

MANAGEMENT BOARD'S REPORT

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

ended March 31, 2024



Leading in the green transition

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KEY FINANCIAL DATA

| Key financial data | Unit | Q1 2024 | Q1 2023 | % change |
|------------------------------------|-------|---------|---------|----------|
| Sales revenues | PLN m | 16 841 | 27 208 | -38% |
| EBIT | PLN m | 1 408 | 2 343 | -40% |
| EBITDA | PLN m | 2 536 | 3 427 | -26% |
| EBITDA margin | % | 15% | 13% | |
| Recurring EBITDA | PLN m | 2 532 | 3 346 | -24% |
| Recurring EBITDA margin | % | 15% | 12% | |
| Net profit | PLN m | 951 | 1 811 | -47% |
| Capital expenditures | PLN m | 2 066 | 1 557 | 33% |
| Net cash from operating activities | PLN m | -2 339 | -6 828 | -66% |
| Net cash from investing activities | PLN m | -2 140 | -1 645 | 30% |
| Net cash from financial activities | PLN m | 2 769 | 5 347 | -48% |

| Key financial data | | March 31, 2024 | December 31, 2023 | % change |
|---|-------|---------------------------|-------------------|----------|
| Working capital | PLN m | -6 598 | -7 107 | -7% |
| Net debt | PLN m | 15 686¹ | 11 121 | 41% |
| Net debt /LTM reported EBITDA ² | x | 1.72 | 1.11 | |
| Net debt /LTM recurring EBITDA ² | x | 1.58 | 1.04 | |

| One offs affecting EBITDA | | Q1 2024 | Q1 2023 | % change |
|---|-------|----------|-----------|----------|
| LTC compensations | PLN m | 4 | 0 | - |
| Correction of estimated contribution to Price Difference Payment Fund for year 2022 | PLN m | 0 | 81 | -100% |
| Total | PLN m | 4 | 81 | -95% |

¹ Estimated level of economic financial net debt (taking into account future payments for CO₂ emission rights) amounts to PLN 21 227 m.

² LTM EBITDA - Last Twelve Months EBITDA.

1. PGE Capital Group - organisation

1.1. Characteristics of activities

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

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



RENEWABLES

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



GAS-FIRED GENERATION

The core business of the segment includes electricity generation from gas-fired sources.

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



CONVENTIONAL GENERATION

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



DISTRICT HEATING

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



DISTRIBUTION

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



RAILWAY ENERGY SERVICES

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

SUPPLY

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

CIRCULAR ECONOMY

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

OTHER OPERATIONS

Other operations include provision of services, through the subsidiaries, to PGE Capital Group, which include organisation of capital raising in form of Eurobonds (PGE Sweden), provision of IT, transportation and investing in start-ups. Additionally, within the segment there are project companies of the Group.

1.2. Organisational structure

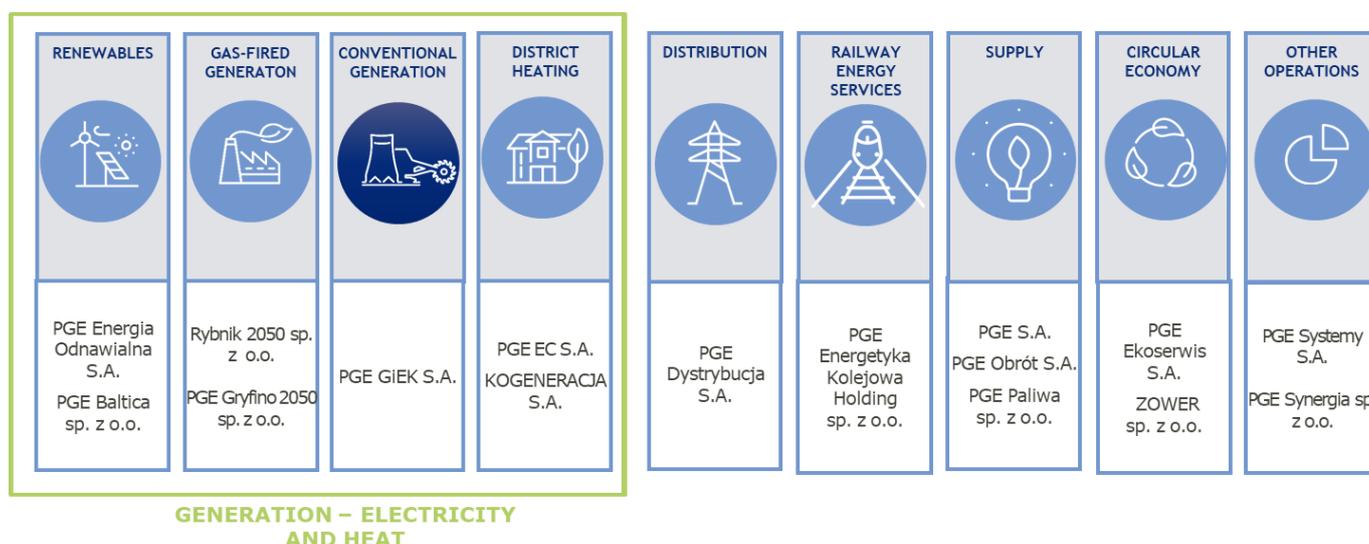
PGE Capital Group as at March 31, 2024 consisted of:

- PGE S.A. - the parent company,
- 79 subsidiaries subject to full consolidation,
- 2 joint operations,
- 6 associates and joint subsidiaries.

All of PGE Group's companies are organised in 9 operating segments indicated in the chart below.

The following diagram illustrates the Group's structure. A full composition of PGE Group, divided into segments as well as direct and indirect consolidated subsidiaries, is presented in note 1.3 to the consolidated financial statements.

Chart: Structure of PGE Capital Group¹



¹ Simplified structure – includes key entities.

1.3. Significant changes in the organisation of the Capital Group

Significant changes which occurred in the PGE Capital Group's structure in the period from January 1, 2024 until the publication date of this report, are presented in note 1.3 to consolidated financial statements and described below.

ACQUISITION OR DISPOSAL OF SHARES BY THE COMPANIES

| Segment | Shares of the company | Date of transaction/ registration in the National Court Register (NCR) | Comment |
|-------------------------|--|--|---|
| Other operations | PGE Inwest 12 sp. z o.o. – taking up shares by PGE S.A. and joining the PGE Inwest 12 sp. z o.o. and taking up new shares by National Fund for Environmental Protection and Water Management (NFOŚiGW) | October 24, 2023 / March 4, 2024 | On October 16, 2023 PGE S.A. and NFOŚiGW signed an investment agreement regarding financing of PGE Inwest 12 sp. z o.o. in order to implement construction of the pumped-storage power plant in Młoty (commune Bystrzyca Kłodzka, Lower Silesia voivodship). As a result of performance of the above-mentioned contract on October 17, 2023 Extraordinary Assembly of Partners of PGE Inwest 12 sp. z o.o. adopted a resolution on increase of the share capital and decided that the new shares in the increased share capital will be taken up respectively by PGE S.A. and NFOŚiGW in exchange for cash contributions. On October 24, 2023 PGE S.A. and NFOŚiGW took up new shares in PGE Inwest 12 sp. z o.o. PGE S.A. currently holds 51%, and NFOŚiGW 49% in the share capital of this company. |
| Supply | ENESTA sp. z o.o. in restructuring with seat in Stalowa Wola - increase of the share capital and subscription of all new shares by PGE Obrót S.A. | December 18, 2023 / Not yet registered in the NCR | On December 18, 2023 the Extraordinary Meeting of Partners of ENESTA sp. z o.o. in restructuring adopted a resolution on increasing the share capital of the company from PLN 82 402 000 to PLN 116 402 000 PLN, i.e. by PLN 34 000 000, by issue of new 34 000 shares of the company with a nominal value of PLN 1 000 per share. PGE Obrót S.A. as one of the company's shareholders, took up all the company's new shares in the increased share capital. As a result of the share capital increase and the subscription of all new shares of the company by PGE Obrót S.A., the share of PGE Obrót S.A. in the share capital of the company will increase from 92.25% to 94.51% as of the date of registration of the company's share capital increase in the National Court Register. |

LIQUIDATION OF COMPANIES

| Segment | Company in liquidation | Date of transaction/ registration in the National Court Register | Comment |
|---------|--|---|--|
| - | PGE Trading GmbH in liquidation with seat in Berlin | March 1, 2021 As of March 31, 2024, the company has not been removed from the commercial register | On March 1, 2021 the Extraordinary Assembly of Partners of PGE Trading in liquidation, in which PGE holds 100% of the share capital, adopted resolution on dissolution of the company and appointment of a liquidator to carry out liquidation activities. The liquidation process of the company is currently underway. |
| - | PGE Nowa Energia sp. z o.o. in liquidation with seat in Warsaw | March 31, 2022 /On 16 February 2024, the register court decided to delete the company from the Register of Entrepreneurs of the NCR. On April 22, 2024, the deletion of the company | On March 31, 2022 the Extraordinary Assembly of Partners of PGE Nowa Energia sp. z o.o. in liquidation, in which PGE holds 100% of the share capital, adopted resolution on dissolution of the company and appointment of a liquidator to carry out liquidation activities. |

| | | | |
|---|---|---|--|
| | | from the NCR became effective. | |
| - | Railen GmbH in liquidation with seat in Berlin | January 31, 2023 / As of March 31, 2024, the company has not been removed from the commercial register | On January 26, 2023 the Extraordinary Assembly of Partners of Railen GmbH in liquidation, in which PGE Energetyka Kolejowa Holding sp. z o.o. holds 100% of the share capital, adopted resolution, effective January 31, 2023, resolution on dissolution of the company and appointment of a liquidator to carry out liquidation activities. The liquidation process of the company is currently underway. |
| - | Railen Baltics, UAB in liquidation with seat in Vilnius | October 3, 2023/ On January 31, 2024, the Administrator of the Lithuanian Register of Legal Entities reversed the liquidation of Railen Baltics, UAB, i.e. the company is not currently under liquidation | On October 3, 2023, the Administrator of the Lithuanian Register of Legal Entities initiated the liquidation of the company Railen Baltics, UAB in liquidation, in which PGE Energetyka Kolejowa Holding sp. z o.o. holds 100% of the share capital. |

RESTRUCTURING OF THE COMPANIES

| Segment | Company in liquidation | Date of transaction / registration in the National Court Register | Comment |
|---------------|--|---|--|
| Supply | ENESTA sp. z o.o. in restructuring with seat in Stalowa Wola | June 21, 2022 / No completion of restructuring proceedings as at March 31, 2024 | On June 21, 2022, the District Court in Rzeszów, 5th Commercial Division, opened restructuring (recovery) proceedings of the company ENESTA sp. z o.o. in restructuring and appointed an Administrator as part of these restructuring proceedings. The restructuring process of the company is currently underway. PGE Obrót S.A. currently holds 92.25% share in the share capital of the company. The share of PGE Obrót S.A. in the share capital of the company will increase to 94.51% as of the date of registration of the company's share capital increase in the National Court Register. |

1.4. Composition of the management and supervisory bodies

1.4.1 Management Board

MANAGEMENT BOARD MEMBERS

Table: Composition of the Company's Management Board as at January 1, 2024

| Name and surname of the Management Board | Position | Period of office |
|--|--|--|
| Wojciech Dąbrowski | President of the Management Board | from February 20, 2020 to February 7, 2024 |
| Wanda Buk | Vice-President for Regulatory Affairs | from September 1, 2020 to February 7, 2024 |
| Przemysław Kołodziejak | Vice-President for Operations | from May 1, 2023 |
| Lechosław Rojewski | Vice-President for Finance | from June 9, 2021 to February 28, 2024 |
| Rafał Włodarski | Vice-President for Support and Development | from January 9, 2023 to February 7, 2024 |

CHANGES IN THE MANAGEMENT BOARD IN 2024

On February 7, 2024, the Supervisory Board adopted the following resolutions:

- No. 287/XII/2024 on dismissal of Wojciech Dąbrowski, President of the Management Board, from the Management Board,
- No. 288/XII/2024 on dismissal of Wanda Buk – Vice-President of the Management Board for Regulations,
- No. 289/XII/2024 on dismissal of Rafał Włodarski - Vice-President of the Management Board for Support and Development.

Moreover, the Supervisory Board of the Company on February 7, 2024 adopted resolutions to delegate Supervisory Board Members:

- No. 290/XII/2024 Eryk Kosiński to temporarily perform the duties of the Member of the Management Board of the Company for the 3-month period and to entrust him the duties of the President of the Management Board of the Company,
- No. 291/XII/2024 Małgorzata Banasik to temporarily perform the duties of the Member of the Management Board of the Company for the 3-month period.

On February 28, 2024 the Supervisory Board of the Company has adopted a resolution No. 304/XII/2024 on dismissal of Lechosław Rojewski, Vice-President of the Management Board for Finance.

On March 6, 2024, following the qualification procedure, the Supervisory Board adopted the resolutions:

- No. 312/XII/2024 on appointing Dariusz Marzec to the Management Board of PGE S.A., entrusting him the position of President of the Management Board as from March 18, 2024,
- No. 313/XII/2024 on appointing Marcin Laskowski to the Management Board of PGE S.A., entrusting him the position of Vice-President of the Management Board for Regulations as from March 18, 2024.

Also on March 6, 2024 the Company's Supervisory Board adopted resolutions to:

- No. 314/XII/2024 terminate as of March 17, 2024 delegation of Eryk Kosiński, Supervisory Board Member, to temporarily perform the duties of the Member of the Management Board of PGE acting as the President of the Management Board of PGE,
- No. 315/XII/2024 terminate as of March 8, 2024 delegation of Małgorzata Banasik, Supervisory Board Member, to temporarily perform the duties of the Member of the Management Board of PGE.

On March 21, 2024, following the qualification procedure, the Supervisory Board adopted the resolution:

- No. 326/XII/2024 on appointing Robert Kowalski to the Management Board of PGE S.A., entrusting him the position of Vice-President of the Management Board for Support and Development as from May 15, 2024.

On April 4, 2024, following the qualification procedure, the Supervisory Board adopted the resolution No. 336/XII/2024 on appointing Renata Czech to the Management Board of PGE S.A., entrusting her the position of Vice-President of the Management Board for Finance as from April 15, 2024.

Also on April 4, 2024 the Supervisory Board adopted the resolution No. 343/XII/2024 on dismissal of Przemysław Kołodziejak, Vice-President of the Management Board for Operations.

On April 5, 2024 the Supervisory Board received a statement of Renata Czech, appointed as the Vice-President of the Management Board for Finance, on resignation from this position due to personal reasons.

On May 20, 2024, following the qualification procedure, the Supervisory Board adopted the resolution No. 368/XII/2024 on appointing Maciej Górski to the Management Board of PGE S.A., entrusting him the position of Vice-President of the Management Board for Operations as from June 24, 2024.

THE CURRENT COMPOSITION OF THE COMPANY'S MANAGEMENT BOARD

Table: Composition of the Company's Management Board at the date of signing of this report

| Name and surname of the Management Board | Position |
|--|--|
| Dariusz Marzec | President of the Management Board |
| Robert Kowalski | Vice-President for Support and Development |
| Marcin Laskowski | Vice-President for Regulations |

1.4.2 Supervisory Board

Supervisory Board of PGE S.A. operates on the basis of the Act of September 15, 2000 - Code of Commercial Companies and the Company's Statute and Regulations of the Supervisory Board, the content of which is available on the Company's website: [Regulations of the Supervisory Board](#).

Table: Composition of the Supervisory Board as at January 1, 2024

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

CHANGES TO THE COMPOSITION OF THE COMPANY'S SUPERVISORY BOARD IN 2024

On January 25, 2024, the Minister of State Assets by a statement appointed Michał Domagała to the Supervisory Board.

On January 31, 2024 the Extraordinary General Meeting:

- Dismissed from the Supervisory Board the following persons:
 - Janina Goss
 - Tomasz Hapunowicz
 - Mieczysław Sawaryn
 - Artur Składanek
 - Radosław Winiarski
- appointed to the Supervisory Board the following persons:
 - Małgorzata Banasik
 - Eryk Kosiński
 - Andrzej Kozyra
 - Elżbieta Niebisz
 - Sławomir Patyra
 - Andrzej Rzońca
 - Andrzej Sadkowski

On February 7, 2024, a new Presidium of the Supervisory Board was elected. Also on February 7, 2024 the Supervisory Board adopted resolutions to delegate Supervisory Board Members:

- Eryk Kosiński to temporarily perform the duties of the Member of the Management Board of the Company for the 3-month period and to entrust him the duties of the President of the Management Board of the Company,
- Małgorzata Banasik to temporarily perform the duties of the Member of the Management Board of the Company for the 3-month period.

On March 6, 2024, the Supervisory Board adopted resolutions concerning the termination of the delegation of Supervisory Board Members to temporarily perform the duties of Members of the Management Board of PGE S.A.

Table: Composition of the Company's Supervisory Board at the date of signing of the report

| Name and surname of the Management Board | Position |
|--|--|
| Michał Domagała | Chairman of the Supervisory Board – independent |
| Andrzej Sadkowski | Vice-Chairman of the Supervisory Board – independent |
| Anna Kowalik | Secretary of the Supervisory Board |
| Małgorzata Banasik | Member of the Supervisory Board – independent |
| Eryk Kosiński | Member of the Supervisory Board – independent |
| Andrzej Kozyra | Member of the Supervisory Board – independent |
| Elżbieta Niebisz | Member of the Supervisory Board – independent |
| Sławomir Patyra | Member of the Supervisory Board – independent |
| Andrzej Rzońca | Member of the Supervisory Board – independent |

1.4.3 Committees of the Supervisory Board

Table: Composition of the committees of the Supervisory Board as at January 1, 2024

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

On January 31, 2024, the Extraordinary General Meeting dismissed the following from the Supervisory Board: Janina Goss, Tomasz Hapunowicz, Mieczysław Sawaryn, Artur Składanek, Radosław Winiarski.

Table: Composition of the committees of the Supervisory Board as at the signing date of the report

| Name and surname of the member of the Supervisory Board | Audit Committee | Corporate Governance Committee | Strategy and Development Committee | Appointment and Remuneration Committee |
|---|-----------------|--------------------------------|------------------------------------|--|
| Małgorzata Banasik | | | Chairwoman | Member |
| Michał Domagała | Member | | | Member |
| Eryk Kosiński | | Member | Member | |
| Anna Kowalik | Member | Member | | Chairwoman |
| Andrzej Kozyra | | Member | | Member |
| Elżbieta Niebisz | Member | | Member | |
| Sławomir Patyra | | Chairman | | Member |
| Andrzej Rzońca | Chairman | | Member | |
| Andrzej Sadkowski | | | Member | |

1.5. Shares and shareholders

1.5.1 Share capital of PGE S.A. and ownership structure

SHARE CAPITAL

As at January 1, 2024, March 31, 2024 and the date of signing of this report, the share capital of PGE S.A. was PLN 19 183 746 098.70 and split into 2 243 712 994 shares with a nominal value of PLN 8.55 each. There were no changes in share capital of PGE S.A. during the first quarter of 2024.

Table: Share capital of the Company.

| Series/ issue | Type of shares | Type of privilege | Number of shares | Value of series/issue at nominal value | Capital payment method |
|------------------|-------------------|-------------------|----------------------|---|---------------------------------|
| "A" | ordinary | n/a | 1 470 576 500 | 12 573 429 075.00 | contribution in kind/cash |
| "B" | ordinary | n/a | 259 513 500 | 2 218 840 425.00 | cash |
| "C" | ordinary | n/a | 73 228 888 | 626 106 992.40 | merger with PGE GiE S.A. |
| "D" | ordinary | n/a | 66 441 941 | 568 078 595.55 | merger with PGE Energia S.A. |
| "E" | ordinary | n/a | 373 952 165 | 3 197 291 010.75 | cash |
| Total | | | 2 243 712 994 | 19 183 746 098.70 | |

SHAREHOLDERS WITH A SIGNIFICANT STAKE

According to the letter from the Ministry of the State Assets of May 20, 2022, the State Treasury held 1 365 601 493 ordinary shares of the Company, representing 60.86% of the Company's share capital and entitling to 1 365 601 493 votes on the General Meeting of the Company, constituting 60.86% of total votes.

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

Table: Shareholding structure at January 1, 2024, March 31, 2024 and at the publication date of this report¹.

| State Treasury and its subsidiary | | Other shareholders | | Total | |
|-------------------------------------|---------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| Nominal value of shares (PLN) | % in share capital and votes | Nominal value of shares (PLN) | % in share capital and votes | Nominal value of shares (PLN) | % in share capital and votes |
| 11 835 757 313.55 | 61.70 | 7 347 988 785.15 | 38.30 | 19 183 746 098.70 | 100.00 |

¹ The ownership structure is presented on the basis of information available to the Company.

All of the Company shares have been paid.

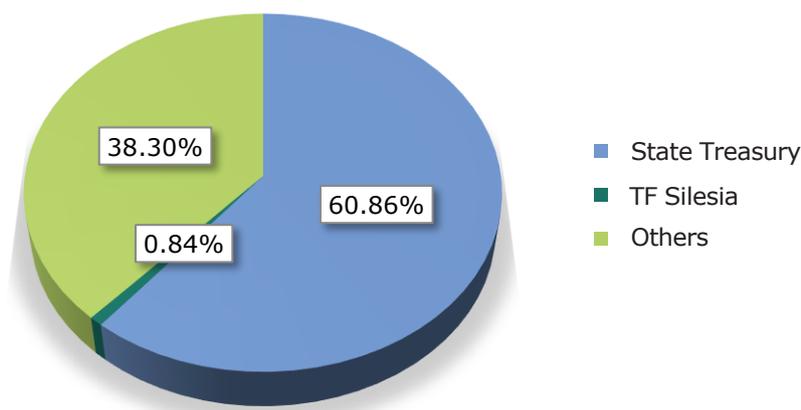
Although the Company's shares are not privileged, the Statutes of the Company provide for special rights of the State Treasury until it remains a Shareholder of the Company.

Table: Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at the General Meeting of PGE S.A. January 1, 2024, March 31, 2024 and at the signing date of this report

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

During the first quarter of 2024, there were no changes in the shareholding structure of PGE S.A.

Chart: Shareholding structure of PGE S.A.



1.5.2 Shares of the parent company and shares in the entities related to PGE S.A. owned by the members of management and supervisory authorities

According to the best knowledge of the Management Board of the Company, none of the members of management and supervisory authorities of the Company held shares of the parent company or shares in entities related to PGE S.A. as at March 31, 2024 and as at the date of signing of this report.

2. Electricity market and regulatory and business environment

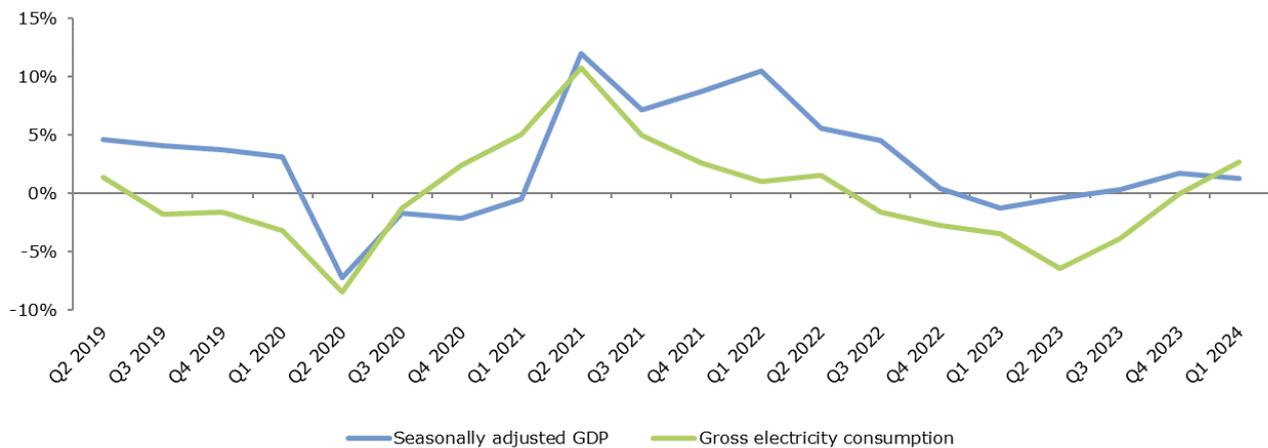
2.1. Macroeconomic environment

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

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

In the first quarter of 2024, gross electricity consumption increased by 2.7% y/y. The increase was a result of low consumption last year as the economy slowed due to higher commodity prices caused by the war in Ukraine.

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

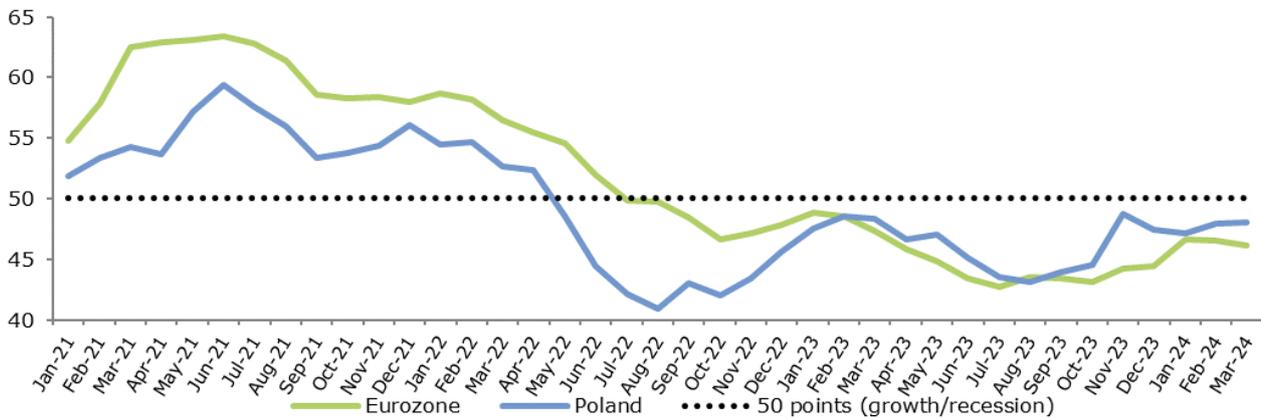


Source: Central Statistical Office of Poland, Polskie Sieci Elektroenergetyczne S.A. (PSE S.A.)

In March 2024, the manufacturing PMI for Poland stood at 48.0 points, up from 47.9 points in the previous month. This was the third month with a rising PMI, but also the twenty-third consecutive month with the index below the 50-point threshold. The industrial recession continues. This is influenced by continuing declines in the volumes of production and new orders. The slowdown in international trade and lower export sales – mainly to Germany – are also having a negative impact. Weak demand is affecting employment, which continues to see decline, but at a slower rate than in the last two years and some companies are starting to recruit. Lead times are increasing, which can be caused by delays in the transport of imported raw materials.

The PMI for the first quarter of 2024 was 47.7 points (48.1 points in the first quarter of 2023). Industrial sentiment is improving due to the expected rebound in consumption. The March 2024 PMI reading indicates a better situation for the Polish industry compared to that in the Eurozone. The PMI for abroad was 46.1 points in March 2024 (down from 46.5 points in February 2024) and 46.4 points in the first quarter of 2024 (48.2 points in the first quarter of 2023).

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



Source: Market Economics

In March 2024, industrial output sold was 6.0% lower than in March 2023. This is a worse result than forecast by experts. In contrast, industrial output sold was 0.7% lower year-on-year in the first quarter of 2024. The main reason for the lower result in March 2024 is the reduced output sold in the mining and quarrying sector. In this sector, the output sold in March 2024 fell by 4% in comparison with February 2024 and by 13.1% y/y in comparison to March 2023.

Among the selected industrial sectors, compared to March last year, the largest decreases were recorded in the production of electrical equipment (29.1%) in the mining of coal and lignite (25.9%), in the production of beverages (13.8%) and metals (12.5%).

2.2. Market environment

2.2.1 Situation in the National Power System (NPS)

Table: Domestic electricity consumption (TWh).

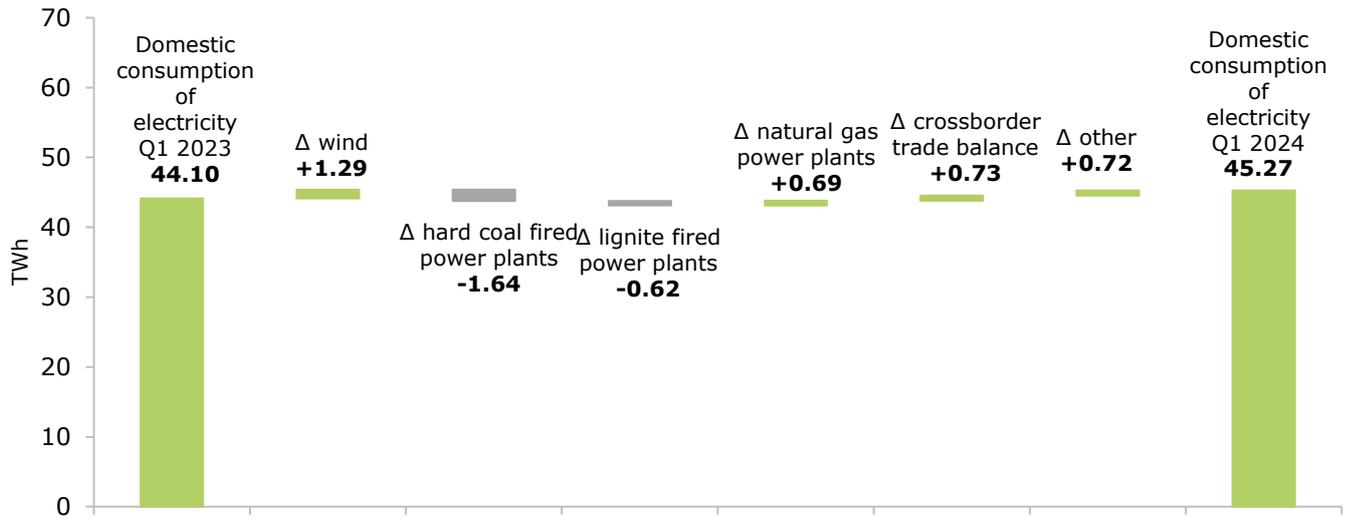
| | Q1 2024 | Q1 2023 | % change |
|---|--------------|--------------|-----------|
| Domestic electricity consumption, including: | 45.27 | 44.10 | 3% |
| Wind farms | 7.96 | 6.67 | 19% |
| Industrial thermal hard-coal fired power plants | 19.20 | 20.84 | -8% |
| Industrial thermal lignite fired power plants | 8.80 | 9.42 | -7% |
| Industrial gas-fired power plants | 4.62 | 3.93 | 18% |
| International exchange balance | 1.36 | 0.63 | 116% |
| Other (hydro power plants, other RES) | 3.33 | 2.61 | 28% |

Source: PSE S.A. data.

