Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 1st QUARTER 2022

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	3 MONTHS ENDED 31/03/2022	3 MONTHS ENDED 31/03/2021)*	3 MONTHS ENDED 31/03/2022	3 MONTHS ENDED 31/03/2021*
Sales revenues	45 447	24 562	9 779	5 372
Operating profit increased by depreciation and amortisation (EBITDA)	4 933	3 563	1 061	779
Profit from operations (EBIT)	3 533	2 252	760	493
Profit before tax	3 436	2 161	739	473
Net profit	**2 845**	**1 872**	**612**	**409**
Total net comprehensive income	2 983	1 980	642	433
Net profit attributable to equity owners of the parent	2 770	1 845	596	404
Total net comprehensive income attributable to equity owners of the parent	2 905	1 958	625	428
Net cash from operating activities	1 803	3 858	388	844
Net cash (used) in investing activities	(4 655)	(3 746)	(1 001)	(819)
Net cash from financing activities	2 995	591	644	129
Net increase in cash	143	703	31	154
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	6.48	4.31	1.39	0.94
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Non-current assets	73 496	68 706	15 797	14 938
Current assets	49 510	38 048	10 642	8 272
Total assets	**123 006**	**106 754**	**26 439**	**23 210**
Share capital	1 058	1 058	227	230
Equity attributable to equity owners of the parent	54 612	51 707	11 738	11 242
Total equity	**55 561**	**52 578**	**11 942**	**11 431**
Non-current liabilities	26 894	23 883	5 781	5 193
Current liabilities	40 551	30 293	8 716	6 586
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)	127.68	120.89	27.44	26.28

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	3 MONTHS ENDED 31/03/2022	3 MONTHS ENDED 31/03/2021	3 MONTHS ENDED 31/03/2022	3 MONTHS ENDED 31/03/2021
Sales revenues	33 474	15 853	7 203	3 467
Profit from operations increased by depreciation and amortisation (EBITDA)	1 033	1 636	222	358
Profit from operations (EBIT)	493	1 135	106	248
Profit before tax	435	1 067	94	233
Net profit	**387**	**964**	**83**	**211**
Total net comprehensive income	277	824	60	180
Net cash from/(used in) operating activities	(688)	2 380	(148)	521
Net cash (used) in investing activities	(3 001)	(2 856)	(646)	(625)
Net cash from financing activities	3 929	1 043	846	228
Net increase in cash	240	567	52	124
Net profit and diluted net profit per share (in PLN/EUR per share)	0.90	2.25	0.19	0.49
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Non-current assets	46 651	44 309	10 027	9 634
Current assets	34 661	26 644	7 450	5 793
Total assets	**81 312**	**70 953**	**17 477**	**15 427**
Share capital	1 058	1 058	227	230
Total equity	**38 732**	**38 455**	**8 325**	**8 361**
Non-current liabilities	16 057	13 110	3 451	2 850
Current liabilities	26 523	19 388	5 701	4 216
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)	90.56	89.91	19.46	19.55

** restated data*

The above financial data for the 3-month period of 2022 and 2021 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 March 2022 – 4.6472 EUR/PLN and from 1 January to 31 March 2021 – 4.5721 EUR/PLN;

– items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 March 2022 – 4.6525 EUR/PLN and as at 31 December 2021 – 4.5994 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2022

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

ORLEN ORLEN GROUP (in PLN million)

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

Consolidated statement of profit or loss and other comprehensive income

	NOTE	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited) (restated data)
Sales revenues	5.1	45 447	24 562
revenues from sales of finished goods and services		*36 535*	*18 570*
revenues from sales of merchandise and raw materials		*8 912*	*5 992*
Cost of sales	5.2	(35 944)	(20 174)
cost of finished goods and services sold		*(28 228)*	*(15 040)*
cost of merchandise and raw materials sold		*(7 716)*	*(5 134)*
Gross profit on sales		**9 503**	**4 388**
Distribution expenses		(2 380)	(1 920)
Administrative expenses		(699)	(671)
Other operating income	5.5	845	1 729
Other operating expenses	5.5	(3 863)	(1 373)
(Loss)/reversal of loss due to impairment of trade receivables		(15)	18
Share in profit from investments accounted for using the equity method		142	81
Profit from operations		**3 533**	**2 252**
Finance income	5.6	445	263
Finance costs	5.6	(539)	(353)
Net finance income and costs		**(94)**	**(90)**
(Loss) due to impairment of loans and interest on trade receivables		(3)	(1)
Profit before tax		**3 436**	**2 161**
Tax expense		(591)	(289)
current tax		*(720)*	*(173)*
deferred tax		*129*	*(116)*
Net profit		**2 845**	**1 872**
Other comprehensive income:			
which will not be reclassified subsequently into profit or loss		**46**	**(45)**
actuarial gains and losses		*50*	*(58)*
gains on investments in equity instruments at fair value through other comprehensive income		*6*	*4*
deferred tax		*(10)*	*9*
which will be reclassified into profit or loss		**92**	**153**
hedging instruments		*(396)*	*(589)*
hedging costs		*(58)*	*348*
exchange differences on translating foreign operations		*453*	*346*
share in other comprehensive income of investments accounted for using the equity method		*2*	*-*
deferred tax		*91*	*48*
		138	**108**
Total net comprehensive income		**2 983**	**1 980**
Net profit attributable to		**2 845**	**1 872**
equity owners of the parent		*2 770*	*1 845*
non-controlling interest		*75*	*27*
Total net comprehensive income attributable to		**2 983**	**1 980**
equity owners of the parent		*2 905*	*1 958*
non-controlling interest		*78*	*22*
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		6.48	4.31

The accompanying notes disclosed on pages 9 – 33 are an integral part of these interim condensed consolidated financial statements.

ORLEN GROUP (in PLN million)

Consolidated statement of financial position

	NOTE	31/03/2022 (unaudited)	31/12/2021
ASSETS			
Non-current assets			
Property, plant and equipment		57 133	55 379
Intangible assets and goodwill		7 280	4 829
Right-of-use asset		5 803	5 586
Investments accounted for using the equity method		1 239	1 125
Deferred tax assets		656	718
Derivatives	5.8	459	343
Other assets	5.8	926	726
		73 496	**68 706**
Current assets			
Inventories		23 586	18 410
Trade and other receivables		20 097	15 041
Current tax assets		95	129
Cash		3 069	2 896
Derivatives	5.8	538	1 149
Other assets	5.8	2 125	423
		49 510	**38 048**
Total assets		**123 006**	**106 754**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(793)	(430)
Revaluation reserve		(15)	(20)
Exchange differences on translating foreign operations		2 564	2 111
Retained earnings		50 571	47 761
Equity attributable to equity owners of the parent		**54 612**	**51 707**
Non-controlling interests		**949**	**871**
Total equity		**55 561**	**52 578**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.7	16 939	13 742
Provisions	5.9	1 740	1 905
Deferred tax liabilities		1 791	2 060
Derivatives	5.8	792	705
Lease liabilities		5 024	4 876
Other liabilities	5.8	599	586
Liabilities from contracts with customers		9	9
		26 894	**23 883**
Current liabilities			
Trade and other liabilities		24 432	19 811
Lease liabilities		694	679
Liabilities from contracts with customers		772	719
Loans, borrowings and bonds	5.7	1 725	1 429
Provisions	5.9	7 984	6 201
Current tax liabilities		681	855
Derivatives	5.8	1 245	461
Other liabilities	5.8	3 018	138
		40 551	**30 293**
Total liabilities		**67 445**	**54 176**
Total equity and liabilities		**123 006**	**106 754**

The accompanying notes disclosed on pages 9 – 33 are an integral part of these interim condensed consolidated financial statements.

ORLEN ORLEN GROUP (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*
01/01/2022	2 285	(430)	(20)	2 111	47 761	51 707	871	52 578
Net profit	-	-	-	-	2 770	2 770	75	2 845
Components of other comprehensive income	-	(363)	5	453	40	135	3	138
Total net comprehensive income	**-**	**(363)**	**5**	**453**	**2 810**	**2 905**	**78**	**2 983**
31/03/2022	**2 285**	**(793)**	**(15)**	**2 564**	**50 571**	**54 612**	**949**	**55 561**
(unaudited)								
01/01/2021	2 285	(16)	(37)	1 328	38 036	41 596	793	42 389
Net profit	-	-	-	-	1 845	1 845	27	1 872
Components of other comprehensive income	-	(193)	3	346	(43)	113	(5)	108
Total net comprehensive income	**-**	**(193)**	**3**	**346**	**1 802**	**1 958**	**22**	**1 980**
Liquidation of company	-	-	-	17	-	17	-	17
Acquisition of subsidiary	-	-	-	-	-	-	9	9
31/03/2021	**2 285**	**(209)**	**(34)**	**1 691**	**39 838**	**43 571**	**824**	**44 395**
(unaudited)								

** restated data for 2021*

The accompanying notes disclosed on pages 9 – 33 are an integral part of these interim condensed consolidated financial statements.

(in PLN million)

Consolidated statement of cash flows

	NOTE	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited) (restated data)
Cash flows from operating activities			
Profit before tax		**3 436**	**2 161**
Adjustments for:			
Share in profit from investments accounted for using the equity method		(142)	(81)
Depreciation and amortisation	5.2	1 400	1 311
Foreign exchange (profit)/loss		(20)	20
Net interest		134	100
(Profit)/Loss on investing activities, incl.:		2 780	(413)
settlement and valuation of derivative financial instruments	5.5, 5.6	*2 757*	*(307)*
(profit) on change in the ownership structure of Baltic Power		*-*	*(156)*
Change in provisions		1 727	1 123
Change in working capital		(4 513)	(302)
inventories		*(5 049)*	*(1 967)*
receivables		*(3 666)*	*(675)*
liabilities		*4 202*	*2 340*
Other adjustments, incl.:		(2 139)	75
settlement of grants for property rights		*(798)*	*(264)*
security deposits	5.8	*(1 768)*	*304*
change in settlements of settled cash flow hedging instruments		*794*	*(2)*
Income tax (paid)		(860)	(136)
Net cash from operating activities		**1 803**	**3 858**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(3 463)	(3 394)
Acquisition of shares lowered by cash		-	(210)
Disposal of property, plant and equipment, intangible assets and right-of-use asset		7	24
Short-term deposits		(7)	34
Change in the ownership structure in Baltic Power		-	(35)
Settlement of derivatives not designated as hedge accounting		(1 205)	(181)
Other		13	16
Net cash (used) in investing activities		**(4 655)**	**(3 746)**
Cash flows from financing activities			
Proceeds from loans and borrowings received		8 835	4 304
Bonds issued		-	994
Repayment of loans and borrowings		(5 466)	(4 405)
Interest paid from loans, borrowings and bonds		(75)	(31)
Interest paid on lease		(68)	(65)
Payments of liabilities under lease agreements		(231)	(209)
Grants received		8	4
Other		(8)	(1)
Net cash from financing activities		**2 995**	**591**
Net increase in cash		**143**	**703**
Effect of changes in exchange rates		30	60
Cash beginning of the period		2 896	1 240
Cash, end of the period		**3 069**	**2 003**
including restricted cash		*314*	*365*

The accompanying notes disclosed on pages 9 – 33 are an integral part of these interim condensed consolidated financial statements.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity of the ORLEN Group

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

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

2.1. Statement of compliance and general principles of preparation

These interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information to be published by issuers of securities and conditions of consideration of information required by the law of non-member country's law as equal (Official Journal 2018, item 757) and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 March 2022 and as at 31 December 2021, financial results and cash flows for the 3-month period ended 31 March 2022 and 31 March 2021.

