



Draft Resolutions of the Extraordinary General Shareholders Meeting of PGNiG convened for May 29th 2008

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG”) hereby publishes the draft resolutions that it intends to present to the Extraordinary General Shareholders Meeting of PGNiG convened for May 29th 2008:

**Resolution No.
of the Extraordinary General Shareholders Meeting of
Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna of Warsaw,
dated**

concerning: Sale of developed land property situated in Gronów, Łagów commune

Par. 1

The General Shareholders Meeting of Polskie Górnictwo Naftowe i Gazownictwo S.A. of Warsaw, acting on the basis of Par. 56.3.3 of the Company's Articles of Association, approves sale, by way of an auction conducted in accordance with the rules specified in Chapter III of *Procedures to Be Followed in Management of Non-Current Assets at PGNiG S.A.* (adopted by virtue of resolution of the PGNiG Management Board No. 582/2007 of August 21st 2007), of the perpetual usufruct right to land property designated in the land records as plot No. 5/2, with an area of 61,200 m², situated in Gronów, Łagów commune, together with the following components: hotel and conference centre building, umbrella roof, porter's lodge, all-season cabins, paved areas, sports facilities (tennis courts, sports fields, playgrounds), together with the related municipal and electricity services infrastructure, for which the District Court in Świebodzin maintains a Land and Mortgage Register Entry No. 7400, for a price not lower than PLN 13,250,000.00, being its current market value as determined based on a property appraisal report prepared as at December 31st 2007 by a property appraiser.

Par. 2

This resolution shall become effective upon its adoption.

Grounds:

As part of implementation of Resolution No. 367/2007 of the Management Board of PGNiG S.A. of Warsaw, dated June 5th 2007, concerning document entitled *Policies to be Followed in Management of Holiday Centres Administered by the Branches of PGNiG S.A.*, the Zielona Góra Branch took steps with a view to selling the real property described in the motion.

The motion covers real property housing a conference and training centre. The property comprises the perpetual usufruct right to the land plot designated in the land records as plot No. 5/2, with an area of 61,200 m², and the ownership right to the buildings and structures situated on that plot, including the hotel and conference centre building, umbrella roof, porter's lodge, all-season cabins, paved areas, municipal and electricity services infrastructure, and sports facilities – tennis courts, sports fields and playgrounds.

Pursuant to a certificate issued by the Łagów Commune Office, the area development plan covering the village of Gronów expired on December 31st 2003, which means that the area



covered by the plan, including the land property No. 5/2, may be developed in line with the rules outlined in the land records.

As at December 31st 2007, net book value of the property amounted to PLN 12,243,455.96 (twelve million, two hundred and forty three thousand, four hundred and fifty five and 96/100 złoty). The value of equipment (durable goods) is PLN 992,932.27 (nine hundred and ninety two thousand, nine hundred and thirty two and 27/100 złoty).

According to the property appraisal report prepared as at December 31st 2007, the market value of the property is PLN 13,250,000.00 (thirteen million, two hundred and fifty thousand złoty), i.e. it exceeds the złoty equivalent of EUR 1,000,000).

To note, both the Management Board and the Supervisory Board of PGNiG S.A. adopted resolutions to sell the property by way of an auction, in line with the *Procedures to Be Followed in Management of Non-Current Assets at PGNiG S.A.*



Resolution No.
of the Extraordinary General Shareholders Meeting of
Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna of Warsaw,
dated

concerning: increase in the share capitals of the Distribution System Operators through contribution of non-current assets constituting components of the transmission and distribution networks and rights to the expenditure incurred with respect to those assets – Phase II, and through contribution of PGNiG's receivables from MOSD Sp. z o.o.

Acting on the basis of Par. 56.3.3 and Par. 56.6 of the Company's Articles of Association and taking into account the positive opinion of the Supervisory Board presented in Resolution No. of on the Management Board's motion No. of, the General Shareholders Meeting resolves as follows:

Par. 1

The General Shareholders Meeting approves the acquisition by PGNiG S.A. of the new shares, with a total value of **PLN 131,409,000.00** (one hundred and thirty one million, four hundred and nine thousand złoty), in the increased share capitals of the following companies:

1. Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o. o.: 54,899 (fifty four thousand, eight hundred and ninety nine) shares with a par value of PLN 1,000 (one thousand złoty) per share and a total value of PLN 54,899,000.00 (fifty four million, eight hundred and ninety nine thousand złoty);
2. Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.: 3,918 (three thousand, nine hundred and eighteen) shares with a par value of PLN 1,000 (one thousand złoty) per share and total value of PLN 3,918,000.00 (three million, nine hundred and eighteen thousand złoty);
3. Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.: 18,555 (eighteen thousand, five hundred and fifty five) shares with a par value of PLN 1,000 (one thousand złoty) per share and a total value of PLN 18,555,000.00 (eighteen million, five hundred and fifty five thousand złoty);
4. Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.: 10,808 (ten thousand, eight hundred and eight) shares with a par value of PLN 1,000 (one thousand złoty) per share and a total value of PLN 10,808,000.00 (ten million, eight hundred and eight thousand złoty);
5. Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.: 8,841 (eight thousand, eight hundred and forty one) shares with a par value of PLN 1,000 (one thousand złoty) per share and a total value of PLN 8,841,000.00 (eight million, eight hundred and forty one thousand złoty);
6. Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.: 34,388 (thirty four thousand, three hundred and eighty eight) shares with a par value of PLN 1,000 (one thousand złoty) per share and a total value of PLN 34,388,000.00 (thirty four million, three hundred and eighty eight thousand złoty),



and the coverage of all the new shares with a non-cash contribution in the form of non-current assets constituting components of the transmission and distribution networks and rights to the expenditure incurred with respect to those assets, specified in Appendices No. 1A, 1B, 1C, 2A, 2B, 2C, 3A, 3B, 3C, 4A, 4B, 4C, 5A, 5B, 5C, 6A, 6B and 6C to this resolution, and in the case of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. also with a cash contribution made by way of a contractual set-off of the amount of PLN 1,520,342.70 (one million, five hundred and twenty thousand, three hundred and forty two and 70/100 złoty) receivable by PGNiG S.A. from Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. as damages, interest and costs of litigation, awarded on September 8th 2005 by the Regional Court in Łódź and on July 10th 2007 by the Court of Appeals in Łódź to the owners of a building in Łódź at ul. Nawrot 13 destroyed in a gas explosion; and at the same time approves the disposal of those non-current assets and rights to expenditure.

Par. 2

This resolution shall become effective upon its adoption.

Grounds:

The Management Board of PGNiG S.A. proposes to the General Shareholders Meeting to contribute to the Distribution System Operators non-current assets comprising:

- a. components of the transmission and distribution networks excluded from the lease,
- b. rights to the expenditure incurred with respect to those assets,
- c. non-current assets which are not covered by the lease, but are recorded in the books of PGNiG S.A., including real properties having a clean legal status which, pursuant to resolution of the Management Board of PGNiG S.A. No. 505/2004 of September 14th 2004 are to be gradually transferred to the distribution companies, and in the case of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. – also including the amount receivable by PGNiG S.A. from this company as damages, interest and costs of litigation, awarded on September 8th 2005 by the Regional Court in Łódź and on July 10th 2007 by the Court of Appeals in Łódź to the owners of a building in Łódź at ul. Nawrot 13, destroyed in a gas explosion;

and also to increase the share capital of:

- Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.
- Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.
- Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.
- Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.
- Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.
- Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.

The shares in the increased share capital shall be subscribed in full by PGNiG S.A. and covered with a non-cash contribution in the form of non-current assets and rights to expenditure incurred with respect to those assets, and in the case of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. – also with a cash contribution made through a contractual set-off of an amount receivable by PGNiG S.A. from this company.

As of July 1st 2005 PGNiG S.A. no longer conducted business in the area of transmission and distribution of natural gas. Consequently, non-current assets constituting components of



the transmission and distribution networks were leased to Operator Gazociągów Przesyłowych OGP GAZ-SYSTEM S.A., operator of the gas transmission pipelines, or rented to the Distribution System Operators.

In connection with optimisation of the gas transmission network, OGP GAZ-SYSTEM S.A. carried out a review of the entire leased assets and jointly with PGNiG S.A. initiated a procedure to exclude the distribution-related assets from the lease. On January 3rd 2007, the Management Board of PGNiG S.A. decided by way of Resolution No. 1/2007 that the assets excluded from the lease, together with the assets which had not been leased, but are carried in PGNiG S.A.'s books, would be contributed, as a non-cash contribution, to the Distribution System Operators, and the share capitals of the Distribution System Operators would be increased accordingly.

Given the necessity to collect considerable volumes of documentation on the assets, this process has been divided into two phases:

- In Phase I, which ended on January 1st 2008, the assets excluded from the lease, constituting components of the transmission and distribution network, together with the land properties for which documentation had been completed by the said date, were contributed, as a non-cash contribution, to the Distribution System Operators. The value of the assets contributed in Phase I was **PLN 872,479,784.15**.
- In Phase II, which is currently under way, the remaining assets excluded from the lease, including land properties together with the related assets, all investments made relative to the assets excluded from the lease, as well as all assets which had not been leased, but are carried in PGNiG's books, are to be contributed. A list of the assets planned to be contributed in Phase II is presented in Appendices No. 1A, 1B, 1C, 2A, 2B, 2C, 3A, 3B, 3C, 4A, 4B, 4C, 5A, 5B, 5C, 6A, 6B and 6C.