Q1 2024

In the first quarter of 2024, domestic electricity consumption increased by 1.17 TWh y/y. The increase was the result of lower consumption last year as a result of the slowing economy due to higher commodity prices caused by the war in Ukraine. As a result of the increase in installed capacity and more favourable wind conditions, wind generation increased by 1.29 TWh compared to the same period last year. In the first quarter of 2024, as a year ago, Poland was a net importer of energy (change of +0.73 TWh). There was a decrease in generation in coal-fired power plants (- 1.64 TWh) and in lignite-fired power plants (-0.62 TWh) due to an increase in the level of generation from RES. Furthermore, the fall in natural gas prices led to an increase in power generation based on this type of fuel (+0.69 TWh). There was also an increase in generation from other electricity sources (+0.72 TWh), most notably photovoltaic plants, due to an increase in installed capacity.

Chart: Energy balance in the NPS (TWh).



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

2.2.2 Electricity prices – domestic market

Table: Day-Ahead market (RDN, SPOT market)¹

| Market/measure | Unit | Q1 2024 | Q1 2023 | % change |
|----------------------|---------|---------|---------|----------|
| RDN – average price | PLN/MWh | 366 | 642 | -43% |
| RDN – trading volume | TWh | 12.24 | 13.94 | -12% |

¹ Data from TGE, include weighted average monthly BASE prices.

Table: Selected price factors affecting RDN quotations

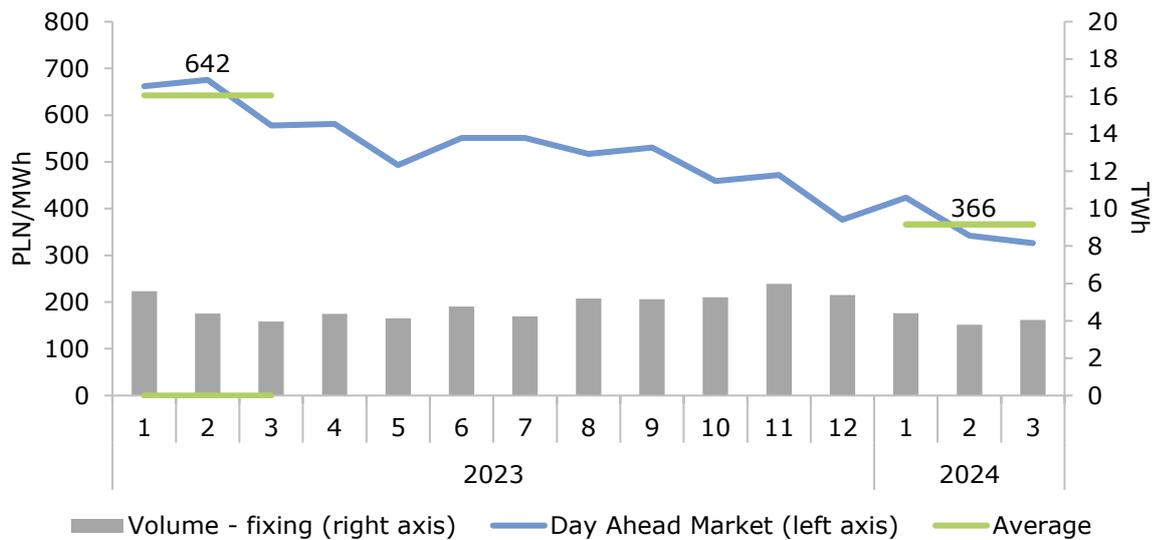
| Factor | Unit | Q1 2024 | Q1 2023 | % change |
|---|--------|---------|---------|----------|
| CO ₂ emission rights ¹ | EUR/t | 61.00 | 90.31 | -32% |
| Polish Steam Coal Market Index PSCMI-1 | PLN/GJ | 22.89 | 32.36 | -29% |
| Wind generation NPS | TWh | 7.96 | 6.67 | 19% |
| Ratio: wind generation/ NPS consumption | % | 18% | 15% | |
| Ratio: international trading/ NPS consumption | % | 3% | 1% | |

¹ Source: own work based on ICE quotations.

In the first quarter of 2024, the average electricity price on the day-ahead market was PLN 366/MWh and was lower by 43% than average price (PLN 642/MWh) in the analogical period of the previous year. Increased generation from RES sources and higher average daily temperatures y/y contributed to the price drop.

Average level of PSCMI-1 in the first quarter of 2024 was PLN 22.89/GJ, i.e. lower by 29% than in the base period.

Chart: Average monthly prices on the day-ahead market in 2023–2024 (TGE).¹



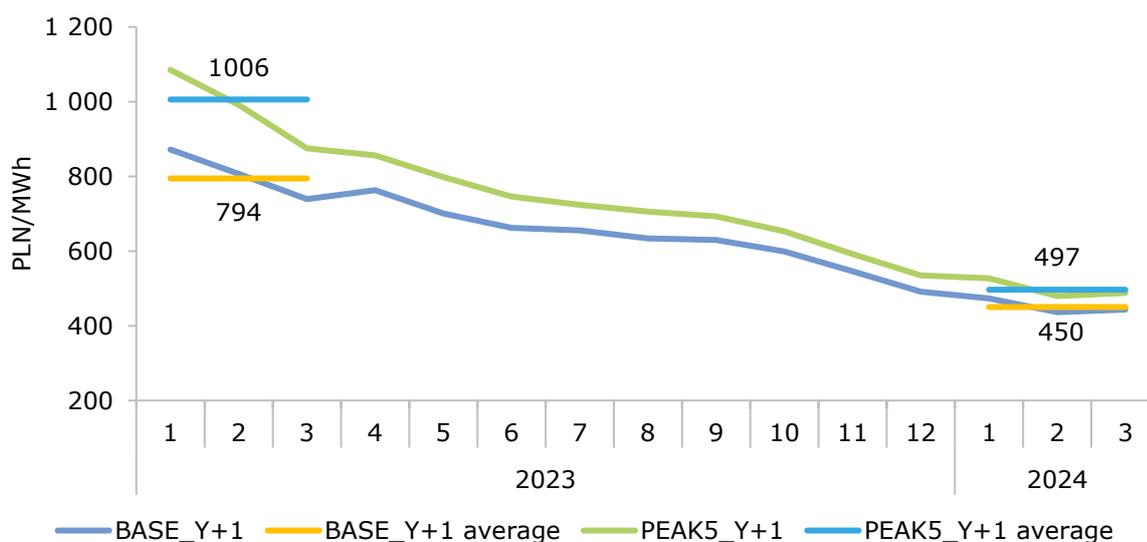
¹ Data from TGE, include weighted average monthly BASE prices.

Table: Forward market (RTT)

| Market/measure | Unit | Q1 2024 | Q1 2023 | % change |
|----------------------------|---------|---------|---------|----------|
| BASE Y+1 – average price | PLN/MWh | 450 | 794 | -43% |
| BASE Y+1 – trading volume | TWh | 8.23 | 4.02 | 105% |
| PEAK5 Y+1 – average price | PLN/MWh | 497 | 1 006 | -51% |
| PEAK5 Y+1 – trading volume | TWh | 1.24 | 0.90 | 38% |

Energy prices on the forward market in the first quarter of 2024 fell significantly for both BASE and PEAK5 contracts in comparison to the analogical period of the previous year. The decrease was due to the high base of the previous year, when increases were influenced by the market situation related to the limited supply of hard coal and natural gas due to the ongoing conflict in Ukraine.

Chart: Average monthly prices on the forward market in 2023–2024 (TGE).¹

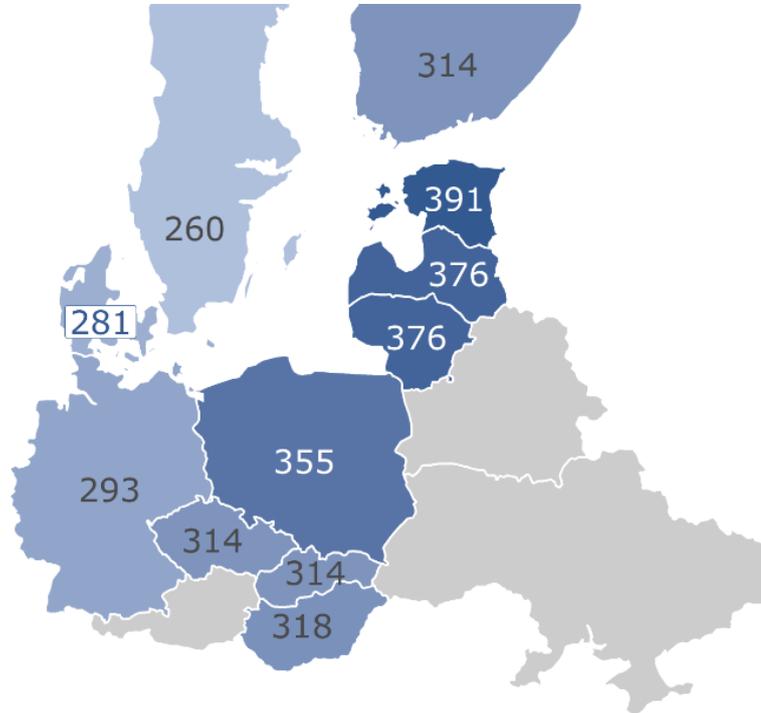


¹ Monthly average index level for forward contracts for the next year (Y+1), baseload and peak, weighted by the trading volume.

2.2.3 Electricity prices - international market

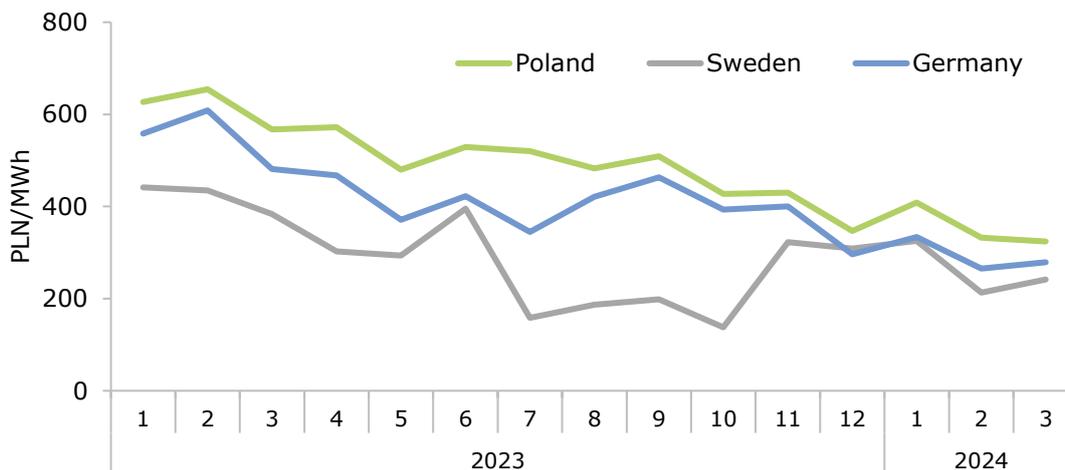
WHOLESALE MARKET (COMPARISON OF SPOT MARKETS)

Chart: Comparison of average electricity prices on Polish market and on European markets in the first quarter of 2024 (prices in PLN/MWh, average exchange rate EUR/PLN 4.33).



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

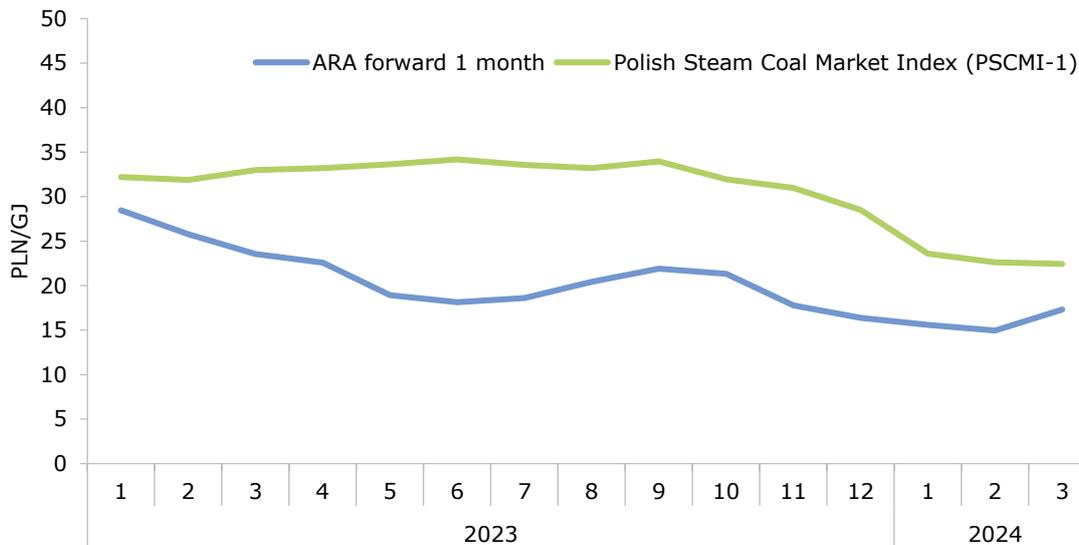
Chart: Evolution of spot market prices.



Source: TGE, EEX, Nordpool

There was a year-on-year fall in prices in neighbouring markets in the first quarter of 2024. The largest y/y declines were recorded in Hungary (PLN -323/MWh), and the smallest in Finland (PLN -52/MWh). The differentiation of energy prices results from a different level of share of renewable energy sources in the technological mix and from the situation on the markets for related products. The price spread between Poland and its neighbouring countries is also due to differences in realised coal prices and also to prices of natural gas at home and abroad. The reason for the price drop was a change in the market situation – in the analogical period of the previous year the supply of hard coal and natural gas were limited due to the ongoing conflict in Ukraine.

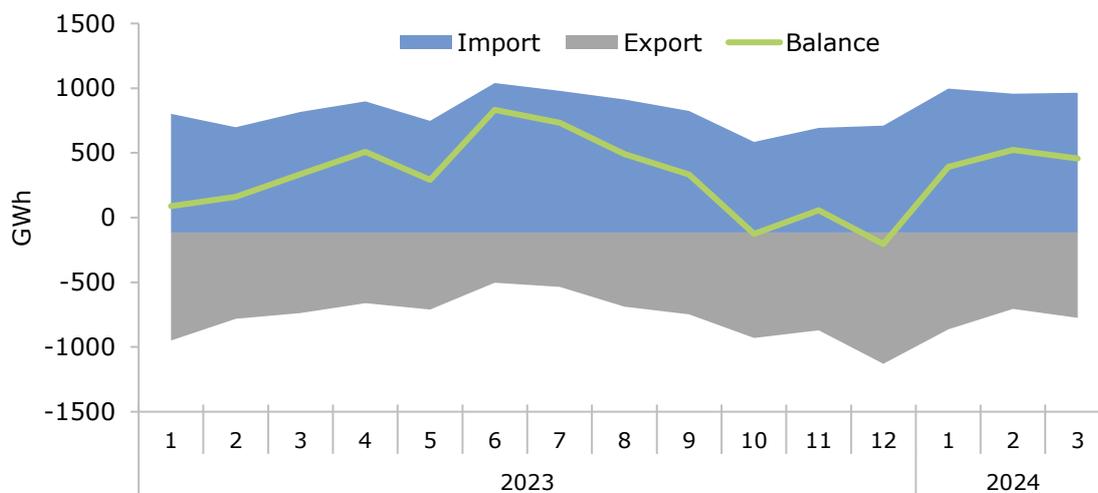
Chart: Hard coal indices ARA vs PSCMI-1¹.



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

INTERNATIONAL TRADING

Chart: Monthly imports, exports and cross-border exchange balance in 2023-2024.

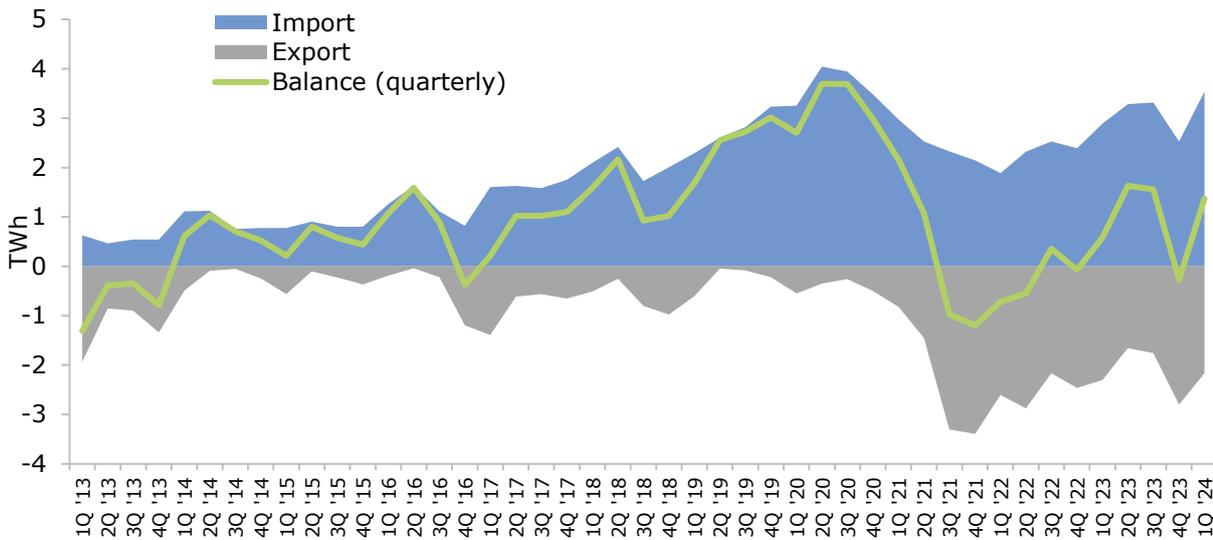


Source: own work based on data from PSE S.A.

Global decline in fuel prices (which translate into a decrease in the costs of electricity production) translated into a decrease in energy prices in neighbouring countries, which in turn increased electricity import to Poland from neighbouring countries in the first quarter of 2024.

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

Chart: Quarterly trading volumes – import, export and international trading balance in years 2013-2024.



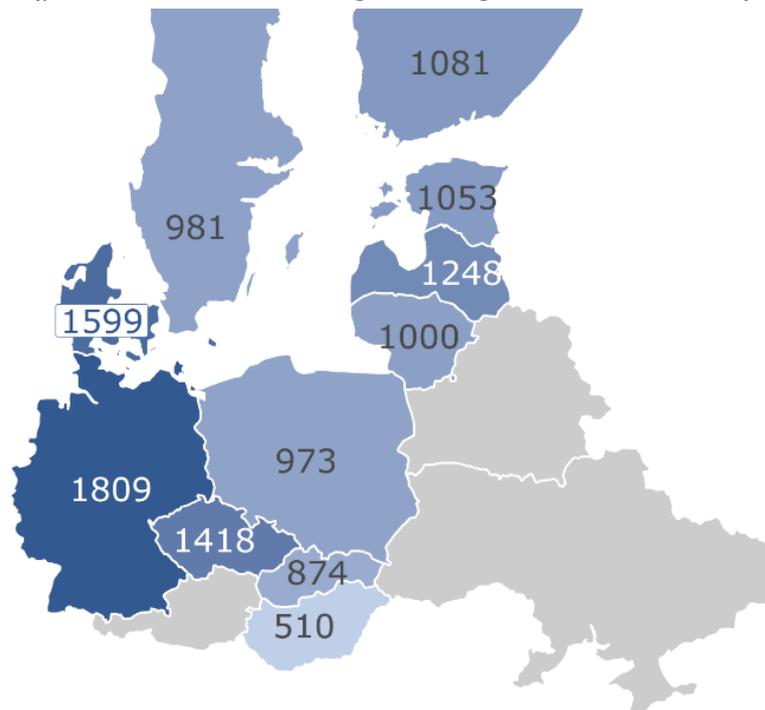
Source: own work based on data from PSE S.A.

In the first quarter of 2024, Poland was a net importer of electricity, with a positive trade balance of +1.4 TWh (import 3.5 TWh, export 2.1 TWh) up y/y by 0.7 TWh. Imports from Germany (1.4 TWh), Sweden (0.8 TWh) and Czechia (0.5 TWh) had the greatest impact on the trade balance. At the same time, we exported the most electricity to Slovakia (0.8 TWh) and Lithuania (0.5 TWh).

RETAIL MARKET

The diversity of electricity prices for retail customers in the European Union depends mainly on the level of the wholesale prices of electricity, fiscal system (taxes and fees), regulatory mechanism and support schemes in particular countries. In Poland in the second half of 2023² an additional burden (over sale price and cost of electricity distribution) for individual customers accounted for 46% of the electricity price. The Germans paid the most for electricity, for whom additional charges also accounted for 28% of the final price.

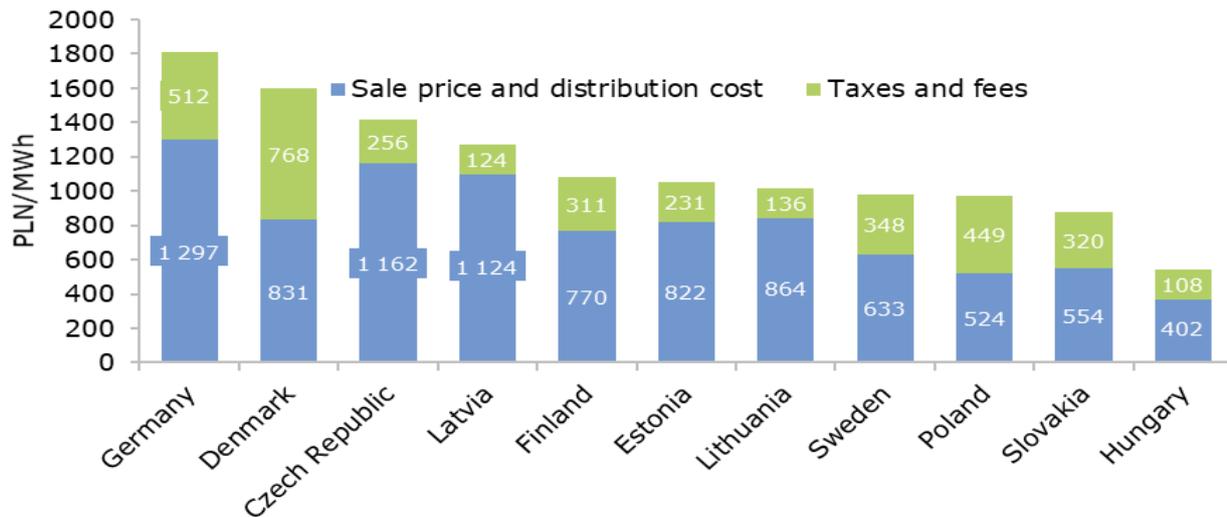
Chart: The share of additional charges in electricity prices for the individual customers in selected EU countries in the second half of 2023 (prices in PLN/MWh, average exchange rate EUR/PLN 4.50).



Source: own work based on Eurostat data.

² Eurostat data on retail market are published in semi-annual intervals.

Chart: The share of additional charges in electricity prices for the individual customers in selected EU countries in the second half of 2023 (prices in PLN/MWh, average exchange rate EUR/PLN 4.50).

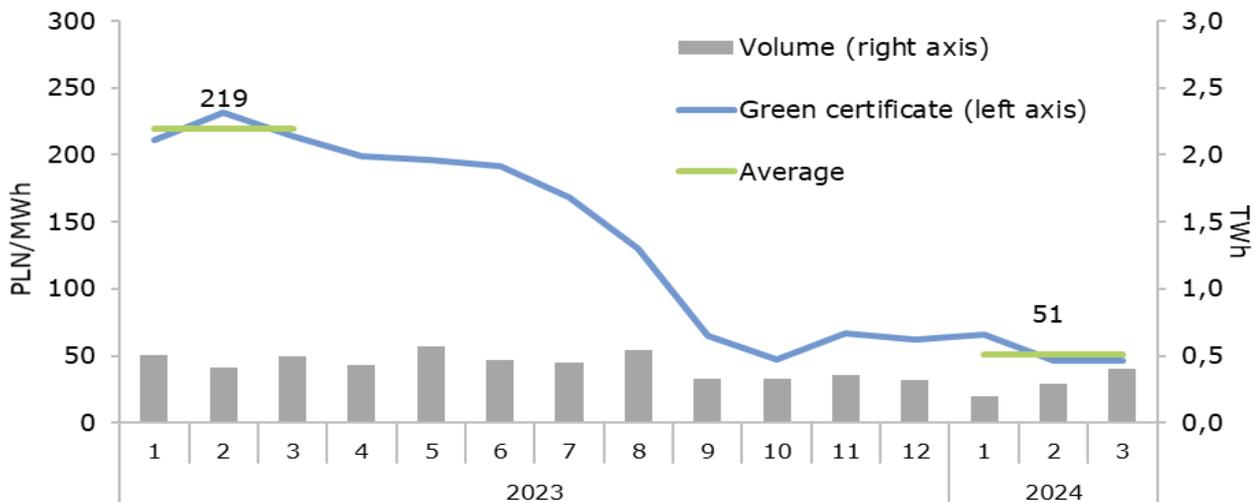


Source: own work based on Eurostat data.

2.2.4 Prices of certificates

In the first quarter of 2024 the average price of green certificates (index TGEoza) reached PLN 51/MWh and was lower by 77% compared to the analogical period of the previous year. An obligation to redeem green certificates changed as compared to 2023 (12%) and stands at 5% for 2024.

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



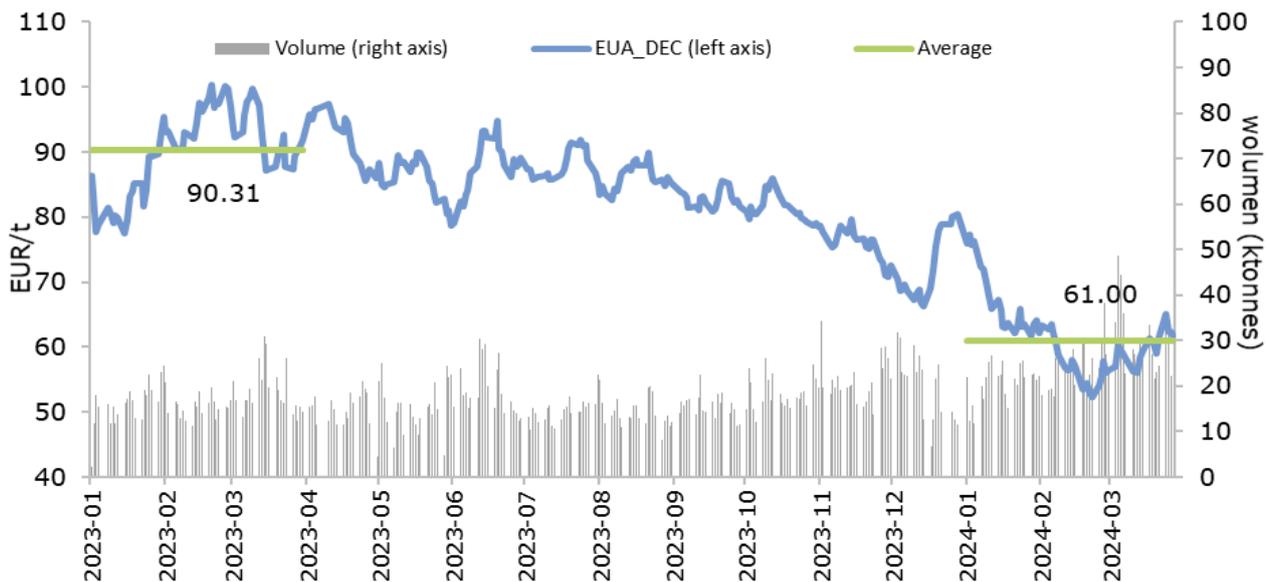
Source: Own work based on TGE quotations.

2.2.5 Prices of CO₂ emission rights

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

In the first quarter of 2024 the weighted average price of EUA DEC was EUR 61.00/t and was lower (by approx. 32%) than the average price of EUR 90.31/t in the similar period of the previous year.

Chart: Prices of CO₂ emission rights.



