Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 4th QUARTER 2020

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2020	12 MONTHS ENDED 31/12/2019	12 MONTHS ENDED 31/12/2020	12 MONTHS ENDED 31/12/2019
Sales revenues	86 178	111 203	19 261	25 850
Profit from operations increased by depreciation and amortisation (EBITDA)	9 071	8 862	2 027	2 060
EBITDA before net impairment allowances	9 697	9 041	2 167	2 102
Profit from operations (EBIT), incl.:	4 562	5 365	1 020	1 247
gain on bargain purchase of the ENERGA Group	*4 062*	-	*908*	-
Profit before tax	3 512	5 352	785	1 244
Net profit before net impairment allowances	4 009	4 477	896	1 041
Net profit	**3 383**	**4 298**	**756**	**999**
Total net comprehensive income	3 481	4 368	778	1 015
Net profit attributable to equity owners of the parent	3 313	4 300	740	1 000
Total net comprehensive income attributable to equity owners of the parent	3 418	4 370	764	1 016
Net cash from operating activities	7 620	9 319	1 703	2 166
Net cash (used) in investing activities	(8 868)	(3 994)	(1 982)	(928)
Net cash (used) in financing activities	(3 711)	(3 363)	(829)	(782)
Net increase/(decrease) in cash and cash equivalents	(4 959)	1 962	(1 108)	456
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	7.75	10.05	1.73	2.34
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Non-current assets	59 991	39 277	13 000	9 223
Current assets	24 263	31 925	5 258	7 497
Total assets	**84 254**	**71 202**	**18 258**	**16 720**
Share capital	1 058	1 058	229	248
Equity attributable to equity owners of the parent	42 174	38 596	9 139	9 063
Total equity	**42 951**	**38 607**	**9 307**	**9 065**
Non-current liabilities	18 447	14 315	3 997	3 362
Current liabilities	22 856	18 280	4 954	4 293
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)	98.60	90.24	21.37	21.19

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2020	12 MONTHS ENDED 31/12/2019	12 MONTHS ENDED 31/12/2020	12 MONTHS ENDED 31/12/2019
Sales revenues	58 785	89 049	13 139	20 700
Profit from operations increased by depreciation and amortisation (EBITDA)	3 137	5 818	701	1 352
Profit from operations (EBIT)	1 214	4 059	271	944
Profit/(loss) before tax	(1 210)	5 632	(270)	1 309
Net profit before net impairment allowances on non-financial and financial non-current assets	598	3 811	134	886
Net profit/(loss)	**(1 380)**	**4 813**	**(308)**	**1 119**
Total net comprehensive income	(1 651)	4 787	(369)	1 113
Net cash from operating activities	4 361	6 086	975	1 415
Net cash (used) in investing activities	(6 266)	(1 421)	(1 401)	(330)
Net cash (used) in financing activities	(2 573)	(3 062)	(575)	(712)
Net increase/(decrease) in cash	(4 478)	1 603	(1 001)	373
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	(3.23)	11.25	(0.72)	2.62
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Non-current assets	40 134	36 939	8 696	8 674
Current assets	15 232	23 337	3 301	5 480
Total assets	**55 366**	**60 276**	**11 997**	**14 154**
Share capital	1 058	1 058	229	248
Total equity	**32 845**	**34 924**	**7 117**	**8 201**
Non-current liabilities	8 941	11 769	1 937	2 764
Current liabilities	13 580	13 583	2 943	3 190
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)	76.79	81.65	16.64	19.17

The above financial data for the 12-month period of 2020 and 2019 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 2020 – 4.4742 EUR/PLN and 1 January to 31 December 2019 – 4.3018 EUR/PLN;
– items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 December 2020 – 4.6148 EUR/PLN and as at 31 December 2019– 4.2585 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 AND 3-MONTH PERIOD ENDED 31 DECEMBER 2020

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

(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 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Sales revenues	5.1	86 178	23 173	111 203	27 500
revenues from sales of finished goods and services		*66 193*	*17 691*	*93 009*	*22 855*
revenues from sales of merchandise and raw materials		*19 985*	*5 482*	*18 194*	*4 645*
Cost of sales	5.2	(77 083)	(19 783)	(97 301)	(24 448)
cost of finished goods and services sold		*(59 819)*	*(15 457)*	*(81 266)*	*(20 343)*
cost of merchandise and raw materials sold		*(17 264)*	*(4 326)*	*(16 035)*	*(4 105)*
Gross profit on sales		**9 095**	**3 390**	**13 902**	**3 052**
Distribution expenses		(6 813)	(1 808)	(6 355)	(1 707)
Administrative expenses		(2 312)	(692)	(1 806)	(511)
Other operating income, incl.:	5.5	9 717	1 431	1 246	606
gain on bargain purchase of the ENERGA Group	3.4.1	*4 062*	-	-	-
Other operating expenses	5.5	(5 206)	(1 272)	(1 717)	(990)
(Loss)/reversal of loss due to impairment of financial instruments		(66)	(19)	(41)	7
Share in profit from investments accounted for using the equity method		147	44	136	19
Profit from operations		**4 562**	**1 074**	**5 365**	**476**
Finance income	5.6	852	177	890	446
Finance costs	5.6	(1 887)	(435)	(901)	(253)
Net finance income and costs		**(1 035)**	**(258)**	**(11)**	**193**
(Loss)/reversal of loss due to impairment of financial instruments		(15)	(13)	(2)	(1)
Profit before tax		**3 512**	**803**	**5 352**	**668**
Tax expense		(129)	(220)	(1 054)	(86)
current tax		*(524)*	*(206)*	*(1 000)*	*(123)*
deferred tax		*395*	*(14)*	*(54)*	*37*
Net profit		**3 383**	**583**	**4 298**	**582**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		**(59)**	**(33)**	**(35)**	**(18)**
actuarial gains and losses		*(68)*	*(43)*	*(21)*	*(21)*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income		*(5)*	*2*	*(20)*	*(2)*
deferred tax		*14*	*8*	*6*	*5*
which will be reclassified into profit or loss		**157**	**505**	**105**	**(185)**
hedging instruments		*(675)*	*1*	*(148)*	*149*
hedging costs		*255*	*50*	*115*	*58*
exchange differences on translating foreign operations		*501*	*468*	*138*	*(342)*
deferred tax		*76*	*(14)*	-	*(50)*
		98	**472**	**70**	**(203)**
Total net comprehensive income		**3 481**	**1 055**	**4 368**	**379**
Net profit attributable to		**3 383**	**583**	**4 298**	**582**
equity owners of the parent		*3 313*	*556*	*4 300*	*583*
non-controlling interest		*70*	*27*	*(2)*	*(1)*
Total net comprehensive income attributable to		**3 481**	**1 055**	**4 368**	**379**
equity owners of the parent		*3 418*	*1 030*	*4 370*	*380*
non-controlling interest		*63*	*25*	*(2)*	*(1)*
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		7.75	1.30	10.05	1.36

The accompanying notes disclosed on pages 9 – 41 are an integral part of this the interim condensed consolidated financial statements.

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of financial position

	NOTE	31/12/2020 (unaudited)	31/12/2019
ASSETS			
Non-current assets			
Property, plant and equipment		50 395	32 363
Intangible assets		2 528	1 600
Right-of-use asset	5.11.1	5 217	3 952
Investments accounted for using the equity method		757	678
Deferred tax assets		511	51
Derivatives	5.8	177	310
Long-term lease receivables		2	13
Other assets	5.8	404	310
		59 991	**39 277**
Current assets			
Inventories		12 284	15 074
Trade and other receivables		9 594	9 669
Current tax assets		457	262
Cash and cash equivalents		1 240	6 159
Derivatives	5.8	124	243
Short-term lease receivables		11	12
Other assets	5.8	530	468
Non-current assets classified as held for sale		23	38
		24 263	**31 925**
Total assets		**84 254**	**71 202**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(16)	328
Revaluation reserve		(37)	(33)
Exchange differences on translating foreign operations		1 348	847
Retained earnings		38 594	35 169
Equity attributable to equity owners of the parent		**42 174**	**38 596**
Non-controlling interests		**777**	**11**
Total equity		**42 951**	**38 607**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.7	9 430	8 185
Provisions	5.9	2 257	1 113
Deferred tax liabilities		1 951	1 474
Derivatives	5.8	138	2
Lease liabilities		4 479	3 380
Other liabilities	5.8	181	161
Liabilities from contracts with customers		11	-
		18 447	**14 315**
Current liabilities			
Trade and other liabilities		13 985	15 132
Lease liabilities		702	618
Liabilities from contracts with customers		442	246
Loans, borrowings and bonds	5.7	4 934	422
Provisions	5.9	2 289	1 236
Current tax liabilities		60	124
Derivatives	5.8	270	266
Other liabilities	5.8	174	236
		22 856	**18 280**
Total liabilities		**41 303**	**32 595**
Total equity and liabilities		**84 254**	**71 202**

The accompanying notes disclosed on pages 9 – 41 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
01/01/2020	2 285	328	(33)	847	35 169	38 596	11	38 607
Net profit	-	-	-	-	3 313	3 313	70	3 383
Components of other comprehensive income	-	(344)	(4)	501	(48)	105	(7)	98
Total net comprehensive income	**-**	**(344)**	**(4)**	**501**	**3 265**	**3 418**	**63**	**3 481**
Acquisition of subsidiaries	-	-	-	-	-	-	1 668	1 668
Change in share structure	-	-	-	-	588	588	(965)	(377)
Dividends	-	-	-	-	(428)	(428)	-	(428)
31/12/2020	**2 285**	**(16)**	**(37)**	**1 348**	**38 594**	**42 174**	**777**	**42 951**
(unaudited)								
01/01/2019 (approved data)	2 285	361	(15)	709	32 387	35 727	12	35 739
Impact of IFRS 16 adoption	-	-	-	-	(4)	(4)	-	(4)
01/01/2019 (converted data)	2 285	361	(15)	709	32 383	35 723	12	35 735
Net profit/(loss)	-	-	-	-	4 300	4 300	(2)	4 298
Components of other comprehensive income	-	(33)	(18)	138	(17)	70	-	70
Total net comprehensive income	**-**	**(33)**	**(18)**	**138**	**4 283**	**4 370**	**(2)**	**4 368**
Issuance of shares attributable to non-controlling interest	-	-	-	-	-	-	1	1
Dividends	-	-	-	-	(1 497)	(1 497)	-	(1 497)
31/12/2019	**2 285**	**328**	**(33)**	**847**	**35 169**	**38 596**	**11**	**38 607**

The accompanying notes disclosed on pages 9 – 41 are an integral part of this the interim condensed consolidated financial statements.

ORLEN GROUP (in PLN million)

Consolidated statement of cash flows

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Cash flows from operating activities				
Profit before tax	**3 512**	**803**	**5 352**	**668**
Adjustments for:				
Share in profit from investments accounted for using the equity method	(147)	(44)	(136)	(19)
Depreciation and amortisation	4 509	1 273	3 497	925
Foreign exchange loss/(profit)	659	152	(72)	(226)
Net interest	392	108	272	80
Dividends	(6)	-	(5)	-
(Profit)/Loss on investing activities, incl.:	(3 853)	317	316	134
recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets and other non-current assets	*626*	*(16)*	*179*	*79*
settlement and valuation of derivative financial instruments	*(414)*	*329*	*161*	*143*
(gain) on bargain purchase of the ENERGA Group	*(4 062)*	*-*	*-*	*-*
Change in provisions	1 696	446	1 035	351
Change in working capital	2 217	(918)	1 182	(196)
inventories	*3 141*	*90*	*(709)*	*(534)*
receivables	*2 304*	*664*	*942*	*1 567*
liabilities	*(3 228)*	*(1 672)*	*949*	*(1 229)*
Other adjustments, incl.:	(615)	(378)	(624)	(279)
rights received free of charge	*(749)*	*(211)*	*(683)*	*(182)*
security deposits	*140*	*(198)*	*(367)*	*(187)*
Income tax (paid)	(744)	(125)	(1 498)	(235)
Net cash from operating activities	**7 620**	**1 634**	**9 319**	**1 203**
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(7 565)	(2 356)	(4 450)	(1 652)
Acquisition of shares lowered by cash, incl.:	(1 999)	(390)	-	-
of the ENERGA Group	*(1 986)*	*(377)*	*-*	*-*
Disposal of property, plant and equipment, intangible assets and right-of-use asset	70	10	245	8
Short term deposits	(71)	66	-	-
Dividends received	144	67	112	-
Net cash flows from loans	136	170	-	-
Settlement of derivatives not designated as hedge accounting	368	(69)	82	5
Other	49	56	17	18
Net cash (used) in investing activities	**(8 868)**	**(2 446)**	**(3 994)**	**(1 621)**
Cash flows from financing activities				
Change in cash related to acquisition of non-controlling interest of UNIPETROL, a.s	(10)	(10)	190	(10)
Proceeds from loans and borrowings received	5 928	2 435	381	12
Bonds issued	1 000	1 000	-	-
Repayment of loans and borrowings	(9 034)	(2 299)	(492)	(15)
Redemption of bonds	(100)	-	(1 000)	-
Interest paid from loans and bonds	(297)	(14)	(218)	(22)
Interest paid on lease	(111)	(20)	(68)	(17)
Dividends paid	(428)	-	(1 497)	-
Payments of liabilities under lease agreements	(675)	(188)	(656)	(233)
Other	16	4	(3)	(1)
Net cash from/(used in) financing activities	**(3 711)**	**908**	**(3 363)**	**(286)**
Net increase/(decrease) in cash and cash equivalents	**(4 959)**	**96**	**1 962**	**(704)**
Effect of changes in exchange rates	40	33	5	50
Cash and cash equivalents, beginning of the period	6 159	1 111	4 192	6 813
Cash and cash equivalents, end of the period	**1 240**	**1 240**	**6 159**	**6 159**
including restricted cash	*217*	*217*	*1 086*	*1 086*

The accompanying notes disclosed on pages 9 – 41 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. The ORLEN Group also conducts exploration, recognition and extraction of hydrocarbons, and generates, distributes and trades of electricity and heat.
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, press distribution, insurance and financial services.

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 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 2020 and as at 31 December 2019, financial results and cash flows for the 12 and 3-month period ended 31 December 2020 and 31 December 2019.

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 this 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 2019, except:

- changes in the presentation in relation to the operating Segments,
- adoption of the "first in first out" (FIFO) method for measurement of consumption of coal inventories.

As a consequence of changes in the structure of the ORLEN Group related to taking control over ENERGA S.A. ("ENERGA"), as well as taking into account the development of the ORLEN Group's operations in respective areas and the related operational decision making process and allocation of resources within the Group, as from the 1st half of 2020 the ORLEN Group decided to change the presentation with respect to the Downstream segment and break it down into three operating segments: Refining, Petrochemical and Energy. In connection with the new presentation, the segments' comparative data for the 12 and 3-month period ended 31 December of 2019 and as at 31 December 2019 were also converted.
In the opinion of the Management Board of PKN ORLEN, such presentation better reflects the internal reporting structure within the Group, on the basis of which key decisions are made regarding the evaluation of the ORLEN Group's operations and allocation of resources, and increases the transparency and usefulness of data presented in the consolidated financial statements. In particular, following the takeover of ENERGA in April 2020, the Energy industry area became more important within the ORLEN Group and now, apart from ensuring power supplies for its own needs, it also generate significant revenues in distribution and sale area as well as electricity and heat generation.
Additionally, the Group decided to adopt the "first in, first out" (FIFO) method for measurement of consumption of coal inventories, which is consistent with the cost formula used so far by ENERGA for this raw material. In the opinion of the Group, this method best reflects business conditions and the actual process of using coal to production of energy, taking into account its physical properties.

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 is presented in PLN million, unless otherwise stated.

(in PLN million)

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 31/12/2020	3 MONTHS ENDED 31/12/2020	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019	31/12/2020	31/12/2019
EUR/PLN	4.4442	4.5070	4.2987	4.2879	4.6148	4.2585
USD/PLN	3.8996	3.7810	3.8399	3.8732	3.7584	3.7977
CZK/PLN	0.1680	0.1690	0.1675	0.1677	0.1753	0.1676
CAD/PLN	2.9068	2.9001	2.8939	2.9333	2.9477	2.9139

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 on the ORLEN Group's operations

Impact of coronavirus pandemic on the ORLEN Group's operations

The outbreak of the coronavirus SARS-Cov-2 causing the disease COVID-19 had a huge impact on a global economy and situation in the country causing the introduction of significant restrictions on a global scale. Especially, during the period March – June 2020 it caused a blockade of transport on a global scale and an unprecedented drop in global demand for jet fuel, diesel and gasoline, which, as a consequence, led to a drop in demand for crude oil. Excess of crude oil supply over crude oil demand on a scale exceeding available storage capacities caused at the turn of the first and second quarter a sharp and deep decline in crude oil prices, which was in time and scale faster than price adjustments on the markets of fuel and crude oil products. Crude oil prices started to rise in May as a result of the reduction in the production of this commodity by OPEC and Russia and a decline in production due to economic reasons, mainly in the USA, as well as due to the increase in demand resulting from the defrosting of global economies.
Situation connected with coronavirus pandemic affected to a large extent the results achieved by the Group in the financial year 2020 in all operating segments. In particular, during the period March – June 2020 the Group identified both a decrease in crude oil prices and a sharp drop in demand for its products and in consequence decrease in their prices in Refine, Petrochemical, Retail and Upstream segments. The effects of the coronavirus are also visible in the Energy segment, where significant decrease in demand for electricity occurred, especially for end customers from A, B and C tariff groups, as well as decline in the production volume.
In the 2nd and 3rd quarter, due to the defrosting of global economies and social life, as well as adapting them to functioning in pandemic conditions, the Group observed gradual increase in demand. Unfortunately the wave of coronavirus in autumn stopped this trend and brought the economy to a halt again, which adversely affected the Group's results in the fourth quarter of 2020.
During the whole year 2020 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 in the country. There were also no material disruptions in Group's operations on foreign markets as a result of COVID-19 pandemic. In Group's opinion currently there are no threats to the supply chain, both with respect to purchase of raw materials and goods, 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).
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.
Below the Group presented the impact of the coronavirus pandemic on selected areas of the Group's operations.
Group's results by operating segments, macroeconomic situation and estimates regarding the impact of COVID-19 on the Group's financial plans, which are basis of the impairment tests were presented in notes 3.2 and 5.4.

Actions taken by the Group in connection with COVID-19 pandemic

PKN ORLEN and entities comprising the ORLEN Group have taken a number of actions in connection with COVID-19 pandemic.

At the time when first cases of COVID-19 appeared in the country, the ORLEN Group developed emergency action plans to ensure the continuity of operations of critical infrastructure and the provision of key services provided by PKN ORLEN. Crisis management plans are developed depending on the effects that may be caused by the increasing number of cases and coordinated with institutions responsible for the protection of critical infrastructure.

With respect to ongoing purchases, the Group has implemented additional actions in order to limit the risk of potential breach of contractual terms and deliveries terms by suppliers as a result of change in economic situation, especially:

- in the area of direct purchases actions were taken in order to extend supplier databases for emergency situations, managing supplies from alternative sources as well as cooperation with key suppliers with respect to ongoing reporting of inventory stock and appearing risks in supply chain and ad hoc preparation of alternative action plans in order to assure operational continuity,
- in the area of investment purchases additional procedures regarding ongoing monitoring of fulfilment of contractual terms and deadlines as well as financial condition of suppliers have been implemented and procedures regarding launching purchasing processes for substitute contractors, if needed,
- procedures were implemented regarding ongoing analysis of liquidity risk with respect to key suppliers and their current ability to settle liabilities to subcontractors for construction works on the basis of declarations and taking appropriate actions, including shortening payment terms in individual cases, if needed.

The Group has taken a number of preventive measures in order to limit the spread of the virus at the premises and protection of employees, including:

- a number of new procedures and guidelines with respect to personnel and material movement were taken, especially aiming at minimizing direct contact and implementing temperature control with respect to personnel staying at the premises; where possible, employees were given the opportunity to work remotely; procedures ensuring availability of key personnel of Group entities were implemented,
- limitation of business trips and participation in business meetings and instead using media such as phones, Internet messengers and videoconferences were recommended,
- employees were equipped with protection means (protective masks, gloves) as well as disinfectants; hygiene, sanitation and disinfection procedures were implemented,
- in order to ensure continuity of ORLEN petrol stations' operations (own and franchised) regular disinfections, limitation in number of clients who could be at the petrol station at the same time and temperature controls were introduced; plexiglass barriers at the checkouts were installed; restaurant areas were excluded from use, solutions to accelerate refuelling were prepared and new methods of payments directly at distributors through ORLEN Pay application were introduced. In 4th quarter PKN ORLEN equipped petrol stations with specialized air purifying and filtering devices to further increase safety of its customers and employees.

The Group estimates that the total cost incurred in the 12 and 3-month period ended 31 December 2020 due to the above actions amounted to approximately PLN (92) million and PLN (31) million, respectively.

The Group adjusts its operations on an ongoing basis to the changing epidemiological situation.

Prosocial activities taken by the Group in the fight against coronavirus

In the 12 and 3-month period ended 31 December 2020 the value of donations recognised by the Group in other operating cost provided as part of prosocial activities in the fight against coronavirus amounted to PLN (139) million and PLN (2) million.

Most of these funds were transferred by the Group to uniform and medical services, which were involved to the greatest extent in helping people infected with coronavirus and health protection of others.

Those funds were allocated for the purchase of medical masks, medical equipment, safety uniforms, gloves. As part of in-kind support the Group donated also disinfectants, to which subsidiary ORLEN Oil switched over its production, and organized actions of free products and goods releases for uniform services and drivers waiting to cross the border. In-kind and cash donations were, among others, given also through the ORLEN Foundation to medical facilities, police units, social welfare homes and Material Reserves Agency.

