



PGNiG

**Polskie Górnictwo Naftowe
i Gazownictwo SA**

STATEMENT OF COMPLIANCE WITH CORPORATE
GOVERNANCE RULES AT
POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.

IN 2011

Warsaw, March 1st 2012

Pursuant to Par. 91.5.4 of the Regulation of the Minister of Finance concerning current and periodic information to be published by issuers of securities and the conditions for recognition as equivalent of the information whose disclosure is required under the laws of a non-member state (the “**Regulation**”), dated February 19th 2009, the Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. of Warsaw (the “**Issuer**” or the “**Company**”) hereby publishes its statement of compliance with corporate governance rules.

Under the Regulation, applicable from March 15th 2009, the Issuer is required to publish an annual statement of compliance with corporate governance standards as a separate part of the Directors' Report on the Company's operations.

The Issuer's objective is to ensure maximum transparency of its activities, appropriate quality of its investor communications and protection of shareholder rights.

1. The corporate governance code applicable to the Issuer and the place where the text of such code is publicly available

In 2011, the Issuer was in compliance with the set of corporate governance rules laid down in the “Code of Best Practice for WSE Listed Companies” (the “**Code of Best Practice**”), adopted by the WSE Supervisory Board. The text of the code, as amended, is publicly available on the Warsaw Stock Exchange’s corporate governance website at www.corp-gov.gpw.pl and on the Issuer’s website at www.pgnig.pl in the “Corporate Governance” section.

2. Indication of the corporate governance standards referred to in Section 1 which were not applied by the Issuer, along with a statement of reasons for not applying a given standard

Only two rules defined in the Code of Best Practice were not complied with in 2011:

1. Best practice for supervisory board members – rule 6;
2. Best practice for supervisory board members – rule 8.

Below the Issuer provides grounds for not complying with these rules.

2.1. Best practice for supervisory board members – rule 6

“At least two members of the supervisory board should meet the criteria of being independent from the company and from entities having material links with the company. With respect to the independence criteria for supervisory board members, Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or its subsidiary or associated undertaking cannot be deemed to meet the independence criteria described in the Annex. Furthermore, an actual and material link with

a shareholder having the right to exercise 5% or more of the total vote at the general meeting is deemed to preclude independence of a supervisory board member as defined in this rule.”

In the reporting period, there was only one independent member on the Issuer’s Supervisory Board - Mieczysław Puławski.

Pursuant to Par. 36.1 of the Issuer’s Articles of Association (“**the Articles of Association**”), one of the members of the Supervisory Board appointed by the General Shareholders Meeting should meet all of the following requirements:

1. He or she has been appointed in accordance with the special election procedure set forth in the Articles of Association;
2. He or she may not be a related party or a subsidiary of the Issuer;
3. He or she may not be a related party of the Issuer’s parent undertaking or of another subsidiary of such parent undertaking; and
4. He or she may not have any connections with the Issuer or with any of the entities referred to in items 2 and 3 which could materially affect his or her ability to make impartial decisions as a member of the Supervisory Board.

Given the fact that – in accordance with Art. 12 of the Act on Commercialisation and Privatisation dated August 30th 1996 (consolidated text in Dz.U. of 2002, No. 171, item 1397, as amended) – some of the Company’s Supervisory Board members are elected by employees, the Issuer cannot increase the number of independent members on its Supervisory Board. Any increase in the number of independent Supervisory Board members above the number currently set forth in the Articles of Association would lead to a situation where the State Treasury (the Issuer’s majority shareholder) would be unable to appoint the majority of the Supervisory Board members. This in turn would violate the rule stipulating that a shareholder’s influence on a company’s business should be proportionate to the share capital held by such shareholder.

2.2. Best practice for supervisory board members – rule 8

“With respect to the tasks and the operation of the supervisory board committees, Annex I to Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors (...)”

An Audit Committee operates within the Issuer's Supervisory Board as a standing committee, advising the Supervisory Board on matters within the Committee’s remit.

For a detailed description of the Audit Committee’s rules of operation, see Section 11.3 hereof.

Pursuant to the Code of Best Practice, with respect to the tasks and the operation of its Supervisory Board committees, the Issuer should apply the rules laid down in Annex I to Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In the case of the Audit Committee, the primary purpose of the said rules is to ensure that the

Audit Committee correctly performs its role. The Issuer has complied with all the requirements which guarantee the Audit Committee's involvement in the supervision of the Issuer's business, however, the Issuer has not complied with all the detailed requirements concerning the operation of the Committee. The requirements which the Issuer has not complied with include:

1. rule laid down in Section 4.3.2 of Annex I, pursuant to which the management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches;
2. rule laid down in Section 4.3.8 of Annex I, pursuant to which the audit committee should review the process whereby the company complies with existing provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions, normally to an independent director, and should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Given the way the Audit Committee currently operates, the Issuer does not consider it necessary to introduce very detailed rules to regulate its operation. The Issuer will take appropriate steps in the future, if justified given the actual manner of operation of the Audit Committee.

3. Basic features of internal control and risk management systems used by the Issuer in the process of preparation of financial statements and consolidated financial statements

At present, the Issuer does not use any integrated risk management system dedicated exclusively to the preparation of financial statements. Like most other energy and upstream sector companies, the Issuer manages specific individual risks (industry specific risks). In its operations, the Issuer uses a dedicated system for managing the overall financial safety comprising liquidity, exchange rate risk, and budget drafting and control.

The financial reporting process has not yet been subject to a separate audit, however it is reviewed on an on-going basis in connection with such processes as review of accounting records related to certain processes or one-off events for their reliability and completeness, or checking of distribution of accounting documents for correctness. Findings of and assessments formulated during operating audits related to a relevant area of accounting justify a conclusion that so far no need has been identified to develop a dedicated mechanism to be used exclusively for reviewing the process of preparation of financial statements. In particular, there are no grounds to believe that the absence of such a mechanism poses any threat to the Issuer's business. There are also no reasons to believe that this situation is likely to change materially in the near future.

Factors mitigating the risks related to financial reporting include primarily constant upgrading of particular modules of the Integrated Management System and improvement of practical skills of the employees who operate the system.

Analyses of the risks related to financial reporting and accounting, conducted by the Issuer between 2006 and 2011, showed that overall these risks were evaluated as being of moderate importance for the Issuer's operations and that the Issuer's exposure to these risks was low (the actual result of the analyses was: average to low).

