



PKN ORLEN – PGNiG Merger

Investor Presentation
Warsaw, 29 July 2022



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Transaction overview

Transaction summary and rationale

Transaction summary

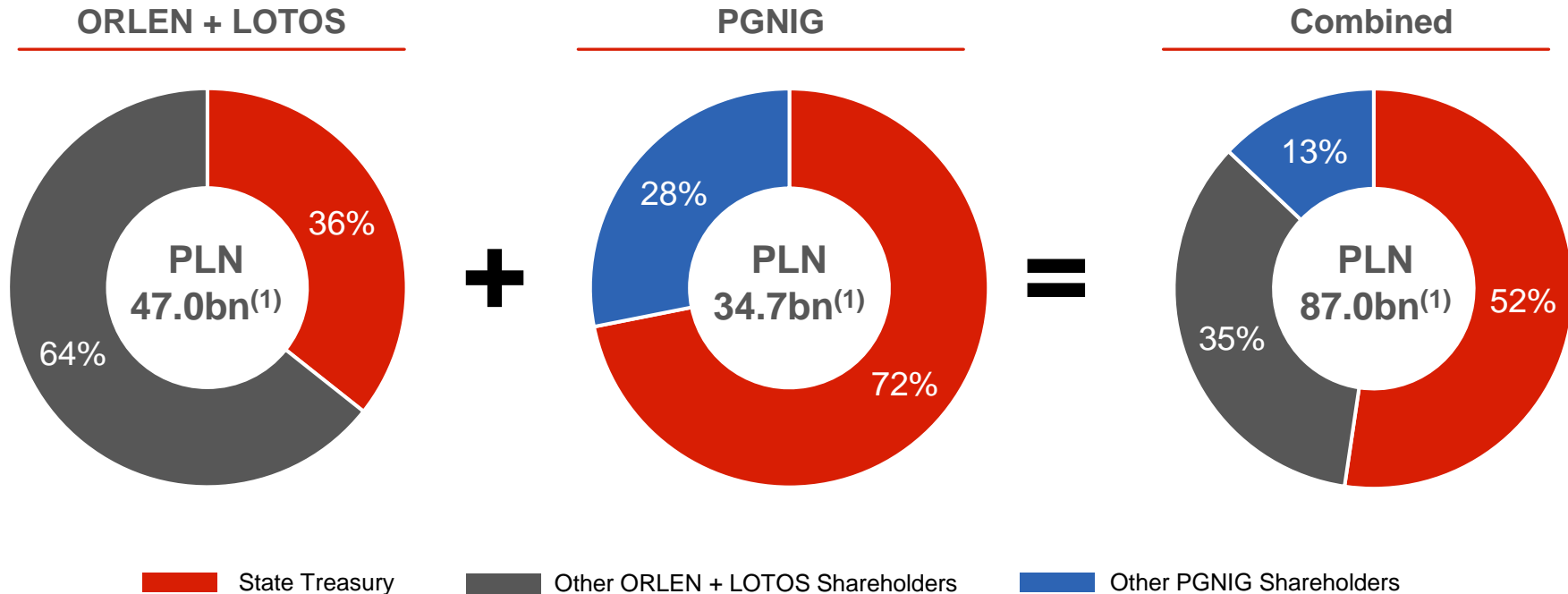
- On 29 July 2022, the Management Board of **PKN Orlen S.A.** (“ORLEN”) and Management Board of **Polskie Górnictwo Naftowe i Gazownictwo S.A.** (“PGNIG”) agreed and executed a Merger Plan (“Merger Plan”)
- The share exchange ratio agreed in the Merger Plan assumes that for every share of PGNIG, the shareholders will receive **0.0925 new shares** of ORLEN
- As a result of the proposed transaction up to **534 mn of New Series F ordinary ORLEN** shares will be issued
- The proposed merger is subject to the resolutions of the General Meetings of ORLEN and PGNIG and other conditions described in the Merger Plan, including the submission by ORLEN of a notification regarding the subsequent control of the State Treasury holding
- It is expected that the **General Meetings of ORLEN and PGNIG will be held over the course of September and October 2022 respectively with the merger registered and effective in October / November 2022**

Transaction rationale

- The Combination of ORLEN and PGNIG is a natural next step in **creating an integrated and diversified Polish multi-energy corporation** of significant transformation potential and enhanced energy security to face the current macroeconomic conditions
- Energy transition assumes a gradual shift away from conventional fuels towards new sustainable sources. **Natural gas will be an important transition fuel** and an essential component of strategies of integrated energy companies
- Integration will enable implementation of **ambitious investments in low- and zero-emission generation of electricity**, broader activities in the scope of research & development and expansion of innovative sectors of economy
- The combined entity will have significantly stronger position in the European market and **enhanced financial stability**
- The transaction is **expected to generate synergies** in various areas, including integration of assets and improved operational efficiencies