Entities from ORLEN Group have also undertaken additional activities, especially aiming at supporting Polish entrepreneurs in a difficult period related to the ongoing pandemic. At that time PKN ORLEN expanded its cooperation with Polish producers and consistently increases the availability of products manufactured in Poland at its petrol stations. Additionally, in mid-June PKN ORLEN has started #WspieramyPolskę campaign in cooperation with the Foundation ORLEN, under which, the Company focused on promoting local products and supporting companies in the process of defrosting the national economy. In 4th quarter volunteers from PKN ORLEN got engaged in actions of Solidarity Corps of Senior Support (Solidarnościowy Korpus Wsparcia Seniorów) – a new government program to support and protect the seniors by helping them in everyday activities, such as shopping or visiting the pharmacy.

Additionally, during 4th quarter, in order to secure the number of available hospital beds during for the patients with COVID-19, PKN ORLEN got involved in organizing temporary hospital in Płock and another similar facility in Ostrołęka, which was built with the support of ENERGA. Other companies from the Group were also involved in the construction of hospitals, including ORLEN

Projekt which participated in the design of the facility in Plock, as well as ORLEN Budonaft, ORLEN Serwis, ORLEN Administracja and ORLEN Ochrona.

As part of the project, PKN ORLEN performed activities related, among others, to the organization and establishment of temporary hospitals, purchase and provision of temporary containers with the necessary infrastructure, adaptation of facilities and ensuring the availability of equipment as well as maintaining the hospitals' operation.

The project related to building temporary hospital in Płock was completed at the beginning of December 2020, and the facility was transferred to the Provincial Complex Hospital (Wojewódzki Szpital Zespolony) in Płock.The construction works related to the temporary hospital in Ostrołęka were finalized at the end of 2020, and the hospital itself remains the so-called a passive facility ("in reserve") apart from the separated part of the facility, which from the second half of January 2021 is used for vaccination action on the basis of the decision of the Mazowieckie Voivode.

The costs incurred in connection with the Group's involvement in the construction, equipment and operation of temporary hospitals were decreased by the value of compensation of project's costs guaranteed to the Group by the Ministry of State Assets. As a result, the value of donations presented by the Group in other operating expenses related to the temporary hospitals project amounted to PLN 1,55 million.

Analysis of impact of changes in economic situation on valuation of assets and liabilities of the Group

Inventory impairment allowances to net realizable values
Dynamic changes in the economic situation in Poland as well as in the world caused by the coronavirus pandemic resulted in significant fluctuations in oil prices and prices of Group's products during the whole year 2020. During the period March – May 2020 there were record drops in oil prices as well as rapid fall of demand and decrease in prices of Group's products. Since June 2020 oil prices started to increase and gradual defrosting of global economies allowed prices to rise. In the following months, oil prices and sales prices for the Group's products continued to fluctuate depending on the current epidemiological situation and the nature and scope of restrictions introduced by the governments of individual countries.
The cumulative value of net inventory impairment allowances to net realizable values recognised in the 12 and 3-month period ended 31 December 2020 amounted to PLN 112 million and PLN 68 million respectively. Additional information in note 5.3.

Estimation of expected credit loss (ECL)
As at 31 December 2020 the Group performed detailed analysis of changes in macroeconomic environment caused by coronavirus pandemic on expected credit loss calculation in terms of the potential need to modify the assumptions made for estimations and including additional risk factor related to current economic situation and forecasts for the future.

Economic situation related to COVID-19 turned into reduction in receivables balance in comparison to previous periods. Nevertheless, in period since the outbreak of the pandemic the Group has not observed any significant deterioration in repayment ratio nor an increase in bankruptcies or restructuring among its clients.

Additionally, receivables from entities, which, in opinion of the Group, are exposed most to insolvency risk in the short term, are covered by collaterals. As at 31 December 2020 the Group received bank and insurance guarantees of PLN 3,355 million. The Group additionally receives from its customers collateral in the form of sureties, voluntary submission to execution (Article 777 of the Code of Civil Procedure), deposits, registered pledges, mortgages and bills of exchange. Despite the coronavirus pandemic, the Group assess that the risk of unsettled receivables by customers did not change significantly, due to effective management of trade credit and debt recovery and the level of repayment of receivables presented in the balance sheet as at 31 December 2020, which payment dates fall in the coming months, will not change significantly.

As at 31 December 2020, based on performed analysis, the Group did not identify any indicators for modification of assumptions taken for estimation of expected credit loss.

The Group plans to analyse 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, update adopted estimates for ECL calculation in following reporting periods..

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

The situation related to the COVID-19 pandemic, in particular the changes in the conditions for conducting business activity and the destabilization on markets of fuel and crude oil products, resulting in high volatility of prices and fluctuations in demand, will, in the Group's opinion, affect the domestic and global economic situation in the medium and long term.
Additional information regarding the impact of the COVID-19 pandemic on the assumptions and approach to the ongoing impairment tests performed at the end of 2020, the status of the impairment tests, as well as the impairment losses recognized as at the time of preparation of these interim condensed consolidated financial statements were included in note 5.4.

Liquidity situation
In 12 and 3-month period ended 31 December 2020 the Group continued its current policy with respect to liquidity management process based on diversification of financing resources and using range of tools for effective liquidity management, as well as

optimizing financial cost, including systems of cash concentration ("cash-pool systems"). In 4th quarter the ORLEN Group invested cash in bank deposits as before. As at the date of preparation of this interim condensed consolidated financial statements the financial situation of the Group is stable. Working capital decreased by PLN 2,217 million compared to the end of 2019, which was mainly related to decline in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities, as well as reduction in demand related to coronavirus pandemic.

The value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 December 2020 amounted to PLN 418 million and concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations securing regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.
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 2020 and the probability of activation of above 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 and assumes maintaining a safe level of net debt and financial covenants included in the financing agreements.
As at the date of preparation of this 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.

Other accounting estimates

As at the date of preparation of this interim condensed consolidated financial statements the Group does not identify any significant risks related to potential breach of the terms of commercial contracts and supply contracts (including crude oil supplies).

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 2020

Sales revenues of the ORLEN Group for the 12 months of 2020 amounted to PLN 86,178million and was lower by PLN (25,025) million (y/y). The decrease of sales revenues (y/y) result mainly from lower volume sales by (12)% (in Refining, Petrochemical and Retail segments) and reflects also (35)% decrease of crude oil prices and, as a result, also quotations of major products. In the 12-month period of 2020 in comparison to the same period of 2019 the fuel prices decreased by (36)%, diesel oil by (38)%, aviation fuel by (43)%, heavy heating oil by (33)%, ethylene by (21)% and propylene by (21)%.

The operating expenses decreased totally by PLN 19,254 million (y/y) to PLN (86,208) 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 decrease in the costs of materials and energy consumption by 33% (y/y) resulted mainly from the reduction by (4.4) million tons (y/y) of crude oil processing as a result of the unfavourable macroeconomic situation and realised maintenance shutdowns mainly in PKN ORLEN and in the Unipetrol Group.

The positive result of other operating activities was higher by PLN 4,982 million (y/y) and amounted to PLN 4,511 million mainly due to recognition of gain on bargain purchase of 80% shares of ENERGA in the amount of PLN 4,062 million, impact of 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 592 million, CO_2 futures contracts settlement in the amount of PLN 382 million (detailed information in note 5.5) and the recognition of impairment allowances of property, plant and equipment and intangible assets, right of-use asset and other non-current assets mainly in Upstream segment in Poland in the amount of PLN (238) million and in Canada in the amount of PLN (381) million.

As a result profit from operations amounted to PLN 4,562 million and was lower by PLN (803) 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 cost in the described period amounted to PLN (1,035) million and included net foreign exchange loss in the amount of PLN (505) million, net interest expenses in the amount of PLN (375) million and settlement and valuation of financial instruments in the amount of PLN (178) million.

After the deduction of tax charges in the amount of PLN (129) million, the net profit of the ORLEN Group for the 12 months of 2020 amounted to PLN 3,383 million and was lower by PLN (915) million (y/y).

Profit or loss for the 4th quarter of 2020

Sales revenues of the ORLEN Group in the 4th quarter of 2020 amounted to PLN 23,173 million and were lower by PLN (4,327) million (y/y). The decrease in sales revenues (y/y) reflects (30%) decrease in crude oil prices and as a result, also the quotation of major products fuel by (33%), diesel oil by (38%), aviation fuel by (40)%, heavy heating oil by (13%), ethylene by (20%) and propylene by (15%).

Total operating expenses decreased by PLN 4,383 million (y/y) to PLN (22,283) million mainly as a result of the reduction of crude oil processing by (1.0) million tons due to the unfavourable macroeconomic situation and realised maintenance shutdowns, which resulted in a reduction of the costs of materials and energy used by PLN 6,083 million (y/y)

After consideration of result on other operating activities in the amount of PLN 159 million included mainly settlement of the CO_2 futures contracts in the amount of PLN 382 million (detailed information in note 5.5) and 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 (288) million, the operating profit amounted to PLN 1,074 million and was higher by PLN 598 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 costs in the described period amounted to PLN (258) million and included mainly net negative impact of settlement and valuation of financial instruments in the amount of PLN (41) million, net foreign exchange loss in the amount of PLN (115) million and net interest expenses in the amount of PLN (105) million.

After the deduction of tax charges in the amount of PLN (220) million, the net profit of the ORLEN Group amounted to PLN 583 million (y/y).

Statement of financial position

As at 31 December 2020, the total assets of the ORLEN Group amounted to PLN 84,254 million and was higher by PLN 13,052 million in comparison with 31 December 2019.
As at 31 December 2020, the value of non-current assets amounted to PLN 59,991 million and was higher by PLN 20,714 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets by PLN 18,960 million mainly due to takeover of control of non-current assets of ENERGA Group in the amount of PLN 15,163 million. Additionally the change in balance of property, plant and equipment and intangible assets comprised investment expenditures in the amount of PLN 7,869 million including development of fertilizer production capacities in Anwil, construction of the Glikol installation in ORLEN Południe and Visbreaking Installation in Płock, expenditure on the construction of installations under Program of the Petrochemical Segment Development, projects in the Energy segment related mainly to the upgrade TG1 turbine generator of power plant in Płock, preparation for the construction of offshore wind farms in the Baltic Sea, construction of the wind farm and the connection of the Energa-Operator distribution infrastructure and projects in Retail and Upstream segment and depreciation and amortisation in the amount of PLN (3,875) million.

The value of current assets as at 31 December 2020 decreased by PLN (7,662) million in comparison with the end of the previous year, mainly as a decrease in inventories by PLN (2,790) million, balance of cash and cash equivalents by PLN (4,919) million, trade and other receivables by PLN (75) million by increase of income tax receivables by PLN 195 million. The decrease in value of inventories is mainly the result of a decrease in crude oil and petroleum product prices.

As at 31 December 2020, total equity amounted to PLN 42,951 million and was higher by PLN 4,344 million in comparison with the end of 2019, mainly due to recognition of net profit for the 12 months of 2020 in the amount of PLN 3,383 million, increase by PLN 766 million (y/y) of non-controlling interest mainly from ENERGA Group, negative impact of the change in hedging reserve in the amount of PLN (344) million and dividend payments from previous years' profits in the amount of PLN (428) million.

The value of trade and other liabilities decreased by PLN (1,147) million compared to the end of 2019 mainly due to decrease of trade liabilities in the amount of PLN (1,431) million, tax liabilities in the amount of PLN (952) million related mainly to excise tax and fuel charge as well as value added tax due to lower volume sales and value of products, increase of investment liabilities in the amount of PLN 660 million and other liabilities mainly due to fees related to the National Index Target and the National Reduction Target in the amount of PLN 251 million. The decrease in trade liabilities results mainly from the lower amount of purchased crude oil and commodities and lower prices on the markets.

As at 31 December 2020 the value of provisions amounted to PLN 4,546 million and was higher by PLN 2,197 million compared to the end of 2019. The increase resulted mainly from:
- recognition of the provisions of the ENERGA Group in the statement of financial position of the ORLEN Group in the total amount of PLN 1,718 million (mainly jubilee bonuses and post-employment benefits, provisions for estimated emissions of CO_2 and energy certificates and other provisions relating to disputes);
- net provision balance settlement of estimated CO_2 emissions and energy certificates in the total amount of PLN 257 million mainly from the net effect of recognition of provision in the amount of PLN 1,786 million based on weighted average method price of owned rights and certificates and their usage due to redemption of rights for 2019 in the amount of PLN (1 529) million;
- recognition of environmental provision for reclamation in the amount of PLN 231 million due to the revaluation of provision based on analyses provided by independent expert.

As at 31 December 2020, net financial indebtedness of the ORLEN Group amounted to PLN 13 124 million and was higher by PLN 10,676 million in comparison with the end of 2019 mainly due mainly due to the recognition of debt resulting from a change in the ORLEN Group's structure in the amount of PLN 7,358 million (the ENERGA Group's in the amount of PLN 7,349 million), the net outflows, including inflows and repayments of loans, borrowings and redemption and issue of bonds in the amount of PLN (2,206) million, an decrease in balance of cash and cash equivalents by PLN 4,919 million and the net impact of negative exchange differences from revaluation, of the valuation of debt and interest in the total amount of PLN 605 million.

Statement of cash flows for the 12 months of 2020

Proceeds of net cash from operating activities for the 12-month period of 2020 amounted to PLN 7,620 million and comprised mainly of result from operations increased by depreciation and amortisation EBITDA in the amount of PLN 9,071 million, the positive impact of the decrease in net working capital by PLN 2,217 million decreased by income taxes paid in the amount of PLN (744) million, profit on investing activities in the amount of PLN (3,853) million (related mainly to gain on bargain purchase of ENERGA Group in the amount of PLN (4,062) million), change in provisions in the amount of PLN 1,696 million, investments accounted for under equity method in the amount of PLN (147) million and other adjustments in the amount of PLN (615) million related mainly to rights received free of charge in the amount of PLN (749) million.

Net cash used in investing activities for the 12-month period of 2020 amounted to PLN (8,868) million and comprised mainly of net expenses for the acquisition and sales of property, plant and equipment, intangible assets and right-of-use asset in the net amount of PLN (7,495) million, shares acquisition of ENERGA adjusted by acquired cash and cash equivalents in the amount of PLN (1,986) million and settlement of derivatives not designated as hedge accounting in the amount of PLN 368 million and proceeds from dividends received in the amount of PLN 144 million.

Net outflows of cash from financing activities for the 12-month period of 2020 amounted to PLN (3,711) million and comprised mainly of net outflows of loans, borrowings in the amount of PLN (3,106) million, bond issue in the amount of PLN 1,000 million, redemption of bonds in the amount of PLN (100) million, dividends paid in the amount of PLN (428) million, interest paid in the amount of PLN (408) million, payments of liabilities under finance lease agreements in the amount of PLN (675) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 12-month period of 2020 decreased by PLN (4,919) million and as at 31 December 2020 amounted to PLN 1,240 million.

Statement of cash flows for the 4th quarter of 2020

In the 4th quarter of 2020 the net cash from operating activities amounted to PLN 1,634 million and comprised mainly of profit from operations increased by depreciation and amortisation in the amount of PLN 2,347 million and the negative impact of decrease in a net working capital by PLN (918) million, paid income tax in the amount of PLN (125) million, change in provisions in the amount of PLN 446 million, loss on investing activities in the amount of PLN 317 million related mainly to settlement and valuation of derivative financial instruments PLN 329 million and other adjustments in the amount of PLN (378) million related mainly to rights received free of charge in the amount of PLN (211) million.

In the 4th quarter of 2020 the net cash used in investing activities amounted to PLN (2,446) 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 (2,346) million and settlement of derivatives not designated as hedge accounting in the amount of PLN (69) million.

In the 4th quarter of 2020 the net cash from financing activities amounted to PLN 908 million and comprised mainly net inflows of loans and borrowings in the amount of PLN 136 million, redemption of bonds in the amount of PLN 1,000 million, payments of liabilities under lease agreements in the amount of PLN (188) million and interest paid in the amount of PLN (34) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 4th quarter of 2020 increased by PLN 129 million and as at 31 December 2020 amounted to PLN 1,240 million.

Factors and events which may influence future results

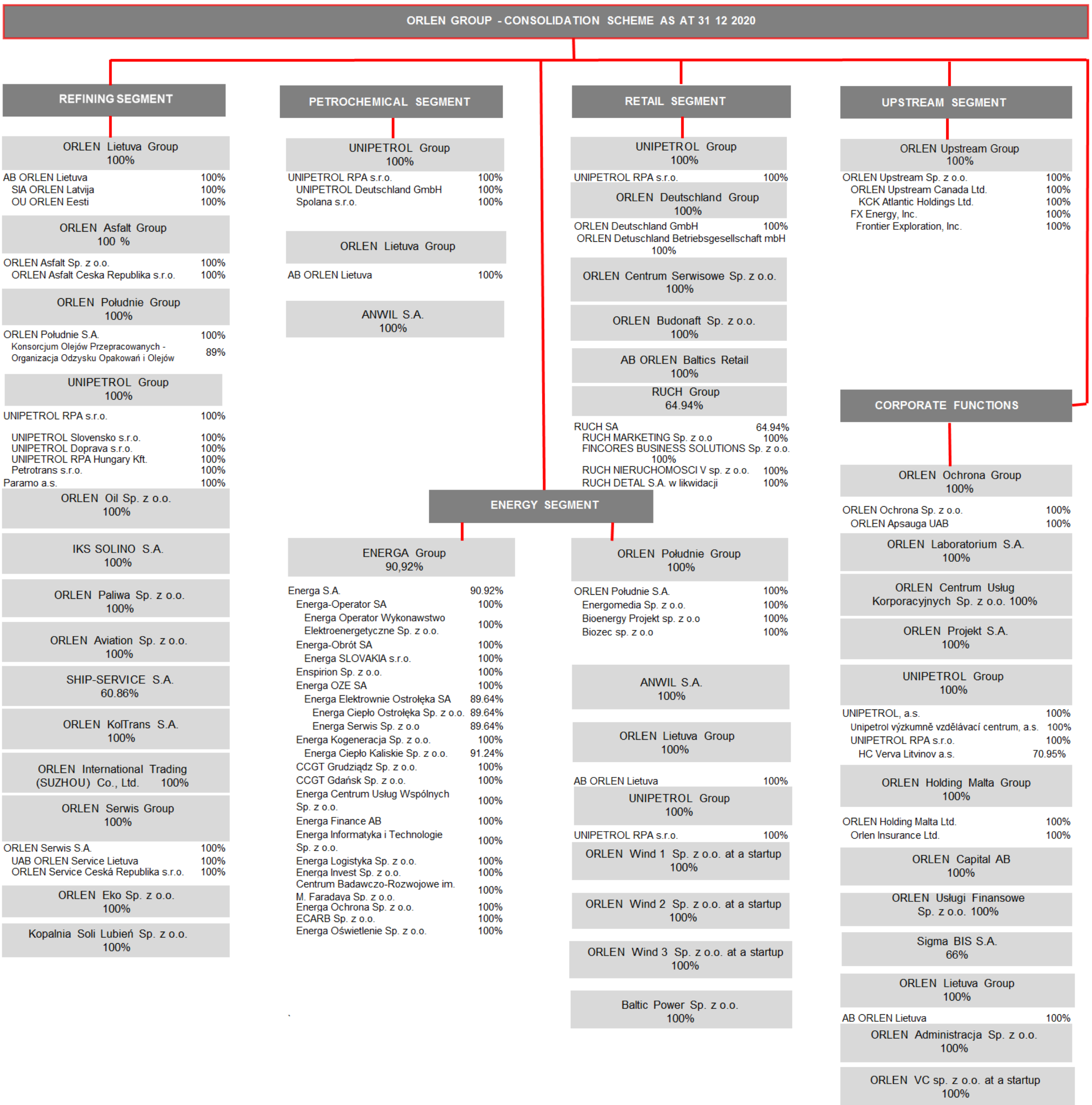
The factors that will affect future financial results of the ORLEN Group include:

- further impact of the COVID-19 pandemic on the macroeconomic environment,
- macroeconomic and geopolitical environment - crude oil and other energy resources prices, quotations on refinery and petrochemical products, foreign exchange rates (mainly EUR/USD, PLN/USD, PLN/EUR) and the tariff war between the US and China as well as the US conflict with Iran,
- economic situation - GDP level, fuel 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 in relation to the expected demand,
- applicable legal regulations,
- situation on the financial market, in particular the possibility of obtaining debt financing,
- EU's climate policy and prices of rights and CO_2 emissions allowances,
- renewable electricity generation technology development.

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, the Netherlands, Slovakia, Hungary, Estonia, Latvia and the USA and Canada.

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



3.4. Changes in the structure of the ORLEN Group from 1 January 2020 up to the date of preparation of this report

- from 14 February 2020 the name of UAB EMAS from the ORLEN Serwis Group was changed to UAB ORLEN Service Lietuva;
- on 8 April 2020 the Extraordinary General Meeting of Shareholders of the FX Energy Poland Sp. z o.o. took place, at which a resolution regarding the dissolution of FX Energy Poland Sp. z o.o. was adopted;
- on 30 April 2020 PKN ORLEN acquired 331,313,082 shares of ENERGA representing approximately 80% of the share capital of ENERGA and corresponding to approximately 85% of the total number of votes at the General Meeting of the company. The price amounted to PLN 8.35 per one Share and the value of all acquired Shares amounted to approximately PLN 2.77 billion and was covered by own resources and consortium credit line. Additional information on the settlement of the transaction in note 3.4.1;
- on 21 September 2020, PKN ORLEN announced a Tender Offer to all other shareholders of ENERGA to subscribe for the sale of shares issued by ENERGA. The subject of transactions under the Tender Offer was 45,175,558 dematerialised shares in ENERGA, representing approximately 10.91% of the share capital of ENERGA and approximately 8.08% of the total number of

votes at the general meeting of ENERGA S.A. The transaction was settled on 30 November 2020. As at 31 December 2020, PKN ORLEN holds in total 376,488,640 shares in ENERGA representing approximately 90.92% of the share capital of ENERGA and approximately 93.28% of the total number of votes at the general meeting of ENERGA. The price per ENERGA share under this Tender Offer was PLN 8.35, and the value of the additional shares acquired amounted to approximately PLN 377 million and was covered from own funds and the available syndicated loan.
As a result of this transaction, the ORLEN Group recognised PLN 588 million changes in retained earnings in the line "Change in shareholding structure" as the difference between the purchase price of 10.91% shares in the value of PLN 377 million and a decrease in minority interest in the amount of PLN 965 million. Additional information of the transaction in part B2 of the Report.

