PGNIG SUPPLY & TRADING GMBH

MUNICH/GERMANY

SHORT-FORM AUDIT REPORT

REGARDING THE ANNUAL FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022 AND THE

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2022

Translation from the German language

(The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.)

Crowe Kleeberg

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Quotation of the Audit Opinion

Note: This is a convenience translation of the German original. Solely the original text in German language is authoritative.

"INDEPENDENT AUDITOR'S REPORT

To PGNiG Supply & Trading GmbH, Munich/Germany:

Audit Opinions

We have audited the annual financial statements of PGNiG Supply & Trading GmbH, Munich, which comprise the balance sheet as at December 31st, 2022, and the statement of profit and loss for the financial year from January 1st, 2022 to December 31st, 2022, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of PGNiG Supply & Trading GmbH, Munich, for the financial year from January 1st, 2022 to December 31st, 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31st, 2022 and of its financial performance for the financial year from January 1st, 2022 to December 31st, 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company’s position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.
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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on the audit of compliance with the accounting obligations pursuant to Section 6b (3) EnWG

We have audited the compliance with the accounting obligations pursuant to Section 6b (3) EnWG, according to which separate accounts must be kept for the activities pursuant to Section 6b (3) EnWG, for the financial year from January 1st, 2022 to December 31st, 2022.

In our opinion, based on the findings of our audit, the accounting obligations pursuant to section 6b (3) EnWG, which require separate accounts to be kept for the activities pur-suant to section 6b (3) EnWG, have been fulfilled in all material respects for the financial year from January 1st, 2022 to December 31st, 2022.

Basis for the audit opinion

We conducted our audit in accordance with Section 6b (5) EnWG and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these provisions and principles is further described in the section "Auditor's responsibility for the audit of compliance with the financial reporting requirements pursuant to section 6b (3) EnWG" and in the section "Auditor's responsibility for the audit of the annual financial statements and the management report". We believe that the audit evidence we have obtained is sufficient and ap-propriate to provide a basis for our audit opinion in this regard.

Responsibility of the legal representatives and the supervisory board for the fi-nancial reporting pursuant to Section 6b (3) EnWG

The legal representatives are responsible for compliance with the accounting obligations pursuant to Section 6b (3) EnWG and for the precautions and measures (systems) they have deemed necessary to comply with these obligations.

Auditor's responsibility for the audit of compliance with the accounting obliga-tions pursuant to section 6b (3) EnWG

Our objective is to obtain reasonable assurance about whether the financial reporting requirements pursuant to Section 6b (3) EnWG have been fulfilled in all material respects, and to issue an auditor's report that includes our opinion on compliance with the financial reporting requirements pursuant to Section 6b (3) EnWG. The audit includes assessing whether the valuations and the allocation of accounts in accordance with Section 6b (3) EnWG are appropriate and comprehensible and whether the principle of consistency has been observed.

Munich, May 12, 2023

Dr. Kleeberg & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed Dr. Petersen Wirtschaftsprüfer German CPA	signed Neu Wirtschaftsprüfer German CPA

Financial Reporting

PGNiG Supply & Trading GmbH, München

Balance sheet as of December 31, 2022

ASSETS

		EUR	Previous year EUR
A. FIXED ASSETS			
I. Intangible assets			
1. Acquired concessions, industrial property and similar rights and assets as well as licences in such rights and assets		2,716,732.06	1,738,899.00
		2,716,732.06	1,738,899.00
II. TANGIBLE ASSETS			
Other equipment, factory and office equipment		168,496.90	250,545.39
III. Financial assets			
Shares in affiliated companies		321,665.35	298,921.66
		3,206,894.31	2,288,366.05
B. CURRENT ASSETS			
I. Inventories			
Natural gas reserves		580,047,204.66	2,294,902.01
II. Receivables and other assets			
1. Trade receivables	259,325,721.46		329,749,013.50
2. Receivables from affiliated companies	403,718,037.02		286,613,022.03
3. Other assets	135,187,839.69		99,302,256.86
		798,231,598.17	715,664,292.39
III. Cash on hand and bank balances		334,536,961.97	38,883,804.40
		1,712,815,764.80	756,842,998.80
C. PREPAID EXPENSES AND DEFERRED CHARGES		11,811,306.69	14,391,174.44
D. DEFERRED TAX ASSETS		0.00	1,808,126.91
		1,727,833,965.80	775,330,666.20

LIABILITIES

		EUR	Previous year EUR
A. EQUITY			
I. Subscribed capital		10,000,000.00	10,000,000.00
II. Currency translation reserves		-1,846,614.33	125,007.78
III. Net profit (previous year: net loss)		60,886,103.76	-2,426,119.18
		69,039,489.43	7,698,888.60
B. PROVISIONS			
1. Tax provisions	17,048,969.42		1,059,121.53
2. Other provisions	110,195,955.32		7,191,665.84
		127,244,924.74	8,250,787.37
C. ACCOUNTS PAYABLE			
1. Bank loans and overdrafts	84,017.58		11,783,144.09
2. Payments received on account	493,662,910.96		1,133,691.47
3. Trade payables	439,177,550.64		273,959,499.11
4. Payables to affiliated companies	551,608,673.19		345,991,707.18
5. Other liabilities	6,499,689.38		40,411,940.35
incl. from taxes EUR 257,148,26 (previous year: KEUR 3,114)			
		1,491,032,841.75	673,279,982.20
D. DEFERRED INCOME		40,514,762.93	86,099,040.25
E. DEFERRED TAX LIABILITIES		1,946.95	1,967.78
		1,727,833,965.80	775,330,666.20

PGNiG Supply & Trading GmbH, München

Income statement
for the fiscal year 2022

			EUR	Previous year EUR
1.	Sales revenue		17,608,108,376.05	4,659,143,866.80
2.	Other operating income including from curency translation: EUR 47,161,579.97 (previous year: EUR 1,759,644.25)		47,779,836.32	2,085,065.41
3.	Cost of materials			
a)	Cost of raw materials, supplies and merchandise	17,477,852,320.37		4,405,417,506.25
b)	Cost of purchased services	19,008,503.65		232,883,761.05
			17,496,860,824.02	4,638,301,267.30
4.	Personnel expenses			
a)	Wages and salaries	5,463,673.03		4,801,282.05
b)	Social security, pension and other benefits including for pension: EUR 261.84 (previous year: EUR 292.64)	827,134.16		600,564.26
			6,290,807.19	5,401,846.31
5.	Depreciation of fixed intangible and tangible assets		552,873.46	386,091.12
6.	Other operating expenses including from currency translation: EUR 49,456,488.61 (previous year: EUR 2,164,656.08)		57,275,022.26	7,784,036.83
			94,908,685.44	9,355,690.65
7.	Losses absorbed due to a profit-and-loss transfer agreement	1,290,432.63		749,979.07
8.	Other interest and similar income	588,024.46		56,998.59
9.	Depreciations of financial assets and securities held as current assets	0.00		0.00
10.	Interest and similar expenses	13,979,286.87		3,250,068.66
			14,681,695.04	3,943,049.14
11.	Taxes on income including income from deferred tax assets EUR 384,925.07 (previous year income: EUR 1,201,033.17)		16,914,761.46	2,592,245.49
12.	Earnings after taxes		63,312,228.94	2,820,396.02
13.	Other taxes		6.00	92.00
14.	Annual net profit (previous year annual net loss)		63,312,222.94	2,820,304.02

PGNiG Supply & Trading GmbH, Munich

Appendix to the financial year from January 1 to December 31, 2022

General notes

These annual financial statements of PGNiG Supply & Trading GmbH, Munich (HRB 190424, Munich District Court, hereafter referred to as “PST”) have been prepared in accordance with §§ 242 et seq. and §§ 264 et seq. of the German Commercial Code (HGB) and in accordance with the relevant provisions of the German Limited Liability Companies Act (GmbHG).

The Company is a large corporation within the meaning of § 267 sections 3 and 4 of the HGB.

The income statement has been prepared using the nature of expense method.

The Company is a wholly owned subsidiary of Polski Koncern Naftowy ORLEN Spółka Akcyjna (“PKN ORLEN”), Płock, Poland, a vertically integrated energy company operating along the full value chain from energy generation/exploration to supply to end users in the gas, power and oil sectors. In the course of the merger between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. (“PGNiG”), PKN ORLEN assumed all rights and obligations (universal succession) of the previous shareholder PGNiG with effect from November 2, 2022, pursuant to Article 494 section 1 of the Polish Commercial Code. The Company thus belongs to a group of companies that are related within the meaning of Article 3 section 2 of Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings and are active in the electricity or gas sectors in the European Union. The Company is therefore a vertically integrated company within the meaning of § 3 No. 38 of the German Energy Industry Act (EnWG). The provisions of the EnWG apply.

A profit and loss transfer agreement has been concluded with the wholly owned subsidiary PST Europe Sales GmbH i.L., Munich. The agreement has been in effect since January 1, 2017, and has a term through December 31, 2022. The entry in the commercial register was made on January 5, 2017.

The Company has had a productive permanent establishment in London, United Kingdom since 2017 and a productive permanent establishment in Warsaw, Poland since 2019.

In the previous financial year, the Company founded the subsidiary PGNiG Supply & Trading Polska Sp. z o.o. in Warsaw, Poland, which, however, has remained inactive. In addition, the two subsidiaries PST LNG Trading ltd. and PST LNG Shipping ltd. were founded in London, United Kingdom. The actual business operations will not start until 2023, but preparatory activities have already been carried out..

Accounting and valuation methods

The following accounting and valuation methods were applied in the preparation of the annual financial statements.

Acquired **intangible assets** are carried at acquisition cost and, if subject to wear and tear, are depreciated on a straight-line basis over their useful lives. Depreciation on additions during the financial year is recognized on a pro rata temporis basis. The underlying useful lives are 1 to 5 years.

Property, plant and equipment are carried at acquisition cost and, if subject to wear and tear, are depreciated on a straight-line basis over their estimated useful lives. Depreciation on additions to property, plant and equipment is recognized on a pro rata temporis basis. The useful lives of fixed assets range from 3 to 23 years. Low-value assets with acquisition costs of up to EUR 250.00 are depreciated in full in the year of acquisition or over five years (pooling) in the case of acquisition costs between EUR 250.00 and EUR 1,000.00.

Financial assets are valued at acquisition cost.

In the event of a permanent reduction in the value of **fixed assets**, an impairment loss is recognized in accordance with § 253 section 3 sentences 5 and 6 of the HGB to the corresponding lower value.