Source: own work based on ICE exchange quotations

2.3. CO₂ emission rights granted free of charge

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

In national legislation, the Act on the Greenhouse Gas Emission Trading Scheme introduced an additional condition for the issuance of emission allowances to installations. Due to the amendment of Directive (EU) 2023/959 of the European Parliament and of the Council of May 10, 2023, amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Union, the deadline for issuing emission allowances has changed from February 28 to June 30 each year, following the publication of information in the Public Information Bulletin on the website of the office serving the Ministry of Climate and Environment (MKiŚ).

In accordance with legal requirements, activity level reports for individual installations have been submitted, with a deadline of March 31, 2024 for 2023. Due to the change in the deadline for issuing allowances, by the date of publication of the report, the final annual number of allowances had not been announced in the Public Information Bulletin of MKiŚ and had not been issued to the accounts of installations.

Table: Emission of CO₂ vs allocations of allowances for 2024 (in tons).

| Product | CO ₂ emissions in Q1 2024 | Allocation of CO ₂ emission rights for 2024 ¹ |
|--------------|--------------------------------------|---|
| Electricity | 12 780 147 | - |
| Heat | 1 835 653 | 622 830 |
| Total | 14 615 800 | 622 830 |

¹ Allowances for heat production.

2.4. Regulatory environment

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

Legal regulations regarding the current rules for determining the prices of electricity and heat and the compensations due in this respect are described in chapter 4.1.2 of this report in the section Regulatory changes on the electricity market.

2.4.1 Domestic regulatory environment

| Segments | Regulation | Regulation objectives | Latest conclusions and next stages | Impact on PGE Group |
|---|--|---|--|---|
|  | The bill on the amendment to the Energy Law and the Renewable Energy Sources Act. | The act includes proposals for provisions implementing into the Polish legal system Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common rules for the internal market in electricity and amending Directive 2012/27/EU. In particular, the project provides implementation of civic institutions of energy communities, facilitation in the field of aggregation, contracts with dynamic electricity prices and other flexibility and demand response services, direct line changes. | The law entered into force on September 7, 2023 . | The solutions have an impact on all of PGE Group's operating segments, especially the Supply and Distribution segments. |
|   | The act on amendment of the act on renewable energy sources and certain other acts. | The act introduces amendments to several acts, including: Energy Law, Environmental Protection Law, in connection with heating going green, and other changes related to the necessity to implement directive RED II (regarding the promotion of the use of energy from renewable sources). Moreover, the act introduces new support systems for biomethane, to modernise RES installations and for existing RES installations to cover operating expenses. The act also changes the definition of hybrid RES installations. It also defines the rules for sharing a connection by RES installations (cable pooling). | The law entered into force on October 1, 2023 . | The act is of significance for the Renewables segment due to the new support systems and cable pooling, and for the District Heating segment in terms of increasing the use of heat generated from RES. |
|  | Draft Act amending the Act on the greenhouse gas emission allowance trading scheme and the Act - Environmental Protection Law. | The aim of the act is to establish national legislation governing the establishment and operation of the Energy Transition Fund. The Energy Transition Fund is to be used to finance investments in the energy and industrial sectors excluding coal assets area. | The draft act was still being processed at the governmental stage by the previous parliament. PGE S.A. submitted comments on the published draft law. | From 2025, ETF funding is available for investments in the area of: RES, grids, storage, etc. |
|  | Act amending the Act on the Management of Agricultural Property of the Treasury and certain other acts. | The act introduces regulations according under which agricultural properties belonging to the Agricultural Property Stock of the Treasury will be able to be leased for the purpose of obtaining electricity from RES. | The law entered into force on October 5, 2023 . | The act is of significance for the Renewables segment. |

| Segments | Regulation | Regulation objectives | Latest conclusions and next stages | Impact on PGE Group |
|---|--|---|--|---|
|  | Act amending the Act on Spatial Planning and Development and certain other acts. | The act introduces the principle that photovoltaic (PV) investments above 1 MW will only be allowed on the basis of a Local Spatial Development Plan. In other case, it will not be possible to realise the investment in question on the basis of a decision on development conditions. The draft also provides for the possibility of applying a simplified procedure for the enactment or amendment to the Local Spatial Development Plan, including in the case of PV investments, but this does not apply to investments with significant impact on the environment. | The act entered into force on September 24, 2023 . | The act may slow down PV investments in the Renewable segment due to necessity to embed such investment in the Local Spatial Development Plan what significantly prolongs implementation time. |
|  | The law under consideration pertains to modifications to the Act on the preparation and implementation of strategic investments in transmission networks and certain other Acts. | The law introduces new, essential transmission projects and broadens the scope of the distribution project legislation to include voltage equal to or greater than 110 kV, which is crucial for transmitting electric energy from the transmission network to distribution networks. This will make it possible for investors to streamline the process of obtaining public-law permits, as well as introduce a simplified approach to acquiring land for these investments. The recommendation is to restrict the list of distribution investments to those that are of utmost importance. | The act entered into force on September 3, 2023 . | This regulation affects the Distribution segment. The implementation of regulations will simplify and accelerate investment activities with respect to distribution networks having voltage equal to or exceeding 110 kV and, to a lesser extent, networks at lower voltages than 110 kV. |
|  | Act on the preparation and execution of investments in the realm of hydroelectric pumped-storage power plants. | The legislation introduces streamlining of the investment process for PSP plants ³ - it regards both building new pumped-storage plants and refurbishing existing installations. | The act entered into force on June 30, 2023 . | The act will make investments in the PSP plants – that are in Renewables segment's disposal more efficient and speedy. |
|  | The regulation amending the regulation on the method of shaping and calculating tariffs and the method of settlements in electricity trading. | The regulation reduces electricity bills for household customers by PLN 125.34 in 2023, provided that one of the listed conditions is met. Power utilities have been obliged to inform their customers of this solution within seven days of the entry into force of the regulation, i.e. by 26 September 2023 ⁴ . | On September 19, 2023 , the regulation came into force. | The regulation requires the Supply segment to update its settlements to households. |
|  | Act amending the Extraordinary Measures Act aimed at limiting electricity prices and providing support to certain consumers in 2023, introduced by an amendment to the Energy Law Act. | The Act changes the calculation of the WRC Fund allowance, in particular with regard to clarifying the coverage of PPAs ⁵ . | The Act came into force on September 1, 2023 . | The Act affects the power utilities' financial result from the sale of electricity. |

³ PSP plant – pumped storage power plant.

⁴ For a detailed description of the objectives of the regulation and the impact on the PGE CG, see p. 8.1.6 Regulatory changes on the electricity market.

⁵ See above.

| Segments | Regulation | Regulation objectives | Latest conclusions and next stages | Impact on PGE Group |
|---|--|---|---|---|
|  | The Act on amending the Act on special solutions to protect electricity consumers in 2023 in connection with the situation on the electricity market and certain other Acts. | The Act increases electricity consumption limits for households whose electricity prices have been frozen at last year's levels ⁶ . | The Act came into force on September 19, 2023 . | The Act changes the scope of the Trading segment companies' obligations concerning settlements with household electricity consumers and the resulting level of compensation. |
|  | The draft regulation on substances particularly harmful to the aquatic environment and conditions to be met when discharging waste water into waters or into the ground, and when discharging rainwater or snowmelt into waters or into water facilities. | The aim of the draft is to bring the regulation into line with the changes introduced through the Oder River Revitalisation Act, with regard to the monitoring of industrial waste water (chlorides and sulphates). | Work on the draft regulation is in progress. On December 21, 2023 , the project developer published a consultation report. | The regulation introduces new obligations for operators of facilities in the area of water and waste water management, which applies to the Conventional Generation and District Heating segments. |
|  | The regulation of the Council of Ministers on the provision of information and data necessary for the implementation of an investment project relating to the construction of a nuclear power facility and accompanying investment projects. | The regulation constitutes an executive document to the Act amending the Act on the preparation and implementation of an investment project relating to nuclear power facilities and accompanying investment projects. It defines the scope of information and data, registers, records, lists and archives from which necessary data will be made available to the project owner for the purposes of performing its tasks related to the implementation of an investment project relating to the construction of a nuclear power facility. | Publication in the Journal of Laws on November 6, 2023 . | The regulation affects the level of available sources of data and information necessary for the implementation of nuclear power investment projects, currently assigned to the Other Operations segment of the PGE Capital Group. |
|  | The regulation of the Minister of Climate and Environment on the requirements for calculating, measuring and recording the amount of electricity, heat and cold generated in renewable energy source installations. | The regulation is an executive act to the Renewable Energy Sources Act. It sets out the requirements concerning the manner of calculating, measuring and registering the amount of electricity, heat and cold generated in renewable energy source installations, the manner of measuring the amount of electricity for the purpose of determining the actual fulfilment of the producer's obligation to generate electricity from renewable energy sources, the manner of converting the amount of heat or cold generated into an amount of energy expressed in MWh, as well as the place and manner of measuring the amount of heat or cold for the purpose of issuing a guarantee of origin. | The regulation came into force on March 30, 2024 . | The regulation provides the basis for the producer to measure the amount of electricity for the purpose of determining the actual fulfilment of the producer's obligation to generate electricity from renewable energy sources, and thus enable it to benefit from the support provided for such generation. |
|  | The draft regulation of the Council of Ministers on the detailed scope of a preliminary assessment of the site intended for the location of a nuclear power generation facility which is also a nuclear installation, the cases excluding the possibility of | The draft regulation sets out the criteria that should be assessed at each type of a nuclear power generation facility, although the way in which they should be assessed may vary depending on the type of a facility. The purpose of the initial site assessment process is to create a catalogue of external events for the selected site, which are reflected in the detailed site assessment process for the location of a nuclear power generation facility and its design, as well as throughout the | Public consultations on the project were held and opinions on it were commissioned. PGE S.A. submitted its comments during the course of the public | The regulation requires potential investors to prepare a preliminary assessment of the site to be used for the location of a nuclear power generation facility which is a nuclear installation, and a preliminary location report. |

⁶ See above

| Segments | Regulation | Regulation objectives | Latest conclusions and next stages | Impact on PGE Group |
|---|--|--|--|--|
| | considering the site as suitable for the location of a nuclear power generation facility which is also a nuclear installation and the detailed scope of a preliminary location report for such a facility. | lifetime of a facility (crisis management plans, planning and spatial development, etc.). | consultations on the project. | |
|  | The Act on temporary price caps for electricity, natural gas and system heat and on energy vouchers. | <p>Among other things, the Act regulates electricity prices from July 1, 2024 to December 31, 2024. With regard to electricity, the Act imposed an obligation on electricity traders in the form of submitting an application for a change in the existing tariff for 2024 within seven days of the date of entry into force of the Act, or at the request of the ERO President. The revised tariff, according to the bill, is to be effective from July 1, 2024 to December 31, 2025. The bill also provides for an extension of the maximum price mechanism for electricity. This price will be in effect in the second half of 2024, and is to be set at PLN 500/MWh for household consumers and at PLN 693/MWh for local government units and public utilities (including schools, hospitals, social welfare units), as well as micro, small and medium-sized entrepreneurs.</p> <p>In addition, according to the law, an energy voucher has been introduced, which will be a one-time cash benefit intended for lower-income households, to be paid in the second half of 2024. The amount of the voucher will depend on the number of people in the household.</p> <p>In addition, the Law provides for a temporary exemption from the power fee for households.</p> <p>The new legislation also refers to limiting the increase in the cost of heat, but with a gradual increase in maximum prices and rates.</p> | <p>On April 29, 2024 the draft was accepted by the Standing Committee of the Council of Ministers and recommended to the Council of Ministers.</p> <p>On May 7, 2024, the bill was brought to the Sejm and then referred to the Senate.</p> <p>On May 23, 2024, the Sejm adopted the Senate's amendments. The bill was referred to the President for signature.</p> | The Act affects the financial results of power utilities with respect to their settlement with electricity consumers and the resulting level of compensation. It also provides for the application of heat prices and tariffs at a level not higher than that indicated in the Act in return for compensation. |

2.4.2 International regulatory environment

| Segments | Regulation | Regulation objectives | Latest conclusions and next stages | Impact on PGE Group |
|---|--|--|--|--|
|  | Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the EU (ETS Directive). Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve. | Combating climate change. Development of investment incentives through a CO ₂ price signal to develop low-emission gas sources. | The EC is currently implementing the reform of the ETS system . On April 4, 2024 an amendment to the Delegated Regulation on the rules for free allocation of allowances was published. In the following months, the EC will be working on a revision of the regulation on the adaptation of free allocation of emission allowances, with its publication expected in Q4 2024 . | Increased competitiveness of renewable sources compared to generation assets using high-emission fuels. Increase in operating costs for conventional generation of electricity and heat. Option to obtain investment support from the Modernisation Fund and Innovation Fund and additional free allocation of allowances to district heating. |
|  | EC Communication (COM(2024)63) - Europe's 2040 climate target and the pathway to climate neutrality by 2050 (2040 target) | Setting an intermediate target on the pathway to climate neutrality in 2050 (as required by Regulation 2021/1119 of the European Parliament and of the Council on establishing the framework for achieving climate neutrality - the European climate law). | On February 6, 2024 , the European Commission published a communication on the 2040 target of a 90% reduction in emissions compared to 1990. The implementation of the 2040 target into the European Climate Law and the alignment of other climate and energy legislation with this target will be handled by the next European Commission, to be appointed after the European Parliament elections. | Faster decarbonisation and RES development in the run-up to 2040. |
|   | Directive 2010/31/EU on the energy performance of buildings (EPBD). | Alignment of legislation related to improving the energy performance of buildings with respect to the 2050 climate neutrality target and the new higher 2030 EU GHG reduction target. | On April 12, 2024 , the Council of the EU approved the agreement reached in the trilogues. The wording of the directive implies, among other things, that system heat from an energy-efficient district heating system, as defined by the EED, will be able to supply energy to buildings that have zero-emission status. On May 8, 2024 , Directive (EU) 2024/1275 was published in the Official Journal of the EU. It will enter into force on the twentieth day after publication and thereafter Member States will have 24 months to transpose it into their national legal systems. | Greater competitiveness of renewable energy sources as a heat source in buildings. Reduction in the heat demand of buildings due to improved energy performance. Faster pace of displacement of fossil fuels in the heating sectors, including district heating. |
|   | Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control - IED). | Introduction of new requirements determining emission levels in the integrated permit, the rules for obtaining derogations from BAT requirements and giving new competences to the EC. Public | On November 29, 2023 , the EP and the Council reached a preliminary agreement on amendments to the IED. On March 12, 2024 , it was adopted by the EP, and on April 12, 2024 by the Council. The revised Directive has yet to be published in the Official Journal of the EU and will enter into force on the twentieth day after publication. Member States | The entry into force of the agreed solutions involves additional administrative costs due to the need to adapt the environmental management system (including in relation to the need to prepare a transformation plan). The role of the public in permitting and in monitoring the implementation of IED |

| | | | | |
|---|--|---|---|---|
| | participation in appeal proceedings will be increased. | will then have 22 months to transpose its provisions into national law. | obligations by operators of installations will be enhanced. | |
|  | Directive of the European Parliament and of the Council on corporate sustainability due diligence (CSDD). | To establish a framework that encourages companies to contribute to the pursuit of respect for human rights and environmental legislation in their operations and through their value chains. | On December 14, 2023 , a political agreement was reached within the trilogies. On March 15, 2024 the agreement was approved by the Permanent Representatives Committee in the Council and on March 19, 2024 the agreement was approved in the JURI Committee in the European Parliament. Subsequently, on April 24, 2024 , this agreement was approved at the plenary session of the EP. The Directive, after its expected formal approval by the Council, is expected to enter into force in the second half of 2024 . | Increasing reporting obligations for PGE Group's value chain in terms of environmental impact and respect for human rights. Incorporating the due diligence policy on sustainability in the activities of the PGE Group. |
|  | Regulation of the European Parliament and of the Council amending Regulations (EU) 2019/943 and (EU) 2019/942 to improve the Union's electricity market design. Directives (EU) amending directives 2018/2001 and (EU) 2019/944 to improve the Union's electricity market design. | Guaranteeing the protection of consumers against excessive changes in electricity prices, providing access to clean and secure energy, and enhancing the market's ability to withstand variations in natural gas prices. Encouraging the adoption of PPA contracts; empowering end consumers in the market, simplifying the implementation of CFD agreements ⁷ . | On April 11, 2024 , the plenary session of the European Parliament adopted the final versions of the Regulation and Directive. A formal approval of the Directive and Regulation by the Council took place on May 21, 2024 . Publication in the Official Journal of the EU is expected in Q2 2024 . The transposition deadline for the amendments to the Directives was set at 6 months from their entry into force as a basic rule (20 days after publication) and 24 months from the entry into force of a few selected articles. | The agreed content of the reform introduces a number of changes concerning the shape of contracts for difference (and analogous solutions), which could potentially have a positive impact on the development of investments in RES and new nuclear units. The changes introduced may also result in the gradual popularisation of PPAs. Significant regulatory changes will affect companies in the Supply segment (strengthening the position of consumers vis-à-vis energy suppliers, changes regarding tariffs and offers) and the Distribution segment (a new way of shaping tariffs, flexibility incentives). In the context of challenges to the stability of the Polish electricity system, the introduction of the possibility (with the EC's consent) of a temporary derogation for coal sources in the Capacity Market should be assessed positively. |
|  | The EU draft regulation seeks to improve protection against manipulation in the wholesale energy market | Increase market transparency and monitoring capacity and ensure more effective investigation and enforcement of cross-border breaches in the EU so that consumers and market participants have confidence in | On November 16, 2023 , a political agreement was reached within the trilogues. On December 22, 2023 , the agreement was approved by the Committee of Permanent Representatives in the Council and voted through at the session of the ITRE committee on January 15, 2024 . A vote at an EP plenary session took place on February 29, 2024 . The Council approved the agreement on March 18, | Increased reporting obligations concerning inside information, as well as obligations related to the management, recording and monitoring of such information. |

⁷ CFD - Contract for difference; a contract for difference, defining a support model in which the supporting party and the supported party agree on a certain reference price. In the event that market energy prices are below the reference price, the supported party receives the positive difference; however, if energy prices exceed the reference price, the supporting party is entitled to that difference.

| | | |
|--|--|---|
| amending regulations 1227/2011 and 2019/942. | the integrity of energy markets, (EU) prices reflect a fair and competitive supply-demand relationship and no profits can be made from market abuse. | 2024. On April 17, 2024, Regulation (EU) 2024/1106 was published in the Official Journal of the EU and entered into force on the twentieth day after publication. |
|--|--|---|

3. Activities of PGE Capital Group and operational segments

| Basic operational data of PGE Capital Group |  Renewables |  Gas-fired Generation |  Conventional Generation |  District Heating |  Distribution |  Railway Energy Services |  Supply |
|---|---|---|---|---|---|---|---|
| Key assets of the segment | 21 wind farms 33 photovoltaic power plants 29 run-of-river hydro power plants 4 pumped-storage power plants, including 2 with natural flow | 1 gas-fired power plant ¹ | 5 conventional power plants 2 lignite mines | 16 CHP plants | 301.7 km th of distribution lines | 18.4 km th of distribution lines | - |
| Installed capacity electricity/heat | 2 513 MWe/- | 683 MWe/- ¹ | 12 392 MWe/958 MWt | 2 580 MWe/6 193 MWt | - | - | - |
| Electricity volumes | Net electricity generation 1.09 TWh | Net electricity generation 0.03 TWh ¹ | Net electricity generation 10.72 TWh | Net electricity generation 2.75 TWh | Electricity distribution volume 9.55 TWh ² | Electricity distribution volume 1.13 TWh; Sales to final off-takers 0.78 TWh | Sales to final off-takers 8.32 TWh ³ |
| Heat volumes | - | - | Heat production (net) 1.11 PJ | Heat production (net) 19.19 PJ | - | - | - |
| Market position | PGE Group is the largest electricity producer from RES with market share of approx. 6% (excluding co-combustion of biomass and bio-gas) | - | PGE Group is the leader of lignite mining in Poland (96%) PGE Group is a national leader in electricity and district heat generation | - | Second domestic electricity distributor with regard to number of customers | Leader of energy services for railway infrastructure and the largest distributor and seller of electricity to the traction grid | Leader in wholesale and retail trading in Poland |

¹ The unit has not yet been commissioned; on April 13, 2024, the adjustment operation of the power unit began.

² Data for PGE Dystrybucja S.A.

³ Data for PGE Obrót S.A.

KEY OPERATING RESULTS OF PGE GROUP

Table: Key operating results.

| Key operating results | Unit | Q1 2024 | Q1 2023 | % change |
|---|------|---------|---------|----------|
| Electricity generation, net | TWh | 14,60 | 15,72 | -7% |
| including RES generation | TWh | 0,89 | 0,85 | 5% |
| Sales of electricity outside the PGE Capital Group | TWh | 17,25 | 20,48 | -16% |
| Sales of electricity to final off-takers ¹ | TWh | 9,12 | 8,87 | 3% |
| Heat production | PJ | 20,30 | 20,70 | -2% |
| Heat sales | PJ | 19,93 | 20,22 | -1% |
| Electricity distribution | TWh | 10,68 | 9,47 | 13% |

¹ After eliminating sales within the PGE Group, sales carried out mainly by PGE Obrót S.A. and in Q1 2024 additionally by the Railway Energy Services segment

BALANCE OF ENERGY OF PGE CAPITAL GROUP

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

| Sales volume | Q1 2024 | Q1 2023 | % change |
|---|--------------|--------------|-------------|
| A. Sales of electricity outside the PGE Capital Group: | 17.25 | 20.48 | -16% |
| ▪ Sales to end-users ¹ | 9.12 | 8.87 | 3% |
| ▪ Sales on the wholesale and balancing market | 8.13 | 11.61 | -30% |
| B. Purchases of electricity from outside of PGE Group (wholesale and balancing market) | 3.96 | 6.31 | -37% |
| C. Net production of electricity in units of PGE Capital Group | 14.60 | 15.72 | -7% |
| D. Own consumption DSO, lignite mines, pumped-storage power plants (D=C+B-A) | 1.31 | 1.55 | -15% |

¹ sales carried out mainly by PGE Obrót S.A. and in Q1 2024 additionally by the Railway Energy Services segment

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

Lower energy sales on the wholesale market, including the balancing market, result from lower demand for electricity, a higher share of electricity imports and a higher share of RES production. The lower purchase on the wholesale market is mainly the result of PGE Obrót's lower sales to end customers in the corporate client and large business segments, who tend to diversify energy sources, mainly with greater use of RES. At the same time, an increase was recorded in sales to the end customers as an effect of the recognition of electricity sales realised by Railway Energy Services segment in the first quarter of 2024 that did not occur in the similar period of the previous year.

Table: Net production of electricity (TWh).

| Production volume | Q1 2024 | Q1 2023 | % change |
|--|--------------|--------------|------------|
| NET ELECTRICITY PRODUCTION IN TWh, including: | 14.60 | 15.72 | -7% |
| Lignite-fired power plants | 7.63 | 8.15 | -6% |
| Coal-fired power plants | 3.09 | 3.43 | -10% |
| Including co-combustion of biomass | 0.01 | 0.00 | - |
| Gas-fired power plants | 0.03 | 0.00 | - |
| Coal-fired CHP plants | 1.24 | 1.52 | -18% |
| Gas-fired CHP plants | 1.41 | 1.48 | -5% |
| Biomass-fired CHP plants | 0.10 | 0.12 | -17% |
| Communal waste-fired CHP plants | 0.01 | 0.00 | - |
| Pumped-storage power plants | 0.32 | 0.29 | 10% |
| Hydroelectric plants | 0.17 | 0.16 | 6% |
| Wind power plants | 0.59 | 0.57 | 4% |
| PV plants | 0.01 | 0.00 | - |
| including RES generation | 0.89 | 0.85 | 5% |

The level of electricity production in the first quarter of 2024 was 7% lower compared to the first quarter of 2023.

The lower level of electricity generation in the PGE Group is mainly due to high coverage of domestic demand by renewables and gas and effect of higher imports in meeting demand.

Lower generation at lignite-fired power plants (decline by 0.5 TWh) is due to lower use by PSE S.A. - reserve downtime of units in Bełchatów power plant and Turów power plant were longer by: 1 964 hours in Bełchatów power plant and 388 hours in Turów power plant. At the same time average load factor of units at Turów power plant was lower by 23 MW. In addition, units at Turów power plant were in current overhaul longer by 1 417 hours, mainly as a result of the overhaul of unit no. 4 in February 2024.

Lower production in hard coal-fired power plants took place at the Opole Power Plant, Rybnik Power Plant and the Dolna Odra Power Plant (a total decrease of 0.3 TWh) as a result of lower average load factor of units at the Opole Power Plant (by 30 MW) and Dolna Odra Power Plant (by 8 MW). In addition, units at Rybnik power plant were in overhauls longer by 1 997 hours, mainly as a result of the medium overhaul of unit no. 7 lasting from January till March 2024.

At the beginning of March 2024, production began at the Gryfino Power Plant (gas unit No. 9) as part of the implementation of the investment process.

Lower production in coal-fired CHP plants and gas-fired CHP Plants (a total decrease of 0.4 TWh) Is the effect of lower combined heat and power production due to weather conditions (higher average temperatures).

Production in biomass CHP plants, pumped storage power plants, hydro power plants, wind farms and PV plants remained at the level of the comparable period.

HEAT PRODUCTION

Table: Net production of heat (PJ).

| Heat production volume | Q1 2024 | Q1 2023 | % change |
|---------------------------------------|--------------|--------------|------------|
| Net production of heat in PJ | 20.30 | 20.70 | -2% |
| Lignite-fired power plants | 0.88 | 0.90 | -2% |
| Coal-fired power plants | 0.24 | 0.24 | 0% |
| Coal-fired CHP plants | 14.65 | 15.79 | -7% |
| Gas-fired CHP plants | 3.41 | 3.08 | 11% |
| Biomass-fired CHP plants | 0.81 | 0.48 | 69% |
| CHP plants fuelled by municipal waste | 0.03 | 0.05 | -40% |
| Other CHP plants | 0.28 | 0.16 | 75% |

External temperatures contributed more than any other factor to lower net generation of heat in the first quarter of 2024 (y/y). The average temperatures in the first quarter of 2024 were by 1.0°C higher y/y, which translated into decreased production of heat.

HEAT SALES

In the first quarter of 2024 the heat sales volume in PGE Capital Group totalled 19.9 PJ and was lower by 0.3 PJ y/y. The above result was caused mainly by lower demand for heat due to the higher average outside temperatures than in the first quarter of 2023.

3.1. PGE Group's key financial results

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

PGE Group's consolidated EBITDA is composed of the financial results of each of its operating segments. The following segments have the largest share in the Group's recurring EBITDA for Q1 2024: Distribution (39%), Supply (36%) District Heating (20%), Renewables (15%) and Railway Energy Services (11%). Conventional Generation segment negatively affects the Group's recurring EBITDA result, while other segments have an insignificant share in recurring EBITDA.

