Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, June 20th 2012

Answers to Shareholder's questions
submitted during the PGNiG Annual General Meeting of June 6th 2012

Current Report No. 99/2012

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG", "the Company") hereby provides answers to the questions submitted by the Shareholder during the Annual General Meeting held on June 6th 2012 in Warsaw. The information is provided to the shareholder pursuant to Art. 428.5 of the Polish Commercial Companies Code.

Question 1:

What were the total costs incurred by the Company on shale gas projects as at December 31st 2011?

Answer 1:

In 2011 the Company incurred expenditure of about PLN 27 million on shale gas projects. As at December 31st 2011, this expenditure was shown in the Company's balance sheet in Tangible Assets under Construction.

The costs incurred on such projects in 2011 amounted to about PLN 1 million and were recognised in the Company's 2011 income statement as Contracted Services.

Question 2:

At the end of 2011, PGNiG held 12,766.10 sq km of shale gas licence areas. What was the average cost of acquiring the shale gas licence areas held by the Company at the end of 2011? By total cost I understand all the costs related to acquiring a licence, including for instance the costs of building an appropriately qualified team to manage such a project, the costs of acquiring relevant geological data, carrying out expert studies for the licence area, all the costs of organisational nature and costs of expert services connected with implementation of the project. I also mean the costs related to obtaining the exploration licence, i.e. the costs of preparation and filing the licence application, and costs of the geological study and of other analyses serving as the basis for the selection and evaluation of a licence area. To sum up, what was the average price or cost related to acquiring the shale gas licences per 1 sq km at the end of 2011?

Answer 2:

By the end of 2011, approximately PLN 146 million was spent on exploration in shale gas licence areas.

By the end of 2011, we spent around PLN 12 million on maintaining and managing the shale gas licence areas (15 licences), which translates to about PLN 950 per 1 sq km.

Question 3:

In line with the IFRS, last year the Company recognised PLN 58 million of costs of bonuses/awards to employees. As we all know, that amount could not have been classified as tax-deductible expenses (as you are well aware we recently opposed the adoption of such a solution at JSW). The decision in this respect was made by the last year's Annual General Meeting of the Company. Was it/Is it difficult to abandon that form of payment of bonuses/awards in favour of solutions where the Management Board will decide on the bonus payments (entailing numerous tax benefits)? Did it involve any issues of procedural/ formal nature? Apart from negotiations with the employees and trade unions, did it it require any extraordinary formal, legal or fiscal solutions?

Answer 3:

Abandoning the previous form of payment of bonuses/awards in favour of solutions proposed by the Company and consulted with the social partner does not require any extraordinary fiscal solutions, because the Company has obtained a private letter ruling pursuant to which any expenses in the form of bonuses paid to employees along with the overheads classify as tax-deductible expenses.

With regard to the profit-sharing award to employees, an agreement with the trade unions was in place at PGNiG (Agreement with the Trade Unions of December 7th 2006) under which the Management Board of PGNIG undertook to apply to the General Meeting of PGNiG to "allocate the maximum economically justified amounts from the net profit for awards to the employees of PGNiG" if the Company generates a positive financial result. In the context of this provision, it was necessary to sign a new agreement which would govern this matter. We have managed to reach compromise and to create a solution that matches both the Company's capabilities and the expectations of our employees.

Question 4:

In 2011 the Company reported a net foreign exchange loss of nearly PLN 92 million (no such item was reported a year earlier). What were the steps taken by the Management Board in 2011 to minimise such losses? What steps does the Management Board intend to take in order to avoid such situations in the future?

Answer 4:

The PLN -91,774 thousand foreign exchange loss comprises primarily an unrealised foreign exchange loss on revaluation of the USD 400 million loan contracted by PGNiG Norway AS in August 2010. The reported loss is primarily attributable to changes in the

PLN/USD exchange rates between the balance-sheet dates (as at December 31st 2010 the exchange rate was 2.9641, whereas as at December 30th 2011 it was 3.4174) and in the outstanding loan balance between these two dates (USD 313 million at the end of 2010 and USD 399 million at the end of 2011). In 2010, the company reported a gain of PLN 21,332 thousand on the item.

Potential foreign exchange gains/losses on the loan will be offset against the company's revenue from sales of hydrocarbons, which will be denominated in the USD.

Question 5:

Has the Company succeeded in integrating its newly acquired assets in the form of Vattenfall Heat Poland (currently PGNiG Termika) with the PGNiG Group?

Answer 5:

Still prior to the closing of the acquisition of Vattenfall Heat Poland (VHP, currently PGNiG Termika SA), a comprehensive programme was elaborated at PGNiG concerning integration of the company with the PGNiG Group. Among a number of aspects of the integration process, the programme covered controlling and management reporting, accounting and financial reporting, rebranding, corporate communications and investor relations, insurance and electricity trading. That project has been completed, but work is still ongoing to ensure continuity of the IT, financial/accounting and human resources/payroll functions supporting the operations of PGNiG Termika SA These functions are currently still performed by Vattenfall Business Services Poland sp. z o.o. (after a name change - Tauron Obsługa Klienta GZE sp. z o.o.), which previously functioned as the Shared Services Centre for the Polish companies of the Vattenfall Group and has been acquired by Tauron Polska Energia SA Our plans are that provision of such services to PGNiG Termika SA should be taken over by an entity from the PGNiG Group.

It should also be noted that PGNiG Termika SA is a separate legal entity (no incorporation into PGNiG is planned) and has been fully consolidated since Q1 2012.

Details concerning settlement of the acquisition are presented in Note 9 to the Q1 2012 consolidated quarterly financial statements of the PGNiG Group.