

# QUARTERLY FINANCIAL REPORT

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of PGE Polska Grupa Energetyczna S.A.  
for the periods of 3 and 9 months

ended 30 September 2024  
in accordance with EU-IFRS (in PLN million)



*Polska Grupa Energetyczna*

# Table of contents

<b>I. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PGE CAPITAL GROUP FOR THE PERIODS OF 3 AND 9 MONTHS ENDED 30 SEPTEMBER 2024 IN ACCORDANCE WITH EU-IFRS.....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>5</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>6</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS .....</b>	<b>7</b>
<b>GENERAL INFORMATION, BASIS FOR PREPARATION OF FINANCIAL STATEMENTS AND OTHER EXPLANATORY INFORMATION.....</b>	<b>8</b>
1. General information .....	8
1.1 Information on the parent company.....	8
1.2 Information on the PGE Capital Group.....	9
1.3 Companies consolidated in the PGE Capital Group .....	10
2. Basis for preparation of the financial statements.....	13
2.1 Statement of compliance .....	13
2.2 Presentation and functional currency.....	13
2.3 New standards and interpretations published, not yet effective.....	14
2.4 The Management Board’s professional judgement and estimates.....	14
3. Impairment tests for property, plant and equipment, intangible assets, rights to use assets and goodwill.....	15
3.1 Description of assumptions for the Conventional Generation segment .....	18
3.2 Description of the circumstances relating to the District Heating segment.....	20
3.3 Description of the circumstances relating to the Renewable segment .....	22
3.4 Description of assumptions for the CCGT units construction project in Nowe Czarnowo to be implemented by PGE Gryfino Dolna Odra sp. z o.o.....	23
3.5 Description of assumptions for the Offshore Wind Energy Project.....	24
3.6 Property, plant and equipment in the Distribution segment.....	25
3.7 Description of assumptions for the Railway Energy Services segment.....	25
4. Changes in accounting principles and data presentation .....	26
5. Fair value hierarchy .....	27
<b>EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>29</b>
<b>EXPLANATORY NOTES TO THE OPERATING SEGMENTS .....</b>	<b>29</b>
6. Information on the business segments .....	29
6.1 Information concerning the operating segments.....	30
<b>EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>32</b>
7. Revenue and expenses.....	32
7.1 Sales revenue .....	32
7.2 Expenses by kind and function .....	34
7.3 Depreciation, liquidation and write-downs.....	34
7.4 Other operating income and expenses .....	35
7.5 Finance income and expenses .....	35
7.6 Share in the result of entities accounted for using the equity method .....	36
8. Write-downs of assets.....	36
9. Income tax .....	36
9.1 Tax in the statement of comprehensive income.....	36
<b>EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....</b>	<b>37</b>
10. Significant acquisitions and disposals of property, plant and equipment, intangible assets and rights to use assets .....	37
11. Future investment commitments .....	37
12. Shares and interests accounted for using the equity method.....	38
13. Joint activities .....	39

14.	Deferred tax in the statement of financial position .....	39
14.1	Deferred income tax assets.....	39
14.2	Deferred tax liabilities .....	39
15.	Inventories .....	40
16.	CO <sub>2</sub> emission allowances for captive use.....	40
17.	Selected financial assets.....	40
17.1	Trade receivables and other financial receivables.....	40
17.2	Cash and cash equivalents.....	41
18.	Other current and non-current assets.....	41
18.1	Other non-current assets.....	41
18.2	Other current assets .....	42
19.	Derivatives and other assets measured at fair value through profit or loss .....	42
20.	Equity .....	44
20.1	Share capital.....	44
20.2	Hedging reserve.....	45
20.3	Dividends paid and proposed .....	45
21.	Provisions .....	45
21.1	Provision for employee benefits .....	46
21.2	Provision for land rehabilitation .....	46
21.3	Provision for costs of CO <sub>2</sub> emissions .....	47
21.4	Provision for property rights to be redeemed.....	47
21.5	Provision for onerous contracts.....	47
21.6	Other provisions .....	47
22.	Financial liabilities .....	48
22.1	Bank credits, loans, bonds and leases .....	48
22.2	Trade payables and other financial liabilities.....	49
23.	Other non-financial liabilities .....	49
23.1	Other non-current non-financial liabilities.....	49
23.2	Other current non-financial liabilities .....	49
<b>OTHER EXPLANATORY NOTES.....</b>		<b>50</b>
24.	Contingent receivables and payables. Litigation .....	50
24.1	Contingent liabilities.....	50
24.2	Other significant issues related to contingent liabilities .....	50
24.3	Other court cases and disputes .....	52
25.	Tax settlements.....	55
26.	Information on related entities .....	57
26.1	Associates and jointly controlled entities .....	57
26.2	Companies controlled by the State Treasury .....	57
26.3	Management remuneration.....	58
27.	Significant events during and after the reporting period.....	58
27.1	Impact of the Russia's war against Ukraine on the activity of the PGE Group.....	58
27.2	Implementation by PGE Paliwa sp. z o.o. of decisions related to the purchase and sale of coal .....	58
27.3	The coal assets spin-off project .....	59
27.4	Regulatory changes .....	60
<b>II. QUARTERLY FINANCIAL INFORMATION OF PGE POLSKA GRUPA ENERGETYCZNA S.A. FOR THE PERIODS OF 3 AND 9 MONTHS ENDED 30 SEPTEMBER 2024 IN ACCORDANCE WITH EU-IFRS.....</b>		<b>63</b>
<b>SEPARATE STATEMENT OF COMPREHENSIVE INCOME.....</b>		<b>63</b>
<b>SEPARATE STATEMENT OF FINANCIAL POSITION .....</b>		<b>64</b>
<b>SEPARATE STATEMENT OF CHANGES IN EQUITY .....</b>		<b>65</b>
<b>SEPARATE STATEMENT OF CASH FLOWS .....</b>		<b>66</b>
1.	Changes in accounting principles and data presentation .....	67
<b>III. APPROVAL OF THE QUARTERLY FINANCIAL STATEMENTS.....</b>		<b>68</b>
<b>GLOSSARY OF TERMS AND ABBREVIATIONS.....</b>		<b>69</b>

# I. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PGE CAPITAL GROUP FOR THE PERIODS OF 3 AND 9 MONTHS ENDED 30 September 2024 IN ACCORDANCE WITH EU-IFRS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended 30 September 2024 <i>(unaudited)</i>	9 months ended 30 September 2024 <i>(unaudited)</i>	3 months ended 30 September 2023 <i>(unaudited)</i>	9 months ended 30 September 2023 <i>(unaudited)</i>
<b>SALES REVENUE</b>	7.1	<b>15,562</b>	<b>46,856</b>	<b>21,515</b>	<b>71,075</b>
Cost of goods sold	7.2	(13,303)	(41,276)	(18,014)	(58,222)
<b>GROSS PROFIT ON SALES</b>		<b>2,259</b>	<b>5,580</b>	<b>3,501</b>	<b>12,853</b>
Distribution and selling expenses	7.2	(313)	(775)	(1,438)	(5,856)
General and administrative expenses	7.2	(480)	(1,385)	(488)	(1,323)
Net other operating income/(expenses)	7.4	(169)	736	(369)	(919)
<b>OPERATING PROFIT</b>		<b>1,297</b>	<b>4,156</b>	<b>1,206</b>	<b>4,755</b>
Net finance income/(costs), including:	7.5	(223)	(545)	(30)	(502)
<i>Interest income calculated using the effective interest rate method</i>		103	261	198	479
Share of (loss) of entities accounted for under the equity method	7.6	(44)	(64)	-	-
<b>GROSS PROFIT</b>		<b>1,030</b>	<b>3,547</b>	<b>1,176</b>	<b>4,253</b>
Income tax expense	9	(308)	(736)	(226)	(1,132)
<b>NET PROFIT FOR REPORTING PERIOD</b>		<b>722</b>	<b>2,811</b>	<b>950</b>	<b>3,121</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that may be reclassified to profit or loss in the future:</b>		<b>(612)</b>	<b>(343)</b>	<b>527</b>	<b>(834)</b>
Valuation of debt financial instruments	20.2	(9)	4	(5)	(1)
Valuations of hedging instruments	20.2	(770)	(427)	653	(1,028)
Foreign exchange differences from translation of foreign entities		(1)	(1)	2	(1)
Deferred tax	9	168	81	(123)	196
<b>Items that may not be reclassified to profit or loss in the future:</b>		<b>(111)</b>	<b>4</b>	<b>-</b>	<b>(133)</b>
Actuarial gains and losses from valuation of provisions for employee benefits		(136)	3	-	(164)
Deferred tax		26	-	-	31
Share of other comprehensive income of entities accounted for using the equity method		(1)	1	-	-
<b>NET OTHER INCOME</b>		<b>(723)</b>	<b>(339)</b>	<b>527</b>	<b>(967)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(1)</b>	<b>2,472</b>	<b>1,477</b>	<b>2,154</b>
<b>NET PROFIT ATTRIBUTABLE TO:</b>					
shareholders of the parent company		728	2,746	953	3,029
non-controlling interests		(6)	65	(3)	92
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
shareholders of the parent company		5	2,407	1,479	2,062
non-controlling interests		(6)	65	(2)	92
<b>NET PROFIT AND DILUTED NET PROFIT PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY (IN PLN)</b>		<b>0.32</b>	<b>1.22</b>	<b>0.42</b>	<b>1.35</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2024 <i>(unaudited)</i>	As at 31 December 2023 <i>(audited)</i>
Property, plant and equipment		72,558	68,508
Intangible assets		1,942	1,952
Rights to use assets		1,867	1,852
Financial receivables	17.1	272	254
Derivatives and other assets measured at fair value through profit or loss	19	234	278
Shares, interests and other capital instruments		112	102
Shares and interests accounted for using the equity method	12	383	453
Other non-current assets	18.1	1,198	1,147
CO <sub>2</sub> emission allowances for captive use	16	8	20
Deferred income tax assets	14.2	4,390	3,774
<b>NON-CURRENT ASSETS</b>		<b>82,964</b>	<b>78,340</b>
Inventories	15	3,013	3,773
CO <sub>2</sub> emission allowances for captive use	16	91	10,517
Income tax receivables		34	967
Derivatives and other assets measured at fair value through profit or loss	19	67	116
Trade receivables and other financial receivables	17.1	8,224	10,516
Other current assets	18.2	1,202	3,181
Cash and cash equivalents	17.2	8,874	6,033
<b>CURRENT ASSETS</b>		<b>21,505</b>	<b>35,103</b>
<b>TOTAL ASSETS</b>		<b>104,469</b>	<b>113,443</b>
Share capital	20.1	19,184	19,184
Supplementary capital		22,252	28,146
Hedging reserve	20.2	(1,437)	(1,095)
Foreign exchange differences from translation		(1)	(1)
Retained earnings		9,314	640
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY</b>		<b>49,312</b>	<b>46,874</b>
Equity attributable to non-controlling interests		1,050	981
<b>TOTAL EQUITY</b>		<b>50,362</b>	<b>47,855</b>
Non-current provisions	21	10,214	9,746
Bank credits, loans, bonds and leases	22.1	10,165	10,384
Derivative instruments	19	702	351
Deferred income tax liabilities	14.2	1,184	1,055
Deferred income and government grants		1,282	1,147
Other financial liabilities	22.2	485	524
Other non-financial liabilities	23.1	178	171
<b>NON-CURRENT LIABILITIES</b>		<b>24,210</b>	<b>23,378</b>
Current provisions	21	16,320	23,263
Bank credits, loans, bonds and leases	22.1	877	4,513
Derivative instruments	19	1,533	1,682
Trade payables and other financial liabilities	22.2	6,924	7,609
Income tax liabilities		591	260
Deferred income and government grants		109	105
Other non-financial liabilities	23.2	3,543	4,778
<b>CURRENT LIABILITIES</b>		<b>29,897</b>	<b>42,210</b>
<b>TOTAL LIABILITIES</b>		<b>54,107</b>	<b>65,588</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>104,469</b>	<b>113,443</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Hedging reserve	Foreign exchange differences from translation	Retained earnings	Total	Non-controlling interests	Total equity
<b>Note</b>	20.1		20.2					
<b>1 JANUARY 2024</b>	<b>19,184</b>	<b>28,146</b>	<b>(1,095)</b>	<b>(1)</b>	<b>640</b>	<b>46,874</b>	<b>981</b>	<b>47,855</b>
Net profit for the reporting period	-	-	-	-	2,746	2,746	65	2,811
Other comprehensive income	-	-	(342)	-	3	(339)	-	(339)
<b>COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>(342)</b>	<b>-</b>	<b>2,749</b>	<b>2,407</b>	<b>65</b>	<b>2,472</b>
Retained earnings distribution	-	(5,894)	-	-	5,894	-	-	-
Dividend	-	-	-	-	-	-	(1)	(1)
Share of change in capital of jointly controlled entities	-	-	-	-	37	37	-	37
Settlement of purchase of additional shares in subsidiaries	-	-	-	-	(4)	(4)	4	-
Other changes	-	-	-	-	(2)	(2)	1	(1)
<b>30 SEPTEMBER 2024</b>	<b>19,184</b>	<b>22,252</b>	<b>(1,437)</b>	<b>(1)</b>	<b>9,314</b>	<b>49,312</b>	<b>1,050</b>	<b>50,362</b>

	Share capital	Supplementary capital	Hedging reserve	Foreign exchange differences from translation	Retained earnings	Total	Non-controlling interests	Total equity
<b>Note</b>	20.1		20.2					
<b>1 JANUARY 2023</b>	<b>19,184</b>	<b>25,049</b>	<b>(32)</b>	<b>4</b>	<b>9,333</b>	<b>53,538</b>	<b>845</b>	<b>54,383</b>
Net profit for the reporting period	-	-	-	-	3,029	3,029	92	3,121
Other comprehensive income	-	-	(833)	(1)	(133)	(967)	-	(967)
<b>COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>(833)</b>	<b>(1)</b>	<b>2,896</b>	<b>2,062</b>	<b>92</b>	<b>2,154</b>
Retained earnings distribution	-	3,097	-	-	(3,097)	-	-	-
Dividend	-	-	-	-	-	-	(2)	(2)
Share of change in capital of jointly controlled entities	-	-	-	-	124	124	-	124
Settlement of purchase of additional shares in subsidiaries	-	-	-	-	-	-	(10)	(10)
Capital increase by other shareholders	-	-	-	-	-	-	8	8
Other changes	-	-	-	-	1	1	-	1
<b>30 SEPTEMBER 2023</b>	<b>19,184</b>	<b>28,146</b>	<b>(865)</b>	<b>3</b>	<b>9,257</b>	<b>55,725</b>	<b>933</b>	<b>56,658</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period ended 30 September 2024 <i>(unaudited)</i>	Period ended 30 September 2023 <i>(unaudited)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Gross profit</b>		<b>3,547</b>	<b>4,253</b>
Income tax paid/refunded		117	(1,725)
<b>Adjustments for:</b>			
Share in loss of entities accounted for under the equity method		64	-
Depreciation, liquidation and write-downs		3,442	3,575
Interest and dividend, net		312	533
(Profit) / loss on investing activities		(234)	(6)
Change in receivables		2,288	567
Change in inventories		727	568
Change in balance of CO <sub>2</sub> allowances for captive use		10,438	4,189
Change in liabilities, excluding loans and credits		(1,493)	(376)
Change in other non-financial assets, prepayments		1,908	356
Change in provisions		(6,584)	(2,309)
Other		87	(94)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>14,619</b>	<b>9,531</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets		(7,390)	(6,407)
Disposal of property, plant and equipment and intangible assets		15	28
Opening of term deposits – over 3 months		(413)	(237)
Closing of term deposits – over 3 months		354	256
Acquisition of a fully consolidated entity, net of cash acquired		-	(1,819)
Acquisition of other financial assets		(21)	(28)
Interest received		62	-
Other		(1)	12
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(7,394)</b>	<b>(8,195)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue for non-controlling shareholders		37	132
Proceeds from acquired loans, credits		4,754	5,061
Repayment of loans, credits and leases		(8,691)	(4,872)
Interest paid		(573)	(572)
Other		89	(9)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(4,384)</b>	<b>(260)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>2,841</b>	<b>1,076</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	17.2	<b>6,033</b>	<b>11,887</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	17.2	<b>8,874</b>	<b>12,963</b>

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

## 1. General information

### 1.1 Information on the parent company

PGE Polska Grupa Energetyczna S.A. was established on the basis of the Notary Deed of 2 August 1990 and registered in the District Court in Warsaw, the 16th Commercial Division, on 28 September 1990. The Company is entered in the National Court Register maintained by the District Court Lublin-Wschód in Lublin with its registered office in Świdnik, the 6th Commercial Division of the National Court Register under number 0000059307. The Company's registered office is located in Lublin, at Aleja Kraśnicka 27.

As at 1 January 2024, the composition of the Management Board was as follows:

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

As at the date of the approval of these consolidated financial statements for publication, the composition of the Management Board is as follows:

- Dariusz Marzec – President of the Management Board,
- Maciej Górski – Vice President of the Management Board,
- Przemysław Jastrzębski – Vice President of the Management Board,
- Robert Kowalski – Vice-President of the Management Board,
- Marcin Laskowski – Vice President of the Management Board.

In the current period, up to the date of the approval of these consolidated financial statements for publication, the following changes in the composition of the Management Board took place:

	Period	
	from	to
Wojciech Dąbrowski	20 February 2020	7 February 2024
Wanda Buk	1 September 2020	7 February 2024
Przemysław Kołodziejak	1 May 2023	4 April 2024
Lechosław Rojewski	9 June 2021	28 February 2024
Rafał Włodarski	9 January 2023	7 February 2024
Eryk Kosiński*	7 February 2024	17 March 2024
Małgorzata Banasik**	7 February 2024	8 March 2024
Dariusz Marzec	18 March 2024	present
Marcin Laskowski	18 March 2024	present
Robert Kowalski	15 May 2024	present
Maciej Górski	24 June 2024	present
Przemysław Jastrzębski	15 July 2024	present

\* Member of the Supervisory Board delegated to temporarily act as President of the Management Board

\*\* Member of the Supervisory Board delegated to temporarily act as Member of the Management Board

### Ownership structure

The shareholding structure of the parent company was as follows:

	As at 30 September 2024	As at 31 December 2023
State Treasury	60.86%	60.86%
Other shareholders	39.14%	39.14%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

The ownership structure as at the particular reporting dates is presented on the basis of the information available in the Company.

According to information available to the Company, as at the date of the publication of these financial statements, the State Treasury was the only shareholder holding at least 5% of the total number of votes at the General Meeting of PGE S.A.



## 1.2 Information on the PGE Capital Group

The Capital Group of PGE Polska Grupa Energetyczna S.A. consists of the parent company, i.e. PGE S.A., and 79 consolidated subsidiaries. Consolidation covers also 2 entities constituting so-called joint operations, 5 associates and 1 jointly controlled entity. For additional information about subordinated entities included in the consolidated financial statements please refer to note 1.3.

These consolidated financial statements of the PGE Capital Group cover the period from 1 January 2024 to 30 September 2024, and include comparative data for the period from 1 January 2023 to 30 September 2023, and as at 31 December 2023. The condensed interim consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2023, as approved for publication on 3 April 2024.

The financial statements of all subordinated entities were prepared for the same reporting period as the financial statements of the parent company, using consistent accounting principles.

The major object of the PGE Capital Group is conducting business activities in the following areas:

- generation of electricity,
- distribution of electricity, including in overhead contact lines,
- wholesale and retail trade in electricity, energy origin rights, CO<sub>2</sub> emission allowances and natural gas,
- generation and distribution of heat,
- provision of other services related to the aforementioned areas.

Business activities are conducted under appropriate concessions granted to the particular entities making up the composition of the PGE Capital Group. The PGE Capital Groups conducts business activities primarily in the territory of Poland.

### **Going concern**

These consolidated financial statements have been prepared based on the assumption that the major companies of the Group will continue as a going concern for a period of at least 12 months from the reporting date.

As at 30 September 2024, PGE Obrót S.A. reports negative equity of PLN (1,350) million. This is mainly the result of a net loss of PLN (2,458) million in 2023, which, in turn, was mainly due to regulatory changes in the retail electricity trading market and the approval by the President of the ERO of a household tariff that does not fully cover the cost of energy purchases. PGE Obrót S.A. has access to financing provided by PGE S.A., therefore the going concern assumption for this company is justified. The impact of regulatory changes on the operations of the PGE Capital Group is described in note 27.4 to these financial statements.

As at 30 September 2024, the equity of PGE Górnictwo i Energetyka Konwencjonalna S.A. meets the conditions of Article 397 of the Commercial Companies Act regarding the threat to the company's continuing as a going concern. On 26 July 2024, the General Meeting passed a resolution on the company's continuing as a going concern. PGE GiEK S.A. has access to financing provided by PGE S.A., therefore the going concern assumption for this company is justified.

In 2021 ENESTA sp. z o.o. (now ENESTA sp. z o.o. under restructuring) terminated unfavourable agreements for the supply of electricity and natural gas. In 2022, some counterparties took their claims to court. After unsuccessful attempts to reach an agreement with the counterparties, ENESTA filed for restructuring proceedings. On 21 June 2022, the restructuring (recovery) proceedings were initiated. In September 2023, ENESTA's capital was increased by PLN 32 million and in December 2023 by a further PLN 34 million. All shares in the increased capital were acquired by PGE Obrót S.A. As at 30 September 2024, ENESTA's assets, capital and liabilities amount to PLN 97 million and its equity amounts to PLN (129) million.

Apart from the issues described above, as at the date of the approval of these financial statements for publication, no circumstances were identified that would indicate any threat to the major PGE Group companies continuing as going concerns within 12 months from the reporting date.

## Changes in the accounting policy

The same accounting principles (policy) and methods of calculation have been followed in these financial statements as in the latest annual financial statements. These financial statements should be read jointly with the audited consolidated financial statements of the PGE Group for the year ended 31 December 2023, as approved for publication on 3 April 2024.

