

# MANAGEMENT BOARD'S REPORT

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

ended September 30, 2023



*Leading in the green transition*

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Key financial data	Unit	Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
Sales revenues	PLN m	21 515	19 355	11%	71 075	51 980	37%
EBIT	PLN m	1 206	805	50%	4 755	5 059	-6%
EBITDA	PLN m	2 458	1 926	28%	8 330	8 318	0%
EBITDA margin	%	11%	10%		12%	16%	
Recurring EBITDA	PLN m	2 450	2 328	5%	8 655	6 540	32%
Recurring EBITDA margin	%	11%	12%		12%	13%	
Net profit	PLN m	950	621	53%	3 121	3 926	-21%
Capital expenditures	PLN m	2 682	1 990	35%	6 635	3 834	73%
Net cash from operating activities	PLN m	9 192	3 524 <sup>1</sup>	161%	9 531	8 539 <sup>1</sup>	12%
Net cash from investing activities	PLN m	-2 704	-1 922	41%	-8 195	-4 642	77%
Net cash from financial activities	PLN m	- 3 893	-751	418%	-260	1 177	-

Key financial data		September 30, 2023	December 31, 2022	% change
Working capital	PLN m	-5 275	-1 269	316%
<b>Net debt</b>	PLN m	<b>1 590<sup>2</sup></b>	<b>-2 656</b>	-
Net debt /LTM reported EBITDA <sup>3</sup>	x	0.18	-0.31	
Net debt /LTM recurring EBITDA <sup>3</sup>	x	0.17	-0.37	

One offs affecting EBITDA		Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
Change of reclamation provision	PLN m	0	-422 <sup>4</sup>	-	-331	1 738	-
Change of actuarial provision	PLN m	0	0	-	-52	-19	174%
LTC compensations	PLN m	3	1	200%	-28	3	-
Correction of estimated contribution to Price Difference Payment Fund for year 2022	PLN m	5	0	-	86	0	-
Provision for prosumers	PLN m	0	19	-	0	56	-
<b>Total</b>	PLN m	<b>8</b>	<b>-402</b>	-	<b>-325</b>	<b>1 778</b>	-

<sup>1</sup> The restatement of comparative data is described in Note 4 to the consolidated financial statements.

<sup>2</sup> Estimated economic financial net debt (taking into account future payments for CO2 emission rights) amounts to PLN 18 514 million.

<sup>3</sup> LTM EBITDA - Last Twelve Months EBITDA.

<sup>4</sup> Including effect of discount rate change PLN -249 million and effect of change in technical assumptions PLN -173 million.

## 1. PGE Capital Group

### 1.1. Characteristics of activities

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

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



#### CONVENTIONAL GENERATION

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



#### DISTRICT HEATING

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



#### RENEWABLES

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



#### DISTRIBUTION

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



#### RAILWAY ENERGY SERVICES

The segment's main activities are the distribution and sale of electricity to railway operators and customers functioning within the railway system, the sale of fuels, as well as the maintenance and modernisation of overhead contact line network, together with other auxiliary services.

## SUPPLY

The core business of the segment includes wholesale trading of electricity on domestic and international market, sale of electricity to final off-takers, trading of CO2 allowances and energy certificates and fuels and provision of services of the Corporate Centre to companies from the PGE Group.

## CIRCULAR ECONOMY

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

## OTHER OPERATIONS

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

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

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

## 2. Electricity market and regulatory and business environment

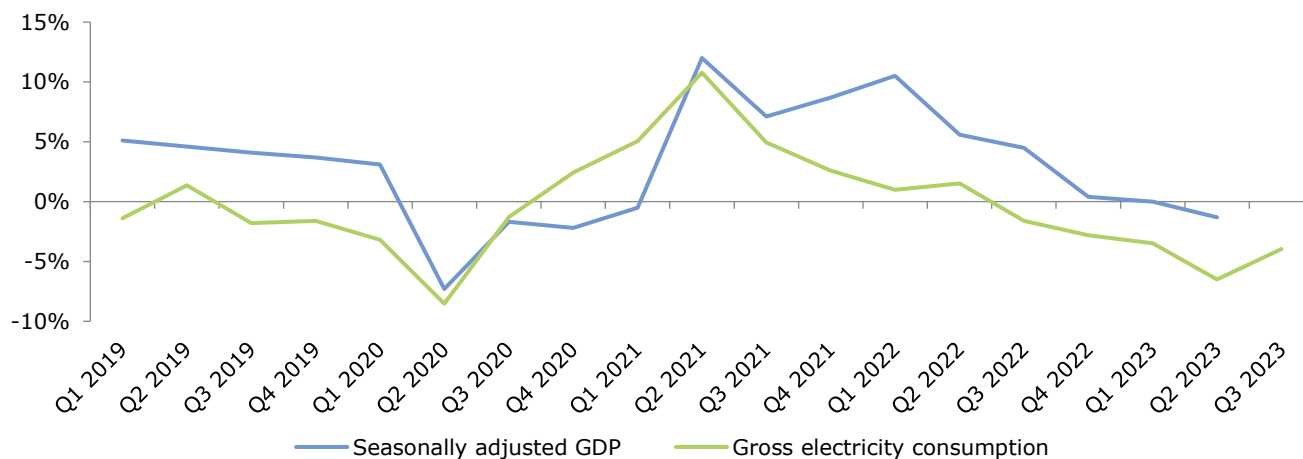
### 2.1. Macroeconomic environment

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

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

In the third quarter of 2023, gross electricity consumption decreased by 4% y/y. Lower demand for electricity in Poland is due to lower economic activity in this period y/y.

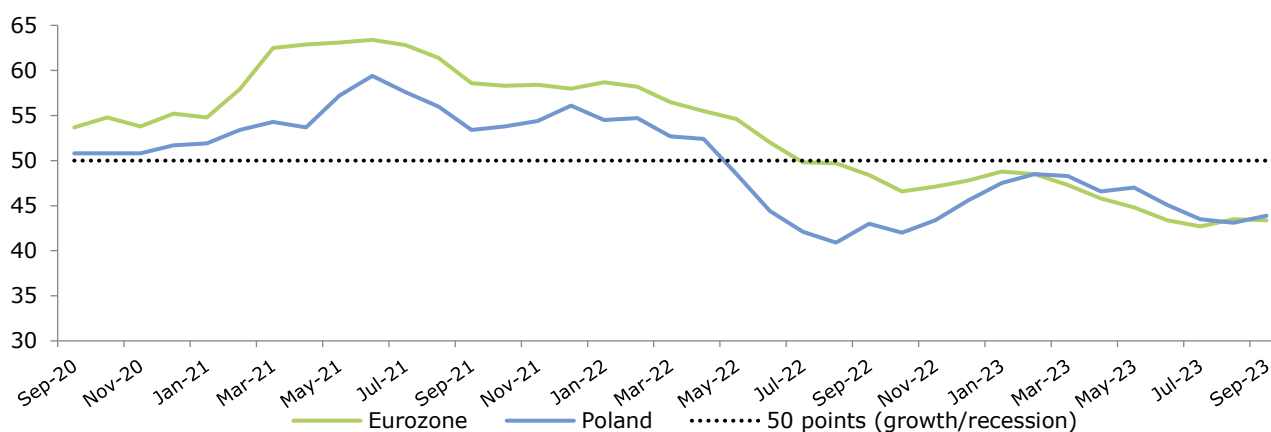
Chart: Seasonally adjusted GDP change vs. change in domestic gross electricity consumption.



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

September 2023 continued to see a recession in the Polish industrial sector, with the Purchasing Managers Index (PMI) at 43.9 points and the seventeenth consecutive month below 50 points. However, this is a better result than those forecast by experts and constitutes an increase of 0.8 points compared to August 2023. The average PMI in Q3 was 43.5 points, compared to 43.7 points in Q3 last year. Production volumes, new orders and employment levels continue to decline. The good news is the continuing downward pressure on the prices of raw materials and production. Due to weaker demand and competition among suppliers, raw material prices are falling. According to forecasts, this state of the Polish industry may persist until the end of 2023 and a recovery may occur in 2024. The situation is similar in other EU countries. The Eurozone PMI reading in September 2023 was 43.4 points (down from 43.5 points in August 2023), which continues to remain below the 50-point level. However, some countries such as Germany, Spain, Italy and Hungary are seeing a rebound and an upward trend of the index.

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



Source: Markit Economics

Due to the industrial recession, the condition of the Polish industrial sector continues to be weak. In August 2023, sold industrial production was 2.0% lower y/y, while it increased by 1.0% compared to July 2023. The largest annual decrease was recorded in the production of supply goods (by 7.8%), consumer durables (by 6.4%) and energy-related goods (by 4.4%). In contrast, the manufacture of capital goods increased by 10.5%. The dynamics of sold production of the whole industry fell by 2.0% y/y in August 2023. According to preliminary data from the Central Statistical Office, in August 2023, compared to the same period last year, a decrease in sold industrial production was recorded in 23 industry divisions, including the mining of coal and lignite (by 19.9%), the production of metals (by 17.9%) and the production of paper and paper products (by 12.3%). In the case of the generation and supply of electricity, gas, steam and hot water, the dynamics of sold production increased by 1.7% y/y.

## 2.2. Market environment

### SITUATION IN THE NATIONAL POWER SYSTEM (NPS)

Table: Domestic electricity consumption (TWh).

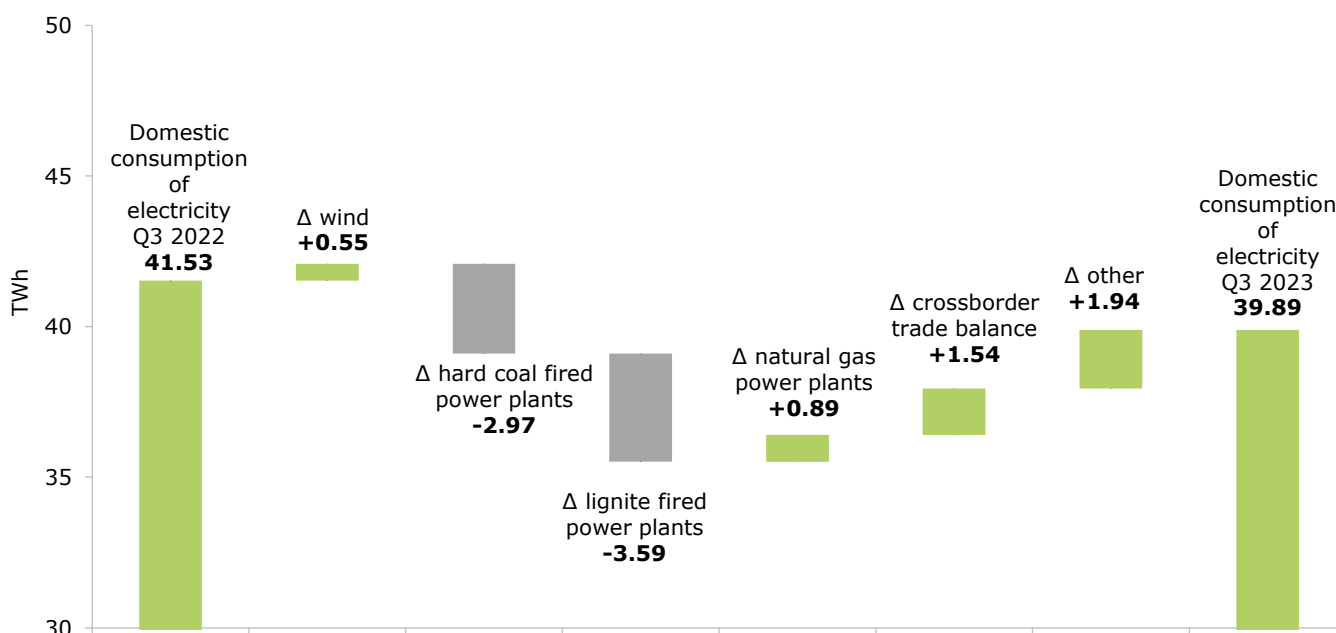
	Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
<b>Domestic electricity consumption, including:</b>	<b>39.89</b>	<b>41.53</b>	<b>-4%</b>	<b>123.01</b>	<b>128.94</b>	<b>-5%</b>
Wind farms	3.67	3.12	18%	14.07	13.57	4%
Industrial thermal hard-coal fired power plants	17.62	20.59	-14%	55.20	63.78	-13%
Industrial thermal lignite fired power plants	8.30	11.89	-30%	25.66	35.55	-28%
Industrial gas-fired power plants	2.55	1.66	54%	9.48	7.28	30%
International exchange balance	1.75	0.21	733%	4.10	-1.50	-
Other (hydro power plants, other RES)	6.00	4.06	48%	14.50	10.26	41%

Source: PSE S.A. data.

### Q3 2023

In the third quarter of 2023, domestic electricity consumption decreased by 1.6 TWh compared to the base period, mainly due to slower pace of economic growth and higher self-consumption by prosumers. Due to the increase in installed capacity and more favorable wind conditions, wind generation increased by 0.6 TWh compared to the same period last year. In the third quarter of 2023, just like a year ago, per balance Poland was an energy importer (change by +1.5 TWh). A decrease in production was recorded in hard coal-fired power plants (-3.0 TWh) and in lignite-fired power plants (-3.6 TWh) due to lower domestic electricity consumption. In addition, the fall in natural gas prices resulted in an increase in production based on this type of fuel (+0.9 TWh). There was also an increase in generation from other electricity sources, most notably photovoltaic plants, due to an increase in installed capacity.

Chart: Energy balance in the NPS (TWh).



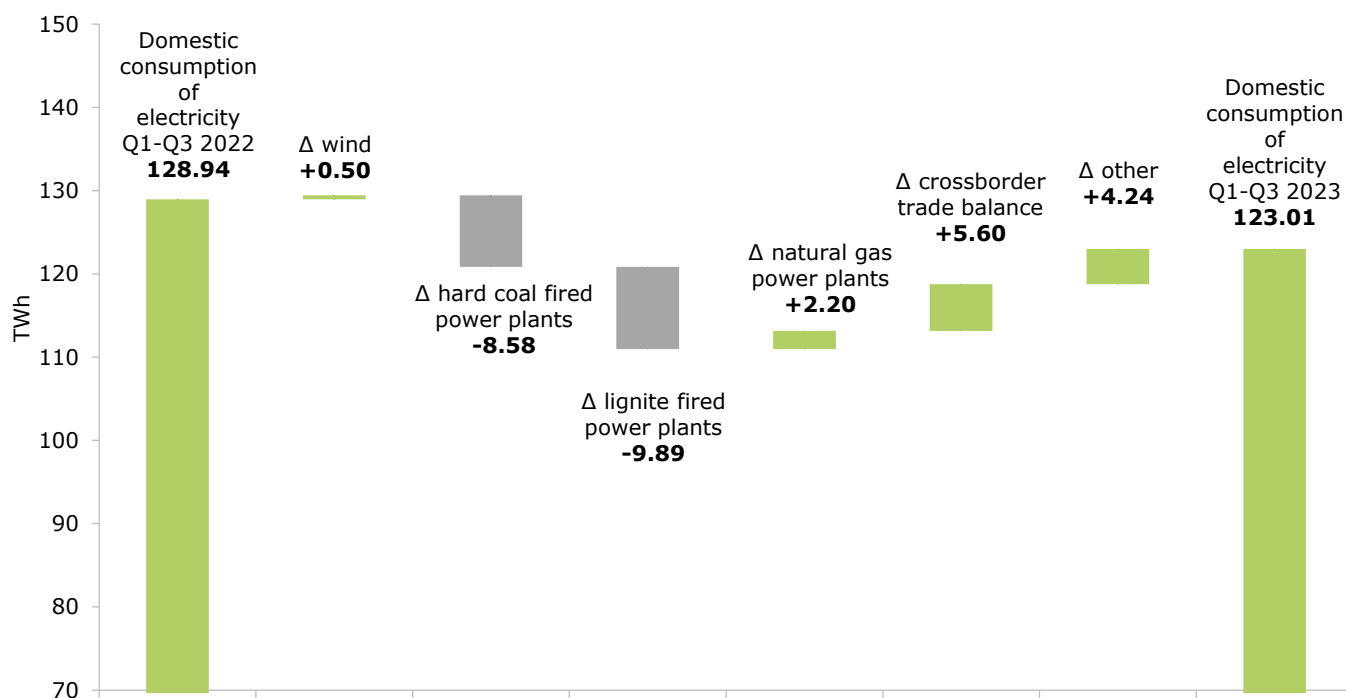
Source: own work based on data from PSE S.A.



### Q1-Q3 2023

Cumulatively domestic electricity consumption decreased by 5.9 TWh compared to the base period, mainly due to slower pace of economic growth and higher self-consumption by prosumers. Wind generation increased by 0.5 TWh y/y. Due to the price difference on cross-border connections, net imports increased by 5.6 TWh compared to the same period last year. Thus, the direction of exchange changed from net exports in the first three quarters of last year to net imports this year. A decrease in production was recorded in hard coal-fired power plants (-8.6 TWh) and in lignite-fired power plants (-9.9 TWh) due to lower domestic electricity consumption. In addition, the fall in natural gas prices resulted in an increase in production based on this type of fuel (+2.2 TWh). There was also an increase in generation from other electricity sources, most notably photovoltaic plants, due to an increase in installed capacity.

Chart: Energy balance in the NPS (TWh).



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

### ELECTRICITY PRICES – DOMESTIC MARKET

#### DAY-AHEAD MARKET (RDN, SPOT MARKET)<sup>1</sup>

Market/measure	Unit	Q3 2023	Q3 2022 <sup>2</sup>	% change	Q1-Q3 2023	Q1-Q3 2022 <sup>2</sup>	% change
RDN – average price	PLN/MWh	532	1 126	-53%	572	803	-29%
RDN – trading volume	TWh	14.57	6.92	111%	41.77	23.12	81%

<sup>1</sup> Data from TGE, include weighted average monthly BASE prices.

<sup>2</sup> Counting methodology adapted to the currently applicable.

### ANALYSIS – SELECTED PRICE FACTORS AFFECTING RDN QUOTATIONS

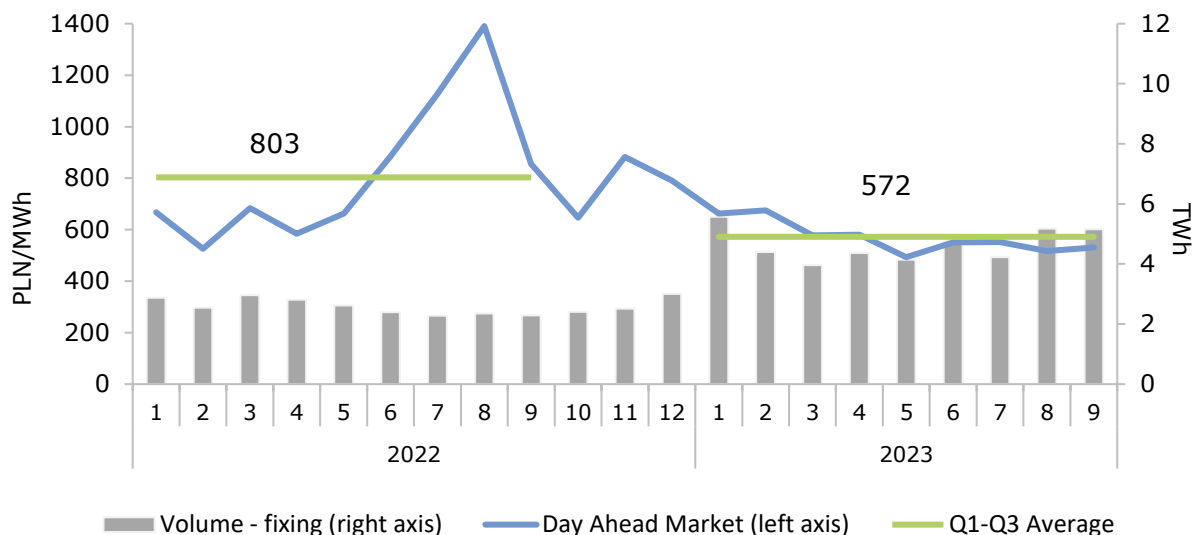
Factor	Unit	Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
CO <sub>2</sub> emission rights <sup>1</sup>	EUR/t	85.67	79.36	8%	88.21	81.77	8%
Polish Steam Coal Market Index PSCMI-1	PLN/GJ	33.56	25.30	33%	33.20	17.94	85%
Wind generation NPS	TWh	3.67	3.12	18%	14.07	13.57	4%
Ratio: wind generation/ NPS consumption	%	9%	8%		11%	11%	
Ratio: international trading/ NPS consumption	%	4%	1%		3%	-	

<sup>1</sup> Source: own work based on ICE quotations.

In the first three quarters of 2023, the average electricity price on the day-ahead market was PLN 572/MWh and was lower by 29% than average price (PLN 803/MWh) in the analogical period of the previous year. Lower demand for electricity contributed to the price drop.

Average level of PSCMI-1 in the first three quarters of 2023 was PLN 33.20/GJ, i.e. higher by 85% y/y.

Chart: Average monthly prices on the day-ahead market in 2022–2023 (TGE).<sup>1</sup>



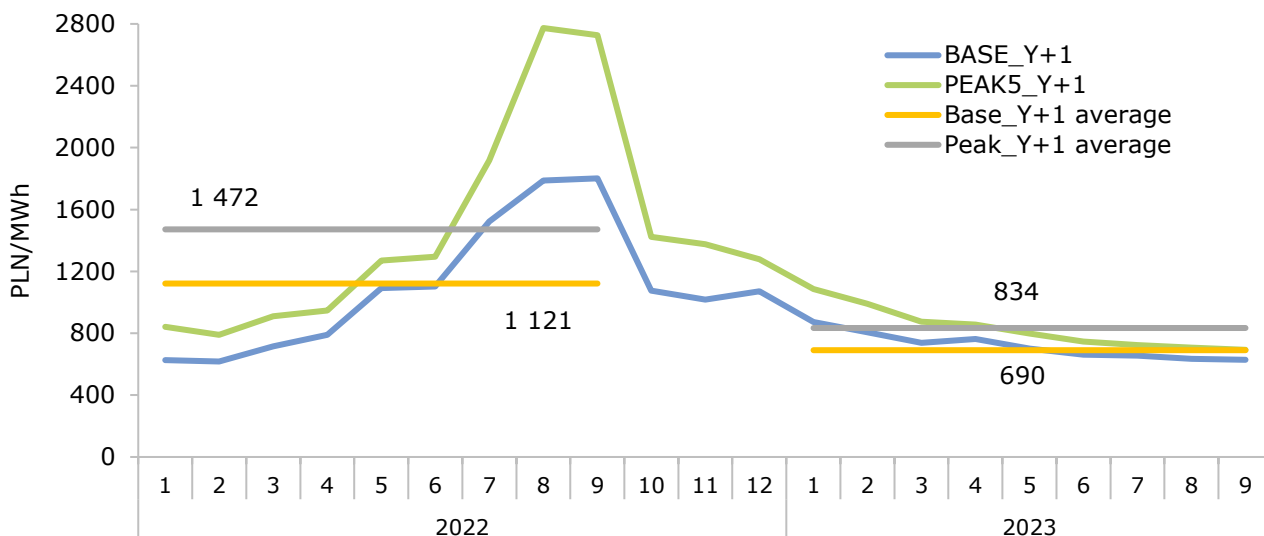
<sup>1</sup> Data from TGE, include weighted average monthly BASE prices.

### FORWARD MARKET

Market/measure	Unit	Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
BASE Y+1 – average price	PLN/MWh	639	1 699	-62%	690	1 121	-38%
BASE Y+1 – trading volume	TWh	10.52	17.88	-41%	21.94	52.14	-58%
PEAK5 Y+1 – average price	PLN/MWh	706	2 498	-72%	834	1 472	-43%
PEAK5 Y+1 – trading volume	TWh	0.96	1.53	-37%	2.64	4.94	-47%

Energy prices on the forward market in the first three quarters of 2023 fell significantly for both BASE and PEAK5 contracts in comparison to the analogical period of the previous year. The decrease was due to the high base of the previous year, when increases were influenced by the market situation related to the limited supply of hard coal and natural gas due to the ongoing conflict in Ukraine.

Chart: Average monthly prices on the forward market in 2022–2023 (TGE).<sup>1</sup>

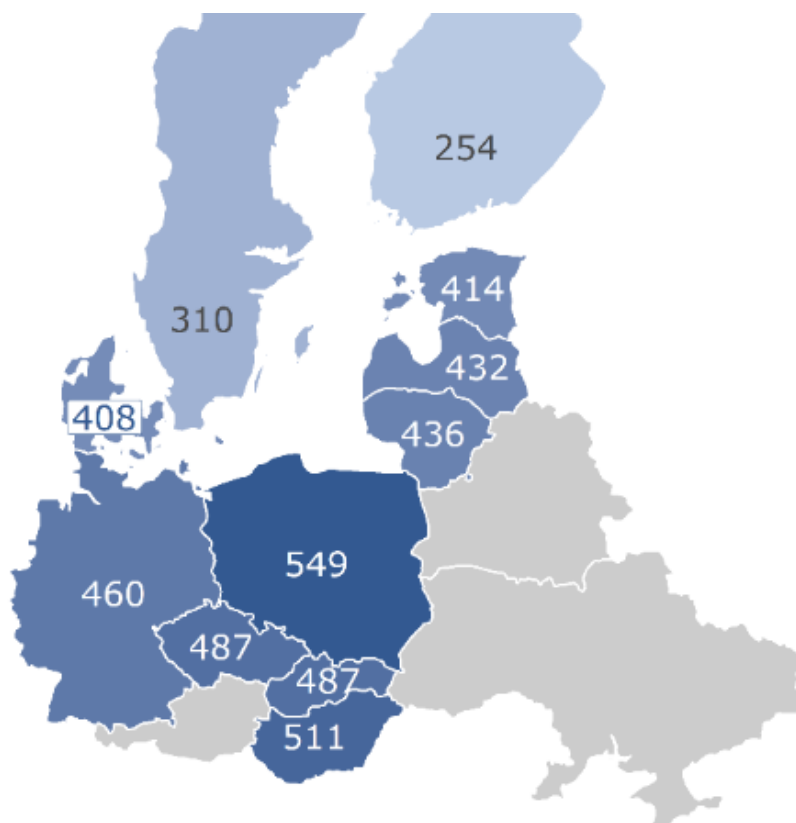


<sup>1</sup> Monthly average index level for forward contracts for the next year (Y+1), baseload and peak, weighted by the trading volume.

ELECTRICITY PRICES - INTERNATIONAL MARKET

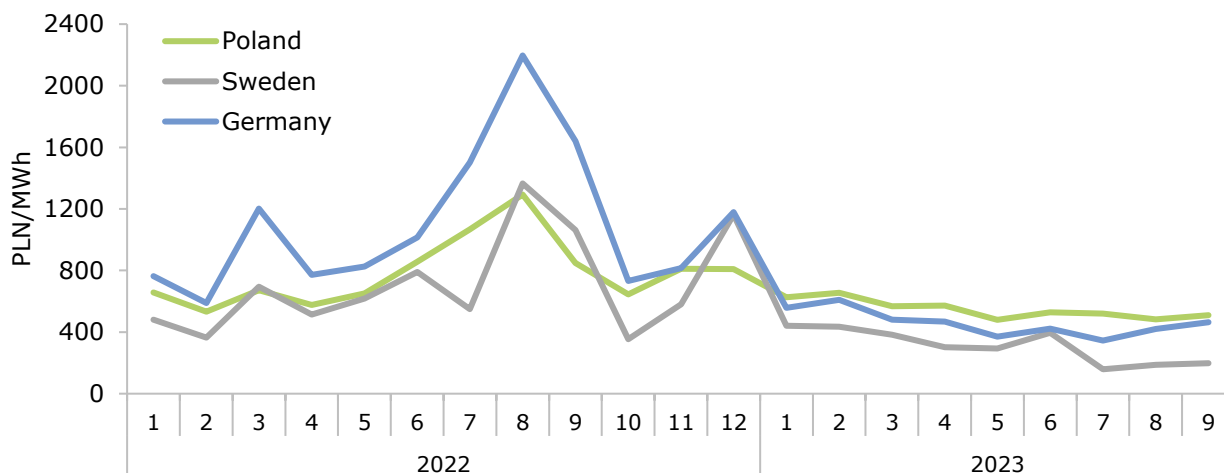
WHOLESALE MARKET (COMPARISON OF SPOT MARKETS)

Chart: Comparison of average electricity prices on Polish market and on European markets in the third quarter of 2023 (prices in PLN/MWh, average exchange rate EUR/PLN 4.50).



Source: TGE - RDN price level calculated on the basis of hourly quotations (fixing), EEX, Nordpool

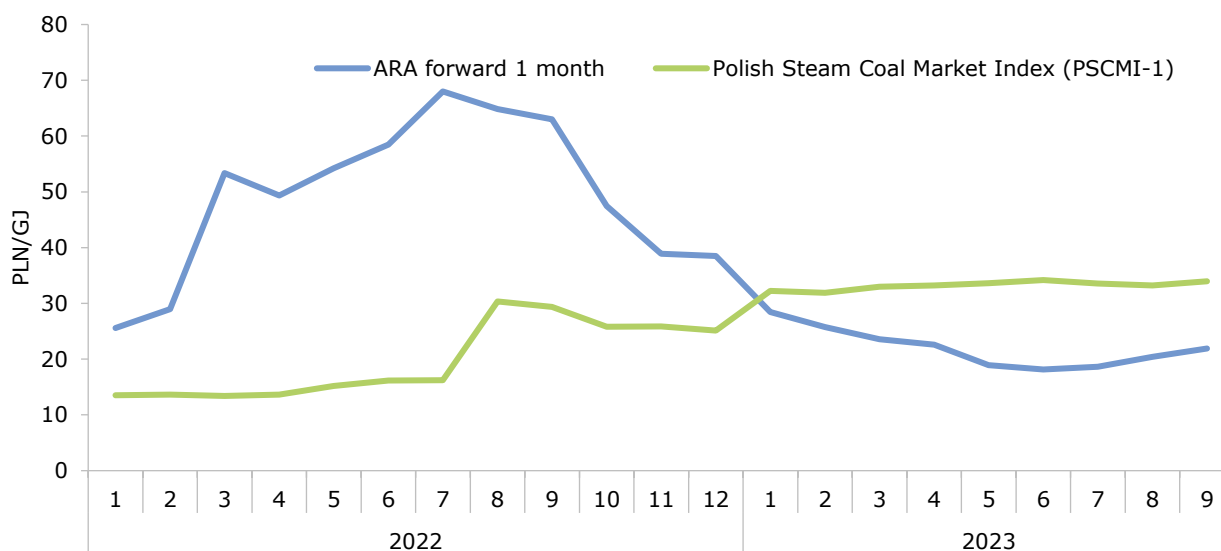
Chart: Evolution of spot market prices.