In addition to the pure procurement costs for the stored gas, the costs associated with storage are also taken into account when accounting for **inventories**. As a result, when gas is withdrawn from storage, the gas procurement costs increased by the attributable ancillary costs are expensed. They are measured at acquisition cost.

Receivables and other assets are stated at nominal value; identifiable risks are accounted for by valuation allowances.

Expenses are accounted on the assets side of the balance sheet as **prepaid expenses** to the extent that they represent expenses for a certain period after the balance sheet date.

Cash on hand and **bank balances** are valued at nominal value.

Foreign currencies were converted at the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currencies are converted at the average spot exchange rate on the balance sheet date.

This also applies to the balance sheet items of the foreign permanent establishments. Income statement items, on the other hand, are converted at the average spot exchange rate for the financial year. Any difference arising in the process is transferred to the foreign currency translation reserve with no effect on profit or loss.

The **subscribed capital** is estimated at nominal value.

Tax provisions and **other provisions** take into account all identifiable risks and contingent liabilities. They are estimated at the settlement amount deemed necessary in accordance with prudent business judgment. In accordance with § 253 section 2 of the HGB, long-term provisions are discounted at the market interest rate appropriate to the remaining term.

Liabilities are estimated at the settlement amount.

Income is accounted on the liabilities side of the balance sheet as **deferred income** to the extent that it represents income for a certain period after the balance sheet date.

Notes to the balance sheet

Fixed assets

The development of the individual fixed asset items is shown in the fixed asset movement schedule, together with details of depreciation and amortization for the financial year.

	Investment amount	Subscribed capital	Financial year	Result
PST Europe Sales GmbH in liquidation, Munich	100%	1 000 000.00 EUR	01.01.2022 - 31.12.2022	0.00
PST LNG Trading Ltd., London	100%	5 000.00 GBP	01.04.2022 - 31.12.2022	-538 045.97 USD
PST LNG Shipping Ltd., London	100%	5 000.00 GBP	01.04.2022 - 31.12.2022	-1.092.280.33 USD
PGNiG Supply & Trading Polska Sp. z o.o.	99%	50 000.00 PLN	30.03.2022 - 31.12.2022	-110 124.25 PLN

PST Europe Sales GmbH i.L. is shown under financial assets. A profit and loss transfer agreement has been in place with this company since January 1, 2017. Due to the profit and loss transfer agreement, the Company has to assume losses in the amount of EUR 1,290,432.63.

Inventories

As of December 31, 2022, gas (dry gas) worth EUR 579,699,140.23 was stored in leased storage facilities (previous year: EUR 2,193,907.97). In addition, Wet Gas worth of EUR 348,064.43 (previous year: EUR 100,994.04) is also shown under inventories.

Receivables and other assets

	31.12.2022 EUR	31.12.2021 EUR
Trade receivables	259 325 721.46	329 749 013.50
thereof due in more than 1 year	0.00	0.00
Receivables from affiliated companies	403 718 037.02	286 613 022.03
thereof due in more than 1 year	0.00	0.00
Other assets	135 187 839.69	99 302 256.86
thereof due in more than 1 year	0.00	0.00
	798 231 598.17	715 664 292.39

Trade receivables in financial year 2022 mainly include receivables from trading partners for the December 2022 delivery period.

	31 12 2022 EUR	31 12 2021 EUR
Polski Koncern Naftowy ORLEN Spółka Akcyjna (formerly: Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna), Warsaw, Poland	394 802 009.30	283 234 488.03
PST Europe Sales GmbH in liquidation, Munich	3 390 538.50	3 378 534.00
LOTOS Exploration and Production Norge AS, Stavanger, Norway	2 880 762.47	0.00
PST LNG Shipping Ltd.; London, United Kingdom	2 638 726.75	0.00
XOOL GmbH in liquidation, Munich	6 000.00	0.00
	403 718 037.02	286 613 022.03

Receivables from affiliated companies mainly result from receivables from the shareholder PKN ORLEN, Warsaw, in connection with supply and service transactions. The receivables from LOTOS Exploration and Production Norge AS relate in full to trade receivables. The receivable from PST Europe Sales GmbH consists of a loan in the amount of EUR 3,378,534.00 (previous year: EUR 3,378,534.00), as well as receivables from delivery and service transactions in the amount of EUR 12,004.50 (previous year: EUR 0.00). Trade receivables from XOOL GmbH i.L. in the amount of EUR 6,000.00 are shown (previous year: EUR 0.00). The receivable from PST LNG Shipping Ltd results from delivery and service transactions.

In addition to securities paid, other assets include margin payments ("initial and variation margin") for gas and electricity futures for delivery periods after December 31, 2022 totaling EUR 96,705,901.81 (previous year: EUR 92,565,855.49).

Cash on hand and bank balances

Liquid resources consist of bank balances in the amount of EUR 776,900.00 (previous year: EUR 776,149.64) which are subject to a restriction on disposal.

Prepaid expenses

Prepaid expenses mainly include the expense from the cascading of gas and electricity futures (with delivery commencing on or after January 1, 2023). In this context, the cascading effect is shown on a net basis on this deferred item, irrespective of whether it relates to a future physical delivery or a financial close-out.

Deferred taxes

The deferred tax assets result from the following circumstances:

	31 12 2022 EUR	31 12 2021 EUR
Deferred tax on tax loss carryforwards	0.00	527 335.74
Deferred taxes from local differences of the permanent establishment in Poland	0.00	1 280 791.17
	0.00	1 808 126.91

Deferred taxes no longer had to be recognized in the reporting year.

Subscribed capital

The subscribed capital in the amount of EUR 10,000,000.00 is held in full by the sole shareholder Polski Koncern Naftowy ORLEN Spółka Akcyjna, Warsaw, Poland.

Tax provisions

The tax provisions shown relate to financial years 2022 and 2021.

Other provisions

The other provisions were mainly posted for outstanding invoices (in this case, in particular, for missing invoices for gas deliveries), for bonus and vacation liabilities from the personnel area and, in addition, for costs of preparing and auditing the annual financial statements and for the preparation of tax returns. A significant part of total provisions relates to an outstanding invoice for an LNG delivery at the end of the year in the amount of 95,145,364.54 EUR:

Provisions for onerous contracts had to be recognized for the operating facility in Warsaw in the financial year in the amount of 1,004,445.55 EUR (previous year 646,465.03 EUR). For the trading business no provisions for onerous contracts had to be recognized.

Liabilities

The classification of liabilities and their maturities are shown in the following schedule of liabilities:

	Total amount	Due in up to 1 year
	EUR	EUR
Liabilities to banks	84 017.58	84 017.58
(previous year)	(11 783 144.09)	(11 783 144.09)
Deposits received on orders	493 662 910.96	493 662 910.96
(previous year)	(1 133 691.47)	(1 133 691.47)
Trade payables	439 177 550.64	439 177 550.64
(previous year)	(273 959 499.11)	(273 959 499.11)
Liabilities to affiliated companies	551 608 673.19	551 608 673.19
(previous year)	(345 991 707.18)	(345 991 707.18)
Other liabilities	6 499 689.38	6 499 689.38
(previous year)	(40 411 940.35)	(40 411 940.35)
	1 491 032 841.75	1 491 032 841.75
	(673 279 982.20)	(673 279 982.20)

Trade payables mainly relate to costs for energy procurement.

Liabilities to affiliated companies relate, among other things, to trade payables in the amount of EUR 349,483,528.19 (previous year: EUR 279,224,646.45) and 53,441,331.31 EUR to the sister company PGNiG Upstream SA, Stavanger, Norway (previous year: EUR 0.00). In addition to trade payables in the amount of EUR 70,660,115.28 (previous year: EUR 2,231,427.09), there were liabilities in the amount of EUR 10,000,250.23 (previous year: EUR 437,638.20) to the sole shareholder Polski Koncern Naftowy ORLEN Spółka Akcyjna, Warsaw, Poland, resulting from the claim of the shareholder loan (including interest). This item also includes a liability from a cash pool between the sole shareholder and the Warsaw branch in the amount of EUR 66,663,189.82 (previous year: EUR 63,318,326.76). In the financial year, no more liabilities to XOOL GmbH i.L. resulted from cash pooling within the PST Group (previous year: EUR 2,676.67). Due to the existing profit and loss transfer agreement, liabilities from the transfer of PST ES loss assumption in the amount of EUR 1,306,219.43 (previous year: EUR 749,979.07) are also shown.

Other liabilities mainly include security deposits in the form of margin obligations for gas and electricity futures for delivery periods after December 31, 2022 totaling EUR 6.090.243,79 (previous year: EUR 36,898,940.16).

Deferred income mainly includes the effect of the cascading of gas and electricity futures (with delivery commencing on or after January 1, 2022). In this context, the cascading effect is shown on a net basis on this deferred item, irrespective of whether it relates to a future physical delivery or a financial close-out.

Contingent liabilities

Contingent liabilities from guarantee agreements

As of the balance sheet date, contingent liabilities from guaranties amounted maximum EUR 2,000 million, USD 1,600 million and PLN 50 million towards the sole shareholder Polski Koncern Naftowy ORLEN Spółka Akcyjna. To this end, guarantee agreements were concluded for the various business divisions of the Group against the background that the sole shareholder, for its part, has issued payment guarantees to external suppliers of PGNiG Supply & Trading GmbH in order to hedge the risk of default by the subsidiary. In the event of a claim by an external supplier, the sole shareholder would be entitled to reclaim the money from the subsidiary. The shareholder guarantees relate to individual transactions between the Company and external suppliers. Each individual guarantee arrangement under the guarantee agreement is subject to the resolutory condition that the receivable to be secured on the part of the external suppliers is settled or the term of the respective guarantee ends.

As of the balance sheet date, the Company had outstanding liabilities to external suppliers and thus payment guarantees from the parent company in the amount of EUR 439.20 million, so that a claim in the same amount would be possible as of the balance sheet date. As the Company has sufficient liquid resources and meets its payment obligations, it is not expected that the warranty obligation of the parent company will be claimed by external suppliers and thus that the warranty obligation of the Company will be claimed by the parent company. The risk is considered to be minimal.

Contingent liabilities from the provision of collateral for third-party liabilities

There were no contingent liabilities from the provision of collateral for third-party liabilities as of the reporting date.

