

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, October 29th 2010

Current Report No. 72/2010

Annex to the Yamal Contract for Natural Gas Supplies to Poland

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The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG") hereby reports that, on October 29th 2010 in Warsaw, an annex ("the Annex") was executed to the Yamal Contract of September 25th 1996 between PGNiG and OAO Gazprom/OOO Gazprom Export of Moscow, Russia ("Gazprom" and "Gazprom Export", respectively).

The execution of the Annex was connected with the approval on October 29th 2010 of the relevant amendments to the Agreement between the governments of the Republic of Poland and the Russian Federation concerning construction of a gas pipeline system for transmission of the Russian gas across the territory of Poland, dated August 25th 1993, as amended, and the adoption on November 3rd 2009 of the so-called package of arrangements laid down in the Joint Statement by Gazprom and PGNiG Concerning Cooperation in the Area of Natural Gas.

The Annex, for which all the necessary corporate approvals have been obtained, provides for:

a. the following increases in the volume of natural gas supplies to Poland in 2010–2022:– in 2010 – 9.03 bcm according to the Polish standard (i.e. 9.7 bcm according to GOST);– in 2011 – 9.77 bcm according to the Polish standard (i.e. 10.5 bcm according to GOST);– from 2012 to 2022 – 10.24 bcm according to the Polish standard (i.e. 11.0 bcm according to GOST);b. lifting the ban on re-export of natural gas to third countries without Gazprom Export's consent (non re-export clause);c. a preference price (relative to the applicable contract price) in the period 2010–2014 (inclusive) for the quantities of natural gas offtaken in a given year above the Minimum Annual Quantities. The discount mechanism represents a trade secret. The application of the granted discounts is expected to produce savings of USD 200m-250m in the period 2010–2014 (inclusive).

The signing of the Agreement with Gazprom Export is in line with the policy of purchasing natural gas directly from producers (eliminating or limiting the number of intermediaries to the necessary minimum), which also helps to increase the flexibility of supplies.

Taking into account the current prices of petroleum products, the average annual value of the contract for Russian gas supplies is estimated at approx. PLN 8.5bn.

Other terms and conditions of the Contract, including the pricing formula for gas fuel, will remain unchanged.

The Annex is a “material agreement” within the meaning 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 their value exceeds 10% of PGNiG’s equity.