## 1.3 Companies consolidated in the PGE Capital Group

### 1.3.1 Direct and indirect subsidiaries consolidated under the full method

	Company name	Shareholder	Shares held by PGE CG companies as at 30 September 2024	Shares held by PGE CG companies as at 31 December 2023
	<b>SEGMENT: SUPPLY</b>			
1.	PGE Polska Grupa Energetyczna S.A. Warsaw	Parent company		
2.	PGE Dom Maklerski S.A. Warsaw	PGE S.A.	100.00%	100.00%
3.	PGE Obrót S.A. Rzeszów	PGE S.A.	100.00%	100.00%
4.	ENESTA sp. z o.o. under restructuring Stalowa Wola	PGE Obrót S.A.	94.51%	92.25%
5.	PGE Paliwa sp. z o.o. Kraków	PGE EC S.A.	100.00%	100.00%
6.	Energoserwis – Kleszczów sp. z o.o. Rogowiec	PGE S.A.	51.00%	51.00%
	<b>SEGMENT: CONVENTIONAL GENERATION</b>			
7.	PGE Górnictwo i Energetyka Konwencjonalna S.A. Bełchatów	PGE S.A.	100.00%	100.00%
8.	MegaSerwis sp. z o.o. Bogatynia	PGE GIEK S.A.	100.00%	100.00%
9.	ELMEN sp. z o.o. Wola Grzymalina	PGE GIEK S.A.	100.00%	100.00%
10.	ELTUR-SERWIS sp. z o.o. Bogatynia	PGE GIEK S.A.	100.00%	100.00%
11.	"Betrans" sp. z o.o. Kalisko	PGE GIEK S.A.	100.00%	100.00%
12.	BESTGUM POLSKA sp. z o.o. Rogowiec	PGE GIEK S.A.	100.00%	100.00%
13.	RAMB sp. z o.o. Piaski	PGE GIEK S.A.	100.00%	100.00%
	<b>SEGMENT: DISTRICT HEATING</b>			
14.	PGE Energia Ciepła S.A. Warsaw	PGE S.A.	100.00%	100.00%
15.	PGE Toruń S.A. Toruń	PGE EC S.A.	95.34%	95.22%
16.	Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. Wrocław	PGE EC S.A.	58.07%	58.07%
17.	Elektrociepłownia Zielona Góra S.A. Zielona Góra	KOGENERACJA S.A.	100.00%	100.00%
18.	"MEGAZEC" sp. z o.o. Bydgoszcz	PGE S.A.	100.00%	100.00%
	<b>SEGMENT: CIRCULAR ECONOMY</b>			
19.	PGE Ekoserwis S.A. Wrocław	PGE S.A.	100.00%	100.00%
20.	ZOWER sp. z o.o. Rybnik	PGE Ekoserwis S.A.	100.00%	100.00%
	<b>SEGMENT: GAS-FIRED GENERATION</b>			
21.	PGE Gryfino 2050 sp. z o.o. (now PGE Gryfino Dolna Odra sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
22.	Rybnik 2050 sp. z o.o. Rybnik	PGE S.A.	100.00%	100.00%
	<b>SEGMENT: RENEWABLE</b>			
23.	PGE Energia Odnawialna S.A. Warsaw	PGE S.A.	100.00%	100.00%
24.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
25.	Elektrownia Wiatrowa Baltica-4 sp. z o.o. Warsaw	PGE S.A.	66.19%	66.19%

	Company name	Shareholder	Shares held by PGE CG companies as at 30 September 2024	Shares held by PGE CG companies as at 31 December 2023
26.	Elektrownia Wiatrowa Baltica-5 sp. z o.o. Warsaw	PGE S.A.	66.19%	66.19%
27.	Elektrownia Wiatrowa Baltica-6 sp. z o.o. Warsaw	PGE S.A.	66.24%	66.24%
28.	Elektrownia Wiatrowa Baltica-7 sp. z o.o. Warsaw	PGE S.A.	55.04%	55.04%
29.	Elektrownia Wiatrowa Baltica-8 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
30.	Elektrownia Wiatrowa Baltica 9 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
31.	Elektrownia Wiatrowa Baltica 10 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
32.	Elektrownia Wiatrowa Baltica 11 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
33.	Elektrownia Wiatrowa Baltica 12 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
34.	PGE Baltica 2 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
35.	PGE Baltica 3 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
36.	PGE Baltica 5 sp. z o.o. Warsaw	PGE Baltica 3 sp. z o.o.	100.00%	100.00%
37.	PGE Baltica 6 sp. z o.o. Warsaw	PGE Baltica 2 sp. z o.o.	100.00%	100.00%
38.	PGE Baltica sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
39.	PGE Soleo 2 sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
40.	Mithra D sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
41.	Mithra F sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
42.	Mithra G sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
43.	Mithra H sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
44.	Mithra I sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
45.	Mithra K sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
46.	Mithra M sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
47.	Mithra N sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
48.	Mithra O sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
49.	Mithra P sp. z o.o. Poznań	PGE EO S.A.	100.00%	100.00%
50.	LongWing Polska sp. z o.o. Warsaw	PGE EO S.A.	100.00%	100.00%
	<b>SEGMENT: DISTRIBUTION</b>			
51.	PGE Dystrybucja S.A. Lublin	PGE S.A.	100.00%	100.00%
	<b>SEGMENT: RAILWAY ENERGY SERVICES</b>			
52.	PGE Energetyka Kolejowa Holding sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
53.	PGE Energetyka Kolejowa S.A. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
54.	PGE Energetyka Kolejowa Obsługa sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
55.	PGE Energetyka Kolejowa CUW sp. z o.o. Łódź	PGE EKH sp. z o.o.	100.00%	100.00%
56.	Energetyka Kolejowa Budownictwo sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
57.	Energetyka Kolejowa sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
58.	Energetyka Kolejowa Obrót sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
59.	Cedton Investments sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
60.	Remton Investments sp. z o.o. Warsaw	PGE EKH sp. z o.o.	100.00%	100.00%
	<b>SEGMENT: OTHER ACTIVITIES</b>			
61.	PGE Systemy S.A. Warsaw	PGE S.A.	100.00%	100.00%

	Company name	Shareholder	Shares held by PGE CG companies as at 30 September 2024	Shares held by PGE CG companies as at 31 December 2023
62.	PGE Sweden AB (publ) Stockholm	PGE S.A.	100.00%	100.00%
63.	PGE Synergia sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
64.	ELBIS sp. z o.o. Rogowiec	PGE S.A.	100.00%	100.00%
65.	PGE Inwest 2 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
66.	PGE Ventures sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
67.	PGE Inwest 9 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
68.	PGE Inwest 10 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
69.	PGE Inwest 11 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
70.	PGE Inwest 12 sp. z o.o. Warsaw	PGE S.A.	51.00%	100.00%
71.	PGE Asekuracja S.A. Warsaw	PGE S.A.	100.00%	100.00%
72.	PGE Inwest 14 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
	PGE Nowa Energia sp. z o.o. in liquidation Warsaw	PGE S.A.	-	100.00%
73.	PGE Inwest 20 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
74.	PGE Inwest 21 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
75.	PGE Inwest 22 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
76.	PGE Inwest 23 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
77.	PGE Inwest 24 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
78.	PGE Inwest 25 sp. z o.o. Warsaw	PGE S.A.	100.00%	100.00%
79.	Energetyczne Systemy Pomiarowe sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%
80.	Elbest Security sp. z o.o. Bełchatów	PGE S.A.	100.00%	100.00%

The above table includes the following changes in the structure of the PGE Group companies subject to full consolidation that took place during the period ended 30 September 2024:

- On 17 October 2023, the Extraordinary General Meeting of the company PGE Inwest 12 sp. z o.o. adopted a resolution on increasing the company's share capital by PLN 35 million. The increase in the company's share capital was acquired by PGE S.A. and the National Environmental Protection and Water Management Fund, in exchange for a cash contribution. The National Environmental Protection and Water Management Fund acquired 20,200 shares with a value of PLN 20.2 million, and PGE S.A. acquired 14,830 shares with a value of PLN 14.8 million. Consequently, the shareholding of PGE S.A. fell to 51%. On 4 March 2024, the increase in the company's share capital was entered in the National Court Register.
- On 18 December 2023, the Extraordinary General Meeting of ENESTA sp. z o.o. in restructuring adopted a resolution on increasing the share capital by PLN 34 million by way of creating 34,000 new shares with a par value of PLN 1,000.00 each. All shares were taken up by PGE Obrót S.A. PGE Obrót S.A. paid for its shares in March 2024. Consequently, the participation of this company in the capital of ENESTA sp. z o.o. in restructuring increased to 94.51%. At the same time, equity attributable to shareholders of the parent company decreased by PLN 4 million. The increased share capital was entered in the National Court Register on 17 June 2024.
- On 16 February 2024, the liquidation of PGE Nowa Energia sp. z o.o. in liquidation was completed and the company was deleted from the National Court Register.
- On 11 June 2024, the Annual General Meeting of PGE Toruń S.A. decided on a compulsory transaction in which PGE Energia Ciepła S.A. was to buy 48,220 ordinary registered shares representing 0.12% of the share capital of PGE Toruń S.A. from minority shareholders. As a result of the compulsory purchase of shares and an appropriate change in the register of shareholders of PGE Toruń S.A., the participation of PGE Energia Ciepła S.A. in the share capital of PGE Toruń S.A. increased from 95.22% to 95.34%.

## 1.3.2 Joint operations subject to consolidation with respect to assets and liabilities, revenue and expenses attributable to the PGE Capital Group

	Company name	Shareholder	Shares held by PGE CG companies as at 30 September 2024	Shares held by PGE CG companies as at 31 December 2023
	<b>SEGMENT: RENEWABLE</b>			
1.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. Warsaw	PGE Baltica 6 sp. z o.o.	50.00%	50.00%
2.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. Warsaw	PGE Baltica 5 sp. z o.o.	50.00%	50.00%

## 1.3.3 Associates and jointly-controlled companies consolidated under the equity method

	Company name	Shareholder	Shares held by PGE CG companies as at 30 September 2024	Shares held by PGE CG companies as at 31 December 2023
1.	Polimex Mostostal S.A. Warsaw	PGE S.A.	16.28%	16.19%
2.	PEC Bogatynia S.A. Bogatynia	PGE EC S.A.	34.93%	34.93%
3.	ZPBE Energopomiar sp. z o.o. Gliwice	PGE GiEK S.A.	49.79%	49.79%
4.	PGE Soleo Kleszczów sp. z o.o. Kleszczów	PGE EO S.A.	50.00%	50.00%
5.	PGE PAK Energia Jądrowa S.A. Konin	PGE S.A.	50.00%	50.00%
6.	Elester sp. z o.o. Łódź	PGE Energetyka Kolejowa Holding sp. z o.o.	39.96%	39.96%
		PGE Energetyka Kolejowa S.A.	50.00%	50.00%

## 2. Basis for preparation of the financial statements

### 2.1 Statement of compliance

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

The International Financial Reporting Standards comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC").

### 2.2 Presentation and functional currency

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

At the reporting date, for the purpose of translation of items denominated in currencies other than PLN, the following exchange rates were applied:

	30 September 2024	31 December 2023	30 September 2023
<b>USD</b>	3.8193	3.9350	4.3697
<b>EUR</b>	4.2791	4.3480	4.6356

## 2.3 New standards and interpretations published, not yet effective

The following standards, changes in already effective standards and interpretations are not endorsed by the European Union or are not effective as at 1 January 2024:

Standard	Description of changes	Effective date
IFRS 14 Regulatory Deferral Accounts	The principles of accounting and disclosure for regulatory deferral accounts.	In accordance with the decision of the European Commission, the approval process of the standard in its preliminary version will not be initiated before the standard in its final version is published.
Changes to IFRS 10 and IAS 28	The guidelines concerning sales transactions or an investor's contribution of assets to an associate or a joint venture.	Work on the approval of the changes has been suspended indefinitely.
Changes to IAS 21	The changes relate to the effects of changes in foreign currency exchange rates – lack of convertibility	1 January 2025
Annual revision of standards, 11th edition	The changes relate to IFRS 1, IFRS 7, IFRS9, IFRS10 and IAS7	1 January 2026
Changes to IFRS 9 and IFRS 7	The changes relate to disclosures in the classification and measurement of financial instruments	1 January 2026
MSSF 18	Presentation and disclosures in financial statements	1 January 2027
MSSF 19	Disclosure of information	1 January 2027

The PGE Capital Group intends to accept the aforementioned standards and changes to standards and interpretations as published by the International Accounting Standards Board, but not effective as at the reporting date, after they have entered into force. The above regulations will not have a material impact on the future financial statements of the PGE Capital Group.

## 2.4 The Management Board's professional judgement and estimates

In the process of applying the accounting policy to the foregoing issues, the most important element, besides accounting estimates, was the management's professional opinion, which influences the values disclosed in the consolidated financial statements, including the additional explanatory notes. The assumptions of these estimates are based on the Management Board's best knowledge of current and future activities and events in the respective areas.

Detailed information on the adopted assumptions is presented below or in the relevant notes.

- In the first half of 2024, the Group carried out an analysis of the rationale and subsequent impairment testing of non-current assets. The results of the tests are described in note 3 to these financial statements. The estimate of the recoverable amount of property, plant and equipment is based on a number of significant assumptions, the future realisation of which is uncertain and for a significant part beyond the control of the PGE Capital Group. The Group has adopted what it believes to be the most appropriate amounts and values; nevertheless, it cannot be ruled out that the realisation of particular assumptions will differ from those adopted by the Group. The rationale analysis and impairment tests performed as at 30 June 2024 are valid for the financial statements for the period ended 30 September 2024.
- Provisions are liabilities whose amount or timing of payment is uncertain. During the reporting period, the Group changed its estimates of the reasonableness or amount of certain provisions. In particular, the provision for land rehabilitation costs and the provision for employee benefits were updated during the reporting period due to a decrease in the discount rate. Details are set out in note 21 to these financial statements.
- At the end of the current reporting period, the Group estimated the imbalance of electricity fed into the grid by prosumers. The energy generated and fed into the grid by prosumers enters the grid during periods of overproduction, thereby reducing the Group's need to purchase energy in the market. However, during the autumn and winter periods, when prosumers consume energy in the absence of generation covering their own demand, the Group has to purchase the missing volumes of electricity on the market. The Group created an estimated liability of PLN 622 million on this account. The Group believes that the estimation of the liability in question most closely reflects the Group's interim results, which stabilise at the end of the year during the winter period and decrease to negligible values.

In the previous period, the Group was not able to make such an estimate reliably, as it did not have sufficient information and tools to make an estimate. Using current knowledge, the estimate of the liability would be approximately PLN 497 million as at 30 September 2023. The figures for the comparative period were not restated.

- Uncertainties related to tax settlements are described in note 25 to these consolidated financial statements.



- The Group makes significant estimates in respect of recognised contingent liabilities. Relevant details are set out in note 24 to these financial statements.
- The valuation of financial instruments results from a number of assumptions and estimates based on data available at the time the financial statements were being prepared. Changes in these assumptions and estimates may affect the future financial statements of the PGE Capital Group.
- Due to the crisis situation on the electricity market, a number of legal regulations came into force in 2022, which made it necessary on the part of the PGE Capital Group to make estimates of revenue and costs in the field of compensation related to the purchase of coal, compensation and price adjustments resulting from the Act for Households, the write-down for the Price Difference Payment Fund resulting from the Emergency Measures Act in 2023. A detailed description of these estimates can be found in notes 27.2 and 27.4 to these financial statements.
- Some of the sales revenue described in note 7.1 to these consolidated financial statements is invoiced based on cyclical readings of metering and billing systems. This results in the necessity to re-estimate sales revenue in respect of supplies for which the PGE Capital Group does not have meter readings at the reporting date. Revenue from sales on the electricity balancing market is subject to adjustments after the end of the reporting period. The final value of the sale or purchase cost of electricity is determined up to 14 months after the end of the relevant delivery period.

### 3. Impairment tests for property, plant and equipment, intangible assets, rights to use assets and goodwill

Property, plant and equipment constitute the most important part of the PGE Capital Group's assets. In view of its changing macroeconomic environment, the PGE Capital Group periodically reviews circumstances indicating a loss of the recoverable value of its assets. In its evaluation of the market situation, the PGE Capital Group uses both its own analytical tools and support provided by independent consulting entities. In previous reporting periods, the PGE Capital Group made significant impairment write-downs of property, plant and equipment in the Conventional Generation, Renewable and District Heating segments. The impairment write-down relating to the Renewable segment was also wholly reversed.

In the first half of 2024, the Group analysed the rationale and identified factors that could have significantly contributed to a change in the value of fixed assets held in the aforementioned segments, in the Railway Energy Services Segment, as well as in the companies PGE Gryfino Dolna Odra sp. z o.o., EW Baltica 2 sp. z o.o. and EW Baltica 3 sp. z o.o. The rationale analysis and impairment tests performed on 30 June 2024 are valid for the financial statements for the period ended 30 September 2024.

#### External circumstances

- The market capitalisation of PGE S.A. continues to be below the net book value of assets.
- The electricity price for forward contracts for the following year between January and May 2024 was approximately PLN 458/MWh, 29% lower than the price at the end of 2023 (PLN 642/MWh).
- Between January and May 2024, the weighted average quotation of the EUA DEC 24 instrument was EUR 65/t, 22% lower than the average price of the EUA DEC 23 instrument observed at the end of 2023 (EUR 83/t).
- The average price of hard coal at ARA ports in monthly follow-on contracts in the period from January to May 2024 was USD 107/t and decreased by 14% compared to the end of 2023 (USD 124/t).
- The average price of natural gas from January to May 2024 was EUR 29/MWh, down 31% compared to the end of 2023 (EUR 42/MWh).
- The average price of domestic coal from PSCMI1 between January and May 2024 was PLN 23/GJ, down 30% compared to the end of 2023 (PLN 33/GJ).
- As a result of the analysis of the aforementioned reasons, the Group carried out asset impairment tests as at 31 May 2024 for the segments of Conventional Generation, Railway Energy Services, Renewable, District Heating, to which goodwill related to the companies PGE Gryfino Dolna Odra sp. z o.o., EW Baltica 2 sp. z o.o. and EW Baltica 3 sp. z o.o. is allocated. On the basis of the tests carried out, it was determined that no write-downs or reversals of write-downs were required for the said segments and companies.

## Macroeconomic assumptions

The main price assumptions, i.e. those concerning the prices of electricity, CO<sub>2</sub> emission allowances, coal, natural gas and the assumptions relating to the majority of the Group's generating facilities are derived from a study prepared in June 2024 by an external, independent entity that is a recognised centre of expertise in the energy market (the "Advisor"). The first two years of the projection include PGE's own estimates based on the current market situation. The subsequent forecast years are based on the aforementioned study prepared by the Advisor. The Advisor used current scenarios for the economic and demographic development of the country and estimates of changes in key market parameters. The Advisor's forecasts take into account the legal conditions arising from the current energy policy, at both the EU and national levels.

The environment in which the PGE Capital Group operates is characterised by high volatility of macroeconomic, market and regulatory conditions. Changes in these conditions may have a significant impact on the financial position of the PGE Capital Group, therefore the assumptions used to estimate the value in use of assets are subject to periodic review, using the knowledge of the independent Advisor.

Electricity price projections assume an average annual price increase of around 1.4% between 2025 and 2026 compared to 2024, a price increase of 8.0% in 2027 compared to 2026, followed by an average annual increase of around 5.0% between 2028 and 2040.

CO<sub>2</sub> allowance price projections assume a 19.0% price increase in 2025 compared to 2024, a 29.5% decrease in 2026 compared to 2025, followed by an average annual increase between 2027 and 2030 of around 11.9%, reflecting changes in the parameterisation of the Market Stability Reserve (MSR) mechanism and the EU ETS itself, introduced following the adoption of the Fit for 55 package and incorporating the effects of the adoption of the EU Repower plan. These changes result in a marked reduction in the supply of allowances in the second half of this decade. After 2030, an average annual allowance price increase of around 5.7% is projected until 2040, as a result of the continuation of policies leading to climate neutrality in 2050. According to the data provided by the Advisor, the short-term decline in CO<sub>2</sub> prices is linked to the decline in the consumption of fossil fuels in the energy sector and the decline in industrial production, which translates into lower hedging and trading volumes in the forward contracts market. The decrease in demand for allowances is also influenced by the higher volumes of allowances offered at auctions in 2024 relative to 2023 and the postponement of the 2023 emissions settlement date in the EU ETS from April to September 2024.

Hard coal price forecasts assume an average annual decline of around 2.4% in 2025-2026 compared to 2024, due to the fact that hard coal prices on world markets have returned to levels seen before the outbreak of the energy crisis in Europe (USD 100-120/t). Thereafter, a gradual decline in global coal demand is expected due to the implementation of climate policy elements, including in particular the development of RES. It is assumed that rising demand pressures will be partially offset by rising extraction costs (over and above inflation), resulting in the assumed average annual growth of around 2.5% between 2027 and 2030 and 1.1% between 2031 and 2040.

Natural gas price forecasts assume a 7.5% decrease in 2025 relative to 2024 prices and a 2.5% increase in 2026 relative to 2025. The forecast gas prices in Europe are most influenced by the cost of LNG imports and the associated level of investment in liquefaction and re-gasification facilities around the world. A significant percentage of lost Russian gas imports have been replaced by LNG imports, primarily from the USA. At present, gas prices have returned to levels lower than those before the outbreak of the energy crisis in Europe. It is not only the increasing supply that has contributed to the falls, but above all the reduction in demand due to recessionary factors, as well as a winter milder than in recent years. Thereafter, until 2035, natural gas prices are expected to fall annually by around 2.2%, which in the second half of the 2020s is due to an increase in the supply of internationally traded gas, and then after 2030 is expected to be caused by a reduction in the share of gas in the energy mix in favour of hydrogen and RES, combined with the development of energy storage facilities.

The price forecasts for energy origin property rights assume an average annual price increase of 31.8% between 2025 and 2026, followed by an average annual decrease between 2027 and 2031 of around 17.6% relative to 2026, which is related to the decreasing obligation to redeem such rights (first an increase to be followed by a decrease).

Forecasts of revenue from the capacity market in the years 2024-2028 are based on the results of completed major and additional auctions for these years of supply, taking into account the mechanisms of joint balancing among the companies belonging to the PGE Capital Group. The forecast for the period from the year 2029 was prepared by a team of experts from PGE S.A. on the basis of assumptions concerning future cash flows for power generation units based, among other things, on the results of already completed auctions and forecasts prepared by an external expert. For one-year contracts with delivery from 1 July 2025 and multi-year contracts concluded in the auctions for 2025 onwards, an emission criterion of 550g CO<sub>2</sub>/kWh (so-called EPS 550) applies, which in practice excludes the participation of all coal-fired units in the Capacity Market. However, according to the adopted amendment to the Capacity Market Act of 23 July 2021, there is a limited possibility to use CMUs that do not meet EPS 550 for concluded contracts.



The availability of power generation units was estimated on the basis of overhaul plans and failure frequency statistics.

### **Weighted average cost of capital**

In 2023, the global economy and financial markets were influenced by the repercussions of the post-pandemic economic rebound, the so-called energy crisis, changes in monetary policies and the military conflicts in Ukraine and the Middle East. As a result of one of the fastest monetary tightening cycles in history, a significant number of countries, including Poland, have achieved the effects of lowering the level of inflation, although this has taken place in an environment of reduced economic growth. In 2024, individual central banks have started, or are signalling, a shift to a more accommodative monetary policy, making the pace of interest rate cuts dependent on incoming data. Consequently, a high level of uncertainty about the macroeconomic outlook persists, which affects the dynamics of the situation on financial markets.

In view of these conditions, the PGE Group applies a weighted average cost of capital path, which takes into account current market parameters and characteristics (including elevated levels of market interest rates), and in subsequent periods gradually approaches levels representing the long-term average, based on the full business cycle and fundamental economic relationships. In the PGE Group's view, this approach avoids undue influence of short-term volatility on the valuation of long-term assets.

### **Climate issues**

In July 2021, the European Commission published the Fit for 55 legislative package, aiming, among other things, to achieve a 55% (previously 40%) reduction in EU greenhouse gas emissions by 2030 compared to 1990. As expected by market participants, the reform of the EU ETS system included in the package should result in a significant increase in the level of CO<sub>2</sub> emission allowance prices, which in practice already occurred in 2021. Since then, CO<sub>2</sub> allowance prices have remained high, with further increases predicted in the second half of this decade. The changes introduced may negatively affect the margins earned by carbon-intensive power generation units, particularly to the extent that the increase in the price of CO<sub>2</sub> allowances is not passed on in the price at which these units sell the electricity or heat they produce. In December 2022, the Council and the EU Parliament reached important agreements on the "Fit for 55" package proposal, the EU's plan to increase the target of reducing greenhouse gas emissions below 55% by 2030 compared to 1990 levels. Another important element of the package was to increase the target for the share of RES in the European Union's energy mix to 42.5% in 2030 (previously 32%). The establishment of this target in agreement with the Council was voted through in the European Parliament in September 2023.

On 15 December 2022, the Decarbonisation Plan to 2050 was adopted for the District Heating segment within the PGE Capital Group. The Plan was updated on 5 October 2023. The objective of the Decarbonisation Plan is to meet the regulatory requirements for the power industry and to maintain the current generation potential in the long term in order to meet customer needs. The Decarbonisation Plan constitutes an operationalisation of the objectives set out directly in the PGE Capital Group's strategy and in the strategy implementation plan for the District Heating segment. The plan defines the locations where the transformation of generation assets will be carried out, the timetable for the main activities, the planned expenditures and the expected effects. The transformation of generation capacities through the use of new low- or zero-carbon power generation units is planned for the period until 2030 and the achievement of climate neutrality by 2050.

Accordingly, the District Heating segment is gradually replacing old coal-fired sources with new renewable and low-carbon sources. It is planned that, by 2030, most of the facilities where the PGE Capital Group's coal-fired district heating assets are located will have commissioned new installations, which will result in a complete or significant shift away from the coal fuel. Natural gas, geothermics, biomass, waste heat, large-scale heat pumps and electrode boilers will be used to generate heat in the new and upgraded district heating units. The Decarbonisation Plan has been taken into account when estimating the value in use of the District Heating segment's production assets.

The changes described above mean that a reduction in the volume of generation from conventional sources is anticipated, with a consequent reduction in expenditure (CAPEX and OPEX) on maintenance tasks of coal assets, which further affects the anticipated decline in profitability through the gradual deterioration of the availability of these units. At the same time, the aforementioned legislative and market changes favour the development of zero- and low-carbon sources, which, when the Group invests in these particular technologies, positively translates into the value in use of the assets under test. It should also be borne in mind that fossil fuel-based generation facilities, in the face of the uncertainty of RES generation (driven by environmental factors: water, wind, solar), are still needed in the electricity system to balance it.

Significant changes in the regulatory environment, both domestic and foreign, that affect or will affect the PGE Capital Group's operations are described in note 2.4. The regulatory environment in the Management Board's Report on the activities of the PGE Capital Group for the period of 3 and 9 months ended 30 September 2024.

Climate issues are included in the assumptions used for impairment testing to the best of the Group's knowledge, with the support of an external independent expert. The PGE Group adopts assumptions developed by an independent think tank that take into account the current regulatory and market situation. Future developments in the electricity market may differ from the currently adopted assumptions, which may lead to significant changes in the financial position and results of the PGE Group. These will be included in future financial statements.

### 3.1 Description of assumptions for the Conventional Generation segment

The issue of potential sale of assets of PGE GiEK S.A. is described in note 27.3.3 to these consolidated financial statements. As at the reporting date, the segment's assets do not meet the definition of assets held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the PGE Group performed an impairment test in accordance with IAS 36 Impairment of Assets.

In previous reporting periods, the PGE Capital Group made significant impairment write-downs of its generation assets in the Conventional Generation segment. In the first half of 2024, the company carried out impairment tests on property, plant and equipment to verify whether there had been any further impairment or appreciation in the value of the generation assets.

On 31 May 2024, impairment tests were carried out with respect to the cash generating units by determining their recoverable values. In practice, it is very difficult to determine a fair value of a very large group of assets which do not have an active market or comparable transactions. With respect to whole power plants or mines whose value in a local market should be determined, there are no observable fair values. Therefore, the recoverable value of the analysed assets was determined by way of estimating their value in use by means of the discounted net cash flows method based on the financial forecasts prepared for the period from June 2024 to the end of their operation. In the PGE Group's opinion, the adoption of financial forecasts for periods longer than five years is justifiable in view of the significant and long-term impact of the estimated changes in the regulatory environment. Thanks to adopting longer-term forecasts, the estimates of recoverable values may be more reliable.

#### Specific assumptions relating to the segment

The key assumptions determining the assessed value in use of the tested CGUs include the following:

- recognising the following as individual CGUs, due to technology linkages:
  - the Bełchatów Lignite Mine Branch and the Bełchatów Power Plant Branch,
  - the Turów Lignite Mine Branch and the Turów Power Plant Branch,
- recognising the Opole Power Plant, the Rybnik Power Plant and the Dolna Odra Power Plant as three individual CGUs,
- adopting the assumption of continued operations:
  - until 2036 for the Bełchatów Complex, based on the date accepted by the social partner for switching off all units, adopted for the Fair Transformation Plan for the Łódzkie Province,
  - until 2044 for the Turów Complex based on the decision of 28 April 2021 to extend the term of the mining concession until 2044,
- taking into account labour cost optimisation resulting, among other things, from the currently implemented employment initiatives,
- maintaining the generation capacities thanks to asset replacement projects,
- adopting a weighted average after-tax cost of capital differentiated for individual CGUs, according to the individually assessed level of risk and varying over time:
  - for the years 2024-2025, for individual CGUs, at a level ranging from 7.89% to 10.12%,
  - for the years 2026-2036, for individual CGUs, at a level ranging from 6.28% to 8.13%.

