

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, September 27th 2017

**Answers to Shareholder's questions submitted
during the PGNiG Extraordinary General Meeting of September 13th 2017**

Current Report No. 81/2017

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") presents answers to the questions asked by Shareholders at the Extraordinary General Meeting held on September 13th 2017 in Warsaw. The information was provided to the shareholders pursuant to Art. 428.5 of the Commercial Companies Code.

ANSWERS TO ROBERT OLIWA'S QUESTIONS OF SEPTEMBER 8TH 2017

- 1. What gas customers are affected by the incorrect – according to the current Management Board – settlement of contracts due to the fact that PGNiG S.A. did not charge such customers the price adjusted for heating value?**

In accordance with Art. 428.2 of the Commercial Companies Code, the Management Board of PGNiG SA may not provide information with respect to the above question as the information constitutes a trade secret of PGNiG S.A. and its disclosure could cause damage to the company. Moreover, contracts with gas customers contain confidentiality clauses, which further prevents PGNiG S.A. from disclosing such information.

- 2. When exactly did the issue of incorrect – according to the current Management Board – settlement of those contracts arise at PGNiG S.A.?**

The problem concerns different contracts, concluded at different times.

- 3. In which period did the irregularities – according to the current Management Board – in the settlement of these contracts occur? Do the contract settlement irregularities alleged by the current Management Board pertain only to the years 2012–2013?**

The irregularities may also pertain to other periods.

- 4. Has the current Management Board of PGNiG S.A. commissioned an analysis of transactions under contracts with trading partners in the period from the conclusion of the contracts until the transition to settlement in energy units (contracts, amendments to contracts, responsible persons, correspondence flow)?**

The period subject to analysis is not restricted by the Company.

- 5. Has the current Management Board of PGNiG S.A. reviewed the steps taken by the previous Management Boards in the period from the conclusion of the contracts to this day in terms of incorrect – as the current Management Board maintains – settlement of those contracts?**

The period subject to analysis is not restricted by the Company.

- 6. Has the Company's organisational unit responsible for auditing conducted a review procedure concerning this matter and issued a report on such procedure?**

Yes.

Polish Oil and Gas Company (PGNiG SA)
Head Office

7. **If it is confirmed that the same gas price settlement methodology was applied throughout the period since the conclusion of contracts with gas consumers until the transition to energy units, please explain why the resolution indicates only four members of the Management Board who, in this composition, held positions on the Management Board from May 2012 to March 2013, while since the conclusion of the contracts (e.g. since January 14th 1999 in the case of the contract with ZA Puławy, according to the data of the Energy Market Information Centre (CIRE)) there have been several dozen Management Board members? In particular, over the entire term of Ms Grażyna Piotrowska-Oliwa as President of the Management Board, two other persons (Mr Marek Karabuła and Mr Jacek Murawski) were Management Board members.**

The resolution concerns the four members of the Management Board because of the wording of Art. 483, in conjunction with Art. 488 of the Commercial Companies Code, regarding Management Board members' liability for damage caused by acts or omissions and the prescription period specified therein, which is five years as of the occurrence of the damage. As a result, the Company has taken steps to resolve the matter amicably.

8. **Why did the Management Board not request the Extraordinary General Meeting to claim compensation from the members of the Management Board in office after November 2013 given that it follows from the statement of reasons for the request addressed to the Extraordinary General Meeting that the total amount of heating value adjustment not claimed from customers in the unexpired prescription period (July 1st–31st 2012) is PLN 69,945,431.37? Among the persons indicated in the draft resolution, the amount specified next to the name of the person who was in office until the latest date, that is until November 2013, is PLN 46,670,620.80. This means that the amount of adjustment not claimed from customers and attributable to the period December 2013–July 2014 is PLN 23,274,810.57. Why did the Management Board request that the compensation for the period April 2013–November 2013 be claimed exclusively from Mr Mirosław Szkałuba, and did not request that compensation be claimed from the other persons which were Management Board Members in that period, that is Mr Jacek Murawski and Mr Jerzy Kurella?**

The Company has not made a decision not to pursue claims and in no way limits at this stage the group of persons who may be held liable.

9. **If it is confirmed that the same gas price settlement methodology has been applied for at least a dozen or so years, is it true that the Management Board in its current composition have only recently become aware of incorrect, as the Board maintains, gas contract settlement in the period May 2012–March 2013? After all, the current the Management Board includes four persons who held key positions at PGNiG S.A. in previous years, including in particular:**
- a) **Mr Piotr Woźniak, President of the Management Board, who was Member of the Management Board for Trade in 2001;**
 - b) **Mr Michał Pietrzyk, Vice President of the Management Board, Finance, who was Deputy Head and Head of the PGNiG Economic Department in 2006–2016.**

The company has become aware of the irregularities in recent months.

Polish Oil and Gas Company (PGNiG SA)
Head Office

10. If it is confirmed that the same method of gas price settlement has been used for at least a dozen or so years, does the current Management Board intend to bring an action for similar compensation against other former or current members of the PGNiG Management Board, provided that the irregularities in settlement of the contracts also occurred during their term?

