

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, June 29th 2017

Amendments to the Articles of Association of PGNiG S.A.

Current Report No. 57/2017

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG", the "Company") reports that the Annual General Meeting of the Company, held on June 28th 2017, adopted Resolution No. 37/VI/2017 whereby it amended the Company's Articles of Association.

The amendment shall become effective upon their registration by the Registry Court.

1. Art. 22.2.9 read as follow:

„9. acquisition or disposal of non-current assets, including real property, perpetual usufruct right to real property or interest in real property, with a value equal to or higher than the złoty equivalent of EUR 50,000, subject to Article 33.2.1, 33.2.2, and Article 56.3.2 and 56.3.3;”

shall read as follows:

„9. acquisition or disposal of non-current assets, including property, perpetual usufruct right to property or interest in property, with a value equal to or higher than PLN 200,000, subject to Art. 33.2.1, 33.2.2, and Art. 56.3.2 to 56.3.2-3a,”

2. After Art. 22, the following Art. 22a and 22b shall be added:

„Art. 22a

1. Any disposal of non-current assets as defined in the Accountancy Act of September 29th 1994, with a value exceeding 0.1% of total assets as disclosed in the most recent approved financial statements, shall be made by the Company through an auction, unless the value of assets to be disposed of is equal to or lower than PLN 20,000.

2. The Company may sell non-current assets outside of an auction if:

- 1) the agreement provides for the sale of financial instruments, shares or other non-current financial assets, licences, patents or other industrial property rights or know-how, provided that the terms of sale and a sale procedure other than a public auction are defined in a resolution of the Supervisory Board;
- 2) the sale is effected as part of liquidation proceedings, on terms specified in a resolution of the General Meeting, or as part of bankruptcy or reorganisation proceedings subject to separate regulations,
- 3) the assets for disposal are residential units owned by the Company, and they are sold for a price equal to or higher than 50% of their market value to the tenant or a person permanently cohabiting with the tenant within the meaning of Art. 4.13 of the Property Management Act of August 21st 1997; the price calculations must take into account that the residential units for sale are occupied; the value of tenant improvements shall be included in the purchase price,
- 4) the assets are sold to a subsidiary,
- 5) the assets for disposal are commodities within the meaning of the laws on commodity exchanges, other than things specified according to their type, in particular property rights arising from the certificates referred to in the Energy Law, certificates of origin or

CURRENT REPORT

- certificates of origin for energy generated from agricultural biogas, energy efficiency certificates, as well as CO₂ emission allowances and their equivalents,
- 6) the disposal of assets could entail disclosure of classified information relating to critical infrastructure,
 - 7) in other justified cases at the Management Board's reasonable request - on terms determined by a resolution of the Supervisory Board, and if the assets are sold - for a price determined by a resolution of the Supervisory Board.

Art. 22b

Non-current assets shall be disposed of according to the following procedure:

1. An auction shall be announced in the Public Information Bulletin on the Energy Ministry's website, on the Company's website, in a public area within the Company's registered office where such announcement will be clearly visible, and in other places customarily used for posting announcements.
2. The auction may not be held earlier than 14 days after its announcement.
3. The following persons may not participate in the auction as bidders:
 - 1) Members of the Company's Management and Supervisory Boards;
 - 2) the business entity conducting the auction and members of its management and supervisory boards;
 - 3) persons responsible for handling the auction process;
 - 4) spouses, children, parents and siblings of the persons referred to in items 1–3, and
 - 5) persons whose legal or factual relationship with the entity conducting the auction may raise reasonable doubts as to its impartiality.
4. As a condition for participating in the auction, bidders must pay a bid bond equal to 5% or more of the asking price for the non-current asset offered for sale. The rules referred to in Art. 22b.8 may provide for a higher amount of the bid bond.
5. Prior to the auction, the Company shall set the asking price, which may not be lower than the market price established by expert appraisers; if the market value cannot be established, the price of the asset may not be lower than its net carrying amount.
6. The Company may elect not to have a non-current asset intended for sale valued by an expert appraiser if:
 - 1) the appraisal costs would clearly exceed the asset's market value
 - 2) the asset's market value has already been established.
7. The auction shall be conducted by:
 - 1) oral bidding;
 - 2) written bidding.
8. Rules defining the terms and procedures for conducting the auction, the text of the announcement, the bidding method, and the auction terms shall be defined by the Company.
9. The auction organiser may close the auction without selecting a winning bid and without specifying the reason.
10. The bidder who offers the highest price shall win the auction."