These 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 these 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.

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

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

2.2.1. Accounting principles

In these interim condensed consolidated financial statements, the significant accounting policies applied by the Group and significant values based on judgments and estimates were the same as described in individual explanatory notes in the Consolidated Financial Statements for 2021.

2.2.2. Restated of comparative data

The following events had an impact on the comparative data presented in these interim condensed consolidated financial statements in relation to the Consolidated Financial Statements for 2021:

- as a result of the change in the presentation of transaction differences related to the settlement of derivatives with the ICE exchange introduced at the end of 2021, reclassification between:
  a) other operating expenses and financial income in the amount of PLN 288 million;
  b) other operating income and financial expenses in the amount of PLN (267) million
- in the 2nd quarter of 2021, the Group completed the allocation of the purchase price of Livingstone Sp. z o.o. and ORLEN Transport Sp. z o.o. Detailed information on the acquired assets and liabilities as well as their fair value are presented in note 7.3.2. Consolidated Financial Statements for 2021.
  As a result of the final settlement, selected items in the statement of profit or loss and other comprehensive income for the 3-month period ended 31 March 2021 changed:
  a) other operating expenses, due to the settlement of the previously existing links under contracts concluded before the acquisition date between Livingstone and an ORLEN Group company, at the estimated fair value of PLN (8) million.
  b) cost of sales due to the recognition of costs related to the acquisition of ORLEN Transport in the amount of PLN (2) million.

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

	3 MONTHS ENDED 31/03/2021 (unaudited)	Completion of the process allocation of the Livigstone and Orlen Transport purchase price	Change in presentation of transaction differences related to the settlement of derivatives with ICE stock exchange	3 MONTHS ENDED 31/03/2021 (unaudited) (restated data)
Cost of sales	(20 172)	(2)	-	(20 174)
Gross profit on sales	**4 390**	**(2)**	**-**	**4 388**
Other operating income	1 996	-	(267)	1 729
Other operating expenses	(1 653)	(8)	288	(1 373)
Profit from operations	**2 241**	**(10)**	**21**	**2 252**
Finance income	551	-	(288)	263
Finance costs	(620)	-	267	(353)
Net finance income and costs	**(69)**	**-**	**(21)**	**(90)**
Profit before tax	**2 171**	**(10)**	**-**	**2 161**
Net profit	**1 882**	**(10)**	**-**	**1 872**

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

2.3.2. Methods applied to translation of financial data

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

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

CURRENCY	Average exchange rate for the reporting period		Exchange rate as at the end of the reporting period	
	3 MONTHS ENDED 31/03/2022	3 MONTHS ENDED 31/03/2021	31/03/2022	31/12/2021
EUR/PLN	4.6194	4.5440	4.6525	4.5994
USD/PLN	4.1165	3.7700	4.1801	4.0600
CZK/PLN	0.1876	0.1742	0.1903	0.1850
CAD/PLN	3.2506	2.9768	3.3379	3.1920

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 the military conflict in Ukraine on Group's operating and financing activities

On 24 February 2022, Russia launched an invasion of Ukraine. The outbreak of the war in Ukraine in the initial period resulted in an intensive increase in the prices of oil and petroleum products. The prices of gas and electricity also rose in response to the risk of a possible shortage of supplies of these raw materials. At the same time, there was a sharp change in the quotations of CO_2 emission allowances. At that time, the Group observed an increase in margins, with a simultaneous negative impact of an increase in the prices of raw materials, high volatility of prices of CO_2 allowances, as well as the weakening of the PLN currency on the valuation and settlement of derivative instruments owned by the Group. At the end of March 2022, the macroeconomic situation stabilized temporarily. There was a decrease in the volatility of oil prices in the world markets and the prices of other raw materials.

Moreover, the Polish zloty strengthened, which lost its value significantly as a result of the armed conflict in Ukraine and the increase in energy commodity prices. In the Group's opinion, the ongoing conflict in Ukraine will continue to affect the macroeconomic situation in the country and in the world and will cause volatility in the prices of refining and petrochemical products and raw materials, including oil, energy and CO_2 emission allowances, with the direction of impact currently difficult to define on margins. As a consequence, this may lead to a further increase in inflation and interest rates, which will translate into the economic situation in the countries in which the Group operates, including a possible slowdown in economic growth or even a recession. On the other hand, the scale and impact of the war in Ukraine on the macroeconomic situation and, consequently, the future financial situation of the Group, its operating activities, as well as its future financial results are currently very difficult to estimate. This impact will depend both on the implementation of possible scenarios for the further course of the war in Ukraine, as well as on the actions that will be taken by the governments of other countries, including the maintenance or imposition of new sanctions on Russia, as well as the continuation of restrictions in trade relations with Russia and possibly countries supporting it military operations in Ukraine. Introduce sanctions or take other measures that significantly reduce the availability of oil from Russia may have a negative effect on the Group's operating activities and financial results.

The description of the Group's achievements and factors having a significant impact on the financial data presented by the Group in the 1st quarter of 2022 is presented in note 3.2.

As at the date of these interim condensed consolidated financial statements, the PKN ORLEN Management Board assessed that the ongoing armed conflict in Ukraine has no impact on the Group's assessment of going concern.

On the basis of the analysis of the potential impact of changes in the macroeconomic situation in Europe and the world caused by the armed conflict in Ukraine and the sanctions imposed on Russia as at 31 March 2022, the Group has not identified any indications of the need to conduct impairment tests with respect to non-current assets, nor the need to modify significant assumptions and estimates made by the Group. Depending on the further course of the war in Ukraine, the Group will update the adopted estimates and assumptions in subsequent reporting periods, if necessary. Additional information is presented in note 5.4.

So far, there have been no disruptions in the operational processes implemented within the Group, and there have been no significant restrictions in the availability of raw materials, including crude oil, in any of the areas of the Group's operations. Terminals, storage depots and refineries in the ORLEN Group operate in an unchanged scope, and fuel supplies to all fuel stations are carried out all the time. The Group believes that it has adequate reserves of raw materials, including crude oil and fuels. Additionally, the Group secured additional supplies of crude oil from other sources, ensuring the continuation of processing and sales without significant restrictions.

In connection with the ongoing war in Ukraine, the Group has developed appropriate contingency plans in the event of cyber attacks, the need to introduce immediate changes in the supply chain, and in the event of a threat to the lives of employees of the Group's companies in the event of expansion of military operations to the territories of other countries. Additionally, procedures in the event of emergency situations have been developed to ensure the continuity of the critical infrastructure.

The Group has sufficient financial resources to enable it to settle its current liabilities and to continue planned investment and acquisition projects. In the Group's opinion, the ongoing conflict in Ukraine does not change the risk with regard to the guarantees issued as at 31 March 2022.

The dynamic changes in the prices of CO_2 emission allowances observed in the first quarter of 2022 and the depreciation of the PLN currency had an impact on the portfolio of derivative transactions held by the Group. Since the outbreak of the war, the Group has been constantly adjusting its derivative transactions portfolio to the changing market conditions in order to reduce their negative impact on the liquidity situation and the Group's results. As a result of the increased demand for working capital and to supplement security deposits, the Group also used additional funds in the first quarter of 2022 under the syndicated loan agreement. At the same time, in the 1st quarter of 2022, the Group initiated a process aimed at obtaining additional short-term financing to support current operations.

The Group has made a detailed analysis of sales on the Ukrainian and Russian markets. Based on the analysis, due to the low volume of sales in these countries (less than 2% share in the Group's sales revenues) and insignificant balance of receivables from entities based in these countries as at the balance sheet date, the Group did not find a significant increase in the risk of defaults on receivables disclosed on the 31 March 2022.

Moreover, in connection with the ongoing war in Ukraine, the ORLEN Group companies were actively involved in pro-social activities in helping both refugees coming to Poland from across the eastern border and people fighting in Ukraine.

The Group monitors the developments in Ukraine on an ongoing basis and adjusts its activities to the changing market conditions. Nevertheless, in the event of a protracted armed conflict in Ukraine and the implementation of negative scenarios of the war impact on the global economic situation, it may also have a negative impact on the Group's operations, both in terms of organization and liquidity.

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

Profit or loss for the 3 months of 2022

Sales revenues of the ORLEN Group for the 3 months of 2022 amounted to PLN 45,447 million and was higher by PLN 20,885 million (y/y). The increase of sales revenues (y/y) reflects both higher by 15% volume sales in all operating segments and higher by 67% crude oil prices and, consequently, also the quotations of the main products. In the 3-month period of 2022 in comparison to the same period of 2021 the prices of the fuel increased by 70%, diesel oil by 86%, aviation fuel by 86%, heavy heating oil by 55%, ethylene by 43% and propylene by 52%.

The operating expenses totally increased by PLN (16,258) million (y/y) to PLN (39,023) million, mainly as a result of an increase of the costs of materials and energy consumption resulted from the higher prices of basic raw materials and higher by 1.9 million tonnes (y/y) volume of crude oil processing due to a lower (y/y) scope of maintenance shutdowns in PKN ORLEN.

