



Petrolinvest

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE - 2009

(integral document of the Management board report on the issuer's activities for the year ended 31 December 2009)

PETROLINVEST
Spółka Akcyjna

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE

1.1. CORPORATE GOVERNANCE RULES APPLIED BY PETROLINVEST S.A.

The Management Board of PETROLINVEST S.A. (the "Company") attaches great importance to applying corporate governance rules—understood as a set of rules of conduct necessary to maintain proper relations among the interests of all entities and natural persons engaged in the Company's business. The Management Board of PETROLINVEST S.A. shares the ideas and assumptions behind the individual corporate governance rules. The rules are to a large extent an exemplary code of conduct and ethical standards and an embodiment of good practice.

In 2008, the Company declared voluntary compliance with corporate governance rules adopted by the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) compiled in "Best Practices of WSE Listed Companies" (appendix to Resolution No. 12/1170/2007 of the Supervisory Board of the Warsaw Stock Exchange dated 4 July 2007). The key goal of adopting corporate governance as the Company's business standard is to build transparent relations among all bodies and entities involved in the operation of the Company and to guarantee that the Company is managed properly, thoroughly and loyally towards all shareholders.

The "Best Practices of WSE Listed Companies" are available on the website of the Warsaw Stock Exchange www.corp-gov.gpw.pl

The Management Board announces that it does not comply, either permanently, temporarily or to some extent, with the following corporate governance rules defined in the "Best Practices of WSE Listed Companies":

- rule II.5 and rule II.1.4 which state that the Management Board is required to present grounds for draft resolutions of a general meeting or request that the person motioning for the inclusion of an issue on the agenda of a general meeting should provide grounds, and set out an obligation to publish draft resolutions with grounds attached on a corporate website at least 14 days before the set date of the general meeting - the Company shares the need for detailed grounds for the inclusion of certain issues on the agenda; however, it cannot guarantee that all entities authorised to make a motion to include a given issue on the agenda will always provide grounds for draft resolutions. Furthermore, the Company would like to stipulate that it may not always be technically feasible to provide grounds in a timeframe allowing the shareholders to become acquainted with them ahead of the general meeting. In some cases, practical matters may require a general meeting to be held on short notice. The Company will publish the grounds for draft resolutions of general meetings that are available to the Management Board.
- rule III.2 which states that a member of the supervisory board should provide information on his/her relationship (financial, family, and other relationships which may affect the position of the member of the supervisory board on issues decided by the supervisory board) with a shareholder who holds shares representing not less than 5% of all votes at the general meeting - the Company's position is that it could not guarantee procedures that would enable it to be informed on "other relationships" as the term is ambiguous. The Company believes that the absence of such disclosure does not negatively impact the Company's transparency as the Company has declared its willingness to comply with the corporate governance rule stating that a member of the supervisory board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest. The Company's standpoint on this rule determines limited application of rule II.11 which states that statements regarding relationships should be published on the corporate website.
- rule III.6 which states that at least two members of the supervisory board should meet the criteria of being independent from the company and entities with significant connections with the company - Adoption of this rule would be premature given the Company's current shareholding structure. The Company will consider compliance with this rule in the future. The Company's perspective on rule III.6 automatically triggers non-compliance with rules III.7 and III.8 which require that the supervisory board should establish at least an audit committee that should include at least one independent member and that appropriate European Commission regulations should apply to the tasks and the operation of the committee.
- rule IV.1 which states that presence of representatives of the media should be allowed at general meetings - the Company acknowledges the assumptions underlying this rule in principle and considers it good corporate practice. The Company continually strives to have good relations with the media and to have an effective information policy. There is no assurance, however, that a situation does not occur in which the Company will not allow representatives of the media to be present at a general meeting to ensure that the meeting progresses effectively.
- rule IV.2 regarding the rules of general meetings - the Company's practice to date, as well as the practice of many public companies, do not support the need to lay down the rules of general meetings. The Company believes, therefore, that relevant regulations of the Commercial Companies Code provide a sufficient basis to ensure effective progress of the Company's general meeting, including voting in separate groups. The Company's perspective on rule IV.2 automatically triggers non-compliance with rule II.1.1 regarding publication of the rules of general meetings on corporate website.

