QUARTERLY FINANCIAL REPORT

PGE Polska Grupa Energetyczna S.A.
for a period of 3 months

Period ended March 31, 2023 in accordance with IFRS (in PLN million)

Leading in the green transition

Table of contents

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

I. INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PGE GROUP FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2023 COMPLIANT WITH IFRS EU

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended March 31, 2023 *(unaudited)*	Period ended March 31, 2022 *(unaudited)*
STATEMENT OF PROFIT OR LOSS			
SALES REVENUES	*6.1*	**27.208**	**16.897**
Cost of goods sold	*6.2*	(21.638)	(14.675)
GROSS PROFIT ON SALES		**5.570**	**2.222**
Costs of sales and distribution	*6.2*	(2.687)	(438)
General and administrative expenses	*6.2*	(322)	(264)
Net other operating income/(costs)	*6.4*	(218)	30
OPERATING PROFIT		**2.343**	**1.550**
Net financial income / (costs), including:	*6.5*	18	(168)
Interest income calculated using the effective interest rate method		*184*	*22*
Share of profit/(loss) of entities accounted for using the equity method	*6.6*	-	7
GROSS PROFIT/(LOSS)		**2.361**	**1.389**
Income tax	*8*	(550)	(327)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD		**1.811**	**1.062**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in the future:			
Valuation of debt financial instruments	*19.2*	3	-
Valuation of hedging instruments	*19.2*	(483)	414
Foreign exchange differences on translation of foreign operations		-	1
Deferred tax	*8*	91	(79)
Items that may not be reclassified to profit or loss in the future:			
Share of profit of equity-accounted entities		1	2
NET OTHER INCOME		**(388)**	**338**
TOTAL COMPREHENSIVE INCOME		**1.423**	**1.400**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
shareholders of the parent		1.724	1.022
non-controlling interests		87	40
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
shareholders of the parent		1.335	1.360
non-controlling interests		88	40
EARNINGS/(LOSS) AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (IN PLN)		**0.77**	**0.55**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At March 31, 2023 (unaudited)	At December 31, 2022 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		64.867	64.388
Investment properties		31	32
Intangible assets		733	726
Right-of-use assets		1.406	1.311
Financial receivables	*16.1*	238	223
Derivatives and other assets measured at fair value through profit or loss	*18*	504	608
Shares and other equity instruments		123	117
Shares accounted for using the equity method	*11*	186	180
Other non-current assets		818	850
CO_2 emission allowances for captive use	*15*	521	114
Deferred income tax assets	*13.2*	2.990	3.183
		72.417	**71.732**
CURRENT ASSETS			
Inventory	*14*	5.822	4.918
CO_2 emission allowances for captive use	*15*	19.120	4.754
Accounts receivable for tax liabilities		1.212	239
Derivatives and other assets measured at fair value through profit or loss	*18*	291	927
Trade and other financial receivables	*16.1*	11.702	9.083
Other short term assets		1.108	2.219
Cash and cash equivalents	*16.2*	8.761	11.887
		48.016	**34.027**
ASSETS CLASSIFIED AS HELD FOR SALE		**19**	**19**
TOTAL ASSETS		**120.452**	**105.778**
OWN FUND			
Share capital	*19.1*	19.184	19.184
Reserve capital		25.049	25.049
Hedging reserve	*19.2*	(421)	(32)
Net exchange rate differences		3	4
Retained earnings		11.103	9.333
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**54.918**	**53.538**
Equity attributable to non-controlling interests		933	845
TOTAL EQUITY		**55.851**	**54.383**
NON-CURRENT LIABILITIES			
Long-term reserves	*20*	6.447	6.363
Loans, borrowings, bonds and leases	*21.1*	10.230	6.799
Derivatives	*18*	284	305
Obligations due to deferred income tax	*13.2*	956	1.002
Deferred income and government grants		1.047	1.011
Other financial liabilities	*21.2*	478	478
Other non-financial liabilities	*22.1*	151	141
		19.593	**16.099**
CURRENT LIABILITIES			
Short-term reserves	*20*	27.945	21.223
Loans, borrowings, bonds and leases	*21.1*	4.184	2.137
Derivatives	*18*	1.399	1.629
Trade and other financial liabilities	*21.2*	6.375	6.707
Obligations due to current income tax		367	198
Deferred income and government grants		98	97
Other non-financial liabilities	*22.2*	4.640	3.305
		45.008	**35.296**
TOTAL LIABILITIES		**64.601**	**51.395**
TOTAL EQUITY AND LIABILITIES		**120.452**	**105.778**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Hedging reserve	Foreign exchange differences from translation	Retained earnings	Total	Non-controlling interests	TOTAL EQUITY
Note	*19.1*		*19.2*					
January 1, 2023	**19.184**	**25.049**	**(32)**	**4**	**9.333**	**53.538**	**845**	**54.383**
Net profit for the reporting period	-	-	-	-	1.724	1.724	87	1.811
Other comprehensive income	-	-	(389)	-	-	(389)	1	(388)
COMPREHENSIVE INCOME	**-**	**-**	**(389)**	**-**	**1.724**	**1.335**	**88**	**1.423**
Share of change in equity of jointly-controlled entities	-	-	-	-	45	45	-	45
Other changes	-	-	-	(1)	1	-	-	-
March 31, 2023	**19.184**	**25.049**	**(421)**	**3**	**11.103**	**54.918**	**933**	**55.851**

	Share capital	Reserve capital	Hedging reserve	Foreign exchange differences from translation	Retained earnings	Total	Non-controlling interests	TOTAL EQUITY
Note	*19.1*		*19.2*					
January 1, 2022	**19.165**	**20.154**	**609**	**2**	**7.564**	**47.494**	**797**	**48.291**
Net profit for the reporting period	-	-	-	-	1.022	1.022	40	1.062
Other comprehensive income	-	-	335	1	2	338	-	338
COMPREHENSIVE INCOME	**-**	**-**	**335**	**1**	**1.024**	**1.360**	**40**	**1.400**
Accounting for purchase of additional shares in subsidiaries	-	-	-	-	1	1	-	1
Other changes	-	-	-	-	2	2	-	2
March 31, 2022	**19.165**	**20.154**	**944**	**3**	**8.591**	**48.857**	**837**	**49.694**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period ended March 31, 2023 *(unaudited)*	Period ended March 31, 2022 *(unaudited)* ***restated data****
CASH FLOWS FROM OPERATING ACTIVITIES			
Gross profit/(loss)		**2.361**	**1.389**
Income tax paid		(1.123)	(188)
Adjustments for:			
Share of profit of equity-accounted entities		-	(7)
Depreciation, amortisation, disposal and impairment losses		1.084	1.065
Interest and dividend net		74	83
(Profit)/loss from investing activities		(43)	(64)
Change in receivables		(2.625)	602
Change in inventories		(906)	(670)
Change in CO_2 emission allowances for captive use		(14.773)	(5.181)
Change in liabilities, excluding loans and borrowings		1.350	(165)
Change in other non-financial assets, prepayments		933	(113)
Change in provisions		6.812	4.494
Other		28	36
NET CASH FROM OPERATING ACTIVITIES		**(6.828)**	**1.281**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(1.629)	(1.001)
Sale of property, plant and equipment and intangible assets		3	8
Recognition of deposits with maturity over 3 months		(227)	(293)
Termination of deposits with maturity over 3 months		212	283
Purchase of financial assets		(3)	(16)
Loans repaid		-	15
Sale of other financial assets, net of cash transferred		-	89
Other		(1)	2
NET CASH FROM INVESTING ACTIVITIES		**(1.645)**	**(913)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue for non-controlling interests		45	-
Proceeds from loans, borrowings		6.161	2.214
Repayment of loans, borrowings, leases		(775)	(3.113)
Interest paid		(89)	(79)
Other		5	-
NET CASH FROM FINANCING ACTIVITIES		**5.347**	**(978)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(3.126)**	**(610)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	*16.2*	**11.887**	**6.733**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	*16.2*	**8.761**	**6.123**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

GENERAL INFORMATION, BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND OTHER EXPLANATORY INFORMATION

1. General information

1.1 Information on the parent

PGE Polska Grupa Energetyczna S.A. was established by a Notarial Deed of 2 August 1990 and registered with the District Court in Warsaw, XVI Commercial Division, on 28 September 1990. The company was entered in the National Court Register maintained by the District Court for the City of Warsaw. The Company was registered in the National Court Register of the District Court for the capital city of Warsaw, XII Commercial Department, under no. KRS 0000059307. On April 6, 2022, an Extraordinary General Meeting adopted a resolution to change the Company's registered office to Lublin. On July 1, 2022, the change was registered in the National Court Register maintained by the District Court for Lublin-Wschód in Lublin, based in Świdnik, VI Commercial Division of the National Court Register, and the registered office is now located in Lublin at Aleja Kraśnicka 27.

As at January 1, 2023, the composition of the Company's Management Board was as follows:

- Wojciech Dąbrowski – 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 Wasiłek – Vice-President of the Management Board.

On January 4, 2023, the Supervisory Board adopted a resolution to appoint Mr. Rafał Włodarski to the Management Board as of January 9, 2023.

As at 31 March 2023, the Board of Directors consisted of:

- Wojciech Dąbrowski – 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 Wasiłek – Vice-President of the Management Board,
- Rafał Włodarski – Vice-President of the Management Board.

On 28 March 2023, Mr Ryszard Wasiłek resigned from his position as Vice-President of the Management Board

as of 30 April 2023.

On 19 April 2023, the Supervisory Board adopted a resolution to appoint Mr. Przemysław Kołodziejak to the Management Board as of May 1, 2023.

At the date of publication of these financial statements, the Board of Directors consisted of:

- Wojciech Dąbrowski – President of the Management Board,
- Wanda Buk – Vice-President of the Management Board,
- Przemysław Kołodziejak - Vice-President of the Management Board,
- Lechosław Rojewski – Vice-President of the Management Board,
- Paweł Śliwa – Vice-President of the Management Board,
- Rafał Włodarski – Vice-President of the Management Board.

Ownership structure

The parent's ownership structure was as follows:

	State as at 2023-03-31	State as at 2022-12-31
State Treasury	60.86%	60.86%
Other shareholders	39.14%	39.14%
Total	**100.00%**	**100.00%**

The ownership structure as at particular reporting dates was prepared on the basis of data available to the Company.

According to information known to the Company as of the date on which these financial statements were prepared, the State Treasury was the only shareholder with at least 5% of votes at the general meeting of PGE S.A.

1.2 Information on PGE Group

PGE Group consists of the parent, PGE Polska Grupa Energetyczna S.A., along with 74 consolidated subsidiaries. Also subject to consolidation are 2 entities constituting a joint operation, 4 associates. For additional information about subsidiaries included in the consolidated financial statements please refer to note 1.3.

These consolidated financial statements of PGE Group cover the period from January 1, 2023 to March 31, 2023 and include comparative data for the period from January 1, 2022 to March 31, 2022 and as at December 31, 2022. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022, approved for publication on 20 March 2023.

The financial statements of all subordinated entities were prepared for the same reporting period as the financial statements of the parent company, using consistent accounting principles. Companies acquired in the course of the financial year were the exception, preparing financial data for the period from the moment when PGE Group obtained control.

PGE Group companies' core activities are as follows:

- production of electricity,
- distribution of electricity,
- wholesale and retail trade in electricity, energy origin rights, CO_2 emission allowances and natural gas,
- production and distribution of heat,
- provision of other services related to these activities Business activities are conducted under appropriate concessions granted to specific PGE Group companies.

PGE Group operates predominately in Poland.

Continuation of activities

These financial statements were prepared under the assumption that the key Group companies will continue operating as a going concern for at least 12 months from the reporting date.

In 2021 ENESTA sp. z o.o. (currently ENESTA sp. z o.o. w restrukturyzacji) terminated unfavourable contracts for the supply of electricity and natural gas. Some counterparties took their claims to court in 2022. After unsuccessful attempts to reach an agreement with its counterparties, ENESTA filed for restructuring proceedings. On June 21, 2022, restructuring (sanitation) proceedings were opened. At the end of 2022 and in February 2023, judgements unfavourable to ENESTA were made in pending proceedings. The judgements established the existence and validity of contracts for the sale of electricity and natural gas. As a result of the need to continue to perform unfavourable sales contracts at the end of 2022, a provision of PLN 37 million was made for onerous contracts in 2023. In addition, provisions have been made for potential litigation in connection with the reserve sale implemented in 2022 by the vendor of last resort in the amount of PLN 56 million. In the first quarter of 2023, the provision for onerous contracts was partially released and now amounts to PLN 33 million. Sales revenues are invoiced in accordance with final court judgments.

As at December 31, 2022, the value of ENESTA's assets and equity and liabilities is PLN 177 million and the value of equity is PLN (228 million) million.

Aside from the issue of ENESTA sp. z o.o. w restrukturyzacji, at the date of the approval of these financial statements, there is no evidence indicating that the going concern of significant Group companies is endangered.

Changes in the accounting principles

With the exception of the change described in note 3, the same accounting policies and calculation methods have been followed in these financial statements as in the last annual financial statements. These statements should be read in conjunction with the audited consolidated financial statements of the PGE Group for the year ended 31 December 2022 approved for issue on 20 March 2023.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

1.3 Companies consolidated in the PGE Capital Group

1.3.1 Fully consolidated direct and indirect subsidiaries

	Name of the unit	Entity holding stake	Stake held by Group entities as at March 31, 2023	Stake held by Group entities as at December 31, 2022
	SEGMENT: SUPPLY			
1.	PGE Polska Grupa Energetyczna S.A. Warsaw	Parent		
2.	PGE Dom Maklerski S.A. Warsaw	PGE S.A.	100.00%	100.00%
3.	PGE Obrót S.A. Rzeszów	PGE S.A.	100.00%	100.00%
4.	ENESTA sp. z o.o. w restrukturyzacji Stalowa Wola	PGE Obrót S.A.	87.33%	87.33%
5.	PGE Paliwa sp. z o.o. Krakow	PGE EC S.A.	100.00%	100.00%
	SEGMENT: CONVENTIONAL GENERATION			
6.	PGE Górnictwo i Energetyka Konwencjonalna S.A. Bełchatów	PGE S.A.	100.00%	100.00%
7.	Elbest Security sp. z o.o. Bełchatów	PGE S.A.	100.00%	100.00%
8.	MegaSerwis sp. z o.o. Bogatynia	PGE GiEK S.A.	100.00%	100.00%
9.	ELMEN sp. z o.o. Rogowiec	PGE GiEK S.A.	100.00%	100.00%
10.	ELTUR-SERWIS sp. z o.o. Bogatynia	PGE GiEK S.A.	100.00%	100.00%
11.	BETRANS sp. z o.o. Kalisko	PGE GiEK S.A.	100.00%	100.00%
12.	BESTGUM POLSKA sp. z o.o. Rogowiec	PGE GiEK S.A.	100.00%	100.00%
13.	RAMB sp. z o.o. Piaski	PGE GiEK S.A.	100.00%	100.00%
14.	„Energoserwis – Kleszczów" sp. z o.o. Rogowiec	PGE S.A.	51.00%	51.00%
	SEGMENT: DISTRICT HEATING			
15.	PGE Energia Ciepła S.A. Warsaw	PGE S.A.	100.00%	100.00%
16.	PGE Toruń S.A. Torun	PGE EC S.A.	95.22%	95.22%
17.	Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. Wrocław	PGE EC S.A.	58.07%	58.07%
18.	Elektrociepłownia Zielona Góra S.A. Zielona Góra	KOGENERACJA S.A.	98.40%	98.40%
19.	MEGAZEC sp. z o.o. Bydgoszcz	PGE S.A.	100.00%	100.00%
	SEGMENT: CIRCULAR ECONOMY			
20.	PGE Ekoserwis S.A. Wrocław	PGE S.A.	100.00%	100.00%
21.	EPORE S.A. Bogatynia	PGE Ekoserwis S.A.	100.00%	-
		PGE GiEK S.A.	-	100.00%
22.	ZOWER sp. z o.o. Rybnik	PGE Ekoserwis S.A.	100.00%	100.00%
	SEGMENT: RENEWABLES			
23.	PGE Energia Odnawialna S.A. Warsaw	PGE S.A.	100.00%	100.00%
24.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
25.	Elektrownia Wiatrowa Baltica-4 sp. z o.o. Warsaw	PGE S.A.	66.19%	66.19%
26.	Elektrownia Wiatrowa Baltica-5 sp. z o.o. Warsaw	PGE S.A.	66.19%	66.19%
27.	Elektrownia Wiatrowa Baltica-6 sp. z o.o. Warsaw	PGE S.A.	66.24%	66.24%
28.	Elektrownia Wiatrowa Baltica-9 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
29.	Elektrownia Wiatrowa Baltica-10 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
30.	Elektrownia Wiatrowa Baltica-11 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