- on 24 September 2020, 2 new companies were established: ORLEN Wind 1 Spółka z ograniczoną odpowiedzialnością and ORLEN Wind 2 Spółka z ograniczoną odpowiedzialnością. Both companies with their headquarters in Warsaw and PKN ORLEN S.A. owns 100% of shares in both companies. The share capital of each of the companies is PLN 5,000. PKN ORLEN S.A. in each of the companies acquired 50 shares of PLN 100 each in exchange for a cash contribution of PLN 200,000. The surplus of the cash contribution in the amount of PLN 195,000 was transferred to the supplementary capital of the companies,
- on 22 October 2020, a company in China, ORLEN INTERNATIONAL TRADING (SUZHOU) Co., Ltd., was registered. PKN ORLEN's share in the company amounted to 100%,
- on 24 November 2020 the company RUCH S.A. with its headquarters in Warsaw was acquired. The share capital of the company amounts to PLN 109,289,617 with a nominal value of PLN 1. PKN ORLEN purchased 70,973,251 shares for the price of PLN 130 million representing 64.94% of the company's share capital. The issue value of one share is PLN 1.83. Additional information on the settlement of the transaction in note 3.4.2.
- on 26 November 2020 and 9 December 2020 the agreement to purchase 170 shares of minority shareholders for redemption of the company's net profit were signed by ORLEN Centrum Serwisowe Sp. z o.o. Thus, the% involvement of PKN ORLEN in ORLEN Centrum Serwisowe Sp. z o.o. amounted to 100%.
- on 11 December 2020 ORLEN Południe S.A. acquired 2 new companies: Bioenergy Project Limited Liability Company with its headquarters in Warsaw and BIOZEC Spółka z ograniczoną odpowiedzialnością with its headquarters in Rawa Mazowiecka.
This transaction was accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. The 30 November 2020 was the date of taking control over the companies by the ORLEN Południe Group. Based on the process of valuation at fair value of the acquired net assets carried out by independent appraisers, including, in particular, property, plant and equipment and intangible assets, as well as rights-of-use asset, a profit on a bargain purchase of PLN 1 million was recognised in the 4th quarter (Bioenergy Project) and goodwill in the amount of PLN 1 million (BIOZEC).
- on 17 December 2020, a new company was established - ORLEN VC Spółka z ograniczoną odpowiedzialnością at a startup. The share capital of the company amounts to PLN 100,000 and is divided into 1,000 equal and indivisible shares with a nominal value of PLN 100 each. Shares in the share capital of the Company were acquired as follows: 1,000 shares with a nominal value of PLN 100 each, which constitutes 100% of the capital, were acquired by PKN in exchange for a cash contribution in total amount of PLN 5,900,000, with part of the cash contribution in the amount of PLN 5,800,000, representing a surplus over the nominal value of the shares, was transferred to the company's supplementary capital.
- on 18 December 2020 was established a new company - ORLEN Wind 3 Spółka z ograniczoną odpowiedzialnością at a startup with its headquarters in Warsaw. Until the registration of the company in the National Court Register, it will operate under the name ORLEN Wind 3 Spółka z ograniczoną odpowiedzialnością at a startup.
The share capital of the company amounts to PLN 5,000 and is divided into 50 equal and indivisible shares with a nominal value of PLN 100 each. Shares in the share capital of the Company were acquired as follows: 50 shares of PLN 100 each were acquired by PKN ORLEN in exchange for a cash contribution in the total amount of PLN 200,000; the surplus of the cash contribution over the total nominal value of the shares in the amount of PLN 195,000 will be transferred to the company's supplementary capital.
- in December 2020, companies from the ORLEN Upstream Group were liquidated, i.e. FX Energy Poland Sp. z o.o., FX Energy NL BV , FX Energy NL Partnership CV, 1426628 Alberta Ltd., OneEx Operations Partnership,
- on 1 January 2021 the name of Unipetrol a.s. was changed to ORLEN Unipetrol a.s.,
- in January 2021, 2 companies from the ORLEN Upstream Group were liquidated: Frontier Exploration Inc. i FX Energy Inc.,
- in January 2021, 2 new companies were established in the ENERGA Group: CCGT Ostrołęka Spółka z ograniczoną odpowiedzialnością at a startup (share capital is PLN 150,000 - 150 shares of PLN 1,000 each) and ENERGA Green Development Spółka z ograniczoną odpowiedzialnością at a startup (the share capital is PLN 600,000 -1200 shares of PLN 500 each). ENERGA owns 100% of shares in both companies.

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.

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

Acquisition of ENERGA shares

On 5 December 2019 PKN ORLEN announced tender offer ('Tender Offer") to subscribe for the sale of all shares of ENERGA at the price amounting to 7 PLN per share. On 15 April 2020, as a result of negotiations with the Ministry of State Assets, PKN ORLEN increased the price in a Tender Offer to PLN 8,35 per one Share.
The Tender Offer has been announced under the following conditions:

- legal condition that the PKN ORLEN obtains an unconditional decision of the European Commission (or another competent anti-monopoly authority) approving the merger involving the takeover of control of the ENERGA that was fulfilled on 31 March 2020,
- condition precedent that the number of ENERGA shares subscribed for sale under the Tender Offer corresponds at least to 66% of the aggregate number of votes at the General Meeting, that was fulfilled on 20 April 2020,
- other conditions, i.e. adopting by the General Meeting a resolution amending the Articles of Association of ENERGA, adopting by the Supervisory Board of ENERGA a resolution adopting a consolidated text of the Articles of Association and entering into an agreement between PKN ORLEN and ENERGA concerning a due diligence audit of ENERGA, that were fulfilled on 22 April 2020.

The subject of transaction concluded under the Tender Offer were:

a) 33,533,320 ordinary bearer shares of ENERGA, corresponding to 33,533,320 votes,
b) 152,851,762 ordinary bearer shares of ENERGA, corresponding to 152,851,762 votes,
c) 144,928,000 certificated registered shares of ENERGA, corresponding to 289,856,000 votes.

Settlement of the transaction mentioned in point a) above has been completed on 24 April 2020. The transaction mentioned in points b) and c) above has been completed on 30 April 2020.

As a result of the above, on 30 April 2020 PKN ORLEN completed the process of acquisition of 331,313,082 shares of ENERGA representing approximately 80% of the share capital of ENERGA and corresponding to approximately 85% of the total number of votes at the General Meeting of ENERGA. The price amounted to PLN 8.35 per one Share and the total price for the Shares purchased by the Company amounted to approximately PLN 2,766 million and was covered by PKN ORLEN by cash from own resources and consortium credit line.

ENERGA together with entities comprising ENERGA Capital Group ('ENERGA Group') is one of the leading energy groups and a supplier of electricity and services for ¼ of country. Almost 40% of energy produced by the group comes from renewable energy sources ("RES") in own production. ENERGA is a company listed on the Warsaw Stock Exchange.

The core business lines of ENERGA Group involve ENERGA Operator (responsible for the distribution of electricity and of key importance to the company's operating profitability), ENERGA OZE (responsible for generation) and ENERGA Obrót (responsible for sales). Main assets of ENERGA Group, located in the northern and central part of Poland, are, among others, heating networks, combined heat and power plants, wind farms, hydropower plants and photovoltaic farms.
As part of takeover of capital control over ENERGA Group, the Company signed an agreement with the State Treasury, in which the Company declared to continue strategic projects of ENERGA Group with simultaneous verification the conditions for their continuation as well as maintaining of employment policy assuring proper operating of the companies of ENERGA Group. Additionally PKN ORLEN undertook to perform the obligations of companies from ENERGA Group resulting from the development plans accepted by the President of Energy Regulatory Office ("ERO") including, among others, maintaining total installed capacity from renewable energy sources, providing production services and assuring the continuity of heat deliveries, supplying power from a generating unit located in the Ostrołęka county and proper operating of the distribution network. As of the date of this interim condensed consolidated financial statements in the Group's opinion there is no risk that the conditions included in the agreement with the State Treasury might not be met.

PKN ORLEN plans to further develop the areas in which ORLEN and ENERGA are already active such as electromobility or project connected with renewable sources of energy, but also to take on new projects, such as offshore wind farms.
PKN ORLEN started to integrate activities within the enlarged Group, which will allow, among others, on synergies in terms of reducing operating costs, including those related to energy trading on the Polish Power Exchange by using the production surpluses in ENERGA Group and increasing the sales of products and services, in particular in the segment of retail customers by combining the customer base of both groups.

Full settlement of the transaction

The transaction of acquisition of ENERGA shares is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations. The date on which PKN ORLEN obtained control of ENERGA was 30 April 2020. In 4th quarter 2020 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 related to right of way and perpetual usufruct right. Moreover, the Group finalized the valuation of provision with respect to the assumed contingent liabilities to the general contractor resulting from the suspension of construction works at the power plant Ostrołęka C, in connection with the plans to continue the construction project in the variant of the Combined Cycle Gas Turbines (CCGT) unit as well as contingent liabilities concerning legal disputes against ENERGA Group related to energy infrastructure of Energa-Operator S.A. located on private land. Therefore, in these interim condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities and finally settles the transaction related to acquisition of ENERGA.

ORLEN GROUP (in PLN million)

The final value of net assets amounted to PLN 8,443 million, which is an increase by PLN 457 million compared to provisional settlement of the transaction presented in the consolidated half-year report for the 1st half of 2020 and in the consolidated quarterly report for the 3rd quarter 2020. The following items has changed significantly:

- property, plant and equipment, whose fair value on final settlement amounted to PLN 14,281 million (the provisional value amounted to PLN 13,715 million),
- intangible assets, whose fair value on final settlement amounted to PLN 882 million (the provisional value amounted to PLN 942 million),
- right of use asset, whose fair value on final settlement amounted to PLN 814 million (the provisional value amounted to PLN 843 million),
- short term provisions, whose fair value on final settlement was reduced to the amount of PLN 754 million (the provisional value amounted to PLN 835 million) due to the change in the estimate of the fair value of the acquired contingent liabilities, relating to legal disputes against companies from ENERGA Group, from the value of PLN 154 million to PLN 74 million.

As a result of the above changes, related to the fair value measurement, the amounts of the deferred tax asset and deferred tax liability also changed significantly and their value as part of the final settlement were set at the level of PLN 388 million and PLN 845 million respectively (the provisional values amounted to PLN 421 million and PLN 794 million respectively). The fair value of other net assets did not change significantly from their provisional values.

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

Assets acquired	**A**	**20 316**
Non-current assets		
Property, plant and equipment		14 281
Intangible assets		882
Right-of-use asset		814
Investments accounted for using the equity method		68
Deferred tax assets		388
Derivatives		3
Other assets		71
Current assets		
Inventories		161
Trade and other receivables		2 057
Current tax assets		43
Cash and cash equivalents		1 157
Other assets		391
Assumed liabilities	**B**	**11 873**
Non-current liabilities		
Provisions		964
Loans, borrowings and bonds		4 417
Deferred tax liabilities		861
Lease liabilities		614
Other liabilities		106
Current liabilities		
Trade and other liabilities		1 068
Lease liabilities		42
Liabilities from contracts with customers		112
Loans, borrowings and bonds		2 932
Provisions		754
Other liabilities		3
Total net assets	**C = A - B**	**8 443**
Acquired net assets attributable to non-controlling interest		(37)
Acquired net assets attributable to the equity owners of the parent	**D**	**8 480**
Non-controlling interest measured as a proportionate share in the net assets		**1 659**
% share in the share capital	**E**	80,01%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	6 785
Fair value of the consideration transferred (Cash paid)	**G**	2 766
Value of pre-existing relationship	**H**	43
Gain on bargain purchase	**I = F - G + H**	**4 062**

The value of non-controlling interest presented in the above table includes the non-controlling interest within the ENERGA Group of PLN (37) million (the provisional value amounted to PLN (30) million), existing as at the date of taking control, related to net assets of subsidiaries, in which ENERGA S.A. does not hold 100% in share capital, as well as non-controlling interest of PLN 1,696 million assigned to minority shareholders holding 20% of the share capital of ENERGA (the provisional value amounted to PLN 1,603 million). Non-controlling interest was measured as a proportionate share in the net assets.

As part of the acquisition transaction, the pre-existing relationships were settled which related to the dispute between PKN ORLEN and ENERGA at estimated fair value of PLN 43 million, which corresponded to the value of the provision previously recognised in the standalone financial statements of PKN ORLEN and the consolidated financial statements of ORLEN GROUP in position of current provisions.

According to specific requirements of IFRS 3 Business Combinations, the Group estimated fair value of additional provisions with respect to Ostrołęka C project due to the decision of ENERGA and Enea to suspend the construction of a coal-fired unit and plans of implementation of the project using natural gas. Such change is in line with the strategy of ORLEN Group which assumes the development of zero and low-emission investments, including the use of gas technology. As part of provisional settlement of the purchase price allocation, the Group recognized provisions connected with Ostrołęka C project related to investment liabilities towards the general contractor in connection with the suspension of construction works at the Ostrołęka C power plant, as well as contingent liability related to the risk of failure to meet the capacity obligation resulting from the concluded capacity contracts in the total amount of PLN 259 million. In 4^{th} quarter, based on gathered documentation and additional information, the Group with the support of independent experts completed the analysis process in relation to the legitimacy of the amount of claims regarding settlement of work in progress and suspension costs resulting from the proposals presented by the general contractor and as part of the final settlement of the transaction of acquisition of ENERGA, the Group left the provision at the level of the previously recognized provisional value. In the Group's opinion, in case the above risk materialize, main outflow of economic benefits in this respect will take place till the end of 2021.
The Group also recognised provisions related to fair value of assumed contingent liabilities related to legal disputes against companies from ENERGA Group including claims related to energy infrastructure of ENERGA Operator S.A. located on private land in the final amount of PLN 74 million, which was determined taking into consideration probability of meeting clients' claims based on the estimation of law firms. The Group estimates, that the outflow of economic benefits in this respect, in the event of an obligation, may occur in 2021.

Fair value of acquired trade and other receivables as at the acquisition date recognised as part of full purchase price allocation amounted to PLN 2,057 million, wherein the gross contractual amounts of those receivables amounted to PLN 2,558 million as at that date. In accordance with the best estimate, the Group considers the repayment of the presented trade and other receivables in the amount of PLN 2,057 million as probable.

As a part of settlement the Group made also an adjustment with respect to the gross value of the loans granted to SPV implementing Ostrołęka C project in the amount of PLN 364 million to their fair value determined at the level of PLN 179 million, which represents the value of loan being liability of Enea toward ENERGA in accordance with the terms of the agreement concluded between them on 30 April 2019.

At the date of acquisition, the share of PKN ORLEN in the net of the fair value amounts of the identifiable assets, liabilities and contingent liabilities exceeded the consideration transferred by PLN 4,062 million, which was recognised as a gain on a bargain purchase within other operating income in the consolidated statement of profit and loss and other comprehensive income for the 12-month period of 2020. As a result of changes in the fair value of net assets and the value of non-controlling interests described above, as part of the final settlement of the transaction the gain on a bargain purchase increased by the amount of PLN 372 million in comparison to previously presented provisional value of PLN 3,690 million.

Taking into account the requirements of IFRS 3 Business Combinations with respect to the possibility of recognizing a possible gain on a bargain purchase, the Group reviewed the procedures used to identify and measure all amounts affecting the calculation of the result on the transaction and considered the recognition of the gain on the bargain purchase justified.

The price in a Tender Offer of PLN 8.35 per one Share of ENERGA was determined based on strategic plans of ORLEN Group with respect to further development of the energy area, and taking into consideration also declaration on the implementation by ORLEN Group of the energy policy of Poland through, among others, continuation of strategic investments, including project Ostrołęka C. The proposed price of the Tender Offer exceeded the market valuation of ENERGA by approx. 20% as at that time and in the opinion of ORLEN Group it corresponded to the fair value of the share price of ENERGA.

Despite offering a 20% premium to the share price from the date of the Tender Offer the Group recognised gain on a bargain purchase resulting from the excess of net asset value of ENERGA Group over the price paid by the ORLEN Group. According to the Group, the bargain purchase gains resulted from a series of facts and circumstances, the key of which were related to the significant decline in market value of energy companies listed on the Warsaw Stock Exchange in the last 5 years, including also ENERGA shares. This is largely due to their significant coal assets and their continued material investments in the mining sector. Taking into consideration increasing cost of CO_2 emission and climate policy of the EU, which continues to put more and more emphasis on decarbonisation and requires Member States to increase the share of RES generation capacity, domestic companies from the energy sector have been struggling with low valuations for a long time. Moreover, the required changes towards increasing the share of low-emission sources and the related planned significant CAPEX expenditures together with a high level of indebtedness of those companies negatively affected their dividend policies, which additionally impacted their valuations.

PKN ORLEN views the acquisition of the ENERGA shares and taking control of the company as a strategic and long-term investment that will enable the implementation of plans to create an integrated multi-utility concern, capable of operating more effectively on the increasingly competitive fuel and energy market. Building a multi-energy concern and diversifying sources of income make the Group more resilient to market fluctuations and macroeconomic volatility and strengthen the competitive and financial position of combined companies. Additionally, it is a response of PKN ORLEN to global trends and challenges related to, among others, growing regulatory pressure in the field of pro-climate policy, development of alternative fuels and renewable energy sources, digitalization of production, as well as growing expectations and awareness of customers and related necessity to search for the most effective directions of development.

ORLEN GROUP (in PLN million)

Net cash outflow related to the acquisition of ENERGA, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN 1,609 million.

In the period from the acquisition date, the share of ENERGA Group in the net profit generated by the ORLEN Group amounted to PLN 379 million, and in sales revenues PLN 8,223 million. If the acquisition of the ENERGA shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 3,433 million, and sales revenues would be PLN 90,372 million.

In connection with the transaction, the Group incurred in the current period acquisition-related costs to the takeover of ENERGA shares of PLN 1 million which were presented as administrative expenses in interim condensed consolidated statement of profit or loss and other comprehensive income and as element of cash flows from operating activities in interim condensed consolidated statement of cash flow.

3.4.2. 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 restructuring measures. Since then, 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.

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 1,83 PLN. As 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.

As part of the provisional settlement of the transaction the Group allocated the excess of the purchase price paid over the value of net assets acquired to goodwill. As at 31 December 2020 the process of purchase price allocation has not yet been completed by the Group made provisional settlement of the transaction. Bearing in mind the short period that passed after the control assuming date, the Group is still in the process of identification of the acquired assets, liabilities and contingent liabilities in order to perform fair value measurement. In consequence, as provisional values the Group presented currently book values of assets and liabilities of RUCH Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company.

Provisional values of identifiable assets acquired and liabilities assumed recognised as at the acquisition date are as follows:

Assets acquired	**A**	**272**
Non-current assets		
Property, plant and equipment		20
Intangible assets		5
Other assets		3
Current assets		
Inventories		54
Trade and other receivables		59
Cash and cash equivalents		131
Assumed liabilities	**B**	**247**
Non-current liabilities		
Deferred tax liabilities		1
Current liabilities		
Trade and other liabilities		149
Loans, borrowings and bonds		35
Provisions		61
Other liabilities		1
Total net assets	**C = A - B**	**25**
Acquired net assets attributable to the equity owners of the parent	D	25
Non-controlling interest measured as a proportionate share in the net assets		9
% share in the share capital	E	64,94%
Value of shares measured as a proportionate share in the net assets	F = D*E	16
Fair value of the consideration transferred (Cash paid)	G	130
Gain on bargain purchase	**I = G - F**	**114**

ORLEN GROUP (in PLN million)

4. Segment's data

From the 1st half of 2020 the ORLEN Group decided to change the presentation with respect to the Downstream segment and break it down into three operating segments: Refining, Petrochemical and Energy. Detailed information in note 2.2.1.

In connection with the above 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.

