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**REPORT OF THE MANAGEMENT BOARD  
OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA  
MADE UNDER ARTICLE 501(1) OF THE CODE OF COMMERCIAL COMPANIES TO PROVIDE  
RATIONALE FOR THE MERGER**

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**BETWEEN POLSKI KONCERN NAFTOWY ORLEN  
SPÓŁKA AKCYJNA**

**and**

**POLSKIE GÓRNICtwo NAFTOWE I GAZOWNICTwo  
SPÓŁKA AKCYJNA**

**29 July 2022**

## Contents

<b>1. INTRODUCTION AND DEFINITIONS</b> .....	2
<b>2. LEGAL BASIS FOR THE MERGER</b> .....	5
<b>2.1. Reasons for the general grounds</b> .....	5
<b>2.2. The State Treasury's right to acquire the Merger Shares and the agricultural properties of the Target Company of at least 0.3 ha</b> .....	7
<b>2.3. Sanctions related to the military conflict in Ukraine</b> .....	8
<b>3. BUSINESS REASONS</b> .....	8
<b>3.1. Share Swap Ratio rationale</b> .....	8
<b>3.2. Business reasons - other issues</b> .....	9
<b>4. EXPERT'S AUDIT OF THE MERGER PLAN</b> .....	14
<b>5. RECOMMENDATIONS</b> .....	15
<b>SIGNATURES</b> .....	16

### 1. INTRODUCTION AND DEFINITIONS

This Report of the PKN ORLEN Management Board has been made pursuant to Article 501(1) CCC in connection with the ongoing Merger.

Pursuant to Article 505(3<sup>1</sup>), this report will be made available on PKN ORLEN's website <https://www.orken.pl/pl//relacje-inwestorskie/polaczenie-z-PGNiG> and at <https://www.orken.pl/en/investor-relations/merger-with-PGNiG>.

The terms used in this Report have the following meanings or refer to the following provisions of the Report or the Merger Plan:

<b>Merger Shares</b>	have the meaning defined in Section 3.3 of the Merger Plan;
<b>PGNiG Shareholder(s)</b>	means one or several entities which, as at the Reference Date, will hold PGNiG shares are registered in their security accounts and, in the case of omnibus accounts, the entity(ies) reported to the entity keeping the omnibus account by the account holder as the beneficial owners of such PGNiG shares registered in the relevant omnibus account as of the Reference Day;
<b>DCF</b>	has the meaning defined in Section 3.1 of the Report
<b>Expert</b>	has the meaning defined in Section 5 of this Report;
<b>Payout</b>	has the meaning defined in Section 5.4 of the Merger Plan;

<b>Merger Date</b>	the day of registration of the Merger in the business register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN, in accordance with Article 493(2) CCC;
<b>Reference Day</b>	has the meaning defined in Section 5.1 of the Merger Plan and in Section 5.2 of the Merger Plan;
<b>Energa</b>	Energa Spółka Akcyjna, registered office in Gdańsk, address: Aleja Grunwaldzka 472, 80-309 Gdańsk, entered into the entrepreneurs register of the National Court Register under entry No. KRS 0000271591, the registry files of which are maintained by the: District Court Gdańsk - Północ in Gdańsk, 7th Commercial Division of the National Court Register, Tax Id. No. 'NIP': 9570957722, Statistical Id. 'REGON': 220353024, share capital of PLN 4,521,612,884.88, paid-up in full.
<b>WSE</b>	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna [Warsaw Stock Exchange], with its registered office in Warsaw;
<b>Grupa LOTOS</b>	Grupa LOTOS Spółka Akcyjna, registered office in Gdańsk, address: ul. Elbląska 135, 80-718 Gdańsk, entered into the entrepreneurs register of the National Court Register under entry No. KRS 0000106150, the registry files of which are maintained by the: District Court Gdańsk - Północ in Gdańsk, 7th Commercial Division of the National Court Register, Tax Id. No. 'NIP': 5830000960, Statistical Id. 'REGON': 190541636, share capital of PLN 184,873,362.00, paid-up in full
<b>CC</b>	The Civil Code Act of 23 April 1964 (consolidated text: OJ 2022.1360 as amended);
<b>CCC</b>	The Code of Commercial Companies Act of 15 September 2000 (consolidated text: OJ 2022.1467 as amended);
<b>Merging Companies</b>	PKN ORLEN and PGNiG jointly;
<b>Share Swap Ratio (Share Exchange Ratio)</b>	the ratio applicable to the exchange of the shares in PGNiG for the shares in PKN ORLEN shares (Merger Shares) as a result of the Merger, specified in Section 4 of the Merger Plan;
<b>PGNiG</b>	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, registered office in Warsaw, whose identification particulars are given in Section 2.2 of the Merger Plan;

