



*Enclosure to resolution of the Supervisory Board of
PGE Polska Grupa Energetyczna S.A.
no. 228/X/2017 of 24 May 2017*

A Report of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. on the results of the evaluation of "The EU-IFRS-compliant standalone financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016", "The EU-IFRS-compliant consolidated financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016", "The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2016", and the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. concerning an evaluation of the Management Board's motion to be submitted to the General Meeting and relating to the distribution of net profit for the financial year 2016.

Acting pursuant to Article 382 § 3 of the Commercial Companies Code and § 18 clause 1 items 1 and 2 of the Statutes of PGE Polska Grupa Energetyczna S.A., the Supervisory Board evaluated the following:

1. "The EU-IFRS-compliant standalone financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016",
2. "The EU-IFRS-compliant consolidated financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016",
3. "The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2016",
4. the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. concerning an evaluation of the Management Board's motion to be submitted to the General Meeting and relating to the distribution of net profit for the financial year 2016.

The Supervisory Board finds as follows:

I. Re: "The EU-IFRS-compliant standalone financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016".

1. The Supervisory Board became acquainted with and analysed "The IFRS-consistent standalone financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016" comprising a standalone statement of comprehensive income, a standalone statement of financial position, a standalone statement of changes in equity, a standalone statement of cash flows, as well as additional information on adopted accounting principles and additional explanatory notes.
2. The standalone financial statements for the year 2016 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., with its registered office in Warsaw, entered in the register of entities authorized to audit financial statements under registration number 3546, the said register being kept in the custody of the National Chamber of Auditors in Poland.

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3. The standalone financial statements of PGE Polska Grupa Energetyczna S.A. for the financial year 2016:
 - have been drawn up in all material aspects in accordance with the International Financial Reporting Standards, which have been approved by the European Union,
 - comply with the legal regulations and the provisions of the Company's Statutes having influence on the content of the standalone financial statements,
 - have been drawn up based on the account books, which are properly maintained in all material aspects.
4. The standalone financial statements present truly and fairly the economic and financial position of the Company as at 31 December 2016, the financial result and cash flows for the financial year ended on that day.

II. Re: "The EU-IFRS-compliant consolidated financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016".

In consequence of the conducted review and on the basis of the opinion and report of the certified auditor on the audit of "The EU-IFRS-compliant consolidated financial statements of the Capital Group of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016", the Supervisory Board finds as follows:

1. The consolidated financial statements for the year 2016 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., with its registered office in Warsaw, entered in the register of entities authorized to audit financial statements under registration number 3546, the said register kept in the custody of the National Chamber of Auditors in Poland;
2. The consolidated financial statements of the Capital Group of PGE Polska Grupa Energetyczna S.A. present truly and fairly the economic and financial position of the Capital Group as at 31 December 2016, the financial result and cash flows for the financial year ended on that day, and have been drawn up in all material aspects in accordance with the requirements of the International Financial Reporting Standards, which have been approved by the European Union, and they comply with the legal regulations having influence on the content of consolidated financial statements and applicable to the Capital Group of PGE Polska Grupa Energetyczna S.A.;

III. Re: "The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2016".

1. The report on the Company's activities includes, in all material aspects, information referred to in Article 49 of the Accounting Act and the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information to be released by issuers of securities and the conditions for recognizing as equivalent information required under the laws of a country which is not a Member State (i.e. Journal of Laws of 2014, item 133, as amended).



2. The report is consistent with the information included in the standalone financial statements and the consolidated financial statements.
3. The Company properly executes its tasks related to its objects specified in § 3 of the Statutes of PGE Polska Grupa Energetyczna S.A.

IV. Re: The motion of the Management Board of PGE Polska Grupa Energetyczna S.A. concerning an evaluation of the Management Board's motion to be submitted to the General Meeting and relating to the distribution of net profit for the financial year 2016.

The Supervisory Board became acquainted with the Management Board's proposal concerning the distribution of profit for the year 2016. The Supervisory Board finds that the Management Board's proposal has been drawn up in compliance with the following legal requirements:

1. A dividend may be paid out on the basis of the financial result determined in the standalone financial statements prepared for Statute purposes, i.e. in the Company's case, in accordance with the IFRS approved by the European Union.
2. Pursuant to the provisions of the Commercial Companies Code (Article 348 § 1), the amount to be distributed among the shareholders may not exceed the profit for the previous financial year increased by the undivided profit for the previous years and by the amounts transferred from the supplementary and reserve capitals which may be allocated for dividend payments. This amount needs to be decreased by the accumulated losses, treasury shares and other sums which, pursuant to the Act or the Statutes, need to be allocated to the supplementary and reserve capitals.
3. Pursuant to the requirements of the Commercial Companies Code (article 396), a public limited company is obliged to establish a supplementary capital for the financing of possible losses. Each year this supplementary capital is increased by at least 8% of an entity's profit for a given financial year as shown in its standalone financial statements until this capital has reached the amount of at least one third of such entity's share capital. The use of the supplementary and reserve capitals is determined by the General Meeting, however, the part of the supplementary capital equal to one third of the share capital may be used only to finance losses disclosed in an entity's standalone financial statements and may not be distributed for other purposes.

As at 31 December 2016 the value of the share capital of PGE Polska Grupa Energetyczna S.A. was PLN 19,165,048,497.25. One third of the share capital equals PLN 6,388,349,499.08, and the value of the supplementary capital is PLN 13,729,761,290.77. As at 31 December 2016 the surplus of the supplementary capital over one third of the share capital equalled PLN 7,341,411,791.69. In view of the above and under the provisions of the Commercial Companies Code, the Company is not obliged to establish the supplementary capital from the 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.

Therefore, the Supervisory Board evaluates positively the Management Board's proposal concerning the distribution of net profit for 2016.

Final conclusions

The Supervisory Board evaluates positively the following:

1. "The EU-IFRS-compliant standalone financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016",
2. "The EU-IFRS-compliant consolidated financial statements of PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2016",
3. "The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2016",
4. the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. concerning an evaluation of the Management Board's motion to be submitted to the General Meeting and relating to the distribution of net profit for the financial year 2016.

In connection with the above, the Supervisory Board recommends that the General Meeting approve the aforementioned documents.

Chairperson of the Supervisory Board
of PGE Polska Grupa Energetyczna S.A.
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Anna Kowalik

Members of the Supervisory Board:

Jarosław Głowacki/-/ [an illegible signature].....
Janina Goss/-/ [an illegible signature].....
Witold Kozłowski
Grzegorz Kuczyński/-/ [an illegible signature].....
Radosław Osiński/-/ [an illegible signature].....
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