Other financial obligations

As of December 31, 2022, other financial obligations existed in the following amounts:

2023 EUR	2024 EUR	2025 EUR	2026-2034 EUR	Total EUR
549 701 105.51	94 939 884.89	68 645 006.64	399 997 007.53	1,113,283,004.57

This mainly relates to obligations from the long-term charter agreements for the LNG tankers of the London branch in the amount of EUR 603,497,377.24 and to pending gas and electricity forward transactions (procurement) with third parties in the amount of EUR. 508,474,138.69.

However, this also includes pending procurements from the Norwegian sister company in the amount of EUR 13,518.59.

Notes to the income statement

Sales revenues

The main reason for the almost fourfold increase in sales revenues is the price rally on the energy markets, which was triggered by the war in Ukraine and the supply disruptions and, in the end, supply stoppage of Russian gas. Compared to 2022, sales revenues at the Warsaw permanent establishment increased by 208 percent, those at the headquarters by 343 percent and those at the London permanent establishment by as much as 650 percent. This was also due to the exponential expansion of the LNG business that took place in the reporting year. In addition to the pure price effect, there was also the increase in trading volumes. Thus, the trading volume increased from 93 TWh in 2021 to the current 127 TWh.

The sales revenues are distributed regionally and by raw material as follows:

	within Germany EUR	outside Germany EUR	Total EUR
Sales revenues	2 990 040 390.01	14 618 067 986.04	17 608 108.376.05
(previous year)	(1 299 569 195.94)	(3 359 574 670.86)	(4 659 143 866.80)

The trading revenues are distributed by raw material as follows:

	Gas EUR	Electricity EUR	Crude oil EUR	Total EUR
Sales revenues	17 425 930 273.76	182 178 102.29	0.00	17 608 108 376.05
(previous year)	(4 531 261 953.58)	(127 881 781.38)	(131.84)	(4 659 143 866.80)

Cost of materials

The cost of materials includes the cost of raw materials, supplies and consumables, and all purchased services. As in the case of sales revenue, gas procurement costs account for a significant proportion of this figure. The increase compared to the previous year corresponds to the increase in sales revenues and results from an increased procurement volume and, above all, the dramatic price increase in financial year 2022. An incorrect allocation in the previous year was corrected. In this context, expenses for purchased services in the amount of 227,890,555,90 EUR were reclassified to cost of raw materials.

Depreciation and amortization

Only scheduled depreciation and amortization was charged on tangible and intangible fixed assets.

Other operating income and other operating expenses

Other operating income mainly includes income from currency translation, which amounted to EUR 47,161,579.97 in the reporting year (previous year: EUR 1,759,644.25). This significant increase was due to a markedly higher proportion of foreign currency transactions.

Other operating expenses include those from currency translation in the amount of EUR 49,456,488.61 (previous year: EUR 2,164,656.08). Other operating expenses also include expenses for third-party services, consulting fees and expenses for the company's infrastructure. The increase in reported costs is also mainly the result of high currency translation costs, which can be justified by significantly increased transaction volumes in foreign currencies.

Other interest and similar income

Other interest and similar income in the amount of EUR 588,024.46 (previous year: EUR 56,998.59) includes interest in the amount of EUR 0.00 (previous year: EUR 28,534.00) due from PST Europe Sales GmbH in liquidation.

Interest and similar expenses

Interest and similar expenses mainly include guarantee commissions to the parent company totaling EUR 5,040,177.37 (previous year: EUR 2,074,517.82) and interest expenses (including cash pooling to the parent company) in the amount of EUR 4,824,362.41 (previous year: EUR 220,962.54). The increase in interest expense is mainly due to a significant increase in the guarantees provided for hedging purposes and the fundamental increase in financing requirements resulting from the rise in commodity costs.

Taxes on income and earnings

Income taxes result from expenses from the utilization of deferred taxes on loss carryforwards in the amount of EUR 384,925.07 (income in previous year: EUR 1,378,695.71) and from the recognition of tax provisions and current tax payments totaling EUR 16,529,836.39 (previous year: EUR 1,213,549.78).

Other data

Major transactions with affiliated or associated companies pursuant to § 6b section 2 of the EnWG

In the financial year, the Company sold 57,943 GWh of natural gas (pipeline-bound natural gas and LNG gas) to its sole shareholder Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, Warsaw, Poland, generating sales revenues (incl. capacities) in the amount of approximately EUR 10,696 million.

For PGNiG Upstream Norway SA, the Company marketed the shares attributable to the sister company in the gas produced in several Norwegian gas fields. Procurement costs amounted to EUR -3,684 million (35,374 GWh). Since November 2022, with the effectiveness of the merger of PKN ORLEN with PGNiG, PST has also purchased about 834 GWh (EUR 84 million) from its new Norwegian sister company, LOTOS Exploration & Production Norge AS.

There is a revolving loan agreement between PST and PKN ORLEN, the term of which expires on December 31, 2023. The loan was drawn down as of December 31, 2022 in the amount of EUR 10.000.250,23. In addition, reciprocal loan agreements have been concluded within the PST Group to carry out cash pooling. PST Europe Sales GmbH in liquidation drew on a shareholder loan in the amount of EUR 3.4 million in 2022. For settlement with the clearing bank in Poland, the Warsaw branch is included in a cash pool agreement with PKN ORLEN.

Activity statement pursuant to § 6b section 3 of the EnWG

In financial year 2022, the Company performed other activities within the gas sector and other activities within the electricity sector. The Company therefore maintains separate accounts for these activities.

Valuation units

The Company forms – separately for each business purpose – valuation units for pending transactions in the form of macro hedges in accordance with IDW RS ÖFA 3. The hedging transactions included serve to hedge the risks of price changes resulting from market price fluctuations. Due to the congruence of the nature, quantity and maturity of the underlying and hedging transactions, the valuation units are effective. Effectiveness is shown within the existing risk management system using critical terms match as well as regression analysis. If the mark-to-market valuation of a valuation unit is negative on an annual basis, a provision for onerous contracts is established. The formation of valuation units hedges risks from individual transactions in the amount of EUR 163,757 thousand. The volume of hedged underlying transactions amounts to 10.2 TWh and relates to monthly settlement periods until the end of 2024.

Management

The Managing Directors of PGNiG Supply & Trading GmbH in financial year 2022 were as follows:

- Grzegorz Markiewicz, graduate of the University of Szczecin, Executive Director at PKN Orlen, manager in the energy industry (since May 20, 2022)

- Robert Śleszyński, graduate of Warsaw University of Technology; Executive Director at PKN Orlen, manager in the energy industry (since October 28, 2022)

- Iweta Karina Opolska, graduate of Warsaw School of Economics, PhD from the University of Warsaw, manager in the energy industry (from May 20, 2022 to September 19, 2022)

- Bartłomiej Korzeniewski, graduate of the Faculty of Mathematics, Computer Science and Mechanics of the University of Warsaw and PhD from the Collegium of Management and Finance of the Warsaw School of Economics, Lipków, manager in the energy industry (until May 12, 2022)

- Olgierd Hurka, graduate of the Faculty of Economics with International Trade specialization at the University of Gdańsk and MBA at Manchester Business School in the UK, Warsaw, manager in the energy industry (until June 3, 2022)

Mr. Grzegorz Markiewicz and Mr. Robert Śleszyński are exempt from the restrictions of § 181 of the German Civil Code (BGB).

Supervisory Board

The members of the Supervisory Board of PGNiG Supply & Trading GmbH in financial year 2022 were as follows:

- Jacek Polańczyk (Member and Chairman)
- Małgorzata Raczyńska-Weinsberg
- Józef Wierzbowski (since April 1, 2022)
- Marcin Gawroński (since April 1, 2022)
- Joanna Zakrzewska (since June 15, 2022)
- Urszula Kowalczyk (since June 24, 2022)
- Radosław Kwaśnicki (since September 02, 2022)
- Daniel Maria Wais (until March 16, 2022)
- Mariusz Bartosewicz (until June 14, 2022)

The Supervisory Board has a purely advisory role.

Remuneration of active members of governing bodies

The Management was granted a remuneration in total of EUR 326,642.00. The members of the Supervisory Board received remuneration in the amount of EUR 78,063.94 for their activities in the financial year (previous year: EUR 53,566.08).

Employees

In the financial year from January 1, 2022 to December 31, 2022, the average number of employees equaled 53 (previous year: 46). The employees are divided as follows:

- Clerk: 48
- Executive: 5

Group relations

The financial statements are included in the consolidated financial statements of Polski Koncern Naftowy ORLEN Spółka Akcyjna (PKN ORLEN), Płock, Poland (largest and smallest consolidated group). This is available at the headquarters of the parent company. The operational business of PST Europe Sales GmbH in liquidation and XOOL GmbH in liquidation was discontinued with the sale of the respective customer portfolios in 2020. The companies have been in liquidation since January 1, 2022. A consolidated tax group for VAT purposes still exists with both companies, while the previous consolidated tax group for income tax purposes was automatically terminated with the sale of the main basis of the business. The profit and loss transfer agreement with PST Europe Sales GmbH in liquidation still existed under commercial law in financial year 2022. The subsidiaries established in financial year 2022, PGNIG Supply & Trading Polska Sp. z o.o.,Warsaw, Poland, PST LNG Trading Ltd., London, United Kingdom, and PST LNG Shipping ltd. in London, United Kingdom, were not yet operational in 2022. The Company is therefore not yet/no longer required to prepare consolidated financial statements and a group management report in accordance with § 290 of the HGB.

Auditor's fee

The total fee in the amount of EUR 205,000.00 charged by the auditor for financial year 2022 relates to the audit of the financial statements.

Transactions with related parties

There are no transactions with related parties at non-arm's length conditions.

Supplementary report

No significant events requiring recognition occurred after the end of the financial year.

Appropriation of income

Management proposes to offset the net income for 2022 in the amount of EUR 63,312,222.94 against the existing accumulated deficit and to carry it forward to new account.

