

PGNIG SUPPLY & TRADING GMBH

MUNICH

CERTIFICATE COPY

REGARDING THE ANNUAL FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023 AND THE

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

Translation from the German language

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PGNiG Supply & Trading GmbH, München

Balance sheet as of December 31, 2023

ASSETS			LIABILITIES		
	EUR	Previous year EUR		EUR	Previous year EUR
A. FIXED ASSETS			A. EQUITY		
I. Intangible assets			I. Subscribed capital	10,000,000.00	10,000,000.00
1. Acquired concessions, industrial property and similar rights and assets as well as licences in such rights and assets	941,667.00	2,716,732.06	II. Currency translation reserves	-4,228,991.98	-1,846,614.33
	<u>941,667.00</u>	<u>2,716,732.06</u>	III. Net profit	93,020,068.15	60,886,103.76
				<u>98,791,076.17</u>	<u>69,039,489.43</u>
II. TANGIBLE ASSETS			B. PROVISIONS		
Other equipment, factory and office equipment	180,894.77	168,496.90	1. Tax provisions	9,385,854.31	17,048,969.42
			2. Other provisions	<u>10,233,393.99</u>	<u>110,195,955.32</u>
				19,619,248.30	127,244,924.74
III. Financial assets			C. ACCOUNTS PAYABLE		
Shares in affiliated companies	57,558,919.10	321,665.35	1. Bank loans and overdrafts	49,720,880.38	84,017.58
	<u>58,681,480.87</u>	<u>3,206,894.31</u>	2. Payments received on account	375,739,639.61	493,662,910.96
			3. Trade payables	133,741,864.68	439,177,550.64
			4. Payables to affiliated companies	239,434,451.30	551,608,673.19
			5. Other liabilities	<u>25,090,495.25</u>	<u>6,499,689.38</u>
			incl. from taxes EUR 9,914,940.89 (previous year: EUR 257,148,26)		
B. CURRENT ASSETS				823,727,331.22	1,491,032,841.75
I. Inventories			D. DEFERRED INCOME	15,598,497.76	40,514,762.93
Natural gas reserves	377,155,194.26	580,047,204.66			
II. Receivables and other assets			E. DEFERRED TAX LIABILITIES	7,288,677.01	1,946.95
1. Trade receivables	137,153,330.47	259,325,721.46			
2. Receivables from affiliated companies	189,970,434.58	403,718,037.02			
3. Other assets	<u>111,195,558.24</u>	<u>135,187,839.69</u>			
incl. from taxes EUR 438,321.71 (previous year: EUR 2,618,202.85)	438,319,323.29	798,231,598.17			
III. Cash on hand and bank balances	69,102,429.20	334,536,961.97			
	<u>884,576,946.75</u>	<u>1,712,815,764.80</u>			
C. PREPAID EXPENSES AND DEFERRED CHARGES	21,766,402.84	11,811,306.69			
	<u>965,024,830.46</u>	<u>1,727,833,965.80</u>		<u>965,024,830.46</u>	<u>1,727,833,965.80</u>

PGNiG Supply & Trading GmbH, München

Income statement
for the fiscal year 2023

	EUR	Previous year EUR
1. Sales revenue	6,338,783,171.57	17,608,108,376.05
2. Other operating income including from currency translation: EUR 9,865,733.12 (previous year: EUR 47,161,579.97)	10,531,358.03	47,779,836.32
3. Cost of materials		
a) Cost of raw materials, supplies and merchandise	6,250,883,397.75	17,477,852,320.37
b) Cost of purchased services	<u>19,475,601.83</u>	<u>19,008,503.65</u>
	6,270,358,999.58	17,496,860,824.02
4. Gross Profit	<u>78,955,530.02</u>	<u>159,027,388.35</u>
5. Personnel expenses		
a) Wages and salaries	5,951,667.74	5,463,673.03
b) Social security, pension and other benefits including for pension: EUR 750.13 (previous year: EUR 261.84)	<u>736,426.49</u>	<u>827,134.16</u>
	6,688,094.23	6,290,807.19
6. Depreciation of fixed intangible and tangible assets	561,876.46	552,873.46
7. Other operating expenses including from currency translation: EUR 8,283,461.32 (previous year: EUR 49,456,488.61)	<u>15,085,095.21</u>	<u>57,275,022.26</u>
	56,620,464.12	94,908,685.44
8. Operating result	<u>56,620,464.12</u>	<u>94,908,685.44</u>
9. Losses absorbed due to a profit-and-loss transfer agreement	740,566.93	1,290,432.63
10. Other interest and similar income	1,908,899.91	588,024.46
11. Interest and similar expenses	<u>9,526,433.60</u>	<u>13,979,286.87</u>
	8,358,100.62	14,681,695.04
12. Financial result	<u>8,358,100.62</u>	<u>14,681,695.04</u>
13. Taxes on income including income from deferred tax assets EUR -7,286,754.31 (previous year income: EUR 384,925.07)	15,954,786.42	16,914,761.46
14. Earnings after taxes	<u>32,307,577.08</u>	<u>63,312,228.94</u>
15. Other taxes	<u>173,612.69</u>	<u>6.00</u>
16. Annual net profit	32,133,964.39	63,312,222.94
17. Profit carried forward from the previous year	60,886,103.76	2,426,119.18
18. Balance sheet profit	<u><u>93,020,068.15</u></u>	<u><u>60,886,103.76</u></u>



Appendix

PGNiG Supply & Trading GmbH, Munich

**for the financial year
from 1 January to 31 December 2023**

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General information

These annual financial statements of PGNiG Supply & Trading GmbH, Munich (HRB 190424, Munich Local Court, hereinafter also referred to as "PST") were prepared in accordance with Sections 242 et seq. and Sections 264 et seq. HGB and in accordance with the relevant provisions of the GmbHG.

The company is a large corporation within the meaning of Section 267 (3) and (4) HGB.

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

The company is a wholly owned subsidiary of ORLEN S.A. ("ORLEN", formerly: Polski Koncern Naftowy ORLEN S.A.), Płock, Poland, a vertically integrated energy company operating along the entire value chain from energy generation/exploration to the supply of end consumers in the gas, electricity and oil sectors. In the course of the merger between ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ORLEN assumed all rights and obligations (universal succession) of the previous shareholder PGNiG with effect from 2 November 2022 in accordance with Article 494 (1) of the Polish Commercial Code. The company therefore belongs to a group of companies that are related within the meaning of Article 3 (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 sector in the European Union. The company is therefore a vertically integrated company within the meaning of Section 3 No. 38 of the German Energy Industry Act (EnWG). The provisions of the EnWG apply.

There is a profit and loss transfer agreement with the wholly owned subsidiary PST Europe Sales GmbH i.L., Munich. The agreement has been in place since 1 January 2017 and has not been terminated as at the reporting date. The entry in the commercial register was made on January 5, 2017.

The company has had a production facility in London, UK, since 2017 and a production facility in Warsaw, Poland, since 2019.

In 2022, the company founded the subsidiary PGNiG Supply & Trading Polska Sp. z o.o. in Warsaw, Poland, which remains inactive, as well as the two now operating subsidiaries PST LNG Trading Ltd. in the UK and PST LNG Shipping Ltd. in London. In the 2023 financial year, all activities of the London branch were transferred to these subsidiaries in the UK.



Accounting and valuation methods

The following accounting and valuation methods were used to prepare the annual financial statements.

Acquired **intangible** fixed assets are recognized at cost and, if subject to wear and tear, are amortized over their useful life using the straight-line method. Additions during the financial year are amortised pro rata temporis. The underlying useful lives are 1 to 5 years.

Property, plant and equipment is recognized at cost and, if depreciable, is depreciated over its expected useful life using the straight-line method. Depreciation on additions to property, plant and equipment is recognized pro rata temporis. The useful life of property, plant and equipment is between 3 and 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 impairment of **fixed assets**, an impairment loss is recognized in accordance with Section 253 (3) sentences 5 and 6 HGB to the corresponding lower value.

Inventories are measured at cost. For stored gas capacities (goods), the FIFO method is used as a simplified valuation method in accordance with Section 256 HGB. If necessary, inventories are written down to the lower fair value.

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

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

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

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



This also applies to the balance sheet items of the foreign branches. The items in the income statement, on the other hand, are translated at the average spot exchange rate for the financial year. Any resulting difference is recognized directly in equity in the currency translation reserve.

For the calculation of **deferred taxes** due to temporary differences between the carrying amounts of assets, liabilities and prepaid expenses and deferred income under commercial law and their tax carrying amounts or due to tax loss carryforwards, the amounts of the resulting tax burden and relief are measured at the company-specific tax rates at the time the differences reverse and are not discounted. The calculation of deferred taxes results in an overall tax burden. The option to capitalize deferred tax assets in accordance with Section 274 (1) sentence 2 HGB was exercised.

