

**CONSOLIDATED REPORT ON PAYMENTS
TO GOVERNMENTS
FOR 2016
THE PGNiG GROUP**



Introduction

This consolidated report on payments to governments made by the PGNiG Group in 2016 has been prepared in accordance with the requirements of the Accountancy Act of September 29th 1994 (Dz. U. of 2016, item 1047, as amended) (the "Accountancy Act").

Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") is the parent of the PGNiG Group and because its subsidiaries include undertakings active in the extraction industry, which made single payments to governments amounting to an equivalent of PLN 424,700 or more, the report presented below has been prepared as a consolidated report on payments to governments made by the PGNiG Group. The group of PGNiG Group entities covered by this report was determined in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). A detailed list of PGNiG Group entities as at the end of 2016 is presented in the Consolidated Annual Report of the PGNiG Group for 2016, published on PGNiG S.A.'s website: www.pgnig.pl.

In 2016, the PGNiG Group carried out oil and gas production operations in Poland, Norway and Pakistan. This report presents payments to governments made by the PGNiG Group in those and other countries, broken down by the level of government.

In accordance with the Accountancy Act, government means any national or local authority as well as all undertakings controlled by that authority. In 2016, there were no payments that could be assigned to a project within the meaning of the Accountancy Act (i.e. activities governed by multiple substantially interconnected agreements).

The payments include amounts actually paid/transferred, where the direct recipient is a government. In the case of operatorship agreements related to exploration and production licences, if a PGNiG Group company is not the operator, this report does not include any payments made to the operator (which is not a government), unless it is possible to identify such payment made indirectly by the operator on behalf of a PGNiG Group entity to a government.

Items of this report which are expressed in foreign currencies have been translated at the relevant exchange rate computed as the arithmetic mean of mid rates quoted by the National Bank of Poland (NBP) for the last day of each calendar month of 2016.

For more information on extraction activities carried out by the PGNiG Group's Exploration and Production segment, see Directors' Report on the operations of PGNiG SA and the PGNiG Group, which is a part of the Consolidated Annual Report, published on PGNiG SA's website: www.pgnig.pl.

Report on payments to governments

	Production entitlements*	Taxes on income, production or profits**	Dividends	Royalties, discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Total payments
Poland						
Payment recipients	(139)	(590)	(748)	(36)	(16)	(1,529)
Payments to national governments	(19)	(590)	(748)	(36)	(6)	(1,399)
Payments to local governments	(120)	-	-	-	(10)	(130)
Norway						
Payment recipients	-	-	-	(4)	-	(4)
Payments to national governments	-	-	-	(4)	-	(4)
Pakistan						
Payment recipients	(4)	(11)	-	(2)	(1)	(18)
Payments to national governments	(4)	(11)	-	-	(1)	(16)
Payments to local governments	-	-	-	(2)	-	(2)
Kazakhstan						
Payment recipients	-	(8)	-	-	-	(8)
Payments to national governments	-	(8)	-	-	-	(8)
Germany						
Payment recipients	-	(2)	-	-	-	(2)
Payments to national governments	-	(1)	-	-	-	(1)
Payments to local governments	-	(1)	-	-	-	(1)
Total (all countries)						
Payment recipients	(143)	(611)	(748)	(42)	(17)	(1,561)
Payments to national governments	(23)	(610)	(748)	(40)	(7)	(1,428)
Payments to local governments	(120)	(1)	-	(2)	(10)	(133)

* Includes mainly payments of production fees related to oil and gas production.

** Includes mainly corporate income tax, as it is not calculated separately for operations directly related to exploration and production; the category comprises corporate income tax paid by the PGNiG Group.

PGNiG Management Board:

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Management Board

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Vice President of the
Management Board

Radosław Bartosik

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Vice President of the
Management Board

Łukasz Kroplewski

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Vice President of the
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Michał Pietrzyk

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Vice President of the
Management Board

Maciej Woźniak

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Vice President of the
Management Board

Magdalena Zegarska

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Warsaw, March 6th 2017