Translation of a document originally issued in Polish

REPORT OF THE MANAGEMENT BOARD OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA MADE UNDER ARTICLE 501 OF THE CODE OF COMMERCIAL COMPANIES TO PROVIDE RATIONALE FOR THE MERGER BETWEEN POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA AND GRUPA LOTOS SPÓŁKA AKCYJNA

2 JUNE 2022

1. INTRODUCTION AND DEFINITIONS

This Report of the PKN ORLEN Management Board has been prepared under Article 501(1) CCC in connection with the Merger.

The Report will be made available in compliance with Article 505(3^1) CCC on PKN ORLEN'S website at: https://www.orlen.pl/pl//relacje-inwestorskie/polaczenie-z-Grupa-LOTOS and https://www.orlen.pl/en/investor-relations/merger-with-the-LOTOS-Group

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

Merger Shares	–	have the meaning defined in item 3.3 of the Merger Plan and in item 2 of the Report;
LOTOS Group Shareholder(s)	–	means any entity which, as of the Reference Day, holds any shares in Grupa Lotos as recorded on their security account and, in the case of omnibus accounts, any entity reported to the entity keeping the omnibus account by the account holder as the beneficial owner of such shares in Grupa LOTOS recorded on the relevant omnibus account on the Reference Day;
Auditor	–	has the meaning defined in item 5 of this Report;
Stock Exchange Analysts' Price Target	–	have the meaning defined in item 3 of the Report;
Information Document	–	a document drafted by PKN ORLEN, exempted from the formal prospectus requirements and not subject to the approval by the Polish Financial Supervision Authority or any other authority regulating or supervising the financial market, to be published pursuant to the

		Prospectus Regulation, Regulation 2021/528 or the Act on Public Offering;
Payout	–	has the meaning defined in item 5.4 of the Merger Plan;
Merger Date	–	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, pursuant to Article 493(2) CCC;
Reference Day	–	has the meaning defined in item 5.1 of the Merger Plan;
Energa	–	Energa Spółka Akcyjna, registered office in Gdańsk, Al. Grunwaldzka 472, 80-309 Gdańsk, entered into the business register of the National Court Register under entry No. KRS 0000271591, registry court: 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
CCC	–	the Act of 15 September 2000 – the Code of Commercial Companies (OJ 2020.1526 as amended);
WSE	–	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna [Warsaw Stock Exchange], with its registered office in Warsaw;

Grupa LOTOS	–	Grupa LOTOS Spółka Akcyjna, registered office in Gdańsk, ul. Elbląska 135, 80-718 Gdańsk, entered into the business register of the National Court Register under entry No. KRS 0000106150, registry court: 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;
Merging Companies	–	PKN ORLEN and Grupa LOTOS jointly;
Share Quotations	–	have the meaning defined in item 3 of the Report;
Share Swap Ratio	–	the ratio applicable to the exchange of shares in Grupa LOTOS for PKN ORLEN shares (Merger Shares) as a result of the Merger, laid down in item 4 of the Merger Plan;
PGNiG	–	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, registered office in Warsaw, ul. Marcina Kasprzaka 25, 01-224 Warsaw entered into the business register of the National Court Register under entry No. KRS 000059492, registry court: District Court for Warsaw in Warsaw, 13th Commercial Division of the National Court Register, Tax Id. No. 'NIP': 5250008028, Statistical Id. 'REGON': 012216736, share capital of PLN 5,778,314,857.00, paid-up in full
PKN ORLEN	–	Polski Koncern Naftowy ORLEN Spółka Akcyjna, registered office in Płock, ul. Chemików 7, 09-411 Płock, entered into the business register of

