



Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, May 27th 2014

**Answers to Shareholder's questions
submitted during the PGNiG Annual General Meeting of May 15th 2014**

Current Report No. 72/2014

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG", "the Company") hereby provides answers to the questions submitted by the Shareholder during the Annual General Meeting held on May 15th 2014 in Warsaw. The information is provided to the shareholder pursuant to Art. 428.5 of the Polish Commercial Companies Code.



Warsaw, May 27th 2014

PGNiG Shareholder
Mr
Robert Oliwa
ul. Słomińskiego 15/18
00-195 Warsaw

Dear Sir,

Further to your request submitted during the Annual General Meeting on May 15th 2014, below we present the position of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo (“PGNiG” or the “Company”) on the questions you posed.

1. Position of the Company Management Board

At the Annual General Meeting (the “AGM”) you submitted for the attention of the Company Management Board an extensive list of detailed questions concerning the Company's operations and its internal operating procedures, as well as questions on a number of issues related to exercise of the owner's rights in System Gazociągów Tranzytowych EuRoPol GAZ S.A. (“EPG”). You declared that you submitted the document under Art. 428.1 of the Commercial Companies Code (“CCC”). The Management Board thoroughly reviewed the questions and the scope of information to which your request referred to, bearing in mind the Company's interest and the principle of equal treatment of all shareholders. Please find below the Company's position regarding the matter.

First of all, the PGNiG Management Board has found that the information you requested is far beyond the scope of information **necessary to assess the matters** covered by items 8 and 9 of the AGM agenda, i.e. information necessary to make a decision as to the granting of discharge to members of the Company's Management Board and Supervisory Board in respect of performance of their duties in 2013. Therefore, Art. 428.1 of the CCC does not constitute a sufficient basis for disclosing this information. Notwithstanding your request, no other shareholder requested such information before the voting on the resolutions to grant discharge in respect of performance of duties by members of the Company's Management and Supervisory Boards in 2013. 4,757,159,340 votes were cast during each vote on the resolutions proposed under items 8 and 9 of the agenda. Although in the case of the resolutions to grant discharge to Ms Grażyna Piotrowska-Oliwa and Mr Radosław Dudziński, the majorities required to pass the resolutions were not attained, no other shareholder considered disclosure of the information you requested to be necessary or relevant for the vote on the issues included in items 8 and 9 of the agenda.

The Management Board's position presented above is based on a detailed review on whether the information you requested was necessary to make an assessment of the issues on the agenda. There is no doubt that the legislators had in mind the kind of information without which a shareholder can hardly make a decision on how to vote¹.

¹ Cf. e.g.: A. Szumański [in:] Sołtysiński Szajkowski Szumański Szwaja, *Commentary on the CCC, vol. III*, ed. 3, p. 1545; Z. Koźma, M. Ożóg *Commercial Companies Code. A Commentary*, Gdańsk 2012, p. 960

Secondly, contrary to what you claim, the information you expect to be disclosed represents **the Company's trade, legal and organisational secret**, the disclosure of which could be detrimental to the Company and could compromise Poland's energy security. Issues related to exercise of the owner's rights in EPG and the Company's future strategy as to the extension of the Yamal-Europe pipeline not only go beyond the scope of information necessary to adopt resolutions on the granting of discharge in respect of performance of duties in 2013, but relate to some of the most sensitive areas from the perspective of the Company's core business.

Please take note that, in accordance with Art. 428.2 of the CCC, a company is obliged to refuse to provide any information requested by a shareholder if this could adversely affect the company, its affiliate, or its subsidiary company or co-operative, especially through disclosure of any technical, trade or organisational secrets. Furthermore, the list of circumstances which may constitute grounds for refusal to provide information is not a closed one, because it includes "in particular" the types of inside information specified in the cited provision of CCC. At the same time, there is no need to demonstrate any resultant loss; the risk of causing damage to the company (*damnum emergens* and *lucrum cessans*) is sufficient to justify such refusal².

Thirdly, the Management Board wishes to draw attention to the fact that the provisions of Art. 428 of CCC do not provide grounds for controlling the company by a shareholder; in particular, they do not give a shareholder the right to demand access to any documents other than those explicitly specified in CCC (e.g. Art. 395 of CCC)³, for instance the conclusions included in reports prepared for the Company. In this regard, the Company is subject to all the requirements and restrictions under CCC and other legal regulations governing public companies.

Further, given the fact that KPMG Advisory's report to which you referred is the Company's internal document, the Management Board expects you to promptly explain how you found out about this report.

Fourthly, to the extent your questions relate to the activity of the Company's Supervisory Board, the Company's Management Board is not a proper addressee. In order to have these questions answered, you should first consult the report on the Supervisory Board's activity in 2013, available from the Company's website. You could have also obtained additional information on the matter directly from the Supervisory Board's representatives present at the AGM.

Please find attached answers to your questions, prepared in compliance with the restrictions stipulated in Art. 428.1 and 428.2 of CCC.

Yours sincerely,

² Cf.: A. Szumański, *op. cit.*, p. 1550 et seq.

³ Cf.: A. Kidyba *Commercial Companies Code. A Commentary*, vol. II. *Commentary on Art. 301–633 of CCC*, ed. 10, p. 826.