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

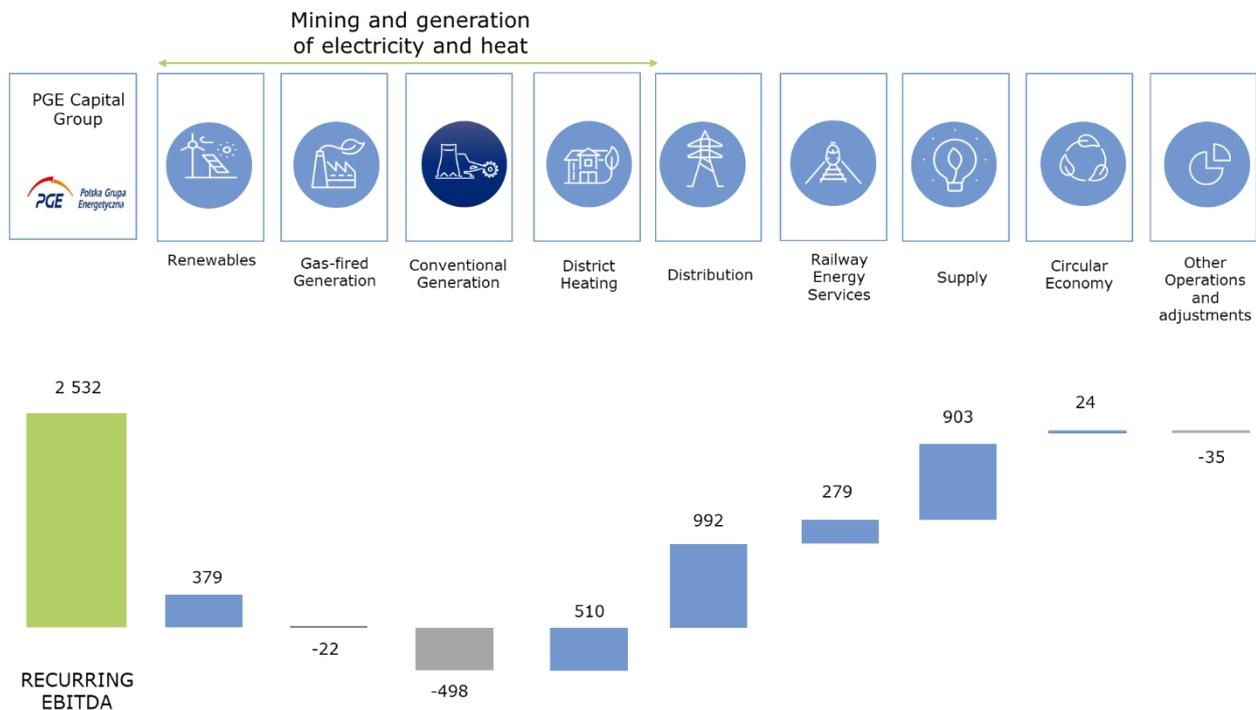


Chart: Reported EBITDA of PGE Capital Group (PLN million)

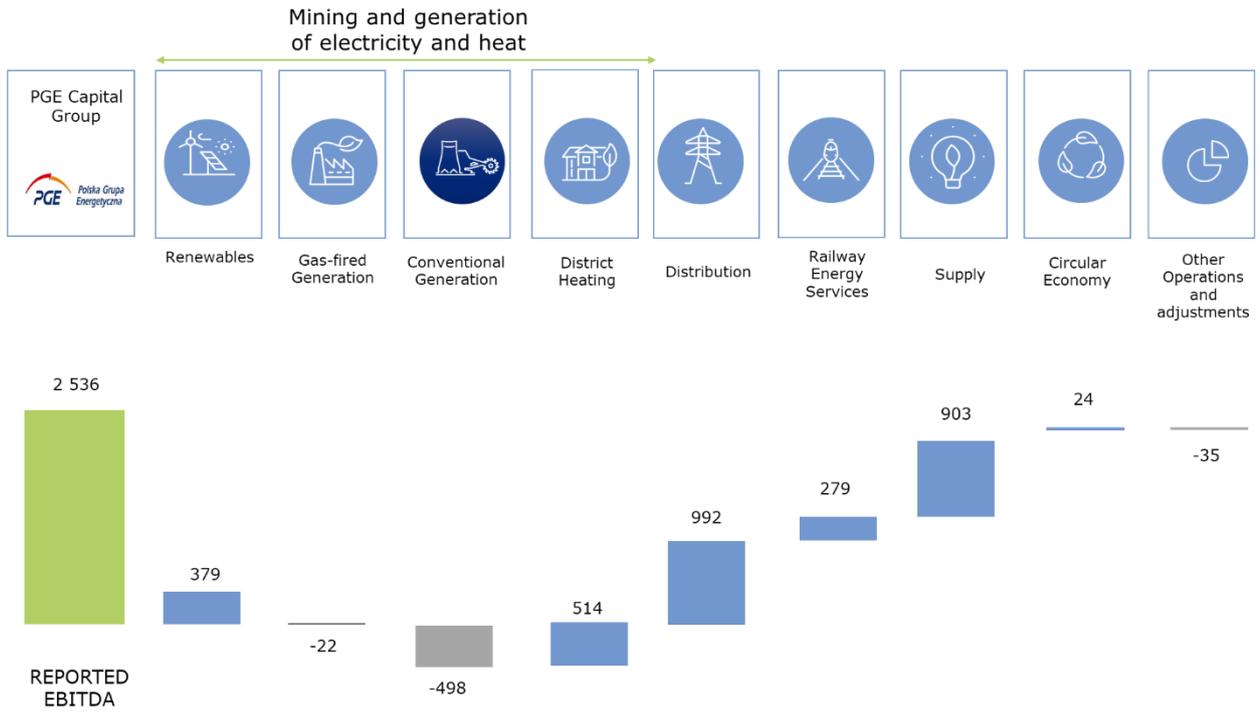
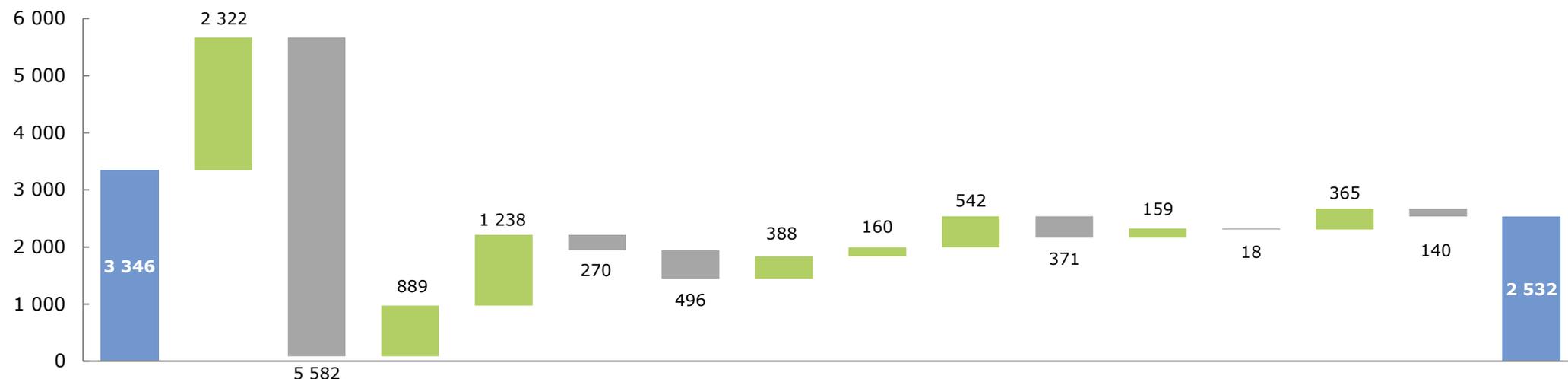


Chart: Key factors affecting EBITDA in PGE Capital Group (in PLN million).



| Change | 2 322 | -5 582 | 889 | 1 238 | -270 | -496 | 388 | 160 | 542 | -371 | 159 | -18 | 365 | -140 | |
|--------------------------|--------------|--------|--------|-------|-------|------|-------|------|-------|-------|-------|-----|-----|------|--------------|
| Reported EBITDA Q1 2023 | 3 427 | | | | | | | | | | | | | | |
| One-offs Q1 2023 | 81 | | | | | | | | | | | | | | |
| Recurring EBITDA Q1 2023 | 3 346 | 2 317 | 14 044 | 6 636 | 4 214 | 293 | 1 332 | -205 | 1 730 | 1 228 | 1 624 | 210 | 467 | 0 | 28 |
| Recurring EBITDA Q1 2024 | | -5 | 8 462 | 5 747 | 2 976 | 23 | 836 | 183 | 1 890 | 1 770 | 1 995 | 369 | 485 | 365 | 168 |
| One-offs Q1 2024 | | | | | | | | | | | | | | | 4 |
| Reported EBITDA Q1 2024 | | | | | | | | | | | | | | | 2 536 |

¹ Without impact of correction of estimated contribution to the fund for 2022 (one-off).

² Revenue from the sale of electricity reduced by the purchase cost of electricity.

³ Including compensation, margin adjustment on certificates at PGE Group; without additional estimation of the cost of the balancing difference.

⁴ Including compensations.

⁵ Including revenues from distribution services, compensations, transmission services (PSE), balance of transferred fees and costs of electricity purchased to cover balancing difference; without additional estimation of the cost of the balancing difference.

⁶ Other without LTC compensations (one-offs).

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

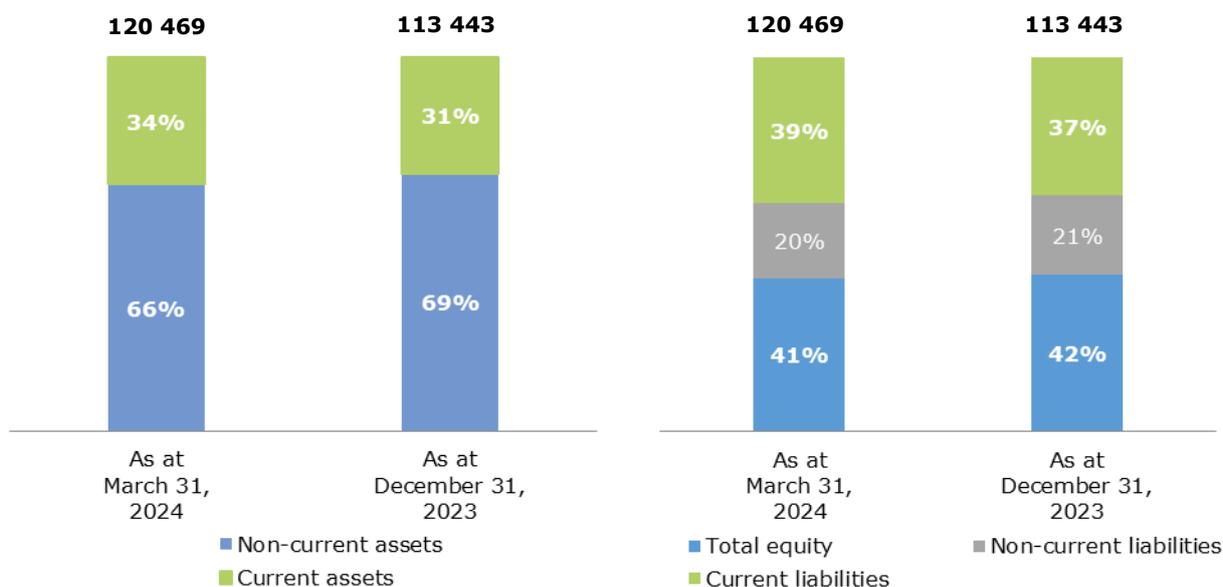
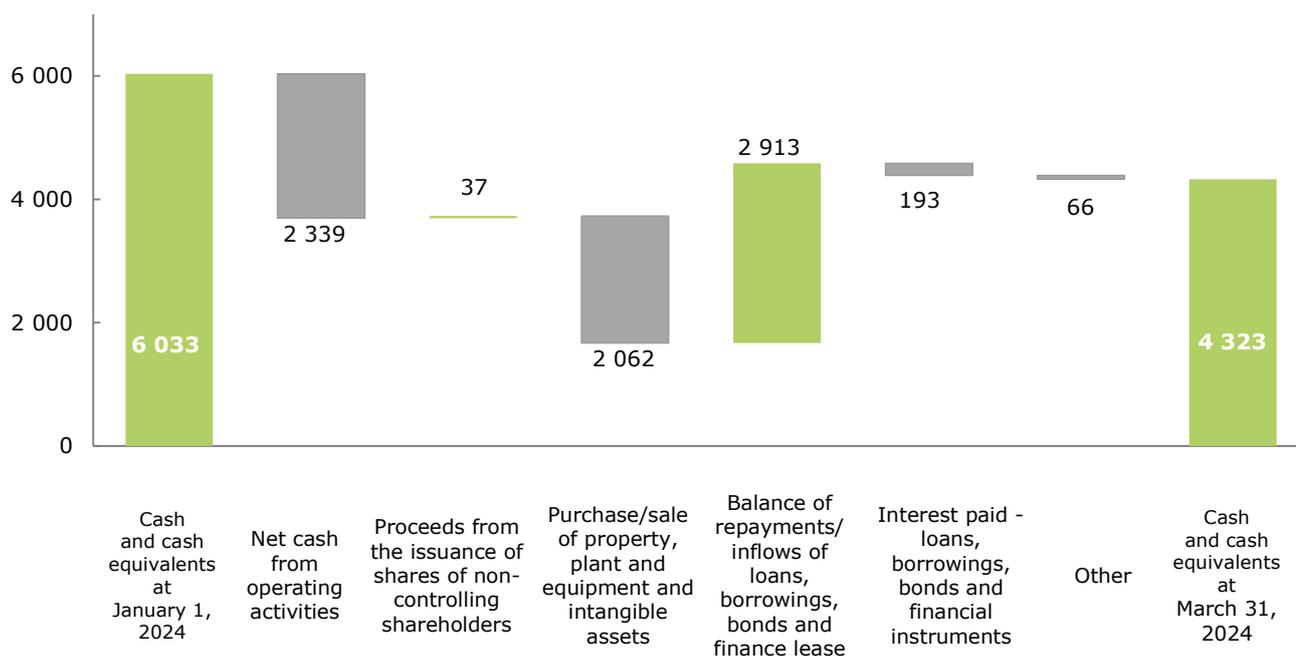
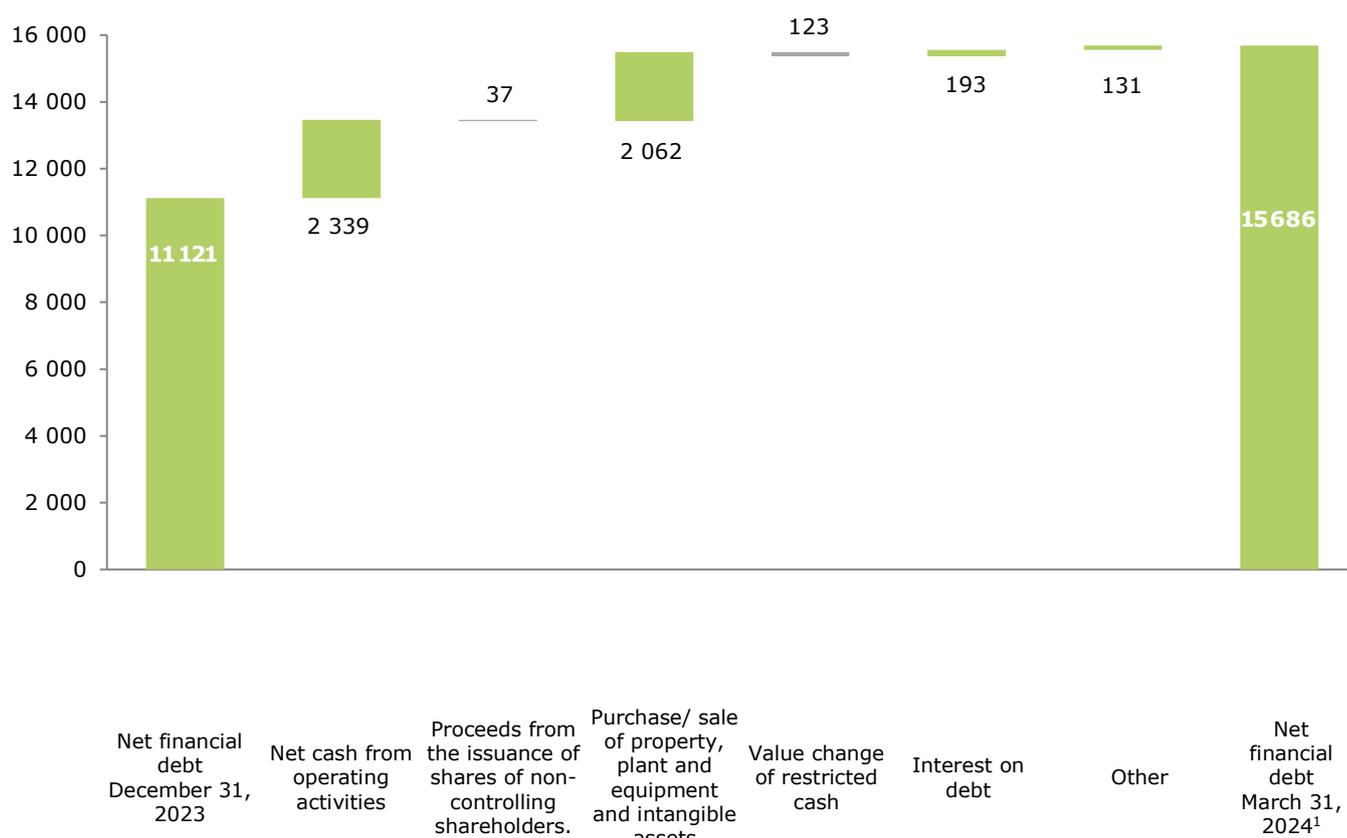


Chart: Net change in cash (in PLN million).



| | | | | | | | |
|--------------------------------|--------------|----|--------|-------|------|-----|--------------|
| Impact on level of cash | -2 339 | 37 | -2 062 | 2 913 | -193 | -66 | |
| Cash and cash equivalents | 6 033 | | | | | | 4 323 |

Chart: Net financial debt (in PLN million).

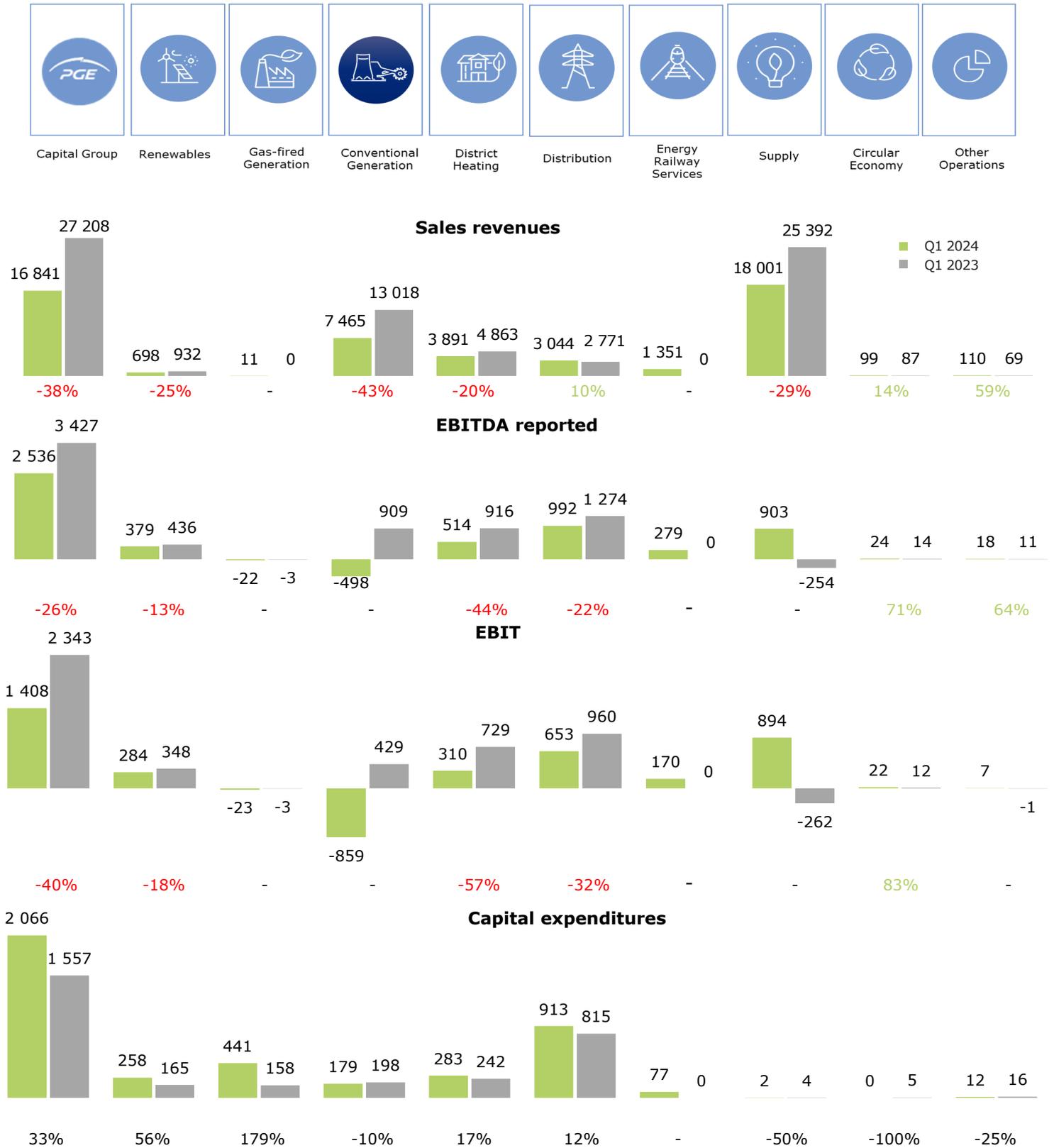


| | Net financial debt December 31, 2023 | Net cash from operating activities | Proceeds from the issuance of shares of non-controlling shareholders. | Purchase/ sale of property, plant and equipment and intangible assets | Value change of restricted cash | Interest on debt | Other | Net financial debt March 31, 2024 ¹ |
|------------------------------------|--------------------------------------|------------------------------------|---|---|---------------------------------|------------------|-------|--|
| Impact on level of net debt | | 2 339 | -37 | 2 062 | -123 | 193 | 131 | |
| Financial net debt | 11 121 | | | | | | | 15 686 |

¹ Estimated level of net economic debt (taking into account forward payment for CO₂ emission rights) amounts to PLN 21 227 million.

3.2. Characteristics of business segments

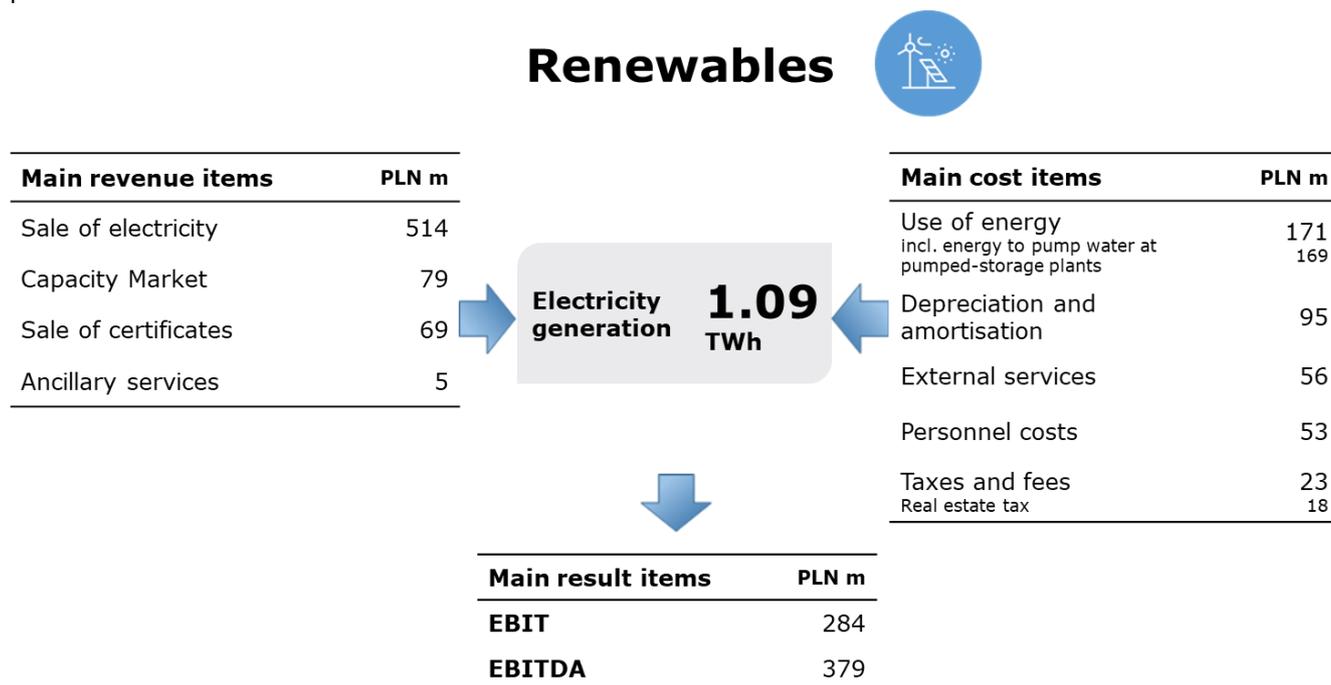
3.2.1 Key results in business segments (in PLN million)¹



¹ From Q1 2024 a Gas-fired Generation segment was established and the data of the Other Operations segment for the first quarter of 2023, which in previous reporting periods included companies transferred to the newly created segment, were adjusted for comparability.

3.2.2 Renewables

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



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

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

On the cost side, the most important items include: **use of energy to pump water at pumped-storage plants, depreciation of segment assets** and **third-party services**, mainly the repair services. Property tax and employee wages also constitute a significant cost item in this segment. Under the provisions of the Emergency Measures in 2023 Act, electricity generating entities were required to make a contribution to the **Price Difference Payment Fund**.

ASSETS AND OPERATIONAL DATA

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

Assets in the segment include:

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

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

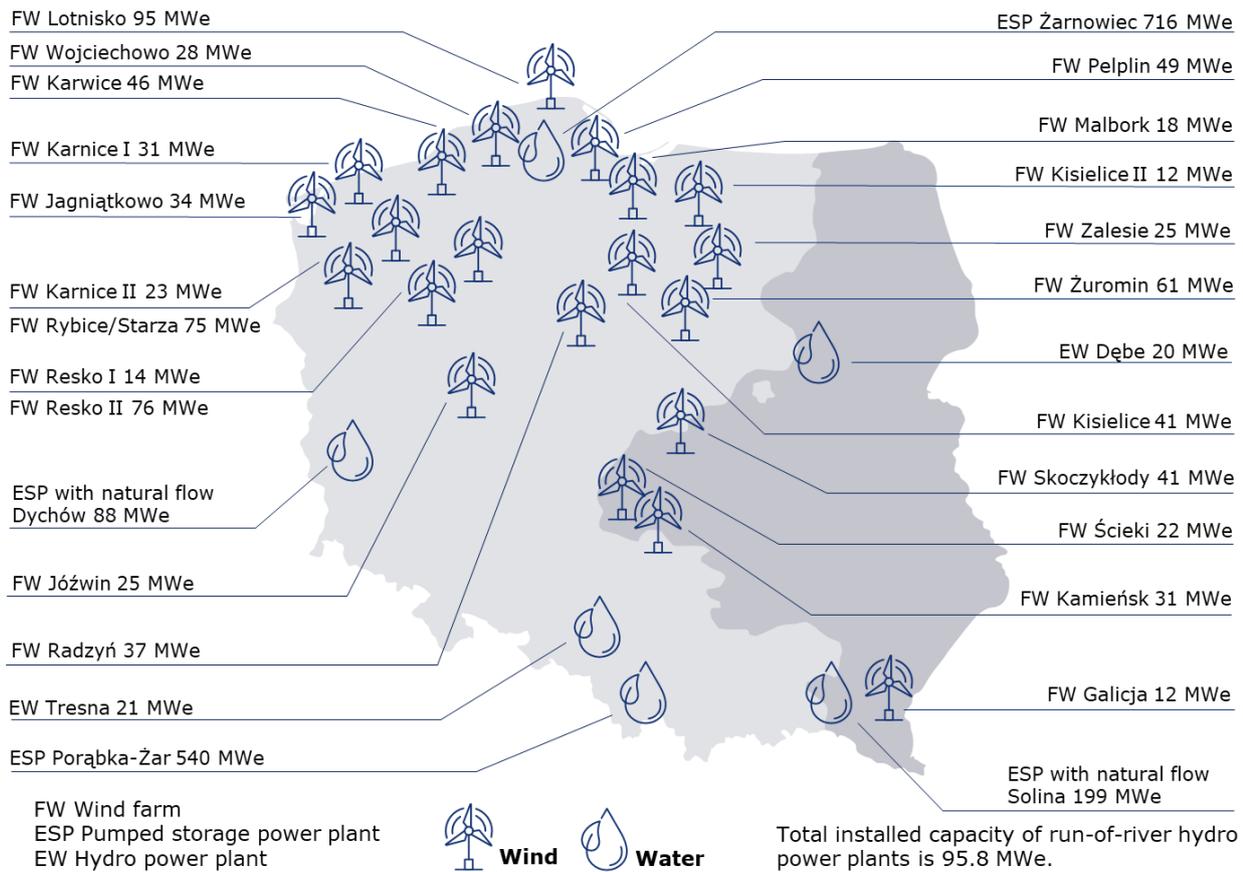
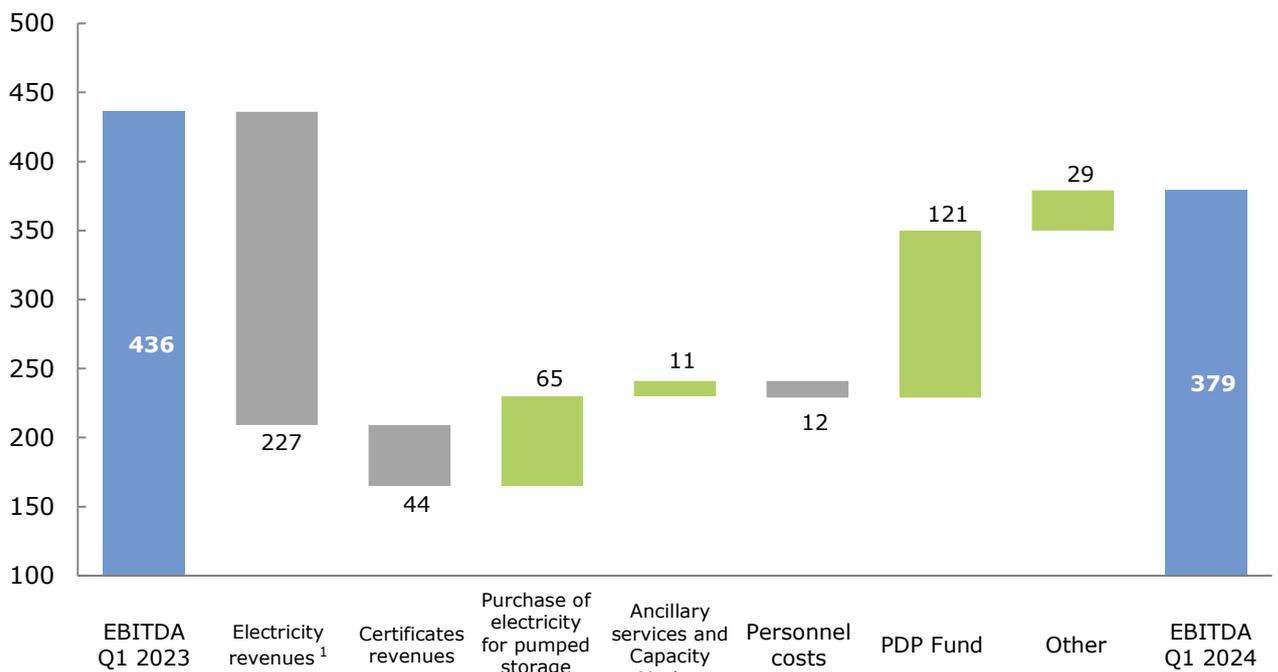


Table: Energy production (GWh).

| Rodzaje Elektrowni | Q1 2024 | Q1 2023 | % change |
|---------------------------------|--------------|--------------|-----------|
| Pumped-storage power plants | 317 | 291 | 9% |
| Run-of-river hydro power plants | 174 | 163 | 7% |
| Wind farms | 588 | 574 | 2% |
| PV | 10 | 2 | 400% |
| Total | 1 089 | 1 030 | 6% |

KEY FINANCIAL FIGURES IN THE SEGMENT

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



| Change | EBITDA Q1 2023 | Electricity revenues ¹ | Certificates revenues | Purchase of electricity for pumped storage plants | Ancillary services and Capacity Market | Personnel costs | PDP Fund | Other | EBITDA Q1 2024 |
|----------------|----------------|-----------------------------------|-----------------------|---|--|-----------------|----------|-------|----------------|
| EBITDA Q1 2023 | 436 | 741 | 113 | 234 | 73 | 41 | 120 | 96 | |
| EBITDA Q1 2024 | | 514 | 69 | 169 | 84 | 53 | -1 | 67 | 379 |

¹ Electricity revenues include revenues from main generation technologies (wind, water, PV, pumped storage).