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 2020

	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*	34 090	10 615	10 064	30 837	483	89	-	86 178
Inter-segment revenues		17 920	2 053	3 367	74	-	505	(23 919)	-
Sales revenues		52 010	12 668	13 431	30 911	483	594	(23 919)	86 178
Total operating expenses		(56 247)	(11 936)	(11 317)	(28 344)	(573)	(1 710)	23 919	(86 208)
Other operating income, incl.:	*5.5*	4 215	203	4 342	123	350	484	-	9 717
gain on bargain purchase of the ENERGA Group	*5.5*	-	-	*4 062*	-	-	-	-	*4 062*
Other operating expenses	*5.5*	(3 676)	(61)	(167)	(141)	(872)	(289)	-	(5 206)
(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		(1)	143	4	-	-	1	-	147
Profit/(Loss) from operations		**(3 699)**	**1 017**	**6 266**	**2 545**	**(614)**	**(953)**	**-**	**4 562**
Net finance income and costs	*5.6*								(1 035)
(Loss)/reversal of loss due to impairment of financial instruments									(15)
Profit before tax									**3 512**
Tax expense									(129)
Net profit									**3 383**
Depreciation and amortisation	*5.2*	**1 187**	**914**	**1 160**	**725**	**318**	**205**	**-**	**4 509**
EBITDA		**(2 512)**	**1 931**	**7 426**	**3 270**	**(296)**	**(748)**	**-**	**9 071**
Increases in non-current assets		**3 165**	**1 904**	**1 722**	**1 333**	**400**	**454**	**-**	**8 978**

ORLEN ORLEN GROUP (in PLN million)

for the 3-month period ended 31 December 2020

	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	8 942	2 953	3 753	7 368	127	30	-	23 173
Inter-segment revenues		4 440	464	905	(1)	-	147	(5 955)	-
Sales revenues		13 382	3 417	4 658	7 367	127	177	(5 955)	23 173
Total operating expenses		(13 640)	(3 218)	(4 009)	(6 755)	(129)	(487)	5 955	(22 283)
Other operating income	5.5	472	63	201	78	197	420	-	1 431
Other operating expenses	5.5	(738)	(53)	(115)	(71)	(218)	(77)	-	(1 272)
(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		(1)	42	3	-	-	-	-	44
Profit/(Loss) from operations		**(527)**	**250**	**729**	**618**	**(24)**	**28**	**-**	**1 074**
Net finance income and costs	5.6								(258)
(Loss)/reversal of loss due to impairment of financial instruments									(13)
Profit before tax									**803**
Tax expense									(220)
Net profit									**583**
Depreciation and amortisation	5.2	**332**	**232**	**384**	**198**	**74**	**53**	**-**	**1 273**
EBITDA		**(195)**	**482**	**1 113**	**816**	**50**	**81**	**-**	**2 347**
Increases in non-current assets		**1 176**	**749**	**749**	**477**	**135**	**233**	**-**	**3 519**

for the 12-month period ended 31 December 2019

	NOTE	Refining Segment (restated data)	Petrochemical Segment (restated data)	Energy Segment (restated data)	Retail Segment	Upstream Segment	Corporate Functions	Adjustments (restated data)	Total
External revenues	5.1	56 517	13 353	1 734	38 910	608	81	-	111 203
Inter-segment revenues		28 999	2 397	3 239	179	-	444	(35 258)	-
Sales revenues		85 516	15 750	4 973	39 089	608	525	(35 258)	111 203
Total operating expenses		(83 641)	(14 528)	(3 786)	(36 645)	(598)	(1 522)	35 258	(105 462)
Other operating income	5.5	663	182	16	167	122	96	-	1 246
Other operating expenses	5.5	(1 028)	(68)	(76)	(173)	(287)	(85)	-	(1 717)
(Loss)/reversal of loss due to impairment of financial instruments		(8)	(2)	-	(7)	-	(24)	-	(41)
Share in profit from investments accounted for using the equity method		-	136	-	-	-	-	-	136
Profit/(Loss) from operations		**1 502**	**1 470**	**1 127**	**2 431**	**(155)**	**(1 010)**	**-**	**5 365**
Net finance income and costs	5.6								(11)
(Loss)/reversal of loss due to impairment of financial instruments									(2)
Profit before tax									**5 352**
Tax expense									(1 054)
Net profit									**4 298**
Depreciation and amortisation	5.2	**1 135**	**809**	**436**	**630**	**319**	**168**	**-**	**3 497**
EBITDA		**2 637**	**2 279**	**1 563**	**3 061**	**164**	**(842)**	**-**	**8 862**
Increases in non-current assets, incl.:		**2 478**	**1 221**	**337**	**3 365**	**635**	**737**	**-**	**8 773**
impact of IFRS 16 adoption		757	271	19	1 974	3	292	-	3 316

ORLEN ORLEN GROUP (in PLN million)

for the 3-month period ended 31 December 2019

	NOTE	Refining Segment (restated data) (unaudited)	Petrochemical Segment (restated data) (unaudited)	Energy Segment (restated data) (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (restated data) (unaudited)	Total (unaudited)
External revenues	5.1	14 185	2 827	499	9 795	170	24	-	27 500
Inter-segment revenues		7 340	570	811	7	-	125	(8 853)	-
Sales revenues		21 525	3 397	1 310	9 802	170	149	(8 853)	27 500
Total operating expenses		(21 081)	(3 452)	(1 004)	(9 370)	(159)	(453)	8 853	(26 666)
Other operating income	5.5	288	49	(4)	105	92	76	-	606
Other operating expenses	5.5	(578)	(38)	(40)	(94)	(220)	(20)	-	(990)
(Loss)/reversal of loss due to impairment of financial instruments		-	(1)	-	(1)	-	9	-	7
Share in profit from investments accounted for using the equity method		-	19	-	-	-	-	-	19
Profit/(Loss) from operations		**154**	**(26)**	**262**	**442**	**(117)**	**(239)**	**-**	**476**
Net finance income and costs	5.6								193
(Loss)/reversal of loss due to impairment of financial instruments									(1)
Profit before tax									**668**
Tax expense									(86)
Net profit									**582**
Depreciation and amortisation	5.2	**295**	**213**	**117**	**162**	**83**	**55**	**-**	**925**
EBITDA		**449**	**187**	**379**	**604**	**(34)**	**(184)**	**-**	**1 401**
Increases in non-current assets		**684**	**484**	**130**	**658**	**229**	**210**	**-**	**2 395**

EBITDA *– profit/(loss) from operations increased by depreciation and amortisation*
Increase in non-current assets *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

	31/12/2020 (unaudited)	31/12/2019 (restated data)
Refining Segment	26 012	28 618
Petrochemical Segment	13 821	13 245
Energy Segment	24 732	5 511
Retail Segment	10 940	9 945
Upstream Segment	3 925	4 440
Segment assets	**79 430**	**61 759**
Corporate Functions	5 043	9 705
Adjustments	(219)	(262)
	84 254	**71 202**

Operating segments include all assets except for financial assets, tax assets and cash. 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 LPG sales, natural gas sales and non-fuel merchandise sales by ORLEN Deutschland to customers network. In other transactions the Group acts as a principal.
The Group has a VITAY loyalty program for retail clients. 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 realisation, based on empirical data of points used compared to those issued to the customer in the last 36 months.
The Group assessed, which marketing services provided to suppliers are inseparably linked to the purchase of these merchandise, hence revenues from service reduce costs related to their purchase and release for sale.

(in PLN million)

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Revenues from sales of finished goods and services	66 193	17 691	93 009	22 855
revenues from contracts with customers	*65 929*	*17 615*	*92 690*	*22 790*
excluded from scope of IFRS 15	*264*	*76*	*319*	*65*
Revenues from sales of merchandise and raw materials, net	19 985	5 482	18 194	4 645
revenues from contracts with customers	*19 984*	*5 482*	*18 161*	*4 639*
excluded from scope of IFRS 15	*1*	*-*	*33*	*6*
Sales revenues, incl.:	**86 178**	**23 173**	**111 203**	**27 500**
revenues from contracts with customers	*85 913*	*23 097*	*110 851*	*27 429*

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

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, gas and energy distribution services. Under these agreements, the Group acts as a principal.
Transaction prices in existing contracts with customers are not constrained, except for prices approved by the President of ERO for customers of G tariff groups in the Energy segment. There are no contracts in force providing for significant obligations for returns and other similar obligations. There is no significant financing component in contracts with customers. The Group does not identify revenues for which the payment of consideration is contingent.
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 and cash sales in the Retail segment. 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 Refinery, 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 case of construction services, including connection 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, regardless of signed work 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.
In the Energy segment revenues are recognized monthly based on reports from billing systems, and settlements with customers are made in one- and two-month periods.

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.
Revenues based on a fixed price constitute the majority of revenues in the Group. According to IFRS 15, the variable component of remuneration is penalties and the customer's right to discounts. The Group recognises revenues in the amount of consideration, to which – in line with expectations- it will be entitled and which will not be reversed in the future. Consequently, the Group adjusts revenues for highly probable discounts and penalties. The variability of consideration in contracts with customers is largely related to volume rebates and concern mainly the Retail segment. The Group also defers the part of revenue related to the VITAY loyalty program, according to which the customer is entitled to future benefits (i.e. VITAY points).

As part of the Refining and Petrochemical segments, with respect to sales of petrochemical and refinery products, the Group recognises revenue from satisfaction of performance obligation, depending on the terms of delivery (Incoterms) used. In case of some deliveries, the Group is obliged to organize transport and/or insurance. When the control of good passes to the customer before transport is performed, the delivery of goods and transport (and possibly insurance) 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). In case of transport and insurance, the customer simultaneously receives and consumes benefits from the service.
In the Retail segment, the moment of satisfaction of performance obligation is the moment of transfer of good, except for sales of fuels using Fleet Cards.
In case of sales satisfied over time, the Group recognises revenues at least on a monthly basis, where settlements between parties to the contract take place periodically and reflect the amount of consideration that the Group is entitled for transfer of goods and services to the customer. Revenue recognised over time mainly relate to the sale of energy and energy distribution services within the Energy segment, the sale of fuels using Fleet cards and subscription sale within Retail segment and the sale of gas and crude oil within the Upstream segment.
The majority of contracts within the Group are short-term excluding contracts in the Energy segment, where the majority of the contracts' duration is indefinite. Revenues on services for which start and end dates fall in different reporting periods (long-term

ORLEN ORLEN GROUP (in PLN million)

contracts) are recognised according to the stage of their completion, if the result of the transaction can be reliably estimated. Long-term contracts that remain unfulfilled in full as at the balance sheet date relate to construction and assembly contracts and energy sales.

The Group realizes sales directly to end customers in the Retail segment, managing the network of nearly 2,855 fuel stations, including 2,322 own brand stations and a further 533 stations operated under franchise agreements and by 1,209 retail outlets/ kiosks managed by the RUCH Group.

The Group's sales to customers in the Refining and Petrochemical 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.

5.1.1. Sales revenues of operating segments according to product type

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019 (restated data)	3 MONTHS ENDED 31/12/2019 (unaudited) (restated data)
Refining Segment				
Revenue from contracts with customers IFRS 15	**34 073**	**8 936**	**56 500**	**14 179**
Light distillates	7 150	1 848	12 098	3 114
Medium distillates	21 222	5 401	35 916	9 197
Heavy fractions	3 886	1 086	6 369	1 338
Other*	1 815	601	2 117	530
Excluded from scope of IFRS 15	**17**	**6**	**17**	**6**
	34 090	**8 942**	**56 517**	**14 185**
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	**10 608**	**2 951**	**13 346**	**2 825**
Monomers	2 806	698	3 585	797
Polymers	1 869	607	2 390	475
Aromas	716	203	1 080	232
Fertilizers	825	213	903	222
Plastics	1 320	391	1 218	162
PTA	1 384	389	1 893	424
Other	1 688	450	2 277	513
Excluded from scope of IFRS 15	**7**	**2**	**7**	**2**
	10 615	**2 953**	**13 353**	**2 827**
Energy Segment				
Revenue from contracts with customers IFRS 15	**10 060**	**3 752**	**1 635**	**492**
Excluded from scope of IFRS 15	**4**	**1**	**99**	**7**
	10 064	**3 753**	**1 734**	**499**
Retail Segment				
Revenue from contracts with customers IFRS 15	**30 624**	**7 306**	**38 703**	**9 745**
Light distillates	11 713	2 768	14 659	3 616
Medium distillates	15 208	3 598	20 405	5 172
Other **	3 703	940	3 639	957
Excluded from scope of IFRS 15	**213**	**62**	**207**	**50**
	30 837	**7 368**	**38 910**	**9 795**
Upstream Segment				
Revenue from contracts with customers IFRS 15	**482**	**127**	**608**	**170**
NGL ***	197	51	314	74
Crude oil	92	16	126	46
Natural Gas	187	58	163	48
Other	6	2	5	2
Excluded from scope of IFRS 15	**1**	**-**	**-**	**-**
	483	**127**	**608**	**170**
Corporate Functions				
Revenue from contracts with customers IFRS 15	**66**	**25**	**59**	**18**
Excluded from scope of IFRS 15	**23**	**5**	**22**	**6**
	89	**30**	**81**	**24**
	86 178	**23 173**	**111 203**	**27 500**

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 2020 and 31 December 2019 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 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Revenue from contracts with customers				
Poland	*48 101*	*13 307*	*51 672*	*13 028*
Germany	*12 706*	*3 091*	*16 102*	*3 821*
Czech Republic	*9 136*	*2 272*	*14 802*	*3 577*
Lithuania, Latvia, Estonia	*5 766*	*1 398*	*11 972*	*3 058*
Other countries	*10 204*	*3 029*	*16 303*	*3 945*
	85 913	**23 097**	**110 851**	**27 429**
excluded from scope of IFRS 15				
Poland	*47*	*13*	*141*	*19*
Germany	*95*	*30*	*88*	*20*
Czech Republic	*121*	*33*	*123*	*32*
Lithuania, Latvia, Estonia	*1*	*-*	*-*	*-*
Other countries	*1*	*-*	*-*	*-*
	265	**76**	**352**	**71**
	86 178	**23 173**	**111 203**	**27 500**

Position other countries comprises mainly of sales to customers from Switzerland, Singapore, Ukraine, Slovakia, the United Kingdom and Hungary.

5.2. Operating expenses

Cost by nature

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Materials and energy	(50 528)	(12 506)	(75 468)	(18 589)
Cost of merchandise and raw materials sold	(17 264)	(4 326)	(16 035)	(4 105)
External services	(5 285)	(1 553)	(4 519)	(1 263)
Employee benefits	(4 102)	(1 188)	(2 942)	(796)
Depreciation and amortisation	(4 509)	(1 273)	(3 497)	(925)
Taxes and charges	(3 202)	(737)	(2 659)	(660)
Other	(714)	(160)	(647)	(170)
	(85 604)	**(21 743)**	**(105 767)**	**(26 508)**
Change in inventories	(1 476)	(713)	164	(183)
Cost of products and services for own use	872	173	141	25
Operating expenses	**(86 208)**	**(22 283)**	**(105 462)**	**(26 666)**
Distribution expenses	6 813	1 808	6 355	1 707
Administrative expenses	2 312	692	1 806	511
Cost of sales	**(77 083)**	**(19 783)**	**(97 301)**	**(24 448)**

5.3. Impairment allowances of inventories to net realizable value

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Increase	(2 487)	(39)	(284)	(135)
Decrease	2 599	107	351	41

During the 12-month period ended 31 December 2020, the item decrease includes first of all usage in the 2nd quarter of 2020 of impairment allowances recognised mainly in the 1st quarter of 2020 due to a decrease in crude oil and petroleum products' prices.

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

As at 31 December 2020, an impairment indicators were identified in the ORLEN Group in accordance with IAS 36 "Impairment allowances of assets" related to the approval on 30 November 2020 of The ORLEN Group Strategy till 2030 by the Management Board and the Supervisory Board of PKN ORLEN as well as to related to the approval on 28 January 2021 of The Financial Plan of PKN ORLEN S.A. and the ORLEN Group for the year 2021 taking into account the change in the macroeconomic environment.

The key assumptions of the ORLEN Group Strategy till 2030

On 30 November 2020, PKN ORLEN announced the Strategy of the ORLEN Group until 2030. This is the first strategy in the history of the Group covering a period of 10 years. The new strategy takes into account the effects of the planned acquisition by the ORLEN Capital Group of capital control over Group LOTOS.

The path of the ORLEN Group's transformation until 2030 has been planned around renewable energy and advanced petrochemicals. Business diversification efforts will be driven by maximised profits from the ORLEN Group's existing core business, to be transformed based on new technologies, in line with the emerging environmental and consumer trends. Delivery of the strategy will further diversify the ORLEN Group's revenue sources, in line with its long-term objective of net zero carbon emissions by 2050.

The ORLEN Group's transformation into a multi-utility company will be based around renewable energy and gas-fired power generation, efficient low-emission refining and petrochemical production, own upstream production of hydrocarbons, an integrated offer for individual customers. The ORLEN Group will actively manage its business portfolio on a capex budget totalling PLN 140 billion by 2030. Most of the capital expenditures will be allocated to segments that best fit the Company's strategic ambitions. Around PLN 85 billion will be allocated to new prospective growth areas, related mainly to renewable energy and advanced petrochemicals, while PLN 55 billion will be spent to enhance the efficiency of the ORLEN Group's existing assets.

The strategy incorporates a commitment to the ORLEN Group long-term objective of achieving a net zero carbon footprint by 2050. The ORLEN Group's 2030 CO2 reduction targets are 20% less emissions from its existing refining and petrochemical assets and 33% from its power generation business. The strategy is expected to drive a two-and-a-half-fold increase in EBITDA, to approximately PLN 26 billion in 2030. The energy, petrochemical and refining segments will each deliver EBITDA of about PLN 7 billion, while the retail and upstream segments will generate EBITDA of approximately PLN 5 billion and PLN 1 billion, respectively.

The ORLEN Group's key growth area over the next decade will be power generation, based mainly on renewables and supported by gas-fired sources. By 2030, the ORLEN Group intends to achieve 2.5 GW of installed RES capacity, including 1.7 GW in offshore wind farms and 0.8 GW in onshore (wind power and solar PV) sources. The target fivefold increase in RES capacity is based on the assumption that Baltic Power's ongoing offshore wind farm project, executed through a joint venture partnership, will add up to 0.6 GW to the ORLEN Group's generation capacity. The ORLEN Group will also increase the installed capacity of its modern gas-fired power plants from today's 1.1 GW to 2.0 GW. By 2030, up to 20% of gas used internally by the ORLEN Group will be produced from its own resources. The generation capacity will be supported by the ORLEN Group's extensive and modern transmission network, allowing it to reach a broad base of retail customers and generating a steady stream of profits. The ORLEN Group will also build energy storage facilities on a pilot basis to optimise the costs of electricity distribution.

By 2030, around a half of the ORLEN Group's profits from crude oil processing will be derived from the petrochemical business. Expansion of the existing portfolio and entry into new business areas will help entrench the ORLEN Group's position as a leading petrochemical producer in Central Europe. ORLEN Group is set to ramp up its capacities in olefins and other base products. It will also solidify its position in polymers – a business line with attractive growth potential – by extending the value chain and entry into compounding and concentrates. Concurrently, the share of speciality high-margin products (such as phenol and aromatic derivatives) in the ORLEN Group's portfolio will grow from 16% to approximately 25%. Recycling and biomaterials will be new branches of the petrochemical segment. By 2030, the ORLEN Group will expand its recycling capacity (mainly in plastics) up to 0.4m tonnes, while implementing advanced closed-loop technologies.

Until 2030, refining will remain an important segment of the ORLEN Group's business. Its transformation will be driven by energy efficiency improvements, increased crude conversion rates and integration with Group LOTOS. Expansion of the biofuel and hydrogen fuel output will be another vital driver. Within the coming decade, the ORLEN Group will emerge as the region's leading producer of biofuels (including 2G biofuels), with an annual capacity of 2m tonnes. As part of the strategy, work will be continued on the ORLEN Group's hydrogen hub projects in Włocławek and Płock, and steps will be taken to launch green hydrogen production.

The strategic vision is to vigorously develop the retail arm, based on network expansion and significant additions to the retail offering. By 2030, the number of Polish ORLEN-branded service stations operating throughout the region will be at least 3,500. The ORLEN retail network will be expanded mainly on foreign markets, with the share of foreign locations up from the current 37% to 45%. The ORLEN Group will seek to enhance the availability of alternative fuels, by deploying at least 1,000 EV fast chargers and increasing the sales of hydrogen and LNG/CNG. The ORLEN Group's broad, integrated offering of non-fuel products and services will keep attracting new customer groups. Based on RUCH's countrywide chain of newsagents, the ORLEN Group will expand its store and food service formats beyond service stations, and will also develop its own network of parcel pick-up points and e-commerce services. Integration with the ENERGA Group will help ORLEN develop comprehensive service centres for both retail and business customers, encompassing fuel and electricity sales as well as distributed energy solutions. Delivery of the initiatives outlined in the strategy will drive a 50% increase in gross non-fuel margin relative to 2019.

Pursuit of the ORLEN Group's strategic objectives will also require changes within the organisation. Over the next decade, the ORLEN Group will spend approximately PLN 3 billion on research, development and innovation, as a key area of its necessary transformation. The funds will be used to develop the Corporate Venture Capital fund and finance the activities of the ORLEN Research & Development Centre, among other projects. Another essential element will be the digital transformation, driving efficiency gains in production and distribution, helping mitigate the environmental footprint and fostering customer relations. The

ORLEN Group will put in place a new management model, tailored to the scale of its operations and taking into account the ongoing acquisition processes. We will be an organisation relying on knowledge and versatile competences, investing in talent and human capital.

The strategy is also designed to ensure the ORLEN Group's stable financial foundations. The ORLEN Group's value will be built by profitable investment projects, sustainable funding sources and a robust balance sheet. Having capped its net debt/EBITDA ratio at 2.5x, the ORLEN Group will align CAPEX plans with its current financing capabilities. It will rely on a balanced mix of funding sources with current cash flows supported by an additional debt capacity. The ORLEN Group will also resort to alternative funding sources, such as project finance, EU funding for innovation and energy transition projects, and engaging with external partners who would co-fund selected projects. Projects aligned directly with the ORLEN Group's carbon neutrality goal will be partly financed through green and sustainable bonds issued on the European capital market.

For 2030, PKN ORLEN has set the following financial and operational targets:

- Annual LIFO-based EBITDA (before impairment losses) of approximately PLN 26 billion;
- Total CAPEX of approximately PLN 140 billion in the period 2021-2030;
- Total CAPEX on sustainable development of over PLN 30 billion;
- Reduction of CO2 emissions by 20% on existing refining and petrochemical assets and by 33% on electricity produced;
- Over 2.5 GW in installed RES capacity;
- More than 3,500 service stations and over 1,000 EV fast chargers.

Details of the Strategy and its assumptions regarding macroeconomic indicators can be found in the presentation attached to Current Report No. 62/2020 Strategy of the ORLEN Capital Group until 2030.

