CURRENT REPORT

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, September 2nd 2022

Draft resolutions for the PGNiG Extraordinary General Meeting convened for October 10th 2022

Current Report No. 51/2022

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG" or the "Company") publishes draft resolutions to be submitted to the PGNiG Extraordinary General Meeting convened for October 10th 2022.

Resolution No. ___/2022

of the Extraordinary General Meeting of

of

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna

dated October 10th 2022,

to appoint the Chairperson of the General Meeting

Section 1

The Extraordinary General Meeting of PGNiG S.A. resolves to appoint Mr/Ms ________________ as Chair of the Meeting.

Section 2

This Resolution shall come into force as of its adoption.

Resolution No. ___/2022

of the Extraordinary General Meeting of

of

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna

dated October 10th 2022,

to adopt the agenda of the Extraordinary General Meeting

Section 1

The Extraordinary General Meeting of PGNiG S.A. resolves to adopt the following agenda:

1. Opening of the Meeting.
2. Appointment of the Chairperson of the Meeting.
3. Confirmation that the Meeting has been duly convened and has the capacity to pass resolutions.
4. Preparation of the attendance list.
5. Adoption of the agenda.
6. Voting on a resolution on the merger of the Company with Polski Koncern Naftowy ORLEN S.A. and consent to the proposed amendments to the Articles of Association of Polski Koncern Naftowy ORLEN S.A.
7. Closing of the Meeting.

Section 2

This Resolution shall come into force as of its adoption.

Resolution No. ___/2022

of the Extraordinary General Meeting of

of

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna

dated October 10th 2022,

on: the merger of the Company with Polski Koncern Naftowy ORLEN Spółka Akcyjna of Płock, National Court Register Number KRS 0000028860 ("PKN ORLEN"), and consent to the proposed amendments to the Articles of Association of PKN ORLEN

Acting pursuant to Art. 492.1.1 and Art. 506 of the Polish Commercial Companies Code (the "**Commercial Companies Code**"), as well as Art. 56.5.4 and Art. 56.5.5 of the Company's Articles of Association, having reviewed the plan of merger of the Company with PKN ORLEN (the "**Plan of Merger**"), appendices to the Plan of Merger, the Management Board's report presenting reasons for the merger with PKN ORLEN and the auditor's opinion drawn up pursuant to Art. 503.1 of the Commercial Companies Code, the Extraordinary General Meeting resolves as follows:

Section 1

1. The Extraordinary General Meeting hereby grants its consent to:
   a) the merger of the Company with PKN ORLEN by way of transfer of all the assets and liabilities of the Company to PKN ORLEN in exchange for shares to be delivered by PKN ORLEN to Company shareholders in accordance with the Plan of Merger;
   b) the Plan of Merger, attached as Appendix 1 hereto;
   c) the proposed amendments to the Articles of Association of Polski Koncern Naftowy ORLEN Spółka Akcyjna, as specified in Appendix 3 to the Plan of Merger.

Section 2

This Resolution shall come into force subject to the condition that the control authority does not issue a decision raising an objection against subsequent acquisition of the parent status within the meaning of Art. 3.7.2 of the Act on Control of Certain Investments of July 24th 2015 (Dz. U. of 2020, item 2145, as amended), or that the control authority issues a decision refusing to initiate proceedings on grounds that the transaction covered by the notification of subsequent acquisition of the parent status is not subject to the Act, pursuant to the provisions of the Act.

Reasons for the draft resolution on the merger of Polskie Górnictwo Naftowe i Gazownictwo S.A. with Polski Koncern Naftowy ORLEN S.A. and consent to the proposed amendments to the Articles of Association of Polski Koncern Naftowy ORLEN S.A.

On July 29th 2022, Polskie Górnictwo Naftowe i Gazownictwo S.A. S.A. (the "**Company**") and Polski Koncern Naftowy ORLEN S.A. ("**PKN ORLEN**") agreed in writing on a plan of merger (the "**Plan of Merger**"), which provides that the merger between them will be effected under Art. 492.1.1 of the Commercial Companies Code of September 15th 2000, i.e. by way of transfer of all the assets and liabilities of the Company (as the acquiree) to PKN ORLEN (as the acquirer) in consideration for shares to be allotted by PKN ORLEN to Company shareholders (the "**Merger**"). The Merger is to become effective upon its entry into the Business Register of the National Court Register by the competent registry court in the venue where PKN ORLEN has its registered office (the "**Merger Date**"). As of the Merger Date, PKN ORLEN will assume all rights and obligations of the Company in accordance with Art. 494.1 of the Commercial Companies Code (universal succession) (the "**Merged Company**"). In particular, pursuant to Art. 494.4 of the Commercial Companies Code, Company shareholders will become shareholders in the Merged Company (PKN ORLEN) as of the Merger Date.

The Plan of Merger has been audited for accuracy, completeness and reliability by an expert auditor appointed by the registry court. On August 12th 2022, the expert issued a favourable opinion on the Plan of Merger. Under Art. 506.1 of the Commercial Companies Code, in order for the Merger to become effective, the General Meetings of both PKN ORLEN and the Company are required to pass resolutions granting consent to the Plan of Merger and to the proposed amendments to the Articles of Association of the Acquirer (PKN ORLEN).