Illustrative shareholding pre and post merger



Cash Compensation for Fraction Shares

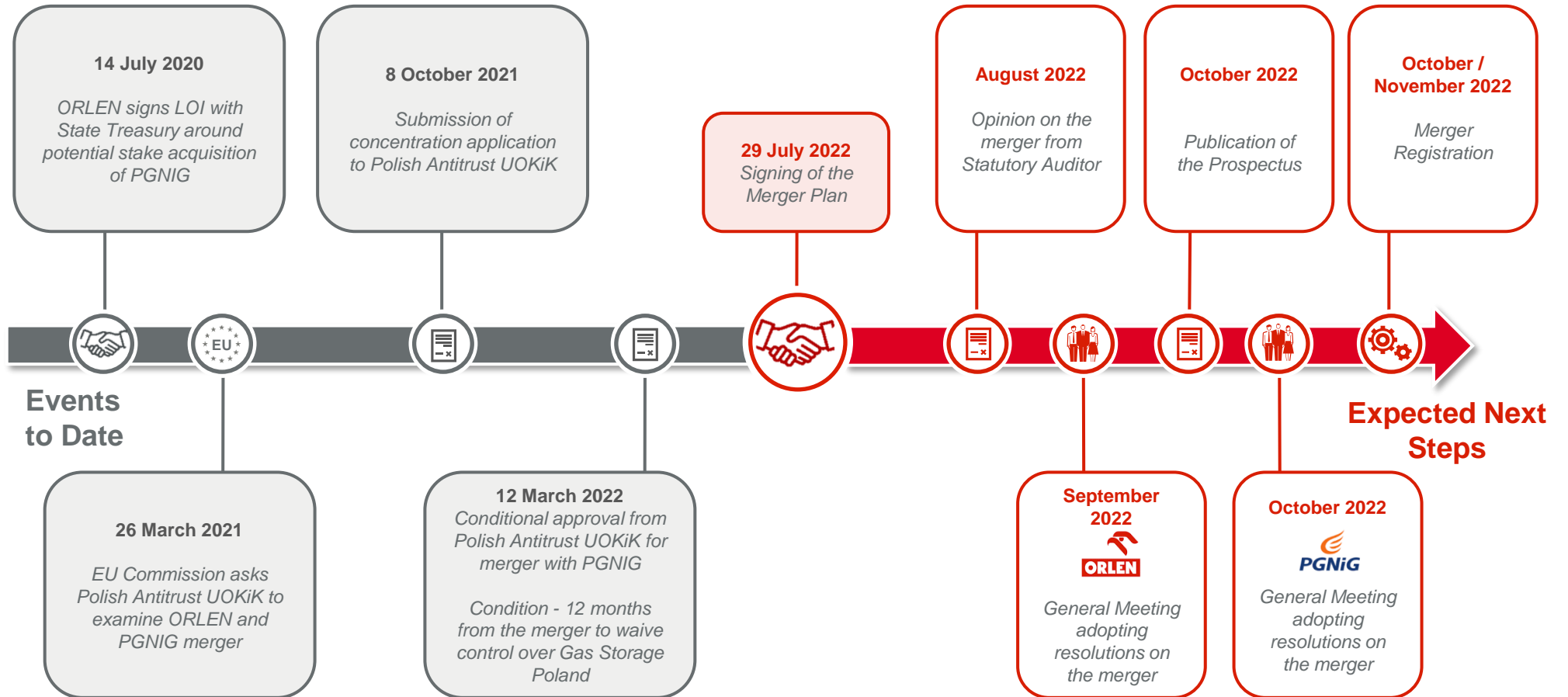
The amount of the fraction shares (pl. dopłaty) to be paid to shareholders will be calculated by multiplying the value of: (i) the fractional part of the Merger Share attributable to a given Shareholder of the PGNIG in accordance with the Share Exchange Ratio, which has not been allocated to him/her, and (ii) the arithmetic average of the closing prices of ORLEN shares as determined on the WSE during 30 calendar days preceding the Reference Date, with the provision that if the closing price is not determined on a given trading day, the arithmetic average of the closing prices of ORLEN shares shall take into account the price of ORLEN shares on the WSE determined on such trading day

Source: Company information

1) Illustrative Market Capitalisation of respective business as at 28 July 2022



Transaction timeline



Strategic and economic rationale

ORLEN faces a number of strategic challenges resulting from megatrends, including the energy transformation



Slower growth of demand for oil in long-term

- Peak oil demand is expected to come between 2030 and 2035 or, perhaps, even sooner
- Efficiency of internal combustion engines
- Alternative means of transports and fuels
- Rising share of biocomponents



Changes in supply of oil and gas

- Oil market breakdown as a result of war in Ukraine
- Shale revolution in North America
- Possible wave of changes along the oil supply curve



Competitive new sources of energy

- Renewable energy sources fully competitive (e.g. wind)
- Significant decline in costs of photovoltaic systems
- Rising significance of prosumer energy



Concern for the environment

- Ambitious targets of the Paris Agreement
- Europe as leader of regulation (Fit for 55, RepowerEU)
- Restrictions imposed on hydrocarbons



Consumer megatrends

- Rising awareness
- Digitization of distribution channels
- “Here & Now” economy
- Expected comprehensive and personalized proposal

In response to market challenges, ORLEN implements a strategy that is complemented by the merger with PGNIG



