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# CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

of ORLEN Group in 2022





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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 2023, item 120, Chapter 6a) („Act”) and presents payments to governments in extractive industry of the Capital Group of Polski Koncern Naftowy ORLEN S.A. („Group”, „ORLEN Group”) in the year 2022.

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 2022 covering data of the Parent Company and its subsidiaries operating in extractive industry.

In the Report, the Group presented data of the former Grupa LOTOS and the former PGNiG Group from the date of their merger with PKN ORLEN S.A.

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

The Group disclosed 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 2022 published on website:

<http://www.orklen.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 2022, 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, to national government in Norway and Pakistan 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.

If it was not possible to disclose a payment at project level, the Group disclosed the requirements imposed at the country level, rather than at project level. Corporate income tax and mineral extraction tax are typical cases in point.

**Reporting currency** - the reporting currency of this 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 for the year ended 31 December 2022 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):

- EUR/PLN 4.6855
- USD/PLN 4.4569
- CAD/PLN 3.4233
- NOK/PLN 0.4640

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

In the case of operatorship agreements related to exploration and production licenses, if the Group entity is not the operator, this Report does not include any payments made to the operator (which is not a government), unless it is possible to identify such payment made indirectly by the operator on behalf of the Group entity to a government.

**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 2022, 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 extraction taxes and mining fees as a tax on production, the amount of which depends on the realized volume of extraction and fees on the profit generated on a specific mining license.



(in PLN thousand)

#### – 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 and natural gas in Pakistan.

Payments for crude oil were 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.

#### – Concession fees and bonuses for discovery and production (Concession fees)

Under this item, the Group presented fees for concessions granted.

#### – 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: mainly fees for establishing mining usufruct, environmental fees (for the effluent discharge to water or to the ground, for the collection of surface water for mines, releasing gases and dust into the air), fees for excluding land from agricultural production, fees under the geological and mining law on the amount of gas and condensate extracted and stamp duty;

in Canada: payments into the reclamation fund.

### 3. PAYMENTS OVERVIEW

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

COUNTRY / GOVERNMENTS	Taxes	Royalties	Concession fees	Other fees and benefits	Total
<b>Poland</b>	<b>187 198</b>	<b>-</b>	<b>19 152</b>	<b>7 748</b>	<b>214 098</b>
<b>National governments</b>	<b>130 229</b>	<b>-</b>	<b>73</b>	<b>2 290</b>	<b>132 592</b>
Ministry of Climate and Environment	-	-	73	1 947	2 021
Tax Office	130 229	-	-	114	130 343
Ministry of Finance	-	-	-	200	200
Ministry of Foreign Affairs Republic of Poland	-	-	-	28	28
<b>Local governments</b>	<b>54 726</b>	<b>-</b>	<b>894</b>	<b>4 182</b>	<b>59 802</b>
Municipal and Commune Offices	3 364	-	604	3 137	7 105
Powiat Authorities	51 339	-	145	165	51 649
Marshal's Offices	23	-	145	505	673
Provincial Administrative Courts	-	-	-	8	8
<b>Entities controlled by national and local authorities</b>	<b>2 243</b>	<b>-</b>	<b>18 185</b>	<b>1 276</b>	<b>21 704</b>
National Fund for Environmental Protection and Water Management	2 243	-	18 185	87	20 515
State Water Farm Polish Waters	-	-	-	861	861
Department of Roads and Greenery	-	-	-	14	14
Other entities	-	-	-	313	313
<b>Canada</b>	<b>-</b>	<b>123 241</b>	<b>-</b>	<b>2 193</b>	<b>125 434</b>
<b>Regional governments</b>	<b>-</b>	<b>102 115</b>	<b>-</b>	<b>-</b>	<b>102 115</b>
Alberta Department of Energy <sup>1</sup>	-	102 115	-	-	102 115
<b>Entities controlled by regional governments</b>	<b>-</b>	<b>21 126</b>	<b>-</b>	<b>2 193</b>	<b>23 319</b>
Alberta Energy Regulator <sup>2</sup>	-	-	-	2 193	2 193
Alberta Petroleum Marketing Commission <sup>3</sup>	-	21 126	-	-	21 126
<b>Pakistan</b>	<b>-</b>	<b>6 447</b>	<b>-</b>	<b>-</b>	<b>6 447</b>
<b>National governments</b>	<b>-</b>	<b>6 447</b>	<b>-</b>	<b>-</b>	<b>6 447</b>
Federal Board of Revenue <sup>4</sup>	-	6 447	-	-	6 447
<b>Norway</b>	<b>2 099 066</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 099 066</b>
<b>National governments</b>	<b>2 036 285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 036 285</b>
The Norwegian Tax Administration	2 035 220	-	-	-	2 035 220
The Norwegian Petroleum Directorate <sup>5</sup>	1 065	-	-	-	1 065
<b>Entities controlled by national and local authorities</b>	<b>62 781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62 781</b>
Petoro <sup>6</sup>	62 781	-	-	-	62 781
	<b>2 286 264</b>	<b>129 687</b>	<b>19 152</b>	<b>9 941</b>	<b>2 445 045</b>



