

The report on the remuneration of the Members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A.

for the year 2023



Prowadzimy w zielonej zmianie

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1 Introduction

Pursuant to Article 90g(1) of the Act on public offering, conditions governing the introduction of financial instruments to an organised trading system and public companies of 29 July 2005 (the Public Offering Act), the Supervisory Board of PGE Polska Grupa Energetyczna S.A. presents this report on the remuneration of the Members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A. for the year 2023 ("Report").

In force in PGE Polska Grupa Energetyczna S.A. (hereinafter also: "Company"; "PGE S.A."), the remuneration policy for the Members of the Management Board and the Supervisory Board ("Policy") was adopted by resolution no. 9 of the Company's Ordinary General Meeting of 26 June 2020. It was subsequently amended by resolution no. 11 of the Company's Ordinary General Meeting of 22 June 2022.

Since the principles of determining remuneration of the Members of the Management Board and the Supervisory Board are set forth in not only the provisions of the Public Offering Act, but also the resolutions of the Company's General Meeting implementing the rules resulting from the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies ("Remuneration Act"), i.e.

- the principles of determining remuneration of the Members of the Management Board were established by way of resolution no. 5 adopted by the Extraordinary General Meeting of PGE Polska Grupa Energetyczna S.A. on 7 March 2022 and concerning the determination of remuneration of the Members of the Management Board,
- the principles of determining remuneration of the Members of the Supervisory Board were established by way of resolution no. 5 adopted by the Extraordinary General Meeting on 2 December 2019 and concerning an amendment to resolution no. 5 adopted by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna Spółka Akcyjna on 14 December 2016 and concerning the principles of determining remuneration of the Members of the Supervisory Board.

The aforementioned principles of determining remuneration of the Members of the Management Board and the Supervisory Board were included and maintained in the Policy.

1.1 Key information on the Company's business environment

PGE Polska Grupa Energetyczna S.A. (also PGE S.A., PGE, Company) is the parent company of the PGE Capital Group, whose activities are organised in eight operating segments: Conventional Generation, Renewables, Wholesale Trade, Retail Trade, Distribution, Supply, District Heating, Circuit Economy, Railway Energy Services, Shared Service and Other Activities. PGE S.A. conducts its operating activities in the Wholesale Trade segment. The main business activities of PGE S.A. include the wholesale trade in electricity on the domestic market, the purchase of fuels and related products, including CO₂ emission allowances for the needs of power generation companies and the provision of Corporate Centre services to PGE Group companies.

PGE S.A. together with the other PGE Group companies implements the business strategy of the PGE Group, which is a response to the profound changes taking place in the energy sector in recent years and to the expectations of society, which to a large extent determine the directions of development for the whole industry. The PGE Group is the leader of transformation and modernisation of the energy sector in Poland; it supports the development of a market environment conducive to the energy transition. The transformation of the PGE Group will be carried out in a sustainable manner, in dialogue with social partners. PGE S.A. is aware of the impact of the Group's operations on the social, economic and natural environment. The activities of the PGE Group are oriented towards maximising added value for all stakeholders.

1.2 Changes in the composition of the Management Board and the Supervisory Board

Table 1: The composition of the Management Board of PGE Polska Grupa Energetyczna S.A. in 2023

Surname and name	Function	Period of serving
DĄBROWSKI WOJCIECH	Chairman of the Board	whole year
BUK WANDA	Member of the Board	whole year
KOŁODZIEJAK PRZEMYSŁAW	Member of the Board	2023.05.01 - 2023.12.31
ROJEWSKI LECHOSŁAW	Member of the Board	whole year
ŚLIWA PAWEŁ	Member of the Board	2023.01.01 - 2023.11.23
WASIŁEK RYSZARD	Member of the Board	2023.01.01 - 2023.04.30
WŁODARSKI RAFAŁ	Member of the Board	2023.01.09 - 2023.12.31

During the course of 2023, the following changes took place in the composition of the Company's Management Board:

- On 4 January 2023, as a result of the recruitment procedure, the Supervisory Board adopted resolution no. 107/XII/2023 on the appointment of Mr Rafał Włodarski to the Management Board of PGE S.A., entrusting him with the function of Vice President of the Management Board for Support and Development as of 9 January 2023.
- On 28 March 2023, Mr Ryszard Wasilek resigned from his position as Vice President for Operations with effect from 30 April 2023.
- On 19 April 2023, as a result of the recruitment procedure, the Supervisory Board adopted resolution no. 155/XII/2023 on the appointment of Mr Przemysław Kołodziejak to the Management Board of PGE S.A., entrusting him with the function of Vice President of the Management Board for Operations as of 1 May 2023.
- On 23 November 2023, the Supervisory Board adopted resolution no. 253/XII/2023 on the dismissal of Mr Paweł Śliwa, Vice President for Innovation, from the Management Board, as of 23 November 2023. The Supervisory Board did not indicate any reasons for the dismissal.

