³ Estimated level of net economic financial debt (taking into account forward payment for CO₂ emission rights) amounts to PLN 11 140m WF-wind farms.

KEY RESULTS IN BUSINESS SEGMENTS (IN PLN MILLION)



BALANCE OF ENERGY OF PGE CAPITAL GROUP

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

Sales volume	Q3 2022	Q3. 2021	% change	Q1-Q3 2022	Q1-Q3 2021 ²	% change
A. Sales of electricity outside the PGE Capital Group:	24.49	27.28	-10%	74.71	79.86	-6%
▪ Sales to end-users ¹	8.26	9.17	-10%	25.72	27.92	-8%
▪ Sales on the wholesale and balancing market	16.23	18.11	-10%	48.99	51.94	-6%
B. Purchases of electricity from outside of PGE Group (wholesale and balancing market)	9.40	10.40	-10%	28.92	31.78	-9%
C. Net production of electricity in units of PGE Capital Group	16.02	17.60	-9%	48.34	50.72	-5%
D. Own consumption DSO, lignite mines, pumped-storage power plants (D=C+B-A)	0.93	0.72	29%	2.55	2.64	-3%

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

² In accordance with the amendments to IAS 16 data for 9M 2021 were adjusted - energy output at the unit no. 7 at the Turów power plant in the period from synchronisation to the start of trial operation was taken into account.

The total volume of purchased and generated electricity is higher than the volume of electricity sold. The difference presented in point D results from the necessity to cover grid losses in the distribution business (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 three quarters 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, who tend to diversify energy sources (mainly renewables).

Table: Net production of electricity (TWh).

Production volume	Q3 2022	Q3. 2021	% change	Q1-Q3 2022	Q1-Q3 2021 ¹	% change
ELECTRICITY PRODUCTION IN TWh, including:	16.02	17.60	-9%	48.34	50.72	-5%
Lignite-fired power plants	10.01	9.73	3%	29.88	27.49	9%
including co-combustion of biomass	0.00	0.00	-	0.00	0.00	-
Coal-fired power plants	4.54	6.09	-25%	11.20	14.90	-25%
including co-combustion of biomass	0.00	0.01	-100%	0.00	0.02	-100%
Coal-fired CHP plants	0.59	0.52	13%	3.00	3.09	-3%
including co-combustion of biomass	0.00	0.00	-	0.00	0.00	-
Gas-fired CHP plants	0.28	0.63	-56%	1.89	3.09	-39%
Biomass-fired CHP plants	0.00	0.12	-100%	0.18	0.27	-33%
Communal waste-fired CHP plants	0.01	0.01	-	0.03	0.03	0%
Pumped-storage power plants	0.25	0.14	79%	0.68	0.50	36%
Hydroelectric plants	0.06	0.09	-33%	0.32	0.37	-14%
Wind power plants	0.28	0.27	4%	1.16	0.98	18%
including RES generation	0.35	0.50	-30%	1.69	1.67	1%

¹ In accordance with the amendments to IAS 16 data for 9M 2021 were adjusted - energy output at the new unit of the Turów power plant in the period from synchronisation to the start of trial operation was taken into account in volume of 0.18 TWh.

The level of electricity production in the three quarters of 2022 was 5% lower compared to three quarters of 2021. Generation at lignite-fired power plants was higher by 2.4 TWh. The increase in production at the Turów power plant is the result of higher generation from new unit no. 7, which

was still being synchronized with the National Power System in the first half of 2021 and operated in trial run. Additionally, more energy was produced by unit no. 6, which in three quarters of 2021 remained longer in overhaul (extended medium overhaul of the unit no. 6 lasted from March to June 2021). Higher production at the Bełchatów Power Plant is the result of higher average load factors of units 2-14 by 15 MW, i.e. by 5%.

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

Higher production in pumped storage power plants (+0.2 TWh) results from the nature of the operation of the generating units, which were used to a greater extent by PSE S.A. in the first half of 2022.

Lower production in hard coal-fired power plants (-3.7 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 7 987 h at Opole power plant and by 6 910 h for units 3-8 at Rybnik power plant.

Lower generation from gas-fired CHP plants (-1.2 TWh) is mainly a consequence of lower generation at Lublin Wrotków CHP plant due to a unit failure in December 2021 lasting until February 2022 and lower profitability of production due to market conditions.

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

A few percent drops in production were recorded in coal-fired CHP plants. Lower production in biomass CHP plants due to repairs in Szczecin CHP in the third quarter of 2022.

HEAT PRODUCTION

Table: Net production of heat (PJ).

Heat production volume	Q3 2022	Q3. 2021	% change	Q1-Q3 2022	Q1-Q3 2021	% change
Net production of heat in PJ, including:	4.28	4.32	-1%	34.85	37.31	-7%
Lignite-fired power plants	0.35	0.37	-5%	1.81	1.96	-8%
Coal-fired power plants	0.08	0.08	0%	0.46	0.46	0%
Coal-fired CHP plants	3.13	2.83	11%	25.98	26.42	-2%
Gas-fired CHP plants	0.57	0.72	-21%	5.04	6.91	-27%
Biomass-fired CHP plants	0.01	0.29	-97%	1.12	1.38	-19%
CHP plants fuelled by municipal waste	0.10	0.01	900%	0.25	0.07	257%
Other CHP plants	0.04	0.02	100%	0.19	0.11	73%

External temperatures contributed more than any other factor to lower net generation of heat in 2022 (y/y). The average temperatures in the three quarters of 2022 were by 1.3°C higher y/y, which translated into decreased production of heat.

HEAT SALES

In the third quarter of 2022 the heat sales volume in PGE Capital Group totalled 4.03 PJ and was lower by 0.02 PJ y/y.

For three quarters of 2022, the volume of heat sold in the PGE Group amounted to 33.79 PJ and was lower by 2.37 PJ y/y. The above result was caused mainly by lower demand for heat due to the higher average outside temperatures than in 2021.

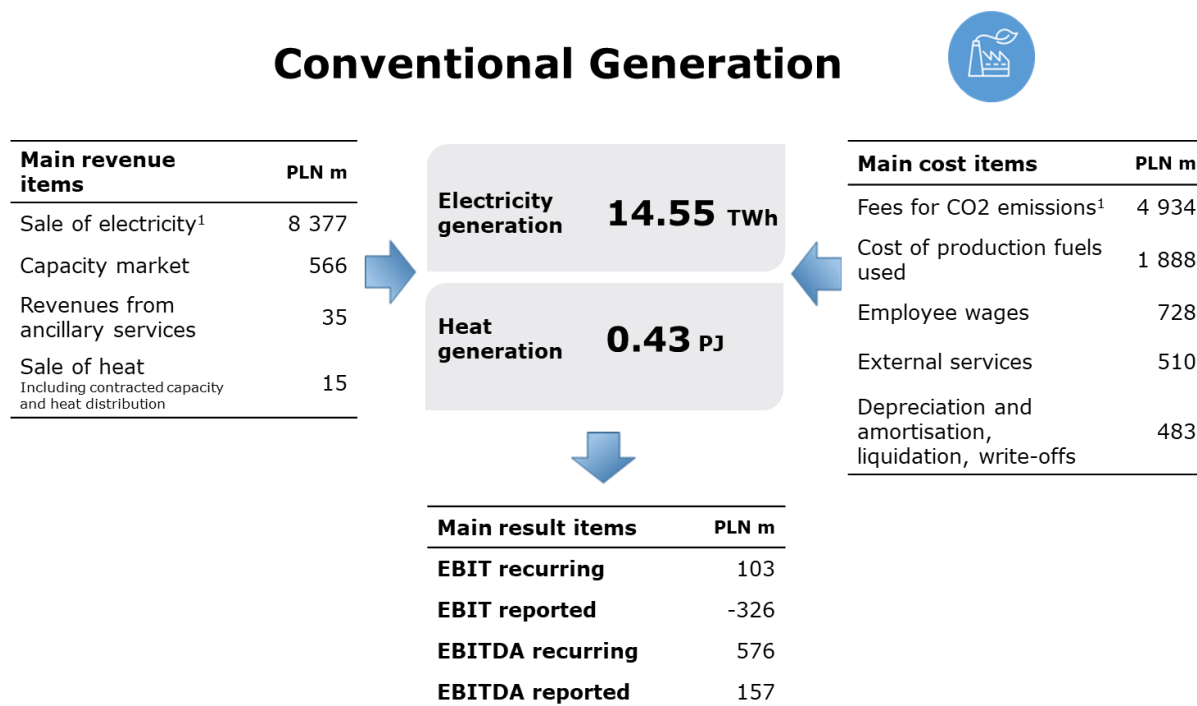
3.3. Operational segments

CONVENTIONAL GENERATION

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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

The data presented below relate to the third quarter of 2022.



¹ managerial perspective

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

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

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

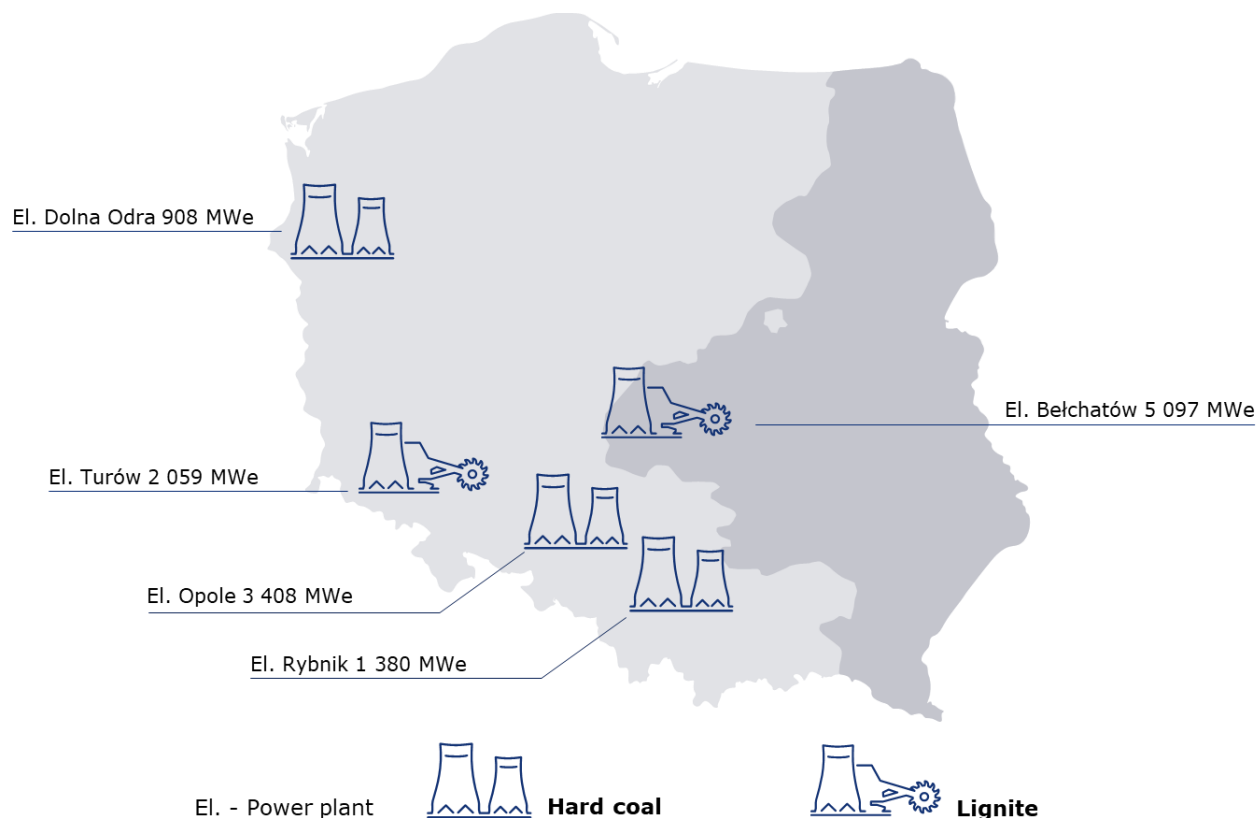
From July 1, 2021 the Szczecin CHP plant and Pomorzany CHP plant and the heat grid in Gryfino have been incorporated into the structures of District Heating segment.

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%⁴ of domestic extraction), it is also the largest generator of electricity as it generates approx. 41%⁵ 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.

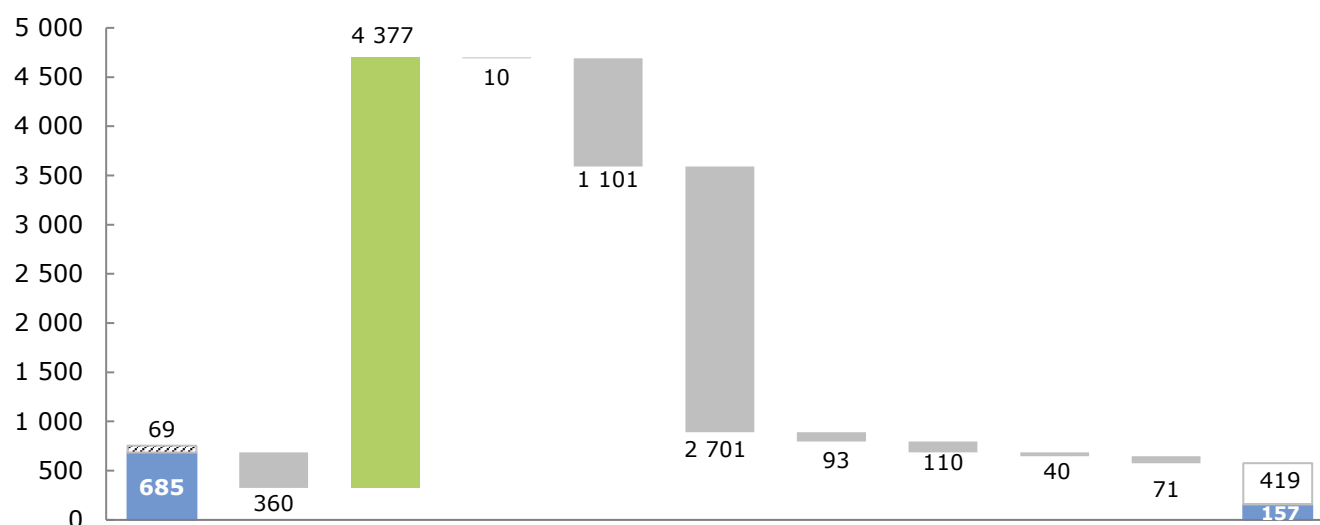


⁴ Own calculations based on data from Central Statistical Office of Poland.

⁵ 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 Q3 2021	Electricity production - volume ¹	Electricity production - price ¹	Capacity Market ²	Costs of fuel	Costs of CO ₂ ³	Costs of ZHZW ⁴	Personnel expenses ⁵	Repair and maintenance costs	Other ⁶	EBITDA Q3 2022
Change		-360	4 377	-10	-1 101	-2 701	-93	-110	-40	-71	
Reported EBITDA Q3 2021	754										
One-off/ temporary items Q3 2021	69										
Recurring EBITDA Q3 2021	685	4 360		576	787	2 233	228	618	129	256	
Recurring EBITDA Q3 2022		8 377		566	1 888	4 934	321	728	169	327	576
One-off items Q3 2022											-419
Reported EBITDA Q3 2022											157

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

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

¹ Change in comparison to the values presented in Q3 2021 - in accordance with the amendments to IAS 16, energy output at the new unit of the Turów power plant in the period from synchronisation to the start of trial operation was taken into account.

² Managerial perspective.

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

Presentation change in comparison to the values presented in Q3 2021 –CO₂ costs included, except for electricity and heat production

⁴ ZHZW – Agreement for Commercial Management of Generation Capacities.

⁵ The item Personnel costs excluding impact of change in actuarial provision (one-off).

⁶ Other without including the impact of change of the reclamation provision (one-off) and result on rollover of transactions hedging the price of emission allowances (temporary item).

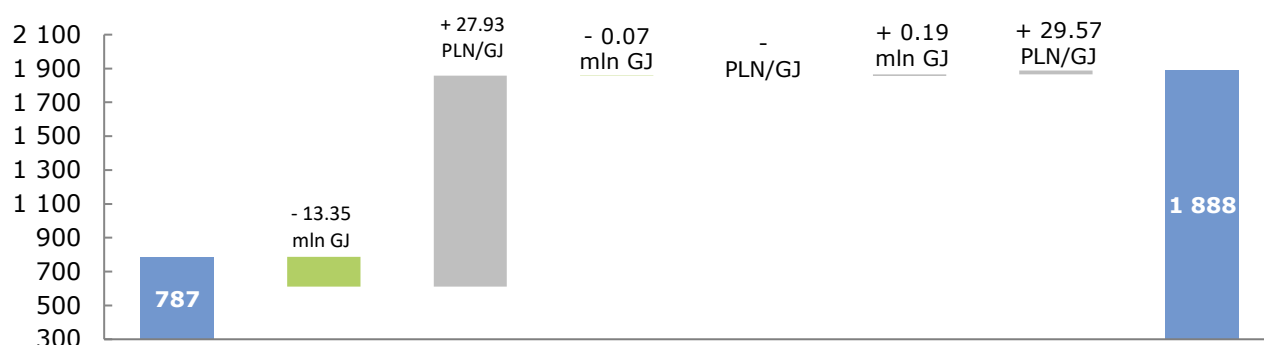
Table: Data on one-off and temporary items in Conventional Generation segment (PLN m).

