



**A justification for the draft resolutions of the Extraordinary General Meeting of "PGE Polska Grupa Energetyczna Spółka Akcyjna" ("Company") convened for 3 August 2010**

***The adoption of a resolution concerning the merger of PGE Polska Grupa Energetyczna S.A. ("Acquiring Company") with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. ("Companies Being Acquired") and a change in the Company Statutes of PGE Polska Grupa Energetyczna S.A.***

The Consolidation Programme provides for mergers of the companies belonging to the PGE Capital Group within the major business lines as well as the merger of PGE Polska Grupa Energetyczna S.A. with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A.

The Consolidation Programme is a strategic and comprehensive project comprising several dozen companies from the PGE Capital Group. The Consolidation Programme provides for the reorganisation of the complicated capital structure, the implementation of the optimum managerial structure together with the centralisation of the functions fulfilled in the particular operating areas as well as the achievement of synergy effects within the PGE Capital Group. It will improve the decision making process and will cause its greater transparency and coherence. The Consolidation Programme's major objective is the PGE Capital Group's achievement of a strong market and financial position.

Additionally, it should be emphasised that the merger of PGE Polska Grupa Energetyczna S.A. with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. is to be effected also as the performance of article 11 of the Act on the purchase of shares from the State Treasury under the power industry companies' consolidation process (Journal of Laws, 2007, no. 191, item 1367, as amended). According to this regulation, "the shareholders of PGE Energia S.A. and PGE Górnictwo i Energetyka S.A. who have acquired shares in these companies under the provisions of this Act shall become the shareholders of PGE Polska Grupa Energetyczna S.A. in consequence of the merger of PGE Energia S.A. and PGE Górnictwo i Energetyka S.A. with PGE Polska Grupa Energetyczna S.A., under the procedure provided for in article 492 § 1 item 1 of the Commercial Companies Code".

Within the framework of the activities included in the Consolidation Programme Schedule and conducted so far, the Management Boards of the companies participating in the merging process have adopted a merger plan.

The merger plan of PGE Polska Grupa Energetyczna S.A. with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. includes all information required under article 499 of the Commercial Companies Code. It was submitted to the relevant courts of the merging companies in January 2010, announced in Monitor Sądowy i Gospodarczy [the Court and Commercial Gazette], issue no. 26/2010 (3384) of 8 February 2010 under item 1512, and published in the Company's current report no. 5/2010 of 27 January 2010.

The merger plan describes the principles of the merging process, the share exchange parities, the amount of share capital, etc. The merger plan constitutes an enclosure to the draft resolution.

Pursuant to article 502 and article 503 of the Commercial Companies Code, and with respect to the certified auditors professional standards issued by the National Chamber of Certified Auditors in Poland, an expert appointed by the Court of Registration audited the merger plan,

prepared a written opinion on its correctness and reliability, and submitted it to the Court of Registration on 15 March 2010. The opinion prepared by the expert certified auditor was published in the Company's current report no. 24/2010 of 19 April 2010.

In the opinion, the auditor ascertained the following:

- the plan of the merger of the Acquiring Company and the Companies Being Acquired is consistent in its form and content with the applicable provisions of the Commercial Companies Code, in particular it includes all information specified in article 499 § 1 of the Commercial Companies Code; additionally:
  - the merger plan determines properly the rate of exchanging the shares of the Companies Being Acquired for the shares of the Acquiring Company,
  - the plan correctly uses the presented share valuation methods to determine the share exchange rate,
- the valuation of the shares of the merging Companies used to determine the share exchange rate specified in the merger plan does not pose any difficulties while the applied methodology has allowed for a reliable determination of the current market values of the respective Companies,
- information included in the declaration concerning the statement of the financial positions of the Acquiring Company and the Companies Being Acquired is consistent with information included in the respective Companies' balance sheets and income statements.