The Financial Plan of PKN ORLEN and the ORLEN Group for 2021

The Financial Plan of PKN ORLEN S.A. and the ORLEN Group for 2021 has been prepared taking into account current macroeconomic assumptions, operational plans and investment plans.

The macroeconomic assumptions of The Financial Plan of PKN ORLEN S.A. and the ORLEN Group for 2021 were based on the analyses and recommendations of renowned global advisors, including IHS Markit, Nexant, JBC Energy, PVM, EIA, Platts, Continuum Economics, Wood Mackenzie Chemicals, observations of main competitors and expert knowledge of the ORLEN Group.

Status of the performed impairment tests

According to the disclosures as at 31 March 2020, as at 30 June 2020 and 30 September 2020 the ORLEN Group identified indicators for impairment tests in accordance with IAS 36 "Impairment of Assets" related to the coronavirus pandemic and its impact on future estimated cash flows generated by cash-generating units, made appropriate adjustments to the projection of cash flows, prepared asset impairment tests and updated its assets accordingly.

In the relevant impairment tests, net cash flow projections updated in accordance with the judgments and estimates explained in subsequent quarterly and semi-annual reports were adopted, discounted to their present value using discount rates reflecting market estimates of the value of money in time and the risks typical for the valued assets as at the date of the analysis.

The ORLEN Group is currently verifying impairment of assets as at 31 December 2020, taking into account the assumptions of the Financial Plan 2021 and Strategy 2030. The results will be presented in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2020.

Production assets of the Upstream segment

In the 1st quarter of 2020 the valuation of the production assets updated on the relevant estimates of crude oil, gas and condensate prices, while maintaining the remaining assumptions of the reserves report presented in the ORLEN Group Consolidated Financial Statements for the year ended 31 December 2019 as a result ORLEN Upstream Canada recognized net impairments in the amount of PLN (381) million in relation to the ORLEN Upstream Canada assets and net impairments in the amount of PLN (115) million in relation to the ORLEN Upstream Polska assets.

In the 2nd quarter of 2020, as a result of the decision of the Management Board of ORLEN Upstream Sp. z o.o. dated on 30 April 2020 on relinquishment of the concession for exploration and appraisal of crude oil and natural gas and production of crude oil and natural gas in the Bieszczady area, the company made an impairment of assets in the amount of PLN (133) million. This decision was made after analysing the negative results of the exploration work.

In the 3rd quarter of 2020 ORLEN Upstream Polska has made a net reversal of an impairment on assets in the amount of PLN 10 million on which consisted mainly of the reversal of impairment as a result of the inventory of investment material inventories and the recognition of impairment due to the lack of commercial prospects for carrying out design works on two concessions of the Karpaty project.

In the 4th quarter of 2020 ORLEN Upstream Polska has updated the Provisions Report and reviewed the valuation of its production and exploration assets, as a result of which has made an impairment of exploration assets in the amount of PLN (32) million and production assets in the amount of PLN (164) million and reversed the impairment loss exploration assets in the amount of PLN 181 million and production assets in the amount of PLN 15 million. As a result, in the 4th quarter of 2020, there was no impact of the net impairment losses on the result of ORLEN Upstream Polska.

ORLEN ORLEN GROUP (in PLN million)

In the 12-month period ended 31 December 2020, the total value of net impairment on the assets of ORLEN Upstream Polska amounts to PLN (238) million. This data is subject to change. Any changes will be disclosed in the ORLEN Group's Consolidated Financial Statements for the year ended 31 December 2020.

ORLEN Upstream Canada is in the process of preparing the Reserve Report which will be the basis for determining the planned future cash flows of the Upstream segment. Its assumptions and the results of impairment tests for assets implemented on its basis will be presented in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2020.

Until the completion of these works, as at the date of these condensed interim consolidated financial statements, the current impairments on ORLEN Upstream Group assets, resulting from analyses performed in previous quarters, totalling PLN (619) million remain valid.

Production assets of Refinery and Petrochemical segment

Assets impairment tests performed as at 30 June 2020 based on updated assumptions, as well as verification of premises for impairment of assets as at 30 September 2020, did not confirm the necessity to make impairment or reversals of impairment losses on assets in the Refinery and Petrochemical segments ORLEN Capital Group.

The ORLEN Group is currently verifying the impairment of assets as at 31 December 2020, taking into account the assumptions of the Financial Plan 2021 and Strategy 2030. The results will be presented in the Consolidated Financial Statement of the ORLEN Group for the year ended 31 December 2020.

Production assets of the Energy segment

As at 30 September 2020, the assumptions adopted for the valuation of the ENERGA Group's assets as at the acquisition date, i.e. 30 April 30 2020, remained valid. As at 30 September 2020, the analysis of impairment indicators for other assets of the Energy segment of the ORLEN Group did not reveal any indicators for impairment.

The ORLEN Group is currently verifying the impairment of assets as at 31 December 2020, taking into account the assumptions of the Financial Plan 2021 and Strategy 2030. The results will be presented in the Consolidated Financial Statement of the ORLEN Group for the year ended 31 December 2020.

Assets of Retail segment

In the 4th quarter 2020 the impairment losses on the net asset value of the Retail segment were made in the amount of PLN (10) million. This applies mainly to the assets of PKN ORLEN and the Unipetrol Group.

In the 12-month period ended 31 December 2020, the total value of net impairment on the assets of the Retail segment is PLN (24) million. This data is subject to change. Any changes will be disclosed in the ORLEN Group's Consolidated Financial Statements for the year ended 31 December 2020.

The forecasts and assumptions described above were based on the best estimates and knowledge available as at the balance date. These assumptions will be subject to ongoing verification and updating.

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

	NOTE	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)
ORLEN Upstream Group		(619)	-
ORLEN Upstream Polska		*(238)*	-
ORLEN Upstream Canada		*(381)*	-
Other		(7)	16
	5.5	**(626)**	**16**

In the 12-month period ended 31 December 2020, the total value of impairment losses on exploration and production assets in the Upstream Group amounts to PLN (619) million.

Other impairment losses for property, plant and equipment, intangible assets and net asset rights in the of 12 and 3-month period ended 31 December 2020 relate mainly to the impairment of assets in the Retail segment PLN (24) million and PLN (10) million, the Refinery and Petrochemical segment PLN 19 million and PLN 28 million and the Corporate Function segment PLN (2) million.

The total impact of recognized net impairments on the ORLEN Group's non-current assets in the in the of 12 and 3-month period ended 31 December 2020 amounts to PLN (626) million and PLN 16 million.

Due to the fact that the ORLEN Group is in the process of verifying the impairment of assets as at 31 December 2020, taking into account the assumptions of the Financial Plan 2021 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 2020.

ORLEN GROUP (in PLN million)

5.5. Other operating income and expenses

Other operating income

		12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Profit on sale of non-current non-financial assets		24	7	21	6
Gain on bargain purchase		4 063	1	-	-
Reversal of provisions		104	24	26	9
CO2 futures contracts settlement		382	382	-	-
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		353	278	245	206
Penalties and compensations		134	84	54	17
Grants		40	40	-	-
Settlement and valuation of derivative financial instruments related to operating exposure		4 158	426	466	245
Ineffective part related to valuation and settlement of operating exposure		23	3	120	-
Settlement of hedging costs		173	41	165	50
Other, incl.:		263	145	149	73
energy certificates received/due		*70*	*67*	*29*	*7*
		9 717	**1 431**	**1 246**	**606**

The line gain on bargain purchase of the ENERGA Group relates to the settlement of the purchase transaction of ENERGA shares in the amount of PLN 4,062 million. Detailed information in note 3.4.1.
In the 12 and 3-month period ended 31 December 2020 the line 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 in the amount PLN 353 million and PLN 278 million concerned mainly of impairment allowances on non-current assets in the Upstream segment in the amount of PLN 248 million and PLN 196 million, respectively

In the 4th quarter of 2020, the Group decided to postpone the date of the purchase of CO_2 emission allowances, which were to be delivered in December 2020, to March 2021 and December 2021, and therefore resold the forward position on the stock exchange with the delivery date in December 2020 (by making opposite transactions) and established new stock exchange contracts for the purchase of the same volume of CO_2 emission allowances for later dates. The CO_2 futures contracts settlement position includes the effect on the settlement of the original contracts and the opposite transactions in the amount of PLN 382 million.

Other operating expenses

		12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Loss on sale of non-current non-financial assets		(45)	(18)	(55)	(13)
Recognition of provisions		(159)	(128)	(104)	(77)
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		(979)	(262)	(424)	(285)
Penalties, damages and compensations		(54)	(24)	(24)	(10)
Settlement and valuation of derivative financial instruments related to operating exposure		(3 566)	(714)	(692)	(351)
Ineffective part related to valuation and settlement of operating exposure		(47)	(3)	(92)	(28)
Settlement of hedging costs		(35)	(31)	(4)	(4)
Other, incl.:		(321)	(92)	(322)	(222)
donations		*(214)*	*(22)*	*(58)*	*(5)*
shortages of materials in external warehouses	*14.4.1*	*-*	*-*	*(156)*	*(156)*
		(5 206)	**(1 272)**	**(1 717)**	**(990)**

In the 12 and 3-month period ended 31 December 2020 the line recognition of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset and other non-current assets and classified as held for sale in the amount of PLN (979) million concerned mainly recognition of impairment allowances in the upstream segment in the amount of PLN (867) million and PLN (196) million, respectively. Additional information in note 5.4.

ORLEN ORLEN GROUP (in PLN million)

In the 12 and 3-month period ended 31 December 2020 and 31 December 2019 the net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) amounted to PLN 592 million, PLN (288) million and PLN (226) million, PLN (106) million, respectively, and mainly related to commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging. The change in the valuation of transaction results from the decrease in crude oil prices related to the coronavirus crisis on the market as well as the weakening of PLN against USD.
The change in the net position of valuations and settlements of derivative financial instruments related to operating exposure results from discontinuation of hedge accounting for transactions hedging exposure resulting from time mismatch on crude oil purchases. As at 31 December 2019, the transaction valuation was recognised in revaluation reserve, while as at 31 December 2020 both the valuation and settlement of the transaction are recognised in other operating activities.

5.6. Finance income and costs

Finance income

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Interest calculated using the effective interest rate method	57	23	48	11
Other interest	6	-	-	-
Net foreign exchange gain	-	-	-	228
Dividends	6	-	5	-
Settlement and valuation of derivative financial instruments	663	115	801	198
Other	120	39	36	9
	852	**177**	**890**	**446**

Finance costs

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Interest calculated using the effective interest rate method	(305)	(89)	(187)	(39)
Interest on lease	(132)	(38)	(100)	(45)
Interest on tax liabilities	(1)	(1)	(2)	(2)
Net foreign exchange loss	(505)	(115)	-	-
Settlement and valuation of derivative financial instruments	(841)	(156)	(547)	(152)
Other	(103)	(36)	(65)	(15)
	(1 887)	**(435)**	**(901)**	**(253)**

In the 12 and 3-month period ended 31 December 2020, the increase in the value of interest resulted mainly from the increase in debt due to taking over the control of the ENERGA Group.
Borrowing costs capitalized in the 12 and 3-month period ended 31 December 2020 and 31 December 2019 amounted to PLN (38) million, PLN (9) million and PLN (39) million, PLN (19) million, respectively.

During the 12 and 3-month period ended 31 December 2020 and 31 December 2019 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) amounted to PLN (178) million, PLN (41) million and PLN 254 million, PLN 46 million, respectively and related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests.
The main impact on the change in valuation and settlement of derivative financial instruments in the 12-month period ended 31 December 2020 was depreciation of the PLN against USD and EUR on financial markets.

5.7. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019
Loans	1 584	1 884	2 286	252	3 870	2 136
Borrowings	115	-	15	-	130	-
Bonds	7 731	6 301	2 633	170	10 364	6 471
	9 430	**8 185**	**4 934**	**422**	**14 364**	**8 607**

As at 31 December 2020, the increase in debt of loans, borrowings and bonds resulted mainly from:
1. taking over the control of the ENERGA Group the debt of the ENERGA Group as at 31 December 2020 amounted to:

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- investment loans and loans taken for corporate purposes of the ENERGA Group in the total amount of PLN 3,307 million;
- borrowings received at the ENERGA Group in the amount of PLN 126 million;
- bonds issued by the ENERGA Group in the amount of PLN 2 534 million.

2. PKN ORLEN's new issue of bonds worth PLN 1 billion in December 2020

In addition, during 12 months of 2020 PKN ORLEN completed:

- withdrawing the revolving credit in the amount of PLN 3.5 billion (EUR 496 million and PLN 1,243 million)
- repayment entirely the revolving credit disbursed in previous periods from a syndicate of banks. The total repayment amounted to PLN 5.7 billion (corresponding to EUR 996 million and PLN 1,243 million).

Moreover, increase in line short-term bonds as at 31 December 2020 as compared to 2019 resulted from reclassification:

- first issue of Eurobonds of ORLEN Capital in the amount of EUR 500 million (corresponding to PLN 2 307 million exchanged at the average exchange rate quoted by the National Bank of Poland as at 31 December 2020) maturing in June 2021;
- the A series of the second public bond issue programme of PKN ORLEN in the amount of PLN 200 million, maturing in September 2021.

Detailed information on issue/redemption of bonds is presented in note 5.13.

As at 31 December 2020 and as at 31 December 2019 the maximum possible indebtedness due to loans amounted to PLN 16,356 million and PLN 9,160 million, respectively. As at 31 December 2020 and as at 31 December 2019 PLN 12,318 million and PLN 6,742 million, respectively, remained unused.
The increase in the value of available credit lines and borrowings results mainly from taking over the control of ENERGA Group, where the maximum possible indebtedness due to loans and borrowings amounts to PLN 5,575 million and PLN 2,152 million remains unused as at 31 December 2020 and a new revolving facility agreement signed by PKN ORLEN in July 2020 with a syndicate of 16 banks in the amount of PLN 8,076 million (corresponding to EUR 1.75 billion exchanged at the average exchange rate quoted by the National Bank of Poland as at 31 December 2020).

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

5.8. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019
Cash flow hedging instruments	109	291	60	174	169	465
currency forwards	*109*	*291*	*54*	*169*	*163*	*460*
commodity swaps	-	-	*6*	*5*	*6*	*5*
Derivatives not designated as hedge accounting	68	19	58	65	126	84
currency forwards	-	-	*24*	*27*	*24*	*27*
commodity swaps	-	-	*33*	*38*	*33*	*38*
currency interest rate swaps	*53*	*19*	-	-	*53*	*19*
other	*15*		*1*	-	*16*	-
Fair value hedging instruments	-	-	6	4	6	4
commodity swaps	-	-	*6*	*4*	*6*	*4*
Derivatives	**177**	**310**	**124**	**243**	**301**	**553**
Other financial assets	105	72	530	468	635	540
receivables on settled derivatives	-	-	*47*	*110*	*47*	*110*
financial assets measured at fair value through other comprehensive income	*61*	*66*	-	-	*61*	*66*
hedged item adjustment	-	-	*1*	*4*	*1*	*4*
security deposits	*4*	-	*421*	*354*	*425*	*354*
short-term deposits	-	-	*60*	-	*60*	-
loans granted	-	-	*1*	-	*1*	-
other	*40*	*6*	-	-	*40*	*6*
Other non-financial assets	299	238	-	-	299	238
*investment property **	*252*	*219*	-	-	*252*	*219*
other	*47*	*19*	-	-	*47*	*19*
Other assets	**404**	**310**	**530**	**468**	**934**	**778**

** As at 31 December 2020 and as at 31 December 2019, the line investment property includes right-of-use asset in the amount of PLN 50 million and 42 million, respectively.*

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Derivatives and other liabilities

	Non-current		Current		Total	
	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019
Cash flow hedging instruments	79	1	85	82	164	83
currency forwards	*79*	*1*	*27*	*-*	*106*	*1*
commodity swaps	*-*	*-*	*58*	*82*	*58*	*82*
Derivatives not designated as hedge accounting	59	1	184	180	243	181
currency forwards	*-*	*1*	*17*	*42*	*17*	*43*
commodity swaps	*-*	*-*	*140*	*119*	*140*	*119*
interest rate swaps	*5*	*-*	*6*	*19*	*11*	*19*
currency interest rate swaps	*54*	*-*	*21*	*-*	*75*	*-*
Fair value hedging instruments	-	-	1	4	1	4
commodity swaps	*-*	*-*	*1*	*4*	*1*	*4*
Derivatives	**138**	**2**	**270**	**266**	**408**	**268**
Other financial liabilities	175	152	168	223	343	375
liabilities on settled derivatives	*-*	*-*	*156*	*209*	*156*	*209*
investment liabilities	*84*	*94*	*-*	*-*	*84*	*94*
hedged item adjustment	*-*	*-*	*6*	*4*	*6*	*4*
refund liabilities	*-*	*-*	*6*	*10*	*6*	*10*
*other **	*91*	*58*	*-*	*-*	*91*	*58*
Other non-financial liabilities	6	9	6	13	12	22
deferred income	*6*	*9*	*6*	*13*	*12*	*22*
Other liabilities	**181**	**161**	**174**	**236**	**355**	**397**

* *As at 31 December 2020 and as at 31 December 2019, the line other in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 31 million and PLN 18 million, and a guarantees in the amount of PLN 42 million and PLN 39 million, respectively..*

Description of changes of derivatives designated as hedge accounting is presented in note 5.5.

5.9. Provisions

	Non-current		Current		Total	
	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019
Environmental	1 099	817	59	42	1 158	859
Jubilee bonuses and post-employment benefits	1 003	256	97	49	1 100	305
CO_2 emissions, energy certificates	-	-	1 523	961	1 523	961
Other	155	40	610	184	765	224
	2 257	**1 113**	**2 289**	**1 236**	**4 546**	**2 349**

The increase in the balance of provisions as at 31 December 2020 compared to the previous year resulted mainly from the inclusion of the ENERGA Group's provisions in the amount of PLN 1,718 million, mainly due to the takeover control by PKN ORLEN. Detailed information in note 3.2.

5.10. 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 2019 in note 13.3.
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.

ORLEN GROUP (in PLN million)

Fair value hierarchy

	31/12/2020		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through other comprehensive income	61	61	21	-	40
Loans granted	1	1	-	1	-
Derivatives	301	301	-	301	-
	363	**363**	**21**	**302**	**40**
Financial liabilities					
Loans	3 870	3 870	-	3 870	-
Borrowings	130	130	-	130	-
Bonds	10 364	10 573	10 573	-	-
Derivatives	408	408	-	408	-
	14 772	**14 981**	**10 573**	**4 408**	**-**

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.

5.11. Lease

5.11.1. 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 01/01/2020					
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					
New lease agreements, increase in lease remuneration	204	312	11	529	1 056
Depreciation	(86)	(169)	(20)	(359)	(634)
Net impairment allowances	(12)	1	-	-	(11)
Acquisition of subsidiaries	731	55	7	21	814
Other	2	61	1	(24)	40
	2 529	**1 735**	**98**	**855**	**5 217**
Net carrying amount at 31/12/2020 (unaudited)					
Gross carrying amount	2 732	2 116	138	1 426	6 412
Accumulated depreciation	(167)	(377)	(38)	(569)	(1 151)
Impairment allowances	(36)	(4)	(2)	(2)	(44)
	2 529	**1 735**	**98**	**855**	**5 217**
Net carrying amount at 01/01/2019					
Gross carrying amount	1 544	984	95	697	**3 320**
Impairment allowances	-	-	(2)	(2)	**(4)**
	1 544	**984**	**93**	**695**	**3 316**
increases/(decreases), net					
New lease agreements, increase in lease remuneration	160	514	7	312	993
Depreciation	(54)	(135)	(15)	(321)	(525)
Net impairment allowances	(24)	(5)	-	-	(29)
Reclassifications	97	150	19	49	315
Other	(33)	(33)	(5)	(47)	(118)
Net carrying amount at 31/12/2019	**1 690**	**1 475**	**99**	**688**	**3 952**

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

		12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Costs due to:		**(259)**	**(60)**	**(251)**	**(115)**
interest on lease	Finance costs	(132)	(38)	(100)	(45)
short-term lease	Cost by nature: External Services	(91)	(13)	(112)	(58)
lease of low-value assets that are not short-term lease	Cost by nature: External Services	(7)	(2)	(6)	(4)
variable lease payments not recognised in valuation of lease liabilities	Cost by nature: External Services	(29)	(7)	(33)	(8)

5.11.2. Group as a lessor

The Group classifies leases as finance or operating lease at the commencement date.
In order to make the above classification the Group assesses whether it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to a lessee. If the entire risk and benefits were transferred to a lessee, the lease is classified as a finance lease, otherwise - as an operating lease.

Financial lease

The Group as a lessor in finance lease, recognised as at 1 January 2019, in accordance with IFRS 16 subleasing agreements in the Unipetrol Group for which the value of lease payments due as at 31 December 2020 and as at 31 December 2019 amounted to PLN 13 million and PLN 25 million, respectively.

Operating lease

Assets transferred by the Group to other entities for use under an operating lease agreement are classified as the Group's assets. Lease payments under operating leases are recognised as revenues from the sale of products and services on a straight-line basis over the lease period.
Revenues from operating lease for the 12 and 3-month period ended 31 December 2020 and 31 December 2019 amounted to PLN 264 million, PLN 76 million and PLN 257 million, PLN 7 million, respectively.

5.12. Future commitments resulting from signed investment contracts

As at 31 December 2020 and as at 31 December 2019 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 9,172 million and PLN 5,100 million, respectively.

5.13. Issue, redemption and repayment of debt securities

In the 4th quarter of 2020:
a) in PKN ORLEN under:
- the second public bond issue program, A-E Series remains open with a total nominal value of PLN 1 billion;
- the non-public bond issue on the domestic market (active since 2006) C Series was issued with a nominal value of PLN 1 billion.

b) in ORLEN Capital under:
- remains open Eurobond issue with a nominal value of EUR 500 million;
- 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.

