



Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, May 10th 2011

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

Current Report No. 66/2011

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 June 7th 2011.

**Resolution No. .../VI/2011
of the Extraordinary General Shareholders Meeting
of Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
of Warsaw
of June 7th 2011**

concerning: sale of legal title to the developed land located in Katowice at Józefa Pukowca 3 St., AM 39, 0001 cadastral district, Śródmieście-Załęże district, i.e. of the perpetual usufruct right to the land comprising plots Nos.: 71/6, 72/5, 73/4, 74/2, 75/2, 76/2, 77/2, 78/2, 79/2, 80/2, 81/2, 82/2 and 83/2, with an aggregate area of 11,837 sq m, and of the ownership title to the buildings and structures erected thereon.

Par. 1

Pursuant to Art. 393.4 of the Commercial Companies Code and Par. 56.3.3. of the Company's Articles of Association, having considered the proposal submitted under Resolution No./2011 of the PGNiG SA's Management Board, dated [■], as well as the positive opinion issued by the Supervisory Board of PGNiG SA in Resolution No. 7/VI/2011 of May 5th 2011, the Extraordinary General Shareholders Meeting of Polskie Górnictwo Naftowe i Gazownictwo SA hereby resolves to approve the sale by way of oral bids in a public auction of the legal title to the developed land located in Katowice at Józefa Pukowca 3 St., AM 39, 0001 cadastral district, Śródmieście-Załęże district, i.e. of the perpetual usufruct right to the land comprising plots Nos.: 71/6, 72/5, 73/4, 74/2, 75/2, 76/2, 77/2, 78/2, 79/2, 80/2, 81/2, 82/2 and 83/2, with an aggregate area of 11,837 sq m, and of the ownership title to the buildings and structures erected thereon,

for which the Land and Mortgage Registry Division of the District Court for Katowice-Wschód in Katowice maintains Land and Mortgage Register entry No. KA1K/00018009/4, for no less than PLN 9,418,000.00 (nine million, four hundred and eighteen thousand złoty) VAT exclusive.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

The value of the property to which the proposal refers amounts to PLN 9,409,000.00 (nine million, four hundred and nine thousand złoty), VAT exclusive, of which the value of the perpetual usufruct right to land is PLN 2,134,000.00. Polskie Górnictwo Naftowe i Gazownictwo SA holds the perpetual usufruct right to the land until December 5th 2089.

The plots listed in the proposal are developed with buildings and structures erected around 1981, which are held based on a separate legal title. The buildings can be generally described as follows:

- a) a workshop and storage building with umbrella roofs;
- b) a restroom and workshop building with a boiler house;
- c) an office (administration) building;
- d) an industrial gases building - a paint and oil storage facility.

The buildings located on the property have an aggregate floor area of 3,543.15 sq m, and cubic capacity of 14,614.30 cm. The property accommodates also materials storage stalls and a car wash. The property is fenced and lit, with internal yards and access roads. The property may be accessed via a bitumen access road, however the legal status of the road needs to be clarified. The area is developed with water, sewage and power infrastructure. There are central heating lines laid within the property area supplying central heating from the boiler house located on the property. The aggregate area of the land subject to the auction procedure is 11,837 sq m. At present, the Upper Silesian Gas Distribution Division of Zabrze (Górnośląski Zakład Gazowniczy w Zabrzu) is leasing a significant part of the property (about 75%), while the remaining part is used by the Upper Silesian Gas Trading Division (Górnośląski Oddział Obrotu Gazem), which is also the property administrator.

Given the fact that the property maintenance costs exceed the revenue it generates, and that PGNiG SA is not able to better use the property in view of the nature and extent of the business conducted by PGNiG SA's Upper Silesian Gas Trading Division (Customer Service Office), and having considered the fact that a major part of the

property is used by another entity, we request for approval of the sale of the developed land described in this proposal, for a price not lower than PLN 9,418,000.00 (VAT exclusive), which covers the market value of the property and the costs related to preparation of the sale transaction, including: preparation of a property appraisal report, obtaining relevant documents regarding the property and publication of a press announcement.

Resolution No. .../VI/2011
of the Extraordinary General Shareholders Meeting
of Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
of Warsaw,
dated June 7th 2011

concerning : acquisition of an exclusive usufruct right to plot No. 56/1 with an area of 2654 sq m, located in Poznań, for which the District Court for Poznań-Stare Miasto in Poznań maintains Land and Mortgage Register entry No. PO1P/00110034/5, along with the ownership title to the buildings and structures erected thereon, following revocation of the joint perpetual usufruct right and the joint ownership title to the property.