(in PLN thousand)

<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

<sup>4</sup> Revenue Division of Government of Pakistan tasked, among others, with collecting taxes and duties

<sup>5</sup> Norwegian government agency responsible for the regulation of the petroleum resources on the Norwegian continental shelf whose mission is to ensure that the petroleum resources are allocated in an optimal way, at the same time incurring minimal environmental impact

<sup>6</sup> Norwegian state-owned limited company which manages the State's Direct Financial Interest (SDFI) in oil and natural gas exploration and production licenses on the Norwegian continental shelf

\* In 2022, the Group made payments of royalties in kind in the form of crude oil of 54,375 boe in the amount of PLN 21,126 thousand (representing approximately CAD 6,171 thousand), less the amount of PLN (347) thousand representing an adjustment for previous periods.

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

COUNTRY / PROJECT	Taxes	Royalties	Concession fees	Other fees and benefits	Total
<b>Poland</b>	<b>187 198</b>	<b>-</b>	<b>19 152</b>	<b>7 748</b>	<b>214 098</b>
<b>Payments not assigned to projects</b>	<b>142 020</b>	<b>-</b>	<b>18 161</b>	<b>1 349</b>	<b>161 530</b>
<b>Extraction of rock salt</b>	<b>5 607</b>	<b>-</b>	<b>-</b>	<b>861</b>	<b>6 468</b>
<b>Exploration and recognition of hydrocarbons</b>	<b>39 571</b>	<b>-</b>	<b>991</b>	<b>5 538</b>	<b>46 100</b>
<i>Edge Project</i>	-	-	730	3 226	3 956
<i>Karpaty Project</i>	-	-	261	298	559
<i>Płotki Project</i>	7 716	-	-	-	7 716
<i>Miocen Project</i>	1 284	-	-	1 583	2 867
<i>Rozewie Project</i>	15 919	-	-	-	15 919
<i>B-8 Project</i>	14 652	-	-	-	14 652
<i>Krotoszyn Project</i>	-	-	-	432	432
<b>Canada</b>	<b>-</b>	<b>123 241</b>	<b>-</b>	<b>2 193</b>	<b>125 434</b>
<i>Kakwa Project</i>	-	58 532	-	1 175	59 707
<i>Central Alberta Oil Project</i>	-	3 746	-	-	3 746
<i>Ferrier Project</i>	-	51 415	-	1 018	52 433
<i>South Alberta Project</i>	-	9 026	-	-	9 026
<i>Central Alberta Gas Project</i>	-	522	-	-	522
<b>Pakistan</b>	<b>-</b>	<b>6 447</b>	<b>-</b>	<b>-</b>	<b>6 447</b>
<i>Kirthar Project</i>	-	6 447	-	-	6 447
<b>Norway</b>	<b>2 099 066</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 099 066</b>
<b>Payments not assigned to projects</b>	<b>2 029 562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 029 562</b>
<i>PL029 (Sleipner West) Project</i>	5 658	-	-	-	5 658
<i>Gina Krog Project</i>	62 781	-	-	-	62 781
<i>PL159F Project</i>	1 065	-	-	-	1 065
	<b>2 286 264</b>	<b>129 687</b>	<b>19 152</b>	<b>9 941</b>	<b>2 445 045</b>



This consolidated report on payments to governments was signed by the Management Board of the Parent Company on 27 April 2023.

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

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Krzysztof Nowicki  
Member of the Board

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Robert Perkowski  
Member of the Board

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Michał Róg  
Member of the Board

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Piotr Sabat  
Member of the Board

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Jan Szewczak  
Member of the Board

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Iwona Waksmundzka-Olejniczak  
Member of the Board

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.....  
Józef Węgrecki  
Member of the Board