Source: TGE, EEX, Nordpool

There was a year-on-year fall in prices in neighbouring markets in the third quarter of 2023. The largest y/y declines were recorded in Hungary (PLN -831/MWh), and the smallest in Sweden (PLN -405/MWh). The differentiation of energy prices results from a different level of share of renewable energy sources in the technological mix and from the situation on the markets for related products. The price spread between Poland and its neighbouring countries is also due to differences in realised coal prices and also to prices of natural gas at home and abroad. The price of hard coal in ARA ports fell by 69% y/y in the third quarter of 2023, while the domestic pulverised coal price index, PSCMI-1, increased by 33% over the same period.

Chart: Hard coal indices ARA vs PSCMI-1<sup>1</sup>.

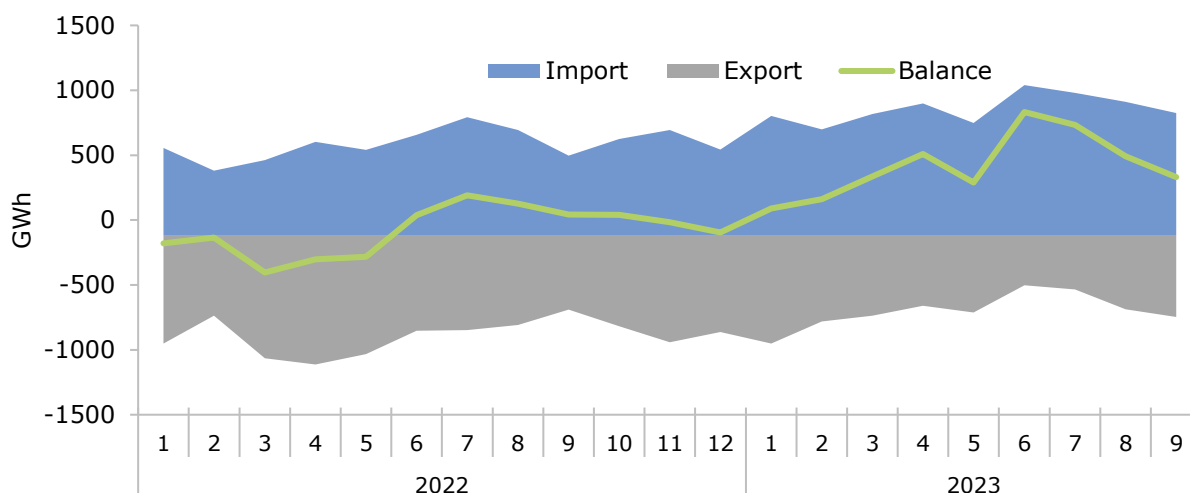


Source: ARP, Bloomberg (API21MON OECM Index), own work.

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

## INTERNATIONAL TRADING

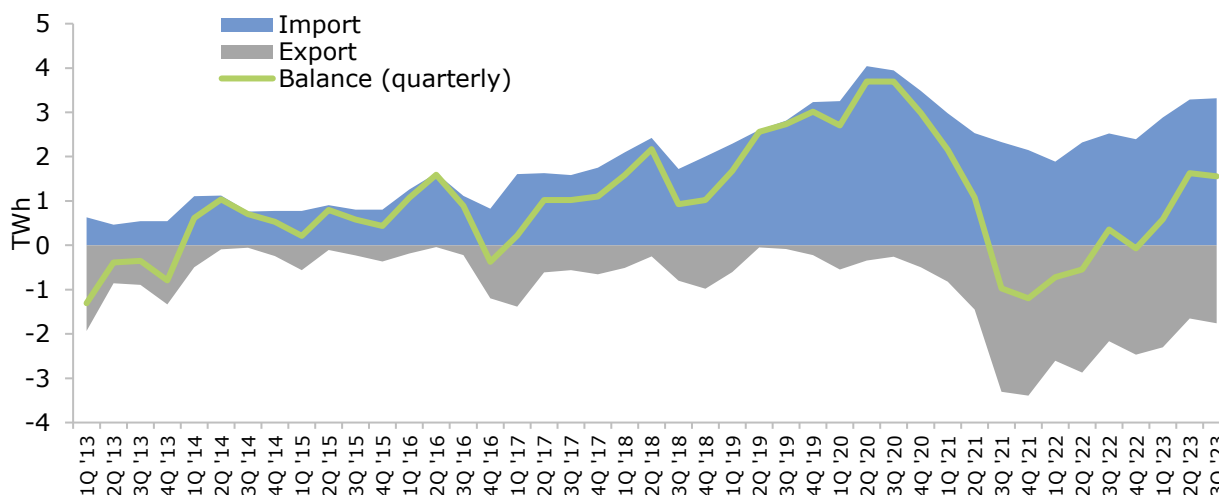
Chart: Monthly imports, exports and cross-border exchange balance in 2022 - 2023.



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

Global decline in fuel prices (which translate into a decrease in the costs of electricity production from natural gas and hard coal) translated into a decrease in energy prices in neighbouring countries, which in turn increased electricity import to Poland from neighbouring countries.

Chart: Quarterly trading volumes – import, export and international trading balance in years 2013 - 2023.



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

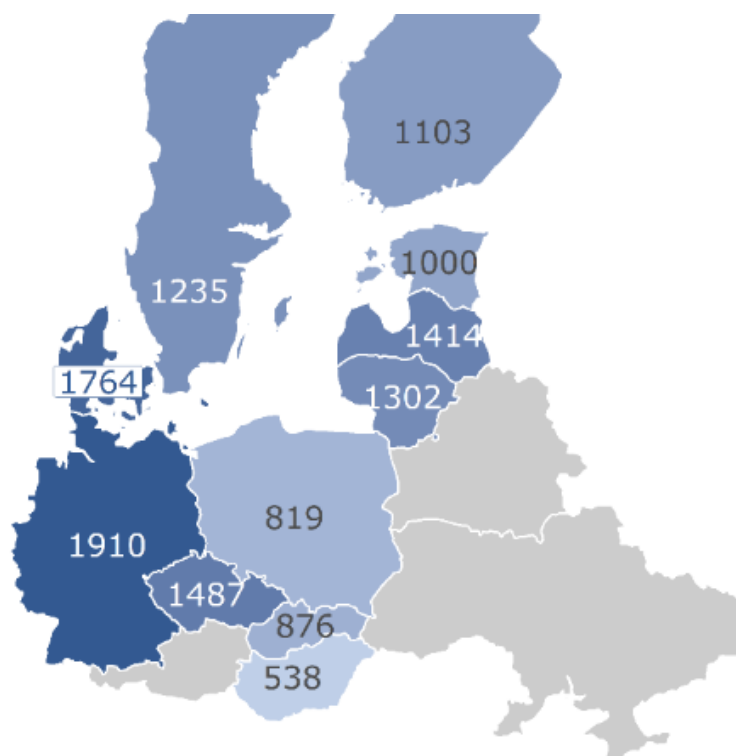
In the third quarter of 2023, Poland was a net importer of electricity, with a positive trade balance of +1.6 TWh (import 3.3 TWh, export 1.7 TWh) up y/y by +1.2 TWh. Imports from Sweden (1.2 TWh), Czechia (0.7 TWh), Slovakia (0.6 TWh) and Germany (0.6 TWh) had the greatest impact on the trade balance. At the same time, we exported the most electricity to Germany (0.8 TWh) and Slovakia (0.4 TWh).

In the three quarters of 2023 the international trade balance amounted to +3.8 TWh (import 9.5 TWh, export 5.7 TWh) up y/y by +4.7 TWh. Imports from Sweden (3.4 TWh), Germany (2.2 TWh) and Czechia (1.4 TWh) had the greatest impact on the trade balance.

## RETAIL MARKET

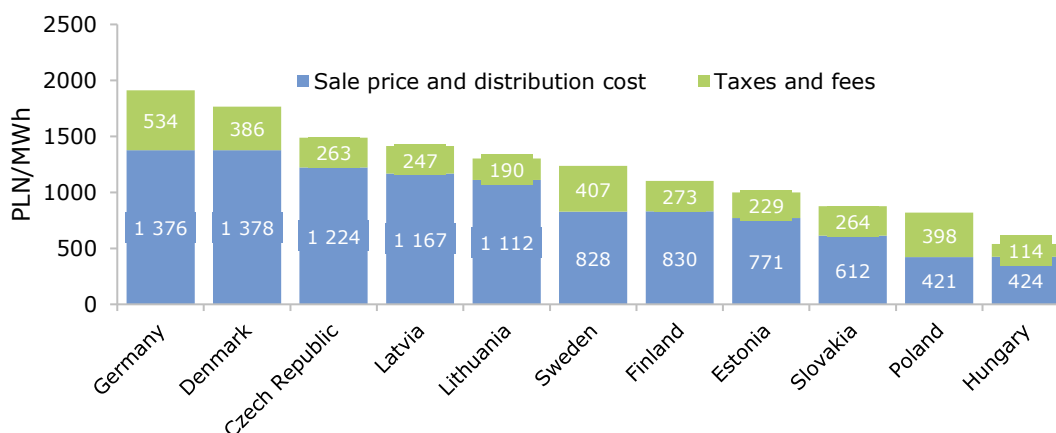
The diversity of electricity prices for retail customers in the European Union depends mainly on the level of the wholesale prices of electricity, fiscal system (taxes and fees), regulatory mechanism and support schemes in particular countries. In Poland in the first half of 2023<sup>2</sup> an additional burden (over sale price and cost of electricity distribution) for individual customers accounted for 49% of the electricity price. The Germans paid the most for electricity, for whom additional charges also accounted for 28% of the final price.

Chart: Comparison of average prices for individual customers in selected EU countries in the first half of 2023 (prices in PLN/MWh, average exchange rate EUR/PLN 4.63).



Source: own work based on Eurostat data.

Chart: The share of additional charges in electricity prices for the individual customers in selected EU countries in the first half of 2023 (prices in PLN/MWh, average exchange rate EUR/PLN 4.63).



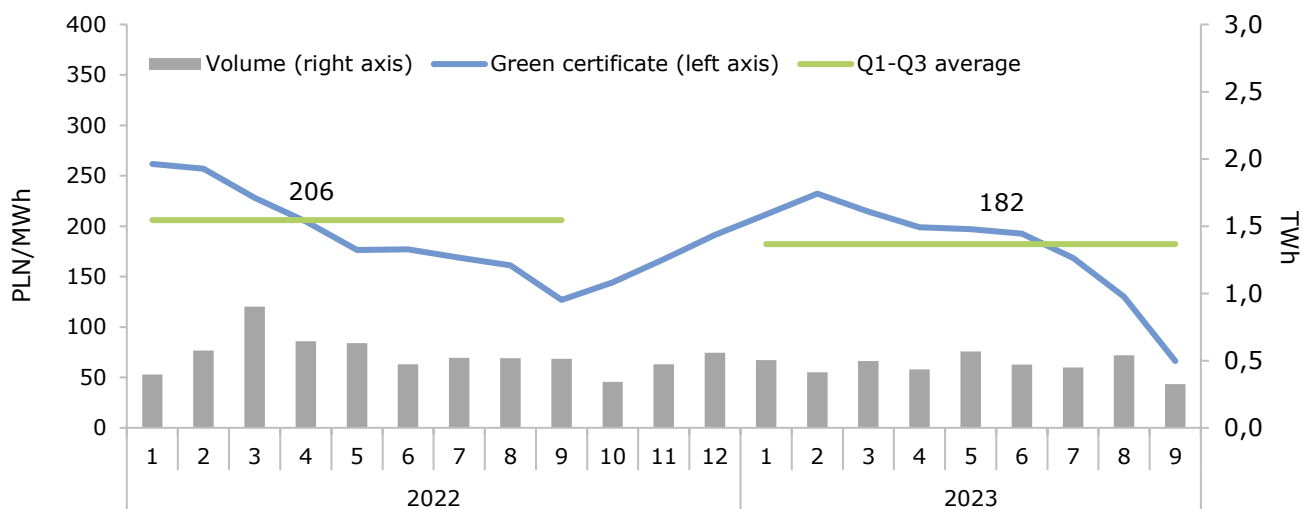
Source: own work based on Eurostat data.

<sup>2</sup> Eurostat data on retail market are published in semi-annual intervals.

## PRICES OF CERTIFICATES

In the three quarters of 2023 the average price of green certificates (index TGEoza) reached PLN 182/MWh and was lower by 12% compared to the analogical period of the previous year. An obligation to redeem green certificates changed as compared to 2022 (18.5%) and stands at 12% for 2023.

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



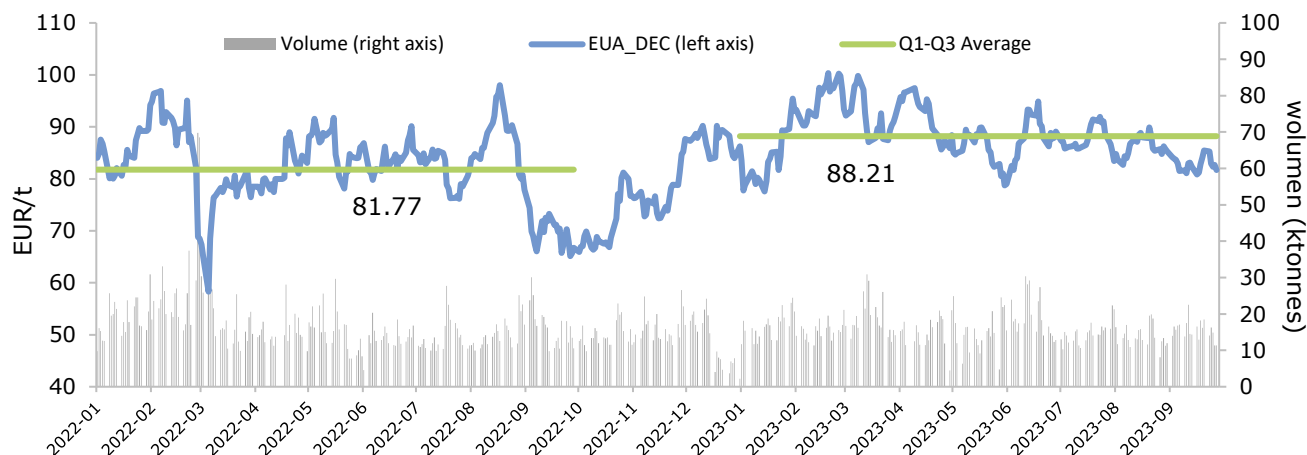
Source: Own work based on TGE quotations.

## PRICES OF CO<sub>2</sub> EMISSION RIGHTS

EUA (European Union Allowances) prices are one of the key factors determining wholesale energy prices and PGE Group's financial results. Installations emitting CO<sub>2</sub> in the process of electricity or heat production bear the expenses for purchasing EUA allowances to cover the deficit (i.e. the difference between CO<sub>2</sub> emissions at PGE Group's generating units and the free-of-charge allowances received under derogation in accordance with the National Investment Plan). Wherein, last allocations granted free of charge were planned for realisation of investment tasks for 2019. It means that the free allocations for electricity generation, in accordance with the currently used method, ended when 2019 allowances were received.

In the three quarters of 2023 the weighted average price of EUA DEC 23 was EUR 88.21/t and was higher (by approx. 8%) than the average price of EUR 81.77/t for the EUR DEC 22 instrument in the similar period of the previous year.

Chart: Prices of CO<sub>2</sub> emission rights.



Source: own work based on ICE exchange quotations

## 2.3. CO<sub>2</sub> emission rights granted free of charge

In accordance with Commission Implementing Regulation (EU) 2019/1842 of October 31, 2019 laying down rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards further arrangements for adjustment of the allocation of free CO<sub>2</sub> emission allowances due to changes in activity levels, the competent authority may suspend the issuance of free emission allowances to an installation until it is determined that there is no need to adjust the allocation to that installation or the Commission has adopted a decision concerning adjustments to the allocation to that installation.

In national legislation, the Act on the Greenhouse Gas Emission Trading Scheme introduced an additional condition for the issuance of emission allowances to installations. According to the general rules, allowances are issued by February 28 each year, however, in the case of installations, the issue of emission allowances takes place after the submission of an activity level report and the publication of information in the Public Information Bulletin on the website of the office serving the Minister of Climate and Environment. According to the European Commission Regulation, activity level reports are submitted by March 31 each year, thus on April 12, 2023 emission allowances were issued to the accounts of the operators of installations in the Union Registry in accordance with the publication in the Public Information Bulletin of the Ministry of Climate and Environment on April 7, 2023. Further adjustment will be corrected over the course of 2023 to reflect increases and decreases in production volumes resulting from verified activity level reports submitted for individual installations.

Table: Emission of CO<sub>2</sub> compared to the allocation of CO<sub>2</sub> emission allowances for 2023 (in tonnes).

Product	CO <sub>2</sub> emissions Q3 2023	Allocation of CO <sub>2</sub> emission rights for 2023 <sup>1</sup>
Electricity	12 828 235	-
Heat	331 567	641 296
<b>Total</b>	<b>13 159 802</b>	<b>641 296</b>

<sup>1</sup> Allowances for heat production.














## 2.4. Regulatory environment

PGE Group operates in an environment with a significant impact of domestic and foreign regulations. Presented below is a summary of the most significant decisions, which could have an impact on PGE Group's operations in the coming years.






Legal regulations regarding the current rules for determining the prices of electricity and heat and the compensations due in this respect are described in chapter 4.1 of this report in the section Regulatory changes on the electricity market.

### DOMESTIC REGULATORY ENVIRONMENT

Segments	Regulation	Regulation objectives	Latest conclusions and next stages	Impact on PGE Group
	The bill on the amendment to the Energy Law and the Renewable Energy Sources Act.	The act includes proposals for provisions implementing into the Polish legal system Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal market in electricity and amending Directive 2012/27/EU. In particular, the project provides implementation of civic institutions of energy communities, facilitation in the field of aggregation, contracts with dynamic electricity prices and other flexibility and demand response services, direct line changes.	The law entered into force on <b>September 7, 2023</b> .	The proposed solutions will have an impact on all of PGE Group's operating segments, especially the Supply and Distribution segments.
 	The act on amendment of the act on renewable energy sources and certain other acts.	The act introduces amendments to several acts, including: Energy Law, Environmental Protection Law, in connection with heating going green, and other changes related to the necessity to implement directive RED II (regarding the promotion of the use of energy from renewable sources). Moreover, the act introduces new support systems for biomethane, to modernise RES installations and for existing RES installations to cover operating expenses. The act also changes the definition of hybrid RES installations.	The law entered into force on <b>October 1, 2023</b> .	The act is of significance for the Renewables segment due to the new support systems and for the District Heating segment in terms of increasing the use of heat generated from RES.
	Draft Act amending the Act on the greenhouse gas emission allowance trading scheme and the Act - Environmental Protection Law.	The aim of the act is to establish national legislation governing the establishment and operation of the Energy Transition Fund. The Energy Transition Fund is to be used to finance investments in the energy and industrials sectors excluding coal assets area.	PGE S.A. submitted comments on the published draft law.	The draft will be relevant for the PGE Group, excluding coal assets. Funds from the Energy Transition Fund will be available to finance investments in the areas: RES, grids, storage, etc.
	Act amending the Act on the Management of Agricultural Property of the Treasury and certain other acts.	The act introduces regulations according under which agricultural properties belonging to the Agricultural Property Stock of the Treasury will be able to be leased for the purpose of obtaining electricity from RES.	The law entered into force on <b>October 5, 2023</b> .	The act is of significance for the Renewables segment.

Segments	Regulation	Regulation objectives	Latest conclusions and next stages	Impact on PGE Group
	Act amending the Act on Spatial Planning and Development and certain other acts.	The act introduces the principle that photovoltaic (PV) investments above 1 MW will only be allowed on the basis of a Local Spatial Development Plan. In other case, it will not be possible to realise the investment in question on the basis of a decision on development conditions. The draft also provides for the possibility of applying a simplified procedure for the enactment or amendment to the Local Spatial Development Plan, including in the case of PV investments, but this does not apply to investments with significant impact on the environment.	The act entered into force on <b>September 24, 2023</b> .	The act may slow down PV investments in the Renewable segment due to necessity to embed such investment in the Local Spatial Development Plan what significantly prolongs implementation time.
	The law under consideration pertains to modifications to the Act on the preparation and implementation of strategic investments in transmission networks and certain other Acts.	The law introduces new, essential transmission projects and broadens the scope of the distribution project legislation to include voltage equal to or greater than 110 kV, which is crucial for transmitting electric energy from the transmission network to distribution networks. This will make it possible for investors to streamline the process of obtaining public-law permits, as well as introduce a simplified approach to acquiring land for these investments. The recommendation is to restrict the list of distribution investments to those that are of utmost importance.	The act entered into force on <b>September 3, 2023</b> .	This regulation affects the Distribution segment. The implementation of regulations will simplify and accelerate investment activities with respect to distribution networks having voltage equal to or exceeding 110 kV and, to a lesser extent, networks at lower voltages than 110 kV.
	Act on the preparation and execution of investments in the realm of hydroelectric pumped-storage power plants.	The legislation is designed to streamline the investment process for PSP plants <sup>3</sup> - it regards both building new pumped-storage plants and refurbishing existing ones.	The act entered into force on <b>June 30, 2023</b> .	The act will make investments in the PSP plants – that are in Renewables segment's disposal more efficient and speedy.
	The draft Oder River Revitalisation Act.	The aim of the draft Act is to ensure adequate water resources and improve water quality in the Oder River. The draft Act provides for the introduction of separate charging mechanisms for activities relating to heat pumps and aquifer heat batteries. The solutions in question are intended to support the conduct of particular activities.	The law entered into force on <b>October 7, 2023</b> .	The act introduces preferences for heat pumps and contributes to the use of this technology in the District Heating segment.
	The regulation amending the regulation on detailed rules for the shaping and calculation of tariffs and settlements for heat supply.	The amendment to the regulation is aimed at balancing the interests of heat consumers and power utilities. The proposed regulation will contribute to making the prices and charge rates in heat tariffs more realistic. The changes will prevent an index-based approach to the shaping of heat tariffs. Until now, in applications for approval of heat tariffs, planned revenue could be overestimated, resulting in the calculation of prices and rates of charges at an excessively high level.	On <b>September 8, 2023</b> , the regulation came into force.	The regulation affects the revenue of power utilities generating heat and offering transmission and distribution services, tarified under the cost method.
	The regulation amending the regulation on the method of shaping and calculating tariffs and	The regulation reduces electricity bills for household customers by PLN 125.34 in 2023, provided that one of the listed conditions is met. Power utilities have been obliged to inform their customers of this solution	On <b>September 19, 2023</b> , the regulation came into force.	The regulation requires the Trading segment to update its settlements to households.

<sup>3</sup> PSP plant – pumped storage power plant.





Segments	Regulation	Regulation objectives	Latest conclusions and next stages	Impact on PGE Group
	the method of settlements in electricity trading.	within seven days of the entry into force of the regulation, i.e. by 26 September 2023 <sup>4</sup> .		
	An amendment to Extraordinary Measures Act aimed at limiting electricity prices and providing support to certain consumers in 2023, introduced by an amendment to the Energy Law Act.	The Act changes the calculation of the WRC Fund allowance, in particular with regard to clarifying the coverage of PPAs <sup>5</sup> .	The amended Act came into force on <b>September 1, 2023</b> .	The Act affects the power utilities' financial result from the sale of electricity.
	The Act on amending the Act on special solutions to protect electricity consumers in 2023 in connection with the situation on the electricity market and certain other Acts.	The Act increases electricity consumption limits for households whose electricity prices have been frozen at last year's levels <sup>6</sup> .	The Act came into force on <b>September 19, 2023</b> .	The Act changes the scope of the Trading segment companies' obligations concerning settlements with household electricity consumers and the resulting level of compensation.
	The draft regulation on reference values for new and substantially modernised cogeneration units in 2024.	The Act on the promotion of electricity from high efficiency cogeneration requires the minister responsible for energy to determine, by means of a regulation, by 31 October each year, the reference values – with a breakdown for new cogeneration units and substantially modernised cogeneration units – applicable in the following calendar year.	Public consultations until <b>September 25, 2023</b> . On <b>October 10, 2023</b> the draft regulation was released from the legal commission.	The final shape of the regulation will affect the level of revenue from the support scheme for the Heat Generation segment.
	The draft regulation on the maximum quantity and value of electricity from high-efficiency cogeneration covered by a support system and the unit amounts of the guaranteed bonus in 2024.	The draft regulation sets out the maximum quantities and values of electricity from high-efficiency cogeneration covered by a support system and the unit amounts of the guaranteed bonus in 2024.	Public consultations until <b>September 25, 2023</b> . On <b>October 17, 2023</b> the draft regulation was released from the legal commission.	The final shape of the regulation will affect the level of revenue from the support scheme for the Heat Generation segment.
	The draft regulation of the MCE <sup>7</sup> on a template report on measures aimed at achieving an energy-efficient heating system.	The draft regulation sets out a template of a report to be submitted by power utilities holding concessions for the transmit or distribution of heat in a given heating network in accordance with the amendment to the RES Act.	Public consultations until <b>September 14, 2023</b> .	The regulation is to enable reporting on measures aimed at achieving the status of efficiency by a heating system.

<sup>4</sup> For a detailed description of the objectives of the regulation and its impact on the PGE Capital Group, see Chapter 4.1 under Regulatory changes in the electricity market.





<sup>5</sup> See above.

<sup>6</sup> See above.

<sup>7</sup> MCE – Minister of Climate and Environment.

Segments	Regulation	Regulation objectives	Latest conclusions and next stages	Impact on PGE Group
	<p>The draft regulation of the Council of Ministers on unit rates of charges for water services.</p>	<p>The purpose of the draft is to align the regulation with the changes made to water service charge rates through the Oder River Revitalisation Act, including with respect to heat pumps.</p>	<p>On <b>October 4, 2023</b>, after its consideration the draft was released from the legal commission.</p>	<p>The regulation clarifies the water service charge rates for heat pumps and batteries, which applies to the Conventional Power Generation and Heat Generation segment.</p>
	<p>The draft regulation on substances particularly harmful to the aquatic environment and conditions to be met when discharging waste water into waters or into the ground, and when discharging rainwater or snowmelt into waters or into water facilities.</p>	<p>The aim of the draft is to bring the regulation into line with the changes introduced through the Oder River Revitalisation Act, with regard to the monitoring of industrial waste water (chlorides and sulphates).</p>	<p>Public consultations until <b>August 8, 2023</b>.</p>	<p>The regulation introduces new obligations for operators of facilities in the area of water and waste water management, which applies to the Conventional Power Generation and Heat Generation segments.</p>
	<p>The draft regulation on changing the quantitative share of the sum of electricity resulting from redeemed certificates of origin of electricity from renewable energy sources in the years 2024-2026.</p>	<p>The regulation determines the level of redemption of certificates of origin by power utilities trading in electricity in 2024. It also affects the level of revenue of generators who are responsible for the supply of certificates of origin.</p>	<p>Publication in the Official Journal of Laws on <b>August 29, 2023</b>.</p>	<p>The regulation affects the level of costs of the Trading segment and the revenue of generators that are responsible for the supply of certificates of origin.</p>
	<p>The draft regulation of the Council of Ministers on the provision of information and data necessary for the implementation of an investment project relating to the construction of a nuclear power facility and accompanying investment projects.</p>	<p>The regulation constitutes an executive document to the Act amending the Act on the preparation and implementation of an investment project relating to nuclear power facilities and accompanying investment projects. It defines the scope of information and data, registers, records, lists and archives from which necessary data will be made available to the project owner for the purposes of performing its tasks related to the implementation of an investment project relating to the construction of a nuclear power facility.</p>	<p>On <b>September 10, 2023</b>, the draft was referred to the legal commission for consideration.</p>	<p>The regulation affects the level of available sources of data and information necessary for the implementation of nuclear power investment projects, currently assigned to the Other Activities segment of the PGE Capital Group.</p>

## INTERNATIONAL REGULATORY ENVIRONMENT

Segments	Regulation	Regulation objectives	Latest conclusions and next stages	Impact on PGE Group
	<p>Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the EU (ETS Directive ).</p> <p>Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve.</p>	<p>Combating climate change.</p> <p>Development of investment incentives through a CO<sub>2</sub> price signal to develop low-emission sources.</p>	<p>On <b>May 16, 2023</b> directive (UE) 2023/959 was published in the Official Journal of the EU entered into force on the 20th day after its publication.</p> <p>The deadline for the transposition of the ETS Directive has been set as <b>December 31, 2023</b>, with a few derogations possible until <b>June 30, 2024</b>.</p> <p>The EC is currently implementing the reform of the ETS system; <b>in the fourth quarter of 2023</b> it is to publish, among others two implementing regulations regarding the climate neutrality plan for installations covered by the ETS and rules regarding the principles of operation of the Modernization Fund.</p>	<p>Increased competitiveness of renewable sources compared to generation assets using high-emission fuels.</p> <p>Increase in operating costs for conventional generation of electricity and heat.</p> <p>Option to obtain investment support from the Modernisation Fund and Innovation Fund and partial free allocation of allowances to district heating.</p>
	<p>Directive 2018/2001 on the promotion of the use of energy from renewable sources (Renewable Energy Sources Directive).</p>	<p>To adapt legislation related to increased share of renewables in reference to EU's new higher GHG reduction target by 2030.</p>	<p>On <b>October 31, 2023</b>, Directive (EU) 2023/2413 was published in the Official Journal of the EU and entered into force on the 20th day after its publication.</p> <p>The transposition deadline for the RES Directive was set at <b>May 21, 2025</b> with some derogations until <b>July 1, 2024</b>.</p>	<p>Improvement in the competitiveness of low-emission sources of energy in comparison with high-emission sources.</p> <p>Larger share of renewable sources in the Polish energy mix by 2030, including a faster path of decarbonisation of District Heating segment.</p>
	<p>Directive 2012/27/EU on energy efficiency (EED Directive).</p>	<p>To adapt legislation related to energy efficiency improvements in reference to EU's new higher GHG emission reduction target by 2030.</p>	<p>On <b>September 20, 2023</b> Directive (EU) 2023/1791 2413 was published in the Official Journal of the EU and entered into force on the 20th day after its publication.</p> <p>The transposition deadline for the EED Directive was set at <b>October 11, 2025</b> with a few derogations with earlier deadlines set out in the legislation.</p>	<p>Improvement in the competitiveness of low-emission sources of energy.</p> <p>The gradual displacement of coal-fired cogeneration from heat generation systems due to the introduction of new definitions of efficient heating/cooling and high-efficiency cogeneration systems.</p> <p>Need for more extensive development of renewable sources and waste heat in district heating systems.</p>
	<p>Directive 2010/31/EU on the energy performance of buildings (EPBD).</p>	<p>Alignment of legislation related to improving the energy performance of buildings with respect to the 2050 climate neutrality target and the new higher 2030 EU GHG reduction target.</p>	<p>The adoption of positions by the Council (<b>October 25, 2022</b>) and the EP (<b>March 14, 2023</b>) allowed the initiation of trilogues. Negotiations are expected to be concluded by the end of 2023.</p>	<p>Greater competitiveness of renewable energy sources as a heat source in buildings.</p> <p>Reduction in the heat demand of buildings due to improved energy performance.</p> <p>Faster pace of displacement of fossil fuels in the heating sectors, including district heating.</p>



Directive 2010/75/EU on industrial emissions requirements (integrated pollution prevention and control – IED).

