

Gdańsk, April 28th 2021

Management Board of Grupa LOTOS S.A.

**PROPOSAL  
TO THE GENERAL MEETING  
OF GRUPA LOTOS S.A.**

Acting pursuant to Art. 9.8 of the Company's Articles of Association, the Management Board of Grupa LOTOS S.A. (the "Company" or "GL S.A.") proposes that the Company's General Meeting approve the purchase from Gdańska Agencja Rozwoju Gospodarczego Sp. z o.o. of Gdańsk ("GARG") of real properties located in Gdańsk, comprising the following land plots : No. 150/6, No. 225/4, No. 229/1, No. 226/4, No. 229/3, No. 228/4, No. 230/4, No. 227/4, No. 227/7, No. 227/7, No. 134/2 and No. 148/1, cadastral district: 300, with an aggregate area of 18.8858 hectares, for a total VAT-exclusive price of no more than PLN 24,929,256 (twenty-four million, nine hundred and twenty-nine thousand, two hundred and fifty-six złoty).

**RATIONALE**

**Purpose of the project**

The purpose of the proposed purchase transaction is to secure land for the refinery's further expansion. There is a risk that the properties in question could be purchased by other business operators, which in the long term would prevent the execution of capital projects in areas directly adjacent to the refinery.

The Company has practically used up all land reserves within the fenced-off refinery site complete with underground infrastructure (drainage and sewage systems, roads and a power supply network).

This is due both to the physical lack of space for the construction of new facilities in a manner that would ensure compliance with the relevant technical requirements and safe distances between the facilities, and to formal restrictions imposed by the zoning plan, which requires, among other things, that 20% of green (biologically active) areas be maintained within the refinery premises.

This specific requirement of the zoning plan effectively precludes the refinery's expansion through further new build within the fenced-off site.

Therefore, future development of the GL S.A. refinery will require that any new facilities be placed beyond the existing site boundaries.

Large-scale capital projects contemplated by the Company in the past, such as the construction of petrochemical units, substantial expansion of the product or feedstock tank parks and railway siding extension, involved the need to purchase land located east of the refinery premises. The need to acquire new land to accommodate expansion plans was partially (although to an insufficient extent) met through the purchase of land in 2014, with the assumption that further land purchases would follow.

Also, irrespective of potential needs associated with the refinery's expansion plans or construction of new facilities interoperating with the refinery, the Company is working on projects aligned with the Green Deal agenda, which will also require new areas located beyond the refinery's existing grounds. Especially the Green H2 project, consisting in hydrogen generation through the RES energy-powered water electrolysis process, calls for the construction of a high-capacity PV farm in the vicinity of the refinery. The proximity of the future PV farm, future electrolyzers and existing refinery units will be a major driver of synergies enabling the use of green hydrogen for the production of motor fuels.

#### Negotiations and agreed terms

In view of the circumstances summarised above, on the basis of letters of intent signed on September 1st 2020 and December 28th 2020, GL S.A. entered into negotiations with GARG to agree on the terms of the intended land purchase, which were concluded on March 31st 2021. During the negotiations, the parties agreed that the transaction would cover the following plots of land:

No.	Land plot No.	Cadastral district	Area [ha]	Land and Mortgage Register entry No.
1	150/6	300	3.4882	GD1G/00310315/0
2	225/4		0.6758	GD1G/00310315/0
3	229/1		2.6351	GD1G/00310315/0
4	226/4		1.2064	GD1G/00310315/0
5	229/3		0.9353	GD1G/00082110/5
6	228/4		6.2090	GD1G/00310315/0
7	230/4		1.2965	GD1G/00310315/0
8	227/4		0.5730	GD1G/00298151/1
9	227/7		0.8425	GD1G/00298151/1
10	134/2		0.2505*	GD1G/00038998/0
11	148/1		0.7735	GD1G/00015267/0
<b>TOTAL</b>			18.8858 ha	-

\* As at the date of this proposal, Section I-O of Land and Mortgage Register entry No. GD1G/00038998/0 still shows the surface area of the plot prior to its final measurement – then put at 0.3000 hectare; however, the sale price has been calculated based the actual area of the plot after its final measurement.

Sections III and IV of the Land and Mortgage Register entries for the above-mentioned properties do not contain any records.

Initially, the scope of the negotiations also covered land plot No. 224/2. However, given the unresolved legal status of that property, a decision was made to exclude land plot No. 224/2 from the scope of the negotiations.

The properties intended for purchase are located beyond the refinery's eastern boundary, in its immediate vicinity and in the immediate vicinity of other land properties owned by Grupa LOTOS S.A. Their location is shown in schedule 1 attached to this proposal. These properties are undeveloped.

All the plots are covered by the same Local Zoning Plan No. 1507, adopted by Resolution No. L/1721/06 of the Gdańsk City Council dated April 27th 2006 on the adoption of a local zoning plan for GDAŃSK - PŁONIA in the area of Naftowa, Benzynowa and Płońska streets in Gdańsk. All the plots covered by this proposal are located within the same zone 001-42 designated for industrial development (manufacturing and services).