Elements of the risk management system used by the Issuer which are relevant for the process of preparation of financial statements include in particular:

1. The PGNiG Group's Accounting Policy, adopted by virtue of Resolution of the Management Board of May 17th 2007, as amended, the purpose of which is to ensure compliance of the Issuer's accountancy and financial statements with the relevant regulations, in particular with regard to the overriding principles and the quality features of financial statements, correctness of event valuation and categorisation, and safety mechanisms for databases;
2. Instructions, procedures and controls of the Integrated Management System ensuring data consistency and integrity, including hardware checks, operating checks and authority checks;
3. Internal controls implemented at the Accounting Department, including separation of duties, sign-off by line manager, review of received data for accuracy, independent checks, etc.;
4. Multi-stage process of approval of the financial statements, in which the Supervisory Board is also involved; and
5. Independent review of financial statements for reliability and accuracy by an independent external auditor.

4. Shareholders directly or indirectly holding significant blocks of shares, along with an indication of the number of shares and percentage of the share capital held by such shareholders, and the number of votes and percentage of the total vote that such shares represent at the general shareholders meeting

The Issuer shares are listed on the Warsaw Stock Exchange. The Issuer's share capital is divided into 5,900,000,000 ordinary bearer shares with a par value of PLN 1.00 per share.

In 2011, the State Treasury, represented by the Minister of State Treasury (ul. Krucza 36/Wspólna 6, 00-522 Warsaw), was the only shareholder holding a significant block of the Issuer shares (more than 5% of the Issuer's share capital).

The Issuer's shareholder structure as at December 31st 2011

Shareholder	Number of shares	Percentage of the Issuer's Share Capital	Number of votes at the Issuer's General Shareholders Meeting	Percentage of the total vote at the Issuer's General Shareholders Meeting
State Treasury	4,272,063,451	72.41 %	4,272,063,451	72.41 %
Other shareholders	1,627,936,549	27.59 %	1,627,936,549	27.59 %
Total	5,900,000,000	100.00 %	5,900,000,000	100.00 %

As at December 31st 2011, 727,936,548 Issuer shares, representing 12.34% of the share capital and total vote at the General Shareholders Meeting, were distributed among 59,248 of the 61,516 eligible employees.

5. Holders of any securities conferring special control rights, along with a description of those rights

Pursuant to the Articles of Association, as long as the State Treasury remains a shareholder of the Issuer, the State Treasury, represented by the minister competent for matters pertaining to the State Treasury, acting in this respect in agreement with the minister competent for economy, has the right to appoint and remove one member of the Supervisory Board.

Additionally, pursuant to the Articles of Association, the State Treasury (as a shareholder) approves in writing: (i) any changes to material provisions of the existing trade agreements for import of natural gas to Poland, as well as execution of such agreements, and (ii) the implementation of any strategic investment projects or the Company's involvement in investment projects which, permanently or temporarily, impair the economic efficiency of the Company's business activities, but which are necessary to ensure Poland's energy security.

Irrespective of the State Treasury's percentage share in the Issuer's share capital, the State Treasury has the right to demand that the General Shareholders Meeting be convened and that particular matters be placed on the agenda.

As a shareholder in PGNiG S.A., the State Treasury also enjoys other rights under other relevant laws and regulations.

6. Restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, time limitations on exercising voting rights, or provisions under which, with the company's cooperation, the equity rights attaching to securities are separated from the holding of securities

Neither the Issuer's Articles of Association, nor any of the Issuer's other internal regulations provide for any restrictions on the exercise voting rights.

7. Restrictions on the transfer of ownership rights to the Issuer securities

Pursuant to the Articles of Association, eligible employees had the right to acquire, free of charge, up to 15% of the shares taken up by the State Treasury on the Issuer registration date, on such terms and conditions as stipulated in the Act on Commercialisation and Privatisation and in the Regulation of the Minister of State Treasury on detailed rules governing division of eligible employees into groups, determination of the number of shares for each group, and on the procedure for acquisition of shares by eligible employees, dated January 29th 2003, (Dz.U. No. 35, item 303, as amended).

On June 26th 2009, the State Treasury disposed of one Series A1 bearer share in PGNiG S.A. on the general terms. Pursuant to Art. 38.2 of the Act on Commercialisation and Privatisation dated August 30th 1996, the right to acquire the Company shares free of charge by eligible employees arose on October 1st 2008 and expired on October 1st 2010. Eligible employees had the right to acquire free of charge up to 15% of the shares taken up by the State Treasury on the PGNiG S.A. registration date, that is no more than 750,000,000 shares with a par value of PLN 1 per share. The shares acquired free of charge by eligible employees could not be traded until July 1st 2010, excluding shares acquired free of charge by the members of the PGNiG S.A. Management Board (55,250 shares), which could not be traded until July 1st 2011. Pursuant to Art. 38.2 of the Act on Commercialisation and Privatisation, the eligible employees' rights to acquire PGNiG shares free of charge expired on October 1st 2010.

Neither the Issuer's Articles of Association, nor any of the Issuer's other internal regulations provide for any other restrictions on the transfer of the Issuer securities.

8. Rules governing the appointment and removal of management personnel and such personnel's powers, including in particular the power to make decisions as to issue or buy-back of shares

Pursuant to the Articles of Association, individual members of the Management Board or the entire Management Board are appointed and removed by the Supervisory Board. A member of the Management Board is appointed following a qualification procedure carried out under Regulation of the Polish Council of Ministers of March 18th 2003 concerning qualification procedures for members of management boards of certain commercial-law companies (Dz. U. No. 55, item 476, as amended). This procedure does not apply in the case of the Management Board members elected by employees.

As long as the State Treasury remains a shareholder of the Issuer and the Issuer's annual average headcount exceeds 500, the Supervisory Board appoints as a Management Board member one person elected by the employees, to serve for the Management Board's term of office. A person is considered to be a Management Board candidate elected by the employees if, during the election, 50% plus one of valid votes were cast in favour of such a person, with the reservation that the election results are binding on the Supervisory Board if at least 50% of the Issuer's employees participated in the election.

Members of the Management Board are appointed for a joint three-year term of office.

A member of the Management Board may resign from his/her position by delivering a representation to that effect to the Supervisory Board, with a copy to shareholder State Treasury (represented by the minister competent for matters pertaining to the State Treasury). To be valid, the resignation must be submitted in a written form, or otherwise will be ineffective towards the Issuer.

The Management Board member elected by employees may also be removed upon a written request submitted by at least 15% of the Issuer's employees. The Supervisory Board orders the voting and its results are binding on the Supervisory Board if at least 50% of the Issuer's employees participate in the voting and the percentage of votes cast in favour of the removal is not lower than the majority required for the election of a member of the Management Board by the employees.

Powers of the Management Board are discussed in Section 11.1.2 hereof.

Pursuant to the Articles of Association, decisions concerning an issue or buyback of shares are adopted by the Issuer's General Shareholders Meeting.