<b>PKN ORLEN</b>	Polski Koncern Naftowy ORLEN Spółka Akcyjna, registered office in Płock, whose identification particulars are given in Section 2.1 of the Merger Plan;
<b>Merger Plan</b>	the merger plan prepared pursuant to Articles 498 and 499 CCC in connection with the planned Merger, agreed in writing and signed by the Management Boards of Merging Companies on 29 July 2022;
<b>Merger</b>	the merger between PKN ORLEN and PGNiG carried out pursuant to Article 492(1)(1) CCC by transferring all assets and liabilities of PGNiG (Target Company) to PKN ORLEN (Acquiring Company) against the relevant increase of PKN ORLEN's share capital by issuing Merger Shares to be allocated by PKN ORLEN to PGNiG Shareholders;
<b>Prospectus</b>	means the prospectus to be drafted and published in compliance with the Prospectus Regulation and the Act on Public Offering by PKN ORLEN in connection with the public offering of the shares targeted at PGNiG Shareholders in connection with the Merger, subject to KNF's approval;
<b>Prospectus Regulation</b>	Regulation of 14 June 2017 of the European Parliament and of the Council (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ EU L 2017.168, p.12 as amended);
<b>Target Company</b>	PGNiG;
<b>Acquiring Company</b>	PKN ORLEN;
<b>Report</b>	this report laying down the reasons for the merger, drafted for the purposes of the Merger in compliance with Article 501 (1) CCC by the Management Board of PKN ORLEN;
<b>The Act on the Structure of the Agricultural System</b>	the Act of 11 April 2003 defining the agricultural system (consolidated text: OJ 2022.461).
<b>Act on Public Offering</b>	the Act of 29 July 2005 on public offering, terms for the introduction of financial instruments to organised trading, and on public companies (consolidated text: OJ 2021.1983 as amended);
<b>GM</b>	depending on context, the General Meeting of PKN ORLEN or the General Meeting of PGNiG respectively;
<b>Management Board</b>	depending on context, the Management Board of PKN ORLEN or the Management Board of PGNiG, respectively.

## 2. LEGAL BASIS FOR THE MERGER

### 2.1. Reasons for the general grounds

The merger will take place pursuant to Article 492(1)(1) CCC by transferring all the rights and obligations (assets and liabilities) of PGNiG (Target Company) to PKN ORLEN (Acquiring Company) against the relevant increase of PKN ORLEN's share capital by issuing Merger Shares to be allocated by PKN ORLEN to PGNiG Shareholders.

Both the Acquiring Company and the Target Company are public companies within the meaning of the Act on Public Offering.

Pursuant to Articles 506(2) and 506(4) CCC, and in compliance with the articles of associations of the Merging Companies, the GMs of the Merging Companies will be requested to vote on the resolutions concerning the Merger which will comprise, in particular: (i) the approval of the Merger Plan and (ii) the approval of the proposed amendments to PKN ORLEN's articles of association in connection with the Merger, as laid down in Schedule 3 to the Merger Plan. At the same time, PKN ORLEN'S GM will be requested to vote on a resolution on the consolidated text of PKN ORLEN's articles of association inclusive of the amendments made in connection with the Merger.