One-off and temporary items	Q3 2022	Q32021	% change
Change in the reclamation provision	-419	-516	-19%
Change in the actuarial provision	-	15	-
Rollover of transactions hedging the price of emission allowances - temporary item	-	570	-
Total	-419	69	-

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

- **Increase in revenues from the sale of electricity**, which results from: higher average selling price of electricity by PLN 306/MWh y/y, which translated into an increase in revenues by approx. PLN 4 377 million; lower sales volume by 1.3 TWh, which resulted in a decrease in revenues by approx. PLN 360 million.
- **Low result obtained from the Capacity Market** as a result of as a result of lower rates, which was mostly compensated by higher sales and an increase in the share of PGE GiEK S.A. in the breakdown of costs and benefits (especially in the context of the exclusion from the division in 2022 of gas units of the District Heating segment, due to their cogeneration support).
- **Higher fuel consumption costs**, mainly hard coal, due to the much higher fuel price. 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 CO₂ costs** as a result of higher average cost of CO₂ by PLN 174/t CO₂. Main changes are shown in the chart below.
- **Higher ZHZW** (Commercial Management of Generation Capacities) **costs** results from higher value of energy under management due to higher average electricity price.
- **Higher personnel expenses** mainly in connection with the implementation of agreements concluded with the social party.
- **Higher repair and maintenance costs**, mainly due to higher costs of consumables, including diesel oil, and as a result of higher rates for external services.
- **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.

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

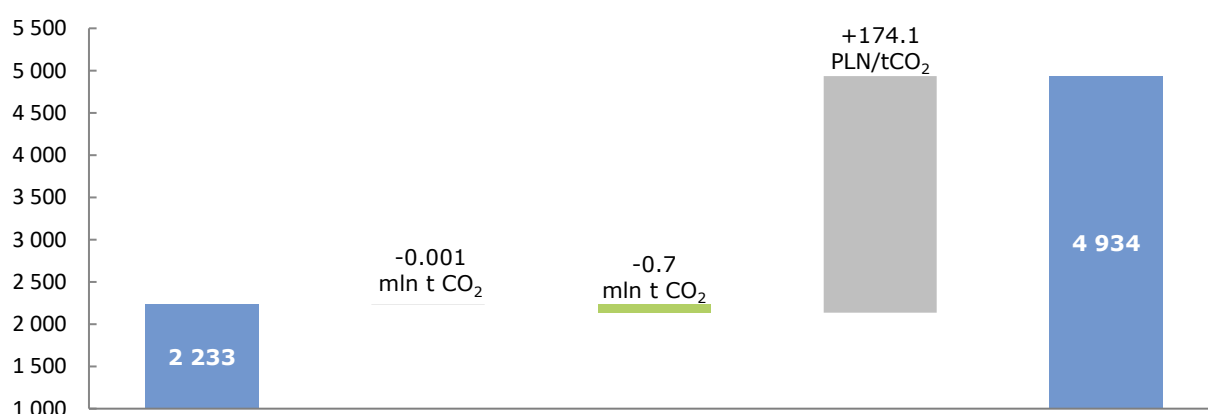


	Cost of fuels Q3 2021	Hard coal volume	Hard coal price	Biomass volume	Biomass price	Light and heavy oil volume	Light and heavy oil price	Cost of fuels Q3 2022
Change		-175	1 246	-2	0	9	23	
Cost of fuels Q3 2021	787	761		2		24		
Cost of fuels Q3 2022		1 832		0		56		1 888

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

Fuel type	Q3 2022		III kw. 2021	
	Volume (tons ths)	Cost (PLN million)	Volume (tons ths)	Cost (PLN million)
Hard coal	2 059	1 832	2 608	761
Biomass	0	0	4	2
Fuel oil – light and heavy	17	56	12	24
Total		1 888		787

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



	CO ₂ costs Q3 2021	Allocation of free allowances for CO ₂ emissions	CO ₂ emission	Average CO ₂ costs	CO ₂ costs Q3 2022
Change		0	-97	2 798	
CO ₂ costs Q3 2021	2 233				
CO ₂ costs Q3 2022					4 934

Table: Data on CO₂ costs in Conventional Generation.

Data regarding CO ₂	Q3 2022	Q3 2021	% change
Allocation of free allowances for CO ₂ emissions (tons)	16 079	16 884	-5%
CO ₂ emission (tons)	16 085 068	16 813 488	-4%
Average CO ₂ costs (PLN/t CO ₂) ¹	307.05	132.94	131%

¹ Managerial perspective.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Conventional Generation segment.

PLN m	Q3 2022	Q3 2021	% change
Investments in generating capacities, including:	126	315	-60%
Development	0	74	-100%
Modernisation and replacement	126	241	-48%
Other	17	7	143%
Total	143	322	-56%

KEY EVENTS IN THE CONVENTIONAL GENERATION SEGMENT

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

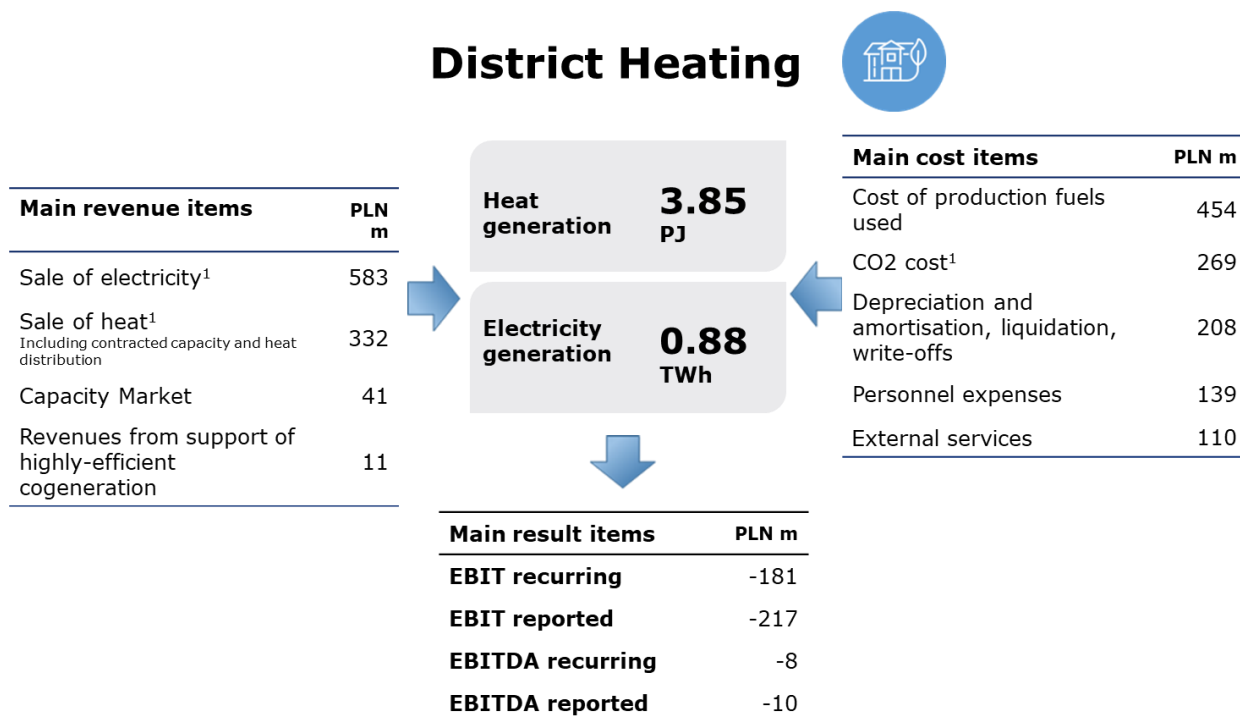
- On July 8, 2022, a contract for the deployment of a boiler plant with two steam generators at the **Rybnik power plant** was started by the contractor - Zakład Automatyki Przemysłowej INTEC sp. z o.o.
- On August 21, 2022, the flue gas desulphurisation (FGD) system at unit 8 at the **Bełchatów power plant** was turned off for inspection, cleaning and condition assessment of the sprinkler system.
- In August 2022, as part of the construction of a wastewater treatment plant at the **Turów power plant**, pressure testing of the installation of three lines (ultrafiltration and reverse osmosis) was carried out and the handover of individual equipment at Site A commenced.
- On September 22, 2022, a 14-day trial run of the SNCR (flue gas purification technology - selective non-catalytic reduction) system at unit 9 at the **Bełchatów power plant** was started.
- On September 27, 2022, a report on warranty measurements of FGD 5 and 6 at the **Bełchatów power plant** was received and the achievement of the main technical parameters of desulphurisation efficiency was confirmed.

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.

The data presented below relate to the third quarter of 2022.



¹ managerial perspective

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

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

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

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.

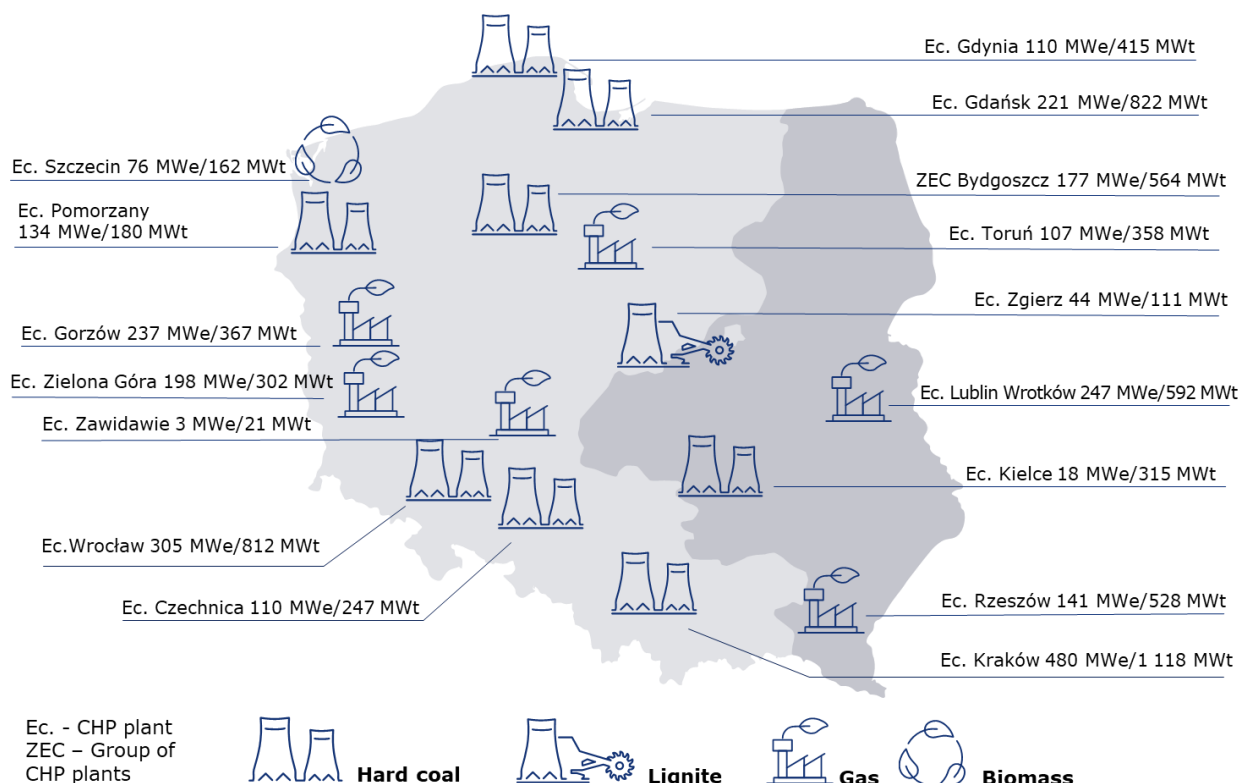
ASSETS

The following companies are 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.

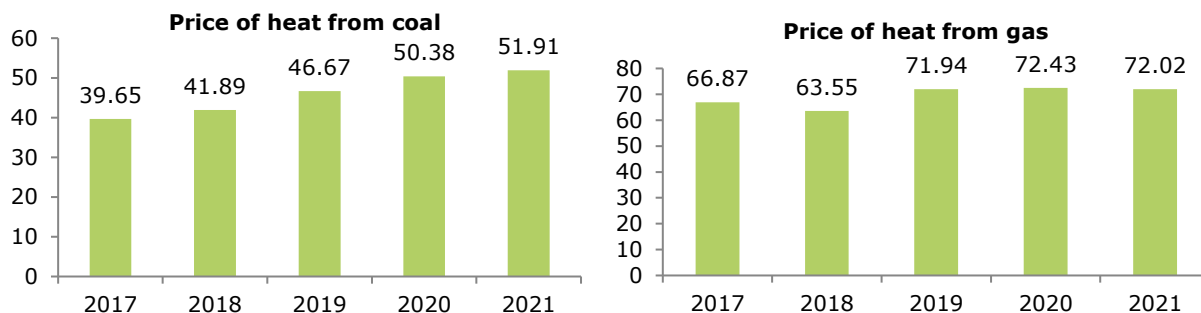
Diagram: Main assets of the District Heating segment and their installed capacity.



TARIFFS IN DISTRICT HEATING

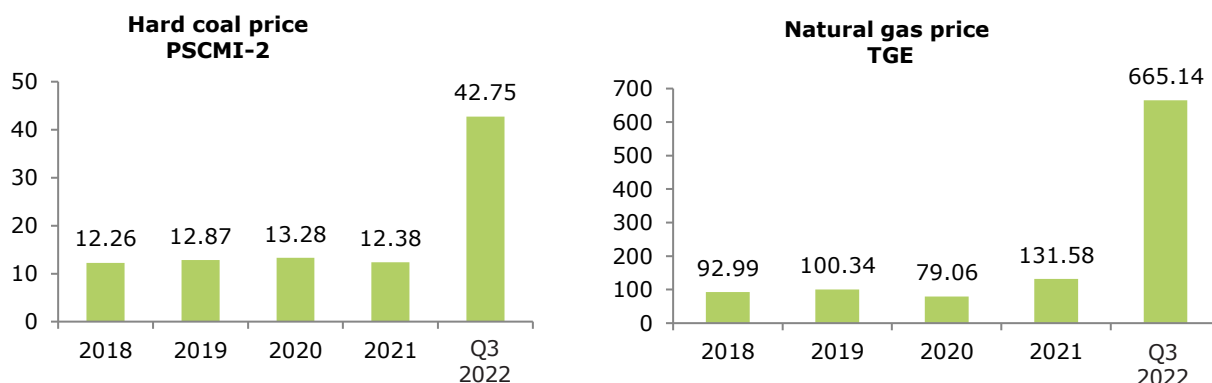
Due to the fact that the income on heat sales for CHP plant are tarified as part of the so-called simplified method, they are characterised by a relative delay in the transfer of costs (annual or two-year). They are based on the year-to-year dynamics of average costs (including fuels used) incurred by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

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



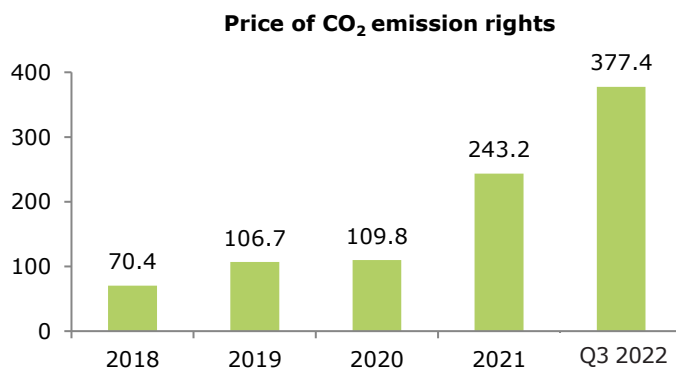
Source: ERO.

Changes in costs of fuels – hard coal (PLN/GJ) – PSCMI 2⁶ and gas (PLN/MWh) - TGE.



Source: ARP, TGE.

Chart: Changes in price of CO₂ emission rights⁷ (PLN/t).



Source: ICE.

⁶ PSCMI-2 Polish Steam Coal Market Index 2 - The average prices for pulverised coals sold on the domestic heating market.

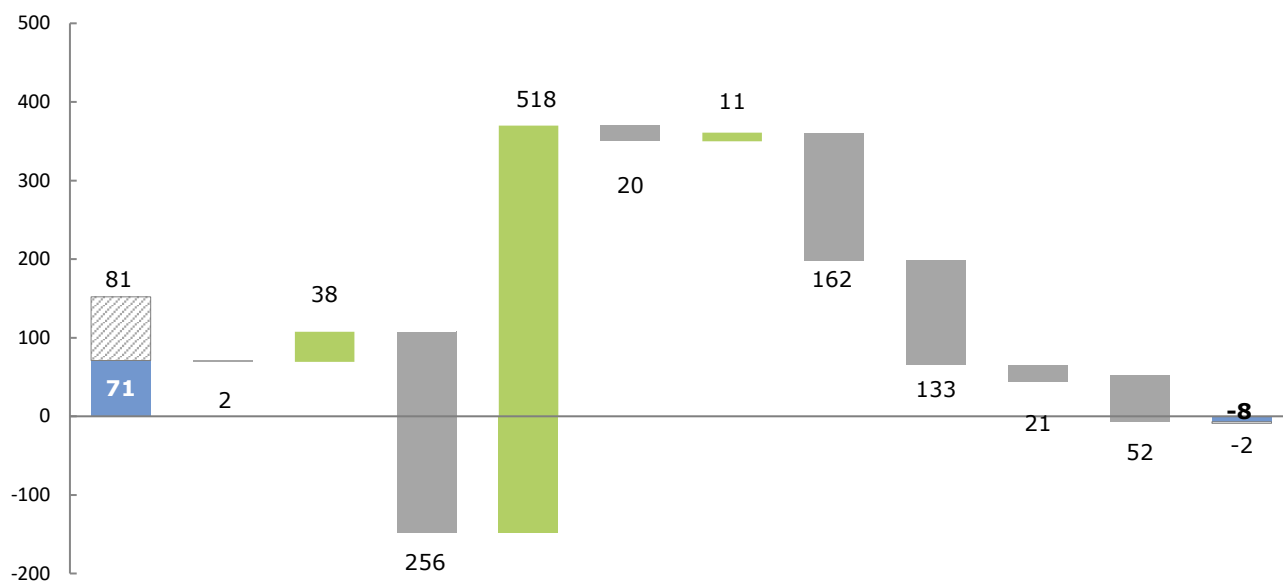
⁷ Arithmetic average of the daily and monthly records in a given period (spot price).