The Management Board's report justifying the merger together with the merger plan and enclosures to it, as well as the opinion prepared by the expert were submitted to the shareholders of the merging Companies.

A report justifying the merger prepared by the Management Board of the Acquiring Company was published in the Company's current report no. 25/2010 of 12 May 2010. Pursuant to article 506 of the Commercial Companies Code, a merger of companies requires a resolution of the general meeting of each of the merging companies, such resolution to be adopted by a majority of three fourths of the votes, representing at least half of the share capital, unless the company statutes provide for stricter requirements. A resolution of a general meeting of a public company concerning a merger with another company requires a majority of two thirds of votes unless company statutes provide for stricter conditions. A resolution of the General Meeting of PGE Polska Grupa Energetyczna S.A. concerning a merger with another company is also required under the provisions of § 37 clause 1 item 6 of the Statutes of PGE Polska Grupa Energetyczna S.A.

Pursuant to § 38 of the Statutes of PGE Polska Grupa Energetyczna S.A., a relevant proposal of the Management Board of PGE SA received a positive opinion of the Supervisory Board – resolution no. 163/VIII/2010 of 29 June 2010.

Proposed changes to the Statutes of the Acquiring Company are related to an increase in its share capital by way of an issue of shares to be distributed among the shareholders of the Companies Being Acquired, excluding PGE Polska Grupa Energetyczna S.A.

***A justification for the draft resolution of the Extraordinary General Meeting ("EGM") of PGE Polska Grupa Energetyczna Spółka Akcyjna ("Company") concerning an application for the admission and introduction of shares series C and D to trading on the regulated market, the dematerialisation of series C and D shares and an authorisation to conclude an agreement with Krajowy Depozyt Papierów Wartościowych S.A. [National Securities Depository]***

The merger of PGE Polska Grupa Energetyczna S.A. (Acquiring Company) with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. (Companies Being Acquired) will be effected pursuant to article 491 § 1 item 1 of the Commercial Companies Code, i.e. by way of transferring all assets of the Companies Being Acquired to the Acquiring Companies in return for shares which the Acquiring Company will issue to the shareholders of the Companies Being Acquired. In consequence of the merger, the share capital of the Acquiring Company will be increased by the amount of PLN 1,396,937,270 by an issue of 139,693,727 shares, including 73,241,482 series C bearer shares and 66,452,245 series D bearer shares with a par value of PLN 10.00 each (Merger Shares). In view of the fact that all shares issued by the Acquiring Company so far are dematerialised and admitted to trading on the regulated market, a decision concerning the dematerialisation of the Shares Being Acquired and their admission and introduction to trading on the regulated market is fully justified.

*A justification for the draft resolution of the Extraordinary General Meeting ("EGM") of PGE Polska Grupa Energetyczna Spółka Akcyjna ("Company") concerning the preparation of the Company's individual financial statements starting from 1 January 2011 in accordance with the requirements of the International Financial Reporting Standards (IFRS).*

Since 1 January 2007 consolidated financial statements of the PGE Capital Group have been drawn up pursuant to the requirements of the International Financial Reporting Standards while individual financial statements of PGE Polska Grupa Energetyczna S.A. have been drawn up pursuant to the provisions of the Accounting Act.

Pursuant to article 45 paragraph 1a of the Accounting Act, financial statements of the issuers of securities admitted to trading on one of the regulated markets in the countries of the European Economic Area may be drawn up pursuant to IFRS.

In order to make the reporting standards more uniform, to reduce related labour intensity and to accelerate access to financial and managerial information, it is justifiable that PGE Polska Grupa Energetyczna S.A. should prepare its individual financial statements in accordance with IFRS. In accordance with the provisions of Article 45 paragraph 1c of the Accounting Act, a decision concerning the preparation of financial statements in accordance with IFRS is the prerogative of a body approving financial statements, i.e. in the case of PGE Polska Grupa Energetyczna S.A. - the General Meeting.