



**ORLEN**

CONSOLIDATED REPORT  
ON PAYMENTS  
TO GOVERNMENTS  
OF ORLEN GROUP  
IN 2020

2020

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## 1. BASIS FOR THE PREPARATION AND INFORMATION ON PRINCIPLES ADOPTED FOR PREPARING THE CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

The consolidated report on payments to governments („Report”) has been prepared in accordance with the Polish Accounting Act of 29 September 1994 (uniform text: Polish Journal of Laws 2021, item 217, Chapter 6a) („Act”) and presents payments to governments in extractive industry of the Capital Group of Polski Koncern Naftowy ORLEN S.A. („Group”) in the year 2020.

Polski Koncern Naftowy ORLEN S.A. as the Parent Company is required to prepare consolidated report on payments to governments for the year ended 31 December 2020 covering data of the Parent Company and its subsidiaries operating in extractive industry.

Payments to governments presented in the Report relate to exploration, recognition and extraction of hydrocarbons in Poland and in Canada and extraction of rock salt in Poland.

The Group discloses returns in the period of receiving them and are presented in the Report as negative value.

More information on extractive activities is presented in the Management Board Report on the operations of the ORLEN Group and PKN ORLEN S.A. for the year 2020 published on website:

<http://www.orlen.pl/EN/InvestorRelations/FinancialData/Pages/FinancialResults.aspx>

## 2. TERMINOLOGY USED

**Government** - under the Act, any national or local authorities as well as all entities supervised or controlled by these authorities, and in other countries of the European Economic Area or countries outside the European Economic Area - any national, regional or local authority of the European Economic Area or a country outside the European Economic Area and entities supervised or controlled by those authorities.

In 2020, all payments disclosed in the ORLEN Group were made to national and local governments as well as to entities supervised or controlled by that authority in Poland and to regional authority and entities supervised by regional authorities in Canada.

**Project** - under the Act, the operational activity which is governed by a single contract, in particular leasing, letting, license or concession, being the basis for payment liabilities to a government of individual countries.

The Group aggregated the payments within a project if several such agreements were substantially interconnected. Substantially interconnected means geographically integrated concession units and purpose of work carried out on them resulting, to a significant extent they are considered jointly for the program of conducted exploration and prospecting works and construction of the necessary infrastructure for development and extraction of hydrocarbons and rock salt.

**Reporting currency** - the reporting currency of the foregoing Report is Polish Zloty (PLN). Payments are presented in PLN thousands. All amounts are rounded to the nearest thousand.

**Principles applied to translation of financial data** - payments to governments of foreign entities operating in Canada for the year ended 31 December 2020 were translated 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) – 2.9068 CAD/PLN.

**Payment** - under the Act, amount paid whether in money or in kind for activities in the extractive industry.

**Materiality threshold** - according to the Act, the Group did not disclose payments were a single payment or a series of related payments did not exceed PLN 425 thousand.

In 2020, the Group identified the following payment types:

### – Taxes on income, production or profits (Taxes)

Under the Act, taxes levied on income, production or profits excluding taxes on consumption, such as value added tax, personal income tax or sales tax.

The Group presented in this item mining fees as a tax on production, the amount of which depends on the realized volume of extraction.

### – Royalties

Payments for use of non-current assets of the entity for the rights to the exploration and exploitation of natural resources (e.g. minerals or crude oil and natural gas).

The Group has this type of payments for crude oil, natural gas and gas condensate of NGL (natural gas liquids) in Canada. Payments for crude oil are made in kind, remaining in cash. The value of payments in kind is determined based on the volume and the reference price of a given species of crude oil specified by the Alberta Department of Energy.

### – License fees, lease fees, charges for start-ups and other benefits arising from the granting of licenses or concessions (Other fees and benefits)

Under this item the Group presented the following fees:

in Poland: fees for establishing mining usufruct, environmental fees (for the effluent discharge to water or to the ground, the water consumption, releasing gases and dust into the air), right to geological information and fees for excluding land from agricultural production;

in Canada: payments into the reclamation fund.