Note 24.3 to these financial statements describes the issue of obtaining an environmental decision for the Turów Lignite Mine. The Group is of the opinion that the status of this decision does not affect the assumptions made in the impairment tests carried out on 31 May 2024.

On 31 May 2024, the value of the Conventional Generation segment's property, plant and equipment that had been tested for impairment was PLN 20,345 million. This value does not include CGUs for which the value in use of tested assets is negative. As a result of the conducted asset impairment tests, the Group concluded that there was no need to recognise any additional write-downs of those assets. In addition, the performance

of the Conventional Generation sector in the coming years is subject to a high degree of uncertainty and the fulfilment of assumptions that are, for a significant part, beyond the Group's control. The Group therefore takes the view that there is no basis for reversing the write-downs recognised in previous periods.

The results of the tests are shown in the table below:

	Tested value	Identified impairment	Value after write-down
Belchatów Complex	6,423	-	6,423
Turów Complex	4,671	-	4,671
Opole Power Plant	9,251	-	9,251
Dolna Odra Power Plant	-	-	-
Rybnik Power Plant	-	-	-
<b>TOTAL</b>	<b>20,345</b>	<b>-</b>	<b>20,345</b>

In the case of CGUs fully written down in previous reporting periods (Dolna Odra Power Plant, Rybnik Power Plant), tests confirmed the validity of the full write-down of tangible fixed assets.

### Sensitivity analysis

In accordance with IAS 36 Impairment of Assets, the Group performed a sensitivity analysis for the power generation units of the Conventional Generation segment.

The impact of the change in key assumptions on the value in use of assets on 31 May 2024 for the Conventional Generation segment (using the ceteris paribus principle) is shown below. The analysis ignored the impact on the value in use of the assets written off in full in previous reporting periods.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in electricity price in the whole forecast period	1%	1,503	-
	-1%	-	1,487

A 1% drop in the price of electricity would reduce the value in use of the assets by approximately PLN 1.5 billion.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in WACC	0.5 p.p.	-	179
	- 0.5 p.p.	194	-

A decrease in WACC by 0.5 p.p. would increase the value in use of the assets by approximately PLN 0.2 billion.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in price of CO <sub>2</sub> emission allowances	1%	-	792
	- 1%	810	-

A 1% increase in the price of CO<sub>2</sub> emission allowances would reduce the value in use of the assets by approximately PLN 0.8 billion.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in price of hard coal	1%	-	116
	- 1%	116	-

A 1% increase in the price hard coal would reduce the value in use of the assets by approximately PLN 0.1 billion.

### Climate issues

The future of the Polish energy market is determined by the European Union's climate policy, and developments in the electricity market in the run up to 2050 will be influenced by the European Green Deal ("EGD"), which aims to achieve EU climate neutrality by 2050. One of the most important steps towards achieving climate neutrality was the acceptance by the European Council in December 2020 of a new binding target for the EU to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. In July 2021, the European Commission published the Fit for 55 legislative package, aiming, among other things, to achieve the above goal. As expected by market participants, the reform of the EU ETS system included in the package resulted in a significant increase in the level of CO<sub>2</sub> emission allowance prices already in 2021. Since then, CO<sub>2</sub> allowance prices have remained high, with further increases predicted in the second half of this decade. The changes introduced may negatively affect the margins earned by carbon-intensive

power generation units, particularly to the extent that the increase in the price of CO<sub>2</sub> allowances is not passed on in the price at which these units sell the electricity or heat they produce. In December 2022, the Council and the EU Parliament reached important agreements on the “Fit for 55” package proposal. Besides the CO<sub>2</sub> emission reduction target, another important element of the package was to increase the target for the share of RES in the European Union’s energy mix to 42.5% in 2030 (previously 32%). The establishment of this target in agreement with the Council was voted through in the European Parliament in September 2023.

The environment in which the PGE Capital Group operates is characterised by high volatility and is dependent on macroeconomic, market and regulatory conditions, and any changes in this area may have a significant impact on the financial position and performance of the PGE Group. Therefore, the above and other assumptions used to estimate the value in use of assets are subject to periodic analysis and verification. Any changes will be recognised in future financial statements.

## 3.2 Description of the circumstances relating to the District Heating segment

Impairment tests of fixed assets were conducted on 31 May 2024 for cash generating units by determining their recoverable values. In practice, it is very difficult to determine a fair value of a very large group of assets which do not have an active market or comparable transactions. With respect to whole power plants and CHP plants whose value in a local market should be determined, there are no observable fair values. Therefore, the recoverable value of the analysed assets was determined by way of estimating their value in use by means of the discounted net cash flows method based on the financial forecasts prepared for the period from June 2024 to the end of 2030. In the Group’s opinion, the adoption of financial forecasts for periods longer than five years is justifiable in view of the significant and long-term impact of the estimated changes in the regulatory environment. Thanks to adopting longer-term forecasts, the estimates of recoverable values may be more reliable. In the case of the generation units whose useful economic life extends beyond 2030, the Group determined their residual value for the remaining period of operation.

The energy market, and in particular the district heating market, is a regulated market in Poland and as such it is subject to many regulations and cannot be freely shaped based on business decisions alone. The objectives of the Energy Law include taking effective regulatory measures to ensure energy security. This means that the regulatory environment is aimed at ensuring the stable functioning of heat suppliers in a given area so as to satisfy the needs of customers in the long term. According to the provisions of the Energy law, the ERO President may, even in extreme cases, order an energy company to carry out activities covered by the concession (for a period not longer than 2 years), if the public interest so requires. If such activity generates a loss, the energy company is entitled to receive compensation from the State Treasury.

In view of the above, the Group does not assume a finite CGU life due to the regulatory environment, which limits the possibility of discontinuing operations. Therefore, the impairment tests included the assumption of continuation of operations (in the form of residual value), with expenditures at a replacement level in the long term due to, among other factors, the public interest in the form of ensuring heat supply. With regard to the generation assets included in the Decarbonisation Plan, replacement investments relate to the transformation of generation capacities (to gas-fired assets) through the use of new low- or zero-carbon generation units, which means that cash generated by these assets is included in impairment tests.

### Climate issues

On 15 December 2022, the Decarbonisation Plan to 2050 was adopted for the District Heating segment within the PGE Capital Group. The Plan was updated on 5 October 2023. The objective of the Decarbonisation Plan is to meet the regulatory requirements for the power industry and to maintain the current generation potential in the long term in order to meet customer needs. The Decarbonisation Plan constitutes an operationalisation of the objectives set out directly in the PGE Capital Group’s strategy and in the strategy implementation plan for the District Heating segment. The plan defines the locations where the transformation of generation assets will be carried out, the timetable for the main activities, the planned expenditures and the expected effects. The transformation of generation capacities through the use of new low- or zero-carbon power generation units is planned for the period until 2030 and the achievement of climate neutrality by 2050.

Accordingly, the District Heating segment is gradually replacing old coal-fired sources with new renewable and low-carbon sources. It is planned that, by 2030, most of the places where the PGE Capital Group’s coal-fired district heating assets are located will have commissioned new installations, which will result in a complete or significant shift away from the coal fuel. Natural gas, geothermics, biomass, waste heat, large-scale heat pumps and electrode boilers will be used to generate heat in the new and upgraded district heating

units. The Decarbonisation Plan has been taken into account when estimating the value in use of the District Heating segment's generation assets.

### Specific assumptions relating to the segment

The key assumptions determining the assessed value in use of the tested CGUs include the following:

- recognising the particular branches of PGE EC S.A. as separate CGUs, i.e. Branch No. 1 in Kraków (Kraków CHP Plant), Wybrzeże Branch (Gdańsk CHP Plant, Gdynia CHP Plant), Rzeszów Branch (Rzeszów CHP Plant), Lublin Branch (Lublin Wrotków CHP Plant), Bydgoszcz Branch (Bydgoszcz I CHP Plant, Bydgoszcz II CHP Plant), Gorzów Wielkopolski Branch (CHP Plant in Gorzów Wielkopolski), Zgierz Branch (CHP Plant in Zgierz), Kielce Branch (CHP Plant in Kielce); Szczecin Branch (CHP Plant in Szczecin, CHP Plant in Pomorzany, district heating network in Gryfino);
- recognising the three generation facilities belonging to KOGENERACJA, i.e. Wrocław CHP Plant, Czechnica CHP Plant and Zawidawie CHP Plant as one CGU;
- it was assumed that during the forecast period generators from the PGE Capital Group would not obtain free CO<sub>2</sub> emission allowances for electricity generation;
- the allocation of free CO<sub>2</sub> emission allowances in the period 2024-2030 for district heating and high-efficiency cogeneration was taken into account. Member States may apply for an allocation of free CO<sub>2</sub> emission allowances for heat in the amount of 30% in the period from 2021 to 2030, with the 30% value relating to the gas benchmark and supply of heat for municipal purposes;
- adopting the assumption for CHP plants that there is support from the capacity market or its equivalent during the residual period;
- including a support scheme for high-efficiency cogeneration in the projection horizon and the residual period: for existing units, support is assumed in the form of a guaranteed bonus and, if the financing gap condition is met, an individual guaranteed bonus; for new gas units, a cogeneration bonus is assumed;
- maintaining generation capacities thanks to asset replacement projects; for the generation assets for which action has been taken to implement the Decarbonisation Plan, expenditures of a replacement nature represent the transformation of generation assets to gas-fired assets. The Decarbonisation Plan covers the following locations: Kraków, Gdańsk, Gdynia, Wrocław, Bydgoszcz, Kielce;
- taking into account highly advanced development investment projects and including them in the Company's investment plan;
- adopting an adjusted weighted average cost of capital after tax and differentiated over time:
  - for the years 2024-2025 at an annual average of 8.50%,
  - for the years 2026-2030 at an annual average of 6.59%.

As at 31 May 2024, the value of the tested property, plant and equipment of the District Heating segment amounted to PLN 3,538 million and goodwill equalled PLN 192 million. As a result of the impairment test of the assets, the Group concluded that there was no need to recognise or reverse the write-downs of those assets or its goodwill.

### Sensitivity analysis

In accordance with IAS 36, the Group performed a sensitivity analysis for the power generation units of the District Heating segment.

The impact of a change in key assumptions using the ceteris paribus principle on the value in use of assets on 31 May 2024 for the District Heating segment is shown below.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in electricity price in whole forecast period	1%	577	
	-1%		577

A 1% drop in the price of electricity would reduce the value in use of the assets by approximately PLN 0.6 billion.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in WACC	+ 0.5 p.p.		2,445
	- 0.5 p.p.	2,865	

An increase in WACC by 0.5 p.p. would reduce the value in use of the assets by approximately PLN 2.4 billion.



Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in price of CO <sub>2</sub> emission allowances	1%		173
	- 1%	173	

A 1% increase in the price of CO<sub>2</sub> emission allowances would reduce the value in use of the assets by approximately PLN 0.2 billion.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in price of hard coal	1%		52
	- 1%	52	

A 1% increase in the price hard coal would reduce the value in use of the assets by approximately PLN 52 million.

The environment in which the PGE Capital Group operates is characterised by high volatility and is dependent on macroeconomic, market and regulatory conditions, and any changes in this area may have a significant impact on the financial position and performance of the PGE Group. Therefore, the above and other assumptions used to estimate the value in use of assets are subject to periodic analysis and verification. Any changes will be recognised in future financial statements.

### 3.3 Description of the circumstances relating to the Renewable segment

On 31 May 2024, impairment tests were carried out with respect to the cash generating units by determining their recoverable values. The recoverable value of the analysed assets was determined based on an estimation of their value in use by means of the discounted net cash flows method, on the basis of financial projections prepared for the assumed useful life of a given CGU in the case of wind farms and the years 2024-2030 in the case of the other CGUs. For the CGUs whose useful economic life extends beyond 2030, the Group determined their residual value for the remaining period of operation. The Group is of the opinion that the adoption of financial projections longer than five years is reasonable due to the fact that the property, plant and equipment used by the Group has a materially longer economic life and due to the material and long-term impact of the estimated changes in the regulatory environment included in the detailed forecast.

#### Specific assumptions

The key assumptions determining the assessed value in use of the tested CGUs include the following:

- recognising the following facilities as separate CGUs:
  - pumped storage power plants (one CGU for all plants due to their common economic nature);
  - run-of-river hydro power plants (one CGU for all plants due to their common economic nature);
  - individual wind power plants (separate CGUs for individual plants due to their different operating lifetimes);
- the production of electricity and property rights was assumed on the basis of historical data, taking into account the availability of individual units;
- the availability of power generation units was estimated on the basis of overhaul plans and failure frequency;
- for the ESP from mid-2024, the commencement of a market-based contracting mechanism for regulatory services was taken into account, the revenue from this mechanism was estimated on the basis of the PGE Capital Group's internal analyses;
- maintaining generation capacities thanks to asset replacement projects;
- adopting an adjusted weighted average cost of capital after tax and differentiated over time:
  - for the years 2024-2029 at an annual average of 7.28%,
  - from 2030 onwards at 6.28%,
- additionally, the WACC for wind farms takes into account the individually estimated level of risk associated with participation in the various support schemes during the period of its validity (green certificates, auctions);
- for wind farms acquired as part of the acquisition project in 2022, the WACC additionally takes into account the discounts for the volume guarantee, the premium for green certificates, the discount for the price guarantee and the discount for special strategic importance for individual wind farms.

As at 31 May 2024, the value of the Company's property, plant and equipment that had undergone the tests was PLN 3,494 million. As a result of the conducted asset impairment tests, the Group concluded that there was no need to recognise any write-downs of those assets.

### Sensitivity analysis

The sensitivity analysis showed that the estimated value in use is significantly affected by factors such as WACC and electricity prices. The results of the sensitivity analysis apply to all CGUs owned by PGE EO S.A..

The impact of changes in factors using the ceteris paribus principle having a significant impact throughout the projection period on the forecast cash flows and therefore also on the estimated value in use is presented below.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in electricity price in whole forecast period	1%	197.1	
	-1%		197.1

A 1% decrease in the price of electricity would reduce the value in use of the assets by approximately PLN 0.2 billion.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in WACC	+ 0.5 p.p.		1,243.8
	- 0.5 p.p.	1,569.4	

An increase in WACC by 0.5 p.p. in the whole period covered by the forecast would reduce the value in use of the assets by approximately PLN 1.2 billion.

## 3.4 Description of assumptions for the CCGT units construction project in Nowe Czarnowo to be implemented by PGE Gryfino Dolna Odra sp. z o.o.

On 31 May 2024, impairment tests were carried out with respect to the cash generating units by determining their recoverable values. In practice, it is very difficult to determine a fair value of a very large group of assets which do not have an active market or comparable transactions. With respect to whole power plants whose value in a local market should be determined, there are no observable fair values. Therefore, the recoverable value of the analysed assets was determined by way of estimating their value in use by means of the discounted net cash flows method based on the financial forecasts prepared for the relevant period of operation. The Group believes that adopting financial projections longer than five years is reasonable given the long-term life of an asset and the significant projected changes in market conditions in the future. Thanks to adopting longer-term forecasts, the estimates of recoverable values may be more reliable.

The key assumptions determining the assessed value in use of the tested assets include the following:

- The nominal power and average efficiency of the units assumed in accordance with the parameters guaranteed in the performance contract and the assumed load profile;
- Operating lifetime: 25 years (the benchmark technical operating lifetime of CCGT systems);
- Capital expenditure: for 2024, they were assumed in accordance with the PGE Capital Group's Investment Plan and concluded contracts for the construction of units;
- Adoption of a weighted average cost of capital after tax differentiated for the CGUs, according to the individually assessed level of risk and varying over time at an average annual level of 6.84% for the entire life horizon of the unit, i.e. until 2048.

As at 31 May 2024, the value of the tested property, plant and equipment belonging to PGE Gryfino Dolna Odra sp. z o.o. amounted to PLN 10,357 million. As a result of the impairment test, the Group concluded that there was no need to recognise any write-downs of those assets.

### Sensitivity analysis

In accordance with IAS 36 *Impairment of Assets*, the Group performed a sensitivity analysis of PGE Dolna Odra 2050 sp. z o.o..

The impact of a change in key assumptions using the ceteris paribus principle on the value in use of assets as at 31 May 2024 for assets owned by PGE Gryfino Dolna Odra sp. z o.o. is presented below.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in electricity price in whole forecast period	1%	454.5	
	-1%		454.5

A 1% drop in the price of electricity would reduce the value in use of the assets by approximately PLN 0.5 billion.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in WACC	+ 0.5 p.p.		540.3
	- 0.5 p.p.	581.1	

An increase in WACC by 0.5 p.p. would reduce the value in use of the assets by approximately PLN 0.5 billion.

The environment in which the PGE Capital Group operates is characterised by high volatility and is dependent on macroeconomic, market and regulatory conditions, and any changes in this area may have a significant impact on the financial position and performance of the PGE Group. Therefore, the above and other assumptions used to estimate the value in use of assets are subject to periodic analysis and verification. Any changes will be recognised in future financial statements.

### 3.5 Description of assumptions for the Offshore Wind Energy Project

In 2021, the Ørsted group entities acquired shares in the increased capital of the companies Elektrownia Wiatrowa Baltica - 2 sp. z o.o. and Elektrownia Wiatrowa Baltica - 3 sp. z o.o. Following this transaction, the Ørsted Group became a 50% shareholder in EWB2 and EWB3. As a result of the transaction, the PGE Capital Group lost control over these two companies. On the basis of agreements between the PGE Capital Group and the Ørsted group companies, Elektrownia Wiatrowa Baltica - 2 sp. z o.o. and Elektrownia Wiatrowa Baltica - 3 sp. z o.o. constitute a so-called joint arrangement within the meaning of IFRS 11 *Joint Arrangements*. As a result of the settlement of the loss of control at the level of the consolidated financial statements, goodwill in the amount of PLN 81 million was recognised.

Goodwill was tested for impairment as at 31 May 2024 based on the determination of the recoverable amount of the assets. The recoverable value of the analysed assets was determined based on an estimation of their value in use by means of the discounted net cash flows method, on the basis of financial projections prepared for the assumed useful life of a given CGU.

The EWB2 and EWB3 projects are at a stage of development.

#### Specific assumptions

The key assumptions determining the assessed value in use of the tested CGUs include the following:

- Revenue: the EWB2 and EWB3 projects are entitled to public support in the form of a bilateral differential contract (the right to cover the negative balance) for a period of 25 years from the first day of electricity generation and evacuation into the grid under the granted concession:
  - The support price is expressed in 2021 values (as a result of amendments made to the Offshore Act by the Act of 15 December 2022 on the special protection of certain consumers of gaseous fuels in 2023) and is subject to annual indexation in accordance with average annual inflation rates published by the Central Statistical Office,
  - The European Commission issued a positive decision in the individual support notification process, and the price set by the EC was accepted in December 2022 by the Energy Regulatory Office, thus confirming the support level of 319.60 PLN/MWh,
  - The legislator provided for the possibility to pay the negative balance in two currencies (partial or total, depending on the choice of a generator), i.e. in PLN or EUR. The choice of a generator is made no later than 30 days before the day on which the first application for the financing of the negative balance is submitted in terms of the percentage of the price to be expressed in PLN per MWh and in EUR per MWh. A generator can request a change of the currency and the method of its settlement only once during the first 15 years.
- Capital expenditures and operating costs were estimated by the partners of the joint venture, i.e. PGE and Ørsted, based on their internal competences and experience in the implementation of analogous investments, taking into account information obtained in the process of ongoing procurement proceedings.
- Development expenses include, among other costs, external costs and the cost of re-invoiced employee hours of Ørsted and PGE.



- Energy generation was estimated based on:
  - Data collected during a measurement campaign in the immediate vicinity of the EWB2 and EWB3 Offshore Wind Farm area and data from long-term sources, which allowed the determination of the long-term average wind speed in the project area.
  - Productivity characteristics for the selected turbine model and the planned distribution of turbines across the basins.
  - Energy conversion and transformation losses as well as equipment availability.

As at 31 May 2024, the value of the tested property, plant and equipment of EW Baltica 2 Sp. z o.o. and EW Baltica 3 Sp. z o.o. amounted to PLN 864 million and goodwill to PLN 81 million. As a result of the performed asset impairment test, the Group identified a surplus of the value in use of the tested assets over their carrying amount and therefore concluded that there was no need to make an impairment write-down of these assets.

### 3.6 Property, plant and equipment in the Distribution segment

As at 30 June 2024, the book value of property, plant and equipment related to distribution activities was approximately PLN 25 billion and represented approximately 34% of total consolidated property, plant and equipment. Their recoverable value depends mainly on the tariff approved by the President of the Energy Regulatory Office. Regulated (tariff) income determined annually ensures the coverage of reasonable operating costs, depreciation, taxes, purchase of energy to compensate for a balance difference, costs carried forward and the achievement of a return on capital employed in distribution activities at a reasonable level. The level of return on capital employed as well as depreciation depends on the so-called Regulatory Value of Assets.

The PGE Capital Group did not identify any indications of impairment of the property, plant and equipment attributed to distribution activities.

### 3.7 Description of assumptions for the Railway Energy Services segment

On 31 May 2024, impairment tests were carried out with respect to the cash generating units by determining their recoverable values. The recoverable value of the analysed assets was determined by way of estimating their value in use by means of the discounted net cash flows method based on the financial forecasts prepared for the period from July 2024 to the end of 2030. The Group believes that adopting financial projections longer than five years is reasonable given the long-term life of an asset and the significant projected changes in market conditions in the future. Thanks to adopting longer-term forecasts, the estimates of recoverable values may be more reliable.

#### Specific assumptions

The key assumptions determining the assessed value in use of the tested assets include the following:

- Recognition of the Railway Energy Services segment as a single CGU due to a number of factors related to cash generation capacity. One CGU combines commercial and distribution activities. As at the date of the approval of these financial statements for publication, the conditions under which unbundling would take place are not known, and the financial forecasts therefore do not include any changes related to this. Consequently, there is considerable uncertainty in estimating the value in use of assets. The Group will reassess the reasonableness of the adopted assumptions, including the correctness of maintaining one CGU in the next reporting period,
- Adoption of volume, margin and cost forecasts based on the current financial liquidity forecast for the Railway Energy Services segment, its actual fulfilment and other long-term forecasts, assuming in particular the following:
  - development of the traction energy volume distribution business,
  - maintenance of margins in traction energy trading,
  - development of the Fuels Branch, in line with its strategy,
  - maintenance of long-term profitability of contracts concluded by the Services Branch,
- adoption of an adjusted weighted average cost of capital after tax and differentiated over time:
  - for the Distribution Branch – in accordance with the regulatory WACC approved in the tariff by the ERO President and the forecasts of the regulatory WACC for subsequent years,
  - for the other years 2024-2030 at an annual average of 7.14%.

As at 31 May 2024, the value of the Railway Energy Services segment's property, plant and equipment tested for impairment amounted to PLN 7,133 million, customer relationship assets amounted to PLN 471 million and goodwill amounted to PLN 345 million. As a result of the conducted asset impairment tests, the Group concluded that there was no need to recognise any write-downs of those assets.

The Group also carried out an impairment test of its shares held in the company Elester sp. z o.o. reported in the consolidated financial statements of the PGE Capital Group, whose value amounted to PLN 231 million as at 31 May 2024. The performed tests showed that there was no need to recognise any impairment losses on these shares.

### Sensitivity analysis

In accordance with IAS 36 *Impairment of Assets*, the Group performed a sensitivity analysis for the Railway Energy Services Segment.

The impact of a change in key assumptions using the ceteris paribus principle on the value in use of assets for the Railway Energy Services segment as at 31 May 2024 is shown below.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in electricity purchase price in the whole forecast period	1%		0.13
	-1%	0.13	

A 1% drop in the purchase price of electricity would reduce the value in use of the assets by approximately PLN 0.13 million.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in margins in the Trade segment in the whole forecast period	1%	51	
	-1%		51

A 1% drop in margins in the Trade segment would reduce the value in use of the assets by approximately PLN 51 million.

Parameter	Change	Impact on value in use in PLN million	
		Increase	Decrease
Change in WACC (for segments except for Distribution)	+ 0.5 p.p.		482
	- 0.5 p.p.	595	

A 0.5% increase in the WACC for non-regulated businesses (excluding Distribution) would result in a reduction in the value in use of assets by approximately PLN 482 million.

The environment in which the PGE Capital Group operates is characterised by high volatility and is dependent on macroeconomic, market and regulatory conditions, and any changes in this area may have a significant impact on the financial position and performance of the PGE Group. Therefore, the above and other assumptions used to estimate the value in use of assets are subject to periodic analysis and verification. Any changes will be recognised in future financial statements.

## 4. Changes in accounting principles and data presentation

### New standards and interpretations effective as of 1 January 2024

The accounting principles used in drawing up these financial statements are consistent with those followed in the preparation of the financial statements for the year 2023. The changes to the IFRSs referred to below were applied in these financial statements as of their respective effective dates. The changes listed below did not have any material impact on the presented and disclosed financial information or did not apply to transactions entered into by the Group, or their application is only required in annual financial statements:

- Changes to IAS 1 – changes relate to the presentation of financial statements – classification of liabilities as current and non-current.
- Changes to IFRS 16 – changes relate to the manner of valuation of liabilities under sale and leaseback transactions.
- Changes to IAS 7 and IFRS 7 – disclosures relating to funding arrangement with suppliers.

The Group has not elected to early adopt any of the standards, interpretations or changes that have been published but are not yet effective in accordance with the European Union regulations.

