Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 4th QUARTER 2021

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2021	12 MONTHS ENDED 31/12/2020 *	12 MONTHS ENDED 31/12/2021	12 MONTHS ENDED 31/12/2020 *
Sales revenues	131 592	86 180	28 760	19 262
Operating profit increased by depreciation and amortisation (EBITDA)	18 231	8 465	3 984	1 892
Profit from operations (EBIT) incl.:	12 801	3 908	2 798	873
gain on bargain purchase of the ENERGA Group	-	*4 062*	-	*908*
Profit before tax	12 662	2 856	2 767	638
Net profit before net impairment allowances	10 423	4 416	2 278	987
Net profit	**10 241**	**2 825**	**2 238**	**631**
Total net comprehensive income	10 713	2 903	2 341	649
Net profit attributable to equity owners of the parent	10 158	2 755	2 220	616
Total net comprehensive income attributable to equity owners of the parent	10 623	2 840	2 322	635
Net cash from operating activities	13 379	7 247	2 924	1 620
Net cash (used) in investing activities	(9 793)	(8 495)	(2 140)	(1 899)
Net cash (used) in financing activities	(1 995)	(3 711)	(436)	(829)
Net increase/(decrease) in cash and cash equivalents	1 591	(4 959)	348	(1 108)
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	23.75	6.44	5.19	1.44
	31/12/2021	31/12/2020 *	31/12/2021	31/12/2020 *
Non-current assets	67 823	59 433	14 746	12 879
Current assets	37 924	24 615	8 245	5 334
Total assets	**105 747**	**84 048**	**22 991**	**18 213**
Share capital	1 058	1 058	230	229
Equity attributable to equity owners of the parent	50 743	41 596	11 033	9 014
Total equity	**51 631**	**42 389**	**11 226**	**9 185**
Non-current liabilities	23 894	18 717	5 194	4 057
Current liabilities	30 222	22 942	6 571	4 971
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	118.64	97.25	25.79	21.07

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2021	12 MONTHS ENDED 31/12/2020	12 MONTHS ENDED 31/12/2021	12 MONTHS ENDED 31/12/2020
Sales revenues	89 680	58 816	19 600	13 146
Profit from operations increased by depreciation and amortisation (EBITDA)	9 956	3 473	2 176	776
Profit from operations (EBIT)	7 850	1 550	1 716	346
Profit/(Loss) before tax	8 649	(2 121)	1 890	(474)
Net profit/(loss)	**7 144**	**(2 356)**	**1 561**	**(527)**
Total net comprehensive income	6 829	(2 627)	1 493	(587)
Net cash from operating activities	4 996	3 979	1 092	889
Net cash (used) in investing activities	(4 325)	(5 884)	(945)	(1 315)
Net cash from/(used in) financing activities	271	(2 573)	59	(575)
Net increase/(decrease) in cash	942	(4 478)	206	(1 001)
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	16.70	(5.51)	3.65	(1.23)
	31/12/2021	31/12/2020 *	31/12/2021	31/12/2020 *
Non-current assets	43 104	38 993	9 204	8 449
Current assets	26 607	15 559	5 681	3 372
Total assets	**69 711**	**54 552**	**14 885**	**11 821**
Share capital	1 058	1 058	226	229
Total equity	**37 201**	**31 869**	**7 943**	**6 906**
Non-current liabilities	13 129	9 093	2 803	1 970
Current liabilities	19 381	13 590	4 139	2 945
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	86.98	74.51	18.57	16.15

** restated data*

The above financial data for the 12-month period of 2021 and 2020 was translated into EUR using the following exchange rates:

– items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates quoted by the National Bank of Poland as of the last day of each month during the reporting period: from 1 January to 31 December 2021 – 4.5755 EUR/PLN and from 1 January to 31 December 2020 – 4.4742 EUR/PLN;
– items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 December 2021 – 4.5994 EUR/PLN and as at 31 December 2020– 4.6148 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 AND 3-MONTH PERIOD ENDED 31 DECEMBER 2021

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

ORLEN GROUP (in PLN million)

A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of profit or loss and other comprehensive income

	NOTE	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020 (restated data)	3 MONTHS ENDED 31/12/2020 (unaudited) (restated data)
Sales revenues	5.1	131 592	41 165	86 180	23 175
revenues from sales of finished goods and services		*103 386*	*32 967*	*66 180*	*17 678*
revenues from sales of merchandise and raw materials		*28 206*	*8 198*	*20 000*	*5 497*
Cost of sales	5.2	(111 182)	(35 961)	(76 667)	(19 352)
cost of finished goods and services sold		*(86 420)*	*(28 530)*	*(59 788)*	*(15 411)*
cost of merchandise and raw materials sold		*(24 762)*	*(7 431)*	*(16 879)*	*(3 941)*
Gross profit on sales		**20 410**	**5 204**	**9 513**	**3 823**
Distribution expenses		(8 505)	(2 423)	(7 226)	(2 221)
Administrative expenses		(2 613)	(686)	(2 314)	(694)
Other operating income, incl.:	5.5	7 228	2 801	10 078	1 777
gain on bargain purchase of the ENERGA Group		-	-	*4 062*	-
Other operating expenses	5.5	(4 246)	(1 121)	(6 226)	(2 292)
(Loss)/reversal of loss due to impairment of trade receivables		(86)	(27)	(66)	(19)
Share in profit from investments accounted for using the equity method		613	225	149	46
Profit from operations		**12 801**	**3 973**	**3 908**	**420**
Finance income	5.6	1 305	418	852	177
Finance costs	5.6	(1 436)	(300)	(1 889)	(437)
Net finance income and costs		**(131)**	**118**	**(1 037)**	**(260)**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables		(8)	(1)	(15)	(13)
Profit before tax		**12 662**	**4 090**	**2 856**	**147**
Tax expense		(2 421)	(893)	(31)	(122)
current tax		*(2 257)*	*(987)*	*(539)*	*(221)*
deferred tax		*(164)*	*94*	*508*	*99*
Net profit		**10 241**	**3 197**	**2 825**	**25**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		**121**	**141**	**(59)**	**(33)**
fair value measurement of investment property as at the date of reclassification		*16*	*16*	-	-
actuarial gains and losses		*124*	*155*	*(68)*	*(43)*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income		*6*	*(1)*	*(5)*	*2*
deferred tax		*(25)*	*(29)*	*14*	*8*
which will be reclassified into profit or loss		**351**	**(25)**	**137**	**485**
hedging instruments		*137*	*365*	*(675)*	*1*
hedging costs		*(650)*	*(689)*	*255*	*50*
exchange differences on translating foreign operations		*766*	*233*	*481*	*448*
share in other comprehensive income of investments accounted for using the equity method		*1*	*1*	-	-
deferred tax		*97*	*65*	*76*	*(14)*
		472	**116**	**78**	**452**
Total net comprehensive income		**10 713**	**3 313**	**2 903**	**477**
Net profit attributable to		**10 241**	**3 197**	**2 825**	**25**
equity owners of the parent		*10 158*	*3 177*	*2 755*	*(2)*
non-controlling interest		*83*	*20*	*70*	*27*
Total net comprehensive income attributable to		**10 713**	**3 313**	**2 903**	**477**
equity owners of the parent		*10 623*	*3 282*	*2 840*	*452*
non-controlling interest		*90*	*31*	*63*	*25*
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		23.75	7.43	6.44	-

The accompanying notes disclosed on pages 9 – 49 are an integral part of this the interim condensed consolidated financial statements.

ORLEN GROUP (in PLN million)

Consolidated statement of financial position

	NOTE	31/12/2021 (unaudited)	31/12/2020 (restated data)
ASSETS			
Non-current assets			
Property, plant and equipment		54 324	49 625
Intangible assets. incl.:		4 870	2 515
goodwill	*5.7*	*579*	*136*
Right-of-use asset	*5.12.1*	5 602	5 252
Investments accounted for using the equity method		1 130	758
Deferred tax assets		854	685
Derivatives	*5.9*	343	179
Other assets	*5.9*	700	419
		67 823	**59 433**
Current assets			
Inventories		18 406	12 279
Trade and other receivables		14 890	9 640
Current tax assets		120	449
Cash and cash equivalents		2 936	1 240
Derivatives	*5.9*	1 149	440
Other assets	*5.9*	423	567
		37 924	**24 615**
Total assets		**105 747**	**84 048**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(430)	(16)
Revaluation reserve		(20)	(37)
Exchange differences on translating foreign operations		2 111	1 328
Retained earnings		46 797	38 036
Equity attributable to equity owners of the parent		**50 743**	**41 596**
Non-controlling interests		**888**	**793**
Total equity		**51 631**	**42 389**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	*5.8*	13 742	9 430
Provisions	*5.10*	1 903	2 264
Deferred tax liabilities		2 160	2 003
Derivatives	*5.9*	705	138
Lease liabilities		4 887	4 501
Other liabilities	*5.9*	488	370
Liabilities from contracts with customers		9	11
		23 894	**18 717**
Current liabilities			
Trade and other liabilities		19 799	14 023
Lease liabilities		677	713
Liabilities from contracts with customers		719	442
Loans, borrowings and bonds	*5.8*	1 429	4 930
Provisions	*5.10*	6 201	2 299
Current tax liabilities		807	66
Derivatives	*5.9*	362	270
Other liabilities	*5.9*	228	199
		30 222	**22 942**
Total liabilities		**54 116**	**41 659**
Total equity and liabilities		**105 747**	**84 048**

The accompanying notes disclosed on pages 9 – 49 are an integral part of this the interim condensed consolidated financial statements.

(in PLN million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests *	Total equity *
01/01/2021	2 285	(16)	(37)	1 328	38 036	41 596	793	42 389
Net profit	-	-	-	-	10 158	10 158	83	10 241
Components of other comprehensive income	-	(414)	17	766	96	465	7	472
Total net comprehensive income	**-**	**(414)**	**17**	**766**	**10 254**	**10 623**	**90**	**10 713**
Liquidation of company	-	-	-	17	-	17	(3)	14
Acquisition of subsidiary	-	-	-	-	-	-	9	9
Expiration of liabilities for payment of dividends to minority shareholders of ORLEN Unipetrol	-	-	-	-	4	4	-	4
Dividends	-	-	-	-	(1 497)	(1 497)	(1)	(1 498)
31/12/2021	**2 285**	**(430)**	**(20)**	**2 111**	**46 797**	**50 743**	**888**	**51 631**
(unaudited)								
01/01/2020	2 285	328	(33)	847	35 169	38 596	11	38 607
Net profit	-	-	-	-	2 755	2 755	70	2 825
Components of other comprehensive income	-	(344)	(4)	481	(48)	85	(7)	78
Total net comprehensive income	**-**	**(344)**	**(4)**	**481**	**2 707**	**2 840**	**63**	**2 903**
Acquisition of the ENERGA Group	-	-	-	-	-	-	1 684	1 684
Change in share structure	-	-	-	-	588	588	(965)	(377)
Dividends	-	-	-	-	(428)	(428)	-	(428)
31/12/2020	**2 285**	**(16)**	**(37)**	**1 328**	**38 036**	**41 596**	**793**	**42 389**

** restated data for 2020*

The accompanying notes disclosed on pages 9 – 49 are an integral part of this the interim condensed consolidated financial statements.

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of cash flows

	NOTE	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020 (restated data)	3 MONTHS ENDED 31/12/2020 (unaudited) (restated data)
Cash flows from operating activities					
Profit before tax		**12 662**	**4 090**	**2 856**	**147**
Adjustments for:					
Share in profit from investments accounted for using the equity method		(613)	(225)	(149)	(46)
Depreciation and amortisation	5.2	5 430	1 497	4 557	1 306
Foreign exchange (profit)/loss		(152)	(112)	659	152
Net interest		430	108	392	108
Dividends	5.6	(3)	-	(6)	-
(Profit)/Loss on investing activities, incl.:		(2 723)	(1 767)	(3 594)	576
settlement and valuation of derivative financial instruments	5.5, 5.6	*(2 713)*	*(1 791)*	*(1 115)*	*(372)*
(gain) on bargain purchase of the ENERGA Group		-	-	*(4 062)*	-
Change in provisions		6 115	2 222	1 702	452
Change in working capital		(4 416)	(3 342)	2 209	(926)
inventories		*(5 765)*	*(2 174)*	*3 144*	*93*
receivables		*(3 804)*	*(391)*	*2 252*	*612*
liabilities, incl.:		*5 153*	*(777)*	*(3 187)*	*(1 631)*
limitation period of liabilities towards minority shareholders of ORLEN UNIPETROL		*(180)*	-	-	-
Other adjustments, incl.:		(2 157)	(2 138)	(635)	(383)
settlement of grants for property rights		*(2 387)*	*(785)*	*(749)*	*(211)*
security deposits	5.9	*179*	*(1 296)*	*140*	*(198)*
Income tax (paid)		(1 194)	(214)	(744)	(125)
Net cash from operating activities		**13 379**	**119**	**7 247**	**1 261**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(11 229)	(3 667)	(7 573)	(2 364)
Acquisition of shares lowered by cash		(772)	-	(2 000)	(391)
Disposal of property, plant and equipment, intangible assets and right-of-use asset		95	27	70	10
Short-term deposits		62	28	(71)	66
Change in the ownership structure in Baltic Power		(35)	-	-	-
Dividends received		325	173	144	67
Net cash flows from loans		-	(1)	136	170
Settlement of derivatives not designated as hedge accounting	5.5, 5.6	1 981	2 669	819	308
Proceeds/(Outflows) related to receivables and liabilities due to settled derivatives		(242)	(232)	(69)	5
Other		22	38	49	56
Net cash (used) in investing activities		**(9 793)**	**(965)**	**(8 495)**	**(2 073)**
Cash flows from financing activities					
Proceeds from loans and borrowings received		14 392	4 998	5 928	2 435
Bonds issued		3 225	-	1 000	1 000
Repayment of loans and borrowings		(14 705)	(4 171)	(9 034)	(2 299)
Redemption of bonds		(2 452)	-	(100)	-
Interest paid from loans, borrowings and bonds		(318)	(26)	(297)	(14)
Interest paid on lease		(151)	(32)	(111)	(20)
Dividends paid incl.:		(1 498)	-	(428)	-
to equity owners of the parent		*(1 497)*	-	*(428)*	-
to non-controlling interest		*(1)*	-	-	-
Payments of liabilities under lease agreements		(691)	(153)	(675)	(188)
Grants received		243	154	-	-
Other		(40)	(2)	6	(6)
Net cash from/(used in) financing activities		**(1 995)**	**768**	**(3 711)**	**908**
Net increase/(decrease) in cash and cash equivalents		**1 591**	**(78)**	**(4 959)**	**96**
Effect of changes in exchange rates		105	56	40	33
Cash and cash equivalents, beginning of the period		1 240	2 958	6 159	1 111
Cash and cash equivalents, end of the period		**2 936**	**2 936**	**1 240**	**1 240**
including restricted cash		*407*	*407*	*217*	*217*

The accompanying notes disclosed on pages 9 – 49 are an integral part of this the interim condensed consolidated financial statements.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity of the ORLEN Group

The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") with its headquarters in Płock, 7 Chemików Street.
The core business of the ORLEN Group is the processing of crude oil and the production of fuel, petrochemical and chemical products as well as their wholesale and retail sale and generates, distributes and trades of electricity and heat. The ORLEN Group also conducts exploration, recognition and extraction of hydrocarbons.
The activity of the ORLEN Group companies is also service-related activity: storage of crude oil and fuels, transportation, maintenance and overhaul services, laboratory, security, design, administrative, courier services, insurance and financial services, press distribution, and media activities (newspapers and websites).

2. Information on principles adopted in the preparation of the interim condensed consolidated financial statements

2.1. Statement of compliance and general principles of preparation

This interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information to be published by issuers of securities and conditions of consideration of information required by the law of non-member country's law as equal (Official Journal 2018, item 757) and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 December 2021 and as at 31 December 2020, financial results and cash flows for the 12 and 3-month period ended 31 December 2021 and 31 December 2020.

This interim condensed consolidated financial statements were prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of this interim condensed consolidated financial statements there is no evidence indicating that the Group will not be able to continue its operations as a going concern.

The Parent Company and the entities comprising the ORLEN Group have unlimited period of operations.

This interim condensed consolidated financial statements, except for the consolidated statement of cash flows, were prepared using the accrual basis of accounting.

2.2. Accounting principles and amendments to International Financial Reporting Standards (IFRS)

2.2.1. Accounting principles

In these interim condensed consolidated financial statements, the significant accounting policies applied by the Group and significant values based on judgments and estimates were the same as described in individual explanatory notes in the Consolidated Financial Statements for 2020, except for below changes, in force from 1 January 2021, which were implemented as a result of the ongoing integration process with ENERGA Group and work on unification of the applied accounting principles throughout the ORLEN Group:

- changing the method of presentation of grants related to fixed assets,
- changing the method of settlement of granted owned rights ("white"),
- changing the presentation of recognised interest and other similar costs, as well as exchange rate differences related to the provisions created,
- changing in the method of presentation of green energy certificates of origin received free of charge.

So far, the Group had recognised grants related to assets as a reduction of the carrying amount of an asset and, as a result, as a reduction of depreciation expense over the useful life of the asset. Starting from 1 January 2021, the Group decided to change the method of presentation of grants related to assets, which are currently recognised as deferred income and recognised in other operating income on a systematic basis over the useful life of the asset. Retrospective application of this change in relation to data for 2020 resulted in an increase in the total assets and liabilities presented in the statement of financial position by PLN 209 million (by increasing the item of property, plant and equipment and deferred income presented under other non-current and current liabilities by the value of unsettled grants as at 31 December 2020) as well as an increase in depreciation expense and other operating income in the consolidated statement of profit or loss and other comprehensive income by PLN 20 million, representing the value of settled grants during the year.

The impact of the above changes on individual items of the consolidated statement of financial position as at 31 December 2020 and the statement of profit or loss and other comprehensive income for the 12-month period ended 31 December 2021 is presented in note 2.2.2.
Additionally, with respect to the granted owned rights ("white"), the Group changed the method of settlement of grants, which from 1 January 2021 are recognised in other operating income on the systematic basis during the depreciation period of the non-current asset, in connection with which these rights were obtained. Until the end of 2020, granted owned rights were recognised

on a one-off basis in other operating income. The currently introduced change did not have a significant impact on the comparative data for the 4th quarter of 2020.

The Group also decided to change the presentation of recognised interest and other similar costs, as well as exchange rate differences related to the provisions created, which were previously recognised in the same position of the financial statements in which the principal amount of provision was presented. From 1 January 2021, these costs are presented in financial costs. With respect to the presented comparative data for the 4th quarter of 2020, the above change did not have a significant impact.

Moreover, the Group made a change in accounting policy in accordance to presentation of green energy certificates of origin received free of charge. As from the 1 January 2021 revenue from green energy certificates of origin received free of charge are recognised as a decrease of the cost of sales at the time of production of energy. In previous periods those revenues were presented as other operating income. With respect to the presented comparative data for the 4th quarter of 2020, the above change did not have a significant impact. Additionally, in case when granted green energy certificates are sold directly by ORLEN Group entities producing renewable energy sources (RES) to companies outside the Group, in particular under the signed contracts for the sale of property rights these certificates are presented at the time of registration as inventories (merchandise). With regards to green energy certificates used on own needs within the Group, they are still presented as rights to colourful energy on intangible assets.

Due to the fact that the introduced changes related mainly to presentation and/or did not have a significant impact on the presented data for the previous reporting period, the Group did not restate the comparative data.

In the Group's opinion, the introduction of the above-mentioned changes to the accounting principles will provide more relevant data and information, which are also the basis for decisions made by the Management Board of PKN ORLEN as part of the implemented plan to create an integrated multi-energy concern, in particular, ongoing analyses of effectiveness measures of conducted activity by the Group, such as EBITDA ratio. Moreover, the unification of the accounting principles as part of the integration processes in the ORLEN Group enables the Parent Entity to carry out internal control and risk management activities in the process of drawing up financial statements in the Group as indicated under the applicable corporate governance more effectively.

2.2.2. Restated of comparative data

The following events had an impact on the comparative data presented in the Consolidated Financial Statements for 2020 and in the Consolidated Quarterly Report for the 4th quarter of 2020:

- in the 2nd quarter of 2021, the Group completed the process of allocating the purchase price of RUCH Group shares. As a result of this process, some items of assets and liabilities as at 31 December 2020 changed, which required transformation of these data. Detailed information on the acquired assets and assumed liabilities is presented in note 3.4.1;
- as from 1 January 2021, the Group changed the method of presenting the received grants related to assets. Detailed information in note 2.2.1;

The table below shows the impact of the above changes on the on the comparative data

	31/12/2020	Change in the presentation of received grants related to assets	Completion of the process allocation of the RUCH purchase price	31/12/2020 (restated data)
ASSETS, incl.:	**83 827**	**209**	**12**	**84 048**
Non-current assets, incl.:	**59 212**	**209**	**12**	**59 433**
Property, plant and equipment	49 387	209	29	49 625
Intangible assets	2 534	-	(19)	2 515
Deferred tax assets	687	-	(2)	685
Other assets, incl.:	415	-	4	419
investment property	*261*	-	4	*265*
EQUITY AND LIABILITIES, incl.:	**83 827**	**209**	**12**	**84 048**
Equity, incl.:	**42 379**		**10**	**42 389**
Non-controlling interests	783	-	10	793
Non-current liabilities, incl.:	**18 524**	**189**	**4**	**18 717**
Deferred tax liabilities	1 999	-	4	2 003
Non-current other liabilities	181	189	-	370
Current liabilities, incl.:	**22 924**	**20**	**(2)**	**22 942**
Trade and other liabilities	14 024	-	(1)	14 023
Provisions	2 300	-	(1)	2 299
Current other liabilities	179	20	-	199

	12 MONTHS ENDED 31/12/2020	Change in the presentation of received grants related to assets	Completion of the process allocation of the RUCH purchase price	12 MONTHS ENDED 31/12/2020 (restated data)
Cost of sales	(76 647)	(20)	-	(76 667)
Gross profit on sales	9 533	**(20)**	**-**	**9 513**
Other operating income	10 058	20	-	10 078
Profit from operations	**3 908**	**-**	**-**	**3 908**
Profit before tax	**2 856**	**-**	**-**	2 856
Net profit	**2 825**	**-**	**-**	**2 825**

2.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial statements of foreign entities

2.3.1. Functional currency and presentation currency

The functional currency of the Parent Company and presentation currency of this interim condensed consolidated financial statements is Polish Zloty (PLN). Possible differences in the amount of PLN 1 million when summing up the items presented in the explanatory notes result from the adopted rounding's. The data in consolidated financial statement is presented in PLN million, unless otherwise stated.

2.3.2. Methods applied to translation of financial data

Translation into PLN of financial statements of foreign entities, for consolidation purposes:
- particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
- items of the statement of profit or loss and other comprehensive income and the statement of cash flows - at the average exchange rate for the reporting period (arithmetic average of daily average exchange rates published by the National Bank of Poland in a given period).

Foreign exchange differences resulting from the above recalculations are recognised in equity in the line exchange differences on translating foreign operations.

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020	31/12/2021	31/12/2020
EUR/PLN	4.5660	4.6205	4.4442	4.5070	4.5994	4.6148
USD/PLN	3.8615	4.0413	3.8996	3.7810	4.0600	3.7584
CZK/PLN	0.1780	0.1820	0.1680	0.1690	0.1850	0.1753
CAD/PLN	3.0800	3.2060	2.9068	2.9001	3.1920	2.9477

2.4. Information concerning the seasonal or cyclical character of the ORLEN Group's operations in the presented period

In the Energy segment sales and distribution of electricity and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed, and consequently sales revenues, increases in the winter months and decreases in the summer months. This depends on the ambient temperature and day length. The range of these fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of energy sales and distribution applies to a much greater degree to small individual customers than to the industrial sector clients.
There is no significant seasonality or cyclicality of operations in the other segments of the ORLEN Group.

3. Financial situation and the organization of the ORLEN Group

3.1. Impact of coronavirus pandemic and macroeconomic conditions on the ORLEN Group's operations

In the 4th quarter of 2021, the COVID-19 pandemic continued to impact the global economy and the situation in the country, causing disruptions in the economic and administrative system. With respect to the market environment, the Group continued to still observe uncertainly about the future course of the pandemic and the scale and distribution over time of the secondary effects of the "rebound" from the pandemic recession reflected in high volatility in demand as well as in prices of refining and petrochemical products and raw materials, including crude oil, energy and CO_2 emission allowances, which affected sales prices and the level of margin achieved in all operating segments.
Since the outbreak of the COVID-19 pandemic in the European Union, efforts to stop unfavourable climate change have significantly accelerated. The acceleration of the energy transformation has had a negative impact on the outlook for global demand for fossil fuels, including crude oil and liquid fuels. Currently, it is expected that in 2050 the demand will be by 7 mbpd lower than it was predicted before the pandemic. The deep, though short-lived, global recession caused by the pandemic and the acceleration of the energy transformation had a strong impact on the global refining industry, which processing capacity turned out to be significantly higher than the current and expected demand and requires reduction. To enforce reduction, refining margins have fallen deeply below the processing profitability thresholds and will remain under pressure until the refining potential is appropriately adjusted.
From the surplus assessed in the period 2020-2025 at 4.5 mbd, by mid-December 2021 a power reduction by 3.7 mbd was reduced or announced. The largest volume of shutdowns occurred in North America and the Asia-Pacific region and improved refining fundamentals in these regions. In Europe, the performed and declared capacity reduction concerns ten refineries with a total potential of nearly 0,9 mbd.
Global capacity, estimated at approximately 1.0 mbd, remains to be reduced, of which 0.8 mbd is allocated to Europe.
The increase in demand for crude oil and liquid fuels, related to the ongoing recovery in the global economy observed from the beginning of the 2nd quarter of 2021, combined with the seasonal effect, improved refining margins, temporarily easing the pressure on reducing refining capacity. The improvement in margins was, however, limited by the unexpected, dynamic increase in crude oil prices to nearly 80 USD/bbl. The reason for the strong increase in prices since the 2nd half of 4th quarter of 2021 was the unexpected demand for liquid fuels from the energy sector due to high gas prices.
The strong increase in energy costs exerted upward pressure on the market prices of refining products, but the improvement in market margins wasn't related to the improvement in the economic situation of the refinery.
The petrochemical industry turned out to be the beneficiary of the pandemic, as the demand for its products increased significantly and, consequently, the petrochemical margins increased.
The acceleration of the energy transformation has led to an increase in demand for natural gas and the lack of supply reserves has triggered hyperbolic increases in in the prices of this raw material, which, together with rising emission allowance prices following the publication climate package of the Fit for 55, have led to strong increases in energy prices. In the ORLEN Group opinion, this is a temporary situation which, once gas is recognized as an essential transition fuel in the process of energy transformation in Europe, will lead to an increase in gas-based energy capacity and mitigate price pressures.
Since the outbreak of the pandemic PKN ORLEN and entities comprising the Group have taken a number of actions in order to adapt to constantly changing business environment, as well as to prevent the spread of COVID-19 infections, both within its own employees and to support the government's fight against coronavirus, which were continued in the 4th quarter of 2021. The Group adjusts its operations on an ongoing basis to the changing epidemiological situation.
During the period covered by these interim condensed consolidated financial statements as well as presently all ORLEN petrol stations remain open, there are no disruptions in any area of operations within the concern or other production plants of ORLEN Group. There were also no material disruptions in Group's operations on foreign markets. In Group's opinion currently there are no threats to the supply chain, both with respect to purchase of raw materials and merchandise, as well as in the field of internal logistic processes (among others supply of liquid fuels from the production plant to fuel terminals and then to petrol stations).
The total cost incurred in the 12-month period ended 31 December 2021 and 31 December 2020 due the preventive measures taken by the Group in order to limit the spread of the virus at the premises and protection of employees and customers amounted to PLN (30) million and PLN (61) million, respectively.
In the 4th quarter of 2021 the Group has not observed any significant deterioration in repayment ratio nor an increase in bankruptcies or restructuring among its clients. Due to effective management of trade credit and debt recovery the Group assess that despite the protracted coronavirus pandemic, the risk of unsettled receivables by customers did not change significantly,

and the level of repayment of receivables presented in the balance sheet as at 31 December 2021, which payment dates fall in the coming months, will not change significantly. Due to the above, as at 31 December 2021, the Group did not identify any indicators for modification of assumptions taken for estimation of expected credit loss in terms of the potential need to include additional risk factor related to current economic situation and forecasts for the future.
The Group analyses on the current basis the situation on the markets and incoming signals from contractors which could indicate deterioration of financial situation and if there is a need, the Group will update adopted estimates for ECL calculation in following reporting periods.
As at the date of preparation of these interim condensed consolidated financial statements the financial situation of the Group is stable. Working capital increased by PLN 4,416 million compared to the end of 2020, which was mainly related to growth in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities. The Group's results in 4th quarter of 2021 by operating segments are presented in note 4.
In the Group's opinion, the ongoing coronavirus pandemic did not affect the level of risk in relation to guarantees granted as at 31 December 2021 and the probability of activation of these guarantees remains low.
The Group does not identify currently and within the next 12 months problems with liquidity. The Group also does not see risk of default on loans or other financing agreements. The Group takes optimization actions consisting, among others, on obtaining financing for projects in the project finance formula no recourse or with limited recourse to PKN ORLEN and the Group (i.e. financing directly to the SPV) and assumes maintaining a safe level of net debt and financial covenants included in the financing agreements.
As at the date of preparation of these interim condensed consolidated financial statements, the Group estimates, that it has sufficient sources of funding for implementation of all strategic development and investment projects as well as acquisitions as planned.
The ORLEN Group is currently verifying impairment of assets as at 31 December 2021. As part of its cash flow projections, the Group took into account the impact of the coronavirus pandemic on future estimated cash flows generated by cash-generating units. The results of the performed impairment tests, as well as the details of the assumptions for the financial projections, will be presented in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2021.
Information on impairment allowances for non-current assets recognised in the 12-month period ended 31 December 2021 is presented in note 5.4.

