



Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, April 20th 2011

**Draft Resolutions of the Extraordinary General Shareholders Meeting
of PGNiG SA convened for May 19th 2011**

Current report no. 61/2011

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG", the "Company") hereby publishes draft resolutions to be presented to the Extraordinary General Shareholders Meeting of PGNiG convened for May 19th 2011.

**Resolution No. .../V/2011
of the Extraordinary General Shareholders Meeting
of Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna of Warsaw
dated May 19th 2011**

concerning: approval of the disposal of 606 shares in Polskie Elektrownie Gazowe Sp. z o.o. of Warsaw by PGNiG SA, without a public tender being announced, to PGE Polska Grupa Energetyczna SA, for a price equal to the value of Polskie Elektrownie Gazowe Sp. z o.o.'s equity as at April 4th 2011, i.e. PLN 128,375.54

Acting pursuant to Par. 56.6 of the Articles of Association of PGNiG SA, and having considered the positive opinion issued by the Supervisory Board in Resolution No. [■] of [■] 2011 on the Management Board's proposal contained in Resolution No. [■] of [■] 2011, the Extraordinary General Shareholders Meeting hereby resolves as follows:

Par. 1

The Annual General Shareholders Meeting hereby approves the disposal of 606 shares in Polskie Elektrownie Gazowe Sp. z o.o. of Warsaw by PGNiG SA, without a public tender being announced, to PGE Polska Grupa Energetyczna SA, for a price equal to the value of PEG Sp. z o.o.'s equity as at April 4th 2011, i.e. PLN 128,375.54

Par. 2

This Resolution shall come into effect as of its adoption date.

Grounds:

Polskie Elektrownie Gazowe Sp. z o.o. of Warsaw was incorporated on November 14th 2000. The company's business comprises:

- a. production of electricity,
- b. distribution of electricity,
- c. trading in electricity,
- d. production and supply of steam, hot water and air for air-conditioning systems;
- e. distribution of gaseous fuels through a network,
- f. trading in gaseous fuels through a network.

Currently, the share capital of Polskie Elektrownie Gazowe Sp. z o.o. amounts to PLN 1,212.000.00 and is divided to 1,212 shares, with a par value PLN 1,000.00 per share. The company's production assets have been sold to NYSAGAZ Sp. z o.o. and at present the company does not carry out any operating activities. Its objective is to deliver projects in the power sector arising from PGNiG SA's strategy.

Obtaining relevant corporate approvals by PGNiG SA is the condition precedent under the relevant sale agreement. Under Art. 56.6.1 of the Company's Articles of Association, the disposal of shares requires the approval of the Annual General Shareholders Meeting. Furthermore, Par. 27.1 of the Regulation of the Council of Ministers on the Manner and Procedure for the Organisation of a Tender for Sale of Non-Current Assets by a Company Established as a Result of Commercialisation, dated February 13th 2007, states that a company may dispose of shares or other non-current financial assets without a tender being announced if the terms of a relevant sale agreement have been defined and a sale procedure other a public tender has been provided for in a resolution adopted by the general shareholders meeting.

**Resolution No. .../V/2011
of the Extraordinary General Shareholders Meeting
of Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna of Warsaw
dated May 19th 2011**

concerning: approval of the purchase of 400 shares, with a par value of PLN 50 per share, in PGNiG SPV 1 Sp. z o.o. of Warsaw

Acting pursuant to Par. 56.6 of the Articles of Association of PGNiG SA, and taking into account the positive opinion issued by the Supervisory Board in Resolution No. [■] of [■] 2011 concerning the Management Board's proposal contained in Resolution No. [■]

of [■] 2011, the Extraordinary General Shareholders Meeting hereby resolves as follows:

Par. 1

The General Shareholders Meeting hereby approves the purchase by PGNiG SA of 400 shares, with a par value PLN 50 per share, representing 100% of the share capital of PGNiG SPV 1 Sp. z o.o. of Warsaw, registered in the National Court Register under entry No. KRS 372665.

Par. 2

This Resolution shall take effect as of its date.

Grounds:

Implementation of the PGNiG Group's strategy may require an acquisition to be made in the near future. In order to carry out this acquisition (with the possible involvement of financial investors) PGNiG SA will need to use a special purpose vehicle. The SPV will not conduct business activities until the Management Board of PGNiG SA issues a decision to commence the acquisition process.

The shares in PGNiG SPV 1 Sp. z o.o. of Warsaw will be acquired at a price equal to their par value.