Munich, May 12, 2023

Management

PGNiG Supply & Trading GmbH, Munich

Development of fixed assets in the 2022 financial year

	Acquisition and manufacturing costs				Accumulated depreciation				Book value	
	1/1/2022 EUR	Additions EUR	Disposals EUR	12/31/2022 EUR	1/1/2022 EUR	Additions EUR	Disposals EUR	12/31/2022 EUR	12/31/2022 EUR	12/31/2021 EUR
I. Intangible assets										
Acquired concessions, industrial property and similar rights and assets as well as licences in such rights and assets	4,144,861.96	1,382,606.06	0.00	5,527,468.02	2,405,962.96	404,773.00	0.00	2,810,735.96	2,716,732.06	1,738,899.00
II. Tangible assets										
Other equipment, factory and office equipment	1,207,645.16	66,051.97	0.00	1,273,697.13	957,099.77	148,100.46	0.00	1,105,200.23	168,496.90	250,545.39
III. Financial assets										
Shares in affiliated companies	1,000,000.00	22,743.69	0.00	1,022,743.69	701,078.34	0.00	0.00	701,078.34	321,665.35	298,921.66
	6,352,507.12	1,471,401.72	0.00	7,823,908.84	4,064,141.07	552,873.46	0.00	4,617,014.53	3,206,894.31	2,288,366.05

ORLEN

PST
PGNiG SUPPLY & TRADING
ORLEN GROUP

Management report
PGNiG Supply & Trading GmbH, Munich
For business year 2022

2022

Content

I. General Information

1. General information on the company

PGNiG Supply & Trading GmbH (hereinafter “PST” or “Company”) is a limited liability company incorporated in Munich, Germany. The headquarter of the company is located at Arnulfstraße 19, 80335 Munich. The company has been incorporated in 2010 and registered in Registration Court in Munich (Amtsgericht München) under the number HRB 190424. The registered capital of the company amounts to 10.000.000 EUR. It is paid up in full.

2. Ownership structure

PKN Orlen S.A. is a sole shareholder of the Company. PKN Orlen S.A. (“Orlen”) holds all 100 shares in Company’s equity. PKN Orlen S.A. became a sole shareholder of the Company in November 2022, following the merger with previous owner of PST – Polskie Górnictwo Naftowe i Gazownictwo S.A. (“PGNiG S.A.”)

3. Capital holdings of the company

PST holds the shares in the following entities

Name	Headquarter	Registered capital	PST’s share
PST LNG Trading Ltd.	London	5,000 GBP	100%
PST LNG Shipping Ltd.	London	5,000 GBP	100%
PGNIG Supply&Trading Polska Sp. z o.o.	Warsaw	50,000 PLN	99%
PST Europe Sales GmbH in liquidation	Munich	1,000,000 EUR	100%
XOOL GmbH in liquidation*	Munich	500,000 EUR	100%

*shares are hold indirectly via PST Europe Sales GmbH which is sole shareholder of XOOL GmbH

The retail business (customer portfolio) of PST Europe Sales GmbH i.L. and XOOL i.L. was sold and the companies have been in the liquidation process since 1 January 2022.

4. Management Board and Supervisory Board Composition

Management Board

The Members of the Board of Directors of PGNiG Supply & Trading GmbH as of 31.12.2022 were:

Mr. Grzegorz Markiewicz – Managing Director (since 20.05.2022)
Mr. Robert Śleszyński – Managing Director (since 28.10.2022)

Directors who retired in the 2022 financial year:

Mr. Bartlomiej Korzeniewski – Managing Director (till 12.05.2022)
Mr. Olgierd Hurka – Managing Director (till 03.06.2022)
Mrs. Iweta Karina Opolska – Managing Director (from 20.05.2022 till 19.09.2022)

Supervisory Board

The Members of the Supervisory Board of PGNiG Supply & Trading GmbH as of 31.12.2022 were:

Mr. Jacek Polańczyk – Chairman of the Supervisory Board
Mrs. Małgorzata Raczyńska – Weinsberg – Member of the Supervisory Board
Mr. Józef Wierzbowski – Member of the Supervisory Board
Mr. Marcin Gawroński – Member of the Supervisory Board
Mrs. Joanna Zakrzewska - Member of the Supervisory Board
Mrs. Urszula Kowalczyk - Member of the Supervisory Board
Mr. Radosław Kwaśnicki - Member of the Supervisory Board
Mr. Daniel Wais – Member of the Supervisory Board (till 16.03.2022)
Mr. Mariusz Bartosewicz – Member of Supervisory Board (till 14.06.2022)

5. Key operations of the Company

PST has three branches responsible for different business areas:

Business division Trading

The Trading business unit was set up to trade mainly in natural gas and other energy sources on European energy markets.

PST is the international trading arm of the Orlen Group and thus the "face to the market" within the Orlen Group. PST is the interface between the various energy trading centres and the parent company. PST also markets the natural gas produced by its Norwegian sister company PGNiG Upstream Norway AS in the Norwegian Continental Shelf to the European gas hubs.

In 2022, PST focused on expanding its activities as a gas buyer on the Norwegian Continental Shelf („NCS“) and the Danish Continental Shelf („DCS“) and concluded several short- and medium-term gas sales agreements with various contractual partners. In the run-up to the opening of the new pipeline („Baltic Pipe“), connecting Denmark and Poland, PST collected gas in a storage facility in Denmark for later transport to Poland. With the opening of the Baltic Pipe at the end of the year, PST started delivering gas to the Orlen Group via the new NCS exit point Nybro, from where the gas was routed through Denmark directly to Poland.

In parallel, PST expanded its activities in the Baltic Region and CEE markets, including Italy. PST became an important trader in the Baltic region, using market price differences between locations to the Group's advantage to optimize its pricing strategy. In addition, PST started deliveries to Poland via the new interconnector connecting Slovakia and Poland and traded gas in the Slovakian storage facility.

Market access for and trade with electricity, gas and oil contracts on its own account is a further part of the wholesale business.

Business division LNG

In 2016 strategic decision was made to start a new business line of PST – international LNG trading. PST established a branch in London in order to start this new business activity. London is one of the two trading centres for global LNG trading, along with Singapore. In 2017 London Branch reached full operational readiness and started first LNG deliveries on DES (Delivery-Ex-Ship) basis to the Polish LNG-Terminal in Świnoujście.

In the years 2017-2021 48 LNG cargoes have been delivered at the Terminal in Świnoujście. The year 2022 was a very significant year for the company: a total of 46 LNG shiploads were delivered under different delivery conditions (both DES- and FOB- (free-on-board) conditions). Due to the start of the Russian invasion on Ukraine in the early 2022, PST concluded ad hoc short, mid-term vessel charters and delivered first cargoes from USA to Świnoujście and Klaipeda (Lithuania).

In order to implement the long-term Orlen's LNG contracts for FOB supplies, PST has signed eight time charter contracts for LNG carriers capable of transporting the contracted LNG volumes. To have more business options along the LNG supply chain PST has also contracted regasification capacity at the LNG Montoir terminal in France, which includes 10 slots in 2023 and 15 slots annually for the period: 2024-2029.

Business division Poland

PST founded a branch in Poland to establish relations with Gas wholesale customers and re-sellers active on Polish market. Branch started its operations in 2019. Following the merger of PKN Orlen S.A. and PGNiG S.A. and recent gas crisis related to the war in Ukraine decision has been made that this division will not actively expand its' operations in upcoming years and will focus on servicing existing customers' portfolio.

In the fiscal year, the company has a non-operating branch office in Prague, Czech Republic.

II. Operations overview and financial position of the company

1. Key developments influencing Company's performance

PST being a trading entity active on European energy markets and world-wide LNG market is affected by global trends and developments taking place in global economy. Key energy markets impacting PST's operations are European pipeline gas market, global LNG market and power market in Europe.

1.1. Macroeconomic environment

<u>Global Economy</u>

The global economy in year 2022 experienced many challenges. The key factors were inflation higher than ever seen in several decades, tightening of financial policies and the associated financing costs, Russia's invasion on Ukraine and the on-going Covid-19 pandemic.

Normalization of monetary and fiscal policies, that delivered unprecedented support during the pandemic, cooled down demand as it has been aimed to lower inflation back to target. Therefore many economies experienced economic growth slowdown. The war in Ukraine and the further pandemic-related supply-side disruptions, for example in China, constituted additional adverse factors impacting global economy development in 2022. Global growth in 2022 is expected to slow down to 3.2% from 6.0% in 2021. This is the weakest growth profile since 2001 except for the global financial crisis in 2009 and the acute phase of the COVID-19 pandemic 2020/2021.

The International Monetary Fund (IMF) forecasts that global inflation will rise from 4.7% in 2021 to 8.8% in 2022. Upside inflation readings have been most widespread among advanced economies as both cash injected as support granted by governments in pandemic and energy and food prices outburst related to war in Ukraine.

<u>Euro area and Germany</u>

Euro area and German economy has been impacted with the same developments as global economy. Europe as such has been heavily exposed to shortage of energy commodities from Russia resulting from both sanctions imposed and unilateral decisions of Russia to cut or reduce deliveries (i.e. via Nordstream pipeline). This resulted in crisis of energy prices, which together with additional financial liquidity resulting from the financial aid provided to support the economy during the pandemic led to an increase of inflation. To combat the increased inflation, central banks tightened their monetary policy, which, together with the sanctions imposed on Russia and the global supply disruptions, led to a slowdown in economic growth.

In 2022 as a whole, real GDP is estimated to have expanded by 3.5% in the euro area compared to 5.3% in 2021. The eurozone's annual inflation rate was 9.2% in December 2022 compared to 5.0% in December 2021. European Central Bank increased the key interest rate from 0% to 2.5%.[1]

Germany's real GDP increased by 1.8% in 2022 compared to 2.6% in 2021. Despite of high inflation rate growth was supported by the boost in demand that followed the post-pandemic reopening of the economy, and in particular services. However, by the third quarter of 2022, investment and private consumption had not yet reached their pre-pandemic levels and decreased in the fourth quarter with real GDP contracting by 0.2%. HICP inflation peaked at 11.6% in October 2022 driven by the surge in energy prices and rising input costs. It eased somewhat since, in December notably due to the government intervention on the retail gas market that had a deflationary effect on total month-on-month inflation. An inflation rate of 8.7% has been reported for 2022.

1.2. Energy markets' overview

Pipeline gas market Europe

The year 2022 has been characterized by high volatility for the European commodity markets, especially for the European gas market. The outbreak of the war in Ukraine on February 24th led to a surge in natural gas prices due to major uncertainties surrounding Russian gas supplies combined with low storage levels in Europe. The outbreak of the war marked a turning point in history and led to greater cooperation in Europe, which sought to become independent of Russian gas and oil imports. The European Union introduced a new storage regulation to ensure sufficient storage filling levels for the EU. Germany rediscovered LNG as a logical replacement for Russian pipeline gas. This led to the construction of several new LNG receiving terminals in Germany - initially as floating regasification terminals to be replaced by onshore facilities from 2026 onwards. The first floating regasification terminal in Wilhelmshaven started operations on December 21st.