The result of other operating activities amounted to PLN (3,018) million and was lower by PLN (3,374) million (y/y) mainly due to the change 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 (3,032) million.

As a result, profit from operations amounted to PLN 3,533 million and was higher by PLN 1,281 million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance expenses in the described period amounted to PLN (94) million and included mainly net interest expenses in the amount of PLN (143) million and settlement and valuation of derivative financial instruments in the amount of PLN 89 million.

After the deduction of tax charges in the amount of PLN (591) million, the net profit of the ORLEN Group for the 3 months of 2022 amounted to PLN 2,845 million and was higher by PLN 973 million (y/y).

Statement of financial position

As at 31 March 2022, the total assets of the ORLEN Group amounted to PLN 123,006 million and was higher by PLN 16,252 million in comparison with 31 December 2021.

As at 31 March 2022, the value of non-current assets amounted to PLN 73,496 million and was higher by PLN 4,790 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets and right-of-use assets by PLN 4,422 million and an increase in the value of investments accounted for using the equity method by PLN 114 million and other assets by PLN 200 million, mainly due to advances for construction in progress.

The change in balance of property, plant and equipment and intangible assets by PLN 4,205 million (y/y) comprised:

- investment expenditures in the amount of PLN 2,673 million including development of fertilizer production capacities in Anwil, construction of the Visbreaking and HVO (Hydrotreated Vegetable Oil) Installation in Płock, construction of the new hydrocracking in Lithuania, expenditure of the production capacity of the Olefin installation in Płock, Building of the Steam cracker unit in Litvínov, projects in the Energy segment related mainly to the modernization of existing assets and the connection of new customers and construction of a new GPZ3 at the power plant in Płock and projects in Retail and Upstream segment;
- depreciation and amortisation in the amount of PLN (1,227) million;
- purchase of CO_2 allowances and energy certificates in the amount of PLN 1,059 million;
- allowances received free of charge in the amount of PLN 1,495 million,
- effect of differences in balance on translating foreign operations in the amount of PLN 518 million.

The change in the balance of right-of-use by PLN 217 million mainly related to:

- recognition of new leasing contracts in the amount of PLN 267 million;
- an increase in the value of contracts due to changes in leasing fees in the amount of PLN 98 million;
- depreciation and amortisation in the amount of PLN (173) million.

The value of current assets as at 31 March 2022 increased by PLN 11,462 million in comparison with the end of the previous year, mainly as an increase in inventories by PLN 5,176 million, trade and other receivables by PLN 5,056 million, balance of cash by PLN 173 million, and other assets by PLN 1,702 million, which mainly related to the increase in margin deposits in USD on the ICE exchange by PLN 1,770 million with decrease of valuation of derivative financial instruments by PLN (611) million mainly due to the valuation of CO_2 forward contracts (additional information in note 5.5). The increase in value of inventories is mainly the result of an increase in crude oil and petroleum product prices. The increase in trade receivables results mainly from higher sales in term of value and quantity and from the use of non-recourse factoring in the companies of the Group.

As at 31 March 2022, total equity amounted to PLN 55,561 million and was higher by PLN 2,983 million in comparison with the end of 2021, mainly due to recognition of net profit for the 3 months of 2022 in the amount of PLN 2,845 million, negative impact of the change in hedging reserve in the amount of PLN (363) million related mainly to the application of hedge accounting from 1 January 2022 to the time mismatch resulting from the purchase of crude oil by sea and the sale of refining products and the impact of exchange differences on translating foreign operations in the amount of PLN 453 million, resulting mainly from the increase in CZK, USD and CAD exchange rates.

The value of trade and other liabilities increased by PLN 4,621 million compared to the end of 2021 mainly due to increase of trade liabilities by PLN 4,408 million and investment liabilities by PLN 268 million. The increase in trade liabilities results mainly from the higher prices on the markets.

Value of provisions as at 31 March 2022 amounted to PLN 9,724 million and was higher by PLN 1,618 million in comparison to the end of 2021. The increase resulted mainly from the change in the balance of net provision for estimated CO_2 emissions and energy certificates in the total amount of PLN 1,750 million mainly due to creation of provisions for the 1st quarter of 2022.

As at 31 March 2022, net financial indebtedness of the ORLEN Group amounted to PLN 15,588 million and was higher by PLN 3,313 million in comparison with the end of 2021 mainly due to the net inflows, including inflows and repayments of loans, and borrowings in the amount of PLN 3,369 million, an increase in balance of cash by PLN (173) million, short-term deposits in the amount of PLN (7) million and the net effect of valuation and revaluation of debt due to foreign exchange differences in the total amount of PLN 124 million.

Statement of cash flows for the 3 months of 2022

Proceeds of net cash from operating activities for the 3 months of 2022 amounted to PLN 1,803 million and comprised mainly result from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 4,933 million adjusted by: share in profit from investments accounted for using the equity method in the amount of PLN (142) million, the negative impact of increase in a net working capital by PLN (4,513) million mainly related to increase in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities, use of non-recourse factoring in the companies of the Group decreased by paid income taxes in the amount of PLN (860) million, loss on investing activities in the amount of PLN 2,780 million mainly related to settlement and valuation of derivative financial instruments in the amount of PLN 2,757 million, change in provisions in the amount of PLN 1,727 million mainly as a result of creation of provision for CO_2 emission and other adjustments in the amount of PLN (2,139) million related mainly to security deposits for the settlement of transactions with the ICE and IRGIT exchange in the amount of PLN (1,768) million and settlement of grants for property rights in the amount of PLN (798) million.

Net cash used in investing activities for the 3 months of 2022 amounted to PLN (4,655) million and comprised mainly net cash flows for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (3,456) million and settlement of derivatives not designated as hedge accounting in the amount of PLN (1,205) million.

Net cash flows from financing activities for the 3 months of 2022 amounted to PLN 2,995 million and comprised mainly the net inflows of loans and borrowings in the amount of PLN 3,369 million, interest paid in the amount of PLN (143) million and liabilities under lease agreements in the amount of PLN (231) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 3-month period of 2022 increased by PLN 173 million and as at 31 March 2022 amounted to PLN 3,069 million.

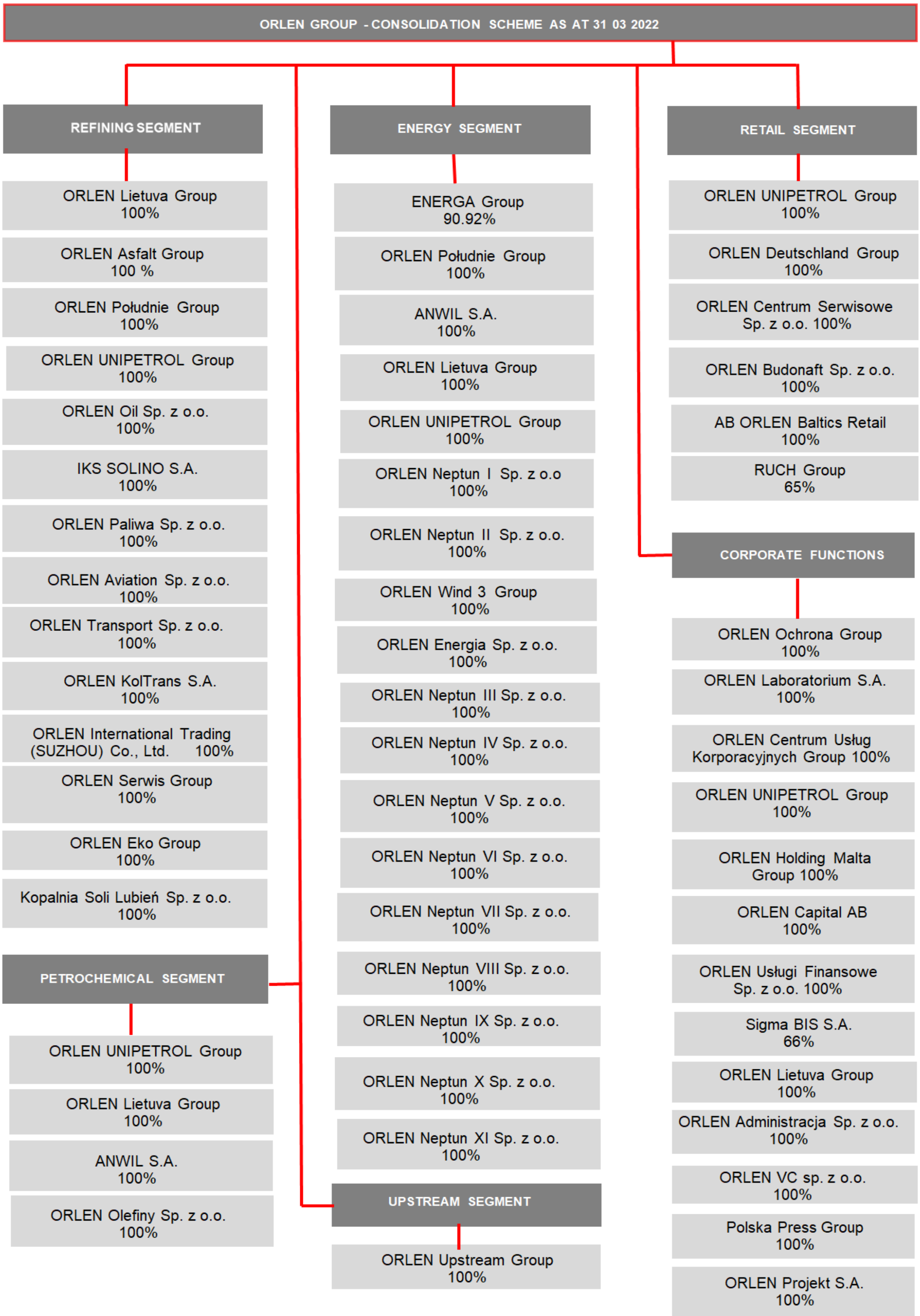
Factors and events which may influence future results

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

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

3.3. Description of the organization of the ORLEN Group

The ORLEN Group includes PKN ORLEN as the Parent Company and entities located in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, Slovakia, Hungary, Estonia, Latvia, Canada and China.
PKN ORLEN as the Parent Company is a multi-segment entity, appropriately allocated to all operating segments and corporate functions.