5.14. Distribution of the profit for 2019

The Ordinary General Meeting of Shareholders of PKN ORLEN S.A. on 5 June 2020 distributed the net profit of PKN ORLEN for 2019 in the amount of PLN 4,813,592,019.09 as follows: the amount of PLN 427,709,061.00 was allocated as a dividend payment (PLN 1 per 1 share) and the remaining amount of net profit of PLN 4,385,882,958.09 as reserve capital. The dividend date was set at 14 July 2020 and the dividend payment date at 28 July 2020.

5.15. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and for the 1st, 2nd and 3rd quarter of 2020, PERN S.A. 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 Adamowo, carried out by PERN S.A. as a pipeline system operator. At the same time, at the end of December 2020, PERN indicated another 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 S.A. 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 2020, according to received confirmation from PERN S.A., PKN ORLEN's operating stock of crude oil REBCO-type amounted to 585.553 net metric tons. The difference in the quantity of stocks increased by 755 net metric tons in comparison to 2019 and amounted to 90.408 net metric tons.

PKN ORLEN does not agree with PERN S.A position, because in its opinion it remains unfounded, unproven and inconsistent with the agreements binding PKN ORLEN and PERN S.A., 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 S.A. to PKN ORLEN is correct and has never been questioned before. PKN ORLEN is currently analysing the possibilities of taking appropriate legal steps related to the information provided by PERN S.A. and reserves the right to take any actions aimed at protecting legitimate interests of PKN ORLEN, including pursuing claims related to the information provided by PERN S.A. about the quantity of PKN ORLEN's operating stock of crude oil REBCO-type.

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019 and in 12-month period of 2020 in the amount of PLN (156) million is also a contingent asset of PKN ORLEN.

5.16. 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 Unipetrol RPA s.r.o.

On 23 May 2012, 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 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 314 million, translated using the exchange rate as at 31 December 2020 (representing CZK 1,789 million). Unipetrol RPA s.r.o. is 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 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. According to Unipetrol RPA s.r.o. the claim is without merit.

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 (last on 28 September 2018), 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 is currently looking for an expert or institute to issue an opinion also among foreign entities, hence the translation of part of the case documentation into German was commissioned. 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.

UAB Baltpool claim against ORLEN Lietuva

In May 2019, UAB Baltpool (an entity administering the funds and responsible for collecting fees for so-called Public Service Obligation in Lithuania) filed a claim against ORLEN Lietuva for payment of system fees (so–called PSO fees) related to electricity consumption for the period from February 2013 to March 2019 (excluding May 2017). The claim relates to unpaid by ORLEN Lietuva system fees on the amount of electricity generated and consumed by ORLEN Lietuva for own needs. ORLEN Lietuva believes, that such system fees (self-producer fees) are not due.

The case is connected with 8 administrative cases brought by ORLEN Lietuva (since 2013), in which ORLEN Lietuva challenges the legality of charging PSO on electricity generated and consumed for own needs. All these administrative cases are suspended in connection with proceedings pending before the Court of Justice of the EU. The outcome of the case brought by UAB Baltpool depends on a large extent on the outcome of these administrative proceedings and proceedings before the Court of Justice of the EU. The Court of Justice of the EU decided, that the Lithuanian PSO program constitutes the nature of state aid. In order to participate in the PSO fee reimbursement plan, which starts on 1 July 2020, the Supervisory Board of ORLEN Lietuva decided to settle the arrears. A reduction of overdue interest was negotiated. On 25 June 2020, ORLEN Lietuva settled the arrears in the amount of PLN 63 million, translated at the exchange rate as at 31 December 2020 (i.e EUR 13.7 million), which is equivalent to the total dispute value as at 31 December 2020. UAB Baltpool withdrew the lawsuit which was confirmed by the court decision of 3 November 2020. Therefore ORLEN Lietuva will participate in the PSO reimbursement plan, as one of the conditions of participation is lack of debt to UAB Baltpool. The case that concerns PSO for 2017 is in the appeal instance. The date of the appeal hearing is not yet determined. If ORLEN Lietuva wins the case, the PSO paid to date will be returned to ORLEN Lietuva by the State Treasury. In the opinion of the ORLEN Lietuva the claims are without merit.

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

On 19 April 2019 ORLEN Projekt filed a claim against POLWAX with the District Court in Rzeszów for payment of the amount of PLN 6.7 million together with due statutory interest for delay in commercial transactions in respect of remuneration for performed and received by POLWAX construction works in connection with the Agreement concluded on 7 April 2017 for "Construction and start-up of the paraffin wax solvent deoiling installation together with auxiliary installations for POLWAX .S.A.". 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, thanks to which ORLEN Projekt obtained subsequently a bailiff's security for this amount on the POLWAX bank account. The motion submitted by POLWAX for overturning the warrant of payment was dismissed by the decision of the Court of First Instance. POLWAX appealed against the decision of the Court of First Instance, however on 16 March 2020 the Court of Appeal in Rzeszów issued a decision rejecting POLWAX's complaint. The lawsuit's files were transferred back to the District Court in order to carry on evidence proceeding. On 27 November 2020, the District Court issued a judgment in the case, according to which (i) upheld the payment order of 23 May 2019 for the most part, i.e. in full for the main claim in the amount of PLN 6.7 million and with regard to overdue interest for delay in commercial transactions from 1 October 2019 to the date of payment; (ii) revoked the order for payment issued dated on 23 May 2019 for the payment of overdue interest, i.e. in the amount of PLN 2.9 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; (iii) ordered POLWAX to pay to ORLEN Projekt additional litigation costs. On December 1, 2020, ORLEN Projekt filed a motion for the preparation of the justification of the judgment, which has not yet been delivered to the Company. On 31 May 2019 ORLEN Projekt filed another claim against POLWAX with the District Court in Rzeszów for payment of further PLN 6.5 million together with due statutory interest for delay in commercial transactions in respect of further part of remuneration for performed and received by POLWAX construction works. This claim was then extended twice - the extension of the claim as at 20 September 2019 by the amount of PLN 13.9 million for groundless reimbursement of a performance guarantee and covering the costs of its execution, and the extension of the claim as at 6 November 2019 by the amount of PLN 25 million for other claims related to withdrawal from the Agreement by ORLEN Projekt due to POLWAX's fault, up to the total amount of PLN 45 million. The case is pending.

On 2 March 2020, POLWAX filed a lawsuit against ORLEN Projekt with the District Court in Rzeszów for payment of PLN 132 million plus accrued interest for delay. The total amount investigated by the defendant includes PLN 84 million for damage in the form of actual loss to be incurred by POLWAX and PLN 48 million for lost benefits resulting from improper performance and failure to perform the Agreement by ORLEN Projekt.

In the opinion of ORLEN Projekt, the POLWAX claims pursued by the lawsuit are unfounded, therefore in response to the lawsuit dated 3 September 2020 ORLEN Projekt requested to dismiss the claim in its entirety.

According to the information held by ORLEN Projekt, before filing the lawsuit, POLWAX filed a request to the District Court in Rzeszów for securing the claims it intended to pursue from ORLEN Projekt, however, the Court entirely dismissed the request by the order as at 6 February 2020. The Court dismissed the request in its entirely.

On 11 March 2020, POLWAX filed a lawsuit against ORLEN Projekt with the District Court in Rzeszów for payment of PLN 9.7 million plus accrued interest for late payment: (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 the opinion of ORLEN Projekt, the POLWAX claims pursued by the above lawsuit are unfounded, hence in response to the lawsuit of 19 June 2020 ORLEN Projekt requested to dismiss the claim in its entirety. The case was suspended at the joint request of the parties.

On 22 June 2020 a copy of another suit filed by POLWAX with the District Court in Tychy was delivered to ORLEN Projekt. Within the framework of the filed lawsuit POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses transferred to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. On 3 July 2020 the Court extended the deadline for ORLEN Projekt to submit a response to the lawsuit to 24 July 2020. On 24 July 2020 ORLEN Projekt submitted a response to the statement of claim in this case, requesting that the claim be dismissed as unfounded in its entirety. By order of 16 August 2020 the court directed the case to mediation, which both parties agreed to. Mediation proceedings are pending.

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

In connection with the delay in execution of the Agreement concluded between Technip Italy S.p.A. ("Technip") and 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 2020 (representing EUR 23 million). Technip did not pay the above mentioned contractual penalties to UNIPETROL, therefore UNIPETROL activated the bank guarantee in the amount of PLN 97 million, translated using the exchange rate as at 31 December 2020 (representing EUR 21 million).

On 17 August 2020, Technip called for arbitration.

In November 2020, 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 million translated using the exchange rate as at 31 December 2020 (corresponding to EUR 1.8 million).

On 30 November 2020, 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 million translated using the exchange rate as at 31 December 2020 (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 148 million translated using the exchange rate of 31 December 2020 (corresponding to EUR 32 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 2020 (corresponding to EUR 21.3 million), representing the amount of unjustified payment under the bank guarantee by UNIPETROL;
b. payment of the amount of PLN 48 million, translated using the exchange rate as at 31 December 2020 (corresponding to EUR 10.5 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 2020 (corresponding to EUR 0.2 million) from the invoice issued by Technip, representing the remaining part of the contractual remuneration (which was offset by UNIPETROL in November 2020);
d. payment of the amount of statutory interest for the entire due payment;
e. dismissal of UNIPETROL's counterclaim.

The arbitration proceedings are pending before the Court of Arbitration at the International Chamber of Commerce in Vienna. In the opinion of UNIPETROL RPA s.r.o., Technip's claim is without merit.

Contingent liabilities related to the ENERGA Group

As at 31 December 2020, the ENERGA Group identifies contingent liabilities in the amount of PLN 309 million, including mainly the contingent liabilities relating to legal claims filed against ENERGA Group companies likely to be effectively dismissed by the companies or for which no cash outflow can be reliably estimated and no provision has been recognised for those claims.

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 2020, the estimated value of those claims recognised as contingent liabilities amounts to PLN 248 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

Another issue is the contract for co-finance the project entitled “Construction of a biomass-fired power unit by Energa Kogeneracja Sp. z o.o. in Elbląg” which sets out the performance ratios relating to the volume of electricity and heat produced in the years 2014-2018. In order to secure the performance of obligations under the co-financing agreement Energa Kogeneracja Sp. z o.o. issued a blank bill for up to PLN 40 million including interest.

As part of the settlement of the acquisition of ENERGA shares, in relation to the above contingent liabilities, the ORLEN Group in accordance to the specific requirements of IFRS 3 Business Combinations has recognised in the statement of financial position as at the acquisition date additional provisions reflecting their estimated fair value in the amount of PLN 74 million, including those related to the power infrastructure of Energa-Operator SA located on private land, the fair value of which has been determined on the basis of the probability of meeting the clients' claims based on the estimation of law firms.

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

5.17. Related parties transactions

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

As at 31 December 2020 and as at 31 December 2019 and in the 12 and 3-month period ended 31 December 2020 and 31 December 2019, 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.

In the 12 and 3-month period ended 31 December 2020, on the basis of submitted declarations, there were mainly sales transactions of legal services of the member of key executive personnel and their relatives with related parties of the ORLEN Group and the total value of sales and purchases in this period amounted to PLN 875 thousand, PLN 363 thousand and PLN and (33) thousand PLN, PLN (29) thousand, respectively.

ORLEN ORLEN GROUP (in PLN million)

In the 12 and 3-month period ended 31 December 2019 on the basis of submitted declarations, there were no transactions of close relatives with the other key executive personnel of the Parent Company and key executive personnel of the ORLEN Group companies with related parties.

As at 31 December 2020 balances of the trade and other liabilities amounted to PLN 27 thousand and as at 31 December 2019 there were no balances due to the above transactions.

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

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Parent Company				
Short-term employee benefits	45.9	11.7	42.8	11.1
Post-employment benefits	0.1	0.1	0.1	0.1
Termination benefits	1.9	-	2.1	0.2
Subsidiaries				
Short-term employee benefits	243.0	74.5	145.7	35.2
Post-employment benefits	0.2	0.2	0.3	0.3
Other long term employee benefits	0.1	-	0.6	-
Termination benefits	9.5	3.1	8.5	2.0
	300.7	**89.6**	**200.1**	**48.9**

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.

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

	Sales				Purchases			
	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Jointly-controlled entities	**2 578**	**636**	**3 119**	**732**	**(228)**	**(119)**	**(136)**	**(29)**
joint ventures	*2 485*	*609*	*2 982*	*704*	*(170)*	*(102)*	*(54)*	*(14)*
joint operations	*93*	*27*	*137*	*28*	*(58)*	*(17)*	*(82)*	*(15)*
	2 578	**636**	**3 119**	**732**	**(228)**	**(119)**	**(136)**	**(29)**

	Trade and other receivables		Trade and other liabilities	
	31/12/2020 (unaudited)	31/12/2019	31/12/2020 (unaudited)	31/12/2019
Jointly-controlled entities	**394**	**540**	**91**	**16**
joint ventures	*383*	*529*	*70*	*10*
joint operations	*11*	*11*	*21*	*6*
	394	**540**	**91**	**16**

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and services. During the 12 and 3-month period ended 31 December 2020 and 31 December 2019 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 2020, 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 entities of the ORLEN Group.

In the 12-month period ended 31 December 2020 and as at 31 December 2020, the Group identified the following transactions:
- sale and purchase amounted to PLN 0.7 million and PLN (3.5) million, respectively;
- balance of receivables amounted to PLN 0.07 million;
- balance of liabilities amounted to PLN 0.2 million.

The above transactions concerned mainly the purchases and sales of fuels and diesel oil.

5.17.4. Transactions with entities related to the State Treasury

As at 31 December 2020 and as at 31 December 2019, the State Treasury owns 27.52% of the Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.
The Group identified transactions with related parties with the State Treasury on the basis of "Companies with State Treasury share" from the website of the Prime Minister's Office.

ORLEN GROUP (in PLN million)

During the 12 and 3-month period ended 31 December 2020 and 31 December 2019 and as at 31 December 2020 and as at 31 December 2019, the Group identified the following transactions:

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Sales	2 297	569	2 083	600
Purchases	(5 146)	(1 578)	(4 406)	(1 192)

	31/12/2020 (unaudited)	31/12/2019
Trade and other receivables	653	339
Trade and other liabilities	592	683

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 PKO BP, Bank Pekao S.A. and Bank Gospodarstwa Krajowego (bank fees, commissions).

5.18. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 December 2020 and as at 31 December 2019 amounted to PLN 2,483 million and PLN 2,826 million, respectively.

5.19. Events after the end of the reporting period

After the end of the reporting period there were no 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 2020

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 2020

Result from operations increased by depreciation and amortisation (so-called EBITDA) amounted to PLN 9,071 million and included PLN 4,062 million of profit on a bargain purchase of ENERGA shares. After eliminating the impact of acquisition, EBITDA for the 12 months of 2020 amounted to PLN 5,009 million and was lower by PLN (3,853) million (y/y).

The presented EBITDA includes the net impact of impairment allowances of property, plant and equipment and intangible assets in the amount of PLN (626) million, which mainly related to the Upstream segment assets in Canada and Poland in connection with the update of hydrocarbon prices and the abandonment of selected upstream projects. For comparison, the impact of impairment allowances of assets in the corresponding period of 2019 amounted to PLN (179) million and included mainly the upstream assets in ORLEN Upstream Group in Poland as a result of updating the price assumptions.

After the elimination of above impacts of impairment allowances of assets, reported EBITDA amounted to PLN 5,635 million and was lower by PLN (3,406) million (y/y).

The ORLEN Group measures inventories in the financial statements in accordance with International Financial Reporting Standards at the manufacturing cost using weighted average method or by purchase price. Therefore, an increase in crude oil prices (by weighted average cost 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.

The negative impact of changes in crude oil prices on inventory valuation recognised in EBITDA was lower by PLN (2,243) million (y/y) and amounted to PLN (2,374) 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), the elimination of the profit on a bargain purchase of ENERGA and impairment allowances of assets amounted to PLN 8,009 million and was lower by PLN (1,163) million (y/y).

The negative impact of macroeconomic factors amounted to PLN (1,169) million (y/y) and mainly related to the decrease in Ural/Brent differential by (0.2) USD/bbl and decrease in margins on light and medium distillates, olefins and PVC. The negative impact of the above factors was partially limited by increase on margins on heavy refining fractions, polyolefins and PVC and PLN depreciation against foreign currencies. The positive effect of using raw materials for own energy needs was also visible as a result of decreasing of crude oil price by over (22) USD/bbl and the effect of a stronger decrease in gas prices compared to electricity prices in the Energy segment. Additionally cash flow hedging transactions realised on crude oil purchases and sales of products in the amount of PLN 799 million (y/y) had a positive impact.*

The decrease in total sale by (12)% (y/y) to 38,260 thousand tons was a result of reduced economic activity on the ORLEN Group's operating markets, since the outbreak of the Covid-19 pandemic. The largest decrease in sales volume by (21)% (y/y) was recorded in the 2nd quarter of 2020. On the other hand, sales in 1st and 3rd quarter decreased by (8)% (y/y) in both period and in 4th quarter by (9)% (y/y).The wholesale of refining products decreased by (14)% (y/y), petrochemical products by (2)% (y/y) and retail of fuels by (10)% (y/y). Sales of hydrocarbons on the Polish and Canadian markets increased by 1% (y/y). In addition to the impact of the pandemic, the level of sales was also affected by the cyclical shutdown of the refinery in Litvinov in the Unipetrol Group. The above changes in sales trends resulted in a negative volume effect in the amount of PLN (1,075) million (y/y).

The positive impact of the other factors amounted to PLN 1,081 million (y/y) and included mainly:
- PLN 1,257 million recognition of the ENERGA Group's results,
- PLN 594 million (y/y) – positive impact of change in balance on other operating activities (after eliminating the net impact of impairment allowances on assets, hedging transactions and balances on other operating activities in the ENERGA Group), mainly including the one-time settlement effect of the CO_2 forward contracts in PKN ORLEN in the amount of PLN 382 million and the lack of negative impact of inventory shortages of materials from third-party warehouses from the 4th quarter of 2019 in the amount of PLN 156 million (y/y),
- PLN (124) million (y/y) – the negative impact of revaluation of inventories to realisable value for the available inventory layers according to LIFO method,
- PLN (1,119) million - the negative impact of the use of historical inventory layers in connection with the maintenance shutdowns of installations, mainly in PKN ORLEN and in the Unipetrol Group,
- PLN 473 million (y/y) - other elements, including mainly higher trade margins in wholesale and retail with higher general and labour costs.

Profit or loss for the 4th quarter of 2020

Result from operations increased by depreciation and amortisation (so-called EBITDA) in the 4th ‘quarter 2020 of amounted to PLN 2,347 million compared to PLN 1,401 million in the corresponding period of 2019.

The net impact of impairment allowances of property, plant and equipment and intangible assets was not significant and amounted to PLN 16 million by PLN (79) million impairment allowance in 4th quarter 2019 related mainly to upstream assets of the ORLEN Upstream Group in Poland as a result of gas price update.

After elimination of above impacts of impairment allowances of assets, reported EBITDA amounted to PLN 2,331million and was higher by PLN 851 million (y/y).

The ORLEN Group measures inventories in the financial statements in accordance with International Financial Reporting Standards at the manufacturing cost using weighted average method or by purchase price. Therefore, an increase in crude oil prices (by weighted average cost 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.

The negative impact of changes in crude oil prices on inventory valuation recognised in EBITDA amounted to PLN (103) million and was lower by PLN (324) 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 after the elimination of impairment allowances of assets amounted to PLN 2,434 million and was higher by PLN 1,175 million (y/y).

Changes in macroeconomic factors lowered the ORLEN Group's results by PLN (710) million (y/y) and mainly included decrease by (1.4) USD/bbl of Ural/Brent differential and margins on light and medium distillates and ethylene as well as the negative impact of cash flow hedging transactions realised on crude oil purchases and sales of products in the amount of PLN (202) million (y/y)*. The above negative effect of macroeconomic factors were partially compensated by higher margins on heavy heating oil, propylene and polyolefins, PLN depreciation against foreign currencies and a positive macro impact (y/y) in the Energy segment as a result of price relationships between electricity and natural gas.
The total volume sale of the ORLEN Group decreased by (9)% (y/y) to the level of 9,894 thousand tons. The wholesale of refining products decreased by (12)% (y/y), retail of fuels by (14)% (y/y) and hydrocarbons in the Upstream segment by (12)% (y/y). The petrochemical volumes increased by 17% (y/y) in all markets, mainly due to higher sales of PVC, polyolefin and PTA. The above changes in sales trends resulted in a negative volume effect in the amount of PLN (50) million (y/y).

The positive impact of the other factors amounted to PLN 1,935 million (y/y) and included mainly:
- PLN 603 million (y/y) - positive impact of change in balance on other operating activities (after eliminating the net impact of impairment allowances on assets, hedging transactions and balances on other operating activities in the ENERGA Group), mainly including the one-time settlement effect of the CO_2 forward contracts in PKN ORLEN in the amount of PLN 382 million and the lack of negative impact of inventory shortages of materials from third-party warehouses from the 4th quarter of 2019 in the amount of PLN 156 million (y/y);
- PLN 511 million (y/y) - recognition in the consolidation ENERGA Group's,
- PLN 403 million (y/y) - positive impact of reversal of impairment on inventories as a result of an increase of crude oil and products quotation,
- PLN 418 million (y/y) – other elements, including mainly higher trade margins in wholesale and retail with higher general (COVID-19 expenses) and labour costs.

*) from the 2nd quarter of 2020, for the purposes of business performance analysis, the impact of settlement and valuation of derivative financial instruments related to the operating exposure and the ineffective part related to this operating exposure recognised as part of other operating activities is presented as the impact of macroeconomic factors.