	Name of the unit	Entity holding stake	Stake held by Group entities as at March 31, 2023	Stake held by Group entities as at December 31, 2022
31.	Elektrownia Wiatrowa Baltica-12 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
32.	Elektrownia Wiatrowa Baltica-8 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
33.	PGE Baltica 2 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
34.	PGE Baltica 3 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
35.	PGE Baltica 4 sp. z o.o. Warsaw	PGE S.A.	55.04%	55.04%
36.	PGE Baltica 5 sp. z o.o. Warsaw	PGE Baltica 3 sp. z o.o.	100.00%	100.00%
37.	PGE Baltica 6 sp. z o.o. Warsaw	PGE Baltica 2 sp. z o.o.	100.00%	100.00%
38.	PGE Baltica sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
39.	PGE Klaster sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
40.	PGE Soleo 2 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
41.	PGE Soleo 3 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
42.	Mithra B sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
43.	Mithra D sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
44.	Mithra F sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
45.	Mithra G sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
46.	Mithra H sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
47.	Mithra I sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
48.	Mithra K sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
49.	Mithra M sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
50.	Mithra N sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
51.	Mithra O sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
52.	Mithra P sp. z o.o. Poznan	PGE EO S.A.	100.00%	100.00%
	SEGMENT: DISTRIBUTION			
53.	PGE Dystrybucja S.A. Lublin	PGE S.A.	100.00%	100.00%
	SEGMENT: OTHER ACTIVITY			
54.	PGE Systemy S.A. Warsaw	PGE S.A.	100.00%	100.00%
55.	PGE Sweden AB (publ) Stockholm	PGE S.A.	100.00%	100.00%
56.	PGE Synergia sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
57.	ELBIS sp. z o.o. Rogowiec	PGE S.A.	100.00%	100.00%
58.	PGE Inwest 2 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
59.	PGE Ventures sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
60.	PGE Gryfino 2050 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
61.	PGE Inwest 9 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
62.	PGE Inwest 10 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
63.	PGE Inwest 11 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
64.	PGE Inwest 12 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
65.	PGE Asekuracja S.A. (formerly PGE Inwest 13 S.A.) Warsaw	PGE S.A.	100.00%	100.00%
66.	PGE Inwest 14 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

	Name of the unit	Entity holding stake	Stake held by Group entities as at March 31, 2023	Stake held by Group entities as at December 31, 2022
67.	PGE Nowa Energia sp. z o.o. w likwidacji Warsaw	PGE S.A.	100.00%	100.00%
68.	Rybnik 2050 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
69.	PGE Inwest 20 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
70.	PGE Inwest 21 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
71.	PGE Inwest 22 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
72.	PGE Inwest 23 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
73.	PGE Inwest 24 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
74.	PGE Inwest 25 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
75.	Energetyczne Systemy Pomiarowe sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%

Events after the balance sheet date

- on 3 April 2023, the transaction for the direct acquisition by PGE S.A. was closed. 100% of the shares in PKPE Holding sp. z o.o. and, as a consequence, the indirect acquisition of 100% of the shares in PKP Energetyka S.A. and the shares in the other subsidiaries held by PKPE Holding sp. z o.o. PKPE Holding sp. z o.o. is a holding company controlling a number of entities whose activities are focused around PKP Energetyka S.A. The PKPE Group is a distributor and seller of energy to the catenary network and additionally provides catenary maintenance services.
  The price to be paid at closing for 100% of the shares was determined based on the value of the company as at 31 March 2022, as an amount of PLN 1,913 million, and settled based on the locked-box mechanism provided for in the preliminary share purchase agreement of 28 December 2022, and was subsequently adjusted, in accordance with the locked-box mechanism, in particular by reducing it by PLN 40 million. The final price paid by PGE S.A. to the seller on 3 April 2023 was PLN 1,873 million.
- on 13 April 2023, the special purpose vehicle PGE PAK Energia Jądrowa S.A. with its registered office in Konin was established, in which PGE S.A. holds 50% of the shares. The company was established to implement a nuclear power plant project with the potential participation of a technology partner. Details are described in note 26.6 of this report.

1.3.2 Joint ventures that are subject to consolidation as regards the assets, equity and liabilities, revenues and costs attributable to PGE Group

	Name of the unit	Entity holding stake	Stake held by Group entities as at March 31, 2023	Stake held by Group entities as at December 31, 2022
	SEGMENT: RENEWABLES			
1.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. Warsaw	PGE Baltica 6 sp. z o.o.	50.00%	50.00%
2.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. Warsaw	PGE Baltica 5 sp. z o.o.	50.00%	50.00%
3.	PGE Soleo Kleszczów sp. z o.o. Kleszczów	PGE EO S.A.	-	50.00%

1.3.3 The following associates and jointly controlled entities are subject to consolidation using the equity method:

	Name of the unit	Entity holding stake	Stake held by Group entities as at March 31, 2023	Stake held by Group entities as at December 31, 2022
1.	Polimex Mostostal S.A. Warsaw	PGE S.A.	16.26%	16.26%
2.	PEC Bogatynia S.A. Bogatynia	PGE EC S.A.	34.93%	34.93%
3.	Energopomiar sp. z o.o. Gliwice	PGE Group companies	49.79%	49.79%
4.	PGE Soleo Kleszczów sp. z o.o. Kleszczów	PGE EO S.A.	50.00%	-

2. Basis for preparation of financial statements

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state (Dz. U. 2018, pos. 512 and 685).

IFRS comprise standards and interpretations, approved by the International Accounting Standards Board and the IFRS Interpretations Committee.

2.2 Presentation and functional currency

The parent's functional currency and the presentation currency of these consolidated financial statements is the Polish zloty (PLN). All amounts are in PLN millions (PLNm), unless indicated otherwise.

For the purpose of translation of items denominated in currency other than PLN as at the reporting date the following exchange rates were applied:

	March 31, 2023	December 31, 2022	March 31,2022
USD	4.2934	4.4018	4.1801
EUR	4.6755	4.6899	4.6525

2.3 New standards and interpretations published, not yet effective

The following standards, amendments to existing standards and interpretations are not yet endorsed by the European Union or are not effective as at January 1, 2022:

Standard	Description of changes	Effective date
IFRS 14 Regulatory Deferral Accounts	Accounting and disclosure principles for regulatory deferral accounts. deferred	In accordance with a decision by the European Commission, the approval process for the standard in its preliminary version will not begin before the final version is published.
Amendments to IFRS 10 and IAS 28	Contains guidelines on the sale or contribution of assets between an investor and its joint venture or associate.	Work on approval have been postponed indefinitely
Amendments to IAS 1	The changes relate to the presentation of the financial statements - classification liabilities as short- and long-term	2024-01-01
Amendments to IFRS 16	The changes relate to how liabilities concerning sale and leaseback transactions are measured	2024-01-01

PGE Group intends to adopt the above-mentioned new standards and amendments to IFRS standards and interpretations published by the International Accounting Standards Board, but not effective as at the reporting date, in accordance with their effective date. These regulations will not have a material impact on PGE Group's future financial statements.

2.4 Professional judgement of management and estimates

In the process of applying accounting rules with regards to the below issues, management has made judgements and estimates that affect the amounts presented in the consolidated financial statements, including in other explanatory information. The estimates are based on the best knowledge of the Management Board relating to current and future operations and events in particular areas. Detailed information on the assumptions made is presented below or in respective explanatory notes.

- In previous reporting periods, the Group recognised impairment losses on assets, particularly property, plant and equipment. In the current reporting period, the Group did not identify any indication of impairment testing or reversal of impairment losses recognised in previous periods. Estimates of the recoverable amount of property, plant and equipment are based on a number of significant assumptions, the appearance of which is uncertain and mostly beyond PGE Group's control. The Group believes that it has assumed the most accurate volumes and values. Nevertheless, realisation of the particular assumptions may diverge from the ones established by the Group.
- Provisions are liabilities of uncertain amount or timing. During the reporting period, the Group changed estimates regarding the validity or amounts of some provisions.
- Uncertainties concerning tax settlements are described in note 24 to these consolidated financial statements.
- The Group makes significant estimates in respect of the recognised contingent liabilities, details are set out in note 23 of these financial statements.
- The valuation of financial instruments is based on a number of assumptions and estimates on the basis of the data available at the time of preparing the financial statements. Changes in these assumptions and estimates may affect the future financial statements of PGE Group.
- In view of the crisis situation in the electricity market in 2022, a number of legal regulations came into force, which made it necessary for PGE Group side to make revenue and cost estimates for coal compensation, compensation and price adjustments resulting from the Act for households, the contribution for the Price Difference Payment Fund resulting from the Emergency Measures Act in 2023. These estimates are described in greater detail in notes 26.3 and 26.4 to these financial statements.
- Some of the sales revenue described in detail in note 6.1 of these consolidated financial statements is invoiced based on cyclical readings of metering and billing systems. This results in the need for an overestimation of sales revenue in relation to supplies for which PGE Group does not have readings from metering equipment at the reporting date.

3. Changes in accounting principles and data presentation

New standards and interpretations that went into force on January 1, 2023

The accounting principles (policy) applied in preparing these financial statements are consistent with those applied in preparing the financial statements for 2022, except for the amendment to IAS 16, as described below. The following amendments to IFRSs are applied in these financial statements in line with their effective dates. With the exception of the amendment to IAS 16, the following amendments did not have a material impact on the presented and disclosed financial information or were not applicable to the Group's transactions:

- Amendments to IFRS 17 - amendments relate to insurance contracts - revenue recognition and gains/losses during the period of service provision.
- Amendments to IFRS 17 - the amendments relate to the first-time adoption of IFRS 17 and IFRS 9 - comparative figures.
- Amendments to IAS 1 - the amendments relate to the presentation of disclosures about the accounting policies used.
- Amendments to IAS 8 - the amendments relate to disclosures about the accounting policies used, including changes in estimates and error correction.
- Amendments to IAS 12 - the amendments relate to the obligation to recognise deferred income tax, in relation to assets and liabilities arising from a single transaction.

The Group decided not to apply early any standard, interpretation or amendment that was published but is not yet effective in the light of EU regulations.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Exchange differences in the statement of cash flows

To ensure greater consistency in the financial data presented, PGE Group decided to change the presentation of accrued exchange differences on cash. The accrued exchange differences are now presented in operating activities and, due to the change applied, the cash balance in the statement of cash flows is consistent with the cash balance in the statement of financial position. The data for the comparative period was appropriately restated.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended March 31, 2022 *published data*	Change in presentation accumulated exchange differences	Period ended March 31, 2022 *restated data*
CASH FLOWS ON OPERATING ACTIVITIES			
Other	59	(23)	36
NET FINANCIAL ASSETS FROM OPERATING ACTIVITIES	**1.304**	**(23)**	**1.281**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(587)**	**(23)**	**(610)**
FINANCIAL ASSETS AT THE BEGINNING OF THE PERIOD	**6.734**	**(1)**	**6.733**
FINANCIAL ASSETS AT THE END OF THE PERIOD	**6.147**	**(24)**	**6.123**

4. Fair value hierarchy

Derivatives

The Group measures derivatives at fair value using financial instrument pricing models, using exchange rates, interest rates, discount curves in individual currencies (also applicable to commodities priced in these currencies) publicly available in information platforms from active markets. The fair value of derivatives is determined based on discounted future cash flows from transactions, calculated based on the difference between the forward rate and transaction price. The valuation of an IRS transaction is the difference between the discounted interest flows of a fixed-rate stream and a floating-rate stream. The valuation of a CIRS transaction is the difference of the discounted flows paid and received in two different currencies. Forward exchange rates are not modelled as a separate risk factor, but are derived from the spot rate and appropriate forward interest rate for foreign currencies in relation to PLN.

Future developments in interest rates, exchange rates or EUA price levels other than those projected by the Company will have an impact on future financial statements.

In the category of financial assets and liabilities measured at fair value through profit or loss, the Group recognises financial instruments related to trading in CO2 emission allowances - currency and commodity forwards, in addition to contracts for the purchase and sale of coal, commodity SWAPs (Level 2).

In addition, the Group presents a derivative hedging instrument for exchange rate and interest rate hedging CCIRS and IRS hedging transactions swapping a floating rate in PLN for a fixed rate in PLN (Level 2).

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

	Assets as at March 31, 2023		Liabilities as at March 31, 2023	
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 1**	**Level 2**
CO_2 emission allowances in trading activities	1	-	-	-
Hard coal in trading activities	1.552	-	-	-
INVENTORY	**1.553**	**-**	**-**	**-**
Currency forwards	-	12	-	96
Commodity forwards	-	5	-	2
Commodity SWAP	-	37	-	6
Contracts for purchase/sale of coal	-	219	-	295
Derivatives embedded in sales contracts	-	-		379
Options	-	18	-	-
DERIVATIVES MEASURED AT at fair value through profit or loss	**-**	**291**	**-**	**778**
CCIRS hedges	-	74	-	-
IRS hedges	-	385	-	-
Currency forward - USD	-	-	-	-
Currency forward - EUR	-	16	-	905
HEDGING DERIVATIVES	**-**	**475**	**-**	**905**
Investment fund participation units	-	29	-	-
OTHER ASSETS / LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS Financial results	**-**	**29**	**-**	**-**

	Assets as at December 31, 2022		Liabilities as at December 31, 2022	
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 1**	**Level 2**
CO_2 emission allowances in trading activities	1	-	-	-
Hard coal in trading activities	1.497	-	-	-
INVENTORY	**1.498**	**-**	**-**	**-**
Currency forwards	-	3	-	111
Commodity forwards	-	5	-	1
Commodity SWAP	-	95	-	71
Contracts for purchase/sale of coal	-	650	-	650
Derivatives embedded in sales contracts	-	-		397
Options	-	18	-	-
DERIVATIVES MEASURED AT at fair value through profit or loss	**-**	**771**		**1.230**
CCIRS hedges	-	104	-	-
IRS hedges	-	459	-	-
Currency forward - USD	-	-	-	13
Currency forward - EUR	-	173	-	691
HEDGING DERIVATIVES	**-**	**736**	**-**	**704**
Investment fund participation units	-	28	-	-
OTHER ASSETS / LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**28**	**-**	**-**

Derivative instruments are presented in note 18 to these financial statements. During the current and comparative reporting periods, there were no transfers of financial instruments between the first and second level of the fair value hierarchy.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EXPLANATORY NOTES TO OPERATING SEGMENTS

5. Information on operating segments

PGE Group companies conduct their business activities based on relevant concessions, including primarily concession on: production, trading and distribution of electricity, generation, transmission and distribution of heat, granted by the President of Energy Regulatory Office and concessions for the extraction of lignite deposits, granted by the Minister of the Environment. Concessions are generally issued for a period between 10 and 50 years.

Relevant assets are assigned to concessions for lignite mining and generation and distribution of electricity and heat, as presented in detailed information on operating segments. For its concessions concerning electricity and heat, the Group pays annual fees dependent on the level of turnover, while lignite mining operations under concessions are subject to extraction fees depending on the current rate and volume of output as well as mining use fees. In the case of lignite mining concession operations, mining fees are incurred depending on the applicable rate and volume of mining, as well as mining royalties.