Introduction of new requirements determining emission levels in the integrated permit, the rules for obtaining derogations from BAT requirements and giving new competences to the EC. Public participation in appeal proceedings will be increased.

The EP adopted its position at its plenary session held **on July 11, 2023**, taking into account, among other things, a less restrictive definition of emission levels in integrated permits compared to the EC proposal and the possibility for operators of installations to apply for derogations in extraordinary situations. The provision on the reversed burden of proof was retained (in a modified form).

The adoption of positions by the Council (**March 16, 2023**) and the EP allowed the initiation of trilogues. The first meeting took place on **October 5, 2023**. The talks will continue in **the fourth quarter of 2023**.

Depending on the final result of the arrangements in the trilogues, the entry into force of the proposed solutions may result in additional capital expenditures being incurred additional costs related to the operation of installations falling under the scope of the IED.

It is planned to increase the role of the public in monitoring the fulfillment of obligations under the IED Directive by installation operators.

### The regulations concerning the financial perspective 2021-2027



Directive of the European Parliament and of the Council on corporate sustainability due diligence (CSDD). To establish a framework that encourages companies to contribute to the pursuit of respect for human rights and environmental legislation in their operations and through their value chains.

On **June 8, 2023**, trilogues among the EP, the Council and the EC were initiated. They will continue **in the fourth quarter of 2023**.

Increasing reporting obligations for PGE Group's value chain in terms of environmental impact and respect for human rights.

Incorporating the due diligence policy on sustainability in the activities of the PGE Group.

### Regulations introducing changes on the electricity market in the EU



Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2019/943 and (EU) 2019/942 as well as Directives (EU) 2018/2001 and (EU) 2019/944 to improve the Union's electricity market design.

Guaranteeing the protection of consumers against excessive changes in electricity prices, providing access to clean and secure energy, and enhancing the market's ability to withstand variations in natural gas prices. Encouraging the adoption of PPA contracts<sup>8</sup>; empowering end consumers in the market, including:

- On **July 19, 2023**, the ITRE committee adopted amendments to the EC draft. The ITRE committee also decided that the position adopted should constitute the EP's mandate in negotiations with the Council. The EP voted in a plenary session on **September 14, 2023** to uphold the decision of the ITRE committee.
- On **October 17, 2023**, the Council adopted an agreement on the general approach, thus paving the way for trilogue discussions. The Council's position introduces a number of new elements to the EC's proposal, including:
  - the possibility for Member States to apply to the EC for a derogation until 2028 from the emission

Among other things, the extent to which the final wording of the provisions on state aid (contracts for difference and analogous solutions) will be adapted to the specifics of investments in the area of nuclear energy and who will be the beneficiaries of funds from contracts for difference will be of significant importance for PGE CG.

Potentially significant regulatory changes may apply to companies from the Supply segment ( mandatory securing and potential changes to tariffs and offers) and Distribution segment ( new tariff formation method and incentives for using flexibility services). Increased empowerment of consumers vis-à-vis

<sup>8</sup> PPA - Power Purchase Agreement; a long-term contract involving the direct purchase of electricity by the end-user from RES generators.

simplifying the implementation of CFD agreements<sup>9</sup>.

- standards (EPS 550) for coal-fired units receiving support under the Capacity Market;
- the obligation to use bilateral contracts for difference in the case of state aid in the form of direct price support for investments in new sources of RES or nuclear energy, and an obligation to redistribute revenue from such contracts to final consumers; Member States are also to have the option of allocating part of the revenue to finance the support mechanism and investments serving to reduce energy prices;
- granting the Council the power to declare an electricity price crisis, which opens up the possibility for Member States to introduce temporary interventions on electricity prices for households and SMEs.

electricity trading companies. The potential impact of the reform on the electricity market will also depend on the final decisions concerning capacity mechanisms.



The EU draft regulation seeks to improve and protection against wholesale energy market by amending EU regulations 1227/2011 and 2019/942. Increase market transparency and monitoring capacity and ensure more effective investigation and enforcement of cross-border breaches in the EU market participants have confidence in the integrity of energy markets, prices reflect a fair and competitive supply-demand relationship and no profits can be made from market abuse.

On **September 7, 2023**, the ITRE committee adopted the position on the revision, which also constitutes the EP's mandate for trilogues. Among other things, the position:

- clarifies some definitions proposed by the EC;
- proposes the establishment by ACER of a contact point for market participants seeking clarification as to whether certain information constitutes inside information under the REMIT Regulation;
- proposes that ACER develop and operate a platform to serve as an access point to inside information;
- extends ACER's powers to conduct investigations for breaches of the Regulation;
- introduces an obligation for the EC to assess, by 1 June 2027 and every five years thereafter, the application of the revision of the REMIT Regulation.

On **September 21, 2023**, trilogues among the EP, the Council and the EC were initiated. These should conclude in **the fourth quarter of 2023**.







What will be important for the PGE Capital Group is the final wording of the definitions relating to inside information, market manipulation, wholesale energy products and market participants as a change in this wording compared to the existing one may increase the obligations to report inside information as well as obligations relating to the management, registration and monitoring of such information. The final wording with respect to the ACER guidelines will also be important for the PGE Capital Group. In the event that they become binding, there will be an increase in inside information reporting obligations.

<sup>9</sup> CFD - Contract for difference; a contract for difference, defining a support model in which the supporting party and the supported party agree on a certain reference price. In the event that market energy prices are below the reference price, the supported party receives the positive difference; however, if energy prices exceed the reference price, the supporting party is entitled to that difference.



### 3. Activities of PGE Capital Group

#### 3.1. Basic operational data for PGE Capital Group

	 <b>Conventional Generation</b>	 <b>District Heating</b>	 <b>Renewables</b>	 <b>Distribution</b>	 <b>Railway Energy Services</b>	 <b>Supply</b>
<b>Key assets of the segment</b>	5 conventional power plants 2 lignite mines	16 CHP plants	21 wind farms <sup>1</sup> 28 photovoltaic power plants 29 run-of-river hydro power plants 4 pumped-storage power plants, including 2 with natural flow	299 769 kms of distribution lines	18 583 kms of distribution lines	-
<b>Installed capacity electricity/heat</b>	12 852 MWe/844 MWt	2 578 MWe/6 905 MWt	2 514 MWe <sup>1</sup> /-	-	-	-
<b>Electricity volumes</b>	Net electricity generation 11.35 TWh	Net electricity generation 1.08 TWh	Net electricity generation 0.68 TWh	Electricity distribution volume 8.64 TWh <sup>2</sup>	Electricity distribution volume 1.00 TWh; Sales to final off-takers 0.72 TWh	Sales to final off-takers 7.77 TWh <sup>3</sup>
<b>Heat volumes</b>	Heat production (net) 0.36 PJ	Heat production (net) 3.14 PJ	-	-	-	-
<b>Market position</b>	PGE Group is the leader of lignite mining in Poland (95%)  PGE Group is also a national leader in electricity and district heat generation	-	PGE Group is the largest electricity producer from RES with market share of approx. 7% (excluding co-combustion of biomass and bio-gas)	Second domestic electricity distributor with regard to number of customers	Leader of energy services for railway infrastructure and the largest distributor and seller of electricity to the traction grid	Leader in wholesale and retail trading in Poland

<sup>1</sup> Without Markowce wind farm commissioned on October 31, 2023.

<sup>2</sup> Data for PGE Dystrybucja S.A.

<sup>3</sup> Data for PGE Obrót S.A.



## BALANCE OF ENERGY OF PGE CAPITAL GROUP

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

Sales volume	Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
<b>A. Sales of electricity outside the PGE Capital Group:</b>	<b>20.24</b>	<b>24.49</b>	<b>-17%</b>	<b>59.58</b>	<b>74.71</b>	<b>-20%</b>
▪ Sales to end-users <sup>1</sup>	8.49	8.26	3%	25.96	25.72	1%
▪ Sales on the wholesale and balancing market	11.75	16.23	-28%	33.62	48.99	-31%
<b>B. Purchases of electricity from outside of PGE Group (wholesale and balancing market)</b>	<b>7.67</b>	<b>9.40</b>	<b>-18%</b>	<b>21.06</b>	<b>28.92</b>	<b>-27%</b>
<b>C. Net production of electricity in units of PGE Capital Group</b>	<b>13.10</b>	<b>16.02</b>	<b>-18%</b>	<b>41.12</b>	<b>48.34</b>	<b>-15%</b>
<b>D. Own consumption DSO, lignite mines, pumped-storage power plants (D=C+B-A)</b>	<b>0.53</b>	<b>0.93</b>	<b>-43%</b>	<b>2.60</b>	<b>2.55</b>	<b>2%</b>

<sup>1</sup> Sale mainly by PGE Obrót S.A. and Energy Railway Services

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

Lower energy sales on the wholesale market, including the balancing market, result from lower demand for electricity, a higher share of electricity imports and a higher share of RES production. The lower purchase on the wholesale market is mainly the result of lower sales to end customers in the corporate client segment, who tend to diversify energy sources, mainly with greater use of RES. At the same time, an increase was recorded in sales to the end customers as an effect of the higher base of three quarters of 2023 (recognition of electricity sales realised by Railway Energy Services segment).

Table: Net production of electricity (TWh).

Production volume	Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
<b>NET ELECTRICITY PRODUCTION IN TWh, including:</b>	<b>13.10</b>	<b>16.02</b>	<b>-18%</b>	<b>41.12</b>	<b>48.34</b>	<b>-15%</b>
Lignite-fired power plants	7.13	10.01	-29%	21.95	29.88	-27%
Coal-fired power plants	4.21	4.54	-7%	10.82	11.20	-3%
Including co-combustion of biomass	0.01	0.00	-	0.01	0.00	-
Coal-fired CHP plants	0.40	0.59	-32%	2.67	3.00	-11%
Gas-fired CHP plants	0.59	0.28	111%	2.90	1.89	53%
Biomass-fired CHP plants	0.07	0.00	-	0.33	0.18	83%
Communal waste-fired CHP plants	0.02	0.01	100%	0.03	0.03	0%
Pumped-storage power plants	0.32	0.25	28%	0.89	0.68	31%
Hydroelectric plants	0.07	0.06	17%	0.34	0.32	6%
Wind power plants	0.28	0.28	0%	1.17	1.16	1%
PV plants	0.01	0.00	-	0.02	0.00	-
including RES generation	0.46	0.35	31%	1.90	1.69	12%

The level of electricity production in the three quarters of 2023 was 15% lower compared to the three quarters of 2022.

The lower level of electricity production is mainly the effect of lower demand for electricity in the Polish power system and higher net energy imports.

Lower generation at lignite-fired power plants (decline by 7.9 TWh) is due to lower use by PSE S.A. Reserve downtime of units in Bełchatów power plant and Turów power plant were longer by: 7 690 hours in Bełchatów power plant and 3 201 hours in Turów power plant. At the same time average load factor of unit at Bełchatów

power plant was lower by 52 MW and at Turów power plant by 18 MW. In addition, units at Bełchatów power plant were in overhaul longer by 3 683 hours, mainly as a result of the overhaul of unit no. 7, lasting from January to the beginning of May 2023, and overhaul of unit no. 8 which lasted from May till the beginning of September 2023.

Lower production in hard coal-fired power plants took place at the Rybnik Power Plant and the Dolna Odra Power Plant (a total decrease of 0.8 TWh) as a result of longer standby time in the reserve of these power plants by 5 949 hours and at the same time shorter standby time for renovations by 3 256 hours. The above was compensated by higher production at the Opole Power Plant (an increase of 0.4 TWh), which is caused by a higher average load factor by 42 MW.

Lower production in coal-fired CHP plants (decrease by 0.3 TWh) is the result of lower energy production in cogeneration with heat due to weather conditions (higher average temperatures).

Higher generation from gas-fired CHP plants (increase by 1.0 TWh) is the result of higher production by Zielona Góra CHP plant and Lublin Wrotków CHP plant caused by higher profitability of generation based on this fuel due to market conditions and a low base in the three quarters of 2022, when a turbine was being modernized at Zielona Góra CHP plant and a failure occurred at the Lublin Wrotków CHP plant.

Higher production in biomass CHP plants (mainly in Szczecin CHP plant) due to the optimisation of production between Szczecin CHP plant and Pomorzany CHP plant in terms of cost minimisation, resulting from the new model of heat and electricity generation in the above-mentioned locations.

Higher production in pumped storage power plants results from the nature of the operation of the generating units, which were used to a greater extent by PSE S.A. in the three quarters of 2023.

Higher production in hydro power plants is due to better hydrological conditions in the three quarters of 2023.

Production in wind farms remained at the level of the three quarters of 2022.

Higher production in photovoltaic power plants results from the commissioning of new capacities during the three quarters of 2023.

## HEAT PRODUCTION

Table: Net production of heat (PJ).

Heat production volume	Q3 2023	Q3 2022	% change	Q1-Q3 2023	Q1-Q3 2022	% change
<b>Net production of heat in PJ, including</b>	<b>3.51</b>	<b>4.28</b>	-18%	<b>32.65</b>	<b>34.85</b>	-6%
Lignite-fired power plants	0.28	0.35	-20%	1.68	1.81	-7%
Coal-fired power plants	0.08	0.08	0%	0.44	0.46	-4%
Coal-fired CHP plants	2.35	3.13	-25%	23.19	25.98	-11%
Gas-fired CHP plants	0.62	0.57	9%	6.03	5.04	20%
Biomass-fired CHP plants	0.14	0.01	1300%	1.00	1.12	-11%
CHP plants fuelled by municipal waste	0.02	0.10	-80%	0.09	0.25	-64%
Other CHP plants	0.02	0.04	-50%	0.22	0.19	16%

External temperatures contributed more than any other factor to lower net generation of heat in 2023 (y/y). The average temperatures for three quarters of 2023 were by 0.7°C higher y/y, which translated into decreased production of heat.

## HEAT SALES

In the third quarter of 2023 the heat sales volume in PGE Capital Group totalled 3.4 PJ and was lower by 0.6 PJ y/y.

For three quarters of 2023 the heat sales volume in PGE Capital Group totalled 31.8 PJ and was lower by 2.0 PJ y/y. The above result was caused mainly by lower demand for heat due to the higher average outside temperatures than in 2022.

## 3.2. PGE Group's key financial results

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

PGE Group's consolidated EBITDA is composed of the financial results of each of its operating segments. The following segments have the largest share in the Group's recurring EBITDA for the third quarter of 2023: Distribution (41%), Supply (16%), Railway Energy Services (15%), Conventional Generation (13%), Renewables (7%), District Heating (4%). Other segments have an insignificant share in recurring EBITDA.

Chart: Recurring EBITDA of PGE Capital Group (PLN million)

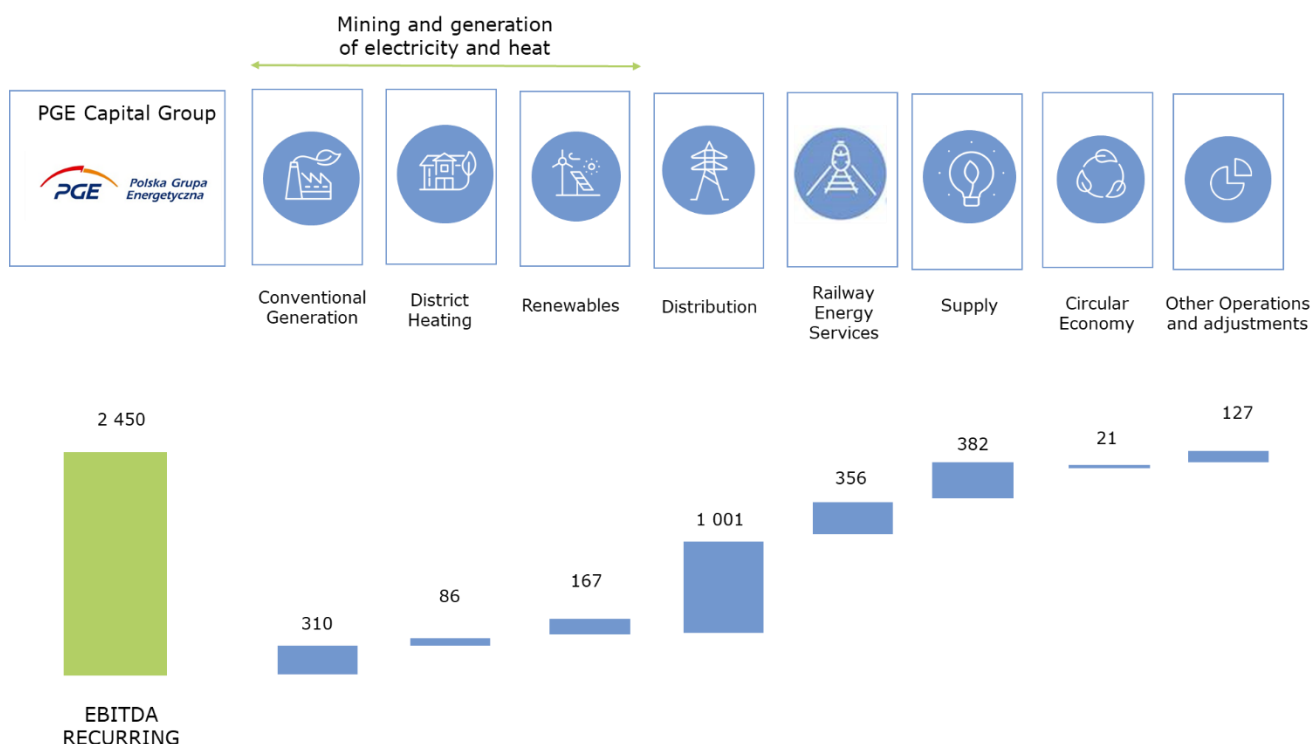
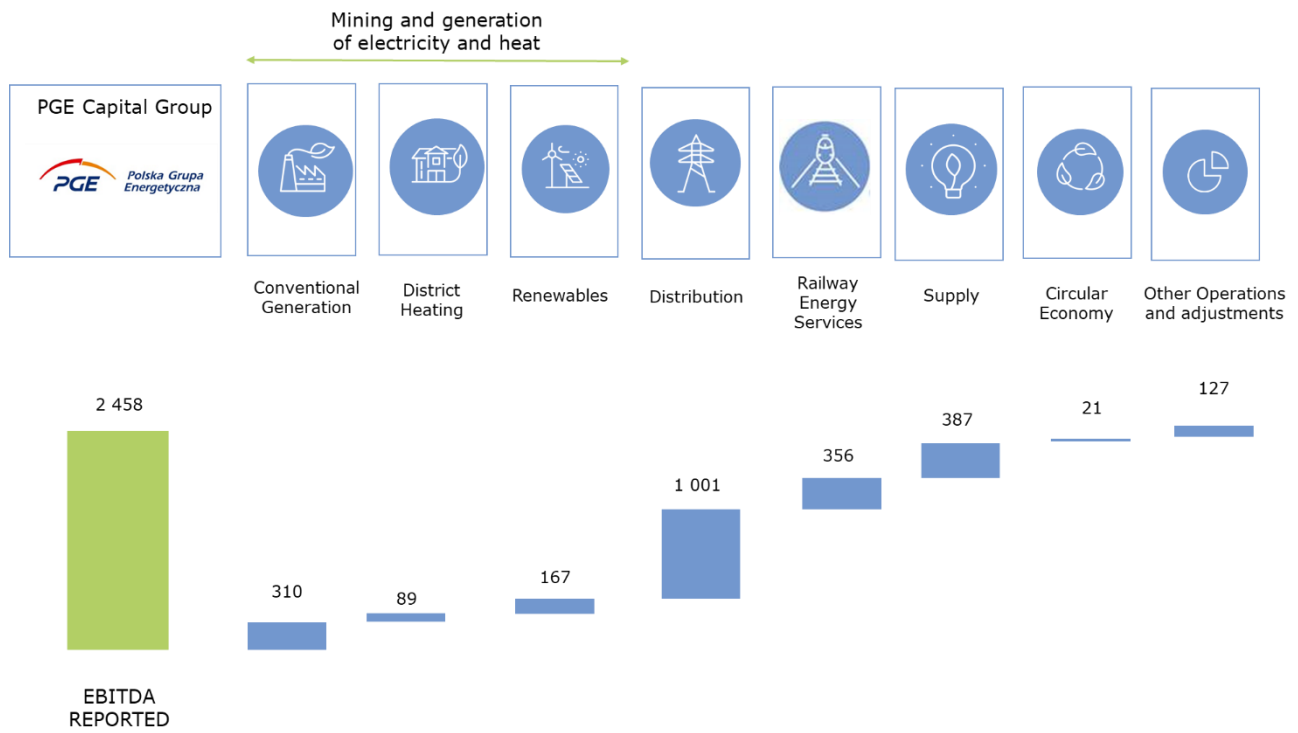
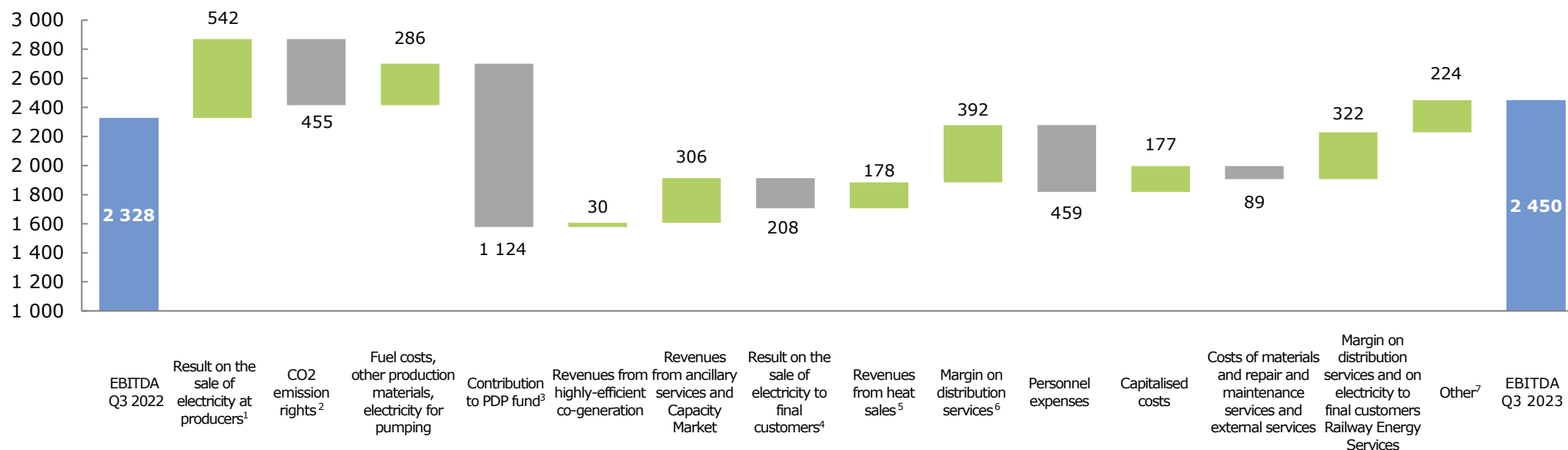


Chart: Reported EBITDA of PGE Capital Group (PLN million)



Management Board's report on activities of the PGE Capital Group for the 3-month and 9-month period ended September 30, 2023

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



Change	542	-455	286	-1 124	30	306	-208	178	392	-459	177	-89	322	224	
Reported EBITDA Q3 2022	<b>1 926</b>														
One-offs Q3 2022	<b>-402</b>														
Recurring EBITDA Q3 2022	<b>2 328</b>	9 559	5 136	2 704	0	11	729	455	348	1 099	1 397	161	414	0	383
Recurring EBITDA Q3 2023		10 101	5 591	2 418	1 124	41	1 035	247	526	1 491	1 856	338	503	322	159
One-offs Q3 2023															
Reported EBITDA Q3 2023															<b>2 458</b>

<sup>1</sup> Revenue from the sale of electricity reduced by the purchase cost of electricity.

<sup>2</sup> Adjusted for result on resale of CO<sub>2</sub> emission rights, that was caused due to reductions by PSE S.A. and trading activities.

<sup>3</sup> Without impact of correction of estimated contribution to the fund for 2022 (one-off).

<sup>4</sup> Including compensation, margin adjustment on certificates at PGE Group; without additional estimation of the cost of the balancing difference.

<sup>5</sup> Including compensations.

<sup>6</sup> Including revenues from distribution services, compensations, transmission services (PSE), balance of transferred fees and costs of electricity purchased to cover balancing difference; without additional estimation of the cost of the balancing difference.

<sup>7</sup> Other without provision for prosumers, reclamation provision and LTC compensations (one-offs).

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

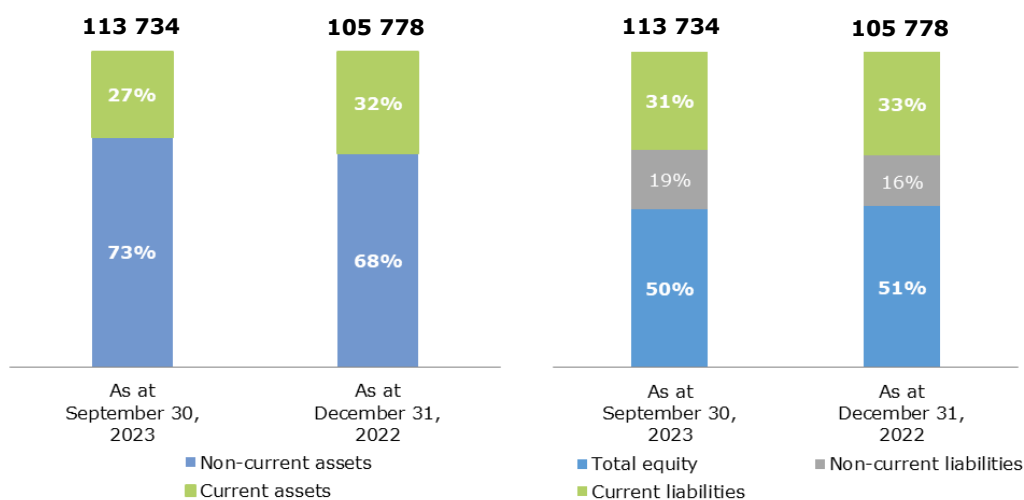
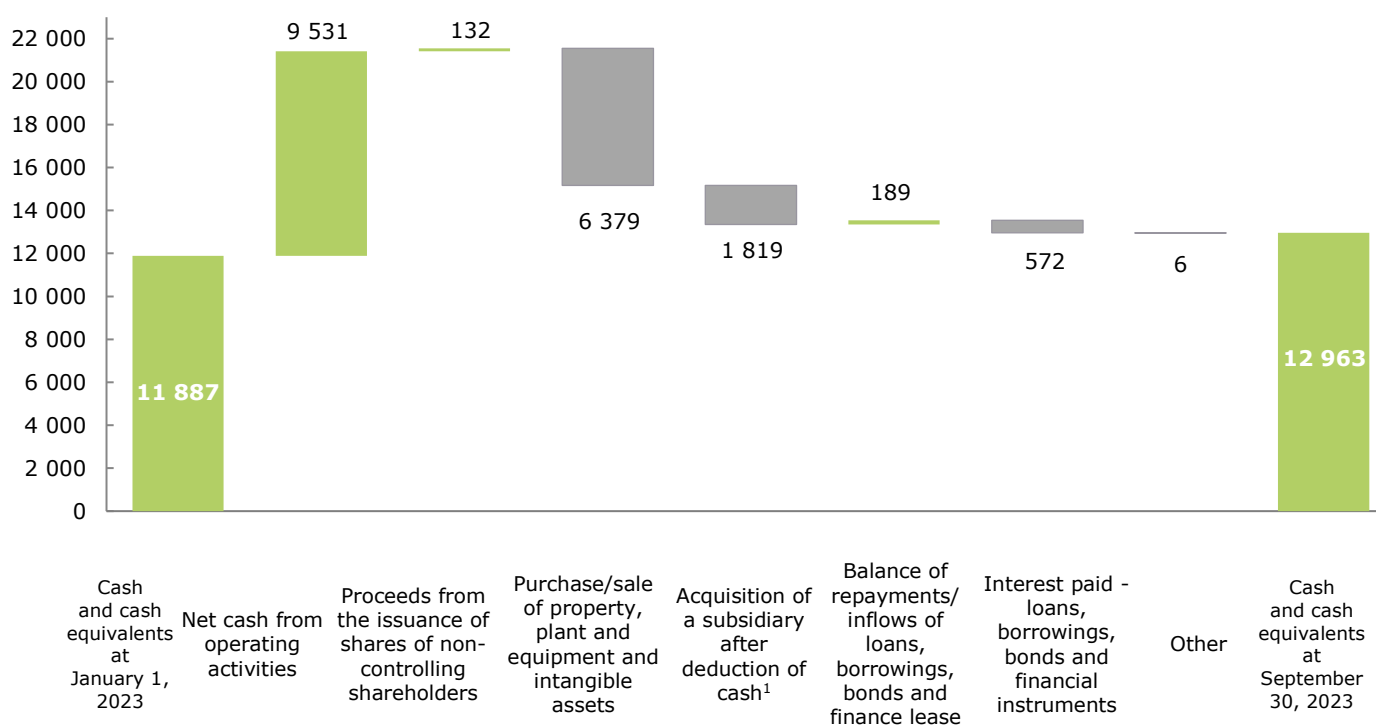


Chart: Net change in cash (in PLN million).