Area of activities

Activities in existing and new segments based on ORLEN's 2030 Strategy

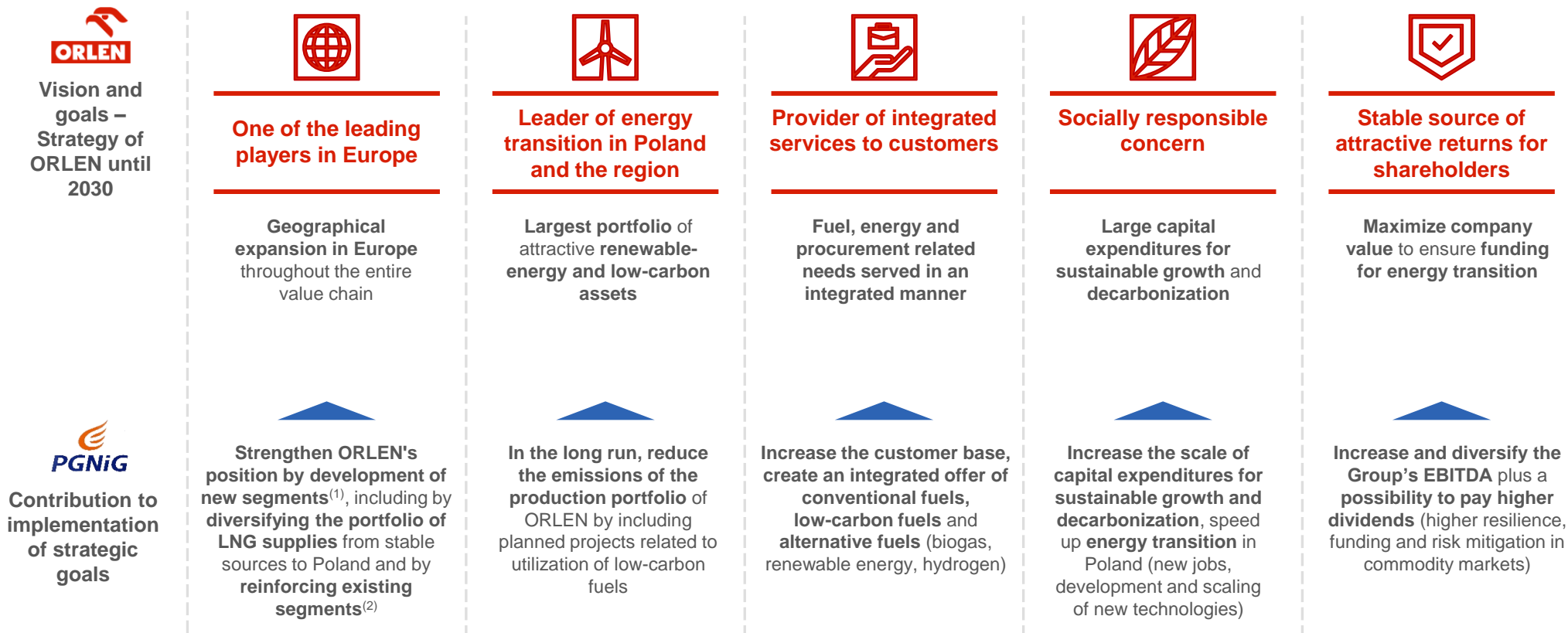


Merger of PGNIG with ORLEN would allow for more effective implementation of the highlighted main strategic objectives

The merger is consistent with global trends and accelerates the implementation of the Strategy objectives



Vision and direction of ORLEN's transformation Strategy 2030 and contribution of PGNiG to accomplishment of strategic goals



Sources: Company information; Press materials of ORLEN, PwC analysis
 1) Sale, Storage and Distribution 2) Retail, Upstream, Power and Heat

ORLEN-PGNIG merger creates value through transformation, managing contract portfolio and synergies



| | | |
|---|--|--|
|  <p>1</p> | Enhanced transformation potential | Merger of PGNiG and Orlen will make it possible to address various strategic challenges arising from energy transformation and reconfiguration of global fuel and energy markets from the perspective of ORLEN's strategy |
|  <p>2</p> | Energy supply stability | Merger creates a truly diversified and stabilized source of energy fuel resources with sufficient scale and financial strength to play a defining role in maintaining stability in the Polish economy |
|  <p>3</p> | Synergies | Combination will result in improved coordination of operations and resources creating efficiencies with identified synergies both on revenues and cost sides |
|  <p>4</p> | Value chain upside | Integration will result in unlocking value by combining different segments within the same or different value chains as well as new growth opportunities |

The merger will make it possible to address the most important strategic challenges arising from energy transformation

ORLEN's strategic challenges



Ensure long-term growth



Keep the extraction of oil and gas in Poland on a stable level



Gas-fired and renewable energy development program



Reinforce financial position for future investments



Smooth out the business cycle by using a balanced portfolio of gas and power assets



Energy transformation of Poland

Benefits from integration of ORLEN with PGNiG

- Development of the Production and Distribution segments
- Competences in the area of natural gas important for energy transformation

- Improve the performance of fossil fuel resources
- Increase the significance of the Upstream segment in ORLEN

- Increase ORLEN's production
- Maximise utilization of the scale in ORLEN's development plans

- Improve the financial position
- Enable use of debt instruments with lower interest rates

- Generate stable financial results as a combined multi-energy company

- Accelerate the efforts of the two companies towards energy transformation



Integration goals

- Diversify and stabilize the sources of income of ORLEN
- Reinforce the balance sheets and financial strength
- Accelerate the development of low-emission power generation
- Keep the stable level of natural gas extraction in Poland
- Ensure energy security of Poland

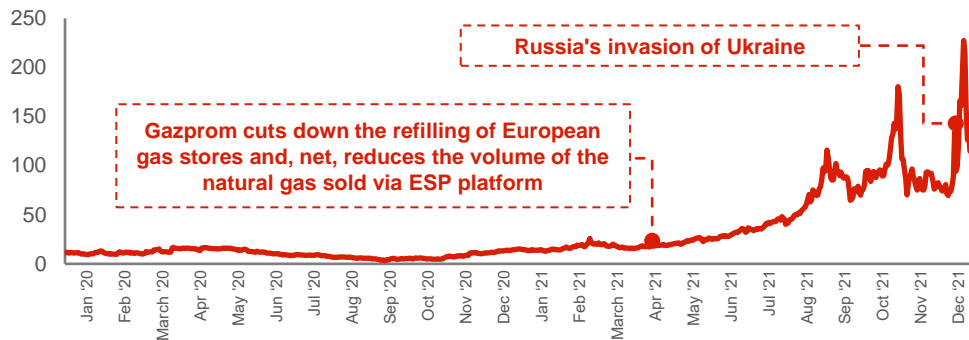


Polish economy faces long term challenge of transformation and short-term need of securing the energy supplies



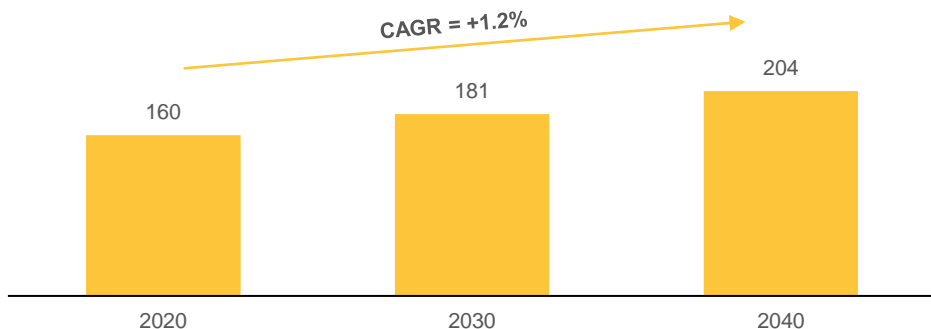
Recent natural gas price hikes have reinforced the need for stable supplies

Natural gas prices listed on TTF trading platform (EUR/MWh)



Secular trends of electrification in industry and transport will drive demand for electricity