3.2. Group achievements and factors that have a significant impact on the interim condensed consolidated financial statements

Profit or loss for the 12 months of 2021

Sales revenues of the ORLEN Group for the 12 months of 2021 amounted to PLN 131,592 million and was higher by PLN 45,412 million (y/y). The increase of sales revenues (y/y) resulted mainly from the higher volume sales by 2% (in Refining and Retail segment) and reflects an increase of 69% in crude oil prices and, consequently, also the quotations of the main products. In the 12-month period of 2021 in comparison to the same period of 2020 the prices of the fuel increased by 75%, diesel oil by 58%, aviation fuel by 69%, heavy heating oil by 69%, ethylene by 38% and propylene by 50%.

The operating expenses totally increased by PLN (36,093) million (y/y) to PLN (122,300) million. The largest item in this cost structure constitute the costs of materials and energy consumption related mainly to the crude oil and other chemicals used in technological processes. The increase of costs of materials and energy consumption by 53% (y/y) resulted from the higher by 0.4 million tonnes (y/y) of crude oil processing as a result of improved macroeconomic situation and a lower (y/y) mainly in PKN ORLEN and ORLEN Unipetrol Group scope of completed maintenance shutdowns of installations.

The result of other operating activities amounted to PLN 2,982 million and was lower by PLN (870) million (y/y) mainly due to the lack of the impact of the recognition in the comparable period of the previous year of the profit from the bargain purchase of 80% of ENERGA S.A. (ENERGA) shares in the amount of (4,062) PLN million compensated by the effect and recognition of impairment losses on property, plant and equipment, intangible assets, right-of-use assets, other non-current assets in the amount of PLN 1,716 million. The result on other operating activities in 2021 was also affected by the net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN 1,126 million.

As a result, profit from operations amounted to PLN 12,801 million and was higher by PLN 8,893 million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance expenses in the described period amounted to PLN (131) million and included mainly net interest expenses in the amount of PLN (441) million and settlement and valuation of derivative financial instruments in the amount of PLN 294 million.

After the deduction of tax charges in the amount of PLN (2,421) million, the net profit of the ORLEN Group for the 12 months of 2021 amounted to PLN 10,241 million and was higher by PLN 7,416 million (y/y).

Profit or loss for the 4th quarter of 2021

Sales revenues of the ORLEN Group in the 4th quarter of 2021 amounted to PLN 41,165 million and were higher by PLN 17,990 million (y/y). The increase in sales revenues (y/y) reflects 81% increase in crude oil prices and as a result, also the quotation of major products: fuel by 93%, diesel oil by 87%, aviation fuel by 92%, heavy heating oil by 67%, ethylene by 59% and propylene by 74%.
Total operating expenses increased by PLN (16,803) million (y/y) to PLN (39,070) million mainly as a result of an increase in crude oil processing by 1.2 million tonnes due to the improved macroeconomic situation and a lower (y/y) range of maintenance shutdowns, which increased the costs of materials and energy consumption by PLN (13,604) million (y/y).

The result of other operating activities amounted to PLN 1,680 million and was higher by PLN 2,195 million (y/y) mainly due to impact of net positions of settlement and valuation of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN 1,621million.

As a result, profit from operations amounted to PLN 3,973 million and was higher by PLN 3,553 million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance income in the described period amounted to PLN 118 million and included mainly net positive impact of settlement and valuation of derivative financial instruments in the amount of PLN 170 million, net foreign exchange profit in the amount of PLN 65 million and net interest expenses in the amount of PLN (114) million.

After the deduction of tax charges in the amount of PLN (893) million, the net profit of the ORLEN Group amounted to PLN 3,197 million and was higher by PLN 3,172 million (y/y).

Statement of financial position

As at 31 December 2021, the total assets of the ORLEN Group amounted to PLN 105,747 million and was higher by PLN 21,699 million in comparison with 31 December 2020.
As at 31 December 2021, the value of non-current assets amounted to PLN 67,823 million and was higher by PLN 8,390 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets by PLN 7,054 million and an increase in the value of investments accounted for using the equity method by PLN 372 million, mainly as a result of the recognition of an investment in the Baltic Power joint venture in the amount of PLN 268 million (additional information in note 3.4.7) and recognition of a higher share in the results of jointly controlled entities.
The change in balance of property, plant and equipment and intangible assets by PLN 7,054 million (y/y) comprised:
- investment expenditures in the amount of PLN 8,786 million including development of fertilizer production capacities in Anwil, construction of the Glycol installation in ORLEN Południe and Visbreaking Installation in Płock, expenditure of the production capacity of the Olefin installation in Płock, projects in the Energy segment related mainly to the modernization of existing assets and the connection of new customers and modernization of the TG1 turbine generator of power plant in Płock and projects in Retail and Upstream segment;
- depreciation and amortisation in the amount of PLN (4,740) million;
- goodwill recognised on the acquisition of new subsidiaries in the amount of PLN 434 million. Additional information in notes 3.4, 5.7;
- purchase of CO_2 allowances and energy certificates in the amount of PLN 1,655 million;
- amortisation of CO_2 allowances and energy certificates in the amount of PLN (2,238) million;
- allowances received free of charge in the amount of PLN 2,035 million,
- effect of recognition of new assets at the date of acquisition of new subsidiaries in the amount of PLN 674 million and
- effect of differences in balance on translating foreign operations in the amount of PLN 796 million.

The value of current assets as at 31 December 2021 increased by PLN 13,309 million in comparison with the end of the previous year, mainly as an increase in inventories by PLN 6,127 million, balance of cash and cash equivalents by PLN 1,696 million, trade and other receivables by PLN 5,250 million and valuation of derivative financial instruments by PLN 709 million mainly due to the valuation of CO_2 forward contracts (additional information in note 5.5). The increase in value of inventories is mainly the result of an increase in crude oil and petroleum product prices. The increase in trade receivables results mainly from higher sales in term of value and quantity.

As at 31 December 2021, total equity amounted to PLN 51,631 million and was higher by PLN 9,242 million in comparison with the end of 2020, mainly due to recognition of net profit for the 12 months of 2021 in the amount of PLN 10,241 million, negative impact of the change in hedging reserve in the amount of PLN (414) million, dividends paid to PKN ORLEN's shareholder from previous years' profits in the amount of PLN (1,497) million and the impact of exchange differences on translating foreign operations in the amount of PLN 783 million, resulting mainly from the increase in CZK, USD and CAD exchange rates.

The value of trade and other liabilities increased by PLN 5,776 million compared to the end of 2020 mainly due to increase of trade liabilities by PLN 4,542 million, tax liabilities by PLN 1,051 million related mainly to excise tax and fuel charge as well as

value added tax due to higher volume and quantity sales of product and a significant increase in fuel prices in 2021 compared to prices in 2020 and investment liabilities by PLN 261 million. The increase in trade liabilities results mainly from the higher prices on the markets.
Value of provisions as at 31 December 2021 amounted to PLN 8,104 million and was higher by PLN 3,541 million in comparison to the end of 2020. In the 12-month period of 2021, the Group updated provisions from 2020 and recognised/reversed a provision for CO_2 emissions for the 12 months of 2021 in the total amount of PLN 5,439 million. The increase resulted mainly from increase of average weighted price and market prices, while maintenance of similar amounts of CO_2 emissions. In addition the change of net provisions for CO_2 emissions resulted mainly from redemptions a provision in connection with CO_2 emissions for 2020 in amount of PLN (1,561) million.

As at 31 December 2021, net financial indebtedness of the ORLEN Group amounted to PLN 12,235 million and was lower by PLN (825) million in comparison with the end of 2020 mainly due to the net inflows, including inflows and repayments of loans, borrowings and redemption and issue of bonds in the amount of PLN 460 million, an increase in balance of cash and cash equivalents by PLN (1,696) million, short-term deposits in the amount of PLN 60 million and the net effect of valuation and revaluation of debt due to foreign exchange differences, as well as new acquisitions within the Group in the total amount of PLN 351 million.

Statement of cash flows for the 12 months of 2021

Proceeds of net cash from operating activities for the 12-months of 2021 amounted to PLN 13,379 million and comprised mainly result from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 18,231 million adjusted by: share in profit from investments accounted for using the equity method in the amount of PLN (613) million, the negative impact of increase in a net working capital by PLN (4,416) million mainly related to increase in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities decreased by paid income taxes in the amount of PLN (1,194) million, profit on investing activities in the amount of PLN (2,723) million mainly related to settlement and valuation of derivative financial instruments in the amount of PLN (2,713) million, change in provisions in the amount of PLN 6,115 million mainly as a result of an increase in weighted average prices and market prices of CO_2 allowances.

Net cash used in investing activities for the 12-months of 2021 amounted to PLN (9,793) million and comprised mainly net cash flows for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (11,134) million, and acquisition of shares of subsidiaries adjusted by acquired cash as at the acquisition date (mainly due to the acquisition of new subsidiaries - detailed information, note 3.4) in the amount of PLN (772) million and settlement of derivatives not designated as hedge accounting in the amount of PLN 1,981 million.

Net cash flows used in financing activities for the 12-months of 2021 amounted to PLN (1,995) million and comprised mainly dividends paid to PKN ORLEN's shareholder in the amount of PLN (1,497) million, the net outflows of loans and borrowings in the amount of PLN (313) million, bond issues in the amount of PLN 3,225 million, mainly due to the issue of D series corporate bonds and A series Eurobonds by PKN ORLEN, redemption of bonds in the amount of PLN (2,452) million mainly by ORLEN Capital and interest paid in the amount of PLN (469) million and liabilities under lease agreements in the amount of PLN (691) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 12-months period of 2021 increased by PLN 1,696 million and as at 31 December 2021 amounted to PLN 2,936 million.

Statement of cash flows for the 4th quarter of 2021

In the 4th quarter of 2021 the net cash from operating activities amounted to PLN 119 million and comprised mainly of profit from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 5,470 million adjusted by the negative impact of increase in a net working capital by PLN (3,342) million, paid income tax in the amount of PLN (214) million, profit on investing activities in the amount of PLN (1,767) million, change in provisions in the amount of PLN 2,222 million and other adjustments in the amount of PLN (2,138) million related mainly to decrease in security deposits by PLN (1,296) million as a result of rolling over and settlement of futures contracts for the purchase of CO_2 and settlement of grants for property rights in the amount of PLN (785) million.

In the 4th quarter of 2021 the net cash used in investing activities amounted to PLN (965) million and comprised mainly of net expenses for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (3,640) million and settlement of derivatives not designated as hedge accounting in the amount of PLN 2,669 million.

In the 4th quarter of 2021 net expenses of cash from financing activities amounted to PLN 768 million and comprised mainly net inflows of loans and borrowings in the amount of PLN 827 million, payments of liabilities under lease agreements in the amount of PLN (153) million, interest paid in the amount of PLN (58) million and grants received in the amount of PLN 154 million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 4th quarter of 2021 decreased by PLN (22) million and as at 31 December 2021 amounted to PLN 2,936 million.

Factors and events which may influence future results

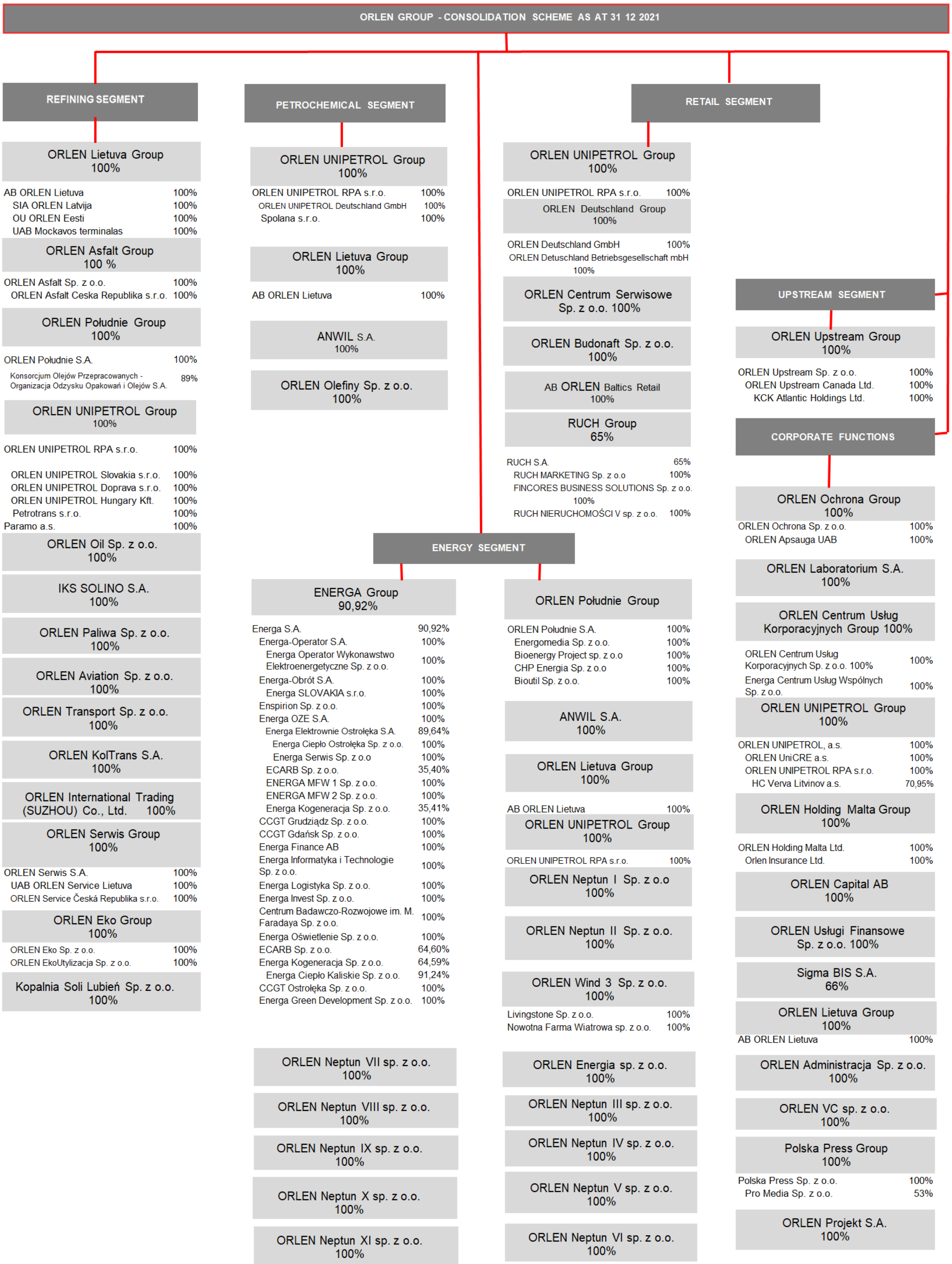
The factors that will affect future financial results of the ORLEN Group include:

- impact of the COVID-19 pandemic on the macroeconomic environment, especially on demand,
- macroeconomic and geopolitical environment - crude oil, natural gas and other energy resources prices, quotations on refining and petrochemical products, foreign exchange rates (mainly EUR/USD, PLN/USD, PLN/EUR) and economic relations between the USA, China and Iran, relations geopolitical of the EU, USA, Russia and Ukraine,
- EU's climate policy and prices of rights and CO_2 emissions allowances,
- significant increase in inflation and market interest rates, affecting operating costs and investment financing;
- significant increase in the volatility of energy resources and energy prices, related to the increase in restrictiveness of climate and environmental regulations and the reluctance to invest in the oil and gas industry, ahead of the possibility of the global demand for renewable energy sources,
- situation on the financial market, in particular the possibility of obtaining debt financing,
- economic situation - GDP level, fuel, electricity and other products of the Group consumption on the markets of its operations and the situation on the labour market,
- availability of production installations,
- refining overcapacity on a global scale and in Europe in relation to the expected demand,
- applicable legal regulations,
- renewable electricity generation technology development,
- LOTOS acquisitions and their economic effects.

3.3. Description of the organization of the ORLEN Group

The ORLEN Group includes PKN ORLEN as the Parent Company and entities located in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, Slovakia, Hungary, Estonia, Latvia and Canada and China.

PKN ORLEN as the Parent Company is a multi-segment entity, appropriately allocated to all operating segments and corporate functions.



Changes in the structure of the ORLEN Group from 1 January 2021 up to the date of preparation of this report

- on 1 January 2021 the name of Unipetrol a.s. was changed to ORLEN Unipetrol a.s. Similar changes took place in some Unipetrol Group subsidiaries;
- in January 2021, 2 companies from the ORLEN Upstream Group were liquidated: Frontier Exploration Inc. and FX Energy Inc.;
- in January 2021, 2 new companies were established in the ENERGA Group: CCGT Ostrołęka Spółka z o.o. and ENERGA Green Development Spółka z o.o. ENERGA owns 100% of shares in both companies;
- on 11 February 2021, ORLEN Wind 3 Sp.z o.o., acquired 100% of the capital of Livingstone Sp.z o.o with its headquarters in Warsaw. Additional information in note 3.4.2;
- on 12 February 2021, the National Court Register registered the second increase in the share capital of RUCH S.A., in which PKN ORLEN SA acquired 65,000 shares with a nominal value of PLN 1, (issue value per share amounted to PLN 1.83). Additional information in note 3.4.1;
- on 1 March 2021, PKN ORLEN acquired 100% of the Polska Press Sp. z o.o. shares with its headquarters in Warsaw, i.e. 12,000 shares with a nominal value of PLN 3,500 each, with a total nominal value of PLN 42 million. Additional information in note 3.4.3;
- on 18 March 2021 ORLEN Południe acquired 100% of the CHP Energia Sp. z o.o. shares for the amount of PLN 2 million. Additionally, a subrogation agreement was signed for the repayment by ORLEN Południe of a loan granted to CHP ENERGIA by third parties in the amount of PLN 6 million. On the acquisition date, ORLEN Południe contributed an additional capital contribution to CHP Energia Sp. z o.o. in the amount of PLN 3.5 million;
  Acquired company is an entity operating on the construction of a biogas plant and an integrated biomass solid fuel production plant in the form of pellets and the production of green electricity in cogeneration. As a result of this transaction, goodwill in the amount of PLN 4 million was recognised;
- on 24 March 2021, the Extraordinary General Meeting of Shareholders of Baltic Power S. z o.o. adopted a resolution to increase the company's share capital. All new shares, representing 48.56%, were acquired in full by NP Baltic Wind B.V. with its headquarters in Amsterdam and covered them in full with a cash contribution in the total amount of EUR 35 million and PLN 93 million. Additional information in note 3.4.7;
- on 26 March 2021, ENERGA OZE SA established two new companies: ENERGA MFW 1 Sp. z o.o. with its headquarters in Gdańsk and ENERGA MFW 2 Sp. z o.o. with its headquarters in Gdańsk. The companies are 100% owned by ENERGA OZE SA;
- on 30 March 2021, new companies were established: ORLEN Neptun III Sp. z o.o, ORLEN Neptun IV Sp. z o.o, ORLEN Neptun V Sp. z o.o, ORLEN Neptun VI Sp. z o.o, ORLEN Neptun VII Sp. z o.o, ORLEN Neptun VIII Sp. z o.o, ORLEN Neptun IX Sp. z o.o, ORLEN Neptun X Sp. z o.o, ORLEN Neptun XI Sp. z o.o (further ORLEN Neptun III-XI) and ORLEN Energia Sp.z o.o.
  ORLEN Neptun III - XI companies were established as part of the Morska Energetyka Wiatrowa project, and ORLEN Energia for wholesale trade in energy produced in the ORLEN Group;
- on 31 March 2021, PKN ORLEN acquired 454,546 shares of OTP Sp. z o.o. with its headquarters in Płock, which constitutes 100% of the share capital, thus PKN ORLEN became the sole owner of the company. On 22 June 2021, the name of the company was changed from OTP Sp. z o.o. for ORLEN Transport Sp. z o.o. (ORLEN Transport). Additional information in note 3.4.4;
- on 14 April 2021, ORLEN Wind 3 acquired 100% of shares of Nowotna Farma Wiatrowa Sp. z o.o. with its headquarters in Gdańsk. The value of the transaction amounted to PLN 372 million. Additional information in note 3.4.5.;
- on 30 April 2021, was registered an increase in the share capital of ORLEN Wind 1 Sp.z o.o. All new shares, was taken over in full by the current shareholder of the Company, i.e. PKN ORLEN, On the same day, a change of name from ORLEN Wind 1 Sp.z o.o. to ORLEN Neptun I Sp.z o.o and on 28 April a change of name from ORLEN Wind 2 Sp. z o.o. for ORLEN Neptun II Sp. z o.o; was registered;
- on 6 May 2021, the National Court Register registered the increase in the share capital of IKS Solino.
  PKN ORLEN brought to IKS Solino S.A. cash contribution in the total amount of PLN 10 million to increase the share capital;
- on 14 May 2021, ORLEN Olefiny Spółka z ograniczoną odpowiedzialnością has been set;
- on 15 June, AB ORLEN Lietuva acquired 100% of shares in UAB Mockavos terminalas. The transaction value is EUR 45 million. Additional information in note 3.4.6.;
- on 24 June 2021, ENERGA adopted a Resolution on increasing the share capital of CCGT Ostrołęka Sp. z o.o. by PLN 245 million;
- on 28 June 2021 was registered in the National Court Register the increase of the share capital of the company Energa Green Development Sp. z o.o.;
- on 29 June 2021 ORLEN Południe S.A. acquired 100% shares in Bioutil Sp. z o.o. for the amount of PLN 29 million. Bioutil has two areas of activity:
  - Biogas – this installation is currently used to produce electric energy from biogas and
  - Waste utilisation facility – which out of services for biogas installation also may provide waste utilisation services on the market.

  As a result of this transaction, a goodwill of a company in amount of PLN 9 million was recognised;

- on 29 June 2021, the Extraordinary Meeting of Shareholders of Baltic Power Sp. z o.o. adopted a resolution to increase the company's share capital. All new shares were acquired by the company's partner - NP Baltic Wind B.V. and covered them in full with a cash contribution in the amount of PLN 21 million.
  As a result of the increase, the share in the share capital of Baltic Power Sp.z o.o. PKN ORLEN owns - 51.42%, NP Baltic Wind B.V. - 48.58%;
- on 5 July 2021, the share capital of Energa Operator Wykonastwo Elektroenergetyczne Sp.z o.o. (ENERGA Group) was increased by PLN 1 million;
- on 27 July 2021, the Extraordinary General Meeting of Energa Operator Wykonastwo Elektroenergetyczne Sp. z o.o. was held on which a resolution on increasing the Company's share capital was adopted;
- on 29 July 2021 the Extraordinary General Meeting of ORLEN Upstream Sp. z o.o. was held on which a resolution on increasing the Company's share capital was adopted;
- on 31 July 2021, ORLEN Ochrona Sp. z o.o. acquired 100% of shares in the share capital of ENERGA OCHRONA Spółka z ograniczoną odpowiedzialnością;
- on 16 August 2021, the Extraordinary Meeting of Shareholders of ORLEN Eko Sp. z o.o. was held on which a resolution on increasing the Company's share capital was adopted;
- on 20 September 2021, an increase in the share capital of CCGT Ostrołęka Sp. z o.o. was registered with the National Court Register;
- on 29 September 2021, an increase in the share capital of CHP Energia Sp. z o.o was registered with the National Court Register;
- as 30 September of 2021 there was a change in ENERGA's involvement in ElektroMobility Poland S.A. The share of ENERGA decreased from 25% to 4.33%. ENERGA's involvement in ElektroMobility Poland S.A. decreased due to the accession of a new shareholder to the company, i.e. the State Treasury;
- on 4 October 2021, the Founding Act of ORLEN EkoUtylizacja Sp. z o.o., the sole owner of which is ORLEN Eko Sp. z o.o. (100% share in the share capital), took place;
- on 11 October 2021, an increase in the share capital of ORLEN Upstream Sp. z o.o. was registered with the National Court Register;
- on 29 October 2021, the Extraordinary General Meeting of SHIP - SERVICE S.A. based in Warsaw, convened at the request of PKN ORLEN adopted a resolution on the dissolution of SHIP - SERVICE S.A. and the opening of its liquidation;
- on 19 November 2021, an increase in the share capital of ORLEN Eko Sp. z o.o was registered with the National Court Register;
- on 25 November 2021, an increase in the share capital of Baltic Power Sp. z o.o. was registered with the National Court Register;
- on 29 November 2021, the Extraordinary General Meeting of Shareholders increased the share capital of Baltic Power Sp.z o.o. All new shares were acquired by the company's partner - NP Baltic Wind B.V. and covered them entirely with a cash contribution of EUR 3 million. The surplus of the cash contribution over the nominal value of the new shares will be transferred to the company's supplementary capital;
- on 13 December 2021, the District Court for the Capital City of Warsaw registered the merger of Bioenergy Project Sp. z o.o. and BIOZEC sp. z o.o., as a result of which the company BIOZEC sp. z o.o was taken over by Bioenergy Project Sp. z o.o.;
- on 16 December 2021, ENERGA sold 100% of shares of ENERGA Centrum Usług Wspólnych Sp. z o.o. for ORLEN Centrum Usług Korporacyjnych Sp. z o.o. with effect on 22 December 2021;
- on 28 December 2021, ORLEN EkoUtylizacja Sp. z o.o. was registered with the National Court Register;
- on 28 December 2021, the Extraordinary General Meeting of Shareholders of NVC was held on which a resolution of an additional payment in the amount of PLN 51 million was adopted.
- on 31 December 2021, there was a deletion from the National Court Register of ENERGA OCHRONA Sp. z o. o. as a result of the merger of ENERGA Ochrona Sp. z o. o. and ORLEN Ochrona Sp. z o.o., as a result of which the company ENERGA Ochrona Sp. z o. o. was taken over by ORLEN Ochrona Sp. z o.o.