2. The most significant events in the period from 1 January 2020 up to the date of preparation of this report

JANUARY 2020

Changes in the Supervisory Board
PKN ORLEN announced that Ms Izabela Felczak-Poturnicka resigned with the effect from 16 January 2020 from the position of Chairwoman of the PKN ORLEN Supervisory Board which was entrusted to her in the Resolution no. 35 of the Annual General Meeting of PKN ORLEN dated 14 June 2019.
Changes in the composition of the Management Board
The Supervisory Board of PKN ORLEN S.A., following its meeting on 30 January 2020 appointed Mr Jan Szewczak to hold the position of the Member of the Company's Management Board, responsible for finance, with the effect from 3 February 2020 and Mr Adam Burak to hold the position of the Member of the Company's Management Board, responsible for communication and marketing, with the effect from 3 February 2020.

FEBRUARY 2020

Signing an agreement for realization of project of building Visbreaking Installation at production plant in Plock
PKN ORLEN announced that on 5 February 2020, as a part of investment project called: "Visbreaking Installation at production plant in Plock", it signed an agreement with consortium of companies: KTI Poland S.A. and IDS-BUD S.A. for design, deliveries and building "in turn key" formula of the Visbreaking Basic Installation for a total amount of approximately PLN 750 million.
The project's implementation aims to improve crude oil production efficiency by increasing the yield of high-margin products as a result of in-depth conversion of vacuum residue from the Crude Distillation Unit. The cost of investment will amount to approximately PLN 1 billion The finalization of the investment is planned by the end of 2022.

PKN ORLEN submitted to the European Commission a notification for concentration regarding the planned taking control over ENERGA S.A. headquartered in Gdańsk
PKN ORLEN announced that on 26 February 2020 it submitted to the European Commission a notification for concentration ("Notification") regarding the planned taking control over ENERGA S.A. headquartered in Gdańsk ("ENERGA") by the Company ("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.
One of the conditions under which the Company announced a tender offer for the sale of all shares of ENERGA was obtaining by the Company the European Commission decision approving the merger involving the takeover of control of the ENERGA.

MARCH 2020

Changes in the composition of the Supervisory Board
PKN ORLEN announced that Extraordinary General Meeting of Shareholders of PKN ORLEN on 5 March 2020 dismissed from the Supervisory Board Ms Małgorzata Niezgoda and appointed Mr Wojciech Jasiński as a Chairman of the Supervisory Board and Mr Dominik Kaczmarski as a member of the Supervisory Board.

Extension of the subscription period and change in the content of a tender offer to subscribe for the sale of all shares of ENERGA
PKN ORLEN announced that on 26 March 2020 the Company's Management Board decided to extend until 22 April 2020 the subscription period in the tender offer to subscribe for the sale of all shares issued by ENERGA, announced by the Company on 5 December 2019 ("Tender Offer").
In addition, changes have been made to the content of the Tender Offer related to the change of place of accepting subscriptions in the Tender Offer.
The subscription period has been extended due to justified circumstances indicating that the target of the Tender Offer may not be achieved by the original date of completing the subscription, i.e. until 9 April 2020.

European Commission consent for taking control over ENERGA by PKN ORLEN
PKN ORLEN announced that on 31 March 2020 it obtained an unconditional decision of the European Commission approving the merger involving the takeover of control of ENERGA.
In connection with decision of the European Commission granting consent to the concentration involving the takeover of control of ENERGA, the legal condition, under which the Company announced a Tender Offer to subscribe for the sale of all shares of ENERGA, has been fulfilled.

APRIL 2020

The main part of investment of Polyethylene 3 Unit at UNIPETROL RPA, s.r.o. has been completed
PKN ORLEN announced that the realisation of the main part of investment of Polyethylene 3 Unit (PE3) building at the Czech production plant of UNIPETROL RPA, s.r.o. in Litvinov, has been completed. The unit in the part producing natural polyethylene was handed over to UNIPETROL RPA, s.r.o.
The guarantee test of the part of the plant producing black polyethylene will be completed as soon as possible after the restrictions connected with the COVID-19 pandemic are lifted. The unit for the production of natural polyethylene can work with 100% of the total name plate capacity of the PE3 unit.
The constructed PE3 unit is to ultimately produce a total of 270 thousand tons per year of high density polyethylene and replaces the production of one of the two existing production units with a capacity of 120 thousand tons per year. Thanks to the launch of the new installation, the production capacity of the Czech production plant in Litvinov will increase from 320 to 470 thousand tons per year. The total cost of the investment is planned at approximately CZK 9.6 billion.

Change of price in a Tender Offer to subscribe for the sale of all shares of ENERGA
PKN ORLEN announced that on 15 April 2020 the Company's Management Board decided to increase the price in a Tender Offer to subscribe for the sale of all shares of ENERGA ("Shares"), announced by the Company on 5 December 2019 from the level of PLN 7 per one Share to the level of PLN 8,35 per one Share.
Current price in the Tender Offer that has been increased was paid for all shares of ENERGA subscribed for sale in the whole period of the Tender Offer, i.e. from 31 January 2020 to 22 April 2020. On 15 April 2020, additional funds in the amount of PLN 560 million were blocked for this purpose and constitute restricted cash.

Condition reserved in a Tender Offer to subscribe for the sale of all shares of ENERGA has been fulfilled
PKN ORLEN announced that on 20 April 2020 it has obtained an information from Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Biuro Maklerskie in Warsaw as an intermediary in a Tender Offer to subscribe for the sale of all shares of ENERGA, announced by the Company on 5 December 2019 and changed by the announcement as at 26 March 2020 and announcement as at 15 April 2020 that the number of Shares subscribed for sale under the Tender Offer corresponds at least to 66% of the aggregate number of votes. According to that information the condition reserved in the Tender Offer, mentioned in item 6 and 30 c) of the Tender Offer, has been fulfilled.

Mr Daniel Obajtek appointed to the position of the President of the Company's Management Board for the next term of office
PKN ORLEN announced that the Minister of the State Assets, acting as an entity authorised to exercise the rights attached to the Company's shares owned by the Polish Stare Treasury, appointed Mr Daniel Obajtek to the Company's Management Board for the new common term of office, starting from the day coming after the day of termination of the current common term of office of the Company's Management Board, i.e. after the day of the Ordinary General Meeting

that will approve financial statement for 2019.
Subsequently, the Company's Management Board appointed Mr Daniel Obajtek to hold the position of the President of PKN ORLEN Management Board during the new common term of office of the Company's Management Board, starting from the day coming after the day of termination of the current common term of office of the Company's Management Board.

Number of shares of ENERGA that were the subject of transactions concluded under the Tender Offer announced on 5 December 2019
PKN ORLEN announced that on 27 April 2020 it has obtained an information from Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Biuro Maklerskie in Warsaw, that the subject of transaction concluded under the Tender Offer were:
a) 33 533 320 ordinary bearer shares of ENERGA, corresponding to 33 533 320 votes. The transaction was completed at the Warsaw Stock Exchange on 21 April 2020, it referred to the shares subscribed in the period between 31 January 2020 and 9 April 2020 (inclusive).
b) 152 851 762 ordinary bearer shares of ENERGA, corresponding to 152 851 762 votes. The transaction was completed at the Warsaw Stock Exchange on 27 April 2020, it referred to the shares subscribed in the period between 10 April 2020 and 22 April 2020 (inclusive).
c) 144 928 000 certificated registered shares of ENERGA, corresponding to 289 856 000 votes. The transaction was completed on the base of the civil law agreement on 27 April 2020, it referred to the shares subscribed in the period between 10 April 2020 and 22 April 2020 (inclusive).

Thus, the subject of transactions concluded under the Tender Offer were shares representing approximately 80% of the share capital of ENERGA and corresponding to approximately 85% of the total number of votes at the General Meeting of ENERGA.
Settlement of the transaction mentioned in point a) above has been completed on 24 April 2020. The transaction mentioned in points b) and c) above has been completed on 30 April 2020.

MAY 2020

PKN ORLEN declaration regarding the investment realised by Elektrownia Ostrołęka sp. z o.o.
PKN ORLEN announced that it has transferred to ENERGA its statement in connection with the inquiry addressed to the Issuer by ENERGA regarding the will to the Issuer's direct financial involvement in the investment regarding the construction of a coal energy block realised by Elektrownia Ostrołęka sp. z o.o. with its registered office in Ostrołęka ("Investment").
PKN ORLEN declared preliminary readiness for direct financial involvement in the Investment only if the technological assumptions for the Investment were changed to gas-based technology.
In the Issuer's opinion, the result of the conducted analyzes justifies the acceptance of the conclusion that it is necessary to change the subject of the Investment, as above.
PKN ORLEN also declared its readiness to talk with the shareholders of the company realised the Investment, i.e. with ENERGA and ENEA S.A. as to the form, scope and manner of involvement referred to above.

Composition of the Management Board
PKN ORLEN announced that the Company's Supervisory Board following its meeting on 21 May 2020, has appointed following persons to the Company's Management Board:
- Mr Armen Artwich to the position of Member of the Management Board,
- Mr Adam Burak to the position of Member of the Management Board,
- Ms Patrycja Klarecka to the position of Member of the Management Board,
- Mr Zbigniew Leszczyński to the position of Member of the Management Board,
- Mr Michał Róg to the position of Member of the Management Board,
- Mr Jan Szewczak to the position of Member of the Management Board,
- Mr Józef Węgrecki to the position of Member of the Management Board,

for the common three year term of office, starting from the day coming after the day of termination of the current common term of office of the Company's Management Board, i.e. after the day of the Ordinary Shareholders Meeting that will approve financial statement for 2019.

JUNE 2020

Conclusion of the agreement on directional rules of continuation of cooperation in the construction of the Ostrołęka C Power Plant
PKN ORLEN announced that on 2 June 2020 it has concluded the agreement with ENERGA and ENEA S.A. with its registered office in Poznan (ENEA) on directional rules of continuation of cooperation in the construction of the Ostrołęka C Power Plant that is realised by Elektrownia Ostrołęka sp. z o.o. with its registered office in Ostrołęka ("Investment"), ("Agreement"). The Agreement provides for the continuation of the Investment with the change in the technological assumptions for the Investment to gas-based technology.
In the Agreement, the Issuer expressed its will to participate in the Investment through contribution in its financing and, after obtaining relevant corporate consents, to join the company Elektrownia Ostrołęka sp. z o.o. as a shareholder. The Agreement provides for changes in the organizational structure of Elektrownia Ostrołęka sp. z o.o. that will reflect the value of the shareholders involvement, including limitation of ENEA share to minority shareholder in the Investment with limited capital involvement thanks to which ENEA will not be a jointly controlling entity in Elektrownia Ostrołęka sp. z o.o. The amount of commitment of the parties to the Agreement as well as the capital involvement in Elektrownia Ostrołęka sp.z o.o. and the rights of shareholders will be the subject of further talks and negotiations, leading to the conclusion of the final shareholders agreement. The Agreement assumes that PKN ORLEN will not participate in settlements with

existing Investment contractors, which will be made according to the up until now arrangements, but as the further partner of Elektrownia Ostrołęka sp.z o.o. it will co-decide on their scope. Conclusion of the Agreement opens the way for further talks of the partners on the Investment, which will lead to conclusion of the investment agreement on the detail rules of management, financing and realization of the Investment.

JULY 2020

Positive conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A.
PKN ORLEN announced that on 14 July 2020 it obtained a positive conditional decision from the European Commission („Commission") on the clearance for the concentration consisting in the Company taking control over Grupa LOTOS S.A. having its registered seat in Gdańsk („Grupa LOTOS").
The Commission's decision was issued on the basis of Article 8(2) second paragraph of Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (EU Official Journal L No. 24, p. 1). With regard to the above, the Company is required to implement remedies specified in the content of this decision, aimed at preventing negative effects of the proposed concentration on competition in the relevant markets („Remedies").

The Remedies include structural and behavioural commitments that relate to the structure and policies of the undertakings participating in the concentration – the Company and Grupa LOTOS - and consist of:

1) in fuel production and wholesale activity:
   a) entering into a joint venture agreement with an independent third party and, as a result, divestment to this independent third party of 30% of the shares in the joint venture, to which the Grupa LOTOS' refinery located in Gdańsk will be contributed as an in-kind contribution and granting this third party contractual rights in the scope of corporate governance;
   b) entering into relevant agreements with the entity indicated in item a) concerning production and receipt of products produced by the refinery in Gdańsk, including sales of fuel;
   c) granting the entity indicated in item a) an option to access, in a specified period, the crude oil storage in the scope necessary for the abovementioned entity to perform the CSO obligation;
   d) granting the entity indicated in item a) an option to outsource its fuel logistics to the Company (for diesel and gasoline);
   e) granting the entity indicated in item a) an option to access the transhipment terminal owned by the company NAFTOPORT Sp. z o.o. in order to enable this entity to export jet fuel;
   f) granting the entity indicated in item a) an option to access in a specified period, the storage capacity at terminals in Olszanica and Warsaw (Chopin airport), owned and operated by the Company;
   g) divestment to the entity indicated in item a) of a structured part of the business currently run by Lotos Paliwa Sp. z o.o. in the wholesale of fuel;
   h) granting the entity indicated in item a) an option to purchase 100% of the shares in Lotos Biopaliwa Sp. z o.o.; if the entity indicated in item a) does not exercise the option in question, the Company will be required to sell the shares in Lotos Biopaliwa Sp. z o.o. to another independent third party;
   i) granting the entity indicated in item a) an option to acquire the part of the business of ORLEN KolTrans S.A. in the scope of rail fuel transport activity;

2) in fuel logistics:
   a) divestment to an independent logistics operator of a package comprising of:
   •100% of the shares of the companies Lotos Terminale S.A. and Lotos Infrastruktura S.A. The divestment of the abovementioned shares will result in the purchaser taking control over the entirety of the fuel storage infrastructure used by Grupa LOTOS and its subsidiaries, for both operational purposes and for mandatory stocks at the fuel depots in Jasło, Czechowice-Dziedzice, Poznań, Rypin and Piotrków Trybunalski, with the exception of the fuel storage infrastructure located at Grupa LOTOS' refinery in Gdańsk, and also taking control over the company RCEkoenergia Sp. z o.o.; the above also comprises the commitment not to book capacities by the Company, Grupa LOTOS and their subsidiaries at the abovementioned depots in the specified period;
   • four fuel terminals, forming the logistics infrastructure of the Company, located in Gdańsk, Szczecin, Gutkowo and Bolesławiec; the above also comprises the commitment not to increase the use of the above terminals by the Company in the specified period, provided that the Company will be entitled to use the abovementioned terminals taking into account the current sales volume adjusted with the future expected increase in consumption.
   b) implementation of an investment consisting in construction of a new jet fuel import terminal located on the area of the divested depot in Szczecin, which is to be owned and operated by the independent logistics operator; the implementation of the investment in question will take the form and scope agreed with the independent logistics operator; the above also comprises the commitment not to book the capacity in the abovementioned terminal in a specified period;
   c) release of the storage capacity contracted by the Company and Grupa LOTOS in selected fuel terminals owned by third parties (including at the sea import terminal in Dębogórze), which also covers the commitments: (i) not to exceed in a specified period the maximum storage capacity determined by the Company and accepted by the Commission for selected fuel terminals owned by third parties, and (ii) not to contract in a specified period any new storage capacities for diesel, gasoline and light heating oil in the existing or new fuel depots located in Poland and owned by third parties, subject to exceptions agreed with the Commission.

3) in retail activity:
   a) divestment of 100% of the shares in Lotos Paliwa Sp. z o.o. to an entity present on the Polish market for retail supply of fuels, which will encompass the following package of petrol stations of the retail chain of Lotos located in Poland:
   • 389 existing petrol stations, comprising of 256 CODO stations and 133 DOFO stations, among which there are

included 20 petrol stations operating within the so-called MOPs (motorway rest and service area), and
• 14 lease agreements for new petrol stations operating within the so-called MOPs;

b) not to solicit the control (including gaining ownership or entering into franchise agreements) over any of the DOFO stations referred to above, in the specified period from the day of divestment of shares in the company Lotos Paliwa Sp. z o.o.;
c) transferring of the petrol stations of rights and obligations arising from agreements concluded with fuel card holders issued by Lotos Paliwa Sp. z o.o. to the purchaser;
d) granting the purchaser of the petrol stations a license to use the Grupa LOTOS brands (including trademarks such as Lotos, Navigator, Dynamic and others) in a specified period necessary to rebrand the above petrol stations;
e) granting the purchaser of the petrol stations the sales of fuel in a specified quantity and period;

4) in jet fuel:

a) divestment of all shares held by Grupa LOTOS in the company Lotos-Air BP Polska Sp. z o.o., and, as a consequence, termination of the joint-venture agreement concluded between Grupa LOTOS and the other party of the abovementioned joint venture agreement;
b) granting Lotos-Air BP Polska Sp. z o.o. the sale of jet fuel in a specified quantity and period;
c) granting Lotos-Air BP Polska Sp. z o.o. access to the storage capacity at the terminals located in Olszanica and Warsaw (Chopin airport), owned and operated by the Company, by renting capacity or providing storage services in a specified volume and period;
d) granting third parties access to storage capacities at the terminal located in Warsaw (Chopin airport) owned and operated by the Company, by renting capacity or providing storage services on the basis of an agreement or agreements on similar terms to those used for Lotos-Air BP Polska Sp. z o.o.;
e) ensuring delivery of jet fuel on the territory of Czechia in a specified quantity and period, on the basis of an agreement or agreements concluded with independent third parties operating on the territory of Czechia awarded on the basis of open, non-discriminatory annual tenders;

5) in bitumen:

a) divestment of the part of the business of Lotos Asfalt Sp. z o.o. comprised of two production plants located in Czechowice-Dziedzice and Jasło or alternatively entering into a lease agreement of this part of business with an independent third party for a specified period;
b) divestment of the part of the business of Lotos Asfalt Sp. z o.o. comprised of Lotos Asfalt's employees (including the bitumen sales team) and all components of the undertaking necessary to conduct business in production plants indicated in item a);
c) granting the purchaser of the abovementioned structured business of Lotos Asfalt Sp. z o.o. an option to grant a license for the use in a given period of selected trademarks of Grupa LOTOS concerning the business activity in the scope of bitumen;
d) granting the purchaser of the abovementioned part of the business of Lotos Asfalt Sp. z o.o. sales in a specified quantity and period of:
• bitumen (different types) from the Grupa LOTOS' refinery in Gdańsk, or alternatively
• granting the purchaser of the abovementioned part of the business of Lotos Asfalt Sp. z o.o. the sales of heavy residues allowing the purchaser to produce bitumen at the production plant located in Jasło.

The detailed terms and conditions of the abovementioned agreements, including divestment of assets, will be set in the course of negotiations with the Remedies acquirers. Both, the Remedies acquirers as well as the terms and conditions of agreements concluded with them will be subject to the Commission's approval. Taking into account the fact that the commitments provided for within the Remedies concern not only the Company, but also Grupa LOTOS, PKN ORLEN S.A. will cooperate with Grupa LOTOS in order to properly implement these obligations. At the same time, the Company will enter into negotiations with Grupa LOTOS regarding the content of the agreement determining the terms of this cooperation.

Signing a letter of intent between PKN ORLEN and the State Treasury concerning taking capital control over Polskie Górnictwo Naftowe i Gazownictwo S.A. by PKN ORLEN

PKN ORLEN announced that on 14 July 2020 there has been signed a letter of intent between PKN ORLEN and the State Treasury concerning taking capital control by PKN ORLEN over Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") ("Transaction").

By signing the letter of intent the Company and the State Treasury confirmed that the Company will play the leading role in the capital and organizational consolidation of the Company and PGNiG as the entity that will take the control over PGNiG. They also agreed to start, in a good faith, discussions with the intent to conclude the Transaction. As of the day of signing of the letter of intent the Transaction model and the schedule has not been set yet. Thus the parties of the letter of intent agreed that immediately after the signing, they will start the cooperation and form the teams the aim of which will be preparation of the Transaction model, the schedule and coordination of works connected with the Transaction conclusion.

Finalisation of the Transaction will be possible, among others, after receiving appropriate corporate approvals and approvals of the competition protection authorities regarding the concentration.

The Company indicates that the letter of intent is not a binding commitment to execution of the Transaction.

Signing an agreement on cooperation and non-disclosure between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A.

PKN ORLEN announced that on 23 July 2020 an agreement on cooperation and non-disclosure between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") has been signed ("Agreement").

The Agreement was signed in connection with initiation of a process directed to take capital control over PGNiG by PKN ORLEN. On the basis of the Agreement and within the frames of general applicable law the Company and PGNiG will cooperate to enable the Company to access information necessary to:

- proper preparation of application, to submit to the European Commission, of the intent on concentration between the Company and PGNiG and conducting a proceeding or proceedings regarding control of concentration initiated by its submitting and, if needed – preparation and execution of remedies.
- conducting a due diligence of PGNiG.

At the same time, the Company is required to keep the confidentiality of information shared by PGNiG.

The parties agreed to take all necessary measures to respecting the law, in particular competition law, when sharing of information in connection with execution of the Agreement.

AUGUST 2020

Agreement between PKN ORLEN, the State Treasury and Grupa LOTOS S.A. in relation to a transaction for the purchase of shares in Grupa LOTOS S.A. by PKN ORLEN from the State Treasury

PKN ORLEN announced that on 18 August 2020 an agreement was signed between the State Treasury, the Company and Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS") in relation to a transaction for the purchase of shares in Grupa LOTOS by PKN ORLEN from the State Treasury (the "Agreement"), ("Transaction"), where the Transaction is aimed at taking capital control directly or indirectly over Grupa LOTOS by the Company.

The State Treasury and the Company confirmed the intention to conduct the Transaction and indicate that on the day of signing the Agreement scope and structure of the Transaction has not been defined yet. Thus the State Treasury and the Company declared their will to cooperate and continue talks to work them out.