Key factors affecting the y/y results of Renewables:

- **Lower revenues from electricity sales** results from: lower average electricity sale price by PLN 316/MWh y/y, what translated into decrease of revenues by PLN 432 million, higher sales volume by 269 GWh, what caused revenues increase of PLN 205 million.
- **Decreased revenues from sales of certificates** resulting from lower average electricity sale price by PLN 83/MWh y/y, as a result revenues decreased by PLN 42 million, lower sales volume by 7 GWh, what caused revenues decrease of PLN 2 million.
- **The decrease in electricity purchase costs** for pumping in pumped storage power plants results from: lower average electricity purchase price by PLN 249/MWh y/y, what translated into a decrease in costs by PLN 147 million and higher purchase volume by 154 GWh, contributing to an increase in costs by PLN 82 million.
- **Higher revenues from the Capacity Market and ancillary services** result mainly from higher utilization of production units in the power system.

- **The increase in personnel costs** is mainly a result of higher employment due to the development of the Offshore Energy and Renewable Energy areas and concluded wage agreements.
- **Lack of contribution to PDP Fund**, which occurred in 2023.
- **Value change in item Other** results mainly from postponement of operating costs of the Offshore Energy and Renewable Energy areas.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Renewables segment.

| PLN million | Q1 2024 | Q1 2023 | % change |
|--|------------|------------|------------|
| Investments in generating capacities, including: | 255 | 162 | 57% |
| ▪ Development | 219 | 132 | 66% |
| ▪ Modernisation and replacement | 36 | 30 | 20% |
| Other | 3 | 3 | 0% |
| Total | 258 | 165 | 56% |

KEY EVENTS IN RENEWABLES

▪ **Offshore wind farms construction program**

The group has 8 location permits for an offshore wind farms in the Baltic Sea. 5 proceedings (with a total capacity potential of 3.9 GW) were resolved in favour of the PGE Group in 2023 and 3 location permits were obtained by the Group in 2012, based on which it is preparing investments in the Baltic Sea with a total capacity of approx. 3.5 GW (including 2.5 GW in JO with Ørsted). The launch of both stages of the project carried out jointly with Ørsted, i.e. Baltica 2 with a capacity of up to 1.5 GW and Baltica 3 with a capacity of up to 1.0 GW, is planned by 2030, while the Baltica 1 project after 2030.

On January 18, 2024, an agreement was signed with GE Vernova – a company represented in Poland by GE Power sp. z o.o. – and Polimex Mostostal S.A., which, as a consortium, will build the onshore infrastructure necessary to evacuate power from the Baltica 2 project, one of the two phases of the Baltica offshore wind farm. The onshore connection infrastructure for the Baltica 2 project will be built in Pomerania in the vicinity of the village of Osieki Lęborskie in the commune of Choczewo, in the district of Wejherowo. The general contractor will build it on a so-called “turnkey” basis. The task of constructing the onshore connection includes the building of an extra-high voltage substation and onshore export lines necessary for the evacuation of power to the NPS. Construction works will begin in May 2024. The testing and commissioning of the onshore station is planned for 2026-2027.

In February 2024, PGE Group and Ørsted contracted vessels to transport and install foundations and wind turbines for the Baltica 2 project.

On February 16, 2024, the Pomeranian Governor issued construction permits for the offshore part of the Baltica 2 wind farm project. They concern the construction of wind turbines and offshore substations. These are the final permits necessary to start construction operations.

The PGE Group and Ørsted have already contracted all the necessary components for the Baltica 2 offshore wind farm and have signed contracts for the installation of foundations, turbines, cables and onshore connection infrastructure. They have also obtained all the necessary permits to start construction works. The final step before construction works begin will be for the investors to make a final investment decision.

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

▪ **PGE Group PV Development Program**

So far, projects with a total capacity of approx. 83 MW have been commissioned under the programme, including 35 MW in farms commissioned in the first quarter of 2024 (inter alia two large projects like PV Augustynka of 25 MW and Pasterzowice – 8 MW).

Projects with a capacity of approx. 320 MW are under development, including PV Jeziórko (100 MW), PV Pokrzywnica (7 MW) and PV Krotoszyn (5 MW), where commissioning is planned at the turn of the first and second half of 2024.

In the first quarter of 2024, activities for the development of further PV farm projects continued, including the acquisition of land rights and the required administrative decisions aimed at obtaining construction permits.

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

To date, the modernisation of three of the four hydro-sets of the Dębe Hydroelectric Power Plant has been completed. In the first quarter of 2024, the dismantling works were completed and the modernisation works were being continued on the last (fourth) hydrosystem. The modernisation works are scheduled for completion in the second half of 2024.

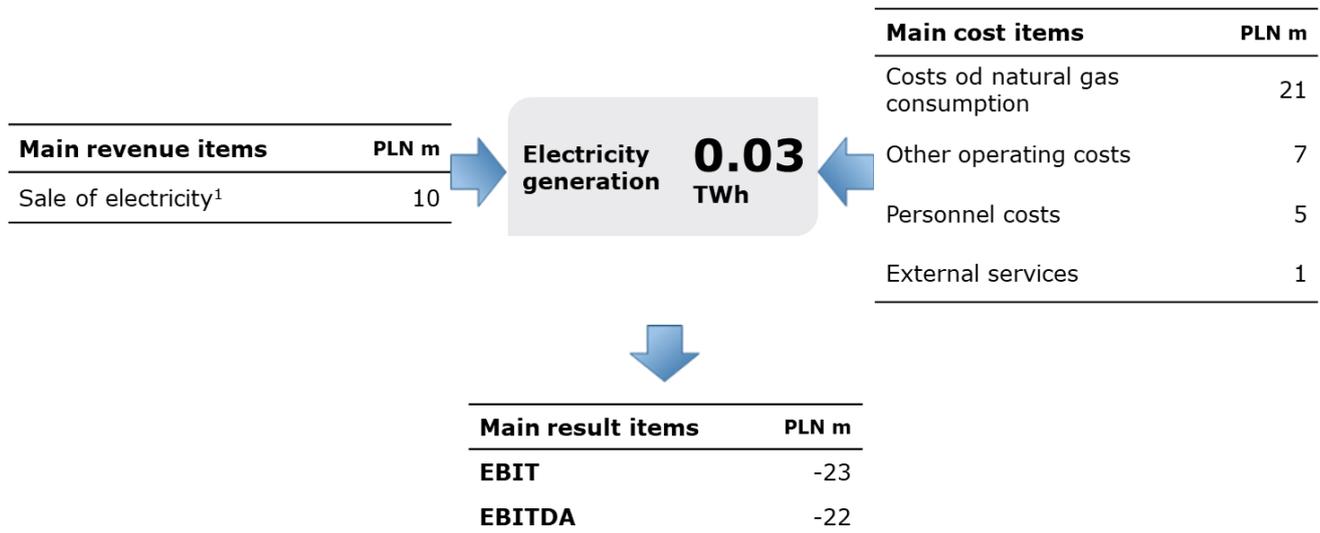
■ **Comprehensive modernisation program of Porąbka-Żar pumped-storage power plant**

A coating plant was installed at Mount Żar, necessary for the preparation of the asphalt and concrete mix for the replacement of the asphalt layer on the upper reservoir. At the beginning of May 2024, the complete shutdown of the power plant began and is scheduled to last until the end of September 2024. The shutdown of the power plant will enable those modernisation works on the facility that are possible with a complete drainage of the power plant, namely the works on the waterway and in the power plant chamber. Works on the technological part (modernisation of the hydrosystems) are scheduled for Q4 2024. Design works are underway for this part of the scope of works.

3.2.3 Gas-fired Generation

The segment's business is the generation of electricity in gas-fired sources.

Gas-fired Generation



¹ Managerial perspective

In the first quarter of 2024, commissioning works were underway at unit no. 9 at the Gryfino Power Plant. Thus, the segment received revenue from the sale of electricity to the Balancing Market and incurred the costs of natural gas consumption. At the same time, in accordance with the Greenhouse Gas Emission Trading Scheme Act of June 12, 2015, the segment does not incur any CO₂ emission charges until the unit is eventually commissioned.

Ultimately, the primary source of revenue for the Gas-Fired Generation segment will be **revenue from the sale of electricity** on the wholesale market based on the price of electricity determined by supply and demand balancing mechanisms, taking into account the variable costs of generation. At the same time, the most significant cost items of the segment, by virtue of their size and volatility, and therefore impact on the operating result, will be the **costs of CO₂ emission charges** and **the costs of natural gas consumption**.

A significant item in the segment's revenue will be **revenue from the Capacity Market**, a mechanism introduced to prevent a shortage of electricity in the NPS. The segment's power plants will be remunerated for the fulfilment of the capacity obligation (the Capacity Market unit's remaining ready to supply electricity to the system and its commitment to supply a certain capacity to the system during an emergency period). An additional item in the segment's revenue will be **revenue from for the provision of ancillary services**.

ASSETS

The Gas-fired Generation segment will comprise 2 gas-fired power plants: the Gryfino Power Plant (2 units, each with an installed capacity of 683 MW) and the Rybnik Power Plant (1 unit with a capacity of 882 MW).

In March 2024, unit no. 9 at the Gryfino Power Plant was synchronised with the NPS and commissioning works were underway as at March 31, 2024. On April 13, 2024, the adjustment operations began.

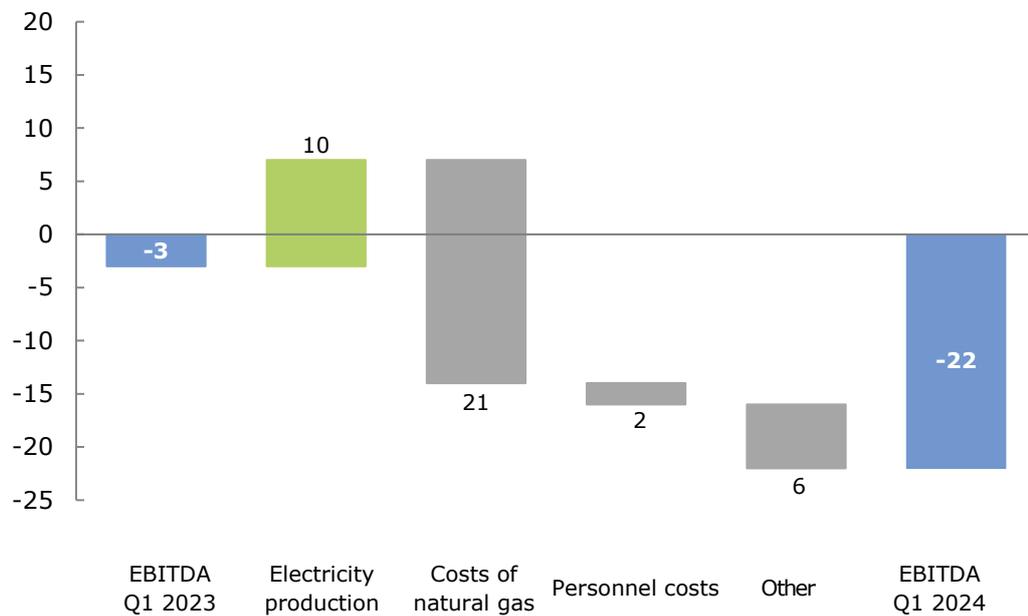
Diagram: Main assets of the Gas-fired Generation segment and their installed capacity.



¹ The unit has not yet been commissioned; on April 13, 2024, the adjustment operation of the power unit began.

KEY FINANCIAL FIGURES IN THE SEGMENT

Chart: Key changes of EBITDA in Gas-fired Generation (in PLN million) – managerial perspective.



| Change | 10 | -21 | -2 | -6 | |
|----------------|----|-----|----|----|-----|
| EBITDA Q1 2023 | -3 | 0 | 0 | 3 | 0 |
| EBITDA Q1 2024 | 10 | 21 | 5 | 6 | -22 |

Key factors affecting EBITDA of Gas-fired Generation segment y/y:

- **Revenues from the sale of electricity**, as a result of the sale of 0.03 TWh of electricity in the Balancing Market.
- **Costs of natural gas consumption**, as a result of consumption of 0.37 PJ of the fuel in the production process.

- **Higher personnel costs**, mainly due to the start of the production process at the Gryfino Power Plant.
- **The item Other** mainly includes costs of not meeting the Operational Milestone (OKM) for the Capacity Market of PLN 7 million, which were charged to other operating expenses of PGE Gryfino 2050 sp. z o.o. in connection with the postponement of the start of the power generation process.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Gas-fired Generation segment¹

| PLN million | Q1 2024 | Q1 2023 | % change |
|--|------------|------------|-------------|
| Investments in generating capacities, including: | 441 | 158 | 179% |
| ▪ Development | 441 | 158 | 179% |
| ▪ Modernisation and replacement | 0 | 0 | - |
| Other | 0 | 0 | - |
| Total | 441 | 158 | 179% |

¹ Segment separated from the Other Operations segments as from 2024

KEY EVENTS IN GAS-FIRED GENERATION

- In the first quarter of 2024, work continued on the project to build a **CCGT unit** with a gross capacity of 882 MW in Rybnik (**Rybnik 2050 sp. z o.o.**). Before the obtainment of the construction permit preparatory works continued at the site: container facilities were installed along with connections to the power supply as well as water and sewage systems. Site grading as well as geotechnical and geological works were carried out. A construction permit decision with a clause of immediate enforceability was obtained on March 12, 2024. After obtaining the construction permit, the Contractor started the actual construction works in preparation for the laying of foundations for the main building of the unit. The contractor is completing the procurement of the main components of the power plant (turbineset, boiler plant, auxiliary equipment) and contracts are being concluded with further subcontractors for the performance of works and delivery of equipment.
- In the first quarter of 2024 work continued also on the construction of two **new gas-and-steam units** of 683 MWe each (**PGE Gryfino 2050 sp. z o.o.**). In January 2024, the chemical cleaning process (so-called etching) of unit 10 was successfully completed. In February 2024, the preparations for the commissioning of unit 9 were completed. On February 27, 2024, the first ignition of the gas turbine of unit no. 9 (TG9) took place, while the first synchronisation with the NPS was carried out on March 4, 2024. At present, adjustment operations at unit no. 9 and preparatory works for the first firing of unit no. 10 are being carried out at the construction site.

KEY PROJECTS IN GAS-FIRED GENERATION SEGMENT

| Aim of the project | Budget | Expenditures incurred ¹ | Capital expenditures in 2023 ¹ | Fuel/ Net efficiency | Contractor | Investment completion date |
|---|------------|------------------------------------|---|----------------------|--|---|
| Construction of two CCGT units at PGE Gryfino 2050 sp. z o.o. | PLN 4.3 bn | PLN 3.4 bn | PLN 223 m | Natural gas / 63.2 % | Syndicate of companies: General Electric (consortium leader) and Polimex Mostostal | Contractual date April 2024. Discussions are currently underway with the General Contractor regarding the commissioning date. |
| Construction of gas-steam unit at Rybnik 2050 sp. z o.o. | PLN 4.0 bn | PLN 241 m | PLN 142 m | Natural gas / 63.9 % | Syndicate of companies: Polimex Mostostal S.A. (consortium leader), Siemens Energy sp. z o.o., Siemens Energy Global GmbH & Co. KG | December 2026 |

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

ASSETS

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

Conventional Generation is the leader of lignite mining (its share in the extraction market of this raw material accounting for 96%⁸ of domestic extraction), it is also the largest generator of electricity as it generates approx. 27%⁹ of domestic gross electricity production. The generation is based on lignite extracted from mines owned by the company as well as hard coal.

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

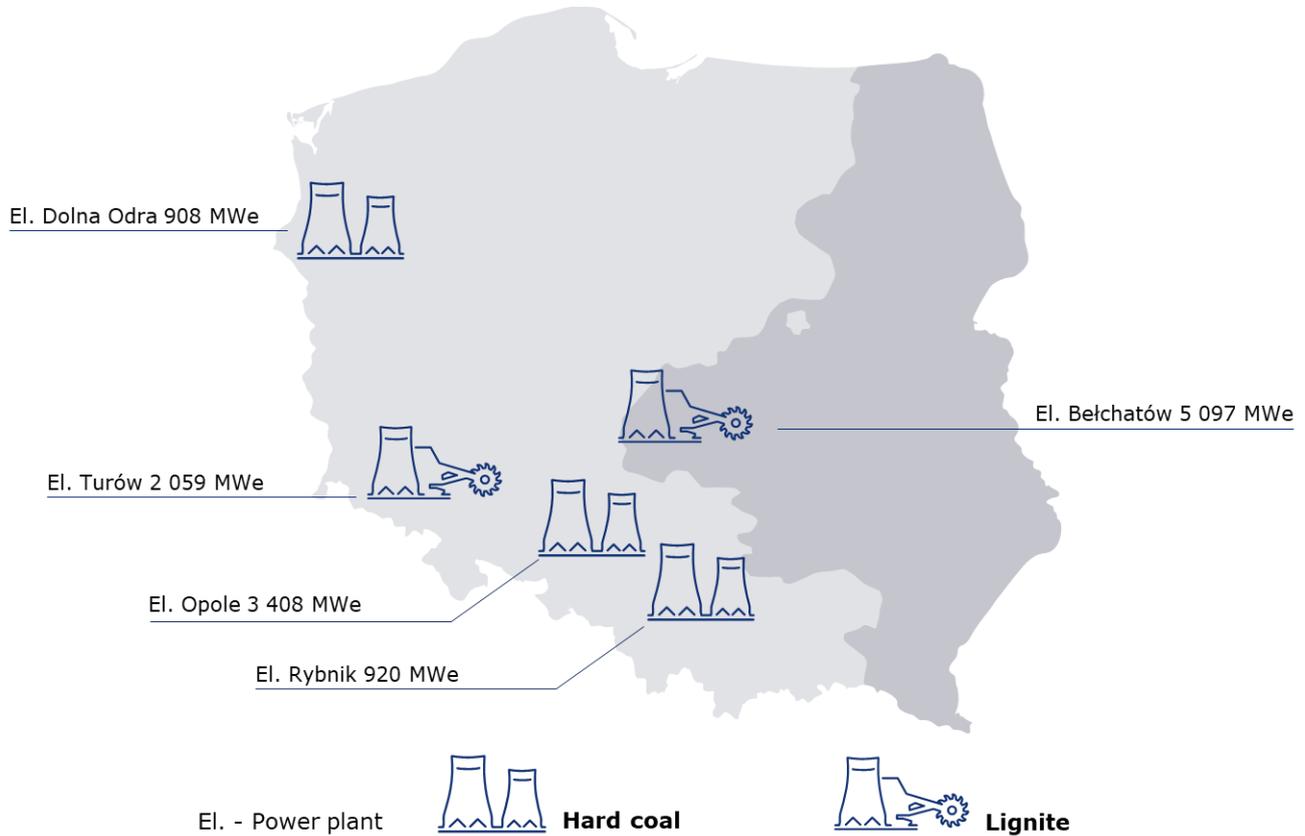


Table: Electricity production (TWh).

| Main fuel types | Q1 2024 | Q1 2023 | % change |
|-----------------|--------------|--------------|------------|
| Hard coal | 3.08 | 3.44 | -10% |
| Lignite | 7.63 | 8.12 | -6% |
| Biomass | 0.01 | 0.00 | - |
| Total | 10.72 | 11.56 | -7% |

Table: Heat production (PJ).

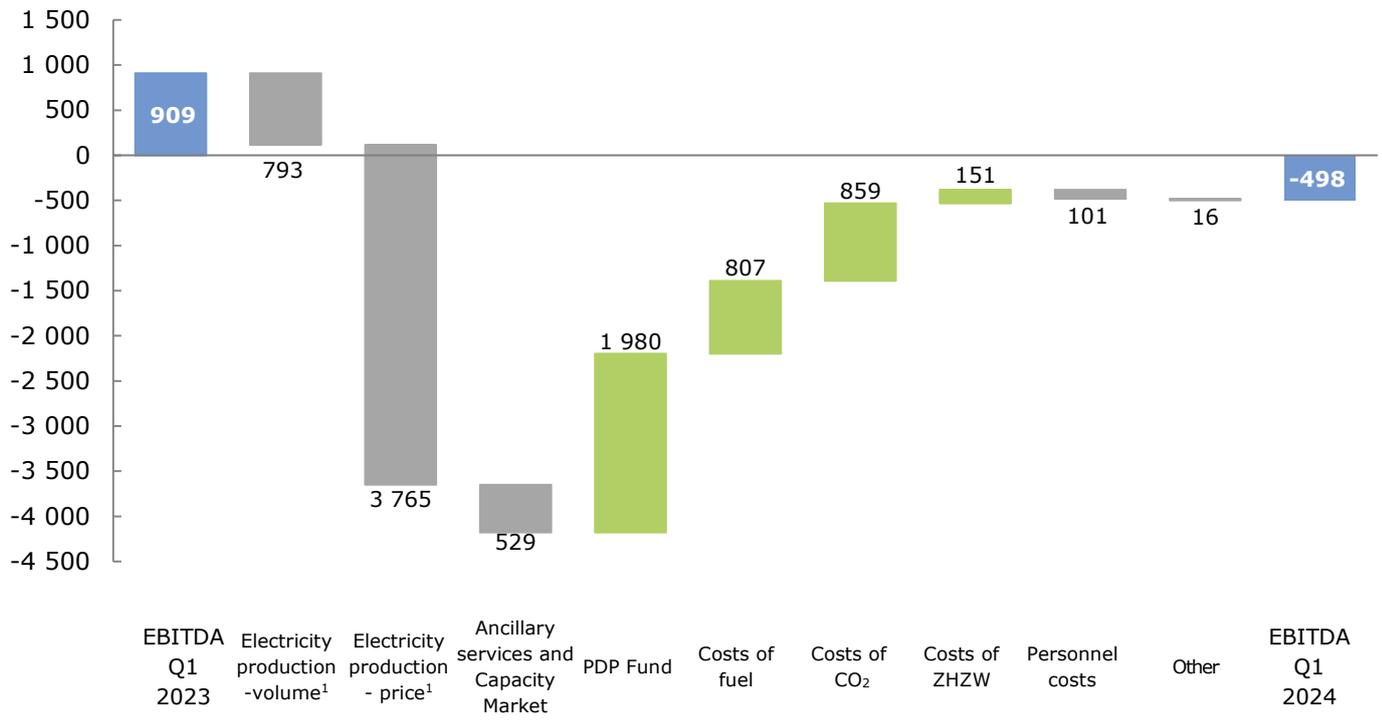
| Main fuel types | Q1 2024 | Q1 2023 | % change |
|-----------------|-------------|-------------|------------|
| Hard coal | 0.23 | 0.24 | -4% |
| Lignite | 0.88 | 0.90 | -2% |
| Total | 1.11 | 1.14 | -3% |

⁸ Own calculations based on data from Central Statistical Office of Poland.

⁹ Own calculations based on data from PSE S.A.

KEY FINANCIAL FIGURES IN THE SEGMENT

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



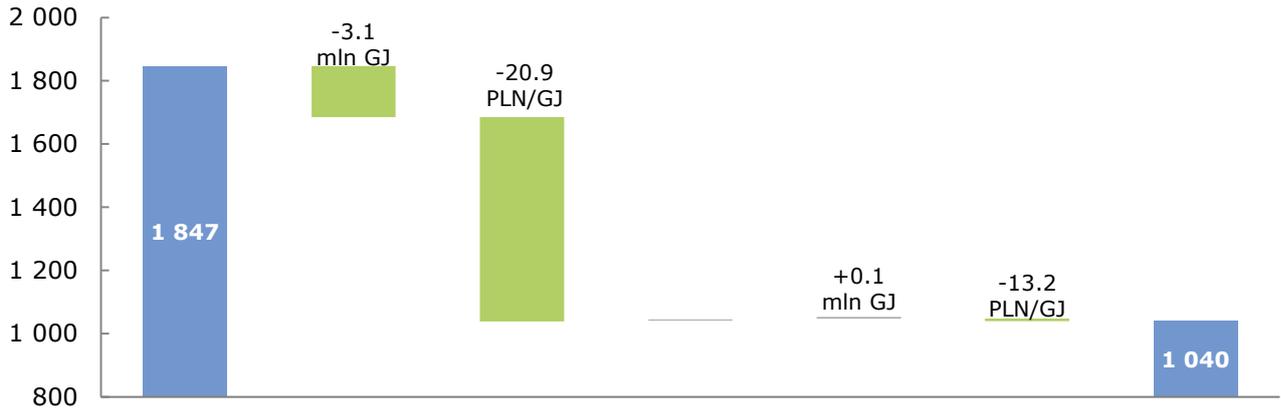
| Change | -793 | -3 765 | -529 | 1 980 | 807 | 859 | 151 | -101 | -16 | |
|----------------|------------|--------|-------|-------|-------|-------|-----|------|-----|-------------|
| EBITDA Q1 2023 | 909 | 10 862 | 1 188 | 1 977 | 1 847 | 5 566 | 397 | 829 | 525 | |
| EBITDA Q1 2024 | | 6 304 | 659 | -3 | 1 040 | 4 707 | 246 | 930 | 541 | -498 |

¹ Managerial perspective.

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

- **Decrease in revenues from the sale of electricity**, which results from: lower average selling price of electricity by PLN 360/MWh y/y, which translated into a decrease in revenues by approx. PLN 3 765 million; lower sales volume by 0.8 TWh, which resulted in a decrease in revenues by approx. PLN 793 million.
- **Lower revenues from ancillary services**, mainly as a result of the high 2023 base, i.e. revenues from settlements with the TSO due to the reallocation of electricity production between PGE GiEK branches within the Balancing Market and **lower result obtained from the Capacity Market**, as a result of the lower rate of capacity obligation and the lower share of units of PGE GiEK S.A. in total of dispatchable capacities of PGE Group.
- **Lack of contribution to PDP Fund**, which occurred in 2023.
- **Lower fuel consumption costs**, mainly hard coal as a result of the lower price of this fuel (by PLN 20.9/GJ) and lower consumption of this fuel due to lower electricity production. Main changes on different types of fuel are presented in the chart below.
- **Lower CO₂ costs** as a result of lower average cost of CO₂ by PLN 36.3/t and lower CO₂ emissions as a result of lower electricity production. Main changes are shown in the chart below.
- **Lower ZHZW costs** results mainly from lower average price of electricity.
- **Higher personnel costs** mainly in connection with the implementation of agreements concluded with the social party.