		the National Court Register under entry No. KRS 0000028860, registry court: District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, Tax Id. No. 'NIP': 7740001454, Statistical Id. 'REGON': 610188201, share capital of PLN 534,636,326.25, paid-up in full;
Merger Plan	–	the plan prepared pursuant to Article 498 and 499 CCC in connection with the planned Merger, agreed in writing and signed by the Management Bards of Merging Companies on 2 June 2022;
Merged Company	–	PKN ORLEN following its Merger with Grupa LOTOS;
Merger	–	the merger between PKN ORLEN and Grupa LOTOS carried out pursuant to Article 492(1)(1) CCC by transferring all assets and liabilities of Grupa LOTOS (Target Company) to PKN ORLEN (Acquiring Company) with the relevant increase of PKN ORLEN's share capital by issuing Merger Shares to be allocated by PKN ORLEN to Grupa LOTOS' Shareholders;
Regulation 2021/528	–	Commission Delegated Regulation (EU) 2021/528 of 16 December 2020 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the minimum information content of the document to be published for a prospectus exemption in connection with a takeover by means of an exchange offer, a merger or a division (OJ EU L 2021.106, p. 32);

Prospectus Regulation	–	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);
SoTp	–	has the meaning defined in item 3 of the Report;
Acquiring Company	–	PKN ORLEN;
Target Company	–	Grupa LOTOS;
Report	–	this report laying down the rationale for the merger, drafted for the purposes of the Merger in compliance with Article 501(1) CCC by the Management Board of PKN ORLEN;
Act on Public Offering	–	the Act of 29 July 2005 on public offering, terms for the introduction of financial instruments to organised trading, and on public companies (OJ 2021.1983 as amended);
GM	–	depending on context, the General Meeting of PKN ORLEN or the General Meeting of Grupa LOTOS;
Management Board	–	depending on context, the Management Board of PKN ORLEN or the Management Board of Grupa LOTOS.

2. LEGAL BASIS FOR THE MERGER

The merger will take place pursuant to Article 492(1)(1) CCC by transferring all the rights and obligations (assets and liabilities) of Grupa LOTOS (Target Company) to PKN ORLEN

(Acquiring Company) with the relevant increase of PKN ORLEN's share capital by issuing Merger Shares to be allocated by PKN ORLEN to Grupa LOTOS' 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 4 CCC, and in compliance with the corporate statutes of the Merging Companies, the GMs of the Merging Companies will be presented draft resolutions on the Merger comprising, without limitation: (i) approval of the Merger Plan and (ii) approval of the proposed amendments to PKN ORLEN's statutes 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 presented a resolution on the consolidated text of PKN ORLEN's statutes inclusive of the amendments made in connection with the Merger.

By way of the abovementioned resolution of PKN ORLEN's GM, PKN ORLEN's share capital will be increased from PLN 534,636,326.25 (five hundred and thirty four million six hundred and thirty six thousand three hundred and twenty six point twenty five zloty) to the amount of PLN 783,059,906.25 (seven hundred and eighty three million fifty nine thousand nine hundred and six point twenty five zlotys) by issuing 198,738,864 (one hundred and ninety eight million seven hundred and thirty eight thousand eight hundred and sixty four) E series ordinary bearer shares with the nominal value of PLN 1.25 (one point twenty five zloty) each, with the aggregate nominal value of PLN 248,423,580 (two hundred and forty eight million four hundred and twenty three thousand five hundred and eighty zlotys) ("**Merger Shares**"), to be then allocated to the Shareholders of Grupa LOTOS in accordance with the rules laid down in item 5 of the Merger Plan.

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

The Merger Share offering will be a public offering within the meaning of the Prospectus Regulation. Pursuant to Article 1(4)(g) and Article 1(5)(f) of the Prospectus Regulation, the public offering of the Merger Shares and the admission of Merger Shares to trading will not involve an obligation to publish a prospectus. PKN ORLEN will, however, publish the Information Document in compliance with the requirements laid down in the Prospectus Regulation, Regulation 2021/528 and the Act on Public Offering, which will be made available on PKN ORLEN's website at: https://www.orlen.pl/pl//relacje-inwestorskie/polaczenie-z-Grupa-LOTOS and https://www.orlen.pl/en/investor-relations/merger-with-the-LOTOS-Group.