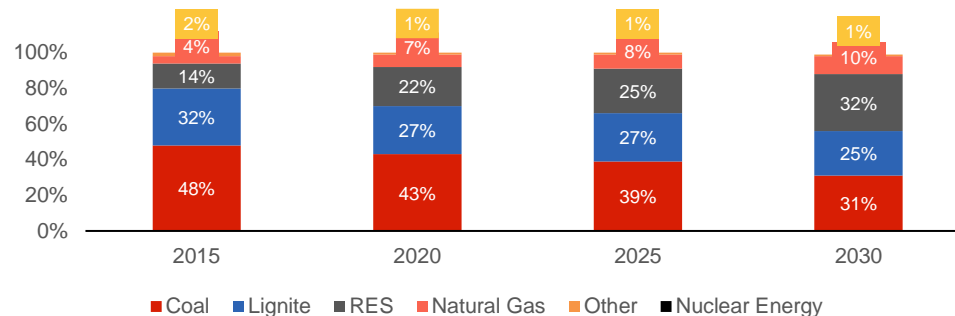
Forecast demand for electricity in Poland (TWh)



Sources: PwC, Company information

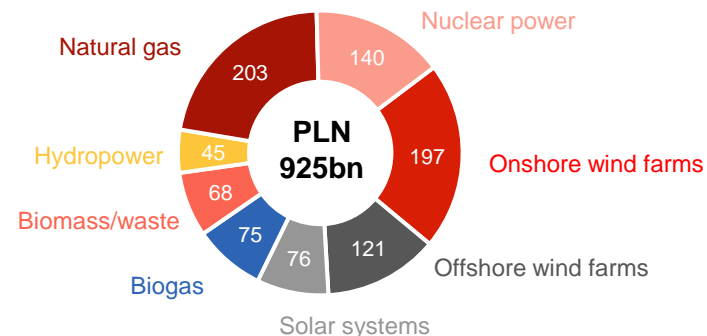
Natural gas is expected to increase its share in the energy mix

Historical and forecast % shares of particular energy sources in Polish energy mix



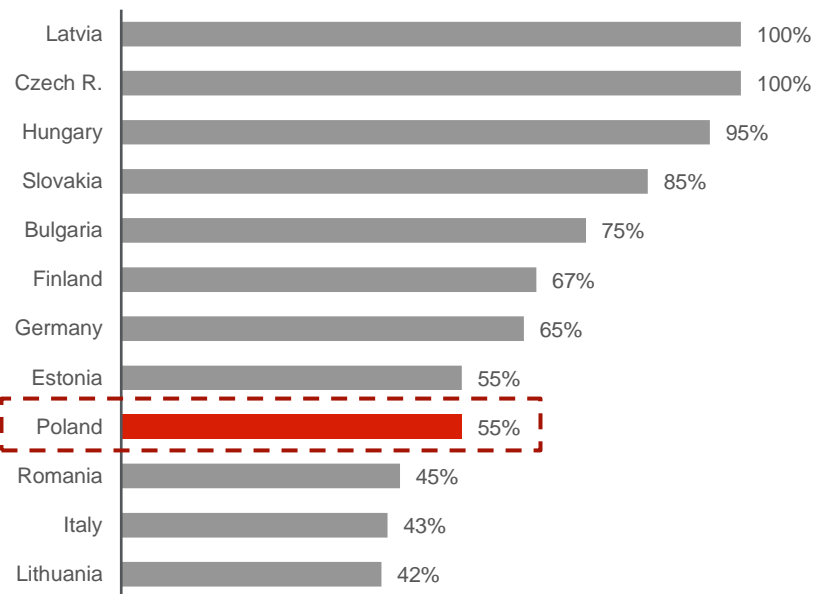
Growth of installed renewable energy generating capacity has outpaced the forecasts from PEP 2040

Investments in low carbon and renewable energy in Poland by 2050 (PLNbn)



Recent developments in Poland caused additional pressure on the energy systems

Share of gas from Russia in total imports in EU countries in 2021



- Half of the natural gas imported to Poland was from Russia
- Limited deposits in the North Sea and pipelines to Russia result in dependence on Russian natural gas
- Geopolitical situation has intensified focus on diversifying supplies and development of renewable energy sources

Recent developments in Poland



Gazprom stopped delivering natural gas via the Yamal-Europe pipeline in May 2022



Extension of the LNG Terminal in Świnoujście (started up in 2016). Project will be completed in 2023



Construction of the **Baltic Pipe gas pipeline, from Norway to Poland**. The investor's plans assume this installation will become operational in October 2022. **Baltic Pipe** will be connected with the **LNG Terminal** and the **CEE** region infrastructure via the **North-South Corridor**

Construction of **interconnectors: Poland-Lithuania (GIPL)**, brought into operation in May 2022, and **Poland-Slovakia (PL-SK)**, which should be ready in November 2022



Plans to start up a floating **LNG Terminal (FSRU)** in the Gdańsk Bay



Despite the progressing diversification of natural gas sources, **Poland must still rely on supplies from other countries**. Diversified natural gas sources will reinforce Poland's position in negotiations with prospective counterparties which offer gas supplies

The merger allows to further diversify and stabilize sources of Poland's energy fuel resources and accelerate sector transformation



Challenges faced by the Polish economy



Dependence on imported energy resources, which undermines the energy security of Poland



Power sector is vulnerable to cyclical fluctuations, including prices of energy



Risk to budget deficit as a result of COVID-19 and war in Ukraine



Need to transform Poland's energy mix by developing renewable and nuclear (SMR) energy sources



Need to stimulate new jobs and new innovations in the economy



Excellence of operations in the power sector

Benefits from the merger of ORLEN with PGNiG

- Improve energy security
- Possibilities to develop extraction in other countries
- Strengthen joint negotiating position

- Increased resilience to economic shocks
- Greater flexibility to respond to cyclical changes
- Increase job stability in both companies

- More efficient operations
- Higher and more stable revenue
- Higher dividend payouts

- Combine experience and know-how
- Accelerate energy transformation in Poland
- More ambitious programs to invest in renewable energy

- Create new innovative sectors in the economy
- Higher and more efficiently coordinated R&D expenditures

- Improved coordination of operations and resources
- More efficient tool for the Government to run the power sector



