



**A justification for the draft resolutions of the Extraordinary General Meeting (“EGM”) of “PGE Polska Grupa Energetyczna Spółka Akcyjna” (“Company”, “PGE”) convened for 5 September 2016.**

**I. The resolutions concerning an increase in the Company's share capital and related changes in the Company Statutes, the allocation of the supplementary capital for the financing of the flat-rate income tax related to the said increase in the share capital as well as changes in the composition of the Supervisory Board.**

The draft resolutions concerning the aforementioned matters were sent to the Company on 29 July 2016 as attachments to a request of the Minister of Energy, acting in the capacity of the representative of the shareholder – the State Treasury, who, pursuant to the appointment deed of 30 November 2015, on the basis of § 28 clause 1 item 3 of the Company Statutes and on the basis of Article 400 § 1 of the Commercial Companies Code, requested that the Extraordinary General Meeting of PGE be convened within the shortest possible time and that the agenda of the Extraordinary General Meeting include items concerning an increase in the Company's share capital and related changes in the Company Statutes as well as a resolution on the allocation of the supplementary capital for the financing of the flat-rate income tax related to the said increase in the share capital as well as changes in the composition of the Supervisory Board.

In view of the fact that, pursuant to Article 400 § 1 of the Commercial Companies Code, the Shareholder representing at least one twentieth of the share capital may request that the extraordinary general meeting be convened and that particular matters be included in the agenda of such a meeting, and in view of the fact 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 accepted the request of the Minister of Energy and included the aforementioned matters in the agenda of the Extraordinary General Meeting.

The Management Board presented the draft resolutions proposed by the Minister of Energy on the Company's website.

Simultaneously, in view of the content of the proposed resolutions concerning an increase in the share capital and the allocation of a part of the supplementary capital for the financing of the flat-rate income tax to be adopted by the Extraordinary General Meeting, the Management Board indicates that as at 1 August 2016 the Company's supplementary capital amounts to PLN 14,309,185,104.02. With respect to the content of Article 396 § 5 of the Commercial Companies Code, according to which a part of the supplementary capital equal to one third of the share capital may be used only to finance losses disclosed in financial statements, the maximum amount by which the supplementary capital may be decreased and which may be allocated for an increase in the share capital is PLN 8,073,456,603.38. Assuming that the share capital is increased by the amount of PLN 5,609,282,487.00 as proposed by the Minister of Energy, the maximum amount of the supplementary capital which may be allocated for the financing of the flat-rate income tax is PLN 2,464,174,116.38. In view of the fact that some

shareholders are exempt from income tax and others pay income tax at rates other than 19%, it is not possible to determine at this stage the exact amount of due tax and, consequently, the exact amount by which the supplementary capital will be decreased.

The draft resolutions presented by the Minister of Energy and concerning changes in the composition of the Supervisory Board do not contain any names of people who are to be dismissed from the Supervisory Board or appointed as new members of the Supervisory Board.

## **II. The resolution concerning the payment of the costs related to the convening of the General Meeting.**

Pursuant to Article 400 § 4 of the Commercial Companies Code, in the agenda of the Extraordinary General Meeting, the Management Board included also an item concerning the adoption of a resolution concerning the payment of the costs related to the convening and holding of the General Meeting.