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 required according to prudent business judgement. Non-current provisions are discounted in accordance with Section 253 (2) HGB using the remaining market interest rate for the relevant term.

Liabilities are estimated at the settlement amount.

Income is accounted as **deferred income on the** liabilities side of the balance sheet if 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 statement of changes in fixed assets, including depreciation and amortization for the financial year.

	Participation amount	Signed Capital	Financial year	Result
PST Europe Sales GmbH in liquidation, Munich	100%	1,000,000.00 EUR	01.01.2023 - 31.12.2023	0.00
PST LNG Trading Ltd., London	100%	50,000,000.00 GBP	01.05.2023 - 31.12.2023	28,047,188.82 USD (preliminary) *
PST LNG Shipping Ltd, London	100%	5,000.00 GBP	01.05.2023 - 31.12.2023	1,917,341.38 USD (preliminary)
PGNG Supply & Trading Polska Sp. z o.o	99%	PLN 50,000.00	01.01.2023 - 31.12.2023	PLN -37,448.29

A capital increase to GBP 50 million was carried out at PST LNG Trading Ltd. in the financial year.

PST Europe Sales GmbH i.L. is recognized under financial assets. A profit and loss transfer agreement has been in place with this company since 1 January 2017. Due to the profit and loss transfer agreement, the Company has to assume losses in the amount of EUR 740,566.93 (previous year: EUR 1,290,432.63).

Inventories

As at 31 December 2023, gas (dry gas) with a value of EUR 376,307,311.61 was stored in rented storage facilities (previous year: EUR 579,699,140.23). Wet gas with a value of EUR 847,882.65 (previous year: EUR 348,064.43) is also recognized in inventories.



Receivables and other assets

	31.12.2023 EUR	31.12.2022 EUR
Receivables from goods and services	137,153,330.47	259,325,721.46
of which with a remaining term of more than 1 year	0.00	0.00
Receivables from affiliated companies	189,970,434.58	403,718,037.02
of which with a remaining term of more than 1 year	0.00	0.00
Other assets	111,195,558.24	135,187,839.69
of which with a remaining term of more than 1 year	0.00	0.00
	<u>438,319,323.29</u>	<u>798,231,598.17</u>

Trade receivables in financial year 2023 mainly include receivables from trading partners for the December 2023 delivery period.

	31.12.2023 EUR	31.12.2022 EUR
ORLEN S.A. , Plock, Poland	166,134,989.28	394,802,009.30
PST Europe Sales GmbH in liquidation, Munich	1,814,593.81	3,390,538.50
LOTOS Exploration and Production Norge AS, Stavanger, Norway	0.00	2,880,762.47
PST LNG Trading Ltd, London, Great Britain	22,020,851.49	0.00
PST LNG Shipping Ltd, London, Great Britain	0.00	2,638,726.75
XOOL GmbH in liquidation, Munich	0.00	6,000.00
	<u>189,970,434.58</u>	<u>403,718,037.02</u>



The receivables from the shareholder ORLEN result from delivery and service transactions. As at 31 December 2023, there were no receivables from LOTOS Exploration and Production Norge AS; the previous year's receivables related in full to goods and services. The receivable from PST Europe Sales GmbH i.L. consists of a loan in the amount of EUR 1,814,593.81 (previous year: EUR 3,378,534.00); there were no trade receivables as at the balance sheet date (previous year: EUR 12,004.50). Trade receivables from XOOD GmbH i.L. are recognized in the amount of EUR 0.00 (previous year: EUR 6,000.00). The receivable from PST LNG Trading Ltd. and the receivable from PST LNG Shipping Ltd. in the previous year resulted from delivery and service transactions.

In addition to collateral paid, other assets include margin payments ("initial and variation margin") for gas and electricity futures for delivery periods after 31 December 2023 totaling EUR 69,800,736.67 (previous year: EUR 96,705,901.81).

Cash on hand and bank balances

Cash and cash equivalents consist of bank balances, which are subject to restrictions on disposal in the amount of EUR 776,900.00, unchanged from the previous year.

Prepaid expenses and deferred charges

Prepaid expenses mainly comprise the expense from the cascading of gas and electricity futures (with delivery commencing on or after 1 January 2024). The cascading effect is recognized net under this deferred item, regardless of whether it is a future physical delivery or a financial close-out.



Subscribed capital

The subscribed capital of EUR 10,000,000.00 is held in full by the sole shareholder ORLEN S.A., Płock, Poland.

Tax provisions

The tax provisions recognized relate to the 2023 and 2022 financial years.

Other provisions

The other provisions were mainly recognized for outstanding invoices (in particular for missing invoices for gas deliveries), for bonus and holiday obligations from the personnel area and also for the costs of preparing and auditing the annual financial statements as well as for the preparation of tax returns. In the previous year, the main component of the total provisions was an outstanding invoice for an LNG delivery at the end of 2022 in the amount of EUR 95,145,364.54.

No more provisions for onerous contracts had to be recognized for the Warsaw branch in the financial year (previous year: EUR 1,004,445.55). A provision for impending losses of EUR 3,156.00 (previous year: EUR 0.00) had to be recognized for the trading business in Germany.



Liabilities

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

	Total Amount EUR	Remaining term up to 1 year EUR
Liabilities to banks (previous year)	49,720,880.38 (84,017.58)	49,720,880.38 (84,017.58)
Advance payments received on orders (previous year)	375,739,639.61 (493,662,910.96)	375,739,639.61 (493,662,910.96)
Liabilities from deliveries and services (previous year)	133,741,864.68 (439,177,550.64)	133,741,864.68 (439,177,550.64)
Liabilities to affiliated companies (previous year)	239,434,451.30 (551,608,673.19)	239,434,451.30 (551,608,673.19)
Other liabilities (previous year)	25,090,495.25 (6,499,689.38)	25,090,495.25 (6,499,689.38)
	823,727,331.22 (1,491,032,841.75)	823,727,331.22 (1,491,032,841.75)

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 119,471,481.81 (previous year: EUR 349,483,528.19) to the sister company PGNiG Upstream Norway SA, Stavanger, Norway. In addition to trade payables of EUR 19,610,166.48 (previous year: EUR 70,660,115.28), there were no liabilities to the sole shareholder ORLEN S.A., Plock, Poland, from the utilization of the shareholder loan including interest (previous year: EUR 10,000,250.23). Furthermore, this includes a liability from a cash pool between the sole shareholder and the branch in Warsaw and, since 2023, now also for the company's headquarters in the amount of EUR 84,411,020.33 (previous year: EUR 66,663,189.82). Due to the existing profit and loss transfer agreement, liabilities from the loss absorption of PST ES i.L. in the amount of EUR 740,566.93 (previous year: EUR 1,306,219.43) are also recognized.



In addition to security deposits in the form of margin obligations for gas and electricity futures for delivery periods after 31 December 2023 totaling EUR 14,420,933.52 (previous year: EUR 6,090,243.79), other liabilities include VAT liabilities totaling EUR 9,893,948.37 (previous year: EUR 242,994.14).

Deferred income mainly includes the effect from the cascading of gas and electricity futures (with delivery commencing from 1 January 2024). The cascading effect is recognized net under this deferred item, regardless of whether it is a future physical delivery or a financial close-out.

Deferred taxes

The deferred tax liabilities result from the following circumstances:

	31.12.2023 EUR	31.12.2022 EUR
Deferred taxes on inventories	7,288,677.01	0.00
Deferred taxes from local differences of the permanent establishment in London	0,00	1,946.95
	7,288,677.01	1,946.95

Contingent liabilities

Contingent liabilities from warranty agreements

As at the balance sheet date, there were contingent liabilities from warranties totaling a maximum of EUR 2,000 million at and USD 1,600 million at towards the sole shareholder ORLEN S.A.. Guarantee agreements were concluded for the various business areas of the Group against the background that the sole shareholder has issued payment guarantees to external suppliers of PGNiG Supply & Trading GmbH in order to hedge the risk of payment 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 agreement under the warranty agreement is subject to the condition subsequent that the receivable to be secured is settled by the external suppliers or the term of the respective guarantee ends.

As at the balance sheet date, the company had outstanding liabilities to external suppliers and therefore payment guarantees from the parent company totaling EUR 133.7 million,



so that the same amount could be utilized as at the balance sheet date. As the company has sufficient cash and cash equivalents and fulfils its payment obligations, the parent company's warranty obligation is not expected to be utilized by external suppliers and therefore the parent company's warranty obligation is not expected to be utilized. The risk is categorized as 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 at the reporting date.