PGE Group presents information on operating segments in the current and comparative reporting period in accordance with IFRS 8 *Operating Segments*. The Group's reporting breakdown is based on business segments:

- Conventional Generation, comprising the exploration and production of lignite, conventional generation of electricity and ancillary services.
- District heating includes combined heat and power generation and production and distribution of heat,
- Renewables, comprising the generation of electricity in pumped-storage power plants and from renewable sources and from renewable sources.
- Supply, comprising selling and buying electricity and natural gas on wholesale markets, emissions trading, buying and supplying fuels as well as selling electricity and providing services to end users.
- Distribution, comprising management over local distribution networks and transmission of electricity. these networks.
- Circular Economy, comprising management of the by-products of combustion.
- Other operations, comprising services provided by subsidiaries for the Group, e.g. capital raising, IT services, accounting and HR, and transport services and investments in startups. The segment also includes companies in charge of the construction of new low-carbon generation units.

Organisation and management over PGE Group is based on segment reporting separated by nature of the products and services provided. Each segment represents a strategic business unit that offers distinct goods and serves different markets. Entities assigned to operating segments are described in note 1.3 of these consolidated financial statements. As a rule, inter-segment transactions are disclosed as if they were concluded with third parties – under market conditions. When analysing the results of business segments the management of PGE Group focuses mainly on EBITDA.

Seasonality of business segments

The key factors influencing demand for electricity and heat are: atmospheric factors - air temperature, wind power, rainfall, socio-economic factors - number of energy consumers, prices of energy carriers, economic development of GDP, and technological factors - technological progress, manufacturing technology of individual products. Each of these factors has an impact on technical and economic conditions of production, distribution and transmission of energy carriers, thus influence the results obtained by PGE Group.

The level of electricity sales varies throughout the year, depending especially on weather conditions - air temperature, length of the day. Growth in electricity demand is particularly evident in winter periods, while lower demand is observed during the summer months. Moreover, seasonal changes are evident among selected groups of end users. Seasonality effects are more significant for households than for the industrial sector.

In the Renewables segment, electricity is generated from natural resources such as water, wind and sun. Weather conditions are an important factor affecting electricity generation in this segment.

The sale of heat depends in particular on air temperature and are higher in winter and lower in summer.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

5.1 Information on operating segments

Operating segment information for the period ended 31 March 2023

	Conventional Generation	District Heating	Renewables	Supply	Distribution	Circular Economy	Other activity	Corrections	Total
STATEMENT OF PROFIT OR LOSS									
Sales to external customers	10.408	3.143	564	10.317	2.738	33	3	2	27.208
Inter-segment sales	2.610	1.720	368	15.075	33	54	64	(19.924)	-
TOTAL SEGMENT REVENUE	**13.018**	**4.863**	**932**	**25.392**	**2.771**	**87**	**67**	**(19.922)**	**27.208**
Cost of goods sold	(10.048)	(3.760)	(422)	(25.294)	(1.723)	(58)	(60)	19.727	(21.638)
EBIT	**429**	**729**	**348**	**(262)**	**960**	**12**	**(4)**	**131**	**2.343**
Depreciation, amortisation, disposal and impairment losses recognised in profit or loss Financial results	480	187	88	8	314	2	12	(7)	1.084
EBITDA	**909**	**916**	**436**	**(254)**	**1.274**	**14**	**8**	**124**	**3.427**
PROFIT BEFORE TAX	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.361**
Income tax	-	-	-	-	-	-	-	-	(550)
NET PROFIT FOR THE REPORTING PERIOD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.811**
ASSETS AND LIABILITIES									
Segment assets without Property, plant and equipment, intangible assets, investment properties, right-of-use assets and trade receivables Accounts receivable due for deliveries and services	22.526	2.840	363	4.561	74	24	277	(3.276)	27.389
Property, plant and equipment, intangible assets, investment properties, right-of-use assets and trade receivables	28.981	7.697	5.528	314	21.851	68	3.375	(777)	67.037
Accounts receivable due for deliveries and services	1.581	1.196	313	12.348	1.948	85	49	(10.043)	7.477
Shares accounted for using the equity method	-	-	-	-	-	-	-	-	186
Unallocated assets	-	-	-	-	-	-	-	-	18.363
TOTAL ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**120.452**
Segment liabilities excluding trade liabilities	31.267	4.700	949	8.625	2.843	61	106	(3.483)	45.068
Accounts receivable due for deliveries and services	3.060	1.918	106	6.642	708	36	40	(10.397)	2.113
Unallocated liabilities	-	-	-	-	-	-	-	-	17.420
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	**64.601**
OTHER INFORMATION ON AREA SEGMENTS									
Capital expenditures -	196	225	165	4	814	5	174	(46)	1.537
Increases in right-of-use assets	2	17	-	-	1	-	-	-	20
TOTAL INVESTMENT EXPENDITURE	**198**	**242**	**165**	**4**	**815**	**5**	**174**	**(46)**	**1.557**
Write-offs of assets financial and non-financial	21	10	-	95	5	-	-	-	131
Other non-monetary expenses*	5.590	1.153	2	198	15	-	1	(80)	6.879

** Non-monetary changes include mainly changes in provisions such as: rehabilitation provision, provision for CO_2 emission allowances, provision for seniority bonuses, employee tariff and non-financial liabilities concerning employee benefits that are recognised in profit or loss and other comprehensive income.*

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Operating segment information for the period ended 31 March 2022

restated data	Conventional Generation	District Heating	Renewables	Supply	Distribution	Circular Economy	Other activity	Corrections	Total
STATEMENT OF PROFIT OR LOSS									
Sales to external customers	7.359	1.736	417	5.539	1.787	31	28	-	16.897
Inter-segment sales	394	724	349	6.314	20	47	62	(7.910)	-
TOTAL SEGMENT REVENUE	**7.753**	**2.460**	**766**	**11.853**	**1.807**	**78**	**90**	**(7.910)**	**16.897**
Cost of goods sold	(7.419)	(2.330)	(322)	(10.836)	(1.244)	(52)	(70)	7.598	(14.675)
EBIT	**(52)**	**28**	**416**	**513**	**497**	**13**	**6**	**129**	**1.550**
Depreciation, amortisation, disposal and impairment losses recognised in profit or loss Financial results	490	173	84	8	301	3	13	**(7)**	**1.065**
EBITDA	**438**	**201**	**500**	**521**	**798**	**16**	**19**	**122**	**2.615**
PROFIT BEFORE TAX	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.389**
Income tax	-	-	-	-	-	-	-	-	(327)
NET PROFIT FOR THE REPORTING PERIOD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.062**
ASSETS AND LIABILITIES									
Segment assets without Property, plant and equipment, intangible assets, investment properties, right-of-use assets and trade receivables Accounts receivable due for deliveries and services	11.801	951	106	1.920	69	10	669	(407)	15.119
Property, plant and equipment, intangible assets, investment properties, right-of-use assets and trade receivables	30.638	7.156	4.085	325	19.510	60	1.462	(681)	62.555
Accounts receivable due for deliveries and services	559	599	255	5.116	1.086	88	49	(2.941)	4.811
Shares accounted for using the equity method	-	-	-	-	-	-	-	-	168
Unallocated assets	-	-	-	-	-	-	-	-	12.313
TOTAL ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**94.966**
Segment liabilities excluding trade liabilities	22.870	2.509	678	5.677	1.914	46	227	(2.525)	31.396
Accounts receivable due for deliveries and services	926	504	90	3.246	394	46	27	(2.925)	2.308
Unallocated liabilities	-	-	-	-	-	-	-	-	11.568
TOTAL LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45.272**
OTHER INFORMATION ON AREA SEGMENTS									
Capital expenditures -	94	110	53	5	252	-	394	(15)	893
Increases in right-of-use assets	1	-	-	-	1	-	-	-	2
TOTAL INVESTMENT EXPENDITURE	**95**	**110**	**53**	**5**	**253**	**-**	**394**	**(15)**	**895**
Write-offs of assets financial and non-financial	7	2	-	7	(1)	(1)	(2)	1	13
Other non-monetary expenses*	4.433	764	5	358	50	-	8	(59)	5.559

** Non-monetary changes include mainly changes in provisions such as: rehabilitation provision, provision for CO_2 emission allowances, provision for seniority bonuses, employee tariff and non-financial liabilities concerning employee benefits that are recognised in profit or loss and other comprehensive income.*

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6. Revenue and costs

6.1 Sales revenues

Sales revenue for the period ended 31 March 2023 by category

The following table shows the reconciliation between the disclosure of revenue by category and information on revenue, which the Group discloses for each reportable segment.

	Conventional Generation	District Heating	Renewables	Supply	Distribution	Circular Economy	Other activity	Corrections	Total
Revenues due to agreements with clients	13.015	4.550	931	23.620	2.406	87	67	(19.919)	**24.757**
Revenue from recognised compensation on the basis of: Laws on prices of electricity and gaseous fuels/ Laws on special arrangements for certain heat sources	-	12	-	1.659	348	-	-	-	**2.019**
Receivables for recognised compensation under the Law on Preferential Purchase of Solid Fuel households	-	-	-	112	-	-	-	-	**112**
Revenue from support for high-efficiency cogeneration	-	293	-	-	-	-	-	-	**293**
Revenues from LTC compensations	-	2	-	-	-	-	-	-	**2**
Operating lease income	3	6	1	1	17	-	-	(3)	**25**
TOTAL REVENUE FROM SALES	**13.018**	**4.863**	**932**	**25.392**	**2.771**	**87**	**67**	**(19.922)**	**27.208**

The following table presents revenue from contracts with customers by category to reflect the manner in which economic factors influence the type, amount, payment deadline and uncertainty of revenue and cash flows.

Type of goods or services	Conventional Generation	District Heating	Renewables	Supply	Distribution	Circular Economy	Other activity	Corrections	Total
Revenue from sale of goods and products, without excluding taxes and fees	12.998	4.536	920	23.105	2.778	29	-	(19.238)	**25.128**
Taxes and fees collected on behalf of third parties	*(3)*	*(1)*	-	*(37)*	*(385)*	-	-	-	***(426)***
Total revenues from sales of goods and products, including:	**12.995**	**4.535**	**920**	**23.068**	**2.393**	**29**	**-**	**(19.238)**	**24.702**
Sale of electricity	11.718	2.761	741	7.699	5	-	-	(5.845)	**17.079**
Capacity market	571	62	69	8	-	-	-	-	**710**
Sale of distribution services	3	5	-	17	2.305	-	-	(32)	**2.298**
Sale of heat	42	1.675	-	6	-	-	-	(5)	**1.718**
Sale of property rights of origin of energy	-	28	113	-	-	-	-	(17)	**124**
Regulatory system services	617	1	4	-	-	-	-	-	**622**
Sale of natural gas	-	-	-	653	-	-	-	(543)	**110**
Fuel sales	-	-	-	3.755	-	-	-	(1.915)	**1.840**
prices of CO_2 emission allowances	-	-	-	10.920	-	-	-	(10.839)	**81**
Other sale of goods and materials	44	3	(7)	10	83	29	-	(42)	**120**
Revenue from sale of services	**20**	**15**	**11**	**552**	**13**	**58**	**67**	**(681)**	**55**
Revenues due to agreements with clients	**13.015**	**4.550**	**931**	**23.620**	**2.406**	**87**	**67**	**(19.919)**	**24.757**

Sales revenue for the period ended 31 March 2022 by category

The following table shows the reconciliation between the disclosure of revenue by category and information on revenue, which the Group discloses for each reportable segment.

restated data	Conventional Generation	District Heating	Renewables	Supply	Distribution	Circular Economy	Other activity	Corrections	Total
Revenues due to agreements with clients	7.751	2.331	765	11.852	1.792	78	90	(7.907)	**16.752**
Revenues from LTC compensations	-	1	-	-	-	-	-	-	**1**
Revenue from support for high-efficiency cogeneration	-	123	-	-	-	-	-	-	**123**
Operating lease income	2	5	1	1	15	-	-	(3)	**21**
TOTAL REVENUE FROM SALES	**7.753**	**2.460**	**766**	**11.853**	**1.807**	**78**	**90**	**(7.910)**	**16.897**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

The following table presents revenue from contracts with customers by category to reflect the manner in which economic factors influence the type, amount, payment deadline and uncertainty of revenue and cash flows.

Type of goods or services	Conventional Generation	District Heating	Renewables	Supply	Distribution	Circular Economy	Other activity	Corrections	Total
Total revenues from sales of goods and products excluding taxes and charges	7.738	2.317	758	11.519	2.154	32	19	(7.450)	**17.087**
Taxes and fees collected on behalf of third parties third parties	*(2)*	*(1)*	-	*(20)*	*(375)*	-	-	-	***(398)***
Total revenues from sales of goods and products, including:	**7.736**	**2.316**	**758**	**11.499**	**1.779**	**32**	**19**	**(7.450)**	**16.689**
Sale of electricity	7.110	1.242	627	5.256	5	-	-	(1.690)	**12.550**
Capacity market	530	59	69	7	-	-	-	-	**665**
Sale of distribution services	4	4	-	14	1.694	-	-	(20)	**1.696**
Sale of heat	29	970	-	5	-	-	-	(4)	**1.000**
Sale of property rights of origin of energy	-	38	72	-	-	-	-	24	**134**
Regulatory system services	39	-	4	-	-	-	-	-	**43**
Sale of natural gas	-	-	-	292	-	-	-	(64)	**228**
Fuel sales	-	-	-	513	-	-	-	(382)	**131**
prices of CO2 emission allowances	-	-	-	5.413	-	-	-	(5.299)	114
Other sale of goods and materials	24	3	(14)	(1)	80	32	19	(15)	**128**
Revenue from sale of services	**15**	**15**	**7**	**353**	**13**	**46**	**71**	**(457)**	**63**
Revenues due to agreements with clients	**7.751**	**2.331**	**765**	**11.852**	**1.792**	**78**	**90**	**(7.907)**	**16.752**

6.2 Costs by nature and function

	Period ended March 31, 2023	Period ended March 31, 2022
COSTS BY NATURE		
Depreciation, amortisation and impairment losses	1.091	1.066
Materials and energy consumption	4.502	1.929
Third-party services	1.024	613
Taxes and charges	9.549	5.646
Employee benefits expenses	1.624	1.368
Other costs by type	106	87
TOTAL COST BY NATURE	**17.896**	**10.709**
Change in the state of products	(33)	(1)
Cost of products and services for internal purposes	(210)	(39)
Costs of sales and distribution	(2.687)	(438)
General and administrative expenses	(322)	(264)
Value of sold products and materials	6.994	4.708
COST OF GOODS SOLD	**21.638**	**14.675**

6.3 Depreciation, amortisation, disposal and impairment losses

The following presents depreciation, amortisation, liquidation and impairment of property, plant and equipment, intangible assets, right-of-use assets and investment properties in the statement of comprehensive income.

Period ended March 31, 2023	Depreciation, amortisation, disposal					Impairment			
	Property, plant and equipment	Intangible assets	Right-of-use assets	Investment property	TOTAL	Property, plant and equipment	Intangible assets	Right-of-use assets	TOTAL
Cost of goods sold	1.012	12	14	1	**1.039**	25	-	-	**25**
Costs of sales and distribution	3	1	-	-	**4**	-	-	-	**-**
General and administrative expenses	10	3	3	-	**16**	-	-	-	**-**
RECOGNISED IN PROFIT OR LOSS	**1.025**	**16**	**17**	**1**	**1.059**	**25**	**-**	**-**	**25**
Change in the state of products	-	-	-	-	**-**	-	-	-	**-**
Cost of products and services for internal purposes	6	-	1	-	**7**	-	-	-	**-**
TOTAL	**1.031**	**16**	**18**	**1**	**1.066**	**25**	**-**	**-**	**25**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Period ended March 31, 2022	Depreciation, amortisation, disposal					Impairment			
	Property, plant and equipment	Intangible assets	Right-of-use assets	Investment property	TOTAL	Property, plant and equipment	Intangible assets	Right-of-use assets	TOTAL
Cost of goods sold	1.022	10	11	1	**1.044**	8	-	(2)	**6**
Costs of sales and distribution	2	-	1	-	**3**	-	-	-	**-**
General and administrative expenses	8	2	2	-	**12**	-	-	-	**-**
RECOGNISED IN PROFIT OR LOSS	**1.032**	**12**	**14**	**1**	**1.059**	**8**	**-**	**(2)**	**6**
Change in the state of products	(1)	-	-	-	**(1)**	-	-	-	**-**
Cost of products and services for internal purposes	-	1	1	-	**2**	-	-	-	**-**
TOTAL	**1.031**	**13**	**15**	**1**	**1.060**	**8**	**-**	**(2)**	**6**

Impairment losses recognised in the reporting period concern investment expenditures at units for which impairment had been recognised in previous periods.