Integration goals

- Diversify and stabilize sources of Poland's energy fuel resources
- Create new jobs and make existing jobs more resilient to cyclical changes
- Increase innovation in the sector by raising and coordinating expenditure for research investments
- Accelerate energy sector transformation



Merger of both companies will result in significant operational synergies both on revenue and cost sides



Operating synergies overview

| | | |
|--|--|---|
| Increasing the operational efficiency of the corporate center | | <ul style="list-style-type: none"> ▪ Implementing best practices of both companies and scale of the combined businesses ▪ Processes, inputs and resources optimization will improve administrative efficiencies |
| Optimization in the upstream segment | | <ul style="list-style-type: none"> ▪ Optimization of activities in Poland and abroad ▪ Joint management of upstream projects will strengthen the segment and increase its importance |
| Retail segment integration | | <ul style="list-style-type: none"> ▪ Wide range of products will allow for preparation of a comprehensive and integrated offering for retail customers ▪ The unique offer and development of advanced channels of communication and sales will increase the quality and efficiency in the segment |
| Consolidation of energy and gas wholesale trade areas | | <ul style="list-style-type: none"> ▪ Optimization of costs - possible reduction of security deposit (TGE), reduced costs or required licenses ▪ Joint commodity and currency hedging may have a positive impact on transactions economics |
| Coordination of power generation resources | | <ul style="list-style-type: none"> ▪ Consolidation of assets in the energy and heating segment together with renewable energy resources will enable the implementation of more advanced investments in innovative and low-emission sources of energy |
| Integrated approach to storage capacity | | <ul style="list-style-type: none"> ▪ Integrated approach to the management of liquids and gas hydrocarbons reserves ▪ Optimal use of tangible assets and competences of employees in the construction and management of storage infrastructure (e.g. underground cavern storage facilities and salt brine infrastructure) |
| Increase of efficiency | | <ul style="list-style-type: none"> ▪ Increasing the efficiency of projects, expenditures and resources in the scope of the R&D&I ▪ Optimal utilization of employees' creative potential will contribute to achieving more dynamic growth |

Integration will result in unlocking value by combining segments within the same or different value chains

Integration Areas



Upstream

Via gas and oil extraction assets whilst increasing production



Refineries and Petrochemistry

Transfer of assets, future biomethane plants, natural gas condensate, common suppliers of hydrocarbons



Power Generation

Increase production, new units at cogen plant, invest in renewable energy as a result of capital combination, project related experience in field of hydrogen



Retail

Increased customer base and possibilities to develop new products and integrated services



Exploration and Production

Optimized resources for hydrocarbon extraction



Trading and Storage

Natural hedging of the shared oil and gas portfolio and inter-product asset optimisation



Power Generation

Increased capacity, competences and investment in renewables







Distribution

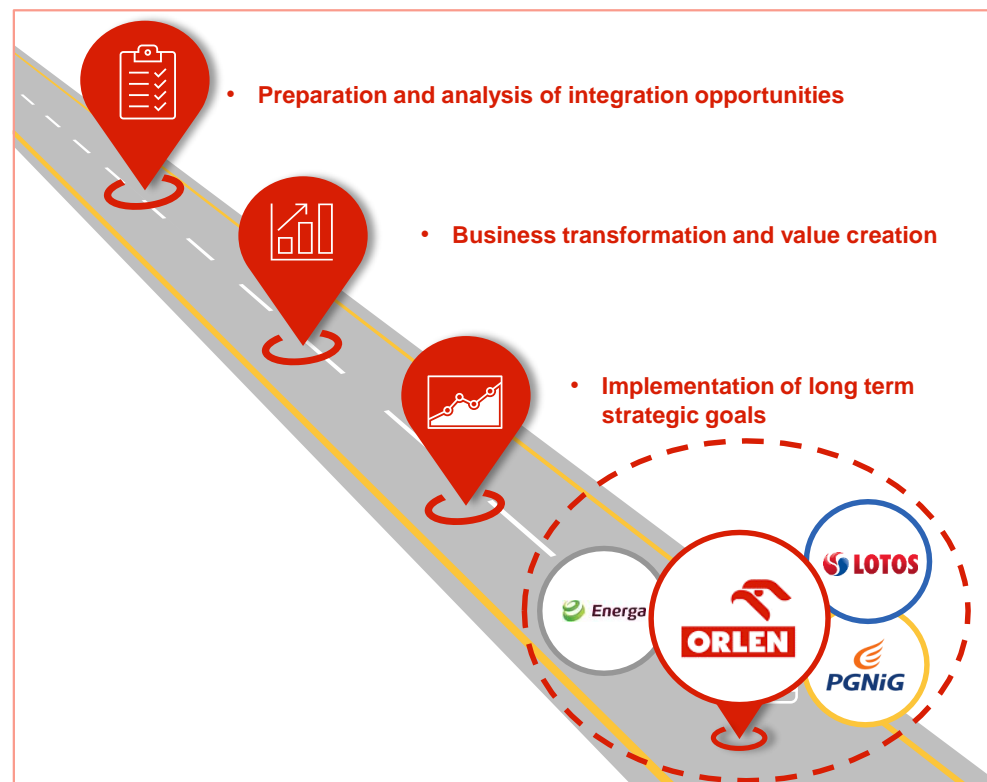
Optimisation of policies and procedures and digital self service channels

Next step in the process of local market consolidation with clear path to seamless combination

The merger is a natural step in building an integrated and diversified multi-energy company ...

| |  |  |  |  | New ORLEN |
|--|---|---|---|---|------------------|
| Exploration and Production of Hydrocarbons | ✓ | ✓ | | ✓ | ✓ |
| Refining and Petrochemistry | ✓ | | | ✓ | ✓ |
| Renewables and Gas Energy | ✓ | ✓ | ✓ | | ✓ |
| Energy and Gas Distribution | | ✓ | ✓ | | ✓ |
| Retail | ✓ | ✓ | ✓ | ✓ | ✓ |