Table 2: The composition of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. in 2023

Surname and name	Function	Period of serving
KOWALIK ANNA	Chairwoman of the Supervisory Board	whole year
FALKIEWICZ CEZARY	Member of the Supervisory Board	2023.04.28 - 2023.11.30
GOSS JANINA	Member of the Supervisory Board	whole year
GRYGLAS ZBIGNIEW	Member of the Supervisory Board	2023.01.01 - 2023.12.29
HAPUNOWICZ TOMASZ	Member of the Supervisory Board	whole year
KOWALCZYK MARCIN	Member of the Supervisory Board	2023.01.01 - 2023.02.09
SAWARYN MIECZYSLAW	Member of the Supervisory Board	whole year
SKŁADANEK ARTUR	Member of the Supervisory Board	whole year
WINIARSKI RADOSŁAW	Member of the Supervisory Board	whole year

During the course of 2023, the following changes took place in the composition of the Company's Supervisory Board:

- On 9 February 2023, the Company received the resignation of Mr Marcin Kowalczyk from his position on the Supervisory Board of PGE S.A., effective as of 9 February 2023.
- On 28 April 2023, the Ordinary General Meeting of PGE S.A. appointed Mr Cezary Falkiewicz to the Supervisory Board.
- On 24 November 2023, the Company received the resignation of Mr Cezary Falkiewicz from his position on the Supervisory Board of PGE S.A., effective as of 30 November 2023.
- On 29 December 2023, the Minister of State Assets dismissed Mr Zbigniew Gryglas from the Supervisory Board.

1.3 Changes to the Remuneration Policy

No changes were made to the Policy during the period covered by this Report.

2 The amount of total remuneration broken down into components and the proportions between these components

The amounts of total remuneration, broken down into individual fixed and variable components, regardless of their form, received by or due to individual Members of the Company's Management Board and Supervisory Board for the period from 1 January 2023 to 31 December 2023, i.e. for the period of the financial year covered by this Report, are listed and described below.

2.1 Total remuneration of the Members of the Management Board

The amounts of the remuneration of the Members of the Company's Management Board, indicated in detail in the table below, illustrate the total remuneration due and received in 2023 (all required benefits have been paid).

The total remuneration of the Members of the Management Board consists of fixed remuneration and variable remuneration. The terms and conditions of the managerial contracts are consistent with the principles set out in the Policy.

In 2023, the Members of the Management Board were paid variable remuneration for the year 2022. The resolutions concerning a review of the achievement of the managerial objectives and the payment of the variable remuneration for 2022 were adopted by the Supervisory Board on 6 June 2023. The variable remuneration for the year 2022 was paid on 7 June 2023.

In accordance with the adopted Policy, irrespective of fixed remuneration and variable remuneration, the Supervisory Board may additionally, in justified cases, grant the Members of the Management Board the right to receive additional benefits. In 2023, the Supervisory Board exercised the aforementioned authority and granted the following Members of the Management Board a training benefit: Wojciech Dąbrowski, Wanda Buk, Lechosław Rojewski, Paweł Śliwa.