Reflecting previous cost increases, the reference price of heat produced from hard coal increased by 3% in 2021. It is a base to the increase in heat prices for co-generation entities establishing the tariff during 2022. In the third quarter of 2022 the average market price of coal increased by 245%, while the average price of CO₂ emission rights increased by 55% in comparison to 2021.

Tariffs for the production of heat from gas in 2022 are set based on a change in the reference price, whereas in the third quarter of 2022 gas prices are already significantly higher than in previous periods. Prices of gas in TGE forward contracts stood at approx. PLN 665.1/MWh (i.e. increase by 406%).


KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q3 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 ³	Other ⁴	EBITDA Q3 2022
Change		-2	38	-256	518	-20	11	-162	-133	-21	-52	
Reported EBITDA Q3 2021	152											
One-off/ temporary items Q3 2021	81											
Recurring EBITDA Q3 2021	71	296		321		61	0	292	136	118	61	
Recurring EBITDA Q3 2022		332		583		41	11	454	269	139	113	-8
One-off items Q3 2022												-2
Reported EBITDA Q3 2022												-10

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

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

¹ Value adjusted for costs of certificates redemption.

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

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

⁴ Other without including the impact of change of the reclamation provision and LTC compensations (one-offs) and result on rollover of transactions hedging the price of emission allowances (temporary item).

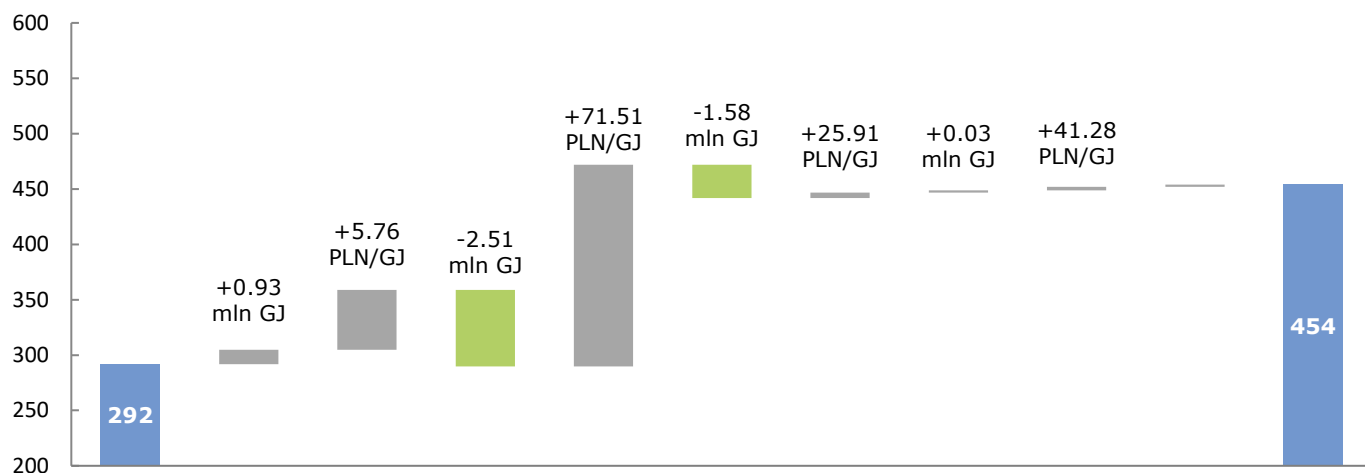
Table: Data on one-off and temporary items in District Heating segment (PLN m).

One-off and temporary items	Q3 2022	Q3 2021	% change
Change in the reclamation provision	-3	8	-
Change in the actuarial provision	-	1	-
LTC compensations	1	1	0%
Rollover of transactions hedging the price of emission allowances - temporary item	-	71	-
Total	-2	81	-

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

- **Lower volume of net heat production** in the third quarter of 2022 y/y is a result of higher outside temperatures compared to analogical period of 2021. The average temperatures were by 1.7° C higher, what translated into decreased heat production (by 0.02 PJ).
- **Increase of heat sale price** is a result of increased tariffs for heat for the CHP plants following the publication by the ERO of new reference prices for heat production in units not being co-generation units.
- **Increase in revenues from the sale of electricity**, which results from: higher average selling price of electricity by PLN 403/MWh y/y, which translated into an increase in revenues by approx. PLN 518 million; compensated by a lower sales volume by 0.4 TWh, which resulted in a decrease in revenues by approx. PLN 256 million.
- **Lower revenues from Capacity Market**, due to the granting of a higher level of support for highly-efficient cogeneration, while limiting the number of units that can participate in the Capacity Market.
- **Higher revenues due to support for high-efficiency cogeneration** due to the granting of a higher individual cogeneration bonus for gas-fired units.
- **Higher fuel consumption costs** which are caused by higher gas and hard coal prices and increased volume of hard coal consumption. The details are shown in the chart below.
- **Higher CO₂ costs** are mainly a result of higher price of allowances. The details are shown in the chart below.
- **Higher personnel expenses** result mainly from of wage increases due to wage agreements and the increase in the minimum wage.

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

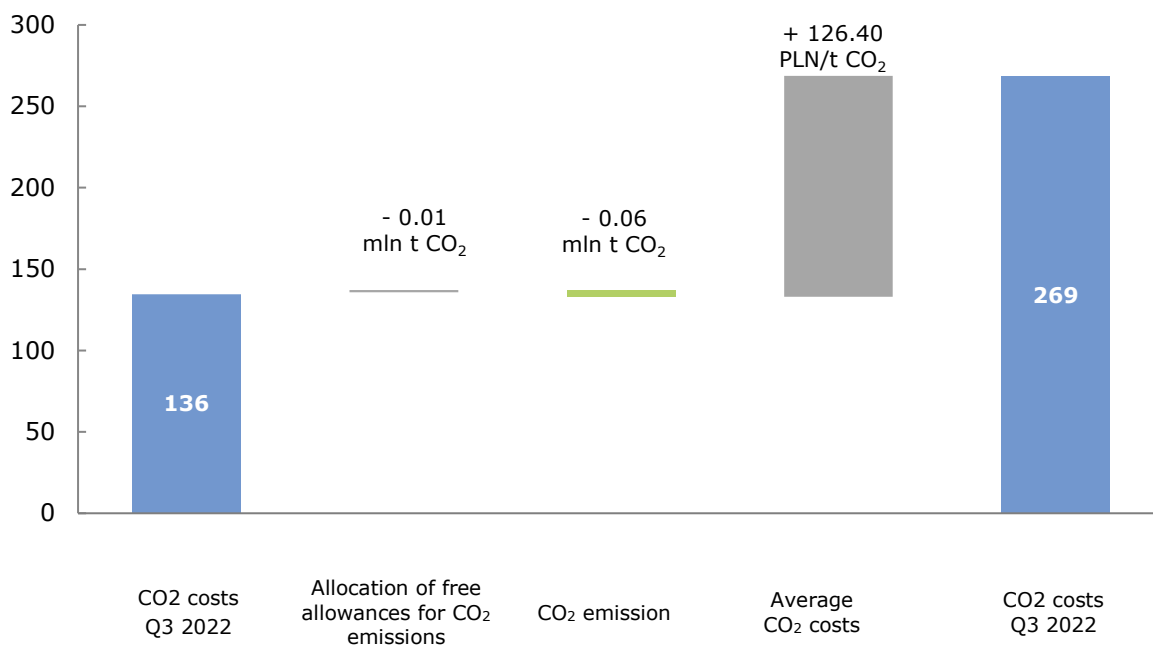


	Costs of fuel Q3 2021	Hard coal volume	Hard coal price	Gas volume	Gas price	Biomass volume	Biomass price	Oil and other raw materials - volume	Oil and other raw materials - price	Other raw materials	Costs of fuel Q3 2022
Change		13	54	-69	182	-30	5	2	3	2	
Costs of fuel Q3 2021	292	113		140		34		4		1	
Costs of fuel Q3 2022		180		253		9		9		3	454

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

Fuel type	Q3 2022		Q3 2021	
	Volume (tons ths)	Cost (PLN million)	Volume (tons ths)	Cost (PLN million)
Hard coal	426	180	369	113
Gas (cubic metres ths)	94 204	253	179 926	140
Biomass	17	9	182	34
Fuel oil and other raw materials	-	12	-	5
Total		454		292

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



Change	1	-4	136
CO ₂ costs Q3 2021	136		
CO ₂ costs Q3 2022			269

Table: Data on CO₂ costs in District Heating.

Data regarding CO ₂	Q3 2022	Q3 2021	% change
Allocation of free allowances for CO ₂ emissions (tons)	40 607	50 102	-19%
CO ₂ emission (tons)	1 042 697	1 100 726	-5%
Average CO ₂ costs (PLN/t CO ₂) ¹	267.30	140.90	90%

¹ Managerial perspective.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in District Heating segment.

PLN m	Q3 2022	Q3 2021	% change
Investments in generating capacities, including:	257	160	61%
Development	115	74	55%
Modernisation and replacement	142	86	65%
Other	0	10	-100%
Total	257	170	51%

KEY ACTIVITIES IN DISTRICT HEATING SEGMENT

- The turnkey construction of the new **Czechnica CHP plant, i.e. CCGT unit** with a total gross capacity of 179 MWe and 163 MWt, heat accumulator and four water boilers with total capacity of 152 MWt, is in progress. In the third quarter of 2022, reserve-peak boilers and gas turbines were placed on foundations. The foundations of the 110kV switching station and the steam turbine unit were completed.
- At the **Gorzów Wielkopolski, Lublin and Rzeszów CHPs, peak load boiler construction** projects continued. In the third quarter of 2022, these projects entered the construction work phase, having previously obtained the required administrative approvals.
- At the **Zielona Góra CHP**, assembly work was completed on a **gas turbine modernisation**. The first synchronisation of the gas turbine generator with the NPS took place on August 31, 2022. In September 2022, handovers, including technological tests, were carried out.
- At **Kraków CHP, Wrocław CHP and Gdańsk CHP** (CHPs with wet flue gas desulphurisation), the modernisation of **wastewater treatment systems** began.
- At the **Rzeszów CHP**, the construction of the second line of the **Waste-to-Energy Incinerator** is in progress. On September 21, 2022, the construction site was officially handed over to the Contractor - a consortium comprising PORR S.A. and Termomeccanica Ecologia.
- The investment program at **EC Bydgoszcz I** (EC I) and **EC Bydgoszcz II** (EC II) is in progress. With regard to EC I, on October 4, 2022 a Permit for the construction of a 40 MWt **reserve-peak boiler plant** was obtained. With regard to EC II, on September 26, 2022 a contract was signed with a consortium of Polimex Energetyka and Polimex Mostostal for the construction of a **cogeneration source** based on five gas engines and a reserve-peak heat source.
- An investment program is in progress at the **Zgierz CHP**, involving the deployment of three **gas engines** with a total capacity of 15 MWe, as well as a reserve-peak boiler unit and a small (100 kW) photovoltaic installation. In the third quarter of 2022, construction work was underway, including demolition, relocation and earthworks, and the foundations for the gas preparation station were built.
- At the **Kielce CHP**, construction of the **gas boiler plant** is in progress. On July 6, 2022, a contract was signed with Elemont S.A. for the construction of an 8 MWe and 12.5 MWt gas-fired unit.

KEY PROJECT IN THE THIRD QUARTER OF 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 160m	PLN 123m	Natural gas/ 85% in cogeneration	Syndicate of: Polimex Mostostal S.A. (Leader) / Polimex Energetyka sp. z o.o.	Q2 2024

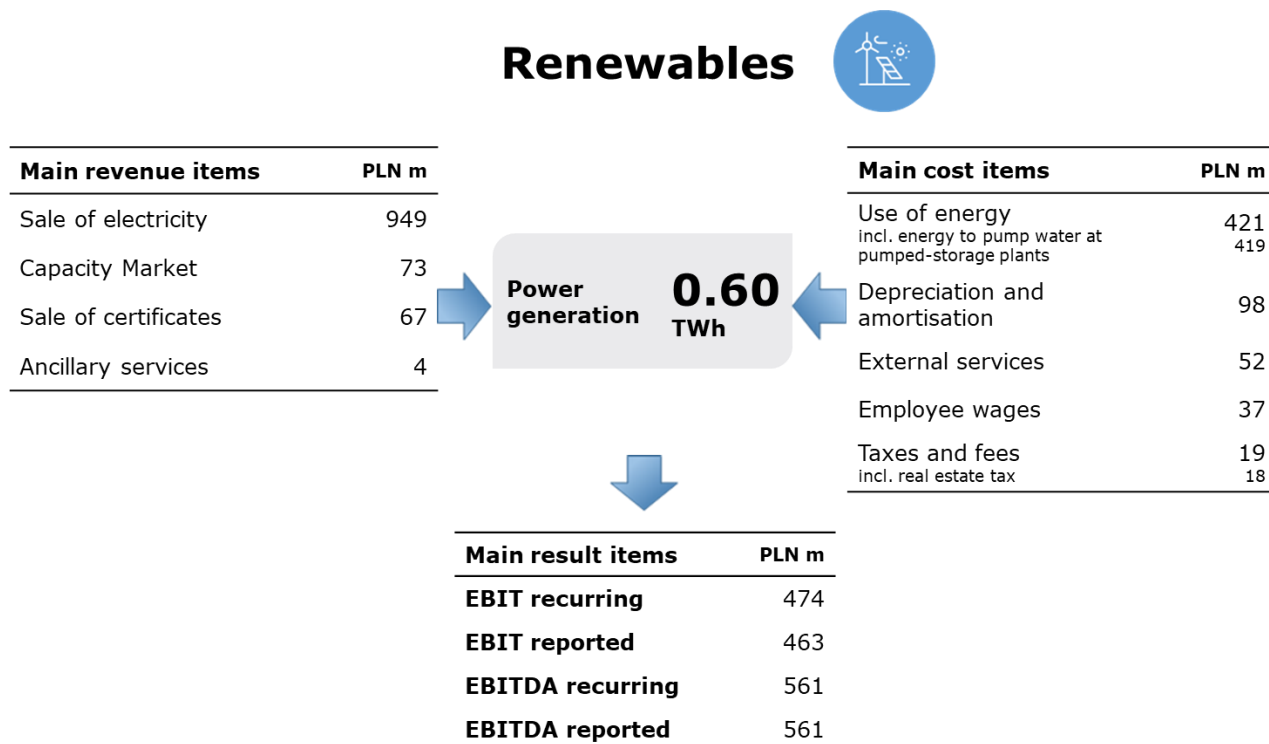
¹ Expenditures incurred do not include financing costs and expenses in the form of advances paid to the General Contractor for the Project and to the other contractors.

RENEWABLES

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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

The data presented below relate to the third quarter of 2022.