At this stage, the Company does not limit the group of persons who may be held liable.

11. Which of the persons specified in the draft resolution were notified about the incorrect, according to the current Management Board, settlement of contracts and how were they notified?

In accordance with Art. 428.2 of the Commercial Companies Code, the Management Board of PGNiG S.A. may not provide information with respect to the above question as the information constitutes an organisational secret of PGNiG S.A. and its disclosure could cause damage to the company. Nonetheless, information about incorrect settlement of the contracts was provided in accordance with PGNiG S.A.'s internal procedures.

12. Has the Management Board held accountable or does it intend to hold accountable its employees or their superiors who were directly involved in the incorrect, according to the Management Board, settlement of contracts?

At this stage, the Company does not limit the group of persons who may be held liable.

13. Which actions of the persons referred to in the draft resolution does the Company consider to have "resulted in" the incorrect, according to the current Management Board, settlement of contracts?

In accordance with Art. 428.2 of the Commercial Companies Code, the PGNiG Management Board may not disclose any information with respect to that question. To protect its legal interest as a party to potential proceedings relating to that matter, the PGNiG S.A. Management Board cannot disclose any information on legal disputes as it might cause damage to the Company.

14. Did the Company have, in the period of the incorrect, according to the current Management Board, settlement of contracts, information on heating value that would ensure correct billing of those customers?

Yes.

15. What are the amounts of the Company's claims against each of the persons specified in the draft resolution?

This information was provided to the shareholders in the materials available before the General Meeting.

16. Did the Management Board determine the amounts it believes to have been incorrectly billed under contracts with gas customers for the entire terms of individual contracts from their execution dates?

The company determined the amounts on the basis of documents and information in its possession.

17. Did the Management Board assign appropriate amounts to the terms of office of individual Management Board members and the periods when they served on the Management Board as of the contract execution dates?

The company determined the amounts on the basis of documents and information in its possession.

Polish Oil and Gas Company (PGNiG SA)
Head Office

18. How can the Company explain the fact that customers were billed incorrectly – according to the Management Board – over the entire period when the problem allegedly occurred, given that invoices were issued regularly, at least each month?

The Company is in the process of explaining this issue in accordance with the law, in particular Art. 483 of the Commercial Companies Code.

19. How can the Company explain that each month the persons responsible for billing under contracts repeated the allegedly incorrect actions?

The Company is in the process of explaining this issue in accordance with the law, in particular Art. 483 of the Commercial Companies Code.

20. Given that the contracts were incorrectly settled, as claimed by the Management Board, in the period from May 2012 to March 2013, and the method of gas price settlement was changed on August 1st 2014, has the current Management Board taken steps to enforce the amounts due to PGNiG S.A. until August 1st 2014, and if it has not, have any claims in this respect become time-barred during the term of office of the current Management Board?

If any such claims have become time-barred during the term of office of the current Management Board, please specify the amount of the claims.

In accordance with Art. 428.2 of the Commercial Companies Code, The Management Board of PGNiG S.A. may not provide information with respect to the above question as the information constitutes a trade secret of PGNiG S.A. and its disclosure could cause damage to the company. Moreover, contracts with gas customers contain confidentiality clauses, which further prevents PGNiG S.A. from disclosing such information.

21. It follows from the statement of reasons for the request submitted to the Extraordinary General Meeting that after submission of information to the Management Board the Company signed an amendment waiving the application of the heating value adjustment as of January 1st 2014. Please specify the customer(s) with whom the amendment was signed.

In accordance with Art. 428.2 of the Commercial Companies Code, The Management Board of PGNiG S.A. may not provide information with respect to the above question as the information constitutes a trade secret of PGNiG S.A. and its disclosure could cause damage to the company. Moreover, contracts with gas customers contain confidentiality clauses, which further prevents PGNiG S.A. from disclosing such information.

22. How can you explain the fact that in item 7 of the notice calling the Extraordinary General Meeting for September 13th 2017 the Management Board announced a draft resolution concerning consent to seek claims against members of the Management Board of PGNiG S.A. for redress of damage caused when they managed the Company, without a prior resolution of the Supervisory Board in this crucial matter for the Company and investors?

The Company is in the process of explaining this issue in accordance with the law, in particular Art. 483 of the Commercial Companies Code.

Polish Oil and Gas Company (PGNiG SA)
Head Office

23. Was the Supervisory Board informed about all contract settlement irregularities, as alleged by the current Management Board, before it could grant consent (if any) to the resolution specified in item 7 of the agenda of the PGNiG S.A. Extraordinary General Meeting, as described in the request concerning settlement of gas prices, for the entire period concerned, i.e. from execution of the contracts or throughout the entire period when the settlement methodology was applied?

The Supervisory Board has obtained the required information in accordance with the law.

24. Did the Supervisory Board obtain on its own appropriate legal opinions and financial analysis in such an important matter to the Company as seeking compensation from members of the management board certainly is, or did it rely solely on the Management Board's information on the incorrect, according to the current Management Board, gas price billing from May 2012 to March 2013 and the responsible persons?