**Impact on level of cash**

Net cash from operating activities	9 531	132	-6 379	-1 819	189	-572	-6
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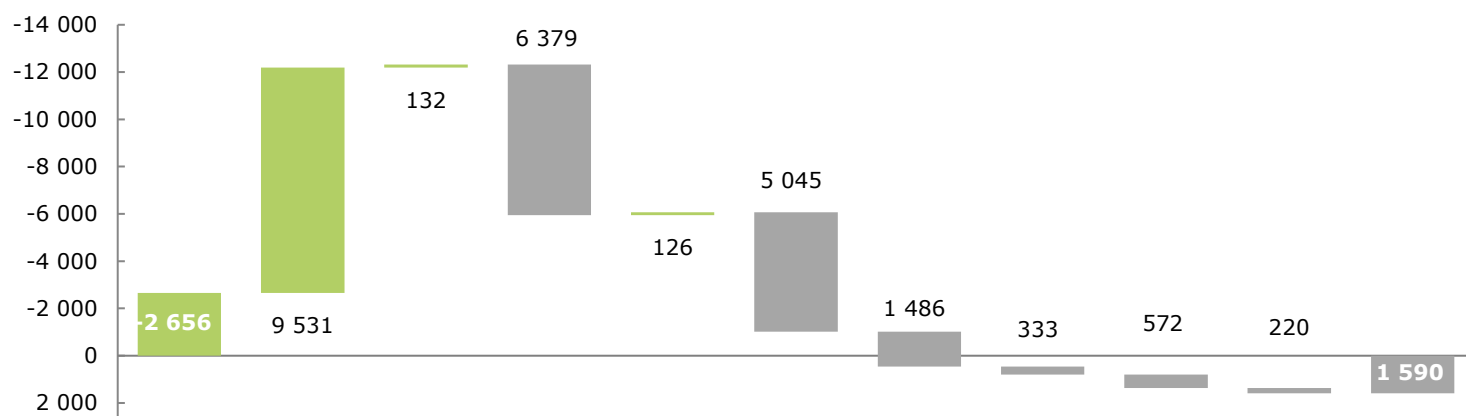
Cash and cash equivalents

**11 887**

**12 963**

<sup>1</sup> Acquisition of PKP Energetyka S.A. and LongWing Polska sp. z o.o.

Chart: Net financial debt (in PLN million).



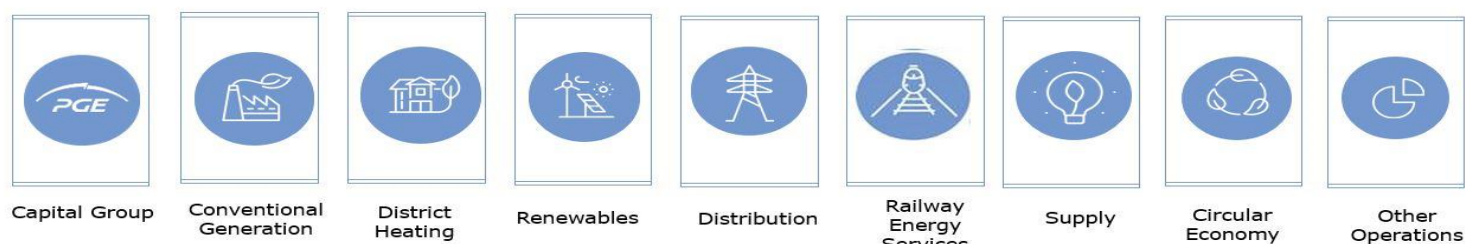
	Net financial debt December 31, 2022	Net cash from operating activities	Proceeds from the issuance of shares of non-controlling shareholders	Purchase/sale of property, plant and equipment and intangible assets	Value change of restricted cash	Takeover of PKP Energetyka debt <sup>1</sup>	Acquisition of PKP Energetyka <sup>2</sup>	Acquisition of shares in SPVs (wind farms) <sup>2</sup>	Interest on debt	Other	Net financial debt June 30, 2023 <sup>3</sup>
<b>Impact on level of net debt</b>		<b>-9 531</b>	<b>-132</b>	<b>6 379</b>	<b>-126</b>	<b>5 045</b>	<b>1 486</b>	<b>333</b>	<b>572</b>	<b>220</b>	
Financial net debt	<b>-2 656</b>										<b>1 590</b>

<sup>1</sup> Estimated debt level as at the date of the company acquisition transaction.

<sup>2</sup> After adjusting for the seized cash.

<sup>3</sup> Estimated level of net economic debt (taking into account forward payment for CO<sub>2</sub> emission rights) amounts to PLN 18 514 million.

KEY RESULTS IN BUSINESS SEGMENTS (IN PLN MILLION)





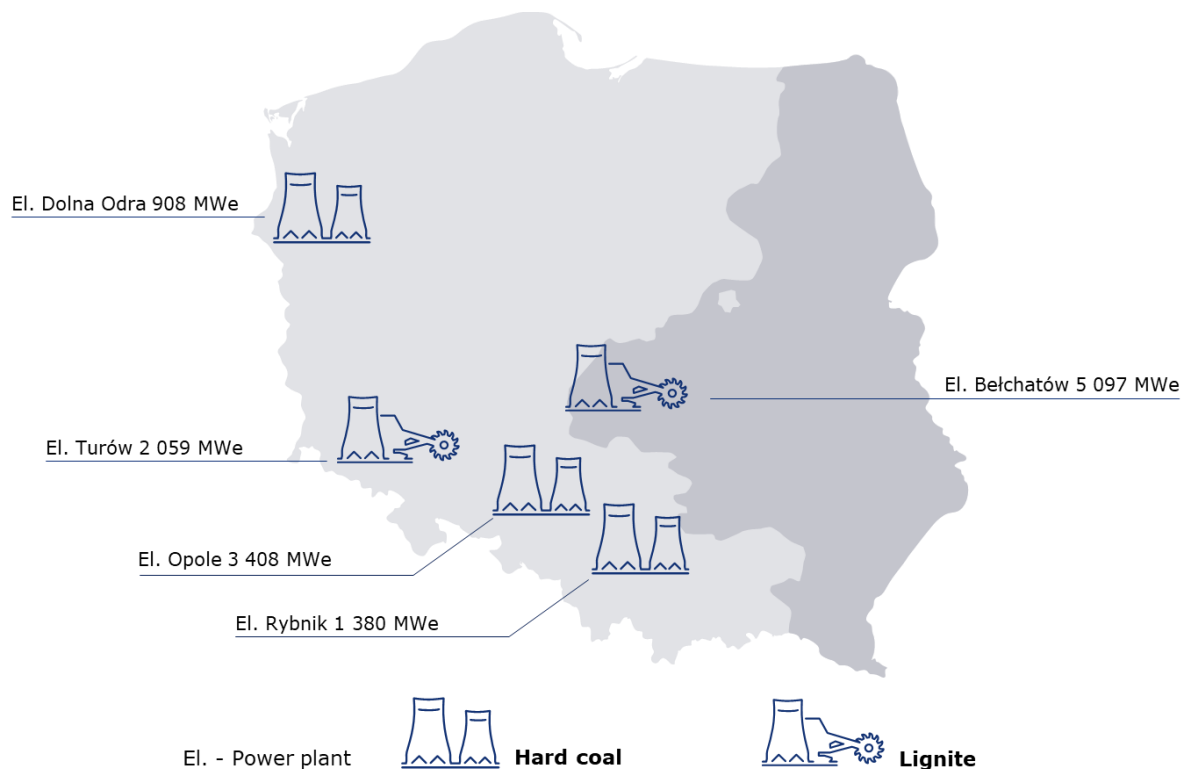


## ASSETS

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

Conventional Generation is the leader of lignite mining (its share in the extraction market of this raw material accounting for 95%<sup>10</sup> of domestic extraction), it is also the largest generator of electricity as it generates approx. 31%<sup>11</sup> of domestic gross electricity production. The generation is based on lignite extracted from mines owned by the company as well as hard coal.

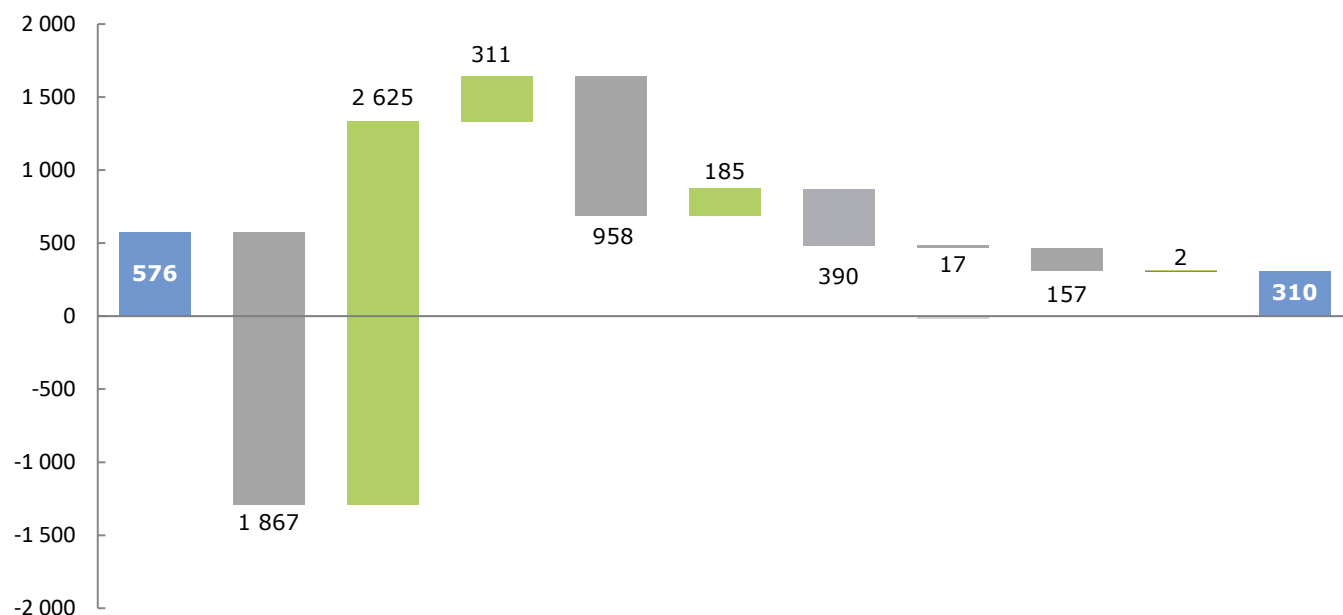
Diagram: Main assets of the Conventional Generation segment with their installed capacity.



<sup>10</sup> Own calculations based on data from Central Statistical Office of Poland.

<sup>11</sup> Own calculations based on data from PSE S.A.

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



	EBITDA Q3 2022	Electricity production - volume <sup>1</sup>	Electricity production - price <sup>1</sup>	Ancillary services and Capacity Market	PDP Fund	Costs of fuel	Costs of CO <sub>2</sub>	Costs of ZHZW <sup>2</sup>	Personnel costs	Other <sup>3</sup>	EBITDA Q3 2023
<b>Change</b>		<b>-1 867</b>	<b>2 625</b>	<b>311</b>	<b>-958</b>	<b>185</b>	<b>-390</b>	<b>-17</b>	<b>-157</b>	<b>2</b>	
Reported EBITDA Q3 2022	<b>157</b>										
One-offs Q3 2022	<b>-419</b>										
Recurring EBITDA Q3 2022	<b>576</b>	8 377		601	0	1 888	4 934	321	728	531	
Recurring EBITDA Q3 2023		9 135		912	958	1 703	5 324	338	885	529	<b>310</b>
One-offs Q3 2023											<b>0</b>
Reported EBITDA Q3 2023											<b>310</b>

<sup>1</sup> Managerial perspective .

<sup>2</sup> ZHZW - Agreement for Commercial Management of Generation Capacities .

<sup>3</sup> Item Other without taking into account the impact of a change in the reclamation provision (one-off) .

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

One-off	Q3 2023	Q3 2022	% change
Change of reclamation provision	-	-419	-
<b>Total</b>	<b>-</b>	<b>-419</b>	<b>-</b>

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

- **Increase in revenues from the sale of electricity**, which results from: higher average selling price of electricity by PLN 236/MWh y/y, which translated into an increase in revenues by approx. PLN 2 625 million; lower sales volume by 3.2 TWh, which resulted in a decrease in revenues by approx. PLN 1 867 million
- **Higher revenues from ancillary services**, resulting mainly from larger settlements with the TSO due to the reallocation of electricity production between PGE GIEK branches within the

Balancing Market and slightly lower result obtained from the Capacity Market, as a result of lower contracted volumes in the main auction at the PGE Capital Group level.

- **Contribution to the PDP fund**, which did not exist in the comparable period.
- **Lower fuel consumption costs**, mainly hard coal, due to the lower production from this fuel by 0.3 TWh. Main changes on different types of fuel are presented in the chart below.
- **Higher CO<sub>2</sub> costs** as a result of higher average cost of CO<sub>2</sub> by PLN 127.4/t y/y. Main changes are shown in the chart below.
- **Higher ZHZW costs** results from higher average price of electricity.
- **Higher personnel expenses** mainly in connection with the implementation of agreements concluded with the social party.

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

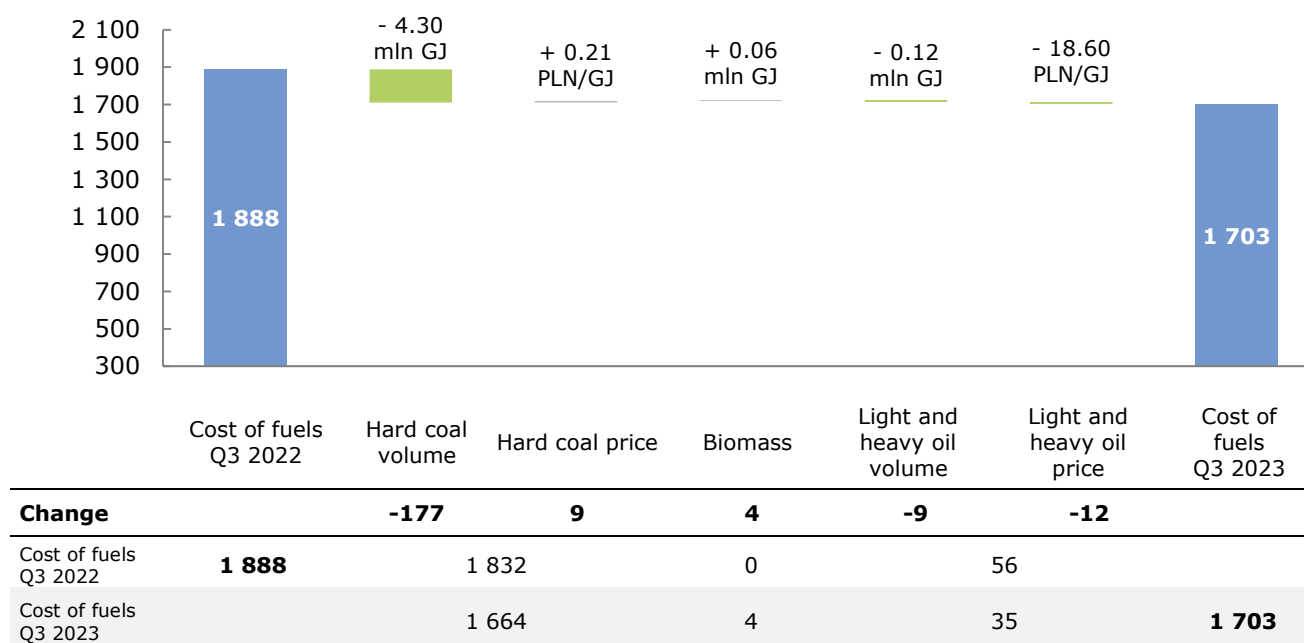
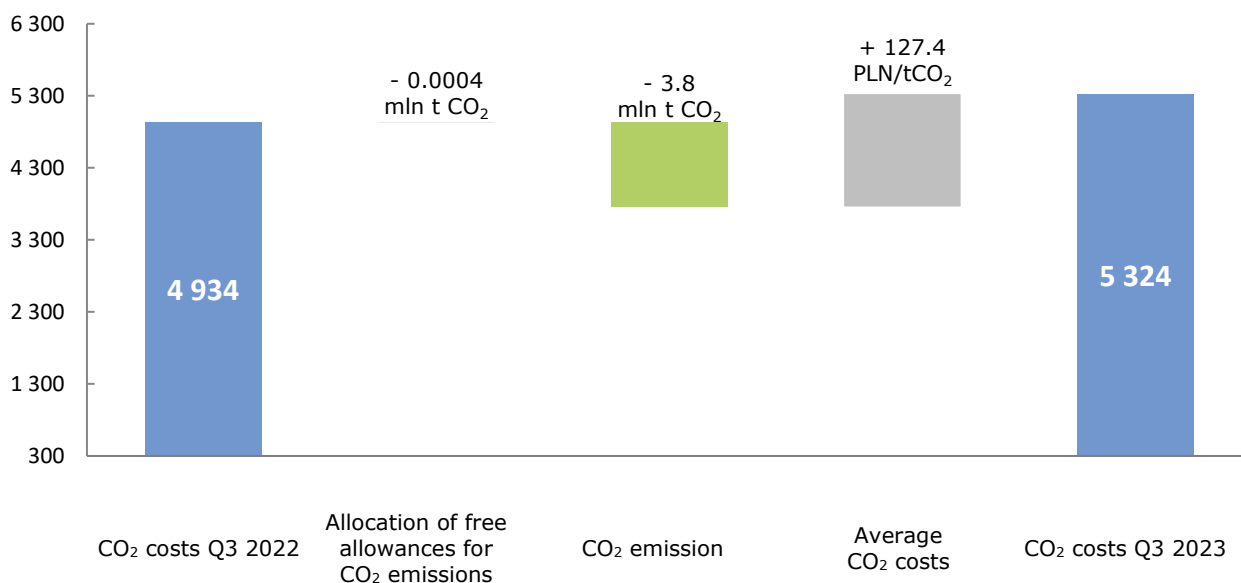


Table: Data on use of production fuels consumption in Conventional Generation.

Fuel type	Q3 2023		Q3 2022	
	Volume (tons ths)	Cost (PLN million)	Volume (tons ths)	Cost (PLN million)
Hard coal	1 780	1 664	2 059	1 832
Biomass	4	4	0	0
Fuel oil – light and heavy	14	35	17	56
<b>Total</b>		<b>1 703</b>		<b>1 888</b>

Chart: CO<sub>2</sub> costs in Conventional Generation segment (in PLN million).



Change	0	-1 171	1 561
CO <sub>2</sub> costs Q3 2022	<b>4 934</b>		
CO <sub>2</sub> costs Q3 2023			<b>5 324</b>

Table: Data on CO<sub>2</sub> costs in Conventional Generation.

Data on CO <sub>2</sub>	Q3 2023	Q3 2022	% change
Allocation of free allowances for CO <sub>2</sub> emissions (tons)	15 696	16 079	-2%
CO <sub>2</sub> emission (tons)	12 270 343	16 085 068	-24%
Average CO <sub>2</sub> costs (PLN/t CO <sub>2</sub> )	434.45	307.05	41%

## CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Conventional Generation segment

PLN m	Q3 2023	Q3 2022	% change
Investments in generating capacities, including:	349	126	177%
Development	11	0	-
Modernisation and replacement	338	126	168%
Other	32	17	88%
<b>Total</b>	<b>381</b>	<b>143</b>	<b>166%</b>

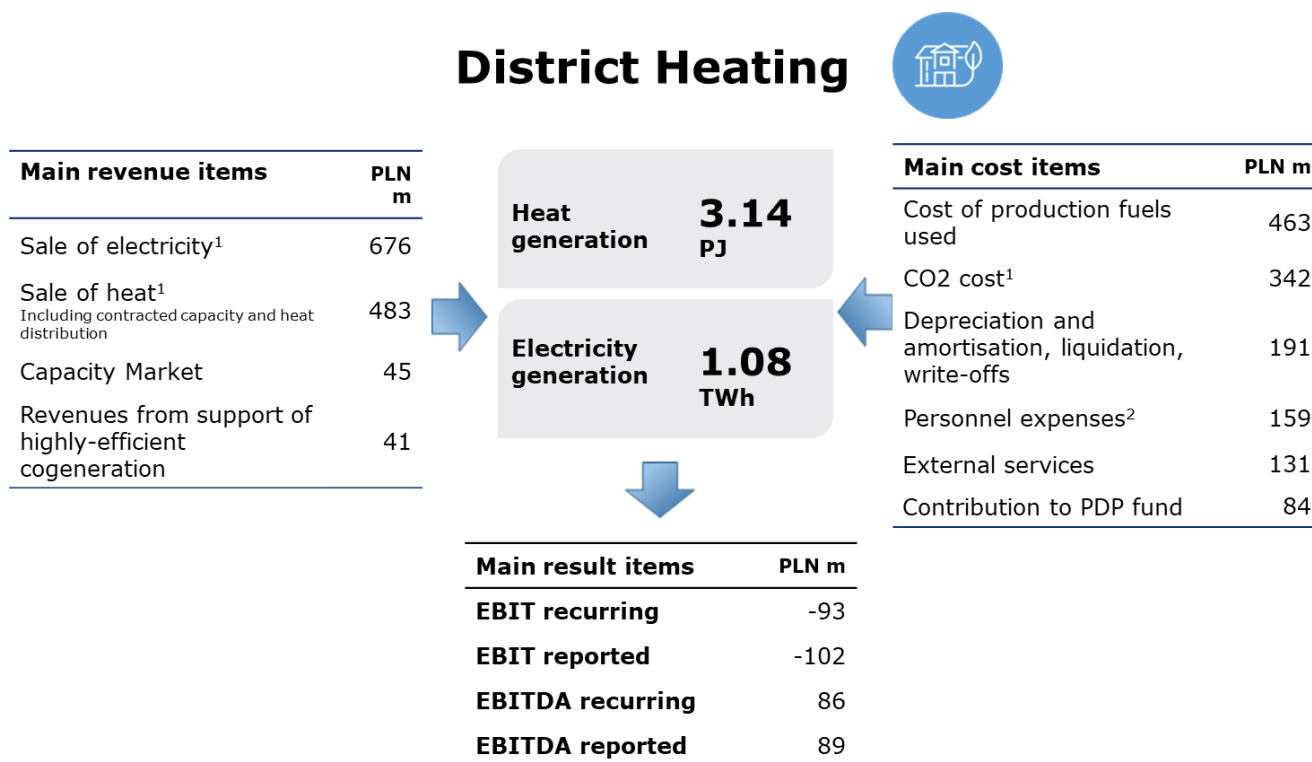
## KEY EVENTS IN CONVENTIONAL GENERATION

- On July 3, 2023, a decision on the granting of a Construction Permit was issued for the **Start-up Station Installation Project at the Dolna Odra Power Plant**. On July 12, 2023, the construction site was handed over to the Contractor. On September 13, 2023, a three-pass shell boiler, the most important element of the investment project, was delivered to the construction site. Boiler will enable rapid start-up of the power generation units in the event of their complete shutdown.
- On July 13, 2023, as part of the task called **The construction of a steam generator at the Rybnik Power Plant**, the stage concerning the delivery of burners was accepted, while on 2 August 2023 the stage concerning the completion of works related to the construction of foundations and the construction of the start-up boiler house building with internal installations was accepted. On August 23, 2023, an agreement was signed with Energopomiar sp. z o.o. for warranty measurements of the start-up boiler house with two steam generators.

## DISTRICT HEATING

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

The data presented below concerns the third quarter of 2023.



<sup>1</sup> managerial perspective

<sup>2</sup> after adjusting for one-offs

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

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

Generation of heat and electricity is directly related to key variable costs of the segment, i.e. **the cost of production fuel used** (in particular, hard coal and gas) and **the cost of fees for CO<sub>2</sub> emissions and contribution to PDP fund**.

Electricity production in high-efficiency cogeneration is additionally remunerated. CHP plants receive support at a level covering increased operating costs related to production. The support mechanism in the form of certificates is in place also for biomass-fired generating assets. This type of production is additionally remunerated by awarding origin certificates, i.e. green certificates, the sale of which generates additional revenue. Within the segment such revenues is obtained at Szczecin CHP plant and biomass unit in Kielce CHP.

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

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

Under the provisions of the Emergency Measures Act, from December 2022, electricity generating entities are required to make a **contribution to the Price Difference Payment Fund**.

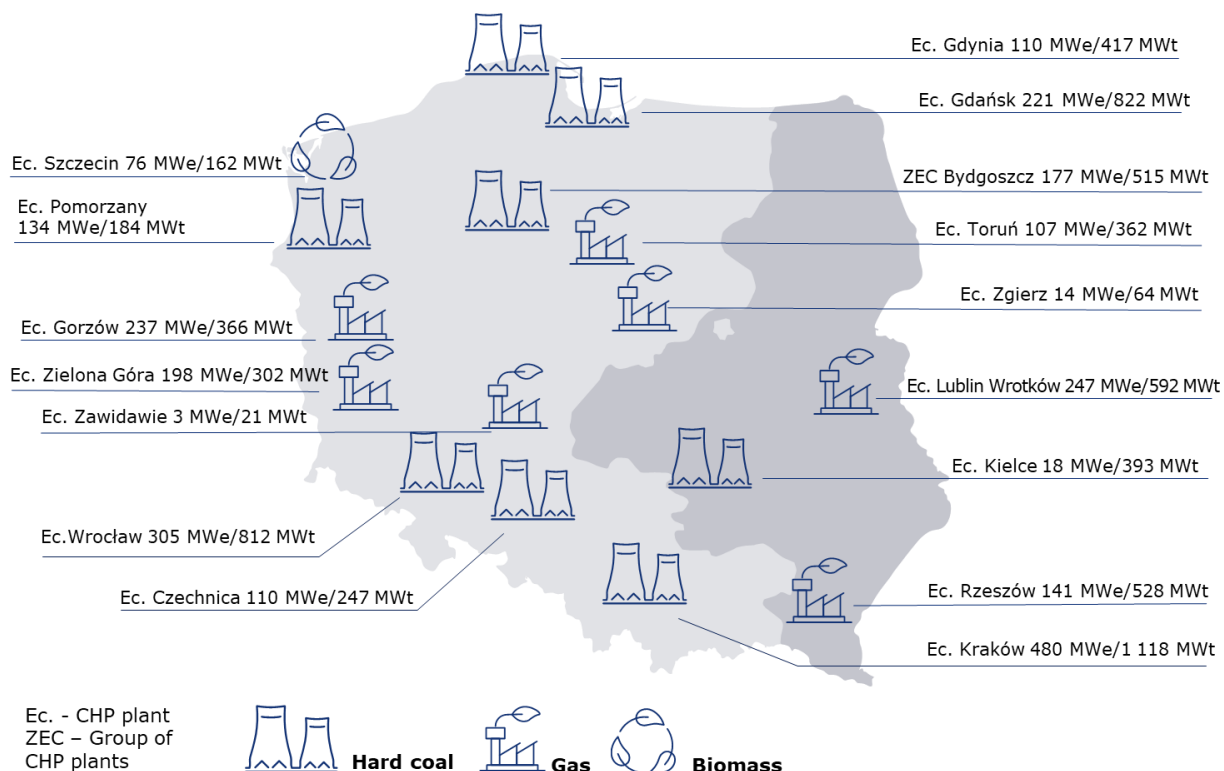
### ASSETS

The following companies are included in the segment: PGE EC S.A., KOGENERACJA S.A., EC Zielona Góra S.A., PGE Toruń S.A., MEGAZEC sp. z o.o., EC Szczecin, EC Pomorzany and the district heating network in Gryfino.

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

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

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

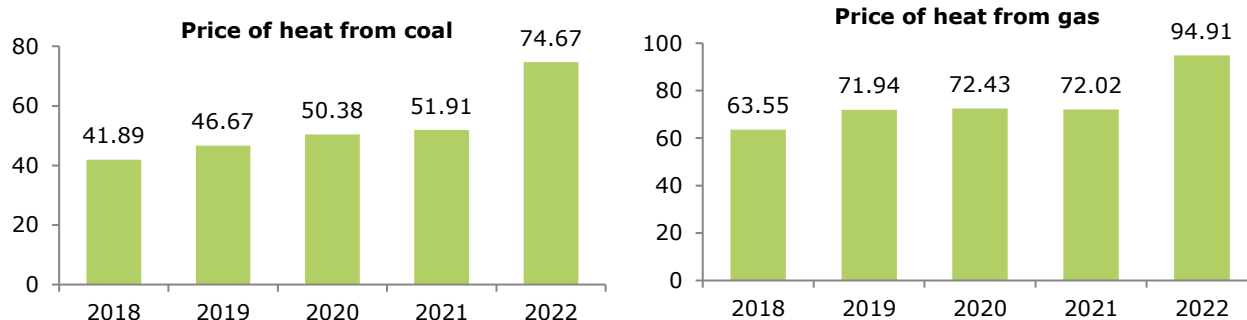




### TARIFFS IN DISTRICT HEATING

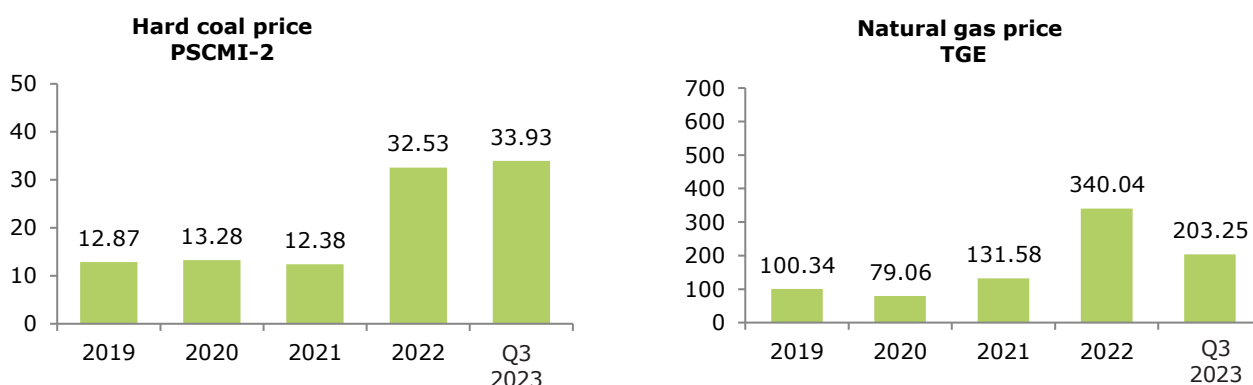
Due to the fact that the income on heat sales for CHP plant are tarified as part of the so-called simplified method, they are characterised by a relative delay in the transfer of costs (annual or two-year). They are based on the year-to-year dynamics of average costs (including fuels used) incurred by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

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



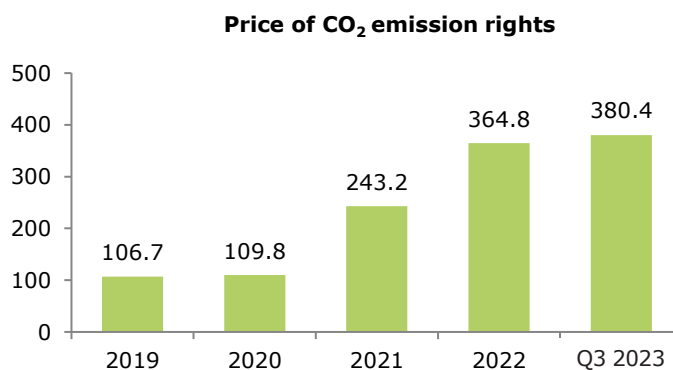
Source: ERO.