9. Rules governing amendments to the Issuer's Articles of Association

Pursuant to the Commercial Companies Code and the Issuer's Articles of Association, amendments to the Articles of Association are introduced by virtue of resolutions adopted by the General Shareholders Meeting with the required majority of votes and must be recorded in the register of entrepreneurs. Any amendment to the Articles of Association must be submitted by the Management Board to the registry court within three months from the date

on which the General Shareholders Meeting adopted the resolution introducing the amendment.

The consolidated text of the Articles of Association is drawn up by the Management Board and then approved by the Supervisory Board.

10. Manner of operation of the General Shareholders Meeting, its basic powers and description of the shareholders' rights along with the procedure for their exercise, in particular the rules stipulated in the rules of procedure for the general shareholders meeting, except where prescribed directly by law

10.1. Description of the manner of operation of the General Shareholders Meeting

The General Shareholders Meeting operates in accordance with the provisions of the Commercial Companies Code, the Articles of Association and the Rules of Procedure for the General Shareholders Meeting. The Rules of Procedure for the General Shareholders Meeting stipulate, in particular, the rules of conducting meetings and adopting resolutions. The Rules of Procedure for the General Shareholders Meeting are available on the Issuer's website at www.pgnig.pl.

The General Shareholders Meeting may be convened as either ordinary or extraordinary and is held at the Issuer's registered office. The General Shareholders Meeting may adopt resolutions only on the matters included in the detailed agenda, unless the entire share capital is represented at the General Shareholders Meeting and no one present at the meeting objects to adoption of a resolution which has not been included in the agenda. The agenda is proposed by the Management Board or by the party convening the General Shareholders Meeting.

Pursuant to the provisions of the Commercial Companies Code, a shareholder or shareholders representing at least one twentieth of the share capital may request that certain matters be placed on the agenda of the forthcoming General Shareholders Meeting. Moreover, the State Treasury, as the company's shareholder, is entitled to submit such a request, irrespective of its share in the share capital. A General Shareholders Meeting is convened by the Management Board, which in this respect acts:

1. on its own initiative;
2. at a written request of the Supervisory Board;
3. at a written request of a shareholder or shareholders, submitted to the Management Board in writing or in electronic form, at least one month before the proposed date of the General Shareholders Meeting;
4. at a written request of a Supervisory Board member appointed under Par. 36.1 of the Articles of Association (independent member).

If the Management Board does not convene the General Shareholders Meeting within two weeks from the date of receiving the relevant request from:

1. the Supervisory Board – then the Supervisory Board is entitled to convene the General Shareholders Meeting itself;

2. the shareholders – then the registry court may, after having requested the Management Board to submit a relevant representation, authorise the shareholders to convene the General Shareholders Meeting.

The Annual General Shareholders Meeting is convened by the Management Board once a year, not later than within six months following the end of the financial year.

At the General Shareholders Meeting, votes are cast in an open ballot. A secret ballot is ordered in the case of voting on election or removal from office of members of the Issuer's governing bodies or its liquidator, on bringing them to account and on personnel matters. Furthermore, a secret ballot is ordered if at least one shareholder present or represented at the General Shareholders Meeting so demands.

The General Shareholders Meeting adopts resolutions regardless of the number of shares represented at the meeting, unless the provisions of the Commercial Companies Code or the Articles of Association provide otherwise.

Any shareholder is entitled to object to a resolution of the General Shareholders Meeting, and – in accordance with the Rules of Procedure for the General Shareholders Meeting – should be given an opportunity to concisely present the reasons for such objection. During the Company's General Shareholders Meeting, each shareholder may submit draft resolutions concerning the items on the agenda.

A General Shareholders Meeting is opened by the Chairperson of the Supervisory Board or the Vice-Chairperson of the Supervisory Board, or – in the event of their absence – by the President of the Management Board or a person appointed by the Management Board. The person opening the General Shareholders Meeting should procure that the Chairperson of the Meeting is immediately elected and should refrain from any decisions as to substance of matters or as to procedural issues. The Chairperson of the General Shareholders Meeting is elected by secret ballot. The Chairperson's role is to ensure that the meeting proceeds smoothly and that the rights and interests of all the shareholders are respected. The Chairperson should not resign from the function without a sound reason and may not unreasonably withhold signing of the minutes of the General Shareholders Meeting.

Apart from the shareholders, the following persons are entitled to participate in the General Shareholders Meeting:

1. Members of the Management Board and Supervisory Board, as well as candidates to the Supervisory Board (if the General Shareholders Meeting is to deal with the appointment of a member or members of the Supervisory Board); in the case of candidates to the Supervisory Board, the General Shareholders Meeting may limit their right to speak to issues related directly to the candidacy;
2. Guests invited by the body convening the General Shareholders Meeting, as well as experts, including auditors of financial statements and members of the Company's legal service, invited to present their opinions and clarifications concerning the issues included in the agenda, provided that their right to speak may be limited by the General Shareholders Meeting only to those items on the agenda in connection with which they have been invited;

3. Notaries public drawing up the minutes of the General Shareholders Meeting.

Short breaks in the meeting (technical breaks), which do not constitute its adjournments, may be ordered by the Chairperson, provided that they are not aimed at hindering the exercise of rights by the shareholders.

10.2. Description of key powers of the General Shareholders Meeting

The General Shareholders Meeting is the Issuer's constitutive body. The General Shareholders Meeting adopts resolutions concerning the following matters:

1. Review and approval of the financial statements for the preceding financial year and the Directors' Report on the Issuer's operations;
2. Granting discharge to the members of the Issuer's governing bodies in respect of their duties;
3. Distribution of profit or coverage of loss;
4. Determination of the dividend record date or decision on payment of dividend in instalments;
5. Appointment and removal of Supervisory Board members;
6. Review and approval of the Group's consolidated financial statements and the Directors' Report on the Group's operations for the preceding financial year;
7. Suspension of members of the Management Board from duties or their removal from office;
8. Defining the rules and amounts of remuneration for Management Board members;
9. Disposal or lease of the Issuer's business or its organized part, or creation of proprietary interests therein;
10. Acquisition of non-current assets, including real property, perpetual usufruct rights to real property or interest in real property, with a value higher than the zloty equivalent of EUR 2,000,000;
11. Disposal of non-current assets, including real property, perpetual usufruct rights to real property or interest in real property, with a value higher than the zloty equivalent of EUR 1,000,000;
12. Conclusion by the Issuer of loan, borrowing, surety or similar agreements with or for the benefit of a member of the Management or Supervisory Board, a commercial proxy or a liquidator;
13. Increase or reduction of the Issuer's share capital;
14. Issue of convertible bonds or bonds with pre-emptive rights, issue of subscription warrants;