The Supervisory Board has obtained the required information and at this stage the Company does not limit the group of persons who may be held liable.

ANSWERS TO THE QUESTIONS FROM ALEKSANDER GROT, ATTORNEY-AT-LAW

1. "In connection with a review of contracts", who performed the review?

The review was performed by the Company.

2. "With gas customers", did the review cover contracts will all gas customers and, if not, which ones were subject to the review?

The scope of review has not been restricted by the Company.

3. What criteria were used to select the customers?

The scope of review has not been restricted by the Company.

4. Which periods were reviewed?

The scope of review has not been restricted by the Company.

5. Former Management Board members served on the Board until March 31st 2013, April 29th 2013 (two members) and December 20th 2013, so assuming that between the date of their departure from the Board (March 31st 2017) and the effective date of the new tariff (July 31st 2014) other people sat on the Management Board, will their liability also be investigated, and if not, why?

The scope of review has not been restricted by the Company.

6. Which members were exempt from the investigation?

At this stage, the Company does not limit the group of persons who may be held liable.

7. Are they currently sitting on the Management Board?

In light of the answer to question 6, answering this question would be pointless.

8. What were the criteria for not holding liable the persons who subsequently served on the Management Board?

At this stage, the Company does not limit the group of persons who may be held liable.

9. Has the issue of culpability been analysed?

Yes.

Polish Oil and Gas Company (PGNiG SA)
Head Office

10. Does any legal analysis indicate whether intentional or unintentional fault occurred in the matter discussed? I mean whether it was intentional fault (that is, the persons involved were aware that an adjustment should be calculated and failed to do so) or omission due to a failure to exercise due care (that is, the persons involved were not aware that an adjustment should be calculated, although they should have been aware if they had exercised due care).

In accordance with Art. 428.2 of the Commercial Companies Code, the PGNiG Management Board may not disclose any information with respect to that question. To protect its legal interest as a party to potential proceedings relating to that matter, the PGNiG S.A. Management Board cannot disclose any information on legal disputes as it might cause damage to the Company.

11. If it has not been done, is it, in the current Management Board's opinion, important in the context of the involved persons' liability whether the fault was intentional or not?

In light of the answer to question 9, question 11 is irrelevant.

12. What source materials were subject to the review referred to by the Company's Management Board?

Materials that could be relevant to the case were reviewed. The Company did not limit the scope of the review.

13. What technical equipment was then used for heating value measurements that are the basis for the adjustments?

According to the company's knowledge, it was equipment of various types that met applicable legal requirements.

14. Were automated telemetric instruments used, or was it done manually? How was it recorded? At the accounting department or another organisational unit (e.g., Sales)?

According to the company's knowledge, it was equipment of various types that met applicable legal requirements.

15. If telemetric instruments were used, were they certified in accordance with regulations on the standardisation of measuring instruments?

According to the company's knowledge, it was equipment of various types that met applicable legal requirements.

16. Was the system for reporting the above issues to the Management Board reviewed? Who was responsible for the reporting (division, responsible person, if any)?

In accordance with Art. 428.2 of the Commercial Companies Code, the PGNiG Management Board may not disclose any information with respect to that question. To protect its legal interest as a party to potential proceedings relating to that matter, the PGNiG S.A. Management Board cannot disclose any information on legal disputes as it might cause damage to the Company.

17. Have those persons been "heard" in any way?

In accordance with Art. 428.2 of the Commercial Companies Code, the PGNiG Management Board may not disclose any information with respect to that question. To protect its legal interest as a party to potential proceedings relating to that matter, the PGNiG S.A. Management Board cannot disclose any information on legal disputes as it might cause damage to the Company.

Polish Oil and Gas Company (PGNiG SA)
Head Office

18. Have any attempts been made to clarify the matter with former Management Board members whom the Company intends to bring to account with respect to the above issue? It appears that it is good practice to hold such hearings. So, if the opportunity to 'listen to what the other party has to say' has been neglected, what was the reason for doing so?

PGNiG S.A. has taken the necessary steps provided for in laws of general application and its internal regulations.

19. When, generally speaking, did the Company become aware of the alleged irregularities in adjusting (or of failure to adjust) gas prices based on heating value? Any specific date?

The company has become aware of the irregularities in recent months.

20. The statement of reasons (which I personally believe is too general and fails to meet the criteria to be considered a statement of reasons) refers to the accountability of Management Board members (quote) 'whose acts or omissions could cause damage to the company's assets. Regardless of the fact that Art. 483 reads otherwise, are we talking here about 'causing potential damage', in which case the Management Board needs a resolution of the General Meeting to further analyse the matter, or are we talking about 'causing damage', and the Management Board is positive that damage has been caused.

In accordance with Art. 428.2 of the Commercial Companies Code, the PGNiG Management Board may not disclose any information with respect to that question. To protect its legal interest as a party to potential proceedings relating to that matter, the PGNiG S.A. Management Board cannot disclose any information on legal disputes as it might cause damage to the Company.

Legal basis:

Par. 38.1.12 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, as amended (Dz.U. of 2009 No. 33, item 259, as amended).