

Consolidated report on payments to governments

PGE Polska Grupa Energetyczna S.A.
for the year 2023

ended 31 December 2023
(in PLN thousand)



Prowadzimy w zielonej zmianie

Table of contents

1.	Basis for preparing the consolidated report on payments to governments.....	3
2.	Adopted rules applicable to preparing the report on payments to governments	4
3.	Payments to governments made in 2023	5
3.1	The total amount of payments made to governments, broken down into payments made to particular government levels and into payment categories.....	5
3.2	The total amount of payments made for particular projects, broken down into payment categories.....	5

1. Basis for preparing the consolidated report on payments to governments

The basis for preparing this report on payments to governments is the provisions of Chapter 6a of the Accounting Act of 29 September 1994 (the "Act") (Journal of Laws of 2023, item 120). Pursuant to these provisions, entities operating in extractive industries or involved in the logging of primary forests, provided that they meet the criteria set out in the Act, prepare a report on payments made to governments as at the balance sheet date, together with annual financial statements. The Act defines entities operating in extractive industries as entities pursuing activities consisting in the exploration, prospecting, discovery, production and mining of mineral resources, oil, natural gas or other raw materials within the types of economic activity listed in Section B, Subsections 05-08 of the Polish Classification of Economic Activities.

The Act also imposes an obligation to prepare a consolidated report on payments made to governments. A consolidated report on payments made to governments should include the data of the parent company and its subsidiaries operating in extractive industries or involved in the logging of primary forests, provided that they meet the criteria set out in the Act.

Within the PGE Capital Group, the only entity that meets the provisions of Chapter 6a of the Act is PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna (the "Company", "PGE GiEK S.A."). Accordingly, this consolidated report on payments made to governments presents only the data of PGE GiEK S.A.

The core business of PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna (the "Company") is the activity listed in Section D, Subsection 35, of the Polish Classification of Economic Activities ("PKD"):

- production of electricity (PKD 35.11.Z),
- transmission of electricity (PKD 35.12.Z),
- distribution of electricity (PKD 35.13.Z),
- trade of electricity (PKD 35.14.Z),
- production and supply of steam, hot water and air for air-conditioning systems (PKD 35.30.Z).

The Company also conducts business activities listed in the Polish Classification of Business Activities in Section B - mining and quarrying. This is mainly the mining of lignite (PKD 05.20.Z), which is used mainly as fuel in the Company's power plants owned by the Company.

In addition, according to the Company Statutes, the objects of the Company include also the following:

- quarrying of ornamental and building stone, limestone, gypsum, chalk and slate (PKD 08.11.Z),
- operation of gravel and sand pits; extraction of clays and kaolin (PKD 08.12.Z),
- extraction of chemical and fertilizer minerals (PKD 08.91.Z),
- extraction of peat (PKD 08.92.Z),
- extraction of salt (PKD 08.93.Z),
- other mining and quarrying not elsewhere classified (PKD 08.99.Z).

However, these activities are already of marginal importance to the Company and are carried out as ancillary activities to lignite mining.

In 2023 the Company's organizational structure comprised the following 7 branches:

- Bełchatów Lignite Mine Branch,
- Turów Lignite Mine Branch,
- Bełchatów Power Plant Branch,
- Turów Power Plant Branch,
- Opole Power Plant Branch,
- Dolna Odra Power Plant Branch,
- Rybnik Power Plant Branch.

Mining activities are conducted at two branches, i.e.:

- Bełchatów Lignite Mine Branch,
- Turów Lignite Mine Branch.

Mining activities are conducted on the basis of concessions for the extraction of lignite from deposits.

2. Adopted rules applicable to preparing the report on payments to governments

In accordance with Article 63e(6) of the Accounting Act, payments are understood to be amounts paid, in cash or in kind, for the following:

- production payables,
- taxes levied on the income, production or profits of companies, excluding taxes on consumption such as value added tax, personal income tax or sales tax,
- royalties,
- dividends,
- concession fees as well as discovery and production bonuses,
- licence fees, rental fees, entry fees and other considerations for licences or concessions,
- payments for infrastructure improvements,

concerning the activities listed in Article 63e(1)(2) of the Act.

The activities listed in Article 63e(1) of the Act are activities consisting in the exploration, prospecting, discovery, production and mining of minerals, oil, natural gas or other natural materials within the types of economic activities listed in Section B, Subsections 05-08 of the Polish Classification of Economic Activities, while the activities referred to in Article 63e(2) of the Act are activities referred to in Section A, Subsection 02, Group 02.2 of the Polish Classification of Economic Activities – wood harvesting within primary forest areas.