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

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

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

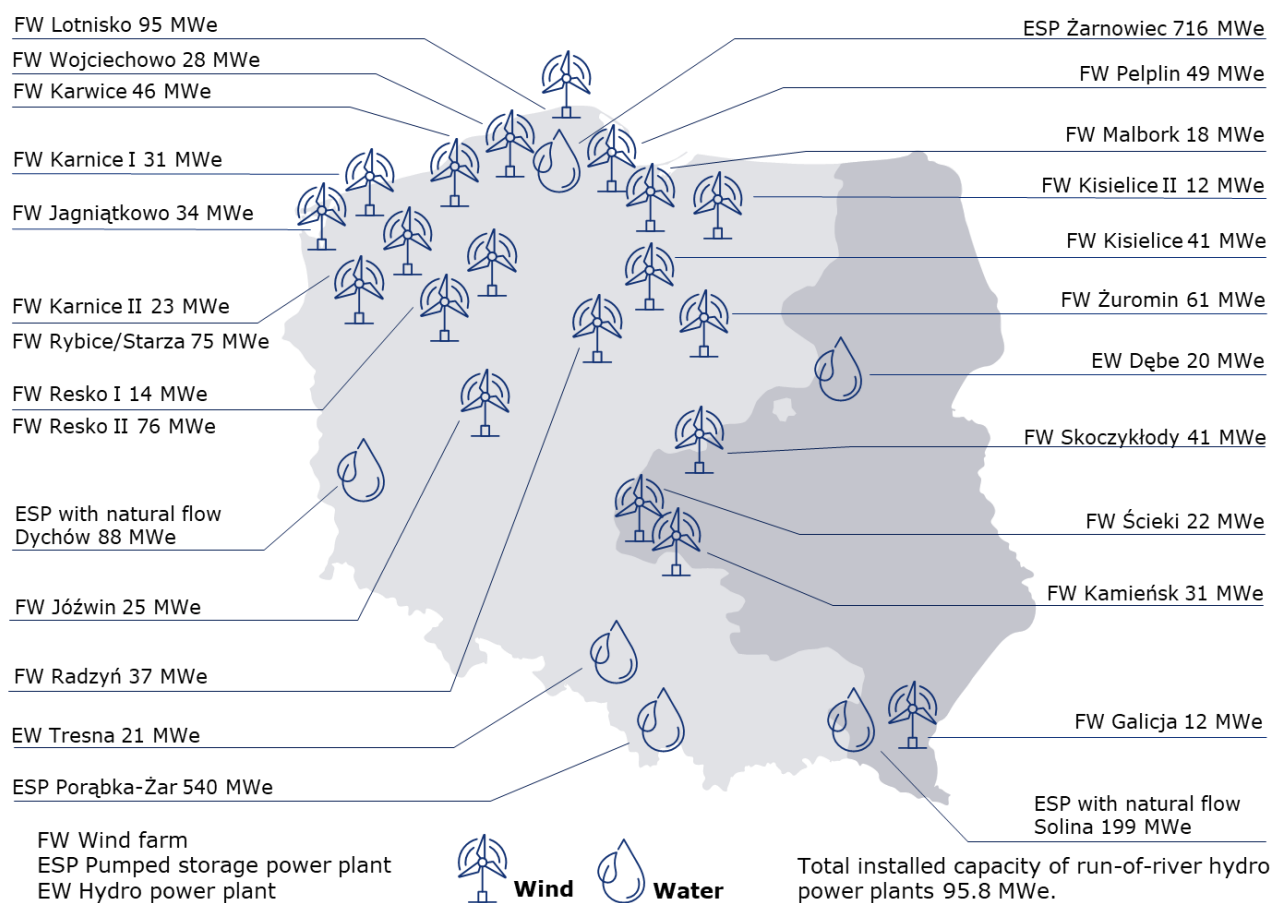
ASSETS

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

Assets in the segment include:

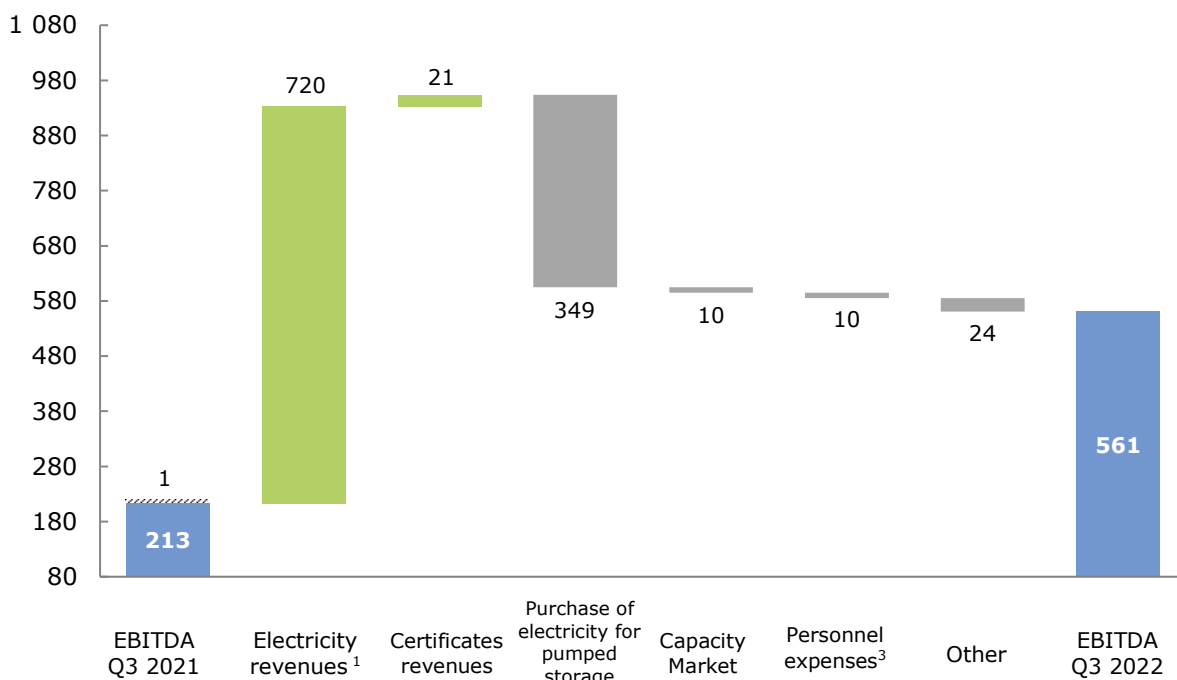
- 20 wind farms
- 5 photovoltaic power plants,
- 29 run-of-river hydro power plants,
- 4 pumped-storage power plants, including 2 with natural flow.

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




KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



Change	720	21	-349	-10	-10	-24	
Reported EBITDA Q3 2021							214
One-offs Q3 2021							1
Recurring EBITDA Q3 2021							213
	229 ²	46	70	83	27	48	
Recurring EBITDA Q3 2022							561
	949	67	419	73	37	72	
One-offs Q3 2022							0
Reported EBITDA Q3 2022							561

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

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

² Change in presentation compared to the values presented in the third quarter of 2021 (transfer of a part of revenues from the item Other to the item Revenues from electricity).

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

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

One-offs	Q3 2022	Q3 2021	% change
Change in the actuarial provision	0	1	-
TOTAL	0	1	-

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 947/MWh y/y, what translated into increase of revenues by approx. PLN 650 million; higher sales volume by 160 GWh, what caused revenues increase of approx. PLN 70 million.
- **Increased revenues from sales of certificates** resulting mainly from: higher average electricity sale price by PLN 69/MWh y/y, as a result, revenues increased by approx. PLN 18 million; higher sales volume by 17 GWh, what translated into increase of revenues by approx. PLN 3 million.
- **The increase in electricity purchase costs** for pumping in pumped storage power plants results from: higher average electricity purchase price by PLN 539/MWh y/y, which translated into an increase in costs by PLN 271 million; higher purchase volume by 262 GWh, contributing to an increase in costs by PLN 78 million.
- **Lower revenues from Capacity Market**, mainly due to lower rates compared to the previous year.
- **The increase in personnel costs** is mainly a result of higher employment due to the development of the Offshore Energy and Renewable Energy areas.
- **Lower level in item 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	Q3 2022	Q3 2021	% change
Investments in generating capacities, including:	88	27	226%
Development	51	19	168%
Modernisation and replacement	37	8	363%
Total	88	27	226%

KEY EVENTS IN RENEWABLES

- In the third 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. Tenders for the selection of general contractors for photovoltaic installations with a total capacity of 125 MW (i.e. PV Jeziórko with 100 MW and PV Augustynka with 25 MW) were also concluded, and implementation contracts were concluded for projects with a total capacity of 17 MW (PV Pasterzowice with 8 MW, PV Krotoszyn 5 MW, PV Siedlisko 2 x 1 MW, PV Ruchocinek 2 MW). Efforts were continued to develop further photovoltaic farm projects, including acquiring land rights and obtaining the required administrative decisions necessary for securing construction permits.
- The following contracts were signed in July 2022 as part of a comprehensive modernisation program at the pumped-storage plant **ESP Porąbka-Żar**:
 - for the modernisation of the technological part along with ancillary infrastructure – with a consortium of GE Hydro France-Boulogne-Billacourt, Mostostal Warszawa S.A.,
 - for the modernisation of the upper reservoir – with a consortium of Energoprojekt-Warszawa S.A., WALO POLSKA sp. z o.o.,
 - for the modernisation of water fairway structures – with Energoprojekt-Warszawa S.A.

The modernisation encompasses, inter alia, the replacement with new ones of the 4 hydro-sets that have been in operation since the beginning of the power station's operation, i.e. since 1979, modernisation of the asphalt concrete screen of the upper reservoir and restoration upgrades on the fairway structures.

These investments will extend the operation of the power station by at least 30 years.

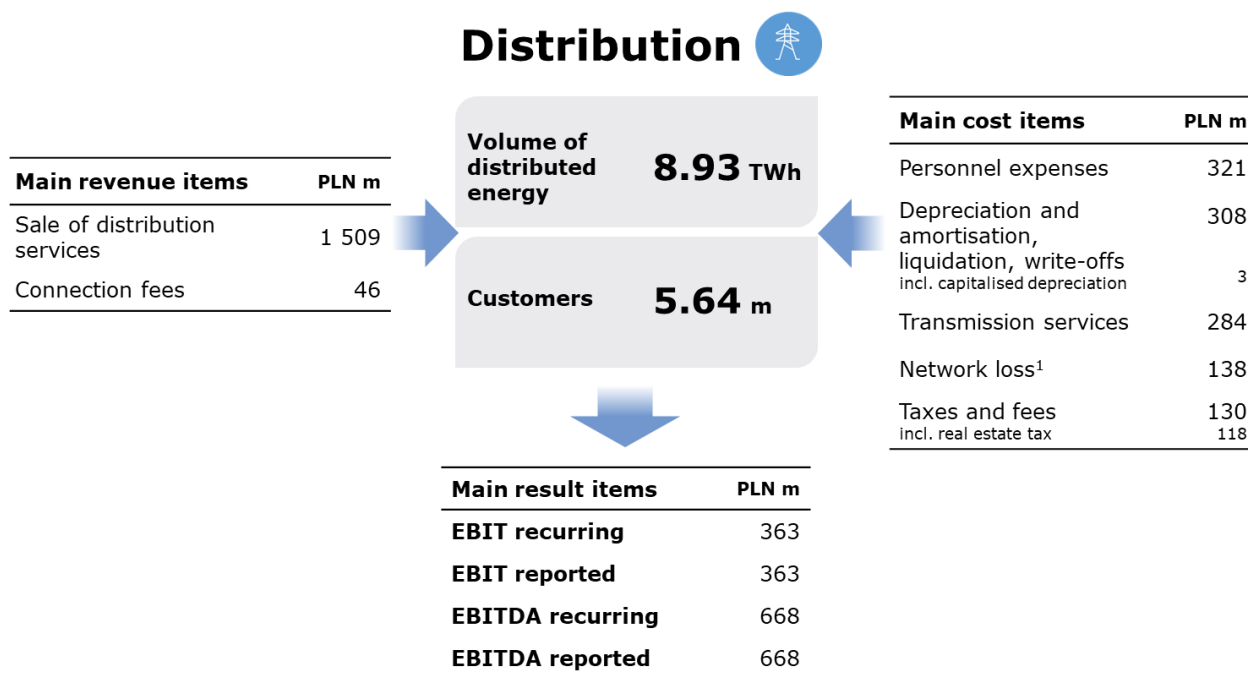
- As part of **offshore wind farms** investments, 8 applications for a new location permit for an offshore wind farms in the Baltic Sea was submitted to the Ministry of Infrastructure. Currently, PGE Group is implementing investments in the Baltic Sea with a total capacity of approx. 3.5 GW (including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

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.

The data presented below relate to the third quarter of 2022.



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 5.64 million customers.

Diagram: Area of PGE distribution grid.



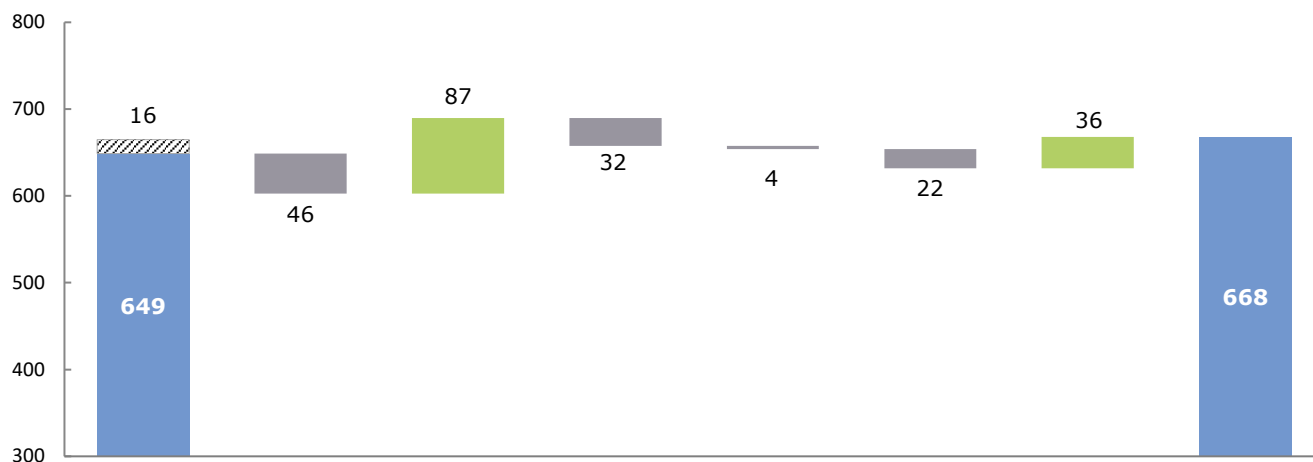
■ PGE's distribution network area

Table: Volume of distributed energy and number of customers.


Tariff	Volume (TWh)		Number of customers according to power take-off points	
	Q3 2022	Q3 2021	Q3 2022	Q3 2021
A tariff group	1.34	1.40	127	115
B tariff group	3.74	3.85	13 367	12 879
C+R tariff groups	1.52	1.63	485 940	489 973
G tariff group	2.33	2.42	5 142 404	5 072 439
Total	8.93	9.30	5 641 838	5 575 406

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q3 2021	Electricity distribution volume	Change of distribution tariff ¹	Network losses ²	Property tax	Personnel expenses ³	Other	EBITDA Q3 2022
Change		-46	87	-32	-4	-22	36	
Reported EBITDA Q3 2021	665							
One-offs Q3 2021	16							
Recurring EBITDA Q3 2021	649		1 109	106	114	299	59	
Recurring EBITDA Q3 2022			1 150	138	118	321	95	668
One-offs Q3 2022								0
Reported EBITDA Q3 2022								668

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

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

² Adjusted for revenues from the Balancing market.

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

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

One-offs	Q3 2022	Q3 2021	% change
Change in the actuarial provision	0	16	-
Total	0	16	-

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

- **A decrease in the volume of distributed** electricity by 0.37 TWh, resulting mainly from lower electricity consumption in the household tariff group in comparison to the same period of the previous year, when there had been increased pandemic restrictions, resulting in the need to work and study remotely and therefore higher electricity consumption by households. Additionally, there was a decrease in the number of energy consumption points in the tariff of small and medium-sized businesses and farms.
- **Increase in rates in tariff for 2022** by PLN 9.5/MWh compared to the tariff for the third quarter of the previous year, that translated into an increase in revenues from the sale of distribution services.
- **Higher costs of electricity purchases** to cover network losses mainly as a result of significant increase in electricity prices.

- **Increase of costs of tax on real estate** results from increase in the value of buildings and higher tax rates.
- **Increase in personnel costs** due to increasing employment costs resulting from increased inflation pressure.
- **Change in other** resulting mainly from higher revenues from the connection fees.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Distribution segment.

PLN m	Q3 2022	Q3 2021	% change
Investments, including:	574	311	85%
Development investments	278	145	92%
Modernisation and replacement investments	296	166	78%
Other	4	1	300%
Total	578	312	85%

KEY EVENTS IN DISTRIBUTION

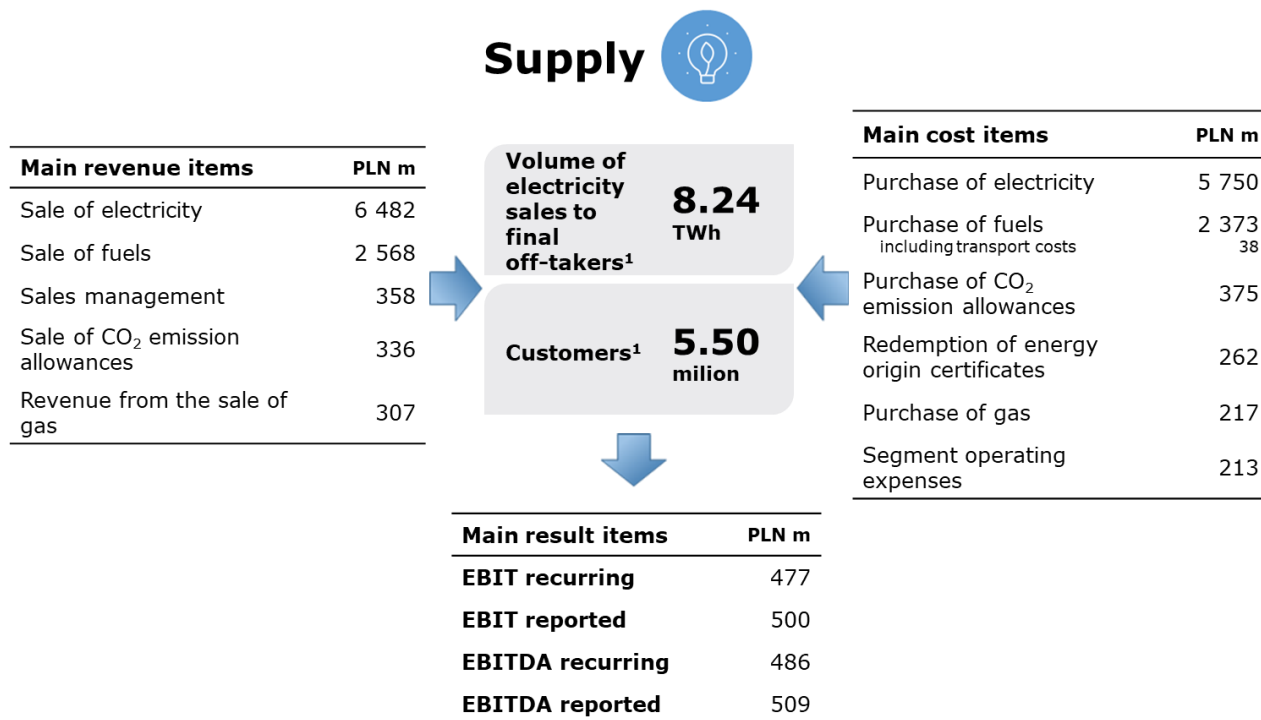
- **Connecting new customers** to the distribution grid was on-going in the third quarter of 2022, recording the expenditures in amount of PLN 261 million.
- **Program LTE450:** tenders were pursued for the purchase and implementation of CORE LTE450 core network components as well as the purchase and implementation of RAN LTE450 radio network components along with the technical support service.
- **Cabling program:** PGE continued to implement its cabling program for medium-voltage (MV) grids up to the level of 30% of MV networks owned by PGE Dystrybucja S.A., incurring expenditures in amount of PLN 100 million in the third quarter of 2022.
- **Installation program for remote reading meters:** This project is mandatory and results from the requirements imposed on Distribution System Operators (DSO) by the legislator in the amended Energy Law. In 2022, procurement procedures were launched for:
 - supply of remote reading meters for end customers,
 - supply of meters at MV/LV substations,
 - replacement of meters at end customers,
 - modernisation of MV/LV substations and installation of balancing meters.