Under Depreciation and decommissioning, the Group recognised an amount of PLN 6 million in the current and comparative period for the net value of the decommissioning of RAT and WN.

6.4 Other operating income and costs

	Period ended March 31, 2023	Period ended March 31, 2022
NET OTHER OPERATING INCOME/(COSTS)		
Valuation and exercise of derivatives, including:	(212)	53
CO_2	*(1)*	*34*
Coal	*(211)*	*19*
Reversal/(recognition) of other provisions	40	17
(Creation)/reversal of impairment losses on receivables	(23)	(8)
(Accounting for inventory shortfalls)/ Surplus, asset disclosures	(22)	6
Penalties, fines and compensations received	10	9
Grants	8	8
Property, plant and equipment/intangible assets and other infrastructure received free-of-charge	6	5
Donations granted	(5)	(61)
Gain/(loss) on sale of property, plant and equipment / intangible assets	2	7
Other	(22)	(6)
TOTAL NET OTHER FINANCIAL INCOME/(COSTS)	**(218)**	**30**

6.5 Financial income and costs

	Period ended March 31, 2023	Period ended March 31, 2022
NET FINANCIAL INCOME/(COSTS) FROM FINANCIAL INSTRUMENTS		
Interest, including	97	(68)
Interest income calculated using the effective interest rate method	*184*	*22*
Impairment	17	-
Reversal/(recognition) of impairment	(1)	-
Currency exchange rate differences	16	(33)
Profit on disposal of investments	-	18
TOTAL FINANCIAL INCOME/(EXPENSE) FROM INSTRUMENTS NET FINANCIALS	**129**	**(83)**
NET OTHER FINANCIAL INCOME/(COSTS)		
Interest cost on non-financial items	(107)	(82)
Interest on statutory receivables	(2)	-
Other	(2)	(3)
TOTAL NET OTHER FINANCIAL INCOME/(COSTS)	**(111)**	**(85)**
TOTAL NET FINANCIAL INCOME/(COSTS)	**18**	**(168)**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

The Group reports interest income mainly on cash held in bank accounts and deposits. Interest expenses mainly relate to bonds issued, borrowings, settled IRS transactions and leases. The interest cost on lease liabilities reached PLN 12 million in the current report (PLN 10 million in 2020). The interest cost on non-financial items concerns land rehabilitation provisions and employee benefit provisions.

6.6 Share of profit of equity-accounted entities

Period ended March 31, 2023	Polimex Mostostal	PEC Bogatynia	Energopomiar	PGE Soleo Kleszczów
SHARE IN VOTES	**16.26%**	**34.93%**	**49.79%**	**50.00%**
Revenue	818	7	17	**-**
Result on continuing operations	9	-	3	**-**
Share of profit of equity-accounted entities	**1**	**-**	**1**	**-**
Elimination of unrealised gains and losses	(2)	-	-	**-**
SHARE OF PROFIT OF EQUITY-ACCOUNTED ENTITIES	**(1)**	**-**	**1**	**-**
Other total income	3	-	-	**-**
Share of other comprehensive income of equity-accounted entities	**1**	**-**	**-**	**-**

Period ended March 31, 2022	Polska Grupa Górnicza	Polimex Mostostal	PEC Bogatynia	Energopomiar
SHARE IN VOTES	**15.32%**	**16.45%**	**34.93%**	**49.79%**
Revenue	2.239	633	13	15
Result on continuing operations	499	16	-	3
Share of profit of equity-accounted entities	**76**	**3**	**-**	**2**
Elimination of unrealised gains and losses	4	(2)	-	-
Impairment	(76)	-	-	-
SHARE OF PROFIT OF EQUITY-ACCOUNTED ENTITIES	**4**	**1**	**-**	**2**
Other total income	-	11	-	-
Share of other comprehensive income of equity-accounted entities	**-**	**2**	**-**	**-**

The Group makes a consolidation adjustment relating to the margin on coal sales between Polska Grupa Górnicza and the Group (until the sale of shares in that company) and also an adjustment to the margin on contracts performed by Polimex - Mostostal for the Group.

7. Impairment losses on assets

In the current and comparative reporting period, the Group did not recognise or release any material asset impairment losses.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

8. Income tax

8.1 Tax in the statement of comprehensive income

Main elements of income tax charges for the period ended March 31, 2023 and March 31, 2022 were as follows:

	Period ended March 31, 2023	Period ended March 31, 2022
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS		
Current income tax	262	311
Adjustments concerning current income tax from prior years	49	13
Deferred income tax	287	17
Adjustments of deferred income tax	(48)	(14)
INCOME TAX EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS	**550**	**327**
INCOME TAX EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME		
From actuarial gains and losses from valuation of provisions for employee benefits	-	-
From valuation of hedging instruments	(91)	79
(Tax benefit) / tax burden recognised in other comprehensive income (equity)	**(91)**	**79**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. Significant purchases and sales of property, plant and equipment, intangible assets and right-of-use assets

In the current reporting period, the Group purchased property, plant and equipment and intangible assets worth PLN 1,536 million and obtained rights to use underlying assets worth PLN 20 million. The largest expenditure was incurred by the Distribution segment (PLN 815 million), the Heat segment (PLN 242 million), and the Conventional Power segment (PLN 198 million).

The main items of expenditure were the connection of new customers to the distribution network (PLN 339 million) and the Cable Program (PLN 185 million). In the District Heating segment, the largest expenditure was incurred on the construction of the new CHP plant EC Czechnica (PLN 117 million). In the EK segment, the main expenditures were incurred at Elektrownia Bełchatów for the overhaul of unit 7 (PLN 31 million), the modernisation of electrostatic precipitators at unit 14 (PLN 11 million) at Elektrownia Turów for the adjustment of the power plant to the BAT conclusions (PLN 23 million). Expenditure in the Other Activity segment was primarily incurred on the construction of gas and steam units at PGE Gryfino 2050 (PLN 158 million).

10. Future investment commitments

As at March 31, 2023, PGE Group committed to incur capital expenditures on property, plant and equipment of approximately PLN 12,209 million. These amounts will mainly be used for the construction of new units, the modernisation of assets group units and the purchase of machinery and equipment.

	As at March 31, 2023	As at December 31, 2022
Other activity	4.718	2.067
Distribution	3.352	2.824
Renewables	1.860	2.092
District Heating	1.803	1.928
Conventional Generation	476	512
Supply	-	3
TOTAL FUTURE INVESTMENT COMMITMENTS	**12.209**	**9.426**

The most significant future investment commitments concern:

- Other activities - construction of a unit in gas-steam technology in a two-shaft system (Rybnik 2050 sp. z o.o.) - amount of approx. PLN 3,050 million; construction of two gas/steam units and a service contract for two gas turbines (PGE Gryfino 2050 sp. z o.o.) - amount of approximately PLN 1,444 million;
- Distribution – investment commitments mainly related to grid assets amounting to approximately PLN 3,352 million
- Renewables - modernisation of the upper reservoir of ESP Porąbka Żar - amounting to approximately PLN 786 million; performance of environmental studies together with preparation of the Environmental Impact Report and obtaining the Environmental Conditions Decision for the project involving the construction of the Baltica 1 wind farm in the Baltic Sea together with offshore and onshore connection infrastructure - amounting to approximately PLN 390 million; design and construction of new photovoltaic installations in over 40 different locations - amounting to approximately PLN 446 million;
- District Heating - construction of a gas-steam cogeneration power plant New EC Czechnica in Siechnice amounting to approx. PLN 642 million; construction of a gas-fuelled cogeneration source based on gas engines and a reserve and peak heat source in Bydgoszcz - amounting to approx. PLN 307 million; construction of Line II of the Thermal Processing Installation with Energy Recovery in Rzeszów - amounting to approx. PLN 324 million;

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

11. Shares accounted for using the equity method

	As at March 31, 2023	As at December 31, 2022
Polimex - Mostostal S.A., Warsaw	171	169
Energopomiar Sp. z o.o., Gliwice	12	11
PGE Soleo Kleszczów sp. z o.o.	3	-
EQUITY-ACCOUNTED INTERESTS	**186**	**180**

	Polimex Mostostal	PEC Bogatynia	Energopomiar	PGE Soleo Kleszczów
SHARE IN VOTES	**16.26%**	**34.93%**	**49.79%**	**50.00%**
AS AT 31 MARCH 2023				
Current assets	1.742	5	25	6
Fixed assets	680	20	22	-
Current liabilities	1.199	4	21	-
Long-term liabilities	272	-	2	-
NET ASSETS	**951**	**21**	**24**	**6**
Share in net assets	**155**	**7**	**12**	**3**
Goodwill	16	-	-	-
Impairment	-	(7)	-	-
EQUITY-ACCOUNTED INTERESTS	**171**	**-**	**12**	**3**

	Polimex Mostostal	PEC Bogatynia	Energopomiar
SHARE IN VOTES	**16.26%**	**34.93%**	**49.79%**
At December 31, 2022			
Current assets	2.149	5	25
Fixed assets	676	20	22
Current liabilities	1.621	4	23
Long-term liabilities	262	-	3
NET ASSETS	**942**	**21**	**21**
Share in net assets	**153**	**7**	**11**
Goodwill	16	-	-
Impairment	-	(7)	-
EQUITY-ACCOUNTED INTERESTS	**169**	**-**	**11**

12. Joint operations

In May 2021, the Ørsted group entities subscribed for shares in the increased capital of EWB2 and EWB3. Following this transaction, Ørsted Group became a 50% shareholder in EWB2 and EWB3.

In effect, PGE Group lost control over these two companies.

Based on an analysis of the agreements between PGE CG and the Ørsted group companies, PGE CG assessed that EWB2 and EWB3 constitute so-called joint operations within the meaning of IFRS 11 Joint Contractual Arrangements.

PGE Soleo Kleszczów sp. z o.o., which in the previous period was treated as a joint operation and was consolidated to the extent of assets and liabilities as well as revenues and expenses attributable to the PGE CG, was reclassified and from 1 January 2023 is a joint venture and is consolidated using the equity method. As PGE Soleo Kleszczów is just starting its operations, the change did not have a material impact on these consolidated financial statements.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

13. Deferred tax in statement of financial position

13.1 Deferred tax assets

	As at March 31, 2023	As at December 31, 2022
Difference between tax value and carrying amount of property, plant and equipment	2.226	2.214
Rehabilitation provision	649	637
Provisions for employee benefits	587	608
Provision for purchase of CO_2 emission allowances	5.094	3.852
Difference between tax value and carrying amount of liabilities	1.048	712
Difference between carrying amount and tax value of right-of-use assets	198	187
Tax losses	751	145
Tax liabilities	136	243
Difference between tax value and present carrying amount of financial assets	290	367
LTC compensations	81	81
Receivables from recognised compensation - Act on electricity prices	195	4
Difference between tax value and carrying amount of inventories	119	103
Energy infrastructure acquired free of charge and connection payments received	98	96
Other	19	19
Deferred tax assets	**11.491**	**9.268**

13.2 Deferred tax liabilities

	As at March 31, 2023	As at December 31, 2022
Difference between tax value and carrying amount of property, plant and equipment	4.877	4.807
CO_2 emission allowances	2.653	795
Difference between tax value and present carrying amount of financial assets	1.024	951
Difference between carrying amount and tax value of lease liabilities	248	235
Receivables from recognised compensation - Act on electricity prices	484	103
Receivables for recognised compensation under the Law on Preferential Purchase of Solid Fuel	46	25
Difference between tax value and carrying amount of energy origin units	20	20
Difference between tax value and present carrying amount of financial liabilities	31	30
Other	74	121
DEFERRED TAX LIABILITIES	**9.457**	**7.087**

Group's deferred tax after offsetting assets and liabilities at companies and within tax group

Deferred tax assets	2.990	3.183
Obligations due to deferred income tax	(956)	(1.002)

14. Inventories

	As at March 31, 2023	As at December 31, 2022
Hard coal	2.727	1.958
Repair and maintenance materials	748	746
Heavy oil	46	64
Other materials	108	143
TOTAL MATERIALS	**3.629**	**2.911**
Green energy origin rights	530	428
Other energy origin rights	6	3
ENERGY ORIGIN RIGHTS	**536**	**431**
Allowances for CO_2 emission allowances to be sold	1	1
Hard coal for sale	1.552	1.497
Other commodities	8	7
TOTAL GOODS	**1.561**	**1.505**
OTHER INVENTORIES	**96**	**71**
TOTAL INVENTORIES	**5.822**	**4.918**

15. CO_2 emission allowances for captive use

In accordance with the provisions of the Regulation of the Council of Ministers of 8 April 2014 on the list of electricity generating installations covered by the greenhouse gas emission allowance trading scheme, PGE CG installations are not entitled to free emission allowances from 2020. Only EUA allowances for CO_2 emissions related to thermal power generation are allocated.

EUA	At March 31, 2023		At December 31, 2022	
	Long-term	Short-term	Long-term	Short-term
Quantity (Mg million)	**1**	**68**	**0**	**20**
Value (PLN million)	**521**	**19.120**	**114**	**4.754**

EUA	Quantity (Mg million)	Value (PLN million)
AT JANUARY 1, 2022	**43**	**4.903**
Purchase/sale	47	11.525
Granted free of charge	1	-
Redemption	(71)	(11.560)
At December 31, 2022	**20**	**4.868**
Purchase/sale	49	14.869
Redemption	-	(96)
AS AT 31 MARCH 2023	**69**	**19.641**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

16. Selected financial assets

The value of financial receivables measured at amortised cost is a reasonable approximation of their fair values.

16.1 Trade and other financial receivables

	As at March 31, 2023		At December 31, 2022	
	Long-term	Short-term	Long-term	Short-term
Trade receivables	-	7.477	-	6.517
Deposits and loans	230	-	214	-
Receivables from recognised compensation	-	2.801	-	671
Deposits, security and collateral	7	861	7	1.579
Support system for high-efficiency cogeneration		287		41
Damages and penalties	-	239	-	192
Other financial receivables	1	37	2	83
FINANCIAL RECEIVABLES	**238**	**11.702**	**223**	**9.083**

Deposits, deposits and collateral mainly relate to security and transaction deposits and the guarantee fund in electricity and CO_2 trading.

16.2 Cash and cash equivalents

Short-term deposits are made for various periods, generally from one day to one month, depending on the Group's current cash requirements.

The balance of cash and cash equivalents comprise the following positions:

	As at March 31, 2023	As at December 31, 2022
Cash on hand and cash at bank	2.815	1.428
Overnight deposits	16	791
Short-term deposits	80	6.147
Proceeds from share issue	2.556	2.727
Cash in VAT accounts	3.294	794
TOTAL	**8.761**	**11.887**
Undrawn borrowing facilities as at reporting date	10.095	11.783
including overdraft facilities	*5.247*	*3.817*

*change is due to reclassification between titles

A detailed description of credit agreements is presented in note 21.1 of these financial statements.

Included in the cash value are restricted cash of PLN 289 million (PLN 295 million in the comparative period) in the accounts of PGE Dom Maklerski S.A. which constitute collateral for settlements with clearinghouse IRGiT.

17. Other current and non-current assets

17.1 Other fixed assets

	As at March 31, 2023	As at December 31, 2022
Advances for property, plant and equipment	687	615
Cost to acquire customers	104	102
Other fixed assets	27	133
TOTAL OTHER ASSETS	**818**	**850**

The calculations for property, plant and equipment under construction mainly relate to the modernisation of the Porąbka-Żar pumped storage plant by PGE Energia Odnawialna S.A., the construction of two gas and steam units by PGE Gryfino 2050 sp. z o.o. and investments made in the district heating segment.