## Change in data presentation

In the current period, the PGE Capital Group has spun off a new Gas-Fired Generation segment. In previous periods, the assets and performance of this segment were recognised and analysed under other activities. The comparative figures presented in notes 6.1 and 11 have been restated accordingly.

## 5. Fair value hierarchy

### Derivative instruments

The Group measures derivatives at fair value using valuation models for financial instruments based on publicly available exchange rates, interest rates, discount curves in particular currencies (applicable also for commodities whose prices are denominated in these currencies) obtained from information platforms and active markets. The fair value of derivative instruments is determined based on discounted future cash flows related to concluded transactions, calculated on the basis of the difference between the forward price and the transaction price. The valuation of IRS transactions is the difference in the discounted interest flows of a fixed rate stream and a floating rate stream. The valuation of CCIRS transactions is the difference in the discounted flows paid and received in two different currencies. Forward exchange rates are not modelled as a separate risk factor, but are derived from the spot rate and the corresponding forward interest rate for the foreign currency in relation to PLN.

The Group's Deal Contingent Swap (DCS) transactions are interest rate hedging instruments of a contingent nature, the activation of which is subject to the fulfilment of the conditions precedent required to trigger the financing of future investment projects. These instruments are measured in a manner similar to standard IRS transactions, with adjustments for contingency characteristics. The measurement of DCS includes an adjustment for the parameter of probability of suspensive events on which the instrument's activation depends. This probability is estimated on the basis of available information on the status of an investment project. In addition, cash flows arising from a DCS instrument, such as the level of margin, dependent on the timing of a suspensive event, are modelled based on scenario analysis. When suspensive conditions occur, a DCS instrument is novated and transformed into a classic IRS transaction. From this point onwards, the new transaction is measured as a standard IRS transaction, without taking into account previous adjustments related to the risk of non-occurrence of a contingent event.

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

In the category of financial assets and liabilities measured at fair value through profit or loss, the Group recognises financial instruments related to trade in CO<sub>2</sub> emission allowances – currency and commodity forwards, coal purchase and sales contracts, and commodity SWAPs (Level 2).

Additionally, the Group presents the CCIRS derivative hedging instrument for foreign exchange (EUR/PLN) and the CCIRS interest rate and the IRS transactions hedging a floating rate in PLN with a fixed rate in PLN (Level 2).

FAIR VALUE HIERARCHY	Assets as at 30 September 2024		Liabilities as at 30 September 2024	
	Level 1	Level 2	Level 1	Level 2
CO <sub>2</sub> emission allowances in trading activities	1	-	-	-
Hard coal in trading activities	156	-	-	-
<b>INVENTORIES</b>	<b>157</b>	<b>-</b>	<b>-</b>	<b>-</b>
Currency forwards	-	4	-	15
Commodity SWAP	-	19	-	29
Contracts for purchase/sale of coal	-	43	-	-
Derivatives embedded in commercial contracts	-	-	-	217
Options	-	4	-	-
<b>DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>-</b>	<b>70</b>	<b>-</b>	<b>261</b>
CCIRS hedging transactions	-	-	-	7
IRS hedging transactions	-	178	-	-
DCS conditional instruments	-	-	-	515
Currency forwards	-	7	-	1,435
Commodity forwards	-	12	-	17
<b>HEDGING DERIVATIVES</b>	<b>-</b>	<b>197</b>	<b>-</b>	<b>1,974</b>
Investment fund participation units	-	34	-	-
<b>OTHER ASSETS / LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>-</b>

FAIR VALUE HIERARCHY	Assets as at 31 December 2023		Liabilities as at 31 December 2023	
	Level 1	Level 2	Level 1	Level 2
CO <sub>2</sub> emission allowances in trading activities	1	-	-	-
Hard coal in trading activities	343	-	-	-
<b>INVENTORIES</b>	<b>344</b>	<b>-</b>	<b>-</b>	<b>-</b>
Currency forwards	-	3	-	25
Commodity SWAP	-	65	-	14
Contracts for purchase/sale of coal	-	78	-	19
Derivatives embedded in commercial contracts	-	-	-	410
Options	-	13	-	-
<b>DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>-</b>	<b>159</b>	<b>-</b>	<b>468</b>
CCIRS hedging transactions	-	4	-	-
IRS hedging transactions	-	193	-	-
Currency forward - EUR	-	7	-	1,565
<b>HEDGING DERIVATIVES</b>	<b>-</b>	<b>204</b>	<b>-</b>	<b>1,565</b>
Investment fund participation units	-	31	-	-
<b>OTHER ASSETS / LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>-</b>

Derivatives are presented in note 19 to these financial statements. During the current and comparative reporting periods, there were no transfers of financial instruments between level 1 and level 2 of the fair value hierarchy.

# EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## EXPLANATORY NOTES TO THE OPERATING SEGMENTS

### 6. Information on the business segments

The companies of the PGE Capital Group conduct their activities on the basis of relevant concessions, including in particular concessions for the generation, trading and distribution of electricity; generation, transmission and distribution of heat, granted by the President of the Energy Regulatory Office, as well as concessions for the mining of lignite from deposits granted by the Minister of the Environment. Concessions are generally granted for periods from 10 to 50 years.

The concessions for lignite mining, electricity and heat generation as well as electricity and heat distribution have corresponding assets allocated to them, as shown in the detailed information on the operating segments. In connection with the electricity and heat concessions, the PGE Group incurs annual fees dependent on revenue. In the case of the activities related to the mining of lignite, the Company incurs extraction fees dependent on applicable rates and mining volumes, as well as mining usage fees.

The PGE Capital Group presents information on its operating segments for the current and comparative reporting periods in accordance with IFRS 8 *Operating Segments*. The division of the reporting system of the PGE Capital Group is based on its operating segments:

- Renewable includes electricity generation in pumped storage hydro power plants and from renewable sources.
- Gas-Fired Generation includes electricity generation from gas-fired sources.
- Conventional Generation comprises lignite exploration and extraction, electricity generation from conventional sources, as well as related ancillary activities.
- District Heating comprises the generation of heat and electricity in cogeneration sources as well the transmission and distribution of heat.
- Distribution comprises the management of local distribution networks and the transmission of electricity through these networks.
- Railway Energy Services primarily comprises the distribution and sale of electricity to railway operators and rail-focused customers, the sale of fuels and the maintenance and upgrading of the contact lines network, along with other electricity services.
- Supply comprises the sale and purchase of electricity and natural gas on the wholesale market, trade in CO<sub>2</sub> emission allowances and property rights resulting from certificates of origin, the purchase and supply of fuels, as well as the sale of electricity and the provision of services to end customers.
- Circular Economy comprises the management of combustion by-products.
- Other activities include the provision of services by subsidiaries for the benefit of the Group, e.g. organisation of financing acquisition, provision of IT, transport services and investments in start-ups.

The organisation and management of the PGE Capital Group is divided into segments based on the type of products and services offered. Each segment constitutes a strategic business unit offering different products and serving different markets. The allocation of particular entities to operating segments is presented in note 1.3 to these consolidated financial statements. The PGE Capital Group settles transactions between segments as if they concerned unrelated entities – on an arm's length basis. Analysing the results of particular operating segments, the management of the Group pays attention first of all to achieved EBITDA.

In the current period, the PGE Capital Group has spun off a new Gas-Fired Generation segment. In previous periods, the assets and performance of this segment were recognised and analysed under other activities. The comparative figures have been restated accordingly.

#### **Seasonality of the business segments' activities**

The main factors influencing demand for electricity and heat include atmospheric factors such as air temperature, wind speed, precipitation, socio-economic factors such as the number of energy consumers, prices of energy carriers, economic development and GDP, as well as technological factors such as technological progress and product manufacturing technologies. Each of these factors influences the technical and economic conditions for generation and distribution of energy carriers, and thus affects the results achieved by the companies of the PGE Capital Group.

The level of electricity sales throughout the year is variable and depends primarily on the atmospheric factors such as air temperature and the length of day. Increased demand for electricity is particularly visible during the winter period, while lower demand is observed in the summer. Moreover, seasonal changes are visible among selected groups of end users. Seasonality effects are more significant for households than the industrial sector.

In the Renewable segment, electricity is generated from environmental resources such as water, wind and sun. Meteorological conditions are an important factor affecting electricity production in this segment.

Sales of heat depend in particular on air temperature and are higher in the winter and lower in the summer.

## 6.1 Information concerning the operating segments

### Information concerning the operating segments for the period ended 30 September 2024

	Renewables	Gas-Fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other Activities	Adjustments	Total
<b>STATEMENT OF PROFIT OR LOSS</b>											
Sales to external customers	1,092	629	12,299	3,845	7,817	3,792	17,176	189	14	3	46,856
Sales among segments	787	120	10,161	3,204	428	38	13,742	139	353	(28,972)	-
<b>TOTAL SEGMENT REVENUE</b>	<b>1,879</b>	<b>749</b>	<b>22,460</b>	<b>7,049</b>	<b>8,245</b>	<b>3,830</b>	<b>30,918</b>	<b>328</b>	<b>367</b>	<b>(28,969)</b>	<b>46,856</b>
Cost of goods sold	(992)	(690)	(22,590)	(6,399)	(5,705)	(3,023)	(28,980)	(184)	(302)	27,589	(41,276)
<b>EBIT</b>	<b>732</b>	<b>32</b>	<b>(1,288)</b>	<b>310</b>	<b>2,309</b>	<b>392</b>	<b>1,598</b>	<b>87</b>	<b>27</b>	<b>(43)</b>	<b>4,156</b>
Depreciation, liquidation and write-downs recognised in profit or loss	296	8	1,074	617	1,053	333	27	9	37	(12)	3,442
<b>EBITDA</b>	<b>1,028</b>	<b>40</b>	<b>(214)</b>	<b>927</b>	<b>3,362</b>	<b>725</b>	<b>1,625</b>	<b>96</b>	<b>64</b>	<b>(55)</b>	<b>7,598</b>
<b>GROSS PROFIT</b>	-	-	-	-	-	-	-	-	-	-	<b>3,547</b>
Income tax expense	-	-	-	-	-	-	-	-	-	-	(736)
<b>NET PROFIT FOR REPORTING PERIOD</b>	-	-	-	-	-	-	-	-	-	-	<b>2,811</b>
<b>ASSETS AND LIABILITIES</b>											
Segment assets without PPE, IA, RTUA and trade receivables	850	497	2,923	829	89	189	3,372	48	82	(3,367)	5,512
PPE, IA, RTUA	7,444	5,583	20,749	8,606	26,034	7,546	329	75	318	(317)	76,367
Trade receivables	223	196	1,555	500	1,564	564	5,456	69	81	(4,443)	5,765
Shares and interests accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	383
Unallocated assets	-	-	-	-	-	-	-	-	-	-	16,442
<b>TOTAL ASSETS</b>											<b>104,469</b>
Segment liabilities, excluding trade payables	1,676	76	23,248	3,407	5,159	709	4,733	115	88	(4,819)	34,392
Trade payables	95	207	829	371	504	2,329	4,717	25	32	(4,446)	4,663
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	15,052
<b>TOTAL LIABILITIES</b>	-	-	-	-	-	-	-	-	-	-	<b>54,107</b>
<b>OTHER INFORMATION ON SEGMENT</b>											
<b>Capital expenditure / RTUA increases</b>	<b>1,082</b>	<b>1,873</b>	<b>603</b>	<b>871</b>	<b>2,676</b>	<b>299</b>	<b>21</b>	<b>8</b>	<b>81</b>	<b>(289)</b>	<b>7,225</b>
Write-downs of financial and non-financial assets	-	-	66	89	10	149	31	-	-	-	345
Other non-monetary expenses*	43	22	14,011	1,970	136	115	(278)	4	27	(175)	15,875

\* Changes of a non-monetary nature relate to provisions for, among others, land rehabilitation, CO<sub>2</sub> emission rights, jubilee awards, employee tariffs and non-financial liabilities for employee benefits recognised in profit or loss and other comprehensive income.

## Information concerning the operating segments for the period ended 30 September 2023

<i>data restated</i>	Renewables	Gas-Fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other Activities	Adjustments	Total
<b>STATEMENT OF PROFIT OR LOSS</b>											
Sales to external customers	1,374	-	28,890	5,593	7,520	2,966	24,586	131	8	7	71,075
Sales among segments	720	-	7,477	2,965	238	1	25,467	138	237	(37,243)	-
<b>TOTAL SEGMENT REVENUE</b>	<b>2,094</b>	<b>-</b>	<b>36,367</b>	<b>8,558</b>	<b>7,758</b>	<b>2,967</b>	<b>50,053</b>	<b>269</b>	<b>245</b>	<b>(37,236)</b>	<b>71,075</b>
Cost of goods sold	(1,177)	(1)	(30,530)	(7,044)	(5,219)	(2,269)	(48,313)	(167)	(202)	36,700	(58,222)
<b>EBIT</b>	<b>575</b>	<b>(12)</b>	<b>(195)</b>	<b>744</b>	<b>2,288</b>	<b>426</b>	<b>479</b>	<b>50</b>	<b>32</b>	<b>368</b>	<b>4,755</b>
Depreciation, liquidation and write-downs recognised in profit or loss	271	1	1,518	573	964	199	25	8	37	(21)	3,575
<b>EBITDA</b>	<b>846</b>	<b>(11)</b>	<b>1,323</b>	<b>1,317</b>	<b>3,252</b>	<b>625</b>	<b>504</b>	<b>58</b>	<b>69</b>	<b>347</b>	<b>8,330</b>
<b>GROSS PROFIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,253</b>
Income tax expense	-	-	-	-	-	-	-	-	-	-	(1,132)
<b>NET PROFIT FOR REPORTING PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,121</b>
<b>ASSETS AND LIABILITIES</b>											
Segment assets without PPE, IA, RTUA and trade receivables	400	404	3,966	1,250	76	225	2,938	32	234	(1,492)	8,033
PPE, IA, RTUA	6,268	3,694	29,367	8,053	23,345	7,732	308	65	98	(719)	78,211
Trade receivables	234	-	1,156	441	1,914	805	6,701	55	49	(5,117)	6,238
Shares and interests accounted for under the equity method	-	-	-	-	-	-	-	-	-	-	231
Unallocated assets	-	-	-	-	-	-	-	-	-	-	21,021
<b>TOTAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,734</b>
Segment liabilities, excluding trade payables	940	50	24,242	3,571	4,178	1,270	5,337	62	50	(2,739)	36,961
Trade payables	95	-	1,396	437	546	384	4,699	25	33	(5,141)	2,474
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	17,641
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,076</b>
<b>OTHER INFORMATION ON SEGMENT</b>											
<b>Capital expenditure / RTUA increases</b>	<b>812</b>	<b>555</b>	<b>812</b>	<b>990</b>	<b>2,935</b>	<b>625</b>	<b>11</b>	<b>7</b>	<b>65</b>	<b>(177)</b>	<b>6,635</b>
Acquisition of PPE, IA, IP and RTUA as part of acquisition of new companies	235	-	-	-	-	6,001	-	-	-	1,468	7,704
Write-downs of financial and non-financial assets	-	-	94	32	11	21	702	-	4	-	864
Other non-monetary expenses *)	20	1	16,473	2,166	200	55	640	8	12	(237)	19,338

\* Changes of a non-monetary nature relate to provisions for, among others, land rehabilitation, CO<sub>2</sub> emission rights, jubilee awards, employee tariffs and non-financial liabilities for employee benefits recognised in profit or loss and other comprehensive income



# EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## 7. Revenue and expenses

### 7.1 Sales revenue

#### Sales revenue for the period ended 30 September 2024 broken down by category

The table below presents a reconciliation between the disclosure of revenue broken down by category and information on revenue that the Group discloses for each reportable segment.

	Renewables	Gas-Fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other Activities	Adjustments	Total
Revenue from contracts with customers	1,882	749	22,449	6,852	7,543	3,817	28,719	328	367	(28,949)	<b>43,757</b>
Compensation - energy, gas, heat, distribution service	-	-	-	126	647	13	2,153	-	-	-	<b>2,939</b>
Compensation - coal	-	-	-	-	-	-	41	-	-	-	<b>41</b>
Auction-based RES support system	(9)	-	-	-	-	-	-	-	-	-	<b>(9)</b>
Support for high efficiency cogeneration	-	-	-	53	-	-	-	-	-	-	<b>53</b>
PPA compensation	-	-	-	(3)	-	-	-	-	-	-	<b>(3)</b>
Lease	6	-	11	21	55	-	5	-	-	(20)	<b>78</b>
<b>TOTAL SALES REVENUE</b>	<b>1,879</b>	<b>749</b>	<b>22,460</b>	<b>7,049</b>	<b>8,245</b>	<b>3,830</b>	<b>30,918</b>	<b>328</b>	<b>367</b>	<b>(28,969)</b>	<b>46,856</b>

The table below presents revenue from contracts with customers broken down by category reflecting how economic factors affect the nature, amount and timing of payments as well as the uncertainty of revenue and cash flows.

Type of good or service	Renewables	Gas-Fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other Activities	Adjustments	Total
Revenue from sales of goods and products, without excluding taxes and fees	1,847	749	22,419	6,820	8,740	3,624	27,724	169	-	(27,365)	<b>44,727</b>
<i>Taxes and fees collected on behalf of third parties</i>	-	-	(8)	(4)	(1,243)	(195)	(115)	-	-	-	<b>(1,565)</b>
<b>Revenue from sales of goods and products, including:</b>	<b>1,847</b>	<b>749</b>	<b>22,411</b>	<b>6,816</b>	<b>7,497</b>	<b>3,429</b>	<b>27,609</b>	<b>169</b>	<b>-</b>	<b>(27,365)</b>	<b>43,162</b>
Electricity	1,240	698	19,802	3,531	6	1,647	15,729	-	-	(15,415)	<b>27,238</b>
The capacity market	187	51	1,657	196	-	-	22	-	-	3	<b>2,116</b>
Distribution services	-	-	4	18	7,111	1,609	82	-	-	(345)	<b>8,479</b>
Heat	-	-	114	3,043	-	-	10	-	-	(19)	<b>3,148</b>
Energy origin property rights	182	-	-	12	-	-	2	-	-	(129)	<b>67</b>
Regulatory system services	14	-	264	2	-	-	-	-	-	-	<b>280</b>
Balancing services (balancing capacity/operating reserve)	189	-	449	-	-	-	-	-	-	-	<b>638</b>
Natural gas	-	-	-	-	-	-	105	-	-	(82)	<b>23</b>
Other fuels	-	-	-	-	-	162	693	-	-	(235)	<b>620</b>
CO <sub>2</sub> emission allowances	-	-	-	6	-	-	10,945	-	-	(10,933)	<b>18</b>
Other	35	-	121	8	380	11	21	169	-	(210)	<b>535</b>
<b>Revenue from sales of services</b>	<b>35</b>	<b>-</b>	<b>38</b>	<b>36</b>	<b>46</b>	<b>388</b>	<b>1,110</b>	<b>159</b>	<b>367</b>	<b>(1,584)</b>	<b>595</b>
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>1,882</b>	<b>749</b>	<b>22,449</b>	<b>6,852</b>	<b>7,543</b>	<b>3,817</b>	<b>28,719</b>	<b>328</b>	<b>367</b>	<b>(28,949)</b>	<b>43,757</b>



## Sales revenue for the period ended 30 September 2023 broken down by category

The table below presents a reconciliation between the disclosure of revenue broken down by category and information on revenue that the Group discloses for each reportable segment.

<i>data restated</i>	Renewables	Gas-Fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other Activities	Adjustments	Total
Revenue from contracts with customers	2,113	-	36,358	8,066	6,792	2,883	45,480	268	244	(37,223)	<b>64,981</b>
Compensation – energy, gas, heat, distribution service	-	-	1	51	918	84	4,460	-	-	-	<b>5,514</b>
Compensation - coal	-	-	-	-	-	-	109	-	-	-	<b>109</b>
Auction-based RES support system	(23)	-	-	-	-	-	-	-	-	-	<b>(23)</b>
Support for high efficiency cogeneration	-	-	-	449	-	-	-	-	-	-	<b>449</b>
PPA compensation	-	-	-	(28)	-	-	-	-	-	-	<b>(28)</b>
Lease	4	-	8	20	48	-	4	1	1	(13)	<b>73</b>
<b>TOTAL SALES REVENUE</b>	<b>2,094</b>	<b>-</b>	<b>36,367</b>	<b>8,558</b>	<b>7,758</b>	<b>2,967</b>	<b>50,053</b>	<b>269</b>	<b>245</b>	<b>(37,236)</b>	<b>71,075</b>

The table below presents revenue from contracts with customers broken down by category reflecting how economic factors affect the nature, amount and timing of payments as well as the uncertainty of revenue and cash flows.

<i>Type of good or service data restated</i>	Renewables	Gas-Fired Generation	Conventional Generation	District Heating	Distribution	Railway Energy Services	Supply	Circular Economy	Other Activities	Adjustments	Total
Revenue from sales of goods and products, without excluding taxes and fees	2,083	-	36,322	8,024	7,865	2,733	44,179	118	-	(35,441)	<b>65,883</b>
<i>Taxes and fees collected on behalf of third parties</i>	-	-	(8)	(3)	(1,115)	(94)	(103)	-	-	-	<b>(1,323)</b>
<b>Revenue from sales of goods and products, including:</b>	<b>2,083</b>	<b>-</b>	<b>36,314</b>	<b>8,021</b>	<b>6,750</b>	<b>2,639</b>	<b>44,076</b>	<b>118</b>	<b>-</b>	<b>(35,441)</b>	<b>64,560</b>
Electricity	1,704	-	32,894	4,808	8	1,245	21,209	-	-	(15,319)	<b>46,549</b>
The capacity market,	192	-	1,651	157	-	-	22	-	-	-	<b>2,022</b>
Distribution services	-	-	11	17	6,444	996	54	-	-	(239)	<b>7,283</b>
Heat	-	-	86	2,973	-	-	8	-	-	(9)	<b>3,058</b>
Energy origin property rights	171	-	-	46	-	-	-	-	-	(23)	<b>194</b>
Regulatory system services	11	-	1,571	2	-	-	-	-	-	-	<b>1,584</b>
Natural gas	-	-	-	-	-	-	797	-	-	(617)	<b>180</b>
Other fuels	-	-	-	-	-	107	5,534	-	-	(2,803)	<b>2,838</b>
CO <sub>2</sub> emission allowances	-	-	-	11	-	-	16,444	-	-	(16,373)	<b>82</b>
Other	5	-	101	7	298	291	8	118	-	(58)	<b>770</b>
<b>Revenue from sales of services</b>	<b>30</b>	<b>-</b>	<b>44</b>	<b>45</b>	<b>42</b>	<b>244</b>	<b>1,404</b>	<b>150</b>	<b>244</b>	<b>(1,782)</b>	<b>421</b>
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>2,113</b>	<b>-</b>	<b>36,358</b>	<b>8,066</b>	<b>6,792</b>	<b>2,883</b>	<b>45,480</b>	<b>268</b>	<b>244</b>	<b>(37,223)</b>	<b>64,981</b>

## 7.2 Expenses by kind and function

	3 months ended 30 September 2024	Period ended 30 September 2024	3 months ended 30 September 2023	Period ended 30 September 2023
<b>EXPENSES BY KIND</b>				
Depreciation and write-downs	1,169	3,462	1,263	3,599
Consumption of materials and energy	1,846	7,077	2,669	9,937
Third party services	1,274	3,804	1,209	3,374
Taxes and charges	5,136	16,659	7,286	24,182
Employee benefits expenses	2,072	5,981	1,856	5,327
Other expenses by kind	122	334	124	351
<b>TOTAL COSTS BY TYPE</b>	<b>11,619</b>	<b>37,317</b>	<b>14,407</b>	<b>46,770</b>
Change in provisions	(5)	(35)	(20)	(53)
Cost of services for entity's own needs	(300)	(948)	(338)	(838)
Distribution and selling expenses	(313)	(775)	(1,438)	(5,856)
General and administrative expenses	(480)	(1,385)	(488)	(1,323)
Value of goods and materials sold	2,782	7,102	5,891	19,522
<b>COST OF GOODS SOLD</b>	<b>13,303</b>	<b>41,276</b>	<b>18,014</b>	<b>58,222</b>

Significant decrease in selling and distribution costs due to the recognition of a contribution to the WRC Fund in the comparative period.

## 7.3 Depreciation, liquidation and write-downs

The recognition of depreciation, liquidation and write-downs of property, plant and equipment, intangible assets, rights to use assets and investment properties in the statement of comprehensive income is set out below.

Period ended 30 September 2024	Depreciation and liquidation					Write-downs			
	PPE	IA	RTUA	IP	TOTAL	PPE	IA	RTUA	TOTAL
Cost of goods sold	3,005	71	78	1	<b>3,155</b>	131	-	-	<b>131</b>
Distribution and selling expenses	7	2	1	-	<b>10</b>	-	-	-	<b>-</b>
General and administrative expenses	99	23	21	-	<b>143</b>	2	-	1	<b>3</b>
<b>RECOGNISED IN PROFIT OR LOSS</b>	<b>3,111</b>	<b>96</b>	<b>100</b>	<b>1</b>	<b>3,308</b>	<b>133</b>	<b>-</b>	<b>1</b>	<b>134</b>
Change in provisions	(3)	(1)	-	-	<b>(4)</b>	-	-	-	<b>-</b>
Cost of services for entity's own needs	16	4	4	-	<b>24</b>	-	-	-	<b>-</b>
<b>TOTAL</b>	<b>3,124</b>	<b>99</b>	<b>104</b>	<b>1</b>	<b>3,328</b>	<b>133</b>	<b>-</b>	<b>1</b>	<b>134</b>

Period ended 30 September 2023	Depreciation and liquidation					Write-downs			
	PPE	IA	RTUA	IP	TOTAL	PPE	IA	RTUA	TOTAL
Cost of goods sold	3,199	31	99	2	<b>3,331</b>	123	-	-	<b>123</b>
Distribution and selling expenses	8	2	3	-	<b>13</b>	-	-	-	<b>-</b>
General and administrative expenses	67	11	28	-	<b>106</b>	2	-	-	<b>2</b>
<b>RECOGNISED IN PROFIT OR LOSS</b>	<b>3,274</b>	<b>44</b>	<b>130</b>	<b>2</b>	<b>3,450</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>125</b>
Change in provisions	1	-	-	-	<b>1</b>	-	-	-	<b>-</b>
Cost of services for entity's own needs	21	1	1	-	<b>23</b>	-	-	-	<b>-</b>
<b>TOTAL</b>	<b>3,296</b>	<b>45</b>	<b>131</b>	<b>2</b>	<b>3,474</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>125</b>
Other operating expenses	-	-	2	-	<b>2</b>	-	-	-	<b>-</b>

Write-downs made during the reporting period mainly relate to capital expenditures incurred in the entities for which impairment was recognised in previous periods.