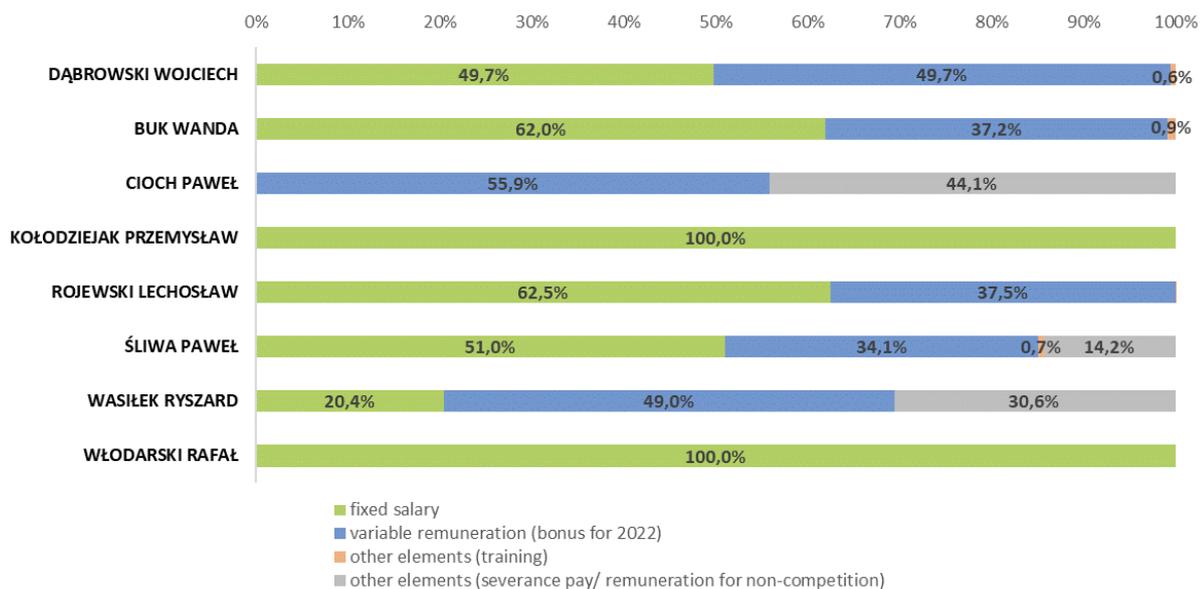
Table 3: Total remuneration of the Members of the Management Board for 2023 (PLN)

Surname and name	Fixed remuneration	Variable remuneration	Other elements	Other elements	TOTAL*	The proportion of variable to fixed remuneration**	Period of serving
	Management contract	Bonus for 2022	Training	Severance pay / Remuneration for non-competition			
DĄBROWSKI WOJCIECH Chairman of the Board	792 680,40	792 680,40	8 936,00	0,00	1 594 296,80	100,0%	2020.02.20 - 2024.02.07
% of the remuneration element in the total remuneration	49,7%	49,7%	0,6%	0,0%	100,0%		
BUK WANDA Member of the Board	739 835,04	443 901,02	10 350,00	0,00	1 194 086,06	60,0%	2020.09.01 - 2024.02.07
% of the remuneration element in the total remuneration	62,0%	37,2%	0,9%	0,0%	100,0%		
CIOCH PAWEŁ Member of the Board	0,00	390 389,67	0,00	308 264,60	698 654,27	59,9%	2020.02.24 - 2022.11.17
% of the remuneration element in the total remuneration	0,0%	55,9%	0,0%	44,1%	100,0%		
KOŁODZIEJAK PRZEMYSŁAW Member of the Board	431 570,44	0,00	0,00	0,00	431 570,44	0,0%	2023.05.01 - 2024.04.04
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	0,0%	100,0%		
ROJEWSKI LECHOSŁAW Member of the Board	739 835,04	443 901,02	175,00	0,00	1 183 911,06	60,0%	2021.06.09 - 2024.02.28
% of the remuneration element in the total remuneration	62,5%	37,5%	0,0%	0,0%	100,0%		
ŚLIWA PAWEŁ Member of the Board	663 796,50	443 901,02	8 903,00	184 958,76	1 301 559,28	60,0%	2016.03.31 - 2023.11.23
% of the remuneration element in the total remuneration	51,0%	34,1%	0,7%	14,2%	100,0%		
WASIŁEK RYSZARD Member of the Board	246 611,68	591 868,03	0,00	369 917,52	1 208 397,23	80,0%	2016.03.07 - 2023.04.30
% of the remuneration element in the total remuneration	20,4%	49,0%	0,0%	30,6%	100,0%		
WŁODARSKI RAFAŁ Member of the Board	725 449,42	0,00	0,00	0,00	725 449,42	0,0%	2023.01.09 - 2024.02.07
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	0,0%	100,0%		
TOTAL	4 339 778,52	3 106 641,16	28 364,00	863 140,88	8 337 924,56		

* the data do not include the return of social insurance contributions that are included in the PIT tax return form.