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

(i) PKN ORLEN's drafting the Information Document, in compliance with the requirements laid down in Regulation 2021/528, and making such Information Document available to persons at whom the public offering related to the Merger is targeted;

(ii) obtaining European Commission's decision on the approval of buyers for the assets divested from in performance of remedies and of the terms and conditions of any agreements made with such buyers, laid down in the positive conditional decision of the European Commission of 14 July 2020 approving the concentration involving the takeover of control of Grupa LOTOS by PKN ORLEN (case M.9014 – PKN ORLEN/ Grupa LOTOS);

(iii) obtaining the approval of the Council of Ministers for 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 (OJ 2021.1933 as amended);

(iv) no objection being raised by the supervising authority with regard to the secondary acquisition by the State Treasury of a major stake in the Acquiring Company (the threshold of 33% of the aggregate number of votes at the GM and the share in the share capital expected to be exceeded) referred to in Article 3(7)(2) of the Act of 24 July 2015 on the control of certain investments (OJ 2020.2145 as amended).

The transfer of all assets and liabilities of Grupa LOTOS to PKN ORLEN will take place on the Merger Date, i.e. when the Merger is recorded in the business register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN.

As from the Merger Day, PKN ORLEN will assume any and all rights and obligations of Grupa LOTOS in compliance with Article 494(1) CCC (universal succession). In particular, in line with Article 494(2) and 494(5) CCC, as from the Merger Day, any and all permits, concessions, licenses and exemptions awarded to the Target Company will be transferred to PKN ORLEN, unless a relevant act of law or a decision awarding a specific permit, concession, license or exemption provide otherwise.

Pursuant to Article 494(4) CCC, as from the Merger Day, the Shareholders of Grupa LOTOS will become PKN ORLEN Shareholders.

Merger Shares will entitle their holders to participate in the distribution of PKN ORLEN's profit starting from the first day of the financial year in which the Merger Shares were registered in the security accounts of the Shareholders of Grupa LOTOS, i.e. from 01 January 2022. The foregoing means that Merger Shares entitle their holders to the distribution of dividend determined pursuant to Article 348 CCC on the basis of PKN

ORLEN's financial statements for the financial year started on 01 January 2022 and ending on 31 December 2022.

In accordance with Article 493(1) CCC, Grupa LOTOS will be wound up without liquidation on the date of its deletion from the business register of the National Court Register, but in any case not earlier than on the day when the increase of PKN ORLEN's share capital is registered and the Merger entered into the business register of the National Court Register.

There are no plans to award any additional rights to the Shareholders of Grupa LOTOS or any persons vested with special rights in Grupa LOTOS.

The Merged Company will operate under its existing business name: Polski Koncern Naftowy ORLEN Spółka Akcyjna.

3. RATIONALE FOR THE SHARE SWAP RATIO APPLICABLE TO THE EXCHANGE OF GRUPA LOTOS SHARES FOR PKN ORLEN SHARES

In connection with the Merger, in exchange for their shares in Grupa LOTOS, Shareholders of Grupa LOTOS will be allotted Merger Shares: 1.075 (PKN ORLEN shares) : 1 (Grupa LOTOS shares).

The foregoing means that, in exchange for 1 (one) share in Grupa LOTOS, the Shareholders of Grupa LOTOS will receive 1.075 PKN ORLEN shares (Merger Shares), with reservation that the number of allotted shares will be a natural number, while the non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ration will be compensated to the Shareholders of Grupa LOTOS by way of cash Payouts made in compliance with item 5.4 of the Merger Plan.

The Share Swap Ratio was determined using commonly accepted valuation methods. For the purpose of valuation it was assumed that both companies operate as independent businesses and their individual valuations do not take account neither of the expected remedies required by the European Commission nor of any potential synergy effects.

The valuation analysis comprised, without limitation: valuation based on market multiples and sum-of-the-parts analysis ("**SoTP**"), past quotations of shares of both companies ("**Share Quotations**"), including mean volume-weighted prices and price targets estimated by independent stock-exchange analysis, who consistently cover both companies ("**Stock Exchange Analysts' Price Targets**").

Major market volatility triggered by the Russian invasion in Ukraine proved to be the biggest challenge for preparing the valuation and created certain constraints for the analyses. In consequence, more attention was paid to data and reports published after 24 February 2022.

The Management Boards agreed on the Share Swap Ratio in negotiations, having studied the valuation results for each of the Merging Companies.