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

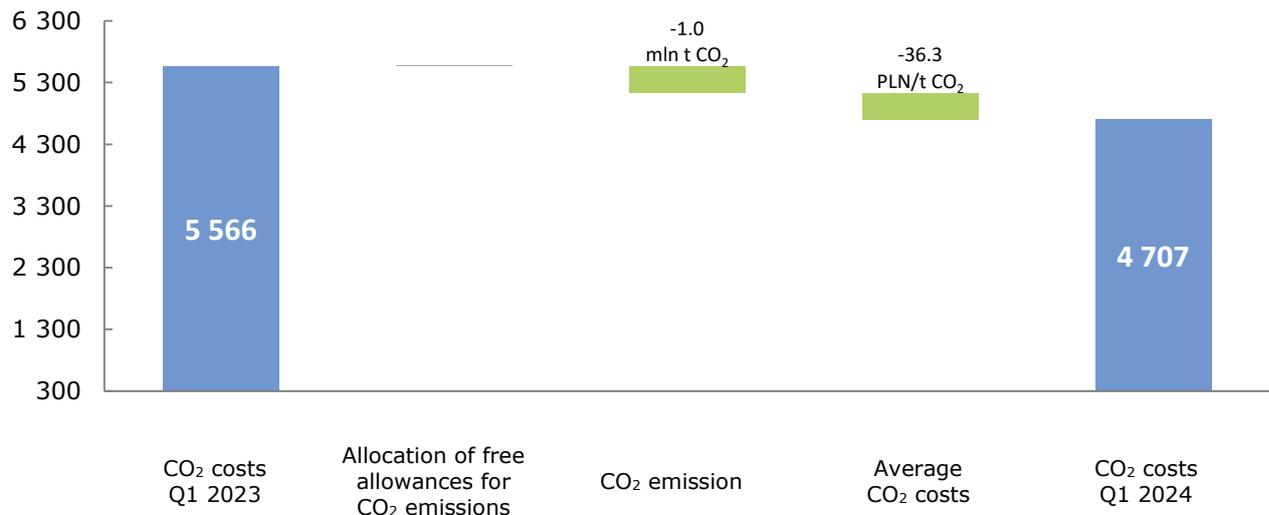


| | Cost of fuels Q1 2023 | Hard coal volume | Hard coal price | Biomass volume and price | Light and heavy oil volume | Light and heavy oil price | Cost of fuels Q1 2024 |
|-----------------------|-----------------------|------------------|-----------------|--------------------------|----------------------------|---------------------------|-----------------------|
| Change | | -162 | -646 | 3 | 6 | -8 | |
| Cost of fuels Q1 2023 | 1 847 | | 1 798 | 0 | | 49 | |
| Cost of fuels Q1 2024 | | | 990 | 3 | | 47 | 1 040 |

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

| Fuel type | Q1 2024 | | Q1 2023 | |
|----------------------------|-------------------|--------------------|-------------------|--------------------|
| | Volume (tons ths) | Cost (PLN million) | Volume (tons ths) | Cost (PLN million) |
| Hard coal | 1 387 | 990 | 1 533 | 1 798 |
| Biomass | 4 | 3 | 0 | 0 |
| Fuel oil – light and heavy | 16 | 47 | 14 | 49 |
| Total | | 1 040 | | 1 847 |

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



| Change | 0 | -433 | -426 | |
|-------------------------------|--------------|------|------|--------------|
| CO ₂ costs Q1 2023 | 5 566 | | | |
| CO ₂ costs Q1 2024 | | | | 4 707 |

Table: Data on CO₂ costs in Conventional Generation.

| Data on CO ₂ | Q1 2024 | Q1 2023 | % change |
|--|------------|------------|----------|
| Allocation of free allowances for CO ₂ emissions (tons) | 14 991 | 15 682 | -4% |
| CO ₂ emission (tons) | 11 781 145 | 12 774 471 | -8% |
| Average CO ₂ costs (PLN/t CO ₂) | 400.0 | 436.3 | -8% |

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Conventional Generation segment

| PLN million | Q1 2024 | Q1 2023 | % change |
|--|------------|------------|--------------|
| Investments in generating capacities, including: | 164 | 177 | -7 % |
| ▪ Development | 1 | 4 | -75 % |
| ▪ Modernisation and replacement | 163 | 173 | -6 % |
| Other | 15 | 21 | -29% |
| Total | 179 | 198 | -10 % |

KEY EVENTS IN CONVENTIONAL GENERATION

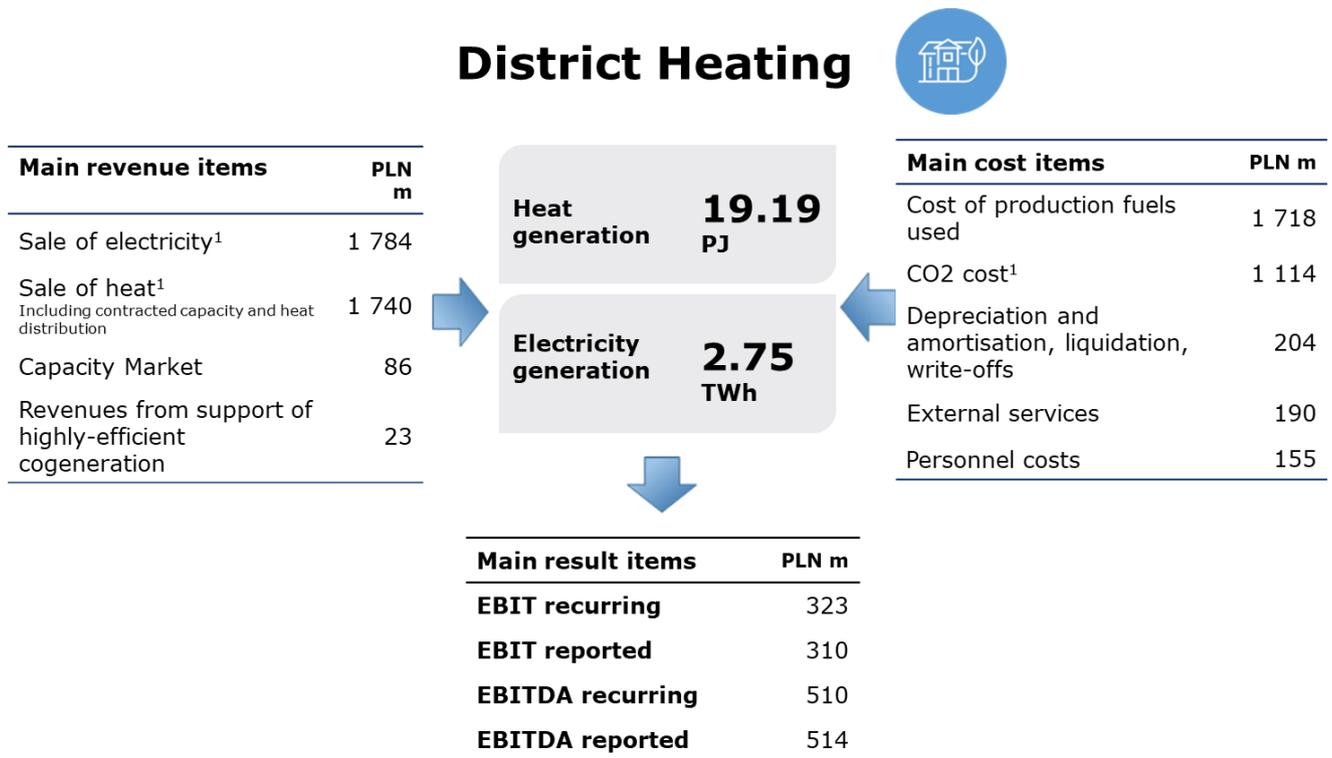
- As part of the construction of the start-up station at the **Dolna Odra Power Plant**, on January 17, 2024, the acceptance procedure for stage 8, i.e. "The performance of assembly works on the auxiliary installations", was performed. On March 27, 2024, stages 9 and 10, i.e. "The performance of assembly works in the field of electricity, as well as control and measurement instrumentation and automation" and "The performance of other assembly works" were officially accepted. In addition, two Annexes (nos. 3 and 4) were signed concerning changes to the scope of additional works, the completion date from February 13, 2024 to April 6, 2024 and the value of the contract to a final amount of PLN 40 million.
- A hydrostatic leakage test of the ZOM1 tank was carried out successfully in January 2024 as part of the task called The construction of a steam generator at the **Rybnik Power Plant**. A pressure test of the steam pipelines was carried out on 28 February 2024. Furthermore, annex no. 1 to the contract with the company Energopomiar sp. z o.o. for the performance of guarantee measurements was signed in February 2024. On March 29, 2024, the parties signed a takeover and commissioning report together with a list of non-limiting defects.
- On February 2, 2024, annex no. 5 to the contract for the extension of the wastewater treatment plant at the **Turów Power Plant** was concluded, according to which the scope of the contract was broadened to include, among other things, the installation of a pipeline detachment from the pumping station wastewater pumping system, together with a control system operated from the steering room and necessary flow measurements of an additional wastewater aeration system (a change of the completion date to December 31, 2024 and an increase in the contract value to PLN 3.7 million). On March 4, 2024, the ash settling pond at the Turów Power Plant was handed over for modernisation works.
- On February 19, 2024, the law firm representing PGE GiEK S.A. received a letter from the court extending the withholding of further proceedings and again obliging the Project Owner to present, by May 14, 2024, information on the effects of mediation between PGE GiEK S.A. and the Contractors of unit no. 7 at **the Turów Power Plant**. On April 30, 2024, a law firm, acting on behalf of PGE GiEK S.A., filed a document with the Regional Court in Łódź requesting further suspension of the case until August 14, 2024. The above resulted from a lawsuit filed with the court on October 24, 2023 against the Contractor, related to the possibility of using the performance bond or receiving the payment of damages of PLN 200 million, due to taking incorrect and insufficient actions to repair the main defects during the warranty period, in particular those related to the replacement of lignite mills, increased CO₂ emissions and erosion of flue gas water heaters.

The filing of a lawsuit by PGE GiEK S.A. does not affect the process of mediation conducted with the contractor in connection with the request filed on June 15, 2023 with 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 Treasury of the Republic of Poland. The purpose of mediation is to attempt to reach an amicable settlement of disputes arising from the contract for the construction of a power generation unit at the Turów Power Plant. On March 13 2024, the mediators communicated the claims received from the Contractor and the proposed value of a financial settlement for the construction of unit no. 7 as part of the settlement.

At the request of the Project Owner, the contractors of unit no. 7 at the Turów Power Plant extended the validity of the advance repayment guarantee and the performance bond for Budimex S.A., Mitsubishi Power Europe and Tecnicas Reunidas until July 31, 2024.

3.2.5 District Heating

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



¹ Managerial perspective

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

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

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

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

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

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

Under the provisions of the Emergency Measures in 2023 Act, electricity generating entities were required to make a **contribution to the Price Difference Payment Fund**.

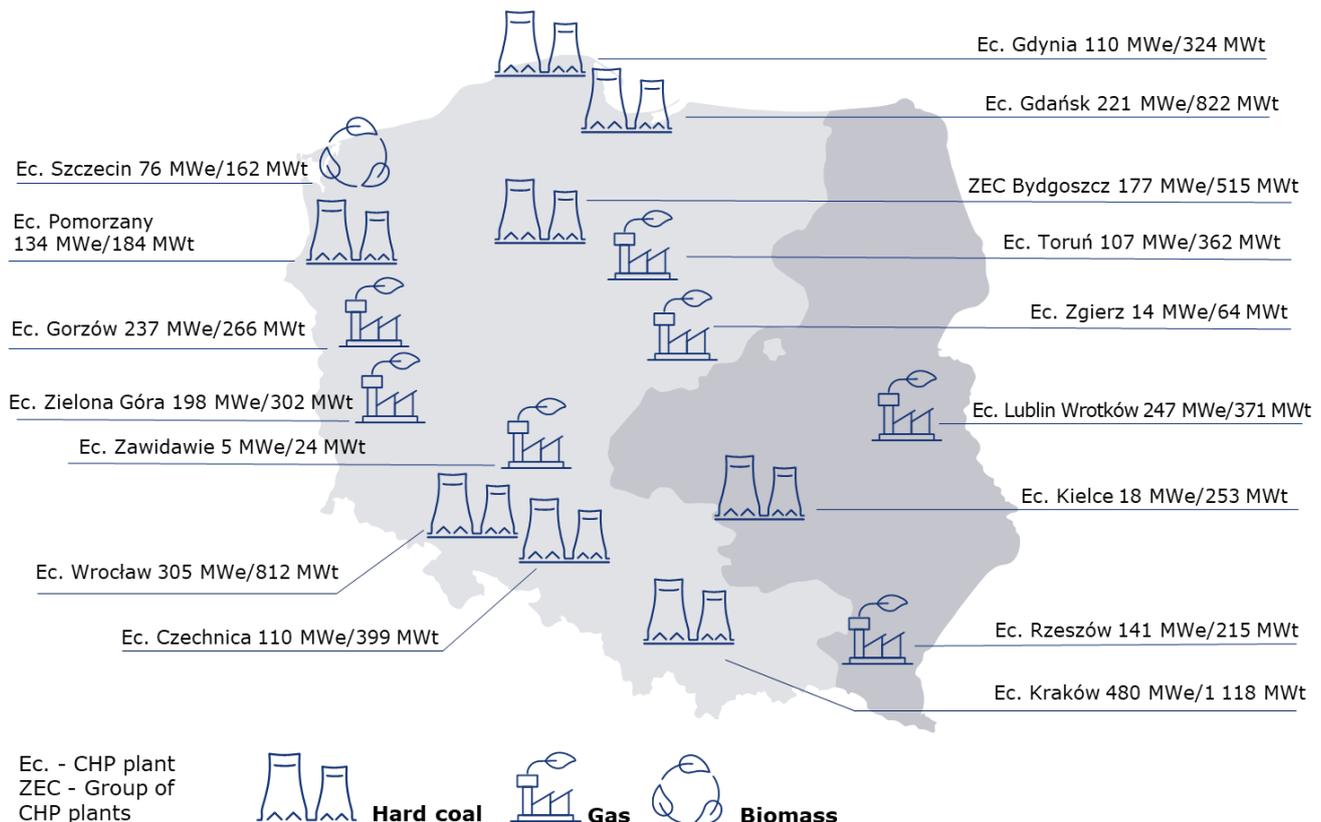
ASSETS

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

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

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

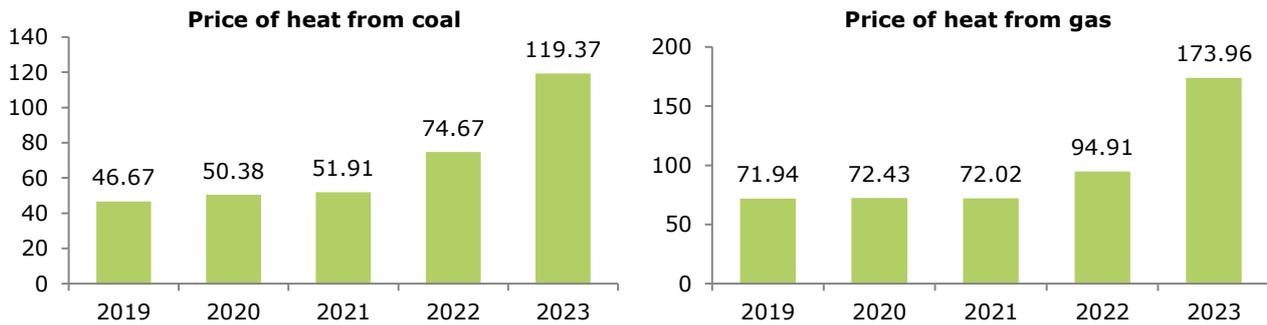
Diagram: Main assets of the District Heating segment and their installed capacity.



TARIFFS IN DISTRICT HEATING

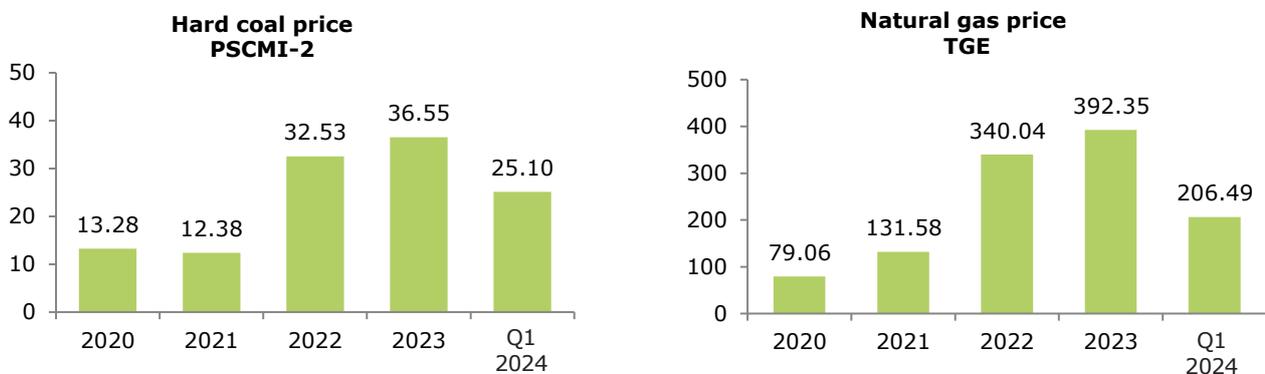
Due to the fact that the income on heat sales for CHP plant are tariffed as part of the so-called simplified method, they are characterised by a relative delay in the transfer of costs (annual or two-year). They are based on the year-to-year dynamics of average costs (including fuels used) incurred by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

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



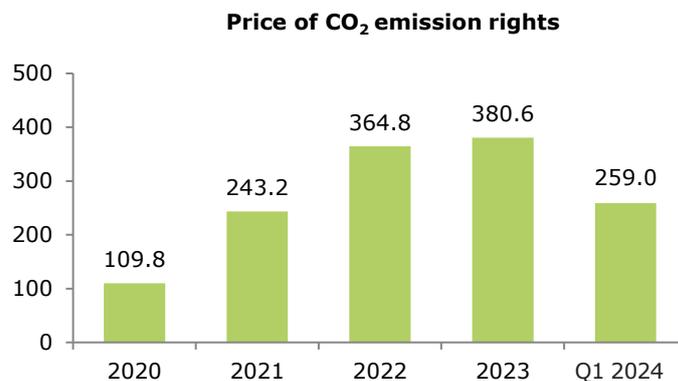
Source: ERO.

Charts: Changes in costs of fuels – hard coal (PLN/GJ) – PSCMI-2¹⁰ and gas (PLN/MWh) - TGE.



Source: ARP, TGE.

Chart: Changes in price of CO₂ emission rights¹¹ (PLN/t).



Source: ICE.

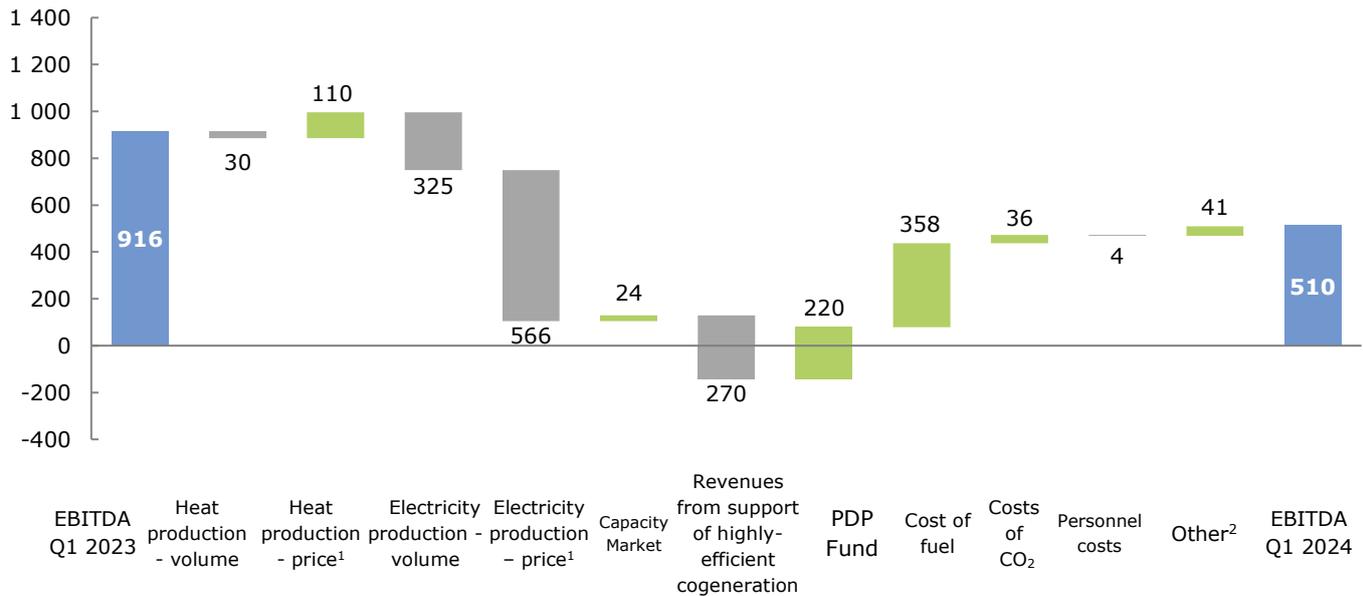
Reflecting previous cost increases, the reference price of heat produced from hard coal increased by 60% in 2023. It is a base to the increase in heat prices for co-generation entities establishing the tariff during 2024. In 2024 the average market price of coal decreased by 31%, while the average price of CO₂ emission rights decreased by 32% in comparison to 2023.

Tariffs for the production of heat from gas in 2024 are set based on an change in the reference price, whereas in 2024 gas prices are lower than in previous periods. Prices of gas in TGE forward contracts stood at approx. PLN 206/MWh (i.e. decrease by 47%).

¹⁰ PSCMI-2 Polish Steam Coal Market Index 2 - the average prices for pulverised coals sold on the domestic heating market.

¹¹ Arithmetic average of the daily and monthly records in a given period (spot price).

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



| Change | -30 | 110 | -325 | -566 | 24 | -270 | 220 | 358 | 36 | -4 | 41 | |
|--------------------------|-----|-------|-------|------|----|------|-----|-------|-------|-----|-----|-----|
| Reported EBITDA Q1 2023 | | | | | | | | | | | | 916 |
| One-offs Q1 2023 | | | | | | | | | | | | 0 |
| Recurring EBITDA Q1 2023 | | 1 660 | 2 675 | | 62 | 293 | 220 | 2 076 | 1 150 | 151 | 177 | |
| Recurring EBITDA Q1 2024 | | 1 740 | 1 784 | | 86 | 23 | 0 | 1 718 | 1 114 | 155 | 136 | 510 |
| One-offs Q1 2024 | | | | | | | | | | | | 4 |
| Reported EBITDA Q1 2024 | | | | | | | | | | | | 514 |

¹ Value adjusted for costs of certificates redemption.

² Item Other without taking into account the impact of changes in the LTC compensations (one-offs).

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

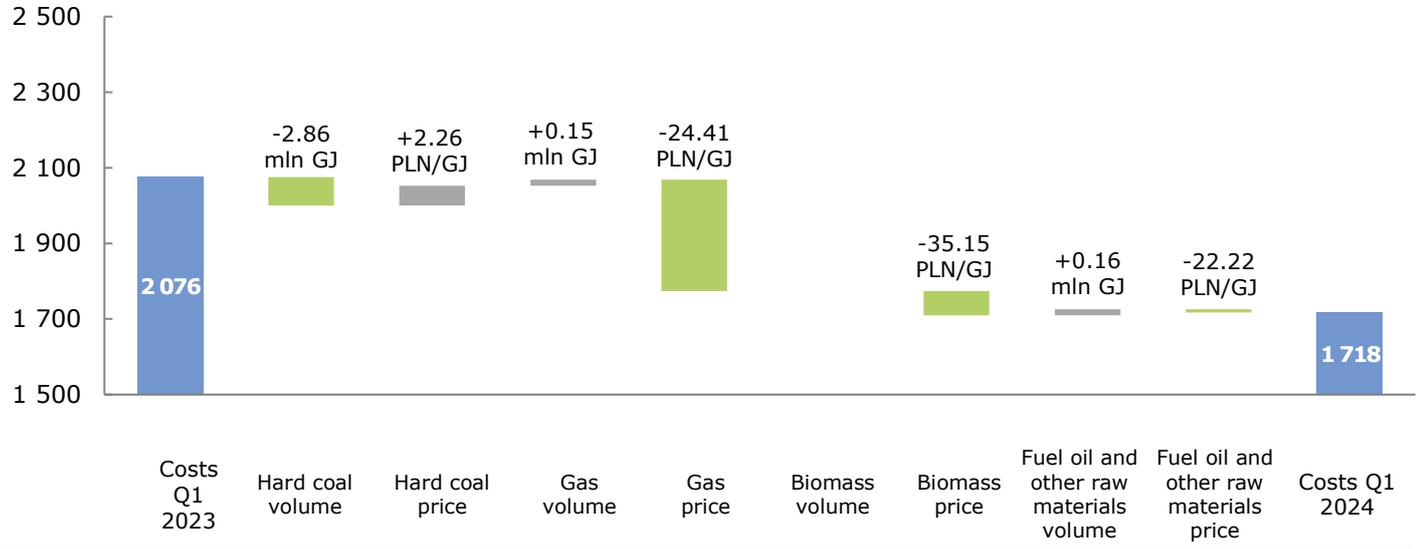
| One-offs | Q1 2024 | Q1 2023 | % change |
|-------------------|----------|----------|----------|
| LTC compensations | 4 | 0 | - |
| Total | 4 | 0 | - |

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

- **Lower volume of net heat production** in the first quarter of 2024 y/y is a result of higher outside temperatures compared to analogical period of 2023. The average temperatures were by 1.0° C higher, what translated into decreased heat production (by 0.4 PJ)
- **Increase of heat sale price** is a result of increased tariffs for heat for the CHP plants in the second half of 2023 following the publication by the ERO of reference prices for heat production in units not being cogeneration units.
- **Decrease in revenues from the sale of electricity**, which results from: lower average selling price of electricity by PLN 206/MWh y/y, which translated into a decrease in revenues by approx. PLN 566 million; lower sales volume by 0.4 TWh, which resulted in a decrease in revenues by approx. PLN 325 million.
- **Higher revenues from Capacity Market**, due to the higher volume of dispatch capacity.
- **Lower revenues due to support for high-efficiency cogeneration** due to the granting of a lower individual cogeneration bonus for gas-fired units.
- **Lack of contribution to PDP Fund**, which occurred in 2023.
- **Lower fuel consumption costs** which are caused by lower prices of natural gas. The details are shown in the chart below.

- **Lower CO₂ costs** are mainly a result of lower volume of emissions. The details are shown in the chart below.
- **Higher level of personnel costs** mainly in connection with realization of agreements with the social party.

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

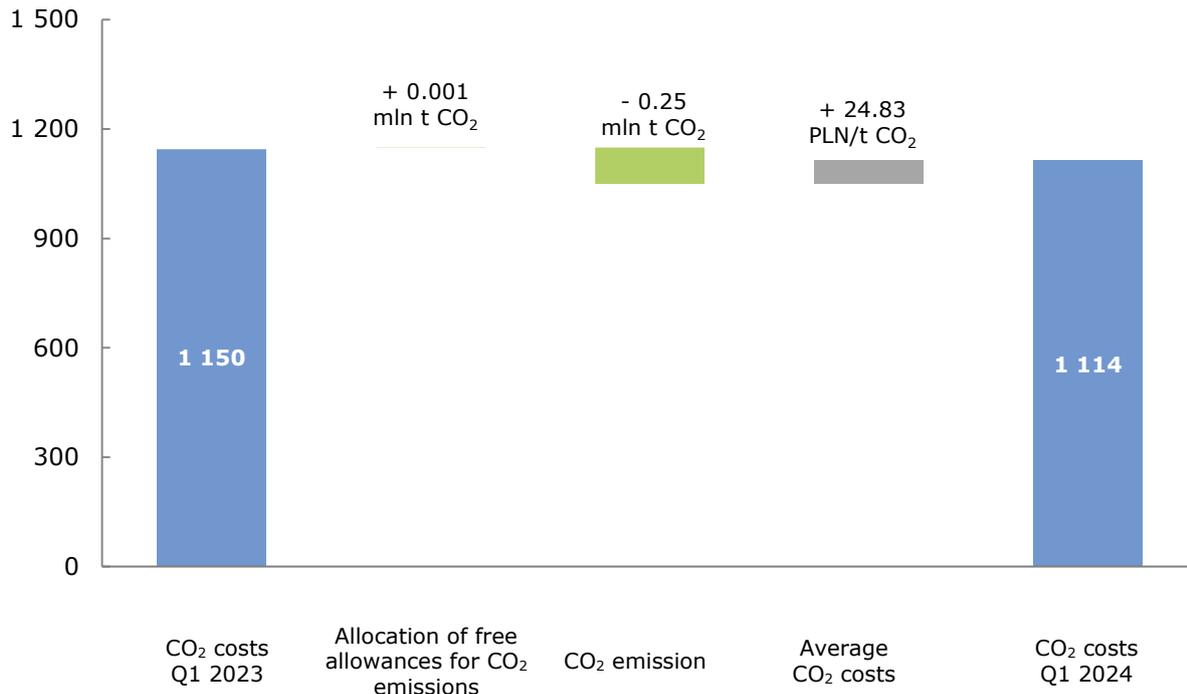


| Change | Costs Q1 2023 | Hard coal volume | Hard coal price | Gas volume | Gas price | Biomass volume | Biomass price | Fuel oil and other raw materials volume | Fuel oil and other raw materials price | Costs Q1 2024 |
|-----------------------|---------------|------------------|-----------------|------------|-----------|----------------|---------------|---|--|---------------|
| | 2 076 | -75 | 52 | 16 | -295 | 0 | -64 | 16 | -8 | 1 718 |
| Costs of fuel Q1 2023 | 2 076 | 671 | | 1 241 | | 133 | | 31 | | |
| Costs of fuel Q1 2024 | | 648 | | 962 | | 69 | | 39 | | 1 718 |

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

| Fuel type | Q1 2024 | | Q1 2023 | |
|----------------------------------|-------------------|--------------------|-------------------|--------------------|
| | Volume (tons ths) | Cost (PLN million) | Volume (tons ths) | Cost (PLN million) |
| Hard coal | 1 016 | 648 | 1 160 | 671 |
| Gas (cubic metres ths) | 384 281 | 962 | 383 169 | 1 241 |
| Biomass | 227 | 69 | 220 | 133 |
| Fuel oil and other raw materials | - | 39 | - | 31 |
| Total | | 1 718 | | 2 076 |

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



| Change | -1 | -99 | 64 |
|-------------------------------|--------------|-----|----|
| CO ₂ costs Q1 2023 | 1 150 | | |
| CO ₂ costs Q1 2024 | 1 114 | | |

Table: Data on CO₂ costs in District Heating.

| Data regarding CO ₂ | Q1 2024 | Q1 2023 | % change |
|---|-----------|-----------|----------|
| Allocation of free allowances for CO ₂ emissions (tons) | 241 707 | 240 393 | 1% |
| CO ₂ emission (tons) | 2 834 655 | 3 082 444 | -8% |
| Average CO ₂ costs (PLN/t CO ₂) ¹ | 429.47 | 404.64 | 6% |

¹ Managerial perspective.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in District Heating segment.

| PLN million | Q1 2024 | Q1 2023 | % change |
|--|------------|------------|------------|
| Investments in generating capacities, including: | 282 | 239 | 18% |
| ▪ Development | 240 | 216 | 11% |
| ▪ Modernisation and replacement | 42 | 23 | 83% |
| Other | 1 | 3 | -67% |
| Total | 283 | 242 | 17% |

KEY EVENTS IN DISTRICT HEATING

- The turnkey construction of the **New Czechnica CHP plant, i.e. CCGT unit** with a total gross capacity of 179 MWe and 163 MWt, heat accumulator and four water boilers with total capacity of 152 MWt, is in progress. The water boiler plant, which was commissioned on November 16, 2023, operates as a part of the district heating system of the town of Siechnice. As far as the unit is concerned, in the first quarter of 2024, the installation works were focused on the cabling of the electrical, automation and

instrumentation systems. In addition, the commissioning procedures for a cold initiation of the start-up system began.