Based on the abovementioned resolution of the GM of PKN ORLEN, the share capital of PKN ORLEN will be increased by PLN 668,117,655.00 (six hundred and sixty eight million one hundred and seventeen thousand six hundred and fifty five zlotys), i.e. from PLN 783,059,906.25 (seven hundred and eighty three million fifty nine thousand nine hundred and six point twenty five zlotys) to PLN 1,451,177,561.25 (on billion four hundred and fifty one thousand one hundred and seventy seven thousand five hundred and sixty one point twenty five) by issuing 534,494,124 (five hundred and thirty four million four hundred and ninety four thousand one hundred and twenty four) ordinary F bearer shares with the nominal value of PLN 1.25 (one point twenty five zloty) each and the aggregate nominal value of PLN 668,117,655.00 (six hundred and sixty eight million one hundred and seventeen thousand six hundred and fifty five zlotys) ("**Merger Shares**") to be then allocated to PGNiG Shareholders in line with the rules laid down in Section 5 of the Merger Plan.

The amendments to the articles of association of PKN ORLEN made in connection with the Merger by way of the resolution of PKN ORLEN's GM referred to above are to comply with the requirements laid down in Article 511(1) CCC which requires the incorporation of any rights vested in the authorities of the State Treasury (as the shareholder of both the Acquiring Company and the Target) by the articles of association of the Target Company. Additionally, the Merger Plan specifically provides for a mutatis mutandis transposition of, in particular, § 33(3)(10)-§33(3)15) and § 56(6) of the articles of association

of the Target Company. Moreover, insofar as the transposition of §56(5) of the articles of association of the Target Company to the articles of association of the Acquiring Company is concerned, the Merger Plan provides for adding a provisions on the effects of decreasing the State Treasury share in the share capital below the specified threshold in §7(9) of the articles of association of the Acquiring Company.

PKN ORLEN will carry out relevant activities to cause the Merger Shares to be introduced and traded on the regulated market operated by WSE.

The Offering of the Merger Shares will be a public offering within the meaning of the Prospectus Regulation which requires the Acquiring Company to draft a Prospectus and to submit an application to the Polish Financial Supervision Authority for the approval of the Prospectus and the issuance of the decision on such approvals.

The Merger is contingent upon several legal conditions being satisfied, including approvals and other activities required to close the Merger, in particular:

- a) the Acquiring Company must draft the Prospectus and then submit it to the Polish Financial Supervision Authority for its approval and to have the Prospectus approval decision issued;
- b) the Prospectus must be made available to the target group of the Merger-related public offering;
- c) the Council of Ministers must approve the Merger as required by Article 13(5) in conjunction with Article 13(1)(9) and 13(1)(23) of the Act of 16 December 2016 on the Management of State Assets (consolidated text: (OJ 2021.1933 as amended);
- d) the control authority does not issue a decision objecting against the secondary acquisition of a dominant position in the Acquiring Company referred to in Article 3(2)(2) of the Act of 24 July 2015 on the control of certain investments (consolidated text: OJ 2020.2145 as amended) following prior notification by the Acquiring Company, or the control authority issues a decision refusing to investigate on the grounds that that Act does not apply to the activity notified by the Acquiring Company.

The Merger Shares will entitle their holders to a share in PKN ORLEN's profit distribution starting from the first day of the financial year in which the Merger Shares were registered in the securities accounts of PGNiG Shareholders, i.e. from 01 January 2022. The foregoing means that the Merger Shares entitle their holders to participate in the dividend determined in compliance with Article 348 CCC on the basis of the financial statements of PKN ORLEN for the financial year started on 01 January 2022 and ending on 31 December 2022.

## **2.2. The State Treasury's right to acquire the Merger Shares and the agricultural properties of the Target Company of at least 0.3 ha**

Both the Acquiring Company and the Target own agricultural land as defined in the Act on the Structure of the Agricultural System, which is subject to certain trading restrictions.

Pursuant to Article 4(6) in conjunction with Article 4(1) of the Act of 11 April 2003 on the Structure of the Agricultural System, the National Centre for the Support of Agriculture, acting for the State Treasury, may submit a declaration on the acquisition of the Merger Shares for the price equal to the issue price, except for the shares allotted to the State Treasury. The National Centre for the Support of Agriculture may exercise this right within two months from the receipt of the relevant notice from the Acquiring Company.

The Acquiring Company must notify the National Centre for the Support of Agriculture of its option to exercise its right to acquire the Merger Shares immediately after the registry court registers the increase of the share capital of the Acquiring Company.