The Company Management Board would like to reiterate that the reservations stipulated above with respect to some of the rules of corporate governance do not have an adverse effect on the clarity of supervision and management principles of PETROLINVEST S.A. nor do they adversely affect the implementation of best practices, and so they do not lead to any infringement of the assumptions underlying corporate governance. The Management Board of PETROLINVEST S.A. will continue to assess the management and supervision principles implemented in the Company on an ongoing basis and will also analyse investors' expectations regarding the Company's perspective on the best practices not complied with, and if any alteration is required and possible, a decision will be made to adopt such best practices as proposed by the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*). If compliance with any such rules requires a decision of another Company body, the Management Board will apply to it to make an appropriate decision.

1.2. DESCRIPTION OF BASIC FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS (STANDALONE AND CONSOLIDATED)

The Company's internal control system guarantees that the Company's operations are secure and that financial information provided in financial statements (both standalone and consolidated) is adequate and accurate.

Internal control is exercised by a Team of Financial Controllers who monitor the correctness, efficiency, and security of the process of preparing financial statements and are responsible for identifying and managing risks.

The Management Board is responsible for proper and effective operation of the internal control system and risk management in the process of preparing financial statements.

The Supervisory Board oversees the operation of the internal control system and evaluates how adequate and efficient the system is. As part of its supervisory activities, the Supervisory Board together with the Management Board and the certified auditor verifies the truthfulness of the financial statements.

The Company has appropriate procedures in place for preparing financial statements which ensure that disclosure of economic events in a given period is complete and correct.

The Company keeps its books of account using a software system. Access to the database is restricted and requires appropriate authorisation from selected personnel; there is also access control throughout the process of preparing financial statements.

The process of preparing financial statements is based on well-organized co-operation in all aspects of the process, including a well-defined scope of financial reporting and a clear division of duties among the participants of the process. Preparation of data in source systems is subject to formalised rules of procedure and approval.

The Company's operations, and the effectiveness of the risk control mechanisms that have been implemented, are under permanent supervision in terms of compliance with the law and internal regulations, in particular through functional internal control at every stage of preparing financial statements by each employee, his/her direct superior and persons cooperating with the superior, as well as by managers of organizational units.

The Company has a daily reporting system, which is the source of information for management.

In case of subsidiaries and jointly-controlled companies of the Group, their results are monitored by the parent entity on a monthly basis based on the existing reporting system.

After closing the books each calendar month, the Management Board performs an in-depth analysis of the financial results of the Company and the individual Oil Exploration and Production Companies in connection with the Company's holding operations.

In the process of preparing the Company's financial statements, one of the key elements of control is the verification of the financial statements by an independent certified auditor. The Company commissions in particular: a review of half-year financial statements and a preliminary and detailed audit of full-year financial statements.

Certified auditors are selected by the Supervisory Board through a bid process, with particular attention being given to the guarantee of high standards of the service and the required independence of the auditor.

Each time, the Management Board acquaints itself with the problems identified in the mechanisms of the control process. All post-audit recommendations from the auditor and comments from the Company's internal units which arose during the audit of financial statements are gradually implemented.

1.3. SHAREHOLDERS HOLDING MATERIAL BLOCKS OF SHARES, WHETHER DIRECTLY OR INDIRECTLY

The Company's shareholders who had at least 5% of votes at the General Meeting as at 31 December 2009 were:

| Shareholder | No. of shares | Proportion of share capital | No. of votes | Proportion of votes at AGM |
|----------------------------------|-------------------|-----------------------------|-------------------|----------------------------|
| Ryszard Krauze* | 3 586 | 0.02% | 3 586 | 0.02% |
| Prokom Investments S.A. | 9 279 891 | 43.11% | 9 279 891 | 43.11% |
| Osiedle Wilanowskie Sp. z o.o.** | 337 416 | 1.57% | 337 416 | 1.57% |
| Remaining shareholders | 11 905 706 | 55.30% | 11 905 706 | 55.30% |
| TOTAL | 21 526 599 | 100.00% | 21 526 599 | 100.00% |

(*) Mr. Ryszard Krauze is the dominant entity of Prokom Investments S.A.