- The works on **peak-reserve boiler** construction projects with a total capacity of 430 MWt were continued at the CHP plants in **Gorzów Wielkopolski, Lublin and Rzeszów**. In February 2024, the start-up phase was completed at the Gorzów CHP Plant, while the boiler plant was commissioned on March 15, 2024. At the Rzeszów CHP Plant and the Lublin CHP Plant, the construction sites are at the start-up stage. Their commissioning is planned by the end of second quarter of 2024.
- At **Rzeszów CHP plant** the construction of the second line with a capacity of 80 000 tons of waste / year of the **Waste-to-Energy Incinerator** is in progress. During the first quarter of 2024, installation works were carried out on the main equipment and auxiliary installations, including, among other things, the installation of a turbine unit. A boiler water test was performed successfully and the equipment was accepted by the Technical Inspection Authority. Commissioning is planned for the first quarter of 2025.
- At **EC Bydgoszcz** (EC II) the contract is being pursued for construction of a cogeneration source based on five gas engines with a total capacity of 52.6 MWe/ 50.8 MWt and a reserve-peak heat source. In the first quarter of 2024, construction works on the engine house were being continued. The delivery of engines is expected in the second quarter of 2024. A commissioning procedure is planned for the first quarter of 2025.
- At **Kielce CHP plant** construction of a cogeneration system based on a 7.32 MWe and 12.42 MWt gas turbine with a recovery boiler was continued in the first quarter of 2024. In March 2024, installation works were completed and commissioning procedures were initiated.
- PGE Energia Ciepła S.A. began the implementation phase of the programme for **the construction of photovoltaic power plants** to meet part of particular facilities' own needs at selected locations. The scope of the programme comprises 8 locations where the construction of PV plants with a total capacity of approximately 13 MW is envisaged. In the first quarter of 2024, the first three contracts for the construction of photovoltaic installations were concluded for the benefit of the Rzeszów CHP Plant, the Kielce CHP Plant and the Zgierz CHP Plant, with a total capacity of approximately 1 MW. Simultaneously, the required administrative decisions are being obtained and tenders are being conducted for the selection of general contractors for the remaining sites.

KEY PROJECT IN DISTRICT HEATING

| Aim of the project | Budget ¹ | Expenditures incurred ¹ | Capital expenditures in Q1 2024 ¹ | Fuel/ Net efficiency | Contractor | Investment completion date |
|---|---------------------|------------------------------------|--|----------------------------------|---|----------------------------|
| Construction of New Czechnica CHP Plant | PLN 1.2 bn | approx. PLN 999 million | PLN 52 m | Natural gas/ 85% in cogeneration | Syndicate of: Polimex Mostostal S.A. (Leader) / Polimex Energetyka sp. z o.o. | Q2 2024 |

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

VOLUME, CUSTOMERS AND OPERATING DATA

PGE Dystrybucja S.A. operates in the area¹² of 129 938 sq. km and delivers electricity to approximately 5.7 million customers.

Diagram: Area of PGE distribution grid.



■ PGE's distribution network area

Table: Volume of distributed energy (TWh)

| Tariff | Q1 2024 | Q1 2023 | % change |
|-------------------|-------------|-------------|-----------|
| A tariff group | 1.21 | 1.20 | 1% |
| B tariff group | 3.59 | 3.56 | 1% |
| C+R tariff groups | 1.76 | 1.77 | -1% |
| G tariff group | 2.99 | 2.94 | 2% |
| Total | 9.55 | 9.47 | 1% |

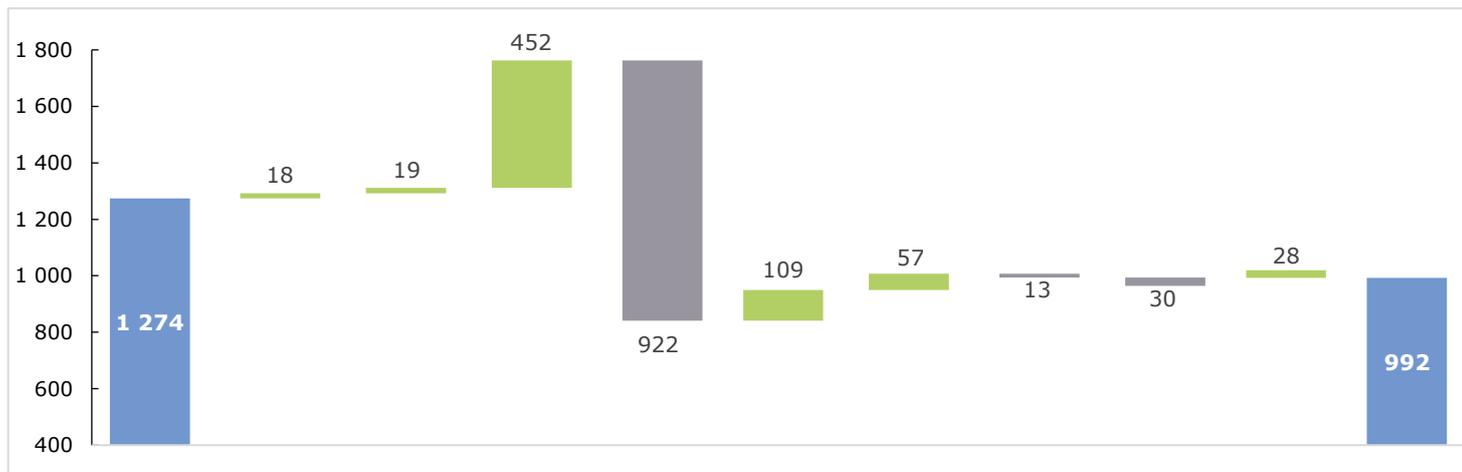
Table: Number of customers according to power take-off points.

| Tariff | Q1 2024 | Q1 2023 | % change |
|-------------------|------------------|------------------|-----------|
| A tariff group | 152 | 135 | 13% |
| B tariff group | 14 226 | 13 599 | 5% |
| C+R tariff groups | 473 440 | 477 438 | -1% |
| G tariff group | 5 254 565 | 5 178 581 | 1% |
| Total | 5 742 383 | 5 669 753 | 1% |

¹² The area of municipalities in which PGE Dystrybucja S.A. operates.

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



| | EBITDA Q1 2023 | Electricity distribution volume | Change of distribution tariff ¹ | Network losses ² | Additional estimation of balancing difference cost ³ | Revenues from connection fees | Other revenue from distribution services | Real estate tax | Personnel costs | Other | EBITDA Q1 2024 |
|----------------|----------------|---------------------------------|--|-----------------------------|---|-------------------------------|--|-----------------|-----------------|-----------|----------------|
| Change | | 18 | 19 | 452 | -922 | 109 | 57 | -13 | -30 | 28 | |
| EBITDA Q1 2023 | 1 274 | 2 019 | | 895 | -569 | 33 | 98 | 125 | 392 | 33 | |
| EBITDA Q1 2024 | | 2 056 | | 443 | 353 | 142 | 155 | 138 | 422 | 5 | 992 |

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

² Adjusted for revenues from the Balancing market.

³ Position neutral for PGE Capital Group.

Key factors affecting results of Distribution segment y/y:

- **An increase in the volume of distributed** electricity by 0.08 TWh, resulting mainly from higher demand for electricity from households and high- and medium-voltage consumers. Additionally, there was an increase in the number of energy consumption points by 72.6 thousand, mainly in households tariff (+76.0 thousand) offset by the decrease in the tariff of small-sized businesses and farms (- 4.0 thousand).
- **Increase in rates in tariff for 2024** taking into account the provisions of the Act on Emergency Measures in 2024 - by an average of PLN 1.99/MWh compared to the tariff for the previous year.
- **Lower costs of electricity purchases** to cover network losses mainly as a result of significant drop in electricity prices.
- **Negative impact of the additional estimation of the cost of the balancing difference** as a result of changes in electricity prices. The additional valuation has a neutral impact on the results of the PGE Capital Group.
- **Increase in connection fee revenue** as a result of large connection projects and early completion of investment work.
- **Increase in other revenue from distribution services** mainly due to reactive power charges.
- **Increase of costs of tax on real estate** results from higher tax rates and an increase in the value of the buildings as a result of the investments and expansion of the power grid.
- **Increase in personnel costs** mainly due to realisation of agreements concluded with the social party.
- **Value change in item Other**, resulting mainly from increased capitalised costs, partially offset by higher repair and operating costs.

CAPITAL EXPENDITURES

Ta Table: Capital expenditures incurred in Distribution segment.

| PLN million | Q1 2024 | Q1 2023 | % change |
|--|------------|------------|------------|
| Investments in generating capacities, including: | 913 | 808 | 13% |
| ▪ Development | 450 | 360 | 25% |
| ▪ Modernisation and replacement | 463 | 448 | 3% |
| Other | 0 | 7 | -100% |
| Total | 913 | 815 | 12% |

KEY EVENTS IN DISTRIBUTION

▪ **Connecting new customers**

The Customer Connection Program to the distribution network was implemented, under which in the first quarter of 2024 expenditures were incurred in the amount of PLN 411 million.

▪ **Program LTE450**

The objective of the Programme is the construction of a modern Special Communications Network in the LTE450 technology for the provision of services such as critical communication, control of energy infrastructure and remote reading for PGE Dystrybucja S.A. The entity responsible for the execution of this task within the PGE Capital Group is PGE Systemy S.A.

In the first quarter of 2024, according to contractual schedules, implementation works were carried out in the main streams of the Programme, comprising further components of the CORE network, the RAN radio network as well as the backbone and aggregative teletransmission network.

In parallel, works were carried out to upgrade the telecommunication towers required for the installation of the system's radio elements and the first modernised facilities were handed over and accepted. The adaptation of the surveillance centre for the network under construction was completed. The installation and start-up of individual Operations Support Systems began. The last two of the key procurement procedures for power systems and the lease of space on commercial operators' towers to complement the backbone of the network under construction are still in progress.

The launch of the LTE450 service is planned for the fourth quarter of 2024 and the full coverage of the PGE Dystrybucja S.A. operating area by the end of 2025.

▪ **Cabling program**

In the first quarter of 2024 PGE continued to implement its cabling program for medium-voltage (MV) grids up to the level of 30% of MV networks owned by PGE Dystrybucja S.A., incurring expenditures in amount of PLN 83 million.

4 120 kms of MV cable lines were completed from the start of the Program in 2019.

▪ **Installation program for Remote Reading Meters**

This project implementation is mandatory and results from the requirements imposed on Distribution System Operators (DSO) by the legislator in the amended Energy Law. In the first quarter of 2024, the tasks with a value of PLN 139 million were realized in order to:

- supply of meters for end customers connected to the LV network and for MV/LN substations,
- modernisation of MV/LN substations with regard to ensuring the possibility of installing remote reading balancing meters,
- installation of meters at off-takers and at substations,
- selection of suppliers of remote reading meters for end off-takers for the years 2024 – 2025.

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

▪ **Implementation of central systems CRM and Billing (NCB Program)**

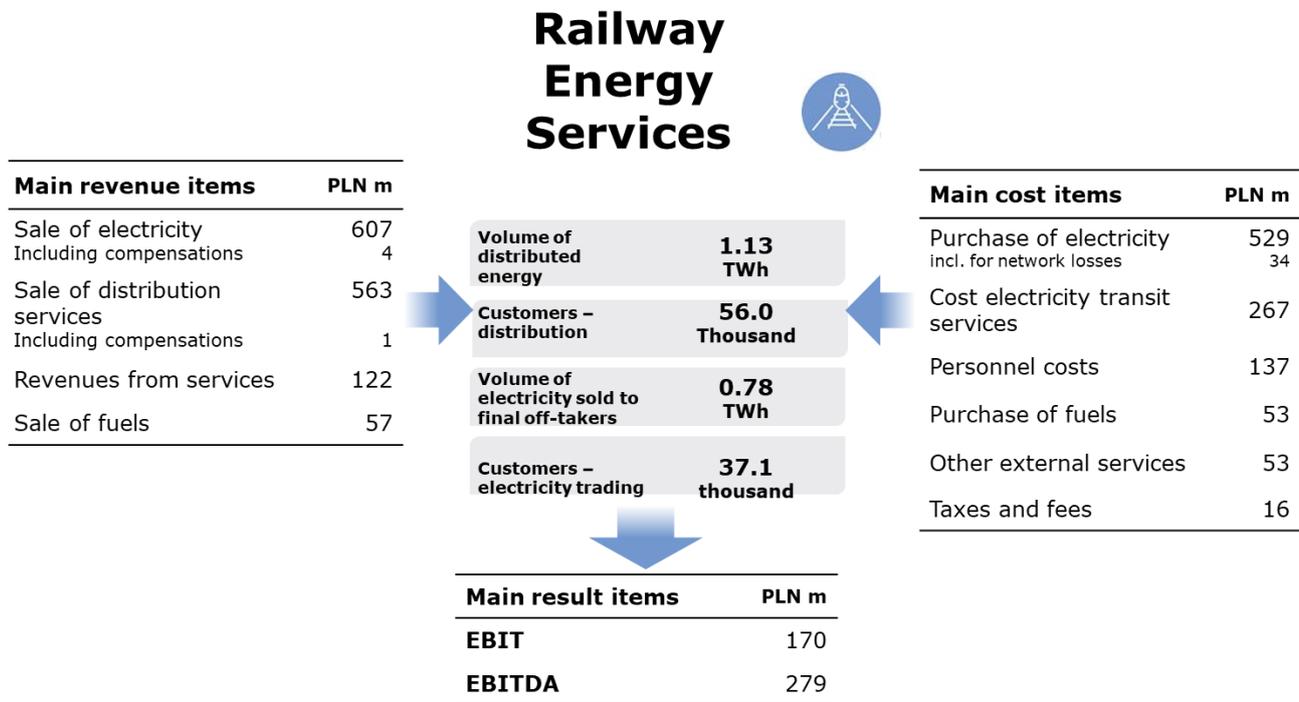
The aim of the NCB Program is the implementation of a comprehensive, central IT solution to support key business processes at PGE Group being performed by PGE Obrót S.A. and PGE Dystrybucja, consisting of two billing systems – separate for each of the companies – and a CRM system for PGE Obrót S.A. The entity responsible for the execution of this task within the PGE Capital Group is PGE Systemy S.A.

In the first quarter of 2024 implementation works of the pilot stage were carried out, covering selected local billing systems. At the same time, as part of dedicated accompanying projects included in the Programme, works were carried out to ensure the necessary integration of the new solution with other components of the IT environment in the PGE Capital Group. In the stream dedicated to the adaptation of the PGE Capital Group's IT environment to the requirements of the Central Energy Market Information System (CSIRE) currently under construction, the implementation analysis phase for the communication module was completed.

According to the current annexes to the executive contract, the start of the system within the pilot phase is planned for the second quarter of 2024 and the completion of the implementation of the entire system for the second quarter of 2025.

3.2.7 Railway Energy Services

The segment include activities by the PGE Capital Group mainly in field of distribution and sale of electricity to railway operators and customers functioning within the railway system, the sale of fuels, as well as the maintenance and modernisation of overhead contact line network, together with other auxiliary services.



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

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

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

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

Additionally, on the basis of the provisions of the Act of December 7, 2023 amending the acts to support consumers of electricity, gas fuels and heat, the system of compensation for trading companies for the application of capped prices and discounts was extended until June 30, 2024.

VOLUMES, CUSTOMERS AND OPERATING DATA

The main part of the segment's assets consists of electricity distribution assets held by PGE Energetyka Kolejowa SA. Among other elements, these assets include 534 overhead contact line network substations supplying power to railway lines throughout the country. The total length of the company's network lines is 18.4 thousand kilometres. The network serves approximately 56 thousand customers.

Table: Volume of electricity sold to final off-takers and number of customers by power take-off points.

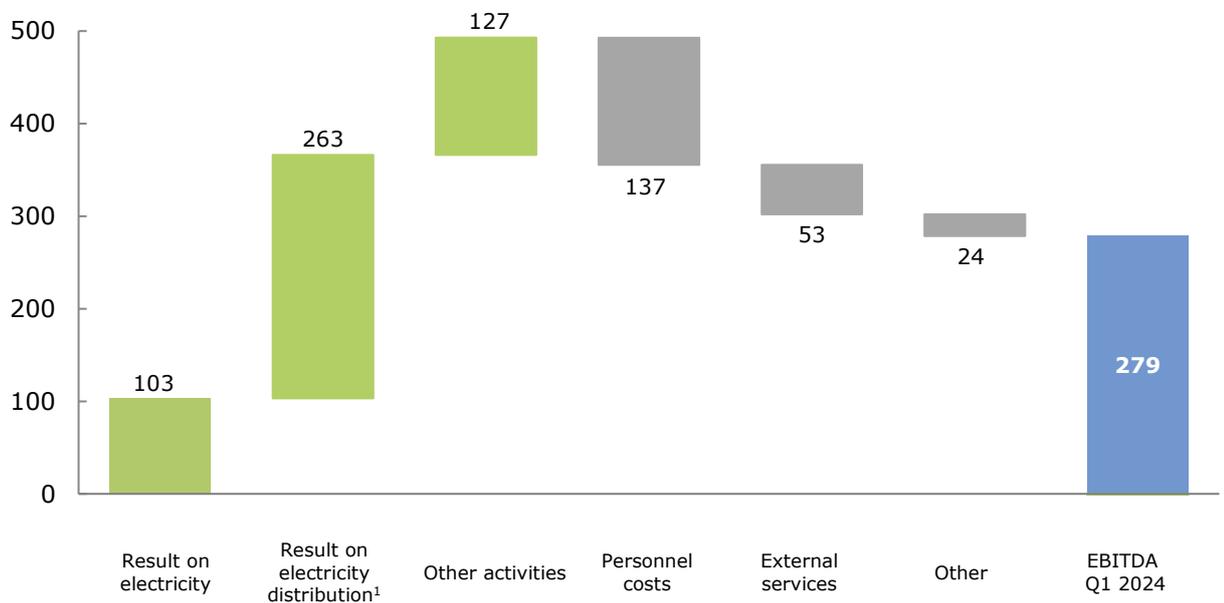
| Tariff | Volume (TWh) | Number of customers |
|-------------------|--------------|---------------------|
| B tariff group | 0.74 | 283 |
| C+R tariff groups | 0.03 | 8 120 |
| G tariff group | 0.01 | 28 728 |
| Total | 0.78 | 37 131 |

Table: Volume of electricity distributed and number of customers by power take-off points.

| Tariff | Volume (TWh) | Number of customers |
|-------------------|--------------|---------------------|
| B tariff group | 0.94 | 641 |
| C+R tariff groups | 0.18 | 26 319 |
| G tariff group | 0.01 | 29 034 |
| Total | 1.13 | 55 994 |

KEY FACTORS FOR THE RESULTS OF THE SEGMENT

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



| EBITDA development factors | 103 | 263 | 127 | -137 | -53 | -24 | 279 |
|----------------------------|-----|-----|-----|------|-----|-----|------------|
| EBITDA Q1 2024 | 103 | 263 | 127 | 137 | 53 | -24 | 279 |

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

Key factors affecting results of Railway Energy Services segment:

- **Result on electricity sale**, resulting from the sale of electricity to end users in number of approx. 37.1 thousand (77% of which are customers from the G tariff group) with the total volume of electricity sales at 0.78 TWh (95% are customers from tariff group B).
- **Result on distribution**, which is the result of energy distribution to 56 thousand customers (52% of which are customers from the G tariff group) with the total volume of electricity distribution at 1.13 TWh (83% to customers from tariff group B) and revenues from connection fees in amount of PLN 1 million.
- **Result on other activities** at the level of PLN 127 million regarding activities in the field of traction and electroenergy services and fuel sales.
- **Personnel cost** at PLN 137 million with average employment level of approx. 3.9 thousand FTEs.
- **The costs of external services** at PLN 53 million relate mainly to other services at a cost of PLN 32 million, related to the performance of overhead contact line network maintenance and railway contracting agreements, ongoing investment projects, as well as IT and telecommunication services at PLN 14 million.
- **Item Other**, which mainly includes other operating costs, consumption of materials as well as taxes and charges offset by capitalised costs.

CAPITAL EXPENDITURES

Table: Capital expenditures in Railway Energy Services segment

| PLN million | Q1 2024 |
|---|-----------|
| Investment in generation capacities, including: | 77 |
| ▪ Development | 73 |
| ▪ Modernisation and replacement | 4 |
| Other | 0 |
| Total | 77 |

KEY EVENTS IN THE SEGMENT

- **MUZa Program - Power Supply Systems Modernisation programme (MUZa)**

The **MUZa** programme was continued, that is being implemented on the basis of the "Agreement on the principles of establishing a connection to the distribution network" entered into with PKP Polskie Linie Kolejowe S.A. (PKP PLK) and its objectives are the following:

- enabling an increase in the capacity of railway lines (increase in train traffic),
- introducing locomotives with higher power (of the order of 6 MW) allowing for an increase in speed up to 200 km/h,
- electrifying railway lines,
- reducing the distribution network and equipment failure rate as well as improving the quality parameters of electricity,
- meeting the power supply requirements according to the standards set out in the Technical Specifications for Interoperability (TSI) of the "Energy" subsystem – obtaining authorisation from the President of the Railway Transport Office (RTO).

On the part of the Railway Energy Services segment, the programme consists in the modernisation and construction of overhead contact line network substations in accordance with the agreements for network connections entered into with PKP PLK. In the first quarter of 2024 expenditures incurred amounted to PLN 41 million. Since the start of the programme in 2012, 296 connection agreements were signed, of which 262 were completed.

- **Connection of new electricity consumers**

The Railway Energy Services segment continued the implementation of the programme for connecting new customers to the distribution network, under which expenditures of PLN 6 million were incurred in the first quarter of 2024.

▪ **ZUBI project** - project aimed at installing remote reading balancing meters

Project aimed at installing remote reading balancing meters (Balancing Systems Installation – BSI) was continued. The implementation of the project is mandatory under the requirements imposed on DSOs by the Legislator in the Energy Law of May 20, 2021. The deadline for the completion of the task is December 31, 2025. In the first quarter of 2024, tasks were carried out aimed at::

- purchase of balancing cabinets with installed remote reading metres for MV/LV substations,
- purchasing current transformers for MV/LV substations,
- purchasing installation services for balancing cabinets at MV/LV substations,
- installing 572 balancing cabinets at MV/LV substations.

Expenditures of PLN 14 million were incurred in the first quarter of 2024.

VOLUME, CUSTOMERS AND OPERATING DATA

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

| Tariffs | Q1 2024 | Q1 2023 | % change |
|-------------------|-------------|-------------|------------|
| A tariff group | 1.04 | 1.61 | -35% |
| B tariff group | 2.90 | 2.94 | -1% |
| C+R tariff groups | 1.81 | 1.73 | 5% |
| G tariff group | 2.57 | 2.55 | 1% |
| Total | 8.32 | 8.83 | -6% |

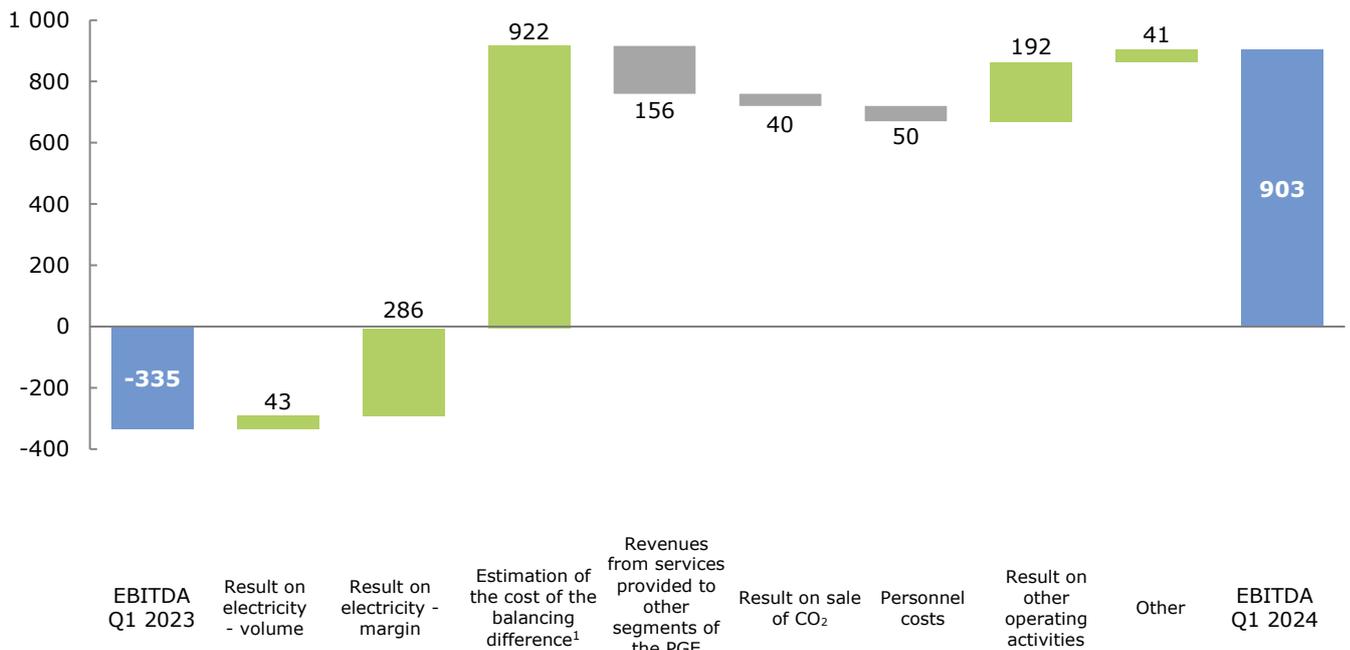
¹ Data for PGE Obrót S.A.

Table: Number of customers according to power take-off points¹.

| Tariffs | Q1 2024 | Q1 2023 | % change |
|-------------------|------------------|------------------|-----------|
| A tariff group | 140 | 155 | -10% |
| B tariff group | 11 301 | 11 353 | 0% |
| C+R tariff groups | 402 565 | 421 500 | -4% |
| G tariff group | 5 255 138 | 5 179 763 | 1% |
| Total | 5 669 144 | 5 612 771 | 1% |

¹ Data for PGE Obrót S.A.

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



| Change | 43 | 286 | 922 | -156 | -40 | -50 | 192 | 41 | EBITDA Q1 2024 |
|--------------------------|----|------|------|------|-----|-----|-----|------|----------------|
| Reported EBITDA Q1 2023 | | | | | | | | | -254 |
| One-offs Q1 2023 | | | | | | | | | 81 |
| Recurring EBITDA Q1 2023 | | | | | | | | | -335 |
| Recurring EBITDA Q1 2024 | | -173 | 569 | 549 | 183 | 135 | 14 | -204 | |
| One-offs Q1 2024 | | 156 | -353 | 393 | 143 | 185 | 206 | -163 | 903 |
| Reported EBITDA Q1 2024 | | | | | | | | | 0 |
| Reported EBITDA Q1 2024 | | | | | | | | | 903 |

¹ Position neutral for the PGE Capital Group.

² This item does not include the margin on CO₂ transactions with PGE Group companies.