Changes in the Group structure are an element of the ORLEN Group strategy, assuming a focus on core activities and allocating capital for the development of the Group in the most prospective areas and creating an integrated multi-energy concern.

3.4. Settlement of acquisition of shares in accordance with IFRS 3 Business Combinations

3.4.1. Settlement of acquisition of RUCH S.A. shares in accordance with IFRS 3 Business Combinations

On 11 April 2019 PKN ORLEN approached RUCH S.A. (RUCH) with a conditional financing proposal relating to the intended acquisition of a controlling interest in the company. This decision was preceded by a due diligence of the company and a process to work out a framework for future restructuring measures. Since then in RUCH, steps have been taken to adopt and approve restructuring arrangements, which were one of the pre-conditions to PKN ORLEN providing financing to RUCH. In the meantime, a detailed restructuring plan for the company was developed, and an investment agreement was negotiated with the other partners on the project – PZU S.A., PZU Życie S.A. and Alior Bank S.A. The signing of investment agreement in June 2020 and clearance from the anti-trust regulator for PKN ORLEN to acquire control of RUCH have enabled the acquisition process to move forward. The final and binding statement by the court of the performance of restructuring arrangements with creditors by RUCH in November 2020 as part of two accelerated arrangement proceedings was the last condition and enabled PKN ORLEN to finalize the acquisition of a majority stake in RUCH.

ORLEN ORLEN GROUP (in PLN million)

On 24 November 2020 General Meeting of RUCH adopted a resolution to increase the company's share capital by the amount of PLN 109,189,617, through the issue of 109,189,617 shares with a nominal value of PLN 1 each. The issue price of 1 share was PLN 1.83. As a part of the adopted resolution, PKN ORLEN acquired and at the same time paid for 70,973,251 shares of RUCH for the consideration of PLN 130 million, representing 64.94% of the share capital of the company and corresponding to 64.94% of the total number of votes at the General Meeting of RUCH. Thus, 24 November 2020 is the date on which PKN ORLEN obtained control of RUCH.

Full settlement of the transaction

The acquisition of the RUCH shares is being settled using the acquisition method in accordance with IFRS 3 Business Combinations.

In the consolidated financial report of 2020 and in the consolidated quarterly report for the 1st quarter of 2021, the Group presented a provisional settlement of transactions due to the uncompleted process of valuation of fixed assets and contingent liabilities. In the 2nd quarter of 2021 the Group finalized the process of valuation to fair value of individual items of property plant and equipment and intangible assets, as well as the right-of-use assets.
Therefore, in the consolidated half-year report for the 1st half of 2021 and in these interim condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities as part of the final settlement of the RUCH acquisition transaction.

The final value of net assets amounted to PLN 73 million, which means an increase by PLN 31 million compared to the provisional settlement of the transaction presented in the consolidated financial statements for 2020 and in the consolidated quarterly report for the 1st quarter of 2021. There were significant changes mainly in property, plant and equipment, the fair value of which as part of the final settlement amounted to PLN 42 million (the provisional value was PLN 13 million). There were no significant changes in relation to other items of net assets.

Fair value of identifiable major classes of assets acquired and liabilities assumed of RUCH Group recognised as at the acquisition date is as follows:

Assets acquired	**A**	**369**
Non-current assets		
Property, plant and equipment		42
Intangible assets		25
Right-of-use asset		37
Deferred tax assets		8
Other assets		11
Current assets		
Inventories		54
Trade and other receivables		58
Cash and cash equivalents		131
Other assets		3
Assumed liabilities	**B**	**296**
Non-current liabilities		
Deferred tax liabilities		4
Lease liabilities		27
Current liabilities		
Trade and other liabilities		149
Lease liabilities		10
Loans, borrowings and bonds		35
Provisions		70
Other liabilities		1
Total net assets	**C = A - B**	**73**
Acquired net assets attributable to the equity owners of the parent	**D**	**73**
Non-controlling interest measured as a proportionate share in the net assets		**25**
% share in the share capital	**E**	64,94%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	46
Fair value of the consideration transferred (Cash paid)	**G**	130
Goodwill	**I = G - F**	**84**

The goodwill arising from the acquisition of RUCH results from estimated synergies and other benefits resulting from the merger of RUCH's operations with the ORLEN Group. By acquiring RUCH, the Group is pursuing its strategy of developing the retail area based on locations outside fuel stations and comprehensive customer services, including courier services.

ORLEN GROUP (in PLN million)

Effective use of RUCH's assets will strengthen the position of the ORLEN Group on the retail market through significant expansion of the sales network and planned development of new catering and shop formats, as well as further increase its competitiveness in terms of service quality, assortment, services and improved operating standards in the retail segment.
Recognised goodwill represents the value of assets, that could not be recognised separately under the requirements of IAS 38 Intangible Assets (employees and their knowledge, business components and relationships with the environment).

At the date of taking control, securities were established on the assets of RUCH and its subsidiaries for the benefit of Alior Bank under the agreements signed with the bank. As at 31 December 2021, RUCH's debt to Alior Bank has been repaid in full. RUCH completed also the remaining steps necessary to release the securities established on its assets. The securities were released by Alior Bank as of 9 November 2021.

3.4.2. Settlement of acquisition of Livingstone Sp. z o.o shares in accordance with IFRS 3 Business Combinations

On 11 February 2021, ORLEN Wind 3 Sp. z o.o. ("ORLEN Wind 3") acquired from foreign investment founds 100% shares in Livingstone Sp.z o.o. (Livingstone) with its headquarters in Warsaw. The fair value of the payment made amounted to PLN 24 million. Furthermore, on the same day ORLEN Wind 3 signed with Livingstone Sp. z o.o. a loan agreement for the amount of PLN 76 million, which was designated for repayment of liabilities of the acquired company indicated in the share purchase agreement, including in particular liabilities towards former shareholders under granted loans and bank credits in the amount of PLN 34 million and PLN 41 million, respectively. The core business of the acquired company is generation of electricity from renewable energy sources at the Kanin wind farm located in the West Pomeranian province with a capacity of 20 MW. The transaction was executed as part of ORLEN Group's strategy aimed at, among other things, expanding its portfolio of zero-emission energy sources.

Full settlement of the transaction

The transaction of Livingstone acquisition is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations. In the consolidated quarterly report for the 1st quarter of 2021, the Group presented the temporary settlement of the transaction, because of the unfinished process of valuation of fixed assets and contingent liabilities. In the 2nd quarter of 2021 the Group completed the process of valuation of individual property, plant and equipment and intangible assets carried out by independent appraisers. Therefore, in the consolidated half-year report for the 1st half of 2021 and in these interim condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities as part of the final settlement of the Livingstone acquisition.

The final value of net assets amounted to PLN (23) million, which means a decrease by PLN 32 million compared to provisional settlement of the transactions presented in the consolidated quarterly report for the 1st quarter of 2021. There were significant changes mainly in property, plant and equipment, the fair value of which as part of the final settlement amounted to PLN 62 million (the provisional value amounted to PLN 91 million). There were no significant changes in relation to other net assets.

The fair value of the identifiable major items of Livingstone's acquired assets and liabilities at the acquisition date are as follows:

Assets acquired	**A**	**73**
Non-current assets		
Property, plant and equipment		62
Right-of-use asset		5
Current assets		
Inventories		1
Trade and other receivables		3
Cash and cash equivalents		2
Assumed liabilities	**B**	**96**
Non-current liabilities		
Deferred tax liabilities		3
Loans and borrowings		69
Long term provisions		5
Lease liabilities		8
Current liabilities		
Deferred tax liabilities		1
Trade and other liabilities		4
Loans, borrowings and bonds		6
Total net assets	**C = A - B**	**(23)**
Acquired net assets attributable to the equity owners of the parent	**D**	**(23)**
% share in the share capital	**E**	100%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	(23)
Fair value of the consideration transferred (Cash paid)	**G**	24
Value of pre-existing relationship	**H**	8
Goodwill	**I = G - F - H**	**39**

As part of the acquisition transaction, the previously existing relationships due to the agreements concluded before the acquisition date between Livingstone and the ORLEN Group's company were settled at the estimated fair value of PLN (8) million, which was recognised as other operating expenses.

The goodwill identified on the acquisition of Livingstone presents the estimated fair value of the expected benefits and synergies in the ORLEN Group as part of the implemented strategy to expand the portfolio of renewable energy sources.

ORLEN ORLEN GROUP (in PLN million)

Net cash outflow related to the acquisition of Livingstone, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (22) million.
If the acquisition of the Livingstone shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 10,239 million, and sales revenues would be PLN 131,592 million. The share of Livingstone in the sales revenues generated by the ORLEN Group for the 4 quarters of 2021 amounted to PLN 14 million and PLN 4 million, respectively.

3.4.3. Provisional settlement of acquisition of Polska Press shares in accordance with IFRS 3 Business Combinations

On 1 March 2021 PKN ORLEN acquired from German Verlagsgruppe Passau Capital Group 100% shares in Polska Press Sp. z o.o. with its headquarters in Warsaw. Polska Press is one of the largest publishing groups in Poland with about 20 regional dailies, nearly 120 local weeklies as well as about 500 online websites. The acquisition of Polska Press is in line with PKN ORLEN's strategic plans to strengthen retail sales, including non-fuel sales. By acquiring Polska Press the Company gained, i. a. access to 17.4 million Internet users and the possibility to acquire new customers, optimise marketing costs and develop big data tools within the Group. As part of the final price settlement, after an adjustment by PLN 13 million, which was affected by the change in working capital and net debt, the final fair value of the payment transferred amounted to PLN 222 million.

Temporary settlement of the transaction

As at the date of approval of these interim condensed consolidated financial statements, the process of purchase price allocation has not been completed yet. The provisional values presented below represent the fair value of the acquired assets and liabilities determined on the basis of the received report prepared by independent experts, which also includes the valuation of fixed assets by external appraisers, therefore they may still be changed as part of the full settlement of the transaction.

In relation to the previously presented book values:
- property, plant and equipment whose fair value was determined at PLN 84 million (book value PLN 67 million) was measured at fair value;
- intangible assets not previously disclosed in the financial statements of the Polska Press Group were recognized in the amount of PLN 18 million relating to press titles and relations with subscribers;
- additional right-of-use assets were recognized in the amount of PLN 60 million and lease liabilities in the amount of PLN 57 million, resulting from the recognition of existing lease contracts as at the acquisition date;

There were no significant changes with regard to the remaining items of net assets.

The Group plans to present the full settlement of the transaction in the consolidated financial statements for 2021.

The provisional value of identifiable assets acquired and liabilities assumed recognised as at the acquisition date are as follows:

Assets acquired	**A**	**341**
Non-current assets		
Property, plant and equipment		84
Intangible assets		19
Right-of-use asset		61
Deferred tax assets		13
Other assets		9
Current assets		
Inventories		12
Trade and other receivables		39
Cash and cash equivalents		104
Assumed liabilities	**B**	**111**
Non-current liabilities		
Provisions		5
Deferred tax liabilities		1
Lease liabilities		45
Current liabilities		
Provisions		1
Trade and other liabilities		43
Lease liabilities		12
Liabilities from contracts with customers		4
Total net assets	**C = A - B**	**230**
Non-controlling interest measured as a proportionate share in the net assets		9
Acquired net assets attributable to the equity owners of the parent	**D**	**221**
% share in the share capital	**E**	100%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	221
Fair value of the consideration transferred (Cash paid)	**G**	222
Goodwill	**I = G - F**	**1**

The total value of non-controlling interest presented in the above table, valued at PLN 9 million and measured on a pro-rata basis of net assets includes the non-controlling interest within the Polska Press Group, related to net assets of subsidiary Pro Media, in which Polska Press does not hold 100% in share capital.

Net cash outflow related to the acquisition of Polska Press, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (118) million.
If the acquisition of the Polska Press shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 10,235 million, and sales revenues would be PLN 131,636 million. The share of Polska Press in the sales revenues generated by the ORLEN Group for the 4 quarters of 2021 amounted to PLN 274 million. The share of the Polska Press Group in the ORLEN Group's results for the 4 quarters of 2021 was no material.

On 17 March 2021, the Commissioner for Human Rights of Poland (Commissioner) announced in a communique published on his website that he appealed to the District Court in Warsaw (Court of Competition and Consumer Protection) against the decision of the President of the Office of Competition and Consumer Protection (OCCP) of 5 February 2021 on consent to concentration consisting in taking over by PKN ORLEN control over Polska Press Sp. z o.o. The case is pending before the court. At the same time, the Commissioner filed a motion to the court to suspend the execution of the President of OCCP decision (including the ban on exercising participation rights by PKN ORLEN in Polska Press).
On 8 April 2021, the District Court issued an order to suspend the execution of the decision of the President of OCCP of 5 February 2021 until the court resolves the appeal submitted by the Commissioner. As at the date of these interim condensed consolidated financial statements, the court has not issued any decision on the appeal filed by the Commissioner. In the opinion of PKN ORLEN, this order of 5 February 2021 does not affect the effectiveness of the acquisition by PKN ORLEN of shares in Polska Press, as the acquisition was made before the court issued this order; the court's order does not restrict PKN ORLEN in exercising its rights from shares in Polska Press (the court in its order did not consider the Commissioner's motion in this respect). On 15 September 2021, PKN ORLEN was entered into the National Court Register as the sole shareholder of Polska Press.
On the basis on its own judgment, on the obtained legal analyses prepared by external law firm, the Group assessed that as at 31 December 2021, in accordance with the requirements of IFRS 10, has control over Polska Press, and therefore it was consolidated using the full method. In the following reporting periods, the Group will analyse new facts and circumstances to assessing control.

3.4.4. Settlement of acquisition of ORLEN Transport Sp. z o.o. (before OTP Sp. z o.o.) shares in accordance with IFRS 3 Business Combinations

On 31 March 2021, PKN ORLEN acquired from Trans Polonia Group, 100% of shares in ORLEN Transport Sp. z o.o. (ORLEN Transport) with its headquarters in Płock.
ORLEN Transport is one of the largest road transport service providers in Poland.
ORLEN Transport operates a modern fleet of over 200 sets to the transport of dangerous goods by road (ADR) of class II and III. It employs nearly 700 employees, including over 550 drivers. The transaction will enable dynamic development and optimization of logistics processes. The reconstruction of own transport capacity within the Group's structures and the planned centralization of road logistics management will also have a positive impact on ORLEN Group's results. In this way, the Group will definitely strengthen its position on the road transport market. The fair value of the payment made amounted to PLN 102 million.

Full settlement of the transaction

The transaction of acquisition of shares in ORLEN Transport Sp. z o.o. is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. In the 4th quarter of 2021, the Group finally completed the process of valuation of individual property, plant and equipment and intangible assets as well as right-of-use assets carried out by independent appraisers. Therefore, in these interim condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities as part of the final settlement of the acquisition of ORLEN Transport Sp. z o.o .

The final value of net assets was PLN 22 million, which means an increase by PLN 5 million compared to the interim settlement of the transaction presented in the consolidated quarterly reports for the 1st and 3rd quarter of 2021 and in the consolidated semi-annual report for the first half of 2021. There were significant changes mainly in the valuation of the right-of-use assets and the corresponding lease liabilities, the fair value of which as part of the final settlement was PLN 39 million (the provisional value was PLN 46 million and PLN 50 million, respectively) and intangible assets with a fair value as part of the final settlement was PLN 4 million (provisional value was negligible).
There were no significant changes in relation to other net assets.

ORLEN ORLEN GROUP (in PLN million)

The fair value of the identifiable major items of ORLEN Transport Sp. z o.o acquired assets and liabilities at the acquisition date are as follows:

Assets acquired	**A**	**79**
Non-current assets		
Property, plant and equipment		4
Intangible assets		4
Right-of-use asset		39
Trade and other receivables		24
Cash and cash equivalents		8
Assumed liabilities	**B**	**57**
Non-current liabilities		
Provisions		3
Lease liabilities		28
Current liabilities		
Trade and other liabilities		15
Lease liabilities		11
Total net assets	**C = A - B**	**22**
Acquired net assets attributable to the equity owners of the parent	D	22
% share in the share capital	E	100%
Value of shares measured as a proportionate share in the net assets	F = D*E	22
Fair value of the consideration transferred (Cash paid)	G	102
Goodwill	**I = G - F**	**80**

Goodwill recognised as a result of acquisition of ORLEN Transport consist of, first of all, fair value of expected cost synergies and additional benefits connected with gained operating flexibility in the area of logistic processes, including fleet management and increasing of synergies in road transport segment among companies from the ORLEN Group.
In addition, transport costs will be limited due to increased utilisation of the fleet and retention of margin on road transport in the Group.
Possession of own fleet and centralisation of logistical processes, apart from cost optimisation, will also facilitate execution of strategy of the ORLEN Group in relation to digitalisation of processes.

Net cash outflow related to the acquisition of ORLEN Transport, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (94) million.

If the acquisition of the ORLEN Transport shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 10,243 million, and sales revenues would be PLN 131,597 million.
The share of ORLEN Transport in the sales revenues and result generated by the ORLEN Group for the 4 quarters of 2021 amounted to PLN 100 million and PLN 6 million, respectively.

3.4.5. Settlement of acquisition of Nowotna Farma Wiatrowa Sp. z o.o. shares in accordance with IFRS 3 Business Combinations

As at 26 February 2021, Orlen Wind 3 Sp. z.o.o. signed with investment funds: Taiga Inversiones Eolicas SCR SA and Santander Energias Renovables SCRA SA, with its headquarters in Madrid, Spain, purchase agreement of 100% of shares in Nowotna Farma Wiatrowa Sp. z.o.o. (Nowotna Farma Wiatrowa), with its headquarters in Gdańsk, which is the owner of wind farms: Kobylnica, Subkowy, Nowotna. Purchased wind farms have combined power of 89.4 MW. After receiving positive decision of Polish Office of Competition and Consumer Protection, ORLEN Wind 3 as at 14 April 2021 finalized transaction, acquired 100% shares and took control over Notowna Farma Wiatrowa. The fair value of the payment made amounted to PLN 372 million.
Acquiring of wind farms in Pomerania is next step in the ORLEN Group strategy of building modern multi-energy concern and striving for realization of emission neutrality, among others, through investment in zero-emission energy sources.

Full settlement of the transaction

The transaction of acquisition of shares in Nowotna Farma Wiatrowa Sp. z o.o. is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. In the 4th quarter of 2021, the Group expects that it has finally completed the process of valuation to fair value of individual property, plant and equipment and intangible assets carried out by independent appraisers. Therefore, in these interim condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities as part of the final settlement of the purchase transaction of Nowotna Farma Wiatrowa Sp. z o.o.

The final value of net assets amounted to PLN 238 million, which means an increase by PLN 129 million compared to the interim settlement of the transaction presented in the consolidated semi-annual report for the first half of 2021 and in the consolidated quarterly report for the 3rd quarter of 2021. The change is mainly due to:
- recognition of intangible assets in the amount of PLN 148 million regarding the valuation of contracts for the sale of electricity from RES and contracts for the sale of property rights resulting from certificates of origin,
- valuation of property, plant and equipment, the fair value of which as part of the final settlement amounted to PLN 300 million (provisional value was PLN 309 million) and decreased by PLN 9 million,

- recognition of additional provisions (mainly provisions for dismantling), the fair value of which as part of the final settlement amounted to PLN 25 million (provisional value was PLN 11 million), which means an increase by PLN 14 million,
- adjustments of other liabilities by the amount of PLN 34 million resulting from the adjustment of the value of deferred income due to grants received in previous periods, which as at the acquisition date do not involve any potential outflow of cash in the future and thus do not meet the definition of a liability,
- recognition of an additional deferred tax liability as a result of the above changes, the value of which was determined at the level of PLN 33 million as part of the final settlement (the provisional value was PLN 12 million).

Additionally, as part of the full settlement, right-of-use assets in the amount of PLN 13 million and lease liabilities in the amount of PLN 14 million, resulting from the recognition of lease contracts existing as at the take-over date, were recognized.

There were no significant changes with regard to the remaining items of net assets.

The fair value of the identifiable major items of Nowotna Farma Wiatrowa Sp. z o.o. acquired assets and liabilities at the acquisition date are as follows:

Assets acquired	**A**	**558**
Non-current assets		
Property, plant and equipment		300
Intangible assets		148
Right-of-use asset		13
Current assets		
Inventories		9
Trade and other receivables		12
Short-term financial assets		12
Cash and cash equivalents		64
Assumed liabilities	**B**	**320**
Non-current liabilities		
Provisions		25
Loans, borrowings and bonds		236
Deferred tax liabilities		33
Lease liabilities		13
Current liabilities		
Trade and other liabilities		4
Lease liabilities		1
Loans, borrowings and bonds		7
Provisions		1
Total net assets	**C = A - B**	**238**
Acquired net assets attributable to the equity owners of the parent	**D**	**238**
% share in the share capital	**E**	100%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	238
Fair value of the consideration transferred (Cash paid)	**G**	372
Goodwill	**I = G - F**	**134**

As a result of the purchase price settlement process, the determined goodwill of PLN 134 million decreased by PLN 129 million compared to the provisional settlement of the transaction presented in the consolidated half-year report for the 1st half of 2021 and in the consolidated quarterly report for the 3rd quarter of 2021, as a significant part of it was allocated to other assets as a result of the process of valuation to fair value of property, plant and equipment carried out by independent appraisers, including, in particular, the fair value recognized under intangible assets of existing RES electricity sales contracts and contracts for the sale of property rights resulting from certificates of origin.

The goodwill remaining in the final settlement relates to the fair value of potential future PPA and CPA contracts, for which flows are forecasted over the next dozen or so years, as well as the expected benefits and synergies across the Group as part of the strategy of expanding the portfolio of renewable energy sources.

Net cash outflow related to the acquisition of Nowotna Farma Wiatrowa, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (308) million.

If the acquisition of the Nowotna Farma Wiatrowa shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 10, 253 million, and sales revenues would be PLN 131, 617 million. The share of Nowotna Farma Wiatrowa in the sales revenues and result generated by the ORLEN Group for the 4 quarters of 2021 amounted to PLN 115 million and PLN 50 million, respectively.

3.4.6. Settlement of acquisition of UAB Mockavos Terminalas shares in accordance with IFRS 3 Business Combinations

As at 15 June 2021, AB ORLEN Lietuva acquired 100% of shares in UAB Mockavos Terminalas. The fair value of the payment made amounted to EUR 45 million (PLN 202 million).

The terminal in Mockava was built in 2017. Its area, together with the adjacent land, is approx. 40 ha. The total tank capacity of the terminal is 19 thousand m^3, while the reloading capacity is estimated at 1.2 million tonnes of liquid fuels per year. The terminal in Mockava is the only railway transhipment terminal at the Polish-Lithuanian border, which is used for reloading of petroleum products manufactured at the refinery in Mažeikiai for the Polish and Ukrainian markets.

(in PLN million)

Full settlement of the transaction

The acquisition of the UAB Mockavos Terminalas shares is being settled using the acquisition method in accordance with IFRS 3 Business Combinations.

In the 3rd quarter of 2021 the Group finalized the process of valuation to fair value of individual items of property plant and equipment and intangible assets, as well as the right-of-use assets.
Therefore, in the consolidated report for the 3rd quarter of 2021, as well as in in these consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities as a part of the final settlement of the acquisition of UAB Mockavos Terminalas.
With regard to individual balance sheet items, the final valuation did not differ significantly from the provisional one disclosed in the reports for the 1st half of 2021.

Fair value of identifiable major classes of assets acquired and liabilities assumed of Mockavos recognised as at the acquisition date is as follows:

Assets acquired	**A**	**38**
Non-current assets		
Property, plant and equipment		38
Total net assets	**C = A - B**	**38**
Acquired net assets attributable to the equity owners of the parent	**D**	**38**
% share in the share capital	**E**	100%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	38
Fair value of the consideration transferred taking into account the exchange rate differences from translation	**G**	205
Goodwill	**I = G - F**	**167**

The goodwill arising from the acquisition of Mockavos Terminalas mainly presents the value of the projected cost synergies, including, among others, those related to with the elimination of the fees incurred so far for the use of the terminal and greater independence and the possibility of implementing new, more effective logistics solutions, as well as the value of other assets (workforce, logistic customer service, presence in a given geographical location, the possibility of implementing development plans in the area, which the terminal is located) that could not be separately accounted for in accordance with the requirements of IAS 38 Intangible Assets.
Net cash outflow related to the acquisition of Mockavos Terminalas, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (202) million.
If the acquisition of the Mockavos Terminalas shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 10 244 million, and sales revenues would be PLN 131 594 million. The share of Mockavos Terminalas in the sales revenues and in profit generated by the ORLEN Group for the 4 quarters of 2021 was not material.

3.4.7. Change in the shareholding structure in Baltic Power

On 24 March 2021, by the decision of the Extraordinary General Meeting of Shareholders of Baltic Power Sp.z o.o. (Baltic Power) a resolution to increase the company's share capital by PLN 1 million by creating 5,665 new shares with a nominal value of PLN 100 each was adopted. All new shares, representing 48.56% of the share capital, were acquired in full by NP Baltic Wind B.V. with its headquarters in Amsterdam (a subsidiary of Northland Power) and covered them in full with a cash contribution in the total amount of EUR 35 million (i.e. PLN 163 million) and PLN 93 million. The surplus of the cash contribution over the nominal value of the new shares in the amount of EUR 35 million (i.e. PLN 163 million) and PLN 92 million was transferred to the reserve capital of Baltic Power.
As a result of this transaction, PKN ORLEN lost control over Baltic Power. Taking into account the terms of the partnership agreement signed with NP Baltic Wind B.V., PKN ORLEN assessed the continued investment in Baltic Power (51.44% share in the share capital) as a joint venture, which was included in these interim condensed consolidated financial statements using the equity method. In the financial result, the amount of PLN 156 million was recognised in other operating income as the difference between the net assets as at the date of loss of control of PLN 112 million and the fair value of the investment held in Baltic Power as at the date of loss of control in the amount of PLN 268 million.

Based on performed analyses and valuation of acquired assets and liabilities, the final fair value of identifiable assets and liabilities of Baltic Power was determined at the time of kept investment as joint venture at the amount of PLN 384 million. The Group shares in net assets amounted to PLN 198 million (51.44%).
The obtained goodwill, representing the excess of the fair value of the investment held in Baltic Power over the Group's part of the company's net assets, amounted to PLN 70 million.

On 29 June 2021 and 29 November 2021, the share capital of Baltic Power Sp. z o.o. was increased, by four and two additional shares, respectively. All new shares were acquired by the company's partner - NP Baltic Wind B.V. and covered them in full with a cash contribution in the amount of PLN 42 million. As a result of these events, share of PKN ORLEN in the company decreased and as at 31 December 2021 it amounted to 51.41%. In other operating income in the 12 and 3-month period ended 31 December 2021 there was recognition of profit on dilution of shares in the amount of PLN 22 million and PLN 11 million, respectively.