Appendix to the Letter of the PGNiG Management Board
– Answers to the Shareholder's questions

- 1 *Please present all the conclusions and recommendations included in KPMG Advisory Sp. z o.o. Sp. k.'s report entitled 'Audit of the preparatory processes, decision making and flow of information between the Company's governing bodies related to investment projects involving domestic and foreign entities that may have an impact on Poland's energy security or international relations, carried out at the PGNiG Group in 2012'. The report was approved by the Company's Supervisory Board under Resolution No. 105 of June 11th 2013.*

The data and other information contained in the document to which you referred represent the Company's organisational and legal secrets. Therefore, acting under Art. 428.2 of CCC, the Company's Management Board is obliged to deny you access to the data and information you requested. Incidentally, it should be noted that the report refers to processes ongoing in 2012, and hence your question has no relevance to the agenda of the AGM.

- 2 *Do the documents held by the Company imply that the Supervisory Board appointed for the term of office commenced on May 1st 2011, taking into consideration the provision of Art. 483.2 of the Commercial Companies Code, passed a resolution(s) concerning information (including its scope) which it expected to be provided by the Management Board of PGNiG S.A. as part of current information on PGNiG S.A., including in particular information (including its scope) on PGNiG S.A.'s subsidiaries obtained in the course of exercise by the Management Board of the owner's supervision over these subsidiaries, and in particular over System Gazociągów Tranzytowych EuRoPol GAZ S.A., with its registered office in Warsaw. If such resolution(s) was (were) passed, please provide its (their) number(s), date(s) and entire text(s).*

The ongoing cooperation between the Company's Supervisory Board and its Management Board is based on continuous exchange of information, particularly on matters of material relevance to the Company's operations. However, pursuant to Art. 375(1) of CCC, the Supervisory Board does not have the right to issue any binding orders to the Management Board. Hence, a resolution on the matters specified in your question has not been adopted and is not in the Company's records.

- 3 *Based on the documents available to PGNiG S.A., is it possible to determine the date on which the Supervisory Board became interested in the arrangements made by System Gazociągów Tranzytowych EuRoPol GAZ S.A. prior to the construction of the second leg of the Yamal-Europe gas pipeline, i.e. the date on which the Supervisory Board submitted a relevant query to the Management Board or convened a meeting to address the matter?*

Pursuant to Art. 382 of CCC, the Supervisory Board exercises continuous supervision of the Company's operations, which means that was interested in and properly informed of all arrangements made by System Gazociągów Tranzytowych EuRoPol GAZ S.A. prior to the construction of the second leg of the Yamal-Europe gas pipeline.

- 4 *Based on the documents available to PGNiG S.A. (i.e. minutes of the PGNiG Supervisory Board meetings, its resolutions, shorthand notes and other documents), is the Company able to indicate pursuant to which regulations of the Commercial*

Companies Code the Supervisory Board expected that only two out of the four members of the PGNiG Management Board (i.e. Ms Grażyna Piotrowska-Oliwa and Mr Radosław Dudziński) – given these two members' removal from the Management Board on April 29th 2013 – provide information on the decisions made by the governing bodies of System Gazociągów Tranzytowych EuRoPol GAZ S.A., a subsidiary in which PGNiG S.A. holds a minority interest?

Pursuant to Art. 382 of CCC, the Supervisory Board, as a body authorised to exercise continuous supervision over all areas of the Company's operations, may request that the Management Board provide appropriate reports and explanations. The Supervisory Board is under no obligation to disclose the reasons of its actions to the Management Board, including explanations on whether and why it requested individual members of the Management Board to provide specific information.

- 5 *Do the documents held by PGNiG reveal the reasons behind the removal by the Supervisory Board on April 29th 2013 of only two members of the Management Board (i.e. Ms Grażyna Piotrowska-Oliwa and Mr Radosław Dudziński), when at the same time a position on the Management Board of PGNiG and on the Supervisory Board of System Gazociągów Tranzytowych EuRoPol GAZ S.A. was held by Mr Mirosław Szkałuba?*

As stated above, the Supervisory Board is under no obligation to discuss its functioning and resolutions with the Management Board.

However, in the Supervisory Board's report on its activity in 2013, published on the Company's website, the Supervisory Board gives reasons for its removal of Ms Grażyna Piotrowska-Oliwa and Mr Radosław Dudziński from the Management Board, quoting the loss of trust and confidence in these persons.

The Management Board would only like to point out that Mr Szkałuba was a member of the Management Board elected by the Company employees pursuant to their rights, as opposed to the other two members you mentioned.

- 6 *Given the Memorandum of Understanding executed on April 4th 2013 between Gazprom Export and EUROPOL GAZ to cooperate prior to the construction of the second leg of the Yamal-Europe gas pipeline, has the Management Board of PGNiG S.A. and/or System Gazociągów Tranzytowych EuRoPol GAZ S.A. taken any action after April 4th 2013 related to the performance of any commitments under the Memorandum, or does it intend to do so in the future? Does the Memorandum impose any obligations on companies co-owned (directly or indirectly) by the State Treasury the non-performance of which would result in any legal, financial or other consequences for such companies?*

The issues raised in your question are sensitive information representing the Company's trade and legal secret. Its disclosure could be detrimental to the Company and could pose a material threat to Poland's energy security.

Disclosing legal assessments of any existing contracts, letters of intent or similar arrangements, which are often open to interpretation with respect to their legal consequences, to our business partners would amount to acting against the interests of the Company. Furthermore, such arrangements only precede any potential future contracts.

An answer to this question would require us to disclose information and assessments constituting the Company's legal and trade secrets, and pertaining to Poland's energy security.

Consequently, the Management Board is obliged to withhold this information under Art. 428.2 of CCC.