(**) Osiedle Wilanowskie Sp. z o.o. is a subsidiary of Prokom Investments S.A.

1.4. HOLDERS OF SECURITIES THAT GIVE SPECIAL CONTROLLING RIGHTS

As provided in the Company's statutes, if the Management Board consists of two or three members, Prokom Investments S.A. and Mr. Ryszard Krauze have personal rights to determine the number of Management Board members, to appoint and dismiss the President of the Management Board, the Vice President of the Management Board and members of the Supervisory Board (for details see point 8.8 of the Report).

1.5. RESTRICTIONS CONCERNING THE EXERCISE OF VOTING RIGHTS AND RESTRICTIONS OF THE TRANSFERABILITY OF THE ISSUER'S SECURITIES

The Statutes of PETROLINVEST S.A. lay down restrictions on the shareholders' voting rights described in detail in point 8.7 of the Report.

1.6. PRINCIPLES OF AMENDING STATUTES OR ARTICLES OF ASSOCIATION

Any amendment of the Statutes requires a resolution of the General Meeting (in the form of a notary deed) and entry into the National Court Register. The resolution should be taken by a majority of 3/4 of the votes present. The resolution on any material change of the Company's scope of activities requires a 2/3 majority.

The dismissal or suspension of any individual member or all members of the Management Board in compliance with Article 368.4 of the Commercial Companies Code by the General Meeting requires a majority of 4/5 of the votes cast.

1.7. DESCRIPTION OF THE MANNER IN WHICH THE GENERAL MEETING OPERATES AND ITS PRINCIPAL POWERS AND RIGHTS OF SHAREHOLDERS, AND THE MANNER OF PERFORMING THEREOF

The General Meeting is the Company's highest authority. The General Meeting operates in accordance with generally binding laws and regulations, including in particular the Commercial Companies Code and the Statutes of the Company. The Statutes are available on the Company's website. The General Meeting is convened by way of an announcement in the official court journal *Monitor Sądowy i Gospodarczy*.

In accordance with the Statutes, resolutions of the General Meeting shall be adopted by an absolute majority of validly cast votes, unless the Statute or the applicable laws provide for stricter majority rules. Resolutions of the General Meeting regarding the matters referred to below shall require a qualified majority of three-quarters of votes cast in favour of the resolution:

- 1) redemption of shares in the case referred to in Article 415.4 of the Commercial Companies Code;
- 2) acquisition of own shares in the case referred to in Article 362.1.2 of the Commercial Companies Code;
- 3) merger of the Company with another company in the case referred to in Article 506.2 of the Commercial Companies Code.

Resolutions of the General Meeting concerning the dismissal or suspension of any individual member or all members of the Management Board in compliance with Article 368.4 of the Commercial Companies Code by the General Meeting shall require a majority of four-fifths of the votes cast.

The shareholders' voting rights have been restricted in such a way that none of the shareholders may exercise more than 20% of the overall number of votes at the General Meeting, although it is assumed that the restriction shall not apply for the purposes of determining the obligations of purchasers of large blocks of shares as provided for in the act dated July 29th 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies ("Act on Public Offering"). The restriction of the voting rights shall not apply to:

- 1) Prokom Investments S.A.;
- 2) any shareholders which, on the date of the registration of the Company's transformation in the Register of Business Entities, held shares constituting at least 10% of the share capital;
- 3) any shareholder which, following the admission of shares to regulated trading (acting in its own name and on its own account), acquires and registers at the General Meeting shares constituting at least 85% of the overall number of votes in the Company's share capital, out of which all shares causing such shareholder to exceed the threshold of 10% of the

overall number of votes in the Company were acquired by such shareholder:

- in result of a public tender for the sale of all shares of the Company announced in compliance with the Act on Public Offering, from shareholders not related to such shareholder in any manner described in Article 87, sections 1.2-1.6 of the Act on Public Offering or which do not act in concert with such a shareholder in order to circumvent the restrictions provided for in the Statutes; or
- on the primary market (as defined in the Act on Public Offering).

The exercise of voting rights by a dependent company or a subsidiary shall be deemed as the exercise of voting rights by the dominant company or a parent entity, respectively.

