



A justification for draft resolutions to be voted on by the Ordinary General Meeting (“OGM”) of the company “PGE Polska Grupa Energetyczna Spółka Akcyjna” (“Company”, “PGE”) convened for 27 June 2017:

I. the consideration and approval of the financial statements and the reports on the activities of the Company and the PGE Capital Group.

Pursuant to Article 395 § 2 item 1 and § 5 of the Commercial Companies Code, the agenda of the Ordinary General Meeting should include the consideration and approval of the Management Board's report on the activities of the Company and its financial statements for the previous financial year as well as the consolidated financial statements and the Management Board's report on the activities of the PGE Capital Group. Furthermore, the necessity to approve the aforementioned documents by the General Meeting is also provided for in the Accounting Act.

On 7 March 2017 the Management Board adopted resolution no. 88/16/2017 concerning the acceptance of the Company's financial statements for the year 2016, the consolidated financial statements of the PGE Capital Group for the year 2016, the Management Board's report on the activities of the Company and the PGE Capital Group for the year 2016 as well as the submission of a motion to the Supervisory Board requesting an evaluation of the aforementioned documents.

On 24 May 2017 the Supervisory Board evaluated positively the Company's financial statements for the year 2016, the consolidated financial statements of the PGE Capital Group for the year 2016, the Management Board's report on the activities of the Company and the PGE Capital Group for the year 2016.

II. the distribution of the Company's net profit for the financial year 2016.

In its resolution no. 198/37/2017 of 11 May 2017, pursuant to the amended dividend policy providing for the suspension of the payment of dividend from profit for the years 2016, 2017 and 2018 in view of the ambitious investment programme and the quickly growing indebtedness, the Management Board decided to submit a motion to the General Meeting, proposing as follows:

- to allocate the entire net profit for the year ended 31 December 2016 in the amount of PLN 1,597,678,012.98 (say: one billion five hundred and ninety-seven million six hundred and seventy-eight thousand and twelve zlotys and ninety-eight groszys) to the supplementary capital.

The Supervisory Board evaluated positively the Management Board's proposal concerning the distribution of net profit for 2016.

III. the granting of discharge to the members of the PGE governing bodies.

Pursuant to Article 395 § 1 item 3 of the Commercial Companies Code, the agenda of the Ordinary General Meeting should include the granting of discharge to the members of the governing bodies for the performance of their duties in the previous financial year.

On 24 May 2017 the Supervisory Board submitted a motion for the granting of discharge to the Members of the Supervisory Board and recommended that the General Meeting grant discharge to the following Members of the Management Board:

Marek Woszczyk	from 01.01.2016 until 30.03.2016
Jacek Drozd	from 01.01.2016 until 29.01.2016
Grzegorz Krystek	from 01.01.2016 until 30.03.2016
Dariusz Marzec	from 01.01.2016 until 29.01.2016
Henryk Baranowski	from 31.03.2016 until 31.12.2016
Marta Gajęcka	from 31.03.2016 until 31.12.2016
Paweł Śliwa	from 31.03.2016 until 31.12.2016
Marek Pastuszko	from 25.02.2016 until 31.12.2016
Ryszard Wasilko	from 07.03.2016 until 31.12.2016
Emil Wojtowicz	from 15.03.2016 until 31.12.2016

The Supervisory Board recommended that the General Meeting grant discharge to the following members of the Supervisory Board, delegated to perform temporarily the responsibilities of a Member of the Management Board, for the performance of their duties in the year 2016:

Marek Pastuszko	from 29.01.2016 until 25.02.2016.
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The Supervisory Board did not pass the resolution recommending that the General Meeting grant discharge to Bolesław Jankowski, Vice President of the Management Board, for the performance of his duties in the financial year 2016.

IV. an amendment to resolution no. 4 adopted by the Extraordinary General Meeting on 14 December 2016 concerning the principles of determining the amount of remuneration for members of the Management Board.

Acting on behalf of the State Treasury as a shareholder in PGE Polska Grupa Energetyczna S.A. and in the capacity of a person authorized under Article 401 § 1 of the Commercial Companies Code, together with a motion concerning the agenda of the nearest Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A., the Minister of Energy submitted the following justification:

Passed on 16 December 2016, the Act on the Management of State-owned Property (Journal of Laws of 2016, item 2259), which, among other things, specified the requirements for candidates for members of a supervisory body appointed by an authorized body to exercise rights related to shares held by the State Treasury or a state-owned legal entity, came into force on 1 January 2017. One of the requirements is the passing of an examination for candidates for members of supervisory bodies before an examination board appointed by the Prime Minister.

Furthermore, pursuant to the Act on the Regulations Implementing the Act on the Management of State-owned Property (Journal of Laws of 2016, item 2260), the Ministry of the State Treasury, which had been responsible for the organization of examinations for candidates for members of supervisory bodies, was dissolved. In connection with the aforementioned changes, there occurred a temporary break in the process of organizing examinations for candidates for members of supervisory bodies.