ORLEN GROUP (in PLN million)

In subsequent reporting periods, additional capital increases are planned by Baltic Power, which will be fully covered by NP Baltic Wind B.V., leading to increase the share of NP Baltic Wind B.V to 49% (and at the same time decrease the share of PKN ORLEN to 51%).

4. Segment's data

The operations of the ORLEN Group are conducted in:

- the Refining segment, which includes refinery products processing and wholesale, oil production and sale as well as supporting production,
- the Petrochemical segment, which includes the production and wholesale of petrochemicals, production and sale of chemicals and supporting production,
- the Energy segment, which includes production, distribution and sale of electricity and heat and trading in electricity,
- the Retail segment, which includes mainly activity carried out at petrol stations and activity of RUCH Group,
- the Upstream segment, which includes activity related to exploration and extraction of mineral resources conducted through the ORLEN Upstream Group,

and Corporate Functions, which include activities related to management, administration and remaining activities not allocated to separate operating segments i.e. reconciling items.

In the period of 12 and 3 months of 2021, the Group presents the valuation and settlement effect of CO_2 forward contracts divided into individual business segments using the key based on estimated CO_2 emissions.
In previous periods the valuation effect of CO_2 forward contracts was presented in the Corporate Functions segment.

In the Consolidated Financial Statements for 2020, the effect of valuation and settlement of CO_2 forward contracts was presented in the Corporate Functions segment. In order to ensure comparability of data in these interim condensed consolidated financial statements, the Group restated presented comparative data by allocating to segments the effect of valuation and settlement of CO_2 forward contracts recognised in the period of 12 and 3 months ended 31 December 2020.

The allocation of the ORLEN Group's companies to operating segments and Corporate Functions was presented in note 3.3.

Revenues, costs, financial results, increases in non-current assets

for the 12-month period ended 31 December 2021

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	56 966	16 011	16 014	41 360	798	443	-	131 592
Inter-segment revenues		28 577	2 252	3 474	85	-	594	(34 982)	-
Sales revenues		85 543	18 263	19 488	41 445	798	1 037	(34 982)	131 592
Total operating expenses		(79 566)	(16 698)	(18 873)	(39 360)	(613)	(2 172)	34 982	(122 300)
Other operating income	5.5	3 539	1 637	1 635	120	12	285	-	7 228
Other operating expenses	5.5	(3 323)	(127)	(316)	(152)	(173)	(155)	-	(4 246)
(Loss)/reversal of loss due to impairment of financial instruments		(10)	(2)	(69)	(5)	-	-	-	(86)
Share in profit from investments accounted for using the equity method	5.8	1	388	223	-	-	1	-	613
Profit/(Loss) from operations		**6 184**	**3 461**	**2 088**	**2 048**	**24**	**(1 004)**	**-**	**12 801**
Net finance income and costs	5.6								(131)
Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(8)
Profit before tax									**12 662**
Tax expense									(2 421)
Net profit									**10 241**
Depreciation and amortisation	5.2	**1 367**	**1 029**	**1 586**	**806**	**351**	**291**	**-**	**5 430**
EBITDA		**7 551**	**4 490**	**3 674**	**2 854**	**375**	**(713)**	**-**	**18 231**
Increases in non-current assets		**2 387**	**3 051**	**2 640**	**1 156**	**363**	**343**	**-**	**9 940**

ORLEN GROUP (in PLN million)

for the 3-month period ended 31 December 2021

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	18 952	5 122	4 591	12 080	253	167	-	41 165
Inter-segment revenues		9 708	794	974	16	-	177	(11 669)	-
Sales revenues		28 660	5 916	5 565	12 096	253	344	(11 669)	41 165
Total operating expenses		(26 248)	(5 564)	(6 379)	(11 724)	(185)	(639)	11 669	(39 070)
Other operating income	5.5	1 229	748	660	74	10	80	-	2 801
Other operating expenses	5.5	(751)	(82)	(126)	(107)	(22)	(33)	-	(1 121)
(Loss)/reversal of loss due to impairment of financial instruments		(6)	-	(17)	1	1	(6)	-	(27)
Share in profit from investments accounted for using the equity method	5.8	1	122	102	-	-	-	-	225
Profit/(Loss) from operations		**2 885**	**1 140**	**(195)**	**340**	**57**	**(254)**	**-**	**3 973**
Net finance income and costs	5.6								118
Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(1)
Profit before tax									**4 090**
Tax expense									(893)
Net profit									**3 197**
Depreciation and amortisation	5.2	**368**	**306**	**413**	**198**	**114**	**98**	**-**	**1 497**
EBITDA		**3 253**	**1 446**	**218**	**538**	**171**	**(156)**	**-**	**5 470**
Increases in non-current assets		**834**	**838**	**893**	**417**	**150**	**159**	**-**	**3 291**

for the 12-month period ended 31 December 2020

	NOTE	Refining Segment (restated data)	Petrochemical Segment (restated data)	Energy Segment (restated data)	Retail Segment	Upstream Segment	Corporate Functions (restated data)	Adjustments	Total (restated data)
External revenues	5.1	34 090	10 587	10 095	30 837	483	88	-	86 180
Inter-segment revenues		17 920	2 053	3 367	74	-	505	(23 919)	-
Sales revenues		52 010	12 640	13 462	30 911	483	593	(23 919)	86 180
Total operating expenses		(56 228)	(11 885)	(11 356)	(28 339)	(606)	(1 712)	23 919	(86 207)
Other operating income, incl.:	5.5	4 443	435	4 604	123	367	106	-	10 078
gain on bargain purchase of the ENERGA Group	5.5	-	-	*4 062*	-	-	-	-	*4 062*
Other operating expenses	5.5	(3 813)	(42)	(172)	(218)	(1 692)	(289)	-	(6 226)
(Loss)/reversal of loss due to impairment of financial instruments		-	-	(27)	(4)	(2)	(33)	-	(66)
Share in profit from investments accounted for using the equity method	5.8	(1)	143	6	-	-	1	-	149
Profit/(Loss) from operations		**(3 589)**	**1 291**	**6 517**	**2 473**	**(1 450)**	**(1 334)**	**-**	**3 908**
Net finance income and costs	5.6								(1 037)
Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(15)
Profit before tax									**2 856**
Tax expense									(31)
Net profit									**2 825**
Depreciation and amortisation	5.2	**1 187**	**914**	**1 180**	**720**	**350**	**206**	**-**	**4 557**
EBITDA		**(2 402)**	**2 205**	**7 697**	**3 193**	**(1 100)**	**(1 128)**	**-**	**8 465**
Increases in non-current asset		**3 174**	**1 912**	**1 722**	**1 329**	**400**	**455**	**-**	**8 992**

ORLEN ORLEN GROUP (in PLN million)

for the 3-month period ended 31 December 2020

	NOTE	Refining Segment (unaudited) (restated data)	Petrochemical Segment (unaudited) (restated data)	Energy Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited)	Total (unaudited) (restated data)
External revenues	5.1	8 942	2 925	3 784	7 368	127	29	-	23 175
Inter-segment revenues		4 440	464	905	(1)	-	147	(5 955)	-
Sales revenues		13 382	3 389	4 689	7 367	127	176	(5 955)	23 175
Total operating expenses		(13 621)	(3 167)	(4 033)	(6 750)	(162)	(489)	5 955	(22 267)
Other operating income	5.5	700	295	448	78	214	42	-	1 777
Other operating expenses	5.5	(875)	(34)	(120)	(148)	(1 038)	(77)	-	(2 292)
(Loss)/reversal of loss due to impairment of financial instruments		(2)	(1)	(9)	(1)	(1)	(5)	-	(19)
Share in profit from investments accounted for using the equity method	5.8	(1)	42	5	-	-	-	-	46
Profit/(Loss) from operations		**(417)**	**524**	**980**	**546**	**(860)**	**(353)**	**-**	**420**
Net finance income and costs	5.6								**(260)**
Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(13)
Profit before tax									**147**
Tax expense									(122)
Net profit									**25**
Depreciation and amortisation	5.2	**332**	**232**	**389**	**193**	**106**	**54**	**-**	**1 306**
EBITDA		**(85)**	**756**	**1 369**	**739**	**(754)**	**(299)**	**-**	**1 726**
Increases in non-current assets		**1 185**	**757**	**749**	**473**	**135**	**234**	**-**	**3 533**

***EBITDA** – profit/(loss) from operations increased by depreciation and amortisation*
***Increase in non-current assets (CAPEX)** includes increase of property, plant and equipment, intangible assets, investment property and right-of-use asset together with the capitalisation of borrowing costs and a decrease in received/due penalties for the improper execution of a contract.*

Assets by operating segments

	31/12/2021 (unaudited)	31/12/2020 (restated data)
Refining Segment	35 289	25 908
Petrochemical Segment	17 868	13 873
Energy Segment	29 353	24 844
Retail Segment	11 711	10 983
Upstream Segment	3 263	3 070
Segment assets	**97 484**	**78 678**
Corporate Functions	8 345	5 589
Adjustments	(82)	(219)
	105 747	**84 048**

Operating segments include all assets except for financial assets, tax assets and cash, which are presented as part of the Corporate Functions. Assets used jointly by the operating segments are allocated based on revenues generated by individual operating segments.

5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

Based on analyses of contractual clauses in sales contracts, the Group identified the agency model mainly in the area of natural gas and LPG sales and non-fuel merchandise sales by ORLEN Deutschland to customers network. The loyalty program VITAY liability, arises at the time of sales of goods and services at own and franchise petrol stations for each single sale transaction and in case of purchase by the Group's customers in partner's e-Shops and consists of calculating points entitling to discounts on future purchases. A ratio of 68.5% is adopted to recognise liability taking into account the probability of its on realisation, based on empirical data of points used compared to those issued to the customer in the last 36 months.
The Group assessed, that marketing services provided to suppliers are inseparably linked to the purchase of these merchandise hence revenues from marketing services reduce costs related to their purchase and release for sale.

ORLEN ORLEN GROUP (in PLN million)

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Revenues from sales of finished goods and services	103 386	32 967	66 180	17 678
revenues from contracts with customers	*103 064*	*32 870*	*65 916*	*17 602*
excluded from scope of IFRS 15	*322*	*97*	*264*	*76*
Revenues from sales of merchandise and raw materials	28 206	8 198	20 000	5 497
revenues from contracts with customers	*28 206*	*8 198*	*19 999*	*5 497*
excluded from scope of IFRS 15	*-*	*-*	*1*	*-*
Sales revenues, incl.:	**131 592**	**41 165**	**86 180**	**23 175**
revenues from contracts with customers	*131 270*	*41 068*	*85 915*	*23 099*

Revenues excluded from the scope of IFRS 15 refer to operating lease contracts and compensation for energy prices

The impact of new subsidiaries acquired in 2021 and 2020 in the 12 and 3 months ended 31 December 2021 and 31 December 2020 on the items of revenues from sales of finished goods, services, merchandise and raw materials amounted to PLN 15,207 million and PLN 4,195 million and PLN 8,223 million, and PLN 3,258 million, respectively.

Performance obligations

As part of the contractual obligations, the Group commits to deliver to its customers mostly refining, petrochemical products and goods, electricity and heat, crude oil, natural gas, energy distribution services and press supply and subscription, printing and advertising services as well as courier distribution services. Under these agreements, the Group acts as a principal.

Transaction prices in existing contracts with customers are not subject to restrictions, except for prices for customers of G tariff groups and electricity and heat distribution approved by the President of Energy Regulatory Office (Urząd Regulacji Energetyki, URE in Polish) in the Energy segment.

There are no contracts in force providing for significant obligations for returns and other similar obligations. Press revenues in the case of wholesale is recognised when the circulation is issued to distributors, and in the case of retail sales for most points/networks are recognised based on the difference accounting between delivered and returned press. The invoice is issued for the completed press sales to end customers. The Group does not identify revenues for which the receipt of payment is conditional and therefore does not present the item Assets under contracts with customers.

The warranties provided under the contracts are warranties that provide a customer with assurance that the related product complies with agreed-upon specification. They are not a distinct service.

There are mainly sales with deferred payment in the Group, excluding paid subscriptions, which will be made in the future. Additionally in the Retail segment cash sales take place. In contracts with customers, in most cases payment terms not exceeding 30 days are used, while in the Upstream segment payment terms not exceeding 60 days are used. Usually payment is due after transferring good or service.

Within the Refining, Petrochemical, Retail and Upstream segments, in case of deliveries of goods, where control is transferred to the customer in terms of services satisfied at a point in time, settlements with customers and recognition of revenues take place after each delivery.

In the Group the revenues from deliveries of goods and provision of services, when the customer simultaneously receives and benefits from them, are being accounted and recognised over time. In the Refining and Petrochemical segment, in continuous sale, when goods are transferring using pipelines, the ownership right over the transferred good passes to the customer at an agreed point in the infrastructure of the plant. This moment is considered as the date of sale. Revenue is recognised based on the output method for the delivered units of goods.

In the Group in case of construction services, when an asset is created as a result of the performance, and control over this component is exercised by the customer, revenue is recognised over time using input-based method based on the costs incurred irrespective of the signed acceptance protocols.

Within the Retail segment, in Fleet Program settlements with customers take place mostly in two-week periods, the delivery of the press are accounted for on a weekly basis, and subscriptions on a monthly, quarterly, semi-annual and annual periods.

Within the Energy segment, revenue for energy delivered in the period and energy distribution, are recognised monthly and are determined on the basis of billed price and volumes as well as additional estimations. The estimates are made on the basis of reports from billing systems as well as forecasts of customers' energy needs and prices for the estimated days of energy consumption, as well as a result of reconciliations of the energy balance. Accounts with customers are settled on a one- and two-month basis. Revenues from services related to connection to the energy network are recognised at the point in time when the works are completed.

Revenues according to categories taking into account significant economic factors affecting their recognition

Except of revenues according to product type and geographical region presented in notes 5.1.1 and 5.1.2, the Group analyses revenues based on the type of contract, date of transfer, contract duration and sales channels.

In the case of contracts where the remuneration includes a variable amount, the Group recognises revenues in the amount of remuneration to which - in line with expectations - will be entitled and for which it is highly probable that it will not be reversed in the future.

Consequently, the Group does not recognise revenues, until the uncertainty of receipt the remuneration ceases, in particular in relation to discount rights held by customers, bonuses and penalties imposed.
The Group also classifies to the category of revenues based on a variable price, revenues resulting from contracts where the remuneration is a variable fee on turnover. Contracts accounted for on the basis of time and effort consumed include long-term contracts, among them construction and IT contracts.

As part of the Refining and Petrochemical segments, with respect to sales of petrochemical and refinery products, the Group recognises revenue from the fulfilment of the performance obligation, depending on the terms of delivery applied (Incoterms CFR, CIF, CPT).
In case of some deliveries, the Group as a seller is obliged to organize transport. When the control of good transferred to the customer before the transport service is completed, the delivery of goods and transport becomes separate performance obligations. The delivery of goods is an obligation satisfied at a point in time, while transport is a continuous obligation (satisfied over time), where the customer simultaneously receives and consumes benefits from the service. Revenues are recognised on the basis of the output method with respect to the rendered services.
In the Retail segment, the moment of fulfilment of the performance obligation is the moment of transfer of good, except for sales of fuels in the Fleet Program using Fleet Cards.
Revenue recognised over time mainly relate to the sale of electricity and energy distribution services within the Energy segment, fuel sales in the Fleet Programme and subscription sale within Retail segment and the sale of gas and crude oil within the Upstream segment. These revenues are recognised using the output method for the delivered units of goods.

The duration of most contracts within the Group is short-term. Revenues on services for which start and end dates fall in different reporting periods are recognised according to the degree of complete fulfilment of the performance obligation using the input-based method. Contracts that remain unfulfilled in full as at the balance sheet date relate to i.a. construction and installation contracts.
As at 31 December 2021 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations.
The unfulfilled or partially unfulfilled performance obligations as at 31 December 2021 mainly concerned contracts for the sale of electricity and power media and for the supply of newspapers, subscriptions, advertising broadcast, parcel delivery and collection services that will end within 2022 or are concluded for an indefinite period with a notice period of up to 12 months.
Due to the fact that the described performance obligations are part of the contracts, that can be considered short-term, or the revenues from fulfilled performance obligation under these contracts are recognised in the amount that the Group has the right to invoice, the Group applied a practical solution, according to which it does not disclose information about the total amount of the transaction price allocated to the performance obligation.

The Group mostly realizes revenue from direct sales to end customers based on its own, leased or based on the franchise agreement system sales channels. In the Retail segment, the Group manages the network of 2,881 fuel stations: 2,355 own brand stations and 526 stations operated under franchise agreements and by 1,027 retail outlets/ kiosks managed by the RUCH Group. Additionally, the press is sold in third-party outlets, i.e. large organised networks, including franchised and private shops. As part of the publishing activity of the Polska Press Group, revenues are also generated through own websites.
The Group's direct sales to customers in the Refining Petrochemical and Upstream segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy to customers in the Energy segment are carried out mostly with the use of own distribution infrastructure.

(in PLN million)

5.1.1. Sales revenues of operating segments according to product type

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Refining Segment				
Revenue from contracts with customers IFRS 15	**56 948**	**18 947**	**34 073**	**8 936**
Light distillates	13 379	4 379	7 150	1 848
Medium distillates	34 556	11 715	21 222	5 401
Heavy fractions	6 180	2 099	3 886	1 086
Other*	2 833	754	1 815	601
Excluded from scope of IFRS 15	**18**	**5**	**17**	**6**
	56 966	**18 952**	**34 090**	**8 942**
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	**16 003**	**5 120**	**10 580**	**2 923**
Monomers	3 685	1 397	2 806	698
Polymers	3 726	1 092	1 869	607
Aromas	1 315	370	716	203
Fertilizers	1 375	535	820	208
Plastics	1 911	610	1 304	375
PTA	1 483	305	1 384	389
Other	2 508	811	1 681	443
Excluded from scope of IFRS 15	**8**	**2**	**7**	**2**
	16 011	**5 122**	**10 587**	**2 925**
Energy Segment				
Revenue from contracts with customers IFRS 15	**15 980**	**4 565**	**10 091**	**3 783**
Excluded from scope of IFRS 15	**34**	**26**	**4**	**1**
	16 014	**4 591**	**10 095**	**3 784**
Retail Segment				
Revenue from contracts with customers IFRS 15	**41 123**	**12 023**	**30 624**	**7 306**
Light distillates	16 111	4 689	11 713	2 768
Medium distillates	20 427	6 161	15 208	3 598
Other **	4 585	1 173	3 703	940
Excluded from scope of IFRS 15	**237**	**57**	**213**	**62**
	41 360	**12 080**	**30 837**	**7 368**
Upstream Segment				
Revenue from contracts with customers IFRS 15	**797**	**253**	**482**	**127**
NGL ***	371	100	197	51
Crude oil	81	24	92	16
Natural Gas	339	127	187	58
Other	6	2	6	2
Excluded from scope of IFRS 15	**1**	**-**	**1**	**-**
	798	**253**	**483**	**127**
Corporate Functions				
Revenue from contracts with customers IFRS 15	**419**	**160**	**65**	**24**
Excluded from scope of IFRS 15	**24**	**7**	**23**	**5**
	443	**167**	**88**	**29**
	131 592	**41 165**	**86 180**	**23 175**

** Other includes mainly: brine, industrial salt, vacuum distillates, acetone, ammonia, butadiene, phenol, technical gases, caprolactam, soda lye and sulphur. In addition, it includes revenues from sale of services and materials*
*** Other mainly includes the sale of non-fuel merchandise*
**** NGL (Natural Gas Liquids)*

During the 12 and 3-month period ended 31 December 2021 and 31 December 2020 revenues from none of Group customers individually exceeded 10% of the total sales revenues of the ORLEN Group.

(in PLN million)

5.1.2. Sales revenues according to geographical region – as per location of customer's headquarters

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Revenue from contracts with customers				
Poland	*71 554*	*22 339*	*48 103*	*13 309*
Germany	*17 426*	*4 971*	*12 706*	*3 091*
Czech Republic, Slovakia	*15 095*	*4 778*	*9 136*	*2 272*
Lithuania, Latvia, Estonia	*7 933*	*2 546*	*5 766*	*1 398*
Other countries	*19 262*	*6 434*	*10 204*	*3 029*
	131 270	**41 068**	**85 915**	**23 099**
excluded from scope of IFRS 15				
Poland	*84*	*40*	*47*	*13*
Germany	*93*	*21*	*95*	*30*
Czech Republic, Slovakia	*143*	*36*	*121*	*33*
Lithuania, Latvia, Estonia	*1*	*-*	*1*	*-*
Other countries	*1*	*-*	*1*	*-*
	322	**97**	**265**	**76**
	131 592	**41 165**	**86 180**	**23 175**

Position Other countries comprises mainly sales to customers from Switzerland, Singapore, Ukraine, Slovakia the Ireland, the Netherlands and Hungary.

5.2. Operating expenses

Cost by nature

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020 (restated data)	3 MONTHS ENDED 31/12/2020 (unaudited) (restated data)
Materials and energy	(77 361)	(26 062)	(50 480)	(12 458)
Cost of merchandise and raw materials sold	(24 762)	(7 431)	(16 879)	(3 941)
External services	(6 364)	(1 860)	(5 285)	(1 553)
Employee benefits	(4 842)	(1 230)	(4 102)	(1 188)
Depreciation and amortisation	(5 430)	(1 497)	(4 557)	(1 306)
Taxes and charges	(6 802)	(2 272)	(3 579)	(1 114)
Other	(768)	(184)	(718)	(164)
	(126 329)	**(40 536)**	**(85 600)**	**(21 724)**
Change in inventories	3 521	1 279	(1 479)	(716)
Cost of products and services for own use	508	187	872	173
Operating expenses	**(122 300)**	**(39 070)**	**(86 207)**	**(22 267)**
Distribution expenses	8 505	2 423	7 226	2 221
Administrative expenses	2 613	686	2 314	694
Cost of sales	**(111 182)**	**(35 961)**	**(76 667)**	**(19 352)**

The increase in taxes and charges during the 12 and 3-month period ended 31 December 2021 by PLN (3,223) million and PLN (1,158) million, respectively, resulted mainly from the revaluation of the provision for the estimated costs of CO_2 emissions for 2020 and the recognition/reversal of a provision for the estimated costs of CO_2 emissions for 12 and 3 months of 2021 in the total amount of PLN (5,439) million and PLN (2,019) million, respectively compared to PLN (564) million and PLN (77) million in the corresponding period of 2020. The higher costs of creating and updating the provision for 12 and 3 months of 2021 were influenced by both the higher weighted average price of the CO_2 rights held, resulting from the acquisition of 7 million of CO_2 rights under the term contracts held by the Group in March 2021, as well as the fact that for the estimated emissions of some not covered by the rights held as at the reporting date, the value of the provision was calculated based on market prices.
The increase in other items cost by nature in the 12 and 3-month period ended 31 December 2021 in comparison to the comparative period was mainly due to the Group's acquisitions in 2020 and 2021. Additional information describing changes in operating expenses items is included in note 3.2.

Impact of new entities on cost by nature

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Materials and energy	(896)	(217)	(608)	(255)
Cost of merchandise and raw materials sold	(7 068)	(2 163)	(3 887)	(1 294)
External services	(1 679)	(458)	(909)	(380)
Employee benefits	(1 360)	(346)	(871)	(320)
Depreciation and amortisation	(1 169)	(316)	(690)	(265)
Taxes and charges	(1 631)	(510)	(796)	(555)
Other	(99)	(31)	(58)	(31)
	(13 902)	**(4 041)**	**(7 819)**	**(3 100)**
Change in inventories	(6)	(1)	-	-
Cost of products and services for own use	256	78	156	59
Operating expenses	**(13 652)**	**(3 964)**	**(7 663)**	**(3 041)**
Distribution expenses	1 234	356	606	478
Administrative expenses	423	100	245	98
Cost of sales	**(11 995)**	**(3 508)**	**(6 812)**	**(2 465)**

5.3. Impairment allowances of inventories to net realizable value

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Increase	(105)	(45)	(2 490)	(42)
Decrease	103	32	2 599	107

Increases and decreases of the impairment allowances of inventories to net realizable value during the 12 and 3-month period ended 31 December 2021 were lower compared to the corresponding period of the previous year mainly due to the lack of impact of usage of inventory impairment allowances to net realizable value recognised mainly in the 1st quarter of 2020 due to a decrease in crude oil and petroleum product prices.

5.4. Impairment allowances of property, plant and equipment and intangible assets and right-of-use assets

Assets of the Energy segment

In the 2nd quarter of 2021, the ENERGA Group were made the impairment allowances on the assets of CGU Ostrołęka B in the amount of PLN (45) million and on the assets of the Company Energa Kogeneracja in the amount of PLN (17) million, which was the subject of disclosures in the Consolidated Semi-Annual Report for the Ist half of 2021 of the ORLEN Group (Note 5.4).

In the 3rd quarter of 2021, in reference to the CGU Ostrołęka B, the provision for reclamation was reduced, which resulted in the reversal of the impairment allowances in the amount of PLN 2 million.

In the 4th quarter of 2021 the impairment losses on the net asset value of the Energy segment were made in the amount of PLN (30) million, which mainly concerned the discontinuation of work on the research project regarding the energy storage in Energa OZE (PLN 10) million, impairment allowances of the assets of the CGU Ostrołęka B in the amount of PLN (10) million, and net impairment allowances of other assets in the amount of (10) mln PLN.

The total effect of the recognized net impairments on the fixed assets of the Energy segment in the 12-month period ended 31 December 2021 amounted to PLN (90) million.

Assets of the Refining segment

In the 12-month period ended 31 December 2021, impairment allowances were made on the assets of the Refining segment in the amount of PLN (34) million, mainly as a result of closing selected investment projects in PKN ORLEN S.A. in the amount of PLN (21) million, impairment allowances on assets in ORLEN Unipetrol Group PLN (8) million, the Ship - Service of PLN (4) million, and other of PLN (1) million.

Assets of the Retail segment

In the 12-month period ended 31 December 2021, impairment allowances were made on the assets of the Retail segment in the amount of PLN (42) million and related mainly to the assets in PKN ORLEN S.A. in the amount of PLN (7) million, impairment allowances on assets in ORLEN Unipetrol Group PLN (23) million, ORLEN Deutschland of PLN (10) million, and other of PLN (2) million.

Assets of the Upstream segment

In the 12-month period ended 31 December 2021, impairment allowances were made on the assets of the Upstream segment in the amount of PLN (14) million, resulting from the resignation by ORLEN Upstream Polska from the Koszalin - Polanów and Debrzno - Człuchów concessions. The company has decided to relinquish the license due to the lack of current economic premises, in line with the assumptions of the ORLEN Group's Strategy for 2021-2030.

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ORLEN Upstream Polska focuses on the development of existing deposits and exploration in areas with greater geological prospects. Therefore, no further investment outlays were planned under these concessions to enable the performance of the concession obligations, which resulted in the submission of the will to surrender them to the Ministry of Climate and Environment.

Other assets of the ORLEN Group

Other impairment allowances on fixed assets of the ORLEN Group in the 12-month period ended 31 December 2021 amounted to net of PLN (2) million and related mainly to recognition of impairment allowances of the Corporate Functions segment assets in ORLEN Unipetrol Group PLN (4) million and reversals of impairment allowances in the amount of PLN 2 million, of which PLN 1 million relates to PKN ORLEN's assets.