The parties related in the manner provided for in Article 87, sections 1.2 – 1.6 of the Act on Public Offerings or otherwise acting in concert for the purposes of circumventing the restrictions provided for in the Statutes, shall be considered as one shareholder.

The consent of the General Shareholders' Meeting is not required for any acquisition or sale of ownership rights to real estate, long-term public lease rights (i.e. the right of perpetual usufruct) or any share of those rights, regardless of the value of the rights acquired or sold, and the Company's purchase of its own shares for the purposes of redemption, subject to Article 393.6 of the Commercial Companies Code.

Redemption of the Company's shares requires the consent of the General Meeting, subject to Article 363.5 of the Commercial Companies Code.

1.8. THE MANAGING BODY AND THE SUPERVISORY BODY

MANAGEMENT BOARD

The Management Board is the Company's executive body and manages all aspects of the Company's operations. The Management Board operates in accordance with the Commercial Companies Code, the Statutes of the Company and the By-Laws of the Management Board.

According to the Company's Statutes, the Management Board shall consist of two, or three, or five members; the number of members is determined by Prokom Investments S.A. If the Management Board consists of two or three members, Prokom Investments S.A. shall have a personal right to appoint and dismiss the President of the Management Board, while Ryszard Krauze shall have a personal right to appoint and dismiss the Vice-President of the Management Board. If the Management Board consists of five members, Prokom Investments S.A. shall have a personal right to appoint and dismiss two members of the Management Board, including the President of the Management Board, while Ryszard Krauze shall have a personal right to appoint and dismiss the Vice-President of the Management Board. The other Members of the Management Board, if any, shall be appointed and dismissed by the Supervisory Board. The power to dismiss or suspend members of the Management Board in compliance with Article 368.4 of the Commercial Companies Code is given to the General Meeting.

As at the date of preparation of this Report, the Management Board is composed of Paweł Gricuk – President and Marcin Balicki – Vice President. Members of the Management Board are appointed for three year terms of office.

Those persons were also on the Management Board during 2009; however, Mr. Zenon Grablewski held the position of Vice President of the Management Board until 16 January 2009 while Marcin Balicki was then Member of the Management Board.

The Management Board manages the Company's affairs and represents the Company vis-à-vis third parties. The Management Board sets forth the Company's development strategy, goals and objectives, and the manner of achieving them, which are subject to approval by the Supervisory Board.

All matters that are not expressly reserved for the General Shareholders' Meeting or the Supervisory Board fall within the powers of the Management Board. The Company's Statutes provide specifically that the Management Board is authorised to increase the Company's share capital through the issuance of new shares through a single or several share capital increases within the limits of authorised capital. The authorisation of the Management Board to increase the share capital and to issue new shares within the scope of the authorised capital shall expire on the third anniversary of the date on which the transformation of the Company into a joint-stock company was entered in the Register of Business Entities.

With the consent of the Supervisory Board, the Management Board may deprive some or all of the shareholders of their pre-emptive rights to shares issued within the scope of the authorised capital.

Provided that the Commercial Companies Code does not provide otherwise, the Management Board decides on all matters related to the share capital increase within the scope of the authorised capital and the Management Board is authorised to take the following actions, without limitation:

- enter into stand-by underwriting or firm commitment underwriting agreements or any other underwriting agreements, and to enter into agreements pursuant to which any depository receipts based on shares would be issued outside the territory of the Republic of Poland;
- adopt resolutions and take any other actions relating to the conversion of shares into book-entry form and the execution of share registration agreements with the National Depository of Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*);
- adopt resolutions and take other actions relating to the issuance of shares in a public offering or applying for the admission of the shares to trading on the regulated market, as the case may be;

The Management Board's resolutions regarding the establishment of the issue price within the scope of the authorised capital or the delivery of shares in exchange for non-cash (in-kind) contributions require the consent of the Chairman of the Supervisory Board.

Subject to the consent of the Chairman of the Supervisory Board, the Management Board may, under the authorisation to increase the share capital, issue subscription warrants carrying the right to subscribe for the shares exercisable until the end of the period in which the Management Board is authorized to conduct the share capital increase.