In view of the fact that the Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA of Warsaw ("PGNiG", the "Company") intends to revoke the joint perpetual usufruct existing between PGNiG and Wielkopolska Spółka Gazownictwa Sp. z o.o. of Poznań ("WSG") to land located in Poznań at Grobla 10-16 St. and Za Groblą 7 St., designated by plot Nos.: 35, 36, 37, 41, 45, 49, 51, 52/2, 53, 54/1, 54/2, 55/1, 55/4, 47/2, 42/3, 44/5, 44/6, 44/8, 44/9, 46/3, 46/5, 48/1, 48/3, 50/3, 32/1, 33/4, 34/3, 34/5, 38/2, 56/1, 56/2, cadastral district 0051 Poznań, map sheet No. 32, with an aggregate area of 46,367 sq m, for which the District Court for Poznań - Stare Miasto in Poznań maintains Land and Mortgage Register entry No. PO1P/00110034/5, and the joint ownership title to the buildings and structures erected thereon (the "Property"), in the following manner:

- a. PGNiG shall acquire the exclusive perpetual usufruct right to plot No. 56/1 with an area of 2654 sq m, along with the exclusive ownership title to the buildings and structures erected thereon, whose the market value - in accordance with the property appraisal report dated February 28th 2011 - is PLN 8,690,522.00, of which the market value of the perpetual usufruct right to plot No. 56/1 is PLN 3,315,377.00,
- b. WSG shall acquire the perpetual usufruct right to plots Nos.: 35, 36, 37, 41, 45, 49, 51, 52/2, 53, 54/1, 54/2, 55/1, 55/4, 47/2, 42/3, 44/5, 44/6, 44/8, 44/9, 46/3, 46/5, 48/1, 48/3, 50/3, 32/1, 33/4, 34/3, 34/5, 38/2, 56/2, with an aggregate area of 43,713 sq m, along with the exclusive ownership title to the buildings and structures erected thereon, whose market value - exclusive of the expenditure incurred on the Cloakroom and Baths ("Szatnia-Łaźnia") building and in accordance with the property appraisal report dated February 28th 2011 - is PLN 25,484,210.00, of which the value of the perpetual usufruct right to land is PLN 18,567,971.00,
- c. in order to ensure equitable distribution of value, WSG shall in addition pay PGNiG an amount of PLN 437,650.25, VAT exclusive, within 14 days from the execution

of the notarial deed revoking the joint perpetual usufruct right and the joint ownership title to the Property.

Par. 1

Pursuant to Par. 56.3.2 of the Company's Articles of Association, the General Shareholders Meeting of Polskie Górnictwo Naftowe i Gazownictwo SA of Warsaw resolves to approve the acquisition by the Company of the exclusive perpetual usufruct right to plot No. 56/1 located in Poznań, with an area of 2654 sq m, for which the District Court of Poznań-Stare Miasto in Poznań maintains Land and Mortgage Register entry No. PO1P/00110034/5, along with the exclusive ownership title to the buildings and structures erected thereon, whose the market value - in accordance with the property appraisal report dated February 28th 2011 - is PLN 8,690,522.00, of which the market value of the perpetual usufruct right to plot No. 56/1 is PLN 3,315,377.00.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

As part of restructuring of the PGNiG Group, carried out in 2007, WSG was demerged by way of transferring of a part of its assets comprising the Gas Trading Division to Wielkopolska Spółka Obrotu Gazem Sp. z o.o. of Warsaw (demerger by spin-off - Art. 529.1.4 of the Commercial Companies Code), which subsequently merged with PGNiG pursuant to Art. 429.1. of the Commercial Companies Code, through the transfer of all assets of Wielkopolska Spółka Obrotu Gazem Sp. z o.o. to PGNiG.