Under Depreciation and liquidation, the Group recognised in the current period an amount of PLN 25 million for the liquidation of PPE and IA (PLN 23 million in the comparative period).

## 7.4 Other operating income and expenses

	Period ended 30 September 2024	Period ended 30 September 2023
<b>NET OTHER OPERATING INCOME/(EXPENSES)</b>		
Reversal of other provisions	616	31
Creation of write-downs of receivables	(214)	(97)
Valuation and exercise of derivatives (coal)	181	(494)
Penalties, fines, damages	171	46
Donations given	(29)	(34)
Asset surpluses, disclosures/(Settlement of inventory shortages)	28	(34)
Grants	27	25
PPE/IA and other infrastructure received free of charge	25	22
Effect of revaluation of provisions for costs of land rehabilitation	(20)	(331)
Gain/(Loss) on disposal of PPE/IA	10	(2)
Repair of damage and failure	(9)	(30)
Other	(50)	(21)
<b>TOTAL OTHER NET OPERATING INCOME/(EXPENSES)</b>	<b>736</b>	<b>(919)</b>

The issue of the valuation of the land rehabilitation provision is described in note 21.2 to these financial statements.

The reversal of other provisions relates, among other things, to provisions for onerous agreements with G tariff customers of PGE Obrót S.A., as described in note 21.5 to these financial statements.

In the current reporting period, the Group recognised write-downs of trade receivables from PKP Cargo S.A. in the amount of PLN 121 million.

## 7.5 Finance income and expenses

	Period ended 30 September 2024	Period ended 30 September 2023
<b>NET FINANCE INCOME/(EXPENSES) FROM FINANCIAL INSTRUMENTS</b>		
Dividends	2	1
Interest, including:	(246)	(92)
<i>Interest income calculated using the effective interest rate method</i>	261	479
Revaluation	193	(69)
Creation of write-downs	(37)	(9)
Foreign exchange differences	(44)	23
Gain/(Loss) on disposal of investments	(10)	1
<b>TOTAL NET FINANCE INCOME/(EXPENSES) FROM FINANCIAL INSTRUMENTS</b>	<b>(142)</b>	<b>(145)</b>
<b>OTHER NET FINANCE INCOME/(EXPENSES)</b>		
Interest expense on non-financial items	(388)	(339)
Interest on liabilities to state budget	(2)	(7)
Provisions created	(1)	-
Other	(12)	(11)
<b>TOTAL OTHER NET FINANCE INCOME/(EXPENSES)</b>	<b>(403)</b>	<b>(357)</b>
<b>TOTAL NET FINANCE INCOME/(EXPENSES)</b>	<b>(545)</b>	<b>(502)</b>

The Group reports interest income mainly on cash held in bank accounts and deposits, as well as interest on bonds. Interest expenses mainly relate to incurred credits and loans as well as issued bonds. The costs of interest on lease liabilities in the current period amounted to PLN 56 million (PLN 48 million in the comparative period). Interest expense on non-financial items relates to provisions for land rehabilitation and provisions for employee benefits.

In the item Creation of write-downs, the Group presents in the current reporting period mainly the creation of a write-down for accrued interest on Autostrada Wielkopolska S.A. bonds as well as interest on receivables in PKP Cargo S.A. Revaluation income in the current reporting period results mainly from the valuation of derivatives and embedded derivatives included in electricity sales contracts in the Renewable segment.

## 7.6 Share in the result of entities accounted for using the equity method

Period ended 30 September 2024	Polimex Mostostal	PEC Bogatynia	Energopomiar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester
<b>SHARE OF VOTES</b>	<b>16.28%</b>	<b>34.93%</b>	<b>49.79%</b>	<b>50.00%</b>	<b>50.00%</b>	<b>89.96%</b>
Revenue	1,822	23	58	-	-	39
Result from continuing operations	(247)	(1)	4	(1)	(12)	(2)
<b>Share in the result of entities accounted for using the equity method</b>	<b>(40)</b>	<b>-</b>	<b>2</b>	<b>(1)</b>	<b>(6)</b>	<b>(2)</b>
Elimination of unrealised gains and losses	22	-	-	-	-	-
Impairment write-down	(39)	-	-	-	-	-
<b>SHARE IN RESULT OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>(57)</b>	<b>-</b>	<b>2</b>	<b>(1)</b>	<b>(6)</b>	<b>(2)</b>
Other comprehensive income	9	-	-	-	-	-
<b>SHARE IN OTHER COMPREHENSIVE INCOME OF ENTITIES ACCOUNTED FOR UNDER THE EQUITY METHOD</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Period ended 30 September 2023	Polimex Mostostal	PEC Bogatynia	Energopomiar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester-PKP*
<b>SHARE OF VOTES</b>	<b>16.19%</b>	<b>34.93%</b>	<b>49.79%</b>	<b>50.00%</b>	<b>50.00%</b>	<b>89.96%</b>
Revenue	2,462	16	48	-	-	41
Result from continuing operations	40	(2)	2	-	-	2
<b>Share in the result of entities accounted for using the equity method</b>	<b>6</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>2</b>
Elimination of unrealised gains and losses	(9)	-	-	-	-	-
<b>SHARE IN RESULT OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>(3)</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>2</b>
Other comprehensive income	1	-	-	-	-	-
<b>SHARE IN OTHER COMPREHENSIVE INCOME OF ENTITIES ACCOUNTED FOR UNDER THE EQUITY METHOD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Group makes a consolidation adjustment relating to the margin on contracts performed by Polimex - Mostostal for the Group.

## 8. Write-downs of assets

As described in note 17.1, in the current reporting period, the Group recognised write-downs of trade receivables (PLN 121 million) and interest (PLN 29 million) from PKP Cargo S.A., totalling PLN 150 million.

Other than that, in the current and comparative reporting periods, the Group did not make or reverse any significant write-downs.

In the comparative reporting period, the Group recognised a write-down of PLN 613 million on coal inventories in connection with the situation in PGE Paliwa sp. z o.o. as described in note 27.2 to these financial statements.

## 9. Income tax

### 9.1 Tax in the statement of comprehensive income

The major items of the income tax expense for the periods ended 30 September 2024 and 30 September 2023 are as follows:

	Period ended 30 September 2024	Period ended 30 September 2023
Current income tax expense	1,185	1,012
Adjustments concerning current income tax expense from previous years	(42)	24
Deferred income tax	(445)	133
Adjustments to deferred income tax	38	(37)
<b>INCOME TAX EXPENSE RECOGNISED IN THE FINANCIAL RESULT</b>	<b>736</b>	<b>1,132</b>
<b>INCOME TAX EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>		
On actuarial gains (losses) on valuation of employee benefit provisions	-	(31)
On valuation of hedging instruments	(81)	(196)
<b>(Tax benefit)/tax charge recognised in other comprehensive income (equity)</b>	<b>(81)</b>	<b>(227)</b>

## EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 10. Significant acquisitions and disposals of property, plant and equipment, intangible assets and rights to use assets

In the current reporting period, the Group purchased property, plant and equipment, intangible assets and rights to use assets worth PLN 7,225 million. The largest expenditure was incurred by the Distribution segment (PLN 2,676 million) and the Gas-Fired Generation segment (PLN 1,873 million), spun-off from the Other Activities segment. The other expenditure incurred in the respective segments was as follows: Renewable – PLN 1,082 million, District Heating – PLN 871 million, Conventional Generation – PLN 603 million, Railway Energy Services – PLN 299 million and Other Activities – PLN 81 million.

The main expenditure items in the Distribution segment were connections of new customers to the distribution network (PLN 1,132 million), the Remote Meter Reading Programme (PLN 422 million) and the Cabling Programme (PLN 273 million).

Within the expenditure incurred in the Gas-Fired Generation segment, the main focus was on the construction of two CCGT units at PGE Gryfino Dolna Odra sp. z o.o. (PLN 592 million) and the construction of a CCGT unit at Rybnik 2050 sp. z o.o. (PLN 1,050 million).

In the Conventional Generation segment, the main expenditure items were incurred: at the Bełchatów Power Plant – for the refurbishment and reconstruction of the internal installations of absorbers 21, 3 and 4 (PLN 48 million), the overhaul of unit 4 (PLN 47 million), the overhaul of unit 3 (PLN 46 million) and the overhaul of unit 2 (PLN 19 million); at the Turów Power Plant – for the medium overhaul of unit 1 (PLN 30 million), and the adjustment of the power plant to the BAT conclusions (approx. PLN 19 million); at the Turów Lignite Mine – for wind screens in the area of the ash bunker (approx. PLN 24 million).

In the District Heating segment, the main expenditure items were incurred for the construction of a cogeneration source based on 5 gas-fired engines at the Bydgoszcz CHP Plant (PLN 205 million), the construction of line 2 of the thermal waste processing with energy recovery (TWPER) installation at the Rzeszów CHP Plant (PLN 143 million), the construction of a new Czechnica CHP Plant (PLN 104 million).

In the Renewable segment, significant expenditures were made on strategic modernisation projects (PLN 150 million), modernisation and maintenance of generation assets (PLN 68 million), including at pumped storage power plants (PLN 36 million), and the PV Programme (PLN 217 million), as well as preparation for the implementation of offshore farms, EWB 2 (PLN 491 million) and EWB 1 (PLN 99 million), respectively.

In the Railway Energy Services segment, the largest expenditure items were incurred for the modernisation of MUZa power supply systems (PLN 150 million).

In the current reporting period, the Group incurred borrowing costs of PLN 280 million capitalised in the value of property, plant and equipment.

### 11. Future investment commitments

As at 30 September 2024 the Company had undertaken to incur expenditure on property, plant and equipment in the amount of approximately PLN 17,424 million. These amounts will be allocated mainly for the construction of offshore wind farms, new gas-fired power generation units, modernisation of assets of the Group's entities, as well as purchase of machinery and equipment.

	As at 30 September 2024	As at 31 December 2023**
Renewable *	10,959	8,938
Gas-Fired Generation	3,077	4,690
Distribution	1,865	2,530
District Heating	1,181	1,094
Conventional Generation	294	288
Railway Energy Services	22	206
Supply	2	2
Other Activities	24	14
<b>TOTAL FUTURE INVESTMENT COMMITMENTS</b>	<b>17,424</b>	<b>17,762</b>

\* The presented amounts include the PGE Capital Group's 50% share of joint operations as defined in IFRS 11 Joint Arrangements

\*\* Data restated

The most important future capital expenditure concerns the following projects:

- Renewable – the construction of the Baltica 2 wind farm in the Baltic Sea (including an agreement for the supply and installation of offshore wind turbines, a service and warranty agreement, an agreement for the design, manufacture and commissioning of offshore substations, an agreement for the supply of foundations, internal cables for the turbines) – amounting to approximately PLN 9,754 million; the modernisation of the upper reservoir of the Porąbka-Żar pumped storage power plant – amounting to approximately PLN 760 million; the design and construction of new photovoltaic installations in more than 40 different locations – amounting to approximately PLN 229 million.
- Gas-Fired Generation – construction of a CCGT power generation unit (Rybnik 2050 sp. z o.o.) – an amount of approximately PLN 2,076 million; construction of two CCGT power generation units and a service contract for two gas turbines (PGE Gryfino Dolna Odra sp. z o.o.) – an amount of approximately PLN 950 million.
- Distribution – investment commitments related mainly to network distribution assets in the amount of approximately PLN 1,865 million.
- District Heating – construction of a cogeneration source based on a gas engine unit system with a capacity of up to 50 MWe for PGE EC S.A. Wybrzeże Branch – the Gdynia CHP Plant – approximately PLN 270 million; construction of a CCGT power plant called Czechnica-2 in Siechnice – an amount of approximately PLN 222 million; construction of a gas-fired cogeneration source based on gas engines and a reserve and peak heat generation source in Bydgoszcz – an amount of approximately PLN 87 million; construction of Line 2 of the Thermal Processing Plant with Energy Recovery in Rzeszów – an amount of approximately PLN 95 million.

## 12. Shares and interests accounted for using the equity method

	As at 30 September 2024	As at 31 December 2023
Polimex - Mostostal S.A., Warsaw	102	179
Energopomiar sp. z o.o., Gliwice	12	11
PGE Soleo Kleszczów sp. z o.o., Kleszczów	28	28
PGE PAK Energia Jądrowa S.A., Konin	12	4
Elester sp. z o.o., Łódź	229	231
PEC Bogatynia S.A.	-	-
<b>SHARES ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>383</b>	<b>453</b>

	Polimex Mostostal	PEC Bogatynia	Energopo- miar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester
<b>SHARE OF VOTES</b>	<b>16.28%</b>	<b>34.93%</b>	<b>49.79%</b>	<b>50.00%</b>	<b>50.00%</b>	<b>89.96%</b>
<b>AS AT 30 SEPTEMBER 2024</b>						
Current assets	1,847	6	24	28	14	87
Non-current assets	798	21	22	33	15	12
Current liabilities	1,678	3	16	6	5	13
Non-current liabilities	195	5	4	-	-	13
<b>NET ASSETS</b>	<b>772</b>	<b>19</b>	<b>26</b>	<b>55</b>	<b>24</b>	<b>73</b>
<b>Share in net assets</b>	<b>125</b>	<b>7</b>	<b>12</b>	<b>28</b>	<b>12</b>	<b>65</b>
Adjustment of fair value at purchase	16	-	-	-	-	164
Impairment write-down	(39)	(7)	-	-	-	-
<b>SHARES ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>102</b>	<b>-</b>	<b>12</b>	<b>28</b>	<b>12</b>	<b>229</b>

	Polimex Mostostal	PEC Bogatynia	Energopo- miar	PGE Soleo Kleszczów	PGE PAK Energia Jądrowa	Elester
<b>SHARE OF VOTES</b>	<b>16.22%</b>	<b>34.93%</b>	<b>49.79%</b>	<b>50.00%</b>	<b>50.00%</b>	<b>89.96%</b>
<b>AS AT 31 DECEMBER 2023</b>						
Current assets	1,761	9	25	44	6	99
Non-current assets	689	20	21	11	3	12
Current liabilities	1,197	7	22	-	2	25
Non-current liabilities	245	2	3	-	-	11
<b>NET ASSETS</b>	<b>1,008</b>	<b>20</b>	<b>21</b>	<b>55</b>	<b>7</b>	<b>75</b>
<b>Share in net assets</b>	<b>163</b>	<b>7</b>	<b>11</b>	<b>28</b>	<b>4</b>	<b>67</b>
Adjustment of fair value at purchase	16	-	-	-	-	164
Impairment write-down	-	(7)	-	-	-	-
<b>SHARES ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>179</b>	<b>-</b>	<b>11</b>	<b>28</b>	<b>4</b>	<b>231</b>

## 13. Joint activities

Based on an analysis of the agreements between the PGE Capital Group and the Ørsted companies holding 50% of shares, the PGE Capital Group assessed that EWB2 and EWB3 constitute a so-called joint operation within the meaning of IFRS 11 *Joint Arrangements*.

## 14. Deferred tax in the statement of financial position

### 14.1 Deferred income tax assets

	As at 30 September 2024	As at 31 December 2023
Difference between tax and current book values of property, plant and equipment	3,321	3,312
Provision for land rehabilitation	96	85
Provision for employee benefits	869	822
Provision for purchase of CO <sub>2</sub> emission allowances	2,754	3,965
Difference between tax and current book values of liabilities	759	693
Difference between carrying amount and tax value of right-of-use assets	275	273
Tax losses	1,032	1,125
Other provisions	239	336
Difference between tax and current book values of financial assets	367	348
Compensations for PPA	92	95
Liabilities from recognised compensation under the Electricity Pricing Act	-	140
Difference between tax and current book values of financial assets	42	100
Infrastructure acquired free of charge and received grid connection fees	117	109
Other	17	40
<b>TOTAL DEFERRED INCOME TAX ASSETS</b>	<b>9,980</b>	<b>11,443</b>

### 14.2 Deferred tax liabilities

	As at 30 September 2024	As at 31 December 2023
Difference between tax and current book values of property, plant and equipment	5,517	5,070
CO <sub>2</sub> emission allowances	14	1,979
Difference between tax and current book values of financial assets	676	805
Difference between balance sheet and tax value of lease liabilities	286	342
Receivables from recognised compensation under the Electricity Pricing Act	173	288
Receivables from recognised compensation pursuant to the Act on preferential purchase of solid fuel	-	84
Difference between tax and current book values of financial liabilities	81	22
Other	27	134
<b>TOTAL DEFERRED INCOME TAX LIABILITIES</b>	<b>6,774</b>	<b>8,724</b>

#### The Group's deferred tax after offsetting assets and liabilities in the particular companies

Deferred income tax assets	4,390	3,774
Deferred income tax liabilities	(1,184)	(1,055)



## 15. Inventories

	As at 30 September 2024	As at 31 December 2023
Coal	1,503	2,022
Repair and maintenance materials	817	798
Mazout	42	46
Other materials	151	165
<b>TOTAL MATERIALS</b>	<b>2,513</b>	<b>3,031</b>
Green property rights	183	268
Other property rights	9	15
<b>TOTAL ENERGY ORIGIN RIGHTS</b>	<b>192</b>	<b>283</b>
CO <sub>2</sub> emission allowances held for sale	1	1
Hard coal held for sale	156	343
Other goods	28	5
<b>TOTAL GOODS</b>	<b>185</b>	<b>349</b>
<b>OTHER INVENTORIES</b>	<b>123</b>	<b>110</b>
<b>TOTAL INVENTORIES</b>	<b>3,013</b>	<b>3,773</b>

## 16. CO<sub>2</sub> emission allowances for captive use

EUA	As at 30 September 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Quantity (Mg million)	0.0	0.8	0,1	25,5
Value (PLN million)	8	91	20	10,517

EUA	Quantity (Mg million)	Value (PLN million)
<b>AS AT 1 JANUARY 2023</b>	<b>20.2</b>	<b>4,868</b>
Purchase/Sale	80.8	28,491
Granted free of charge	0.6	-
Redemption	(76.0)	(22,822)
<b>AS AT 31 DECEMBER 2023</b>	<b>25.6</b>	<b>10,537</b>
Purchase/Sale	25.6	10,770
Granted free of charge	0.6	-
Redemption	(51.0)	(21,208)
<b>AS AT 30 SEPTEMBER 2024</b>	<b>0.8</b>	<b>99</b>

EUAs for CO<sub>2</sub> emissions allocated for free are linked to thermal energy generation.

Additional information related to the change in the redemption date of CO<sub>2</sub> emission allowances is described in note 21.3 to these financial statements.

## 17. Selected financial assets

The value of financial receivables measured at depreciated cost constitutes a reasonable approximation of their fair values.

### 17.1 Trade receivables and other financial receivables

	As at 30 September 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Trade receivables	-	5,765	-	6,736
Deposits and loans	259	-	240	-
Receivables from due recognised compensation	-	928	-	2,013
Deposits, securities and collaterals	11	978	9	1,275
Settlements related with stock market transactions	-	457	-	162
High efficiency cogeneration support system	-	8	-	243
Damages and penalties	-	29	-	11
Other financial receivables	2	59	5	76
<b>FINANCIAL RECEIVABLES</b>	<b>272</b>	<b>8,224</b>	<b>254</b>	<b>10,516</b>



Deposits, securities and collaterals mainly relate to transaction and hedging deposits in the electricity and emission allowances markets.

Due to the increased credit risk of PKP Cargo S.A., which is the subject of pending recovery proceedings, the Group created a write-down of PLN 150 million. This write-down was recognised in other operating expenses of PLN 121 million and in other financial expenses of PLN 29 million. It was estimated based on the Group's best knowledge but it is subject to uncertainty and may change as a result of future events beyond the Group's control. As at the reporting date, the net value of receivables from PKP Cargo S.A. is PLN 199 million.

## 17.2 Cash and cash equivalents

Short-term deposits are placed for various maturities, ranging from one day to one month, depending on the Group's current cash requirement.

The balance of cash and cash equivalents comprises the following items:

	As at 30 September 2024	As at 31 December 2023
Cash at bank and in hand	4,953	2,760
Overnight deposits	26	103
Short-term deposits	3,164	236
Proceeds from share issue	428	1,309
Funds in VAT accounts	303	1,625
<b>TOTAL</b>	<b>8,874</b>	<b>6,033</b>
Undrawn credit facilities as at reporting date	12,949	5,692
<i>including overdraft facilities</i>	<i>4,006</i>	<i>2,272</i>

A detailed description of credit agreements is presented in note 22.1 to these financial statements.

The value of cash includes restricted cash in the amount of PLN 384 million (PLN 419 million in the comparative period), held in customer accounts of PGE Dom Maklerski S.A. as collateral for settlements with the Warsaw Commodity Clearing House.

## 18. Other current and non-current assets

### 18.1 Other non-current assets

	As at 30 September 2024	As at 31 December 2023
Prepayments for property, plant and equipment under construction	1,051	985
Customer acquisition costs	95	102
Prepayments for deliveries	-	2
Other non-current assets	52	58
<b>TOTAL OTHER ASSETS</b>	<b>1,198</b>	<b>1,147</b>

Prepayments for property, plant and equipment under construction mainly relate to the construction of the Baltica 1 (PLN 34 million) and Baltica 2 (PLN 405 million) wind farms in the Baltic Sea, the construction of a CCGT unit by Rybnik 2050 sp. z o.o. (PLN 187 million) and the modernisation of the Porąbka-Żar pumped storage power plant by PGE EO S.A. (PLN 213 million).

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

## 18.2 Other current assets

	As at 30 September 2024	As at 31 December 2023
<b>PREPAYMENTS AND DEFERRED EXPENSES</b>		
Company Social Benefits Fund	95	12
Customer acquisition costs	71	79
Long-term contracts	64	37
IT services	34	24
Property and tort insurance	25	28
Fees for excluding land from agricultural and forestry production	16	-
Fees for road lane usage and machinery deployment	12	-
Property tax	11	-
Logistic costs related to purchase of coal	13	9
Mining usage fees	4	-
Other prepayments and deferred expenses	24	13
<b>OTHER CURRENT ASSETS</b>		
Input VAT receivables	772	2,474
Prepayments for deliveries	12	464
Excise tax receivables	5	7
Other current assets	44	34
<b>TOTAL OTHER ASSETS</b>	<b>1,202</b>	<b>3,181</b>

## 19. Derivatives and other assets measured at fair value through profit or loss

	As at 30 September 2024	
	Assets	Liabilities
<b>DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Currency forwards	4	15
Commodity SWAP	19	29
Contracts for purchase/sale of coal	43	-
Derivatives embedded in commercial contracts	-	217
Options	4	-
<b>HEDGING DERIVATIVES</b>		
CCIRS hedging transactions	-	7
IRS hedging transactions	178	-
DCS conditional instruments	-	515
Currency forwards	7	1,435
Commodity forwards	12	17
<b>OTHER ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Investment fund participation units	34	-
<b>TOTAL</b>	<b>301</b>	<b>2,235</b>
short-term part	67	1,533
long-term part	234	702

	As at 31 December 2023	
	Assets	Liabilities
<b>DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Currency forwards	3	25
Commodity SWAP	65	14
Contracts for purchase/sale of coal	78	19
Derivatives embedded in commercial contracts	-	410
Options	13	-
<b>HEDGING DERIVATIVES</b>		
CCIRS hedging transactions	4	-
IRS hedging transactions	193	-
Currency forward - EUR	7	1,565
<b>OTHER ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Investment fund participation units	31	-
<b>TOTAL</b>	<b>394</b>	<b>2,033</b>
short-term part	116	1,682
long-term part	278	351

The additional information and notes  
to the quarterly financial information  
constitute its integral part

## **Commodity and currency forwards**

Commodity and currency forward transactions mainly relate to trade in CO<sub>2</sub> emission allowances and lignite sales. To recognise forward currency transactions related to the purchase of CO<sub>2</sub> emission allowances, the Group applies hedge accounting.

## **Options**

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

## **Coal swaps**

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

## **Purchase and sales contracts with physical delivery of coal**

PGE Paliwa sp. z o.o. measures all of its sales and purchase contracts with physical delivery of coal at fair value using the trader-broker model.

## **Derivatives embedded in commercial contracts**

As part of the purchased wind farms, the PGE Capital Group also acquired derivatives embedded in commercial contracts. The design of the instruments involves the delivery of the contracted capacity each day, for the duration of the contracts.

## **IRS transactions**

The Group has active IRS transactions to hedge the interest rate on its credits and issued bonds. Their total original nominal value amounted to PLN 3,400 million (PLN 2,000 million for credits and PLN 1,400 million for bonds). In connection with the commencement of the repayment of the principal amount of certain credits, the current nominal amount of IRS transactions hedging the credits is PLN 1,000 million. To recognise these IRS transactions, the Group uses hedge accounting. The impact of hedge accounting on the revaluation reserve is presented in note 20.2 to these consolidated financial statements.