Customer acquisition costs relate to the co-financing by PGE Energia Ciepła S.A. of investments in the development of district heating networks and agency commissions at PGE Obrót S.A.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

17.2 Other short term assets

	As at March 31, 2023	As at December 31, 2022
PREPAYMENTS		
Cost to acquire customers	63	60
Long-term contracts	47	35
Social Fund	8	5
Logistics costs related to coal purchases	39	55
IT services	17	19
Property and tort insurance	25	17
Mining royalties	25	-
Fees for the placement of equipment and occupation of the road lane	28	-
Other prepayments	45	30
OTHER CURRENT ASSETS		
VAT receivables	632	1.570
Advances on deliveries	157	404
Excise tax receivables	7	12
Other short term assets	15	12
TOTAL OTHER ASSETS	**1.108**	**2.219**

18. Derivatives and other valued assets at fair value through profit or loss

	As at March 31, 2023	
	Assets	Liabilities
Derivatives measured at fair value through profit or loss Financial results		
Currency forwards	12	96
Commodity forwards	5	2
Commodity SWAP	37	6
Contracts for purchase/sale of coal	219	295
Derivatives embedded in sales contracts	-	379
Options	18	-
HEDGING DERIVATIVES		
CCIRS hedges	74	-
IRS hedges	385	-
Currency forward - USD	-	-
Currency forward - EUR	16	905
OTHER assets carried at fair value through profit or loss		
Investment fund participation units	29	-
TOTAL	**795**	**1.683**
current	291	1.399
non-current	504	284

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

	As at December 31, 2022	
	Assets	Liabilities
Derivatives measured at fair value through profit or loss Financial results		
Currency forwards	3	111
Commodity forwards	5	1
Commodity SWAP	95	71
Contracts for purchase/sale of coal	650	650
Derivatives embedded in sales contracts	-	397
Options	18	-
HEDGING DERIVATIVES		
CCIRS hedges	104	-
IRS hedges	459	-
Currency forward - USD	-	13
Currency forward - EUR	173	691
OTHER assets carried at fair value through profit or loss		
Investment fund participation units	28	-
TOTAL	**1.535**	**1.934**
current	927	1.629
non-current	608	305

Commodity and currency forwards

Commodity and currency forward transactions mainly relate to trade in CO_2 emission allowances and coal sales. To recognise forward foreign exchange transactions related to the purchase of CO_2 allowances, the Group applies hedge accounting.

Options

On January 20, 2017 PGE S.A. acquired from Towarzystwo Finansowe Silesia Sp. z o.o. a call option to purchase shares of Polimex Mostostal S.A. The option was valued using the Black-Scholes method.

Coal swaps

In the current period, PGE Paliwa sp. z o.o. in order to secure commodity risk related to the price of imported coal executed a number of transactions to hedge this risk using commodity swaps for coal. The number and value of these transactions is correlated to the quantity and value of imported coal. Changes in fair value are recognised in profit or loss.

Purchase and sale contracts with physical delivery of coal

PGE Paliwa Sp. z o.o. values all contracts for the sale and purchase of coal with physical delivery in the trader-broker model at fair value.

Derivatives embedded in sales contracts

As part of the acquired wind farms, PGE Group also received derivatives embedded in sales contracts. The structure of these instruments relates to the necessity to deliver the contracted capacity every day throughout the contract term.

IRS transactions

The Company entered into IRS transactions to hedge interest rates on loans taken out and bonds issued with a total nominal value of PLN 7,030 million (PLN 5,630 million for loans and PLN 1,400 million for bonds). Due to the commencement of principal repayments on certain loans, the current nominal amount of loan-hedging IRS transactions is PLN 3,501 million. To recognise these IRS transactions, the Group uses hedge accounting.

The impact of hedge accounting on the revaluation reserve is disclosed in note 19.2 of these consolidated financial statements.

CCIRS hedges

In connection with loans received with PGE Sweden AB (publ), PGE S.A. entered into CCIRS transactions, hedging the exchange rate of principal and interest repayments. In these transactions, banks - counterparties pay PGE S.A. interest based on a fixed rate in EUR and PGE S.A. pays interest based on a fixed rate in PLN. In the consolidated financial statements, a relevant part of the CCIRS transaction is treated as a hedge of bonds issued by PGE Sweden AB (publ). To recognise these CCIRS transactions, the Group uses hedge accounting.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Investment fund participation units

At the reporting date, the Group held participation units in three sub-funds managed by TFI Energia S.A.

19. Equity

The basic assumption of the Group's capital management policy is to maintain an optimal capital structure in the long term, ensuring a good financial standing and safe capital structure ratios to support the PGE Group's operating activities. It is also important to maintain a strong capital base as a basis for building confidence from future investors, lenders and the market and ensuring the future growth of the Group.

19.1 Share capital

	As at March 31, 2023	As at December 31, 2022
1,470,576,500 Series A ordinary Shares with a nominal value of PLN 8.55 each	12.574	12.574
259,513,500 Series B ordinary Shares with a nominal value of PLN 8.55 each	2.219	2.219
73,228,888 Series C ordinary Shares with a nominal value of PLN 8.55 each	626	626
66,441,941 Series D ordinary Shares with a nominal value of PLN 8.55 each	568	568
373,952,165 Series E ordinary Shares with a nominal value of PLN 8.55 each	3.197	3.197
Total share capital	**19.184**	**19.184**

All of the Company's shares are paid up.

Shareholder rights - State Treasury rights concerning the Company's activities

The Company is a part of PGE Group, where the State Treasury holds special rights as long as it remains a shareholder.

The State Treasury's special powers that may apply to PGE Group companies are provided for in the Act of 18 March 2010 on the special powers of the minister responsible for state assets and their exercise in certain capital companies or capital groups conducting activities in the electricity, oil and gas fuels sectors (i.e. Dz. The State Treasury's special right applicable to PGE Group entities derive from the Act of March 18, 2010 on the special rights of the Minister of Energy and their exercise at certain companies and groups operating in the electricity, oil and gas sectors (Polish Journal of Laws of 2020, item 2173). defines specific powers vested in the minister responsible for state assets in capital companies or groups operating in the electricity, oil and gas fuels sectors, whose property is disclosed in the uniform list of facilities, installations, equipment and services constituting critical infrastructure. The Act sets out the specific powers vested in the minister responsible for energy in capital companies or capital groups operating in the electricity, oil and gas fuels sectors whose property is disclosed in the uniform list of facilities, installations, equipment and services constituting critical infrastructure.

On the basis of the provisions in question, the minister responsible for state assets, may object to a resolution adopted by the Board of Directors or any other legal action carried out by the Board of Directors, the object of which is the disposal of an asset that poses a threat to the functioning, continuity of operation and integrity of critical infrastructure. The objection can also be applied to any resolution pertaining to:

- dissolution of the Company,
- changes in use or retirement of an asset being a component of critical infrastructure, critical,
- change in the scope of the Company's activities,
- sale or lease of enterprise or its organised part or establishment of legal restrictions, a limited right in rem,
- approval of operational and financial plan, investment plan or long-term strategic plan, strategic,
- transfer of the Company's registered office abroad,

if the performance of such a resolution would cause an actual threat to the functioning, operational continuity and integrity of critical infrastructure.

The objection is expressed in the form of an administrative decision.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

19.2 Hedging reserve

	Period ended March 31, 2023	Year ended December 31, 2022
AS AT JANUARY 1	**(32)**	**609**
Change in hedging reserve:	**(480)**	**(791)**
Valuation of hedging instruments, including:	**(483)**	**(788)**
Recognition of the effective portion of the change in fair value of hedging instruments of the part recognised as an effective security	*(466)*	*(728)*
Accrued interest on derivative transferred from valuation reserve and included in interest expense	*(19)*	*(45)*
Currency revaluation of CCIRS transactions transferred from capital and recognised in foreign exchange result	*2*	*(13)*
Ineffective portion of changes in fair value of hedging derivatives recognised in profit or loss	*-*	*(2)*
Valuation of other financial assets	**3**	**(3)**
Deferred tax	**91**	**150**
HEDGING RESERVE AFTER DEFERRED TAX	**(421)**	**(32)**

The hedging reserve mainly includes the valuation of cash flow hedges.

19.3 Dividends paid and recommended for payment

The Company did not pay a dividend in the current or comparative reporting period.

20. Provisions

The carrying amount of provisions is as follows:

	At March 31, 2023		At December 31, 2022	
	Non-current	Current	Non-current	Current
Employee benefits	2.194	289	2.188	298
Rehabilitation provision	4.209	3	4.139	3
Provision for cost of CO_2 emissions	-	26.857	-	20.318
Provision for energy origin units held for redemption to be redeemed	-	523	-	271
Other provisions	44	273	36	333
TOTAL PROVISIONS	**6.447**	**27.945**	**6.363**	**21.223**

The discount rate for the provision for mine workings rehabilitation costs as at 31 March 2023 and over the period comparison is:

- for expenses expected to be incurred within 15 years from the balance sheet date - 7.0%,
- for expenditure expected to be incurred between 16 and 25 years after the balance sheet date – the 7.03%, PGE extrapolation, according to the adopted method,
- for expenses expected to be incurred within 25 years from the balance sheet date - 7.08%, PGE extrapolation, according to the adopted method.

The discount rate for the provision for employee benefits and other provisions for reclamation costs on the 31 March 2023 and over the comparative period is 7.0%.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Changes in provisions

	Employee benefits	Rehabilitation provision	Provision for cost of CO_2 emissions	Provisions for energy origin rights held for redemption	Other	Total
JANUARY 1, 2023	**2.486**	**4.142**	**20.318**	**271**	**369**	**27.586**
Current employment costs	21	-	-	-	-	21
Interest costs	41	66	-	-	-	107
Change in other assumptions	-	(13)	-	-	-	(13)
Benefits paid / Provision used	(65)	-	(96)	-	(7)	(168)
Provisions reversed	-	-	-	-	(59)	(59)
Provisions recognised - costs	-	9	6.635	252	21	6.917
Provisions recognised - expenditures	-	6	-	-	-	6
Other changes	-	2	-	-	(7)	(5)
MARCH 31, 2023	**2.483**	**4.212**	**26.857**	**523**	**317**	**34.392**

	Employee benefits	Rehabilitation provision	Provision for cost of CO_2 emissions	Provisions for energy origin rights held for redemption	Other	Total
JANUARY 1, 2022	**2.657**	**6.075**	**11.553**	**276**	**598**	**21.159**
Actuarial gains and losses	605	-	-	-	-	605
Current employment costs	80	-	-	-	-	80
Past employment costs	(1)	-	-	-	-	(1)
Interest costs	95	243	-	-	-	338
Adjustment of discount rate and other assumptions assumptions	(711)	(2.285)	-	-	-	(2.996)
Benefits paid / Provision used	(234)	(1)	(11.559)	(1.140)	(55)	(12.989)
Provisions reversed	-	-	(1)	(17)	(387)	(405)
Provisions recognised - costs	-	53	20.325	1.152	237	21.767
Provisions recognised - expenditures	-	24	-	-	-	24
Changes in Group composition	(3)	25	-	-	-	22
Other changes	(2)	8	-	-	(24)	(18)
DECEMBER 31, 2022	**2.486**	**4.142**	**20.318**	**271**	**369**	**27.586**

20.1 Provision for employee benefits

Provisions for employee benefits mainly comprise:

- post-employment benefits - PLN 1,685 million (PLN 1,689 million as at 31 December 2022),
- jubilee awards - PLN 798 million (PLN 797 million as at 31 December 2022).

20.2 Rehabilitation provision

Provision for rehabilitation of post-mining properties

PGE Group creates provisions for the rehabilitation of post-mining properties. The amount of the provision recognised in the financial statements includes the value of the Mine Liquidation Fund created in accordance with the Geological and Mining Law. The provision amounted to PLN 3,680 million as of March 31, 2023 (PLN 3,606 million at December 31, 2022).

Provision for rehabilitation of ash landfills

PGE Group's generating assets create provisions for the rehabilitation of ash landfills. As at March 31, 2023, this provision amounted to PLN 210 million (PLN 205 million at the end of the comparative period).

Provisions for wind farm decommissioning and restoration

Wind farm owners create provisions for decommissioning and restoration. The value of the provision for 31 March 2023 amounts to PLN 2 million (PLN 22 million at the end of the comparative period) - the decrease in value is related to the reclassification of a provision from Provisions for wind farm decommissioning and restoration to Liquidation of property, plant and equipment decommissioning costs.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Liquidation of property, plant and equipment

As at the reporting date, the provision amounted to PLN 320 million (PLN 309 million as at the end of the comparative period) and concerned certain assets in the Conventional Generation and Renewables segments.

20.3 Provision for cost of CO_2 emissions

As described in note 16 to these financial statements, the Group no longer receives free emission allowances for electricity generation from 2020. The Group is only eligible to receive free allowances for heating generation. As at March 31, 2023, this provision amounted to PLN 26,857 million (PLN 20,318 million at the end of the comparative period). CO_2 allowances relating to 2022 were redeemed until the end of April 2023.

20.4 Provision for energy origin rights held for redemption

PGE Group companies create a provision for energy origin rights concerning sales generated in the reporting period or previous periods, in the part yet to be redeemed as of the reporting date. The provision as at March 31, 2023 amounted to PLN 523 million (PLN 271 million in the comparative period) and was created mainly by PGE Obrót S.A.

20.5 Other provisions

Provision for potential claims from counterparties

The value of other provisions consists mainly of provisions created by ENESTA sp. z o.o. w restrukturyzacji amounted to PLN 90 million (PLN 93 million in the comparative period).

Moreover, the value of other provisions consists of provisions created by PGE Paliwa Sp. z o.o. The value of penalty provisions as at 31 March 2023 and in the comparative period is PLN 41 million.

In 2021 the Group created a provision in the amount of PLN 39 million in connection with the sale of shares in PGE EJ1 sp. z o.o. to the State Treasury. Pursuant to the Agreement regulating the liability of the existing Partners for the costs of the dispute with Worley Parsons, in case of defeat PGE S.A. may be required to cover the costs of the dispute in the amount of up to PLN 98 million. The amount of PLN 59 million is disclosed in contingent liabilities, in note 23.1.

21. Financial liabilities

Financial assets and liabilities measured at amortised cost represent a reasonable approximation of their fair values, except for bonds issued by PGE Sweden AB (publ) and a loan from the European Investment Bank.

Bonds issued by PGE Sweden AB (publ) are based on a fixed interest rate. Their value at amortised cost reported in these consolidated financial statements as at31 March 2023 is PLN 658 million and the fair value is PLN 589 million.