... with a clear roadmap to full integration



Appendix – Additional Materials

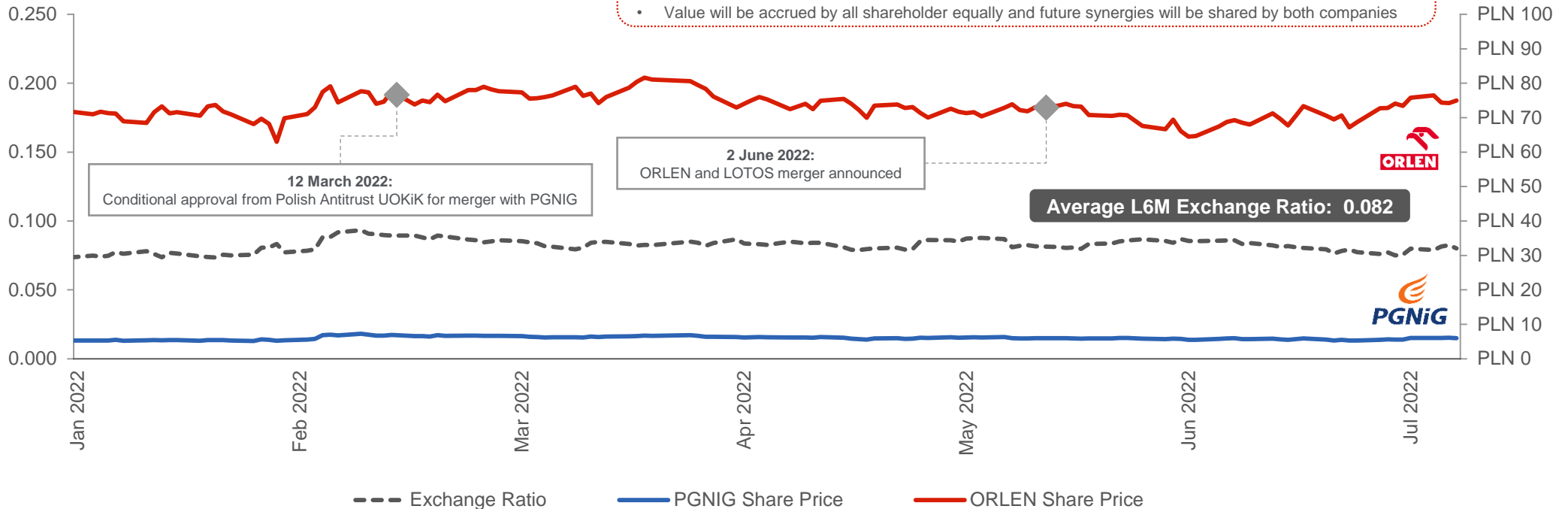


ORLEN

Share price performance and implied exchange ratio

PGNiG and ORLEN L6M Historical Share Price and Exchange Ratio⁽¹⁾

- Transaction has been in the public domain and all information is reflected in current share price
- Limited movement in PGNiG share price since announcement of LOTOS – ORLEN transaction
- Merger of equals with State Treasury retaining effective control and remaining the largest shareholder
- Value will be accrued by all shareholder equally and future synergies will be shared by both companies

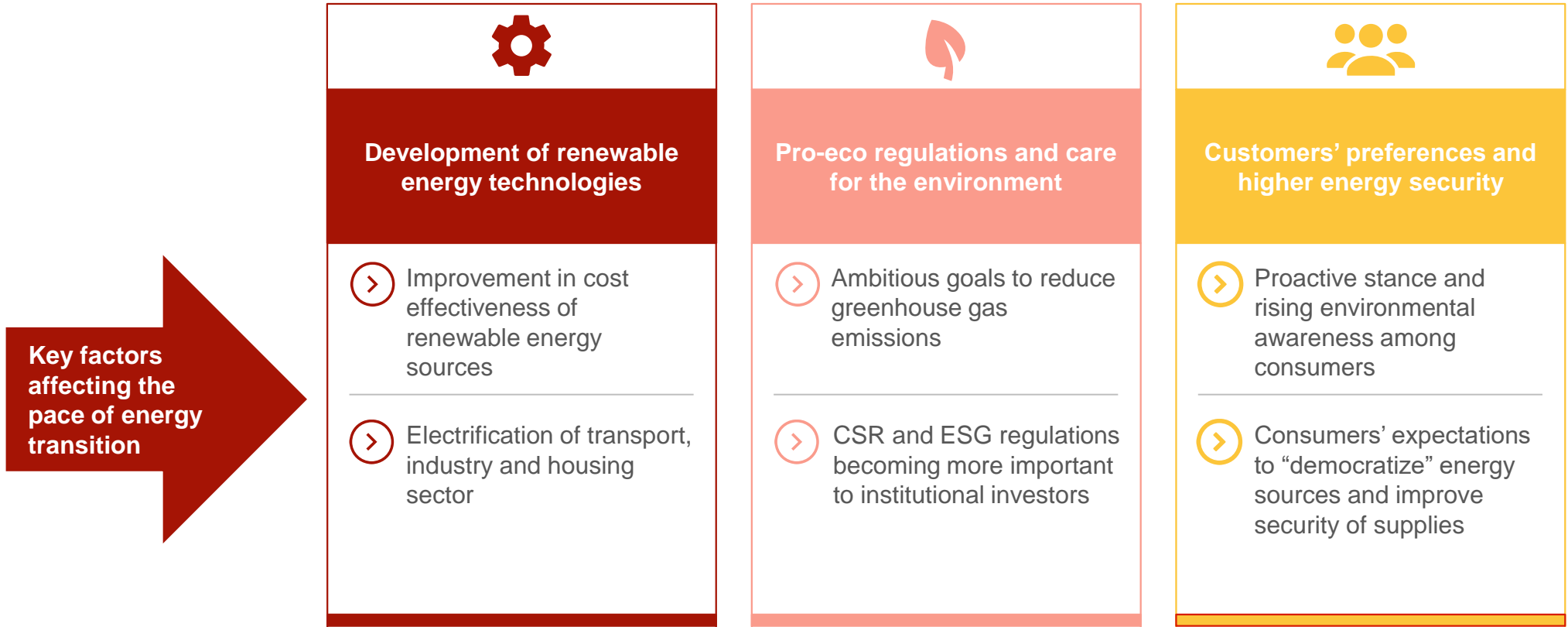


Sources: Brokers, Factset as at 28 July 2022

1) Exchange ratio defined as PGNiG Share Price / ORLEN Share Price

Energy transition is driven by the dynamic development of technologies, society's preferences and rising awareness for the world around us