(in PLN million)

The list of entities included in the lower-level Capital Groups presented in the consolidation diagram

Name of the Capital Group/Company	
Refining Segment	
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
SIA ORLEN Latvija	100%
OU ORLEN Eesti	100%
UAB ORLEN Mockavos terminalas	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN UNIPETROL Slovakia s.r.o.	100%
ORLEN UNIPETROL Doprava s.r.o.	100%
ORLEN UNIPETROL Hungary Kft.	100%
Petrotrans s.r.o.	100%
Paramo a.s.	100%
ORLEN Południe Group	
ORLEN Południe S.A.	100%
Konsorcjum Olejów Przepracowanych - Organizacja Odzysku S.A.	90%
ORLEN Asfalt Group	
ORLEN Asfalt Sp. z o.o.	100%
ORLEN Asfalt Ceska Republika s.r.o.	100%
ORLEN Serwis Group	
ORLEN Serwis S.A.	100%
UAB ORLEN Service Lietuva	100%
ORLEN Service Česká Republika s.r.o.	100%
Grupa ORLEN Eko	
ORLEN Eko Sp. z o.o.	100%
ORLEN EkoUtylizacja Sp. z o.o.	100%
Retail Segment	
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN Deutschland Group	
ORLEN Deutschland GmbH	100%
ORLEN Detuschland Betriebsgesellschaft mbH	100%
Grupa RUCH	
RUCH S.A.	65%
RUCH MARKETING Sp. z o.o	100%
FINCORES BUSINESS SOLUTIONS Sp. z o.o.	100%
RUCH NIERUCHOMOŚCI V Sp. z o.o.	100%
Corporate Functions	
ORLEN Ochrona Group	
ORLEN Ochrona Sp. z o.o.	100%
ORLEN Apsauga UAB	100%
ORLEN Centrum Usług Korporacyjnych Group	
ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	100%
Energa Centrum Usług Wspólnych Sp. z o.o.	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL, a.s.	100%
ORLEN UniCRE a.s.	100%
ORLEN UNIPETROL RPA s.r.o.	100%
HC Verva Litvinov a.s.	70.95%
ORLEN Holding Malta Group	
ORLEN Holding Malta Ltd.	100%
Orlen Insurance Ltd.	100%
Polska Press Group	
Polska Press Sp. z o.o.	100%
Pro Media Sp. z o.o.	53%
PL24 Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%

Name of the Capital Group/Company	
Energy Segment	
ENERGA Group	
Energa S.A.	90.92%
Energa-Operator S.A.	100%
Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	100%
Energa-Obrót S.A.	100%
Energa SLOVAKIA s.r.o.	100%
Enspirion Sp. z o.o.	100%
Energa OZE S.A.	100%
Energa Elektrownie Ostrołęka S.A.	89.64%
Energa Ciepło Ostrołęka Sp. z o.o.	100%
Energa Serwis Sp. z o.o	100%
ECARB Sp. z o.o.	35.40%
ENERGA MFW 1 Sp. z o.o.	100%
ENERGA MFW 2 Sp. z o.o.	100%
Energa Kogeneracja Sp. z o.o.	35.41%
CCGT Grudziądz Sp. z o.o.	100%
CCGT Gdańsk Sp. z o.o.	100%
Energa Finance AB	100%
Energa Informatyka i Technologie Sp. z o.o.	100%
Energa Logistyka Sp. z o.o.	100%
Energa Invest Sp. z o.o.	100%
Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	100%
Energa Oświetlenie Sp. z o.o.	100%
ECARB Sp. z o.o.	64.60%
Energa Kogeneracja Sp. z o.o.	64.59%
Energa Ciepło Kaliskie Sp. z o.o.	91.24%
CCGT Ostrołęka Sp. z o.o.	100%
Energa Green Development Sp. z o.o.	100%
ORLEN Południe Group	
ORLEN Południe S.A.	100%
Energomedia Sp. z o.o.	100%
Bioenergy Project Sp. z o.o	100%
CHP Energia Sp. z o.o	100%
Bioutil Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN Wind 3 Group	
ORLEN Wind 3 Sp. z o.o.	100%
Livingstone Sp. z o.o.	100%
Nowotna Farma Wiatrowa Sp. z o.o.	100%
Petrochemical Segment	
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN UNIPETROL Deutschland GmbH	100%
Spolana s.r.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
Upstream Segment	
ORLEN Upstream Group	
ORLEN Upstream Sp. z o.o.	100%
ORLEN Upstream Canada Ltd.	100%
KCK Atlantic Holdings Ltd.	100%

Changes in the structure of the ORLEN Group from 1 January 2022 up to the date of preparation of this report

- on 17 February 2022, the name of the company was changed from UAB Mockavos terminalas to UAB ORLEN Mockavos terminalas;
- on 7 March 2022, through the S24 system, Polska Press Sp. z o.o acquired 100% of shares in a limited liability in PL24 Sp. z o.o.;
- on 15 March 2022, an Extraordinary General Meeting of ORLEN Południe S.A was held, regarding the consent to the increase of the share capital of ORLEN Południe S.A.;
- on 17 March 2022, the transfer of ownership of 10 registered shares in the share capital of Konsorcjum Olejów Pracy - Organizacja Odzysku Opakowań i Olejów Spółka Akcyjna of shares was made to ORLEN Południe S.A;
- on 18 March 2022, the Extraordinary General Meeting of Shareholders of CCGT Ostrołęka Sp. z o.o. which adopted a resolution on increasing the share capital of CCGT Ostrołęka Sp. z o.o. All new shares were acquired by PKN ORLEN, which made a cash contribution of PLN 193 million. On 14 April 2022, there was increase in the share capital of CCGT Ostrołęka Sp. z o.o.;

ORLEN GROUP (in PLN million)

– on 13 April 2022, there was a disposal of the share in Zakłady Pomiarowo-Badawcze Energetyki "ENERGOPOMIAR" Sp. z o. o. between companies of the ENERGA Group. Currently, the owner is the company ENERGA Ciepło Ostrołęka Sp. z o.o., which acquired a share from ENERGA Elektrownie Ostrołęka S.A.

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.

4. Segment's data

The operations of the ORLEN Group are conducted in:

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

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

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

The effect of valuation and settlement of CO_2 forward contracts is allocated to individual business segments based on the distribution key established on the basis of the Group's estimated emissions in a given year. Additional information is presented in note 5.5.

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

for the 3-months period ended 31 March 2022

	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	19 780	6 434	5 770	13 052	290	121	-	45 447
Inter-segment revenues		11 335	1 199	1 327	33	-	160	(14 054)	-
Sales revenues		31 115	7 633	7 097	13 085	290	281	(14 054)	45 447
Total operating expenses		(26 715)	(6 952)	(5 974)	(12 689)	(119)	(628)	14 054	(39 023)
Other operating income	5.5	338	237	244	12	2	12	-	845
Other operating expenses	5.5	(2 148)	(749)	(787)	(30)	(81)	(68)	-	(3 863)
(Loss)/reversal of loss due to impairment of trade receivables		(3)	1	(20)	(1)	-	8	-	(15)
Share in profit from investments accounted for using the equity method		1	107	34	-	-	-	-	142
Profit/(Loss) from operations		**2 588**	**277**	**594**	**377**	**92**	**(395)**	**-**	**3 533**
Net finance income and costs	5.6								(94)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(3)
Profit before tax									**3 436**
Tax expense									(591)
Net profit									**2 845**
Depreciation and amortisation	5.2	**366**	**269**	**410**	**206**	**70**	**79**	**-**	**1 400**
EBITDA		**2 954**	**546**	**1 004**	**583**	**162**	**(316)**	**-**	**4 933**
Increases in non-current assets		**761**	**1 312**	**435**	**280**	**183**	**73**	**-**	**3 044**

ORLEN ORLEN GROUP (in PLN million)

for the 3-month period ended 31 March 2021

	NOTE	Refining Segment (unaudited) (restated data)	Petrochemical Segment (unaudited) (restated data)	Energy Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited)	Total (unaudited) (restated data)
External revenues	5.1	9 365	3 318	3 905	7 799	151	24	-	24 562
Inter-segment revenues		5 204	459	890	14	-	133	(6 700)	-
Sales revenues		14 569	3 777	4 795	7 813	151	157	(6 700)	24 562
Total operating expenses		(13 677)	(3 425)	(4 280)	(7 471)	(132)	(480)	6 700	(22 765)
Other operating income	5.5	1 052	281	377	18	-	1	-	1 729
Other operating expenses	5.5	(1 178)	(23)	(44)	(20)	(80)	(28)	-	(1 373)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	-	16	-	-	3	-	18
Share in profit from investments accounted for using the equity method		-	81	-	-	-	-	-	81
Profit/(Loss) from operations		**765**	**691**	**864**	**340**	**(61)**	**(347)**	**-**	**2 252**
Net finance income and costs	5.6								(90)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(1)
Profit before tax									**2 161**
Tax expense									(289)
Net profit									**1 872**
Depreciation and amortisation	5.2	**329**	**249**	**395**	**206**	**75**	**57**	**-**	**1 311**
EBITDA		**1 094**	**940**	**1 259**	**546**	**14**	**(290)**	**-**	**3 563**
Increases in non-current asset		**374**	**523**	**485**	**260**	**87**	**44**	**-**	**1 773**

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

Assets by operating segments

	31/03/2022 (unaudited)	31/12/2021
Refining Segment	43 699	35 343
Petrochemical Segment	22 299	17 897
Energy Segment	30 904	29 399
Retail Segment	12 217	11 688
Upstream Segment	4 587	4 284
Segment assets	**113 706**	**98 611**
Corporate Functions	9 321	8 228
Adjustments	(21)	(85)
	123 006	**106 754**

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

5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

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

ORLEN GROUP (in PLN million)

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Revenues from sales of finished goods and services	36 535	18 570
revenues from contracts with customers	*36 455*	*18 505*
excluded from scope of IFRS 15	*80*	*65*
Revenues from sales of merchandise and raw materials	8 912	5 992
revenues from contracts with customers	*8 912*	*5 992*
Sales revenues, incl.:	**45 447**	**24 562**
revenues from contracts with customers	*45 367*	*24 497*

Revenues excluded from the scope of IFRS 15 refer to operating lease contracts.

Performance obligations

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

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

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

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

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

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

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

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

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

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

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

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

In the Group, most contracts with customers in exchange for the goods / services provided are based on a fixed price, and thus the revenues already recognised will not change.

