

Polish Oil and Gas Company (PGNiG SA)
Head Office

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Current Report No. 41/2021

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Launch of process to optimise PGNiG Group's operations

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The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG", the "Company") announces that on October 12th 2021 it passed a resolution initiating a process to optimise the PGNiG Group's operations (the "Optimisation Process"), selecting a proposed reorganisation and asset restructuring scenario.

The need to embark on the Optimisation Process was identified by PGNiG in view of certain newly emerging market requirements related, among other things, to environmental and regulatory changes, especially the ongoing energy transition. In the opinion of the Company's Management Board, the Optimisation Process would help maximise the operational and financial efficiency of the PGNiG Group (the "PGNiG Group"), increasing the company's potential to enter into strategic alliances and deliver the objectives set out in the PGNiG Group's Strategy for 2017–2022 with an outlook until 2026 (published in Current Report No. 19/2017 of March 13th 2017) for the corporate centre area to achieve efficiency gains by optimising PGNiG's business model in terms of underlying processes, organisational structure and tools.

Based on the proposed scenario, the Optimisation Process would comprise several stages. Initially, PGNiG's operations comprising the exploration for and production of hydrocarbons, wholesale and storage of gas would be spun off and transferred from PGNiG to a newly established subsidiary ("SPV") as contribution of an organised part of business. In the next step, the SPV would acquire from PGNiG shares in selected segment companies of the PGNiG Group.

The purpose behind the planned reorganisation and asset restructuring is to transform the PGNiG Group towards a holding structure model, in line with leading industry practices of international oil&gas sector.

The Optimisation Process is intended to deliver a number of benefits, including improved efficiency of the PGNiG Group's management processes, greater transparency and flexibility of the organisational structure, operating cost savings and reduced business risks. The proposed adaptation of the PGNiG Group towards a holding structure would enhance its ability to achieve operational synergies within key business segments, while accelerating and improving the efficiency of the energy transition process.