** a ratio in relation to the remuneration received in the year for which the bonus was paid

Graph no. 1: The ratios of the remuneration of the Members of the Management Board paid in 2023



2.2 Total remuneration of the Members of the Supervisory Board

The amounts of the remuneration of the Members of the Company's Supervisory Board, indicated in detail in the table below, illustrate the total remuneration due to and received by the Members of the Supervisory Board in 2023 (all required benefits have been paid).

The terms and conditions of remuneration of the Members of the Supervisory Board are in accordance with the principles set out in the adopted Remuneration Policy.

The structure of remuneration of persons performing the functions of Members of the Supervisory Board consists of a fixed remuneration determined in connection with the appointment as Chairperson of the Supervisory Board or Member of the Supervisory Board.

The monthly remuneration of the Members of the Supervisory Board is the product of the basis of assessment referred to in the Remuneration Act, taking into account the applicable specific legal provisions determining its amount, and the following multiplier:

- for the Chairperson of the Supervisory Board: 1.7,
- for the other Members of the Supervisory Board: 1.5.

In accordance with the Remuneration Policy, the Members of the Supervisory Board do not receive any additional cash or non-cash benefits. As there are no variable remuneration components, it is not possible to determine the ratio of the fixed components to variable components.

Total remuneration equals fixed remuneration.

Table 4: Total remuneration of the Members of the Supervisory Board for 2023 (PLN)

Surname and name	Fixed remuneration	Variable remuneration	Other elements	TOTAL*
		not applicable	not applicable	
KOWALIK ANNA Chairwoman of the Supervisory Board	89 837,16	0,00	0,00	89 837,16
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
FALKIEWICZ CEZARY Member of the Supervisory Board	46 900,26	0,00	0,00	46 900,26
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
GOSS JANINA Member of the Supervisory Board	79 268,04	0,00	0,00	79 268,04
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
GRYGLAS ZBIGNIEW Member of the Supervisory Board	79 268,04	0,00	0,00	79 268,04
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
HAPUNOWICZ TOMASZ Member of the Supervisory Board	79 268,04	0,00	0,00	79 268,04
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
KOWALCZYK MARCIN Member of the Supervisory Board	8 728,92	0,00	0,00	8 728,92
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
SAWARYN MIECZYSLAW Member of the Supervisory Board	79 268,04	0,00	0,00	79 268,04
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
SKŁADANEK ARTUR Member of the Supervisory Board	79 268,04	0,00	0,00	79 268,04
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
WINIARSKI RADOŚLAW Member of the Supervisory Board	79 268,04	0,00	0,00	79 268,04
% of the remuneration element in the total remuneration	100,0%	0,0%	0,0%	100,0%
TOTAL	621 074,58	0,00	0,00	621 074,58

* the data do not include the return of social insurance contributions that are included in the PIT tax return form.

3 An explanation of how total remuneration is consistent with the adopted Remuneration Policy, including how it contributes to the achievement of the Company's long-term objectives

The remuneration of all Members of the Company's Management Board and Supervisory Board for the period covered by this Report was awarded solely in accordance with the provisions of the Policy. The remuneration included only the components provided for in the Policy, was paid in accordance with the principles set out therein, in the correct amount, on the applicable legal basis and taking into account clear, comprehensive and differentiated financial and non-financial performance criteria for the variable remuneration components.

In line with the Policy, the variable components of the remuneration of the Members of the Management Board contribute to the business strategy, long-term interests and stability of the Company by motivating the executives to pursue general and specific management objectives. Among the general management objectives, it is necessary to indicate the objectives related to the achievement of certain financial (EBITDA, net debt/EBITDA) and technical indexes, the management of investment projects to support the implementation of the Group's strategy, the performance of research projects to effectively exploit the potential of innovation and the development of a systemic approach to communication.

Additionally, based on the principles set out in the Policy, additional managerial objectives are established for achievement in a given financial year, conditioning the granting of variable remuneration to the Members of the Management Board. Such objectives include the following:

- the development and application of the principles of establishing remuneration for Members of management and supervisory bodies in subsidiaries in accordance with the principles specified in the Remuneration Act;
- the fulfilment of the obligations referred to in Articles 17-20, Article 22, and Article 23, taking into account Article 18a and Article 23a of the State Property Management Act of 16 December 2016.

The bonus criteria for the individual Members of the Company's Management Board are designed to motivate them to take measures aimed at the achievement of the Company's main strategic objectives.