Should the right to acquire Merger Shares pursuant to Article 4(6) in conjunction with Article 4(1) of the abovementioned act be exercised, the Shareholders of the Target Company owning the Merger Shares will receive from the State Treasury, represented by the National Centre for the Support of Agriculture, the amount equal to the product of the issue price and the number their Offered Shares with respect to which the acquisition right has been exercised.

Until the National Centre for the Support of Agriculture submits a declaration on the exercise of its right to acquire the Merger Shares or until the expiry of the period for the exercise of this right, the activities laid down in Section 5 of the Merger Plan are suspended, with reservation that this is without prejudice to the determination of the reference day and the rules of procedure applicable to the exchange of the Shares in the Target Company for Merger Shares.

Moreover, pursuant to Article 4(1) of the Act on the Structure of the Agricultural System, the National Centre for the Support of Agriculture, acting for the State Treasury, may submit a declaration on the acquisition of an agricultural property owned by PGNiG for a specified market value determined according to the rules laid down in the regulations on real property management. The National Centre for the Support of Agriculture may exercise this right having received a notice from the Acquiring Company (the laws does not specify any period for the exercise of this right; nevertheless, as Article 589(1) CC applies accordingly, this obligation needs to be complied with immediately, within the shortest time possible).

Articles 2a and 2b of the Act on the Structure of the Agricultural System provides also for the obligations to obtain an approval of the General Director of the National Centre for the Support of

Agriculture for the acquisition of an agricultural property by any entity other than a farmer (Article 2a) and for the sale of agricultural property within 5 years from its acquisition. Article 2a provides for an explicit exemption from this rule if agricultural property is acquired as a result of demerger, conversion or merger of commercial companies; nevertheless, no such exemption is provided for in Article 2b. In consequence, it might be necessary to comply with this rule and obtain an approval of the General Director of the General National Centre for the Support of Agriculture for the alienation of agricultural properties acquired within the last 5 years.

### **2.3. Sanctions related to the military conflict in Ukraine**

As a result of restrictive measures introduced in Article 5e of Regulation of the Council (EU) 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine OJ EU L of 2014, No 229, p. 1 as amended), central securities depositories in the European Union are prohibited from providing any services as defined in the Annex of Regulation (EU) No 909/2014 for transferable securities issued after 12 April 2022 to any Russian national or natural person residing in Russia or any legal person, entity or body established in Russia. The Polish National Securities Depository (KDPW), which is subject to this Regulation in Poland, is required to comply with that prohibition with respect to any actions described in Section 5.1 of the Merger Plan. This has adverse consequences to those PGNiG Shareholders who are beneficiaries of the performances referred to in that regulation. Should KDPW apply such restrictive measures during the Merger procedure, the Acquiring Company will take account of this fact in its activities and will notify the public accordingly.

## **3. BUSINESS REASONS**

### **3.1. Share Swap Ratio rationale**

In connection with the Merger, in exchange for their PGNiG, PGNiG Shareholders will be allotted Merger Shares according to the following ratio: 0.0925 (PKN ORLEN shares): 1 (PGNiG shares) ("Share Swap Ratio") ("**Share Swap Ratio**").

The foregoing means that, in exchange for 1 (one) PGNiG share, PGNiG Shareholders will receive 0.0925 (zero point zero nine two five) PKN ORLEN share (Merger Share), with reservation that the number of shares allotted will be a natural number, while PGNiG Shareholders will be compensated for any unallocated fractions of Merger Shares by Payouts in cash.

The share swap ratio between the Merging Companies was determined on the basis of commonly accepted valuation methods. At the time of the ratio determination, the merger between PKN ORLEN



and Grupa LOTOS was still ongoing and the exact impact of the merger on the quotations of PKN ORLEN shares was unknown. For the purposes of the valuation it was assumed that the PKN ORLEN group combined with Grupa LOTOS is a sum of both companies and that the potential future synergies associated with the Merger exceed the costs related with the implementation of the remedies based on the information included in the Plan of Merger of PKN ORLEN and Grupa LOTOS. It was also assumed that the remedies will be implemented as planned and in compliance with the arrangements with the European Commission.

The valuation analysis comprised, among other things, market valuation methods: past quotations of shares of both Merging Companies, included volume-weighted average prices and target prices estimated by independent stock analysts consistently covering both entities as well as a valuation based on the analysis of comparable companies in relevant operating segments of the Merging Companies.