The above transformations resulted in the emergence between WSG and PGNiG of a joint perpetual usufruct of land located in Poznań at Grobla 10-16 St. and Za Groblą 7 St., designated as plots Nos.: 35, 36, 37, 41, 45, 49, 51, 52/2, 53, 54/1, 54/2, 55/1, 55/4, 47/2, 42/3, 44/5, 44/6, 44/8, 44/9, 46/3, 46/5, 48/1, 48/3, 50/3, 32/1, 33/4, 34/3, 34/5, 38/2, 56/1, 56/2, cadastral district 0051 Poznań, map sheet No. 32, with an aggregate area of 46,367 sq m, for which the District Court for Poznań-Stare Miasto in Poznań maintains Land and Mortgage Register entry No. PO1P/00110034/5, and a joint ownership of the buildings and structures erected thereon ("the Property"), with the parties holding the following interests: WSG -21198489/28924239, and PGNiG - 7725750/28924239.

The land is owned by the State Treasury, and the Property is not encumbered with a mortgage.

The Property is located in the central part of Poznań, at Grobla St. and Za Groblą 7 St. It comprises a complex of buildings and structures with service connections, fencing, yards, access routes, etc. The Property is entered in the register of historic monuments of the City of Poznań under entry No. A 241 and is subject to conservation protection. The office (administration) building located on the Property (plot No. 56/1) is separately entered in the register of historic monuments under No. A269. In order to revoke the joint ownership and the joint perpetual usufruct of the Property by way of its physical division, the Property was divided, as agreed by the Parties, by a licensed land surveyor.

Following revocation of the joint perpetual usufruct and joint ownership of the Property, PGNiG shall acquire an exclusive perpetual usufruct right to plot No.56/1, with an area of 2,654 sq m, and exclusive ownership title to the buildings and structures erected on this plot. Revocation of the joint perpetual usufruct and joint ownership shall be carried out with an additional payment of PLN 437,650.25 (VAT exclusive) to be made by WSG to PGNiG.

The settlement between the Parties has been based on the market value of the Property as at its valuation date (February 28th 2011), without taking into account the expenditure incurred exclusively by WSG on the Cloakroom and Baths ("Szatnia – Łaźnia") building. The PLN 34,174,732.00 market value was calculated as the total of the market values of the Property after the division.

The value of the additional payment was established by comparing the value of the exclusive rights to be acquired by each of the Parties, as determined by the real property appraiser, with the value of the interests in the Property. The value of PGNiG's interest in the Property was set at PLN 9,128,172.25, while the value of the part of the Property to be acquired by the Company - at PLN 8,690,522.00.

Surveys of pollution of the land and water environment have been carried out on the Property, which revealed pollution of soil and underground water. Given the fact that PGNiG, as a co-owner of the pollution/waste, has a land reclamation obligation, the legal risk of the transaction will be limited by including relevant provisions in the agreement revoking the joint usufruct and joint ownership of the Property; in particular, such provisions will exclude the statutory warranty for physical defects of the Property and transfer ownership of the pollution/waste onto WSG.

In Resolution No. [■] of [■] 2011, issued pursuant to Par. 33.1.12) of the Articles of Association, the Supervisory Board gave its positive opinion regarding the Management Board's proposal to acquire the Property.

**Resolution No. .../VI/2011
of the Extraordinary General Shareholders Meeting
of Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
of Warsaw
of June 7th 2011**

concerning: award of annual bonus for 2010 to Mr Michał Szubski, President of the Management Board of PGNiG SA.

Acting on the basis of Arts. 10.1 and 10.2 of the Act on Remuneration of Persons Managing Certain Legal Entities, dated March 3rd 2000 (Dz. U of 2000, No. 26, item 306, as amended):

Par. 1

The Extraordinary General Shareholders Meeting of Polskie Górnictwo Naftowe i Gazownictwo SA hereby resolves to award to Mr Michał Szubski an annual bonus for 2010 in the amount of PLN 62,182.44.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

Acting pursuant to Art. 10.1 and 10.2 of the Act on Remuneration of Persons Managing Certain Legal Entities, dated March 3rd 2000 (Dz. No. 26, item 306) and the Minister of State Treasury's Regulation on Detailed Rules and Procedures For Granting Annual Bonuses to Managing Personnel of Certain Legal Entities, and the Form of Proposal to Award an Annual Bonus, dated March 12th 2001 (Dz. U., No. 22, item 259, as amended), it is hereby proposed that an annual bonus be awarded to Mr Michał Szubski. Mr Michał Szubski has held the position of President of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA since March 12th 2008. On January 12th 2011, the Supervisory Board of PGNiG SA appointed the President and the members of PGNiG SA's Management Board for another joint three-year term of office starting from March 13th 2011.