Key drivers behind the second energy transition



Consumers more and more often choose energy from suppliers using sustainable energy sources



Results of a survey of consumers' approach to Sustainable Development Goals



75%

of consumers believe sustainable development is important and take it into account when buying electricity



31%

of consumers are ready to pay more for electricity from renewable sources



63%

of consumers have made modest or significant changes towards sustainable development over the last five years



25%

is the premium (versus the standard price) consumers are ready to pay for green energy

Merger will be key to help PGNiG achieve its strategic objectives



Strategic challenges faced by PGNiG



Build the image of a climate neutral multi-energy company



Diversify both customer base and offered products



Increase the share of low-emission energy and drive development in the renewable energy segment



Increase the base of hydrocarbon resources



Enhance the possibilities to finance trade in natural gas and LNG



Maintain the customer base despite more and more fierce competition

Benefits from integration of ORLEN with PGNiG

- Increase resources, efficiency and expenditure on energy transformation

- Enhance the product range
- Use cross-sell opportunities
- Generate an additional margin on new products

- Share assets
- Improve the process for building new capacities that are based on low-emission sources

- Enable the optimization of expenditures for exploration
- Increase the base of hydrocarbon resources
- Increase in the extraction level

- Integration with ORLEN will contribute to the increased possibilities of financing trade in natural gas and LNG, including collateral and deposits

- Improve the quality of services provided in the market
- Higher ratification, trust and feeling of security amongst existing and future customers



Objectives of integration

- Increase expenditures for energy transformation
- Build strong competences in low-emission power generation
- Drive development of the hydrocarbon extraction segment in Poland and other countries
- Diversify and stabilize the sources of income of PGNiG
- Strengthen the market position of the integrated company



ORLEN Overview



Business Overview and Key Metrics⁽¹⁾

- Founded in 1999, ORLEN engages in the processing and trading of crude oil.
- Operates through the following segments:
 - **Refining:** 6 refineries in Poland, Lithuania and Czech Republic
 - **Petrochemicals:** Petrochemical assets integrated with refining
 - **Retail:** 2,881 fuel stations, the largest in CEE
 - **Exploration & Production:** Upstream operations in Canada and Poland
 - **Energy:** Production, wholesale distribution and sales of power
- Products are marketed to over 90 countries across 6 continents

Key Metrics

PLN 32.1bn
Market Cap⁽²⁾

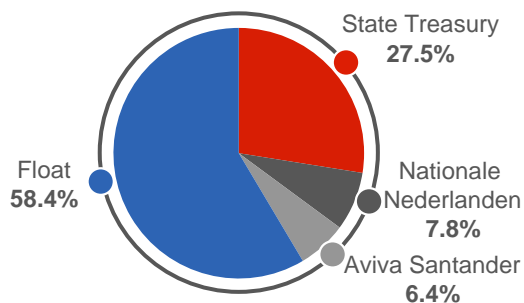
2,881
Retail stations

35,424
Employees

35.2MT
Annual Crude Oil
Throughput

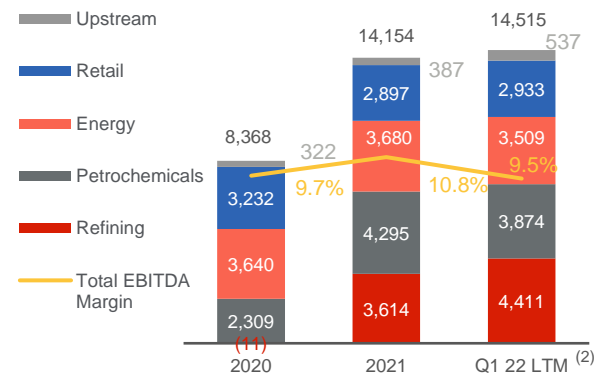


Shareholding Structure

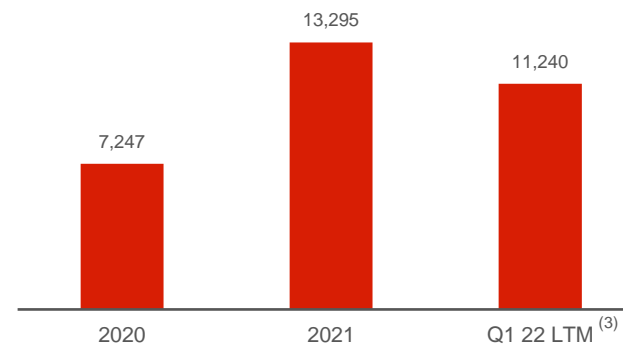


Summary Financials

EBITDA LIFO (PLN mn)



Operating Cash Flows (PLN mn)



Sources: Company information as of December 2021, Factset as at 28 July 2022

1) Prior to Lotos merger 2) As at 28 July 2022 and other Balance Sheet items as at Q1 2022 3) Q1 LTM 2022 calculated as Full Year 2021 plus Q1 2022 less Q1 2021 (company reported figures)

PGNIG Overview



Business Overview

- Founded in 1982, **Polskie Gornictwo Naftowe i Gazownictwo S.A.** (PGNIG) engages in the production and sale of natural gas and crude oil
- Operates through the following segments:
 - Exploration & Production
 - Trade and Storage
 - Generation
 - Distribution
- Poland's No.1 integrated group** in the oil and gas sector and **3rd biggest oil company** in **Central & Eastern Europe**
- Listed on the **Warsaw Stock Exchange** since **September 2005**

