

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, October 27th 2014

Current Report No. 110/2014

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Signing of conditional agreement by PGNiG Upstream International on purchase of assets on the Norwegian Continental Shelf

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The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("Company", "PGNiG") hereby reports that on September 29th, 2014 it has been notified that its wholly owned subsidiary, company PGNiG Upstream International AS with its office in Sandnes ("PUI"), signed with Total E&P Norge AS conditional agreement on purchase of the package of four fields on the Norwegian Continental Shelf, together with rights and obligations arising from agreements related to these assets ("Agreement").

The package comprise interests in 6 licenses which cover three producing fields: Morvin (6% participating interest), Vilje (24.243%), Vale (24.243%) as well as the Gina Krog field in the development phase (8%). Estimated 2014 production from the fields corresponding to PUI's interests is approximately 320 thousand toe (tonnes of oil equivalent) and 90 million m³ of gas (which is approximately 8 thousand boe/d).

According to an independent reserves auditor, 2P recoverable oil (72%) and gas (28%) reserves attributable to PUI's interests amount to 33 million boe (barrels of oil equivalent). According to the operator's data the average remaining production from the fields accounts for 14 years.

- The Morvin field is located on the Norwegian Sea, approximately 75 km from the Skarv field. It is operated by Statoil Petroleum, with Eni Norge AS as the remaining partner.
- The Vilje field is located on the Central North Sea, in the vicinity of the Alvheim FPSO. It is operated by Marathon Oil Norge AS, with Statoil Petroleum AS as the remaining partner.
- The Vale field is located on the Central North Sea, in the vicinity of the Heimdal platform. It is operated by Centrica Norge AS, with Lotos E&P Norge AS as the remaining partner.
- The Gina Krog field, located in the North Sea, is currently under development. The production start-up is expected in the first half of 2017. It is operated by Statoil Petroleum AS, with the following partners Total E&P Norge AS and Det norske oljeselskap ASA.

The purchase price is NOK 1 950 million (PLN 996 million at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for September 29th 2014), with an effective date of January 1st 2014. A significant portion of the acquisition price (approximately 45%) will be settled

using cash flows acquired by PUI and generated in the period between the effective date and the actual completion date. As PUI holds a tax asset, which had a value of 3.4 billion NOK as of 31.12.2013, it will not be required to pay any tax on the cash flows. The remaining part of the acquisition price will be covered from the bridge financing provided by PGNiG and from the reserve based loan ("RBL"). PUI expects that the accumulated cash flows related to the acquired assets will cover the purchase price in 2016.

The acquisition of the interests in four fields on the Norwegian Continental Shelf is a part of execution of the PGNiG Group strategy and enables further increase in hydrocarbons production. Moreover, transaction enables earlier release of the tax asset of PUI and secures access to interesting licenses with both production as well as further exploration work.

It is expected that the completion date will take place in the fourth quarter of 2014.

The agreement is subject to a number of conditions precedent, including the securing of required Norwegian administrative decisions. The conditions precedent shall be fulfilled before the end of 2014.

PGNiG will report on the fulfilment of the conditions precedent in a separate report.

The Management Board of PGNiG delayed announcement about signing of the agreement on September 29th, 2014 as such disclosure could prejudice legitimate interests of the Company. Information was delayed based on Art. 57.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 until the approval for this transaction were granted by the Supervisory Board of PGNiG and all necessary corporate approvals by PUI, which happened on October 27th 2014.