Mr Michał Szubski performed the duties attached to his position with due care. His responsibilities included managing of all the Company's affairs requiring the President's involvement, as well as supervision over and coordination of the Company's operations. Upon the request of PGNiG SA's Management Board of March 22nd 2011,

the General Shareholders Meeting, by virtue of its Resolution of April 20th 2011, granted a discharge to Mr Michał Szubski in respect of his performance of duties.

In 2010, when Mr Michał Szubski held the position of the PGNiG President, the PGNiG Group posted a net profit of PLN 2,457.2m, up by PLN 1,220.3m year on year. PGNiG SA posted in 2010 a net profit of PLN 1,702.1m, up by PLN 1,036.2m year on year. Moreover, in 2010 PGNiG SA recorded sales revenue in the amount of PLN 20.4bn.

Relative to 2009, the Company's operating profit rose by PLN 1,249.5m. The strengthening of the PGNiG SA's financial position followed primarily from improved margins on high-methane gas sales and better results on crude oil sales.

As part of implementing the PGNiG Group's reorganisation objectives, the Management Board commenced the process of consolidation of construction and assembly companies. In July, PGNiG Technologie Sp. z o.o. was incorporated, to which shares in four subsidiaries of PGNiG SA (BUG Gazobudowa Sp. z o.o., ZRUG Sp. z o.o. of Pogórska Wola, BN Naftomontaż Sp. z o.o. and ZUN Naftomet Sp. z o.o.) were contributed. The merger of PGNiG Technologie Sp. z o.o. and the four companies subject to consolidation will be the last stage of the consolidation process. By consolidating its construction and assembly companies, the PGNiG Group will form a single strong entity capable of more effectively competing on the domestic and foreign markets. The consolidation will also facilitate effective management and improve PGNiG SA's ownership supervision over this operating area.

In 2010, the Management Board of PGNiG SA intensified its work on the development of a new business segment - power engineering. In May, PGNiG SA, PGNiG Energia S.A., TAURON Polska Energia SA and Elektrownia Stalowa Wola SA signed a project execution agreement concerning "Construction of a CCGT Unit in Stalowa Wola" which provided for the definition of the rules and the implementation of an investment project involving the construction of a combined cycle gas turbine unit with capacity of 400MW electrical power and 229MW thermal power.

In 2010, negotiations with the Russian party regarding the terms and conditions for extending the agreement providing for natural gas supply to Poland were completed. In January, a trilateral Memorandum of Understanding between PGNiG SA, OAO Gazprom, OOO Gazprom Export, and SGT EUROPOL GAZ SA was signed. Subsequently, the annex to the contract with OOO Gazprom Export of September 25th 1996 providing for sale of Russian natural gas to the Republic of Poland was signed in October, followed by an annex to the agreement of July 1st 2004 with SGT EUROPOL GAZ SA concerning a service consisting in transmission of natural gas through the Yamal-Western Europe gas pipeline.

The Management Board of PGNiG SA decided to obtain additional financing for its investment projects, therefore a domestic bond issue programme of up to PLN 3bn was launched in July. In September, PGNiG SA executed mandate agreements with three

banks: Societe Generale SA, BNP Paribas SA and Unicredit Bank AG, concerning arrangement of a Eurobond issue programme.

In November 2010, Operator Systemu Magazynowania Sp. z o.o. was incorporated, and in December the Bonikowo nitrogen-rich gas underground storage facility was placed in service.

The cost reduction programme in the distribution companies, launched in 2009 as part of the PGNiG Group's Value Based Management Programme proved to be another success of PGNiG SA's Management Board. In 2010, the programme generated savings of PLN 71.4m, more than had been planned (PLN 64.3m).

Profitability of PGNiG SA	2010	2009
EBIT (PLNm) operating profit	1,622.8	373.3
EBITDA (PLNm) operating profit + depreciation/amortisation	2,211.9	983.4
ROE net profit* to equity at end of period	9.1%	3.8%
NET MARGIN net profit* to sales revenue	8.3%	3.6%
ROA net profit* to assets at end of period	6.7%	2.8%

Profitability of the PGNiG Group	2010	2009
EBIT (PLNm) operating profit	2,886.7	1,374.9
EBITDA (PLNm) operating profit + depreciation/amortisation	4,411.4	2,871.1
ROE net profit* to equity at end of period	10.4%	5.8%
NET MARGIN net profit* to sales revenue	11.5%	6.4%
ROA net profit* to assets at end of period	7.2%	4.0%