15. Acquisition of the Issuer own shares for the purpose of offering them to the Issuer's employees or to persons who were employed by the Issuer or its related undertaking for at least three years;
16. Mandatory buy-back of shares;
17. Creation, use and liquidation of capital reserves;
18. Use of statutory reserve funds;
19. Decisions in relation to claims for redress of any damage caused in connection with the Issuer's formation or the exercise of management or supervisory duties;
20. Granting approval for conclusion of an agreement whereby the Issuer leases out its non-current assets comprising the transmission network to another entity;
21. Granting approval for the termination, renunciation or material change of the subject matter, term or termination provisions of a lease agreement concluded with the transmission system operator and concerning the Issuer's assets used for transmission of electricity and gas;
22. Merger, transformation or demerger of the Issuer;
23. Relocation of the Issuer's registered office abroad;
24. Establishing preference on shares;
25. Establishing an EU-registered company, transformation into or joining such company;
26. Formation by the Issuer of another company, with a share capital exceeding the złoty equivalent of EUR 1,000,000;
27. Amendments to the Issuer's Articles of Association and changing its business profile;
28. Dissolution and liquidation of the Issuer;
29. Defining the rules of remuneration for the Supervisory Board members.

10.3. Shareholders' rights at General Shareholders Meetings and their exercise

Shareholders have the right to participate in the General Shareholders Meetings and to exercise the voting rights attached to their shares.

Each shareholder of the Issuer has the right to participate in the General Shareholders Meetings. One share confers the right to one vote at the General Shareholders Meeting.

Only persons who are the Issuer's shareholders sixteen days prior to the date of the General Shareholders Meeting (record date for participation in the General Shareholders Meeting) are entitled to participate in the General Shareholders Meeting. The record date for participation in the General Shareholders Meeting is the same for the holders of rights under bearer and under registered shares.

Holders of rights under registered shares or provisional certificates as well as pledgees and usufructuaries holding voting rights are entitled to participate in the General Shareholders

Meeting provided that they are entered in the share register on the record date for participation in the General Shareholders Meeting.

Bearer shares in certificated form entitle their holders to participate in the General Shareholders Meeting if the share certificates are submitted with the Company no later than on the record date for participation in the General Shareholders Meeting and are not collected prior to the end of that day. Instead of the shares, a shareholder may submit a document confirming that its shares have been deposited with a notary public, a bank or an investment firm having registered office or a branch in the European Union or in a state which is a party to the treaty on the European Economic Area, as indicated in the notice of the General Shareholders Meeting. Such a document should specify serial numbers of the share certificates and should state that the share certificates will not be released prior to the end of the record date for participation in the General Shareholders Meeting.

The list of entities entitled to participate in the General Shareholders Meeting as holders of rights under bearer shares is determined based on the shares submitted with the Company and based on a list prepared by Krajowy Depozyt Papierów Wartościowych S.A. (Polish National Depository for Securities), in accordance with the provisions of the Act on Trading in Financial Instruments.

Shareholders may participate in the General Shareholders Meetings and exercise their voting rights in person, by representatives or by proxies. Powers of proxy should be granted in writing or in electronic form. A written or electronic document confirming the right to represent a shareholder at the General Shareholders Meeting is deemed legally valid and needs no other confirmation, unless the Management Board or the Chairperson of the General Shareholders Meeting *prima facie* has doubts about its authenticity or validity.

Shareholder(s) representing at least one twentieth of the Issuer's share capital and shareholder State Treasury (irrespective of its equity interest in the Issuer) may request that the General Shareholders Meeting be convened, and such request must be made in writing or in electronic form. If the Management Board fails to convene the General Shareholders Meeting at the request of the shareholder(s) within two weeks from the date when the request was submitted, the registry court, after demanding a relevant representation from the Management Board, may authorise the shareholder(s) to convene the meeting. Additionally, shareholders representing at least one twentieth of the Issuer's share capital may request that certain matters be placed on the agenda of the forthcoming General Shareholders Meeting. The same right is held by shareholder State Treasury, irrespective of its equity interest in the Issuer. Any such request in the Polish language should be sent to the Issuer in writing or in the electronic form. The request should contain grounds or draft resolutions concerning the proposed agenda items and should be submitted to the Management Board not later than 21 days before the planned date of the General Shareholders Meeting. A shareholder or shareholders representing at least one twentieth of the Issuer's share capital may, before a General Shareholders Meeting, submit to the Company in writing or in the electronic form draft resolutions concerning items which have been or are to be entered on the agenda of the General Shareholders Meeting. Any item included in the agenda of the General Shareholders Meeting at the request of the shareholder(s) may only be removed or abandoned if a relevant resolution is passed by the

majority of three quarters of the votes and if all the shareholders that made the request and attend the meeting consent to such removal or abandonment.

The Company's Articles of Association do not provide for the possibility to participate in the General Shareholders Meeting using means of electronic communication (including speaking at the General Shareholders Meeting using means of electronic communication) or to exercise the voting rights by postal ballot or using means of electronic communication.

At the request of shareholders representing at least one-fifth of the share capital, the Supervisory Board is elected by way of block voting. The shareholders who at the General Shareholders Meeting represent such portion of the shares as results from dividing the total number of the represented shares by the number of the Supervisory Board members, may form a block to elect one member of the Supervisory Board, but do not participate in the elections of other members. Shareholders that belong to a block may exercise their voting rights exclusively within the block, which means that the shares held by them cannot be divided. The number of the Supervisory Board members that may be elected within a block is determined by dividing the number of the shares represented by the block by the minimum number of shares necessary to form a block. If a position on the Supervisory Board that should be filled by an appropriate block remains vacant, it is filled by way of voting by all the shareholders who did not participate in the block voting.

At the General Shareholders Meetings, the Management Board is required to provide shareholders – at their request – with information on the Company, if such information is needed to assess a matter which is on the Meeting's agenda. The Management Board refuses to provide information if this could adversely affect the Issuer, its affiliate, or its subsidiary company or co-operative, especially through disclosure of any technical, trade or organisational secrets.

A Management Board member may refuse to provide information if this could lead to his/her criminal, civil or administrative liability.

In justified cases, the Management Board may provide the information in writing within two weeks of being requested to do so at the General Shareholders Meeting.

Answer is deemed to be given if relevant information is available on the Issuer's website in the section dedicated to shareholder questions and answers to such questions.

The information on the company may also be provided outside the General Shareholders Meeting. Such information, along with an indication when and to whom it was provided, should be disclosed by the Management Board in writing in the materials to be presented at the next General Shareholders Meeting. The materials need not include such information which has been made publicly available, including by way of current reports issued pursuant to Par. 38.1.12 of the Regulation, or the information provided at a General Shareholders Meeting.