According to the provisions of the law, the DSO has until December 31, 2028, to install remote reading meters connected to a remote reading system in energy consumption points representing at least 80% of the total number of end-customer energy consumption points.
- **Implementation of central systems CRM and Billing (NCB program):** work was continued under the contract signed with the contractor A2 Customer Care from Atende Group - for the development and implementation of the CRM Billing system in the Group. The pre-implementation analysis phase was completed and its products presented for approval. Work was carried out on launching a tender for renumbering energy point codes according to the international GS1 standard.

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.

The data presented below relate to the third quarter of 2022.



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

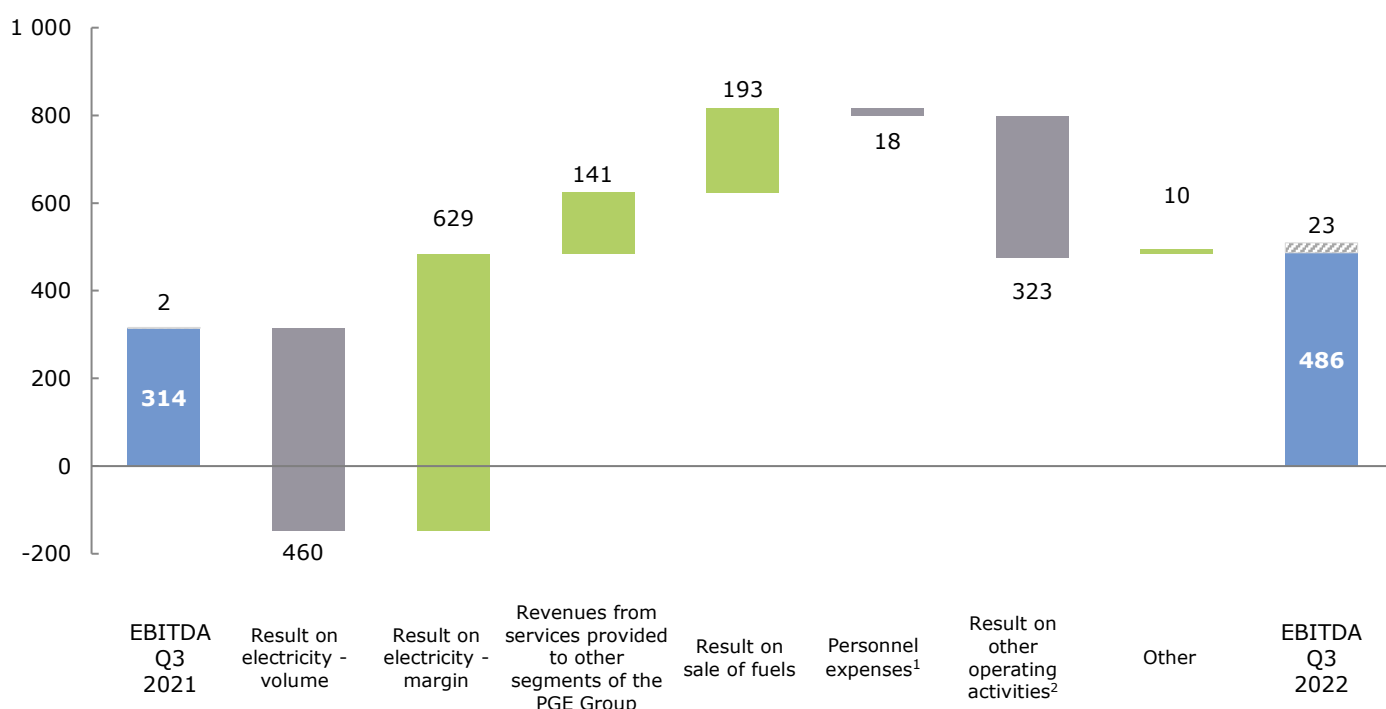
Table: Volume of electricity sales to final off-takers and number of customers.

Tariff	Volume (TWh) ¹		Number of customers according to power take-off points ¹	
	Q3 2022	Q3 2021	Q3 2022	Q3 2021
A tariff group	1.86	1.87	154	141
B tariff group	2.97	3.49	11 154	11 812
C+R tariff groups	1.45	1.51	410 337	422 138
G tariff group	1.96	2.27	5 078 127	5 004 689
Total	8.24	9.14	5 499 772	5 438 780

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 Q3 2021

Result on electricity - volume

Result on electricity - margin

Revenues from services provided to other segments of the PGE Group

Result on sale of fuels

Personnel expenses¹

Result on other operating activities²

Other

EBITDA Q3 2022

Change

Reported EBITDA Q3 2021

One-offs Q3 2021


Recurring EBITDA Q3 2021

Recurring EBITDA Q3 2022

One-offs Q3 2022

Reported EBITDA Q3 2022

2022

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

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

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

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

One-offs	Q3 2022	Q3 2021	% change
Actuarial provision	0	2	-
Release of the provision for prosumers ¹	23	0	-
Total	23	2	1 050%

¹In 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 third 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:

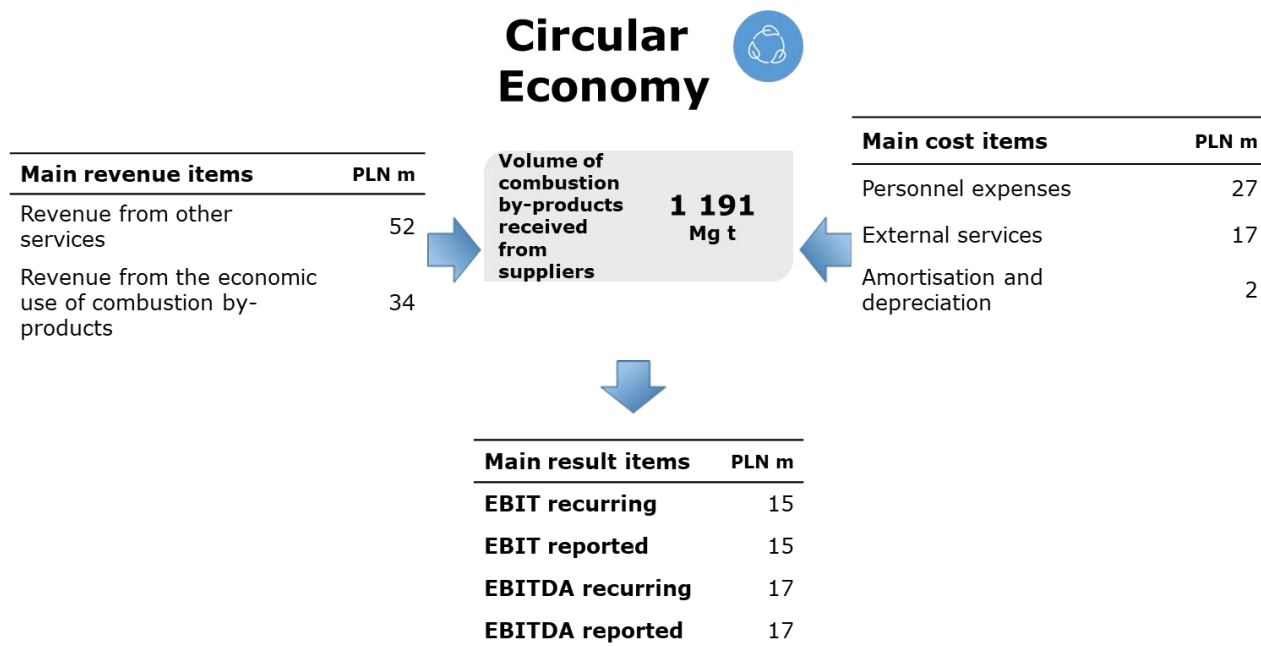
- **The higher result on electricity** is the result of higher electricity selling price, partially compensated by lower sales volume.
- **Increase of revenues from services performed within the Group** resulting mainly from higher revenues from the Agreement for Commercial Management of Generation Capacities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

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.

The data presented below relate to the third quarter of 2022.



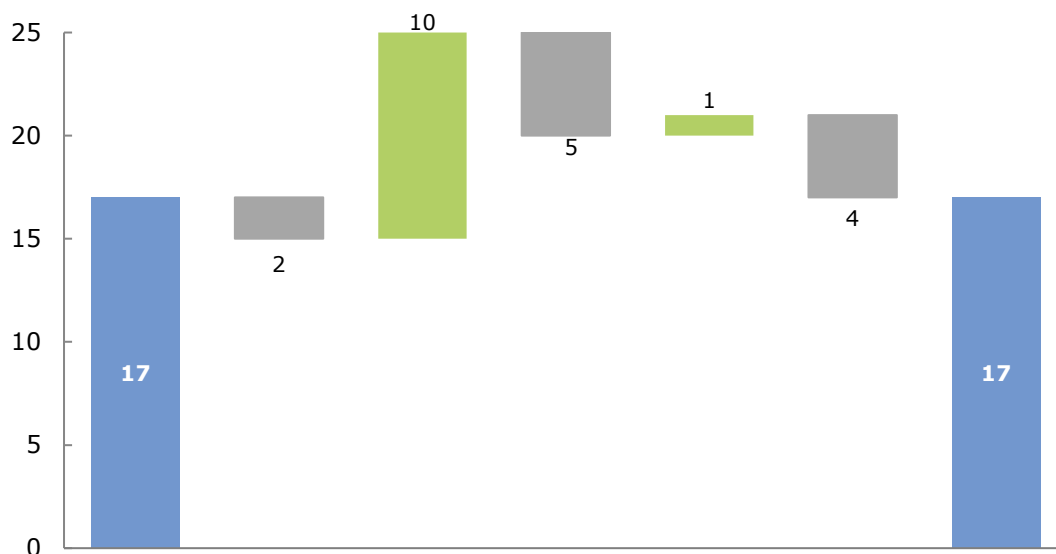
From the beginning of 2021, PGE Group reports a new operating segment – Circular Economy, which includes the following companies: PGE Ekoserwis S.A., EPORE S.A., ZOWER sp. z o.o. The management of combustion by-products at PGE Group turns waste into high-value substances that are used in other branches 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 Q3 2021	Revenues from sale of combustion by-products	Revenues from sale of services	Personnel expenses	External services	Other	EBITDA Q3 2022
Change		-2	10	-5	1	-4	
EBITDA Q3 2021	17	54	24	22	18	21	
EBITDA Q3 2022		52	34	27	17	25	17

Key factors affecting EBITDA of Circular Economy segment included:

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

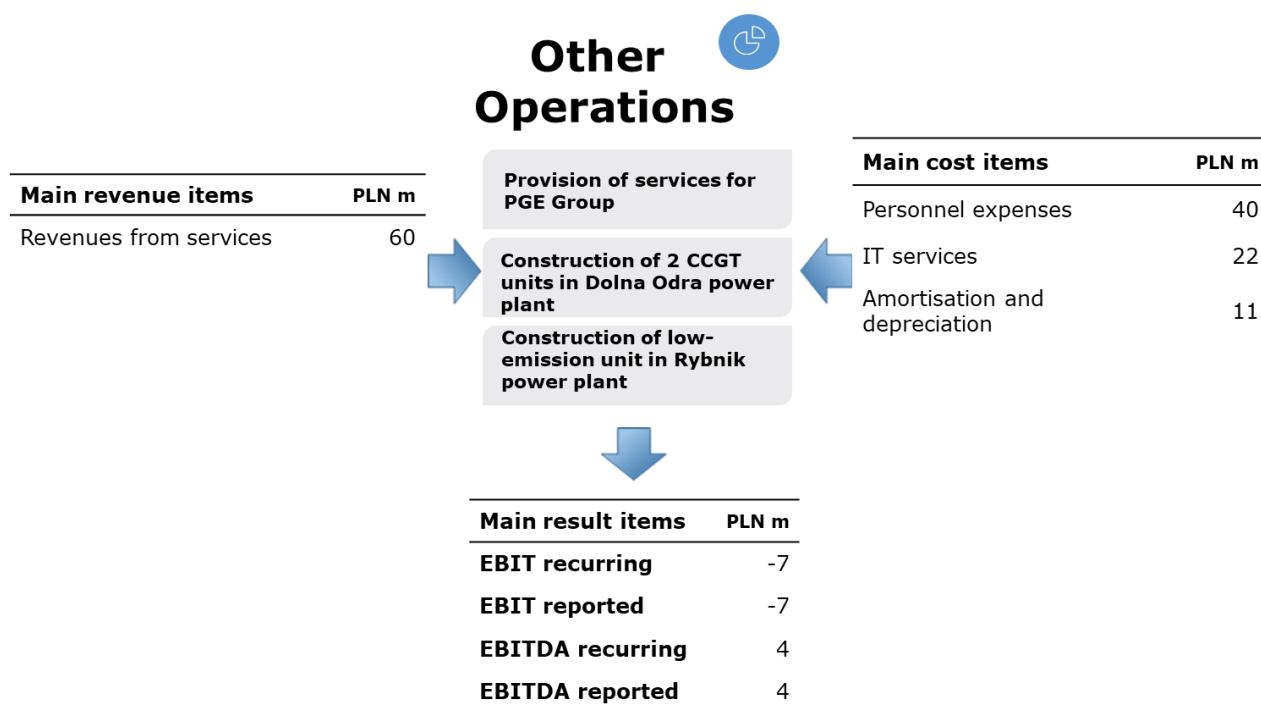
OTHER OPERATIONS

SEGMENT DESCRIPTION AND ITS BUSINESS MODEL

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

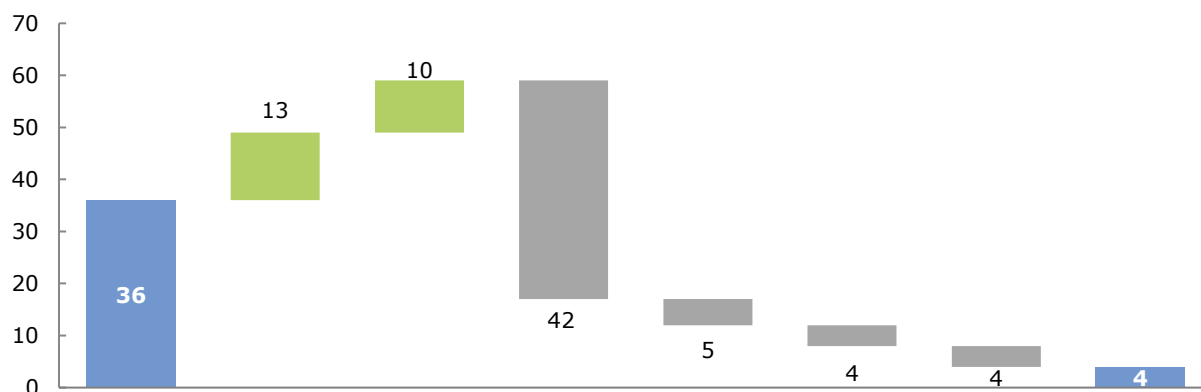
In addition, the segment's structures include companies responsible for the construction of new, low-emission generation units. On October 1, 2021 a project was separated from PGE GiEK S.A. (Dolna Odra Power Plant), constituting an organized part of the enterprise, in the scope including the construction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

The data presented below relate to the third quarter of 2022.



KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q3 2021	Personnel expenses	Capitalised costs	Revenues from sale of services	IT services	Result on other operating activities	Other	EBITDA Q3 2022
Change		13	10	-42	-5	-4	-4	
EBITDA Q3 2021	36	53	3	102	17	4	3	
EBITDA Q3 2022		40	13	60	22	0	7	4

Key factors affecting EBITDA of Other Operations segment included:

- **Lower revenues from services** in connection with transferring from the beginning of 2022 Elbest Security sp. z o.o. to the Conventional Generation segment and sale of Elbest sp. z o.o.
- **Lower personnel expenses** in connection with transferring from the beginning of 2022 Elbest Security sp. z o.o. to the Conventional Generation segment and sale of Elbest sp. z o.o.
- **Higher capitalised costs** as a result of higher cost allocation to assets in the third quarter of 2022 due to projects carried out by PGE Systemy S.A.
- **Higher costs of IT services** resulting from the purchase of external services in order for PGE Systemy S.A. to provide a wider range of services to PGE Group and deliver new investment programs, especially LTE450.
- **Lower result on other operating activities**, mainly due to transferring Elbest Security sp. z o.o. to the Conventional Generation segment and sale of Elbest sp. z o.o.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Other operations segment

PLN m	Q3 2022 ¹	Q3 2021	% change
Total	939	23	3 983%

¹ The data for Q3 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.**). Conditions for connection to the NPS have been issued and a pre-connection agreement has been signed with the gas transmission pipeline operator Gaz - System S. A. (Gaz-System) to build a gas pipeline, for which a valid environmental decision is already in force. As part of the on-going tender, the Project Team answered questions from bidders in the third 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.**). In the third quarter of 2022, assembly work was carried out on the technological equipment of the engine room of unit 9 and unit 10. The key elements of the engine room of unit 9 and unit 10 were delivered to the site and placed on foundations. These include generators, gas turbines and steam turbines. Construction and installation work on the buildings and auxiliary facilities was carried out. The material advancement of the project at the end of September 2022 was more than 80%.
- The **Battery Energy Storage System (BESS)** project, which received an environmental decision, is in progress. This is a necessary and exceptionally important step for continuing the project work. Another milestone for the project was the first concession promise for electricity storage in Poland. The project is intended to combine the existing pumped-storage plant ESP Żarnowiec, with a power rating of 716 MW, with a BESS with a power rating of 205 MW and energy storage capacity of more than 820 MWh. The resulting innovative hybrid system with a power rating of at least 921 MW and energy storage capacity of more than 4.6 GWh, equivalent to the capacity of the largest conventional units in Poland, will be able to provide a full range of regulatory system services, serve to "restore" the energy system or supply energy to approx. 200 000 households for a period of 5 hours (with an average load of 1 kW per home). In the first quarter of 2022, the planned BESS was registered in the Capacity Market register, and the design work already underway has led to the issue of transmission grid connection conditions for it. In addition, BESS will perform the function of technical and commercial balancing for unstable RES, i.e. onshore and offshore wind farms owned by PGE Group.