21.1 Loans, borrowings, bonds and leases

	As at March 31, 2023		As at December 31, 2022	
	Long-term	Short-term	Long-term	Short-term
Credits and loans	7.180	4.070	3.808	2.062
Bonds issued	2.044	57	2.046	21
Leases	1.006	57	945	54
TOTAL CREDIT, LOANS, BONDS AND LEASES	**10.230**	**4.184**	**6.799**	**2.137**

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Credits and loans

Among loans and borrowings presented above as at March 31, 2023, and December 31, 2022, PGE Group presents mainly the following facilities:

Lender	Security instrument	Maturity	Limit in currency	Currency	Interest rate	Liability as at 31-03-2023	Liability as at 31-12-2022
European Investment Bank	-	2042-03-15	2.000	PLN	Fixed	2.007	-
European Investment Bank	-	2034-08-25	1.500	PLN	Fixed	1.453	1.442
PKO BP S.A.**	-	2023-10-31	1.500	PLN	Variable	1.294	-
Bank Gospodarstwa Krajowego	-	2024-06-12	4.300	PLN	Variable	1.191	-
European Investment Bank	-	2041-03-15	850	PLN	Variable	853	-
European Investment Bank	-	2041-03-15	550	PLN	Fixed	552	-
Bank consortium	IRS	2023-09-30	3.630	PLN	Variable	726	1.481
Bank Gospodarstwa Krajowego	IRS	2027-12-31	1.000	PLN	Variable	639	627
European Investment Bank	-	2034-08-25	490	PLN	Fixed	476	472
European Bank for Reconstruction and Development	IRS	2028-06-06	500	PLN	Variable	386	378
Bank Gospodarstwa Krajowego	IRS	2028-12-31	500	PLN	Variable	383	376
European Investment Bank	-	2038-10-16	273	PLN	Fixed	275	274
Bank Pekao S.A.	-	2023-10-31	40	USD	Variable	159	40
Bank Pekao S.A.	-	2023-10-31	100	USD	Variable	104	-
Bank consortium	-	2027-03-01	2.330	PLN	Variable	-	-
Bank Gospodarstwa Krajowego	-	2023-12-31	1.600	PLN	Variable	-	-
Bank Gospodarstwa Krajowego	-	2023-12-31	1.600	PLN	Variable	-	-
Bank Pekao S.A.	-	2024-07-03	1.000	PLN	Variable	-	-
PKO BP S.A.**	-	2023-12-31	800	PLN	Variable	-	-
NFOŚiGW	-	December 2028	214	PLN	Fixed	85	90
NFOŚiGW	-	June 2024 June 2037	990	PLN	Variable	501	515
WFOŚiGW	-	September 2026	9	PLN	Fixed	5	5
WFOŚiGW	-	March 2026 December 2029	213	PLN	Variable	161	170
Total bank loans and borrowings						**11.250**	**5.870**

As at 31 March 2023, the value of the available overdrafts at significant PGE Group companies was PLN 10,095 million. The repayment dates for the available overdraft facilities of PGE Group's key companies are in 2023-2024.

In the period ended on March 31, 2023 and after the reporting period no failures to make payment or other breaches of credit agreement terms were recorded.

Bonds issued

Issuer	Instrument security	Date maturity programme	Program limit in currency	Currency	Interest rate	Tranche issue date	Tranche buy-back date	Liabilities 31-03-2023	Liabilities 31-12-2022
PGE S.A.	IRS	indefinite	5.000	PLN.	Variable	2019-05-21	2029-05-21	1.031	1.009
						2019-05-21	2026-05-21	412	403
PGE Sweden AB (publ)	CCIRS	indefinite	2.000	EUR	Fixed	2014-08-01	2029-08-01	658	655
TOTAL OUTSTANDING BONDS								**2.101**	**2.067**

21.2 Trade and other financial liabilities

	At March 31, 2023		At December 31, 2022	
	Long-term	Short-term	Long-term	Short-term
Trade liabilities	-	2.113	-	3.104
Compensation	-	2.206	-	357
Purchase of property, plant and equipment and intangible assets	-	1.042	1	1.078
Settlements related to transactions on exchange	-	466	-	1.423
Security deposits received	23	156	31	169
Liabilities related to LTC	375	55	375	55
Insurance	-	-	-	4
Other	80	337	71	517
TRADE AND OTHER FINANCIAL LIABILITIES	**478**	**6.375**	**478**	**6.707**

The item 'Other' includes PGE Dom Maklerski S.A.'s liabilities towards clients on account of funds deposited.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

22. Other non-financial liabilities

The main components of non-financial liabilities as at the respective reporting dates are as follows:

22.1 Other non-current non-financial liabilities

	As at March 31, 2023	As at December 31, 2022
OTHER NON-CURRENT LIABILITIES		
Liabilities related to a contract	149	139
Other	2	2
TOTAL OTHER NON-CURRENT LIABILITIES	**151**	**141**

22.2 Other current non-financial liabilities

	As at March 31, 2023	As at December 31, 2022
OTHER CURRENT LIABILITIES		
VAT liabilities	1.424	840
Excise tax liabilities	32	12
Liabilities related to a contract	900	446
Liabilities concerning contributions to price difference payment fund	870	351
Environmental fees	98	266
Payroll liabilities	235	299
Bonuses for employees	194	297
Unused holidays and other employee benefits	448	313
Bonuses for the Management Board	23	19
Personal income tax	59	95
Liabilities from social insurances	278	291
Other	79	76
TOTAL OTHER CURRENT LIABILITIES	**4.640**	**3.305**

The "Other" position comprises mainly payments to the Employment Pension Program, the Social Fund and the State Fund for Rehabilitation of Persons with Disabilities.

Liabilities related to a contract

Contract liabilities mainly include advances for deliveries and prepayments by customers for connections to the distribution grid and electricity consumption forecasts for future periods.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

OTHER EXPLANATORY NOTES

23. Contingent liabilities and receivables. Legal claims

23.1 Contingent liabilities

	As at March 31, 2023	As at December 31, 2022
Contingent return of grants from environmental funds	617	616
Legal claims	93	86
Liabilities related to bank guarantees securing exchange transactions	460	601
Usufruct of land	60	61
Other contingent liabilities	29	31
Total contingent liabilities	**1.259**	**1.395**

Contingent return of grants from environmental funds

The liabilities represent the value of possible future returns of funds received by PGE Group companies from environmental funds for selected investments. The funds will be reimbursed, if investments for which they were granted, will not bring the expected environmental effect.

Legal claims

Commitment Worley Parsons

In connection with the sale of the shares of PGE EJ1 sp. z o.o. to the State Treasury, which took place in 2021, and in accordance with the Agreement regulating the liability of the existing Shareholders for the costs of the dispute with Worley Parsons, PGE S.A. may be obliged to cover the costs of the dispute in the maximum amount of PLN 98 million if it loses the dispute. Therefore, for the purpose of determining the fair value of the payment received, an estimate of the probability of losing the dispute was made. As a result, an amount of PLN 59 million was recognised in contingent liabilities and an amount of PLN 39 million in short-term provisions.

Bank guarantee and surety liabilities

These liabilities represent bank guarantees provided as security for exchange transactions resulting from membership in the clearinghouse IRGiT.

Usufruct of land

Contingent liabilities pertaining to the usufruct of land are related to an update of annual fees for the usufruct of land. PGE GiEK S.A.'s branches have appealed the decisions in Local Appeals Courts. The value of the contingent liability was measured as the difference between the discounted sum of the updated perpetual usufruct fees for the entire period for which perpetual usufruct was established and the perpetual usufruct liability recognised in the books on the basis of the previous fees.

Other contingent liabilities

In August 2022, a 'Cost Reimbursement Agreement' was signed between EWB1, EWB2 and EWB3 and the company constructing the installation port. The contract provides the works contractor with reimbursement of the costs incurred in the construction of the installation port in the event that the companies do not continue with the investment in question. The value of the contingent liability is estimated at EUR 6.5 million and, on a company-by-company basis, the reimbursement payment will be made on a 33.33% basis to each company. Accordingly, the potential value of the commitment from PGE Group was estimated at PLN 20 million.

23.2 Other significant issues related to contingent liabilities conditional

Non-contractual use of property

The PGE Group recognises provision for disputes under court proceedings, concerning non-contractual use of properties for distribution activities. In addition, PGE Group is a party to disputes at an earlier stage of proceedings, and it cannot be ruled out that the volume and value of similar disputes will increase in the future.

Contractual liabilities related to purchase of fuels

In accordance with fuel purchase agreements (mainly coal and gas), PGE Group is required to collect a minimum volume of fuel and to not exceed the maximum gas uptake levels in specific periods. Failure to collect the minimum volumes of fuel or to exceed the maximum volumes specified in the contracts may result in the payment of the corresponding charges (in the case of one of the gas fuel purchase contracts, volumes not collected but paid for may be collected during the following three contractual years).

According to PGE Group, the terms of fuel delivery to its generating assets as described above do not diverge from the terms of delivery to other power stations in Poland.

Commitments to maintain fuel stocks

According to the applicable legislation, an energy enterprise producing electricity or heat is required to maintain fuel stocks in an amount sufficient to ensure continuity of supply of electricity or heat to consumers.

In previous reporting periods and also in the first quarter of 2023, there were several breaches of the requirements to maintain minimum coal stocks in PGE GiEK S.A.'s coal-fired generating units (Elektrownia Opole, Elektrownia Dolna Odra, Elektrownia Rybnik). The failure to meet minimum levels of hard coal stocks and the problems in rebuilding these stocks at power stations were influenced by a number of factors beyond the Group's control.

Pursuant to art. 56 sec. 1 point 2) of the Energy Law, a fine will be imposed on anyone who fails to comply with the obligation to maintain the fuel stocks, (...), or does not replenish them in time, (...). It should be noted that the mere fact of violating a prohibition or order provided for in the Energy Law results in the imposition of a penalty by the President of the Energy Regulatory Office. Pursuant to art. PLN 10,000 and higher than 15% of the penalised entrepreneur's revenue earned in the previous tax year, and if the fine is related to activity conducted on the basis of a licence, the amount of the fine may not be lower than PLN 10,000. PLN and may not be higher than 15% of the penalised entrepreneur's revenue resulting from the licensed activity in the previous fiscal year.

Until the date of preparation of these financial statements, no penalty was imposed on PGE GiEK S.A. for failure to meet the obligation to maintain and rebuild coal reserves at an appropriate level. Up to the date of this report, the level of coal stocks is maintained at the required level.

Taking into account the above mentioned reasons, independent from the Group, for not complying and not building the required minimum coal stocks within the designated timeframe, as well as the fact that PGE GiEK S.A. did not have any previous penalties on this account, which should be a premise for appropriate mitigation of the penalty, the Group estimates that the value of the potential penalty calculated should not be significant for the Group, therefore no provisions on this account were recognised in these financial statements.

Proceeds from increase of the Company's share capital

On April 5, 2022, an investment agreement was concluded between PGE S.A. and the State Treasury concerning the acquisition by the State Treasury of shares issued as a result of the share capital increase. Under the terms of the agreement, the proceeds from the share issue may only be used for investment in the three areas described above. The way in which the issue proceeds are spent will be subject to detailed reporting and audit. Spending in contravention of the provisions of the investment agreement may result in fines or even the necessity to repay the funds.

23.3 Contingent receivables

At the reporting date, the Group has contingent receivables of PLN 120 million (PLN 120 million in the comparative period) for the potential refund of the excise tax overpayment. The Group is awaiting a ruling from the Supreme Administrative Court on what excise duty rate should be applied to account for the excise duty relief on the redemption of Energy Origin Rights generated from renewable energy sources before 1 January 2019.

According to PGE Group, this relief should be settled using the rate applicable at the time the electricity generated from renewable sources is sold to the end customer, i.e. 20 PLN/MWh. This was confirmed in a ruling by the Voivodship Administrative Court in Rzeszów of October 8, 2019.

The tax authority issued a cassation appeal against this ruling by the Voivodship Administrative Court on November 20, 2019.

23.4 Other court cases and disputes

Termination by Enea S.A. of long-term energy origin rights sale contracts

In connection with the termination by Enea S.A. in 2016 of long-term agreements for the sale of energy origin rights arising from certificates of origin of energy from renewable sources, PGE Group companies are in dispute with Enea S.A.

On 20 December 2022, an agreement was signed for the amicable settlement of all pending disputes.

According to the above agreements, PGE Group companies will receive approximately PLN 287 million by the end of April 2023. thousand, respectively. The impact of the concluded agreements increased PGE CG's pre-tax profit for 2022 by approximately PLN 163 million.

By the end of April 2023, Enea S.A. had settled all obligations under the agreements.

Compensation for conversion of shares

On 12 November 2014, the company Socrates Investment S.A. (purchaser of receivables from former shareholders of PGE Górnictwo i Energetyka S.A.) filed a lawsuit seeking damages in a total amount of more than PLN 493 million (plus interest) for the damage suffered in connection with the incorrect (in its view) determination of the parity of the share exchange in the process of merger of PGE Górnictwo i Energetyka S.A. with PGE S.A. The company has filed a response to the lawsuit. On November 15, 2017 the Company received a procedural document from the claimant - change of demand sought, increasing the amount sought in court to PLN 636 million. A hearing to appoint a court expert was held on November 20, 2018. A first-instance court proceeding is currently under-way. In a ruling dated April 19, 2019 the court appointed experts to draft an opinion on this matter. On April 8, 2022, a further hearing was held on the need and possibility of a supplementary opinion by an additional expert. To date, a final expert opinion has not been produced.

Furthermore, a similar claim was raised by Pozwy sp. z o.o., an entity that purchased claims from former PGE Elektrownia Opole S.A. shareholders. Pozwy sp. z o.o. filed a claim at the District Court in Warsaw against PGE Górnictwo i Energetyka Konwencjonalna S.A., PGE S.A. and PwC Polska sp. z o.o. ("Defendants"), demanded from the Defendants, in solidum, or jointly damages for Pozwy sp. z o.o. totalling over PLN 260 million with interest for allegedly incorrect (in its opinion) determination of the exchange ratio for PGE Elektrownia Opole S.A. shares for PGE Górnictwo i Energetyka Konwencjonalna S.A. shares in a merger of these companies. This lawsuit was delivered to PGE S.A. on March 9, 2017, and the deadline for responding to it was set by the court as July 9, 2017. The following companies: PGE S.A. and PGE GiEK S.A. submitted a response to the claim on July 8, 2017. On September 28, 2018, the District Court in Warsaw ruled in the first instance - the lawsuit by Pozwy sp. z o.o. against PGE S.A., PGE GiEK S.A. and PWC Polska sp. z o.o. was dismissed. On April 8, 2019 PGE S.A. received a copy of an appeal lodged by the claimant on December 7, 2018. On 8 April 2019, PGE S.A. received a copy of the appeal filed by the claimant on 7 December 2018. PGE S.A. and PGE GiEK S.A.'s response to the appeal was prepared on 23 April 2019. The Appeals Court ruled to repeal the District Court's ruling in its entirety and referred the case to the District Court for re-examination. On January 22, 2021 PGE S.A. and PGE GiEK S.A. appealed the ruling to the Supreme Court, requesting that the appealed ruling be repealed entirely and the case referred to the Appeals Court for re-examination. At a closed-door hearing on April 27, 2021 the Supreme Court reversed the judgement. The case was returned to be re-examined by the Appeals Court. The case is currently pending before the Court of Appeal in Warsaw, with witnesses being heard at subsequent hearings set by the Court.

PGE Group companies do not accept the claims being raised by Socrates Investment S.A., Pozwy sp. z o.o. According to PGE S.A., these claims are groundless and the entire consolidation process was conducted fairly and correctly. The value of the shares, which were subject to the process of consolidation (merger), was established by an independent company PwC Polska sp. z o.o. Additionally, merger plans of the companies mentioned above, including the exchange ratios were examined for accuracy and reliability by an expert appointed by the registration court; no irregularities were found. Then, the court registered the mergers of the aforementioned companies.

PGE Group did not create a provision for this claim.

24. Tax settlements

Tax obligations and rights are specified in the Constitution of the Republic of Poland, tax regulations and ratified international agreements. According to the tax code, tax is defined as public, unpaid, obligatory and non-returnable cash liability toward the State Treasury, provincial or other regional authorities resulting from the tax regulation. Taking into account the subject criterion, the current taxes in Poland can be divided into five groups: income tax, turnover tax, asset tax, activity tax and other fees not classified elsewhere.

From the point of view of business entities, the most important is the taxation of incomes (corporate income tax), taxation of turnover (value added tax, excise tax) followed by taxation of assets (real estate tax and vehicle tax). Other payments classified as quasi – taxes must also be mentioned Among these there are social security charges. Among these are social security contributions.

The basic tax rates were as follows: corporate income tax rate – 19%, for smaller enterprises a 9% rate is possible; basic value added tax rate – 23%, reduced: 8%, 5%, 0%, furthermore some goods and products are subject to a VAT tax exemption. 8%, 5%, 0%, in addition, some goods and services are exempt from VAT.

The tax system in Poland is characterised by significant volatility and complexity of tax regulations, steep potential penalties for tax offences or crimes. Tax settlements and other activity areas subject to regulations (customs or currency controls) may be the subject of inspections by relevant authorities authorised to issue fines and penalties with interest. These inspections may cover tax settlements for a five-year period after the end of calendar year in which the tax was due.