## **DCS conditional instruments**

In June 2024, the Group entered into Deal Contingent Swap transactions. To recognise these transactions, the Group uses hedge accounting. The purpose of the risk hedge implemented under this hedging relationship is to reduce the volatility of cash flows affecting the Group's financial performance resulting from future highly probable external financing transactions for the offshore wind farms project.

## **CCIRS hedging transactions**

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

## **Commodity forwards for the purchase of CO<sub>2</sub> and gas in the optimisation portfolio**

As part of its optimisation portfolio, the Group maintains commodity forwards for the purchase of CO<sub>2</sub> and gas settled by physical delivery of the non-financial component subject to a contract. Contracts entered into as part of this portfolio do not meet the conditions for the "own use" exemption and are recognised as financial instruments at the time of their execution. At the same time, these contracts are designated as hedging instruments in hedging relationships representing the implementation of "all-in-one hedge" strategies.

## **Investment fund participation units**

At the reporting date, the Group held participation units in three sub-funds of Towarzystwo Funduszy Inwestycyjnych PZU S.A.

## Commodity SWAP and inflation rate SWAP

In October 2024, the Group entered into commodity SWAP transactions and inflation rate SWAP transactions. These instruments are contingent transactions aimed at hedging the risk of inflation and changes in commodity prices identified in contracts for the supply of the key components in the construction of the Baltica 2 offshore wind farm.

## 20. Equity

The basic guideline in the Group's capital management policy is to maintain the optimum structure of capital in the long perspective, to ensure the PGE Capital Group's good financial standing and safe capital structure measures supporting its operations. It is also very important to maintain a strong capital base constituting a foundation for the building of trust in future investors, creditors and the market with a view to ensuring the PGE Capital Group's future growth.

### 20.1 Share capital

	As at 30 September 2024	As at 31 December 2023
1,470,576,500 A series ordinary shares with a par value of PLN 8.55 each	12,574	12,574
259,513,500 Series B ordinary shares with a par value of PLN 8.55 each	2,219	2,219
73,228,888 Series C ordinary shares with a par value of PLN 8.55 each	626	626
66,441,941 Series D ordinary shares with a par value of PLN 8.55 each	568	568
373,952,165 Series E ordinary shares with a par value of PLN 8.55 each	3,197	3,197
<b>TOTAL SHARE CAPITAL</b>	<b>19,184</b>	<b>19,184</b>

All of the Company's shares are paid up.

After the reporting date and before the date on which these financial statements were prepared, there had been no changes in the value of the Company's share capital.

#### Shareholder rights – the State Treasury's rights related to the Company's operations

The Company is a member of the PGE Capital Group, with respect to which the State Treasury holds special rights as long as it remains its shareholder.

The State Treasury's special rights which may be exercised with respect to the companies belonging to the PGE Capital Group are specified in the Act of 18 March 2010 on special rights of a minister competent for energy affairs and their exercise with respect to certain capital companies or capital groups conducting business activities in the electricity, petrol, and gaseous fuels sectors (the consolidated text: Journal of Laws of 2020, item 2173). The Act specifies special rights held by the minister competent for energy affairs with respect to capital companies or capital groups conducting business activities in the electricity, petrol, and gaseous fuels sectors whose assets are disclosed in the standardised specification of facilities, installations, equipment and services included in the composition of the critical infrastructure.

On the basis of the provisions in question, the minister responsible for state assets may object to a resolution adopted by the Management Board or any other legal action carried out by the Management Board, the object of which is the disposal of an asset posing a threat to the functioning, continuity of operation and integrity of the critical infrastructure. An objection could also be filed against the Company governing bodies' resolutions concerning the following issues:

- the dissolution of the Company,
- changes in the use of, or refusal to use, an asset constituting a component of the critical infrastructure,
- changes in the objects of the Company,
- the disposal or lease of an enterprise or its organised part, or the establishment of a limited property right thereon,
- the adoption of a material and financial plan, a capital expenditures plan, or a long-term strategic plan,
- the transfer of the Company's registered office abroad,

if the implementation of such a resolution could constitute a real threat to the functioning, operational continuity and integrity of the critical infrastructure.

Such an objection is stated in the form of an administrative decision.

## 20.2 Hedging reserve

	Period ended 30 September 2024	Year ended 31 December 2023
<b>AS AT 1 JANUARY</b>	<b>(1,095)</b>	<b>(32)</b>
<b>Change in hedging reserve, including:</b>	<b>(423)</b>	<b>(1,313)</b>
<b>Measurement of hedging instruments, including:</b>	<b>(427)</b>	<b>(1,325)</b>
<i>Recognition of the effective portion of change in fair value of hedging financial instruments in the part considered as effective hedge</i>	(413)	(1,396)
<i>Accrued interest on derivatives transferred from hedging reserve and recognised in interest expense</i>	(25)	25
<i>Currency revaluation of CCIRS transaction transferred from hedging reserve and recognised in foreign exchange gains/losses</i>	10	49
<i>Ineffective portion of change in fair value of hedging derivatives recognised in profit or loss</i>	1	(3)
<b>Measurement of other financial instruments</b>	<b>4</b>	<b>12</b>
<b>Deferred tax</b>	<b>81</b>	<b>250</b>
<b>HEDGING RESERVE AFTER DEFERRED TAX</b>	<b>(1,437)</b>	<b>(1,095)</b>

The hedging reserve includes mainly valuation of hedging instruments to which cash flow hedge accounting is applied.

## 20.3 Dividends paid and proposed

In the reporting and comparative periods, the Company did not distribute dividends.

## 21. Provisions

The current book value of the provisions is as follows:

	As at 30 September 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Employee benefits	3,343	357	3,329	372
Provision for land rehabilitation	6,817	10	6,360	10
Provision for the shortage of CO <sub>2</sub> emission allowances	-	15,147	-	21,211
Provision for value of property rights held for redemption	-	349	-	526
Onerous agreements	-	248	-	835
Other provisions	54	209	57	309
<b>TOTAL PROVISIONS</b>	<b>10,214</b>	<b>16,320</b>	<b>9,746</b>	<b>23,263</b>

The discount rate for the provision for land rehabilitation costs as at 30 September 2024 and in the comparative period is:

- for expenditure expected to be incurred within 15 years of the balance sheet date – 5.20% (5.1% in the comparative period),
- for expenditure expected to be incurred within from 16 to 25 years from the balance sheet date – 5.46%; PGE extrapolation according to the adopted method (5.5% in the comparative period),
- for expenditure expected to be incurred after 25 years from the balance sheet date – 5.61%; PGE extrapolation according to the adopted method (5.67% in the comparative period).

The discount rate for the provision for employee benefits and other provisions for land rehabilitation costs as at 30 September 2023 was 5.2% (5.1% in the comparative period).

The change in the discount rate and other assumptions resulted in the following:

- an increase in the provision for land rehabilitation costs recognised correspondingly in other operating expenses of PLN 20 million,
- an increase in the provision for land rehabilitation costs recognised correspondingly as an increase in property, plant and equipment of PLN 58 million.

## Change in provisions

	Employee benefits	Provision for land rehabilitation costs	Provision for costs of CO <sub>2</sub> emissions	Provision for property rights to be redeemed	Onerous contracts	Other	Total
<b>1 JANUARY 2024</b>	<b>3,701</b>	<b>6,370</b>	<b>21,211</b>	<b>526</b>	<b>835</b>	<b>366</b>	<b>33,009</b>
Current employment costs	98	-	-	-	-	-	98
Interest costs	140	248	-	-	-	-	388
Adjustment to discount rate and other assumptions	(3)	78	-	-	-	-	75
Benefits paid / Provisions used	(234)	-	(21,210)	(455)	(9)	(90)	(21,998)
Provisions reversed	-	-	(2)	(67)	(626)	(36)	(731)
Established reserves - costs	-	39	15,148	345	4	59	15,595
Provisions recognised - expenditure	-	47	-	-	-	-	47
Other changes	(2)	45	-	-	44	(36)	51
<b>30 SEPTEMBER 2024</b>	<b>3,700</b>	<b>6,827</b>	<b>15,147</b>	<b>349</b>	<b>248</b>	<b>263</b>	<b>26,534</b>

	Employee benefits	Provision for land rehabilitation costs	Provision for costs of CO <sub>2</sub> emissions	Provision for property rights to be redeemed	Onerous contracts	Other	Total
<b>1 JANUARY 2023</b>	<b>2,486</b>	<b>4,142</b>	<b>20,318</b>	<b>271</b>	<b>86</b>	<b>283</b>	<b>27,586</b>
Actuarial gains and losses	536	-	-	-	-	-	536
Current employment costs	126	-	-	-	-	-	126
Past employment costs	53	-	-	-	-	-	53
Interest costs	182	292	-	-	-	-	474
Adjustment to discount rate and other assumptions	471	1,854	-	-	-	-	2,325
Benefits paid / Provisions used	(299)	-	(22,821)	(739)	-	(87)	(23,946)
Provisions reversed	-	(22)	(2)	(5)	(86)	(54)	(169)
Established reserves - costs	-	48	23,716	871	835	122	25,592
Provisions recognised - expenditure	-	48	-	-	-	-	48
Change in composition of CG	141	5	-	128	-	107	381
Other changes	5	3	-	-	-	(5)	3
<b>31 DECEMBER 2023</b>	<b>3,701</b>	<b>6,370</b>	<b>21,211</b>	<b>526</b>	<b>835</b>	<b>366</b>	<b>33,009</b>

## 21.1 Provision for employee benefits

Provisions for employee benefits mainly comprise:

- post-employment benefits – PLN 2,722 million as at 30 September 2024 and PLN 2,694 million in the comparative period,
- jubilee awards – PLN 971 million as at 30 September 2024 and PLN 1,001 million in the comparative period,
- incentive bonuses – PLN 7 million as at 30 September 2024 and PLN 6 million in the comparative period.

## 21.2 Provision for land rehabilitation

### Provision for the rehabilitation of mine workings

The PGE Capital Group creates provisions for the rehabilitation of final workings. The amount of the provision presented in the financial statements includes also the value of the Mining Plant Liquidation Plan established in accordance with the Geology and Mining Law Act. As at 30 September 2024, the value of the provision was PLN 6,084 million and PLN 5,695 million as at 31 December 2023.

### Provision for the rehabilitation of the ash disposal sites

The power plants create a provision for the rehabilitation of the furnace waste disposal sites. As at 30 September 2024, the provision amounted to PLN 310 million (PLN 256 million as at the end of the comparative period).

### **Provision for the rehabilitation of wind farm sites**

The companies that own wind farms create a provision for the rehabilitation of wind farm sites. As at 30 September 2024, the provision amounted to PLN 3 million (PLN 7 million as at the end of the comparative period).

### **Property, plant and equipment liquidation costs**

As at the reporting date, the provision amounted to PLN 430 million (PLN 412 million as at the end of the comparative period) and refers to some assets of the Conventional Generation and Renewable segments.

## **21.3 Provision for costs of CO<sub>2</sub> emissions**

The provision is created on the basis of the value of allowances obtainable for a fee or free of charge. Since 2020 the Group has been entitled to free allowances for heat generation only. In 2024, there was a change in the legislation regarding the deadline for the obligations to redeem CO<sub>2</sub> allowances and the postponement of the date of redemption for a given year until the following September. Despite this change, the Group presents the provision in the short-term portion, as this liability will be settled in the course of the Group's normal operating cycle. As at 30 September 2024, the provision amounted to PLN 15,147 million (PLN 21,211 million as at the end of the comparative period).

## **21.4 Provision for property rights to be redeemed**

The PGE Group companies create a provision for the value of energy origin property rights relating to sales carried out during the reporting period or in the prior reporting periods, for the part unredeemed before the reporting date. As at 30 September 2024, the provision amounted to PLN 349 million (PLN 526 million in the comparative period) and was recognised mainly by PGE Obrót S.A.

## **21.5 Provision for onerous contracts**

The provision is mainly created by PGE Obrót S.A. in connection with the issuance of a decision by the President of the Energy Regulatory Office approving a tariff for electricity for consumers in G tariff groups, for the period from 1 January 2024 to 31 December 2024.

The approved tariff does not fully cover the costs of purchasing electricity resulting from previously concluded purchase contracts, property rights and the costs of regulated activities. Accordingly, on 31 December 2023, the company established a provision for onerous contracts with customers in Gx tariff groups in 2024. The provision was estimated in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, according to which unavoidable costs of contract fulfilment include both variable costs (energy, property rights) and the company's own costs related to providing services to Gx customers and incurred by PGE Obrót S.A., exclusive of general administrative expenses. As at 30 September 2024, the provision amounted to PLN 189 million (PLN 761 million in the comparative period).

In addition, PGE Obrót S.A. recognised a provision due to the extension of the maximum price for micro, small and medium enterprises and local government units to the first half of 2024. PGE Obrót S.A. is obliged to apply maximum prices in settlements with eligible customers until 30 June 2024, also when the cost of electricity purchase for the performance of these contracts is significantly higher than the maximum price. As at 30 September 2024, the provision amounted to PLN 20 million (PLN 74 million in the comparative period).

On 28 June 2024, the President of the Energy Regulatory Office issued a decision approving the electricity sales price for customers in tariff group G, for the period from 1 July 2024 to 31 December 2025. The Group's analysis did not indicate a need to review the provision at 30 September 2024.

## **21.6 Other provisions**

### **Provision for potential claims from counterparties**

Provisions for potential claims from counterparties consist of provisions created by ENESTA sp. z o.o. in restructuring (PLN 60 million).

In addition, in 2021, the Group recognised a provision in the amount of PLN 39 million in connection with the sale of shares in PGE EJ1 sp. z o.o. to the State Treasury. Pursuant to the concluded Agreement regulating the liability of the existing Shareholders for the costs of the dispute with Worley Parsons, PGE S.A. may be obliged to cover the costs of the dispute in the maximum amount of PLN 98 million, if it loses the dispute. The amount of PLN 59 million is disclosed in contingent liabilities, in note 24.1.



## 22. Financial liabilities

The value of financial liabilities measured at amortised cost is a reasonable approximation of their fair value, except for bonds issued by PGE Sweden AB (publ).

Bonds issued by PGE Sweden AB (publ) are based on a fixed interest rate. As at 30 September 2024, their value at amortised cost, as disclosed in these consolidated financial statements, amounted to PLN 594 million and their fair value was PLN 564 million.

### 22.1 Bank credits, loans, bonds and leases

	As at 30 September 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Credits and loans	6,801	715	7,018	4,376
Bonds issued	1,990	39	1,999	18
Lease	1,374	123	1,367	119
<b>TOTAL CREDITS, LOANS, BONDS AND LEASES</b>	<b>10,165</b>	<b>877</b>	<b>10,384</b>	<b>4,513</b>

#### Credits and loans

As at 30 September 2024 and 31 December 2023, the PGE Capital Group reported the following loans and credits:

Creditor	Hedging instrument	Date of maturity	Limit in currency	Currency	Interest rate	Liability at 30-09-2024	Liability at 31-12-2023
European Investment Bank	-	2041-03-15	2.000	PLN	Fixed	2,007	2,041
European Investment Bank	-	2034-08-25	1.500	PLN	Fixed	1,263	1,317
European Investment Bank	-	2041-03-15	850	PLN	Variable	852	867
European Investment Bank	-	2041-03-15	550	PLN	Fixed	552	562
Bank Gospodarstwa Krajowego	IRS	2027-12-31	1.000	PLN	Variable	446	501
European Investment Bank	-	2034-08-25	490	PLN	Fixed	414	431
European Bank for Reconstruction and Development	IRS	2028-06-06	500	PLN	Variable	288	315
Bank Gospodarstwa Krajowego	IRS	2028-12-31	500	PLN	Variable	287	313
European Investment Bank	-	2038-10-16	273	PLN	Fixed	275	274
Bank Pekao S.A.	-	2025-10-31	40	USD	Variable	118	151
Bank Pekao S.A.	-	2024-12-22	1.150	PLN	Variable	-	37
Bank Gospodarstwa Krajowego	-	2027-02-19	1.500	PLN	Variable	-	-
Bank consortium	-	2027-03-01	3.150	PLN	Variable	-	1,501
Bank Gospodarstwa Krajowego	-	2026-09-29	2.000	PLN	Variable	-	1,320
PKO BP S.A.	-	2025-12-31	1.000	PLN	Variable	-	767
Bank Gospodarstwa Krajowego	-	2028-11-28	2.500	PLN	Variable	-	-
European Investment Bank	-	2044-07-29	1.000	PLN	Fixed	-	-
Santander	-	2029-08-28	1.000	PLN	Variable	-	-
Bank Pekao S.A.	-	2027-12-31	750	PLN	Variable	-	-
Bank Pekao S.A.	-	2027-12-31	750	PLN	Variable	-	-
ING	-	2024-12-31	57	PLN	Variable	-	-
PKO BP S.A.	-	2025-09-30	165	PLN	Variable	-	-
NEPWMMF	-	December 2028 - June 2042	241	PLN	Fixed	75	86
NEPWMMF	-	September 2024 - September 2038	1.086	PLN	Variable	827	772
PEPWMMF	-	September 2026	9	PLN	Fixed	3	4
PEPWMMF	-	March 2026 - December 2029	213	PLN	Variable	109	135
<b>TOTAL BANK CREDITS AND LOANS</b>						<b>7,516</b>	<b>11,394</b>

As at 30 September 2024, the value of available overdraft facilities in the major companies of the PGE Capital Group amounted to PLN 4,006 million. The repayment dates of granted overdraft facilities in the current accounts of the major PGE Group companies fall in the years 2024-2027.

In the period ended 30 September 2024 and after the reporting date there were no defaults or breaches of other terms and conditions of the credit agreements.

#### Bonds issued

Issuer	Hedging instrument	Date maturity of programme	Limit in programme currency	Currency	Interest rate	Tranche issue date	Tranche maturity date	Liability at 30-09-2024	Liability at 31-12-2023
PGE S.A.	IRS	indefinite	5.000	PLN	Variable	2019-05-21	2029-05-21	1,025	1,007
						2019-05-21	2026-05-21	410	402
PGE Sweden AB (publ)	CCIRS	indefinite	2.000	EUR	Fixed	2014-08-01	2029-08-01	594	608
<b>TOTAL BONDS ISSUED</b>								<b>2,029</b>	<b>2,017</b>

## 22.2 Trade payables and other financial liabilities

	As at 30 September 2024		As at 31 December 2023	
	Long-term	Short-term	Long-term	Short-term
Trade payables	-	4,663	-	4,715
Compensation	-	373	-	420
Purchase of PPE and IA	-	1,192	3	1,647
Security deposits received	45	154	50	178
Liabilities on account of LTC	313	34	355	20
Insurance	-	2	-	6
Other	127	506	116	623
<b>TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES</b>	<b>485</b>	<b>6,924</b>	<b>524</b>	<b>7,609</b>

As at 30 September 2024, the Group recognised an amount of PLN 1,880 million of factoring liabilities (PLN 1,838 million in the comparative period) under Trade payables.

The "Other" item includes, among others, PGE Dom Maklerski S.A.'s liabilities to customers for cash paid and PGE GiEK S.A.'s liabilities under performance bonds, which are described in more detail in note 24.3 to these financial statements.

## 23. Other non-financial liabilities

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

### 23.1 Other non-current non-financial liabilities

	As at 30 September 2024	As at 31 December 2023
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>		
Contract liabilities	178	170
Other	-	1
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<b>178</b>	<b>171</b>

### 23.2 Other current non-financial liabilities

	As at 30 September 2024	As at 31 December 2023
<b>OTHER CURRENT LIABILITIES</b>		
Liabilities related to output VAT	599	951
Excise tax liabilities	32	34
Contract liabilities	955	1,103
Liabilities related to payments to WRC Fund	9	782
Environmental fees	155	200
Payroll liabilities	287	393
Bonuses for employees	447	371
Accrued annual leave and other employee benefits	511	350
Awards for Management Boards	28	22
Personal income tax	116	122
Social insurance liabilities	322	370
Other	82	80
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>3,543</b>	<b>4,778</b>

The item "Other" mainly comprises liabilities relating to payments to the Employees' Pension Scheme, deductions from employees' wages and salaries, as well as payments to the State Fund for the Rehabilitation of Disabled Persons.

#### Contract liabilities

Contract liabilities mainly include advances for deliveries and prepayments made by customers for connection to the distribution grid as well as forecasts for electricity consumption concerning future periods.

## OTHER EXPLANATORY NOTES

### 24. Contingent receivables and payables. Litigation

#### 24.1 Contingent liabilities

	As at 30 September 2024	As at 31 December 2023
Contingent return of grants from environmental and developmental funds	441	536
Liabilities related to legal actions	136	106
Liabilities related to bank guarantees securing exchange transactions	208	400
Perpetual usufruct of land	60	60
Other contingent liabilities	37	75
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>882</b>	<b>1,177</b>

##### **Contingent return of grants from environmental and developmental funds**

The liabilities represent the value of possible future reimbursements of financing received by the PGE Capital Group companies from environmental and developmental funds for certain investment projects. The received financing will have to be returned if investment projects for which they were granted do not bring the expected effect.

##### **Liabilities related to legal actions**

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

Liabilities also represent the value of litigation in the amount of PLN 68 million arising from the realisation of investments in PGE GiEK S.A., the Turów Power Plant branch.

##### **Bank guarantee liabilities**

These liabilities represent sureties issued by PGE Capital Group companies for bank guarantees provided as a deposit to secure exchange transactions resulting from the membership in the Warsaw Commodity Clearing House.

##### **Perpetual usufruct of land**

Contingent liabilities for perpetual usufruct of land are related to the updated annual fees for perpetual usufruct of land. The Branches of PGE GiEK S.A. filed appeals against received decisions to the Local Government Appeal Boards. The value of the contingent liability was measured as the difference between the discounted sum of the updated fees for perpetual usufruct for the whole period for which the perpetual usufruct was established and the liability for perpetual usufruct of land, which was recognised in the books on the basis of previously paid fees.

##### **Other contingent liabilities**

In August 2022, a "Cost Reimbursement Agreement" was signed between EWB1, EWB2 and EWB3 and the company carrying out the construction of the installation port. The agreement provides the works contractor with reimbursement of the costs incurred in connection with the construction of the installation port in the event that the companies do not continue with the investment project in question. The potential value of the liability on the part of the Group at the date of these financial statements, taking into account the shareholdings referred to in note 1.3.2, was estimated at PLN 13.9 million.

#### 24.2 Other significant issues related to contingent liabilities

##### **Non-contractual use of property**

The PGE Capital Group established a provision for legal disputes concerning non-contractual use of real property for distribution purposes. Furthermore, the PGE Capital Group is involved in disputes that are at early stages of proceedings and it cannot be ruled out that the number and value of similar disputes will increase in the future.

## **Contractual liabilities related to fuel purchases**

According to the concluded agreements for the purchase of fuels (mainly coal and gas), the PGE Capital Group is obliged to receive a specified minimum volume of fuels and not to exceed a specified maximum level of gas consumption in particular periods. A failure to receive the minimum volumes of fuels or collection of more than the maximum volumes of fuels specified in the agreements may result in the necessity to pay relevant fees (in the case of one agreement for the purchase of the gaseous fuel, the volumes paid for, but not received, may be received within the next three contractual years).

In the current reporting period, ORLEN S.A. charged PGE Gryfino Dolna Odra sp. z o.o. a net amount of PLN 6.9 million for failure to collect the minimum contractual quantities of gas fuel. As at 30 September 2024, the Group presents a provision of PLN 6.9 million in liabilities for this purpose. On 4 November 2024, PGE Gryfino Dolna Odra sp. z o.o. settled the liability to ORLEN S.A. and the provision was reversed.

## **Obligations to maintain fuel stocks**

Pursuant to the applicable regulations, a power company generating electricity or heat is obliged to maintain stocks of fuel in quantities sufficient to ensure continuity of supply of electricity or heat to consumers.

In previous reporting periods, there were several breaches of the requirements to maintain minimum coal stocks in PGE GiEK S.A.'s hard coal-fired power generation units (Opole Power Plant, Dolna Odra Power Plant, Rybnik Power Plant). The failure to maintain minimum levels of hard coal stocks and the problems with restoration of these stocks in the power plants were influenced by a number of factors beyond the Group's control. The last periods in which there was a breach of the requirements to maintain minimum coal stocks were January and February 2023.

According to the provisions of Article 56(1)(2) of the Energy Act, a financial penalty is imposed on anyone, who does not comply with the obligation to maintain fuel stocks, (...), or does not replenish them in time, (...). It should be pointed out that the very fact of not complying with a prohibition or obligation provided for in the Energy Act results in the imposition of a penalty by the ERO President. Pursuant to Article 56(3) of the Energy Law, the amount of the penalty may not be less than PLN 10,000 and more than 15% of the penalised entrepreneur's revenue earned in the preceding fiscal year, and if the penalty is connected with activity conducted on the basis of a licence, the amount of the penalty may not be less than PLN 10,000 and may not be higher than 15% of the penalised entrepreneur's revenue from the licensed activity in the previous fiscal year.

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

Taking into account the above, the reasons, for not meeting and building the required minimum coal stocks by the set deadline, which cannot be attributed to the PGE Capital Group, as well as the fact that PGE GiEK S.A. has no previous record on this account, should constitute premises for appropriate mitigation of the penalty. Due to the low value of the arrears, PGE S.A. estimates that the value of a potential penalty imposed should not be material, so no provision for this is recognised in these financial statements.