3. After Art. 23.3, the following Art. 23.4 shall be added:

„4. The Management Board shall submit to the General Meeting a report on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and costs of management advisory services, along with the Supervisory Board's opinion.”

4. Art. 24.3 read as follow:

„3. A Management Board member should have a university-level education and at least five years' occupational experience, subject to the requirements prescribed by mandatory provisions of law.”

shall read as follows:

„3. The Management Board shall meet requirements of the Act on State Property Management of December 16th 2016.”

5. After Art. 24.3, Art. 24.4 shall be added:

- „4. 1) A Management Board candidate shall meet all of the following criteria:
- a) have a university degree obtained in Poland or a university degree obtained abroad and recognised in Poland under separate laws,
 - b) have at least five years of employment under a contract of employment, election or appointment, an employment contract for cooperative members, other agreement for the provision of services, or as a business owner/sole trader,
 - c) have at least three years of experience serving in managerial or independent positions or as a business owner/sole trader,
 - d) meet other applicable legal requirements than specified in items a-c, specified in separate laws, including in particular not being subject to any legal limitations or bans on serving on the management board of a commercial-law company;
- 2) A Management Board candidate may not be a person who meets at least one of the following criteria:
- a) performs the function of a social partner or works at the office of a member of the Polish Parliament (Sejm or Senate) or of a member of the European Parliament under an employment, temporary employment or similar contract,
 - b) is a member of a political party's body representing the party before third parties and authorised to assume obligations,
 - c) works for a political party under an employment, temporary employment or similar contract,
 - d) holds an elected position in a trade union operating at the Company or any Group company,
 - e) their social or professional activities give rise to a conflict with the interests of the Company.”

6. Art. 26.3 shall be delated.

7. Art. 29 shall be delated.

8. Art. 30 read as follow:

„Art. 30

The Supervisory Board shall define the rules and amounts of remuneration for Management Board members, unless applicable mandatory provisions of law state otherwise.”

shall read as follows:

„Art. 30

The Supervisory Board shall determine the remuneration of and other terms of contract with Management Board members, including the President, taking into account the powers of the General Meeting under the mandatory provisions of law.”

9. Art. 33.2.1), 2), 5) read as follow:

„1) acquire non-current assets, including real property, perpetual usufruct right to real property or interest in real property, with a value equal to the złoty equivalent of EUR 500,000 to EUR 2,000,000, unless the transaction is provided for in the plans referred to in Article 33.1.6, approved by the Supervisory Board;”

„2) dispose of non-current assets, including real property, perpetual usufruct right to real property or interest in real property, with a value equal to the złoty equivalent of EUR 500,000 to EUR 1,000,000, unless the transaction is provided for in the plans referred to in Article 33.1.6, approved by the Supervisory Board;”

„5) execute an agreement referred to in Article 19b of the Act on Commercialisation and Privatisation,”

shall read as follows:

„1) acquire non-current assets, including property, perpetual usufruct right to property or interest in property, with a value of PLN 2,000,000 or higher, with the exception of the cases referred to in Art. 56.3.2a) of the Articles of Association, where approval of the General Meeting is required, and excluding any transactions provided for in plans approved by the Supervisory Board, referred to in Art. 33.1.6.”

shall read as follows:

„2) dispose of non-current assets, including property, perpetual usufruct right to property or interest in property, with a value of PLN 2,000,000 or higher, with the exception of the cases referred to in Art. 56.3.2a) of the Articles of Association, where approval of the General Meeting is required, and excluding any transactions provided for in plans approved by the Supervisory Board, referred to in Art. 33.1.6.”

shall read as follows:

„5) execute:

- a) a donation agreement or any other agreement having a similar effect, with a value exceeding PLN 20,000 or 0.1% of total assets within the meaning of the Accountancy Act of September 29th 1994, as determined based on the most recent approved financial statements,
- b) an agreement on release from debt or any other agreement having a similar effect, with a value exceeding PLN 50,000 or 0.1% of total assets within the meaning of the Accountancy Act of September 29th 1994, as determined based on the most recent approved financial statements,
- c) any agreement for the provision of legal services, marketing services, public relations and social communication services, or management consultancy services, if the total fees for the services to be provided under such agreement exceed PLN 500,000, VAT exclusive, per year,
- d) any agreement for the provision of legal services, marketing services, public relations and social communication services, or management consultancy services where no maximum fees are specified,
- e) any amendments to an agreement for the provision of legal services, marketing services, public relations or other social communication services, or management consultancy services, which would increase the fees under the agreement above the amount specified in item c),”

10. Art. 33.3.5) read as follow:

“5) conduct of the recruitment and selection procedure referred to in Article 25.2 of these Articles of Association and Article 19a of the Act on Commercialisation and Privatisation;”

shall read as follows:

„5) conduct a recruitment process referred to in Art. 25.2 of the Articles of Association to verify and evaluate qualifications of candidates and to select the best candidate for a Management Board member, subject to the following provisions:

- a) The Supervisory Board conducts the recruitment process if there arise circumstances justifying the appointment of a Management Board member,
- b) In initiating a recruitment process for the position of a Management Board member, the Supervisory Board shall determine, by way of a resolution, the detailed terms and procedure of recruitment, in particular the position for which a candidate is sought, the time and place for accepting applications, the time and place of the interview, the matters covered in the interview, as well as the requirements and method of evaluating the candidate,
- c) Candidates for Members of the Management Board should meet the requirements laid down in Art. 22 of the Act on State Property Management,
- d) Announcement of the recruitment procedure initiation shall be published on the Company’s website as well as in the Public Information Bulletin of the Polish Ministry of Energy,
- e) The time-limit for filing applications shall not be shorter than 14 days of the date of publishing the announcement of the recruitment procedure,
- f) The Company’s Supervisory Board shall notify the shareholders of the results of the recruitment procedure and shall publish a report on the recruitment process.”

11. Art. 33.3.17) shall be added, reading as follows:

CURRENT REPORT

„17. prepare opinions about the Management Board reports on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and costs of management advisory services.”

12. Art. 33.6 shall be delated.

13. Art. 35.4 shall be delated.

14. Art. 46.3 read as follow:

„3. Until the Act on Remuneration of Persons Managing Certain Legal Entities of March 3rd 2000 continues in force, members of the Supervisory Board shall be entitled to monthly remuneration in the amount defined by the General Meeting, subject to the provisions of the said Act.”

shall read as follows:

„3. The Supervisory Board members are entitled to monthly remuneration in the amount and on the terms defined by the General Meeting.”

15. Art. 56.3 read as follows:

“3. The following matters relating to the company’s assets shall require a resolution of the General Meeting:”

shall read as follows:

“3. The following matters relating to the company’s assets shall require approval from the General Meeting:”

16. Art. 56.3.2)-3a), read as follow:

„2) acquisition of non-current assets, including real property, perpetual usufruct rights to real property or interest in real property, with a value exceeding the złoty equivalent of EUR 2,000,000;

3) disposal of non-current assets, including real property, perpetual usufruct rights to real property or interest in real property, with a value exceeding the złoty equivalent of EUR 1,000,000;

3 a) contribution to another company of non-current assets, including real property, perpetual usufruct rights to real property or interest in real property, with a value exceeding the złoty equivalent of EUR 1,000,000, irrespective of the provisions of Article 56.6;”

shall be replaced by the following:

“2) disposal of non-current assets within the meaning of the Accountancy Act of September 29th 1994, classified as intangible assets, property, plant and equipment or long-term investments, including contribution thereof to a company or cooperative, if the market value of such assets exceeds PLN 10,000,000 or 5% of total assets within the meaning of the Accountancy Act of September 29th 1994, as determined based on the most recent approved financial statements, as well as granting a third party the right to use such assets for a period of more than 180 days in a calendar year, on the basis of a legal transaction, if the market value of the assets covered by such legal transaction exceeds PLN 10,000,000 or 5% of total assets, with the proviso that if the right to use the assets is granted under:

- a) a lease, rental or other agreement for granting rights to use an asset for a consideration by a third party – the market value of the asset shall be understood as the value of the consideration due for:
 - one year – if the right to use the asset has been granted under an agreement concluded for an indefinite term,
 - the entire term of the agreement – if the right to use the asset has been granted under an agreement concluded for a definite term,

CURRENT REPORT

- b) lending agreements or other agreements for granting rights to use an asset free of charge by a third party – the market value of the asset shall be the amount of the consideration which would have been payable if a lease or rental agreement had been concluded, for:
 - one year – if the right to use the asset is to be granted under an agreement concluded for an indefinite term,
 - the entire term of the agreement – if the right to use the asset has been granted under an agreement concluded for a definite term,
- 2a) acquisition of non-current assets within the meaning of the Accountancy Act of September 29th 1994, if the value of such assets exceeds PLN 20,000,000 or 5% of total assets within the meaning of the Accountancy Act of September 29th 1994, as determined based on the most recent approved financial statements,
- 3) acquisition of or subscription for shares in another company, if the value of the shares exceeds PLN 20,000,000 or 10% of total assets within the meaning of the Accountancy Act of September 29th 1994, as determined based on the most recent approved financial statements, subject to Art. 56.6,
- 3a) disposal of shares in another company, if the value of the shares exceeds PLN 10,000,000 or 10% of total assets within the meaning of the Accountancy Act of September 29th 1994, as determined based on the most recent approved financial statements, subject to Art. 56.6.”

17. Art. 56.4.8) read as follow:

„8) definition of the rules of remuneration for the Supervisory Board members.”

shall read as follows:

„8) definition of the rules and amounts of remuneration of Supervisory Board members and the rules of remuneration of Management Board members.”

18. In Art. 56.6 read as follow:

„6. The General Meeting's approval shall be required for:

- 1) subscription, acquisition or disposal of shares in companies of the PGNiG Group, which, pursuant to generally applicable laws, act as the distribution system operator or storage system operator, including definition of the terms and procedure for the disposal;
- 2) formation of a company, or acquisition of or subscription for shares in a company other than the company referred to in Article 56.6.1 above, except if:
 - a) made in exchange for the Company's claims as part of settlement or arrangement proceedings, or;
 - b) made with a view to implementing the strategy approved in accordance with Article 33.1.6a and related to a company whose business consists in:
 - production or generation of fuels or energy, or
 - trading in fuels or energy, or
 - transmission, distribution or transport of fuels or energy, or
 - construction of buildings and structures related to the production, generation, transmission, distribution, transport of fuels or energy, or
 - production or supply of steam, hot water or air for air-conditioning systems, or
 - c) related to a company in which the Company holds at least 50% of shares; or
 - d) related to acquisition of or subscription for shares in other companies which have not commenced operations; or
 - e) made with a view to implementing the strategy approved in accordance with Article 33.1.6a and related to the acquisition of or subscription for shares in a company that owns, as part of a holding company structure, shares in the companies referred to in item b; or
 - f) made in primary or secondary trading of securities on the public market;
- 3) disposal of shares in a company other than the company referred to in Article 56.6.1 above, including definition of the terms and procedure for the disposal, except for:
 - a. disposal of shares traded on the public market;

CURRENT REPORT

b. disposal of shares held by the Company if the holding does not exceed 10% of the share capital of a given company;

c. disposal of shares acquired in exchange for the Company's claims as part of settlement or arrangement proceedings;

7. [deleted]

8. [deleted]

shall read as follow:

„6. The General Meeting's approval shall be required for subscription, acquisition or disposal of shares in companies of the PGNiG Group, which, pursuant to generally applicable laws, act as the distribution system operator or storage system operator, including definition of the terms and procedure for the disposal.”

19. In Art. 62, item 9) shall be added after item 8), reading as follows:

„9) in companies having the Company as their parent within the meaning of Art. 4.3 of the Competition and Consumer Protection Act of February 16th 2007, in conjunction with Art. 17.7, Art. 18.2, Art. 20 and Art. 23 of the Act on State Property Management, to introduce the rules provided for in the latter Act.”

20. Art. 65.6 shall be delated.