The Group classifies as revenues from contracts based on a variable price, when the consideration is a variable fee on turnover, customers have the rights to trade discounts and bonuses and a part of revenues related to penalties. Revenue from contracts with a variable amount is presented mainly in the Refining, Petrochemical and Energy segments. Contracts accounted for on the basis of time and effort consumed include long-term contracts, among them construction and IT contracts.

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

The duration of most contracts within the Group is short-term. Revenues on services for which start and end dates fall in different reporting periods are recognised according to the degree of complete fulfilment of the performance obligation using the input-based method. Contracts that remain unfulfilled in full as at the balance sheet date relate to i.a. construction and installation contracts.
As at 31 March 2022 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations.
The unfulfilled or partially unfulfilled performance obligations as at 31 March 2022 mainly concerned contracts for the sale of electricity and power media and for the supply of newspapers, subscriptions, advertising broadcast, parcel delivery and collection services that will end within 2022 or are concluded for an indefinite period with a notice period of up to 12 months.
Due to the fact that the described performance obligations are part of the contracts, that can be considered short-term, or the revenues from fulfilled performance obligation under these contracts are recognised in the amount that the Group has the right to invoice, the Group applied a practical solution, according to which it does not disclose information about the total amount of the transaction price allocated to the performance obligation.
The Group mostly realizes revenue from direct sales to end customers based on its own, leased or based on the franchise agreement system sales channels. In the Retail segment, the Group manages the network of 2,878 fuel stations: 2,356 own brand stations and 522 stations operated under franchise agreements and carries out sales through 993 retail outlets/ kiosks managed by the RUCH Group. Additionally, the press is sold in third-party outlets, i.e. large organised networks, including franchised and private shops. As part of the publishing activity of the Polska Press Group, revenues are also generated through own websites.
The Group's direct sales to customers in the Refining Petrochemical and Upstream segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy to customers in the Energy segment are carried out mostly with the use of own distribution infrastructure.

ORLEN ORLEN GROUP (in PLN million)

5.1.1. Sales revenues of operating segments according to product type

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Refining Segment		
Revenue from contracts with customers IFRS 15	**19 775**	**9 361**
Light distillates	4 515	1 895
Medium distillates	13 594	5 706
Heavy fractions	1 952	911
Other*	763	850
Effect of the settlement of cash flow hedge accounting	(1 049)	(1)
Excluded from scope of IFRS 15	**5**	**4**
	19 780	**9 365**
Petrochemical Segment		
Revenue from contracts with customers IFRS 15	**6 432**	**3 316**
Monomers	1 408	813
Polymers	1 195	770
Aromas	511	263
Fertilizers	632	256
Plastics	908	347
PTA	676	351
Other**	1 102	516
Excluded from scope of IFRS 15	**2**	**2**
	6 434	**3 318**
Energy Segment		
Revenue from contracts with customers IFRS 15	**5 760**	**3 904**
Excluded from scope of IFRS 15	**10**	**1**
	5 770	**3 905**
Retail Segment		
Revenue from contracts with customers IFRS 15	**12 995**	**7 746**
Light distillates	4 869	2 819
Medium distillates	7 044	3 884
Other***	1 082	1 043
Excluded from scope of IFRS 15	**57**	**53**
	13 052	**7 799**
Upstream Segment		
Revenue from contracts with customers IFRS 15	**290**	**151**
NGL ****	109	72
Crude oil	61	17
Natural Gas	118	60
Other	2	2
	290	**151**
Corporate Functions		
Revenue from contracts with customers IFRS 15	**115**	**19**
Excluded from scope of IFRS 15	**6**	**5**
	121	**24**
	45 447	**24 562**

* *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 includes mainly: ammonia, butadiene, soda lye, caprolactam*
*** *Other mainly includes the sale of non-fuel merchandise*
**** *NGL (Natural Gas Liquids)*

During the 3-month period ended 31 March 2022 and 31 March 2021 revenues from none of Group customers individually exceeded 10% of the total sales revenues of the ORLEN Group.

ORLEN ORLEN GROUP (in PLN million)

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

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Revenue from contracts with customers		
Poland	*24 398*	*14 051*
Germany	*5 402*	*3 334*
Czech Republic	*5 636*	*2 545*
Lithuania, Latvia, Estonia	*2 940*	*1 227*
Other countries, incl.:	*6 991*	*3 340*
Switzerland	*1 812*	*853*
	45 367	**24 497**
excluded from scope of IFRS 15		
Poland	*23*	*12*
Germany	*21*	*23*
Czech Republic	*36*	*30*
	80	**65**
	45 447	**24 562**

Position Other countries comprises mainly sales to customers from Singapore, United Kingdom, Ireland, Slovakia, Hungary, Italy and Ukraine.

5.2. Operating expenses

Cost by nature

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited) (restated data)
Materials and energy	(26 414)	(13 216)
Cost of merchandise and raw materials sold	(7 716)	(5 134)
External services	(1 634)	(1 376)
Employee benefits	(1 352)	(1 223)
Depreciation and amortisation	(1 400)	(1 311)
Taxes and charges	(1 739)	(1 558)
Other	(198)	(157)
	(40 453)	**(23 975)**
Change in inventories	1 257	1 131
Cost of products and services for own use	173	79
Operating expenses	**(39 023)**	**(22 765)**
Distribution expenses	2 380	1 920
Administrative expenses	699	671
Cost of sales	**(35 944)**	**(20 174)**

5.3. Impairment allowances of inventories to net realizable value

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Increase	(61)	(18)
Decrease	30	22

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

As at 31 March 2022, the ORLEN Group conducted an analysis of the indicators for impairment of assets in accordance with IAS 36 "Impairment of Assets", taking into account the results achieved in the 1st quarter of 2022, macroeconomic conditions and long-term forecasts for the main macroeconomic factors.

As a result of the analysis, the ORLEN Group with the following in the 1st quarter of 2022:

- an increase in model margins and refining cracks (the difference between the quotation of the product and the price of Brent crude oil),
- better long-term forecasts published by IHS in March 2022 compared to the macroeconomic assumptions for the years 2022-2030 adopted for the valuation of assets as at 31 December 2021,
- an increase in crude oil prices and persistently high but stabilizing gas prices (especially important for the Upstream segment and the Energy segment),

ORLEN ORLEN GROUP (in PLN million)

- a significant increase in the sales volumes of refining products in relation to the plan assumptions and
- an increase in interest rates,

as at 31 March 2022, the ORLEN Group did not identify premises for impairment that could result in a significant deviation in the recoverable amount and maintains the valuation of assets estimated and disclosed in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2021.
As at 31 March 2022, the Group also analysed the potential impact of changes in the macroeconomic situation in Europe and the world caused by the armed conflict in Ukraine and the sanctions imposed on Russia. As a result of this analysis, the ORLEN Group also did not identify any significant premises indicating the need to conduct impairment tests with respect to non-current assets, or the need to modify significant assumptions and estimates made by the ORLEN Group. Depending on the further course of the war in Ukraine, the ORLEN Group will update the adopted estimates and assumptions in subsequent reporting periods, if necessary.

In addition, as at 31 March 2022, the ORLEN Group made net impairment allowances in the amount of PLN (27) million relating to: the Refinery segment in the amount of PLN (25) million, mainly due to catalyst damage in PKN ORLEN and the Retail segment, in the net amount of PLN (2) million.

5.5. Other operating income and expenses

Other operating income

	NOTE	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited) (restated data)
Profit on change in the ownership structure		-	156
Profit on sale of non-current non-financial assets		6	8
Reversal of provisions		21	13
Reversal of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset, other non-current assets and classified as held for sale	*5.4*	4	2
Penalties and compensations		42	24
Grants		11	19
Settlement and valuation of derivative financial instruments related to operating exposure		613	1 405
Ineffective part related to valuation and settlement of operating exposure		32	6
Settlement of hedging costs		85	66
Other		31	30
		845	**1 729**

Other operating expenses

	NOTE	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited) (restated data)
Loss on sale of non-current non-financial assets		(12)	(11)
Recognition of provisions		(34)	(45)
Recognition of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset, other non-current assets and classified as held for sale	*5.4*	(31)	(6)
Penalties, damages and compensations		(77)	(12)
Settlement and valuation of derivative financial instruments related to operating exposure		(3 459)	(1 219)
Ineffective part related to valuation and settlement of operating exposure		(162)	(5)
Settlement of hedging costs		-	(1)
Other, incl.:		(88)	(74)
donations		*(65)*	*(21)*
		(3 863)	**(1 373)**

ORLEN ORLEN GROUP (in PLN million)

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

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Valuation of derivative financial instruments	(1 357)	430
commodity forwards (CO2 futures)	*(713)*	*390*
commodity forwards (electricity)	*38*	*-*
commodity swaps	*(694)*	*40*
other	*12*	*-*
Settlement of derivative financial instruments	(1 489)	(244)
commodity forwards (CO2 futures)	*(1 012)*	*178*
commodity swaps	*(480)*	*(422)*
other	*3*	*-*
	(2 846)	**186**

For the 3-month period ended 31 March 2022 and 31 March 2021 the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) mainly related to the valuation and settlement of CO_2 forward contracts as a part of "transaction" portfolio. Moreover this line includes inter alia, the effect of valuation and settlement of commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging, refining margin hedging as well as the Upstream Canada transactions hedging oil and gas. The result on a physical item, hedged by the Group with forward transactions is reflected in the profit/(loss) on sales under manufacturing costs (cost of crude oil used to manufacture refining products based on weighted average acquisition prices) and revenue from sales of refining products. Therefore, the result on the settlement of derivative financial instruments relating to the operational exposure should always be considered together with the profit/(loss) generated by the Group on the sale of a physical position.
In the 1st quarter of 2022, the net position of the valuation and settlement of derivatives related to operational exposure included the effect of the valuation and settlement of commodity swaps hedging the timing mismatch on oil purchases by sea only with regard to derivatives concluded in 2021. Starting from 1 January 2022, the Group began to apply hedge accounting in relation to the hedging of time mismatches resulting from the purchase of crude oil by sea and the sale of refining products, therefore currently the valuation and settlement of commodity swaps concluded in 2022 as part of the commodity risk management strategy related to a time mismatch between the date of purchase of crude oil by sea and the date of processing and sale of refining products in the effective part are recognised under the hedge accounting equity item, and when the hedged item is realised they are recognised respectively in sales revenue or manufacturing cost. The application of hedge accounting from the beginning of 2022 to hedge a time mismatch resulting from the purchase of crude oil by sea and the sale of refining products also changed the net position of the ineffective part related to the valuation and settlement of the operating exposure.

