Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, November 7th 2011

Draft resolutions for the Extraordinary General Shareholders Meeting of PGNiG SA convened for December 7th 2011

Current Report No. 155/2011

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG" or "the Company") hereby publishes draft resolutions to be presented to the Extraordinary General Shareholders Meeting of PGNiG convened for December 7th, 2011.

Resolution No. .../XII/2011

concerning extension of the duration of the capital reserve designated as Central Restructuring Fund for the duration of the Programme for Employment Streamlining and Redundancy Payments to Employees of the PGNiG Group for 2009-2011 (Stage 3), i.e. until December 31st 2015.

Acting pursuant to Par. 56.3.9 of the Company's Articles of Association and taking into account the favourable opinion of the Supervisory Board contained in Resolution No. ..... of ...., the General Shareholders Meeting hereby resolves as follows:

Par. 1

The General Shareholders Meeting resolves to extend the duration of the capital reserve designated as Central Restructuring Fund for the duration of the Programme for Employment Streamlining and Redundancy Payments to Employees of the PGNiG Group for 2009-2011 (Stage 3), i.e. until December 31st 2015.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

Considering that the terms of the Programme for Employment Streamlining and Redundancy Payments to Employees of the PGNiG Group for 2009-2011 (Stage 3) state that the Programme is valid from January 1st 2009 to December 31st 2011, and unless a Party terminates the Programme in writing at least three months prior to its completion the Programme will continue into the next calendar year, but in any case no longer than until December 31st 2015, when it finally expires, it is proposed to extend the duration of the capital reserve designated as Central Restructuring Fund until December 31st 2015, as the Parties did not request termination of the Programme and the Fund has been set up to ensure redundancy-related benefits to eligible employees covered by the Programme.

The Central Restructuring Fund, set up in 2005 as part of amendments to Stage 2 of the Programme, serves to support the restructuring efforts at the PGNiG Group by ensuring redundancy payments to individual employees – benefits for former employees of the PGNiG Group companies which face financial difficulties. The Fund serves its purpose and its resources are used by the PGNiG Group companies.

The Fund's balance as at the date of this proposal is PLN 24,517,684.64.

Corporate procedures aimed at disbursing an amount of PLN 6,380,592.46 from the Central Restructuring Fund as one-off payments (redundancy-related benefits) to 25 former employees of ZUN Naftomet Sp. z o.o. of Krosno and 99 former employees of BUG Gazobudowa Sp. z o.o. of Zabrze, covered by the employment restructuring plan in 2011, have been recently completed. The balance left in the Fund's account after the payments are made will be PLN 18,137,092.18.

The Fund will be used for the benefit of former employees of the PGNiG Group companies, covered by the Programme for Employment Streamlining and Redundancy Payments to Employees of the PGNiG Group for 2009-2011 (Stage 3), which face financial difficulties as defined in the Programme. The Fund's resources are used for redundancy-related benefits (severance payments and compensations), on terms provided for in the Programme (Stage 3), and their use always requires approval of the General Shareholders Meeting of PGNiG SA.

Resolution No. .../XII/2011

concerning: approval of the acquisition of shares in PGNiG Technologie Sp. z o.o.

Acting pursuant to Par. 56.6 of the Company's Articles of Association, and based on the positive opinion of the Supervisory Board, expressed in Resolution No. ..../......./2011 of .... 2011, on the Management Board's proposal contained in Resolution No. …………. of ……....... , the Extraordinary General Shareholders Meeting hereby resolves as follows:

Par. 1

The Extraordinary General Shareholders Meeting hereby approves the acquisition by PGNiG SA of up to 46,516 (forty six thousand, five hundred and sixteen) new shares in the increased share capital of PGNiG Technologie Sp. z o.o. of Warsaw, with a par value of PLN 1,000 per share.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

The reason for the consolidation of execution and service companies from the PGNiG Group under the brand of PGNiG Technologie Sp. z o.o. is to create a strong business entity which will perform contracts not only for PGNiG SA but also for other Polish and foreign customers, and which will be able to compete with other players currently active on the market. In the period from the establishment of the holding company, i.e. December 22nd 2010, until all companies are fully consolidated and a single entity with a number of branches is created, PGNiG Technologie Sp. z o.o. will be responsible for strategic supervision over the activities of the four consolidated companies and will make legal and organisational preparations for the operations of the future entity.