High volatility in the markets caused by the Russian invasion in Ukraine posed the biggest challenge for the valuation and caused certain limitations in the prepared analyses. The Management Boards of the Merging Companies accepted the recommendation of advisors engaged in the transaction process, global investment banks, to refrain from the determination of the share swap ratio for the Merging Companies based on the discounted cash flow (“DCF”) method. In their recommendation the advisors pointed out to high volatility of the macroeconomic environment that prevented the confirmation of consistent macroeconomic assumptions between the Merging Companies and making any financial forecasts for the Companies on the basis thereof. Consequently, the results of valuation of each of the Companies using the DCF method would not be comparable, and the adoption of this approach to calculate the share swap ratio would be methodologically flawed.

Thus the Management Boards determined the Share Swap Ratio in negotiations, having reviewed the valuation results for each of the Merging Companies.

### **3.2. Business reasons - other issues**

The growing pace of energy transition poses a major challenge for oil and energy companies, as it involves a gradual shift from hydrocarbons and conventional fuels to new energy sources that are more sustainable. The transformation is driven by dynamic technological development, improved cost effectiveness of generating energy from RES and alternative fuels, climate policy, the evolution of social preferences as well as greater corporate and public environmental awareness. On top of this, solutions that support sustainable development are also increasingly encouraged by ever more

stringent environmental rules, including by requirements concerning the growing importance of low-emission energy sources in all key economic segments, such as, for example, the Fit for 55 package or the REPowerEU plan. Based on global expectations and market trends the demand for RES and alternative fuel will continue to grow over the next few decades.

In consequence, over the next years, the share of RES in the Polish energy mix will continue to grow. Natural gas will also play an important role, as a back-up fuel supplementing RES. . In addition, including natural gas and nuclear energy in EU taxonomy as sustainable energy sources will have a positive impact on the ability to use such sources in striving for low-emission development. Owing to this change, EU funds may be used to support the energy transition of a state based, among other things, on the natural gas. In consequence, investments in the natural gas - both its sourcing and use - become an important element of the strategy of integrated power companies.

The Company has identified the challenges inherent to the energy transition way in advance, as confirmed by PKN ORLEN's energy strategy by 2030. PGNiG is one of the biggest gas corporations in the Central and Eastern Europe, with strong operating and financial foundations. The merger between PGNiG and PKN ORLEN is consistent with the global trends in the fuel and energy sectors, which involving the consolidation of financial strength and the refocusing of production assets on low emissions as the key priorities in the transformation strategies of both regional and global players. The merger will create a multi-utility group with diversified and complementary revenue structure, based on strong operating and financial supports, which will accelerate and facilitate the achievement of strategic objectives assumed in both entities.

The merger creates new opportunities for coherent, coordinated development that will enable the businesses to diversify their operations and remain competitive in the long run. The merged corporation will pursue operating excellence in the existing areas of its operation and through the development of new segments. The integration of assets currently dispersed across many entities will boost effectiveness in a number of areas. The consolidation of PKN ORLEN and PGNiG will increase the impact of the merged group on the entire sector thanks to, among other things, the improved coordination of efforts aimed at decarbonising the Polish economy by 2050. In this context, the goal of the multi-utility group's strategy will be to grow the natural gas segment, with natural gas being the key resource for the petrochemical and energy sectors. The merger between PKN ORLEN and PGNiG, which will take place following the integration of Grupa LOTOS into the PKN ORLEN group, will result in optimizing and integrating the extraction of hydrocarbons by the merged company in the current markets and coordinated operations aimed at diversifying the sources of energy materials, including further development of the diversified LNG supply portfolio. The upstream consolidation will boost the efficiency of managing raw materials, mitigating the risk of volatility in the crude and gas markets and

will allow for making better use of PGNiG's potential in terms of prospecting and exploration, including drilling. In consequence, the merger between PKN ORLEN and PGNiG will contribute to improving the energy security of Poland and the entire region, which is of crucial importance given the current geopolitical situation.