The Company's Management Board is of the opinion that the Merger would result in a scale of operations and financial stability ensuring the Merged Company's resilience to adverse market changes (as at July 28th 2022, the combined capitalisation of PKN ORLEN, Grupa LOTOS S.A. and PGNiG was approximately PLN 81.4 billion). The Merger would produce a range of positive economic effects, contributing to the Merged Company's operating performance as well as strategic development. The expected key economic effects of the Merger include:

- **Ensuring the Merged Company's long-term growth by leveraging opportunities offered by the energy transition.** Expected development of the Generation and Distribution segments and the Company's capabilities in natural gas would drive its long-term growth in areas relevant to the energy transition because of the need for gas as a transition fuel. Under a resolution of the European Parliament, nuclear power and natural gas have been included in the EU taxonomy.
- **Diversifying and stabilising the Merged Company's revenue sources.** A balanced portfolio of upstream and downstream assets, including energy assets, would mitigate the

risks associated with business cycles in these sectors. The complementary business segments with asymmetrical exposures to macroeconomic factors would help stabilise financial performance of the combined multi-utility company.

- **Strengthening the Merged Company's financial standing and capacity to invest.** An improved financial standing of the combined entity in the future could have a positive effect on its borrowing costs, especially in foreign markets. The Merger would facilitate efforts to raise and secure funds for the energy transition, advanced investment projects encompassing renewable energy, gas-fired generation, hydrocarbon production (upstream and biogas), petrochemicals and innovation, including projects related to production of alternative fuels, as well as further geographical expansion.
- **Improving the Merged Company's competitive position.** By increasing the scale of operations and financial strength of the combined group, it would enjoy a significantly stronger presence in the European market. The Merged Company's negotiating position would improve with respect to its feedstock suppliers as well as other business and technology partners it will rely on for future growth. It would also gain opportunities for potential growth in sales of a wide range of products leveraging the wider market reach.
- **Achieving a range of operational synergies.** Key synergies would be captured in the areas of management, exploration and production, trading, generation, distribution and storage:
  - Enhanced operational efficiency of the Corporate Centre. Drawing on the best practices of the two companies and the scale of their combined operations, while taking measures to optimise processes, overheads, joint marketing and sponsorship activities, as well as expenditures and resources associated with the energy transition and other areas within a single entity, would streamline the administrative function.
  - Improvements in the upstream segment both in Poland and abroad. Improvements achieved on the back of the Merger would extend to the management of fossil fuel resources in Poland and Norway. Joint management of the portfolio of exploration and production projects, as well as deployment of the best practices supporting operational efficiency and project performance, would reinforce and increase the role of the upstream segment at the combined group.
  - Combined base of retail customers of all the merging companies and integrated product offering. A wide range of products dedicated to the retail segment and the integration of communication and distribution channels would help develop a comprehensive product offering for customers, spanning electricity, gas, heat, energy services, insurance, as well as conventional, low-carbon and alternative fuels. Addressing customer needs, in reliance on both existing and new communication channels and digital technology, would enhance the service quality and sales performance, while optimising customer service costs.
  - Thanks to the Merger and consolidation of the wholesale energy and gas trading areas of the two companies, costs associated with trading on the Polish Power Exchange would be optimised as a result of a possible reduction in cash required to meet margin calls, and a lower cost of fees and licences required. In addition, common hedging policies and activities with respect to the commodity price and currency risks, as well as an increased

volume of hedging and ability to take opposite positions on the market, would have a positive effect on the economics of such trades.

- Synergies in generation would be achieved on the back of consolidation of power and heat generation assets and renewable energy sources. Expected benefits may be seen in the coordination of generation resources and joint activities, which would allow the Merged Company to pursue more ambitious investment programmes covering innovative and low-carbon energy sources, such as renewables, hydrogen and biogas.
- An integrated and coherent approach to ensuring the country’s energy security with respect to maintenance of liquid (crude oil, liquid fuels) and gaseous (natural gas) hydrocarbon stocks through optimal utilisation of physical assets as well as the know-how and expertise of employees in the construction and operational management of underground hydrocarbon storage facilities in salt caverns with associated water and brine infrastructure.
- Increase in the efficiency of projects, expenditures, and resources related to the R&D&I portfolio in order to increase their reach and effectiveness. Optimal use of the creative potential of employees would contribute to more vigorous and innovative development of the combined multi-utility group and its perception as an attractive employer.

As previously announced, the Merged Company intends to maintain a stable workforce and enhance employee development opportunities by enabling knowledge and experience sharing as well as greater employee mobility. A coordinated CSR policy, supported by technological partnerships and integrated human capital of the combined group, would enable more effective identification and development of new solutions to address the challenges of the power generation and petrochemical sectors with respect to sustainable and environment-friendly development, while offering stronger and more comprehensive support for local communities. The Merged Company would continue to provide support for social, cultural and sports initiatives.

Upon the acquisition, Company shareholders would be allotted new shares in the increased share capital of PKN ORLEN and thus become its shareholders. The Merger would facilitate delivering a more end-to-end product offering for customers, whose needs would be addressed more comprehensively, building on the existing and new communication channels and digital technology.

In view of the foregoing reasons, the Company’s Management Board recommends that the General Meeting pass a resolution on the Merger and consent to the proposed amendments to the Articles of Association of PKN ORLEN.

Legal basis:
Par. 19.1.2 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 March 29th 2018 (Dz.U. of 2018, item 757).