5.6. Finance income and costs

Finance income

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Interest calculated using the effective interest rate method	19	9
Other interest	1	-
Settlement and valuation of derivative financial instruments	375	253
Other	50	1
	445	**263**

Finance costs

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Interest calculated using the effective interest rate method	(121)	(77)
Interest on lease	(41)	(39)
Interest on tax liabilities	(1)	-
Net foreign exchange loss	(32)	(82)
Settlement and valuation of derivative financial instruments	(286)	(132)
Other	(58)	(23)
	(539)	**(353)**

Borrowing costs capitalized in the 3-month period ended 31 March 2022 and 31 March 2021 amounted to PLN (14) million and PLN (12) million, respectively.

(in PLN million)

Settlement and valuation of derivative financial instruments

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Valuation of derivative financial instruments	(4)	59
currency forwards	*(42)*	*(18)*
other	*38*	*77*
Settlement of derivative financial instruments	93	62
currency forwards	*92*	*62*
other	*1*	*-*
	89	**121**

During the 3-month period ended 31 March 2022 and 31 March 2021 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices for crude oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests.
The main impact on the valuation and settlement of derivative financial instruments in the 3-month period ended 31 March 2022 was fluctuations EUR and USD exchange rates against PLN.

5.7. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/03/2022 (unaudited)	31/12/2021	31/03/2022 (unaudited)	31/12/2021	31/03/2022 (unaudited)	31/12/2021
Loans *	6 528	3 434	783	502	7 311	3 936
Borrowings	106	110	21	21	127	131
Bonds	10 305	10 198	921	906	11 226	11 104
	16 939	**13 742**	**1 725**	**1 429**	**18 664**	**15 171**

** as at 31 March 2022 and as at 31 December 2021, the line Loans includes loans in the Project Finance formula, respectively: PLN 218 million and PLN 223 million in the non-current part and PLN 15 million and PLN 18 million in the current part.*

During the 3-month period of 2022, as a part of cash flows from financing activities the Group has made drawings and repayments of borrowings and loans from available credit lines in the total amount of PLN 8,835 million and PLN (5,466) million.

The increase in the Group's indebtedness resulted mainly from the increase in PKN ORLEN's credit exposure:
- drawing tranches of the available syndicated loan presented in the long-term part and using the overdraft presented in the short-term part, which corresponds to the total amount of net cash flows of PLN 2,457 million,
- payment of the long-term loan granted by the European Investment Bank in the amount of EUR 180 million, which corresponds to the cash flow amount of PLN 813 million. The loan was granted to finance sustainable development investments in the ORLEN Group, part of which will be used to finance the investment project in ORLEN Południe ""Project and building of UCO FAME production and distillation lines" and "Building of the complex of units for production of II generation bioethanol (B2G)".

Additional information on active bond issues was presented in note 5.12.

As at 31 March 2022 and as at 31 December 2021 the maximum possible indebtedness due to loans amounted to PLN 19,169 million and PLN 19,063 million, respectively. As at 31 March 2022 and as at 31 December 2021 PLN 11,665 million and PLN 14,960 million, respectively, remained unused.

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

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5.8. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	31/03/2022 (unaudited)	31/12/2021	31/03/2022 (unaudited)	31/12/2021	31/03/2022 (unaudited)	31/12/2021
Cash flow hedging instruments	182	68	260	159	442	227
currency forwards	*182*	*68*	*202*	*159*	*384*	*227*
commodity swaps	-	-	*58*	-	*58*	-
Derivatives not designated as hedge accounting	249	261	253	985	502	1 246
currency forwards	-	-	*16*	*4*	*16*	*4*
commodity swaps	*3*	-	*166*	*132*	*169*	*132*
currency interest rate swaps	*228*	*202*	*64*	*48*	*292*	*250*
interest rate swaps	*2*	*2*	*6*	*4*	*8*	*6*
commodity forwards (CO2 futures)	-	*42*	-	*796*	-	*838*
other	*16*	*15*	*1*	*1*	*17*	*16*
Fair value hedging instruments	28	14	25	5	53	19
commodity swaps	*28*	*14*	*25*	*5*	*53*	*19*
Derivatives	**459**	**343**	**538**	**1 149**	**997**	**1 492**
Other financial assets	149	133	2 124	423	2 273	556
receivables on settled derivatives	-	-	*72*	*155*	*72*	*155*
financial assets measured at fair value through other comprehensive income	*87*	*81*	-	-	*87*	*81*
*financial assets measured at fair value through profit or loss **	*8*	*5*	-	-	*8*	*5*
security deposits	-	-	*2 035*	*265*	*2 035*	*265*
short-term deposits	-	-	*7*	-	*7*	-
loans granted	*1*	*1*	*1*	*1*	*2*	*2*
other	*53*	*46*	*9*	*2*	*62*	*48*
Other non-financial assets	777	593	1	-	778	593
investment property	*330*	*327*	-	-	*330*	*327*
non-current assets classified as held for sale	-	-	*1*	-	*1*	-
other	*447*	*266*	-	-	*447*	*266*
Other assets	**926**	**726**	**2 125**	**423**	**3 051**	**1 149**

** As at 31 March 2022 and as at 31 December 2021, the line investment property includes right-of-use asset in the amount of PLN 64 million and PLN 62 million, respectively.*

As at 31 March 2022 and 31 December 2021, the Group has security deposits that do not meet the definition of cash equivalents concerning mainly hedging of settlement of transactions on the Intercontinental Exchange Inc. (ICE) and the Clearing and Settlement House (Izba Rozliczeniowa Giełd Towarowych S.A. IRGiT in Polish) as well as in the Hungarian clearing house Keler CCP (KELER) totally in the amount of PLN 2,020 million and PLN 250 million, respectively. The increase in the value of security deposits results mainly from the change in the valuation of hedging transactions concluded on the ICE exchange, which is a consequence of the increase of crude oil and refining products prices.

Open futures contracts for the purchase of CO_2 emission allowances

Open futures contracts for purchase of CO2 emission allowances at 31/03/2022	Settlement period	Number of allowances in tonnes	Fair value measurement 31/03/2022	
			Financial assets (unaudited)	Financial liabilities (unaudited)
CO2 'own' portfolio	XII 2022, III 2023	1 523 000	not to be valuated at the balance sheet date	

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

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

As at 31 March 2022, the Group had 16,092,391 CO_2 emission allowances recognised as intangible assets.

(in PLN million)

Derivatives and other liabilities

5

	Non-current 31/03/2022 (unaudited)	Non-current 31/12/2021	Current 31/03/2022 (unaudited)	Current 31/12/2021	Total 31/03/2022 (unaudited)	Total 31/12/2021
Cash flow hedging instruments	778	702	210	42	988	744
currency forwards	*778*	*702*	*76*	*31*	*854*	*733*
commodity swaps	*-*	*-*	*134*	*11*	*134*	*11*
Derivatives not designated as hedge accounting	14	3	1 035	419	1 049	422
currency forwards	*-*	*-*	*64*	*21*	*64*	*21*
commodity swaps	*14*	*-*	*851*	*125*	*865*	*125*
currency interest rate swaps	*-*	*-*	*59*	*52*	*59*	*52*
commodity forwards (CO2 futures)	*-*	*3*	*-*	*122*	*-*	*125*
commodity forwards (electricity)	*-*	*-*	*61*	*99*	*61*	*99*
Derivatives	**792**	**705**	**1 245**	**461**	**2 037**	**1 166**
Other financial liabilities	197	179	1 004	76	1 201	255
liabilities on settled derivatives	*-*	-	*930*	25	*930*	*25*
investment liabilities	*77*	77	*-*	-	*77*	*77*
hedged item adjustment	*28*	14	*25*	5	*53*	*19*
refund liabilities	*-*	-	*25*	23	*25*	*23*
security deposits	*-*	-	*20*	*18*	*20*	*18*
*other **	*92*	*88*	*4*	*5*	*96*	*93*
Other non-financial liabilities	402	407	2 014	62	2 416	469
deferred income	*402*	*407*	*2 014*	*62*	*2 416*	*469*
Other liabilities	**599**	**586**	**3 018**	**138**	**3 617**	**724**

* *As at 31 March 2022 and as at 31 December 2021, the line other in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 19 million and PLN 26 million, and received security deposits in the amount of PLN 66 million and PLN 53 million, respectively.*

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

The line receivables due to settled derivatives and liabilities due to settled derivatives refer to derivatives with a maturity date at the end of the reporting period or earlier, however the payment date falls after the balance sheet date. As at 31 March 2022 the line liabilities due to settled derivatives includes the value of mature commodity swaps hedging the time mismatch on oil purchases by sea, which were repaid in April of 2022. The increase in the balance of liabilities was a consequence of the increase in the prices of crude oil and refinery products and the depreciation of PLN against EUR and USD.

Deferred income as at 31 March 2022 and 31 December 2021 includes mainly the unsettled part of the grants for non-current assets received, mainly in previous years, in the amount of PLN 352 million and PLN 316 million, respectively and as at 31 March 2022 received CO_2 grants in the amount of PLN 1,913 million.

The ICE stock exchange settles financial instruments on a net basis by maintaining separate security deposits: USD and EUR. Cash accumulated on these security deposits is not used interchangeably, therefore in case the balance of one security deposit is positive and the other negative, the Group does not net these positions and presents them separately. As at 31 March 2022, the balance of a security deposit maintained in USD was positive and amounted to USD 480 million, which as at the balance sheet date represented the value of PLN 2,004 million and was presented under Other financial assets position. Whereas, the balance of EUR security deposit was negative and amounted to EUR (4) million, which as at the balance sheet date represented the value of PLN (20) million and was presented under Other financial liabilities position.

5.9. Provisions

	Non-current 31/03/2022 (unaudited)	Non-current 31/12/2021	Current 31/03/2022 (unaudited)	Current 31/12/2021	Total 31/03/2022 (unaudited)	Total 31/12/2021
Environmental	853	961	61	64	914	1 025
Jubilee bonuses and post-employment benefits	723	788	104	102	827	890
CO_2 emissions, energy certificates	-	-	7 224	5 474	7 224	5 474
Other	164	156	595	561	759	717
	1 740	**1 905**	**7 984**	**6 201**	**9 724**	**8 106**

A detailed description of changes in provision is presented 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 2021 in note 16.3.1.