Other strategic development areas include the energy sector. The integration of four corporate groups will pave the way for the pursuit of ambitious investments in low and zero-emission energy, stronger R&D involvement and the expansion of innovative sectors of the economy, including the implementation of trailblazing energy-related solutions. In this context, the merger will create new opportunities for RES investments by pooling the capital and access to competences in the area of construction and operation of combined-cycle gas turbine plants, onshore and offshore wind turbines as well as solar plants, supporting the strategic goals of the merged corporation in terms of increasing the outlays on energy transition and building competence in the field of low emissions energy. In the long term, the merged corporation will develop future-proof solutions, including nuclear energy based on small nuclear reactors as well as hydrogen technologies, where it intends to play a leading role.

On top of this, retail has been identified as yet another important growth area. Relying on the extended client base and a broader range of products, the company will develop a comprehensive offer and will be able to respond to clients' needs using advanced communication and sales channels.

What is more, the merger will allow for achieving the operational scale and financial stability instrumental to improving resilience to market changes (the total capitalisation of the Merging Companies amounts to ca. PLN 81.4 bn as at 28 July 2022). Enhanced resilience to economic shocks and improved flexibility in responding to market cycles will find their positive reflection in improving the employment stability. Moreover, the scale of the organisation will have enhance the corporation's capacity to obtain financing in the international financial markets.

The process of consolidation of the four energy groups dates back to 2018, and the letter of intent between PKN ORLEN and the State Treasury on the potential consolidation of PKN ORLEN and Grupa LOTOS. Then, on 14 July 2020, as a result of the decision issued by the European Commission, PKN ORLEN obtained a conditional approval to take over Grupa LOTOS. On the very same day, PKN ORLEN and the State Treasury signed a letter of intent on the acquisition of PGNiG by PKN ORLEN. In the meantime, in the first half of 2020, the transaction involving the takeover of Grupa Energa by PKN ORLEN was finalised. On 12 May 2021, PKN ORLEN, Grupa LOTOS, PGNiG and the State Treasury signed a collaboration agreement on the acquisition of control of Grupa LOTOS and PGNiG by PKN ORLEN. On 02 June 2022, the management boards of PKN ORLEN and Grupa LOTOS signed a merger plan, while the relevant merger resolutions were adopted by the GMs of Grupa LOTOS and PKN ORLEN on 20 July

2022 and 21 July 2022 respectively. The merger between PGNiG and PKN ORLEN is then the obvious next step towards the strategic consolidation of the Polish market.

The merger will produce a number of business advantages, both in terms of strategic development and operations. The key positive outcomes worth mentioning include:

- (i) ensuring long-term growth in the context of energy transition. The projected development in the Production and Distribution segments, coupled with the natural gas expertise of PGNiG, will support long-term growth in the areas of key importance for energy transition in view of the crucial role of natural gas as a transition fuel. Based on the resolution of the European Parliament, nuclear energy and natural gas have been included in the EU taxonomy.
- (ii) Diversification and stability of revenue sources. A balanced portfolio of upstream and downstream assets, including those energy-related, will help to mitigate the risk related to business cycles affecting these areas. The complementary nature of segments asymmetrically exposed to macroeconomic risks will improve the stability of financial results in the merged multi-utility company.
- (iii) Stronger financial standing and better investment potential following the merger. In the future, the improved financial standing may decrease the costs of financing, especially in the foreign markets. The merger will facilitate raising and securing funds for energy transition, including the implementation of advanced investment projects in renewables, gas-fueled energy, hydrogen prospecting (upstream and biogas projects), petrochemicals, involvement in innovative projects, such as alternative fuels, and finally further geographical expansion.
- (iv) Better competitive position. By increasing its operating scale and financial strength, the merged corporation will become significantly more robust in the European market. The merged Company will enjoy a better bargaining position with the raw materials suppliers as well as business and technological partners instrumental to ensure the continued growth of the multi-utility corporation, further benefitting from the growth potential in terms of sales of a broad range of its own products in extended markets.
- (v) The merger will bring about a number of operating synergies. The key ones are found in the areas of management, prospecting and exploration, trade, production, distribution and storage.
  - a) Improved operating efficiency of the corporate service centre. The use of the best practices identified in both companies along with leveraging the scale of their joint operations to optimize processes, run joint marketing and sponsoring operations and make the best use of outlays and resources related to energy transition will allow for streamlining administrative functions.