While the negotiations were still ongoing, Grupa LOTOS S.A. commissioned professional geophysical surveys and pollution surveys of the land properties. The results of the surveys confirmed that the plots were a fit location for future capital projects.

The properties to be acquired have direct access to a public road, save for land plot No. 229/3, which has indirect access to a public road (Płońska street).

There are plans to construct a sanitary sewage system on the southern edge of land plots No. 225/4, 226/4, 227/4 and 227/7.

Legal due diligence of the target properties was undertaken to identify any risks associated with their purchase and to indicate risk mitigation measures. In the course of the due diligence process, no inconsistencies were found between the land and building records and relevant entries from the Land and Mortgage Register with respect to the properties concerned. The entity conducting the due diligence review did not raise any issues regarding the legal status of the real properties, based on examination of the full (unabridged) copies of the relevant Land and Mortgage Register entries and underlying documents for the properties concerned, and stated that their current owners (i.e. the Municipality of Gdańsk and Gdańska Agencja Rozwoju Gospodarczego Sp. z o.o.) had effectively acquired ownership of the real properties and were entitled to effectively transfer it. The entity determined that with respect to land plots No. 230/4, 228/4, 227/4 and 227/7 administrative proceedings had been initiated concerning return of expropriated land.

The proceedings ended with final decisions having been issued by the Governor of the Gdańsk Province on November 30th 2020 (with respect to land plots No. 227/4 and 227/7) and February 25th 2021 (with respect to land plots No. 230/4 and 228/4), which had no effect on the ownership or transferability of the properties concerned.

In order to determine the market value of the properties, the Company commissioned two property appraisal reports. The value of the properties in accordance with these reports is as follows: PLN 127 per square metre in the case of the first report and PLN 150.48 per square metre in the case of the second report. The asking price proposed during the negotiations by GARG was PLN 150 per square metre. On this basis, it was concluded that the negotiated price of PLN 132 per square metre corresponded to the prevailing market conditions based on the property appraisal reports. The total transaction price is equal to the product of the property area and the negotiated rate per square metre, amounting to PLN 24,929,256 (exclusive of VAT).

The transaction would be effected via three successive agreements: a preliminary conditional sale agreement, a conditional sale agreement and a real property transfer agreement. The preliminary conditional agreement would be executed in connection with the need for GARG to first acquire land plots No. 134/2 and 148/1, cadastral district: 300, from the Municipality of Gdańsk (by way of

an in-kind contribution). The need to enter into the conditional agreement is based on the statutory right of first refusal vested in the Municipality of Gdańsk with respect to nine plots covered by the proposed transaction.

In the course of the negotiations, the parties agreed on an earnest payment of PLN 2,000,000.00, payable within seven days from the date of the preliminary conditional agreement.

The balance of the price would be payable by the day preceding the date of the real property transfer agreement and the property would be delivered to Grupa LOTOS S.A. immediately after the conclusion of the agreement, subject to prior payment of the full price. The seller would submit to enforcement directly under the notarial deed concerning delivery of the real property pursuant to Art. 777.1.4 of the Code of Civil Procedure.

Prior to the implementation phase, the SR068 project plan was prepared along with a project budget of PLN 29,007,006 (exclusive of VAT), which – in addition to the transaction price – includes certain planning phase expenses (on the land surveys, due diligence process and property appraisal reports), notarial fees and contingency expenses. On April 8th 2021, the SR068 project plan was endorsed by the Investment Committee by way of Resolution No. 61/2021 on progressing the project to the implementation phase.

On April 21st 2021, the Management Board of GL S.A. passed a decision in the form of Resolution No. 166/X/2021 on implementation of the SR068 project: 'Purchase of land for Grupa LOTOS future capital projects (1)', and on acquisition of the real properties covered by this proposal, subject to the General Meeting's consent to purchase real properties with a value exceeding PLN 5,000,000, as determined based on appraiser valuation, pursuant to Art. 9.8 of the Company's Articles of Association.

In view of these considerations, the Company's Management Board proposes as first above stated.

Schedule 1 – Map showing the location of the target properties.

Kind regards,  
Management Board of Grupa LOTOS S.A.

Jarosław Wróbel  
Vice President of the  
Management Board

Krzysztof Nowicki  
Vice President of the  
Management Board

Jarosław Wittstock  
Vice President of the  
Management Board

Piotr Walczak  
Vice President of the  
Management Board

Zofia Paryła  
President of the  
Management Board

Appendix 1 - Map with marked properties to be purchased by Grupa LOTOS S.A., city of Gdańsk, cadastral district 226101\_1.0300. Benzynowa and Płomska Streets

Fenced area of the Refinery



LEGEND



CARG land to be purchased out by Grupa LOTOS S.A.

Plot number