A shareholder may require that a list of shareholders be sent to him/her free of charge by e-mail, may inspect the book of minutes or demand to be given copies of the resolutions of the General Shareholders Meetings certified as true copies by the Management Board.

Moreover, a shareholder may request to be provided with certified copies of proposals concerning the issues included in the agenda one week before a General Shareholders Meeting. Copies of the Directors' Report on the Company's operations and of the financial statements, along with copies of the Supervisory Board's report and the auditor's opinion are provided to the shareholders at their request, not later than fifteen days before an Annual General Shareholders Meeting.

At General Shareholders Meetings, the attending shareholders may propose procedural motions, including motions to change the sequence of matters in the agenda or to order a recess. Each shareholder may also request that a matter be voted on by way of secret ballot.

The Issuer has its own website, where the following information is made available from the date of convening a General Shareholders Meeting:

1. notice of the General Shareholders Meeting;
2. information on the total number of the Company shares and the number of votes attached to such shares as at the notice date and, if there are different types of the shares, on the number of shares of a given type and the number of votes attached to the shares of each type;
3. the documentation which is to be presented to the General Shareholders Meeting;
4. draft resolutions or - if no resolutions are planned to be adopted - comments by the PGNiG S.A. Management or Supervisory Board concerning matters which have been or are to be placed on the agenda prior to the General Shareholders Meeting.

11. Composition and activities of the Issuer's management, supervisory and administrative bodies or of their committees; changes in their composition during the last financial year

11.1. Activities of management bodies – Management Board

11.1.1. Composition of the Management Board

As at January 1st 2011, the Issuer's Management Board was composed of:

1. Michał Szubski – President of the Management Board,
2. Radosław Dudziński – Vice-President, Strategy,
3. Sławomir Hinc – Vice-President, Finance,
4. Marek Karabula – Vice-President, Oil Mining,
5. Mirosław Szałuba – Vice-President, Trade.

On January 12th 2011, the Supervisory Board of PGNiG S.A. appointed the President and members of PGNiG S.A.'s Management Board for a new term of office starting on March 13th 2011. The following persons were appointed for the three-year term:

- Michał Szubski – President of the Management Board
- Radosław Dudziński – Member of the Management Board
- Sławomir Hinc – Member of the Management Board
- Marek Karabula – Member of the Management Board

In January-February 2011, elections were carried out to choose the Management Board nominee representing the employees. Mirosław Szkałuba was re-elected as the employees' representative.

On December 19th 2011, Mr Michał Szubski, President of the Management Board of PGNiG S.A., resigned from his position for compelling personal reasons. The Supervisory Board of PGNiG S.A. accepted his resignation with effect from the reporting date, i.e. December 31st 2011.

As at December 31st 2011, the Issuer's Management Board was composed of:

1. Michał Szubski – President of the Management Board,
2. Radosław Dudziński – Vice-President, Strategy,
3. Sławomir Hinc – Vice-President, Finance,
4. Marek Karabula – Vice-President, Oil Mining,
5. Mirosław Szkałuba – Vice-President, Trade.

In connection with Michał Szubski's resignation from the position of President of the PGNiG Management Board, pursuant to the Supervisory Board's decision, from January 1st 2012 until completion of the qualification procedure to select the new President of the Company's Management Board, the performance of powers and duties of the President of the Management Board, including coordination of the Management Board's activities, has been supervised by Mr Marek Karabula, Vice-President for Oil Mining.

11.1.2. Rules governing the operation of the Management Board

The manner of operation of the Management Board is defined in its Rules of Procedure, adopted by the Management Board and approved by the Supervisory Board. The Rules of Procedure for the Management Board are available on the Issuer's website at www.pgnig.pl in the „Corporate Governance” section.

The Management Board is composed of two to seven members. The number of the Management Board members is determined by the Supervisory Board, being the body authorised to appoint individual Management Board members or the entire Management Board. Management Board members are appointed for a joint term of three years. As long as the State Treasury remains a shareholder of the Issuer and the Issuer's annual average headcount exceeds 500, the Supervisory Board appoints as a Management Board member one person elected by the employees, to serve for the Management Board's term of office.

The Management Board manages the affairs of the Issuer and represents the Issuer in or out of court. The powers and responsibilities of the Management Board include all the matters connected with managing the Issuer's affairs other than those which the law or the Issuer's Articles of Association reserve for the General Shareholders Meeting or the Supervisory Board. The Management Board is headed by the President of the Management Board.

The responsibilities of the Management Board include, in particular:

1. Preparation of annual business plans, including investment plans, long-term strategic plans, and investment plans relating to development of the distribution system and their submission to the Supervisory Board for approval;
2. Submission to the minister competent for matters pertaining to the State Treasury and the minister competent for economy, each time at their request, detailed reports on performance of projects undertaken with a view to ensuring the country's energy security;
3. Preparation of quarterly economic and financial reviews of the Issuer and of the distribution companies spun off based on the programme of the Polish Council of Ministers, in the form defined by the minister competent for matters pertaining to the State Treasury, and their submission to the minister competent for matters pertaining to the State Treasury and the minister competent for economy by the end of the first month following the end of each quarter;
4. Preparation of quarterly economic and financial reviews of the Issuer and the distribution system operators, in the form defined by the minister competent for matters pertaining to the State Treasury, and their submission to the minister competent for matters pertaining to the State Treasury and the minister competent for economy by the end of the first month following the end of each quarter.

The Management Board submits to the Supervisory Board for assessment the following documents: financial statements for the preceding financial year, along with the auditor's opinion, Directors' Report on the Issuer's operations in the preceding financial year, and the proposal for distribution of profit or coverage of loss for that financial year. These documents should be submitted without the Management Board being called upon to do so, early enough so that the Supervisory Board is able to assess them before they are presented to the General Shareholders Meeting.

Declarations of will may be made on behalf of the Issuer by two Management Board members acting jointly or one Management Board member acting jointly with a commercial proxy. Any issues which fall beyond the scope of the day-to-day management of the Issuer's affairs require adoption of a resolution.