4. BUSINESS RATIONALE FOR THE MERGER

The growing pace of energy transition poses a huge challenge for oil and energy companies, assuming a gradual abandonment of hydrocarbons and conventional fuels in favour of new and more sustainable energy sources. In consequence, companies from this sector must review their strategies, reconfigure their assets and identify new, promising business areas that would foster long-term development.

PLN ORLEN has identified the challenges inherent to the energy transition way in advance, as manifested by the recently published new strategy of the ORLEN Group until 2030. The key assumption that underpins the new strategy is the departure from the existing linear model of PKN ORLEN's operations, based on refinery production and trade in fuels and petroleum products, in favour of a model aimed at building a strong, diversified multi-energy corporation capable of confronting the energy transition and compete against the leading actors in the European and global market. The merged corporation, comprising the assets of PKN ORLEN, Grupa LOTOS, Energa and PGNiG, will be the biggest company in Central and Eastern Europe, capable of facing the challenges of energy transition and implementing the most ambitious investments.

The merged corporation will pursue operating excellence in the existing areas of its operations, including oil extraction and refinery production. The integration of assets currently dispersed across various entities will boost effectiveness, while strategic partnerships will contribute to improving the energy security of Poland and the entire region. This is one of the aspects where major benefits from the Merger have been identified.

Additionally, we have identified certain strategic development areas that allow the merged corporation to diversify its business and maintain competitive advantage in the long run. By 2030, the merged corporation is to become one of the largest integrated producers of petrochemicals in Europe. What is more, in response to the challenges of transformation, the corporation plans to invest significant funds in the development of plastics recycling technologies.

Other strategic development areas include the energy sector. The integration of the four corporate groups will promote the pursuit of ambitious investments in low- and zero-emission energy sources. The merged corporation will become a leader in RES and low-emission gas-based energy production.

Finally, the merged corporation will aim at maintaining and strengthening its position as a regional leader in the retail sector, with more than 3,500 petrol stations in 7 CEE markets and an extensive network of electric vehicle chargers. This is yet another area which would benefit greatly from the Merger.

At the same time, the merged corporation will have the scale of operations and means necessary to develop in the most innovative and often not yet commercialised areas such as the hydrogen technologies; here the competence and assets of Grupa LOTOS would be of key importance.

As a result, the planned Merger and the related initiatives will contribute to increasing energy security both of Poland and the entire region, which is of crucial importance given the current geopolitical context.

The process of consolidation of the four corporate groups dates back to 2018, and starts with the letter of intent signed by 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 a decision issued by the European Commission, PKN ORLEN obtained a conditional approval for the takeover of Grupa LOTOS. On the very same day, PKN ORLEN and the State Treasury signed a letter of intent on the takeover 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 takeover of control of Grupa LOTOS and PGNiG by PKN ORLEN.

Both PKN ORLEN and Grupa LOTOS are key players among petrochemical companies in Poland, and PKN ORLEN enjoys a similar role also in Central and Eastern Europe. The merger will allow for achieving the operational scale and financial stability instrumental to improving resilience to market changes (total capitalisation of the integrated companies amounts to ca. PLN 43.9 bn as of 01 June 2022). The merger will contribute to producing many business advantages, both in terms of strategic development and operations. The key advantages include:

- **Boosting investment potential of the Merged Company.** The Merger of PKN ORLEN and Grupa LOTOS is key to obtaining funds to finance energy transition, pursue advanced investment products (including in RES or petrochemicals) and will boost acquisitions in Poland and further geographic expansion in Europe.
- **Better position in negotiations with partners.** By strengthening its position in the European market, the Merged Company will enjoy a better negotiating position in talks with suppliers of raw materials or business or technological partners, instrumental to further development of the Merged Company.