## **Funds from an increase in the Company's share capital**

On 5 April 2022, an investment agreement was concluded between PGE S.A. and the State Treasury concerning the acquisition by the State Treasury of shares issued as a result of the share capital increase. According to the provisions of the agreement, funds raised from the share issue in the amount of PLN 3.2 billion are used exclusively for investments in the area of renewable energy, decarbonisation and distribution. The manner in which funds from the issue are spent is subject to detailed reporting and auditing. On 26 April 2023, the contract was annexed due to the need to adjust the expenditure schedule to the various investment tasks. Disbursement of funds contrary to the provisions of the investment agreement may result in financial penalties, and in extreme cases, even the necessity to return the funds. The PGE Group uses the funds in accordance with the investment agreement. As at 30 September 2024, the balance of remaining funds from the share issue was approximately PLN 428 million.

## **"Cancellation fees" w EWB2**

During 2023 the company EWB2 entered into contracts for the construction phase of the ongoing Baltica 2 Offshore Wind Farm project. There are provisions in these contracts according to which, in the event that the Final Investment Decision is not made and all concluded contracts are consequently cancelled, EWB2 will be obliged to pay cancellation fees. Accordingly, the potential value of the liability on the part of the PGE Capital Group, taking into account the shares referred to in note 1.3.2, was estimated at EUR 290 million. Given the progress of work on the Baltica 2 Offshore Wind Farm project, EWB2 assesses the need to incur cancellation fees as negligible. Accordingly, no balance sheet liability or contingent liability was recognised on this account.

## 24.3 Other court cases and disputes

### **Matter of compensation for share conversion**

On 12 November 2014 Socrates Investment S.A. (an entity that purchased claims from the former shareholders of PGE Górnictwo i Energetyka S.A.) filed a lawsuit requesting that the court award it compensation in the total amount of over PLN 493 million (plus interest) for damage incurred in respect of the incorrect (in its opinion) determination of the share exchange ratio applied in the merger of PGE Górnictwo i Energetyka S.A. and PGE S.A. The Company filed a response to the claim. On 15 November 2017, the Company received the plaintiff's statement – an amendment to the claim – increasing the amount claimed in the lawsuit to PLN 636 million. At present the first instance court proceedings are underway. No trial date has been set.

In addition, a similar claim was submitted by Pozwy Sp. z o.o., which had bought claims from the former shareholders of PGE Elektrownia Opole S.A. Pozwy sp. z o.o. filed a lawsuit to the Regional Court in Warsaw against PGE GiEK S.A., PGE S.A. and PwC Polska sp. z o.o. (hereinafter referred to as Respondents) requesting that the Respondents be ordered, in solidum, or jointly and severally, to pay for the benefit of Pozwy sp. z o.o. compensation in the total amount of over PLN 260 million with interest for the allegedly incorrect (in its opinion) determination of the exchange ratio of PGE Elektrownia Opole S.A. shares for PGE GiEK S.A. shares in the process of the merger of these companies. This lawsuit was delivered to PGE S.A. on 9 March 2017. The companies PGE S.A. and PGE GiEK S.A. submitted a response to the claim on 8 July 2017. On 28 September 2018, the Regional Court in Warsaw ruled in the first instance – the lawsuit of Pozwy sp. z o.o. was dismissed. On 8 April 2019, PGE S.A. received a copy of the appeal filed by the claimant on 7 December 2018. PGE S.A. and PGE GiEK S.A.'s response to the appeal was prepared on 23 April 2019. The hearing was held on 21 December 2020. The Court of Appeal issued a verdict in which it overturned the appealed verdict of the District Court in its entirety and returned the case for re-examination to the District Court. On 22 January 2021 PGE S.A. together with PGE GiEK S.A. filed a complaint against the verdict to the Supreme Court, requesting that the verdict of the Court of Appeal be reversed in its entirety and the case be returned to the Court of Appeal for re-examination. At a closed session on 27 April 2021, the Supreme Court overturned the appealed verdict. Thus, the case was returned for re-examination by the Court of Appeal. In a verdict of 10 January 2024, the Court of Appeal upheld the claimant's appeal and overturned the appealed verdict of the District Court and referred the case back to that court. The date of another hearing was established for 28 November 2024.

The PGE Group companies do not recognise the claims of Socrates Investment S.A. and Pozwy sp. z o.o. According to PGE S.A., these claims are groundless and the entire consolidation process was conducted in a fair and correct manner. The value of shares in the companies subject to consolidation had been determined by an independent company, i.e. PwC Polska sp. z o.o. Furthermore, the consolidation plan, including the ratio of converting shares in the acquired company into shares in the acquiring company was audited with respect to its correctness and reliability by an expert appointed by the court of registration, and no irregularities were identified. The court subsequently registered the merger of the aforementioned companies.

The PGE Group did not establish any provision for the filed lawsuit.

### **Accrued penalties for the contractor of unit no. 7 at the Turów Power Plant**

In 2022, PGE GiEK S.A. charged the contractor of unit no. 7 at the Turów Power Plant, a consortium of Mitsubishi Power Europe GmbH, TECNICAS REUNIDAS S.A. and BUDIMEX S.A., a contractual penalty of PLN 562 million for failing to meet the unit's availability rate in the first year of the warranty period. In July 2022, the Company submitted a demand for payment to the consortium, to which it received a negative response. In 2022, the contractual penalty was subject to a write-down in the same amount.

On 15 June 2023, PGE GiEK S.A. applied to the General Attorney's Office of the Treasury of the Republic of Poland for mediation with the participation of a mediator of the Court of Arbitration at the General Attorney's Office of the Republic of Poland, in order to attempt an amicable settlement of the disputes arising from the contract. The mediation, which was ongoing in 2023 and 2024, had not been completed by the date of these financial statements.

In addition, PGE GiEK S.A. held bank performance bonds in the total amount of PLN 135 million and bank advance repayment guarantees in the total amount of PLN 7 million. On 21 June 2024, PGE GiEK S.A. provided the bank with requests for the payment of the amounts under its guarantees and received the amount of PLN 142 million in July 2024. The amount of 135 million under the performance bond was not recognised in the financial result, due to the unfinished mediation proceedings.

On 30 October 2024, PGE GiEK S.A. issued a debit note in the amount of PLN 357 million for failure to meet the availability rate of the unit in the second year of the guarantee period and a contractual penalty for delay in defect rectification. Due to the significant risk of the contractor's challenging this note, it was accompanied by a write-down of its full amount.



## **Environmental decision on the Turów Lignite Mine**

On 31 May 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 12 June 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 31 May 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 18 July 2023, the Supreme Administrative Court overturned the decision of the Provincial Administrative Court of 31 May 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 31 August 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. At the request of PGE GiEK S.A. to amend the environmental decision, the proceedings ended with a final and legally binding decision to discontinue the proceedings.

On 13 March 2024, the Provincial Administrative Court overruled the decision of the General Directorate of Environmental Protection determining the environmental conditions for further exploitation of the lignite deposit in Turów. As the Court stressed, this did not mean either the closure or suspension of work at the Turów mine. The ruling is not legally binding.

On 30 April 2024, PGE GiEK S.A. was served with a copy of the verdict with justification. The ruling is not legally binding. On 29 May 2024, PGE GiEK S.A. filed a cassation appeal with the Supreme Administrative Court against the above verdict.

The same verdict was also challenged in its entirety by the General Director of Environmental Protection on 17 May 2024. PGE GiEK S.A., after receiving the cassation complaint from the General Director of Environmental Protection, filed a response to the cassation complaint on 2 July 2024 and requested that it be upheld and the contested verdict of the Provincial Administrative Court be repealed. The verdict of the Provincial Administrative Court was challenged by environmental organisations. PGE GiEK S.A. filed responses to the cassation complaints.

## **Issues relating to the request by the Polimex-Mostostal consortium for an increase in remuneration for the construction of the Siechnice CHP plant**

On 23 June 2021, a contract for the construction of a CHP plant for the company Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. was concluded with a consortium comprising Polimex Mostostal S.A. and Polimex Energetyka sp. z o.o. The net value of the remuneration at the time of signing the contract was set at PLN 1,159 million.

Due to the occurrence – in the opinion of the Consortium – of an extraordinary change in economic relations, resulting in an increase in the prices of goods and materials as a consequence of the COVID 19 pandemic and a new phase of the armed aggression of the Russian Federation against Ukraine, KOGENERACJA S.A. received from the Consortium requests to increase the amount of the contractual remuneration for the above contract. KOGENERACJA S.A. commissioned external experts to prepare specialist legal and technical opinions the results of which constitute a basis for mediation aimed at resolving the resultant disputes concerning the existence of factual and legal grounds and the possible scope of a possible change in the amount of the remuneration (and, consequently, the possibility of signing an indexation annex to the Agreement) and the deadline for performance of the obligation.

On 15 September 2023, the parties entered into an agreement for mediation before permanent mediators at the General Attorney's Office of the Treasury of the Republic of Poland. The Consortium estimated its indexation claim at a net amount of PLN 344 million.

On 20 and 26 September 2023 - at the Consortium's request - the Regional Court in Wrocław issued a decision on granting security for the Consortium's claim to shape the legal relationship and amend the contract. The net value of the subject matter of the security was set by the Court at PLN 344 million.

Pursuant to the wording of the Court's decision on the security, until the court proceedings end with a legally binding verdict, half of the net value of the subject of the security, i.e. the amount of PLN 172 million, will increase the existing value of the payments under the investment obligations indicated in the application and

will be invoiced successively in parallel to the works performed by the Consortium. The establishment of the security is not legally binding. The decision was supplemented with an immediate enforceability clause.

On 2 November 2023, the company started the formal appeal procedure against the Court's non-final decision to grant the security. On 9 November 2023, the company sent a request to suspend the enforcement of the aforementioned decision to grant the security.

On 13 December 2023, KOGENERACJA S.A. received the decision of the Regional Court in Wrocław, 10th Commercial Division, dated 1 December 2023, concerning suspension of the enforceability of the decision of 20 September 2023 on granting the security for the claim until the complaint against this decision is resolved. Thus, the request of KOGENERACJA S.A. of 9 November 2023 was granted. The decision to stay the enforcement was supplemented with an immediate enforceability clause. In its letter of 18 December 2023, KOGENERACJA S.A. filed a complaint against the decision of the Regional Court in Wrocław of 20 September 2023 and concerning the issue of security. At the concerted request of the Parties, in its decision of 30 October 2024, the Court of Appeal in Wrocław suspended the proceedings in the case.

On 12 August 2024, a copy of the statement of claim dated 30 October 2023 was received from the Regional Court in Wrocław, 10th Commercial Division, in the lawsuit filed by Polimex Mostostal S.A. for the shaping of the legal relationship and amendment of the contract for the construction of a CCGT plant for Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. in Siechnice. The amendment to the contract requested by Polimex concerns the determination of the net amount of the contractual remuneration increased by PLN 344 million, i.e. an increase of the current value of the contract in the net amount of PLN 1,159 million to PLN 1,503 million. At the concerted request of the Parties of 22 August 2024, in its decision of 16 October 2024, the Regional Court in Wrocław suspended the proceedings.

On 8 November 2024, KOGENERACJA S.A. and the Consortium, following mediation proceedings, signed a memorandum of understanding. According to the memorandum, a partial settlement will be reached, which will end the dispute related to the Consortium's financial claims for an increase in the contractual remuneration. According to the draft annex to the contract, the amount of the Consortium's contractual remuneration will be increased – by way of extra-contractual indexation (related to a change in relations), contractual indexation and the performance of additional and replacement works, as well as the removal of construction site risks – by the net amount of PLN 157 million, i.e. the gross amount of PLN 194 million. The partial settlement, and consequently the annex to the contract, is conditional on obtaining the required corporate approvals, in particular the approval of the company's General Meeting. The dispute relating to the obligation fulfilment deadline, set in the contract at 30 April 2024, will remain the subject matter of the existing mediation agreement and will be brought to a conclusion through a further annex to the contract.

In these financial statements, no provision was recognised by the PGE Group for the aforementioned claim.

#### **Decisions of the President of the Energy Regulatory Office on the annual adjustment of costs arising at power generation units fired with natural gas**

On 1 August 2023, the company Elektrociepłownia Zielona Góra S.A. received an administrative decision from the President of the Energy Regulatory Office on the amount of the annual adjustment of the costs arising in gas-fired units referred to in Article 44(1) of the PPA Act, relating to the year 2022. In the decision, the ERO President set an annual adjustment of PLN 35 million. The Company does not agree with the above decision, therefore an appeal against the decision was filed with the Regional Court in Warsaw – the Court of Competition and Consumer Protection on 16 August 2023, together with a request to suspend its implementation. On 28 September 2023, the court issued an order suspending the implementation of the ERO President's decision pending the final outcome of the case initiated by the appeal. As at the date of the publication of these financial statements, the date for the first hearing had not been set.

On 31 July 2024, Elektrociepłownia Zielona Góra S.A. received an administrative decision from the President of the ERO on the amount of the annual adjustment relating to the year 2023. In the decision, the ERO President set an annual adjustment of PLN 99 million. The Company did not agree with the above decision, therefore an appeal against the decision was filed with the Regional Court in Warsaw – the Court of Competition and Consumer Protection on 20 August 2024, and a request to suspend its implementation was filed on 30 August 2024.

On 16 September 2024, the Regional Court in Warsaw, the 16th Division of the Court of Competition and Consumer Protection, issued a decision to suspend the implementation of the decision of the President of the ERO concerning the settlement of the gas surcharge for 2023 pending the final outcome of the case initiated by the appeal. As at the date of the publication of these financial statements, the date for the first hearing had not been set.

A combined amount of PLN 141 million was recognised in financial liabilities as at 30 September 2024.



## 25. Tax settlements

Tax-related obligations and rights are specified in the Constitution, tax acts, and ratified international agreements. According to the Tax Code, tax is defined as a public-law, gratuitous, compulsory and non-refundable cash benefit for the State Treasury, province, district or commune as provided for in the Tax Act. Taking into consideration the subjective criterion, the taxes in force in Poland can be divided into the following five groups: taxes on income, taxes on turnover, taxes on property, taxes on actions, and other fees not elsewhere classified.

From the point of view of business entities, the most important aspect is taxation of income (corporate income tax), taxation of turnover (goods and services tax, excise tax) and taxation of property (property tax, tax on means of transport). One should not forget about other fees and charges which can be classified as quasi taxes. They include, among others, social insurance contributions.

The basic tax rates were as follows: the corporate income tax rate – 19%, for small entrepreneurs the rate of 9% is possible, the basic VAT rate – 23%, reduced VAT rates: 8%, 5%, 0%; in addition, some goods and services are exempt from VAT.

The tax system in Poland is characterised by a high level of changeability and complexity of tax regulations, and high potential penalties for tax crimes or violations. Tax settlements and other activity areas subject to regulations (customs or currency inspections) can undergo inspections conducted by competent authorities entitled to issue fines and penalties together with penalty interest. A competent tax authorities may inspect tax settlements for five years from the end of the calendar year in which the deadline for the payment of tax expires.

### **Income tax expense**

#### **Minimum income tax**

From 1 January 2024, the previously suspended minimum income tax rules are back in force. This tax applies to taxpayers who report a tax loss from a source of revenue other than capital gains or profitability (understood as the share of income from a source of revenue other than from capital gains in revenue other than from capital gains) of less than 2%. It will be possible to determine profitability for a group of related companies, and the Act also provides for a number of subjective and objective exclusions. The tax rate is 0.3% of revenue. In 2024, the PGE Capital Group does not anticipate a significant amount of this tax.

#### **Global top-up tax**

As at 6 November 2024, the Act on the top-up tax of constituent entities of multinational and domestic groups was adopted, and on 19 November 2024 was published, implementing the provisions of the Directive (EU) 2022/2523 of 14 December 2022 on ensuring the global minimum level of taxation of multinational enterprise groups and large domestic groups in the European Union (so-called Pillar 2) into the Polish legal system. In the event of an effective tax rate of less than 15% in a given jurisdiction, a global or national top-up tax will apply. The rules will apply from 2025 with a possibility to opt in for 2024. The PGE Capital Group assumes that it should not be significantly affected by the top-up tax in the nearest future due to the applicability of so called "safe harbours".

#### **VAT split payment mechanism, obligation to make payments to accounts notified to tax offices**

The Group uses funds received from counterparties in VAT accounts to pay its liabilities that contain VAT. The amount of funds held in these VAT accounts at a given date depends mainly on the number of the PGE Capital Group's counterparties that decide to use this mechanism and on the relation between the payment dates of receivables and payables. As at 30 September 2024, the balance of cash on the VAT accounts was PLN 303 million.

#### **Reporting of tax schemes (MDR)**

In 2019, new legal regulations that introduced mandatory reporting of so-called tax schemes (Mandatory Disclosure Rules, MDR) came into force. As a general rule, a tax scheme should be understood as an activity where the achievement of a tax benefit is the main or one of the main benefits. In addition, events with so-called special or other special identifying characteristics defined in the rules are designated as a tax scheme. The reporting obligation is extended to three types of entities: promoters, facilitators and beneficiaries. MDR regulations are complex and imprecise in many areas, which causes doubts with respect to their interpretation and practical application.

#### **Excise tax**

As a result of the incorrect implementation of EU regulations into the Polish legal system, in 2009 PGE GiEK S.A. initiated proceedings regarding reimbursement of the improperly paid excise tax for the period from January 2006 to February 2009. The irregularity consisted in the taxation of electricity at the first stage of its sale, i.e. by producers, while it should have been taxed at the time of sales to so-called end users.

Considering the company's complaints concerning the tax authorities' negative decisions in response to the company's claims for restitution, the administrative courts ruled that the company had not borne the economic burden of the incorrectly paid excise tax (which, according to the resolution adopted by the Supreme Administrative Court on 22 June 2011, reference symbol of files I GPS 1/11, excludes the possibility of the recovery of the overpaid excise tax). According to the Supreme Administrative Court, the company's claims, especially those based on economic analyses, were of a compensatory character, and consequently, such claims could be asserted before civil courts only. In view of the above, PGE GiEK S.A. decided to withdraw from the proceedings with respect to the restitution claims. Currently, actions regarding the excise tax overpayment are conducted in civil courts. On 10 January 2020, the Regional Court in Warsaw issued a verdict in the case filed by PGE GiEK against the State Treasury – Minister of Finance. The court dismissed the company's claim. On 3 February 2020 the company filed a complaint against the first instance verdict to the Court of Appeal in Warsaw. A hearing was held on 2 December 2020 and a verdict was announced on 17 December 2020. The Court of Appeal in Warsaw dismissed the appeal of PGE GiEK S.A. On 23 April 2021, PGE GiEK S.A. filed a cassation appeal with the Supreme Court. On 20 May 2021, PGE GiEK S.A. received the response of the General Attorney's Office of the Treasury to the cassation appeal filed by the company.

In view of considerable uncertainty concerning the final decision in the above matter, in these financial statements the Group does not indicate any consequences of a possible return of the excise tax overpayments to be determined in civil law proceedings.

### **Property tax**

Tax on property constitutes a significant burden on certain PGE Group companies. Regulations concerning property tax are unclear in certain areas and give rise to a variety of interpretations and doubts. Tax authorities, i.e. commune leaders, mayors or city presidents, have often issued inconsistent tax interpretations in similar cases. In such circumstances, the PGE Capital Group companies were and may be parties to court proceedings concerning property tax. If the Group considers that an adjustment of settlements is likely due to such proceedings, it establishes an appropriate provision. Due to the constitutionality of the definition of a building being challenged by the Constitutional Court, as at 19 November 2024 an amendment in the law in this respect was passed with effect from 2025. The PGE Group is in the process of analysing the impact of the new regulations on the tax burden.

### **Uncertainty related to tax settlements**

Regulations on value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of appropriate points of reference, inconsistent interpretations and few established precedents that could be applied. The legislation in force also contains ambiguities that give rise to differences of opinion as to the legal interpretation of tax provisions, between state authorities as well as between state authorities and business enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be the subject of inspections by the authorities, which are entitled to impose high penalties and fines, and any additional tax liabilities resulting from an inspection must be paid together with high interest. Consequently, tax risk in Poland is higher than in countries with more stable tax systems.

Amounts presented and disclosed in financial statements may change in the future as a result of a final decision of a tax audit authority.

### **Information on the implemented tax strategy**

Pursuant to the provisions of the Income Tax Act, the largest companies of the PGE Capital Group publish annually, on their websites, information on their implemented tax strategy for the previous year. This information includes, among others, data on the procedures applied by the taxpayer with regard to the proper fulfilment of tax obligations, the number of reported tax schemes and requests for interpretation, transactions with related parties and restructuring activities.

The Tax Code includes the provisions of the General Anti-Abuse Rule (GAAR). The GAAR is designed to prevent the use of artificial legal structures created for the purpose of avoiding the payment of tax in Poland. The GAAR defines tax avoidance as an act done primarily for the purpose of obtaining a tax advantage which, under given circumstances, is contrary to the object and purpose of the provisions of the Tax Act. Under the GAAR, such an act does not result in achieving a tax benefit if the manner of acting was artificial. Any occurrence of unjustified splitting of operations, involvement of intermediary entities despite the lack of economic or business justification, elements that cancel or compensate each other and other actions with effects similar to those previously mentioned, can be treated as an indication of the existence of artificial acts subject to the GAARs.

The GAAR clause should be applied to transactions carried out after its entry into force and to transactions which were carried out before the effective date of the GAAR clause, but for which benefits were or continue to be obtained after this effective date. The implementation of the aforementioned rules will enable the Polish

tax audit authorities to challenge legal arrangements and agreements entered into by taxpayers, such as group restructuring and reorganisation.

The PGE Group recognises and measures current and deferred tax assets or liabilities using the requirements of IAS 12 Income Taxes based on tax profit (loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account an assessment of uncertainties related to tax settlements. When there is uncertainty about whether and to what extent the a authority will accept particular tax settlements of a transaction, the Group recognises these settlements, taking into account an assessment of uncertainty.

## 26. Information on related entities

Transactions of the PGE Capital Group with related entities are based on market prices of delivered goods, products or services or on their production costs.

### 26.1 Associates and jointly controlled entities

The total value of transactions and balances with associates and jointly controlled entities is presented in the table below.

	Period ended 30 September 2024	Period ended 30 September 2023
Sales to associates and jointly controlled entities	27	21
Purchases from associates and jointly controlled entities	482	80

  

	As at 30 September 2024	As at 31 December 2023
Trade receivables from associates and jointly controlled entities	68	97
Trade payables to associates and jointly controlled entities	32	66

The turnover and settlement balances result mainly from transactions with PEC in Bogatynia S.A. and Polimex-Mostostal S.A.

### 26.2 Companies controlled by the State Treasury

The State Treasury is the dominant shareholder in PGE and as a result, in accordance with IAS 24 *Related Party Disclosures*, State Treasury companies are regarded as related entities. The PGE Group companies identify in detail transactions with approximately 50 most important companies controlled by the State Treasury.

The total value of transactions and balances with the above entities is shown in the table below.

	Period ended 30 September 2024	Period ended 30 September 2023
Sales to related entities	6,529	9,495
Purchases from related entities	11,230	11,030

  

	As at 30 September 2024	As at 31 December 2023
Trade receivables from related parties	1,197	784
Trade payables to related parties	1,026	1,510

The largest transactions involving state-owned companies concern PSE S.A., Orlen S.A., PGG S.A., PKO Bank Polski S.A., PKP Cargo S.A., PKP PLK S.A., Jastrzębska Spółka Węglowa S.A. and Tauron Dystrybucja S.A.

Furthermore, the PGE Capital Group enters into significant transactions in the energy market via Towarowa Giełda Energii S.A. (Polish Power Exchange). Due to the fact that this entity deals only with the organisation of trading, any purchases and sales made through this entity are not recognised as transactions with a related entity.

The data presented above do not include significant transactions with Zarządca Rozliczeń S.A., which include transfers to the Price Difference Payment Fund as well as compensation settled and paid to eligible entities for the introduction of the maximum price, as defined by the Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023. The information in question is described in note 27.4.

## 26.3 Management remuneration

The key management comprises the Management Board and the Supervisory Board of the parent company and significant subsidiaries.

PLN thousand	Period ended 30 September 2024	Period ended 30 September 2023
Short-term employee benefits (remuneration and surcharges)	31,393	33,559
Post-employment benefits	6,848	1,801
<b>TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>	<b>38,241</b>	<b>35,360</b>
Remuneration of key management personnel in companies conducting non-core activities	11,280	15,467
<b>TOTAL MANAGEMENT REMUNERATION</b>	<b>49,521</b>	<b>50,827</b>

PLN thousand	Period ended 30 September 2024	Period ended 30 September 2023
Management Board of the parent company	7,529	6,176
<i>including post-employment benefits</i>	<i>2,814</i>	<i>247</i>
Supervisory Board of the parent company	678	537
Management Boards – subsidiaries	26,313	25,336
<i>including post-employment benefits</i>	<i>4,034</i>	<i>1,554</i>
Supervisory Boards – subsidiaries	3,721	3,311
<b>TOTAL</b>	<b>38,241</b>	<b>35,360</b>
Remuneration of key management personnel in companies conducting non-core activities	11,280	15,467
<b>TOTAL MANAGEMENT REMUNERATION</b>	<b>49,521</b>	<b>50,827</b>

The PGE Capital Group companies (indirect and direct subsidiaries) follow the principle according to which members of the Management Board are employed on the basis of management services contracts. The increase in the remuneration of the Management Boards of subsidiaries is due to the recognition of post-employment benefits in the current period.

For the period ended 30 September 2024, there was an increase in the remuneration of key executives, with a simultaneous decrease in the remuneration of executives of the companies dealing with non-core activities. This is due to the reassignment of the remuneration of certain entities between core and non-core activities. Applying the current rules for allocating companies to core and non-core activities in the comparative period, the remuneration of the executives of the companies dealing with non-core activities would have amounted to PLN 14,794,000, while the total amount of remuneration of the executives dealing with core activities would have amounted to PLN 36,033,000. The above remuneration is included in other costs by nature disclosed in note 7.2 Costs by nature and function.