Charts: Changes in costs of fuels – hard coal (PLN/GJ) – PSCMI-2<sup>12</sup> and gas (PLN/MWh) - TGE.



Source: ARP, TGE.

Chart: Changes in price of CO<sub>2</sub> emission rights<sup>13</sup> (PLN/t).



Source: ICE.

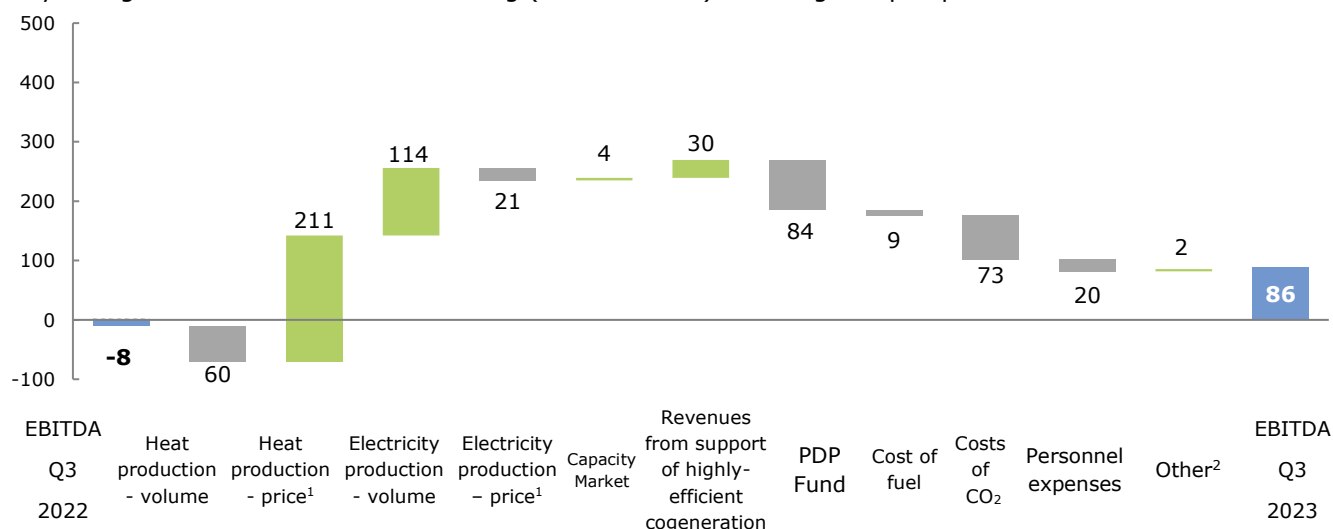
<sup>12</sup> PSCMI-2 Polish Steam Coal Market Index 2 - the average prices for pulverised coals sold on the domestic heating market.

<sup>13</sup> Arithmetic average of the daily and monthly records in a given period (spot price).

Reflecting previous cost increases, the reference price of heat produced from hard coal increased by 44% in 2022. It is a base to the increase in heat prices for co-generation entities establishing the tariff during 2023. In the third quarter of 2023 the average market price of coal increased by 4%, while the average price of CO<sub>2</sub> emission rights increased by 4% in comparison to 2022.

Tariffs for the production of heat from gas in 2023 are set based on an change in the reference price, whereas in the third quarter of 2023 gas prices are already lower than in previous periods. Prices of gas in TGE forward contracts stood at approx. PLN 203/MWh (i.e. decrease by 40%).

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



Change	-60	211	114	-21	4	30	-84	-9	-73	-20	2	
Reported EBITDA Q3 2022	<b>-10</b>											
One-offs Q3 2022	<b>-2</b>											
Recurring EBITDA Q3 2022	<b>-8</b>	332	583		41	11	0	454	269	139	113	
Recurring EBITDA Q3 2023		483	676		45	41	84	463	342	159	111	<b>86</b>
One-offs Q3 2023												<b>3</b>
Reported EBITDA Q3 2023												<b>89</b>

<sup>1</sup> Value adjusted for costs of certificates redemption.

<sup>2</sup> Item Other without taking into account the impact of changes in the reclamation provision and LTC compensations (one-offs).

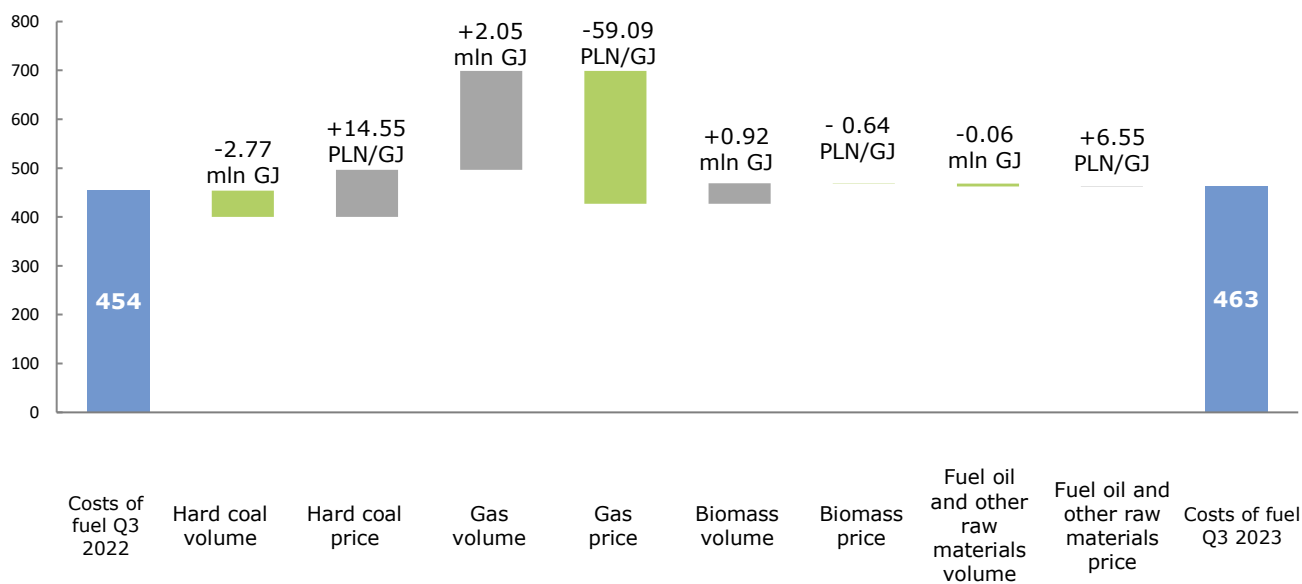
Table: Data on one-offs in District Heating (PLN million).

One-offs	Q3 2023	Q3 2022	% change
Change in reclamation provision	0	-3	-
LTC compensations	3	1	200%
<b>Total</b>	<b>3</b>	<b>-2</b>	<b>-</b>

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

- **Lower volume of net heat production** in the third quarter of 2023 y/y is a result of higher outside temperatures compared to analogical period of 2022. The average temperatures were by 0.7° C higher, what translated into decreased heat production (by 0.7 PJ).
- **Increase of heat sale price** is a result of increased tariffs for heat for the CHP plants following the publication by the ERO of reference prices for heat production in units not being co-generation units and the amendment of the tariff regulation.
- **Increase in revenues from the sale of electricity**, which results from: higher sales volume by 0.18 TWh, which resulted in an increase in revenues by approx. PLN 114 million, partly compensated by lower average selling price of electricity by PLN 23.9/MWh y/y, which translated into a decrease in revenues by approx. PLN 21 million.
- **Higher revenues from Capacity Market**, due to the higher volume of dispatch capacity.
- **Higher revenues due to support for high-efficiency cogeneration** due to the granting of a higher individual cogeneration bonus for gas-fired units.
- **Contribution to the PDP fund**, which did not exist in the comparable period.
- **Higher fuel consumption costs** which are caused by higher gas prices and higher price of hard coal. The details are shown in the chart below.
- **Higher CO<sub>2</sub> costs** are mainly a result of higher price of allowances. The details are shown in the chart below.
- **Higher level of personnel costs** mainly in connection with realization of agreements with the social party.

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

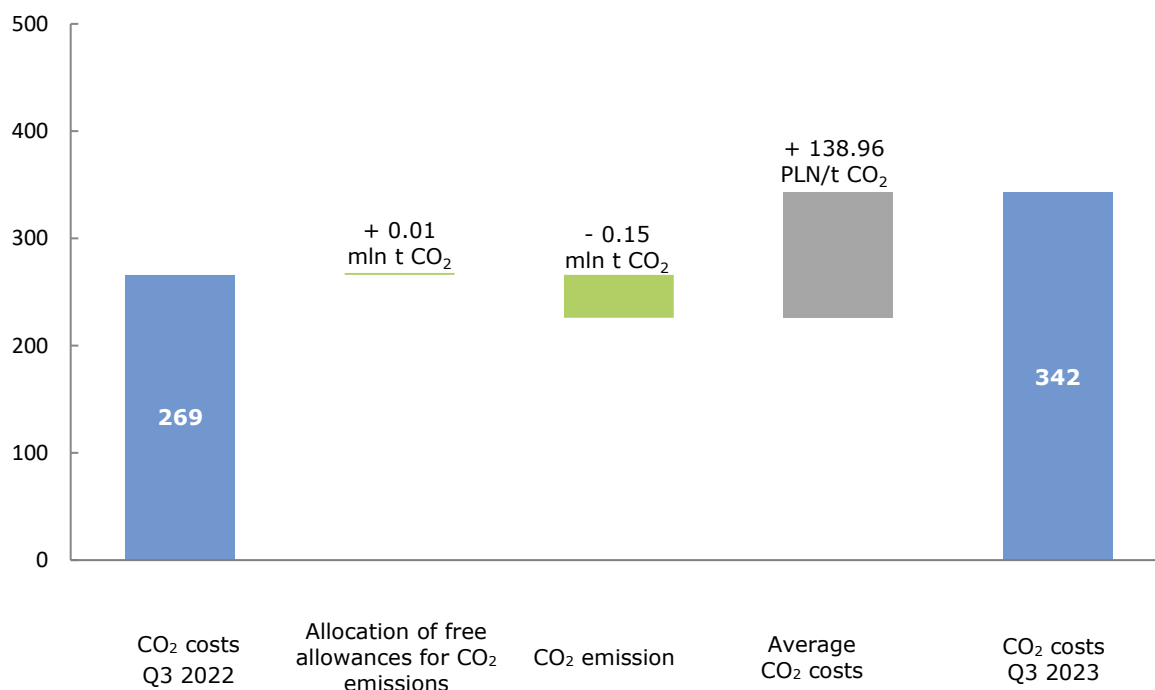


Change	-54	96	203	-272	42	-1	-6	1	
Costs of fuel Q3 2022	<b>454</b>	180	253		9		12		
Costs of fuel Q3 2023		222	184		50		7		<b>463</b>

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

Fuel type	Q3 2023		Q3 2022	
	Volume (tons ths)	Cost (PLN million)	Volume (tons ths)	Cost (PLN million)
Hard coal	296	222	426	180
Gas (cubic metres ths)	162 999	184	94 204	253
Biomass	111	50	17	9
Fuel oil and other raw materials	-	7	-	12
<b>Total</b>		<b>463</b>		<b>454</b>

Chart: CO<sub>2</sub> costs in District Heating (PLN million).



Change	-2	-40	115
CO <sub>2</sub> costs Q3 2022	<b>269</b>		
CO <sub>2</sub> costs Q3 2023			<b>342</b>

Table: Data on CO<sub>2</sub> costs in District Heating.

Data regarding CO <sub>2</sub>	Q3 2023	Q3 2022	% change
Allocation of free allowances for CO <sub>2</sub> emissions (tons)	47 274	40 607	16%
CO <sub>2</sub> emission (tons)	889 459	1 042 697	-15%
Average CO <sub>2</sub> costs (PLN/t CO <sub>2</sub> ) <sup>1</sup>	406.26	267.30	52%

<sup>1</sup> Managerial perspective.

## CAPITAL EXPENDITURES

Table: Capital expenditures incurred in District Heating segment.

PLN million	Q3 2023	Q3 2022	% change
Investments in generating capacities, including:	367	257	43%
Development	259	115	125%
Modernisation and replacement	108	142	-24%
Other	29	0	-
<b>Total</b>	<b>396</b>	<b>257</b>	<b>54%</b>

## KEY EVENTS IN DISTRICT HEATING

- The turnkey construction of the **New Czechnica CHP plant, i.e. CCGT unit** with a total gross capacity of 179 MWe and 163 MWt, heat accumulator and four water boilers with total capacity of 152 MWt, is in progress. In the third quarter of 2023, the installation of gas turbine sets nos. 1 and 2 and a steam turbine set was completed. Electrical cabling works are currently underway.
- The works on **peak-reserve boiler** construction projects were continued at the CHP plants in **Gorzów Wielkopolski, Lublin and Rzeszów**. Site works at all locations are advanced. Construction works and technological assemblies continued in the third quarter of 2023. Boiler house commissioning works at all locations are planned to be performed in the fourth quarter of 2023.
- At **Rzeszów CHP plant** the construction of the second line with a capacity of 80 000 tons of waste / year of the **Waste-to-Energy Incinerator** is in progress. In the third quarter of 2023, key deliveries of boiler components were completed and assembly works were underway.
- An investment program is being implemented in **Bydgoszcz I CHP plant (EC I)** and **Bydgoszcz II CHP plant (EC II)**:
  - EC I: On July 31, 2023, the boiler house consisting of four gas-fired boilers (with a total thermal power of 38 MWt) was commissioned.
  - EC II: the contract is being pursued for construction of a cogeneration source based on five gas engines with a total capacity of 52.6 MWe/ 50.8 MWt and a reserve-peak heat source. Currently, earthworks are being carried out. A commissioning procedure is planned for the first quarter of 2025.
- At the **Zgierz CHP plant**, a new CHP system comprising three CHP units (total capacity of approximately 15 MWt), a gas-fired back-up/peak boiler (7 MWt) and a RES installation comprising solar panels (100 kW) was commissioned on October 12, 2023. Minor defects are currently being rectified. The planned completion of the entire project will take place in December 2023.
- At **Kielce CHP plant** construction of a cogeneration system based on a 7.32 MWe and 12.42 MWt gas turbine with a recovery boiler was continued in the third quarter of 2023. Works on the construction site are well advanced, with the main components of the unit having been delivered and placed on the foundations. Final assembly works are being carried out and preparations are underway to begin commissioning works.
- In the third quarter of 2023, PGE Energia Ciepła S.A. launched the preparation phase of the programme for **the construction of photovoltaic power plants** to meet part of particular facilities' own needs at selected locations. The scope of the programme comprises 8 locations where the construction of PV plants with a total capacity of approximately 13 MW is envisaged. Tender procedures for the selection of contractors for individual installations and the acquisition of the required administrative decisions are being successively initiated.

## KEY PROJECT IN 2023

Aim of the project	Budget <sup>1</sup>	Expenditures incurred <sup>1</sup>	Capital expenditures in 2023 <sup>1</sup>	Fuel/ Net efficiency	Contractor	Investment completion date
Construction of New Czechnica CHP Plant	PLN 1.2 bn	approx. PLN 812 million	PLN 383 million	Natural gas/ 85% in cogeneration	Syndicate of: Polimex Mostostal S.A. (Leader) / Polimex Energetyka sp. z o.o.	Q2 2024

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

## RENEWABLES

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

The data presented below concerns the third quarter of 2023.

### Renewables



Main revenue items	PLN m				Main cost items	PLN m
Sale of electricity	480	<p><b>Electricity generation 0.68 TWh</b></p>			Use of energy incl. energy to pump water at pumped-storage plants	210 208
Capacity Market	66				Depreciation and amortisation	91
Sale of certificates	4				Taxes and fees incl. Contribution to PDP fund Real estate tax	62 42 16
Ancillary services	2				External services	56
					Personnel expenses	47
Main result items		PLN m				
EBIT		76				
EBITDA		167				

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

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

On the cost side, the most important items include: **use of energy to pump water at pumped-storage plants, depreciation of segment assets** and **third-party services**, mainly the repair services. Property tax and employee wages also constitute a significant cost item in this segment. Under the provisions of the Emergency Measures Act, from December 2022, electricity generating entities are required to make a contribution to the **Price Difference Payment Fund**.

**ASSETS**

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

Assets in the segment include:

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

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

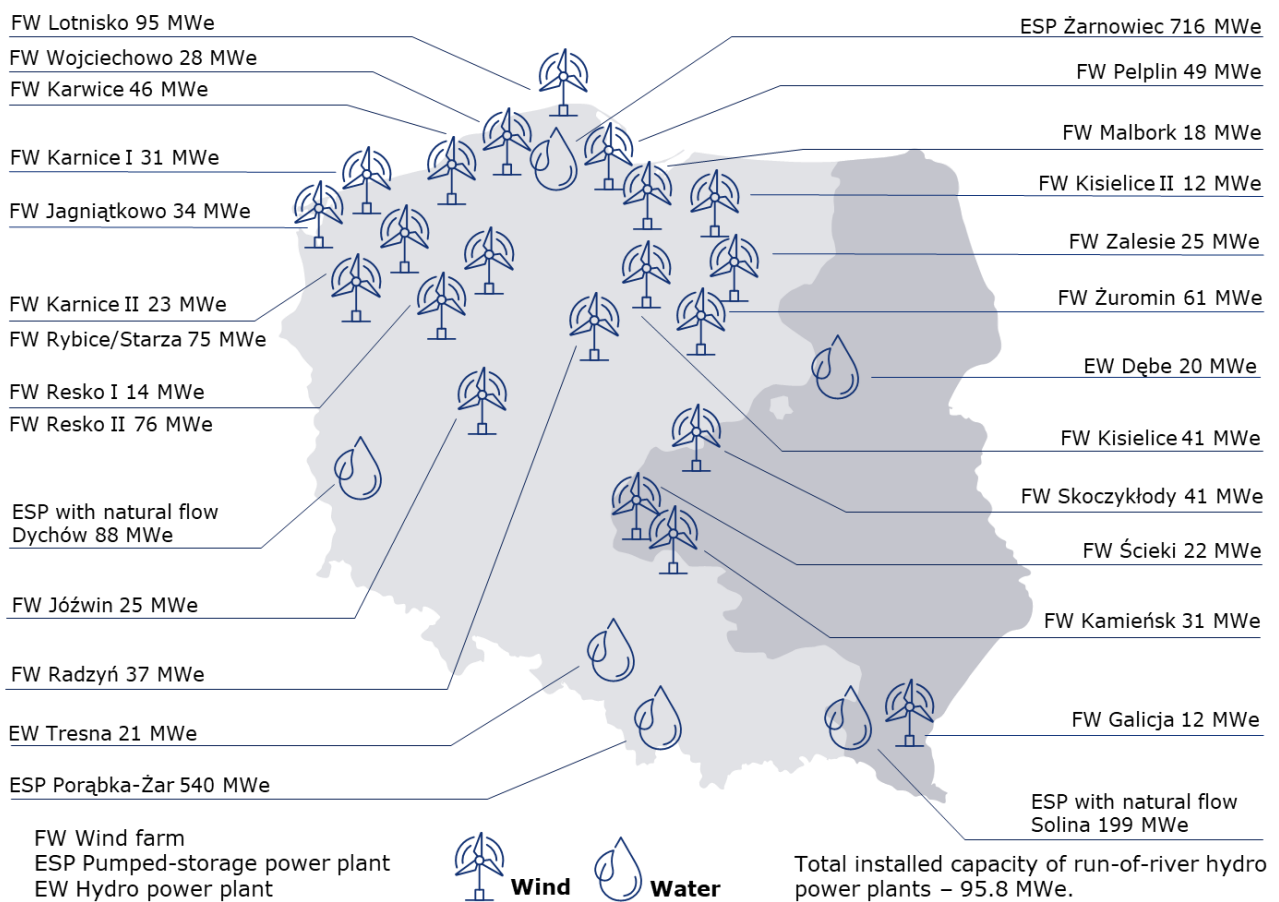
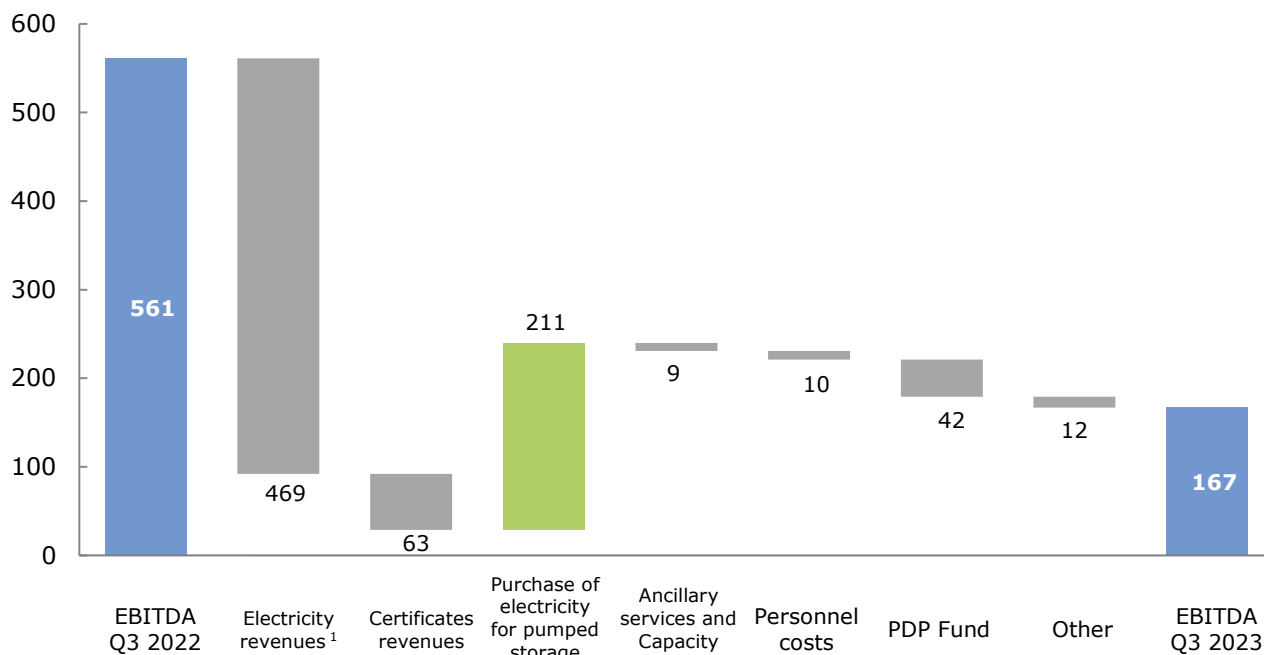




Chart: Key changes of EBITDA in Renewables (in PLN million) – managerial perspective.



Change	-469	-63	211	-9	-10	-42	-12	
EBITDA Q3 2022	561	949	67	419	77	37	0	76
EBITDA Q3 2023		480	4	208	68	47	42	88
								<b>167</b>

<sup>1</sup> electricity revenues include revenues from main generation technologies (wind, water, PV, pumped storage).

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

- **Lower revenues from electricity sales** results from: lower average electricity sale price by PLN 886/MWh y/y, what translated into decrease of revenues by PLN 595 million, higher sales volume by 79 GWh, what caused revenues increase of PLN 126 million.
- **Decreased revenues from sales of certificates** resulting from lower average electricity sale price by PLN 248/MWh y/y, as a result revenues decreased by PLN 63 million.
- **The decrease in electricity purchase costs** for pumping in pumped storage power plants results from: lower average electricity purchase price by PLN 466/MWh y/y, what translated into a decrease in costs by PLN 263 million and higher purchase volume by 62 GWh, contributing to an increase in costs by PLN 52 million.
- **Lower revenues from ancillary services and the Capacity Market** result mainly from lower revenues from the Capacity Market due to lower utilization of production units due to renovations carried out.
- **The increase in personnel costs** is mainly a result of higher employment due to the development of the Offshore Energy and Renewable Energy areas and concluded wage agreements.
- **Contribution to PDP Fund**, which did not exist in the comparable period.
- **Value change in item Other** results mainly from higher operating costs, caused by the development of the Offshore Energy and Renewable Energy areas.

## CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Renewables segment.

PLN million	Q3 2023	Q3 2022	% change
Investments in generating capacities, including:	375	88	326%
Development	337	51	561%
Modernisation and replacement	38	37	3%
<b>Total</b>	<b>375</b>	<b>88</b>	<b>326%</b>

## KEY EVENTS IN RENEWABLES

### ■ Offshore wind farms construction program

As part of offshore wind farms investments, 8 applications for a new location permit for an offshore wind farms in the Baltic Sea was submitted to the Ministry of Infrastructure. 5 proceedings were resolved in favour of the PGE Group and 3 in favour of PKN Orlen. In addition, the PGE Group obtained 3 location permits in 2012, based on which it is preparing investments in the Baltic Sea with a total capacity of approx. 3.5 GW (including 2.5 GW in JV with Ørsted). The launch of both stages of the project carried out jointly with Ørsted, i.e. Baltica 2 with a capacity of up to 1.5 GW and Baltica 3 with a capacity of up to 1.0 GW, is planned by 2030, while the Baltica 1 project after 2030.

On April 20, 2023 Elektrownia Wiatrowa Baltica–2 sp. z o.o. and Siemens Gamesa Renewable Energy Sp. z o.o. concluded following agreements:

- Turbine Supply Agreement, which includes 107 wind turbines of 14 MW each with a total capacity of 1 498 MW;
- Service Warranty Agreement for 5 years from the commissioning of all turbines;
- Spare Parts and Tools Agreement.

Elektrownia Wiatrowa Baltica–2 sp. z o.o. also concluded contracts for the supply of key components of offshore wind farms: foundations, marine internal and export cables, marine transformer stations. All key components for the maritime part of the investment have been contracted.

Furthermore, in August 2023, the European Investment Bank (EIB) issued a preliminary credit decision for the PGE Group's offshore wind farm investment project. The total financing package amounts to EUR 1.4 billion. This is a significant step towards securing the optimal financing structure to build the PGE Group's first offshore wind farms in the Baltic Sea.

The strategic goal of the PGE Group in the offshore energy area is to build at least 6.5 GW of capacity by 2040.

### ■ PGE Group PV Development Program:

So far, projects with a total capacity of 46 MW have been commissioned under the programme, including 36 MW installations commissioned in the third quarter of 2023 (including Gutki (12 MW) and Huszlew (13 MW) PV farms).

There are projects comprising 208 MW under construction, including, among others, PV Jeziórko (100 MW). In September 2023, electricity was produced from the first part of the Jeziórko PV project; for the Augustynka PV (25 MW), Pasterzowice PV (8 MW) and Krotoszyn PV (5 MW) projects, electricity generation will start in fourth quarter of 2023.

In the third quarter of 2023, activities for the development of further PV farm projects continued, including the acquisition of land rights and the required administrative decisions aimed at obtaining construction permits.

▪ **Modernisation of technological equipment at the Dębe hydro power plant**

To date, the modernisation of two of the four hydro-sets of the Dębe Hydroelectric Power Plant has been completed, and the third is undergoing modernisation works.

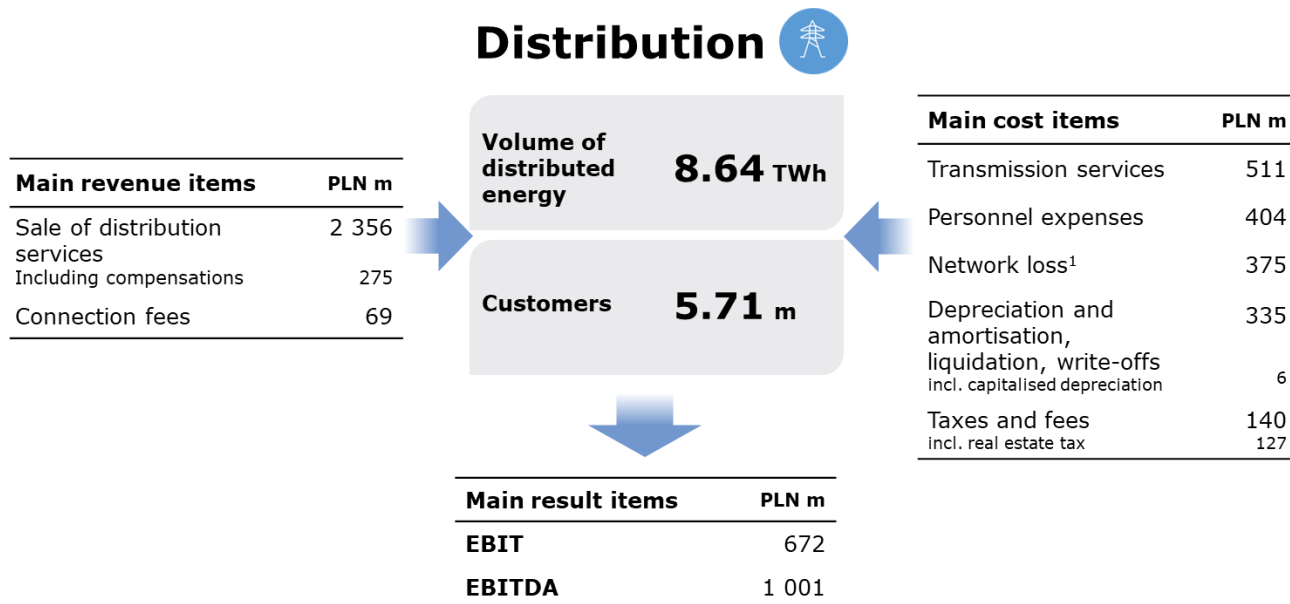
▪ **Comprehensive modernisation program of Porąbka-Żar pumped-storage power plant**

The scope of the works includes the modernisation of the technological part, the upper reservoir and the structures along the waterway. Upgrading works are currently underway on the upper water intake in the electrical sector, as well as basic and detailed designs are being developed for the other sectors. The main modernisation works at the facility are scheduled to start in 2024.

## DISTRIBUTION

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

The data presented below concerns the third quarter of 2023.



<sup>1</sup> managerial perspective

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

Moreover, starting from December 2022, a compensation scheme for trading and distribution firms has been implemented in accordance with the Act on Extraordinary Measures in 2023, regarding the application of maximum prices and discounts.

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

VOLUME, CUSTOMERS AND OPERATING DATA

PGE Dystrybucja S.A. operates in the area of 129 829 sq. km and delivers electricity to approximately 5.7 million customers.

Diagram: Area of PGE distribution grid.