Net impairment allowances for property, plant and equipment, intangible assets and right-of-use assets

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)
ENERGA Group	(90)	(30)
PKN ORLEN	(27)	(9)
ORLEN Unipetrol Group	(35)	(31)
ORLEN Deutschland	(10)	(5)
ORLEN Upstream	(14)	(14)
Other	(6)	(1)
	(182)	**(90)**

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)
Energy Segment	(90)	(30)
Refining Segment	(34)	(10)
Retail Segment	(42)	(34)
Upstream Segment	(14)	(14)
other	(2)	(2)
	(182)	**(90)**

Due to the fact that the ORLEN Group is in the process of verifying the impairment of assets as at 31 December 2021, taking into account the assumptions of the Financial Plan 2022 and Strategy 2030, the above data may change. Any changes will be disclosed in the ORLEN Group's Consolidated Financial Statements for the year ended 31 December 2021.

5.5. Other operating income and expenses

Other operating income

	NOTE	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020 (restated data)	3 MONTHS ENDED 31/12/2020 (unaudited) (restated data)
Profit on change in the ownership structure		169	-	-	-
Profit on sale of non-current non-financial assets		40	7	24	7
Gain on bargain purchase		-	-	4 063	1
Reversal of provisions		91	52	104	24
Reversal of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset, other non-current assets and classified as held for sale	5.4	63	57	370	295
Penalties and compensations		155	77	134	84
Grants		120	29	60	10
Settlement and valuation of derivative financial instruments related to operating exposure		5 813	2 390	4 859	1 127
Limitation period of liabilities towards minority shareholders of ORLEN Unipetrol		184	-	-	-
Ineffective part related to valuation and settlement of operating exposure		17	5	23	3
Settlement of hedging costs		288	75	173	41
Other		288	109	268	185
		7 228	**2 801**	**10 078**	**1 777**

The line Profit on change in the ownership structure includes mainly PLN 156 million for the recognition of the difference between the net assets and the fair value of the investment held in Baltic Power as at the date of loss of control. Detailed information in note 3.4.7.
In the line Limitation period of liabilities towards minority shareholders of ORLEN Unipetrol, according to information published in the Financial Statements of 2019, after first phase of settlement with previous shareholders of ORLEN Unipetrol due to mandatory buy

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out of shares in this company, the bank Ceska Sporitelna a.s. transferred to PKN ORLEN 90% of unspent amounts due to previous shareholders.
PKN ORLEN was at the same time obliged to systematically supplementation of the provision in the bank for subsequent settlement with calling shareholders, so that to keep a safe level above 5% of the remaining amount due to payment for mandatory buy out of shares of ORLEN Unipetrol.
Due to the above, PKN ORLEN recognised the amount received from bank as a liability.
On 30 September 2021, expired a three year legal period, during which former shareholders of Unipetrol, who had shares called in the mandatory buy out by PKN ORLEN, could call for compensation for sold shares in ORLEN Unipetrol.
Thus, on 30 September 2021, the liability of PKN ORLEN to former shareholders of ORLEN Unipetrol ceased to exist.
Additionally, on 7 October 2021 the bank Ceska Sporitelna a.s. returned PKN ORLEN funds remaining from unused provision.
In connection with the above, the Group recognised an effect of expiry of liability to former shareholders of ORLEN Unipetrol in financial result, in other operating income in the amount of PLN 184 million, as well as in finance income in the amount of PLN 15 million resulted from the realization of foreign exchange differences regarding the valuation of liability as at the expiry date.

Other operating expenses

	NOTE	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Loss on sale of non-current non-financial assets		(68)	(31)	(45)	(18)
Recognition of provisions		(179)	(77)	(227)	(196)
Recognition of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset, other non-current assets and classified as held for sale	*5.4*	(245)	(147)	(1 961)	(1 244)
Penalties, damages and compensations		(101)	(36)	(54)	(24)
Settlement and valuation of derivative financial instruments related to operating exposure		(3 394)	(769)	(3 566)	(714)
Ineffective part related to valuation and settlement of operating exposure		(34)	(3)	(47)	(3)
Settlement of hedging costs		(2)	(1)	(6)	(2)
Other		(223)	(57)	(320)	(91)
donations		*(97)*	*(9)*	*(214)*	*(22)*
		(4 246)	**(1 121)**	**(6 226)**	**(2 292)**

Net settlement and valuation of derivative financial instruments related to operating exposure

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	519	(963)	216	18
commodity forwards (CO2 futures)	*395*	*(1 250)*	*318*	*318*
commodity swaps	*124*	*287*	*(102)*	*(300)*
Settlement of derivative financial instruments related to operating exposure	1 900	2 584	1 077	395
commodity forwards (CO2 futures)	*3 112*	*2 934*	*382*	*382*
commodity swaps	*(1 212)*	*(350)*	*695*	*13*
	2 419	**1 621**	**1 293**	**413**

For the 12 and 3-month period ended 31 December 2021 and 31 December 2020 the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) mainly related to the valuation and settlement of CO_2 forward contracts as a part of "transaction" portfolio. Moreover this line includes inter alia, the effect of valuation and settlement of commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging, refining margin hedging as well as the Upstream Canada transactions hedging oil and gas.

As part of the commodity risk management strategy related to the time mismatch between the date of crude oil purchase and the date of processing and sale of refining products, the Group uses paper market instruments to hedge against the risk of a decline in crude oil prices. The risk concerned occurs when crude oil is purchased by sea. In this way, the Group eliminates the risk related to the volatility of crude oil prices, incurring only an additional cost or provides additional profit resulting from the market structure at the moment of concluding the hedging transaction.
The result on a physical item, hedged by the Group with forward transactions is reflected in the profit/(loss) on sales under manufacturing costs (cost of crude oil used to manufacture refining products based on weighted average acquisition prices) and revenue from sales of refining products. Therefore, the result on the settlement of derivative financial instruments relating to the

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operational exposure should always be considered together with the profit/(loss) generated by the Group on the sale of a physical position.

5.6. Finance income and costs

Finance income

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Interest calculated using the effective interest rate method	51	18	57	23
Other interest	-	-	6	-
Net foreign exchange gain	9	65	-	-
Dividends	3	-	6	-
Settlement and valuation of derivative financial instruments	660	222	663	115
Other	582	113	120	39
	1 305	**418**	**852**	**177**

Finance costs

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Interest calculated using the effective interest rate method	(330)	(87)	(304)	(88)
Interest on lease	(159)	(44)	(132)	(38)
Interest on tax liabilities	(3)	(1)	(2)	(2)
Net foreign exchange loss	-	-	(506)	(116)
Settlement and valuation of derivative financial instruments	(366)	(52)	(841)	(156)
Other	(578)	(116)	(104)	(37)
	(1 436)	**(300)**	**(1 889)**	**(437)**

Borrowing costs capitalized in the 12 and 3-month period ended 31 December 2021 and 31 December 2020 amounted to PLN (64) million, PLN (17) million and PLN (38) million, PLN (9) million, respectively.

The line other, net presented in the finance income and cost in the 12 and 3-month period ended 31 December 2021 related mainly to transaction differences on the ICE stock exchange in the amount of PLN 45 million and PLN 8 million, which are related to the settlement pattern of transactions concluded with the exchange and their early closure - as a result of which differences arise between the exchange rates and the quotations of the index that is the basis for the settlement of both transactions. Early closure on the ICE stock exchange results in the simultaneous generation of income and costs due to transaction differences. The amount of recognised income and costs depends on the moment of early closure in relation to the original contractual maturity of a given transaction and the number of closings performed. As a result, the value of these differences can fluctuate widely between reporting periods.

Settlement and valuation of derivative financial instruments

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	213	85	80	46
currency forwards	*(24)*	(50)	*8*	*(26)*
other	*237*	135	*72*	*72*
Settlement of derivative financial instruments related to operating exposure	81	85	(258)	(87)
currency forwards	*143*	97	*(199)*	*(75)*
other	*(62)*	(12)	*(59)*	*(12)*
	294	**170**	**(178)**	**(41)**

During the 12 and 3-month period ended 31 December 2021 and 31 December 2020 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices for crude oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests.
The main impact on the valuation and settlement of derivative financial instruments in the 12 and 3-month period ended 31 December 2021 was fluctuations EUR and USD exchange rates against PLN.

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5.7. Goodwill

	31/12/2021 (unaudited)	31/12/2020
At the beginning of the period	136	49
New acquisitions	434	84
Polska Press Sp. z o.o.	1	-
Orlen Transport Sp. z o.o. (formerly OTP Sp. z o.o.)	80	-
CHP Energia sp z o.o. (ORLEN Południe GROUP)	4	-
Livingstone sp z o.o. (ORLEN WIND 3 GROUP)	39	-
Farma Wiatrowa Nowotna Sp. z o.o. (ORLEN WIND 3 GROUP)	134	-
RUCH Group	-	84
UAB Mockavos Terminalas (Orlen Lietuva Group)	167	-
Bioutil Sp. z o.o. (ORLEN Południe GROUP)	9	-
Liquidation of Ship Service S.A.	(3)	-
Foreign exchange differences	12	3
	579	**136**

5.8. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2021 (unaudited)	31/12/2020	31/12/2021 (unaudited)	31/12/2020	31/12/2021 (unaudited)	31/12/2020
Loans *	3 434	1 584	502	2 282	3 936	3 866
Borrowings	110	115	21	15	131	130
Bonds	10 198	7 731	906	2 633	11 104	10 364
	13 742	**9 430**	**1 429**	**4 930**	**15 171**	**14 360**

** as at 31 December 2021, the line Loans includes loans in the Project Finance formula: PLN 223 million in the non-current part and PLN 18 million in the current part.*

During the 12-months period of 2021, as a part of cash flows from financing activities:

- the Group has made drawings and repayments of borrowings and loans from available credit lines in the total amount of PLN 14,392 million and PLN (14,705) million. ORLEN Unipetrol Group converted short-term loan debt for long-term debt by signing appropriate agreements with banks,
- PKN ORLEN issued corporate bonds of D series in the amount of PLN 1,000 million (which corresponds to cash flow of PLN 995 million less about discount) and Eurobonds of A series in the amount of EUR 500 million (which corresponds to cash flow of PLN 2,230 million less about discount), and also redeemed retail bonds of A series in the nominal amount of PLN 200 million,
- ORLEN Capital executed the redemption of Eurobonds from 2014 in the amount of EUR 500 million (corresponding to a cash flow of PLN 2,252 million).

In addition, the change in the balance of loans as at 31 December 2021 was affected by the Group's acquisition of new subsidiaries with debt in the total amount of PLN 335 million.

In addition, four series of PKN ORLEN retail bonds, series C and series D, with a total nominal value of PLN 400 million, maturing in June 2022, series E with a nominal value of PLN 200 million maturing in July 2022 as well as series B with a nominal value of PLN 200 million, maturing in December 2022, were reclassified from the long-term to the short-term part. Additional information on active bond issues in note 5.14.

As at 31 December 2021 and as at 31 December 2020 the maximum possible indebtedness due to loans amounted to PLN 19,063 million and PLN 16,356 million, respectively. As at 31 December 2021 and as at 31 December 2020 PLN 14,960 million and PLN 12,318 million, respectively, remained unused. The increase in the maximum possible indebtedness and the availability of open credit lines results from signing new bank financing agreements concluded by PKN ORLEN and the ORLEN Unipetrol Group.

In the period covered by these interim condensed consolidated financial statement as well as after the reporting date, there were no instances of violation of principal or interest repayment nor breach of loan covenants.

In the 1st half of 2021 PKN ORLEN established the medium term Eurobonds programme ("EMTN Programme"), which enables the Company to issue the Eurobonds. Based on the EMTN Programme the Company will be able from time to time to issue Eurobonds, in many tranches and currencies, with various interest structures and due dates. Within the EMTN Programme the total nominal value of the issued and outstanding Eurobonds, in no time, will not exceed the amount of EUR 5 billion or the equivalent of that amount in other currencies. Funds from the issuance of the Eurobonds will be used by the Company in accordance with the published green/sustainable finance framework (the "Green Finance Framework"). On 27 May 2021, the first Eurobonds issue was completed. Series A with a total nominal value of EUR 500 million was issued for a period of 7 years.

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5.9. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	31/12/2021 (unaudited)	31/12/2020 (restated data)	31/12/2021 (unaudited)	31/12/2020	31/12/2021 (unaudited)	31/12/2020 (restated data)
Cash flow hedging instruments	68	109	159	60	227	169
currency forwards	*68*	*109*	*159*	*54*	*227*	*163*
commodity swaps	*-*	*-*	*-*	*6*	*-*	*6*
Derivatives not designated as hedge accounting	261	70	985	374	1 246	444
currency forwards	*-*	*-*	*4*	*24*	*4*	*24*
commodity swaps	*-*	*-*	*132*	*33*	*132*	*33*
currency interest rate swaps	*202*	*53*	*48*	*-*	*250*	*53*
interest rate swaps	*2*	*-*	*4*	*-*	*6*	*-*
commodity forwards (CO2 futures)	*42*	*2*	*796*	*316*	*838*	*318*
other	*15*	*15*	*1*	*1*	*16*	*16*
Fair value hedging instruments	14	-	5	6	19	6
commodity swaps	*14*	*-*	*5*	*6*	*19*	*6*
Derivatives	**343**	**179**	**1 149**	**440**	**1 492**	**619**
Other financial assets	133	107	423	541	556	648
receivables on settled derivatives	*-*	*-*	*155*	*46*	*155*	*46*
financial assets measured at fair value through other comprehensive income	*86*	*61*	*-*	*-*	*86*	*61*
hedged item adjustment	*-*	*-*	*-*	*2*	*-*	*2*
security deposits	*-*	*4*	*265*	*421*	*265*	*425*
short-term deposits	*-*	*-*	*-*	*60*	*-*	*60*
loans granted	*1*	*-*	*1*	*1*	*2*	*1*
other	*46*	*42*	*2*	*11*	*48*	*53*
Other non-financial assets	567	312	-	26	567	338
*investment property**	*325*	*265*	*-*	*-*	*325*	*265*
non-current assets classified as held for sale	*-*	*-*	*-*	*26*	*-*	*26*
other	*242*	*47*	*-*	*-*	*242*	*47*
Other assets	**700**	**419**	**423**	**567**	**1 123**	**986**

** As at 31 December 2021 and as at 31 December 2020, the line investment property includes right-of-use asset in the amount of PLN 62 million and PLN 42 million, respectively.*

As at 31 December 2021 and 31 December 2020, the Group has security deposits that do not meet the definition of cash equivalents concerning mainly hedging of settlement of transactions on the Intercontinental Exchange Inc. (ICE) and the Clearing and Settlement House (Izba Rozliczeniowa Giełd Towarowych S.A. IRGiT in Polish) as well as in the Hungarian clearing house Keler CCP (KELER) totally in the amount of PLN 250 million and PLN 416 million, respectively.

Open futures contracts for the purchase of CO_2 emission allowances as at 31 December 2021

Open CO2 emission allowances contracts	Settlement period	Number of allowances in tonnes	Fair value measurement 31/12/2021	
			Financial assets (unaudited)	Financial liabilities (unaudited)
CO2 "transaction" portfolio	III 2022, XII 2022, III 2023, XII 2023	20 716 000	838	125
CO2 'own' portfolio	III 2022, XII 2022	2 300 000	not to be valuated at the balance sheet date	-

The effect of the valuation of CO_2 futures contracts was recognised in Other operating income in position Settlement and valuation of derivative financial instruments (note 5.5).

As at 31 December 2021, the Group had 9,626,320 CO_2 emission allowances recognised as intangible assets.

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Derivatives and other liabilities

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	Non-current		Current		Total	
	31/12/2021 (unaudited)	31/12/2020 (restated data)	31/12/2021 (unaudited)	31/12/2020 (restated data)	31/12/2021 (unaudited)	31/12/2020 (restated data)
Cash flow hedging instruments	702	79	42	85	744	164
currency forwards	*702*	*79*	*31*	*27*	*733*	*106*
commodity swaps	*-*	*-*	*11*	*58*	*11*	*58*
Derivatives not designated as hedge accounting	3	59	320	184	323	243
currency forwards	*-*	*-*	*21*	*17*	*21*	*17*
commodity swaps	*-*	*-*	*125*	*140*	*125*	*140*
interest rate swaps	*-*	*5*	*-*	*6*	*-*	*11*
currency interest rate swaps	*-*	*54*	*52*	*21*	*52*	*75*
commodity forwards (CO2 futures)	*3*	*-*	*122*	*-*	*125*	*-*
Fair value hedging instruments	-	-	-	1	-	1
commodity swaps	*-*	*-*	*-*	*1*	*-*	*1*
Derivatives	**705**	**138**	**362**	**270**	**1 067**	**408**
Other financial liabilities	179	175	68	173	247	348
liabilities on settled derivatives	*-*	*-*	*25*	*156*	*25*	*156*
investment liabilities	*77*	*84*	*-*	*-*	*77*	*84*
hedged item adjustment	*14*	*-*	*5*	*7*	*19*	*7*
refund liabilities	*-*	*-*	*15*	*6*	*15*	*6*
security deposits	*-*	*-*	*18*	*-*	*18*	*-*
*other **	*88*	*91*	*5*	*4*	*93*	*95*
Other non-financial liabilities	309	195	160	26	469	221
deferred income	*309*	*195*	*160*	*26*	*469*	*221*
Other liabilities	**488**	**370**	**228**	**199**	**716**	**569**

* *As at 31 December 2021 and as at 31 December 2020, the line other in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 26 million and PLN 31 million, and received security deposits in the amount of PLN 53 million and PLN 42 million, respectively.*

Description of changes of derivatives not designated as hedge accounting is presented in note 5.5 and 5.6.

Deferred income as at 31 December 2021 and 31 December 2020 includes mainly the unsettled part of the grants for non-current assets received, mainly in previous years, in the amount of PLN 321 million and PLN 208 million, respectively.

The ICE stock exchange settles financial instruments on a net basis by maintaining separate security deposits: USD and EUR. Cash accumulated on these security deposits is not used interchangeably, therefore in case the balance of one security deposit is positive and the other negative, the Group does not net these positions and presents them separately. As at 31 December 2021, the balance of a security deposit maintained in USD was positive and amounted to USD 60 million, which as at the balance sheet date represented the value of PLN 244 million and was presented under Other financial assets position. Whereas, the balance of EUR security deposit was negative and amounted to EUR (4) million, which as at the balance sheet date represented the value of PLN (18) million and was presented under Other financial liabilities position.

5.10. Provisions

	Non-current		Current		Total	
	31/12/2021 (unaudited)	31/12/2020	31/12/2021 (unaudited)	31/12/2020	31/12/2021 (unaudited)	31/12/2020
Environmental	939	1 101	41	59	980	1 160
Jubilee bonuses and post-employment benefits	788	1 003	102	97	890	1 100
CO_2 emissions, energy certificates	-	-	5 474	1 460	5 474	1 460
Other	176	160	584	683	760	843
	1 903	**2 264**	**6 201**	**2 299**	**8 104**	**4 563**

A detailed description of changes in provision is presented in note 3.2.

5.11. Methods applied in determining fair value (fair value hierarchy)

As compared to the previous reporting period the Group did not change the valuation methods concerning financial instruments. Methods applied in determining the fair value were described in the Consolidated Financial Statements for 2020 in note 16.3.
In the position financial assets measured at fair value through other comprehensive income, quoted/unquoted shares not held for trading are presented. With respect to shares unquoted on active market for which there are no observable inputs, fair value is determined on the basis of expected discounted cash flows.

(in PLN million)

Fair value hierarchy

	31/12/2021 Carrying amount (unaudited)	31/12/2021 Fair value (unaudited)	Fair value hierarchy Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through other comprehensive income	86	86	28	-	58
Loans granted	2	2	-	2	-
Derivatives	1 492	1 492	-	1 492	-
	1 580	**1 580**	**28**	**1 494**	**58**
Financial liabilities					
Loans	3 936	3 920	-	3 920	-
Borrowings	131	131	-	131	-
Bonds	11 104	11 335	9 164	2 171	-
Derivatives	1 067	1 067	-	1 067	-
	16 238	**16 453**	**9 164**	**7 289**	**-**

The fair value of financial assets and liabilities quoted on active markets is determined based on market quotations (i.e. Level 1). In other cases, the fair value is determined based on other input data which are directly or indirectly observable (i.e. Level 2) or unobservable inputs (i.e. Level 3).
There were no reclassifications in the Group between levels of the fair value hierarchy during the reporting and comparative period.

5.12. Lease

5.12.1. Group as a lessee

Change in assets due to right-of-use

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
Net carrying amount at 01/01/2021					
Gross carrying amount	2 732	2 153	138	1 426	**6 449**
Accumulated depreciation	(167)	(377)	(38)	(569)	**(1 151)**
Impairment allowances	(36)	(4)	(2)	(4)	**(46)**
	2 529	**1 772**	**98**	**853**	**5 252**
increases/(decreases), net	**228**	**123**	**(16)**	**15**	**350**
New lease agreements, increase in lease remuneration	325	286	11	422	1 044
Depreciation	(103)	(197)	(26)	(364)	(690)
Net impairment allowances	(8)	(11)	1	2	(16)
Acquisition of subsidiaries	15	57	1	57	130
Change in share structure	(2)	(4)	-	(106)	(112)
Other	1	(8)	(3)	4	(6)
	2 757	**1 895**	**82**	**868**	**5 602**
Net carrying amount at 31/12/2021 (unaudited)					
Gross carrying amount	3 070	2 460	140	1 599	7 269
Accumulated depreciation	(269)	(550)	(57)	(729)	(1 605)
Impairment allowances	(44)	(15)	(1)	(2)	(62)
	2 757	**1 895**	**82**	**868**	**5 602**
Net carrying amount at 01/01/2020					
Gross carrying amount	1 795	1 685	125	1 012	**4 617**
Accumulated depreciation	(81)	(205)	(24)	(322)	**(632)**
Impairment allowances	(24)	(5)	(2)	(2)	**(33)**
	1 690	**1 475**	**99**	**688**	**3 952**
increases/(decreases), net	**839**	**297**	**(1)**	**165**	**1 300**
New lease agreements, increase in lease remuneration	204	308	11	529	1 052
Depreciation	(86)	(165)	(20)	(359)	(630)
Net impairment allowances	(12)	1	-	(2)	(13)
Change in share structure	731	92	7	21	851
Other	2	61	1	(24)	40
Net carrying amount at 31/12/2020	**2 529**	**1 772**	**98**	**853**	**5 252**

ORLEN ORLEN GROUP (in PLN million)

The total value of expenses from lease agreements presented in financing and operating activities in the statement of cash flows in the 12 and 3-month period ended 31 December 2021 and 31 December 2020 amounted to PLN (1,008) million and PLN (234) million and PLN (884) million and PLN (223) million, respectively.

Amounts from lease contracts recognised in the statement of profit or loss and other comprehensive income

		12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Costs due to:		**(361)**	**(101)**	**(259)**	**(60)**
interest on lease	Finance costs	(159)	(44)	(132)	(38)
short-term lease	Cost by nature: External Services	(157)	(41)	(91)	(13)
lease of low-value assets that are not short-term lease	Cost by nature: External Services	(6)	(2)	(7)	(2)
variable lease payments not recognised in valuation of lease liabilities	Cost by nature: External Services	(39)	(14)	(29)	(7)

5.12.2. Group as a lessor

Financial lease

The Group as a lessor in finance lease in accordance with IFRS 16 subleasing agreements in the ORLEN Unipetrol Group for which the value of lease payments due as at 31 December 2021 and as at 31 December 2020 amounted to PLN 3 million and PLN 13 million, respectively.

Operating lease

Revenues from operating lease for the 12 and 3-month period ended 31 December 2021 and 31 December 2020 amounted to PLN 322 million, PLN 97 million and PLN 264 million and PLN 76 million, respectively.

5.13. Future commitments resulting from signed investment contracts

As at 31 December 2021 and as at 31 December 2020 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 19,048 million and PLN 9,202 million, respectively.

5.14. Issue, redemption and repayment of debt securities

In the 12 months period of 2021:

a) in PKN ORLEN under:
- the second public bond issue program, B-E Series remains open with a total nominal value of PLN 800 million, moreover, A series with a nominal value of PLN 200 million was redeemed on 19 September 2021;
- the non-public bond issue on the domestic market (active since 2006) C Series with a nominal value of PLN 1,000 million and D series also with a nominal value of PLN 1,000 million, remains open;
- the medium-term Eurobonds issue program (EMTN Program) established on 13 May 2021, series A with a nominal value of EUR 500 million remains open;

b) in ORLEN Capital:
- the issue of Eurobonds maturing on 30 June 2021 with a nominal value of EUR 500 million was redeemed;
- remains open Eurobond issue with a nominal value of EUR 750 million;

c) in ENERGA Group under:
- the bond issue, a series program remains open with a nominal value of EUR 300 million;
- the subscription agreement and the project agreement concluded with the EIB, two series of subordinated bonds remain open with a total nominal value of EUR 250 million.

In the 4th quarter of 2021, there were no changes in the issue, redemption and repayment of debt securities.

5.15. Cover Parent Company's net loss for 2020 and the dividend payment in 2021

The Ordinary General Meeting of Shareholders of PKN ORLEN S.A. on 27 May 2021 decided to cover the net loss in the amount of PLN 2,355,671,374.21 from the Parent Company reserve capital and taking into account the implementation of a dividend policy, resulting from the adopted by PKN ORLEN Strategy for 2021-2030 decided to dividend payment in the amount of PLN 1,496,981,713.50 (PLN 3.50 per share) from the Company's reserve capital from the previous year's profit. The dividend date was set at 22 July 2021 and the dividend payment date at 5 August 2021.

5.16. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and 2020 and for the 1st, the 2nd and the 3rd quarter of 2021, PERN S.A. (PERN) informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN as a pipeline system operator. At the same time, PERN indicated shortage in the amount of PKN ORLEN's crude oil supply delivered by sea through the PERN Manipulation Base in Gdańsk, made an unilateral adjustment of the REBCO crude oil inventory balance.

PERN maintains that the reason for the change in operating stocks is the difference in methodology of calculating the quantity of crude oil REBCO-type delivered by the tank storage in Adamów and crude oil delivered by sea. As at 31 December 2021, according to received confirmation from PERN, PKN ORLEN's operating stock of crude oil REBCO-type amounted to 443,803 net metric tons. The difference in the quantity of stocks increased by 997 net metric tons in comparison to 3rd quarter of 2021 and amounted to 91,690 net metric tons.

PKN ORLEN does not agree with PERN position, because in its opinion it remains unfounded, unproven and inconsistent with the agreements binding PKN ORLEN and PERN, and the existing methodology used for calculating the quantity of crude oil REBCO-type and crude oil delivered by sea through the PERN Manipulation Base in Gdańsk and submitted by PERN to PKN ORLEN is correct and has never been questioned before.

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019 and 2020 and in 12-month period of 2021 in the amount of PLN (158) million is also a contingent asset of PKN ORLEN.
In connection with the disclosure by PERN of loss of crude oil belonging to PKN ORLEN and stored by PERN, PKN ORLEN issued a debit note and called for compensation on 24 July 2020 from PERN for the loss of 90,356 net metric tons of crude oil REBCO-type z and related unlawful reduction of crude oil inventories of PKN ORLEN, which PERN should keep in its storage and transmission system in the amount of PLN 156 million. PERN did not pay this amount within the deadline specified in the debit note. Consequently, in the period from 30 July 2020 to 19 May 2021 PKN ORLEN has been satisfying PERN’s claims for issued invoices by way of statutory deductions with the claim for compensation.