The extreme bullish sentiment was only slightly mitigated by low gas demand from Asia, mainly thanks to China's zero covid policy, which led to significantly lower LNG demand in the region. Europe benefited from this situation by attracting most of the additional available LNG and a high utilization of regasification facilities.

[1] https://www.global-rates.com/en/interest-rates/central-banks/european-central-bank/ecb-interest-rate.aspx

Gas prices on the continent moved in a volatile and strong upward trend for most of the year, driven mainly by efforts to fill empty storage, while Russia continuously cut gas supplies to Europe. Prices peaked in the second half of August trading above of 300 €/MWh. An act of sabotage on the Nord Stream pipelines on September 26th abruptly ended further discussions on imports via this route and led governments to refocus on critical infrastructure.

Encouraging news on storage filling levels eased the pressure on the market. As a result, gas prices started to retreat from their highs. A warm start of the winter further helped the market and gas prices in Europe fell back significantly from their August highs towards the end of the year. By the end of December, Spot prices on THE settled significantly lower at 66 €/MWh compared to the late summer peaks.

The forward market (TTF Gas Future) for the front year 2023 developed according to the same pattern as the spot market. Prices increased strongly into August to over 300 €/MWh. The turbulent year ended with a price level of € 89/MWh.

The crisis has permanently changed the energy market, with prominent companies falling victim to unprecedently high prices – Gazprom Germania, as owner of critical storage infrastructure in Germany was taken under the trust of the German government and the energy giant Uniper had to be bailed out by the German government to avoid the collapse of the German gas market as Uniper was the largest buyer of Russian gas and the main supplier to many municipalities.

LNG market

In 2022, gas volatility reached another record with the European gas hub prices reaching an all-time high. TTF was over 20 USD/MMBtu through the year. The first local peak was in March (67 USD/MMBtu) after the start of the war, and the second in August (94 USD/MMBtu) after destruction of the Nord Streams pipelines. SPOT LNG trade thus shifted significantly towards Europe. With spot LNG prices in Asia averaging with 35 USD/MMBtu during the year, many Asian buyers were priced out of the market.

As reported by IHS Markit, the global LNG gross demand resumed strongly in 2022, rising by 5% year-on-year to reach a new all-time high of 403 MT (vs 383.4 MT in 2021 and 364.4 MT in 2020). Despite a new record achieved also in LNG production, utilization rates of many liquefaction projects were still below nameplate capacities. Freeport LNG in the US was offline since June 2022 for example, which significantly affected the number of flexible spot cargoes. LNG export growth was dominated mainly by the US and the start of the production at Calcasieu Pass, Louisiana.

Power Market Europe

In the power market, a similar development as in the gas market was observed in 2022. Both baseload contracts - Spot and Calendar 2023 (Cal 23) - exceeded the record prices already recorded in 2021 with Cal 23 prices breaking through the 1 000 €/MWh mark at the end of August settling at 985 €/MWh on EEX on that day. Spot prices also peaked in the same period, marking an all-time high of 699.44 €/MWh.

The price drivers were mainly the subdued availability of electricity from French nuclear power plants coupled with lower renewable generation (mainly due to lower wind power production) and the rising prices in the fuel and emissions market, which drove up the cost for power production in conventional power plants.

Due to higher prices and lower availability, electricity consumption in Europe decreased by 3.5% compared to the previous year.

The importance and impact of renewable energy production became clear on December 29th when power prices settled at – 0.79 €/MWh for the next day due to warm weather and high wind production.

1.3. Company’s operations overview

The year 2022 was strongly influenced by war in Ukraine leading to the high prices in the energy market and uncertainty of the gas deliveries from Russia. The high prices led to a high utilisation of credit limits by counterparties and thus to a withdrawal of liquidity on the futures market, while short term trading was mainly executed via the Exchanges. PST closely monitored the credit exposures with trading partners. Filled credit limits forced counterparties to execute and clear trades via the exchanges. This put the focus on managing margin call requirement and ensuring sufficient liquidity for PST to continue its operations and to fulfil its margin obligations towards the exchanges.

PST increased its financing facilities available in banks and implemented a very flexible scheme of settlements within an Orlen Group mainly referring to its settlements with PKN Orlen S.A. and PGNiG Upstream Norway AS (“PUN”). The clearing system has strongly supported PST's ability to pay all liabilities on time.

An additional challenges was due to the uncertainty of the gas supply situation in Europe. The market was concerned of not enough gas available for the upcoming winter. This lead to a price competition between countries and companies mainly for LNG and Norwegian gas. As a result, Germany become the premium liquid market on the continent attracting gas away from the UK and France, whose markets traded gas at a significant discount to Germany.

Overview of total energy volumes traded in 2022:

		2022 in GWh	2021 in GWh
Gas			
	Pipeline	62,160.9	58,338.6
	LNG	46,604.8	13,482.5
Power		701.8	1,918.0
Oil		0.0	0.0

Developments in the Trading business division

In 2022 PST, developed its natural gas business sustainably. Among other things, PST was able to secure additional volumes through its Norwegian upstream sister company PUN and from other producers in the NCS.

In addition to the existing cooperations for the purchase and sale of natural gas from Norwegian producers PST succeeded in concluding additional offtake contract from the Norwegian continental shelf for approximately 2 TWh, Additional volumes were also purchased from producers, where PST had already an existing supply agreements in place. With the existing contracts and the agreements entered into in 2022, PST is continuing its growth and strengthening its position in Northern Europe and on the Danish wholesale gas market.

In parallel, PST started its trading activities in Denmark, mainly to fill the storage facility locally. This gas was to be transported from Denmark through the Baltic Sea to Poland after the opening of the Baltic Pipe.

PST also focused on expanding its business in the Baltic Region, where PST became an important trading partner at “Get Baltic”. In Central Eastern Europe (CEE), PST strengthened its activities in Slovakia and Hungary and completed registration in the Italian gas market to expand its supply options. With the markets covered, PST has a solid and future-oriented foothold in the CEE region.

The increased margin requirement from the Exchanges affected PST’s proprietary trading business resulting in a reduction in speculatively traded natural gas volumes. However, the significantly increased volatility in the market resulted in overall higher margins in this area.

The strong trading performance was again mainly driven the optimization of NCS upstream production at the European hubs, leading to the best result of the trading business division in PST’s history.

EBIT (main performance indicator for PST) amounted to 12.9 Mio EUR in 2022 compared to 12.4 Mio EUR in 2021. Combined volumes traded increased to 127 TWh in 2022 compared to 93 TWh year before.

Developments in the LNG trading division

PST have been operating four LNG vessels in 2022. They were contracted on multi-month term basis and mostly supported deliveries of the pre-commercial cargoes from the new-built Venture Global LNG plant in Calcasieu Pass, USA to Poland. In December 2022 PST received first newbuild vessel from its long-term contract with Knutsen OAS Shipping- Lech Kaczynski. Second LNG carrier, Grazyna Gesicka, is expected to enter into service in Q2 2023. Both ships have been built exclusively for PKN Orlen Group, long-term charter contracts with a minimum term of 10 years were concluded. Naming ceremony for both carriers took place in December 2022 at the Shipyard in Ulsan, South Korea where the ships have been built.

In 2022 PST procured for the first time FOB cargoes to its portfolio to supply LNG to Poland. That experience allows PST to participate in the future not only in DES opportunities but also in FOB ones. Additionally, in 2022 PST delivered for the first time a cargo outside of Poland – to Lithuania. In the future PST will continue to deliver LNG-cargoes to ports located outside of Poland, expanding the number of markets where PST is active.

Moreover, the Group contracted additional 4 LNG vessels in 2022. Two of the vessels will be chartered by Knutsen Group companies, and the other two by affiliates of Maran Gas Maritime. Those charters will increase Group's long-term fleet of modern LNG carriers to 8 vessels. Last contracted LNG ships are expected to be delivered by the end of 2025.

Acknowledging the complexity of current and planned operations a dedicated LNG Energy Trading Risk Management system (ETRM system) with extensive fleet management features has been implemented in 2022. By end of Q1'2023 all additional trainings should be accomplished and system fully handed over to PST.

All in all, in 2022 PST made 46 deliveries (previous year: 14) including 12 FOB deliveries and thus generating EBIT figure of 87.4 Mio EUR compared to 0.8 Mio previous year.

Developments in the business division Poland

In the year 2018 PST founded a branch in Poland in order to establish relations with customers with large industrial gas consumption and resellers active on Polish market. As of December 31, 2022 PST supplied gas to 17 customers (40 delivery points in Poland).

The customers of the PST Branch in Poland are the largest commercial entities (private capital) from the glass, ceramics, food, chemical and agricultural industries in Poland, utilizing gas fuel for their own needs at physical points, and wholesale customers (resellers) purchasing gas fuel at a virtual or physical point for further resale.

In year 2022 PST has experienced in Poland a reduction of gas consumption related mainly related to historically high gas prices and customers looking for gas consumption optimization or replacement of gas with alternative fuels (i.e. LPG).

On top of reduced gas deliveries, branch in Poland experienced several negative developments on the market, which adversely impacted the economic performance. In 2022 market has experienced a historical growth of prices, reaching all times high in August 2022 when spot prices exceeded 1,484 PLN/MWh (i.e. average 5 years prior 2022 spot price amounted to 105 PLN/MWh[2]). This growth of prices caused significant increase of balancing costs and flexibility costs. Even tough customers have flat consumption profiles and very limited flexibility allowed within a contractual limits, costs of small deviation from the forecasted levels caused significant expenditures to PST, which were not reflected in prices offered to customers. It applies to customers purchasing gas based on MA index or having percentage tranches.

Given the current market volatility PST is not offering new contracts to MA index or percentage tranches anymore. Since 2023 there are only two customers in portfolio, which still can contract that type of products.

During 2022 PST delivered 6.36 TWh gas to Polish customers compared to 7.68 TWh previous year and generated EBIT of -0.9 Mio EUR in 2022 compared to -1.4 Mio EUR EBIT in 2021.

Retail companies liquidation

In 2020 PST divested the retail segment consisting of two PST's subsidiaries - PST Europe Sales GmbH (hereinafter also "PSTES") and XOOL GmbH („XOOL“). As of 1st September 2020 the nation-wide energy provider lekker Energie GmbH took over the approximately 40K electricity and natural gas customers of PST Europe Sales GmbH and XOOL GmbH. In November 2021 Management Board of PST decided to open the liquidation of both companies as of the 31.12.2021.

[2] Source TGE: average for the period 2017-2021

In year 2022 liquidation process of both companies continued. Annual blocking period for registering creditors expired on January 24th, 2023 and February 18th, 2023 for PSTES and XOOL, respectively.

