

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, December 30th 2010

Current Report No. 98/2010

NAK Naftogaz Ukrainy to Suspend Gas Deliveries via Zosin (near Hrubieszów) Cross-Border Point as of January 1st 2011

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The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG") hereby reports that on December 30th 2010 it was notified by the operator of the Ukrainian transmission system Lvivtransgaz of its plans to suspend natural gas deliveries via the Zosin near Hrubieszów cross-border point on the Polish-Ukrainian border as of 7:00 am (Polish time) on January 1st 2011.

NAK Naftogaz Ukrainy ("NAK") is to stop its deliveries due to internal regulations applicable in Ukraine which require that the entire Ukrainian production of natural gas should be allocated to meet the domestic demand only, thus preventing supplies of natural gas to Poland, the Ukrainian side says. PGNiG does not accept the reason for suspending the deliveries provided by the Ukrainian side and will demand that the gas supplies agreement, valid until December 31st 2020, be performed.

Under the agreement for natural gas supplies concluded between PGNiG and NAK on October 26th 2004, valid until December 31st 2020, PGNiG contracted for deliveries in 2011 approximately 168 million cubic meters of natural gas according to the Polish standard (180 million cubic meters according to GOST). To date, supplies of natural gas to Hrubieszów have amounted to approximately 9 million cubic meters annually according to the Polish standard.

Despite the stoppage, all clients in Hrubieszów will be provided with natural gas from the stocks built to date, as well as from the Polish transmission system through the Lubaczów-Krasnystaw gas pipeline.

This situation does not affect Poland's economy.