VAT split payment mechanism, requirement to make payments to accounts registered with tax offices

The Group intends to effectively use the funds received from counterparties in VAT accounts to pay its liabilities that contain VAT. The level of funds in these VAT accounts on any given day depends mainly on how many of PGE Group's counterparties decide to use this mechanism and the relation between the payment deadlines for receivables and liabilities. As at March 31, 2023, the cash balance in VAT accounts was PLN 3.294 million.

Reporting of tax arrangements (MDR)

As of 2019, new legislation came into effect that introduced mandatory reporting of tax schemes (the so-called 'MDR', or 'tax on taxpayers'). In 2019, new regulations introduced mandatory reporting of tax arrangements (Mandatory Disclosure Rules - MDR). In principle, a tax arrangement should be understood as any activity of which the main or one of the main benefits is is the obtaining of a tax advantage. In addition, events with so-called special or other distinctive hallmarks, as defined in the legislation, have been identified as a tax scheme. Three types of entities are subject to the reporting obligation: promoter, supporter and beneficiary. MDR regulations are complex and imprecise in numerous areas, which gives rise to interpretation doubts as to their practical application.

Excise tax

In connection with an incorrect implementation of EU regulations in the Polish legal system, PGE GiEK S.A. in 2009 initiated proceedings regarding reimbursement of improperly paid excise tax for the period January 2006 - February 2009. The irregularity consisted of taxing electricity at the first stage of sale, i.e. by producers, whereas sales to end users should have been taxed.

Examining the company's complaints with regard to the restitution claims against decisions issued by tax authorities refusing to confirm overpayment of excise tax, administrative courts ruled that the company did not bear the economic burden of the improperly calculated excise tax (which in the context of the resolution by the Supreme Administrative Court of June 22, 2011, file no. I GPS 1/11, precludes the return of overpaid amounts). According to the Supreme Administrative Court, the claims that the company sought, especially using economic analyses, are of an offsetting nature and therefore may be sought only in civil courts. Given the above, PGE GiEK S.A. decided to withdraw from the proceedings as regards restitution claims. Activities concerning the excess excise tax are currently being conducted in civil courts. On January 10, 2020 the District Court in Warsaw issued a ruling in a case brought by PGE GiEK S.A. against the State Treasury - Minister of Finance. The court dismissed the case. On February 3, 2020 the company filed an appeal with the Court of Appeals in Warsaw against the first-instance ruling. The session was held on December 2, 2020, after which the Court of Appeals in Warsaw rejected PGE GiEK's appeal in a ruling dated December 17, 2020. On 23 April 2021, PGE GiEK S.A. filed a cassation appeal with the Supreme Court. on 20 May 2021, PGE GiEK S.A. received a response from the General Prosecutor's Office to the cassation appeal filed by the company.

Given the significant uncertainty over the final ruling in this issue, the Group does not recognise in its financial statements any effects related to potential compensation in civil courts in connection with the improperly paid excise tax.

for the 3-month period ended 31 March 2023 in accordance with EU IFRS (PLN million)

Real estate tax

Real estate tax constitutes a considerable burden for certain PGE Group companies. Regulations on the real estate tax are unclear in some areas and give rise to a range of interpretation doubts. Tax authorities such as municipality head, city mayor or president, often issue inconsistent tax interpretations in substantively similar cases. This means that PGE Group companies were and can be parties in proceedings relating to real estate tax. If the Group concludes that an adjustment of settlements is probable as a result of such a proceeding, it creates an appropriate provision.

Uncertainty concerning tax settlements

Regulations concerning tax on goods and services, corporate income tax and burdens related to social insurance are subject to changes. These frequent changes result in a lack of reference points, inconsistent interpretations and few precedents that can be applied. The existing regulations also contain uncertainties that result in differing opinions as to legal interpretation of tax regulations both between state organs and between state organs and companies.

Tax settlements and other activity areas are conditioned by regulations (customs or currency controls) and can be subject to controls of respective authorities that are authorised to issue fines and penalties, and all additional tax liabilities resulting from such audits must be paid with high interest. This means that tax risk in Poland is higher than in countries with more stable tax systems.

In consequence, the amounts presented and disclosed in financial statements may change in the future as a result of a final decision by a tax control organ.

The Tax Ordinance Act contains provisions from the General Anti-Abuse Clause (GAAR). GAAR is intended to prevent the formation and use of artificial legal structures created in order to avoid paying tax in Poland. GAAR defines tax avoidance as an activity performed primarily to obtain a tax benefit contrary under the circumstances to the subject and aim of the tax law. According to GAAR, such an activity does not result in a tax benefit if it is artificial. All proceedings regarding unjustified division of operations, involving intermediaries despite a lack of economic justification, mutually offsetting elements or other similar activities may be treated as a condition for the existence of artificial activities subject to GAAR. These new regulations will require a much greater judgement in assessing the tax effects of transactions.

The GAAR clause is to be applied in relation to transactions executed after its entry into force and to transactions that were executed prior to its entry into force but in the case of which tax benefits were or continue to be obtained after GAAR went into force. The implementation of these regulations will make it possible for Polish tax inspection authorities to question legal arrangements and agreements made by taxpayers such as group restructuring and reorganisation.

The Group recognises and measures current and deferred income tax assets and liabilities using IAS 12 Income tax based on profit (tax loss), tax base, unsettled tax losses, unused tax exemptions and tax rates, taking into account assessment of uncertainties related to tax settlements. If there is uncertainty over where or not and in what scope the tax authority will accept tax accounting for transactions, the Group recognises these settlements taking into account an uncertainty assessment.

25. Information on related parties

PGE Group's transactions with related entities are concluded based on market prices for provided goods, products and services or are based on the cost of manufacturing.

25.1 Associates and jointly controlled entities

The total value of transactions with such entities is presented in the table below.

	Period ended March 31, 2023	Period ended March 31, 2022
Sales to associates and jointly controlled entities	9	8
Purchases from associates and jointly controlled entities	1	387

	As at March 31, 2023	As at December 31, 2022
Trade receivables from associates and jointly controlled entities	4	6
Trade liabilities to associates and jointly controlled entities	1	17

The turnover and settlement balances result from transactions with Polska Grupa Górnicza S.A., PEC w Bogatyni S.A. and Polimex-Mostostal S.A.

25.2 State Treasury-controlled companies

The State Treasury is the dominant shareholder of PGE Polska Grupa Energetyczna S.A. and as a result in accordance with IAS 24 Related Party Disclosures, State Treasury companies are treated as related entities. PGE Group entities identify in detail transactions with approximately 40 of the biggest State Treasury subsidiaries.

The total value of transactions with such entities is presented in the table below:

	Period ended March 31, 2023	Period ended March 31, 2022
Sales to related parties	3.403	1.394
Purchases from related parties	4.692	2.331

	As at March 31, 2023	As at December 31, 2022
Trade receivables from related parties	1.209	1.260
Trade liabilities to related parties	1.688	1.089

The largest transactions involving SOEs involve companies: Polskie Sieci Elektroenergetyczne S.A., Enea Wytwarzanie S.A., PKN Orlen S.A., Polska Grupa Górnicza S.A., Węglokoks Kraj Sp. z o.o., PKO Bank Polski S.A., Jastrzębska Spółka Węglowa S.A., Grupa Azoty Zakłady Azotowe PUŁAWY S.A., ENERGA Elektrownie Ostrołęka S.A., PKP Cargo S.A.

In addition, the PGE Group carries out significant transactions on the energy market through the Towarowa Giełda Energii S.A. (Polish Power Exchange). As this entity is only involved in organising stock exchange trading, purchases and sales through it are not considered as related party transactions.

The values presented above do not include significant transactions with the Zarządca Rozliczeń S.A., including write-offs to the Price Difference Payment Fund and the settled, paid compensation to eligible entities for the introduction of the maximum price, as defined by the Act of October 27, 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023. The information in question is described in note 26.4.

25.3 Management Board and Supervisory Board remuneration

The key management includes the Management Boards and Supervisory Boards of the parent company and significant Group entities.

PLN 000s	Period ended March 31, 2023	Period ended March 31, 2022
Short-term employee benefits (salaries and salary related costs)	10.552	10.056
Post-employment benefits	-	83
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**10.552**	**10.139**
Remuneration of key management personnel of entities of non-core operations	5.720	5.303
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**16.272**	**15.442**

PLN 000s	Period ended March 31, 2023	Period ended March 31, 2022
Management Board of the parent company	2.646	2.662
Supervisory Board of the parent company	176	213
Management Boards – subsidiaries	6.735	6.278
Supervisory Boards – subsidiaries	995	986
TOTAL	**10.552**	**10.139**
Remuneration of key management personnel of entities of non-core operations	5.720	5.303
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**16.272**	**15.442**

PGE Group companies (direct and indirect subsidiaries) apply a rule whereby management board members are employed on the basis of management services contracts. In note costs by nature and by function, this remuneration is presented under other costs by nature.

26. Significant events during and after the reporting period

26.1 Impact of war in Ukraine on PGE Group's activities reporting

The Team's tasks also include taking actions to minimise the risk of a crisis situation, preparing the companies in the Group in the event of a crisis situation and planning, organising and coordinating work to ensure the 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. The Team's tasks also include taking actions to minimise the risk of a crisis situation, preparing the companies in the Group in the event of a crisis situation and planning, organising and coordinating work to ensure the continuity of the Company's and the PGE Group's operations.

In the current geopolitical situation, the importance of cyber security has increased drastically. PGE Group has implemented special procedures for monitoring ICT networks due to increased activity of criminal groups aiming to attack ICT (Information and Communication Technologies) and OT (Operational Technology) systems. Incidents are regularly identified: phishing, attempts to install malware and DDoS (Distributed Denial of Service) attacks.

The physical security of the Group's facilities has been strengthened.

Key areas at PGE Group affected by the war in Ukraine:

- the level of margin generated,
- fuel availability and prices,
- prices of CO_2 emission allowances,
- disruption to the supply chain of components or a significant increase in their prices,
- rising inflation and interest rates and a weakening of the national currency,
- capital raising opportunities,
- improving energy efficiency,
- greater pressure on the energy transition through the development of RES,
- import of hard coal,
- cyber security and physical security,
- geopolitics,
- new regulations,
- counterparties (sanctions lists).

PGE Group's key operating risks related to the war in Ukraine:

- reduced availability of hard coal on the Polish market due to the embargo on supplies of this raw material from Russia,
- increase in hard coal and gas prices on the international market,

Risks related to gas supplies:

- EC Gorzów and EC Zielona Góra are supplied with field gas (so-called Ln nitrogenous gas). Due to the use of dedicated transmission infrastructure between the mine and the CHP plant, these generating assets are neutral to supply disruptions to Poland's National Gas Transmission System.
- EC Toruń, EC Zawidawie, EC Czechnica, EC Lublin Wrotków, EC Rzeszów, EC Zgierz, EC Bydgoszcz i EC Kielce receive high-methane gas (so-called E gas). Gas E taken from the National 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 on the directions of supply and management of the transmission of gaseous fuel, therefore the risk of possible disruptions lies with PKN Orlen S.A. (formerly PGNiG S.A.) and the Transmission System Operator OGP Gaz - System S.A.(Gaz-System). PGE has established communication channels with PGNiG and Gaz-System 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 and heat 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 the EC Zielona Góra location, the reserve for heat production is constituted by oil boilers.
- The main suppliers of hard coal for electricity and heat production are Polish mining companies and coal importers. The CHPs have reserves of hard coal to enable uninterrupted production of electricity and heat. Guarantee of electricity supply for PGE Dystrybucja S.A. and PGE Obrót S.A. takes the form of commercial collateral. The physical supply of energy is conditioned by the current situation of balancing and operation of the National Power System. Disruptions in electricity generation will affect the energy supply depending on the location on the grid in the NPS. So far, PGE Group has not identified any risk associated with electricity or heat supply to residents, institutions and businesses.

Impact of war on commodity and financial markets:

The risks described above may have a significant impact on individual areas of PGE CG's business and future financial performance. In particular, the recoverable amount of selected asset items, the level of expected credit losses and the valuation 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.

26.2 PGE Paliwa sp. z o.o.'s implementation of decisions related to with the purchase and sale of coal

On 13 July and 8 August 2022, PGE Paliwa sp. z o.o. received decisions from the Prime Minister instructing the company to purchase at least 3 million tonnes of thermal coal with parameters close to the quality parameters used by households and to import it into the country by the end of April 2023.

The implementation of the 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. is designated 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 the six marketing entities authorised to conduct sales of solid fuel to municipalities for preferential purchase. In accordance with the provisions of the Act of October 27, 2022 on preferential purchase of solid fuel for households, the selling price of solid fuel may not be higher than PLN 1,500 gross. At the same time, the marketer is entitled to compensation equal to the product of the quantity of solid fuel and the difference between the justified average unit cost of solid fuel over that period and the average net selling price of solid fuel over that period, plus value added tax.

PGE Paliwa has estimated and recognised an estimate of compensation revenue for deliveries made in 2022 of PLN 131 million and for deliveries made in the first quarter of 2023 of PLN 112 million. The applications for compensation for the respective periods were submitted in accordance with the deadlines set out in the Law of 27 October 2022 on the preferential purchase of solid fuel for households. In April 2023, PGE Paliwa received compensation reimbursement for the first two applications submitted. The company has carried out sales under the aforementioned Act until 30 April 2023.

26.3 Planned disposal of coal assets to National Energy Security Agency

On March 1, 2022, the Council of Ministers adopted a resolution on the adoption of the document "Energy sector transition in Poland." Carve out of coal-based generation assets from companies with a State Treasury shareholding." According to the document, the asset separation process will adopt the formula of acquisition by the Treasury

According to the document, the carve out process will follow the formula of purchase by the State Treasury from PGE S.A., ENEA S.A., TAURON Polska Energia S.A. and ENERGA S.A. of all assets connected to generation of energy in power plants fuelled by hard coal and lignite, including the accompanying service companies. Due to the inseparability of lignite-fuelled energy complexes, lignite mines will also be among the assets acquired. Assets related to hard coal mining will not become a part of the entity operating coal-based energy generation units. The district heating assets in connection with their planned upgrades to low- and zero-carbon sources will not be the subject of this transaction. It is planned that the spin-off of assets from the energy groups will take place through the acquisition of shares in individual companies directly by the State Treasury and their subsequent consolidation within NABE through the contribution of shares in individual companies to the capital increase of PGE GiEK.

NABE will operate in the form of a holding company centred around PGE GiEK S.A., with companies acquired from ENEA, Tauron and Energa will be subsidiaries within its capital group.

NABE will be a fully self-sufficient entity, i.e. it will be able to provide on its own or - in the interim period - on the basis of agreements concluded with external entities, including the companies from which the assets are spun off, all internal and external functions necessary for uninterrupted operation, i.e. HR, IT, purchasing, trading.

All transactions required under the selected structure, if any, relating 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, carved out as part of the transaction, have to their parent companies and/or financial liabilities to financing institutions. Given the debt of the generation companies to their parent companies, accounting for the transactions is the subject of detailed arrangements between the State Treasury and the current owners and their lenders.

According to the document, after the carve out of coal-based generating assets, the 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 capacity balance in the power system. NABE will focus on maintenance and modernisation investments necessary to maintain the efficiency of the coal units in operation, including those aimed at reducing the carbon intensity of these units.

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 units in operation, including aiming to reduce the carbon footprint of the units in operation.

On 23 July 2021, PGE S.A, ENEA S.A, TAURON Polska Energia S.A. and ENERGA S.A. entered into an agreement with the State Treasury concerning cooperation in the process of separation of coal power assets and their integration into NABE.

As at the date of these financial statements, work on the due diligence process has been finalised, work is being carried out on the valuation of the spun-off companies and the determination of other key parameters of the future sale transaction, including in particular the financing terms and details of the debt repayment. The necessary corporate decisions regarding the sale of coal assets have not been taken. Therefore, it is currently not possible to reliably estimate the impact of the spin-off on the future financial statements of the PGE Group, including the level of expected future credit losses.

As at reporting date in PGE CG's opinion, the conditions of IFRS 5 regarding the activities held for sale in area of assets and liabilities as well as income and costs for the described coal assets are not met.