Other financial obligations

As at 31 December 2023, other financial obligations were as follows

2024 EUR	2025 EUR	2026-2027 EUR	Total EUR
689,160,660.10	145,761,856.07	16,045,082.52	850,967,598.69

Following the spin-off of the operating business of the LNG branch to the LNG subsidiaries, the other financial obligations again mainly relate to pending gas and electricity forward transactions (procurement) with third parties in the amount of EUR 850,023,120.40.

However, this also includes pending purchases from the Norwegian sister company in the amount of EUR 7,290,552.36.



Notes to the income statement

Sales revenue

The main reason for the significant drop in sales is the easing of the situation on the energy markets, which was able to overcome the uncertainties caused by the war in Ukraine and the disruption/stop in the supply of Russian gas in 2022 in 2023. In addition, there was the effect of the spin-off of the LNG business of the operating facility in London to the LNG subsidiaries. This is also reflected in the development of sales revenue in the respective operating units. Revenue at the Warsaw site fell by 35.8 per cent compared to 2022, while revenue at the headquarters fell by 58.2 per cent and revenue at the London site fell by as much as 87.8 per cent due to the one-off effect. Contrary to the pure price effect, the trading volume rose from 127 TWh in 2022 to 135 TWh.

The regional breakdown of sales is as follows:

	within Germany	outside Germany	Total
	EUR	EUR	EUR
Sales revenue	3,000,122,499.50	3,338,660,672, 07	6,338,783,171.57
<i>(previous year)</i>	<i>(2,990,040,390.01)</i>	<i>(14,618,067,986.04)</i>	<i>(17,608,108,376.05)</i>

The breakdown of trading revenue by commodity is as follows:

	Gas	Electricity	Crude oil	Total
	EUR	EUR	EUR	EUR
Sales revenue	6,162,741,032.26	176,016,796.99	25,342.32	6,338,783,171.57
<i>(previous year)</i>	<i>(17,425,930,273.76)</i>	<i>(182,178,102.29)</i>	<i>(0.00)</i>	<i>(17,608,108,376.05)</i>

Cost of materials

The cost of materials item includes the cost of raw materials, consumables and supplies as well as all purchased services. As with revenue, the majority of this is attributable to gas procurement costs. The reduction compared to the previous year corresponds to the decline in sales and is primarily the result of the easing on the energy markets in the 2023 financial year. The slight increase in the procurement volume was able to dampen the decline somewhat.



Depreciation and amortization

Scheduled depreciation and amortization was only carried out on tangible and intangible fixed assets.

Other operating income and other operating expenses

Other operating income mainly includes income from currency translation, which totalled EUR 9,865,733.12 in the reporting year (previous year: EUR 47,161,579.97). This significant decline is the result of the lower price level and the associated decrease in currency translation effects in conjunction with the lower proportion of foreign currency transactions in connection with the spin-off of the LNG business to the LNG subsidiaries

Other operating expenses include expenses from currency translation totaling EUR 8,283,461.32 (previous year: EUR 49,456,488.61). Other operating expenses also include expenses for external services, consulting costs and expenses for the company's infrastructure. The decrease in the reported costs is also mainly due to the significant fall in currency translation costs, which, in addition to the price effect, is primarily attributable to the significantly lower LNG business volume.

Other interest and similar income

Other interest and similar income in the amount of EUR 1,908,899.91 (previous year: EUR 588,024.46) includes interest of EUR 114,593.81 (previous year: EUR 0.00) 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 3,067,295.61 (previous year: EUR 5,040,177.37) and interest expenses (including cash pooling to the parent company totaling EUR 5,021,538.87 (previous year: EUR 4,824,362.41)). The decrease in interest expenses is mainly due to lower financing requirements as a result of lower commodity costs.



Taxes on income and earnings

Taxes on income result from the recognition of tax provisions and current tax payments totaling EUR 8,668,032.11 (previous year: EUR 16,529,836.39). In addition, an expense for deferred taxes totaling EUR 7,288,801.48 (previous year: expense of EUR 384,925.07) is reported, which mainly results from the recognition of deferred tax liabilities. The future application of the Minimum Tax Act (MinStG) is not expected to have any impact on the company.

Other information

Major transactions with affiliated or associated companies in accordance with Section 6b (2) EnWG

In the financial year, the company sold 103,667 GWh of natural gas (pipeline gas and LNG gas) to its parent company ORLEN S.A., Płock, Poland, generating revenue (including capacities) of around EUR 3,819 million.

On behalf of PGNiG Upstream Norway SA, the company marketed the shares attributable to the sister company in the gas volumes produced in several Norwegian gas fields with a total volume of 33,031 GWh (EUR 1,368 million).

As part of the settlement of the remaining operating LNG business, PST generated income from sub-chartering to the subsidiary PST LNG Trading Ltd. in the amount of EUR 14.3 million, which was offset by charter costs to PST LNG Shipping Ltd. in the amount of EUR 16.9 million.

There was a revolving loan between PST and ORLEN with a term until 31 December 2023. The loan was no longer utilized as at 31 December 2023. Instead, the company has had access to a EUR cash pool agreement with ORLEN for its trading activities in Germany since the 2023 financial year. In addition, reciprocal loan agreements have been concluded within the PST Group for the purpose of cash pooling. PST Europe Sales GmbH in liquidation utilized a shareholder loan in the amount of EUR 1.8 million in 2023. For settlement with the clearing bank in Poland, the Warsaw branch is included in a PLN cash pool agreement with ORLEN.

Activity report in accordance with Section 6b (3) EnWG

In the 2023 financial year, 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

When valuing pending procurement and sales transactions, the company deviates from the individual valuation principle in accordance with IDW RS ÖFA 3 and summarises the transactions in contract portfolios for gas, electricity and crude oil. The transactions offset each other in terms of volume and are subject to similar risks in terms of both substance and timing. The countervailing nature of the transactions balances out the risks. The contract portfolios are in line with the company's internal risk management. Risk management, including contribution margin accounting, is a key component of this. Impending losses and expected profits are recognized for each contract portfolio as at the balance sheet date and, in the event of a surplus of obligations, a provision for impending losses is recognized in accordance with Section 249 (1) sentence 1 HGB. As at 31 December 2023, impending losses amounted to EUR 3 thousand (previous year: EUR 0 thousand). The formation of the contract portfolios (volume: 11.0 TWh, previous year: 10.2 TWh) hedges the company's risks from individual consideration in the amount of EUR 206,305 thousand.

Management

The Managing Directors of PGNiG Supply & Trading GmbH in the 2023 financial year were

- Robert Śleszyński , graduate of Warsaw University of Technology; Executive Director at ORLEN, manager in the energy sector
- Grzegorz Markiewicz, graduate of Szczecin University, Executive Director at ORLEN, manager in the energy sector (until 7 August 2023)

Mr. Grzegorz Markiewicz is (or Mr. Robert Śleszyński was) exempt from the restrictions of Section 181 Alt. 2 BGB (German Civil Code).

Supervisory Board

Members of the Supervisory Board of PGNiG Supply & Trading GmbH in the 2023 financial year were

- Jacek Polańczyk (Member and Chairman), Marketing Manager, Member of the Management Board of a Polish bank
- Małgorzata Raczynska-Weinsberg (until 25 October 2023), Journalist
- Józef Wierzbowski, Lawyer
- Marcin Gawroński, Manager in the energy sector, board member at a Polish district heating company
- Joanna Zakrzewska, Manager in the media sector
- Urszula Kowalczyk, Manager for corporate law matters
- Radosław Kwaśnicki, Attorney-at-law



The Supervisory Board has a purely advisory function.

Remuneration of active board members

The Management Board was granted remuneration totaling EUR 47,872.00.

The members of the Supervisory Board received remuneration totaling EUR 106,050.48 (previous year: EUR 78,063.94) for their activities in the financial year.

Employees

In the financial year from 1 January 2023 to 31 December 2023, the average number of employees was 47 (previous year: 53). The breakdown of employees is as follows

- Employees: 41
- Senior executives: 6

Group relationships

The annual financial statements are included in the consolidated financial statements of ORLEN S.A. (ORLEN), Płock, Poland (largest and smallest scope of consolidation). These are available at the registered office of the parent company and can be accessed via the Polish company register using the number of the National Court Register (KRS number) 0000028860. The operating business of PST Europe Sales GmbH in liquidation and XOOD GmbH in liquidation was discontinued with the sale of the respective customer portfolios in 2020. The companies have been in liquidation since 1 January 2022. A consolidated VAT group still exists with both companies, while the previous consolidated income tax group was automatically terminated with the sale of the main business basis. The profit and loss transfer agreement with PST Europe Sales GmbH in liquidation still existed under commercial law in the 2023 financial year. The subsidiary PGNIG Supply & Trading Polska Sp. z o.o., Warsaw, Poland, which was founded in the 2022 financial year, was not operational in 2023: PST LNG Trading Ltd, London, United Kingdom, and PST LNG Shipping Ltd. in London, United Kingdom, took over the operating business in the 2023 financial year as part of a spin-off of the London branch and have been operating since then.