Following the finalization of annual accounts for 2022 and respective tax returns submissions final steps will be executed to de-register both companies i.e. obtaining the non-objection declaration from respective tax authorities.

HR Management

The company employs 53 employees on the end of 2022, which is an increase by 2 employees during the year. The company has well-qualified employees and is taking endeavors to retain the staff. Company's personnel diversity has been an important goal since the beginning of our company. The international nature of the company results not only from the area of activity, but also from company's staff international composition. The company's employees (20 women/33 men) come from 11 different countries. Most of them are professionals with higher education and relevant experience required in the energy sector. In addition, employees are offered continuous development through training courses, the scope of which is determined by the company or the employee him or herself in consultation with his supervisor. An obligatory onboarding package for each employee is training in broadly understood data protection, cybercrime and compliance.

2. Outlook report

2.1. General macroeconomic outlook

Global economy[3]

According to IMF the global fight against inflation, Russia's war in Ukraine and resurgence of Covid-19 in China weighed on global economic activity in 2022. The first two factors mentioned will continue to have a negative impact on the economy in the 2023 financial year.

Global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024. The forecast for 2023 below the historical average of 3.8% (2000–2019). The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017–19) levels of about 3.5%.

[3] https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023

The forecast of low growth in 2023 reflects the rise in central bank rates to fight inflation and war in Ukraine. According to IMF the decline in growth in 2023 from 2022 is driven by advanced economies. In emerging market and developing economies, growth is estimated to have bottomed out in 2022. Growth is expecting to pick-up in China with the full reopening after pandemic in 2023. The expected pick-up in 2024 in both groups of economies reflects gradual recovery from the effects of the war in Ukraine and subsiding inflation. Following the path of global demand, world trade growth is expected to decline in 2023 to 2.4% despite an easing of supply bottlenecks, before rising to 3.4% in 2024

According to IMF he balance of risks to global economy development is tilted to the downside. On the upside, a stronger boost from pent-up demand in numerous economies or a faster fall in inflation are plausible. On the downside, a flare-up of the COVID pandemic in China could put the brakes on the recovery, Russia's war in Ukraine could escalate, and tighter global financing costs could worsen debt distress. Financial markets could also suddenly reprice in response to adverse inflation news, while further geopolitical fragmentation (i.e. sanctions imposed on Russia) could hamper economic progress.

Eurozone and Germany[4]

According European Commission Winter 2023 Interim Forecast GDP is projected to expand 2024 by 0.9% and 1.5% in the euro area (by 0.8% in 2023 and 1.6% in EU). Inflation is forecast to fall to 5.6% in 2023 and to 2.5% in 2024 (6.4% in 2023 and 2.8% in 2024 in the EU).

According to European Commission EU economy is still beset with challenges. Core inflation increased further in January 2023. Consumers and businesses continue to face high energy costs, and with more than 90% of the core items in the HICP basket registering above-average price increases, inflationary pressures are still broadening. Monetary tightening is therefore set to continue, exerting a drag on investment. Weakness in consumption is set to persist in the near term as inflation keeps outpacing nominal wage growth. Finally, the external environment is not expected to continue providing any support.

While uncertainty surrounding the forecast remains high, risks to growth are broadly balanced. Domestic demand could turn out higher than projected, if the recent declines in wholesale gas prices pass through to consumer prices more strongly. Yet, a potential reversal of that fall cannot be ruled out in the context of Russia's war against Ukraine and other geopolitical tensions. External demand could also turn out to be more robust following China's re-opening, which could, however, fuel global inflation. Risks to inflation remain largely linked to developments in energy markets in the short run, but upside risks dominate in outer quarters, as a still tight labour market could result in stronger than anticipated wage pressure.

In Germany the easing of energy price inflation, the gradual adjustment of supply chains and overall solid corporate finances and full order books should set the stage for a resumption of investment growth in 2023. However, the pressure on corporate margins from sharp increases in producer prices has been depressing the outlook for equipment investment. Higher building and borrowing costs are expected to weigh on construction. As supply bottlenecks ease and foreign demand improves, exporters should then

[4] https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/winter-2023-economic-forecast-eu-economy-set-avoid-recession-headwinds-persist_en

be able to unwind production backlogs and benefit from recovering global demand. Altogether, real GDP is expected to increase slightly by 0.2% in 2023. In 2024, growth is expected to rebound to 1.3%.

In 2023, the pass-through of elevated wholesale energy price growth is expected to be mitigated by the caps on gas and electricity prices, although these remain at historically high levels. However, still rising producer costs are set to keep HICP inflation high, at a projected 6.3% in 2023. The labour market remains tight, but wage growth has so far continued to trail inflation. The impact of ongoing and outstanding rounds of wage negotiations is also expected to remain contained. In 2024, inflation is projected to ease to 2.4% on the back of a decrease in energy costs.

2.2. Energy markets outlook

Pipeline gas Europe

At the end of 2022, the supply situation was significantly less strained than had been feared during the year. The natural gas storage facilities in continental Europe had a record high fill level for this time of year and the temperature forecast were moderate, resulting in lower gas demand. The storage year, which ends on 1 April 2023 is expected to end with a significantly higher filling level com-pared to previous years, resulting in lower gas demand for the coming summer. The planned recommissioning of the Freeport/USA liquefaction facility will help to meet the LNG demand in Europe.

The key factors for the European natural gas market in 2023 will be:

- The further development of the Russian invasion of Ukraine and the resulting sanctions imposed by Western countries - a slowdown in economic activity is expected due to elevated commodity prices
- Pipeline flows from Norway – Norway has become the main supplier for Europe and any problem with the infrastructure would strongly affect the fragile balance between supply and demand
- Overall gas price level – industrial gas demand has decreased significantly through fuel switching (i.e. oil, butane, propane). Lower prices could lead to a resurgence in gas demand.
- Temperatures and filling level of continental gas storages - the winter was relatively mild, resulting in high storage fill levels in Europe. This will keep gas demand subdued in the upcoming summer
- LNG inflows - additional regasification infrastructure in Europe will help to replace the lack of gas supplies from Russia. However, increasing demand from Asia, mainly due to China's shift away from its "Zero Covid Policy" may have a counterproductive effect for the gas market with Europe and Asia fight for LNG supplies, keeping prices high in Europe and globally.

A big question mark will be the effect of the EU's newly introduced price cap for European gas prices. Will this actually prevent prices from reaching the highs seen in 2022? At the moment it looks like it, as prices are trading well below the cap.

LNG Market

Global trade is forecasted to maintain stable in 2023 with a similar production level to 2022. Additional production is only expected from the stabilization the US projects' production. Additionally, higher import is expected to appear from Asia. Europe is expected to continue to import LNG at an elevated level due to pipeline supply limitations but not that high as it was in 2022.

Power Market Europe

For 2023, demand in Europe is expected to increase slightly by about 40 TWh, with most of the increase in demand being met by additional renewable sources.

The development of European electricity prices depends on several factors. Key factors for the markets include:

- Further development of the EUA and gas prices;
- Generation mix - the expansion of renewable electricity production and its share in the electricity mix;
- Nuclear power production in France and Germany - latest reports show a better availability of French production compared to 2022, while Germany will close its last three remaining nuclear power plants in April 2023.

2.3. Company operations outlook

Outlook for Trading Business Division

Development of NCS and DCS

In 2022 PST, developed its natural gas business successfully and sustainably. Among other things, PST was able to secure additional volumes through its Norwegian upstream sister company, PGNiG Upstream Norway, and from other producers in the NCS.

In addition to the existing cooperations for the purchase and sale of natural gas from Norwegian producers PST succeeded in concluding additional offtake contract from the Norwegian continental shelf where PST had already and existing supply agreements in place. With the existing contracts and the agreements entered into in 2022, PST is continuing its growth and strengthening its position in Northern Europe and on the Danish wholesale gas market.

In parallel, PST started its trading activities in Denmark, mainly to fill the storage facility and later to transport the gas via the Baltic Pipe, which runs from Denmark through the Baltic Sea to Poland.

Procurement of gas from Oersted in DCS is expected to start in late Q4 2023 due to the delay of the Tyra field production in the DCS.

The current portfolio (including expected volumes from DCS Tyra field) consist of approx. 7 bcm of which the majority of the produced gas will be send via the Baltic Pipe to Poland, while some smaller volumes are dedicated to the UK due to direct pipelines connection from the production fields.

In 2023 the key objectives are:

- Securing supply to Poland via Baltic Pipe
- Adding value to the gas portfolio through optimization of gas flows based on the needs of PKN Orlen portfolio to other markets to achieve highest netback
- Originating additional production volumes to the procurement portfolio

Development of origination CEE/Baltic

PST also focused on expanding its business in the Baltic Region, where PST became an important trading partner at “Get Baltic”. In Central Eastern Europe (CEE), PST strengthened its activities in Slovakia and Hungary and completed registration in the Italian gas market to expand its supply options. With the markets covered, PST has created a solid and future-oriented foothold in the CEE region.

Business activities CEE/Baltic:

- Security of supply due to flexibility of delivery direction and sources (Lithuania, Latvia, Estonia, Ukraine, Slovakia, Austria, and Hungary)
- Access to neighbouring to Poland markets (Lithuania, Ukraine, Slovakia)
- Market intelligence CEE / Baltic
- Cross border optimization
- Location swaps / Storage agreements

Development of wholesale hub trading for optimization of the portfolio of the PKN Orlen Group

As described above, PST continues to build up its gas trading presence on European hubs by actively increasing its trading activities, enhancing its counterparts' portfolio and expanding its operations to new hubs.

In 2022, PST started gas trading in the Baltic Region; Hungary and Slovakia.

In the Baltic Region, PST concluded transactions in Lithuania on Get Baltic, directly with local counterparts as well as on the LNG terminal in Klaipeda - including delivering spot cargoes in cooperation with PST London. PST acted as buyer and seller on the market to the commercial benefit of the PKN Orlen group.

In Hungary, PST traded with counterparts and on the Exchange CEGEEX and using the interconnectors to act according to PKN Orlen's portfolio needs by taking advantage of market price differentials.

With the opening of the SK/PL Interconnector in late 2022, PST started to procure gas from the region to deliver gas via Slovakia to Poland.

In addition, PST has reached market readiness in Italy and has been registered and approved for trading in Ukraine under the Custom Warehouse regime. However, current circumstances in the region are hampering the development of these activities.

