

**A justification for the draft resolutions to be considered and voted on by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna Spółka Akcyjna ("Company", "PGE") convened for 07 March 2022:**

**I. The matter concerning the General Meeting's granting consent for the manner of voting, as determined by the Management Board of PGE Polska Grupa Energetyczna S.A., at the General Meeting of the company PGE Systemy S.A., on the matter of amendments to the Statutes of PGE Systemy S.A.**

On 19 October 2021 the PGE Management Board adopted resolution no. 548/78/2021 concerning the General Meeting's granting consent to the determination of the manner of exercising the voting rights at the Extraordinary General Meeting of PGE Systemy S.A., the matter of amendments to the Statutes of PGE Systemy S.A., the granting of powers of attorney to represent PGE Polska Grupa Energetyczna S.A. at this Meeting, the request that the Supervisory Board of PGE Polska Grupa Energetyczna S.A. give its opinion on the motion to be submitted to the General Meeting of PGE Polska Grupa Energetyczna S.A., the request that the General Meeting of PGE Polska Grupa Energetyczna S.A. grant consent to the determined manner of exercising the voting right by the representatives of PGE Polska Grupa Energetyczna S.A. at the Extraordinary General Meeting of PGE Systemy S.A.

PGE Systemy S.A. performs the function of a shared services centre established to provide ICT services and a central purchasing agent for the entities within the Capital Group of PGE Polska Grupa Energetyczna S.A. ("PGE Capital Group").

In view of the above, the need was recognised to introduce an additional provision to the Statutes of PGE Systemy S.A. will directly indicate the fact that PGE Systemy S.A. conducts permanent activities in the capacity of the central purchasing agent, which will make it possible to mitigate the risk of unfavourable interpretations of the provisions of the Public Procurement Law and EU Directives by the National Appeal Chamber and other competent adjudicating authorities and concerning the activities of PGE Systemy in relation to its counterparties within the PGE Capital Group. Hence the proposal to amend the wording of § 5 clause 1 of the Statutes of PGE Systemy S.A.

The other amendments to the Statutes of PGE Systemy S.A. are of an updating nature and include the following:

- a) extending § 15 with clause 10 concerning the procedure for resignation from a position in the Management Board (the indication that a notice of resignation from the Management Board should be submitted to the company, i.e. if a notice of resignation is to be submitted effectively, it is required that it be submitted to another member of the Management Board or a commercial proxy).
- b) giving § 18 clause 1 item 4 the new wording indicating that it is the Supervisory Board's responsibility to select an auditing firm, and not a certified auditor, responsible for auditing the Company's financial statements, which is in line with the current wording of Article 66 of the Accounting Act of 29 September 1994.
- c) extending § 32 with clause 5 concerning the indication that the payment of dividend is possible directly by the Company - with the exclusion of the brokerage house maintaining the register of shareholders. (this amendment to the Statutes is consistent with Article 328<sup>10</sup> of the Commercial Companies Code).

Pursuant to § 37 clause 3 item 2 of the PGE Statutes, the consent of the General Meeting is required for the purpose of determining the manner of voting at the General Meeting of the company PGE Systemy S.A. on the matter of amendments to the Statutes of the PGE Systemy S.A.

On 26 October 2021 the Supervisory Board evaluated positively the aforementioned motion of the PGE Management Board.

**II. The matter concerning decreasing the share capital by way of reducing the par value of shares and simultaneously increasing the share capital by way of issuing series E shares under the private subscription procedure, depriving the present shareholders entirely of the preemptive right to all series E shares, applying for admission and introduction of series E shares or rights to series E shares to trading on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange], dematerialising series E shares or rights to series E shares, as well as amending the Company Statutes**

On 18 January 2022 the PGE Management Board adopted resolution no. 19/03/2022 on initiating the process of recapitalising PGE Polska Grupa Energetyczna S.A. In the resolution, the Management Board submits a motion to the Extraordinary General Meeting to adopt a resolution on decreasing the share capital by way of reducing the par value of shares and simultaneously increasing the share capital by way of issuing series E shares under the private subscription procedure, depriving the present shareholders entirely of the preemptive right to all series E shares, applying for admission and introduction of series E shares or rights to series E shares to trading on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange], dematerialising series E shares or rights to series E shares, as well as amending the Company Statutes.

The justification for the proposed actions is the necessity to obtain financing for the implementation of planned capital-intensive investment projects in the area of intensified development of renewable energy sources, decarbonisation through the development of low-emission sources and development of distribution under the "Distribution of the Future" programme. Additional funds obtained from the issue of series E shares will enable the Company to adapt to regulatory changes and the changing market environment by accelerating the process of changes in the Company's capital group, which will have a positive impact on the achievement of its objectives and increase in value for shareholders.

Taking into account that the current price of PGE shares is below the par value and, pursuant to the Commercial Companies Code, it is not possible to subscribe for shares below the par value, it is proposed to combine an increase of the share capital of PGE by way of issuing a new series of shares with a simultaneous decrease of the share capital by way of reducing the par value of shares.

According to the motion prepared by the Management Board, the Company's share capital will be reduced by the amount of PLN 3,178,593,409.30 (from PLN 19,165,048,497.25 to PLN 15,986,455,087.95) by way of decreasing the par value of each share from PLN 10.25 to PLN 8.55. The purpose of decreasing the share capital is to reduce the par value of the shares, which will make it easier to raise capital by way of new share issues. The decrease of the share capital will be effected, pursuant to Article 457 § 1 item 1 of the Commercial Companies Code, with the exclusion of the application of Article 456 of the Commercial Companies Code, as it will be performed with a simultaneous increase of the share capital to at least the original amount of the share capital before its decrease.

In connection with the decrease of the share capital by way of reducing the par value of shares, the share capital will be increased by the amount of PLN 3,197,291,010.75 to the amount of PLN 19,183,746,098.70 by way of issuing 373,952,165 series E shares with a par value of PLN 8.55 each. The increase of the share capital will be effected by way of private subscription with the exclusion of the preemptive right. In the interest of the Company, the General Meeting may deprive shareholders of their preemptive right to shares in whole or in part. The Management Board provides the General Meeting with a written opinion justifying the reasons for depriving shareholders of the preemptive right, the proposed share issue price and the manner of its determination.

In connection with the decrease and increase of the share capital, §7 of the PGE Statutes will be amended.

On 18 January 2022 the Supervisory Board evaluated positively the aforementioned motion of the PGE Management Board.