The parties also confirmed that Transaction depends on realization of remedies defined in positive conditional decision of the European Commission on the clearance for the concentration consisting in the Company taking control over Grupa LOTOS ("Remedies").

The Remedies include structural and behavioural commitments that relate to the structure and policies of the undertakings participating in the concentration, i.e. the Company and Grupa LOTOS. With regard to the above and considering the fact that the Company is responsible for realization of the Remedies, the Company and Grupa LOTOS - within the frames of general applicable law – will take necessary organizational steps and cooperation in order to realize the Remedies, including enabling the Company to define how to implement the Remedies and current management of its realization on the base of mechanisms agreed between the Company and Grupa LOTOS.

Moreover, the Company and Grupa LOTOS - within the frames of general applicable law – committed to cooperate with the State Treasury in consolidation process, in particular providing the State Treasury with information necessary to analyze by the State Treasury the scope of the Remedies and to develop the scope and structure of the Transaction.

The Agreement is non-binding and does not create any obligations for the parties with respect to the execution of the Transaction but only defines their common understanding of the anticipated shape of the Transaction and further cooperation in its execution.

The Agreement terminates on 31 March 2022.

SEPTEMBER 2020

Signing a letter of intent between PKN ORLEN and PGNiG S.A. concerning analysis of possibilities of realization of common investments

PKN ORLEN announced that on 3 September 2020 there has been signed a letter of intent between the Company and PGNiG S.A. ("Letter of intent"), ("Parties"), in which the Parties declared the will to start the common talks to analyse possibilities of common investments: building a gas power plant and development of biogas plant ("Projects"). The scope of Projects includes building a CCGT block in Ostrołęka with the net power of approximately 750 MW by the end of 2024 and analytical and development works on biogas production with a target to create a technological, science, law and economic base to create a biogas plants network with the power of approximately 2.0-2.2 MW each by the end of 2025. Joint investment in the project of building of CCGT block will depend on additional arrangements with the parties of the agreement dated 2 June 2020, about which the Company informed in regulatory announcement no 33/2020 dated 2 June 2020.

The goal of the Letter of intent, ie. analysis of possibilities of realization of the abovementioned investments, will be achieved through signing of binding agreements between Parties, that will assure the realization of the target cooperation on the scope of Letter of intent ("Agreements").

According to provisions of the Letter of intent the Parties will conduct talks to agree the assumptions and conditions of the Projects as well as the Agreements provisions, regarding mainly the following issues:

- to agree law and technical conditions to realise the Projects by the Parties as well as any other factors that could influence the Projects realization;
- to agree rules of financing of the Projects;
- in case of gas plant building: preparing a joint venture agreement regulating rules of cooperation of the Parties in Project realization;
- to agree other conditions of the Projects realization.

The Letter of intent is does not constitute legally binding obligation of the Parties to realise the Projects.

Aspirations and targets of PKN ORLEN in terms of climate neutrality

PKN ORLEN announced that on 9 September 2020 Company's Management Board accepted PKN ORLEN aspirations in terms of climate neutrality by 2050 and CO_2 reduction targets by 2030. The Company plans to reduce CO_2 emissions on currently owned refining and petrochemical assets by 20% and in energy by 33% CO_2/MWh of the produced electrical energy. The Company estimates that CAPEX on projects reducing CO_2 emissions, including expenditures on energy efficiency projects, offshore wind farms investments, inland renewable energy sources as well as biofuels investments portfolio will amount to over PLN 25 billion by 2030.

Announcement of the tender offer for shares of ENERGA headquartered in Gdańsk held by all other ENERGA shareholders

PKN ORLEN announced that on 21 September 2020 announced the tender offer (delisting offer) for sales of shares issued by ENERGA held by all remaining ENERGA shareholders ("Tender Offer"). The Tender Offer was announced pursuant to Art. 91 item 5 of the Act of 29 July 2005 on public offering, on the conditions governing the introduction of financial instruments to organised trading and on public companies (OJ 2019.623, as amended) ("Act").

At the same time the Company submitted to ENERGA a motion to convey an extraordinary general meeting and placing in the agenda a point concerning adopting a resolution regarding delisting of ENERGA shares from trading.

The Tender Offer concerns 82,754,032 dematerialized ordinary bearer "AA" class ENERGA shares, with nominal value of PLN 10.92 each, where 1 "AA" class share has 1 vote at ENERGA general meeting attached to it, 82,754,032 votes at the general meeting in aggregate for all ordinary bearer "AA" class shares, admitted and introduced to trading in a regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. and labelled by Krajowy Depozyt Papierów Wartościowych S.A. with the code PLENERG00022; ("Share" or "Shares").

The Company is a sole entity purchasing the Shares in the Tender Offer.

The price at which Shares are to be purchased under the Tender Offer amounts to PLN 8.35 per one Share.

The Tender Offer has been announced under the condition that ENERGA general meeting will adopt a resolution regarding delisting of ENERGA shares from trading.

The subscription period will start on 9 October 2020 and will end on 20 November 2020.

Since 21 September 2020, a bank guarantee of PLN 691 million has been in force to secure this transaction.

The investment of Polyethylene 3 Unit at UNIPETROL RPA, s.r.o. has been completed

PKN ORLEN announced that the realisation of investment of Polyethylene 3 Unit (PE3) at the Czech production plant of UNIPETROL RPA, s. r. o. in Litvinov, has been completed. UNIPETROL RPA, s. r. o. took over the second part of the Plant, namely the unit producing the black polyethylene (Black Compound Line). The first part of the Plant, namely the unit producing the natural polyethylene (Natural Product Line) was taken over in April 2020.

The ultimate production capacity of PE3 unit is designed for 270 thousand tons per year of high density polyethylene (HDPE) and replaces the production of one of the two existing production units with a capacity of 120 thousand tons per year. Thanks to the launch of the new installation, the production capacity of the Czech production plant in Litvinov will increase from 320 to 470 thousand tons of polyethylene per year. The total cost of the investment amounted to approximately CZK 9.6 billion.

OCTOBER 2020

The consent to change the bond issue programme agreement from 2006 and commencement of works on issue of new series of bonds

The Supervisory Board of PKN ORLEN, following its meeting on 28 October 2020 gave consent to change the Agreement for a Bond Issue Programme, signed on 27 November 2006, with subsequent annexes, ("Programme Agreement") as well as to prepare its unified text and to incur, by the PKN ORLEN, liabilities resulting from the changed Programme Agreement.

Changes to the Programme Agreement include: adjustment of its provisions to the amended Polish law and to the current market conditions, as well as adding to the issue documents form an ESG component enabling an issue of so called green or sustain bonds.

PKN ORLEN, within the bond issue programme set on the base of the Programme Agreement, has started works on conducting, by the end of 2020, the issue of unsecured, bearer bonds with the total value not higher than PLN 1 billion with 5 year maturity. PKN ORLEN will consider implementing ESG elements to the issue. The issue would be directed to institutional investors through a public offer.

NOVEMBER 2020

Signing a letter of intent between PKN ORLEN, Grupa LOTOS and ENERGA concerning analysis of possibilities of realization of common investment

PKN ORLEN announced that on 2 November 2020 there has been signed a letter of intent between the Company, Grupa LOTOS S.A. and ENERGA ("Letter of intent"), ("Parties"), in which the Parties declared the will to start the common talks to analyze possibilities and conditions of common investment, ie. building a gas power plant in Gdańsk by July 2026 ("Project"). The scope of Project includes analysis and choice of the optimal configuration of the plant (technology, efficiency, power) and its location.

According to provisions of the Letter of intent the Parties will conduct talks to agree the assumptions and conditions of the Project regarding mainly the following issues:

- to agree law and technical conditions to realize the Project by the Parties as well as any other factors that could influence the Project realization;
- to agree rules of financing of the Project;
- in case of gas plant building: preparing a joint venture agreement regulating rules of cooperation of the Parties in Project realization;

- to agree other conditions of the Project realization.

Number of shares of ENERGA that were the subject of transactions concluded under the Tender Offer announced on 21 September 2020

PKN ORLEN announced that on 25 November 2020 it has obtained an information from Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Biuro Maklerskie in Warsaw as an intermediary in a tender offer to subscribe for the sale of all shares issued by ENERGA, announced by the Company on 21 September 2020 ("Tender Offer"), that the subject of transaction concluded under the Tender Offer were 45 175 558 dematerialized ordinary shares of ENERGA representing approximately 10,91% of the share capital of ENERGA and corresponding to approximately 8,08% of the total number of votes at the General Meeting of ENERGA.
Settlement of the transaction mentioned above should be completed on 30 November 2020. After settlement of the transaction PKN ORLEN will own in total 376 488 640 of ENERGA shares representing approximately 90,92% of the share capital of ENERGA and corresponding to approximately 93,28% of the total number of votes at the General Meeting of ENERGA.

DECEMBER 2020

Approval of terms and conditions of bonds issue

PKN ORLEN announced that the Company's Management Board on 8 December 2020 has decided to issue unsecured, bearer bonds of series C 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 100,000;
- Maximum total nominal value of Bonds: up to PLN 1,000,000,000;
- Bond issue date: 22 December 2020;
- Redemption date: 22 December 2025;
- Bonds are not secured;
- On the issue day the Bonds will be registered in the Central Securities Depository of Poland;
- Bonds will 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 variable interest rate. The interest rate calculated according to the Bond issue terms and conditions, for all interest periods will be WIBOR 6M increased by margin. The level of margin 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 margin for the first interest period will amount to 90 bp and in the next interest periods it is possible to add to the margin 5 or 10 bp 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.
The Company intends to obtain a credit rating for the Bonds.

Bonds issue

PKN ORLEN announced that on 22 December 2020 it has issued 10,000 unsecured, bearer bonds of series C with the total nominal value of PLN 1,000,000,000 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 Central Securities Depository of Poland under the ISIN code PLPKN0000208 and has been introduced to the alternative trading system on the Warsaw Stock Exchange.

Investment agreement on directional principles of cooperation in construction of Ostrołęka C Power Plant

PKN ORLEN announced that on 22 December 2020 it has signed with PGNiG S.A. ("PGNiG") and ENERGA, ("Parties") an investment agreement on directional principles of cooperation in construction of gas power plant in Ostrołęka C Power Plant ("Investment agreement"), ("Gas Project"). The Parties of the Investment agreement declared to cooperate in realization of the Gas Project by setting up a new company that will acquire selected assets and liabilities necessary to realize the Gas Project, from Elektrownia Ostrołęka Sp. z o.o. headquartered in Ostrołęka („EOC"). Acquisition of the selected assets and liabilities necessary to realize the Gas Project will be possible thanks to the agreement concluded on 22 December 2020 between the EOC shareholders, i.e. between ENERGA and Enea S.A. and EOC.
In the Investment agreement signed today the Parties concluded that PKN ORLEN and ENERGA will acquire jointly 51% of shares in the share capital of the newly established company and the same percentage of the total number of votes at its shareholders meeting, and PGNiG will acquire the remaining 49% of shares in the share capital of the newly established company and the same percentage of the total number of votes at its shareholders meeting. Breakdown of the number of shares between ENERGA and PKN ORLEN will be agreed separately by ENERGA and PKN ORLEN during acquiring of the shares. Shares in the newly established company will not be preferred and shareholding rights will be realised according to the principles described in the Polish Commercial Companies Code.

ORLEN GROUP (in PLN million)

Moreover the Parties of the Investment agreement concluded the structure of the newly established company, including principles of its shares disposal, personal rights of its shareholders regarding appointments and dismissals of members of the management and supervisory boards, principles of voting rights execution on its corporate bodies meetings and other principles of its functioning.
The limit of financial exposure of the Parties in the realization of the Gas Project will be determined proportionally to the share in the share capital of the newly established company.
The Parties assume that all factors enabling establishing of the new company, including approvals of relevant antitrust authorities, will be realised by 30 June 2021. Additionally PGNiG will be able to join the newly established company after conducting due diligence of the Gas Project and obtaining PGNiG corporate bodies approvals.
Additionally PKN ORLEN concluded with PGNiG an annex to the agreement for gas deliveries to the ORLEN Capital Group by the end of 2027 (with the option of extension by the end of 2028), including the future demand of Ostrołęka C Power Plant for that commodity.

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.

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
Dominik Kaczmarski	– 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*	7.34%	31 391 297
Aviva OFE*	6.29%	26 898 000
Other	58.85%	251 709 568
	100.00%	**427 709 061**

* *according to the information from the Extraordinary General Shareholders' Meeting of PKN ORLEN of 5 June 2020*

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. 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

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 - two guarantees up to 30 June 2021 and 7 June 2023, respectively;
- ENERGA S.A. - 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	5 076
Eurobonds	500	2 131 *	30.06.2014	30.06.2021	2.5%	BBB-, Baa2	1 000	4 615
Eurobonds	300	1 251 ***	07.03.2017	07.03.2027	2.125%	BBB-, Baa2	1 250	5 769
	1 550	**6 700**					**3 350**	**15 460**

* translated using exchange rate as at 31 December 2014
** 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 average exchange rate published by the National Bank of Poland as at 31 December 2020 – 4.6148 EUR/PLN

Moreover, as at 31 December 2020 and as at 31 December 2019, the Group granted sureties and guarantees to subsidiaries for third parties of PLN 1,374 million and PLN 1,003 million, respectively, and mainly related to the timely payment of liabilities by subsidiaries.

3.5. 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 2020

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 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Sales revenues	58 785	15 000	89 049	22 383
revenues from sales of finished goods and services	*35 252*	*8 675*	*49 376*	*11 934*
revenues from sales of merchandise and raw materials	*23 533*	*6 325*	*39 673*	*10 449*
Cost of sales	(52 358)	(12 987)	(79 603)	(20 347)
cost of finished goods and services sold	*(30 079)*	*(7 077)*	*(41 338)*	*(10 259)*
cost of merchandise and raw materials sold	*(22 279)*	*(5 910)*	*(38 265)*	*(10 088)*
Gross profit on sales	**6 427**	**2 013**	**9 446**	**2 036**
Distribution expenses	(4 645)	(1 213)	(4 364)	(1 180)
Administrative expenses	(1 105)	(320)	(934)	(252)
Other operating income	2 358	707	775	378
Other operating expenses	(1 795)	(351)	(860)	(469)
(Loss)/reversal of loss due to impairment of financial instruments	(26)	(4)	(4)	27
Profit from operations	**1 214**	**832**	**4 059**	**540**
Finance income	1 168	204	2 567	1 479
Finance costs	(3 583)	(281)	(1 001)	(129)
Net finance income and costs	**(2 415)**	**(77)**	**1 566**	**1 350**
(Loss)/reversal of loss due to impairment of financial instruments	(9)	3	7	-
Profit/(Loss) before tax	**(1 210)**	**758**	**5 632**	**1 890**
Tax expense	(170)	(125)	(819)	(139)
current tax	*(260)*	*(162)*	*(733)*	*(83)*
deferred tax	*90*	*37*	*(86)*	*(56)*
Net profit/(loss)	**(1 380)**	**633**	**4 813**	**1 751**
Other comprehensive income:				
which will not be reclassified subsequently into profit or loss	**(11)**	**(8)**	**(9)**	**(8)**
actuarial gains and losses	*(11)*	*(11)*	*(11)*	*(11)*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income	*(2)*	*2*	*-*	*1*
deferred tax	*2*	*1*	*2*	*2*
which will be reclassified into profit or loss	**(260)**	**(127)**	**(17)**	**91**
hedging instruments	*(381)*	*(142)*	*(141)*	*81*
hedging costs	*60*	*(15)*	*120*	*31*
deferred tax	*61*	*30*	*4*	*(21)*
	(271)	**(135)**	**(26)**	**83**
Total net comprehensive income	**(1 651)**	**498**	**4 787**	**1 834**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	(3.23)	1.48	11.25	4.09

(in PLN million)

Separate statement of financial position

	31/12/2020 (unaudited)	31/12/2019
ASSETS		
Non-current assets		
Property, plant and equipment	16 399	15 253
Intangible assets	905	1 074
Right-of-use asset	2 343	2 336
Shares in related parties	18 311	16 513
Derivatives	115	277
Long-term lease receivables	21	21
Other assets	2 040	1 465
	40 134	**36 939**
Current assets		
Inventories	7 751	9 835
Trade and other receivables	4 866	7 160
Current tax assets	405	10
Cash	586	5 056
Derivatives	361	299
Short-term lease receivables	1	1
Other assets	1 243	917
Non-current assets classified as held for sale	19	59
	15 232	**23 337**
Total assets	**55 366**	**60 276**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	(74)	186
Revaluation reserve	(8)	(6)
Retained earnings	30 642	32 459
Total equity	**32 845**	**34 924**
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	5 215	8 222
Provisions	671	553
Deferred tax liabilities	661	814
Derivatives	237	72
Lease liabilities	2 059	2 000
Other liabilities	98	108
	8 941	**11 769**
Current liabilities		
Trade and other liabilities	7 551	9 779
Lease liabilities	354	368
Liabilities from contracts with customers	223	206
Loans, borrowings and bonds	2 581	346
Provisions	681	588
Current tax liabilities	-	8
Derivatives	347	306
Other liabilities	1 843	1 982
	13 580	**13 583**
Total liabilities	**22 521**	**25 352**
Total equity and liabilities	**55 366**	**60 276**

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2020	2 285	186	(6)	32 459	34 924
Net (loss)	-	-	-	(1 380)	(1 380)
Items of other comprehensive income	-	(260)	(2)	(9)	(271)
Total net comprehensive income	**-**	**(260)**	**(2)**	**(1 389)**	**(1 651)**
Dividends	-	-	-	(428)	(428)
31/12/2020	**2 285**	**(74)**	**(8)**	**30 642**	**32 845**
(unaudited)					
01/01/2019	2 285	203	(6)	29 152	31 634
Net profit	-	-	-	4 813	4 813
Items of other comprehensive income	-	(17)	-	(9)	(26)
Total net comprehensive income	**-**	**(17)**	**-**	**4 804**	**4 787**
Dividends	-	-	-	(1 497)	(1 497)
31/12/2019	**2 285**	**186**	**(6)**	**32 459**	**34 924**

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of cash flows

	12 MONTHS ENDED 31/12/2020 (unaudited)	3 MONTHS ENDED 31/12/2020 (unaudited)	12 MONTHS ENDED 31/12/2019	3 MONTHS ENDED 31/12/2019 (unaudited)
Cash flows from operating activities				
Profit/(Loss) before tax	**(1 210)**	**758**	**5 632**	**1 890**
Adjustments for:				
Depreciation and amortisation	1 923	496	1 759	471
Foreign exchange (gain)/loss	571	83	(79)	(212)
Net interest	182	49	254	68
Dividends	(372)	(67)	(470)	-
(Profit)/Loss on investing activities, incl.:	2 044	109	(1 206)	(1 298)
recognition/(reversal) of impairment allowances of shares in related parties	*1 955*	*(39)*	*(1 010)*	*(1 150)*
Change in provisions	575	123	503	189
Change in working capital	1 767	300	1 301	607
inventories	*2 087*	*324*	*56*	*(322)*
receivables	*2 281*	*997*	*571*	*1 559*
liabilities	*(2 601)*	*(1 021)*	*674*	*(630)*
Other adjustments, incl.:	(457)	(379)	(505)	(301)
rights received free of charge	*(319)*	*(83)*	*(286)*	*(78)*
security deposits	*(37)*	*(250)*	*(340)*	*(167)*
Income tax (paid)	(662)	(77)	(1 103)	(147)
Net cash from operating activities	**4 361**	**1 395**	**6 086**	**1 267**
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(2 358)	(835)	(1 590)	(600)
Acquisition of shares, incl.:	(3 703)	(937)	(56)	(2)
of the ENERGA Group	*(3 143)*	*(377)*	-	-
Outflows from additional payments to equity	(47)	-	(357)	(61)
Disposal of property, plant and equipment, intangible assets and right-of-use asset	140	12	194	17
Interest received	55	14	58	14
Dividends received	368	69	469	1
Expenses from non-current loans granted	(664)	(274)	(449)	(79)
Proceeds from non-current loans granted	26	1	6	2
Proceeds/(Expenses) from current loans granted	(5)	33	1	-
Change in cash related to purchase of non-controlling interest of UNIPETROL, a.s.	(10)	(10)	190	(10)
(Outflows) from cash-pool facility	(168)	(164)	(50)	(184)
Settlement of derivatives not designated as hedge accounting	102	20	183	102
Other	(2)	-	(20)	(3)
Net cash (used) in investing activities	**(6 266)**	**(2 071)**	**(1 421)**	**(803)**
Cash flows from financing activities				
Proceeds from loans received	3 494	1 678	-	-
Bonds issued	1 000	1 000	509	-
Repayments of loans	(5 706)	(1 682)	-	-
Redemption of bonds	(100)	-	(1 619)	-
Interest paid from loans, bonds and cash pool	(202)	(14)	(249)	(27)
Interest paid on lease	(73)	(10)	(48)	(11)
Dividends paid to equity owners of the parent	(428)	-	(1 497)	-
Proceeds/(Outflows) from cash pool facility	(194)	(238)	158	(613)
Payments of liabilities under lease agreements	(361)	(83)	(316)	(83)
Other	(3)	(3)	-	-
Net cash from/(used in) financing activities	**(2 573)**	**648**	**(3 062)**	**(734)**
Net increase/(decrease) in cash	**(4 478)**	**(28)**	**1 603**	**(270)**
Effect of changes in exchange rates	8	8	(8)	(26)
Cash, beginning of the period	5 056	606	3 461	5 352
Cash, end of the period	**586**	**586**	**5 056**	**5 056**
including restricted cash	*41*	*41*	*1 038*	*1 038*

This consolidated quarterly report was approved by the Management Board of the Parent Company on 3 February 2021.

signed digitally on the Polish original
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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
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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
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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