On 1 October 2021 PERN initiated court proceedings in which it demands PKN ORLEN to be ordered to pay PLN 156 million with interest and a lump-sum compensation for recovery costs, which PKN ORLEN previously deducted from PERN’s remuneration. PERN questions the effectiveness of the deductions made by PKN ORLEN. PKN ORLEN disagrees with the position of PERN presented in the lawsuit filed by PERN and intends to defend its position in the course of legal proceedings. In the opinion of PKN ORLEN, PERNs claims are without merit .

5.17. Contingent liabilities

Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of administration bodies in which the companies of the ORLEN Group act as the defendant:

I.P.-95 s.r.o. compensation claim against ORLEN Unipetrol RPA s.r.o.
On 23 May 2012, ORLEN Unipetrol RPA s.r.o. received from the District Court in Ostrava a claim brought by I.P.-95 s.r.o. for compensation related to the filing by ORLEN Unipetrol RPA s.r.o. a motion for bankruptcy of I.P.-95 s.r.o. in November 2009. The total amount of the claim is approximately PLN 331 million, translated using the exchange rate as at 31 December 2021 (representing CZK 1,789 million). ORLEN Unipetrol RPA s.r.o. was one of eight defendants which were jointly and severally claimed. At the request of the I.P.-95 s.r.o proceeding was pending concerning the accession to the claim as plaintiff NESTARMO TRADING LIMITED. The court refused the Company permission to enter to the case. In February 2018, the court dismissed in entirety claim ruling in favour of ORLEN Unipetrol RPA s.r.o. On 3 April 2018, I.P.-95 s.r.o. appealed against the decision of the court of first instance. On 22 May 2018, the District Court in Ostrava obliged I.P.-95 s.r.o. to pay the appeal fee. On 11 December 2018, the court of second instance dismissed the appeal of I.P.-95 s.r.o. from the judgment of the District Court in Ostrava. The judgment is binding. On 20 March 2019 I.P.-95 s.r.o. filed a cassation appeal against the judgment of the court of second instance. The cassation appeal of I.P. - 95 s.r.o. was dismissed. The case has been legally closed. The I.P.-95 s.r.o. has the possibility to submit a constitutional complaint to the Czech Constitutional Court.

Claim of Warter Fuels S.A. (before: OBR S.A.) against PKN ORLEN for compensation
On 5 September 2014, OBR S.A. (currently: Warter Fuels S.A.) filled an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights. The amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of approximately PLN 84 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of approximately PLN 247 million. So far, several hearings have been held, during which witnesses submitted by the parties were heard by the court. On 19 December 2018, a hearing took place, during which the Court heard the parties' position in the scope of the grounds for any repeal of the freezing order. By a decision of 2 January 2019 the Regional Court set aside the order granting security for claims. Warter Fuels S.A. submitted a complaint against this decision on 5 February 2019. PKN ORLEN submitted a response to the complaint. The matter of complaint consideration is at the stage of secondary proceedings, i.e. before the Court of Appeal in Łódź. The freezing order has been legally repealed.
The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. The request has not been

considered yet. The court has found an expert to issue an opinion also among foreign entities. The opinion in the case will be provided by the University of Technology and Economics. On 21 September 2021 WARTER FUELS paid an upfront payment for that expert. A full assessment of the risk of an unsuccessful decision may be made at a later stage of the proceedings, taking into account the arguments of PKN ORLEN. In the opinion of PKN ORLEN the claims of Warter Fuels S.A. are without merit.

POLWAX S.A. - ORLEN Projekt S.A. dispute

I. Case filed by ORLEN Projekt against POLWAX for the payment of PLN 6.7 million, pending before the District Court in Rzeszów, case file no. VI GC 225/19

On 23 May 2019 the Court issued a warrant for payment to ORLEN Projekt in a writ of payment proceedings covering the entire amount claimed. On 27 November 2020, the District Court issued a judgment in the case, according to which (i) upheld the payment order in full with respect to the claimed principal amount of PLN 6.7 million as well as with respect to the overdue interest for delay in commercial transactions from 2 October 2019 to the date of payment; (ii) revoked the payment order issued dated on 23 May 2019 for the payment of a part of the overdue interest, i.e. in the amount of PLN 3 million from 11 January 2019 to 1 October 2019 and in the amount of PLN 3.7 million from 25 January 2019 to 1 October 2019.
Both parties appealed against the judgement, POLWAX appealed against it in its entirety, whereas ORLEN Projekt appealed against the part in which the Court revoked the payment order concerning payment of statutory overdue interest for delay in commercial transactions. Currently the case is considered by the Court of Appeals in Rzeszów under the file number I AGa 20/21.

II. Case filed by ORLEN Projekt against POLWAX for the payment of PLN 67.8 million, pending before the District Court in Rzeszów, case file no. VI GC 201/19

In the case, ORLEN Projekt claims from POLWAX the payment of a total amount of PLN 67.8 million together with overdue interest for delay consists of: (i) remuneration for completed construction works and deliveries, (ii) unjustifiably executed performance guarantee, and (iii) costs related to ORLEN Projekt's withdrawal from the contract. The court has already heard all the witnesses and parties in the case, the hearing has been postponed without setting a further date.

III. Case filed by POLWAX against ORLEN Projekt for the payment of PLN 132 million, pending before the District Court in Rzeszów, case file no. VI GC 84/20

The claim submitted by POLWAX against ORLEN Projekt includes PLN 84 million for material damage and PLN 48 million for lost profits that were supposed to arise in connection with improper performance and non-performance of the contract by ORLEN Projekt. The proceedings have been suspended at the joint request of the parties. On 21 October 2021 the court, on the application of POLWAX, made an order to resume the suspended proceedings. No date has already been set for a preliminary hearing in the case.

IV. Case filed by POLWAX against ORLEN Projekt for the payment of PLN 9.7 million, pending before the District Court in Rzeszów, case file no. VI GC 104/20

POLWAX claims from ORLEN Projekt the payment of PLN 9.7 million together with overdue interest for delay consists of: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) non-contractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. In January 2022, three meetings on the case were held. The case was postponed to subsequent dates, i.e. to 28 March 2022, 30 March 2022 and 4 April 2022.

V. Case filed by POLWAX against ORLEN Projekt for the removal of movable property, pending before the District Court in Tychy, case file no. VI GC 120/20

POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses submitted to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. So far, four hearings have been held in the case; the next hearing is scheduled for 3 March 2022.

In the opinion of ORLEN Projekt, the claim is without merit, therefore the company did not recognise the provision.

Technip Italy S.p.A. v ORLEN Unipetrol RPA, s.r.o.

In connection with the delay in execution of the Agreement concluded between Technip Italy S.p.A. ("Technip") and ORLEN Unipetrol for the construction of the Polyethylene Plant in Litvinov, Technip was obliged to pay contractual penalties for the delay in the amount of PLN 106 million, translated using the exchange rate as at 31 December 2021 (representing EUR 23 million). Technip did not pay the above mentioned contractual penalties to ORLEN Unipetrol, therefore ORLEN Unipetrol activated the bank guarantee in the amount of PLN 97 million, translated using the exchange rate as at 31 December 2021 (representing EUR 21 million).
On 17 August 2020, Technip called for arbitration. In November 2020, ORLEN Unipetrol claimed an offset of the remaining contractual interest from the invoice issued by Technip for the remaining part of the contractual remuneration: the outstanding amount of contractual interest for delay is PLN 8.3 million translated using the exchange rate as at 31 December 2021 (corresponding to EUR 1.8 million).

On 30 November 2020, ORLEN Unipetrol submitted a reply to the statement of claim and filed a counterclaim for the outstanding contractual interest for delay in the amount of PLN 8.3 million translated using the exchange rate as at 31 December 2021 (corresponding to EUR 1.8 million).
On 5 January 2021, Technip submitted an amendment to the demand for arbitration increasing the total amount of the claim to PLN 132 million translated using the exchange rate of 31 December 2021 (corresponding to EUR 28.8 million).
Technip, by filing for arbitration taking into account the submitted amendment, intends to obtain:

a. payment of the amount of PLN 98 million, translated using the exchange rate as at 31 December 2021 (corresponding to EUR 21.3 million), representing the amount of unjustified payment under the bank guarantee by ORLEN Unipetrol;
b. payment of the amount of PLN 34 million, translated using the exchange rate as at 31 December 2021 (corresponding to EUR 7.3 million) representing additional claims of Technip based on various circumstances and legal grounds mainly concerning works, additional services provided by Technip in connection with the Polyethylene Plant construction project;
c. payment of the amount of PLN 0.9 million, translated using the exchange rate as at 31 December 2021 (corresponding to EUR 0.2 million) from the invoice issued by Technip, representing the remaining part of the contractual remuneration (which was offset by ORLEN Unipetrol in November 2020);
d. payment of the amount of statutory interest for the entire due payment;
e. dismissal of ORLEN Unipetrol's counterclaim.

The arbitration proceedings are pending before the Court of Arbitration at the International Chamber of Commerce in Vienna. ORLEN Unipetrol RPA s.r.o. submitted its full position in the case on 6 August 2021. There was an interchange of preparatory letters between the parties. The hearing is scheduled for February 2022.
In the opinion of ORLEN Unipetrol RPA s.r.o., Technip's claim is without merit.

Contingent liabilities related to the ENERGA Group

As at 31 December 2021, the contingent liabilities of the ENERGA Group recognised in these interim condensed consolidated financial statement of the ORLEN Group amounted to PLN 269 million.
The largest item of contingent liabilities of the ENERGA Group consists of legal claims relating to the power infrastructure of Energa-Operator SA located on private land. The Group recognises provisions for filed legal claims. If there is uncertainty as to the validity of the amount of the claim or legal title to land, the Group recognises contingent liabilities. As at 31 December 2021, the estimated value of those claims recognised as contingent liabilities amounts to PLN 249 million, while as at 31 December 2020 its value amounted to PLN 248 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

Arbitration procedure brought by Elektrobudowa S.A. against PKN ORLEN

Elektrobudowa S.A. filed an action against PKN ORLEN with the Arbitration Tribunal of the Polish Consulting Engineers and Experts Association (SIDIR) of Warsaw (case No. P/SA/5/2019), seeking payment of a total of PLN 104 million and EUR 11.5 million. The case concerns performance of the EPC contract between PKN ORLEN S.A. and Elektrobudowa S.A. for the construction of a metathesis unit. The amount in dispute includes:

1) consideration of PLN 20.6 million and EUR 7.6 million plus statutory default interest, alleged to be payable under the EPC Contract to Elektrobudowa S.A. or, alternatively, to Citibank if the consideration is found to be payable to Citibank following assignment;
2) a fee of PLN 7.8 million and EUR 1.26 million plus statutory default interest accrued since 23 October 2018 for additional and substitute works, alleged to be payable to Elektrobudowa S.A. or Citibank (see above);
3) a claim of PLN 62.4 million plus statutory default interest since 27 December 2019 as remuneration by reference to which the lump-sum should be increased in favour of Elektrobudowa, or Citibank as above;
4) compensation of PLN 13.2 million and EUR 2.6 million plus statutory default interest accrued since 25 October 2019, alleged to be payable to Elektrobudowa S.A. for the harm it suffered as a result of wrongful drawdown of funds by PKN ORLEN under bank guarantees.

On 17 April 2020, PKN ORLEN submitted its defence. The Arbitration Tribunal has issued below rulings:

(I) The interim judgement (No.1) of 7 January 2021, which concerns Elektrobudowa S.A.'s claims for recovery of PLN 0.3 million for the development of the 'Post-overhaul Unit Commissioning and Start-up Manual' (the "Manual") and for recovery of a PLN 0.1 million surcharge for delivery of a stainless steel FA-2202 Nitrogen Treater adsorption unit in place of a carbon steel one (the "Adsorption Unit").

(II) The partial judgement (No.1) of 8 January 2021, which concerns PKN ORLEN's counterclaim for reduction of the consideration due to Elektrobudowa S.A. by a total of PLN 0.01 million and EUR 4.6 million on account of defects found in the K-2302A and K-2302B compressors and in the drinking and utility water pipelines. The Arbitration Tribunal dismissed the PKN ORLEN's counterclaim to reduce the claimant's contractual lump-sum remuneration by a total of PLN 0.01 million and EUR 4.6 million.

(III) The partial judgement (No. 2) of 3 February 2021, the Court awarded PKN ORLEN for Elektrobudowa the amount of PLN 4.3 million (17 invoices) and the amount of PLN 7 million (equivalent to EUR 1.62 million- 5 invoices) for VAT (in total: PLN 11.3 million), together with statutory interest for delay, and determined that the deductions made by the defendant were unjustified for the amount of EUR 0.7 million and the amount of PLN 3.5 million.

(IV) The partial judgement (No. 3) of 3 February 2021 ordering PKN ORLEN to pay the Bankruptcy Trustee the total amount of PLN 1.2 million net for partial payment of contractual remuneration (6 invoices), including statutory interest for delay until the date of payment.

(V) The partial judgement (No. 4) of 3 February 2021 ordering the defendant to pay the claimant in the total amount of PLN 2.1 million and the amount of EUR 1.4 million for partial payment of contractual remuneration, together with statutory interest for delay until the date of payment and establishing the unjustified deductions made by the defendant for contractual penalties in the amount of EUR 1.9 million.

(VI) The partial judgement (No. 5) of 12 February 2021 ordering the defendant to pay the claimant in the total amount of PLN 1.3 million and the amount of EUR 2.5 million for partial payment of contractual remuneration (part of the net receivables resulting from 6 invoices, the VAT amounts of which were previously ordered in partial judgement No. 2), together with statutory interest for delay until the date.

(VII) The partial Judgment (No. 6) of 16 April 2021 discontinuing proceedings with respect to the amount of PLN 0.2 million due to the claimant's withdrawal of the claim in this scope.

(VIII) The interim judgement (No.2) of 5 July 2021 regarding Elektrobudowa's claims for compensation of PLN 0.40 million and EUR 0.04 million in respect of remuneration for delivery of heater E-2213 and apparatus E-2308, in which the Adjudicating Team ruled that these claims are justified on principle. The interim judgement does not constitute an obligation on the part of PKN ORLEN to pay to the claimant the aforementioned amounts, but is a recognition of the Adjudicating Team to find Elektrobudowa as entitled to expect payment from PKN ORLEN for the aforementioned provided material services as additional and/or replaceable.

(IX) The partial judgement (No.7) of 3 September 2021 ordering the defendant to pay to the claimant the total amount of PLN 0.4 million with statutory interest for delay up to the date of payment of VAT amount from 3 invoices and part of the net amount due from 1 invoice.

(X) The partial judgement (No.8) of 3 September 2021 ordering the defendant to pay to the claimant the total amount of PLN 0.7 million as part of the net amount due from 1 invoice with statutory overdue interest until the date of payment.

(XI) The interim judgement (No.3) of 3 September 2021 regarding Elektrobudowa's claims for compensation of PLN 0.02 million and EUR 0.8 million for delivery of ON/OFF valves with changed parameters and ESD valve additional delivery, in which the Adjudicating Team ruled that these claims are justified on principle. The interim judgement does not constitute an obligation on the part of PKN ORLEN to pay to the claimant the aforementioned amounts, but is a recognition of the Adjudicating Team to find Elektrobudowa as entitled to expect payment from PKN ORLEN for the aforementioned provided material services, as additional and/or replaceable.

On 13 September 2021 the Bankruptcy Trustee extended the claim by PLN 13.2 million and EUR 2.6 million constituting a claim for return of the amounts retained as a Guarantee Deposit with statutory overdue interest from 24 March 2021 to the date of payment.
PKN ORLEN is not entitled to any appeal against the abovementioned judgements in the proceedings before the Court of Arbitration.
The principal receivables adjudged by partial judgements No 2, 3 and 4 were paid by PKN ORLEN to the Bankruptcy Trustee of Elektrobudowa S.A. on 31 May 2021 and 1 June 2021.
The principal receivables adjudged by the partial judgement No 5 were paid by PKN ORLEN to the Bankruptcy Trustee on 15 June 2021 and 17 June 2021. The Interest on the principal amounts paid under the partial judgements No. 2,3,4,5, was paid on 2 August 2021.
For the remaining amounts resulting from the interim judgements (No. 1,2,3) and the partial judgement (No.1) of 8 January 2021 the provision in the amount of PLN 26 million was recognised of which PLN 4.3 million in the 4th quarter of 2021 PLN.

The principal receivables adjudged by the partial judgments (No 7) and (No 8) were paid by PKN ORLEN to the Bankruptcy Trustee on 19 November 2021. The interest on the principal amounts paid was paid on 14 December 2021.
The amount adjudged in paragraph II of the partial judgment (No. 9) was paid by PKN ORLEN to the Bankruptcy Trustee on 26 November 2021, based on an invoice issued in accordance with the court settlement.

Except of described above proceedings, the Group has not identified any other significant contingent liabilities.

5.18. Related parties transactions

5.18.1. Transactions of the key executive personnel and their relatives with related parties of the ORLEN Group

As at 31 December 2021 and as at 31 December 2020 and in the 12 and 3-month period ended 31 December 2021 and 31 December 2020, on the basis of submitted declarations, there were no transactions of related parties of the ORLEN Group with the Members of the Management Board and the Supervisory Board of the Parent Company and their relatives.

In the 12 and 3-month period ended 31 December 2021, on the basis of submitted declarations, there were mainly sales transactions of the members of key executive personnel and their relatives of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 4.8 million and PLN 0.5 million, the main amount related to sale of shares in the ORLEN Group company by a shareholder who is a member of the key personnel.

In the 12 and 3-month period ended 31 December 2020, on the basis of submitted declarations there were mainly sale transactions of the member of key executive personnel and their relatives with related parties of the ORLEN Group in the amount of PLN 0.9 million and PLN 0.4 million, The largest amount in both periods were related to the sale of legal services.

ORLEN ORLEN GROUP (in PLN million)

As at 31 December 2021 balances of the trade and other liabilities due to the above transactions amounted to PLN 0.1 million and as at 31 December 2020 balances of the trade and other liabilities due to the above transactions amounted to PLN 0.03 million.

5.18.2. Remuneration of key executive personnel of the Parent Company and the ORLEN Group companies

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Parent Company				
Short-term employee benefits	50.8	13.2	45.9	11.7
Post-employment benefits	0.1	0.1	0.1	0.1
Termination benefits	0.3	0.3	1.9	-
Subsidiaries				
Short-term employee benefits	295.5	78.4	243.0	74.5
Post-employment benefits	0.5	0.3	0.2	0.2
Other long term employee benefits	0.8	-	0.1	-
Termination benefits	6.4	1.1	9.5	3.1
	354.4	**93.4**	**300.7**	**89.6**

The above table presents remuneration paid and due or potentially due to the key management personnel of the Parent Company and subsidiaries in the reporting period.

Impact of new entities on the level of remuneration of key personnel in the ORLEN Group

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Subsidiaries				
Short-term employee benefits	98.30	28.0	62.7	29,9
Post-employment benefits	0.3	0.1	-	-
Other long term employee benefits	0.7	-	0.1	-
Termination benefits	3.7	0.4	5.9	1,8
	103.0	**28.5**	**68,7**	**31.7**

5.18.3. ORLEN Group companies' transactions and balances of settlements with related parties

	Sales				Purchases			
	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Jointly-controlled entities	**3 156**	**1 236**	**2 578**	**636**	**(354)**	**(118)**	**(228)**	**(119)**
joint ventures	*2 985*	*1 179*	*2 485*	*609*	*(254)*	*(81)*	*(170)*	*(102)*
joint operations	*171*	*57*	*93*	*27*	*(100)*	*(37)*	*(58)*	*(17)*
	3 156	**1 236**	**2 578**	**636**	**(354)**	**(118)**	**(228)**	**(119)**

	Trade and other receivables		Trade, lease and other liabilities	
	31/12/2021 (unaudited)	31/12/2020	31/12/2021 (unaudited)	31/12/2020
Jointly-controlled entities	**844**	**394**	**154**	**91**
joint ventures	*819*	*383*	*134*	*70*
joint operations	*25*	*11*	*20*	*21*
	844	**394**	**154**	**91**

The above transactions with related parties include mainly sales and purchases of refining and petrochemicals products and services. During the 12 and 3-month period ended 31 December 2021 and 31 December 2020 there were no related parties transactions within the Group concluded on other than an arm's length basis.

Additionally, during the 12-month period ended 31 December 2021, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives with the other key management personnel of the Parent Company and ORLEN Group companies and entities of the ORLEN Group.

In the 12 and 3-month period ended 31 December 2021 and as at 31 December 2021, the Group identified the following transactions:
- sale and purchase amounted to PLN 1.3 million and PLN (11.9) million, respectively;
- balance of receivables amounted to PLN 0.1 million;
- balance of liabilities amounted to PLN 3.3 million

ORLEN ORLEN GROUP (in PLN million)

The above transactions concerned mainly the purchases and sales of fuels and diesel oil, foil, polyethylene for the production of foil, as well as construction and assembly work.

5.18.4. Transactions with entities related to the State Treasury

As at 31 December 2021 and as at 31 December 2020, the State Treasury owns 27.52% of the Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.

Therefore, entities related to ORLEN Group companies are those entities over which the State Treasury exercises control or joint control.
The Group identified transactions with related parties, which are also parties related to the State Treasury, based on the "List of companies with State Treasury share" provided by the Prime Minister's Office.

During the 12 and 3-month period ended 31 December 2021 and 31 December 2020 and as at 31 December 2021 and as at 31 December 2020, the Group identified the following transactions:

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Sales	4 953	2 184	2 297	569
Purchases	(9 653)	(4 075)	(5 146)	(1 578)

	31/12/2021 (unaudited)	31/12/2020
Trade and other receivables	687	653
Trade, lease and other liabilities	1 571	592

Above transactions were concluded on an arm's length basis, were related to the ORLEN Group current operating activities and concerned mainly fuel sales, purchase and sales of natural gas, energy, transport and storage services.
Additionally, there were also financial transactions (loans, guarantees, bank fees, commission) with Bank Gospodarstwa Krajowego.

5.19. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 December 2021 and as at 31 December 2020 amounted to PLN 2,659 million and PLN 2,483 million, respectively.

5.20. Information on loan sureties or guarantees granted by the Parent Company or its subsidiaries to one entity or its subsidiary where the total value of existing sureties or guarantees is significant

The guarantees and sureties granted in the Group on behalf of related parties as at 31 December 2021 and as at 31 December 2020 amounted to PLN 14,385 million and PLN 16,833 million, respectively. They were mainly related to secure of ORLEN Capital and Energa Finance future liabilities due to these transactions of Eurobonds issuance and securing the implementation of the CCGT Ostrołęka gas project in the equivalent of PLN 1,461 million as well as timely payment of liabilities by related parties.

As part of the active Eurobond issue remain the irrevocable and unconditional guarantees issued in favour of the bondholders for the duration of the issue:
- PKN ORLEN - guarantee up to 7 June 2023
- ENERGA - guarantee up to 31 December 2033

	Nominal value						Value of guarantee issued	
	EUR	PLN	Subscription date	Expiration date	Interest rate	Rating	EUR	PLN
Eurobonds	750	3 318 *	7.06.2016	7.06.2023	2.5%	BBB-, Baa2	1 100	5 059
Eurobonds	300	1 251 **	7.03.2017	7.03.2027	2.125%	BBB-, Baa2	1 250	5 749
	1 050	**4 569**					**2 350**	**10 808**

* translated using exchange rate as at 31 December 2016
** translated using exchange rate as at 29 December 2017
The value of guarantees granted was translated using the exchange rate as at 31 December 2021

On 30 June 2021, together with the redemption by ORLEN Capital of Eurobonds with a nominal value of EUR 500 million, the guarantee issued by PKN ORLEN with a value of EUR 1 billion expired.

In addition, the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 December 2021 and as at 31 December 2020 amounted to PLN 485 million and PLN 418 million, respectively. Guarantees concerned mainly: civillaw guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.

PKN ORLEN, according to agreements concluded with ORLEN Group subsidiaries and under conditions specified in these agreements, is obliged to:

- provide funding for financing CCGT Ostrołęka capex, by acquisition not more than 50% plus 1 share of CCGT Ostrołęka or provide financing to ENERGA in the amount not higher than PLN 1.55 billion, necessary to finance the project in relations to building gas power plant in Ostrołęka,
- provide funding for financing up to 100% of CCGT Grudziądz capex – in relation to building the gas-steam power plant in Grudziadz, but not higher than PLN 1.8 billion,
- provide funding for financing up to 100% of ORLEN Lietuva capex – in relation to building the “Bottom of Barrel” unit in the ORLEN Lietuva production plant in Mazeikiu, but not higher than approximately EUR 633 million,
- arrangement of directional method of financing of the investment tasks in ORLEN Południe: “Project and building of UCO FAME production and distillation lines” and “Building of the complex of units for production of II generation bioethanol (B2G)” – “B2G Project”.

As at 31 December 2021 the parties haven’t worked out yet the detailed forms and conditions of financing to be provided under these agreements. These will be defined in future corporate decisions of PKN ORLEN and the subsidiaries and under separate agreements.

5.21. Events after the end of the reporting period

On 12 January 2022 PKN ORLEN announced that it has completed works on implementation of remedies according to conditional decision of the European Commission as of 14 July 2020 on concentration of taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk (“Grupa LOTOS”), (“Remedies”).
In order to implement the Remedies there have been signed conditional agreements (detailed description, note B2) that will come into force under, among others, following conditions:

1. the Commission approves the purchasers of the assets that are being disposed during implementation of Remedies and provisions of agreements concluded with them;
2. concentration between the Company and Grupa LOTOS is realized;
3. the below mentioned purchasers of the assets that are being disposed during implementation of Remedies obtain the approvals of the certain antitrust offices and other public administration organs for conclusion and realization of the below mentioned agreements by them;
4. the other consents of the certain institutions, required by law, for disposal of some parts of disposing assets are obtained.

After the end of the reporting period there were no other events required to be included in this interim condensed consolidated financial statements.

OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

FOR THE 12 AND 3-MONTH PERIOD ENDED 31 DECEMBER 2021

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Major factors having impact on EBITDA and EBITDA LIFO

Profit or loss for the 12 months of 2021

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 12 months of 2021 amounted to PLN 18,231 million by PLN 8,465 million (y/y) in comparison period of 2020.

The above-mentioned EBITDA for the 12 months of 2021 includes net impact of impairment allowances of property, plant and equipment and intangible assets in the amount of PLN (182) million and mainly related to energy assets in the ENERGA Group retail and refining segment in ORLEN Unipetrol Group and upstream assets in Poland. The impact of the impairment allowances in comparison period of 2020 amounted to PLN (1,591) million and mainly related to the Upstream segment assets in Canada and Poland in connection with the update of hydrocarbon prices and resignation from selected upstream projects.

The ORLEN Group in the financial statements measures the main groups of inventories using weighted average method or by purchase price. For valuation of the coal inventories the "first in first out" (FIFO) method for measurement of consumption is used. In the case of the weighted average cost, an increase in crude oil prices in comparison to the valuation of crude oil according to LIFO method has a positive impact and the decrease has a negative impact on the reported results of EBITDA.

The impact of rising crude oil prices for the 12 months of 2021 on the valuation of inventories recognised in the EBITDA result amounted to PLN 4,246 million.

As a result, profit from operations increased by depreciation and amortisation before consideration of impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of assets amounted to PLN 14,167 million and was higher by PLN 1,737 million (y/y).