The book value of the consolidated net assets of the business that is planned to be spun off is PLN 11,387 million as of March 31, 2023. As of the date of publication, the value of the transaction has not been determined.

26.4 Amendments to regulations

Due to the crisis in the energy market, the government has decided to introduce legal regulations that temporarily introduce exceptional measures for electricity prices and electricity tariffs in 2023. The Act of October 7, 2022 on special measures for the protection of electricity consumers in 2023 due to the situation on the electricity market (hereinafter the "Household Act") entered into force on October 18, 2022, and the Act of October 27, 2022 on emergency measures to limit the level of electricity prices and support certain consumers in 2023 (hereinafter the "Emergency Measures Act") entered into force on November 4, 2022.

According to the Household Act, an energy company carrying out commercial activities in the field of electricity trading is required to apply to household customers prices equal to those contained in the tariff in force on January 1, 2022 for individual tariff groups up to specified consumption limits. Once the consumption limits dedicated to household consumers have been exceeded, in accordance with the Emergency Measures Act 2023 year, a maximum price of 693 PLN/MWh (price excluding VAT and excise duty) will be used for settlements with household customers. This means that electricity prices have been fixed by law and, therefore, in 2023, tariffs approved by the URE President will not directly affect electricity prices for households.

In addition, in accordance with the Emergency Measures Act 2023, the maximum electricity price for other eligible customers has been set at 785 PLN/MWh (price excluding VAT and excise duty). This price, in principle, will be effective from 1 December 2022 and will remain in effect until 31 December 2023. The indicated limit of the maximum price for eligible customers also applies to electricity sales contracts concluded or amended after February 23, 2022 and in cases where the maximum price will also apply to settlements for the period from the date of conclusion or amendment of these contracts until November 30, 2022. Energy companies have been required to successively make refunds resulting from the application of capped prices by the end of 2023.

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

Mechanisms introduced in the law for households and the law on emergency measures in 2023 should, in principle, compensate trading companies for the price reduction.

Compensation will also be due for the use of capped prices in settlements with other eligible parties. In this case, as a rule, the reference price for compensation payments will be calculated on the basis of the price of electricity in exchange contracts and the price of electricity purchased for sale to an eligible customer, plus the cost of redemption of certificates of origin and a margin. Nonetheless the mechanisms introduced in the Household Act and the 2023 Emergency Measures Act should in principle compensate trading companies for the price reduction. The financial position of the PGE Group from December 1, 2022 to December 31, 2023 is also affected by the provisions of the Emergency Measures Act in 2023, which introduced the obligation for electricity generators and power companies performing electricity trading activities to make monthly contributions to the account of the Price Difference Payment Fund ("Fund").

Contributions to the Fund are the product of the volume of electricity sold and the positive difference between the volume-weighted average market price of electricity sold and the volume-weighted average price cap of electricity sold, as regulated in the Decree of the Council of Ministers of November 8, 2022 on the manner of calculating the price cap. A different way of calculating the price cap has been specified for individual generation sources:

- for lignite- and hard coal-fired generating units, the price cap takes into account, among other things, the unit cost of fuel consumed, the cost of CO_2 emission allowances, the efficiency of the generating units, the margin and a certain level of investment and fixed cost allowance of PLN 50/MWh.
- for units producing energy from renewable sources, the price cap is set in reference to a reference price, as referred to in art. 77 sec. 3 point 1 of the Act on Renewable Energy Sources, with the stipulation that for hydropower plants the price cap will be 40% of this preferential price.

For electricity trading companies:

- for energy sold to final consumers, the price limit is the product of the volume-weighted average price

of electricity purchased on the day in question and a margin set 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 shall be constituted by multiplying the volume-weighted average price of energy purchased on the day in question by the margin defined as 1.015 or 1.01.

From January 1, 2023 onwards, trading companies will calculate the amount of the contribution to the Fund for the calendar month to which the settlement relates, taking into account the volume of electricity sales, the market price and the price cap for periods of 3 decades of that month, i.e. from the 1st to the 10th, from the 11th to the 20th and from the 21st to the last day of the month. Until December 31, 2022, the Fund contributions were calculated separately for each day of the month.

The above regulations had the following impact on the values reported in these financial statements for PGE Group companies:

- Fund contribution for December 2023 amounted to PLN 2.236 million (reduction of financial result).
- The estimate of compensation due for 2023 was PLN 2.019 million.

The above figures for the reduction in revenue and compensation payable are estimates determined to the best knowledge available to PGE Group at the date of these financial statements.

26.5 Closing of the acquisition of 100% of the shares of PKPE Holding

On 3 April 2023, the transaction for the direct acquisition by PGE S.A. was closed. 100% of shares in PKPE Holding sp. z o.o., and consequently indirect acquisition of 100% of shares in PKP Energetyka

S.A. and shares in other subsidiaries held by PKPE Holding sp. z o.o. PKPE Holding sp. z o.o. is a holding company controlling a number of entities whose activities are focused around PKP Energetyka S.A. The PKPE Group is a distributor and seller of energy to the catenary network and additionally provides catenary maintenance services.

The price to be paid at closing for 100% of the shares was determined based on the value of the business as at 31 March 2022, as an amount of PLN 1,913 million, and settled based on the locked-box mechanism provided for in the preliminary share purchase agreement of 28 December 2022, and subsequently adjusted, in accordance with the locked-box mechanism.

The final price paid by PGE S.A. to the seller on 3 April 2023 was PLN 1,873 million

26.6 Concluding an agreement and establishing a special purpose vehicle for the nuclear power plant project

On March 7, 2023, PGE S.A. entered into a preliminary agreement with ZE PAK S.A. regarding the establishment of a joint special purpose vehicle. In order to cooperate directly on the project to build a nuclear power plant based on Korean APR1400 technology, PGE S.A. and ZE PAK S.A. intend to jointly establish a special purpose vehicle in the form of a joint stock company based in Konin, which will then purchase or acquire shares in a company tasked with implementing the nuclear power plant project with the potential participation of a technology partner.

The agreement summarises the basic terms of cooperation between the Parties in respect of a joint venture to participate in the development of an investment for the construction of a nuclear power plant, including the definition of the corporate governance and operations of the SPV and restrictions on the disposal of shares in the SPV. PGE S.A. and ZE PAK S.A. will hold an equal number of shares in the SPV and the corporate rules will be based on the principle of joint control.

At the same time, it is planned that the SPV, as part of the next phase of cooperation, will prepare:

- a feasibility study,
- land surveys,
- Environmental Impact Assessment for the planned construction of a Nuclear Power Plant.

II. Quarterly financial statement of PGE Polska Grupa Energetyczna S.A. As per EU IFRS, the period of 3 months ending on 31st March 2023 (in PLN millions).

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Period ended March 31, 2023 *(unaudited)*	Period ended March 31, 2022 *(unaudited)*
STATEMENT OF PROFIT OR LOSS		
SALES REVENUES	**21.703**	**10.640**
Cost of goods sold	(21.015)	(10.059)
GROSS PROFIT ON SALES	**688**	**581**
Costs of sales and distribution	(3)	(3)
General and administrative expenses	(82)	(59)
Other revenues, operating costs	(5)	(8)
OPERATING PROFIT	**598**	**511**
Net financial income / (costs), including:	275	50
Interest income calculated using the effective interest rate method	*446*	*174**
PROFIT BEFORE TAX	**873**	**561**
Income tax	(169)	(105)
NET PROFIT FOR THE REPORTING PERIOD	**704**	**456**
OTHER TOTAL INCOME		
Items that may be reclassified to profit or loss in the future:		
Valuation of hedging instruments	(121)	195
Deferred tax	23	(37)
Items that may not be reclassified to profit or loss in the future:		
Actuarial gains and losses from the valuation of reserves for employee benefits	-	-
Deferred tax	-	-
OTHER INCOME FOR THE REPORTING PERIOD, NET	**(98)**	**158**
TOTAL REVENUE	**606**	**614**
EARNINGS AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (IN PLN)	**0.31**	**0.24**

**In the comparative period, the net amount is presented, i.e. revenue less expenses. In the current period, in order to standardise the data presented, the stated value refers to interest income.*

SEPARATE STATEMENT OF FINANCIAL POSITION

	As at March 31, 2023 *(unaudited)*	As at December 31, 2022 *testes**
NON-CURRENT ASSETS		
Property, plant and equipment	138	139
Right-of-use assets	23	24
Financial receivables	5.451	5.468
Derivatives and other assets measured at fair value through profit or loss	504	608
Shares in subsidiaries	29.569	29.441
Shares in associates and jointly controlled entities	94	96
Other non-current assets	3	104
	35.782	**35.880**
CURRENT ASSETS		
Inventories	5.581	1
Income tax receivables	-	-
Trade and other receivables	20.826	17.626
Derivatives	503	1.669
Shares in subsidiaries	-	4
Other short term assets	214	4
Cash and cash equivalents	6.281	10.593
	33.405	**29.897**
TOTAL ASSETS	**69.187**	**65.777**
EQUITY		
Share capital	19.184	19.184
Reserve capital	25.049	25.049
Hedging reserve	304	402
Retained earnings	3.805	3.101
	48.342	**47.736**
NON-CURRENT LIABILITIES		
Non-current provisions	13	12
Loans, borrowings, bonds and leases	8.631	5.233
Deferred income tax liability	127	143
Other liabilities	6	9
	8.777	**5.397**
CURRENT LIABILITIES		
Current provisions	40	40
Loans, borrowings, bonds, cash pooling, leases	6.079	7.549
Derivatives	1.539	1.268
Trade and other liabilities	3.016	3.156
Income tax liabilities	50	40
Other non-financial liabilities	1.344	591
	12.068	**12.644**
TOTAL LIABILITIES	**20.845**	**18.041**
TOTAL EQUITY AND LIABILITIES	**69.187**	**65.777**

**change in the presentation in the current period of advances received and transferred to PGE Dom Maklerski S.A. as collateral for settlements with IRGIT, consisting of the reclassification of advances from non-financial receivables and payables to financial receivables and liabilities respectively.*

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Hedging reserve	Retained earnings	Total equity
As at January, 2023	**19.184**	**25.049**	**402**	**3.101**	**47.736**
Net profit for the reporting period	-	-	-	704	**704**
Other comprehensive income	-	-	(98)	-	**(98)**
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**(98)**	**704**	**606**
As at March 31, 2023	**19.184**	**25.049**	**304**	**3.805**	**48.342**

	Share capital	Reserve capital	Hedging reserve	Retained earnings	Total equity
As at January 1, 2022	**19.165**	**20.154**	**246**	**1.737**	**41.302**
Net profit for the reporting period	-	-	-	456	**456**
Other comprehensive income	-	-	158	-	**158**
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**158**	**456**	**614**
As at March 31, 2022	**19.165**	**20.154**	**404**	**2.193**	**41.916**

SEPARATE STATEMENT OF CASH FLOWS

	Period ended March 31, 2023 *(unaudited)*	Period ended March 31, 2022 *(unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**873**	**561**
Income tax paid	(154)	(5)
Adjustments of the positions:		
Depreciation, amortisation and impairment losses	3	3
Interest and dividents net	(92)	(75)
(Profit)/loss from investment activity	1.434	(19)
Change in the balance of receivables	(2.456)	6.806
Change in inventories	(5.580)	(1.038)
Change in liabilities, excluding loans and borrowings	612	(8.280)
Change in other non-financial liabilities	(110)	151
Currency exchange rate differences*	-	-
NET CASH FROM OPERATING ACTIVITIES	**(5.470)**	**(1.896)**
CASH FLOWS FROM INVSTING ACTIVITIES		
Purchase of fixed assets and intangible assets	-	(2)
Sales of the remaining financial assets	5	94
Expenditure on the acquisition of shares in subsidiaries	(124)	(4)
Lending/(repayment) of loans under the cash pooling service	(3.413)	2.941
Granted loans	(4.730)	(6.310)
Interest received	332	80
Repayment of granted loans	4.054	5.196
NET CASH FROM INVESTING ACTIVITIES	**(3.876)**	**1.995**
CASH FLOWS FROM FINANCING ACTIVITIES		
Flows from taking out loans/credits	5.932	2.200
Repayment of loans, borrowings and leases	(726)	(2.927)
Interest paid	(172)	(69)
NET CASH FROM FINANCING ACTIVITIES	**5.034**	**(796)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(4.312)**	**(697)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**10.593**	**5.316**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**6.281**	**4.619**

'* *In order to provide greater consistency in the financial data presented, accrued exchange differences have been presented in operating activities.*

1. Changes in accounting principles and data presentation

The Company did not change its accounting policies or data presentation in the current period.

New standards and interpretations that became effective on 1 January 2022, which did not have an impact on the Company's separate financial statements, are described in note 4 of the consolidated financial statements.

III. APPROVAL OF THE QUARTERLY FINANCIAL REPORT

This financial report containing the interim consolidated financial statements of PGE CG and quarterly financial information of PGE S.A. for the 3 months ended 31 March 2023 was approved for release by the Management Board of the parent company on May 23, 2023.

Warsaw, May 23, 2023

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	**Przemysław Kołodziejak**	
Vice-President of the Management Board	**Lechosław Rojewski**	
Vice-President of the Management Board	**Paweł Śliwa**	
Vice-President of the Management Board	**Rafał Włodarski**	

Signature of person responsible for drafting these financial statements	Michał Skiba Director, Reporting and Tax Department	

Concluded on 31 March 2023 in accordance with EU IFRS (in PLN millions)

Glossary of terms and abbreviations

Presented below is a set of the most frequently used terms and abbreviations in these consolidated financial statements.

Abbreviation	Full name
CCIRS	Cross Currency Interest Rate Swap
EBIT	Earnings Before Interest and Taxes
EBITDA	Operating profit before tax plus depreciation and amortisation (Earnings Before Interest, Taxes, Depreciation and Amortisation)
ENESTA	ENESTA sp. z o.o w restrukturyzacji
EUA	European Union Allowances
EWB2	Elektrownia Wiatrowa Baltica 2 sp. z o.o.
EWB3	Elektrownia Wiatrowa Baltica 3 sp. z o.o.
Fund	Price Difference Payment Fund
PGE Capital Group, PGE Group, PGE Group companies	PGE Polska Grupa Energetyczna S.A. Group
IRGiT	Izba Rozliczeniowa Giełd Towarowych S.A.
IRS	Interest Rate Swap
LTC	Long-term capacity and electricity sale contracts
KOGENERACJA S.A.	Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
CSE	National Electricity System
IFRS	International Financial Reporting Standards
IFRS EU	International Financial Reporting Standards approved by the European Union
NABE	Narodowa Agencja Bezpieczeństwa Energetycznego S.A. (National Energy Security Agency)
NFOŚiGW	National Fund for Environmental Protection and Water Management
Investment property	Investment property
BCP	Business Continuity Plan
Right-of-use assets	Rights to use items of assets
PGE S.A., PGE, Company, entity dominant	PGE Polska Grupa Energetyczna S.A.
PGE EC S.A.	PGE Energia Ciepła S.A.
PGE EO S.A.	PGE Energia Odnawialna S.A.
PGE GiEK S.A.	PGE Górnictwo i Energetyka Konwencjonalna S.A.
PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A.
PGG	Polska Grupa Górnicza S.A.
Property, plant and equipment	Tangible fixed assets
Financial statements, consolidated financial statements	Consolidated financial statements of the PGE Capital Group
URE	Urząd Regulacji Energetyki (Energy Regulatory Office)
Law for households	Act of 7 October 2022 on special solutions for the protection of electricity consumers in 2023 in connection with the situation on the electricity market (Dz.U. 2023.269 of 2023.02.09)
Emergency measures act 2023	Act of 27 October 2022 on emergency measures to reduce the level of electricity prices and support for certain consumers in 2023 (Dz.U. 2022.2243 of 2022.11.03)
Law on electricity pricing	Act amending the Excise Duty Act and certain other acts
WFOŚiGW	Voivodship Fund for Environmental Protection and Water Management
Intangible assets	Intangible assets
Social Fund	Social Fund