In particular, the Management Board adopts resolutions regarding the following issues:

1. Adoption of the Management Board's rules of procedure;
2. Adoption of organisational rules for the Company's business;
3. Establishment and closing of branches;

4. Appointment of a commercial proxy;
5. Division of powers between the Management Board members, provided, however, that a relevant resolution of the Management Board must be approved by the Supervisory Board;
6. Contracting and extending loans and contracting credit facilities, except where the Articles of Association require the Supervisory Board's approval or opinion on the transaction;
7. Adoption of annual business plans, including investment plans, long-term strategic plans, and investment plans relating to development of the distribution system, with the reservation that the plans must be approved by the Supervisory Board;
8. Assuming contingent liabilities, including extension by the Issuer of guarantees and sureties, as well as issuance of promissory notes, except where the Articles of Association require the Supervisory Board's approval or opinion;
9. Acquisition or disposal of non-current assets, including real property, perpetual usufruct right to property or interest in real property, with a value equal to or higher than the złoty equivalent of EUR 50,000, except where the Articles of Association require the Supervisory Board's approval or a resolution of the General Shareholders Meeting;
10. Issues referred by the Management Board for consideration to the Supervisory Board or to the General Shareholders Meeting;
11. Approval of detailed reports on the performance of projects undertaken with a view to ensuring the country's energy security which are submitted to the minister competent for matters pertaining to the State Treasury and the minister competent for the economy, each time at their request;
12. Making donations, releasing debtors from their debt obligations and entering into other agreements outside the scope of the Issuer's business as specified in its Articles of Association;
13. Conclusion of contracts for sale of natural gas, crude oil, natural gasoline and other oil and gas derivatives, with a value exceeding 20% of the Issuer's share capital, provided that in the case of sale contracts with a value exceeding the PLN equivalent of EUR 100,000,000, the Supervisory Board's opinion must be sought, except where the Articles of Association require the Supervisory Board's approval;
14. Entering into legal transactions, other than those listed in items 1–13, if their value exceeds the złoty equivalent of EUR 420,000.

In those matters which do not require adoption of a Management Board resolution, each Management Board member attends to the responsibilities assigned to him/her on an individual basis. During Management Board meetings, each Management Board member has the duty to brief the other Management Board members on his/her material decisions and results of supervisory work, in particular with respect to supervision over the Issuer's business units, in accordance with the division of powers between the Management Board members.

Management Board meetings are held as needed. Each Management Board member may submit a request to the President of the Management Board (or the person replacing the President) to call a Management Board meeting in connection with matters requiring an urgent decision by the Management Board or for the purpose of presenting information on matters of significance to the Issuer. The Chairperson of the Supervisory Board is also entitled to request that a Management Board meeting be called, by providing the President of the Management Board with a written agenda of such a meeting. In addition, the Chairperson of the Supervisory Board has the right to demand of the President of the Management Board that certain items be placed on the agenda of a Management Board meeting.

The rules for and amounts of remuneration of Management Board members are determined by the General Shareholders Meeting pursuant to the provisions of the Act on Remuneration of Persons Managing Certain Legal Entities, dated March 3rd 2000 (Dz.U. No. 26, item 306, as amended).

11.2. Activities of supervisory bodies – Supervisory Board

11.2.1. Composition of the Supervisory Board

As at January 1st 2011, PGNiG S.A.'s Supervisory Board was composed of:

1. Stanisław Rychlicki – Chairman of the Supervisory Board,
2. Marcin Moryń – Vice-Chairman of the Supervisory Board,
3. Mieczysław Kawecki – Secretary of the Supervisory Board,
4. Grzegorz Banaszek – Member of the Supervisory Board,
5. Agnieszka Chmielarz – Member of the Supervisory Board,
6. Mieczysław Puławski – Member of the Supervisory Board,
7. Jolanta Siergiej – Member of the Supervisory Board.

Following the elections held at the end of January and beginning of February 2011 to elect candidates for Supervisory Board members representing PGNiG S.A.'s employees, Agnieszka Chmielarz, Mieczysław Kawecki and Jolanta Siergiej were reappointed as the employee representatives.

On April 20th 2011, the Annual General Shareholders Meeting of PGNiG S.A. reappointed the Company's then-current Supervisory Board members to serve for another three-year term of office. The new Supervisory Board formally constituted itself at its first meeting held on May 5th 2011.

From December 31st 2011 to the date of these financial statements, the following changes occurred in the composition of PGNiG S.A.'s Supervisory Board:

As at December 31st 2011, the Supervisory Board was composed of seven members:

1. Stanisław Rychlicki – Chairman of the Supervisory Board,
2. Marcin Moryń – Deputy Chairman of the Supervisory Board,

3. Mieczysław Kawecki – Secretary of the Supervisory Board,
4. Grzegorz Banaszek – Member of the Supervisory Board,
5. Agnieszka Chmielarz - Member of the Supervisory Board,
6. Mieczysław Puławski - Member of the Supervisory Board,
7. Jolanta Siergiej – Member of the Supervisory Board.

On January 5th 2012, Prof. Stanisław Rychlicki, Chairman of the Supervisory Board of PGNiG S.A., tendered his resignation from the position for compelling personal reasons, with effect from January 10th 2012.

On January 12th 2012, the Extraordinary General Shareholders Meeting of PGNiG removed from the Supervisory Board, with effect from January 12th 2012:

- Mr Grzegorz Banaszek.

At the same time, the Extraordinary General Shareholders Meeting of PGNiG held on January 12th 2012 appointed to the Supervisory Board of PGNiG:

- Mr Józef Głowacki,
- Mr Wojciech Chmielewski.

On January 12th 2012, by virtue of the Minister of State Treasury's decision, pursuant to Par. 35.1 of PGNiG S.A.'s Articles of Association, the following person was appointed to the Supervisory Board of PGNiG S.A.:

- Mr Janusz Pilitowski.

On January 13th 2012, the Supervisory Board of PGNiG S.A. appointed Mr Wojciech Chmielewski as its Chairman.

As at the date of this statement, the Supervisory Board was composed of eight members:

1. Wojciech Chmielewski – Chairman of the Supervisory Board,
2. Marcin Moryń – Deputy Chairman of the Supervisory Board,
3. Mieczysław Kawecki – Secretary of the Supervisory Board,
4. Agnieszka Chmielarz – Member of the Supervisory Board,
5. Józef Głowacki – Member of the Supervisory Board,
6. Janusz Pilitowski – Member of the Supervisory Board,
7. Mieczysław Puławski – Member of the Supervisory Board,
8. Jolanta Siergiej – Member of the Supervisory Board.

The term of office of PGNiG S.A.'s Supervisory Board expires on April 30th 2014.

11.2.2. Rules governing the operation of the Supervisory Board

The Supervisory Board operates in accordance with the rules set out in the Commercial Companies Code, the Articles of Association and the Rules of Procedure for the Supervisory Board. The Rules of Procedure for the Supervisory Board have been adopted by a Supervisory Board resolution and are available on the Issuer's website at www.pgnig.pl in the „Corporate Governance” section.