Changes of macroeconomic factors increased the ORLEN Group results by PLN 3,643million (y/y) and included mainly impact of a higher Ural/Brent differential by (1.3) USD/bbl, an increase in margins on light distillates, olefins, polyolefins, PTA, PVC and fertilizers. Additionally the valuation and settlement of CO_2 future contracts as a part of transaction portfolio in the amount of PLN 2,807 million (y/y) had a positive impact on the results of the ORLEN Group. On the other hands results were negatively affected by decrease in margins on medium distillates, higher costs of own consumption as a result of an increase in crude oil prices by 29 USD/bbl. During 2020 there was a significant decrease in crude oil and product prices, which has a positive effect of hedging transactions recognised in other operating activities, mainly in the 1st quarter of 2020. The observed increase in crude oil and product prices in 2021 resulted in a negative impact of the above-mentioned transactions and the total impact (y/y) of hedging transactions amounted to PLN (1,555) million (y/y)

The total volume sales for 12 month of 2021 of the ORLEN Group increased by 2% (y/y) and amounted to 38,923 thousand tons. The biggest decrease in sales (y/y) was recorded in the 1st quarter of 2021. The lack of a significant impact of the COVID-19 pandemic in the 1st quarter of 2020, with the continuing market restrictions in the 1st quarter of 2021 resulted in a negative volume effect in a 12-month period (y/y). It should be noted that the impact of the higher (y/y) sales volumes in the 2nd, 3rd and 4th quarter of 2021 was positive, but did not compensate for the negative effect of lower volumes in the 1st quarter of 2021. The above changes in sales volumes reduced the ORLEN Group results by PLN (621) million (y/y).

The impact of the other factors amounted to PLN (1,285) million (y/y) and included mainly:
- PLN 2,204 million (y/y) - positive impact of the use of historical inventory layers.
- PLN 1,598 million (y/y) - higher result of the ENERGA Group, mainly due to incomparable recognition periods in the ORLEN Group consolidation.
- PLN 320 million (y/y) - positive impact of revaluation of inventories to net realisable value. Impact of revaluation of inventories for the 12 months of 2021 was positive and amounted to PLN 211 million, by PLN (109) million in comparison period of 2020.
- PLN 184 million (y/y) - limitation of liabilities towards minority shareholders of ORLEN Unipetrol.
- PLN 156 million (y/y) - positive effect of change in the ownership in Baltic Power.
- PLN (4,062) million (y/y) - no profit on the bargain purchase of ENERGA shares as of 2020.
- PLN (1,685) million (y/y) - other elements, including mainly updating provision for CO_2 emissions, higher general and labour costs partially compensated by higher (y/y) wholesale margins.

Profit or loss for the 4th quarter of 2021

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 4th quarter of 2021 amounted to PLN 5,470 million by PLN 1,726 million (y/y) in comparison period of 2020.

The impact of impairment allowances of property, plant and equipment and intangible assets in the 4th quarter of 2021 amounted to PLN (90) million and mainly related to energy assets in the ENERGA Group retail and refining segment in ORLEN Unipetrol Group and upstream assets in Poland. On the other hand, in the 4th quarter of 2020 the impact of the impairment allowances amounted to PLN (949) million and mainly related to the Upstream segment assets in Canada and Poland and the refining assets in the Czech Republic and Lithuania.

The ORLEN Group in the financial statements measures the main groups of inventories using weighted average method or by purchase price. For valuation of the coal inventories the "first in first out" (FIFO) method for measurement of consumption is used. In the case of the weighted average cost, an increase in crude oil prices in comparison to the valuation of crude oil according to LIFO method has a positive impact and the decrease has a negative impact on the reported results of EBITDA.

The impact of rising crude oil prices in the 4th quarter of 2021 on the valuation of inventories recognised in the EBITDA result amounted to PLN 1,251 million by PLN (103) million in the 4th quarter of 2020.
As a result, profit from operations increased by depreciation and amortisation before consideration of impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of assets amounted to PLN 4,309 million and was higher by PLN 1,531 million (y/y).

Changes of macroeconomic factors increased the ORLEN Group results by PLN 2,480million (y/y) and included mainly impact of a higher Ural/Brent differential by (1.6) USD/bbl, an increase in margins on light and medium distillates, olefins, polyolefins, PTA and PVC and fertilizers and the valuation and settlement of CO_2 future contracts as a part of transaction portfolio in the amount of PLN 984 million (y/y). Additionally, the effect of hedging transactions (y/y) recognised in other operating activities amounted to PLN 261million (y/y) and resulted mainly from the lack of negative impact of the above-mentioned transactions from the 4th quarter of 2020. Results were negatively affected by decrease in margins on heavy refining fractions, higher costs of own consumption as a result of an increase in crude oil prices by 36 USD/bbl and the effect of unfavourable price relations between electricity and natural gas quotations

In the 4th quarter of 2021, the sales volume of the ORLEN Group increased by 7% (y/y) to 10,564 thousand tons mainly as a result of 10% (y/y) higher volumes in the Refining segment. Petrochemical sales decreased by (7)% (y/y) as a result of lower volumes in Poland mainly fertilizers and PTA, with higher sales in the Czech and Lithuanian market. Sales of fuels in the Retail segment increased by 9% (y/y), mainly in Poland, Czech Republic and Deutschland by lower sales in and Lithuania. Sales of hydrocarbons in the Upstream segment decreased by (7)% (y/y) as the result of unplanned shutdown of infrastructure (fire) at an external hydrocarbon recipient in Canada and Poland due to technical problems. The above changes in sales trends in individual operating segments resulted in a positive volume effect in the amount of PLN 125 million (y/y).

The negative impact of the other factors amounted to PLN (1,074) million (y/y) and included mainly negative impact of revaluation of inventories to net realisable value in the amount of PLN (358) million (y/y), updating provision for CO_2 emissions, higher general and labour costs partially compensated by higher (y/y).The above negative effects were partially compensated by the positive impact of the use of historical inventory layers of crude oil and products in the amount of PLN 239 million and higher (y/y) wholesale margins.

2. The most significant events in the period from 1 January 2021 up to the date of preparation of this report

JANUARY 2021

Signing a joint venture agreement with NP BALTIC WIND B.V. as a branch investor to the realization of off-shore wind power plants by Baltic Power Sp. z o.o.

PKN ORLEN announced that on 29 January 2021 between PKN ORLEN, Baltic Power Sp. z o.o. („Baltic Power") and NP BALTIC WIND B.V. headquartered in Amsterdam, the Netherlands ("NP BALTIC WIND B.V."), a company from the Northland Power Inc capital group, there has been signed a joint venture agreement to gain a branch investor to the realization of the common investment ("Agreement"). The subject matter of the Agreement is to prepare, build and operate by Baltic Power an offshore wind farm located in the Polish Exclusive Economic Zone on the Baltic Sea with a maximum power up to 1200 MW. Start of construction of the offshore wind farm is planned for 2023 and commercial operations is planned for 2026. The Agreement has been signed for 35 years period, after that it is transformed into an agreement for indefinite period.
According to the Agreement's provisions NP BALTIC WIND B.V. will ultimately acquire 49% of shares in Baltic Power, the remaining 51% of shares in Baltic Power will stay in possession of PKN ORLEN. As a part of the contributions in cash to cover Baltic Power shares that are to be acquired by NP BALTIC WIND B.V., NP BALTIC WIND B.V. plans to invest approximately PLN 290 million in 2021 for Baltic Power development.
The Agreement has been approved by the Baltic Power Shareholders Meeting. The Agreement has been concluded under the condition that changes to the Baltic Power Act of Association will be registered in the Polish National Court Register and under the condition that the approvals of relevant antitrust authorities will be obtained.

FEBRUARY 2021

Share purchase agreement for 100% of shares in Nowotna Farma Wiatrowa Sp. z o.o.

PKN ORLEN announced that on 26 February 2021 ORLEN Wind 3 Sp. z o.o. („ORLEN Wind 3") has signed with investment funds: Taiga Inversiones Eolicas SCR SA and Santander Energias Renovables SCRA SA, headquartered in Madrid, Spain, a share purchase agreement for 100% of shares in Nowotna Farma Wiatrowa Sp. z o.o., owner of the onshore wind farms Kobylnica, Subkowy, Nowotna ("Agreement"). The total power of wind farms that are to be purchased amounts to 89.4 MW. The value of the Agreement amounts to approximately PLN 380 million. The Agreement has been signed under the condition that the approval of relevant antitrust authorities will be obtained.
PKN ORLEN holds 100% of the shares in ORLEN Wind 3, which has been set to realize the development of the PKN ORLEN activity in the area of renewable energy what comes from the current ORLEN Group strategy. The Company will inform in regulatory announcements about the next significant transactions within that activity.

MARCH 2021

Approval of terms and conditions of bearer bonds issue of series D

PKN ORLEN announced that the Company's Management Board on 17 March 2021 has decided to issue unsecured, bearer bonds of series D with the total nominal value not higher than PLN 1,000,000,000 ("Bonds") within the Bond Issue Programme with a limit of PLN 4,000,000,000 or other currencies equivalents of that amount on the base of Agreement for a Bond Issue Programme, signed in Warsaw on 27 November 2006 (with subsequent annexes).
The Bonds will be issued with the following terms and conditions:
- Maximum number of Bonds proposed to be acquired: 10,000;
- Nominal value of one Bond: PLN 100,000;
- Issue price of one Bond: PLN 99,432;
- Maximum total nominal value of Bonds: up to PLN 1,000,000,000;
- Bond issue date: 25 March 2021;
- Redemption date: 25 March 2031;
- Bonds are not secured;
- On the issue day the Bonds will be registered in the records kept by the issue agent within the meaning of Art. 7a par. 1 of Act on Trading in Financial Instruments dated 29 July 2005, whose function will be performed by the entity indicated in the Bonds issue terms and conditions, and then registered in the deposit conducted by the Central Securities Depository of Poland;
- Bonds may be introduced to the alternative trading system on the Warsaw Stock Exchange;
- Bonds will be offered for purchase according to art. 33 point 1 of the Polish Act on Bonds as of 15 January 2015 (unified text Journal of Laws 2020 No 1208), in the way that will not require to prepare a prospectus or information memorandum;
- Bonds will be of fixed interest rate, indicated in bonds issue terms and conditions. The level of interest rate will depend on rating of ESG agency, i.e. MSCI ESG Research (UK) Limited or another entity that will replace it, which measure the Company's resilience to material environmental, social and governance (ESG) risks and how well it manage those risks, or alternative ESG rating ("ESG Rating"). The interest rate for the first interest period will amount to 2.875% per annum and in the next interest periods will stay at the same level or it is possible to change it by 0.1% or 0.2% per annum, respectively, depending on the level of ESG rating admitted according to the Bond issue terms and conditions.

The Company plans to use the financial resources from the Bonds issue for the general corporate purposes, including realization of ESG target, i.e. maintaining by the Company of the ESG rating admitted by the MSCI ESG Research (UK) Limited at the level as of the day of the Bonds issue or achieving of higher rating.

Bearer bonds issue of series D

PKN ORLEN announced that on 25 March 2021 it has issued 10,000 unsecured, bearer bonds of series D with the total nominal value of PLN 1,000,000,000 ("Bonds") within the Bond Issue Programme on the base of Agreement for a Bond Issue Programme, signed in Warsaw on 27 November 2006 (with subsequent annexes).
The Bonds has been registered in the records kept by the issue agent within the meaning of Art. 7a par. 1 of Act on Trading in Financial Instruments dated 29 July 2005, whose function performs Bank Polska Kasa Opieki S.A. and according to the regulations will be registered in the deposit conducted by the Central Securities Depository of Poland.
The Company may decide to introduce the Bonds to the alternative trading system on the Warsaw Stock Exchange.

APRIL 2021

The Polish Office of Competition and Consumer Protection consent to establish CCGT Ostrołęka Sp. z o.o. together with PGNiG S.A. and ENERGA

PKN ORLEN announced that on 14 April 2021 it received decision regarding the consent given by the Chairman of the Polish Office of Competition and Consumer Protection to establish by PKN ORLEN, ENERGA and Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG S.A.") joint company, i.e. CCGT Ostrołęka Sp. z o.o. headquartered in Ostrołęka.
Consequently one of the conditions of investment agreement on directional principles of cooperation in construction of gas power plant in Ostrołęka C Power Plant signed on 22 December 2020 between PKN ORLEN, ENERGA and PGNiG S.A. has been fulfilled.

Initiation of works aimed at establishing the EMTN Programme and an issuance of Eurobonds

PKN ORLEN announced that on 29 April 2021 the Company's Supervisory Board, preceded by approval of the Company's Management Board, gave its consent to establish the medium term Eurobonds programme ("Eurobonds") ("EMTN Programme"). Based on the EMTN Programme the Company will be able from time to time to issue Eurobonds,

in many tranches and currencies, with various interest structures and due dates. Within the EMTN Programme the total nominal value of the issued and outstanding Eurobonds, in any time, will not exceed the amount of EUR 5,000 000,000 or the equivalent of that amount in other currencies. Eurobonds issued under the EMTN Programme will be offered and sold outside the territory of the United States of America to, or for the account or benefit of, non-U.S. persons in accordance with Regulation S issued on the basis of the U.S. Securities Act of 1933, on the basis of the prospectus, which will be prepared by the Company.
The Eurobonds may be issued as so called green or sustainable bonds; will be registered in the international system of securities registration maintained by Euroclear Bank SA/NV or Clearstream Banking SA. The Company can apply for the admission of a particular series of Eurobonds to trading on the regulated market maintained by the Irish Stock Exchange plc trading as Euronext Dublin, the Warsaw Stock Exchange or any other entity operating a regulated market.
The issuance of each series of the Eurobonds within the EMTN Programme will be approved by the Company's Management Board. In line with PKN ORLEN's Management and the Supervisory Boards decisions, the Company will take any actions required for the establishment of the EMTN Programme and issuance of Eurobonds.

MAY 2021

Signing a letter of intent between ORLEN Południe S.A. and PGNiG S.A. concerning analysis of possibilities of realization of common investments regarding production, trading and use of biomethane

PKN ORLEN announced that on 5 May 2021 ORLEN Południe S.A. and PGNiG ("Parties") S.A. has signed a letter of intent ("Letter of intent"), in which the Parties declared the will to start the common talks and actions to analyse possibilities of common investments regarding production, trading and use of biomethane ("Investment"). The Investment will be realised through the joint venture between the Parties, in particular by using special purpose vehicle ("SPV"), where ORLEN Południe S.A. will act as a parent entity in the company.
The intention of the Parties is that the core business of SPV shall be in particular acquisition and construction of biomethane plants, development of biomethane production technologies, as well as production, trading and use of biomethane in different fields of the Parties business activity.
The condition to set up the SPV is to obtain an approval of relevant antitrust authorities for the concentration.
The Letter of intent signed is a result of analytical and development works on biomethane production with a target to create a technological, science, law and economic base to create a biomethane plants network with the production capacity of approximately 4 million m3/ year each plant.

PKN ORLEN submitted to the Chairman of the Polish Office of Competition and Consumer Protection a notification for initiate proceedings regarding concentration in connection with the planned taking control over PGNiG S.A. by PKN ORLEN

PKN ORLEN announced that on 10 May 2021 it submitted to the Chairman of the Polish Office of Competition and Consumer Protection a notification for initiate proceedings regarding concentration ("Notification") in connection with the planned taking control over Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG) by PKN ORLEN ("Transaction").
Notification, submitted by the Company, initiates the formal proceedings regarding control of concentration.
Notification includes, apart from the description of the parties and Transaction assumptions, description of parties activity on the certain markets and presents arguments on the influence of the Transaction on the competition on that markets.

An agreement on cooperation between PKN ORLEN, LOTOS S.A. Group, PGNiG S.A. and the State Treasury concerning taking control over LOTOS S.A. Group and PGNiG S.A. by PKN ORLEN

PKN ORLEN announced that on 12 May 2021 an agreement on cooperation between PKN ORLEN, LOTOS S.A. Group ("LOTOS Group"), PGNiG S.A. ("PGNiG") and the State Treasury ("Parties") concerning taking control over LOTOS Group and PGNiG by PKN ORLEN ("Agreement") was signed.
According to the Agreement's provisions the Parties of the Agreement confirmed that on the day of the signing of the Agreement the approved scenario of taking control over LOTOS Group and PGNiG by PKN ORLEN is a merger between PKN ORLEN, LOTOS Group and PGNiG by acquisition pursuant to Article 492.1.1 of the Code of Commercial Companies, in such a way that all the assets of LOTOS Group and PGNiG (the acquired companies) would be transferred to PKN ORLEN (the acquiring company) for shares which would be granted by PKN ORLEN to LOTOS Group and PGNiG shareholders, within one or two separate processes of a merger ("Merger" or "Mergers", respectively). The State Treasury and PKN ORLEN will be cooperating on the development of analysis, which aim will be the final confirmation of this scenario as optimal from the point of view of the State Treasury.
As a result of the Merger or the Mergers respectively, shareholders of LOTOS Group and PGNiG in exchange for the shares held in the share capitals of LOTOS Group and PGNiG will acquire new shares in increased PKN ORLEN share capital and as of the day of the Merger or the Mergers, respectively, will become PKN ORLEN shareholders.
As a result of the Merger or the Mergers, respectively, including, in particular, acquisition of the assets of LOTOS Group and PGNiG PKN ORLEN, subject to the exceptions resulting from law, will take over rights and liabilities of LOTOS Group and PGNiG respectively through the universal succession.
According to provisions of the Agreement PKN ORLEN will have the leading role at carrying out of the Merger or the Mergers, respectively, as the acquiring company and the Merger or the Mergers, respectively will be conducted in close cooperation of the Parties on the principles set out in the Agreement.

Establishing the medium term Eurobonds programme

PKN ORLEN announced that on 13 May 2021 the Company established the medium term Eurobonds programme ("EMTN Programme"), which enables the Company to issue the Eurobonds ("Eurobonds"). On the same day the Central Bank of Ireland approved the EMTN Programme prospectus. Based on the EMTN Programme the Company will be able

from time to time to issue Eurobonds, in many tranches and currencies, with various interest structures and due dates. Within the EMTN Programme the total nominal value of the issued and outstanding Eurobonds, in no time, will not exceed the amount of EUR 5,000,000,000 or the equivalent of that amount in other currencies. The EMTN Programme received following ratings: Baa2 from Moody's Investors Service and BBB- from Fitch Ratings.
In order to enable to issue the Eurobonds as so called green or sustainable bonds the Company prepared and will publish on its website the Green Finance Framework. In the Green Finance Framework the Company set goals of green financing, for which cash from issue of the Eurobonds will be allocated.
The Green Finance Framework, which will be published by the Company, has been revised by Vigeo Eiris, Moody's Corporation affiliate which assesses the issuers' ESG performance. On the basis of the assessment Vigeo Eiris provided Second Party Opinion, which confirms the compliance of the Green Finance Framework published by the Company with Green Bond Principles and Climate Transition Finance Handbook international standards.

Agreement between PKN ORLEN and ENERGA on cooperation in construction of CCGT Power Plant in Ostrołęka

PKN ORLEN announced that on 18 May 2021 it concluded with ENERGA an agreement regarding the principles and scope of cooperation between PKN ORLEN and ENERGA ("Parties"), ("Agreement") in execution of the investment agreement as of 22 December 2020 signed by PKN ORLEN, ENERGA and PGNiG S.A. on directional principles of cooperation in construction of gas power plant in Ostrołęka C Power Plant ("Investment agreement").
According to the Investment agreement signed on 22 December 2020 the Ostrołęka C Power Plant construction will be realized by setting up a new company, i.e. CCGT Ostrołęka Sp. z o.o. headquartered in Ostrołęka (currently wholly owned by ENERGA), in the share capital of which PKN ORLEN and ENERGA will acquire jointly 51% of shares ("Pool of shares") and PGNiG S.A. will acquire the remaining 49% of the shares.
In the Agreement concluded PKN ORLEN and ENERGA agreed that from the Pool of shares ENERGA will acquire 50% plus 1 share of CCGT Ostrołęka Sp. z o.o. and PKN ORLEN will acquire the remaining shares from the Pool of shares attributable to the both companies.
According to the Investment agreement joining CCGT Ostrołeka Sp. z o.o. by PGNiG S.A. depends on fulfilling of the conditions included in the Investment agreement. In case PGNiG S.A. doesn't join the company CCGT Ostrołęka Sp. z o.o., in particular if the conditions included in the Investment agreement will not be fulfilled, 49% of CCGT Ostrołęka Sp. z o.o. shares attributable to PGNIG S.A., will be acquired by PKN ORLEN.
Moreover according to the Agreement in case there is a risk that ENERGA would breach the requirements of contracts for financing, PKN ORLEN will provide financing to ENERGA in the amount not higher than PLN 1.55 billion, necessary to finance the project.
ENERGA will supervise the CCGT Ostrołęka Sp. z o.o. as a subsidiary and a member of the ENERGA capital group, including the administrative tasks, substantial and organizational supervision as well as all reconciliations with PGNiG S.A. excluding the reconciliations regarding financing of the project.

Development of Olefins complex investment in the Production Plant in Płock

PKN ORLEN announced that on 24 May 2021 the Company's Supervisory Board gave consent for realization of the development of Olefins complex investment in the Production Plant in Płock ("Project"). The Project is a part of Petrochemical segment development program, announced by the Company on 12 June 2018.
Within the Project realization process it is assumed to receive State aid to reach the acceptable economic efficiency level for the project. There are also works in progress to obtain financing for the Project in project finance formula.
Total cost of the investment is estimated at the level of approximately PLN 13.5 billion. Closing of the building phase of the investment is planned for the 1st quarter of 2024 and start of production at the Olefins III Complex for the beginning of 2025. The Company estimates that realization of the investment would increase EBITDA by approximately PLN 1 billion annually.
In connection with the Project there has been set up a company ORLEN Olefiny Sp. z o.o. within which the Project realization is planned.
Realization of the project has been accepted by the PKN ORLEN Management Board on 18 May 2021.

Summary of PKN ORLEN Series A Eurobonds issue

On 27 May 2021, PKN ORLEN completed the issuance of Eurobonds Series A ("Eurobonds") with the total nominal value of EUR 500,000,000 issued under the medium-term Eurobonds Programme up to the amount of EUR 5,000,000,000 (the "EMTN Programme") established on 13 May 2021.
The Bonds were issued on the following terms and conditions:
- The total nominal value of Eurobonds: EUR 500,000,000;
- Issue of 5,000 Series A of Eurobonds in registered form;
- Nominal value of one Eurobond: EUR 100,000;
- Issue price of one Eurobond: EUR 99,426;
- Redemption date: 7 years after the Eurobond issue date;
- The Eurobonds bear fixed rate interest of 1.125% per annum;
- The Eurobonds are not secured;
- The Eurobonds have been registered in the international system of securities registration maintained by Euroclear Bank SA/NV or Clearstream Banking SA;
- The Eurobonds have been admitted to trading on the regulated market of Euronext Dublin and the Warsaw Stock Exchange.

BNP Paribas, ING Bank N.V., Bank Pekao S.A. and UniCredit Bank AG participated in the preparation of the transaction as Joint Global Coordinators and Joint Bookrunners, with CaixaBank S.A. and SMBC Nikko Capital Markets Europe GmbH as Joint Bookrunners.
Funds from the issuance of the Eurobonds will be used by the Company in accordance with the published green/sustainable finance framework (the "Green Finance Framework"), which has been reviewed by Vigeo Eiris, an affiliate of Moody's Corporation, which assesses issuers' ESG performance. On the basis of the assessment, Vigeo Eiris issued an opinion (the "Second Party Opinion") for the Company, which confirms the compliance of the Green Finance Framework published by the Company with international standards of Green Bond Principles and the Climate Transition Finance Handbook.
The Eurobonds have been certified by the Climate Bonds Initiative as "Green Bonds".

JUNE 2021

Changes in Supervisory Board of PKN ORLEN

PKN ORLEN announced that on 2 June 2021 Mr Dominik Kaczmarski submit a resignation with the effect from the end of 6 June 2021 from the position of PKN ORLEN Supervisory Board Member.

Admission of series A Eurobonds to exchange trading

PKN ORLEN announced that on 18 June 2021 the Management Board of the Warsaw Stock Exchange ("WSE") has adopted a resolution regarding admission of 5,000 series A Eurobonds (ISIN code: XS2346125573) ("Eurobonds") to exchange trading on the Catalyst parallel market, operated by the WSE.
The Eurobonds were issued by PKN ORLEN S.A. on 27 May 2021 within the medium term Eurobonds programme up to the amount of EUR 5,000,000,000 ("EMTN Programme"), established on 13 May 2021.

Agreement for building of olefins unit complex in the Production Plant in Plock

PKN ORLEN announced that on 22 June 2021 it signed the agreement for building of Olefins III unit complex ("Investment") in EPCC formula (Engineering, Procurement, Construction and Commissioning) for ISBL with the companies: Hyundai Engineering Co., Ltd. headquartered in Seoul and Técnicas Reunidas S.A. headquartered in Madrid.
The Investment is a part of Petrochemical segment development program, announced by the Company on 12 June 2018. Total cost of the Investment is estimated at the level of approximately PLN 13,5 billion. Closing of the building phase of the investment is planned for the 1st quarter of 2024 and start of production at the Olefins III Complex for the beginning of 2025. The Company estimates that realization of the investment would increase EBITDA by approximately PLN 1 billion annually.

Registration of PKN ORLEN series A Eurobonds in Central Securities Depository of Poland

PKN ORLEN announced that on 22 June 2021 the Central Securities Depository of Poland ("KDPW") has issued a statement on conclusion of the agreement with PKN ORLEN regarding registration in a securities depository up to 5,000 series A Eurobonds Start of registration of the Eurobonds in KDPW will begin by 23 June 2021, the day which is deadline for registration appointed in KDPW statement.

Introduction of PKN ORLEN series A Eurobonds into trading and summary of issue costs

PKN ORLEN announced that on 24 June 2021 the Management Board of the Warsaw Stock Exchange has adopted a resolution regarding introduction of 5,000 Eurobonds of series A with a nominal value of EUR 100,000 each Eurobond into stock exchange trading on the parallel market starting from 28 June 2021 ("Eurobonds").
Moreover PKN ORLEN announced about the costs of the medium term Eurobonds programme up to the amount of EUR 5,000,000,000 established on 13 May 2021 and costs of 5,000 series A Eurobonds issued within the EMTN Programme.
The costs of the EMTN Programme incurred so far, including series A Eurobonds issue, are estimated at the level of approximately PLN 7,875 thousand.
The above mentioned amount includes the following:
– costs of preparing and conducting of the series A Eurobonds offer – PLN 4,268 thousand,
– costs of preparing of the EMTN Programme and prospectus including consulting costs – PLN 3,607 thousand,
– costs of promoting of the series A Eurobonds offer – PLN 0.
The average cost of the offers per one offered Eurobond will be calculated and published after completion of the EMTN Programme.
The Company did not incurred the costs of underwriters fees, due to the fact that no underwriting agreement was signed by PKN ORLEN in connection with the offer of the Eurobonds.
The costs of the EMTN Programme and costs of series A issue (excluding costs of promoting of the bonds offers) were included as prepayments and systematically charges the financial result from the day of Series A Eurobonds issue (27 May 2021) to the day of maturity (27 May 2028). As far as taxes are concerned the transaction costs constitute tax deductible costs and are charged as of the dates of their enter into books.