The value of non-current assets to be contributed in Phase II is **PLN 131,412,436.06** (the value of the assets excluded from the lease was assumed to equal their outstanding lease value). In the Management Board's opinion, the proposed value reflects the market value, given the fact that it is based on the values defined in the Operating Lease Agreement, which was concluded between two independent parties and is the only agreement of the type recently executed on the market. This was confirmed by the independent advisor who prepared a valuation of the assets for the needs of the 2006 dividend for the State Treasury.

With respect to the assets not covered by the lease, but carried in PGNiG's books, valuations were prepared by property appraisers. Concurrently, the Investments Department advises that the contribution is not classified as public aid. A contribution connected with obtaining relevant benefits to be derived through the exercise of proprietary rights attached to shares in a company cannot be regarded as public aid.

As proposed in the motion, a part of the shares in the increased share capital of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. will be covered with a cash contribution made by way of a contractual set-off of the amount of PLN 1,520,342.70 receivable by PGNiG S.A. from the company as damages, interest and costs of litigation, awarded on September 8th 2005 by the Regional Court in Łódź and on July 10th 2007 by the Court of Appeals in Łódź, to the owners of a building in Łódź at ul. Nawrot 13, destroyed in a gas explosion. This motion is connected with the request by the President of the Management Board of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. of Warsaw to consider the possibility not to encumber the company with the cost of the damages for the gas explosion at ul. Nawrot 13 in Łódź, information on which is presented below.



On October 11th 1987, there was a gas explosion in a residential building managed by Przedsiębiorstwo Gospodarki Mieszkaniowej Łódź-Śródmieście, located in Łódź at ul. Nawrot 13. Criminal proceedings which were carried out concluded with a verdict that the guilty parties were the manager of the building and the gas supplier, i.e. Polskie Górnictwo Naftowe i Gazownictwo S.A. A final court ruling was issued. The explosion resulted in considerable property losses and personal injuries.

In 1992, the owners of the building filed for damages, initiating court proceedings. On July 14th 2005, a meeting was held in the offices of PGNiG, between the representatives of PGNiG S.A. and the representatives of Mazowiecka Spółka Gazownictwa Sp. z o.o. ("MSG"), during which a position was adopted that it would be expedient that MSG joined the court proceedings and covered any possible liabilities. Starting from August 2005, MSG participated in the proceedings on the defendants' side as a side intervener. The Regional Court in Łódź admitted MSG to the proceedings as a side intervener in response to the petition by PGNiG S.A., on the basis of Art. 84.1 of the Code of Civil Procedure, which stipulates that the party which in the case of an adverse court decision would be entitled to a claim towards a third party, may notify such third party of the proceedings under way and call upon it to take part.

PGNiG S.A. justified its petition to call upon MSG to take part in the proceedings by the fact that in 2003 MSG took over an organised part of the business (as defined in Art. 55¹ of the Civil Code) in connection with the increase of its share capital by way of the contribution by PGNiG S.A. of Oddział Zakład Gazowniczy w Łodzi, and the liability towards the injured parties was connected with the business of Zakład Gazowniczy w Łodzi.

On September 8th 2005 the Regional Court in Łódź issued a decision awarding jointly to all the claimants an amount of PLN 3,020,337.32, payable jointly and severally by PGNiG S.A. and the Municipality of Łódź.

PGNiG S.A. appealed against the decision in part, and paid to the injured parties 50% of the portion of the damages which was not appealed against, i.e. PLN 491,948. MSG was encumbered with this amount on the basis of a debit note prepared by the Legal Department. Appeal proceedings ended on July 10th 2007 with a decision issued by the Court of Appeals in Łódź, which changed the decision appealed against to the defendants' favour, partially reducing the amounts awarded by the court of first instance. Given the decision issued by the Court of Appeals and the fact that the claimants obtained the order for enforcement, entitling them to initiate enforcement against PGNiG's bank account, on August 10th 2007 PGNiG transferred to the entitled persons' bank account the amounts of damages together with interest and costs of litigation totalling PLN 1,520,342.70. When the court decision became final, the President of the Management Board of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. applied to PGNiG S.A. to consider a possible decision not to charge the company with the cost of the damages for the gas explosion at ul. Nawrot 13 in Łódź, justifying this request by the company's difficult financial situation.

In connection with the above, PGNiG S.A. requested a legal opinion on the matter from law office Łozowska & Reczyńska-Ratajczak. In the lawyers' opinion, in the situation concerned a debt to equity swap could be a viable option. If such a solution is adopted, PGNiG S.A., as the sole shareholder in the company, could count on benefits in the form of dividend from Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.