The company does not prepare a consolidated financial statements and a Group management report in accordance with Section 290 HGB as it makes use of the exemption option under Section 291 (1) HGB.

In the previous year, the company was exempt from preparing consolidated financial statements in accordance with Section 290 (5) HGB.



Auditor's fee

The total fee of EUR 185,000.00 charged by the auditor for the 2023 financial year relates in full to the audit of the financial statements.

Transactions with related parties

There are no transactions with related parties at non-standard market conditions.

Supplementary report

There were no significant events after the end of the financial year that would have had to be recognized in the balance sheet.

Appropriation of earnings

The management proposes that the net retained profits of EUR 93,020,068.15, consisting of the net profit for 2023 of EUR 32,133,964.39 and the profit carried forward of EUR 60,886,103.76, be carried forward to new account.

Munich, 28. March 2024

Robert Śleszyński

PGNiG Supply & Trading GmbH, Munich

Development of fixed assets in the 2023 financial year

	Acquisition and manufacturing costs				Accumulated depreciation				Book value	
	1/1/2023 EUR	Additions EUR	Disposals EUR	12/31/2023 EUR	1/1/2023 EUR	Additions EUR	Disposals EUR	12/31/2023 EUR	12/31/2023 EUR	12/31/2022 EUR
I. Intangible assets										
Acquired concessions, industrial property and similar rights and assets as well as licences in such rights and assets	5,527,468.02	121,615.91	1,504,221.97	4,144,861.96	2,810,735.96	453,452.82	60,993.82	3,203,194.96	941,667.00	2,716,732.06
II. Tangible assets										
Other equipment, factory and office equipment	1,273,697.13	154,499.50	48,927.07	1,379,269.56	1,105,200.23	108,423.64	15,249.08	1,198,374.79	180,894.77	168,496.90
III. Financial assets										
Shares in affiliated companies	1,022,743.69	57,237,253.75	0.00	58,259,997.44	701,078.34	0.00	0.00	701,078.34	57,558,919.10	321,665.35
	7,823,908.84	57,513,369.16	1,553,149.04	63,784,128.96	4,617,014.53	561,876.46	76,242.90	5,102,648.09	58,681,480.87	3,206,894.31



**Management Report
PGNiG Supply & Trading GmbH, Munich
For business year 2023**

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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

Orlen S.A. is a sole shareholder of the Company. Orlen S.A. (“Orlen”) holds all 100 shares in Company’s equity. 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. Equity investments of the company

PST holds the shares in the following companies

Name	Headquarter	Registered capital	PST’s share
PST LNG Trading Ltd.	London	50,000,000 £	100%
PST LNG Shipping Ltd.	London	5,000 £	100%
PGNiG Supply & Trading Polska Sp. z o.o.	Warsaw	50,000 zł	99%
PST Europe Sales GmbH in liquidation	Munich	1,000,000 €	100%
XOOL GmbH in liquidation*	Munich	500,000 €	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. Composition of the Management Board and the Supervisory Board

Management Board

Mr. Robert Śleszyński was the only member of PST's Management Board as of 31 December 2023.

During the financial year, Mr. Grzegorz Markiewicz was recalled as Managing Director (till 7 August 2023).

Supervisory Board

The members of the Supervisory Board of PST as of 31 December 2023 were

Mr. Jacek Polańczyk - Chairman 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

Mrs. Małgorzata Raczyńska-Weinsberg filled her resignation as of 25th October 2023.

The Supervisory Board has a purely advisory function.



5. The most important activities 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 and markets the natural gas produced by the Norwegian sister company PGNiG Upstream Norway AS, Stavanger, Norway (hereinafter referred to as "PUN"), on the Norwegian Continental Shelf (hereinafter referred to as "NCS") at the European gas hubs.

In 2023, PST focused on expanding its activities as a gas buyer on the NCS and the Danish Continental Shelf (hereinafter "DCS") and became an important market participant in the Danish gas market. With the opening of the new pipeline ("Baltic Pipe") in December 2022 connecting Denmark and Poland, PST procured gas from Norway, Germany and directly in Denmark to deliver the gas to the ORLEN group at the Danish gas hub, from where the gas was routed directly to Poland.

At the same time, activities in the Central/Eastern European markets (hereinafter referred to as "CEE") were further expanded and the position in these regions strengthened. As the procurement arm of the group, PST delivered from almost all neighbouring markets gas to Poland including purchases from Ukraine to ensure and increase security and diversity of supply.

Market access for third parties and trade with electricity, gas and oil contracts on its own account is a further part of the wholesale business. Furthermore, PST traded gas in the Slovakian storage facility.



Business division LNG

PST established a branch in London in 2016 to start its LNG trading operations. Alongside Singapore London is one of the two trading centres for the global LNG trade.

In year 2023 all operations of the branch have been transferred to subsidiaries of PST, PST LNG Trading Ltd. and PST LNG Shipping Ltd. , both based in London, UK.

In the financial year, the branch still carried out 9 LNG deliveries to the terminal in Świnoujście, Poland, and 2 LNG deliveries to the terminal in Klaipeda, Lithuania, which have been contracted already in 2022. Following the transfer of operations to its subsidiaries, PST intends to discontinue its London Branch in 2024.

In order to implement the long-term Orlen's LNG contracts for FOB supplies, PST has concluded 8 long-term charter contracts for LNG tankers that can transport the contractually agreed LNG volumes. Four out of eight vessels. 4 of the 8 ships have been already delivered and were in operations as of end of 2023.

In order to benefit more from value creation along the LNG supply chain, PST has also contracted regasification capacity at the Montoir LNG terminal in France, comprising 10 slots in 2023 and 15 slots per year 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 ORLEN S.A. and PGNiG S.A. and gas crisis related to the war in Ukraine decision has been made that this division will not actively expand its' operations and will focus on servicing existing customers' portfolio. As of end of 2023 branch serviced only two contracts in Poland, which will be taken over by PST upon branch liquidation in early 2024.

In the financial year, the company had another non-operating branch in Prague, Czech Republic.



II. Operations overview and financial position of the company

1. Key developments influencing Company's performance

As a trading company operating on the European energy markets and world-wide LNG market, PST is affected by global trends and developments taking place in global economy. Key energy markets impacting PST's operations are European natural gas market, global LNG market and power market in Europe.

1.1. Macroeconomic environment

The global growth in 2023 is predicted by International Monetary Fund (IMF) at 3.1% (previous year: 3.5%). In contrast, the global inflation rate reduced from 8.7% to 6.8%, reflecting the tighter monetary and fiscal policy in all major economies. Eurozone, which has been highly affected by energy crisis related to Russian invasion of Ukraine, reduction of public funds to counterbalance Covid-19 pandemic impact on economy and increased interest rates reduced its growth of GDP from 3.4% to modest 0.5%. Germany, the largest economy in Eurozone faced the reduction of its GDP by 0.3% compared to 1.8% in 2022¹. As a result of restrictive monetary policy, the average inflation rate in the eurozone fell to 6.4% in 2023 compared to 9.2% in 2022. In Germany, the inflation rate fell from 8.7% to 6.0%². The generally weak economic development in Eurozone economy and in Germany led to a decline in demand for energy, in addition to other factors such as the high gas and electricity prices for end customers, which are still high in some cases.

1.2. Overview of the energy markets

Natural gas market Europe

The year 2023 has been characterized by strong price corrections for the European commodity markets, especially for the European gas and power market. Europe managed well through the winter due to the newly introduced European storage regulation and thanks to mild temperatures. A downturn in the European economy, strong LNG inflows to Europe including Germany and high renewable wind and solar add-ons has helped Europe cope with the suspension of Russian gas supplies.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

² <https://www.destatis.de/Europa/DE/Thema/Wirtschaft-Finzen/Inflation.html>



After the extreme price increase in 2022, the price correction continued this year as concerns about supply declined. As a result, risk premiums decreased and prices reached pre-crisis levels at the end of the year. One reason for this was the high storage levels of 55% at the end of the winter season, which further reassured market participants.