In 2023 the key focus remains on actively trading in new markets in Europe (i.e. Romania; Finland) including related cross border activities. In addition, the focus will be on the French market as the LNG activities of the group could increase further by utilising the regasification capacities owned on the Montoir terminal. The role of PST will be to place the regasified gas on the French hub or exporting the gas to neighbouring countries to achieve the highest netback price for the group.

The key objectives of developing PST's gas trading activities in other markets are:

- creation of alternative hubs for off-taking LNG deliveries in Europe,
- setting up new supply routes for supply security of Poland (i.e. via Italy or Greece)
- adding value to gas portfolio through cross border optimization benefitting from price differentials in different markets.

Taking the planned developments in the division it is intended to trade around 100 TWh in 2023 in both gas and power market and generate EBIT in the range of 5.5 – 6.5 Mio EUR.

Outlook of LNG Trading Division

In the coming years PST intends to further develop operations in that area executing not only DES but also FOB (Free-On-Board - loading at the liquefaction facility) operations based on both spot, mid and long-term contracts. The aim is to further develop the LNG trading and shipping skills in order to be ready to commercially optimize the LNG volumes under long-term contract from liquefaction projects starting from 2023 onwards. This includes but is not limited to the implementation of a shipping strategy and to build up required trading and logistical expertise. Recent changes in the global energy market caused by the Russian invasion of Ukraine forced PST to accelerate start of the FOB operations.

In order to fulfil its obligations resulting from current procurements and signed MSPA contract, PST has signed the Charter Agreements in total for eleven LNG vessels (short- and long-term charters), to be able to pick-up and transport LNG volumes from both spot deliveries and long-term LNG FOB contracts entered by PKN Orlen S.A. First long-term charter was started in December 2022, with the vessel "Lech Kaczyński" delivery in Korea. Second vessel called "Grażyna Gęsicka" is planned to be delivered in Q2'2023. Current fleet of LNG tankers consist also of vessels based on mid-term time charter are "Maran Gas Apollonia", "Golar Seal" and "Cool Explorer".

In second half of 2023 first delivery from Orlen's long-term contract with Venture Global LNG, Inc is expected to take place in Gulf of Mexico.

It is also an organizational change planned for LNG Business division in 2023. All LNG business activities from current branch to already established subsidiaries PST LNG Trading Limited and PST LNG Shipping Limited, which are more adequate legal structures compared to branch to carry out the scale of LNG business PST is managing.

Based on the above it is planned to deliver around 30 TWh and generate EBIT in the range 17 - 19 Mio EUR.

Outlook Business Division Warsaw

Following merger with PKN Orlen S.A., where are other organizational units active in Poland in PST's market segments, crisis on the gas market causing high capital requirements to service customers and increased risk related to price volatility, which can hardly be covered by margins achieved, the decision has been made that PST will not actively expand its operations in Poland. In 2023 branch will continue servicing existing contracts without acquisition of any new customers.

Based on the above it is planned to deliver around 6 TWh and generate EBIT of 0.2 – 0.4 Mio EUR.

The table below shows the aggregate economic performance measures of PST budgeted for 2023:

		2023
Revenues	Mio. EUR	15,690.7 – 19,177.5
Costs (offset against other income)	Mio. EUR	15,688.7 – 19,150.7
EBIT	Mio. EUR	22.0 – 26.8

3. Net assets, financial position and results of operations of the Company

3.1. Assets and its financing sources as of 31.12.2022

	2022	2021
	MEUR	MEUR
ASSETS	**1.727.83**	**775.33**
Fixed assets	3.20	2.29
Current assets	1,712.82	756.84
Prepaid expenses	11.81	14.39
Deferred tax assets	0.00	1.81
EQUITY AND LIABILITIES	**1,727.83**	**775.33**
Equity	69.04	7.70
Provisions	127.25	8.25
Accounts payable	1,491.03	673.28
Deferred income	40.51	86.10
Deferred tax liability	0.00	0.00

Total assets increased by 222,9% from EUR 775.33 million in 2021 to EUR 1,727.83 million. Current assets accounted for approximately 99,1% of total assets in 2022 (previous year: 97,6%). The value of current assets increased by EUR 955.98 million to EUR 1,712.82 million. The change is mainly attributable to the significant year-on-year increase in energy prices and the new gas storage facility in Denmark. The new group structure resulting from the merger of PKN Orlen with PGNiG led to a shift within current assets from trade receivables to receivables from affiliated companies.

In line with current assets, liabilities increased by EUR 817.75 million to EUR 1,491.03 million in fiscal year 2022. The reasons for this significant increase are due to the sharp rise in raw material prices and advance payments received for gas deliveries from the new storage facility. Advance payments received rose by EUR 492.53 million, while trade payables and payables to affiliated companies increased by EUR 165.22 million and EUR 205.61 million, respectively.

The equity ratio rose from 1,0 percent (previous year) to 4,0 percent in the financial year. Despite the significant increase in total assets due to market prices, this is attributable to the positive result achieved in 2022.

In addition to the two bank credit lines available to the PST Group, the company has access to a credit line from PKN ORLEN for its business financing. The credit lines were almost not utilized compared to the previous year (EUR 0.08 million compared to EUR 11.78 million in 2021) In contrast, the revolving loan from PKN ORLEN was utilized in the amount of EUR 10.00 million as of December 31, 2022 (unlike in the previous year). In order to finance the business activities of the PST branch in Poland, in particular the purchase of raw materials on the Polish Power Exchange (TGE) and the related margin payment requirements, the company can resort to the flexible financing form of a cash pool with PKN ORLEN. In addition, PKN ORLEN provides the necessary collateral for the Group's transactions and to secure bank loans in the form of payment guarantees. The liquidity of the PST Group is secured.

3.2. Profit and loss statement

	2022 MEUR	2021 MEUR
Sales revenues	17,608.11	4,659.14
Costs of materials	-17,496.86	-4,638.30
Other operating income	47.78	2.09
Other operating expenses:		
depreciation	-0.55	-0.39
personnel expenses	-6.29	-5.40
other operating expenses	-57.28	-7.78
EBIT	**94.91**	**9.36**
Financial result	-13.40	-3.20
Result transferred due to PnL transfer agreement	-1.29	-0.75
Profit before taxes	**80.22**	**5.41**
Income and similar taxes	-16.91	-2.59
Net profit	**63.31**	**2.82**

Like the corresponding cost of materials, PST's sales revenue increased by EUR 12,949.0 million and EUR 12,858.6 million, respectively, in particular due to the sharp rise in prices on the raw material markets as a result of the Ukraine war and the associated uncertainty about security of supply. As the other earnings or cost components did not change significantly, the increase in gross margin (EUR 90.4 million) also almost corresponds to the increase in EBIT by EUR 85.6 million to now EUR 94.9 million. The sales and EBIT forecast for fiscal 2022 was therefore significantly exceeded. For 2022, sales revenues of EUR 6,581.8 - 8,044.4 million and EBIT of EUR 3.9 - 4.8 million were planned. Costs developed correspondingly. Instead of budgeted costs of EUR 6,577.9 - 8,039.6 million, costs of EUR 17,513.2 million were incurred in the financial year. For the development of the individual areas, please refer to the detailed explanations on this in the front section. The price development in the financial year 2022 led to an increased liquidity requirement during the year and thus to an increase in financing and hedging expenses of EUR 10.2 million.

3.3. Cash flow statement for the financial year from 01.01 - 31.12.2022

		2022	2021
		MEUR	**MEUR**
	Annual net profit	63.3	2.8
+/-	depreciation/appreciations	0.6	0.4
+/-	other non-cash expenses/income	-0.2	1.5
+/-	changes in working capital	216.2	8.2
+/-	interest expenses/ interest income	13.4	3.2
+/-	income tax expenses/income	16.0	1.0
=	**Cash flow from operating activities**	**309.3**	**17.1**
-	payments for investments in assets	-1.5	4.5
+	payments related to short-term investments (including received interests)	0.6	0.1
=	**Cash flow from investment activities**	**-0.9**	**4.6**
+	payments from/to financing drawdowns	1.2	11.0
-	paid interest	-14.0	-3.3
=	**Cash flow from financing activities**	**-12.8**	**7.7**
	Change of cash and cash equivalents	295.6	29.4
+	Cash and cash equivalents at the beginning of the period	38.9	9.5
=	**Cash and cash equivalents at the end of the period**	**334.5**	**38.9**

Cash flow from operating activities for 2022 increased significantly by EUR 292.2 million compared to the previous year and amounted to EUR 309.3 million. In addition to the extraordinarily good result the main driver for this positive operating cash flow was advance payments received for both pipeline and LNG deliveries.

The decrease in cash flow from investing activities of EUR 5.5 million compared with the previous year is due to the absence of the effect of a repayment of the shareholder loan by PST ES in the previous year.

Cash flow from financing activities decreased by EUR 20.5 million compared with 2021 and amounted to EUR -12.8 million. The decrease is due to the repayment of bank loans with only slightly higher financing from the Group's cash pool account. Financing from bank credit lines was reduced by EUR 11.7 million.

The EUR 295.6 million increase in cash and cash equivalents is therefore mainly attributable to the increased cash flow from operating activities.

4. Risk management overview

4.1. Key risk factors

Within the scope of its risk management activities. the Company continuously and systematically monitors the opportunities and risks as well as the development of business transactions. PST monitors and manages the following risks associated with its business activities in the respective fields of business:

- Operational risks
- Market price risks
- Counterparty default risks / credit risks
- Liquidity risks
- Legal and regulatory risk

<u>Operational risks</u>

Operational risks arise from organizational. process-based. technical. personnel irregularities or unfavourable external influences. For example. risks from faulty processes can have a negative impact on existing controls or decisions to be made in the Company. which then result in additional efforts or higher costs.

The Company effectively manages these operational risks through the implementation of appropriate processes and process automations. redundancies. as well as by applying the 4-eye principle. An IT emergency concept is in place to address potential IT risks.

The management of operational risks benefits and will benefit in future from the results of the implemented risk management process (recording of events. learning process. key risk indicators. etc.).

PST recognizes a significant operational risk increase due to geopolitical situation related to invasion to Ukraine. Infrastructure in Ukraine is endangered with physical damage and the risk of attacks on IT infrastructure of energy companies. banks. telecom operators has to be closely monitored. Since war outbreak weekly meetings are being organized with all companies in PKN Orlen group to exchange information on any adverse events. which might be related to deliberate. hostile actions of entities and individuals. Security Department of the PKN Orlen group on weekly basis points out the areas of operations where additional attention is required. So far this additional risks materialized for PST in probable loss of 0.1 Mio USD. which has been deposited with Ukrainian transmission system operator to enable PST to transport gas through Ukrainian infrastructure.