Taking into consideration the content of resolution no. 4 adopted by the Extraordinary General Meeting on 15 December 2016 and concerning the determination of the amount of remuneration for members of management boards, which specifies the following additional managerial objective to be achieved by 30 June 2017: the compositions of the supervisory boards in the companies belonging to the capital group should be such that their members hold qualifications to sit on supervisory boards confirmed by the passing of an examination for members of supervisory bodies or hold qualifications statutorily exempting them from the obligation to pass such an examination, it becomes necessary to take measures with a view to extending the aforementioned deadline by 31 December 2017 by way of amending the aforementioned resolution.

Furthermore, pursuant to the Act on the Regulations Implementing the Act on the Management of State-owned Property of 16 December 2016, amendments were made to the Act on the Management of State-owned Property of 16 December 2016. One of the amendments changed the wording of Article 7 clause 7 of the Act. According to the amended wording, the fulfilment of the obligations referred to in Articles 17-20, Article 22 and Article 23 of the Act on the Management of State-owned Property of 16 December 2016 is identified additionally as a separate objective determining the possibility of receiving a variable part of remuneration for members of company governing bodies for a given financial year.

V. amendments to “The Statutes of PGE Polska Grupa Energetyczna Spółka Akcyjna” and the following matters:

- a) the disposal of the components of non-current assets,**
- b) the principles of entering into agreements for the provision of legal services, marketing services, public relations services, social communication services and management consultancy services as well as introducing amendments into such agreements,**
- c) the principles of the Company's entering into donation agreements, debt release agreements or other agreements with similar consequences,**
- d) the principles and procedures of the disposal of non-current assets,**
- e) an obligation to submit reports on representation expenditures as well as expenditures for the provision of legal services, marketing services, public relations services, social communication services and management consultancy services,**
- f) the determination of requirements for candidates for a member of the Management Board,**
- g) the appointment of a member of the Management Board and the recruitment procedure for the position of member of the Management Board,**
- h) the fulfilment of the obligations resulting from Article 17 clause 7, Article 18 clause 2, Article 20 and Article 23 of the Act on the Management of State-owned Property.**

Acting on behalf of the State Treasury as a shareholder in PGE Polska Grupa Energetyczna S.A. and in the capacity of a person authorized under Article 401 § 1 of the Commercial Companies Code, together with a motion concerning the agenda of the nearest Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A., the Minister of Energy submitted the following justification:

The Act on the Management of State-owned Property of 30 December 2016 obliges entities authorized to exercise rights related to shares owned by the State Treasury to take measures with a view to determining, by way of a resolution of a general meeting or a provision of company statutes, matters which should require particular supervision with respect to the disposal of a company's assets. The Act also determines requirements to be met by candidates for members of supervisory and management bodies. It provides an additional obligation to implement a selection procedure for members of a management board after a recruitment procedure to be conducted by a supervisory body in order to check and assess candidates' qualifications.

In view of their character and significance, the proposed changes need to be reflected in the provisions of company statutes. As an internal document regulations the functioning of a company, statutes should be characterized by a clear division of competences among corporate governing bodies, should contain transparent regulations concerning asset management, investment decision making, the appointment of members of supervisory and management bodies, the determination of their remuneration as well as standards applicable to actions taken by company management boards in such areas as, for example, consultancy, marketing, sponsoring or entertainment expenses. Pursuant to the Act on the Management of State-Owned Property of 16 December 2016, these areas need to be standardized uniformly in companies in which the State Treasury holds shares. Therefore, it is reasonable to implement the provisions of the Act directly into the Company Statutes, and not through resolutions to be adopted by the General Meeting.

Irrespective of the above, it should be emphasized that the proposed amendments do not jeopardize the interests of minority shareholders. Moreover, they will provide minority shareholders with better access to information on the Company and greater impact on the decision making process.

Additionally, the Minister of Energy indicated that if the General Meeting adopted a resolution on amendments to the Statutes in the aforementioned scope, the processing of the draft resolutions referred to in item V a) – h) will not be necessary.

VI. changes in the composition of the Supervisory Board of PGE Polska Grupa Energetyczna S.A.

The draft resolutions were prepared by the Company on the basis of a letter of the Minister of Energy of 29 May 2017. Representing the State Treasury as a shareholder in the Company, on the basis of the deed of appointment and pursuant to Article 401 § 1 of the Commercial Companies Code, the Minister of Energy requested that the agenda of the General Meeting include an item concerning changes in the composition of the Supervisory Board.

In view of the fact that, pursuant to Article 401 § 1 of the Commercial Companies Code, a shareholder may request that particular matters be included in the agenda of the nearest General Meeting, and that, pursuant to § 20 clauses 1 and 2 of the Company Statutes, decisions in the aforementioned matters are the competence of the General Meeting, the Management Board granted the request of the Minister of Energy, included the aforementioned matter in the agenda of the Ordinary General Meeting, and drew up relevant draft resolutions.



The letter of the Minister of Energy in the aforementioned matter is available on the Company's website at www.gkpgge.pl in the tab dedicated to General Meetings.