ORLEN ORLEN GROUP (in PLN million)

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.

Fair value hierarchy

	31/03/2022		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	95	95	34	-	61
Loans granted	2	2	-	2	-
Derivatives	997	997	-	997	-
	1 094	**1 094**	**34**	**999**	**61**
Financial liabilities					
Loans	7 311	7 309	-	7 309	-
Borrowings	127	127	-	127	-
Bonds	11 226	11 053	8 865	2 188	-
Derivatives	2 037	2 037	-	2 037	-
	20 701	**20 526**	**8 865**	**11 661**	**-**

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. Future commitments resulting from signed investment contracts

As at 31 March 2022 and as at 31 December 2021 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 20,327 million and PLN 19,033 million, respectively.

5.12. Issue and redemption of debt securities

In the 3-month period of 2022 there were no changes in the issue and redemption of debt securities. The balance of debt securities liabilities as at 31 March 2022:

a) in PKN ORLEN under:
- the second public bond issue program, B-E Series remains open with a total nominal value of PLN 800 million;
- the non-public bond issue on the domestic market C Series and D series also with a total nominal value of PLN 2,000 million, remains open;
- the medium-term Eurobonds issue program on the international market, series A with a nominal value of EUR 500 million remains open;

b) in ORLEN Capital:
- 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.

C Series and D series of PKN ORLEN corporate bonds with a total nominal value of PLN 2,000 million was issued as a part of the sustainable and balanced grow bonds, with an ESG rating as an element. The ESG rating is assigned by independent agencies and assesses a company's or industry's ability to sustainable and balanced grow by taking into account three main, non-financial factors, such as: environmental issues, social issues and corporate governance. In terms of environmental issues, product emissions and carbon footprint, environmental pollution, as well as the use of natural resources and usage of green technologies are crucial.

A Series of PKN ORLEN eurobonds with a nominal value of EUR 500 milion was issued with a green bonds certificate, which provide financing for projects supporting environmental and climate protection. PKN ORLEN has established and published on its website the principles of green and sustainable financing, the "Green Finance Framework" which define the planned investment processes for energy transformation covered by this financing and key performance indicators were defined for these projects in terms of their advance of implementation and their impact on the environment.

5.13. Proposal for distribution of the Parent Company's profit for 2021 and the dividend payment in 2022

Taking into account the implementation of dividend policy, resulting from the adopted by PKN ORLEN Strategy for 2020-2030, the Management Board of PKN ORLEN recommends to distribute the net profit of PKN ORLEN for the year 2021 in the amount of PLN 8,397,702,761,43 PLN as follows: the amount of PLN 1,496,981,713,50 allocate as a dividend payment (PLN 3.50 per 1 share) and the remaining amount of PLN 6,900,721,047,93 as reserve capital. The Management Board of PKN ORLEN proposes 10 August of 2022 as the dividend date and 3 October of 2022 as the dividend payment date. This recommendation of the Management Board will be presented to the General Shareholders' Meeting of PKN ORLEN, which will make a conclusive decision in this matter.

5.14. Contingent assets

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

PERN maintains that the reason for the change in operating stocks is the difference in methodology of calculating the quantity of crude oil REBCO-type delivered by the tank storage in Adamów and crude oil delivered by sea. As at 31 March 2022, according to received confirmation from PERN, PKN ORLEN's operating stock of crude oil REBCO-type amounted to 541,200 net metric tons. The difference in the quantity of stocks increased by 1,079 net metric tons in comparison to 2021 and amounted to 92,769 net metric tons.

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

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019 and 2020 and 2021 in the amount of PLN (158) million is also a contingent asset of PKN ORLEN.

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

On 1 October 2021 PERN initiated court proceedings in which it demands PKN ORLEN to be ordered to pay PLN 156 million with interest and a lump-sum compensation for recovery costs, which PKN ORLEN previously deducted from PERN's remuneration. PERN questions the effectiveness of the deductions made by PKN ORLEN. On 31 January 2022, PKN ORLEN responded to PERN's claim, demanding that PERN's claim be dismissed. PKN ORLEN does not agree with PERN's position presented in the lawsuit filed by PERN. PKN ORLEN disagrees with the position of PERN presented in the lawsuit filed by PERN. In the opinion of PKN ORLEN, PERN's claims are groundless and do not exist, as the amount of PLN 156 million claimed by PERN was effectively deducted from PKN ORLEN's claim for compensation. Court proceedings are pending.

Due to the loss by PERN of further (in relation to the loss covered by the debit note of 24 July 2020) 1,334 net metric tons of REBCO crude oil owned by PKN ORLEN, which PERN was obliged to store and not confirmed in the balance according to the records as at 31 December 2021, on 21 January 2022, PERN received a request for payment along with a debit note for the disclosed further oil loss in the system. PERN did not make the payment resulting from the debit note, and therefore PKN ORLEN set off a claim for the payment of PLN 2.6 million due to PKN ORLEN towards PERN from PERN's claims on account of PERN's invoices for the transport of the raw material.

5.15. 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:

Claim of Warter Fuels S.A. (formerly: 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 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 PLN 247 million. So far, several hearings have been held, during which witnesses submitted by the parties were heard by

the court. On 19 December 2018, a hearing took place, during which the Court heard the parties' position in the scope of the grounds for any repeal of the freezing order. By a decision of 2 January 2019 the Regional Court set aside the order granting security for claims. Warter Fuels S.A. submitted a complaint against this decision on 5 February 2019. PKN ORLEN submitted a response to the complaint. The matter of complaint consideration is at the stage of secondary proceedings, i.e. before the Court of Appeal in Łódź. The freezing order has been legally repealed.
The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. As at the date of these consolidated financial statement the request has not been considered yet. The court has found an expert to issue an opinion also among foreign entities. The opinion in the case will be provided by the University of Technology and Economics. On 21 September 2021 Warter Fuels paid an upfront payment for that expert. A full assessment of the risk of an unsuccessful decision may be made at a later stage of the proceedings, taking into account the arguments of PKN ORLEN. In the opinion of PKN ORLEN the claims of Warter Fuels S.A. are without merit.

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

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

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

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

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

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

The claim submitted by POLWAX against ORLEN Projekt includes PLN 84 million for material damage and PLN 48 million for lost profits that were supposed to arise in connection with improper performance and non-performance of the contract by ORLEN Projekt. The proceedings have been suspended at the joint request of the parties. On 21 October 2021 the court, on the application of POLWAX, made an order to resume the suspended proceedings. On 20 April 2022, the proceedings were suspended.

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

POLWAX claims from ORLEN Projekt the payment of PLN 9.7 million together with overdue interest for delay consists of: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) non-contractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. In January 2022, five meetings on the case were held. Further hearings were held in March and April 2022. The next hearings are scheduled for 20 and 22 June 2022.

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

POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses submitted to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. So far, six hearings have been held in the case; the next hearing is scheduled for 23 June 2022.

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

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

In connection with the delay in execution of the Agreement concluded between Technip Italy S.p.A. ("Technip") and ORLEN Unipetrol for the construction of the Polyethylene Plant in Litvinov, Technip was obliged to pay contractual penalties for the delay in the amount of PLN 107 million, translated using the exchange rate as at 31 March 2022 (representing EUR 23 million). Technip did not pay the above mentioned contractual penalties to ORLEN Unipetrol, therefore ORLEN Unipetrol activated the bank guarantee in the amount of PLN 97 million, translated using the exchange rate as at 31 March 2022 (representing EUR 21 million).
On 17 August 2020, Technip called for arbitration. In November 2020, ORLEN Unipetrol claimed an offset of the remaining contractual interest from the invoice issued by Technip for the remaining part of the contractual remuneration: the outstanding

amount of contractual interest for delay is PLN 8.3 million translated using the exchange rate as at 31 March 2022 (corresponding to EUR 1.8 million).
On 30 November 2020, ORLEN Unipetrol submitted a reply to the statement of claim and filed a counterclaim for the outstanding contractual interest for delay in the amount of PLN 8.3 million translated using the exchange rate as at 31 March 2022 (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 133 million translated using the exchange rate of 31 March 2022 (corresponding to EUR 28.8 million).
Technip, by filing for arbitration taking into account the submitted amendment, intends to obtain:

a. payment of the amount of PLN 99 million, translated using the exchange rate as at 31 March 2022 (corresponding to EUR 21.3 million), representing the amount of unjustified payment under the bank guarantee by ORLEN Unipetrol;
b. payment of the amount of PLN 34 million, translated using the exchange rate as at 31 March 2022 (corresponding to EUR 7.3 million) representing additional claims of Technip based on various circumstances and legal grounds mainly concerning works, additional services provided by Technip in connection with the Polyethylene Plant construction project;
c. payment of the amount of PLN 0.9 million, translated using the exchange rate as at 31 March 2022 (corresponding to EUR 0.2 million) from the invoice issued by Technip, representing the remaining part of the contractual remuneration (which was offset by ORLEN Unipetrol in November 2020);
d. payment of the amount of statutory interest for the entire due payment;
e. dismissal of ORLEN Unipetrol's counterclaim.

The arbitration proceedings are pending before the Court of Arbitration at the International Chamber of Commerce in Vienna. ORLEN Unipetrol RPA s.r.o. submitted its full position in the case on 6 August 2021. There was an interchange of preparatory letters between the parties. In February, a hearing took place. By the end of April 2022, the parties were obliged to submit brief statements after the hearing, including the costs of the proceedings.
In the opinion of ORLEN Unipetrol RPA s.r.o., Technip's claim is without merit.

Contingent liabilities related to the ENERGA Group
As at 31 March 2022, the contingent liabilities of the ENERGA Group recognised in these consolidated financial statement of the ORLEN Group amounted to PLN 267 million.
The largest item of contingent liabilities of the ENERGA Group consists of legal claims relating to the power infrastructure of Energa-Operator SA located on private land. The Group recognises provisions for filed legal claims. If there is uncertainty as to the validity of the amount of the claim or legal title to land, the Group recognises contingent liabilities. As at 31 March 2022, the estimated value of those claims recognised as contingent liabilities amounts to PLN 247 million, while as at 31 December 2021 its value amounted to PLN 249 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

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

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

On 13 September 2021 the Bankruptcy Trustee extended the claim by PLN 13.2 million and EUR 2.6 million constituting a claim for return of the amounts retained as a Guarantee Deposit with statutory overdue interest from 24 March 2021 to the date of payment.