## 27. Significant events during and after the reporting period

### 27.1 Impact of the Russia's war against Ukraine on the activity of the PGE Group

Russia's war against Ukraine may affect the PGE Capital Group's operations and future financial performance. There were no significant changes in the issues reported compared to the latest published financial statements. In particular, the recoverable amount of selected asset items, the level of expected credit losses and the valuation of financial instruments may have to be assessed/changed. The PGE Group monitors the course of the war, the macroeconomic consequences and the market implications on an ongoing basis. Any events that occur will be reflected accordingly in the Group's future financial statements.

### 27.2 Implementation by PGE Paliwa sp. z o.o. of decisions related to the purchase and sale of coal

In the years 2022-2024, the company PGE Paliwa was implementing the Prime Minister's decisions, issued in mid-2022, instructing the company to purchase at least 3 million tonnes of thermal coal with parameters close to the quality parameters of coal used by households and to import it into the country. Due to a significant decline in market coal prices in 2023 and continued low coal prices in the first quarter of 2024, the company realised a negative result on the sale of coal purchased to implement the decisions and unsold by 30 April 2023.

The combined result on sales of this coal together with other costs incurred in order to implement the decision recognised in the financial results for the three quarters of 2024 amounted to PLN (-) 219 million. Coal that had been sold by 30 April 2024 had been subject to a write-down of PLN 239 million as at 31 December 2023. The write-down was partially utilised in the amount of PLN 195 million, including PLN 178 million in the period to 30 April 2024.

The Agreement signed in 2023 with the Ministry of Climate and Environment for financing the implementation of the Prime Minister's Decision 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 30 April 2023, as required by the provisions of the agreement, was submitted on time by PGE Paliwa to the Minister of Climate and Environment. The Company submitted an update to the report as at 30 April 2024 in accordance with the deadlines set out in the Agreement. On 30 July 2024, the report update was approved by the Minister of Climate and Environment, and on 7 August 2024, the company received the requested funds in the net amount of PLN 483 million.

In 2023, revenue of PLN 849 million was recognised under the Agreement. This revenue consisted of PLN 406 million received in 2023 and an estimate of the remaining compensation of PLN 443 million. The net final compensation amounted to PLN 890 million, of which PLN 41 million was recognised in the current period's results.

## 27.3 The coal assets spin-off project

### **Benefits from spinning off the coal assets**

The divestment of conventional generation activities based on coal combustion results from the PGE Capital Group's strategy, which provides for the achievement of climate neutrality by 2050. The spin-off of coal assets will bring tangible benefits to the Group in the following areas:

- greater and more favourable access to debt and equity financing sources, lower financing costs;
- greater and more favourable access to the insurance market;
- lower cash requirements for hedging the costs of CO<sub>2</sub> emissions and inventories of production raw materials;
- release of credit limits at financing institutions as a result of reduced demand for EUA allowances;
- increased opportunities to use financial resources for investments in distribution networks and green technologies, with higher rates of return;
- reduced risk of changes in prices of CO<sub>2</sub> emission allowances.

All of the above measures will, in the opinion of the Management Board, make the Company more attractive to shareholders.

### **Activities related to the spin-off of coal assets**

On 9 May 2024, a team was set up by order of the Minister of State Assets with a view to spinning off coal assets from energy sector enterprises in which the State Treasury holds shares.

The team's tasks include:

- analysis of the conditions for a spin-off of coal assets from state-owned companies in the energy sector;
- cooperation with state-owned companies in the energy sector to develop guidelines, directions and methods for conducting the spin-off process;
- development of recommendations for necessary or recommended legislative changes aimed at the execution of the planned spin-off;
- identification of the circle of entities responsible for the execution of the spin-off and the distribution of tasks among these entities.

The team started work in the second quarter of 2024.

In parallel, PGE S.A., together with its advisor PWC Advisory, started work on a new concept for a spin-off of coal assets, taking into account current economic and market conditions.



## 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.

Consequently, as at 30 September 2024, 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 the consolidated net assets of PGE GiEK S.A. and its subsidiaries was PLN 303 million on 30 September 2024. The book value of PGE GiEK S.A. shares in the separate financial statements was PLN 0 as at 30 September 2024.

## 27.4 Regulatory changes

### Support mechanisms for electricity consumers

Due to the crisis situation in the electricity market, the legislator has decided to introduce regulations that temporarily introduce exceptional solutions for electricity prices and electricity tariffs in 2023. On 18 October 2022, the Act on special solutions to protect electricity consumers in 2023 in connection with the situation on the electricity market of 7 October 2022 (hereinafter the "Households Act") entered into force and on 4 November 2022, the Act on emergency measures to reduce electricity prices and support certain consumers in 2023 of 27 October 2022 (hereinafter the "Extraordinary Measures Act 2023") entered into force. According to the Households Act, in 2023, a power company carrying out the business of electricity trading was obliged to apply, with respect to household customers, prices equal to those contained in the tariff in force on 1 January 2022 for individual tariff groups up to specified consumption limits. On the other hand, once the Act Amending the Household Act of 16 August 2023 entered into force, the consumption limits for each category of customers were increased by an additional 1MWh. Once the consumption limits dedicated to household customers were exceeded, a maximum price of 693 PLN/MWh (price excluding VAT and excise duty) was used for settlements with household customers in accordance with the Extraordinary Measures in 2023 Act. This means that electricity prices had been established in legal regulations and, therefore, in 2023, tariffs approved by the President of the ERO did not directly affect electricity prices for households.

In addition, under the Extraordinary Measures Act, in 2023, the maximum electricity price for other eligible customers was set at PLN 785/MWh (price exclusive of VAT and excise duty). After the Act Amending the Household Act of 16 August 2023 entered into force, the maximum price was, as for households, PLN 693 per MWh. This price, in principle, applied from 1 December 2022, but it applied in a different amount from 1 October 2023 to 31 December 2023. The indicated limit of the maximum price for eligible customers also applied to electricity sales agreements that were concluded or amended after 23 February 2022 and where the maximum price also applied to settlements for the period from the date of conclusion or amendment of such agreements until 30 November 2022. Power companies were obliged to successively reimburse the amounts resulting from the application of the maximum prices until the end of 2023.

Power companies engaged in the business of electricity trading, in accordance with the implemented regulations, were entitled to compensation for the application of electricity prices in settlements with household customers in the same amount as on 1 January 2022. Such compensation was the product of electricity consumed at the electricity connection point, up to the maximum consumption limits entitling consumers to pay the 2022 prices, and the difference between the electricity price resulting from the electricity tariff approved by the President of URE for 2023 and the electricity prices approved in the 2022 tariff. In turn, for the application of the maximum price of PLN 693/MWh in settlements with household customers, trading companies were entitled to compensation in the amount of the product of the amount of electricity consumed in a given month and the difference between the reference price and the maximum price, for each electricity connection point. The reference price was the price of electricity resulting from the electricity tariff approved by the President of URE for 2023. Compensation was also due for the use of maximum prices in settlements with other eligible entities. In this case, as a rule, the reference price for the payment of compensation was calculated on the basis of the prices of electricity in power exchange contracts and the prices of electricity purchased for sale to eligible customers, plus the cost of redemption of certificates of origin and a margin.

The mechanisms introduced in the Household Act and the Extraordinary Measures Act in 2023 should, in principle, compensate trading companies for the price reduction.

In accordance with the provisions of the Act of 7 December 2023 on amending laws to support consumers of electricity, gaseous fuels and heat, which came into force on 31 December 2023 (the Act for 2024), the mechanisms for freezing tariff prices and the maximum price were extended until 30 June 2024.

On 13 June 2024, the Act on the energy voucher and amendments to certain acts to restrict the prices of electricity, natural gas and district heat entered into force. The Act regulates the principles of applying electricity prices from 1 July 2024 to 31 December 2024. It imposes an obligation on electricity traders to submit an application to change the existing tariff for 2024 within seven days of the effective date of the Act or upon request by the President of the Energy Regulatory Office. The revised tariff, according to the draft law, is to apply from 1 July 2024 to 31 December 2025. In a decision dated 28 June 2024, the President of the Energy Regulatory Office approved a change in the electricity tariff of PGE Obrót S.A. for the period from 1 July 2024 to 31 December 2025. The approved electricity price for G tariff group customers in the G11 tariff group is 628 PLN/MWh. The Act also extends the duration of the maximum price mechanism for electricity. This price applies in the second half of 2024 and is set at PLN 500/MWh for household consumers, and at PLN 693/MWh for local government units and public institutions (including schools, hospitals, social welfare units), as well as micro, small and medium-sized entrepreneurs.

If the tariff approved by the ERO President is higher than the capped price for households, household customers will be billed according to the capped price of PLN 500/MWh. By virtue of the application of the capped price in settlements with customers, trading companies will be entitled to compensation amounting to the difference between the tariff price in force from 1 July 2024 and the capped price. Electricity customers who have contracts for the sale of electricity with a dynamic price are excluded from the possibility of taking advantage of the capped price.

During the three quarters of 2024, compensation revenue amounted to PLN 2,939 million. The amounts of compensation received by the sales companies were intended to compensate for the losses these entities suffered due to the price freeze.

The above values concerning due compensation are estimates determined in accordance with the best knowledge available to the PGE Capital Group as at the date of the preparation of these financial statements.

On 19 November 2024, the Council of Ministers adopted a draft law amending the Act on Emergency Measures aiming to limit the electricity prices and support certain consumers in 2023 and 2024 and certain other Acts, which was referred to the parliament on the same day. The draft provides maintaining the maximum electricity price at 500 LN/MWh for household customers until 30 September 2025. At the same time, it is not expected that from 1 January 2025 the maximum prices will be maintained for other energy consumers who were entitled to use the maximum prices, i.e. local government units and public utility entities (m.in. schools, hospitals, social welfare units), as well as for micro, small and medium-sized enterprises. In addition, the draft act imposes an obligation on electricity trading companies to submit an application for a change in the tariff valid until 31 December 2025 by 30 April 2025 which may result in a reduction in the price of electricity in the tariff in several months of 2025. If the application of the maximum price for household customers is not extended beyond 30 September 2025, the price of electricity set in the tariff approved by the President of ERO will be applied to settlements with these customers from 1 October 2025, i.e. before the introduction of the statutory price mechanism.

### **Price Difference Payment Fund**

After 1 December 2022, the financial position of the PGE Group was also affected by the provisions of the Extraordinary Measures Act 2023, which introduced the obligation for electricity generators and electricity trading companies to make monthly contributions to the account of the Price Difference Payment Fund. A contribution to the Fund is the product of the volume of electricity sold and the positive difference between the volume-weighted average market price of electricity sold and the volume-weighted average price cap of electricity sold, as specified in the Regulation of the Council of Ministers of 8 November 2022 on the manner of calculating the price limit.

Different methods of calculating the price limit have been defined for individual generation sources:

- in the case of lignite- and coal-fired power generation units, 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 power generation units, the margin and a certain level of investment and fixed cost allowance of PLN 50/MWh,
- for units producing energy from renewable sources, the price limit is determined by reference to the price indicated in Article 77(3)(1) of the Renewable Energy Sources Act, whereby for hydroelectric power plants the price limit will be 40% of this reference price.



For electricity trading companies, on the other hand:

- for energy sold to end-users, 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 was 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 1 January 2023 onwards, trading companies calculated the amount of the contribution to the Fund for a given calendar month to which the settlement relates, taking into account the volume of electricity sales, the market price and the price limit for the 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 a month. Before 31 December 2022, the contribution to the Fund had been calculated separately for each day of the month.

On 1 March and 1 September 2023, amendments to the provisions of the Extraordinary Measures in 2023 Act governing the rules of making contributions to the Fund came into force. The amendment concerned, among other things, the extension of the catalogue of revenue items that constitute the basis for calculating a contribution to the Fund. As a result, the amount of contributions transferred by the PGE Capital Group increased.

In connection with doubts concerning the interpretation of the provisions and the qualification of revenue from additional cash settlements, which should be taken into account in the calculation of contributions to the Fund, PGE S.A. applied to the President of the Energy Regulatory Office for an individual interpretation confirming the applied interpretation of the Act, as a result of which revenue from selected agreements should not be taken into account in the calculation of contributions to the Fund. The President of the ERO did not share the Company's position. PGE S.A., disagreeing with the adverse decision of the President of the ERO, appealed against it to the Regional Court in Warsaw.

In 2023, the contribution due to the Fund amounted to PLN 6,569 million (decrease in the financial result). In turn, compensation income for 2023 amounted to PLN 7,658 million. Revenue from compensation is independent of the amount of contributions to the Fund. As described above, the amounts of compensation received by the sales companies were intended to compensate for the losses these entities suffered due to the price freeze. The contributions to the Fund, on the other hand, limited the margins realised by individual energy companies to the specific levels indicated in the regulations.

The system of contributions to the Fund for the 2023 settlement periods was not be closed before 31 December 2023. Contributions to the Fund must also be made in 2024 for sales effected in the last weeks of 2023. In the Act for 2024, the legislator did not decide to extend the obligation to make contributions to the Fund to 2024, which means that the last month for which a contribution to the Fund should have been paid was December 2023. During the three quarters of 2024, an adjustment to the contribution to the Fund for the previous period in the amount of PLN 23 million was recognised as a reduction of costs.

### **Regulation of the Minister of Climate and Environment of 9 September 2023**

On 11 September 2023, the Regulation of the Minister of Climate and Environment of 9 September 2023, amending the Regulation on the manner of shaping and calculating tariffs and the manner of settlements in electricity trading, was published and came into force on 19 September 2023. This regulation reduced electricity bills for household consumers by an average of more than PLN 125 in 2023, provided that one of the listed conditions was met. Power utilities conducting business activities related to electricity trading were obliged to make the reduction at the latest in the last electricity invoice in 2023. No compensation has so far been granted to trading companies for this reduction due to the lack of legislation that would provide a basis for it.

On 31 December 2023, taking into account the number of recipients who met at least one of the conditions set out in the regulation, revenue was reduced by PLN 535 million (of which PLN 230 million was an estimate)

On 30 September 2024, the amount representing the estimate at the end of 2024, i.e. PLN 230 million, was settled. Receivables from customers contain an estimate of PLN 2 million representing items to be clarified or adjusted, taking into account customers' fulfilment of the prerequisites set out in the Regulation.

On 10 June 2024, the PGE Capital Group received a tax interpretation granting the right to reduce the tax base and the amount of output tax in connection with the PLN 125 reduction in electricity bills described above. In the current period, the sales revenue estimate was increased by approximately PLN 97 million on this account.

## II. QUARTERLY FINANCIAL INFORMATION OF PGE POLSKA GRUPA ENERGETYCZNA S.A. FOR THE PERIODS OF 3 AND 9 MONTHS ENDED 30 September 2024 IN ACCORDANCE WITH EU-IFRS

### SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 30 September 2024 <i>(unaudited)</i>	9 months ended 30 September 2024 <i>(unaudited)</i>	3 months ended 30 September 2023 <i>(unaudited)</i>	9 months ended 30 September 2023 <i>(unaudited)</i>
<b>SALES REVENUE</b>	<b>5,753</b>	<b>29,246</b>	<b>8,140</b>	<b>43,688</b>
Cost of goods sold	(5,327)	(27,952)	(7,584)	(41,925)
<b>GROSS PROFIT ON SALES</b>	<b>426</b>	<b>1,294</b>	<b>556</b>	<b>1,763</b>
Distribution and selling expenses	(4)	(11)	(3)	(9)
General and administrative expenses	(91)	(248)	(91)	(266)
Other operating income/(expenses)	(11)	30	30	39
<b>OPERATING PROFIT</b>	<b>320</b>	<b>1,065</b>	<b>492</b>	<b>1,527</b>
Finance income/(costs), including:	2,709	3,488	2,905	4,123
<i>Interest income calculated using the effective interest rate method</i>	524	1,654	524	1,483
<b>GROSS PROFIT</b>	<b>3,029</b>	<b>4,553</b>	<b>3,397</b>	<b>5,650</b>
Income tax expense	(126)	(407)	(166)	(469)
<b>NET PROFIT FOR REPORTING PERIOD</b>	<b>2,903</b>	<b>4,146</b>	<b>3,231</b>	<b>5,181</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that may be reclassified to profit or loss in the future:</b>				
Valuations of hedging instruments	(50)	(40)	(75)	(286)
Deferred tax	9	7	15	55
<b>Items that may not be reclassified to profit or loss in the future:</b>				
Actuarial gains and losses from valuation of provisions for employee benefits	-	-	-	(3)
Deferred tax	-	-	-	1
<b>OTHER COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET</b>	<b>(41)</b>	<b>(33)</b>	<b>(60)</b>	<b>(233)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,862</b>	<b>4,113</b>	<b>3,171</b>	<b>4,948</b>
<b>NET PROFIT AND DILUTED NET PROFIT PER SHARE (in PLN)</b>	<b>1.29</b>	<b>1.85</b>	<b>1.44</b>	<b>2.31</b>

## SEPARATE STATEMENT OF FINANCIAL POSITION

	As at 30 September 2024 <i>(unaudited)</i>	As at 31 December 2023 <i>(audited)</i>
Property, plant and equipment	141	147
Intangible assets	2	2
Right to use assets	21	22
Financial receivables	4,172	3,562
Derivatives and other assets measured at fair value through profit or loss	214	236
Shares and interests in subsidiaries	23,322	21,711
Shares and interests in associates and jointly controlled and other entities	114	99
Other non-current assets	4	4
<b>NON-CURRENT ASSETS</b>	<b>27,990</b>	<b>25,783</b>
Inventories	1	1
Trade and other receivables	22,268	30,276
Derivative instruments	2,310	2,120
Other current assets	2,321	155
Cash and cash equivalents	6,635	1,742
<b>CURRENT ASSETS</b>	<b>33,535</b>	<b>34,294</b>
<b>TOTAL ASSETS</b>	<b>61,525</b>	<b>60,077</b>
Share capital	19,184	19,184
Supplementary capital	22,252	28,146
Hedging reserve	132	165
Retained earnings	4,106	(5,934)
<b>EQUITY</b>	<b>45,674</b>	<b>41,561</b>
Non-current provisions	67	62
Credits, loans, bonds and leases	7,940	8,168
Derivative instruments	7	-
Deferred income tax liability	118	59
Other liabilities	3	7
<b>NON-CURRENT LIABILITIES</b>	<b>8,135</b>	<b>8,296</b>
Current provisions	43	43
Credits, loans, bonds, cash pooling and leases	2,387	5,513
Derivative instruments	1,911	1,739
Trade payables and other financial liabilities	1,903	1,793
Income tax liabilities	168	92
Other non-financial liabilities	1,304	1,040
<b>CURRENT LIABILITIES</b>	<b>7,716</b>	<b>10,220</b>
<b>TOTAL LIABILITIES</b>	<b>15,851</b>	<b>18,516</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61,525</b>	<b>60,077</b>

## SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Hedging reserve	Retained earnings	Total equity
<b>AS AT 1 JANUARY 2024</b>	<b>19,184</b>	<b>28,146</b>	<b>165</b>	<b>(5,934)</b>	<b>41,561</b>
Net profit for the reporting period	-	-	-	4,146	<b>4,146</b>
Other comprehensive income	-	-	(33)	-	<b>(33)</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>(33)</b>	<b>4,146</b>	<b>4,113</b>
Retained earnings distribution	-	(5,894)	-	5,894	-
<b>AS AT 30 SEPTEMBER 2024</b>	<b>19,184</b>	<b>22,252</b>	<b>132</b>	<b>4,106</b>	<b>45,674</b>

	Share capital	Supplementary capital	Hedging reserve	Retained earnings	Total equity
<b>AS AT 1 JANUARY 2023</b>	<b>19,184</b>	<b>25,049</b>	<b>402</b>	<b>3,101</b>	<b>47,736</b>
Net profit for the reporting period	-	-	-	5,181	<b>5,181</b>
Other comprehensive income	-	-	(231)	(2)	<b>(233)</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>(231)</b>	<b>5,179</b>	<b>4,948</b>
Retained earnings distribution	-	<b>3,097</b>	-	(3,097)	-
Capital from ZPC merger	-	-	-	(21)	<b>(21)</b>
<b>AS AT 30 SEPTEMBER 2023</b>	<b>19,184</b>	<b>28,146</b>	<b>171</b>	<b>5,162</b>	<b>52,663</b>

## SEPARATE STATEMENT OF CASH FLOWS

	Period ended 30 September 2024 (unaudited)	Period ended 30 September 2023 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Gross profit</b>	<b>4,553</b>	<b>5,650</b>
Income tax paid	(263)	(444)
<b>Adjustments for:</b>		
Depreciation and write-downs	10	11
Interest and dividend, net	(3,376)	(3,690)
(Profit) / loss on investing activities	(59)	(14)
Change in receivables	(3,461)	(8,243)
Change in provisions	6	15
Change in liabilities, excluding loans and credits	377	(2,001)
Change in other non-financial assets	129	(55)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(2,084)</b>	<b>(8,771)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(12)	(4)
Redemption of bonds issued by PGE Group companies	2,180	3,400
Dividends received	76	702
Disposal of other financial assets	-	6
Acquisition of shares and interests in subsidiaries	(1,604)	(2,059)
Granting/(repayment) of loans under cash pooling service	71	(2,285)
Loans granted	(8,508)	(12,925)
Interest received	1,320	1,131
Repayment of loans granted	17,845	18,954
Other	11	(26)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>11,379</b>	<b>6,894</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from acquired loans, credits	4,650	4,741
Repayment of credits, loans and leases	(8,482)	(1,869)
Interest paid	(570)	(579)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(4,402)</b>	<b>2,293</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,893</b>	<b>416</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,742</b>	<b>10,593</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,635</b>	<b>11,009</b>

## 1. Changes in accounting principles and data presentation

The Company did not make any changes to its accounting principles or data presentation in the current period.

New standards and interpretations that became effective on 1 January 2024, which had no impact on the Company's separate financial statements, are described in note 4 to the consolidated financial statements.

### III. APPROVAL OF THE QUARTERLY FINANCIAL STATEMENTS

This financial report containing the interim consolidated financial statements of the PGE Group and quarterly financial information of PGE S.A. for the 3 and 9 months ended 30 September 2024 was approved for publication by the Management Board of the parent company on 26 November 2024.

Warsaw, 26 November 2024

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

**President of the  
Management Board**

**Dariusz Marzec**

**Vice President of the  
Management Board**

**Maciej Górski**

**Vice President of the  
Management Board**

**Przemysław Jastrzębski**

**Vice President of the  
Management Board**

**Robert Kowalski**

**Vice President of the  
Management Board**

**Marcin Laskowski**

Signature of the person  
responsible for the  
preparation of the  
financial statements

Michał Skiba

Director of the Reporting  
and Taxation Department



## GLOSSARY OF TERMS AND ABBREVIATIONS

The following is a list of the terms and abbreviations most frequently used in these consolidated financial statements

Abbreviation	Full name
BAT	Best Available Technology
CCIRS	Cross Currency Interest Rate Swaps
DCS	Deal Contingent Swap instruments
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
ENESTA	ENESTA sp. z o.o under restructuring
EUA	European Union Allowances
EWB1, EW Baltica 1 sp. z o.o.	Elektrownia Wiatrowa Baltica – 1 sp. z o.o.
EWB2, EW Baltica 2 sp. z o.o.	Elektrownia Wiatrowa Baltica – 2 sp. z o.o o
EWB3, EW Baltica 3 sp. z o.o.	Elektrownia Wiatrowa Baltica – 3 sp. z o.o o
PDP Fund, PDPF	Price Difference Payment Fund
MPLF	Mining Plant Liquidation Fund
GDOŚ	General Directorate of Environmental Protection
PGE Capital Group, PGE Group, Group, PGE CG	The Capital Group of PGE Polska Grupa Energetyczna S.A.
WCCH	Warsaw Commodity Clearing House
IRS	Interest Rate Swaps
PPA	Power Purchase Agreements
MFW Baltica 2	Offshore Wind Farm Baltica 2
IFRS	International Financial Reporting Standards
EU IFRS	International Financial Reporting Standards as adopted by the European Union
NEPWMF	National Environmental Protection and Water Management Fund
IP	Investment property
SAC	Supreme Administrative Court
RTUA	Rights to use assets
PEC Bogatynia, PEC Bogatynia S.A.	Przedsiębiorstwo Energetyki Ciepłej S.A. in Bogatynia
PGE EC S.A.	PGE Energia Ciepła S.A.
PGE EKH S.A.	PGE Energetyka Kolejowa Holding sp. z o.o.
PGE EO S.A.	PGE Energia Odnawialna S.A.
PGE GIEK S.A.	PGE Górnictwo i Energetyka Konwencjonalna S.A.
PGE Paliwa	PGE Paliwa Spółka z ograniczoną odpowiedzialnością
PGE S.A., PGE; Company, parent company	PGE Polska Grupa Energetyczna S.A.
PPE	Property, plant and equipment
Financial statements, consolidated financial statements	Consolidated financial statements of the PGE Capital Group
ERO	Energy Regulatory Office
The Households Act	The Act on special solutions to protect electricity consumers in 2023 in connection with the situation on the electricity market of 7 October 2022 (Journal of Laws 2023.269 of 9 February 2023)
The Extraordinary Measures in 2023 Act	The Act on extraordinary measures to reduce electricity prices and support certain consumers in 2023 of 27 October 2022 (Journal of Laws 2022.2243 of 3 November 2022)
Electricity Pricing Act	The Act amending the Act on excise tax and certain other acts
PEPWMF	Provincial Environmental Protection and Water Management Fund
IA	Intangible assets
PAC	Provincial Administrative Court
ZEW Kogeneracja S.A., KOGENERACJA S.A., KOGENERACJA	Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.