Various global crises - from a sharp increase in inflation, resulting in a high interest rate environment, the conflict in the Middle East and the severe climate change resulting in record high temperatures and water shortages - caused prices to spike in the short term, but the overall trend was clearly downwards as gas consumption fell by 13.5 % in 2023 and 19 % compared to the average of the 27 EU member states for 2019-21³. The decline in consumption was mainly due to a mild winter, a weak economy and significantly lower power generation by gas-fired power plants.

Gas prices trended in the first quarter of the year downward with spot prices in the German market hub THE receding from a level of 70 €/MWh at the beginning of the year to finish below 50 €/MWh in the winter season 2023. The downward trend continued throughout the summer, with prices at THE reaching €35/MWh at the end of June and bottoming out at €24/MWh in July before recovering to €50/MWh ahead of the upcoming winter season. While the start of the 2024 winter season (Q4 2023 to Q1 2024) was characterized by low prices, an impending cold snap and the crisis in the Middle East led to a sharp increase in prices, which rose to €55/MWh on the spot market. However, this upturn was short-lived and prices in THE fell back to €30/MWh in February 2024.

A similar pattern could be observed in the forward market, where the leading year-ahead index, the Dutch TTF Cal 24-index, started into the year at a similar level of 80 €/MWh to fall towards the end of the winter season at 55 €/MWh. Prices followed the trend of the short term market and bottomed out in the low 40 €/MWh region in the beginning of June, to trade the remaining summer in a narrow range of 48 – 58 €/MWh. Towards the end of the year the bearish market sentiment pushed the contract further down to end the year at 34 €/MWh.

Price Development:

THE Spot: high 72.00 €/MWh (09. Jan) / low € 23.55 €/MWh (01. June) / average 41.095 €/MWh

Dutch TTF Cal 24: high 77.58 €/MWh (02. Jan) / low 33.95 €/MWh (19. Dec) / average 52.13 €/MWh

³ <https://www.bruegel.org/analysis/european-union-ready-2023-24-winter-gas-season>



Power market Europe

In the power market, a similar price development as in the gas market was observed in 2023. Both German baseload contracts - Spot and Calendar 2024 (Cal 24) – started the year on high levels, with the Cal 24 opening above 200 €/MWh. Spot prices peaked in the second half of January trading briefly above 200 €/MWh. As in the gas market, the prices lost value throughout the year as the market gained confidence and the risk premiums reduced significantly in the prices. This was also supported by a strong growth of new renewable capacity added to the European power generation system:

- A whopping 56 GW of solar capacity was installed in Europe in 2023, 40 percent more than in 2022. In particular, Germany installed an additional 14.1 GW, followed by Spain (8.2 GW), Italy (4.8 GW), Poland (4.6 GW), and the Netherlands (4.1 GW). The total EU solar photovoltaic (PV) fleet now amounts to 263 GW, up 27 percent from 207 GW in 2022. Germany continues to be the largest PV capacity holder with 82 GW, ahead of Spain (36 GW) and Italy (29.5 GW).⁴
- The EU added approx. 17 GW of wind capacity, notably in Northern Europe: 3.2 GW in Germany, 2.7 GW in the Netherlands, 2.5 GW in Sweden, and 1.5 GW in Poland. The increase in wind generation was particularly strong during the second half of 2023. Wind generation in many European countries peaked to record levels in December 2023, reaching 53.2 TWh, up 34.3 percent year-on-year.⁵

Spot prices in Germany moved back into negative price regions at the beginning of July at – 50 €/MWh. The average German spot price in 2023 95 €/MWh.

The German forward contract Cal 24 lost already by the end of the winter ¼ of its value to break through the 100 €/MWh in early December, basically halving its value and finishing at 96 €/MWh.

Price development:

Spot: high 202.73 €/MWh (22. Jan) / low -53.87 €/MWh (01.July) / average 95.18 €/MWh

Cal 24: high 214.27 €/MWh (02. Jan) / low 86.62 €/MWh (19. Dec) / average 137.51 €/MWh

⁴ <https://www.erneuerbareenergien.de/technologie/solar/europaeischer-photovoltaikmarkt-auf-56-gigawatt-gewachsen>

⁵ <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/electric-power/011224-eu-adds-record-17-gw-of-new-wind-power-capacity-in-2023>



LNG commodity market⁶

In 2023 limited new LNG supply came to market compared to previous years. Global LNG gross supply grew by only 1.7% year-on-year in 2023 to reach a new all-time high of 405 Mtpa (vs 398 Mtpa in 2022 and 379 Mtpa in 2021). Despite the limited number of newly commissioned projects, some additional supply came from existing projects achieving higher utilization rates compared to 2022. Incremental new supply came from Mozambique FLNG (+3.4 Mtpa nameplate) and debottlenecking of Oman LNG (+0.3 Mtpa). Global gas prices were sensitive to supply side risk throughout 2023 and saw an upwards movement during strikes at Australian liquefaction facilities and also extended outages in the Norwegian Continental Shelf during summer months, however these impacts to price were relatively short-lived.

After a record year in 2022, European LNG demand stabilized in 2023 at approximately 123 Mtpa (vs 125 Mtpa in 2022 and 77 Mtpa in 2021). The bottlenecks in LNG import capacity in 2022 were significantly reduced by the commissioning of several new FSRU projects across Europe, which will create new regasification capacity of up to 27.1 Mtpa once fully operational. In addition, the terminals in Italy (Adria and Toscana) were expanded by 1.4 Mtpa in total and a mothballed terminal in Spain (Mussel) was re-commissioned adding 5.1 Mtpa to Europe existing regasification facilities.

Asian LNG supply stagnated at around 166 Mtpa in 2023 (compared to 167 Mtpa in 2022 and 162 Mtpa in 2021), albeit with some changes in flows within the Pacific Basin. Demand from South Korea and Japan decreased by -2 Mtpa and -6 Mtpa respectively. The declines were offset by increased demand from China and Thailand, which rose by +7 Mtpa and +3 Mtpa respectively.

Increased activity was also observed in India, where LNG demand rose from around 20 Mtpa to 22 Mtpa, but did not reach the record levels of 2020 and 2021.

⁶ S&P Global Commodity Insight from January resp. February 2024



1.3. Company's operations overview

The main issues for the energy market in 2023 were security of supply and the security of the energy infrastructure.

High storage levels, warm winter weather and sluggish economic indicators dampened the markets, leading to significant price corrections on the wholesale energy market. The high premiums resulting from uncertainty about supply in 2022 began to plummet at the beginning of the year, only to fall further by the end of the year.

Again a close monitoring of the credit exposures with trading partners was important as now the issue was a potential payment failure risk resulting from purchases in 2022 with deliveries in 2023, as prices were significantly lower at that time. From a trading perspective, the lower prices helped to increase liquidity on the futures market. The focus of trading remained on short to midterm trading products with more direct trading between counterparties being concluded in comparison to 2022 where cleared transactions via the exchanges have been closed.

Germany maintained its position as the most important price market for liquefied natural gas hubs by trading at a premium to the Netherlands, the UK and France, attracting gas from LNG suppliers and via the pipeline system from Norway.

PST actively traded gas on all markets around Poland and beyond. The main focus was on securing supplies to Poland via various routes at competitive prices. When Germany introduced a storage levy, exports from Germany to Poland became the least attractive, while PST's procurement in Denmark, the Baltic States and the Central and Eastern European region increased significantly. This broad positioning was the key to success in procuring gas from various markets and contract partners at competitive prices.



Overview of total energy volumes traded :

		2023 in GWh	2022 in GWh
Gas	Pipeline	123,025.7	126,477.8
	LNG*	10,842.5	46,604.8
Power		1,268.6	701.8
Oil		0.0	0.0

*The LNG activities were transferred to independent subsidiaries in 2023.

Developments in the Trading business division

PST continued to develop its natural gas business in 2023. Among other things, PST was able to secure additional volumes through its Norwegian upstream sister company PUN and from other producers in the NCS and adding another independent producer to its supplier portfolio.

In addition, PST expanded its supplier portfolio mainly in the CEE and Baltic Sea regions, in order to gain access to diversify its procurement and trading activities. PST's focus markets are Germany, the Netherlands, the United Kingdom, Denmark and the CEE region.

PST has become especially active on the Danish market by placing volumes from its upstream portfolio and sourcing additional volumes for ORLEN as required. PST continues its growth and strengthens its position in Northern Europe and on the Danish wholesale gas market.

Activities also focussed on expanding business in the Baltic region, where PST became an important trading partner with GET Baltic and other local counterparts. In the CEE region, PST stepped up its activities in Slovakia and concluded its first procurements on the Ukrainian gas market in order to expand its supply options for the ORLEN gas portfolio. With these new markets, PST has established a solid and future-oriented foothold in the region, thereby ensuring the ORLEN Group's security of supply.