The Issuer's Supervisory Board is composed of five to nine members appointed by the General Shareholders Meeting. One Supervisory Board member must meet the independence criteria specified in the Articles of Association. As long as the State Treasury remains a shareholder of the Issuer, the State Treasury, represented by the minister competent for matters pertaining to the State Treasury, acting in this respect in agreement with the minister competent for economy, has the right to appoint and remove one member of the Supervisory Board. If the Supervisory Board is composed of up to six members, two members are appointed from among the candidates elected by the Issuer's employees. If the Supervisory Board is composed of seven to nine members, three members are appointed from among the candidates elected by the Issuer's employees.

The Supervisory Board members are appointed for a joint term of office lasting three years.

The Supervisory Board exercises ongoing supervision over the Issuer's activities in all areas of its operations, and presents its opinions on all matters submitted by the Management Board for consideration to the General Shareholders Meeting. The powers and responsibilities of the Supervisory Board include, in particular:

1. Assessment of the Directors' Report on the Issuer's operations and of the financial statements for the preceding financial year, with respect to their consistency with the accounting books, the supporting documentation, and with the actual state of affairs;
2. Assessment of the Management Board's proposals concerning distribution of profit or coverage of loss;
3. Submission to the General Shareholders Meeting of written reports on results of the activities referred to in items 1 and 2;
4. Assessment of the consolidated financial statements with respect to their consistency with the accounting books, the supporting documentation, and with the actual state of affairs, assessment of the Directors' Report on the Group's operations, and reporting to the General Shareholders Meeting on the results of these assessments;
5. Appointment of an auditor to audit the financial statements;
6. Approval of annual business plans, including investment plans, long-term strategic plans, and investment plans relating to development of the transmission system;
7. Adoption of detailed rules governing the Supervisory Board's operation;
8. Approval of the consolidated text of the Articles of Association, drawn up by the Issuer's Management Board;
9. Approval of the Rules of Procedure for the Management Board;

10. Approval of the organisational rules for the Issuer's enterprise;
11. Approval of the Management Board's resolution on division of powers between the Management Board members;
12. Issue of opinions on all matters submitted by the Management Board for consideration to the General Shareholders Meeting;
13. Issue of opinions on detailed reports concerning the performance of projects undertaken with a view to ensuring the country's energy security, submitted by the Management Board to the minister competent for matters pertaining to the State Treasury and the minister competent for economy;
14. Issue of opinions on the requests to be submitted to shareholder State Treasury, represented by the minister competent for matters pertaining to the State Treasury, to approve 1) any changes to material provisions of the existing trade agreements for import of natural gas to Poland, as well as the execution of such agreements, 2) any strategic investment projects or the Issuer's involvement in investment projects which, permanently or temporarily, impair the economic efficiency of the Issuer's business but which are necessary to ensure Poland's energy security;
15. Granting approval to the Management Board for:
 - a) Acquisition of non-current assets with a value falling between the złoty equivalent of EUR 500,000 and EUR 2,000,000, except where the transaction has been provided for in any annual business plans, including investment plans, long-term strategic plans and investment plans relating to development of the transmission system, previously approved by the Supervisory Board;
 - b) Disposal of non-current assets with a value falling between the złoty equivalent of EUR 500,000 and EUR 1,000,000, except where the transaction has been provided for in any of the plans referred to in a) above, approved by the Supervisory Board;
 - c) Assumption of other liabilities whose value exceeds 20% of the Issuer's share capital, except where the transaction has been provided for in any of the plans referred to in a) above, approved by the Supervisory Board;
 - d) Execution of an agreement of the type discussed in Art. 19b of the Act on Commercialisation and Privatisation, dated August 30th 1996;
16. Appointment and removal of Management Board members;
17. Submission of proposals as to the rules and amounts of remuneration for Management Board members;
18. Suspension of Management Board members from their duties – on material grounds, and by an absolute majority of the votes;
19. Delegation of Supervisory Board members to temporarily replace Management Board members who are unable to perform their duties;

20. Carrying out the qualification procedure referred to in Art. 19a of the Act on Commercialisation and Privatisation;
21. Granting permission for establishing and closing foreign branches of the Issuer;
22. Granting permission to Management Board members to accept positions on governing bodies of other companies, where such permission is required by law;
23. Granting permission for the Issuer to form another company with a share capital not exceeding the złoty equivalent of EUR 1,000,000;
24. Monitoring the Issuer's debt level;
25. Issue of opinions on Management Board's recommendations concerning appointment or removal of the Issuer's representatives in the management or supervisory boards of System Gazociągów Tranzytowych EuRoPol GAZ S.A. and submission of such recommendations for acceptance to shareholder State Treasury, represented by the minister competent for matters pertaining to the State Treasury;
26. Issue of opinions on the manner of exercising the voting rights by the Issuer's representative at the general shareholders meeting of System Gazociągów Tranzytowych EuRoPol GAZ S.A.;
27. Approval of the manner of exercising the voting rights by the Issuer's representatives at the general shareholders meetings of the distribution companies with respect to approval of such companies' annual budgets;
28. Approval of the manner of exercising the voting rights by the Issuer's representatives at the general shareholders meetings of the distribution companies with respect to approval of such companies' long-term strategic business plans;
29. Approval of the manner of exercising the voting rights by the Issuer's representatives at the general shareholders meetings of the distribution companies with respect to:
 - a) amendments to a company's articles of association;
 - b) increase or reduction of a company's share capital;
 - c) merger, transformation or demerger of a company;
 - d) sale of a company shares;
 - e) sale and lease of a company's business or its organized part, or creation of proprietary interests therein;
 - f) dissolution and liquidation of a company;
30. Approval of the manner of exercising the voting rights by the Issuer's representatives at the general shareholders meetings of companies in which the Issuer holds at least 50% of the shares, subject to the provisions of item 29) above, with respect to:
 - a) amendments to a company's articles of association;
 - b) increase or reduction of a company's share capital;
 - c) merger, transformation or demerger of a company;

- d) sale of a company shares;
- e) sale and lease of a company's business or its organized part, or creation of proprietary interests therein;
- f) dissolution and liquidation of a company;
- g) establishing pledges or other encumbrances on a company shares;
- h) obligating shareholders to make additional contributions to equity;
- i) issue of bonds/notes.

31. Issue of opinions on the Management Board's proposals concerning assumption of liabilities with a value exceeding the zloty equivalent of EUR 100,000,000.