KEY PROJECT IN OTHER OPERATIONS

Aim of the project	Budget ¹	Expenditures incurred ¹	Capital expenditures in 2022 ¹	Fuel/ Net efficiency	Contractor	Investment completion date	Status
Construction of two CCGT units no. 9 and 10 at PGE Gryfino 2050	PLN 4.3 bn	PLN 2.24 bn	PLN 1.42 bn	Natural gas/ 63%	Syndicate of companies: General Electric (consortium leader) and Polimex Mostostal	December 2023	Investment in progress. The progress of work under the Project was estimated at over 80% at the end of September 2022.

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. 41% 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 Information and communication technologies (ICT) networks due to increased activity of criminal groups aiming to attack ICT and Operational Technology (OT) systems. With the CHARLIE-CRP state of alert in force, the emergency plans have been reviewed. This significant change in the Group's operating context triggered the launch of a threat analysis and risk estimation for cybersecurity incidents. There is also an increased focus on protecting the supply chain against cyberattacks.

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

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

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

KEY AREAS IN PGE GROUP AFFECTED BY THE WAR IN UKRAINE

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

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

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

RISKS RELATED TO GAS SUPPLIES

- CHP Gorzów and CHP Zielona Góra are supplied with field gas (so-called Ln nitrogenous gas). Due to the use of dedicated transmission infrastructure between the mine and the CHP plant, these generating assets are neutral to supply disruptions to Poland's National Gas Transmission System.
- 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 and coal importing companies. Currently, CHP plants have reserves of hard coal to enable uninterrupted production of electricity and heat. Centrally Dispatched Generating Units (JWCD), due to significant load and problems on the hard coal market, have problems maintaining the minimum required stocks, resulting in the need to reduce production in order to maintain continuous operation of the units.

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

IMPACT OF WAR ON COMMODITY AND FINANCIAL MARKETS

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

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

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

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

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 November 17, 2022 the Management Board 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 Wasilek	Vice-President for Operations	from February 20, 2020

On November 17, 2022 the Supervisory Board adopted resolution on dismissal of Mr Paweł Cioch, Vice-President for Corporate Affairs.

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
Lechosław Rojewski	Vice-President for Finance	from June 9, 2021
Paweł Śliwa	Vice-President for Innovations	from February 20, 2020
Ryszard Wasilek	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 19, 2022 till June 22, 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 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.

On June 22, 2022, the Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A. appointed the Supervisory Board of the twelfth term of office with the following composition.

From June 22, 2022 till July 12, 2022 the Supervisory Board of the twelfth term worked in following composition:

Name and surname	Position
Janina Goss	Supervisory Board Member - independent
Tomasz Hapunowicz	Supervisory Board Member - independent
Marcin Kowalczyk	Supervisory Board Member
Mieczysław Sawaryn	Supervisory Board Member - independent
Anna Kowalik	Supervisory Board Member
Artur Składanek	Supervisory Board Member - independent
Radosław Winiarski	Supervisory Board Member

On July 12, 2022 the Company received a statement of the Minister of State Assets (representative of the State Treasury) appointing Mr. Zbigniew Gryglas as a member of the Supervisory Board of the Company as of July 12, 2022.

From July 12, 2022 until the publication date 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
Radosław Winiarski	Secretary of the Supervisory Board
Janina Goss	Supervisory Board Member - independent
Zbigniew Gryglas	Supervisory Board Member - independent
Tomasz Hapunowicz	Supervisory Board Member - independent
Marcin Kowalczyk	Supervisory Board Member
Mieczysław Sawaryn	Supervisory Board Member - independent

COMPOSITION OF THE COMMITTEES OF THE SUPERVISORY BOARD

From January 1, 2022 until June 22, 2022 the committees 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	

On June 22, 2022, the Ordinary General Meeting of PGE S.A. appointed the Supervisory Board of the twelfth term of office with the following composition. The first meeting of the Supervisory Board of the new term of office was held on July 12, 2022. On that day, new members of the Supervisory Board Committees were appointed.

From July 12, 2022 till July 26, 2022 the committees 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
Tomasz Hapunowicz		Member	Member	
Marcin Kowalczyk			Member	Member
Anna Kowalik	Member	Member	Member	Member
Mieczysław Sawaryn	Member	Member	Member	Chairman
Artur Składanek	Member		Member	
Radosław Winiarski	Member		Member	

At the meeting of the Supervisory Board on July 26, 2022, Mr. Zbigniew Gryglas was appointed to the Committees: Strategy and Development and Corporate Governance.

From July 26, 2022 until the publication date 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	Member
Anna Kowalik	Member	Member	Member	Member
Mieczysław Sawaryn	Member	Member	Member	Chairman
Artur Składanek	Chairman		Member	
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 24.4 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 24.4 to the consolidated financial statements.

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

Information on termination by ENEA S.A. of agreements for sale of certificates are described in note 24.4 to the consolidated financial statements.

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

Within the Group, as at September 30, 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 26 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

According to the regulations, the ERO decision specifying the level of support for the project on the basis of the EC decision should be issued within 90 days from the date on which ERO obtained EC decision.

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 modernised 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.

As of the date of this report, the due diligence process is in progress and the valuation process for the spin-off companies has begun. According to recent public statements from the government, the sale of assets to NABE is expected to be completed by the end of the first quarter of 2023.

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 TO POLSKI HOLDING HOTELOWY SP. Z O.O. \(PHH\)](#)

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

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

PGE's press release:

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

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

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

[PGE'S MANAGEMENT BOARD DECISION ON COMMENCEMENT OF THE PROCESS](#)

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

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

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

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

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

The Extraordinary General Meeting on 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 preemptive rights of the existing shareholders, which will be a private placement, directed only to selected investors. Pursuant to the Investment Agreement, the State Treasury expresses its intention to subscribe for up to 373,952,165 new shares, issued by the Company for a cash contribution from the Reprivatisation Fund, in the total amount not exceeding PLN 3,197,291,010.75.

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

Current report of PGE S.A.:

[Signing of an investment agreement](#)

ADOPTION OF SUBSCRIPTION RULES BY THE PGE'S MANAGEMENT BOARD

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

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

[Subscription rules](#)

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

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

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

Current report of PGE S.A.:

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

DETERMINATION OF THE ISSUE PRICE OF SHARES

On April 7, 2022 after completion of the accelerated book building for series E shares, the management Board of the Company set the issue price of Series E Shares at PLN 8.55 per one Series E Share. The price was determined based on the results of the book-building process, as well as taking into account all the circumstances affecting the determination of the issue price, including, in particular, the macroeconomic and economic situation, the situation on capital markets at the time of the public offering, current events and their impact on the Company's business prospects, as well as based on the recommendations of the Offering Agent.

Current report of PGE S.A.:

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

CLOSING OF THE SUBSCRIPTION AND ALLOCATION OF SHARES

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

Current report of PGE S.A.:

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

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

REGISTRATION OF THE RIGHTS TO THE E SERIES SHARES WITH KDPW

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

Current report of PGE S.A.:

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

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

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

Current report of PGE S.A.:

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

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

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

Current report of PGE S.A.:

[Announcement of KDPW](#)

COMPLETION OF THE SUBSCRIPTION OF E SERIES SHARES

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

Current report of PGE S.A.:

[Completion of subscription](#)

[Completion of subscription p.2](#)

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

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

Current report of PGE S.A.:

[Registration of the share capital increase](#)

CONDITIONAL REGISTRATION OF E SERIES SHARES WITH KDPW

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

Current report of PGE S.A.:

[Conditional registration of shares](#)

WSE RESOLUTIONS

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

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

Board decided to introduce E Series Shares to trading on the main market on June 6, 2022, subject to the registration of these shares by the KDPW on June 6, 2022 and their coding as PLPGER000010.

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

Current report of PGE S.A.:

[WSE resolutions](#)

[REGISTRATION OF CHANGE OF COMPANY'S REGISTERED OFFICE ADDRESS AND AMENDMENTS TO THE COMPANY'S STATUTES](#)

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

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

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

Current report of PGE S.A.:

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

[SUBMISSION OF 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 2022, some contractors brought their claims to court. After unsuccessful attempts to reach an agreement with its counterparties, ENESTA applied for restructuring proceedings. On June 21, 2022, restructuring proceedings were opened - a notice in the National Debt Register. As at September 30, 2022, ENESTA recalculated the provisions and an additional provision of PLN 272 million was created. In addition, receivables from counterparties who have taken the cases to court have been covered by a PLN 315 million impairment loss.

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

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

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

Current report of PGE S.A.:

[Signing of a conditional agreement](#)

[The fulfilment of the condition precedent](#)

[Transaction closing](#)

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

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

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

PGE's press release: [Contract for implementation of billing and CRM systems](#)

[ISSUING A DEBIT NOTE TO THE CONSORTIUM CONSTRUCTING UNIT NO. 7 IN TURÓW POWER PLANT](#)

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

In July 2022, a demand for payment was submitted to the consortium, which was rejected. In October 2022, the consortium applied for mediation.

Current report of PGE S.A.:

[Issuing a debit note](#)

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

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

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

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

The Company is currently in the sales process.

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

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

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

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

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

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

CONDITIONAL AGREEMENT FOR SALE OF SHARES IN PGG

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

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

The transfer of the ownership of shares will take place provided that the National Support Centre for Agriculture (KOWR) will not exercise the pre-emption right.

On October 7, 2022, PGE GiEK S.A. informed the Ministry of State Assets of the fulfilment of the condition precedent to the execution of an agreement on the sale of PGG shares, concerning the pre-emptive right to purchase PGG shares. The KOWR has not exercised its right.

On October 26, 2022, the Management Board of PGG notified PGE GiEK S.A. of the transfer of PGG shares to the State Treasury in connection with the fulfilment of the terms of the sale agreement.

Current report of PGE S.A.:

[Conditional agreement for sale of shares in PGG](#)

[INSPECTION PROCEEDINGS CARRIED OUT BY THE OFFICE OF COMPETITION AND CONSUMER PROTECTION AT PGE OBRÓT S.A.](#)

ADDRESS BY THE PRESIDENT OF THE OFFICE OF COMPETITION AND CONSUMER PROTECTION UNDER ART. 49A OF THE ACT ON COMPETITION AND CONSUMER PROTECTION (ADDRESS WITHOUT THE COMMENCEMENT OF PROCEEDINGS)

The subject of the proceedings was the raising of objections by the Office of Competition and Consumer Protection concerning the insufficient presentation of information regarding the offers on the website - the lack of information on the comparison of fees and prices for the promotional offer in relation to the price list resulting from the basic consumer tariff. Furthermore, PGE Obrót S.A. was asked to provide general information on the LUMI brand and noted the need to present an appropriate explanation on the website regarding prices during the anti-inflation shield period.

The recommendations of the Office of Competition and Consumer Protection have been implemented and there is no threat of a penalty against the company.

OFFICE OF COMPETITION AND CONSUMER PROTECTION INVESTIGATIONS/PROCEEDINGS FOR RECOGNITION OF STANDARD TERMS AND CONDITIONS AS PROHIBITED

The Office of Competition and Consumer Protection called on PGE Obrót S.A. to provide explanations regarding the content of the terms and conditions of the offers, concerning the provisions on the calculation of contractual penalties, and to submit the relevant terms and conditions. Through a decision of June 20, 2022, as a result of the investigation, proceedings were initiated to declare the provisions of the template as prohibited.

In the event of an unfavourable decision in the above case, there is a risk of a penalty of up to 10% of the company's annual turnover. At the same time, the company has started to cooperate with the Office of Competition and Consumer Protection in order to end the case amicably, on the basis of art. 23c of the Act on Competition and Consumer Protection (voluntary undertaking by an entrepreneur to take or abandon certain actions aimed at ending a violation of a prohibition), without imposing a penalty.

In cooperation with the Office of Competition and Consumer Protection, the content of the company's obligation to communicate to consumers and return the contractual penalties accrued and paid in the period covered by the proceedings was developed. As a result, the authority will issue a decision corresponding to the content of the commitment without imposing an administrative penalty.

[IMPAIRMENT TESTS ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS AND GOODWILL](#)

Property, plant and equipment is PGE Group's most significant group of assets. Due to variable macroeconomic conditions PGE Group regularly verifies indications of impairment for its assets. When assessing the market situation PGE Group uses both its own analytical tools and support from independent analytical centres. In previous reporting periods, PGE Group recognised substantial impairment allowances of property, plant and

equipment of Conventional Generation segment and the Renewables segment. An impairment loss that had been recognised in the Renewables segment was also reversed in previous reporting periods.

The Group analysed impairment indications and identified factors that could result in changes to the asset values in the above segments as at June 30, 2022.

The results of tests for impairment of property, plant and equipment are presented in Note 3 to the consolidated financial statements.

PRICES OF ELECTRICITY AND HEAT

ELECTRICITY MARKET

Due to the energy market crisis, the legislator has decided to introduce regulations that temporarily introduce exceptional solutions for electricity prices and tariffication in 2023.

On October 18, 2022, the Act of October 7, 2022, on special measures to protect electricity consumers in 2023 in connection with the situation on the electricity market (Act for Households) entered into force and on November 4, 2022, the Act of October 27, 2022, on emergency measures to limit the level of electricity prices and support certain consumers in 2023 (Emergency Measures Act) entered into force.

Pursuant to the Act for households, an electricity trading company is required to apply to the aforementioned customers prices equal to those contained in the tariff in force on January 1, 2022 for individual tariff groups up to certain consumption limits:

- up to 2.0 MWh per year – for all households,
- up to 2.6 MWh per year – for households with people with disabilities,
- up to 3.0 MWh per year – for households with the Big Family Card and for farmers.

Once the consumption limits for household consumers are exceeded, a maximum price of 693 PLN/MWh (price excluding VAT and excise duty) will be used for billing in accordance with the Emergency Measures Act. This means that electricity prices have been fixed by law and therefore in 2023 the tariffs approved by the President of the Energy Regulatory Office will not have a direct impact on electricity prices for households.

Additionally, in accordance with the Emergency Measures Act, the maximum electricity price for other eligible customers is set at 785 PLN/MWh (price excluding VAT and excise duty). This price will, in principle, apply from December 1, 2022 to December 31, 2023. The maximum price limit for eligible customers also applies to electricity sales agreements concluded or amended after February 23, 2022, in which case the maximum price will also apply to settlements for the period from the date of conclusion or amendment of these agreements until November 30, 2022. Electricity companies have been required to make systematic refunds resulting from the application of the maximum prices until the end of 2023.

Electricity trading companies, in accordance with the implemented regulations, will be entitled to compensation for applying electricity prices in their settlements with household customers at the same level as on January 1, 2022. The compensation will be the product of the electricity consumed at the point of consumption, up to the maximum consumption limits entitling customers to apply to them the prices from 2022 and the difference between the price of electricity resulting from the electricity tariff approved by the President of the Energy Regulatory Office for 2023 and the electricity prices approved in the tariff for 2022. In turn, for applying the maximum price of PLN 693/MWh in settlements with household customers, trading companies will be entitled to compensation in the amount of the product of the volume of electricity consumed in a given month and the difference between the reference price and the maximum price, for each energy point. The reference price will be the price of electricity resulting from the electricity tariff approved by the President of URE for 2023. Compensation will also be due for the use of maximum prices in settlements with other eligible entities. In this case, in principle, the reference price for compensation payments will be calculated on the basis of electricity prices in exchange contracts and the prices of electricity purchased for sale to eligible customers, plus the cost of redemption of energy certificates of origin and a margin.

It is currently not possible to estimate the amount of future compensation for trading companies, as the tariff prices for 2023, which will affect the calculation of compensation, are not yet known. Nonetheless, the mechanisms introduced in the Act for Households and the Emergency Measures Act should as a rule compensate trading companies for the price reduction.

PGE Group's financial position from December 1, 2022 to December 31, 2023 will also be affected by the provisions of the Emergency Measures Act, which provide for the requirement to make monthly contributions to the account of the Price Difference Payment Fund (Fund) by electricity producers and power companies that are engaged in the business of electricity trading. The contribution to the Fund will be the product of the volume of electricity sales and the positive volume-weighted average difference of the market price of electricity sold and the volume-weighted average of the price cap of electricity sold, as regulated in the Regulation of the Council of Ministers of November 8, 2022 on the method of calculating the price cap.