The overall lower liquidity in the wholesale market affected PST's proprietary trading business resulting in a reduction in speculatively traded natural gas and power volumes. However, PST was able to secure high margins through its flow trading and origination business in the CEE region.



The strong trading performance was driven by capacity optimization of NCS upstream production , a strong performance of the origination team in CEE and providing market access to smaller German utilities.

EBIT (main performance indicator for PST) amounted to 44.2 Mio EUR in 2023 compared to 12.9 Mio. EUR in 2022 with sales revenue of EUR 5,296.6 million (previous year: EUR 12,653.7 million).

Developments in the LNG trading division

Acknowledging the scale and complexity of current and planned LNG operations all activities have been transferred from the branch into subsidiaries as more adequate legal form to conduct large scale business. Branch continued deliveries contracted in year 2022 and the short-term charter contracts expiring in 2023. All assets, contracts and activities have been effectively transferred to PST LNG Trading Ltd. and PST LNG Shipping Ltd. It is intended to liquidate the branch in 2024. In total, PST (only via the branch) realized 11 LNG deliveries in 2023 compared to 46 in the previous year.

The EBIT generated totaled EUR 16.9 million compared to EUR 87.4 million in the previous year with sales revenue of EUR 630.4 million (previous year: EUR 5,326.0 million).

Development of the Poland division

Following the decision made in 2022 branch in Poland only continued the deliveries to the existing customers not making any efforts to expand its operations or acquire new customers. Following the expiry of the majority of contracts only limited operations were still carried out by the branch as of end of 2023. Branch kept delivering its customers interested in VTP Poland deliveries and SSLNG deliveries. These activities are intended to be transferred early 2024 to headquarter upon planned branch liquidation.

During 2023 PST delivered 5.43 TWh gas to Polish customers compared to 6.36 TWh previous year and generated EBIT of -0.3 Mio EUR in 2023 compared to -0.9 Mio EUR EBIT in 2022 , with revenue of EUR 415.3 million (previous year: EUR 627.1 million).



Liquidation of retail companies

In 2020, PST sold the retail segment, which consisted of two PST subsidiaries - PST Europe Sales GmbH (hereinafter also referred to as "PSTES") and XOOOL GmbH ("XOOOL"). On 1 September 2020, the nationwide energy supplier lekker Energie GmbH took over the approximately 40,000 electricity and natural gas customers of PST Europe Sales GmbH and XOOOL GmbH. In November 2021, the management decided to initiate the liquidation of both companies as of 31 December 2021.

The liquidation process for both companies continued in 2023. The annual blocking period for the registration of creditors expired on 24 January 2023 and 18 February 2023 for PSTES and XOOOL respectively.

Once the annual financial statements for 2023 have been finalised and the respective tax returns have been submitted, the final steps will be taken to deregister both companies, i.e. to obtain the declaration of no objection from the respective tax authorities.

Personnel

The PST Group had a total of 61 employees at the end of 2023, which corresponds to an increase of 8 employees over the course of the year; the company's workforce totaled 48 employees, with 13 employees working at PST LNG Trading. The company has qualified employees and endeavors to retain them. Diversity in the workforce has been an important goal since the company was founded. The international nature of the company is not only a result of the area of activity, but also of the international composition of the company's workforce. The company's employees (24 women/37 men) come from 11 different countries. Most of them are professionals with higher education and the relevant experience required in the energy sector.



2. Forecast report

2.1. General macroeconomic outlook

The general outlook for global growth is still below the pre-pandemic average (2000-19) of 3.8% and is estimated by the IMF at 3.1% and 3.2% in 2024 and 2025 respectively. Global inflation is expected to fall to 5.8% in 2024 and 4.4% in 2025. According to the IMF *“with disinflation and steady growth, the likelihood of a hard landing has reduced, and risks to global growth are broadly balanced”*⁷. In the eurozone, growth is expected to reach 0.9% in 2024 and 1.7% in 2025 due to the ECB's increased interest rate policy to combat inflation, the withdrawal of fiscal support and still high energy prices, while the German economy is expected to be slightly lower at 0.5% in 2024 and 1.6% in 2025. The positive development is the further expected reduction of inflation rate in Eurozone to 2.7% in 2024 and 2.2% in 2025⁸. The inflation outlook for Germany is similar and is estimated at 2.8% and 2.4%⁹. One of the key elements impacting the projected decline in inflation rates in Eurozone and Germany is the current and expected fall in energy prices.

⁷ <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

⁸ https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/winter-2024-economic-forecast-delayed-rebound-growth-amid-faster-easing-inflation_en

⁹ https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/germany/economic-forecast-germany_en



2.2. Outlook for the energy markets

Natural gas Europe¹⁰

At the end of 2023, the supply situation was significantly less strained than expected a year ago. 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 2024 is expected to end with a new significantly higher filling level than in previous years, leading to lower gas demand in the coming summer. Despite several global crises, the market is comfortable with the current supply situation and tends to focus on the effects of falling demand as a result of weak economic data.

The most important factors for the European natural gas market in 2024 will be:

- The development of the European economy - a modest recovery in economic activity is expected with Germany having almost no GDP growth after recession in 2023.
- Pipeline flows from Norway - Norway has become the main supplier to Europe and any problem with the infrastructure would severely affect the fragile balance between supply and demand
- Temperatures and filling level of continental gas storages - the winter was relatively mild, which led to high storage levels in Europe. This will keep demand for gas subdued in the coming summer.
- Remaining pipeline flows from Russia via Ukraine - it is unclear whether this route will be used after the current transit agreement expires in October 2024, which would lead to even lower gas supplies from the east.
- LNG inflows - additional regasification infrastructure in Europe will help to replace the lack of gas supplies from Russia. As a side effect, Europe is exposed to global gas price developments, as other markets and countries, including China, are dependent on LNG supplies, creating price competition for this source of supply.
- Vulnerability of the energy infrastructure - the explosion of the North Stream pipeline and the act of sabotage on the Baltic connector pipeline show the vulnerability of the pipeline gas system

The International Energy Agency (IEA) expects global gas demand to increase by 2.5% or 100 billion cubic metres (m³) by 2024.¹¹ According to its latest gas market report, geopolitical uncertainties are the biggest risk factor for the global gas markets in 2024. The Russian invasion of Ukraine, increasing tensions in the Middle East and concerns about deliberate interference in critical infrastructure such as pipelines could lead to further volatility.

¹⁰ See also the report of the Federal Network Agency https://www.bundesnetzagentur.de/DE/Gasversorgung/aktuelle_gasversorgung/start.html

¹¹ <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/012624-global-gas-demand-to-grow-by-25-in-2024-but-supply-still-tight-iea>



Power Market Europe

Electricity demand in the EU is forecast to increase by an average of 2.3 % between 2024 and 2026, with the entire increase in demand being covered by additional renewable energy sources. ¹²

In the last quarter of 2023, Europe's power producers generated more electricity from wind power than from coal for the first time, setting an important milestone for the regional energy transition. ¹³

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

- The development of the European economy - a modest recovery in economic activity is expected, with Germany having almost no GDP growth after recession in 2023
- The demand growth resulting from electric vehicles and heat pumps in Germany/Europe – new regulations with cutting subsidies can reduce expected demand growth
- Further development of the coal, EUA and gas prices – prices have retreated significantly from the highs seen in 2022
- Generation mix - the further expansion of electricity generation from renewable energies and their increasing share in the electricity mix.
- Nuclear power production in France - EDF estimates production at 315-345 TWh for 2024 and slightly higher at 335-365 TWh for 2025. ¹⁴

LNG market¹⁵

Four new terminals are expected to be commissioned in 2024, although they will not reach their nominal capacity by the end of 2024. New LNG supply capacity in 2024 is expected to come from Russia (Arctic LNG 2), Mexico (Fast LNG Altamira), Mauritania-Senegal (Greater Tortue LNG) and Canada (LNG Canada). Newly commissioned terminals are expected to increase global supply by around 5 Mtpa in 2024.

Global LNG gross supply is expected to increase moderately again in 2024 due to new projects and production from existing plants, by 2% year-on-year to around 413 Mtpa (compared to 405 Mtpa in 2023 and 398 Mtpa in 2022). The LNG market is currently preparing for higher growth, which is expected in 2025 and 2026, when the new liquefaction projects in the US and Qatar come on stream and increase the global supply balance by around 30 Mtpa per year.

