

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, June 30th 2018

Current Report No. 37/2018

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Information on the issuance by the ad hoc Arbitral Tribunal of a partial award in the arbitration proceedings brought by PGNiG S.A. against PAO Gazprom and OOO Gazprom Export regarding the revision of the contract price for gas supplied by PAO Gazprom and OOO Gazprom Export under the Yamal Contract

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The management board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG" or the "Company") announces that on 29 June 2018 at night time it learnt that on 29 June 2018 the ad hoc Arbitral Tribunal issued a partial award in the arbitration proceedings brought by PGNiG against PAO Gazprom and OOO Gazprom Export (jointly referred to as "Gazprom") regarding the revision of the contract price for gas supplied by Gazprom under a contract for the sale of natural gas to the Republic of Poland of 25 September 1996 (the "Yamal Contract") that was disclosed by the Company in current report No. 43/2015 dated 13 May 2015.

Under the aforementioned award, the ad hoc Arbitral Tribunal:

- (1) declared that in November 2014 PGNiG submitted a valid and binding price revision request;
- (2) declared that the trigger condition described in the Yamal Contract under which PGNiG is entitled to demand the revision of the contract price for gas supplied by Gazprom under the Yamal Contract has been satisfied, thus confirming that, as a rule, PGNiG's claim for the determination of the new, lower contract price is justified; and
- (3) ruled, contrary to Gazprom's position, that it has the mandate to change the contract price within the range of the claim formulated by the Company, at the same time ruling that the initial request of the Company with respect to the new price formula was too far reaching, whereas the ad hoc Arbitral Tribunal also ruled that the issue of determining a new contract price will be resolved at a later stage of the proceedings.

According to the provisions of the Yamal Contract, the new contract price to be determined by the ad hoc Arbitral Tribunal should apply retroactively from 1 November 2014, i.e., from the date of the submission by PGNiG of its price revision request.

The issuance by the ad hoc Arbitral Tribunal of a partial award does not exclude the possibility of the parties to the Yamal Contract reaching an agreement on the change of its pricing terms.