### 3. PAYMENTS OVERVIEW

#### 3.1. Payments made to each governments by country

COUNTRY / GOVERNMENTS	Taxes	Royalties	Other fees and benefits	Total
<b>Poland</b>	<b>5 535</b>	<b>-</b>	<b>3 109</b>	<b>8 644</b>
<b>National governments</b>	<b>1 024</b>	<b>-</b>	<b>1 438</b>	<b>2 462</b>
Ministry of the Environment	-	-	1 438	1 438
Tax Office	1 024	-	-	1 024
<b>Local governments</b>	<b>2 707</b>	<b>-</b>	<b>617</b>	<b>3 324</b>
Municipal and Commune Offices	2 707	-	413	3 120
Poviat Authorities	-	-	97	97
Marshal's Offices	-	-	105	105
District Authority	-	-	2	2
<b>Entities controlled by national and local authorities</b>	<b>1 804</b>	<b>-</b>	<b>1 054</b>	<b>2 858</b>
National Fund for Environmental Protection and Water Management	1 804	-	67	1 871
State Water Farm Polish Waters	-	-	987	987
<b>Canada</b>	<b>-</b>	<b>18 149</b>	<b>1 326</b>	<b>19 475</b>
<b>Regional governments</b>	<b>-</b>	<b>18 149</b>	<b>-</b>	<b>18 149</b>
Alberta Department of Energy <sup>1</sup>	-	18 149	-	18 149
<b>Entities controlled by regional governments</b>	<b>-</b>	<b>-</b>	<b>1 326</b>	<b>1 326</b>
Alberta Energy Regulator <sup>2</sup>	-	-	1 326	1 326
Alberta Petroleum Marketing Commission <sup>3</sup>	-	6 884*	-	6 884
	<b>5 535</b>	<b>18 149</b>	<b>4 435</b>	<b>28 119</b>

<sup>1</sup> department of energy of Alberta province, is responsible, among others, for the sale of concession rights to crude oil and natural gas, lease fees collection of those concession rights and royalties collection of the extracted gas and gas condensate NGL (natural gas liquids)

<sup>2</sup> Alberta province energy regulator, is responsible, among others, for fees collection for the reclamation fund

<sup>3</sup> entity responsible for the sale of crude oil, that Alberta province receives in kind

\* In 2020, the Group made payments of royalties in kind in the form of crude oil of 51,537 boe in the amount of PLN 7,405 (representing approximately CAD 2,547 thousand, less the amount of PLN (521) thousand representing an adjustment for previous periods.

**3.2. Payments by country, project and payment type**

COUNTRY / PROJECT	Taxes	Royalties	Other fees and benefits	Total
<b>Poland</b>	<b>5 535</b>	<b>-</b>	<b>3 109</b>	<b>8 644</b>
Extraction of rock salt	4 511	-	987	5 498
Exploration and recognition of hydrocarbons	1 024	-	2 122	3 146
Edge Project	-	-	1 360	1 360
Karpaty Project	-	-	762	762
Plotki Project	1 024	-	-	1 024
<b>Canada</b>	<b>-</b>	<b>25 033</b>	<b>1 326</b>	<b>26 359</b>
Kakwa Project	-	13 681	534	14 215
Peace River Oil Project	-	-44	-	-44
Central Alberta Oil Project	-	458	-	458
Ferrier Project	-	9 050	792	9 842
Peace River Gas Project*	-	864	-	864
South Alberta Project	-	1 024	-	1 024
	<b>5 535</b>	<b>25 033</b>	<b>4 435</b>	<b>35 003</b>

\* area has been sold, the value relates to the adjustment for 2019 made in 2020

The foregoing consolidated report on payments to governments was signed by the Management Board of the Parent Company on 14 April 2021.

signed digitally on the Polish original

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Daniel Obajtek  
President of the Board

signed digitally on the Polish original

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Armen Artwich  
Member of the Board

signed digitally on the Polish original

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Adam Burak  
Member of the Board

signed digitally on the Polish original

.....

Patrycja Klarecka  
Member of the Board

signed digitally on the Polish original

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Zbigniew Leszczyński  
Member of the Board

signed digitally on the Polish original

.....

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