In accordance with the Company's Statutes, the Management Board shall adopt resolutions by a simple majority of votes, and if the vote is tied, the President of the Management Board shall have the casting vote. The President of the Management Board jointly with another Management Board member or a registered proxy, or the Vice-President of the Management Board jointly with another Management Board member or a registered proxy, shall be authorised to make representations on behalf of the Company.

SUPERVISORY BOARD

The Supervisory Board provides general supervision over the activities of the Company. The Supervisory Board operates in accordance with the Commercial Companies Code, the Statutes of the Company, and the By-Laws of the Supervisory Board available on the Company's website. The term of office of individual members of the Supervisory Board is three years.

The Supervisory Board consists of five to thirteen members. Members of the Supervisory Board are appointed and dismissed by the General Meeting; however, according to the Statutes, two members of the Supervisory Board (including the chairman and the deputy chairman) are appointed and dismissed by Prokom Investments S.A. and one member of the Supervisory Board is appointed and dismissed by Mr Ryszard Krauze.

As at the date of preparation of this Report, the Supervisory Board is composed of Ryszard Krauze – Chairman, Maciej Grelowski, Krzysztof Wilski, Marek Modecki, and Tomasz Buzuk.

Mr. Ryszard Krauze, Mr. Maciej Grelowski and Mr. Krzysztof Wilski held their positions throughout 2009, Mr. Marek Modecki and Mr. Tomasz Buzuk were appointed members of the Supervisory Board as from 30 June 2009 thus replacing Mr. Dariusz Górka, who resigned as from 26 June 2009 and Mr. Grzegorz Maciąg and Mr. Zbigniew Szachniewicz, who resigned as from 19 June 2009.

The Company's Statutes do not regulate the obligation of independence of Supervisory Board members; however, as provided for in the communication regarding the Company's compliance with "Best Practices of WSE Listed Companies" published in current report no. 1/2008 on 2 January 2008, the Company will consider compliance with the rule of independence of at least two members of the Board in the future.

The duties of the Supervisory Board involve ongoing supervision over the activities of the Company in all areas of its operation. Besides the matters defined in the Commercial Companies Code, the competencies of the Supervisory Board include in particular:

- to designate an entity for the purposes of auditing or reviewing the consolidated and stand-alone financial statements of the Company and grant consent to the execution of appropriate agreements with such entity,
- to grant consent—in matters reserved by the Statutes—to the Company's related parties to enter into agreements with the Company or to take any other actions in favour of the Company's related parties,
- to appoint and dismiss Members of the Management Board, subject to the personal rights of Prokom Investments S.A. and Ryszard Krauze, and to establish the remuneration of Management Board Members,
- to grant consent to establish the issue price of shares issued within the scope of the authorised capital or delivered in exchange for non-cash (in-kind) contributions,
- to grant consent to the issue of subscription warrants—within the Management Board's authorisation to increase the share capital (subject to the consent of the Chairman of the Supervisory Board),
- to grant consent to the Company's purchase of its own shares for the purposes of redemption, subject to Article 393.6 of the Commercial Companies Code,
- to grant consent to the Management Board to deprive some or all of the shareholders of their pre-emptive rights to shares issued within the scope of the authorised capital.

Unless the Statutes provide specified exception, resolutions of the Supervisory Board are adopted by an absolute majority of votes cast. Resolutions of the Supervisory Board may be adopted if at least half of the Members are present at the meeting, including the Chairman or Deputy Chairman. If the vote is tied, the Chairman has the casting vote. According to the By-Laws of the Supervisory Board, Board meetings are held at least quarterly. The Chairman also convenes Supervisory Board meetings when requested by the Company's Management Board member or a Supervisory Board member.

As provided for in the communication regarding the Company's compliance with "Best Practices of WSE Listed Companies" published in current report no. 1/2008 on 2 January 2008, the rule pertaining to the appointment of an audit committee within the Supervisory Board, which committee would consist of at least one independent member, is not complied with due to the current composition of the Supervisory Board. The Company will consider possible adoption of this rule in the future.

Paweł Gricuk
President of the Management Board

Marcin Balicki
Vice-President of the Management Board

Gdynia, 22 March 2010