In accordance with the Policy, the detailing of managerial goals, together with the determination of the weights of these goals as well as the objective and measurable criteria for their implementation and assessment (KPIs), taking into account the conditions indicated in the Policy, including those relating also, at a detailed level, to the consideration of social interests, contributing to the Company's and the Group's protection of the environment and taking measures aimed at preventing and eliminating the negative social effects of the Company's and the Group's activities through the modernisation of the Company and the Group, was made by the Supervisory Board in its resolution of 21 March 2023 (as amended on 6 June 2023 and 29 June 2023).

Defining specific managerial objectives, the Supervisory Board established their weights as well as objective, measurable, clear, comprehensive and differentiated financial and non-financial criteria (indicators) for their achievement and assessment (KPIs).

In setting the aforementioned specific managerial objectives, their weights and bonus criteria, the Supervisory Board took the following conditions into account:

- a given Member of the Management Board is entitled to the Variable Remuneration after the approval of the Management Board's report on the Company's activities and the Company's financial statements for a given financial year and after the acknowledgement of their discharge of duties in a given financial year by the General Meeting;
- the Variable Remuneration is calculated on a pro rata basis. Proportionality depends on the number of days on which a Member of the Management Board has provided their services in a given financial year;
- the Supervisory Board ascertains the fulfilment of the conditions for the granting of variable remuneration to the individual Members of the Management Board for whom managerial objectives have been established for a given financial year and who have performed their functions in the year under assessment, determining the due amount on the basis of financial statements checked by certified auditors as well as other documents, depending on the established managerial objectives. Issues related to the recovery of the Variable Remuneration are regulated by the binding provisions of the law.

The Policy does not provide for the granting of the variable components of remuneration to the Members of the Management Board with an assessment period longer than one financial year.

The total remuneration of the Members of the Company's Management Board and the Members of the Company's Supervisory Board and the conditions under which it was awarded contributed to the business strategy, long-term interests and stability of the Company.

4 Information on how the performance criteria were applied

According to the Remuneration Policy, the variable remuneration of a Member of the Management Board depends on the degree to which managerial objectives have been achieved and may not exceed 100% of the fixed remuneration received by a Member of the Management Board in the financial year for which the variable remuneration is to be awarded.

A given Member of the Management Board is entitled to variable remuneration after the approval of the Management Board's report on the Company's activities and the Company's financial statements for a given financial year and after the acknowledgement of their discharge of duties in a given financial year by the General Meeting.

During the period covered by this Report, the Members of the Supervisory Board were not entitled to variable remuneration based on the Company's performance, but only to fixed remuneration in amounts determined in accordance with the applicable Policy.

5 Information on changes, on an annual basis, in the remuneration, performance of the Company and average remuneration of the Company's employees who are not members of the Management Board or the Supervisory Board

Table 5: Annualised change in the total remuneration of the Members of the Management Board (PLN)

Surname and name	2023	2022	2021	2020	2019
DĄBROWSKI WOJCIECH <i>Chairman of the Board</i>	1 594 296,80	1 206 900,25	1 151 776,59	689 222,74	0,00
<i>change [%] year to year</i>	32,1%	4,8%	67,1%	0,0%	0,0%
BUK WANDA <i>Member of the Board</i>	1 194 086,06	1 134 549,24	876 000,03	246 611,68	0,00
<i>change [%] year to year</i>	5,2%	29,5%	255,2%	0,0%	0,0%
KOŁODZIEJAK PRZEMYSŁAW <i>Member of the Board</i>	431 570,44	0,00	0,00	0,00	0,00
<i>change [%] year to year</i>	0,0%	0,0%	0,0%	0,0%	0,0%
ROJEWSKI LECHOSŁAW <i>Member of the Board</i>	1 183 911,06	956 961,44	415 129,72	0,00	0,00
<i>change [%] year to year</i>	23,7%	130,5%	0,0%	0,0%	0,0%
ŚLIWA PAWEŁ <i>Member of the Board</i>	1 301 559,28	1 124 549,24	1 124 549,26	1 559 759,96	1 124 549,04
<i>change [%] year to year</i>	15,7%	0,0%	-27,9%	38,7%	52,0%
WASIŁEK RYSZARD <i>Member of the Board</i>	1 208 397,23	1 124 549,24	1 124 549,26	1 559 819,96	1 124 549,04
<i>change [%] year to year</i>	7,5%	0,0%	-27,9%	38,7%	52,0%
WŁODARSKI RAFAŁ <i>Member of the Board</i>	725 449,42	0,00	0,00	0,00	0,00
<i>change [%] year to year</i>	0,0%	0,0%	0,0%	0,0%	0,0%

The Table presents the remuneration of the Members of the Management Board serving on the Company's Management Board in 2023.