Key Metrics

PLN 34.7bn
Market Cap⁽¹⁾

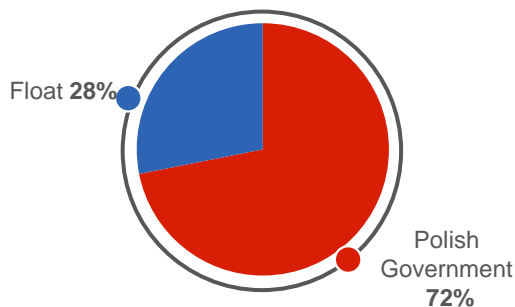
1.38MT
Crude Oil Production

3.24bcm
Storage Capacity

24,608
Employees

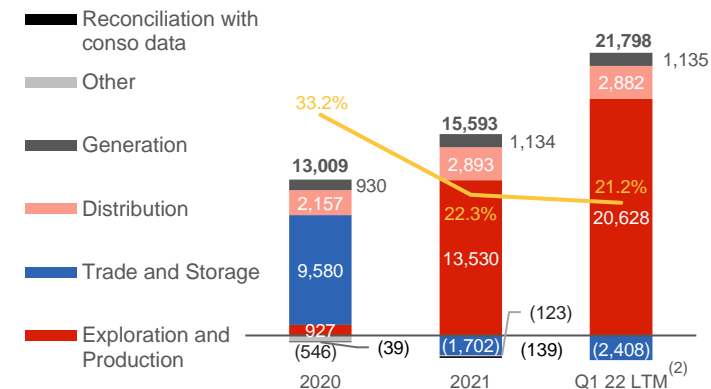


Shareholding Structure

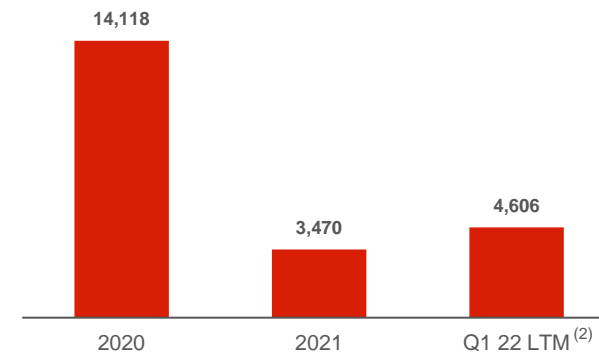


Summary Financials

EBITDA (PLN mn)



Operating Cash Flows (PLN mn)



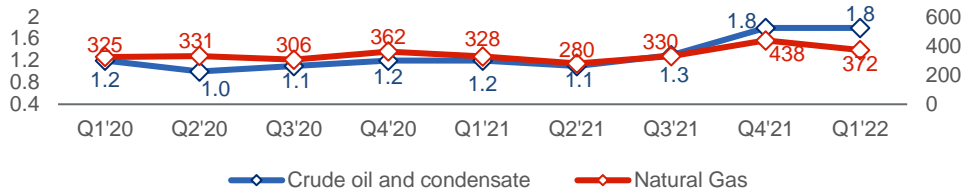
Source: Company Reports

1) As at 28 July 2022 2) Q1 LTM 2022 calculated as full year 2021 plus Q1 2022 minus Q1 2021

Exploration & Production⁽¹⁾

- Focuses on extracting hydrocarbons from deposits and preparing them for sale
- 554 mm boe / 105 mm boe of proven gas / oil reserves in Poland
- 11 exploration / appraisal and 36 combined licences for O&G concessions in Poland

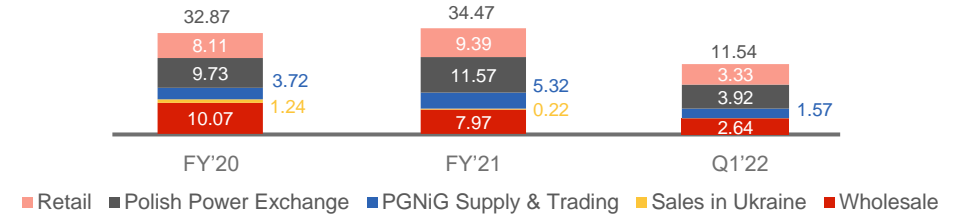
Year-on-year comparison of oil (1000 tonnes) and gas (bcm) volumes



Trade & Storage

- Sale of natural gas in Poland and abroad, including trades in electricity, certificates of origin for electricity and CO₂ allowances
- Operates 7 underground storage facilities

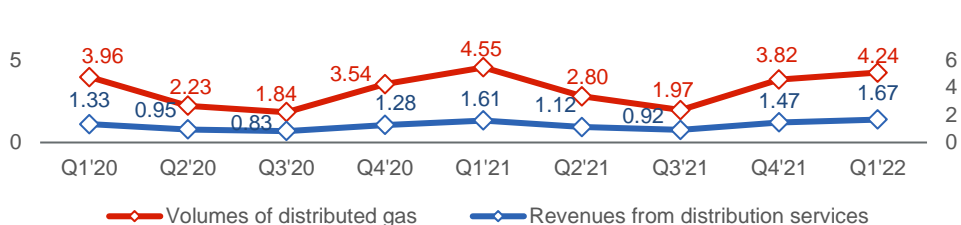
Total Volumes of gas sold (bcm)



Distribution

- Owner of ~97% of Poland's distribution network and ~99% of the gas service lines⁽²⁾
- Transports natural gas from gas sellers to households, industrial and wholesale customers

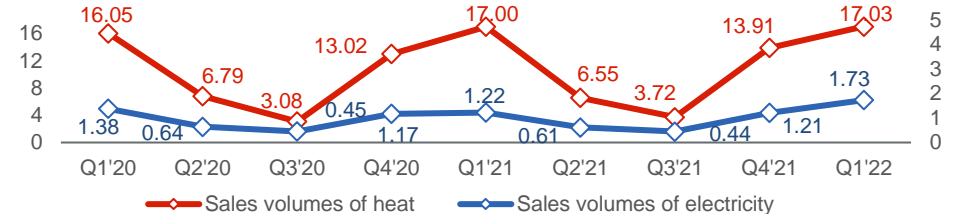
Sales Volume (bcm) and Revenues (PLNbn)



Generation

- Consists of electricity, heat, cold and compressed air generation alongside distribution of heat.
- Carries out major power engineering projects relying on natural gas

Heat Sales (PJ) and Electricity Sales (TWh)



Source: Company information

1) As at 30 September 2021 2) As at 31 December 2017



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