**Resolution No. .../V/2011
of the Extraordinary General Shareholders Meeting
of Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna of Warsaw
dated May 19th 2011**

concerning: approval of acquisition of new shares in NYSAGAZ Sp. z o.o. in exchange for a non-cash contribution

Acting pursuant to Par. 56.6 of the Articles of Association of PGNiG SA, and taking into account the positive opinion issued by the Supervisory Board in Resolution No. [■] of [■] 2011 concerning the Management Board's proposal contained in Resolution No. [■] of [■] 2011, the Extraordinary General Shareholders Meeting of PGNiG SA hereby resolves as follows:

Par. 1

The General Shareholders Meeting hereby approves the acquisition by PGNiG SA of 30,810 (thirty thousand, eight hundred and ten) new shares in the increased share

capital of NYSAGAZ Sp. z o.o., with a par value of PLN 100.00 (one hundred złoty) per share, and the aggregate value of PLN 3,081,000.00 (three million, eighty-one thousand złoty) in exchange for a non-cash contribution.

Par. 2

This resolution shall come into effect as of its adoption date.

Grounds:

NYSAGAZ Sp. z o.o. was established in October 2000. The scope of the NYSAGAZ' core business includes production and supply of thermal energy (steam, hot water) generated on the basis of natural gas.

Shareholders	Shares	Percentage of total vote
PGNiG SA	34,680	51.00%
VNG Polska Sp. z o.o.	33,320	49.00%
Total	68,000	100.00%

In 2010, NYSAGAZ purchased cogeneration facilities, located in Tuchów, with the heating power of 1.5MW from PEG Sp. z o.o. w likwidacji (in liquidation), for PLN 265 thousand (net). At present, these facilities are used to produce heat.

As a result of increasing the business scale, NYSAGAZ' revenue increased from PLN 1.4m in 2008 to PLN 2.3m in 2009 and to more than PLN 4.3m in 2010. In the past year, the company for the first time achieved a net profit (though its operating result was still slightly negative). This was possible owing to the fact that NYSAGAZ reported a net finance income, attributable to the interest generated on deposits of surplus cash. Concurrently, EBITDA amounted to nearly PLN 300 thousand, which shows the scale of the newly generated free cash flow.

In connection with the fact that NYSAGAZ exceeded the regulatory 5MW heating power threshold, from May 2010 the company introduced a tariff for heat supply which is approved by the Energy Regulatory Office.

NYSAGAZ intends to acquire new projects in order to become in 2015 an important domestic producer of electricity and heat, as well as cold in distributed systems. NYSAGAZ intends to focus on the production of heat, electricity and cold based on natural gas. Although currently small projects (up to 1MW) predominate in NYSAGAZ' activities, the company intends to take steps with a view to consolidating and acquiring new heating projects with power ranging from 0.3 to 0.5MW. In the future, NYSAGAZ intends to expand its operations to include cogeneration and trigeneration projects, as

well as the use of biomass as a source of heat and electricity generation. Possible expansion into new these new business areas should follow once the company has stabilised its positive net financial result generated on the basis of heating projects acquired over the next 2-3 years.

The non-cash contribution comprises 27 small gas-fired boiler houses located within the area of operations of the Pomeranian Gas Trading Division (26 boiler houses) and the Greater Poland Gas Trading Division (1 boiler house). Most of these facilities are located in Olsztyn. Two boiler houses are located in Gdańsk, two in Bydgoszcz, one in Toruń, one in Chojnice, and one in the Czarniejewo Commune near Poznań.

From the PGNiG Group's perspective, the boiler houses will be transferred to a subsidiary specialising in thermal activities and will be delivering value for NYSAGAZ, and building the value of PGNiG SA's stake in NYSAGAZ. Moreover, the transfer will allow to optimise the general and administrative expenses related to the heating stations and improve the operating and strategic project management, through consolidation of small projects, moving boilers to other locations in order to fully better exploit their capacities, or selling the boiler houses structurally delivering negative margins.

Each of the heating stations has one or two boilers with power of 70kW to the maximum of 420kW. The aggregate power of all the heating facilities is 6.5MWt. The company already leases from PGNiG SA 20 boiler houses (with an aggregate heating power of 5.2MWt) out of the pool of facilities which are to be contributed. Following the contribution, the total power of gas-fired boiler houses and cogeneration units owned by NYSAGAZ will increase from the current 11.5MWt to 18.0 MWt.

Independent consultancies prepared valuations of the boiler houses. The aggregate valuation of the 27 boiler houses which are to be contributed totals PLN 3,081,000.

If the contribution is fully allocated to pay up the share capital, in line with the recommended valuations, PGNiG SA's stake would increase to 66.28%, and VNG Polska Sp. z o.o.'s stake would decrease to 33.72%.