The amount of the fixed remuneration paid to the Members of the Management Board in the years 2019-2023 resulted from the managerial contracts concluded with them.

Table 6: Annualised change in the total remuneration of the Members of the Supervisory Board (PLN)

Surname and name	2023	2022	2021	2020	2019
KOWALIK ANNA	89 837,16	89 837,16	89 837,16	93 114,52	89 837,16
<i>change [%] year to year</i>	0,0%	0,0%	-3,5%	3,6%	0,0%
FALKIEWICZ CEZARY	46 900,26	0,00	0,00	0,00	0,00
<i>change [%] year to year</i>	0,0%	0,0%	0,0%	0,0%	0,0%
GOSS JANINA	79 268,04	79 268,04	79 268,04	82 159,84	79 268,04
<i>change [%] year to year</i>	0,0%	0,0%	-3,5%	3,6%	0,0%
GRYGLAS ZBIGNIEW	79 268,04	75 162,58	10 128,69	0,00	0,00
<i>change [%] year to year</i>	5,5%	642,1%	0,0%	0,0%	0,0%
HAPUNOWICZ TOMASZ	79 268,04	79 268,04	79 268,04	82 159,84	79 268,04
<i>change [%] year to year</i>	0,0%	0,0%	-3,5%	3,6%	2,2%
KOWALCZYK MARCIN	8 728,92	79 268,04	76 497,92	0,00	0,00
<i>change [%] year to year</i>	-89,0%	3,6%	0,0%	0,0%	0,0%
SAWARYN MIECZYŚLAW	79 268,04	79 268,04	79 268,04	82 159,84	79 268,04
<i>change [%] year to year</i>	0,0%	0,0%	-3,5%	3,6%	0,0%
SKŁADANEK ARTUR	79 268,04	79 268,04	79 268,04	82 159,84	79 268,04
<i>change [%] year to year</i>	0,0%	0,0%	-3,5%	3,6%	0,0%
WINIARSKI RADOŚLAW	79 268,04	79 268,04	79 268,04	82 159,84	79 268,04
<i>change [%] year to year</i>	0,0%	0,0%	-3,5%	3,6%	666,0%

The amount of the fixed remuneration paid to the Members of the Supervisory Board resulting from the relationship of appointment.

Table 7: Annualised change in the average remuneration of employees (other than members of the Management Board or Supervisory Board) (PLN)

	2023	2022	2021	2020	2019
Total remuneration of employees (in PLN)					
<i>On average</i>	19 957,98	17 653,23	16 159,38	15 880,17	14 824,51
<i>change [%] year to year</i>	13,1%	9,2%	1,8%	7,1%	2,3%

Changes in the average remuneration of the Company's employees in the particular years resulted from the following:

- employee remuneration reviews linked to employee assessments conducted in 2019,
- changes to the organisational structure effected in 2020,
- the performance of agreements with trade unions regarding changes in salaries in the years 2019, 2021, 2022 and 2023.

Table 8: Company's results (PLN million)

	2023	2022	Change %	2021	2020	2019
Earnings before interests and taxes (EBIT)	1,988	1,139	75%	601	712	779
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,002	1,151	74%	613	724	791
Result from operating activities	-7,273	2,291	-	1,313	1,097	-1,969
including: revenue from dividends	3,269	1,639	99%	1,252	1,464	950
Gross profit	-5,285	3,430	-	1,914	1,809	-1,190
Net profit	-5,894	3,097	-	1,734	1,744	-1,259

In 2023, the Company achieved EBITDA of PLN 2,002 million, which constituted a 74% increase on a year-on-year basis. The key factors influencing the decrease in PGE's EBITDA on a year-on-year basis were as follows:

- **Higher electricity sales (+PLN 543 million)**, as a result of a higher unit margin realised on electricity trading (+PLN 13.0/MWh), due to a change in the model of hedging electricity supply for retail trading in 2023, based on hedging open positions in the internal portfolios of PGE CG power generators.
- **Higher revenue from the provision of Commercial Management of Generation Capacity and Security of Electricity Supply services (PLN +363 million)**, as a result of a higher average price of electricity under management (PLN +349/MWh), with a lower volume of electricity (-21.2 TWh) and a lower weighted average margin of 0.34 p.p., mainly due to a reduced margin in PGE Obrót S.A. in 2023.
- **Higher revenue from other operating activities (PLN +211 million)**, mainly due to the write-down of liabilities owed to Enesta sp. z o.o. (PLN +214 million).
- **Higher revenue from the provision of Corporate Centre services (PLN +120 million)**, mainly due to higher revenue under support contracts and licence agreements. The higher revenue from support contracts is mainly due to the centralisation of the accounting and HR area as well as the communications and marketing area, and the provision of new services, implemented in 2023. The higher revenue from licence agreements was influenced by higher revenue achieved by the individual PGE CG companies.
- **Higher operating costs of the organisation (PLN -188 million)**, mainly driven by higher employee benefit costs and higher marketing costs. The increase in employee benefit costs resulted from higher employment mainly due to the centralisation of the accounting and human resources as well as communications and marketing areas, and the execution of the Company Collective Bargaining Agreement.
- **Lower revenue from trade in CO₂ emission allowances (PLN -175 million)**, mainly due to a lower margin in the interim valuation of CO₂ forward transactions, which is accrued from January 2022 (PLN -438 million), with a higher margin realised on the sale of CO₂ emission allowances (PLN +274 million), as a result of a higher volume of allowances sold (+32.3 million tonnes) and a higher average sale price (+109 PLN/tonne).

In 2023, the Company achieved a net profit of PLN -5,894 million, which constituted a decrease of PLN 8,991 in comparison to the financial result of 2022. EBITDA is higher by PLN 851 million (+74%), with a lower result on financial activities by PLN 9,564 million. The key factors influencing the decrease in EBITDA on a year-on-year basis were as follows:

- **Higher write-downs of financial non-current assets (PLN -12,233 million)**, mainly as a result of a PLN 11,750 million impairment write-down of shares, loans granted and bonds issued by PGE Górnictwo i Energetyka Konwencjonalna S.A. and a PLN 475 million impairment write-down of bonds issued by Autostrada Wielkopolska S.A.

- **Higher dividend income from PGE CG companies (PLN +1,630 million)**, mainly from a dividend from PGE Energetyka Kolejowa Holding sp. z o.o. of PLN 1,412 million, which did not occur in 2022, and a higher dividend from PGE Energia Odnawialna S.A. (PLN +219 million).
- **Higher interest (PLN +1,066 million)**, mainly as a result of the valuation of interest on Autostrada Wielkopolska S.A. bonds in the amount of PLN 547 million, an increase in the level of loans granted to PGE CG companies and an increase in interest on deposits.

6 Amount of remuneration from entities belonging to the same capital group

In the period covered by this Report, the Members of the Management Board did not receive any remuneration or benefits from entities belonging to the PGE Capital Group.

7 Number of financial instruments granted or offered and the main conditions for the exercise of the rights attached to these instruments

In the period covered by this Report, the Members of the Management Board were not entitled to any remuneration or benefits in the form of financial instruments.

8 Information on the exercise of the option to claim back variable components of remuneration

In the period covered by this Report, the Company did not exercise the option to claim back any variable components of remuneration.

9 Information on derogations from the procedure for implementing the Remuneration Policy and on derogations applied pursuant to Article 90f of the Act, including an explanation of relevant reasons and circumstances, as well as an indication of the elements to which derogations have been applied

In the period covered by this Report, the Company did not take advantage of the possibility of temporary derogations from the procedure for implementing the Remuneration Policy and also did not take advantage of the possibility of derogations from the application of the Policy in accordance with Article 90f of the Act.

10 Explanation of the manner in which the opinion of the General Meeting relating to the previous remuneration report was taken into account

In its resolution no. 10, the General Meeting of PGE Polska Grupa Energetyczna S.A., held on 28 April 2023, gave its positive opinion on "The report on the remuneration of the Members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A. for the year 2022", without voicing any objections.

In view of the above, there was no need to take additional action to incorporate the General Meeting's guidelines into the Policy or this Report.

In the period covered by this Report, the Company continued to follow the good practices developed earlier with regard to the remuneration of the Members of the Management Board and the Supervisory Board, as well as the reporting of remuneration and benefits paid.