- **New business partners acquired in performance of remedies.** The plan developed by PKN ORLEN and Grupa LOTOS to comply with the remedies required by the European Commission creates unique development opportunities for the Merged Company, its stakeholders and business partners. The new partnerships will allow for a consistent pursuit of ORLEN Group's strategy aimed at diversifying the suppliers while securing stable sources of raw materials. The merger opens the door to the implementation of development projects and security oil supplies for the Gdańsk refinery. In particular:
    - PKN ORLEN and Saudi Arabian Oil Company have entered into a long-term oil supply agreement relative to the Merger, obtaining an investor for a Joint Venture at the Gdańsk refinery which will operate as a processing refinery.
    - PKN ORLEN, Saudi Arabian Oil Company and Saudi Basic Industries Corporation have entered into an agreement on joint investments in the petrochemical sector. This cooperation lays the groundwork for joint investments, especially in the area of petrochemicals, based on partner's know-how and technologies.
    - What is more, PKN ORLEN and Saudi Arabian Oil Company have entered into a cooperation agreement on joint R&D projects, including those focusing on sustainable development.
    - On top of this, revenue on the sales of petrol station will be partially allocated to purchase new locations in- CEE. PKN and MOL have signed a conditional agreement to purchase 144 petrol stations located in Hungary and 41 petrol stations located in Slovakia.
- **Numerous operating synergies.** Key operating synergies refer to logistics, oil supply or retail sales to individuals:
    - The Merged Company will be able to benefit from basic operating synergies in the area of raw materials logistics, refinery production, logistics, wholesale and retail. Apart from significant financial benefits, these synergies will produce immense advantages in terms of increased resilience to different phases of the economic cycle, diversification of sources of revenue, strengthening the competitive position in foreign markets, extending commercial offer, as well as increasing the role of Poland in global energy transition.
    - What is more, the merger will create additional benefits boosting the value of basic synergies. It will allow for releasing working capital as a result of reducing mandatory reserves. On top of this, human resources of Grupa

LOTOS will boost the strategic development areas and centres of excellence, allowing the Merged Company to develop in line with other global players in the sector.

- The purpose of creating the centres of excellence in the Merged Company is to maximise the synergies both in terms of effectiveness and development following the merger of Grupa ORLEN and Grupa LOTOS. Gdańsk is planned to host the excellence centres on railway logistics, oil competence development, hydrogen technologies, marine fuel and offshore wind turbine servicing. The value-building initiatives will include operations based on synergies arising from the Merger, the improved effectiveness of processes, the development of new areas of operations and the implementation of innovations within the integration process.
- What is more, the Merged Company will have access to a broad range of synergies related to the reduction and optimising of fixed and operating costs across various business categories, including lab services, logistics, as well as plant maintenance and repairs.

The potential future synergies brought about by the Merger way outnumber the costs related to remedies.

As announced before, 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. The coordinated CSR policy, supported by technological partnerships and the consolidated human capital of both companies will enhance the identification and development of novel solutions in response to the challenges in the energy and petrochemical sectors with respect to sustainable, ecological development, while also allowing for more intensive and comprehensive support for local communities. What is more, current support of Grupa LOTOS will be continued by ongoing involvement in social, cultural and sport initiatives in the Pomerania region.

Upon the acquisition, shareholders of Grupa LOTOS will acquire new shares in the increased share capital of the Company and become its shareholders. Furthermore, the Merger will enable a more complex and complete offering for clients whose needs will be addressed in an integrated way based on the existing and new communication channels and digital technologies.

5. AUDITOR’S AUDIT OF THE MERGER PLAN

The Merger Plan will be audited by an auditor appointed by the competent registry court (the “**Auditor**”).

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

The Auditor's Opinion will be made available in compliance with Article 505(3^1) CCC on PKN ORLEN'S website at: https://www.orlen.pl/pl//relacje-inwestorskie/polaczenie-z-Grupa-LOTOS and https://www.orlen.pl/en/investor-relations/merger-with-the-LOTOS-Group.

6. RECOMMENDATION OF PKN ORLEN'S MANAGEMENT BOARD

In view of the foregoing, and in particular in consideration of the reasons laid down in item 4 above, the Management Board of PKN ORLEN has found the Merger advantageous.

In consequence, 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 approve the proposed amendments to PKN ORLEN's Statutes in the wording appended as Schedule 1 to the Merger Plan.

/signatures on the signature page/

POLSKI KONCERT NAFTOWY ORLEN S.A.

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Daniel Obajtek	Michał Róg
President of the Management Board (CEO)	Board Member