AUGUST 2021

Agreement between PKN ORLEN and ENERGA on cooperation in construction of CCGT Power Plant in Grudziądz

PKN ORLEN announced that on 31 August 2021 it concluded with ENERGA an agreement regarding financing ("Agreement") of building of gas power plant in Grudziądz ("Project"). In the event of an investment decision regarding the Project, PKN ORLEN declared in the Agreement to finance up to 100% of the Project CAPEX, but not higher than PLN 1.8 billion, under the condition that CCGT Grudziądz Sp. z o.o. (special purpose vehicle company that realizes the Project) will sign the capacity agreement. Covering of indicated CAPEX will take place through the provision of cash to ENERGA or the company CCGT Grudziądz Sp. z o.o. for equity or foreign capital. The Agreement specifies also the principles of supervision over the company CCGT Grudziądz Sp. z o.o. and managing of the Project.

SEPTEMBER 2021

Building of HVO unit in the Production Plant in Płock

PKN ORLEN announced that on 30 September 2021 the Company's Supervisory Board gave consent for realization of the investment – building of HVO (Hydrotreated Vegetable Oils) unit in the Production Plant in Płock ("Investment"). The annual production capacity of the unit will amount to 300 thousand tonnes of biodiesel or aviation biofuel. Total cost of the Investment is estimated at the level of approximately PLN 600 million. The completion of the Investment and start of the production is planned for the mid-2024.

OCTOBER 2021

"Bottom of Barrel" investment in the ORLEN Lietuva Production Plant in Mazeikiu

PKN ORLEN announced that on 27 October 2021 AB ORLEN Lietuva ("ORLEN Lietuva") signed the agreement for building of the "Bottom of Barrel" unit ("Investment") in EPC formula (Engineering, Procurement and Construction) in the ORLEN Lietuva Production Plant in Mazeikiu with Petrofac Limited headquartered in London. Total cost of the Investment is estimated at the level of approximately EUR 641 million. Completion of the investment is planned by the end of 2024.

NOVEMBER 2021

Extended deadline for realization of remedies regarding the planned taking control by PKN ORLEN over Grupa LOTOS S.A.

PKN ORLEN announced that it obtained a positive decision from the European Commission on the extension of deadline for realization of remedies ("Remedies") regarding the planned taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk.
New deadline has been set for 14 January 2022 and results from the need to finalise the negotiation process with partners that the Company talks to on implementing the Remedies and to enable the partners to conduct the decision path.

Annex to the investment agreement on directional principles of cooperation in construction of Ostrołęka C Gas Power Plant

PKN ORLEN announced that on 29 November 2021 it concluded with ENERGA and PGNiG S.A. (collectively "the Parties") an annex to the investment agreement as of 22 December 2020 on directional principles of cooperation in construction of Ostrołęka C Gas Power Plant ("Annex").
According to provisions of the Annex the Parties confirmed their will to cooperate in building of the Ostrołęka C Power Plant ("Project"), recognizing the need to adjust the principles of that cooperation to the conditions in which the Project will be realised.
The parties will endeavour to agree that the final form of PGNiG S.A. involvement in the Project will be financial engagement and it amount and form will be described in a separate agreement to be signed by the end of 2022.

DECEMBER 2021

Agreement with ORLEN Południe on arrangements of directional method of financing of the investment tasks

PKN ORLEN announced that on 15 December 2021 it concluded with ORLEN Południe S.A. ("ORLEN Południe") an agreement ("Agreement") on arrangements of directional method of financing of the investment tasks: "Project and building of UCO FAME production and distillation lines" and "Building of the complex of units for production of II generation bioethanol (B2G)" – "B2G Project", collectively "Projects". Financing of Projects realisation, over funds provided by ORLEN Południe, will take place through ensuring the provision of funds by PKN ORLEN to ORLEN Południe. Details regarding terms and conditions of financing will be specified in the future PKN ORLEN and ORLEN Południe corporate decisions and in the separate agreement or agreements. Estimated value of CAPEX on realisation of B2G Project will be published by PKN ORLEN in a separate regulatory announcement after finishing of negotiations regarding contract terms and conditions between ORLEN Południe and the investment contractors.
Signing of the Agreement has been preceded by the Company's Supervisory Board consent.
PKN ORLEN gave also consent, as the sole ORLEN Południe shareholder, for realization of the B2G Project by ORLEN Południe.

The loan agreement between PKN ORLEN and the European Investment Bank

PKN ORLEN announced that on 17 December 2021 it concluded with the European Investment Bank a long-term loan agreement ("Loan agreement") for the amount of EUR 180 million The purpose of the loan is partial financing of ORLEN Group investments which supports its sustainable development. The tranches disbursed under the Loan agreement may be repaid in the period up to 11 years from the disbursement of the last tranche.

New deadline for finalization of the investment - extension of fertilizers production capacities at ANWIL

PKN ORLEN announced that on 20 December 2021 there have entered into force the terms of memorandum of understanding ("MoU") signed between ANWIL S.A. and Tecnimont S.p.A., on the base of which there will be prepared

an annex to the agreement with Tecnimont S.p.A. as of 28 June 2019 for design, deliveries and building "in turn key" formula a granulation unit in ANWIL S.A. in Wloclawek ("Annex to the Agreement"). The main provisions of MoU that will be finally implemented in the Annex to the Agreement, caused the change of the date of finalizing of the building of granulation unit in ANWIL for the end of 2022 and its start-up by the end of January 2023.
The agreement with Tecnimont S.p.A. is one of the three most important contracts concluded within the frames of the extension of fertilizers production capacities in ANWIL S.A.

Extension of the term of the letter of intent regarding CCGT in Gdansk
PKN ORLEN announced that on 29 December 2021 there has been signed between the Company, LOTOS Group S.A. and ENERGA an annex to a letter of intent ("Letter of intent") on analysis of possibilities and conditions of common investment, ie. building a gas power plant in Gdansk ("Annex").
According to the Annex, the Letter of intent binds the Parties by the time the certain agreements are concluded, however not later than 31 December 2022.

JANUARY 2022

Approval for conclusion of agreements regarding implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A. and framework agreement on purchase of fuel stations in Slovakia and Hungary
PKN ORLEN announced that on 10 January 2022 the Company's Management Board has chosen the partners with whom the certain agreements shall be concluded on implementation of remedies ("Remedies") which PKN ORLEN is obliged to realized according to conditional decision of the European Commission ("Commission") as of 14 July 2020 on taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS").
The Company's Management Board gave consent to conclude agreements with the following partners:
1) in fuels production, fuels wholesales and aviation fuels market: Aramco Overseas Company B.V. headquartered in Hague (the Netherlands);
2) in bitumen and fuels logistics market: Unimot Investments spółka z ograniczoną odpowiedzialnością headquartered in Warsaw (Poland);
3) in biocomponents market: Rossi Biofuel Zrt. headquartered in Komárom (Hungary);
4) in retail market: MOL Hungarian Oil and Gas Public Limited Company headquartered in Budapest (Hungary).

Moreover the Company's Management Board gave consent for conclusion by the Company of a framework agreement in result of which the entities belonging to the ORLEN Capital Group will purchase from MOL Plc. assets connected with operation of fuel stations in Slovakia and Hungary.
The above-mentioned decisions of the Company's Management Board has been accepted by the Company's Supervisory Board.

Completion of works on implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A.
PKN ORLEN announced that it has completed works on implementation of remedies according to conditional decision of the European Commission ("Commission") as of 14 July 2020 on concentration of taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS"), ("Remedies").
In order to implement the Remedies there have been signed the below mentioned conditional agreements that will come into force under, among others, following conditions:
1. The Commission approves the purchasers of the assets that are being disposed during implementation of Remedies and provisions of agreements concluded with them;
2. Concentration between the Company and Grupa LOTOS is realized;
3. The below mentioned purchasers of the assets that are being disposed during implementation of Remedies obtain the approvals of the certain antitrust offices and other public administration organs for conclusion and realization of the below mentioned agreements by them;
4. The other consents of the certain institutions, required by law, for disposal of some parts of disposing assets are obtained.

In order to implement Remedies in fuels production market and fuels wholesales market area following agreements were concluded:
1. Preliminary agreement on sales of 30% of shares in LOTOS Asfalt sp. z o.o. headquartered in Gdańsk ("LOTOS Asfalt") ("Preliminary Agreement on Sales of Shares in LOTOS Asfalt") between Grupa LOTOS and Aramco Overseas Company B.V. („Aramco"), with following agreements attached:
a. a template of joint venture agreement between PKN ORLEN, Grupa LOTOS, LOTOS Asfalt and Aramco, realizing the requirement of divestment to the independent third party of 30% of the shares in the company, to which refinery located in Gdańsk was contributed as an in-kind contribution and granting guarantee to this third party of contractual rights in the scope of corporate governance,
b. a template of processing agreement and offtake agreement between Grupa LOTOS, LOTOS Asfalt and Wholesales Company (defined below), which will be concluded for contractual period of joint venture agreement, referred to in point a above,
c. a template of a framework agreement on storage of obligatory inventories of crude oil between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period of 10 years from its entry into force,
d. a template of a framework agreement on railway logistics outsourcing between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period when the processing or offtake agreement are in force.
The agreements indicated above will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Asfalt.

The price specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt, which consists of fixed element in the amount of approximately PLN 1,15 billion and variable element, depending on the level of debt and working capital of LOTOS Asfalt on the day preceding the signing of the promised agreement.
The Preliminary Agreement on Sales of Shares in LOTOS Asfalt includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

2. Preliminary agreement on sales of 100% of shares in LOTOS SPV 1 sp. z o.o. headquartered in Gdańsk ("Wholesales Company") between Grupa LOTOS and Aramco ("Preliminary Agreement on Sales of Shares in Wholesales Company"). Before concluding of the promised agreement on sales of shares in the Wholesales Company, to that company there will be separated an organised part of fuels wholesales enterprise that is currently conducted by LOTOS Paliwa sp. z o.o. headquartered in Gdańsk ("LOTOS Paliwa"), ('Wholesales Business").
The price specified in the Preliminary Agreement on Sales of Shares in Wholesales Company will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in Wholesales Company, which consists of fixed element in the amount of approximately PLN 1 billion and variable element, depending on the level of debt and working capital of Wholesales Company on the day preceding the signing of the promised agreement.
The Preliminary Agreement on Sales of Shares in Wholesales Company includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

In order to implement Remedies in biofuels market area following agreement was concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Biopaliwa sp. z o.o. headquartered in Gdańsk ("LOTOS Biopaliwa") between Grupa LOTOS and Rossi Biofuel Zrt. ("Preliminary Agreement on Sales of Shares in LOTOS Biopaliwa").
An additional document to the Preliminary Agreement on Sales of Shares in LOTOS Biopaliwa is an agreement on sales of biocomponents between the Company and LOTOS Biopaliwa which will be concluded for a period of 4 years. The agreement on sales of biocomponents, indicated above, will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Biopaliwa.

In order to implement Remedies in fuels logistics market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") between Grupa LOTOS and Unimot Investments spółka z ograniczoną odpowiedzialnością („Unimot Investments"), to which a contribution agreement is attached on contribution of four PKN ORLEN fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec to LOTOS Terminale.
2. Conditional fuels depot agreement between PKN ORLEN and Unimot Investments which allows PKN ORLEN to use the warehouses in fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec after the shares in LOTOS Terminale are disposed to Unimot Investments, concluded for a period of 10 years starting from the date of its entry into force;
3. Conditional preliminary agreement between PKN ORLEN and Unimot Investments and Unimot S.A. on renting and settlements of expenditures which describes the obligation of the Company, Unimot Investments and Unimot S.A. to conclude a promised agreement on conditions of realization of the investment of building a fuels depot located in Szczecin, that will be owned and operated by LOTOS Terminale.
The contribution agreement, indicated above, will be concluded between PKN ORLEN and LOTOS Terminale after concentration between the Company and Grupa LOTOS is realized.

In order to implement Remedies in retail market area following agreements were concluded:
Preliminary agreement of sales of shares in LOTOS Paliwa between Grupa LOTOS and MOL Hungarian Oil and Gas Public Limited Company („MOL") ("Preliminary Agreement of Sales of Shares in LOTOS Paliwa"), from which, before concluding of promised agreement of sales of shares in LOTOS Paliwa, Wholesales Business will be separated, consisting of in total 417 fuel stations of LOTOS retail network, located in Poland.
1. Additional document to the Preliminary Agreement of Sales of Shares in LOTOS Paliwa is a conditional agreement on sales of fuels to MOL Group, between PKN ORLEN and MOL, which will be concluded for a period of up to 8 years.

The price specified in the Preliminary Agreement of Sales of Shares in LOTOS Paliwa will be calculated on the base of formula specified in the Preliminary Agreement of Sales of Shares in LOTOS Paliwa, which consist of fixed element in the amount of approximately USD 610 million and variable element, depending on the level of debt and working capital of LOTOS Paliwa on the last day of the month preceding the month in which the promised agreement will be signed.
The Preliminary Agreement of Sales of Shares in LOTOS Paliwa includes a material adverse change clause, according to which, in case of occurrence of the events strictly defined in the agreement the price for shares in LOTOS Paliwa will be reduced accordingly based on agreed formula.

In order to implement Remedies in aviation fuels market area following agreements were concluded:
1. Preliminary agreement on sales of all shares owned by Grupa LOTOS in LOTOS-Air BP Polska sp. z o.o. headquartered in Gdańsk ("LOTOS-Air BP") between Grupa LOTOS and Aramco;
2. Conditional agreement on sales of aviation fuel to LOTOS-Air BP, between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
3. Conditional agreement on LOTOS-Air BP aviation fuel storage in Olszanica between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
4. Conditional agreement on providing services of operating activity support in case of force majeure, between PKN ORLEN, ORLEN Aviation sp. z o.o. headquartered in Warsaw and LOTOS-Air BP, concluded for a period of 15 years from the date of its entry into force.

In order to implement Remedies in bitumen market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale, which, before concluding of promised agreement of sales of shares will acquire 100% of shares in LOTOS SPV 2 sp. z o.o. ("Bitumen Company"), between PKN ORLEN and Unimot Investments. Beforehand, Bitumen Business will be separated to Bitumen Company.
2. Conditional bitumen sales agreement between Grupa LOTOS, PKN ORLEN and Unimot Investments, which will be concluded for a period of 10 years from its entry into force with option to extend this period by another two 5 years periods on terms previously agreed between parties.
Within 7 days from the conclusion of the above mentioned agreements the Company will submit to the Commission a motion for approval of proposed buyers of assets that are being disposed to implement Remedies and of concluded preliminary agreements and conditional agreements with attachments.
Additionally PKN ORLEN has concluded a conditional framework sales and purchase agreement with MOL ("Framework Agreement") as a result of which companies belonging to the ORLEN Capital Group will purchase from MOL 144 fuel stations located in Hungary and 41 fuel stations located in Slovakia for the total price amounting to approximately EUR 229 million ("Transactions"). The price is subject to be corrected as of the Transaction settlement day due to changes in the level of net debt and working capital of the acquiring assets in relation to their reference values.
The Transactions shall be closed in 12 months from the day of signing of the Framework Agreement, however the actual acceptance of all acquiring assets shall be made in 18 months from the day of the Transactions closing.
Closing of the Transaction subjects to, among others, obtaining a certain approval of the Commission and the former purchase of 100% of shares in LOTOS Paliwa by MOL.
Additionally PKN ORLEN concluded with Saudi Arabian Oil Company a long term agreement on crude oil deliveries to the ORLEN Capital Group companies. On the base of the agreement, in case of finalization of the concentration with Grupa LOTOS, PKN ORLEN will secure deliveries of the crude oil from Saudi Arabian Oil Company to ORLEN Capital Group in the amount from 200 to 337 thousand barrels daily.
PKN ORLEN also concluded with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a memorandum of understanding on cooperation to analyse, prepare and realize common investments in petrochemical segment. As potential areas of cooperation there will be analysed, among others, development projects in olefins and olefin derivatives, including aroma derivatives, in Poland and in Central and Eastern Europe.
PKN ORLEN also signed with Saudi Arabian Oil Company a memorandum of understanding on cooperation for the common analyses, preparation and realization of research and development projects, as well within the sustainable development technology.

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

As at the date of preparation of this interim condensed consolidated financial statements, the composition of the management and supervisory bodies of the Company is as follows:

Management Board

Daniel Obajtek – President of the Management Board, Chief Executive Officer
Adam Burak – Member of the Management Board, Communication and Marketing
Armen Konrad Artwich – Member of the Management Board, Corporate Affairs
Patrycja Klarecka – Member of the Management Board, Retail Sales
Zbigniew Leszczyński – Member of the Management Board, Development
Michał Róg – Member of the Management Board, Wholesale and International Trades
Jan Szewczak – Member of the Management Board, Chief Financial Officer
Józef Węgrecki – Member of the Management Board, Operations

Supervisory Board

Wojciech Jasiński – Chairman of the Supervisory Board
Andrzej Szumański – Vice-Chairman of the Supervisory Board, Independent Member of the Supervisory Board
Anna Wójcik – Secretary of the Supervisory Board
Barbara Jarzembowska – Independent Member of the Supervisory Board
Andrzej Kapała – Independent Member of the Supervisory Board
Michał Klimaszewski – Independent Member of the Supervisory Board
Roman Kusz – Independent Member of the Supervisory Board
Jadwiga Lesisz – Member of the Supervisory Board
Anna Sakowicz-Kacz – Independent Member of the Supervisory Board

(in PLN million)

3.2. Shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting as at the submission date of this report

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
Nationale-Nederlanden OFE*	7.54%	32 260 505
Aviva OFE*	6.43%	27 500 000
Other	58.51%	250 238 360
	100.00%	**427 709 061**

* *according to the information from the Extraordinary General Shareholders' Meeting of PKN ORLEN of 27 May 2021*

3.3. Changes in the number of the Parent Company's shares held by the Management Board and the Supervisory Board Members

As at the date of preparation of this interim condensed consolidated financial statements, the Members of the Management Board and the Supervisory Board did not hold any shares in PKN ORLEN.
In the period covered by this interim condensed consolidated financial statements, there were no changes in the ownership of PKN ORLEN shares held by Members of the Management Board and the Supervisory Board.

3.4. Statement of the Management Board regarding the possibility to realise previously published forecasts of current year results

The ORLEN Group did not publish forecasts of its results for a particular year.

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR THE 4th QUARTER 2021

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN

Separate statement of profit or loss and other comprehensive income

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Sales revenues	89 680	29 033	58 816	15 031
revenues from sales of finished goods and services	*50 709*	*15 817*	*35 269*	*8 692*
revenues from sales of merchandise and raw materials	*38 971*	*13 216*	*23 547*	*6 339*
Cost of sales	(78 955)	(26 580)	(52 339)	(12 968)
Cost of finished goods and services sold	*(41 616)*	*(13 868)*	*(30 060)*	*(7 058)*
Cost of merchandise and raw materials sold	*(37 339)*	*(12 712)*	*(22 279)*	*(5 910)*
Gross profit on sales	**10 725**	**2 453**	**6 477**	**2 063**
Distribution expenses	(5 074)	(1 410)	(4 678)	(1 246)
Administrative expenses	(1 131)	(283)	(1 107)	(322)
Other operating income	5 090	2 258	2 679	1 028
Other operating expenses	(1 753)	(527)	(1 795)	(351)
(Loss)/reversal of loss due to impairment of trade receivables	(7)	(3)	(26)	(4)
Profit from operations	**7 850**	**2 488**	**1 550**	**1 168**
Finance income	2 016	427	1 226	262
Finance costs	(1 211)	(252)	(4 888)	(1 586)
Net finance income and costs	**805**	**175**	**(3 662)**	**(1 324)**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables	(6)	(3)	(9)	3
Profit/(Loss) before tax	**8 649**	**2 660**	**(2 121)**	**(153)**
Tax expense	(1 505)	(623)	(235)	(190)
current tax	*(1 532)*	*(808)*	*(268)*	*(170)*
deferred tax	*27*	*185*	*33*	*(20)*
Net profit/(loss)	**7 144**	**2 037**	**(2 356)**	**(343)**
Other comprehensive income:				
which will not be reclassified subsequently into profit or loss	**34**	**18**	**(11)**	**(8)**
fair value measurement of investment property as at the date of reclassification	*16*	*16*	-	-
actuarial gains and losses	*19*	*8*	*(11)*	*(11)*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income	*7*	*(2)*	*(2)*	*2*
deferred tax	*(8)*	*(4)*	*2*	*1*
which will be reclassified into profit or loss	**(349)**	**(239)**	**(260)**	**(127)**
hedging instruments	*(180)*	*122*	*(381)*	*(142)*
hedging costs	*(251)*	*(417)*	*60*	*(15)*
deferred tax	*82*	*56*	*61*	*30*
	(315)	**(221)**	**(271)**	**(135)**
Total net comprehensive income	**6 829**	**1 816**	**(2 627)**	**(478)**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	16.70	4.76	(5.51)	(0.80)

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of financial position

	31/12/2021 (unaudited)	31/12/2020 (restated data)
ASSETS		
Non-current assets		
Property, plant and equipment	18 048	16 500
Intangible assets	1 667	905
Right-of-use asset	2 397	2 343
Shares in subsidiaries and jointly controlled entities	18 003	17 064
Derivatives	265	116
Long-term lease receivables	20	21
Other assets	2 704	2 044
	43 104	**38 993**
Current assets		
Inventories	11 170	7 751
Trade and other receivables	9 826	4 886
Current tax assets	4	396
Cash	1 521	586
Derivatives	1 191	677
Short-term lease receivables	1	1
Other assets	2 744	1 243
Non-current assets classified as held for sale	150	19
	26 607	**15 559**
Total assets	**69 711**	**54 552**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	(423)	(74)
Revaluation reserve	11	(8)
Retained earnings	35 328	29 666
Total equity	**37 201**	**31 869**
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	8 953	5 215
Provisions	465	671
Deferred tax liabilities	617	718
Derivatives	769	237
Lease liabilities	2 142	2 059
Other liabilities	183	193
	13 129	**9 093**
Current liabilities		
Trade and other liabilities	12 137	7 561
Lease liabilities	356	354
Liabilities from contracts with customers	300	223
Loans, borrowings and bonds	945	2 576
Provisions	2 362	681
Current tax liabilities	621	-
Derivatives	623	347
Other liabilities	2 037	1 848
	19 381	**13 590**
Total liabilities	**32 510**	**22 683**
Total equity and liabilities	**69 711**	**54 552**

(in PLN million)

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2021	2 285	(74)	(8)	29 666	31 869
Net profit	-	-	-	7 144	7 144
Items of other comprehensive income	-	(349)	19	15	(315)
Total net comprehensive income	**-**	**(349)**	**19**	**7 159**	**6 829**
Dividends	-	-	-	(1 497)	(1 497)
31/12/2021	**2 285**	**(423)**	**11**	**35 328**	**37 201**
(unaudited)					
01/01/2020	2 285	186	(6)	32 459	34 924
Net (loss)	-	-	-	(2 356)	(2 356)
Items of other comprehensive income	-	(260)	(2)	(9)	(271)
Total net comprehensive income	**-**	**(260)**	**(2)**	**(2 365)**	**(2 627)**
Dividends	-	-	-	(428)	(428)
31/12/2020	**2 285**	**(74)**	**(8)**	**29 666**	**31 869**

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of cash flows

	12 MONTHS ENDED 31/12/2021 (unaudited)	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2020	3 MONTHS ENDED 31/12/2020 (unaudited)
Cash flows from operating activities				
Profit/(Loss) before tax	**8 649**	**2 660**	**(2 121)**	**(153)**
Adjustments for:				
Depreciation and amortisation	2 106	594	1 923	496
Foreign exchange (profit)/loss	(112)	(69)	571	83
Net interest	143	25	182	49
Dividends	(890)	(172)	(372)	(67)
(Profit)/Loss on investing activities, incl.:	(2 961)	(1 631)	2 587	652
settlement and valuation of derivative financial instruments	*(3 059)*	*(1 662)*	*(682)*	*(562)*
Change in provisions	2 470	831	575	123
Change in working capital	(3 217)	(2 858)	1 753	286
inventories	*(3 419)*	*(1 557)*	*2 087*	*324*
receivables	*(4 023)*	*(631)*	*2 263*	*979*
liabilities, incl.:	*4 225*	*(670)*	*(2 597)*	*(1 017)*
limitation period of liabilities towards minority shareholders of ORLEN UNIPETROL	*(180)*	*-*	*-*	*-*
Other adjustments, incl.:	(674)	(1 444)	(457)	(379)
settlement of grants for property rights	*(1 051)*	*(246)*	*(319)*	*(83)*
security deposits	*148*	*(1 294)*	*(37)*	*(250)*
Income tax received/(paid)	(518)	31	(662)	(77)
Net cash from/(used in) operating activities	**4 996**	**(2 033)**	**3 979**	**1 013**
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(5 295)	(1 935)	(2 358)	(835)
Acquisition of shares	(492)	-	(3 703)	(937)
Outflows from additional payments to equity	(485)	-	(47)	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset	538	5	140	12
Interest received	80	23	55	14
Dividends received	889	202	368	69
Expenses from non-current loans granted	(811)	(85)	(664)	(274)
Proceeds from non-current loans granted	9	3	26	1
Proceeds/(Expenses) from current loans granted	(919)	(489)	(5)	33
Proceeds/(Outflows) from cash pool facility	(442)	86	(168)	(164)
Settlement of derivatives not designated as hedge accounting	2 685	2 827	451	374
Proceeds related to receivables and liabilities due to settled derivatives	(76)	(116)	33	28
Other	(6)	(4)	(12)	(10)
Net cash from/(used in) investing activities	**(4 325)**	**517**	**(5 884)**	**(1 689)**
Cash flows from financing activities				
Proceeds from loans and borrowings received	11 716	4 195	3 494	1 678
Bonds issued	3 225	-	1 000	1 000
Repayments of loans and borrowings	(12 622)	(2 933)	(5 706)	(1 682)
Redemption of bonds	(200)	-	(100)	-
Interest paid from loans, borrowings, bonds and cash pool	(201)	(13)	(202)	(14)
Interest paid on lease	(72)	(10)	(73)	(10)
Dividends paid to equity owners of the parent	(1 497)	-	(428)	-
Proceeds from cash pool facility	259	76	(194)	(238)
Payments of liabilities under lease agreements	(333)	(59)	(361)	(83)
Other	(4)	16	(3)	(3)
Net cash from/(used in) financing activities	**271**	**1 272**	**(2 573)**	**648**
Net increase/(decrease) in cash	**942**	**(244)**	**(4 478)**	**(28)**
Effect of changes in exchange rates	(7)	(8)	8	8
Cash, beginning of the period	586	1 773	5 056	606
Cash, end of the period	**1 521**	**1 521**	**586**	**586**
including restricted cash	*81*	*81*	*41*	*41*

This consolidated quarterly report was approved by the Management Board of the Parent Company on 26 January 2022.

signed digitally on the Polish original
……………………….…………..
Daniel Obajtek
President of the Board

signed digitally on the Polish original
……………………….…………..
Armen Artwich
Member of the Board

signed digitally on the Polish original
……………………….…………..
Adam Burak
Member of the Board

signed digitally on the Polish original
……………………….…………..
Patrycja Klarecka
Member of the Board

signed digitally on the Polish original
……………………….…………..
Zbigniew Leszczyński
Member of the Board

signed digitally on the Polish original
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Michał Róg
Member of the Board

signed digitally on the Polish original
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Jan Szewczak
Member of the Board

signed digitally on the Polish original
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Józef Węgrecki
Member of the Board