The Management Board of PGNiG Technologie Sp. z o.o. has developed PGNiG Technologie Sp. z o.o.'s Strategy for 2011–2015, taking into account the effects of the consolidation project. The strategy received a positive opinion of the company's Supervisory Board, and was then approved by the General Shareholders Meeting of PGNiG Technologie Sp. z o.o. on August 17th 2011.

According to the financial assumptions of PGNiG Technologie Sp. z o.o.'s Strategy for 2011–2015, part of the funds required to implement the company's growth strategy will be raised by way of a share capital increase of up to PLN 47.3m, to be effected by the end of 2011. PGNiG Technologie Sp. z o.o.'s Strategy for 2011–2015 provides that the company's share capital will be increased by up to PLN 47.3m with a cash contribution made by way of a contractual set-off of PGNiG Technologie Sp. z o.o.'s liabilities to PGNiG SA against the amount payable to PGNiG Technologie Sp. z o.o. for its shares.

The maximum aggregate value of shares to be acquired by PGNiG SA as part of the share capital increase at PGNiG Technologie Sp. z o.o. is PLN 46,516,520.18.

Assuming that the share capital increase at PGNiG Technologie Sp. z o.o. is effected, in one or two phases, Phase I would consist of a PLN 27,900,000 share capital increase made by way of a contractual set-off of the receivables under loans advanced to PGNiG Technologie Sp. z o.o. by PGNiG SA to finance the restructuring process at the PGNiG Technologie Group, purchase of shares from minority shareholders of BN Naftomontaż Sp. z o.o. and PGNiG Technologie Sp. z o.o.'s day-to-day operations, against the PLN 27,900,000.00 payable for the acquired shares.

Phase II would consist of the company's share capital increase of up to PLN 18,616,000.00 made by way of a contractual set-off of the liabilities of the PGNiG Technologie Group's subsidiaries to PGNiG SA against the PLN 18,616,520.18 payable for the acquired shares.

The breakdown of the share capital increase at PGNiG Technologie Sp. z o.o. into two phases results from the fact that the company's share capital increase of up to PLN 18.6m is assumed to be effected following the registration of the merger of Zakład Urządzeń Naftowych Sp. z o.o., Budownictwo Naftowe Naftomontaż Sp. z o.o., Zakład Remontowy Urządzeń Gazowniczych Sp. z o.o. and Budownictwo Urządzeń Gazowniczych Gazobudowa Sp. z o.o. into PGNiG Technologie Sp. z o.o., because only upon the registration of the merger with the above companies will their liabilities towards PGNiG SA be assumed by PGNiG Technologie Sp. z o.o.

If the share capital increase at PGNiG Technologie Sp. z o.o. by PLN 27.9m, assumed to be effected in Phase I, is not carried out by the end of 2011, a share capital increase of up to PLN 46.5m will be carried out at a General Shareholders Meeting, which should be held by the end of Q1 2012.

The restructuring of PGNiG Technologie Sp. z o.o.'s liabilities and the increase of its share capital will allow the company to change the structure of its balance sheet, which, among other things, will positively contribute to the assessment of the company's standing in bidding procedures. Moreover, the restructuring of the company's debt by eliminating unwanted financial liabilities incurred by the consolidated companies will facilitate PGNiG Technologie Sp. z o.o.'s operations as a single business entity.

Resolution No. .../XII/2011

concerning: approval of the disposal of assets covered by the Agreement for the Lease of Gas Pipelines and Land in the Coastal Strip, concluded on October 27th 2011.