¹² <https://www.iea.org/reports/electricity-2024/executive-summary>

¹³ See also <https://ember-climate.org/insights/research/european-electricity-review-2024/>

¹⁴ <https://www.spiegel.de/wirtschaft/energie/wirtschaft-edf-verdient-milliarden-mit-sanierten-atomkraftwerken-a-03191470-88d3-4a2b-977a-833ce5325dd8>

¹⁵ See also S&P Global Commodity Insights Global LNG Balance Report February 2024



European LNG demand is expected to decline in 2024 despite lower prices, due to both the mild winter of 2023/24 and the slow recovery in industrial gas demand following high prices and the weak macroeconomic outlook.

With falling gas prices at European hubs making them less attractive for the supply of LNG, some of the price-sensitive LNG demand is expected to return to the market. An increase in LNG demand is expected primarily in Thailand, where new gas-fired power plants are scheduled to come on stream in 2024, and in India, where the downstream sector is expected to switch from liquefied petroleum gas to the currently more competitive LNG.

On the other hand, based on current Japanese nuclear plants restart schedule, it is expected that Japan will continue reducing its dependence on LNG decreasing their activity on the SPOT market.

The biggest uncertainty is the Chinese market which increased activity in 2023 but not at the scale seen in 2021. Many Chinese buyers started looking for cost efficient opportunities, but general LNG demand fundamentals remain weak and exacerbated by macro-economic outlook, increased domestic production and robust pipeline imports from Russia.



2.3. Outlook for the company's business activities

Outlook for the Trading Business Division

Development of NCS and DCS

In 2023 PST successfully and sustainably developed its natural gas business. With the existing contracts and the agreements concluded in 2022 and 2023, PST has strengthened its position in Northern Europe and on the Danish wholesale gas market.

PST started its trading activities on the Danish virtual trading hub (GTF), mainly to procure gas for the ORLEN Group, which is transported from Denmark through the Baltic Sea to Poland via the Baltic Pipe.

The procurement of gas from Oersted in DCS is not expected to start until summer 2024, as production from the Tyra field in DCS is delayed.

The current portfolio of PST (including expected volumes from DCS Tyra field) consist of approx. 6 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.

The most important goals for 2024 are:

- Securing supply to Poland via Baltic Pipe
- Increasing the value of the gas portfolio by optimising gas flows based on the needs of the ORLEN portfolio to other markets in order to achieve the highest net return
- Maintaining the supplier portfolio
- Addition of further upstream contracts if this is economically viable

Origination development in the CEE region/Baltic States

PST is focussing on expanding its business in the Baltic region, where PST has become an important trading partner for GET Baltic and for local suppliers. In the Central and Eastern Europe (CEE) region, PST stepped up its activities in Slovakia and Hungary in particular. PST also purchased gas from Ukraine for the first time for deliveries to Orlen on the Ukrainian-Polish border. With these new markets, PST has established a solid and future-oriented foothold in the CEE region.

The most important goals for 2024 are:

- Security of supply through flexibility of supply direction and sources (Lithuania, Latvia, Estonia, Ukraine, Slovakia, Austria and Hungary)
- Access to Poland's neighbouring markets (Lithuania, Ukraine, Slovakia)
- Market information CEE region
- Crossborder optimization



- Location swaps / Storage agreements

Development of wholesale hub trading for optimization of the ORLEN Group's portfolio

As described above, PST continues to expand its gas trading presence at the European hubs by actively increasing its trading activities, expanding its counterparties' portfolio and expanding its operations to new hubs.

In 2023, PST started trading gas in Denmark and procured gas in Ukraine from different counterparties for deliveries to Poland to the commercial benefit of ORLEN's gas portfolio.

In the Baltic Sea region, PST concluded transactions in Lithuania via Get Baltic and directly with local counterparties. PST acted as buyer and seller on the market for the commercial benefit of the ORLEN group.

In Hungary, PST traded with counterparties and on the CEGEEX exchange and used the interconnectors to act according to ORLEN's portfolio requirements by taking advantage of market price differentials. In addition PST traded time spreads in the Slovakian storage to its own commercial benefit.

In 2024, the focus will continue to be on active trading in new markets in Europe (e.g. Italy, Finland), including the associated cross-border activities. In addition, the focus will be on the French market as the group's LNG activities could further increase by utilizing the regasification capacities at the Montoir terminal. PST's role will be to place the regasified gas at the French hub or to export the gas to neighboring countries in order to achieve the highest netback price for the group.

PST prepared for providing hedging to PST London to cover their price risk resulting from different purchase and sales formular in their LNG-contracts. For this, PST Munich concluded several ISDA-Agreements with various counterparties.

With the closure of the PST branch in Warsaw, the PST branch in Munich will actively assume commercial responsibility for the VTP Poland, as it is the trading company for the Orlen Group at this hub.

The main objectives of the development of PST's gas trading activities in other markets are:

- Creation of alternative hubs for off-taking LNG deliveries in Europe,
- Establishment of new supply routes for Poland's security of supply (e.g. via Italy or Greece),
- Increasing the value of the gas portfolio through cross-border optimization which benefits from price differences in the various markets.



Outlook for the gas and electricity trading division

Taking into account the planned developments in the division, the intention is to trade around 76.4 TWh on both the gas and power market in 2024 and to generate EBIT in the range of EUR 9.9-12.1 million. This planning is based on sales revenue of EUR 4,413.6 million to EUR 5,394.4 million.

Outlook for the LNG trading division

The LNG business will continue to be operated by two PST subsidiaries registered in London, UK - PST LNG Trading Limited and PST Shipping Limited. Also PST as organization has ambitious plans for the development of LNG trading. From 2024, the LNG business will no longer be part of PST's separate financial statements. Therefore information on planned performance of London subsidiaries is not being disclosed.

Outlook for the Warsaw business division

It is planned to continue the limited operation of the branch through the head office in Munich and to close the branch in Poland at the beginning of 2024.

The effects of the remaining activities in Poland will no longer be significant for the presentation of the company's net assets, financial position and results of operations. There is therefore no forecast for this division.

Outlook PST

The table below shows the forecast economic key performance indicators (revenues and EBIT) of PST in an expected range for the 2024 financial year:

		2024
Revenues	million EUR	4,413.6 - 5,394.4
Costs (netted against other income) *	million EUR	4,403.7 – 5,382.3
EBIT	million EUR	9.9 - 12.1

* Cost item for information purposes only



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

3.1. Assets and their financing sources as at 31 December 2023

	2023	2022
	MEUR	MEUR
ASSETS	965.02	1,727.83
Fixed assets	58.68	3.20
Current assets	884.57	1,712.82
Prepaid expenses	21.77	11.81
EQUITY AND LIABILITIES	965.02	1,727.83
Equity	98.79	69.04
Provisions	19.62	127.25
Liabilities	823.72	1,491.03
Deferred income	15.60	40.51
Deferred tax liability	7.29	0.00

Total assets fell by 44.2 % from EUR 1,727.83 million in 2022 to EUR 965.02 million. Current assets accounted for around 91.7% of total assets in 2023 (previous year: 99.1%). The value of current assets fell by EUR 828.25 million to EUR 884.57 million. The change is primarily due to the significant fall in energy prices compared to the previous year and the spin-off of the London branch's operating LNG business to the subsidiaries PST LNG Trading Limited and PST LNG Shipping Limited.

In line with current assets, liabilities also fell by EUR 667.31 million to EUR 823.72 in the 2023 financial year. The reason for this significant decline is the sharp drop in energy prices. Advance payments received fell by EUR 117.92 million, trade payables by EUR 305.44 million and liabilities to affiliated companies by EUR 312.17 million. The equity ratio rose from 4.0% (previous year) to 10.2% in the financial year. This is due to the significant reduction in total assets as a result of market prices and the results generated by the branches in London and Munich.

In addition to the bank credit lines available to the PST Group, the company can also draw on a cash pool with ORLEN for corporate financing. However, the revolving credit facility from ORLEN did not have to be utilized as at 31 December 2023 (previous year: EUR 10.00 million). In addition, ORLEN provides the necessary collateral for the Group's transactions and to secure bank loans in the form of payment guarantees. The PST Group therefore has sufficient liquidity at its disposal to service all liabilities as they fall due.