The Company does not harvest wood within primary forest areas. Consequently, all amounts indicated in this report, unless expressly stated otherwise, relate solely to the mining activities conducted in the Company's two branches mentioned above and do not include amounts paid to governments on account of other activities conducted at the Company's other branches.

In this report on payments to governments, the Company includes the following categories of payments:

Payment category as defined in Article 63e of the Accounting Act	Taxes and fees allocated by the Company to the payment categories specified in the Accounting Act
Production payables	The Company did not make any payments on this account in 2023
Taxes levied on the income, production or profits of companies, excluding taxes on consumption such as value added tax, personal income tax or sales tax	Corporate income tax (CIT)
Royalties	The Company did not make any payments on this account in 2023
Dividends	The Company did not make any payments on this account in 2023
Concession fees as well as discovery and production bonuses	production fees, mining usage fees
Licence fees, rental fees, entry fees and other considerations for licences or concessions	fees for perpetual usufruct of land fees for excluding land from agricultural and forestry production environmental fees rental fees tree logging fees property tax transport vehicle tax agricultural tax forest tax
Payments for infrastructure improvements	The Company did not make any payments on this account in 2023

Corporate income tax

As corporate income tax is calculated at the level of the whole Company, this report shows corporate tax payments for the full amount of payments made to the tax authority in 2023, less tax refunds received from the tax authority in 2023 and resulting from the 2022 tax settlement and tax adjustments for previous years.

Information disclosed in the report

The amounts of payments disclosed in this report constitute the amounts of money transfers made to government bodies on account of the particular payment categories, less any refunds received in 2023. The Company did not make any in-kind payments to governments in 2023.

In accordance with Article 63f(2) of the Act, this report on payments to governments should include the following information:

- the total amount of payments made to governments of a given country broken down into payments made to particular government levels;
- the total amount of payments broken down into the categories of payments specified in Article 63e(6) and made to particular government levels;
- where payments were allocated by the entity to a specific project, the total amount of payments made in relation to each project, broken down into the payment categories specified in Article 63e(6).

The company allocated payments to governments to two projects. These are projects related to the activities conducted in:

- Bełchatów Lignite Mine Branch,
- Turów Lignite Mine Branch.

3. Payments to governments made in 2023

3.1 The total amount of payments made to governments, broken down into payments made to particular government levels and into payment categories

Government levels	Taxes on income, production or profits	Concession fees as well as discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Total
Central government authorities and entities supervised or controlled by such authorities	-	80,171	51,859	132,030
Local government authorities and entities supervised or controlled by such authorities	-	62,982	193,453	256,435
<i>Cities and communes</i>	-	2,982	170,744	233,726
<i>District authorities</i>	-	-	4,075	4,075
<i>Provincial authorities</i>	-	-	18,634	18,634
Corporate income tax (CIT) *	537,213	-	-	537,213
Total	537,213	143,153	245,312	925,678

* as described in item 2, the amount presented represents the balance of the payments made in 2023 to the corporate tax authority in the amount calculated on the income of the Company as a whole (not only from the activities in the mining industry) and the refunds received from the tax authority for overpayments and tax adjustments for previous years.

3.2 The total amount of payments made for particular projects, broken down into payment categories

3.2.1 Bełchatów Lignite Mine Project

Government levels	Concession fees as well as discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Total
Central government authorities and entities supervised or controlled by such authorities	65,080	42,823	107,903
Local government authorities and entities supervised or controlled by such authorities	50,892	136,554	187,446
<i>Cities and communes</i>	50,892	122,516	173,408
<i>District authorities</i>	-	1,931	1,931
<i>Provincial authorities</i>	-	12,107	12,107
Total	115,972	179,377	295,349

3.2.2 Turów Lignite Mine Project

Government levels	Concession fees as well as discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Total
Central government authorities and entities supervised or controlled by such authorities	15,091	9,036	24,127
Local government authorities and entities supervised or controlled by such authorities	12,090	56,899	68,989
<i>Cities and communes</i>	12,090	48,228	60,318
<i>District authorities</i>	-	2,144	2,144
<i>Provincial authorities</i>	-	6,527	6,527
Total	27,181	65,935	93,116

Warsaw, 3 April 2024

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

President of the Management Board

Dariusz Marzec

Vice President of the Management Board

Przemysław Kołodziejak

Vice President of the Management Board

Marcin Laskowski