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

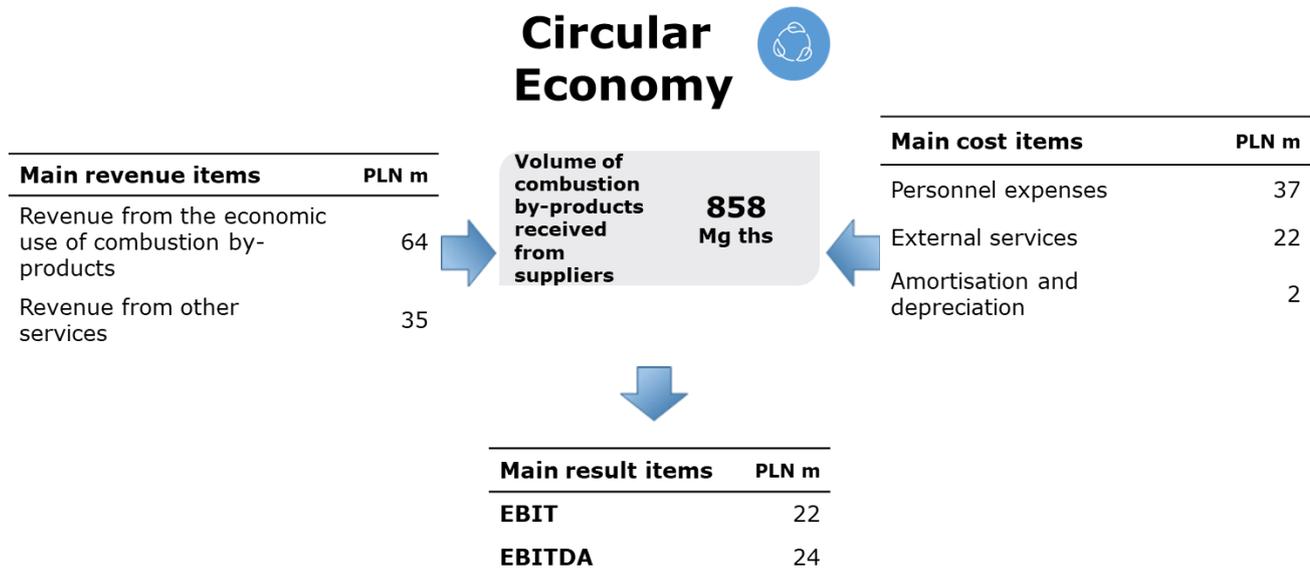
| One-offs | Q1 2024 | Q1 2023 | % change |
|---|---------|-----------|----------|
| Correction of estimated contribution to Price Difference Payment Fund for 2022 at PGE Obrót | - | 81 | - |
| Total | - | 81 | - |

Key factors affecting EBITDA of Supply segment y/y:

- **The higher result on sale of electricity** is mainly the result of a higher margin on sales of tariff products.
- **Positive impact of additional valuation of balancing difference** as a result of changes in electricity prices. The additional valuation has a neutral impact on the results of the PGE Capital Group.
- **Decrease of revenues from services performed within the Capital Group** resulting from the decrease in revenues under the ZHZW agreement, which is a consequence of the lower value of trade in electricity under management.
- **Lower result on sale of CO₂** mainly as a result of mainly as a result of lower volume of allowances sales.
- **Higher personnel expenses** as a consequence of organisational changes and in connection with the implementation of wage agreements.
- **The higher result on other operating activities** mainly as a consequence of releasing the provision for onerous contracts, which relates to the lack of coverage of part of justified operating costs in the household tariff approved by the President of ERO.
- **Value change on item Other** mainly as a result of including in the 2023 results an adjustment to PGE Paliwa's result for 2022.

3.2.9 Circular economy

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



From the beginning of 2021, PGE Group reports a new operating segment – Circular Economy. Currently it includes the following companies: PGE Ekoserwis S.A. and ZOWER sp. z o.o. On October 2, 2023, PGE Ekoserwis S.A. acquired the company EPORE S.A., which had previously belonged to the segment.

The management of combustion by-products at PGE Group turns waste into high-value substances that are used in other branches of economy (cement industry, construction, road-building, mining) and thus reduces the volume of ultimate waste generated.

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

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

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



| | EBITDA Q1 2023 | Revenues from sale of combustion by-products | Revenue from sale of services | Personnel costs | External services | Value of goods and materials sold | Other | EBITDA Q1 2024 |
|----------------|----------------|--|-------------------------------|-----------------|-------------------|-----------------------------------|-----------|----------------|
| Change | | 15 | -3 | -3 | 6 | -1 | -4 | |
| EBITDA Q1 2023 | 14 | 49 | 38 | 34 | 28 | 8 | 3 | |
| EBITDA Q1 2024 | | 64 | 35 | 37 | 22 | 9 | 7 | 24 |

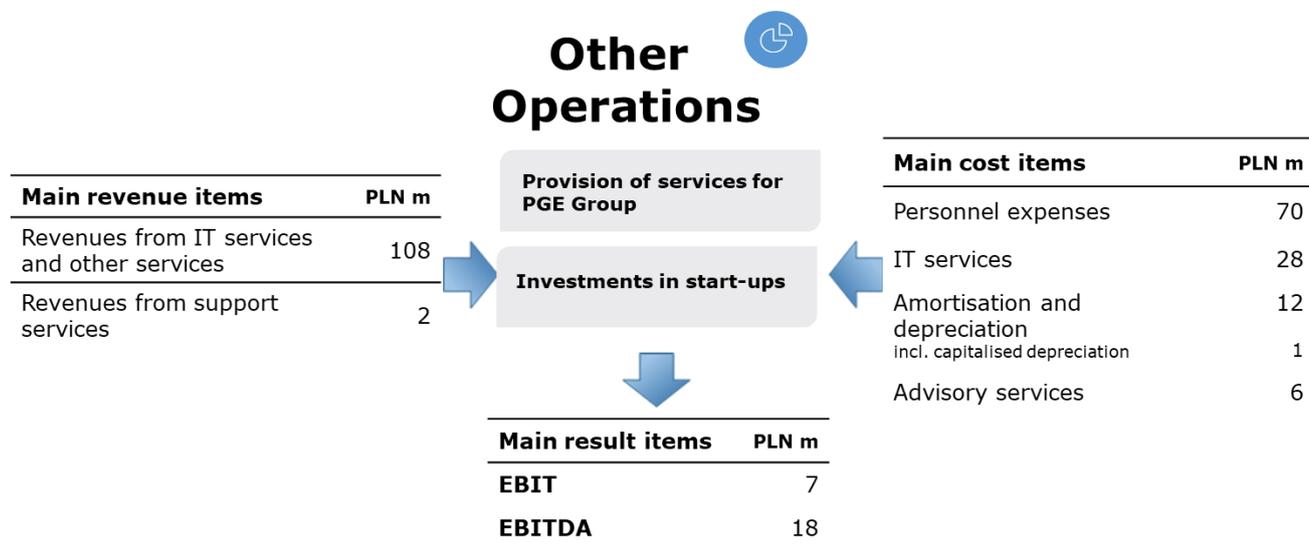
Key factors affecting EBITDA of Circular Economy segment y/y:

- **Higher revenues from sale of combustion by-products**, due to the higher sales volume by 70.2 thousand tons and a 66% higher sales price.
- **Lower revenue from sales of services**, due to the smaller scope of work carried out under the signed coal sorting contract.
- **Higher level of personnel costs** in connection with the implementation of agreements concluded with the social party.
- **Higher external services costs**, resulting mainly from lower costs of combustion by-products management services.
- **Higher costs of goods and materials sold**, mainly due to higher combustion by-products purchase costs.
- **Value change of item Other**, due to the change in stock.

3.2.10 Other Operations

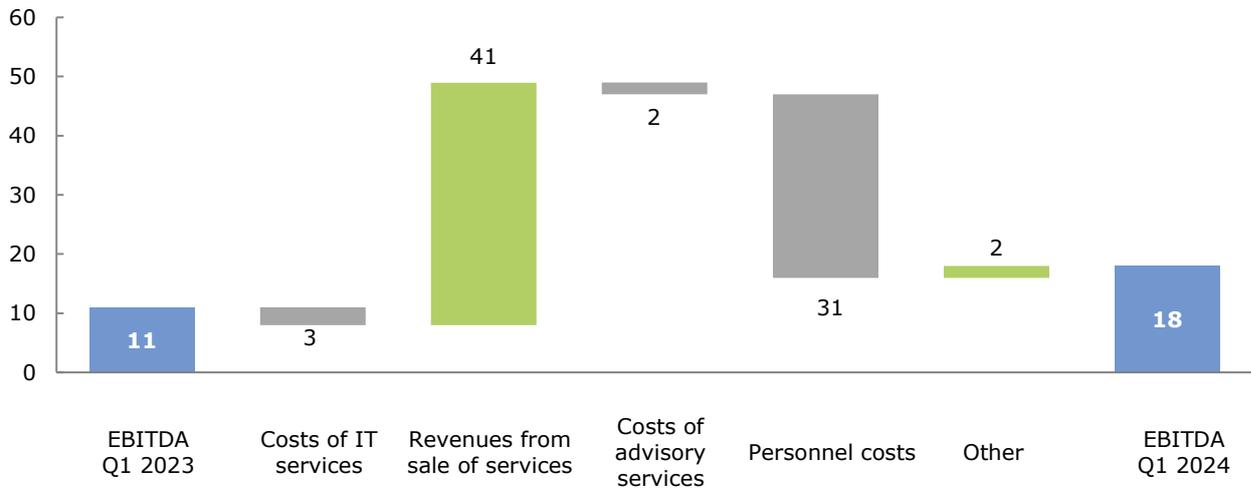
Core activities of the segment include provision of services to PGE Capital Group, inter alia organisation of capital raising in form of Eurobonds (PGE Sweden), provision of IT and transportation services.

The segment also includes the company PGE Ventures sp. z o.o., which is responsible for investments in start-ups at every stage of the investment cycle: from projects in the earliest phase of development, through projects in the early growth phase, to mature start-ups in the late growth and expansion phase. PGE Ventures sp. z o.o. and its satellite funds invested in a total of 55 start-ups, of which the funds are responsible for 47 and PGE Ventures sp. z o.o. for 8 equity investments.



KEY FACTORS FOR THE RESULTS OF THE SEGMENT

Chart: Key factors affecting EBITDA in Other Operations segment (in PLN million) – managerial perspective¹.



| Change | EBITDA Q1 2023 | Costs of IT services | Revenues from sale of services | Costs of advisory services | Personnel costs | Other | EBITDA Q1 2024 |
|----------------|----------------|----------------------|--------------------------------|----------------------------|-----------------|----------|----------------|
| | 11 | -3 | 41 | -2 | -31 | 2 | |
| EBITDA Q1 2023 | 11 | 25 | 69 | 4 | 39 | 10 | |
| EBITDA Q1 2024 | | 28 | 110 | 6 | 70 | 12 | 18 |

¹ Due to the separation of the Gas-fired Generation segment from the Other Operations segment, data for the first quarter of 2023 have been adjusted for comparability.

Key factors affecting EBITDA of Other Operations segment y/y:

- **Higher costs of IT services** resulting from the purchase of external services in order for PGE Systemy S.A. to provide a wider range of services to PGE Group and deliver new investment programs, especially LTE450 and higher prices of services provided by the external companies.
- **Higher revenues from the sale of services** due to a wider range of services provided by PGE Systemy S.A. and Elbis sp. z o. o. for companies in the PGE Group.
- **Higher costs of advisory services** due to the wider scope of projects implemented by PGE Systemy S.A.
- **Higher personnel costs** due to the increase in the minimum wage, inflation pressure and hiring of new employees in PGE Systemy S.A. in connection with the development of the LTE450 program and the takeover of PKP Energetyka Kolejowa S.A. (now PGE Energetyka Kolejowa S.A.) employees.
- **Change of value on item 'Other'** mainly as a result of postponed settlements of project costs.

CAPITAL EXPENDITURES

Table: Capital expenditures incurred in Other Operations segment ¹

| PLN million | Q1 2024 | Q1 2023 | % change |
|---|---------|---------|----------|
| Modernisation and replacement investments | 12 | 16 | -25% |

¹ Due to the separation of the Gas-fired Generation segment from the Other Operations segment, data for the first quarter of 2023 have been adjusted for comparability.

KEY EVENTS IN OTHER OPERATIONS

- At company **PGE Inwest 14 sp. z o.o.** work is in progress on a Battery Electricity Storage System (BESS) project in Żarnowiec, which will be one of the largest energy storage facilities of its kind in Europe. Currently, the project is in the implementation preparation phase. Works on the tender documentation are underway with a view to launching a tender for the construction of a storage facility with a power evacuation system in the second quarter of 2024.

4. Other elements of the report

4.1. Significant events of the reporting period affecting operation in the first quarter of 2024 and subsequent periods.

4.1.1 Project of carve-out of coal generation assets

BENEFITS OF COAL ASSET SALE

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

- greater and more favorable access to sources of debt and equity financing, lower financing costs;
- greater and more favorable access to the insurance market;
- lower cash requirements for hedging CO₂ emission costs and stocks of production raw materials;
- release of credit limits in financing institutions as a result of reducing the demand for EUA allowances;
- increasing the possibility of using financial resources for investments in distribution networks and green technologies, with a higher rate of return;
- reducing the risk of exposure to the price of CO₂ emission allowances.

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

ACTIVITIES FOR THE CARVE-OUT OF GENERATING COAL ASSETS

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

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

Conclusion of the sale transaction of PGE GiEK S.A. to the State Treasury depended on the fulfilment of number of conditions precedent.

As of the date of preparation of this report, the above conditions precedent have not been met therefore, it should be assumed that a transaction on the terms of the proposal of July 14, 2023 will not take place. In addition, in February 2024, the Council of Ministers withdrew from the Parliament a draft law on the principles of guaranteeing the National Energy Security Agency's liabilities by the State Treasury.

According to statements by government institutions, the process of spinning off coal assets will continue. On May 9, 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 target shape and timetable of the process depends on the results of the above team's work and the government's decisions.

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 March 31, 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 5.1 to the financial statements.

The book value of the consolidated net assets of PGE GiEK S.A. and its subsidiaries was PLN 979 million on March 31, 2024. The book value of the shares of PGE GiEK S.A. in the stand-alone financial statements was PLN 0 on March 31, 2024.

4.1.2 Regulatory changes

SUPPORT MECHANISMS FOR ELECTRICITY CONSUMERS

Due to the electricity market crisis, the legislator decided to introduce regulations that temporarily introduced exceptional solutions for electricity prices and tariffication in 2023. On October 18, 2022, the Act of October 7, 2022, on special measures to protect electricity consumers in 2023 in connection with the situation on the electricity market (Act for Households) entered into force and on November 4, 2022, the Act of October 27, 2022 on Emergency Measures in 2023 entered into force.

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

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

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

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

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

On May 23, 2024, the Sejm adopted and sent for signature to the President of the Republic of Poland a draft law on temporary price caps for electricity, natural gas and district heat and on energy vouchers. The

document aims to regulate electricity prices from July 1, 2024 to December 31, 2024. The draft imposes an obligation on electricity traders in the form of submitting an application to change the existing tariff for 2024 within seven days of the entry into force of the corresponding Act or at the request of the President of the ERO. The revised tariff, according to the draft law, is to apply from July 1, 2024 to December 31, 2025. The draft also provides for an extension of the period for the functioning of the capped electricity price mechanism. This price will apply in the second half of 2024 and was 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.

Electricity customers who have concluded contracts for the sale of electricity with a dynamic price have been excluded from the possibility of taking advantage of the capped price. 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 a capped price in settlements with customers, trading companies will be entitled to compensation amounting to the difference between the tariff price in force from July 1, 2024 and the capped price.

In the first quarter of 2024, compensation revenue amounted to PLN 1 289 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.

PDP FUND

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

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

- for units generating energy from lignite and hard coal, the price limit takes into account, among other things, the unit cost of fuel consumed, the cost of CO₂ emission allowances, the efficiency of the generating units, a margin and a certain level of investment allowance and for coverage of fixed costs of 50 PLN/MWh.
- for units generating energy from RES, the price limit was determined with reference to the reference price referred to in art. 77 sec. 3 p. 1 of the Renewable Energy Sources Act, whereby for hydroelectric power plants the price limit is 40% of this reference price.

For electricity trading companies, on the other hand:

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

On March 1, 2023 and September 1, 2023, amendments to the Act on Extraordinary Measures in 2023 came into force, determining the rules for paying contributions to the PDP Fund.

The amendment concerned, among other things, the extension of the catalogue of revenue items that constitute the basis for calculating the contribution to the PDP Fund. As a result, the amount of contributions transferred by the PGE Capital Group 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 (including the adjustment for 2022) reducing the financial result. In turn, compensation income for 2023 amounted to PLN 7 658 million. Compensation revenues are independent of the amount of contributions to the PDP Fund. As described above, the funds received by the sales companies were intended to compensate for the losses these entities suffered due to the price freeze. In turn, the contributions to the PDP Fund limited the margins realised by individual energy companies to the detailed levels indicated in the regulations.

The system of contributions to the PDP Fund was not closed by December 31, 2023. Contributions to the Fund have to be transferred also in 2024 in the case of sales made 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. In the first quarter of 2024, an adjustment to the contribution to the Fund for the previous period in the amount of PLN 5 million was recognised as a reduction of costs.

REGULATION OF THE MINISTRY OF CLIMATE AND ENVIRONMENT OF SEPTEMBER 9, 2023

At the same time, on September 11, 2023, the regulation of the Ministry of Climate and Environment of September 9, 2023 was published, amending the regulation on the method of shaping and calculating tariffs and the method of settlement in electricity trading and entered into force on September 19, 2023. This regulation reduced electricity bills for household consumers by PLN 125 on average in 2023, provided that one of the conditions mentioned was met. Power utilities conducting business activities related to electricity trading are obliged to make the reduction at the latest in the last electricity invoice in 2023. 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 December 31, 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 is an estimate). As at March 31, 2024, an amount of PLN 88 million remains to be paid out to customers out of the PLN 230 million estimate at the end of the reporting period.

4.1.3 Environmental decision on the Turów Lignite Mine

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

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

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

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

On March 13, 2024, the Regional Administrative Court overturned the decision of the General Directorate of Environmental Protection, specifying the environmental conditions for the further exploitation of the Turów lignite deposit. As the Regional Administrative Court stressed, this does not mean either closure or suspension of work at the Turów Mine. The ruling is not legally binding.

On April 30, 2024, PGE GiEK S.A. was served with a copy of the judgment with a statement of reasons. The ruling is not legally binding. PGE GiEK S.A. has decided to file a cassation complaint against the above judgment to the Supreme Administrative Court.

4.1.4 Impact of war in Ukraine on PGE Group's activities

The war on the Ukrainian territory 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 following items may be assessed/changed: the recoverable amount of selected asset items, the level of expected credit losses and the valuation of financial instruments. 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.

4.1.5 Claims from the counterparties of ENESTA sp. z o.o.

In 2021 ENESTA sp. z o.o. (currently ENESTA sp. z o.o. in restructuring) terminated unfavourable contracts for the supply of electricity and natural gas. In 2022, some contractors brought their claims to court. After unsuccessful attempts to reach an agreement with its counterparties, ENESTA sp. z o.o. applied for restructuring proceedings. On June 21, 2022, restructuring proceedings were opened. At the end of 2022 and in February 2023, judgments unfavourable to the company were passed in pending proceedings. The judgments established the existence and validity of contracts for the sale of electricity and natural gas. Due to the need to continue the implementation of unfavourable sales contracts, a provision was created at the end of 2022 for onerous contracts in the amount of PLN 37 million. In addition, provisions were created for potential court disputes in connection with the reserve sale carried out in 2022 by the supplier of last resort in the amount of PLN 56 million. In 2023 all provisions for onerous contracts were released. Sales revenues are invoiced in accordance with final court judgments. In September 2023, ENESTA's capital was increased by PLN 32 million. All shares in the increased capital were acquired and paid by PGE Obrót S.A. In December 2023, another resolution was passed regarding a capital increase of PLN 34 million.

As at March 31, 2024, the value of assets and equity and liabilities of ENESTA sp. z o.o. amounts to PLN 108 million and the value of equity to PLN (-)134 million.

4.1.6 Implementation by PGE Paliwa sp. z o.o. of the decision of the Prime Minister concerning the purchase of coal

In years 2022-2024, PGE Paliwa sp. z o.o. was implementing the decisions of the Prime Minister issued in mid-2022 instructing the purchase of at least 3 million tonnes of thermal coal with parameters similar to the quality parameters used by households and its import into the country (the Decision).

In connection with a significant decrease in market prices of coal and continued low coal prices in the first quarter of 2024 the company realised a negative result on sales of coal purchased in order to implement the Decision and which was not sold by April 30, 2023.

The total result on the sale of this coal, together with other costs incurred to implement the decision, recognised in the financial results in the first quarter of 2024 amounted to PLN -22 million. Coal that was sold in the first quarter of 2024 was subject to an impairment write-down of PLN 239 million as of December 31, 2023. The write-down was partially utilised and as of March 31, 2024, the value of the write-down amounted to PLN 95 million.

An agreement signed in 2023 with the Ministry of Climate and Environment for the financing of 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 April 30, 2023, as required by the provisions of the agreement, was submitted on time by PGE Paliwa sp. z o.o. to the Ministry of Climate and Environment. The Company plans to file an update to the report, in accordance with the deadlines set out in the Agreement.

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. In the first quarter of 2024, the estimate was increased to PLN 465 million and an amount of PLN 22 million was recognised in the results of the current period. The inflow of the remaining compensation is expected to occur at the end of third and beginning of the fourth quarter of this year.

4.1.7 Nuclear power plant construction project

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

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

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

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

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

On November 24, 2023, the Ministry of Climate and Environment issued the fundamental decision for the construction of a nuclear power plant in the Konin region.

4.1.8 Signing of an annex to the syndicated loan

On February 6, 2024 an annex was signed to the revolving loan agreement which was signed on March 1, 2023 by PGE S.A. with a syndicate consisting of the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank of China (Europe) S.A., Industrial and Commercial Bank of China (Europe) S.A., Alior Bank S.A. and Santander Bank Polska S.A. As a result of the annex China Construction Bank (Europe) S.A. with its seat in Luxembourg joined the agreement and the amount of the Loan was increased from PLN 2 330 million to PLN 3 150 million.

The subject matter of the agreement includes granting by the banks of the revolving loan which may be utilised for:

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

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

[Signing of an annex to the syndicated loan](#)

4.1.9 Recommendation not to pay dividend for 2023

On April 3, 2024 the Management Board of PGE S.A. decided on the recommendation not to pay dividend for 2023 to the PGE's shareholders.

Decision was taken in accordance with the dividend policy and is a result of analysis of total Company's indebtedness and expected capital expenditures, in the context of lack of implementation of coal assets carve-out project and deteriorating operational conditions of the coal-fired power plants that are reflected in results of the impairment tests of property, plant and equipment in the Conventional Generation segment.

4.1.10 Changes in the Management Board and Supervisory Board

Details on changes in the Management Board and Supervisory Board are presented in p. 1.4 of this report.

4.2. Proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration authorities

Significant proceedings pending in front of courts, competent arbitration authority or public administration authority are described in note 23.3 to the consolidated financial statements.

This note discusses, inter alia the issue of compensation regarding the conversion of shares, issues related to the request by the Polimex-Mostostal consortium for an increase in remuneration for the construction of a CHP plant in Siechnice and environmental decision on the Turów Lignite Mine.

4.3. Information concerning the guarantees for loans granted by the company or a subsidiary

As at March 31, 2024 PGE S.A. and subsidiaries did not grant guarantees to other entities or to a subsidiary, where a value of guarantees constitutes at least 10% of the Company's equity.

4.4. Information on issue, redemption and repayment of debt securities and other securities

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

4.5. Transactions with related entities

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

In addition, note 5 to the consolidated financial statements indicates that PGE CG accounts for inter-segment transactions as if they related to unrelated parties - on an arm's length basis.

4.6. Publication of financial forecasts

PGE S.A. did not publish financial forecasts.

4.7. Significant off-balance sheet items

Significant off-balance sheet items are described in notes 23.1 and 10 to the consolidated financial statements.

4.8. Agreements and other information important for the assessment of the personnel and financial situation, financial result of the PGE Capital Group and their changes, as well as information important for the assessment of the Group's ability to fulfil its obligations

In the first quarter of 2024, apart from the events indicated in the other sections of this report, there were no other events that are important for the assessment of the personnel and financial situation, financial result of the PGE Capital Group and their changes, as well as for the assessment of the Group's ability to fulfil its obligations.

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

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

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

6. Approval of the Management Board's Report

The foregoing Management Board's Report on activities of PGE Capital Group was approved for publication by the Management Board of the parent company on May 27, 2024.

Warsaw, May 27, 2024

Signatures of 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**

Robert Kowalski

**Vice-President
of the Management Board**

Marcin Laskowski

Glossary

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

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| Energy cluster | civil-law arrangement that may include natural persons, legal entities, scientific units, research institutes or local government units, concerning the generation, distribution or trade in energy and energy demand balancing, with this energy being from renewable sources or other sources or fuels, within a distribution grid with nominal voltage below 110 kV, within the operational area of the given cluster, not exceeding the area of one district (powiat) in the meaning of the act on district authorities) or 5 municipalities (gmina) in the meaning of the act on municipal authorities; an energy cluster is represented by a coordinator, which is a cooperative, association, foundation appointed for this purpose or any member of the energy cluster indicated in the civil-law arrangement |
| ERO | Energy Regulatory Office (pol. URE). |
| EUA | European Union Allowances: transferable CO ₂ emission allowances; one EUA allows an operator to release one tonne of CO ₂ . |
| EU ETS | European Union Greenhouse Gas Emission Trading Scheme) EU emission trading scheme. Its operating rules are set out in the ETS Directive, amended by the Directive 2009/29/EC of the European Parliament and of the Council of April 23, 2009 (OJ EU L. of 2009, No. 140, p. 63–87). |
| EV | Electric vehicle |
| FIT/FIP | Feed-in-Tariff (FIT) and Feed-in-Premium (FIP): system of subsidies to the market price of electricity performed by Zarządca Rozliczeń S.A. |
| Generating unit | a technically and commercially defined set of equipment belonging to a power company and used to generate electricity or heat and to transmit power. |
| GJ | Gigajoule, a unit of work/heat in the SI system, 1 GJ = 1000/3.6 kWh = approximately 278 kWh. |
| GPZ | main power supply point, a type of transformer station used for the processing or distribution of electricity or solely for the distribution of electricity. |
| Green certificate | popular name for energy generated from renewable energy sources. |
| GW | gigawatt, a unit of capacity in the SI system, 1 GW = 10 ⁹ W. |
| GWe | one gigawatt of electric capacity. |
| GWt | one gigawatt of heat capacity. |
| HCl | hydrogen chloride. |
| Hg | mercury. |
| HICP | Harmonised Index of Consumer Prices |
| High Voltage Network (HV) | a network with a nominal voltage of 110 kV. |
| IED | Industrial Emissions Directive |
| IGCC | Integrated Gasification Combined Cycle. |
| Installed capacity | the formal value of active power recorded in the design documentation of a generating system as being the maximum achievable capacity of that system, confirmed by the acceptance protocols of that system (a historical value, it does not change over time). |
| IRGiT | Izba Rozliczeniowa Giełd Towarowych S.A. (commodities clearing house) |
| IRZ | Cold Intervention Reserve Service – service consisting of maintaining power units ready for energy production. Energy is produced on request of PSE S.A. |
| ITRE | European Parliament Committee on Industry, Research and Energy |
| KRI | Key Risk Indicator |
| KSE | the National Power System, a set of equipment for the distribution, transmission and generation of electricity, forming a system to allow the supply of electricity in the territory of Poland. |
| KSP | the National Transmission System, a set of equipment for the transmission of electricity in the territory of Poland. |
| kV | kilo volt, an SI unit of electric potential difference, current and electromotive force; 1kV= 103 V. |
| kWh | kilowatt-hour, a unit of electric energy in the SI system defined as the volume of electricity used by the 1 kW equipment over one hour. 1 kWh = 3,600,000 J = 3.6 MJ. |

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| kWp | a power unit dedicated to determining the power of photovoltaic panels, means the amount of electricity in the peak of production. |
| Low Voltage Network (LV) | a network with a nominal voltage not exceeding 1 kV. |
| LTC | long-term contracts on the purchase of capacity and electricity entered into between Polskie Sieci Elektroenergetyczne S.A. and electricity generators in the years 1994-2001. |
| Medium-voltage network (MV) | an energy network with a nominal voltage higher than 1 kV but lower than 110 kV. |
| MEV | Minimum Energy Volumes. |
| MSR | Market Stability Reserve (relating to CO ₂) |
| MW | a unit of capacity in the SI system, 1 MW = 10 ⁶ W. |
| MWe | one megawatt of electric power. |
| MWt | one megawatt of heat power. |
| NAP | National emissions Allocation Plan, prepared separately for the national emission trading system and for the EU emission trading system by the National Administrator of the Emission Trading System. |
| NAP II | National CO ₂ emissions Allocation Plan for the years 2008-2012 prepared for the EU emission trading system adopted by the Ordinance of the Council of Ministers of July 1, 2008 (Dz. U. of 2008, No. 202, item 1248). |
| NH ₃ | ammonia |
| Nm ³ | normal cubic meter; a unit of volume from outside the SI system signifying the quantity of dry gas in 1 m ³ of space at a pressure of 101.325 Pa and a temperature of 0°C. |
| NO _x | nitrogen oxides. |
| N:W ratio | Ration of volume of overburden removed in m ³ to the mass of extracted coal in tons |
| OTF | Organised Trading Facilities |
| Operational Capacity Reserve (ORM) | ORM constitutes of generation capacities of active Production Scheduling Units (JGWa) in operation or layover, representing excess capacity over electricity demand available to the TSO under the Energy Sale Agreements and on the Balancing Market in unforced generation |
| Peak, peakload | a standard product on the electricity market; a constant power supply from Monday to Friday, each hour between 7:00 a.m. and 10:00 p.m. (15-hour standard for the Polish market) or between 8:00 a.m. and 8:00 p.m. (12-hour standard for the German market) in a given period, for example week, month, quarter or year. |
| Peak power pumped storage plants | special type of hydro-power plant allowing for electricity storage. It uses the upper reservoir, to which water is pumped from the lower reservoir using electricity (usually excessive in system). The pumped storage facilities provide ancillary control services for the national power system. In periods of increased demand for electricity, water from the upper reservoir is released through the turbine. This way, electricity is produced. |
| PJ | Petajoule, a unit of work/heat in the SI system, 1 PJ = approx. 278 GWh |
| Property rights | negotiable exchange-traded rights under green and co-generation certificates |
| Prosumer | end customer who purchases electricity under a comprehensive agreement and generates electricity only from renewable sources at a micro-installations for own purposes, unrelated to economic activities |
| PSCMI1 | Polish Steam Coal Market Index 1 - average level of prices of coal dust sold to industrial-scale power plants in Poland |
| RAB | Regulatory Asset Base. |
| Red certificate | a certificate confirming generation of electricity in co-generation with heat. |
| Red energy | popular name for electricity co-generated with heat. |

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