A different way of calculating the price cap has been defined for individual generation sources:

- for units generating energy from lignite and hard coal, the price limit takes into account, among other things, the unit cost of fuel consumed, the cost of CO₂ emission allowances, the efficiency of the generating units, a margin and a certain level of investment allowance and coverage of fixed costs of 50 PLN/MWh,
- for units generating energy from RES, the price limit is determined with reference to the reference price referred to in the Renewable Energy Sources Act, whereby for hydroelectric power plants the price limit will be 40% of this reference price.

For electricity trading companies, on the other hand:

- for energy sold to final consumers, the price limit is the product of the volume-weighted average price of electricity purchased on a given day and a margin defined as 1.035 or 1.03 (plus the unit cost of redemption of certificates of origin),
- for energy sold to customers other than final consumers, the price limit is the product of the volume-weighted average price of energy purchased on a given day and the margin defined as 1.015 or 1.01.

As at the date of publication of this report, PGE Group's analyses of the impact of these regulations on the Group's future results are not completed.

HEAT MARKET

The provisions of the Energy Law introducing the so-called simplified tariffing method and the provisions of the Regulation of the Minister of Climate of April 7, 2020 on detailed rules for shaping and calculating tariffs and settlements for heat supply are the legal basis for determining the planned revenue from heat sales for the purpose of calculating prices and fee rates in the heat tariff for cogeneration units.

The simplified heat tariffing method is based on the average selling price of heat from non-CHP generation units (i.e. heat plants), broken down by fuel used, which is carried forward with a delay of almost two years and forms the basis for establishing the reference price for CHP units.

A delay in the transfer of significant costs may result in an inability to cover the costs of heat generation in CHP units on an on-going basis.

The heat market situation is mainly driven by:

- limitations of the simplified tariffing method, which does not reflect the current situation on e.g. the fuel market; in addition, despite the regulatory changes in the area of tariffs taking place this year, there is still no possibility of increasing the reference index for units commissioned after November 3, 2010,
- planned amendment to the Regulation on detailed rules for shaping and calculating tariffs and billing for heat supply, which on the one hand it allows cogeneration units commissioned prior to November 3, 2010 to take into account in the reference price the reference index announced by the President of URE on March 31, 2022, but on the other hand it introduces the possibility of a downward adjustment of the tariff,
- the planned regulations issued annually on the basis of the Act on the Promotion of Electricity from High Efficiency Cogeneration, which, as proposed by the competent authority, do not reflect the market prices of fuels and CO₂, which directly affects the reference value for new, substantially modernised and existing gas-fired cogeneration units in 2023,
- unstable macroeconomic environment, fuel prices and unavailability, price of CO₂.

The announcements made by competent authorities mean that CHP plants are currently operating in an environment of not only market uncertainty, but also legal and regulatory uncertainty.

MARGIN DEPOSITS

In connection with their forward transactions on the power exchange TGE, for which the underlying commodity is electricity and gas, PGE Group companies are required to put up margin deposits, which constitutes the basic element of the clearing guarantee system for forward markets. The margins are lodged by entities opening positions in futures contracts and their task is to secure the risk related to cleared futures and forward transactions.

Margin deposits consist of an initial margin and a variation margin. In determining the required value of the margin, the clearinghouse (IRGiT) takes into account the possible compensation between the initial and variation margins.

The variation margin is responsible for the on-going alignment of the portfolio value with market values, can take positive (surplus) as well as negative values (margin requirement) and is subject to daily updates. The clearinghouse accepts both monetary and non-monetary collateral - bank guarantees, CO₂, property rights, sureties and declaration of submission to enforcement in the form of a notarial deed in accordance with Art. 777 of the Civil Code.

PGE Group companies benefit from the possibility of mutual offsetting within the Group.

Despite the significant increase in the amount of collateral deposits in the recent period, no threat has been identified.

Recently, the amount of collateral deposits has increased significantly, but their level has been monitored on an ongoing basis and did not pose a threat to the ability to service the liabilities of PGE Capital Group companies. The PGE Group also used many non-cash collaterals available, in accordance with the IRGiT regulations, in order to minimise collaterals in the form of cash.

As of September 1, 2022, IRGiT introduced changes to settlements regarding the order and rules for recognising non-cash collateral. The revised provisions indicate that the declarations of submission to enforcement, including the surety provided as security, are recognised first of all non-cash collaterals posted and reduce the value of the required collaterals, which form the base for the calculation of recognizing other non-cash collaterals.

PGE Group also enters into forward transactions on ICE Exchange, for which the underlying instrument is CO₂ emission allowances. Margin deposits are required to secure open positions in futures contracts. The margins consist of the Initial Margin and the daily adjustment of the price to the market settlement value (Variation Margin). For a long position, a fall in the current day's clearing prices compared to the previous day's clearing prices means the necessity to make Variation Margin deposits, while an increase in prices compared to the previous day means that you will receive a Variation Margin.

The PGE Group makes settlements related to CO₂ trading on an ongoing basis.

AGREEMENT FOR DISPOSAL OF SHARES IN SUBSIDIARIES

On September 23, 2022, PGE S.A. signed agreements with PGE GiEK S.A. for the disposal of shares in the companies: BESTGUM POLSKA, BETRANS, ELMEN, ELTUR-SERWIS, MegaSerwis and RAMB. Thus, PGE GiEK S.A. acquired the ownership of 100% of shares in these companies.

The companies provide services to PGE Group mines and power plants. After the separation of the coal assets, they will perform tasks for NABE.

AGREEMENT WITH PGNiG FOR GAS SUPPLIES

On September 30, 2022, PGE Energia Ciepła S.A., PGE Toruń S.A., KOGENERACJA S.A. and PGE Gryfino 2050 Sp. z o.o. concluded a framework agreement with Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") for sale of gas fuel (the "Agreement") along with individual contracts related to gas supplies for 10 generating units of PGE Group.

The estimated value of the individual contracts, for period October 1, 2022 – December 31, 2025, amounts to approx. PLN 23 billion. The pricing formula will be based on gas market price indices.

The gas supply agreement will contribute to ensuring Poland's energy security for the coming years and is a guarantee of stable energy and heat supplies to customers. The contracted fuel will supply both CHP plants where, in accordance with the strategy, the decarbonisation process is being carried out, as well as new gas and steam units under construction.

Current report of PGE S.A.:

[PGE Group companies concluded agreement with PGNiG for gas supplies](#)

[SIGNING OF A LETTER OF INTENT REGARDING A COOPERATION REGARDING THE DEVELOPMENT OF A NUCLEAR POWER PLANT](#)

on October 31, 2022 PGE S.A. signed with Korea Hydro & Nuclear Power Co. Ltd. and ZE PAK S.A. a letter of intent, the aim of which is to start cooperation as part of the strategic Polish-Korean project to build a nuclear power plant in Pałnów. The parties have decided to start the cooperation in order to develop plan for the nuclear power plant based on the Korean technology APR1400, particularly to perform analysis of data regarding geotechnical, seismic and environmental conditions, develop an estimated budget for the preparatory work, construction phase and production phase along with the proposed Project financing model as well as to create an expected Project implementation schedule along with the definition of dates for key milestones. The parties intend to prepare a development plan by the end of 2022 u.

Pałnów area is indicated in the Energy Policy of Poland until 2040 and in the Polish Nuclear Power Programme as one of four possible locations of nuclear power plant in Poland.

Current report of PGE S.A.:

[Signing of a letter of intent regarding a cooperation regarding the development of a nuclear power plant](#)

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
Other operations	PGE Inwest 20 sp. z o.o.	March 2, 2022	On October 4, 2021 PGE S.A. set up 6 one-person limited liability companies with headquarters in Warsaw with names: PGE Inwest 20 sp. z o.o., PGE Inwest 21 sp. z o.o., PGE Inwest 22 sp. z o.o., PGE Inwest 23 sp. z o.o., PGE Inwest 24 sp. z o.o. and PGE Inwest 25 sp. z o.o. Share capital of the companies amount to PLN 25 000 each.
	PGE Inwest 21 sp. z o.o.	March 2, 2022	
	PGE Inwest 22 sp. z o.o.	March 2, 2022	
	PGE Inwest 23 sp. z o.o.	March 24, 2022	
	PGE Inwest 24 sp. z o.o.	March 16, 2022	
	PGE Inwest 25 sp. z o.o.	March 3, 2022	

ACQUISITION OR DISPOSAL OF SHARES BY THE COMPANIES

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
Renewables	Elektrownia Wiatrowa Baltica-4 sp. z o.o. („EWB 4”), Elektrownia Wiatrowa Baltica-5 sp. z o.o. („EWB 5”) and Elektrownia Wiatrowa Baltica-6 sp. z o.o. („EWB 6”) – sale by PGE S.A. of 33.8% shares in EWB 4, EWB 5 and EWB 6 (conditional share sale agreement)	November 18, 2021 The ownership of the shares in EWB 4, EWB 5 and EWB 6 was transferred to ENEA S.A. on August 1, 2022	On November 18, 2021 a conditional agreement was signed between PGE S.A. as vendor and ENEA S.A., based in Poznań, as buyer to sell some of the shares held by PGE S.A. in EWB 4, EWB 5 and EWB 6, i.e. 95 shares of EWB 4, 95 shares of EWB 5 and 422 shares of EWB 6, with a total nominal value of PLN 95 000 in the case of EWB 4, PLN 95 000 in the case of EWB 5 and PLN 422 000 in the case of EWB 6, constituting 33.8% of the share capital of EWB 4, EWB 5 and EWB 6, respectively. The entry of this conditional share sale agreement into force and transfer of ownership to ENEA S.A. were subject to compliance with conditions precedent.
Renewables	PGE Baltica 4 sp. z o.o. with its seat in Warsaw (“PGE Baltica 4”) – sale by PGE S.A. of 44.96% shares in PGE Baltica 4 (conditional share sale agreement)	November 18, 2021 The ownership of the shares in PGE Baltica 4 was transferred to TAURON Polska Energia S.A. on September 27, 2022	On November 18, 2021 a conditional agreement was signed between PGE S.A. as vendor and TAURON Polska Energia S.A. as buyer to sell some of the shares held by PGE S.A. in PGE Baltica 4, i.e. 526 shares, with a total nominal value of PLN 526 000, constituting 44.96% of the share capital. The entry of this conditional share sale agreement into force and transfer of ownership to TAURON Polska Energia S.A. were subject to compliance with conditions precedent.
Other Operations	Elbest sp. z o.o. with its seat in Bełchatów (“Elbest”) – sale by PGE S.A. of 100% shares in Elbest (conditional share sale agreement)	December 15, 2021 On March 4, 2022, the ownership title was transferred to PHH.	On December 15, 2021 a conditional agreement was signed between PGE S.A. as vendor and Polski Holding Hotelowy sp. z o.o. based in Warsaw as buyer to sell all the shares held by PGE S.A. in Elbest, i.e. 116 812 shares, with a total nominal value of PLN 116 812 000, constituting 100% of the share capital. The entry of this conditional share sale agreement into force and transfer of ownership to PHH was subject to compliance with conditions precedent. After meeting the conditions precedent, on March 4, 2022, the ownership of the above-mentioned Elbest shares was transferred to PHH.
Other Operations	4Mobility S.A. with its seat in Warsaw (“4Mobility”) – increase of the share capital of 4Mobility and acquisition of all new shares by another shareholder, i.e. by EFF B.V. (the Netherlands)	January 14, 2022/ July 15, 2022	On January 14, 2022 the Extraordinary General Meeting of 4Mobility adopted resolutions to increase share capital from PLN 364 316 to PLN 494 316, i.e. by PLN 130 000, through the issue of 1 300 000 ordinary shares series H, with a nominal value of PLN 0.10 each. All of the new shares were offered by way of a private subscription to EFF B.V., based in Maastricht (Netherlands) – the existing shareholder of 4Mobility. As a result of the share capital increase, PGE Nowa Energia sp. z o.o. in liquidation stake in 4Mobility decreased from 51.47% to 37.93%, meaning that PGE Nowa Energia sp. z o.o. in liquidation is no longer the parent company of 4Mobility.

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
Renewables	Mithra A sp. z o.o. with its seat in Poznań, Mithra B sp. z o.o. with its seat in Poznań, Mithra L sp. z o.o. with its seat in Poznań, Mithra V sp. z o.o. with its seat in Warsaw (Mithra companies) – acquisition by PGE Energia Odnawialna S.A. 100% shares in the share capital of Mithra companies (share sale agreements)	February 4, 2022	On February 4, 2022 PGE Energia Odnawialna S.A. as a buyer and a natural person (sole partner of Mithra companies) as the seller concluded 4 share sale agreements in Mithra companies, i.e. 100 shares in Mithra companies, with a total nominal value of PLN 400 000 in case of Mithra A sp. z o.o., PLN 328 000 in case of Mithra B sp. z o.o., PLN 200 000 in case of Mithra L sp. z o.o. and PLN 5 000 in case of Mithra V sp. z o.o., constituting 100% in the share capitals of Mithra companies. Transfer of ownership of shares to PGE Energia Odnawialna S.A. took place on February 4, 2022.
Other Operations	Towarzystwo Funduszy Inwestycyjnych Energia S.A. with its seat in Warsaw (TFI Energia) – sale by PGE S.A. of 100% shares in TFI Energia (preliminary share sale agreement)	March 17, 2022 The ownership of the shares was transferred to PZU on July 15, 2022	On March 17, 2022 PGE S.A. as a seller and Powszechny Zakład Ubezpieczeń S.A. as a buyer signed a preliminary share sale agreement for sale of 100% shares in TFI Energia held by PGE S.A. The finalization of the sale of shares required the approvals of the Polish Financial Supervision Authority and the President of the Office of Competition and Consumer Protection.
Renewables	Collfield Investments sp. z o.o. with its seat in Cracow – acquisition by PGE Energia Odnawialna S.A. 100% shares in Collfield Investments holding 100% of the shares in 3 SPVs	April 1, 2022 The ownership of the shares was transferred to PGE Energia Odnawialna S.A. on June 21, 2022	On April 1, 2022 PGE Energia Odnawialna S.A. as a buyer and Vanadium Holdco Limited as a seller, belonging to Green Investment Group Fund, which in turn is part of a global fund Macquarie with its seat in Australia, signed a conditional share sale agreement, under which PGE acquired 100% of the shares in the capital of Collfield Investments, a company holding of 100% of the shares in SPVs operating three wind farms with a total capacity of 84.2 MW, i.e. in companies Future Energy sp. z o.o., „Elwiatr Pruszyński” sp. z o.o. and Radzyn Clean Energy Poland sp. z o.o. The condition precedent of the Transaction was obtaining consent of the Office of Competition and Consumer Protection.
Other Operations	Przedsiębiorstwo Usługowo - Handlowe "Torec" sp. z o.o. with its seat in Toruń (PUH Torec) – sale by PGE Toruń S.A. 100% shares in PUH Torec (conditional share sale agreement)	April 4, 2022	On April 4, 2022 a conditional sale agreement was concluded for all of the assets owned by PGE Toruń S.A. (PGE Energia Ciepła S.A. holds 100% of the company's shares) shares in PUH Torec. The conditions for the transfer of ownership of shares specified in the above-mentioned the agreement, i.e. the transfer of the sale price to the seller and the adoption of a resolution on the redemption of shares by the Shareholders' Meeting of PUH Torec, have been fulfilled, therefore, from April 21, 2022, PUH Torec is not part of the PGE Capital Group.

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
-	Polska Grupa Górnicza S.A. with its seat in Katowice (PGG) – sale by PGE GiEK S.A. of all shares in PGG (conditional share sale agreement)	August 3, 2022 On October 25, 2022, a change was made in the register of shareholders of PGG	On August 3, 2022, a conditional agreement was concluded between all PGG shareholders, including PGE GiEK S.A. and the State Treasury, for the sale to the State Treasury of all PGG shares, representing 100% of PGG's share capital. As a result of the concluded conditional share sale agreement, PGE GiEK S.A. sold shares representing 15.32% in the share capital of PGG. The transfer of the ownership of shares will take place provided that the National Support Centre for Agriculture (KOWR) will not exercise the pre-emption right, pursuant to art. 3a section 4 of the Act of April 11, 2003 on the shaping of the agricultural system, within the period specified in Art. 3a sec. 4 of this Act – this condition has been met.
Conventional Generation	BESTGUM POLSKA sp. z o.o. with its seat in Rogowiec (BESTGUM POLSKA), BETRANS sp. z o.o. with its seat in Kalisko (BETRANS), ELMEN sp. z o.o. with its seat in Rogowiec (ELMEN), ELTUR-SERWIS sp. z o.o. with its seat in Bogatynia (ELTUR-SERWIS), MegaSerwis sp. z o.o. with its seat in Bogatynia (MegaSerwis), RAMB sp. z o.o. with its seat in Piaski (RAMB) (jointly as companies) – sale by PGE S.A. of 100% shares in the share capital of the companies (share sale agreements) – intragroup transaction	September 23, 2022	On September 23, 2022 PGE S.A. (sole shareholder of the companies) as a seller and PGE GiEK S.A. as a buyer signed 6 share sale agreements in companies, representing 100% shares in the share capital of the companies, i.e.: 1) 16 784 shares in BESTGUM POLSKA, with a nominal value of PLN 16 784 000, 2) 32 157 shares in BETRANS, with a nominal value of PLN 16 078 500, 3) 4 440 shares in ELMEN, with a nominal value of PLN 999 000, 4) 69 749 shares in ELTUR-SERWIS, with a nominal value of PLN 34 874 500, 5) 2 100 shares in MegaSerwis, o with a nominal value of PLN 2 100 000, 6) 38 926 shares in RAMB, with a nominal value of PLN 38 926 000. The ownership of the shares was transferred to PGE GiEK S.A. took place on September 23, 2022.
Conventional Generation	Energoserwis Kleszczów sp. z o.o. with its seat in Rogowiec (Energoserwis Kleszczów) – sale by PGE GiEK S.A. of all possessed shares in Energoserwis Kleszczów to PGE S.A.	October 25, 2022	On October 25, 2022 PGE GiEK S.A. as a seller and PGE S.A. as a buyer signed share sale agreement concerning all possesses by PGE GiEK S.A. shares in Energoserwis Kleszczów, i.e. 2 040 shares, with a total nominal value of PLN 204 000, representing 51% in the share capital. The ownership of the shares was transferred to PGE S.A. on October 25, 2022.