Table: Volume of distributed energy (TWh)

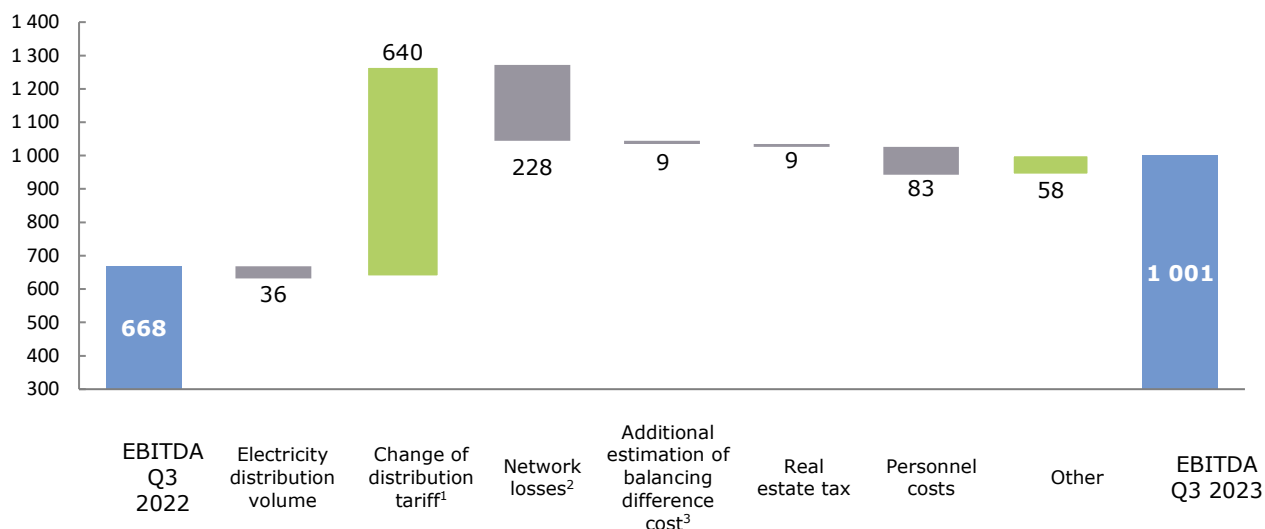
Tariff	Q3 2023	Q3 2022	% change
A tariff group	1.28	1.34	-4%
B tariff group	3.57	3.74	-5%
C+R tariff groups	1.47	1.52	-3%
G tariff group	2.32	2.33	0%
<b>Total</b>	<b>8.64</b>	<b>8.93</b>	<b>-3%</b>

Table: Number of customers according to power take-off points.

Tariff	Q3 2023	Q3 2022	% change
A tariff group	145	127	14%
B tariff group	13 921	13 367	4%
C+R tariff groups	475 151	485 940	-2%
G tariff group	5 218 941	5 142 404	1%
<b>Total</b>	<b>5 708 158</b>	<b>5 641 838</b>	<b>1%</b>

### KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



Change	EBITDA Q3 2022	Electricity distribution volume	Change of distribution tariff <sup>1</sup>	Network losses <sup>2</sup>	Additional estimation of balancing difference cost <sup>3</sup>	Real estate tax	Personnel costs	Other	EBITDA Q3 2023
	668	-36	640	-228	-9	-9	-83	58	1 001
EBITDA Q3 2022	668	1 150	138	0	118	321	95		
EBITDA Q3 2023		1 754	366	-9	127	404	153		1 001

<sup>1</sup> Excluding cost of transmission services from PSE S.A. and taking into account revenues from compensations.

<sup>2</sup> Adjusted for revenues from the Balancing market.

<sup>3</sup> Position that affects the Supply segment positively, neutral for PGE Capital Group.

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

- **A decrease in the volume of distributed** electricity by 0.29 TWh, resulting mainly from lower demand for electricity from high- and medium-voltage consumers. Additionally, there was a decrease in the number of energy consumption points in the tariff of small and medium-sized businesses and farms (by 10.8 ths).
- **Increase in rates in tariff for 2023** - taking into account the provisions of the Act on Emergency Measures - by an average of PLN 42.3/MWh compared to the tariff for the previous year, as a result of the increase in the cost of the balance difference. In addition, the item includes revenues from compensation related to the law limiting electricity price increases in 2023.
- **Higher costs of electricity purchases** to cover network losses mainly as a result of significant increase in electricity prices.
- **Negative impact of the additional estimation of the cost of the balancing difference** as a result of changes in electricity prices. The additional valuation has a neutral impact on the results of the PGE Capital Group.
- **Increase of costs of tax on real estate** results from higher tax rates and an increase in the value of the buildings as a result of the investment and expansion of the power grid.
- **Increase in personnel costs** mainly due to realisation of agreements concluded with the social party.
- **Value change in item Other**, resulting mainly from higher revenues: (i) from connection fee, and (ii) from the sale of other distribution services in the field of reactive energy and capacity excess, as a result of the increase in rates in the 2023 Tariff. Additionally, a higher result on other Operations was included in that item.

## CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Distribution segment.

PLN million	Q3 2023	Q3 2022	% change
Investments in generating capacities, including:	1 086	574	89%
Development	432	278	55%
Modernisation and replacement	654	296	121%
Other	0	4	-100%
<b>Total</b>	<b>1 086</b>	<b>578</b>	<b>88%</b>

## KEY EVENTS IN DISTRIBUTION

- **Connecting new customers:** the Customer Connection Program to the distribution network was implemented, under which in the third quarter of 2023 expenditures were incurred in the amount of PLN 412 million.
- **Program LTE450:** the objective of the Programme is the construction of a modern Special Communications Network in the LTE450 technology for the provision of services such as critical communication, control of energy infrastructure and remote reading for PGE Dystrybucja S.A. The performance of the two key contracts entered into with contractors under tenders for the purchase and implementation of CORE LTE450 core network components and the purchase and implementation of RAN LTE450 radio network components was started on time in the third quarter of 2023. Upgrades of the first batch of telecommunication towers on the premises of PGE Dystrybucja S.A., constituting the backbone of the network under construction, were commenced. Ongoing public proceedings were also continued for the purchase of teletransmission, power supply systems and space leases from commercial operators.
- **Cabling program:** in the third quarter of 2023 PGE continued to implement its cabling program for medium-voltage (MV) grids up to the level of 30% of MV networks owned by PGE Dystrybucja S.A., incurring expenditures in amount of PLN 246 million.

3 203 kms of MV cable lines were completed from the start of the Program in.

269 kms of MV cable lines were installed in the third quarter of 2023.

- **Installation program for remote reading meters:** This project is mandatory and results from the requirements imposed on Distribution System Operators (DSO) by the legislator in the amended Energy Law. In the third quarter of 2023, actions were taken to:
  - supply of meters for end customers connected to the LV network and for MV/LN substations,
  - modernisation of MV/LN substations with regard to ensuring the possibility of installing remote reading balancing meters,
  - installation of meters at consumers and at substations,
  - selection of suppliers of remote reading meters for end consumers for the years 2024 – 2025.

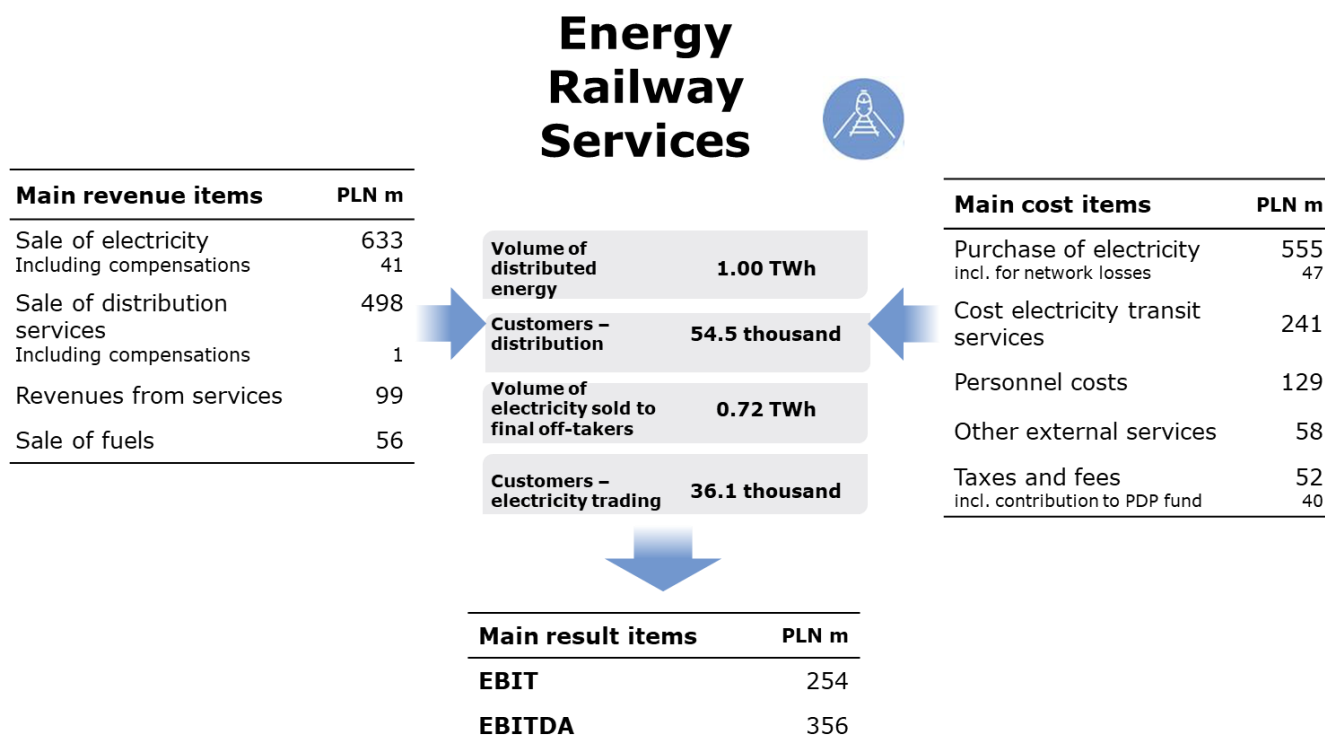
According to the provisions of the law, the DSO should until December 31, 2028 install remote reading meters connected to a remote reading system at power take-off points, representing at least 80% of the total number of end-customer energy consumption points.

- **Implementation of central systems CRM and Billing (NCB Program):** The aim of the NCB Program is the implementation of a comprehensive, central IT solution to support key business processes at PGE Group being performed by PGE Obrót S.A. and PGE Dystrybucja, consisting of two billing systems – separate for each of the companies – and a CRM system for PGE Obrót S.A. The new solution will replace the existing billing and CRM systems for customer service at PGE Group. In the third quarter of 2023, the implementation works of the pilot phase were carried out, which will result in the launch of the new system in selected locations of the PGE Capital Group. At the same time, as part of the accompanying projects included in the programme, works were carried out to ensure the necessary integration of the new solution with other components of the IT environment in the PGE Capital Group.

## RAILWAY ENERGY SERVICES

The segment's main activities are the distribution and sale of electricity to railway operators and customers functioning within the railway system, the sale of fuels, as well as the maintenance and modernisation of overhead contact line network, together with other auxiliary services.

The data presented below concerns the third quarter of 2023.



One of the primary sources of revenue in the Railway Energy Services segment is the **sale of electricity**. This revenue is derived from the supply of energy to railway operators and entities connected to the segment's distribution network. Rail operators are additionally the recipients of fuel sales services.

Another important source of revenue is the distribution of electricity. Similarly to the Distribution segment, this revenue is subject to applicable regulations and based on a tariff approved by the ERO. In principle, this tariff ensures a transfer of reasonable costs and a return on the capital invested in the distribution network. The activities of the Railway Energy Services segment as a distribution network operator are limited to the areas along railway lines throughout the country.

The most significant cost items of the segment include **the purchase of the distribution service, as well as the purchase of electricity and fuels**.

The scope of the Railway Energy Services segment's activities comprises works related to the maintenance of the overhead contact line network and the performance of local modernisation works on this network. The segment also provides power engineering services outside the ranges of the overhead contact line network, such as equipment maintenance, as well as the construction and maintenance of railway traffic control systems. In this type of activity, the most significant costs are **personnel costs**.



Furthermore, under the provisions of the Act on Extraordinary Measures in 2023, a **system of compensating** trading companies for the application of maximum prices and discounts was introduced in December 2022. At the same time, electricity trading companies were required to make **contributions to the PDP Fund**.

### VOLUMES, CUSTOMERS AND OPERATING DATA

The main part of the segment's assets consists of electricity distribution assets held by PGE Energetyka Kolejowa SA. Among other elements, these assets include 530 overhead contact line network substations supplying power to railway lines throughout the country. The total length of the company's network lines is 18 600 kilometres. The network serves approximately 54.5 thousand customers.

Table: Volume of electricity sold to final off-takers and number of customers by power take-off points in the third quarter of 2023.

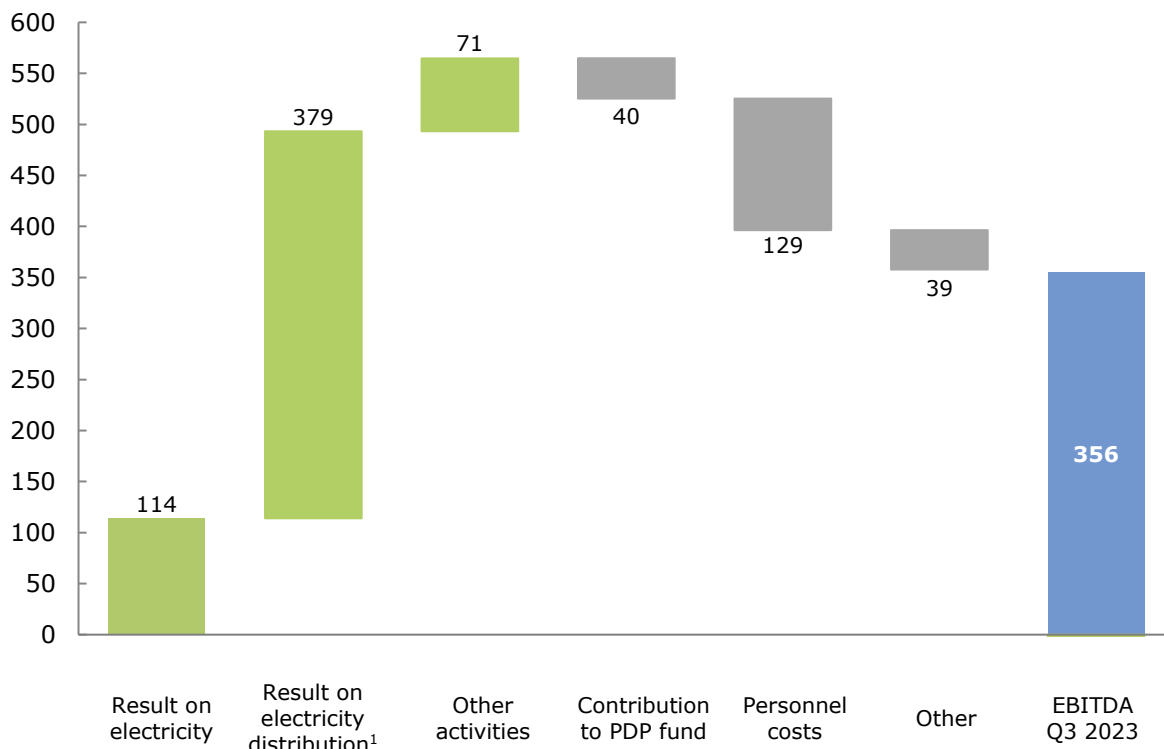
Tariff	Volume (TWh)	Number of customers
	Q3 2023	Q3 2023
B tariff group	0.68	314
C+R tariff groups	0.03	8 147
G tariff group	0.01	27 683
<b>Total</b>	<b>0.72</b>	<b>36 144</b>

Table: Volume of electricity distributed and number of customers by power take-off points in the third quarter of 2023.

Tariff	Volume (TWh)	Number of customers
	Q3 2023	Q3 2023
B tariff group	0.87	637
C+R tariff groups	0.11	25 907
G tariff group	0.02	27 946
<b>Total</b>	<b>1.00</b>	<b>54 490</b>

**KEY FACTORS FOR THE RESULTS OF THE SEGMENT**

Chart: Key changes of EBITDA in Railway Energy Services (in PLN million) – managerial perspective.



EBITDA development factors	114	379	71	-40	-129	-39	356
EBITDA Q3 2022							
EBITDA Q3 2023	114	379	71	40	129	39	<b>356</b>

<sup>1</sup> Excluding the costs of transmission services from PSE S.A., including compensation revenues, connection revenues, resumption of supplies and adjusted for the cost of the balancing difference.

Key factors affecting results of Railway Energy Services segment y/y included:

- **Result on electricity sale**, resulting from the sale of electricity to end users in number of approx. 36.1 thousand (77% of which are customers from the G tariff group) with the total volume of electricity sales at 0.72 TWh (95% to customers from tariff group B).
- **Result on distribution**, which is the result of energy distribution to 54.5 thousand customers (51% of which are customers from the G tariff group) with the total volume of electricity distribution at 1.0 TWh (87% to customers from tariff group B) and revenues from connection fees in amount of PLN 171 milion.
- **Result on other activities** at the level of PLN 71 million regarding activities in the field of traction services, electricity and fuel sales.
- **Contribution to the PDP Fund** in the amount of PLN 40 million in accordance with the adopted legal regulations.
- **Personnel cost** at PLN 129 million with average employment level of 3 950 FTEs.
- **Item Other**, which mainly includes other operating costs.

## CAPITAL EXPENDITURES

Table: Capital expenditures in Railway Energy Services segment

PLN million	Q3 2023
Investment in generation capacities, including:	274
Development	254
Modernisation and replacement	20
<b>Total</b>	<b>274</b>

## KEY EVENTS IN THE SEGMENT

- **MUZa Program:** the Railway Energy Services segment continued the implementation of the **Power Supply Systems Modernisation** programme. The programme is being implemented on the basis of the "Agreement on the principles of establishing a connection to the distribution network" entered into with PKP Polskie Linie Kolejowe S.A. (PKP PLK) and its objectives are the following:
  - enabling an increase in the capacity of railway lines (increase in train traffic),
  - introducing locomotives with higher power (of the order of 6 MW) allowing for an increase in speed up to 200 km/h,
  - electrifying railway lines,
  - reducing the distribution network and equipment failure rate as well as improving the quality parameters of electricity,
  - meeting the power supply requirements according to the standards set out in the Technical Specifications for Interoperability (TSI) of the "Energy" subsystem – obtaining authorisation from the President of the Railway Transport Office (RTO).

On the part of the Railway Energy Services segment, the programme consists in the modernisation and construction of overhead contact line network substations in accordance with the agreements for network connections entered into with PKP PLK. In the third quarter of 2023, the performance of eight agreements for network connections was completed on schedule and the expenditure incurred in this period amounted to PLN 235 million. Since the start of the programme in 2012, 296 connection agreements were signed, of which 248 were completed.

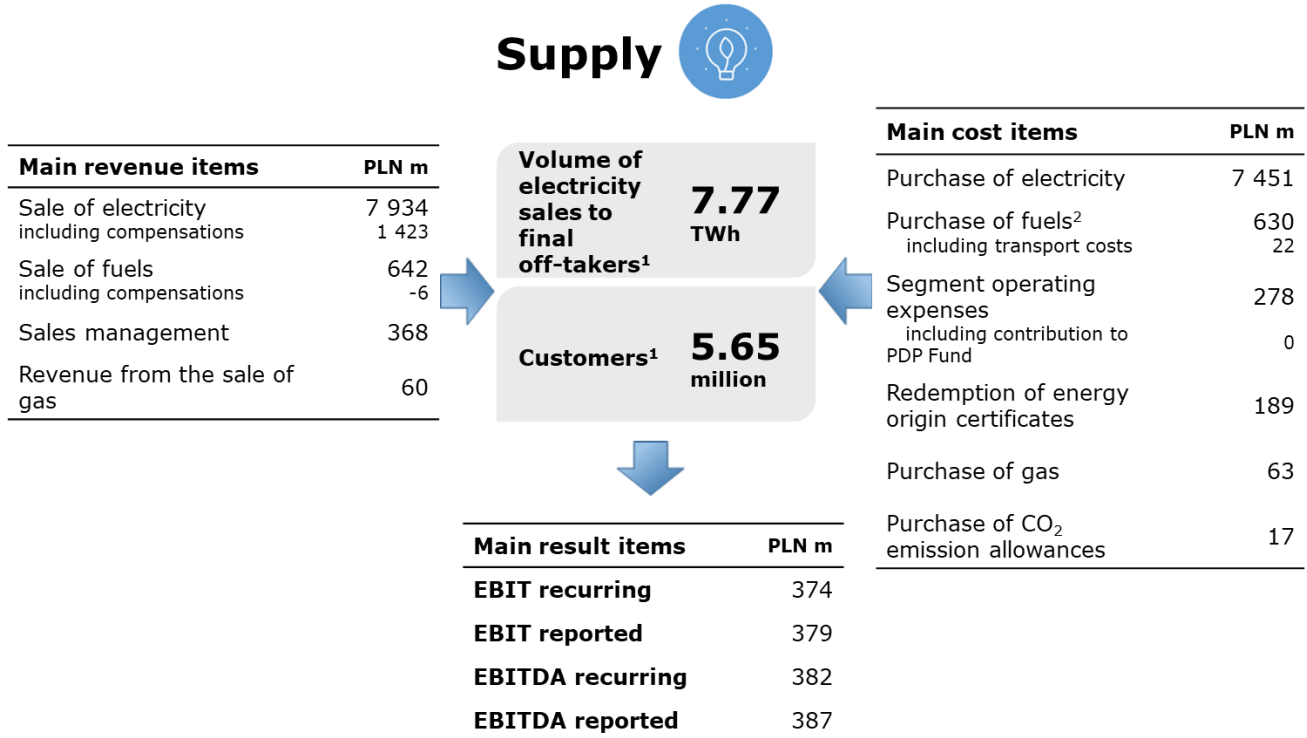
- **Connection of new electricity consumers:** the Railway Energy Services segment continued the implementation of the programme for connecting new customers to the distribution network, under which expenditures of PLN 21 million were incurred in the third quarter of 2023.
- **ZUBI project:** the Railway Energy Services segment continued the project aimed at installing remote reading balancing meters (Balancing Systems Installation – BSI). The implementation of the project is mandatory under the requirements imposed on DSOs by the Legislator in the Energy Law of May 20, 2021. In the third quarter of 2023, the segment was focused on pursuing the following objectives:
  - purchasing remote reading meters for MV/nN substations for the years 2023-2025,
  - purchasing balancing cabinets equipped with modem-routers for the years 2023-2025,
  - purchasing current transformers for the year 2023,
  - purchasing modernisation and installation services for balancing cabinets at MV/nN substations for the years 2023-2025,
  - installing 231 balancing cabinets.

These tasks are aimed at fulfilling the statutory obligation, i.e. the installation of 100% of remote reading meters in medium- and low-voltage substations by December 31, 2025. Expenditures of PLN 7 million were incurred in the third quarter of 2023.

## SUPPLY

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

The data presented below concerns the third quarter of 2023.



<sup>1</sup> Data for PGE Obrót S.A.

<sup>2</sup> Managerial perspective

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

Additionally, based on the provisions of the Act on Emergency Measures in 2023, a system of compensation for trading companies for maximum prices and discounts was introduced from December 2022. At the same time, electricity trading companies are required to make a **contribution to the Price Difference Payment Fund**.

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

As part of the activities on the wholesale market, CO<sub>2</sub> purchases are made for the needs of the Conventional Generation and District Heating segments, which is reflected both in terms of costs and revenues. At the same time, a significant revenue item is the provision of services to the Group's companies related to the management of purchases and sales of electricity and related products.

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

**VOLUME, CUSTOMERS AND OPERATING DATA**

Table: Volume of electricity sales to final off-takers (TWh)<sup>1</sup>.

Tariffs	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
A tariff group	1.35	1.86	4.49	5.47
B tariff group	2.83	2.97	8.50	9.02
C+R tariff groups	1.43	1.45	4.53	4.34
G tariff group	2.16	1.96	6.96	6.86
<b>Total</b>	<b>7.77</b>	<b>8.24</b>	<b>24.48</b>	<b>25.69</b>

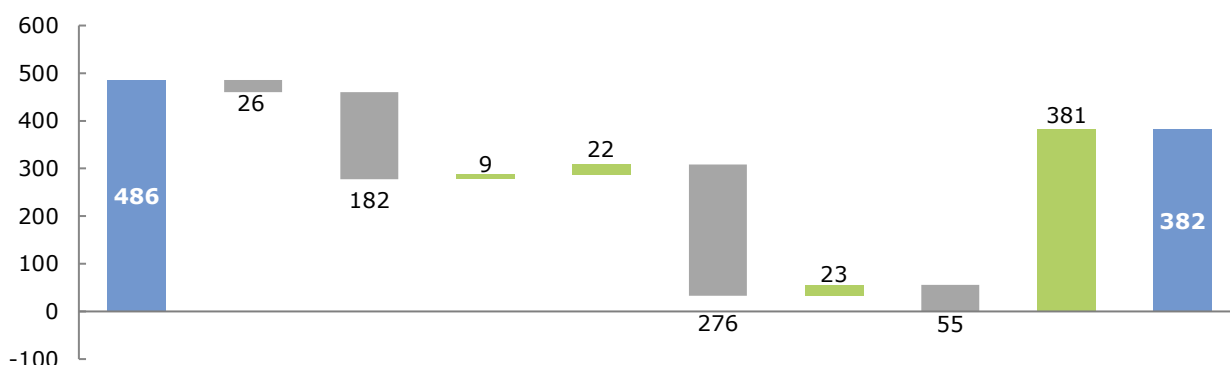
<sup>1</sup> Data for PGE Obrót S.A.

Table: Number of customers according to power take-off points<sup>1</sup>.

Tariffs	Q1-Q3 2023	Q1-Q3 2022	% change
A tariff group	163	154	6%
B tariff group	11 200	11 154	0%
C+R tariff groups	420 436	410 337	2%
G tariff group	5 215 422	5 078 127	3%
<b>Total</b>	<b>5 647 221</b>	<b>5 499 772</b>	<b>3%</b>

<sup>1</sup> Data for PGE Obrót S.A.

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



Change	EBITDA Q3 2022	Result on electricity - volume	Result on electricity - margin	Estimation of the cost of the balancing difference <sup>1</sup>	Revenues from services provided to other segments of the PGE Group <sup>2</sup>	Result on sale of gas and other fuels	Result on sale of CO <sub>2</sub>	Personnel costs	Other <sup>3</sup>	EBITDA Q3 2023
<b>Change</b>		<b>-26</b>	<b>-182</b>	<b>9</b>	<b>22</b>	<b>-276</b>	<b>23</b>	<b>-55</b>	<b>381</b>	
Reported EBITDA Q3 2022	<b>509</b>									
One-offs Q3 2022	<b>23</b>									
Recurring EBITDA Q3 2022	<b>486</b>	455	0	396	285	-40	104	-504		
Recurring EBITDA Q3 2023		247	-9	418	9	-17	159	-123	<b>382</b>	
One-offs Q3 2023										<b>5</b>
Reported EBITDA Q3 2023										<b>387</b>

<sup>1</sup> Position with a negative impact on the Distribution segment, neutral for the PGE Capital Group.

<sup>2</sup> This item does not include the margin on CO<sub>2</sub> transactions with PGE Group companies.

<sup>3</sup> Item without taking into account the impact of reversing the provision for prosumers and correction of the estimate of the contribution to the PDP Fund for 2022 at PGE Obrót S.A. (one-offs).

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

One-offs	Q3 2023	Q3 2022	% change
Correction of estimated contribution to Price Difference Payment Fund for 2022 at PGE Obrót	5	-	-
Release of provision for prosumers <sup>1</sup>	-	23	-
<b>Total</b>	<b>5</b>	<b>23</b>	<b>-78%</b>

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

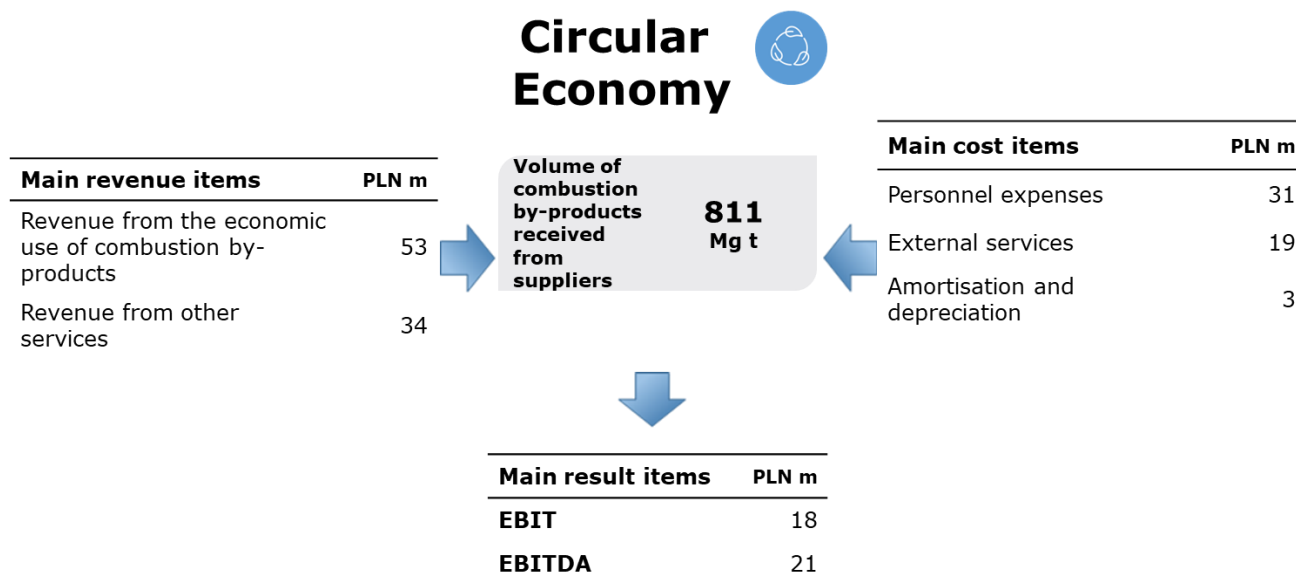
Key factors affecting EBITDA of Supply segment y/y included:

- **The lower result on sale of electricity** is mainly the result of a lower margin on sales on market and tariff products.
- **Positive impact of additional valuation of balancing difference** as a result of changes in electricity prices. The additional valuation has a neutral impact on the results of the PGE Capital Group.
- **Increase of revenues from services performed within the Group** resulting from the increase in revenues under the ZHZW agreement, which is a consequence of the higher value of trade in electricity under management.
- **Lower result on sale of gas and other fuels** is mainly the result of lower margins and sales volumes of fine coal to three parties and within the Group as well as the effect of the high base of last year in terms of gas sales at reserve prices.
- **Higher result on sale of CO<sub>2</sub>** mainly as a result of mainly as a result of higher interim valuation of CO<sub>2</sub> futures contracts.
- **Higher personnel expenses** as a consequence of organisational changes and the ongoing process of changing remuneration.
- **Value change on item Other** mainly as a result of the low base of the previous year in connection with the recognition of write-offs on trade receivables, as a result of the creation of provisions for future doubtful receivables in retail sales companies.