- b) Upstream optimisation measures, both in Poland and abroad. The merger will facilitate managing fossil fuel resources in Poland and Norway. The joint management of the prospecting and exploration portfolio, along with the implementation of the best practices in the field of operating and investment efficiency, will contribute to growing and strengthening the prospecting and exploration activity within the merged Group.
- c) Combining the retail client databases of all merging companies and an integrated product offering. A broad range of retail products and the integration of communication and distribution channels will facilitate the development of a comprehensive product offering for clients, comprising electricity, gas, heat, energy-related services, insurance, conventional, low-emission and alternative fuels. By addressing the clients' needs relying on the existing and new communication channels and digital technologies, the merged corporation will improve the quality and effectiveness of sales, while also optimizing customer service costs.
- d) The merger of both companies and the consolidation of the wholesale of energy and gas area is likely to bring about cost optimisation related to trading in the Energy Commodity Exchange, based on the possible reduction of the security margin or reducing the costs of fees and licenses. What is more, joint commodity and currency hedging policy and operations, along with their increased volume and the possible back-to-back hedge transactions, will improve their economic parameters.
- e) In terms of production, synergies will result mostly from the consolidation of assets related to energy and heat generation as well as renewable energy sources. The expected benefits include the coordination of production resources and joint actions aimed at pursuing more ambitious investments in innovation and low emissions energy sources, including RES, hydrogen and biogas.
- f) *Ensuring and integrated and consistent approach to energy security in Poland in terms of keeping reserves of liquid hydrocarbons (crude oil, liquid fuels) and gas (natural gas) by making the optimum use of tangible assets the staff expertise in terms of the construction and operating management of cavern hydrogen storage facilities with the related water and saline infrastructure*
- g) Improved efficiency of projects, outlays and resources with regard to RDI project portfolio to increase their reach and effectiveness. The optimum use of the creative potential of employees of the merged company will both contribute to a more dynamic and innovative

development of the combined Group, and to the multi-utility group becoming a more attractive employer.

One of the key factors that determine the value of the merged company are its employees, who are its key and fundamental resource. It is their knowledge, skills, quality of work and involvement that determine the development and competitiveness of the organisation, both domestically and abroad.

It is the ambition of the merged company to develop an effective organisation based on the unique competences and qualifications of its employees. One integral part of this process is a consistent organisational culture based on robust business ethics and deeply rooted in corporate values. In the merged corporation, we want to foster the culture of employee involvement in the operations and growth of our organisation. One of the key elements of proper care for the staff are the issues related to multigenerational management, employee relations, improved communication and strengthening management competence.

The Merged Company plans to keep stable levels of employment and strengthen the development potential of its staff, capitalising on the exchange of experiences, know-how and increased mobility. A coordinated CSR policy, supported by technological partnerships and the consolidated human capital of the merged corporation will enhance the identification and development of new solutions in response to the challenges in the energy and petrochemical sectors in terms of sustainable, ecological development, and will enable greater and more comprehensive support for local communities. In addition the group will continue to support social, cultural and sports initiatives.

#### **4. EXPERT'S AUDIT OF THE MERGER PLAN**

The Merger Plan will be audited by an Expert appointed by the competent registry court.

The expert will prepare a detailed written opinion in compliance with Article 503(1) CCC and will file it with the competent registry court and the Management Boards of the Merging Companies.

Pursuant to Article 505(3<sup>1</sup>), the Expert Opinion will be published on PKN ORLEN's website <https://www.orklen.pl/pl//relacje-inwestorskie/polaczenie-z-PGNiG> and at <https://www.orklen.pl/en/investor-relations/merger-with-PGNiG>.

**5. RECOMMENDATIONS**

In view of the foregoing, the Management Board of PKN ORLEN recommends that PKN ORLEN's GM adopt a resolution on Merger, the increase of PKN ORLEN's share capital and amendments to PKN ORLEN's Articles of Association in the wording appended as Schedule 1 to the Merger Plan.

*/signatures on the signature page/*

**SIGNATURES**

**POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA**

.....  
Patrycja Klarecka  
Board Member

.....  
Armen Konrad Artwich  
Board Member