3.2. Profit and loss statement

	2023	2022
	MEUR	MEUR
Sales revenues	6,338.78	17,608.11
Cost of materials	-6,270.36	-17,496.86
Other operating income	10.53	47.78
Other operating expenses:		
depreciation	-0.56	-0.55
personnel expenses	-6.69	-6.29
other operating expenses	-15.09	-57.28
EBIT	56.62	94.91
Financial result	-7.62	-13.40
Result transferred due to PnL transfer agreement	-0.74	-1.29
Profit before taxes	48.26	80.22
Taxes on income and similar taxes	-15.95	-16.91
Net profit	32.13	63.31

PST's sales revenue and the corresponding cost of materials fell by EUR 11,269.3 million and EUR 11,226.5 million respectively due to the sharp drop in prices on the commodity markets and the spin-off of the London branch's operating LNG business to the subsidiary PST LNG Trading Limited. As the other income and cost components did not change significantly, the decline in the gross margin (EUR 42.8 million) almost corresponds to the decline in EBIT of EUR 38.3 million to EUR 56.6 million. With this EBIT generated, the EBIT forecast for the 2023 financial year was once again significantly exceeded (forecast for 2023: EUR 22.0 - 26.8 million). By contrast, the sales forecast for the 2023 financial year (original forecast: EUR 15,690.7 - 19,177.5 million) could not be achieved due to the effects described above (2023: EUR 6,338.78 million). The corresponding costs (netted against other operating income) of EUR 6,259.8 million were also significantly below the planned budget of EUR 15,688.7 - 19,150.7 million.

Despite higher interest rates, the price trend in the 2023 financial year led to lower liquidity requirements overall and thus to a reduction in financing and hedging expenses of EUR 5.7 million.



3.3. Cash flow statement for the financial year from 1 January to 31 December 2023

		2023	2022
		MEUR	MEUR
	Net income for the year	32.1	63.3
+/-	Depreciation/write-ups on fixed assets	0.6	0.6
+/-	Other cash expenses/income	-2.4	-0.2
+/-	Changes in working capital*	-295.2	216.2
+/-	Interest expenses/interest income	7.6	13.4
+/-	Income tax expense/income	-0.3	16.0
=	Cash flow from operating activities	-257.6	309.3
-	Payments for investments in fixed assets	-57.6	-1.5
+	Payments as part of short-term financial management (including interest received)	1.9	0.6
=	Cash flow from investment activities	-55.7	-0.9
+	Payments from taking out / issuing financial loans	57.4	1.2
-	Interest paid	-9.5	-14.0
=	Cash flow from financing activities	47.9	-12.8
	Change of cash and cash equivalents	-265.4	295.6
+	Cash and cash equivalents at the beginning of the period	334.5	38.9
=	Cash and cash equivalents at the end of the period	69.1	334.5

* Changes in provisions, inventories, trade receivables / and affiliated companies, other assets, liabilities and prepaid expenses and deferred income

Cash flow from operating activities for 2023 fell significantly by EUR 566.9 million compared to the previous year and totaled EUR -257.6 million. The good result was not sufficient to offset the decline in advance payments received for pipeline and LNG deliveries, which were the main reason for the positive cash flow from operating activities in the previous year. In addition to the decline in advance payments, the negative cash flow from operating activities also reflects the spin-off of the LNG business to the subsidiaries.

The EUR 54.8 million decrease in cash flow from investing activities compared to the previous year is due to the capital increase at PST LNG Trading GmbH to GBP 50 million.

Cash flow from financing activities increased by EUR 60.7 million compared to 2022 and totaled EUR 47.9 million. The increase is primarily due to the utilization of the bank loan. In addition, there was a higher utilization of the Group's cash pool but also the offsetting effect from the repayment of the shareholder loan.



The EUR 265.4 million decrease in cash and cash equivalents is therefore primarily due to the lower cash flow from operating activities.

4. Risk and opportunity report

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

Risks and opportunities are assessed on the basis of two dimensions: the potential financial impact on the net assets, financial position and results of operations on the one hand and the likelihood of these impacts occurring on the other. The order is based on their relative importance (in descending order here).

Operational risks

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 in connection with the invasion of Ukraine. The infrastructure in Ukraine is endangered with physical damage and the risk of attacks on the IT infrastructure of energy companies, banks, telecom operators has to be closely monitored. 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. There is no direct exposure of PST as those operations are carried out by subordinated company. In addition, the subsidiary as charterer is only affected by negative operating events to a limited extent, but the indirect consequences, including reputational and financial risk, can be significant. In order to manage this area and mitigate potential risks PST's subsidiaries implemented 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.

When measuring pending procurement and sales transactions, the company deviates from the individual measurement principle in accordance with IDW RS ÖFA 3 and combines the transactions into contract portfolios for gas, electricity and crude oil. The transactions offset each other in terms of volume and are subject to similar risks in terms of both substance and timing. The countervailing nature of the transactions balances out the risks. The contract portfolios are in line with the company's internal risk management. Risk management, including contribution margin accounting, is a key component of this. Impending losses and expected profits are recorded for each contract portfolio as at the balance sheet date and, in the event of an excess of obligations, a provision for impending losses is recognized in accordance with Section 249 (1) sentence 1 HGB. As at 31 December 2023, impending losses amounted to EUR 3 thousand (previous year: EUR 0 thousand). By forming the contract portfolios (volume: 11.0 TWh, previous year: 10.2 TWh), the company hedges risks from the individual consideration in the amount of EUR 206 million.

The back office team carries out market conformity checks for all transactions. In addition, the market price risk is minimized through a back-to-back strategy, which is applied to the majority of trading transactions. Due to these measures, the Company's market price risks are transparent and manageable.



Over the past 4 years, we have seen extreme volatility in prices due to the Covid-19 pandemic and the energy prices crisis related to the war in Ukraine, with historic lows and highs in 2020 and 2022 respectively. Daily monitoring of positions allowed PST to avoid any losses in own-account 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.

Following prices outburst in 2022, it was the risk that counterparties might struggle or suffer financially picking up volumes hedged for 2023 at that historically higher levels, while spot prices diminished significantly. PST has not experienced above described potentially adverse development among its counterparties and was not negatively impacted by payment defaults in 2023.



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 daily basis. Liquidity analysis and management are the responsibility of PST's finance department.

The generally lower price levels reduced the demand for cash and increased the liquidity on OTC market. Thanks to that trade credit has been reactivated as standard financing facility, which was almost not present in 2022.

Legal and regulatory risks

Legal risks may arise in connection with legal procedures, unfavourable or unenforceable contracts as well as compliance with regulations. 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 system (including KYC, client onboarding, anti-bribery and gift policy) which aims to avoid any violations in advance or detect them downstream. The company offers training courses to the staff both as part of the onboarding process and as a regular awareness-raising campaign on current compliance topics such as data protection or trade sanctions. Regulatory risks may arise due to amendments of the regulatory and legal framework. The Legal department monitors amendments to 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 in the event of a change.



PST monitors global developments in trade sanctions regulations, particularly those triggered by the 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). PST has additionally procured dedicated software to ensure the swiftness and comprehensiveness of the KYC process.

4.2. Organisation of risk management

Organization of risk management

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 board 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 significant impact on the Company's net assets, financial position and profit situation. Due to the ongoing war in Ukraine and the energy price crisis PST acknowledges the risk increase in all areas: operational, market prices, credit, liquidity and regulation.

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 risks are well managed 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 (in order of relative importance):

Operational opportunities

Due to Orlen 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.

Liquidity opportunities

The financial strength and creditworthiness of the parent company ORLEN enables the further expansion of the business, in particular through the provision of the required collateral, that can be used both for external corporate financing and to secure trading transactions.

Market price opportunities

The fact that the Company has been operating on the German and European energy markets for more than ten years offers the opportunity to benefit from price developments on the relevant energy markets through appropriate procurement strategies and the development of suitable products and services.



4.4. Summary

The composition of risks has not changed significantly compared to the previous year. The opportunities that present themselves in the medium term are also virtually unchanged compared to the previous year. Taking into account the respective probabilities of occurrence and the potential financial impact of the risks and opportunities described, no future development is currently expected in which risks, either individually or in combination with other risks, could lead to a permanent impairment of the net assets, financial position or results of operations that could jeopardize the company as a going concern.

Munich, 28. March 2024

Robert Śleszyński

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:

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of PGNiG Supply & Trading GmbH, Munich, which comprise the balance sheet as at December 31st, 2023, and the statement of profit and loss for the financial year from January 1st, 2023 to December 31st, 2023, 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, 2023 to December 31st, 2023.

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, 2023 and of its financial performance for the financial year from January 1st, 2023 to December 31st, 2023 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 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.

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.

• 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

Audit opinion

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, 2023 to December 31st, 2023.

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 pursuant to section 6b (3) EnWG, have been fulfilled in all material respects for the financial year from January 1st, 2023 to December 31st, 2023.

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 appropriate to provide a basis for our audit opinion in this regard.

Responsibility of the legal representatives for the financial 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 obligations 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, March 28, 2024

DR. KLEEBERG & PARTNER GMBH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
STEUERBERATUNGSGESELLSCHAFT

Dr. Petersen
Wirtschaftsprüfer

Neu
Wirtschaftsprüfer