## CIRCULAR ECONOMY

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

The data presented below concerns the third quarter of 2023.

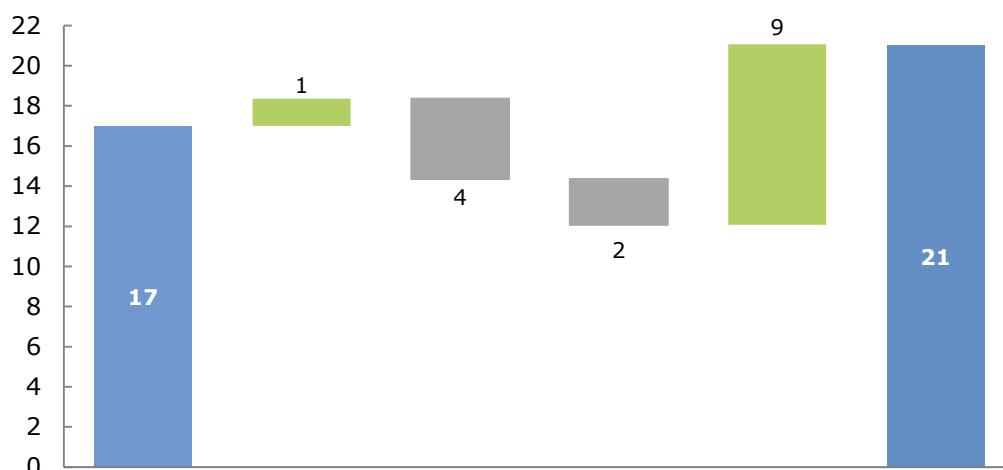


From the beginning of 2021, PGE Group reports a new operating segment – Circular Economy, which includes the following companies: PGE Ekoserwis S.A., EPORE S.A., ZOWER sp. z o.o. The management of combustion by-products at PGE Group turns waste into high-value substances that are used in other branches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

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

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

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



	EBITDA Q3 2022	Revenues from sale of combustion by-products	Personnel costs	External services	Other	EBITDA Q3 2023
<b>Change</b>		<b>1</b>	<b>-4</b>	<b>-2</b>	<b>9</b>	
EBITDA Q3 2022	<b>17</b>	52	27	17	25	
EBITDA Q3 2023		53	31	19	16	<b>21</b>

Key factors affecting EBITDA of Circular Economy segment included:

- **Higher revenues from sale of combustion by-products**, caused by the realisation of a higher selling price.
- **Higher level of personnel costs** is mainly the result of the ongoing process of changing wages.
- **Higher external services costs**, resulting mainly from higher combustion by-products management costs.
- **Value change of item Other**, due to the higher stock of the coal mixture.

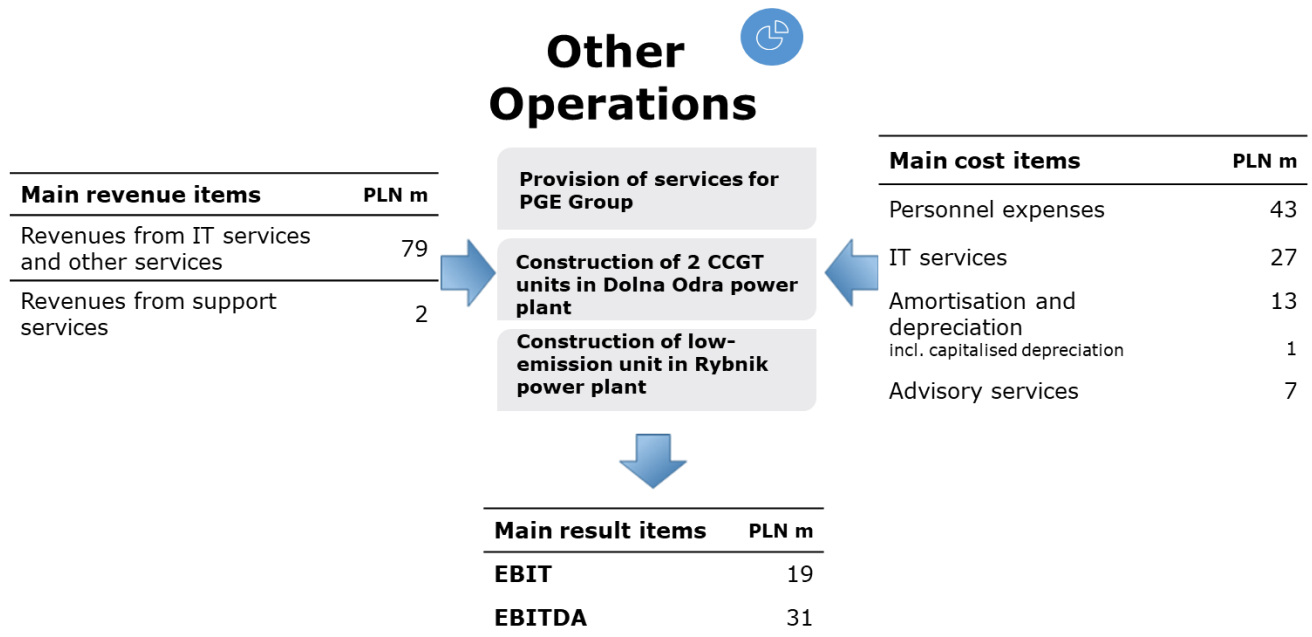


## OTHER OPERATIONS

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

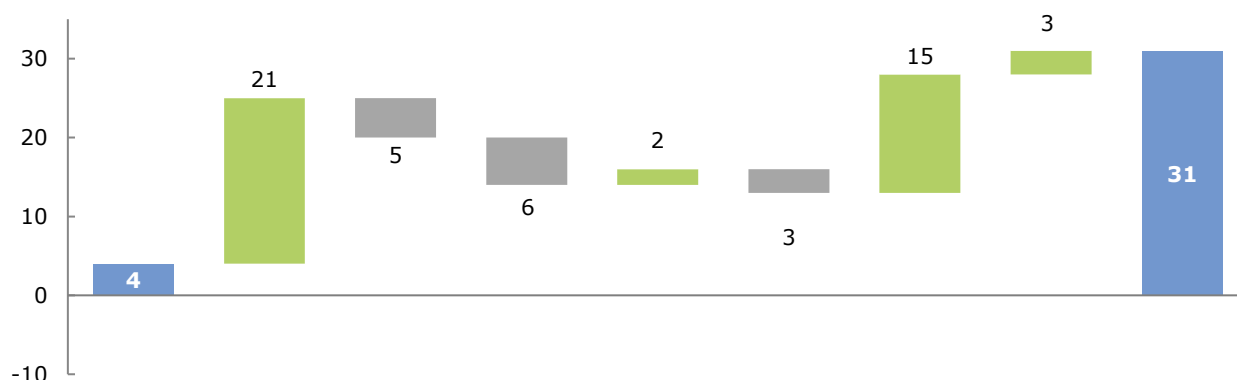
In addition, the segment's structures include companies responsible for the construction of new, low-emission generation units. The structure of the Other Operations also includes companies: PGE Gryfino 2050 sp. z o.o. which is responsible for construction of gas and steam units in Dolna Odra power plant and Rybnik 2050 sp. z o.o., which is responsible for construction of low-emission unit on the premises of Rybnik power plant.

The data presented below concerns the third quarter of 2023.



### KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



	EBITDA Q3 2022	Revenues from sale of services	Costs of IT services	Costs of consulting services	Capitalised costs	Personnel costs	Other operations	Other	EBITDA Q3 2023
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<b>Change</b>		<b>21</b>	<b>-5</b>	<b>-6</b>	<b>2</b>	<b>-3</b>	<b>15</b>	<b>3</b>	
EBITDA Q3 2022	<b>4</b>	60	22	1	13	40	0	6	
EBITDA Q3 2023		81	27	7	15	43	15	3	<b>31</b>

Key factors affecting EBITDA of Other Operations segment included:

- **Higher revenues from the sale of services** due to a wider range of services provided by PGE Systemy S.A. and Elbis sp. z o. o. for companies in the PGE Group.
- **Higher costs of IT services** resulting from the purchase of external services in order for PGE Systemy S.A. to provide a wider range of services to PGE Group and deliver new investment programs, especially LTE450 and higher prices of services provided by the external companies.
- **Higher costs of advisory services** due to the wider scope of projects implemented by Elbis sp. z o.o.
- **Higher capitalised costs** as a result of higher cost allocation to assets in the third quarter of 2023 due to projects carried out by PGE Systemy S.A.
- **Higher personnel costs** due to the increase in the minimum wage and inflation pressure.
- **Higher result on other Operations** as a result of sale of organised part of the enterprise of PGE Synergia sp. z o.o. and reversal of actuarial provision in that company.
- **Change of value on item 'Other'** mainly as a result of postponed settlements of project costs.

## CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Other operations segment

PLN million	Q3 2023	Q3 2022	% change
Investments in generation capacities, including:	228	939	-76%
Development	200	918	-78%
Modernisation and replacement	28	21	33%
<b>Razem</b>	<b>228</b>	<b>939</b>	<b>-76%</b>

## KEY EVENTS IN OTHER OPERATIONS

- In the third quarter of 2023, work continued on the project to build a **CCGT unit** with a gross capacity of 882 MW in Rybnik (**Rybnik 2050 sp. z o.o.**). Currently, the project is at the stage of obtaining permits and preparing documentation that will enable construction works to begin. On August 11, 2023, the General Contractor submitted an application to the City Office in Rybnik, on behalf of the Project Owner, to obtain a construction permit decision. In addition, as part of the tasks accompanying the investment project, on October 6, 2023 a tender procedure was launched for the construction of a system for power evacuation from the newly built CCGT unit.
- Work continued on the construction of two **new gas-and-steam units** of 671 MWe each (**PGE Gryfino 2050 sp. z o.o.**) in the third quarter of 2023. At present, assembly works are well advanced, and the first commissioning works have started, including at the water treatment station and the gas preparation station. With regard to the construction of a gas connection, all works were completed. In July 2023, the operational acceptance procedure for the gas pipeline was carried out and in September 2023, the pipeline was filled with gas. On July 20, 2023, the parties signed an annex according to which the commissioning date for the CCGT units was postponed until April 30, 2024.
- At company **PGE Inwest 14 sp. z o.o.** work is in progress on a Battery Electricity Storage System (BESS) project at ESP Żarnowiec, which will be one of the largest energy storage facilities of its kind in Europe. The project has obtained a decision on environmental conditions and conditions for connection to the 400 kV transmission grid. Another milestone for the project was the first concession promise for electricity storage in Poland. Combining the existing 716 MW Żarnowiec pumped-storage plant with BESS will result in an innovative hybrid installation with a total power rating of at least 921 MW and a capacity of over 4.6 GWh. The capacity of the entire installation corresponds to the capacity of the largest conventional units in Poland, which has a significant impact on increasing the level of flexibility of the NPS, taking into account the constantly increasing share of RES and the progressing phase out of coal-fired units. The BESS will be able to provide a full range of ancillary services. Further activities in 2023 will be related to the preparation of a public procurement procedure for the construction of BESS and the power evacuation system. In addition, BESS will perform the function of technical and commercial balancing for unstable RES, i.e. onshore and offshore wind farms and PV farms owned by PGE Group.

## KEY PROJECTS IN OTHER OPERATIONS

Aim of the project	Budget	Expenditures incurred <sup>1</sup>	Capital expenditures in 2023 <sup>1</sup>	Fuel/ Net efficiency	Contractor	Investment completion date
Construction of two CCGT units at PGE Gryfino 2050 sp. z o.o.	PLN 4.3 bn	PLN 3.1 bn	PLN 292 million	Natural gas/ 63%	Syndicate of companies: General Electric (consortium leader) and Polimex Mostostal	April 2024
Construction of gas-steam unit at Rybnik 2050 sp. z o.o.	PLN 4.0 bn	PLN 72 million	PLN 69 million	Natural gas/ 61%	Syndicate of companies: Polimex Mostostal S.A. (consortium leader), Siemens Energy sp. z o.o., Siemens Energy Global GmbH & Co. KG	December 2026

<sup>1</sup> Expenditures incurred do not include financing costs and expenses in the form of advances paid to the General Contractor for the Investment and to the other contractors.

## 4. Other elements of the report

### 4.1. Significant events of the reporting period and subsequent events

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

In connection with the situation in Ukraine, a Crisis Team has been established at the central level of PGE Group to continuously monitor threats and identify potential risks. The Crisis Team's work includes monitoring the security of electricity and heat generation and supply and the protection of critical and IT infrastructure. Its tasks also include undertaking actions minimising the risk of a crisis situation, preparing the Company in the event of a crisis situation and planning, organising and coordinating works ensuring continuity of the Company's and PGE Group's operations.

Cybersecurity has grown significantly in importance in the current geopolitical situation. PGE Group has implemented special procedures for monitoring Information and communication technologies (ICT) networks due to increased activity of criminal groups aiming to attack ICT and Operational Technology (OT) systems. Incidents are regularly identified: phishing, attempts to install malware and DDoS attacks (Distributed Denial of Service). Safeguards adequate to the changing risks are being implemented.

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

#### KEY AREAS IN PGE GROUP AFFECTED BY THE WAR IN UKRAINE

- level of generated margin,
- fuel availability and prices,
- prices of CO2 emission allowances,
- disruption of the component supply chain 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 RES development,
- import of hard coal,
- cybersecurity and physical security,
- geopolitics,
- new regulations,
- counterparties (sanctions lists).

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

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

#### RISKS RELATED TO GAS SUPPLIES

- CHP Gorzów and CHP Zielona Góra are supplied with field gas (so-called Ln nitrogenous gas). Due to the use of dedicated transmission infrastructure between the mine and the CHP plant, these generating assets are neutral to supply disruptions to Poland's National Gas Transmission System.

- CHP power plants EC Toruń, EC Zawidawie, EC Czechnica, EC Lublin Wrotków, EC Rzeszów, EC Zgierz, EC Bydgoszcz, EC Kielce are supplied with high-methane gas (so-called gas E). Gas E taken from the National Gas Transmission System is secured in the form of adequate storage and in Poland this is at a relatively high level.

PGE Group has no influence over the directions of supply and management of fuel transmission therefore the risk of possible disruptions lies with PKN Orlen S.A. (previously PGNiG S.A.) and the Transmission System Operator (Gaz-System S.A.). PGE has established communication channels with PKN Orlen and Gaz-System S.A. in commercial and operational management in cooperation with the respective PGE Group location. In accordance with national gas supply constraint management programs, securing supplies for electricity and heat generation is favoured over other customers.

#### IMPACT OF FUEL AVAILABILITY CONSTRAINTS ON ELECTRICITY GENERATION

- In the case of gas fuel, due to the lack of stock-holding capacities, a reduced availability translates into an immediate disruption in electricity and heat production. However, if there are back-up coal-fuelled water boilers at a CHP plant, it is possible to produce heat until these stocks are exhausted (this pertains to CHP Lublin Wrotków and CHP Rzeszów). In the case of CHP Gorzów, an OP-140 coal-fired steam boiler constitutes a back-up. At CHP Zielona Góra, oil boilers serve as back-up for heat production.
- The main suppliers of hard coal for electricity and heat production are Polish mining companies and coal importing companies. Currently, CHP plants and Centrally Dispatched Generating Units (JWCD) have reserves of hard coal to enable uninterrupted production of electricity and heat. The electricity supply for PGE Dystrybucja and PGE Obrót is secured on a commercial basis. The physical supply of energy is conditioned by the current balancing and operation of the NPS. Disruptions in electricity generation will affect the energy supply depending on the location on the grid in the NPS. So far, PGE Group has not identified any risk associated with electricity or heat supply to residents, institutions and businesses.

#### THE RISK OF IMPACT OF THE WAR ON FUTURE FINANCIAL RESULTS

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

In view of the dynamic course of the war on the territory of Ukraine and its macroeconomic and market consequences, PGE Group will monitor its development on an ongoing basis and any events that occur will be reflected accordingly in the Group's future financial statements.

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

Significant proceedings pending in front of courts, competent arbitration authority or public administration authority are described in note 24.4 to the consolidated financial statements.

The above-mentioned note discusses, among others: the issue of compensation regarding the conversion of shares, termination by ENEA S.A. of agreements for sale of certificates and issue of increasing the remuneration for the construction of the Siechnice CHP plant.

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

As at September 30, 2023 PGE S.A. and subsidiaries did not grant guarantees to other entities or to a subsidiary, where a value of guarantees constitutes at least 10% of the Company's equity.

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

Information on issue, redemption and repayment of debt securities and other securities is described in p. 4.2 of the foregoing report and in note 1.3 to the consolidated financial statements.

### TRANSACTIONS WITH RELATED ENTITIES

Information about transactions with related entities is presented in note 26 to the consolidated financial statements.

### PROJECT OF SETTING UP THE NATIONAL ENERGY SECURITY AGENCY (NABE)

On March 1, 2022, the Council of Ministers adopted a resolution on accepting the document: "Transformation of the electricity sector in Poland. Separation of generation coal assets from companies with State Treasury shareholding". According to the document, the asset spin-off process will be pursued through acquisition by the State Treasury from PGE S.A., ENEA S.A., TAURON Polska Energia S.A. and ENERGA S.A. all assets related to the generation of energy in hard coal-fired and lignite-fired power plants, including service companies providing services to them. Due to the inseparability of lignite-fired energy complexes, lignite mines will also be among the acquired assets. Assets related to hard coal mining will not be transferred to the entity dealing with generation of electricity in coal units. CHP plants will not be subject to this transaction, as they are planned to be modernised towards low and zero-emission sources. It is planned that the carve-out of assets from the energy groups will take place through the purchase of shares of individual companies directly by the State Treasury and their subsequent consolidation within NABE - if this option is selected, consolidation within NABE will take place through their contribution to a capital increase in PGE GiEK S.A.

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

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

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

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

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

### CONDITIONS OF THE TRANSACTION

On July 14, 2023 PGE received from the State Treasury, represented by the Minister of State Assets, proposal of a non-binding document summarising terms and conditions for acquisition by the State Treasury of all shares held in PGE GiEK S.A. On August 10, 2023 PGE and the Minister of the State Assets, signed a document summarising terms and conditions for acquisition by the State Treasury of all shares held by PGE in PGE GiEK S.A. in order to set up NABE (the "Term Sheet").

Term Sheet particularly includes key economical and legal terms for the realization of the transaction, including key provisions of the preliminary sale agreement and the promised sale agreement as well as proposed mechanism of settling the intragroup debt of PGE GiEK towards the Company. In accordance with the document the sale price of shares of PGE GiEK (Equity Value) amounts to PLN 849 million on the basis of the Enterprise Value settled as at September 30, 2022 (settlement according to locked-box mechanism) and adjusted for the net debt.

The Term Sheet assumes that the debt of PGE GiEK towards PGE in amount of PLN 5.4 billion will be subject to repayment throughout 8-year period from the conclusion of the transaction and the repayment of 70% of the debt will be secured by the guarantee of the State Treasury. The eventual debt existing at the date of the acquisition of shares of PGE GiEK by the State Treasury (if it occurs) will be repaid by NABE using the funds from the loan granted to NABE by banks within the transaction immediately after the transaction closing.

Other intragroup settlements, particularly settlements regarding CO2 emission rights, are being pursued on ongoing basis and will not have impact on the sale price.

The provisions of the Term Sheet are binding only on: prohibition of employment and advertising, confidentiality and duration, costs of the transaction and applicable law and dispute resolution.

In other respects, the Term Sheet is non-binding.

Conclusion of the sale transaction of PGE GiEK S.A. to the State Treasury depends on the fulfillment of number of conditions precedent, the most crucial of which are:

- reaching an agreement in terms of content of the transaction documentation, including future financing of NABE and obtaining initial credit decisions from banks for financing of NABE,
- positive consideration by the Prime Minister of the request for acquisition of shares by the State Treasury from the Reprivatisation Fund,
- obtaining all internal approvals and permits required for concluding or executing the transaction,
- concluding agreements (or relevant appendices) ensuring the operation of the companies forming NABE after the closing of the transaction.

As of the date of preparation of this report, the above conditions precedent have not been met.

### RECOGNITION OF ASSETS RELATED TO PGE GiEK S.A. IN THE FINANCIAL STATEMENTS

In the opinion of the PGE Capital Group, as at the reporting date, the conditions of IFRS 5 concerning operations held for sale regarding assets and liabilities as well as revenue and expenses for the described coal-fired units are not met. In particular, as at the reporting date there is significant uncertainty as to the possibility of continuing the project in its current form (including uncertainty regarding maintaining financial conditions).

Consequently, as at September 30, 2023, assets related to PGE GiEK S.A. are not reclassified to discontinued operations. PGE S.A. also did not make adjustments bringing the value of assets related to PGE GiEK S.A. to the values required by IFRS 5. The values of assets, liabilities, revenue, costs and results of the Conventional Generation segment, showing the data for PGE GiEK S.A. and its subsidiaries, are presented in note 6.1 to these financial statements.

The book value of PGE GiEK S.A. shares in the separate financial statements is PLN 11 723 million as at September 30, 2023. In turn, the book value of consolidated net assets of PGE GiEK S.A. and its subsidiaries as at September 30, 2023 is PLN 10 423 million. If the conditions under IFRS 5 are met in the future, the difference between the indicated values and the future transaction price will be recognised in the financial statements of future periods, adjusting the financial result accordingly. Assuming the value of the transaction



indicated in the Term Sheet and the values of the assets as at September 30, 2023, PGE S.A.'s separate gross profit would be reduced by PLN 10 874 million and the PGE Capital Group's consolidated gross profit would be reduced by PLN 10 874 million and consolidated gross profit would be reduced by PLN 9 574 million.

As at the date of the approval of this report, neither the Management Board nor the Supervisory Board of the Company has made a decision to sell shares in PGE GiEK S.A.

In order to conclude financing agreements and establish NABE on the terms from the Term Sheet, it is necessary for the Parliament to adopt an act on the principles of granting guarantees by the State Treasury for the obligations of the NABE.

As of the date of publication this report, the law has not been adopted and the Company does not know its adoption date. Therefore, in the Company's opinion, it is likely that sale transaction of the PGE GiEK S.A. will not be completed within the timeframe included in the Term Sheet.

### BENEFITS OF COAL ASSET SALES

The discontinuation of Conventional Generation's operations based on coal combustion results from the strategy of the PGE Capital Group, published on 19 October 2020, which assumes climate neutrality by 2050. The spin-off coal assets will bring measurable benefits for the Group, among others, in the following areas:

- greater and more favorable access to sources of debt and equity financing, lower financing costs;
- greater and more favorable access to the insurance market;
- lower cash requirements for hedging CO<sub>2</sub> emission costs and stocks of production raw materials;
- release of credit limits in financing institutions as a result of reducing the demand for EUA allowances;
- increasing the possibility of using financial resources for investments in distribution networks and green technologies, with a higher rate of return;
- reducing the risk of exposure to the price of CO<sub>2</sub> emission allowances.

All the above actions, in the opinion of the Management Board, will increase the attractiveness of the Company for shareholders.

Current reports of PGE S.A.:

[Receipt of the proposal of the terms and conditions for the acquisition of 100% of shares in PGE GiEK](#)

[Obtaining corporate approvals](#)

[Summary of the Term Sheet](#)

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

In 2021 ENESTA sp. z o.o. (currently ENESTA sp. z o.o. in restructurisation) terminated unfavourable contracts for the supply of electricity and natural gas. In 2022, some contractors brought their claims to court. After unsuccessful attempts to reach an agreement with its counterparties, ENESTA sp. z o.o. applied for restructuring proceedings. On June 21, 2022, restructuring proceedings were opened. At the end of 2022 and in February 2023, judgments unfavourable to the company were passed in pending proceedings. The judgments established the existence and validity of contracts for the sale of electricity and natural gas. Due to the need to continue the implementation of unfavourable sales contracts, a provision was created at the end of 2022 for onerous contracts in the amount of PLN 37 million. In addition, provisions were created for potential court disputes in connection with the reserve sale carried out in 2022 by the supplier of last resort in the amount of PLN 56 million. In the three quarters of 2023 provision for onerous contracts was partly released and currently amounts to PLN 11 million. Sales revenues are invoiced in accordance with final court judgments.



As at September 30, 2023, the value of assets and equity and liabilities of the company amounts to PLN 137 million and the value of equity to PLN (-)178 million.

#### RECOMMENDATION NOT TO PAY DIVIDEND FOR 2022

On March 21, 2023 the Management Board of PGE S.A. decided on the recommendation not to pay dividend for 2022 to the PGE's shareholders. Decision was taken in accordance with the dividend policy and is a result of analysis of Company's indebtedness, expected capital expenditures and planned acquisitions (in line with the PGE Group's Strategy until 2030 with 2050 perspective, including acquisition of 100% shares in PKP Energetyka Holding Sp. z o.o.), in the context of prolonged market volatility and uncertainty.

Current report of PGE S.A.:

[Recommendation not to pay dividend](#)

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

In mid-2022 PGE Paliwa sp. z o.o. received a decision from the Prime Minister instructing the purchase of at least 3 million tonnes of thermal coal with parameters similar to the quality parameters used by households and its import into the country by the end of April 2023.

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

The implementation of the above mentioned decision resulted 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 connection with a significant decrease in market prices of coal in 2023 and taking into account the prudence principle, a write-down of the value of coal inventories purchased by the Group and not sold by September 30, 2023 was recognised in the financial results of the PGE Capital Group to the estimated coal prices obtainable on the market. As at September 30, 2023, the amount of the inventory write-down was PLN 645 million. An amount of PLN 574 million was recognised in the current period's results.

On October 10, 2023, an agreement was entered into with the Ministry of Climate and Environment for the financing of the implementation of the Prime Minister's decision. The agreement provides for the reimbursement of costs incurred in connection with the implementation of the decision. A report on the implementation of the decision as at April 30, 2023, as required by the provisions of the agreement, was submitted on time by PGE Paliwa sp. z o.o. to the Ministry of Climate and Environment. The financial effect of the agreement will be reflected in the financial results of the PGE Capital Group in the fourth quarter of 2023. At the time of preparation of these consolidated financial statements, it is estimated that revenue from this agreement in the amount of PLN 672 million will be recognised in the results of the fourth quarter of 2023.

The Group recognised PLN 109 million in the current period results as revenue from compensation for coal deliveries made from January to April 2023. On the other hand, PLN 131 million was recognised in the 2022 results for deliveries made in 2022. The applications for compensation for the respective periods were submitted in accordance with the deadlines set out in the Law of October 27, 2022 on the preferential purchase of solid fuel for households. By the date of this report, PGE Paliwa sp. z o.o. had received all requested compensations. PGE Paliwa sp. z o.o., based on the submitted compensation settlement request, it is obliged to repay the net amount of PLN 6 million, within 14 days of receiving a demand for payment from Zarządca Rozliczeń S.A.

PGE Paliwa sp. z o.o. had carried out sales under the aforementioned Act until April 30, 2023.

### REGULATORY CHANGES ON THE ELECTRICITY MARKET

Due to the electricity market crisis, the legislator decided to introduce regulations that temporarily introduce exceptional solutions for electricity prices and tariffication in 2023. On October 18, 2022, the Act of October 7, 2022, on special measures to protect electricity consumers in 2023 in connection with the situation on the electricity market (Act for Households) entered into force and on November 4, 2022, the Act of October 27, 2022 on Emergency Measures in 2023 entered into force (Act on Emergency Measures). On September 4, 2023, the Act of August 16, 2023 amending the Act on special solutions for the protection of electricity consumers in 2023 in connection with the situation on the electricity market and certain other acts was published, which entered into force on September 19, 2023.

Pursuant to the Act for households, in 2023 an electricity trading company is required to apply to the aforementioned households customers prices equal to those contained in the tariff in force on January 1, 2022 for individual tariff groups up to certain consumption limits. On the other hand, once the Act of August 16, 2023 amending the Act for Households enters into force, the consumption limits for each category of customer will be increased by an additional 1MWh. Once the consumption limits for household consumers are exceeded, a maximum price of 693 PLN/MWh (price excluding VAT and excise duty) is used for billing off-takers in households in accordance with the Emergency Measures Act in 2023. This means that electricity prices have been fixed by law and therefore in 2023 the tariffs approved by the President of the Energy Regulatory Office will not have a direct impact on electricity prices for households.

Additionally, in accordance with the Emergency Measures Act in 2023, the maximum electricity price for other eligible customers is set at 785 PLN/MWh (price excluding VAT and excise duty). After the Act of August 16, 2023 amending the Act for households and certain other acts enters into force, the maximum price will be, similarly to that for households, 693 PLN/MWh. This price, in principle, applies from December 1, 2022, however, the changed amount will apply from October 1, 2023 to December 31, 2023. The maximum price limit for eligible customers also applies to electricity sales agreements concluded or amended after February 23, 2022, in which case the maximum price also applied to settlements for the period from the date of conclusion or amendment of these agreements until November 30, 2022. Electricity companies are required to make systematic refunds resulting from the application of the maximum prices until the end of 2023.

Electricity trading companies, in accordance with the implemented regulations, is entitled to compensation for applying electricity prices in their settlements with household customers at the same level as on 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 to them the prices from 2022 and the difference between the price of electricity resulting from the electricity tariff approved by the President of the Energy Regulatory Office for 2023 and the electricity prices approved in the tariff for 2022. In turn, for applying the maximum price of PLN 693/MWh in settlements with household customers, trading companies are 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 price of electricity resulting from the electricity tariff approved by the President of URE for 2023. Compensation is also due for the use of maximum prices in settlements with other eligible entities. In this case, in principle, the reference price for compensation payments is calculated on the basis of electricity prices in exchange contracts and the prices of electricity purchased for sale to eligible customer, plus the cost of redemption of energy certificates of origin and a margin.

The mechanisms introduced in the Act for Households and the Emergency Measures in 2023 Act should as a rule compensate trading companies for the price reduction.

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

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

- for units generating energy from lignite and hard coal, the price limit takes into account, among other things, the unit cost of fuel consumed, the cost of CO<sub>2</sub> emission allowances, the efficiency of the generating units, a margin and a certain level of investment allowance and for coverage of fixed costs of 50 PLN/MWh.
- for units generating energy from RES, the price limit is determined with reference to the reference price referred to in art. 77 sec. 3 p. 1 of the Renewable Energy Sources Act, whereby for hydroelectric power plants the price limit is 40% of this reference price.