Par. 1

Acting in accordance with Par. 56.3.3 of the Company's Articles of Association, the General Shareholders Meeting of PGNiG SA hereby approves the disposal of property, plant and equipment covered by the Agreement for the Lease of Gas Pipelines and Land in the Coastal Strip concluded on October 27th 2011 with Wielkopolska Spółka Gazownictwa Sp. z o.o., on the conditions stipulated therein.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

On October 27th 2011 PGNiG SA and WSG Sp. z o.o. concluded an Agreement for the Lease of Gas Pipelines and Land in the Coastal Strip. The Agreement, which took effect on November 1st 2011, concerns assets including real estate and high-pressure gas pipelines together with the infrastructure necessary for the proper operation of those pipelines, located in the Coastal Strip. The Agreement requires that approval be granted for disposal of the Leased Assets to WSG Sp. z o.o. on the conditions stipulated in Par. 3 of the Agreement. The Agreement was concluded for a period of 20 years. According to a property appraisal report prepared in September 2011, the value of the Leased Assets is PLN 47,184,230.00 over the entire term of the Agreement. Upon the termination of the Agreement and the Lessee's having performed all of its obligations towards the Lessor under the Agreement, the Lessee will have the right to purchase the Leased Assets owned or held in perpetual usufruct by PGNiG, for the purchase price equal to the last lease payment determined in accordance with Annex No. 2 to the Agreement, plus VAT computed in accordance with the statutory rate in effect. If WSG Sp. z o.o. exercises its right to purchase the assets, the Purchase Price will be deemed paid upon PGNiG's receipt of the last lease payment.

Pursuant to Par. 56.3.3. of PGNiG's Articles of Association, any disposal of non-current assets, including real estate, perpetual usufruct rights or interest in real property, with a value exceeding the PLN equivalent of EUR 1,000,000, requires the General Shareholders Meeting's approval granted in the form of a resolution. Accordingly, the Parties to the Agreement agreed that the option to purchase the Leased Assets referred to above was conditional upon PGNiG's General Shareholders Meeting's having adopted, by January 31st 2012, a resolution approving the disposal of the Leased Assets to WSG on the conditions stipulated in the Agreement. This condition is a condition subsequent, with the proviso that if PGNiG's General Shareholders Meeting fails to adopt the resolution referred to above the Agreement will remain in force, save for the Lessee's right to purchase the assets provided for in the Agreement.

Resolution No. .../XII/2011

concerning: approval of the sale, by way of a tender, of non-current assets in the form of high-pressure gas pipelines with the accompanying infrastructure and land.

Par. 1

Acting in accordance with Par. 56.3.3 of the Company's Articles of Association, the Extraordinary General Shareholders Meeting of PGNiG SA hereby approves the sale, by way of a tender, of the following non-current assets:

I. the high-pressure DN 500 MOP 8.4 MPa gas pipeline Lubliniec-Częstochowa together with the accompanying infrastructure and the following real estate:

- Land Lot No. 2651/32 located in Lubecko,
- Land Lot No. 37/14 located in Częstochowa,
- Land Lot No. 8/10 located in Kochcice;

II. the high-pressure DN 400 PN 6.3 MPa gas pipeline Jawor-Legnica (Rybno-Taczalin) together with the accompanying infrastructure;

provided that the asking price is not lower than the current market price, as estimated by expert property appraisers, plus additional costs related to the tender procedure and the applicable VAT.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

The gas pipelines referred to above are redundant for the Company's operations, since, in accordance with the EU Gas Directive, PGNiG ceased to be involved in gas transmission as from July 1st 2005.

Accordingly, the proposed sale of the gas pipelines referred to above together with the accompanying infrastructure, by way of a tender, under Art. 19 of the Commercialisation and Privatisation Act of August 30th 1996 (Dz.U. of 2002, No. 171, item 1397, as amended) is fully justified.

The asking price for the non-current assets referred to above will be determined as their current market value plus additional cost incurred, including the cost of market value appraisal of the assets and costs related to the tender procedure, as well as the applicable VAT.