Supervisory Board meetings are convened by the Chairperson or Vice-Chairperson of the Supervisory Board any time when the Issuer's interest so requires, but not less frequently than once every two months. Supervisory Board meetings are also convened at the request of a Supervisory Board member, or at the request of the Management Board. The Supervisory Board may express its opinions exclusively in the form of resolutions. The Supervisory Board may adopt resolutions if at least half of all its members are present at a meeting, and all the members have been invited to participate. The Supervisory Board may only adopt resolutions on matters included in the agenda, which however can be amended if all members are present at a meeting and no member objects to the agenda being amended. The Supervisory Board adopts resolutions in an open vote by an absolute majority of the votes. A secret vote is ordered at the request of a Supervisory Board member or when the issue put to a vote concerns personnel matters. Members of the Management Board may be invited to participate in Supervisory Board meetings. In order to be valid, a resolution of the Supervisory Board concerning appointment of the auditor requires a favourable vote from a member of the Supervisory Board who meets the independence criteria defined in the Issuer's Articles of Association. Save as specified in the Rules of Procedure for the Supervisory Board, the Supervisory Board may adopt resolutions by written ballot or with the use of means of remote communication. Adoption of a resolution using any of these methods must be justified, and a draft resolution must be made available to all Supervisory Board members beforehand.

The Chairperson of the Supervisory Board is entitled to request that a Management Board meeting be called, by providing the President of the Management Board with a written agenda of such a meeting. The Chairperson of the Supervisory Board may request of the President of the Management Board that certain items be placed on the agenda of a Management Board meeting. The Management Board must submit the following documents to the Supervisory Board for assessment: financial statements for the preceding financial year, along with the auditor's opinion, Directors' Report on the Issuer's operations in the preceding financial year, and the proposal for distribution of profit or coverage of loss for that financial year. These documents should be submitted without the Management Board being called upon to do so, early enough so that the Supervisory Board is able to assess them before they are presented to the General Shareholders Meeting.

The Supervisory Board or its members delegated to perform certain supervisory functions independently are authorised to supervise all areas of the Issuer's business and in particular to examine all Issuer's documents, demand that the Management Board and the Issuer's employees produce reports and explanations, or to review the Issuer's assets.

The Supervisory Board may appoint standing or ad hoc committees (established as needed), to act as the Supervisory Board's collegiate advisory and opinion-giving bodies. The Supervisory Board has also the right to seek opinions from legal counsels and to engage experts in relevant fields to provide their opinions on matters within the Supervisory Board's scope of competence.

The amount of remuneration to be received by the Supervisory Board members is set by the General Shareholders Meeting pursuant to the Act on Remuneration of Persons Managing Certain Legal Entities, dated March 3rd 2000 (Dz.U. No. 26, item 306, as amended).

For important reasons, the Supervisory Board may delegate individual members to perform certain supervisory functions independently for a specified term. A Supervisory Board member so delegated must report to the Supervisory Board in writing on all actions taken.

11.3. Committees

In 2011, there was one committee operating at the Company – the Audit Committee. The Audit Committee is composed of members of the Issuer's Supervisory Board.

In the period from January 1st to December 31st 2011, the Audit Committee held six meetings and adopted six resolutions. In that period, the Committee did not adopt resolutions by written ballot or using means of remote communication. Three meetings of the Audit Committee were meetings with the auditor, one meeting was devoted to an assessment of the Company's internal audit system, made by the Audit Committee in collaboration with the Internal Audit and Control Office. At two meetings, the Audit Committee reviewed and assessed the Company's financial reporting system.

11.3.1. Composition of the Audit Committee

As at January 1st 2011, the Audit Committee was composed of:

1. Mieczysław Puławski – Chairman of the Audit Committee,
2. Grzegorz Banaszek – Deputy Chairman of the Audit Committee,
3. Jolanta Siergiej – Member of the Audit Committee.

As at December 31st 2011, the Audit Committee was composed of:

1. Mieczysław Puławski – Chairman of the Audit Committee,
2. Grzegorz Banaszek – Deputy Chairman of the Audit Committee,
3. Jolanta Siergiej – Member of the Audit Committee.

On January 12th 2012, the Extraordinary General Shareholders Meeting of PGNiG removed from the Supervisory Board, with effect from January 12th 2012:

- Mr Grzegorz Banaszek.

On January 13th 2012, Mr Janusz Pilitowski was delegated by the Issuer's Supervisory Board to serve as member of the Audit Committee.

As at the date of this statement, the Audit Committee was composed of:

1. Mieczysław Puławski – Chairman of the Audit Committee,
2. Jolanta Siergiej – Member of the Audit Committee,
3. Janusz Pilitowski – Member of the Audit Committee.

11.3.2. Rules of Operation of the Audit Committee

The Audit Committee operates within the Supervisory Board structures as a standing committee, advising the Supervisory Board on matters for which the Board is responsible.

The Audit Committee is composed of at least three members of the Supervisory Board, including at least one independent member appointed by the General Shareholders Meeting under Par. 36.1 of the Articles of Association, qualified in accounting and finance. The members of the Audit Committee are appointed by the Supervisory Board.

Meetings of the Audit Committee are held as needed, but at least once every quarter, and are convened by the Chairperson of the Committee. The Chairperson of the Audit Committee may invite to a meeting other members of the Supervisory Board, members of the Issuer's Management Board, the Issuer's employees, as well as other persons whose participation in a given meeting is considered important from the point of view of performance by the Committee of its role. The Audit Committee may adopt resolutions if at least a half of its members are present at a meeting and all the members have been properly invited. The Committee may adopt its resolutions by written ballot or using means of remote communication. Resolutions of the Audit Committee are adopted by a simple majority of votes cast. In the event of a tied vote, the Chairperson of the Audit Committee has the casting vote.

Every six months, the Audit Committee submits reports on its activities to the Supervisory Board. Each such report is made available to the Issuer's shareholders at the next General Shareholders Meeting.

The responsibilities of the Audit Committee include, in particular:

1. Monitoring the financial reporting process;
2. Monitoring the financial information presented by the Issuer for its reliability;
3. Monitoring the internal control, internal audit and risk management systems for their effectiveness;
4. Monitoring the process of audit/review of financial statements by external auditors;

5. Giving recommendations to the Supervisory Board concerning the selection, appointment, re-appointment and removal of an auditor of financial statements, as well as the terms and conditions of the auditor's engagement;
6. Monitoring the independence and objectivity of the auditor of financial statements;
7. Control of the nature and scope of services not related to audit or review of financial statements, contracted from the auditor of financial statements;
8. Reviewing the effectiveness of the external audit process and monitoring the response of the members of the Management Board and the Issuer's employees to the external auditor's recommendations;
9. Examining the reasons for termination of the agreement with an auditor of financial statements.

Vice-President of the Marek Karabula
Management Board

Vice-President of the Radosław Dudziński
Management Board

Vice-President of the Sławomir Hinc
Management Board

Vice-President of the Mirosław Szkałuba
Management Board