PST is also aware of the additional operational risks associated with LNG FOB deliveries. However direct exposure of PST as charterer to negative operational occurrences is limited. indirect consequences including reputational and financial risk might be significant. In order to manage that area PST decided to implement an LNG dedicated ETRM system with expanded functionalities related to fleet management processes.

Market price risks

Market price risks or market price change risks arise when the market price develops differently from the price contracted for the respective product over the course of time. Market price changes primarily result from fluctuations in supply and demand. for example. as a result of temperature changes or supply bottlenecks.

The assessment. monitoring and management of the resulting risks require a consistent risk management system. To this end. trading positions are recorded in the ETRM-system and valued according to current market parameters. The management of market price risks includes both open position - and loss-related limits at book and strategy level.

The Company forms – separately for each business purpose – valuation units for pend-ing transactions in the form of macro hedges in accordance with IDW RS ÖFA 3. The hedging transactions included serve to hedge the risks of price changes resulting from market price fluctuations. Due to the congruence of the nature, quantity and maturity of the underlying and hedging transactions, the valuation units are effective. Effectiveness is shown within the existing risk management system using critical terms match as well as regression analysis. If the mark-to-market valuation of a valuation unit is negative on an annual basis, a provision for onerous contracts is established. The formation of valuation units hedges risks from individual transactions in the amount of EUR 163,757 thousand. The volume of hedged underlying transactions amounts to 10.2 TWh and relates to monthly settlement periods until the end of 2024.

Market conformity checks are carried out for all transactions by the Back Office team. Besides that. the market price risk is significantly limited through a back-to-back strategy. which is to be applied to the majority of trading transactions. Due to these measures. the Company's market price risks are transparent and manageable.

For past 3 years due to Covid-19 pandemic and energy prices crisis related to the war in Ukraine we observed an extreme volatility of the prices with historical lows and highs in 2020 and 2023 respectively. Daily monitoring of positions allowed PST to avoid any losses in proprietary trading. On the other hand. results of Warsaw Branch were adversely affected by single contracts with industrial customers. which contained even a limited flexibility element. All priced in risk mark-ups turned out to be completely insufficient to cover risk coming from price volatility. For the moment PST is not offering or extending any contracts or products. which expose PST to the risk of price movements or consumption volatility.

Counterparty default risks / credit risks

Counterparty default or credit risks arise when a trading or business partner is not able to make or accept deliveries or to meet its payment obligations. The counterparty default risk is determined on each trading day by means of a summary of existing receivables and potential claims after taking into account received cash collaterals or bank guarantees and netting possibilities per trading partner (= exposure).

The credit risk management mainly includes:

- Credit risk assessment
- Credit limit monitoring
- Collateral management

Trading transactions are concluded mainly based on standardized master agreements. The creditworthiness of potential trading partners and. if applicable. their maximum allowable credit limits are decided based on a credit assessment. Limit utilization is published in the risk report. which is issued on every trading day and made available to the management. The report also contains information on future limit utilizations and business transactions with affected trading partners will be limited. if required. Furthermore. the creditworthiness of existing trading partners is monitored. and the approved limits are reviewed on a regular basis. Thus. these measures implemented by risk management limit the credit risk to a significant extent.

The prices outburst in 2022 caused that all credit limits assigned have been quickly utilized in course of ordinary operations. PST applied a conservative approach and assigned higher credit limits only to selected counterparties with creditworthiness and avoided significant growth of credit risk exposure. To continue operations on non-interrupted basis PST increased its activity on exchanges. where credit risk is very limited. Such approach caused higher demand for liquidity. Thanks to strict monitoring of credit limit utilization PST was able to make decision to block from trading or reduce exposure with counterparties reaching their assigned credit on daily basis. In 2022 PST was not negatively impacted by payment defaults.

Liquidity risks

The liquidity risk relates to the risk that payment obligations cannot be met upon maturity or that no adequate refinancing possibilities are available.

The management of liquidity risks includes:

- Liquidity budgeting and controlling
- Management and reconciliation of receivables and liabilities within the scope of a standard process
- External financing and ensuring liquidity as described in 4. "Overview of financial situation"

In order to determine short-term liquidity requirements. (significant) future liquidity flows are identified and the relevant financing requirement is determined. This is reported on a weekly basis. Liquidity analysis and management are the responsibility of PST’s Finance Department.

Due to price crisis in 2022 the demand for liquidity for PST increased dramatically. Frequent analysis of liquidity position allowed for implementation of non-standard measures to manage the situation. PST implemented flexible scheme of settlements with affiliated companies and increased its bank financing limits. In addition. regular updates of forecasted demand from PKN Orlen Group has been introduced. Thanks to that PST was able to trade historically highest volumes and values.

Legal and regulatory risks

Legal risks may arise in connection with legal procedures. unfavourable or unenforceable contracts as well as compliance. Such risks can be minimized if the legal department manages legal procedures and negotiates and prepares contracts accordingly and risk owners act in accordance with established policies and procedures. Furthermore. we have a compliance management (including KYC. client onboarding. anti-bribery and gift-giving policy) which aims to avoid any non-compliance. The Company offers training courses to the staff both as part of onboarding process and as regular awareness campaign dedicated to current compliance challenges such as data privacy or sanctions. Regulatory risks may arise due to amendments of the regulatory and legal framework. The legal department monitors amendments of the regulatory and legal framework applicable to the PST subgroup's business and makes sure. at an early stage. that in case of any amendment the required measures will be established and implemented accordingly. PST's UK Team also monitors developments in the emission schemes.

PST acknowledges dynamic developments in the sanction regimes worldwide. especially those induced by war in Ukraine. In order to manage compliance risks pertinent thereto PST revised KYC process. A revisited KYC form refers i.e. to direct or indirect involvement of any Russian national or entity. The form also contains an obligation to update the indications contained therein. Typically. commercial agreements entered into by PST contain a sanctions clause. Since the outbreak of Russian invasion PST has also received regular updates on sanctions from ORLEN (intra-group communication on US and EU sanctions).

4.2. Risk managment framework

Risk management organization

PST has implemented a two-stage risk management system. Whereas operational risk management (i.e. continuous observation. monitoring and reporting of the Company's business development) is the responsibility of Risk Management Department. the internal risk committee's task is not only risk management but also the assessment of the opportunities and risks related with the introduction of new products or the entry into new markets. The committee consists of the PST's top managers responsible for different areas of operation. Besides the market and product release. the risk committee also decides on the conclusion of significant transactions with already approved products in approved markets.

Risk management process

This process includes the identification. assessment. management and monitoring of risks as well as risk reporting. The Company applies customary industry methods for risk assessment and risk management purposes (stop-loss limit. open-position limit and credit exposure). Risks are recorded on a daily basis and are assessed and reported in accordance with standardized criteria.

The Company's risk-aware performance is based on the risk policy which is updated on an ongoing basis. The management is informed about the current risks and opportunities situation on the basis of risk reports which are issued on each trading day. The basic data are derived directly from the ETRM-system. The system's risk measurement methods are basic methods subject to continuous development. These daily basic data are prepared on a daily basis and reported directly to ORLEN's Risk Management Department by means of weekly. monthly and annual reports. In special cases. information is provided directly to the management or the risk committee. which. in turn. directly notify the Supervisory Board.

The ETRM-system and the related processes are further developed on a continuous basis in order to accommodate the business's significant growth in recent years as well as the regulatory requirements. The implementation of formalized and demanding solutions shall take account of the Company's increasingly complex business and its further growth.

General statement on the risk situation

According to its best knowledge. the management is not aware of any individual risks or general risks that could jeopardize the Company's continued existence as a going concern or that could have a material impact on the Company's net assets. financial position and profit situation. Due to war outbreak in Ukraine and energy price crisis PST acknowledges the risk increase in all areas: operational. market prices. credit. liquidity and regulatory.

However. the existing framework and risk management processes allow PST to react flexible and on time to changing risk exposures. Therefore. we believe that all the risks are well manage and do not endanger well-being of PST.

4.3. Opportunities report

The assessment of opportunities is a part of the risk management system (organization and processes) established at PST.

Definition of opportunities

In accordance with the Company's defined risks, the following opportunities arise for PST (sequence arising from the level of influence):

<u>Operational opportunities</u>

Due to PGNiG Group's strategic positioning and orientation, the PST will play an increasingly important role, in particular in terms of trading activities. In addition to marketing natural gas from NCS and DCS on European markets, the company will further expand its activities in Central Eastern Europe (CEE).

Lean structures and efficient processes in combination with the employee's know-how and longstanding industry experience will help the Company to optimally position itself for future competition.

<u>Liquidity opportunities</u>

The parent company PKN Orlen SA's financial strength and good credit standing facilitate the fast development of the business, in particular due to the provision of required collaterals that can be used for both external financing and the securing of trading activities.

<u>Market price opportunities</u>

The fact that the Company has been operating on the German and European energy market for more than ten years – without being dependent on long-term agreements concluded in the past – provides the particular opportunity to profit from the price developments on the relevant energy markets through appropriate procurement strategies and the development of suitable products and services.

Munich, May 12, 2023

Management board

General Engagement Terms

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

Amendment to the General Conditions of Engagement

AMENDMENT TO THE GENERAL CONDITIONS OF ENGAGEMENT

The audit report is prepared by the auditor to summarize his working results for the client – in particular for the Company's organs which are entrusted with supervision functions.

The documentation of essential audit findings in the audit report supports the supervising organs of the Company and is therefore intended only for internal use by the Company's organs. Any right of third parties founded on special legal regulations stipulating the receipt of or access to the audit results remains, however, unaffected.

Basis of our activities is the letter confirming our appointment as auditors and the General Conditions of Engagement for Auditors and Auditing Companies issued by the Institute of Certified Public Accountants on 1 January 2017.

Our report is exclusively intended for the Company's organs as basis for decision-making. It is not to be used for other than this purpose. Hence, we do not resume responsibility, liability or any duties toward third parties unless there is a differing written agreement signed with these third parties or such an exemption of liability would be ineffective.

We state explicitly that we do not revise the audit report and / or certificate as to events or circumstances which occurred after having issued the certificate unless there is a legal obligation.

It is in the responsibility of each reader of this report to decide whether and in which form he regards the information contained in this report as useful and suitable for his purposes and whether he will verify or up-date the results by own audit procedures.