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
	(share sale agreement) – intragroup transaction		

INCREASE OF SHARE CAPITAL OF SUBSIDIARIES

Segment	Entity	Date of registration in the NCR	Comment
Renewables	PGE Baltica 1 sp. z o.o. (currently: Elektrownia Wiatrowa Baltica-8 sp. z o.o.)	January 12, 2022	On November 4, 2021 the Extraordinary Assembly of Partners of PGE Baltica 1 sp. z o.o. adopted resolution on a share capital increase from PLN 20 000 to PLN 986 000, i.e. by PLN 966 000, through issue of new 966 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 2 sp. z o.o.	May 24, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 2 sp. z o.o. adopted resolution on a share capital increase from PLN 606 216 000 to PLN 610 358 000, i.e. by PLN 4 142 000, through issue of new 4 142 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 3 sp. z o.o.	June 2, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 3 sp. z o.o. adopted resolution on a share capital increase from PLN 774 491 000 to PLN 782 304 000, i.e. by PLN 7 813 000, through issue of new 7 813 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	PGE Baltica 5 sp. z o.o.	June 2, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 5 sp. z o.o. adopted resolution on a share capital increase from PLN 46 768 000 to PLN 53 853 000, i.e. by PLN 7 085 000, through issue of new 7 085 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE Baltica 3 sp. z o.o. in cash. PGE Baltica 3 sp. z o.o. holds 100% in the share capital .
Renewables	PGE Baltica 6 sp. z o.o.	May 12, 2022	On December 20, 2021 the Extraordinary Assembly of Partners of PGE Baltica 6 sp. z o.o. adopted resolution on a share capital increase from PLN 36 516 000 to PLN 39 933 000, i.e. by PLN 3 417 000, through issue of new 3 417 shares of the company with a nominal value of PLN 1 000 each. The share capital increase was taken up and paid by PGE Baltica 2 sp. z o.o. in cash. PGE Baltica 2 sp. z o.o. holds 100% in the share capital.
Renewables	PGE Soleo 1 sp. z o.o. (currently: PGE Soleo Kleszczów sp. z o.o.)	May 12, 2022	On December 21, 2021, the Extraordinary Assembly of Partners of PGE Soleo 1 sp.z o.o. adopted resolutions on the amendment of the Founding Deed (change of the company's name to PGE Soleo Kleszczów sp.z o.o. and its seat to Kleszczów) and on the increase of the company's share capital from PLN 100 000 to PLN 4 200 000, i.e. by PLN 4 100 000, through the creation of new 4 100

			<p>company shares with a par value of PLN 1 000 each. The increase in the company's share capital was acquired as follows:</p> <p>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,</p> <p>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.</p> <p>As a result of the above-mentioned acquisition of shares in the company and increase of the share capital of the company, PGE Energia Odnawialna S.A. and the Kleszczów Commune hold shares in the company, each representing 50% of the share capital, and the company currently has the status of a jointly controlled company. Currently, the company's name is: PGE Soleo Kleszczów sp. z o.o., and its seat is Kleszczów (Kleszczów commune, łódzkie voivodship).</p>
Renewables	Elektrownia Wiatrowa Baltica-2 sp. z o.o.	April 20, 2022	<p>On December 23, 2021 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-2 sp. z o.o. adopted resolution on a share capital increase from PLN 199 895 000 to PLN 199 905 000, i.e. by PLN 10 000, through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows:</p> <ul style="list-style-type: none"> • PGE Baltica 6 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares, • Ørsted Baltica 2 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of PLN 69 572 451.01, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 69 567 451.01 was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code. <p>PGE Baltica 6 sp. z o.o. and Ørsted Baltica 2 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-2 sp. z o.o.</p>
Renewables	Elektrownia Wiatrowa Baltica-3 sp. z o.o.	May 27, 2022	<p>On December 23, 2021 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-3 sp. z o.o. adopted resolution on a share capital increase from PLN 254 844 000 to PLN 254 854 000, i.e. by PLN 10 000 PLN, , through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows:</p> <ul style="list-style-type: none"> • PGE Baltica 5 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares, • Ørsted Baltica 3 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of PLN 71 454 737.75 PLN, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 71 449 737.75 PLN was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code. <p>PGE Baltica 5 sp. z o.o. and Ørsted Baltica 3 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-3 sp. z o.o.</p>

Other Operations	PGE Inwest 14 sp. z o.o.	April 13, 2022	On February 8, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 4 434 000 to PLN 7 434 000, i.e. by PLN 3 000 000. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Other Operations	PGE Inwest 12 sp. z o.o.	June 6, 2022	On April 6, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 50 000 PLN to PLN 3 550 000, i.e. by PLN 3 500 000 PLN. The share capital increase was taken up and paid by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
Renewables	Elektrownia Wiatrowa Baltica-2 sp. z o.o.	November 4, 2022	On June 30, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-2 sp. z o.o. adopted resolution on a share capital increase from PLN 199 905 000 PLN to PLN 199 915 000 PLN, i.e. by PLN 10 000, through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows: PGE Baltica 6 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares, Ørsted Baltica 2 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of DKK 30 425 917.09 and PLN 20 281 653.04 PLN, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 38 716 602.79 was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code. PGE Baltica 6 sp. z o.o. and Ørsted Baltica 2 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-2 sp. z o.o.
Renewables	Elektrownia Wiatrowa Baltica-3 sp. z o.o.	October 19, 2022	On June 30, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-3 sp. z o.o. adopted resolution on a share capital increase from PLN 254 854 000 to PLN 254 864 000, i.e. by PLN 10 000, through issue of new 20 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by the company's current shareholders as follows: PGE Baltica 5 sp. z o.o. took up 10 shares and covered them with a cash contribution of PLN 5 000, i.e. at the nominal value of these shares, Ørsted Baltica 3 Holding sp. z o.o. with its seat in Warsaw took up 10 shares and covered them with a cash contribution of DKK 26 482 822.99 and PLN 9 620 352.12, where the excess of the value of the contribution made over the nominal value of the shares taken up in the amount of PLN 25 665 547.87 was transferred to the company's supplementary capital (agio), in accordance with Art. 154 § 3 of the Commercial Companies Code . PGE Baltica 5 sp. z o.o. and Ørsted Baltica 3 Holding sp. z o.o. each own 50% of the share capital of Elektrownia Wiatrowa Baltica-2 sp. z o.o.
Renewables	Elektrownia Wiatrowa Baltica-1 sp. z o.o.	September 19, 2022	On July 14, 2022 the Extraordinary Assembly of Partners of Elektrownia Wiatrowa Baltica-1 sp. z o.o. adopted resolution on a share capital increase from PLN 32 545 000 to PLN 99 545 000, i.e. by PLN 67 000 000, through issue of new 134 000 shares of the company with a nominal value of PLN 500 each. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.

Other Operations	PGE Inwest 12 sp. z o.o.	September 21, 2022	On August 1, 2022 the Extraordinary Assembly of Partners of the company adopted resolution on a share capital increase from PLN 3 550 000 PLN to PLN 6 196 000 PLN, i.e. by PLN 2 646 000. The increase in the company's share capital was acquired and paid for by PGE S.A. in cash. PGE S.A. holds 100% in the share capital.
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ADDITIONAL PAYMENTS FOR COMPANIES SHARES

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

MERGERS

Segment	Acquiring company/acquired company	Date of transaction/ registration in the National Court Register	Comment
District Heating	PGE Energia Ciepła S.A. - /Przedsiębiorstwo Energetyki Ciepłej 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 Ciepłej sp. z o.o. with its seat in Zgierz (acquired company) adopted resolutions on the merger of the companies in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company

Segment	Acquiring company/acquired company	Date of transaction/registration in the National Court Register	Comment
			without its liquidation. PGE Energia Ciepła S.A. was the sole shareholder of Przedsiębiorstwo Energetyki Ciepłej sp. z o.o.
Other Operations	PGE Dystrybucja S.A./ Przedsiębiorstwo Transportowo-Usługowe „ETRA” sp. z o.o. with its seat in Białystok (ETRA)	March 15, 2022/ March 21, 2022 (merger date)	On March 15, 2022 the Extraordinary Assembly of Partners of ETRA (acquired company) adopted resolution on the merger with PGE Dystrybucja S.A. (acquiring company) in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company, pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Dystrybucja S.A. was the sole shareholder of ETRA.
Other Operations	PGE Energia Odnawialna S.A./ Bio-Energia sp. z o.o with its seat in Warsaw (Bio-Energia)	May 20, 2022/ June 30, 2022 (merger date)	On May 20, 2022 the Extraordinary General Meeting of PGE Energia Odnawialna S.A. (acquiring company) and the Extraordinary Assembly of Partners of Bio-Energia (acquired company) adopted resolutions on the merger of the companies in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Energia Odnawialna S.A. was the sole shareholder of Bio-Energia.
District Heating	PGE Energia Ciepła S.A./ PGE Gaz Toruń sp. z o.o. with its seat in Warsaw (PGE Gaz Toruń)	October 3, 2022/ November 2, 2022	On October 3, 2022 the Extraordinary General Meeting of PGE Energia Ciepła S.A. (acquiring company) and the Extraordinary Assembly of Partners of PGE Gaz Toruń (acquired company) adopted resolutions on the merger of the companies in mode of art. 492 § 1 p. 1 of the Polish Commercial Companies Code (merger through acquisition), through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company pursuant to art. 516 § 6 of the Polish Commercial Companies Code and dissolution of the acquired company without its liquidation. PGE Energia Ciepła S.A. was the sole shareholder of PGE Gaz Toruń.

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.

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 June 30, 2022:

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

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

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

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

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

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

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

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

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

the Company's share capital and entitling to exercise 1 365 601 493 votes, which constitutes 60.86% of the total number of votes.

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

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

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

TREASURY SHARES

As at September 30, 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 September 30, 2022 and as at the date of publishing of this report.

4.4. Significant off-balance sheet items

Significant off-balance sheet items are described in notes 11 and 24 to the consolidated financial statements.

5. Statement of the Management Board on the reliable preparation of the financial statements

To the best knowledge of the Management Board of PGE S.A., the quarterly financial report including condensed interim consolidated financial statements of the Capital Group of PGE Polska Grupa Energetyczna S.A., quarterly financial information for PGE Polska Grupa Energetyczna S.A. and comparative data, was 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 November 22, 2022.

Warsaw, November 22, 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**

Lechosław Rojewski

**Vice-
President
of the
Management
Board**

Paweł Śliwa

**Vice-
President
of the
Management
Board**

Ryszard Wasilek

Glossary

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

Operator (DSO)	indispensable expansion of the distribution network, including connections to other gas or power systems.
Energy cluster	civil-law arrangement that may include natural persons, legal entities, scientific units, research institutes or local government units, concerning the generation, distribution or trade in energy and energy demand balancing, with this energy being from renewable sources or other sources or fuels, within a distribution grid with nominal voltage below 110 kV, within the operational area of the given cluster, not exceeding the area of one district (powiat) in the meaning of the act on district authorities) or 5 municipalities (gmina) in the meaning of the act on municipal authorities; an energy cluster is represented by a coordinator, which is a cooperative, association, foundation appointed for this purpose or any member of the energy cluster indicated in the civil-law arrangement
ERO	Energy Regulatory Office (pol. URE).
EUA	European Union Allowances: transferable CO ₂ emission allowances; one EUA allows an operator to release one tonne of CO ₂ .
EU ETS	European Union Greenhouse Gas Emission Trading Scheme) EU emission trading scheme. Its operating rules are set out in the ETS Directive, amended by the Directive 2009/29/EC of the European Parliament and of the Council of April 23, 2009 (OJ EU L. of 2009, No. 140, p. 63–87).
EV	Electric vehicle
FIT/FIP	Feed-in-Tariff (FIT) and Feed-in-Premium (FIP): system of subsidies to the market price of electricity performed by Zarządca Rozliczeń S.A.
Generating unit	a technically and commercially defined set of equipment belonging to a power company and used to generate electricity or heat and to transmit power.
GJ	Gigajoule, a unit of work/heat in the SI system, 1 GJ = 1000/3.6 kWh = approximately 278 kWh.
GPZ	main power supply point, a type of transformer station used for the processing or distribution of electricity or solely for the distribution of electricity.
Green certificate	popular name for energy generated from renewable energy sources.
GW	gigawatt, a unit of capacity in the SI system, 1 GW = 10 ⁹ W.
GWe	one gigawatt of electric capacity.
GWt	one gigawatt of heat capacity.
HCl	hydrogen chloride.
Hg	mercury.
HICP	Harmonised Index of Consumer Prices
High Voltage Network (HV)	a network with a nominal voltage of 110 kV.
IED	Industrial Emissions Directive
IGCC	Integrated Gasification Combined Cycle.
Installed capacity	the formal value of active power recorded in the design documentation of a generating system as being the maximum achievable capacity of that system, confirmed by the acceptance protocols of that system (a historical value, it does not change over time).
IRIESP	the Transmission Network Operation and Maintenance Manual required to be prepared by a transmission system operator pursuant to the Energy Law; instructions prepared for power networks that specify in detail the terms and conditions of using these networks by system users as well as terms and conditions for traffic handling, operation and planning the development of these networks; sections on transmission system balancing and system limitation management, including information on comments received from system users and their consideration, are submitted to the ERO President for approval by way of a decision.
IRZ	Cold Intervention Reserve Service – service consisting of maintaining power units ready for energy production. Energy is produced on request of PSE S.A.
KRI	Key Risk Indicator

KSE	the National Power System, a set of equipment for the distribution, transmission and generation of electricity, forming a system to allow the supply of electricity in the territory of Poland.
KSP	the National Transmission System, a set of equipment for the transmission of electricity in the territory of Poland.
kV	kilo volt, an SI unit of electric potential difference, current and electromotive force; 1kV= 103 V.
kWh	kilowatt-hour, a unit of electric energy in the SI system defined as the volume of electricity used by the 1 kW equipment over one hour. 1 kWh = 3,600,000 J = 3.6 MJ.
kWp	a power unit dedicated to determining the power of photovoltaic panels, means the amount of electricity in the peak of production.
Low Voltage Network (LV)	a network with a nominal voltage not exceeding 1 kV.
LTC	long-term contracts on the purchase of capacity and electricity entered into between Polskie Sieci Elektroenergetyczne S.A. and electricity generators in the years 1994-2001.
Medium-voltage network (MV)	an energy network with a nominal voltage higher than 1 kV but lower than 110 kV.
MEV	Minimum Energy Volumes.
MSR	Market Stability Reserve (relating to CO ₂)
MW	a unit of capacity in the SI system, 1 MW = 10 ⁶ W.
MWe	one megawatt of electric power.
MWt	one megawatt of heat power.
NAP	National emissions Allocation Plan, prepared separately for the national emission trading system and for the EU emission trading system by the National Administrator of the Emission Trading System.
NAP II	National CO ₂ emissions Allocation Plan for the years 2008-2012 prepared for the EU emission trading system adopted by the Ordinance of the Council of Ministers of July 1, 2008 (Dz. U. of 2008, No. 202, item 1248).
NH ₃	ammonia
Nm ³	normal cubic meter; a unit of volume from outside the SI system signifying the quantity of dry gas in 1 m ³ of space at a pressure of 101.325 Pa and a temperature of 0°C.
NO _x	nitrogen oxides.
N:W ratio	Ration of volume of overburden removed in m ³ to the mass of extracted coal in tons
OTF	Organised Trading Facilities
Operational Capacity Reserve (ORM)	ORM constitutes of generation capacities of active Production Scheduling Units (JGWa) in operation or layover, representing excess capacity over electricity demand available to the TSO under the Energy Sale Agreements and on the Balancing Market in unforced generation
Peak, peakload	a standard product on the electricity market; a constant power supply from Monday to Friday, each hour between 7:00 a.m. and 10:00 p.m. (15-hour standard for the Polish market) or between 8:00 a.m. and 8:00 p.m. (12-hour standard for the German market) in a given period, for example week, month, quarter or year.
Peak power pumped storage plants	special type of hydro-power plant allowing for electricity storage. It uses the upper reservoir, to which water is pumped from the lower reservoir using electricity (usually excessive in system). The pumped storage facilities provide ancillary control services for the national power system. In periods of increased demand for electricity, water from the upper reservoir is released through the turbine. This way, electricity is produced.
PJ	Petajoule, a unit of work/heat in the SI system, 1 PJ = approx. 278 GWh

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

Operator (TSO)	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), $1 \text{ V} = 1\text{J}/1\text{C} = (1 \text{ kg} \times \text{m}^2) / (\text{A} \times \text{s}^3)$.
W (watt)	a unit of power in the International Systems of Units (SI), $1 \text{ W} = 1\text{J}/1\text{s} = 1 \text{ kg} \times \text{m}^2 \times \text{s}^{-3}$.
Yellow certificate	a certificate confirming generation of energy in gas-fired power plants and CCGT power plants.
Yellow energy	popular name for energy generated in gas-fired power plants and CCGT power plants.