For electricity trading companies, on the other hand:

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

From 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 presented in the consolidated financial statements of the PGE Capital Group:

- PDP Fund contribution for the three quarters of 2023 (including correction for 2022) amounted to PLN 4 765 million (decreasing financial result).
- revenues from compensation for the three quarters of 2023 amounted to PLN 5 514.

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

On September 1, 2023, an amendment to the Act on Extraordinary Measures in 2023 came into force. It determines the rules for paying contributions to the PDP Fund introduced by the Act amending the Energy Law and certain other acts of July 28, 2023.

The amendment concerns, among other things, the extension of the catalogue of revenue items that constitute the basis for calculating the contribution to the PDP Fund. As a result, the amount of contributions transferred by the PGE Capital Group will increase.

In addition, according to the introduced regulations, the system of contributions to the PDP Fund will not be closed before December 31, 2023. Contributions to the Fund will also have to be transferred in 2024 in the case of sales made in the last weeks of 2023.

At the same time, on September 11, 2023, the regulation of the Ministry of Climate and Environment of September 9, 2023 was published, amending the regulation on the method of shaping and calculating tariffs and the method of settlement in electricity trading and entered into force on September 19, 2023. This regulation reduces electricity bills for household consumers by PLN 125.34 on average in 2023, provided that one of the conditions mentioned is met. Power utilities conducting business activities related to electricity trading are obliged to make the reduction at the latest in the last electricity invoice in 2023.

The Group estimated the impact of the regulation on its financial results and made a reduction in revenue of PLN 291 million as at September 30, 2023. The estimate was based on the number of customers who, as at September 30, 2023, met at least one of the conditions listed in the regulation. As at December 31, 2023, the estimate is subject to change.

### MARGIN DEPOSITS

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

Collateral margins are composed of the initial margin and the variation margin.

The clearinghouse Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT) determines the required value of the collateral margin as a sum of the initial margin and the variation margin.

The variation margin is responsible for the on-going alignment of the portfolio value with market values, can take positive (surplus) as well as negative values (margin requirement) and is subject to daily updates. The clearinghouse accepts both monetary and non-monetary collateral - bank guarantees, CO<sub>2</sub>, property rights, sureties and declaration of submission to enforcement in the form of a notarial deed in accordance with Art. 777 of the Civil Code.

In addition, for PGE Group Companies, the IRGiT applies mutual netting of initial and variation margins within the Netting Group, which has the effect of reducing the value of required security deposits.

In the three quarters of 2023 compared to 2022 the amount of collateral deposits significantly decreased as a consequence of the stabilisation of energy prices and the abolition of the 100% exchange trading obligation from December 6, 2022.

From September 1, 2022, the IRGiT introduced updates to the order and amount of recognition of non-monetary collateral to cover the required security deposits. The updated IRGiT rules set the maximum amount of security to be provided in the form of a declaration of submission to execution in the form of a notarial deed pursuant to art. 777 of the Civil Code up to 90% of the value of the required security deposits. The remaining 10% of the value of the required security deposits may be covered by up to 90% with bank guarantees and/or property rights and CO<sub>2</sub> recognised by IRGiT, with at least 10% covered by cash.

The PGE Group has the ability to make forward transactions on ICE Endex of the Intercontinental Exchange Inc. (ICE) and on the European Energy Exchange AG, for which the underlying instrument are CO<sub>2</sub> emission allowances. Margin deposits are required to secure open positions in futures contracts. The margins consist of the Initial Margin and Variation Margin, whose function is to cover the difference between the transaction price of a concluded contract and its market valuation based on the settlement price on a daily basis. For a long position, a fall in the current day's clearing prices compared to the previous day's clearing prices means the necessity to make Variation Margin deposits, while an increase in prices compared to the previous day means that you will receive a Variation Margin.

The PGE Group makes settlements related to CO<sub>2</sub> trading on an ongoing basis.

### NUCLEAR POWER PLANT CONSTRUCTION PROJECT

On October 31, 2022 PGE S.A. signed with Korea Hydro & Nuclear Power Co. Ltd. and ZE PAK S.A. a letter of intent, the aim of which is to start cooperation as part of the strategic Polish-Korean project to build a nuclear power plant in Pałnów-Konin area. The planned capacity of the plant is 2 800 MWe, based on the use of two PWR (Pressurised Water Reactor) nuclear reactors with the Korean APR 1400 technology. The cooperation also includes field and environmental studies, the implementation of a feasibility study and the obtainment of all necessary administrative decisions.

In the Polish Nuclear Power Programme (PNPP), the Pałnów-Konin area is recommended as one of the possible locations for the construction of a nuclear power plant in Poland. The investment project is also in line with the principles of the development of nuclear technologies contained in Poland's Energy Policy until 2040.

On May 22, 2023, PGE PAK Energia Jądrowa S.A. was registered in the National Court Register. PGE S.A. and ZE PAK S.A. each hold 50% of the shares in PGE PAK Energia Jądrowa S.A.

On August 11, 2023, PGE S.A., ZE PAK S.A. and PGE PAK Energia Jądrowa S.A. entered into a shareholders' agreement setting out the rules of this company's corporate governance and business activity.

On August 16, 2023, PGE PAK Energia Jądrowa S.A. filed an application with the Ministry of the Economy for the issuance of a fundamental decision for the construction of a nuclear power plant in the Konin region.

Current reports of PGE S.A.:

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

[Initial agreement on setting up of SPV](#)

### ACQUISITION OF 100% OF THE SHARES IN PKPE HOLDING

The closing of the transaction of the direct acquisition by PGE S.A. of 100% of the shares in PKPE Holding sp. z o.o., and consequently an indirect acquisition of 100% of the shares in PKP Energetyka S.A. and shares in other subsidiaries owned by the company, took place on April 3, 2023. PKPE Holding Sp. z o.o. is a holding company controlling a number of entities the activities of which are concentrated around PKP Energetyka S.A.. The PKP Energetyka Group is distributor and seller of electricity to the traction grid, and additionally provides traction grid maintenance.

The price to be paid at the closing for 100% shares in the company was determined to be PLN 1 913 million on the basis of the enterprise value as at March 31, 2022, and was settled using a locked-box mechanism assumed in the preliminary shares purchase agreement of December 28, 2022 and then was subject to corrections in accordance with the locked-box mechanism.

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

Currently, the companies operate within the structure of the PGE Group in the newly created Railway Energy Services segment.

The acquisition of PKPE Holding Sp. z o.o. was in line with PGE Group's strategy. As a result of the transaction, PGE Group gained access to the distribution grid throughout the whole country.

Current reports of PGE S.A.:

[Signing of the agreement on acquisition of PKP Energetyka S.A.](#)

### SIGNING OF A LOAN AGREEMENT WITH EUROPEAN INVESTMENT BANK

On February 3, 2023 PGE signed a loan agreement with European Investment Bank ("EIB"). The value of the loan agreement amounts to PLN 1.4 billion, the loan will be intended for implementation of the projects in the distribution segment, including MV lines cabling program, connection of new off-takers and generating units as well as installation of smart meters. Investments are planned to be implemented until 2025.

Loan availability period is 24 months from the agreement signing date and the maturity date will be maximum 18 years from the drawing date of the last installment under the agreement. The interest rate will be

determined before the payment of the each installment. The agreement does not provide for tangible collaterals. After signing the above mentioned agreement, total nominal value of the financing from EIB amounts to PLN 5.7 billion.

Current report of PGE S.A.:

[Signing of a loan agreement with EIB](#)

### SIGNING OF THE AGREEMENT FOR CONSTRUCTION OF THE POWER UNIT IN RYBNIK

On February 9, 2023 Rybnik 2050 sp. z o.o., a subsidiary of PGE, signed an agreement with consortium of: Polimex Mostostal S.A. (consortium leader), Siemens Energy Sp. z o.o. (consortium member), Siemens Energy Global GmbH & Co. KG (consortium member). The subject matter of the agreement is the performance of construction and assembly works and other works by the consortium, in order to build a gas and steam unit in Rybnik with a gross capacity of 882 MWe.

The value of the agreement amounts to PLN 3.0 billion net. In connection with the agreement, a service agreement was also signed with regard to gas turbine for the period of at least 12 years starting from the commissioning date of the unit. The value of the service agreement amounts to PLN 0.8 billion net. Total value of all signed agreements amounts to PLN 3.8 billion net.

Current report of PGE S.A.:

[Signing of the agreement for construction of the power unit in Rybnik](#)

### SIGNING OF THE SYNDICATED LOAN

On March 1, 2023 the revolving loan agreement was signed by PGE S.A. with a syndicate consisting of the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank of China (Europe) S.A., Industrial and Commercial Bank of China (Europe) S.A., Alior Bank S.A. and Santander Bank Polska S.A. The subject matter of the agreement includes granting by the banks of the revolving loan of up to PLN 2 330 million. The loan may be utilised for:

- finance the day-to-day operations of PGE S.A. and the Group in particular in line with the long term Group strategy aiming at reduction of emissions and increase of production of electricity from renewable sources;
- finance investment and capital expenditure in connection with the operations of PGE S.A. and the PGE group, other than investments in new carbon assets;
- refinancing of the financial liabilities of PGE and PGE Group.

The final repayment date falls on February 26, 2027. Interest rate of the loan is calculated on the floating rate based on the relevant WIBOR rate (reference rate) plus margin. The margin may be periodically adjusted depending on the ESG rating assigned to PGE by a specialised agency. According to the provisions of the agreement, PGE undertakes to keep the consolidated net debt to consolidated EBITDA at a level not higher than 4:1 in the case PGE holds investment grade credit rating or at a level not higher than 3.5:1 in the case PGE does not held investment grade credit rating.

The loan is not secured on any of the assets of PGE or of the PGE Group.

Current report of PGE S.A.:

[Signing of the syndicated loan](#)

### ENVIRONMENTAL DECISION ON THE TURÓW LIGNITE MINE

On May 31, 2023, the Provincial Administrative Court in Warsaw suspended – pending an analysis of the relevant complaint – the enforceability of the environmental decision on lignite mining for the Turów Mine. The environmental decision sets out the conditions for the implementation of the project: "Continuation of the exploitation of the Turów lignite deposit, carried out in the commune of Bogatynia". The complaint against the environmental decision was filed by, among others, the Frank Bold Foundation, Greenpeace and the EKO-UNIA Ecological Association.



On June 12, 2023, PGE GiEK S.A. filed a complaint with the Supreme Administrative Court in Warsaw against the decision concerning the Turów Mine and issued by the Provincial Administrative Court on May 31, 2023. This was the company's response to the Provincial Administrative Court's suspension of the enforceability of the environmental decision issued by the General Directorate of Environmental Protection in September 2022.

On July 18, 2023, the Supreme Administrative Court overturned the decision of the Provincial Administrative Court of May 31, 2023 to suspend the enforceability of the environmental decision concerning the Turów Mine. The complaints filed by the General Directorate of Environmental Protection, PGE GiEK S.A. and the National Public Prosecutor's Office were taken into consideration.

On August 31, 2023, the Provincial Administrative Court suspended the proceedings on the environmental decision issued by the General Directorate of Environmental Protection and concerning the Turów Mine until the formal conclusion of the proceedings relating to the application of PGE GiEK S.A. for amending the environmental decision. Proceedings at the request of PGE GiEK S.A. to change the environmental decision ended with a final and legally binding decision to discontinue the proceedings.

#### [CHANGE OF COMMISSIONING DATE OF CCGT UNITS IN PGE GRYFINO 2050](#)

On July 20, 2023 PGE Gryfino 2050 sp. z o.o. signed an annex to the agreement for construction of two new power units at PGE Gryfino realized by the syndicate of General Electric Global Services GmbH, General Electric International Inc. and Polimex Mostostal S.A.

According to the provisions of the annex the commissioning date of CCGT units is postponed from December 11, 2023 to a date not later than April 30, 2024.

Prolongation of the completion date of the contract is caused by the occurrence of force majeure events. the change of completion date of the contract does not cause a change of the syndicate's remuneration.

Current report of PGE S.A.:

[Change of commissioning date of CCGT units in PGE Gryfino 2050](#)

#### [OBTAINING THE DECISIONS ON THE PERMIT TO ERECT AND USE ARTIFICIAL ISLANDS](#)

On August 9, 2023 the Company received the decisions of the Minister of Infrastructure on granting of permits to erect and use artificial islands, structures and devices in Polish maritime area (exclusive economic zone) for projects involving construction of offshore wind farms.

Current report of PGE S.A.:

[Obtaining the decisions on the permit to erect and use artificial islands](#)

#### [ACQUISITION OF ZALESIE WIND FARM \(COMPANY LONGWING POLSKA SP. Z O.O.\)](#)

On September 20, 2023, PGE Energia Odnawialna S.A. purchased 100% of shares in LongWing Polska sp. z o. o., which owns the Zalesie wind farm with a capacity of 24.9 MW, located in the Warmian-Masurian Voivodeship. The new investment can provide electricity for almost 38 000 households.

## 4.2. Significant changes in organisation of the Capital Group

Changes which occurred in the PGE Capital Group's structure in the period from January 1, 2023 until the publication date of this report, are presented in note 1.3 to consolidated financial statements and described below.

### ESTABLISHMENT OF COMPANIES

Segment	Entity	Date of establishment/ registration in the National Court Register (NCR)	Comment
<b>Other operations</b>	PGE PAK Energia Jądrowa S.A.	April 13, 2023/ May 22, 2023	On April 13, 2023 PGE S.A. and ZE PAK S.A. (ZE PAK) established a capital company with its registered office in Konin in the form of a joint-stock company with the following name: PGE PAK Energia Jądrowa S.A. PGE S.A. and ZE PAK each hold 50% of shares in the share capital of the established company. The share capital of this company is PLN 10 000 000.

### ACQUISITION OR DISPOSAL OF SHARES BY THE COMPANIES

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
<b>District Heating</b>	EC Zielona Góra S.A. – compulsory buyout of shares of EC Zielona Góra from the minority shareholders by KOGENERACJA S.A. as a shareholder of EC Zielona Góra	March 1, 2021/ On April 25, 2023 the ownership title was transferred.	On March 1, 2021 the Extraordinary General Meeting of EC Zielona Góra adopted a resolution on compulsory buyout of 8 849 shares held by the minority shareholders, representing a total of 1.6% of the share capital of EC Zielona Góra. On April 25, 2023, the above-mentioned 8,849 shares were transferred to KOGENERACJA., by making an appropriate entry in the register of shareholders of EC Zielona Góra. In connection with the above, as of April 25, 2023, KOGENERACJA S.A. became the only shareholder holding 100% of the shares of EC Zielona Góra.
<b>Circular Economy</b>	EPORE S.A. (EPORE) – sale by PGE GiEK S.A. of all possessed shares in EPORE to PGE Ekoserwis S.A. (share sale agreement)	December 23, 2022/ On January 10, 2023 a change was made in the register of shareholders.	On December 23, 2022 PGE GiEK S.A. as a seller and PGE Ekoserwis S.A. as a buyer signed share sale agreement concerning all possessed shares in EPORE, i.e. 63 963 shares, with a total nominal value of PLN 31 981 500, representing 100% in the share capital.
-	ElectroMobility Poland S.A. (ElectroMobility Poland) - share capital increase of ElectroMobility Poland and	December 28, 2022/ January 16, 2023	On December 28, 2022 the Extraordinary General Meeting of ElectroMobility Poland adopted a resolution on increasing the share capital of the company, by private placement of 50 748 series C shares with a nominal value of PLN 4 926.29 each. The Extraordinary General Meeting of the company decided to offer all new shares to be acquired by the State Treasury in exchange for a



Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
	acquisition of all new shares by the State Treasury		cash contribution. As a result of acquisition by the State Treasury of new shares, share of PGE S.A. in the share capital of this company decreased from 4.33% to 2.30%.
<b>Railway Energy Services</b>	PKPE Holding sp. z o.o. with seat in Warsaw (PKPE Holding) – acquisition by PGE S.A. from Edison Holdings S.à.r.l. of all shares in PKPE Holding, owning inter alia 100% shares in PKP Energetyka.	December 28, 2022 On April 3, 2023 the ownership title was transferred.	On December 28, 2022 PGE S.A. as a buyer and Edison Holdings S.à.r.l. as a seller signed preliminary agreement regarding the acquisition of the shares in PKPE Holding (currently: PGE Energetyka Kolejowa Holding sp. z o.o.). As a result PGE S.A. and Edison Holdings S.à.r.l. committed to conclude a promised agreement for the sale of 100% of the shares in PKPE Holding. On April 3, 2023, after meeting certain conditions precedent, PGE S.A. acquired directly 100% of shares in PKPE Holding and indirectly 100% of shares in PKP Energetyka S.A. (currently PGE Energetyka Kolejowa S.A.) and shares in other subsidiaries held by PKPE Holding.
-	Energopomiar sp. z o.o. (Energopomiar) – sale by PGE S.A. and PGE Energia Ciepła S.A. of all possessed shares in Energopomiar to PGE GiEK S.A.	On January 4, 2023 the ownership title was transferred.	On January 4, 2023 PGE S.A. and PGE Energia Ciepła S.A. as sellers and PGE GiEK S.A. as a buyer signed share sale agreement regarding all shares in Energopomiar, i.e. 1 share each in this company, with a nominal value of PLN 1 007 774.28 in case of the share owned by PGE S.A. and with a nominal value of PLN 418 288.40 in case of the share owned by PGE Energia Ciepła S.A., jointly representing 26.48% in the share capital. As a result of the concluded share sale agreement, PGE S.A. and PGE Energia Ciepła S.A. ceased to be partners of Energopomiar, and PGE GiEK currently holds shares constituting in total 49.79% share in Energopomiar.
-	4Mobility S.A. – sale by PGE Nowa Energia sp. z o.o. in liquidation of all possessed shares in 4Mobility S.A. to CetusMobility sp. z o.o.	June 15, 2023 On June 22, 2023 the ownership title was transferred.	On June 15, 2023 PGE Nowa Energia sp. z o.o. in liquidation as a seller and CetusMobility sp. z o.o. as a buyer signed share sale agreement concerning all possessed shares in 4Mobility S.A., i.e. 1 875 000 shares of this company, with a total nominal value of PLN 187 500, representing 37.93% in the share capital. As a result of the signed agreement PGE Nowa Energia sp. z o.o. in liquidation ceased to be a shareholder of 4Mobility.
-	Siechnice Nowa Energia sp. z o.o. - acquisition by KOGENERACJA S.A. from Siechnice Commune 50% of shares in the share capital.	On August 29, 2023 the ownership title was transferred.	On August 29, 2023 KOGENERACJA S.A. as a buyer and Siechnice Commune as a seller signed agreement for sale of shares of Siechnice Nowa Energia sp. z o.o., i.e. 50 shares with a total nominal value of PLN 2 500, representing 50% in the share capital of the company. As a result of the above sales transaction, KOGENERACJA S.A. and the Siechnice Commune currently hold 50% of the shares in the share capital of Siechnice Nowa Energia.
<b>Renewables</b>	LongWing Polska sp. z o.o.- acquisition by PGE Energia Odnawialna S.A. from Solar Energy Ressources S.a r.l. and Ser Windpark Zalesie GmbH 100% of shares in the share capital.	On September 20, 2023 the ownership title was transferred to PGE Energia Odnawialna S.A.	On September 20, 2023 PGE Energia Odnawialna S.A. as a buyer and Solar Energy Ressources S.a r.l. and Ser Windpark Zalesie GmbH as sellers, signed agreement for sale of 100% shares in the share capital of LongWing Polska sp. z o.o., i.e. shares with a total nominal value of PLN 50 000.

Segment	Shares of the company	Date of transaction/ registration in the NCR	Comment
<b>Other operations</b>	PGE Inwest 12 sp. z o.o.– taking up shares by PGE S.A. and joining the PGE Inwest 12 sp. z o.o. and taking up new shares by National Fund for Environmental Protection and Water Management (NFOŚiGW)	October 24, 2023 Not yet registered in the NCR	On October 16, 2023 PGE S.A. and NFOŚiGW signed an investment agreement regarding financing of PGE Inwest 12 sp. z o.o. in order to implement construction of the pumped-storage power plant in Młoty (commune Bystrzyca Kłodzka, Lower Silesia voivodship). As a result of performance of the above-mentioned contract on October 17, 2023 Extraordinary Assembly of Partners of PGE Inwest 12 sp. z o.o. adopted a resolution on increase of the share capital and decided that the new shares in the increased share capital will be taken up respectively by PGE S.A. and NFOŚiGW in exchange for cash contributions. On October 24, 2023 PGE S.A. and NFOŚiGW took up new shares in PGE Inwest 12 sp. z o.o. PGE S.A. will ultimately have 51%, and NFOŚiGW 49% in the share capital.

### MERGERS

Segment	Acquiring company/acquired company	Date of transaction/ registration in the National Court Register	Comment
<b>Renewables</b>	PGE Energia Odnawialna S.A. /Mithra B sp. z o.o. with seat in Warsaw	June 7, 2023/ June 30, 2023 (merger date)	On June 7, 2023 the Extraordinary General Meetings of PGE Energia Odnawialna S.A. and Mithra B sp. z o.o. adopted resolutions on the merger through acquisition, through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company and dissolution of the acquired company without its liquidation. PGE Energia Odnawialna S.A. was the sole shareholder of the acquired company.
<b>Renewables</b>	PGE Energia Odnawialna S.A. / PGE Soleo 3 sp. z o.o. and PGE Klaster sp. z o.o. with seats in Warsaw	June 7, 2023/ June 30, 2023 (merger date)	On June 7, 2023 the Extraordinary General Meetings of PGE Energia Odnawialna S.A. and PGE Soleo 3 sp. z o.o. and PGE Klaster sp. z o.o. adopted resolutions on the merger through acquisition, through transferring of all assets of the acquired companies to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired companies and dissolution of the acquired companies without their liquidation. PGE Energia Odnawialna S.A. was the sole shareholder of the acquired companies.
<b>Circular Economy</b>	PGE Ekoserwis S.A. with seat in Wrocław/ EPORE S.A. with seat in Bogatynia	July 26, 2023/ October 2, 2023 (merger date)	On July 26, 2023 the Extraordinary General Meetings of PGE Ekoserwis S.A. and EPORE S.A. adopted resolutions on the merger through acquisition, through transferring of all assets of the acquired company to the acquiring company without issue of new shares in exchange for the shares in the share capital of the acquired company and dissolution of the acquired company without its liquidation. PGE Ekoserwis S.A. was the sole shareholder of the acquired company.

LIQUIDATION OF COMPANIES

Segment	Company in liquidation	Date of transaction/ registration in the National Court Register	Comment
<b>Supply</b>	PGE Trading GmbH in liquidation with seat in Berlin ("PGE Trading")	March 1, 2021 As of September 30, 2023, the company has not been removed from the commercial register	On March 1, 2021 the Extraordinary Assembly of Partners of PGE Trading, in which PGE holds 100% of the share capital, adopted resolution on dissolution of PGE Trading and appointment of a liquidator to carry out liquidation activities of PGE Trading.
<b>Other Operations</b>	PGE Nowa Energia sp. z o.o. in liquidation	March 31, 2022 As of September 30, 2023, the company has not been removed from the register of entrepreneurs of the National Court Register	On March 31, 2022 the Extraordinary Assembly of Partners of PGE Nowa Energia sp. z o.o. in liquidation, in which PGE holds 100% of the share capital, adopted resolution on dissolution of the company and appointment of a liquidator to carry out liquidation activities.

## 4.3. Changes in the Management Board and in the Supervisory Board

### MANAGEMENT BOARD MEMBERS

As at January 1, 2023, the Management Board of the Company was composed as follows:

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

On January 4, 2023, as a result of the qualification procedure, the Supervisory Board adopted Resolution No. 107/XII/2023 on the appointment of Mr. Rafał Włodarski to the Management Board of PGE S.A., entrusting the function of Vice President of the Management Board for Support and Development with effect from January 9, 2023.

On March 28, 2023 Mr. Ryszard Wasilek submitted his decision to stand down from the position of the Company's Vice-President of the Management Board for Operations, effective April 30, 2023.

On April 19, 2023, as a result of the qualification procedure, the Supervisory Board adopted resolution on the appointment of Mr. Przemysław Kołodziejak to the Management Board of PGE S.A. entrusting the function of Vice-President of the Management Board for Operations as of May 1, 2023.

As at the date of publication of this report, the Company's Management Board is composed of the following members:

- Wojciech Dąbrowski – President of the Management Board
- Wanda Buk – Vice-President for Regulatory Affairs
- Przemysław Kołodziejak – Vice-President for Operations
- Lechosław Rojewski – Vice-President for Finance
- Paweł Śliwa – Vice-President for Innovations
- Rafał Włodarski – Vice-President for Support and Development

### SUPERVISORY BOARD MEMBERS

As at January 1, 2023, the Company's Supervisory Board was composed of:

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

On February 9, 2023, the Company received the resignation of Mr Marcin Kowalczyk from membership in the Supervisory Board of PGE S.A. effective February 9, 2023.

On April 28, 2023, the Ordinary General Meeting of PGE S.A. appointed Mr. Cezary Falkiewicz to the Supervisory Board.

As at the date of publication of this report, the Company's Supervisory Board operates in the following composition:

- Anna Kowalik - Chairman of the Supervisory Board
- Artur Składanek - Vice-Chairman of the Supervisory Board
- Radosław Winiarski - Secretary of the Supervisory Board
- Cezary Falkiewicz - Supervisory Board Member
- Janina Goss - Supervisory Board Member
- Zbigniew Gryglas - Supervisory Board Member
- Tomasz Hapunowicz - Supervisory Board Member
- Mieczysław Sawaryn - Supervisory Board Member

As at January 1, 2023, the standing committees of the Supervisory Board functioned in following composition:

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

On February 9, 2023, the Company received the resignation of Mr Marcin Kowalczyk from membership in the Supervisory Board of PGE S.A. effective February 9, 2023.

On June 6, 2023, the Supervisory Board of PGE S.A. by resolution No. 162/XII/2023 appointed Mr. Cezary Falkiewicz to the Committees: Appointment and Remuneration Committee, Strategy and Development Committee and Audit Committee.

As at the date of publication of this report, the permanent committees of the Supervisory Board operate in the following compositions:

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

## 4.4. Information about shares and other securities

### SHAREHOLDERS WITH A SIGNIFICANT STAKE

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

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

### TREASURY SHARES

As at September 30, 2023 PGE S.A. and subsidiaries did not hold any treasury shares.

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

According to the best knowledge of the Management Board of the Company, none of the members of management and supervisory authorities of the Company held shares of the parent company or shares in entities related to PGE S.A at September 30, 2023.

## 4.5. Publication of financial forecasts

PGE S.A. did not publish financial forecasts.

## 4.6. Significant off-balance sheet items

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

## 4.7. Branches of the Company

The company has a Branch of the Center for Knowledge and Development of the PGE Group with its registered office in Lublin.

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

To the best knowledge of the Management Board of PGE S.A., the quarterly financial report, including condensed interim consolidated financial statements of the Capital Group and quarterly financial information for PGE Polska Grupa Energetyczna S.A. and comparative data, was prepared in accordance with the governing accounting principles, presents a fair, true and reliable view of the material and financial situation of PGE Capital Group and its financial result.

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

## 6. Approval of the Management Board's Report

The foregoing Management Board's Report on activities of PGE Capital Group was approved for publication by the Management Board of the parent company on November 21, 2023.

Warsaw, November 21, 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**



## Glossary

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

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

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

Prosumer	end customer who purchases electricity under a comprehensive agreement and generates electricity only from renewable sources at a micro-installations for own purposes, unrelated to economic activities
PSCMI1	Polish Steam Coal Market Index 1 - average level of prices of coal dust sold to industrial-scale power plants in Poland
RAB	Regulatory Asset Base.
Red certificate	a certificate confirming generation of electricity in co-generation with heat.
Red energy	popular name for electricity co-generated with heat.
Regulator	the President of ERO, fulfilling the tasks assigned to him in the energy law. The regulator is responsible for, among others, giving out licenses for energy companies, approval of tariffs for energy companies, appointing Transmission System Operators and Distribution System Operators.
Renewable Energy Source (RES)	a source of generation using wind power, solar radiation, geothermal energy, waves, sea currents and tides, flow of rivers and energy obtained from biomass, landfill biogas as well as biogas generated in sewage collection or treatment processes or the disintegration of stored plant or animal remains.
RIG	Readiness Interventional Reserve - the power plant's readiness to provide the active power generation service or its consumption at the request of PSE.
SCR	Selective catalytic reduction
SNCR	Selective non-catalytic reduction
Start-up	early-stage company established in order to build new products or services and characterised by a high level of uncertainty. The most common features of start-ups are: short operational history (up to 10 years), innovativeness, scalability, higher risk than in the case of traditional businesses but also potential higher returns on investment
Tariff	the list of prices and rates and terms of application of the same, devised by an energy enterprise and introduced as binding on the customers specified therein in the manner defined by an act of parliament.
Tariff group	a group of customers off-taking electricity or heat or using services related to electricity or heat supply to whom a single set of prices or charges and terms are applied.
TGE	Towarowa Gielda Energii S.A. (Polish Power Exchange), a commodity exchange on which trading can take place in electricity, liquid or gas fuels, extraction gas, emission allowances and property rights whose price depends directly or indirectly on electric energy, liquid or gas fuels and emission allowances, admitted to commodity exchange trading.
TPA, TPA rule	Third Party Access, the owner or operator of the network infrastructure to third parties in order to supply goods/services to third party customers.
Transmission of electricity	transport of electricity through high voltage (220 and 400 kV) transmission network from generators to distributors.
Transmission System Operator (TSO)	a power company engaging in the transmission of gaseous fuels or electric energy, responsible for traffic in a gas or power transmission system, current and long-term security of operation of that system, the operation, maintenance, repair and indispensable expansion of the transmission system, including connections with other gas or power systems. In Poland, for the period from July 2, 2014 till December 31, 2030 Polskie Sieci Elektroenergetyczne S.A. was chosen as a TSO in the field of electricity transmission.
TWh	terawatt hour, a multiple unit for measuring of electricity unit in the system SI. 1 TWh is 10 <sup>9</sup> kWh.
Ultra-high-voltage network (UHV)	an energy network with a voltage equal to 220 kV or higher.
V (volt)	electrical potential unit, electric voltage and electromotive force in the International System of Units (SI), $1 \text{ V} = 1 \text{ J} / 1 \text{ C} = (1 \text{ kg} \times \text{m}^2) / (\text{A} \times \text{s}^3)$ .
W (watt)	a unit of power in the International Systems of Units (SI), $1 \text{ W} = 1 \text{ J} / 1 \text{ s} = 1 \text{ kg} \times \text{m}^2 \times \text{s}^{-3}$ .

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Yellow certificate	a certificate confirming generation of energy in gas-fired power plants and CCGT power plants.
Yellow energy	popular name for energy generated in gas-fired power plants and CCGT power plants.
ZHZW	Commercial Management of Generation Capacities.

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