According to information published in Consolidated Financial Statements for the year 2021, as a result of the Arbitration Tribunal's rulings, against which PKN ORLEN was not entitled to appeal, the Company has paid the Bankruptcy Trustee a total of PLN 10.01 million and EUR 5.52 million so far, plus statutory interest for delay in payment. These amounts related mainly to partial payments of the contractual remuneration, as well as remuneration for additional works.

In the 1st quarter of 2022, the Arbitration Tribunal issued the following rulings:

(I) The interim judgement (No.4) of 7 February 2022 regarding Elektrobudowa's claims for compensation of PLN 0.4 milion as additional remuneration for constructing K-1 Chamber in a method different from that specified in the original construction design, whereupon the Adjudicating Team decided that this claim was justified in principle. The interim judgement does not state that PKN ORLEN is obliged to pay the above-mentioned amounts to the claimant, but it is an expression of the Adjudicating Team that Elektrobudowa is entitled to expect payment from PKN ORLEN for the above-mentioned material scope as additional.

ORLEN ORLEN GROUP (in PLN million)

(II) The interim judgement (No.5) of 15 February 2022 regarding Elektrobudowa's claims for compensation of PLN 5.3 milion amount as additional remuneration for the construction of the Cold Weather Station building in a method different from the Agreement whereupon the Adjudicating Team decided that this claim was justified in principle. The interim judgement does not state that PKN ORLEN is obliged to pay the above-mentioned amounts to the claimant, but it is an expression of the Adjudicating Team that Elektrobudowa is entitled to expect payment from PKN ORLEN for the above-mentioned material scope as additional.

In the 1st quarter of 2022, the Group recognised additional provisions for the pending proceedings with Elektrobudowa in the total amount of PLN 51 million, of which provisions of PLN 35 million increased the value of property, plant and equipment, and the remaining part, i.e. PLN 16 million, was charged to financial costs.

The total value of provisions recognised as at 31 March 2022 in connection with the pending proceedings with Elektrobudowa amounted to PLN 77 million.

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

5.16. Related parties transactions

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

As at 31 March 2022 and as at 31 December 2021 and in the 3-month period ended 31 March 2022 and 31 March 2021, on the basis of submitted declarations, there were no transactions of related parties of the ORLEN Group with the Members of the Management Board and the Supervisory Board of the Parent Company and their relatives.

In the 3-month period ended 31 March 2022 and 31 March 2021, on the basis of submitted declarations, there were mainly sales transactions of the members of key executive personnel and their relatives of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 0.4 million and PLN 0.3 million. The largest amounts in both periods were related to the sale of legal services.

As at 31 March 2022 and as at 31 March 2021 balances of the trade and other liabilities due to the above transactions amounted to PLN 0.05 million and PLN 0.03 million, respectively.

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

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Parent Company		
Short-term employee benefits	13.1	12.2
Subsidiaries		
Short-term employee benefits	80.3	71.3
Post-employment benefits	-	0.2
Other long term employee benefits	-	0.2
Termination benefits	1.0	2.0
	94.4	**85.9**

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.

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

	Sales		Purchases	
	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Jointly-controlled entities	**1 217**	**714**	**(128)**	**(75)**
joint ventures	*1 153*	*684*	*(93)*	*(58)*
joint operations	*64*	*30*	*(35)*	*(17)*
	1 217	**714**	**(128)**	**(75)**

	Trade and other receivables		Trade and other liabilities	
	31/03/2022 (unaudited)	31/12/2021	31/03/2022 (unaudited)	31/12/2021
Jointly-controlled entities	**958**	**844**	**154**	**154**
joint ventures	*927*	*819*	*133*	*134*
joint operations	*31*	*25*	*21*	*20*
	958	**844**	**154**	**154**

ORLEN GROUP (in PLN million)

The above transactions with related parties include mainly sales and purchases of refining and petrochemicals products and services. During the 3-month period ended 31 March 2022 and 31 March 2021 there were no related parties transactions within the Group concluded on other than an arm's length basis.

Additionally, during the 3-month period ended 31 March 2022, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives with the other key management personnel of the Parent Company and ORLEN Group companies and entities of the ORLEN Group.

In the 3-month period ended 31 March 2022 and as at 31 December 2021, the Group identified the following transactions:
- sale and purchase amounted to PLN 0.3 million and PLN (1.8) million, respectively;
- balance of receivables amounted to PLN 0.4 million;
- balance of liabilities amounted to PLN 1.5 million

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

5.16.4. Transactions with entities related to the State Treasury

As at 31 March 2022 and as at 31 December 2021, the State Treasury owns 27.52% of the Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.
Therefore, entities related to ORLEN Group companies are those entities over which the State Treasury exercises direct control (subsidiaries) or indirectly (jointly controlled entities).
The Group identified transactions with related parties, which are also parties related to the State Treasury, based on the "List of companies with State Treasury share" provided by the Prime Minister's Office.

During the 3-month period ended 31 March 2022 and 31 March 2021 and as at 31 March 2022 and as at 31 December 2021, the Group identified the following transactions:

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Sales	2 552	814
Purchases	(4 253)	(1 491)

	31/03/2022 (unaudited)	31/12/2021
Trade and other receivables	1 685	687
Trade and other liabilities	1 361	1 571

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

5.17. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure are part of off-balance sheet liabilities and as at 31 March 2022 and as at 31 December 2021 amounted to PLN 2,677 million and PLN 2,659 million, respectively. As at 31 March 2022, the Group assesses the materialisation of this type of liability as very low.

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

The guarantees and sureties granted in the Group on behalf of related parties as at 31 March 2022 and as at 31 December 2021 amounted to PLN 14,623 million and PLN 14,385 million, respectively. They were mainly related to secure of ORLEN Capital and Energa Finance future liabilities due to these transactions of Eurobonds issuance in total amount of PLN 10,934 million and securing the implementation of the CCGT Ostrołęka and CCGT Grudziądz gas project in the equivalent of PLN 1,425 million as well as timely payment of liabilities by subsidiaries.

ORLEN ORLEN GROUP (in PLN million)

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

	Nominal value						Value of guarantee issued	
	EUR	PLN	Subscription date	Expiration date	Interest rate	Rating	EUR	PLN
Eurobonds	750	3 318 *	7.06.2016	7.06.2023	2.5%	BBB-, Baa2	1 100	5 118
Eurobonds	300	1 251 **	7.03.2017	7.03.2027	2.125%	BBB-, Baa2	1 250	5 816
	1 050	**4 569**					**2 350**	**10 934**

* translated using exchange rate as at 31 December 2016
** translated using exchange rate as at 29 December 2017
The value of guarantees granted was translated using the exchange rate as at 31 March 2022

In addition, the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 March 2022 and as at 31 December 2021 amounted to PLN 410 million and PLN 486 million, respectively. Guarantees concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.

5.19. Events after the end of the reporting period

1. New bank financing

In April 2022, PKN ORLEN signed with:
- Bank Gospodarstwa Krajowego the loan agreement in the amount of PLN 4.8 billion, intended to finance the current operations of PKN ORLEN,
- PKO BP an annex to the multi-purpose loan agreement, increasing the limit amount to PLN 600 million for an overdraft facility or bank guarantees and letters of credit.

2. Suspension of Russian gas supplies to Poland

Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") on 26 April 2022 published a current report, in which it informed about the planned complete suspension of natural gas supplies from PAO Gazprom and OOO Gazprom Eksport ("Gazprom") as of 27 April 2022.

PGNiG is the main gas supplier to the ORLEN Group companies operating on the Polish market. As at the date of these interim condensed consolidated financial statements, the framework agreement with PGNiG for the supply of gaseous fuel to the ORLEN system is fully implemented and there are no supply disruptions. Gas transmission to the ORLEN Group is in line with the contract and the Group's demand.

In addition, according to the information provided by the representatives of the Government of the Republic of Poland (RP) at the conference on 26 April 2022, gas storage facilities in Poland are 76% full, and the Polish government has already taken steps to diversify gas supplies to Poland and obtain this raw material from various directions.

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

OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2022

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Major factors having impact on EBITDA and EBITDA LIFO

Profit or loss for the 3 months of 2022

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 1st quarter of 2022 amounted to PLN 4,933 million by PLN 3,563 million (y/y) in comparison period of 2021.

In the 1st quarter of 2022 the net impairment allowances of property, plant and equipment and intangible assets amounted to PLN (27) million. On the other hand, in the 1st quarter of 2021, net impairment allowances of assets was no material and amounted to PLN (4) million.

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

The impact of rising crude oil prices in the 1st quarter of 2022 on the valuation of inventories recognised in the EBITDA result amounted to PLN 2,174 million.

As a result, profit from operations increased by depreciation and amortisation before consideration of impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of assets amounted to PLN 2,786 million and was higher by PLN 361 million (y/y).

The negative impact of macroeconomic factors amounted to PLN (1,026) million and included mainly negative impact of the valuation and settlement of the CO_2 futures contract in the amount PLN (2,293) million and hedging transactions in the amount of PLN (1,443) million (y/y) due to an increase of quotations of crude oil and products. Additionally, the increase in crude oil, natural gas and electricity prices by much higher crude oil processing (y/y) significantly contributed to higher costs of own consumption. The above negative effects were partially compensated by the positive effect of a higher Ural/Brent differential of USD (10.8)/bbl and an increase in margins on light and medium distillates, olefins, polyolefins, PTA, PVC and fertilizers.

The lack of a significant impact of the COVID-19 pandemic in the 1st quarter of 2022 resulted in an increase in the ORLEN Group's sales volumes on all operating markets by 15% (y/y), including refining volumes by 17% (y/y), petrochemicals by 10% (y/y), retail by 13% (y/y) and upstream by 3% (y/y). The above changes in sales trends resulted in a positive volume effect in the amount of PLN 1,092 million (y/y).

The positive impact of the other factors amounted to PLN 295 million (y/y) and included mainly:

- PLN 422 million (y/y) - positive impact of the use of historical inventory layers due to disrupted logistics of oil supplies as a result of the armed conflict in Ukraine.
- PLN (197) million (y/y) – lack of positive impact of revaluation of inventories to net realisable value from the 1st quarter 2021. Impact of revaluation of inventories in the 1st quarter of 2021 was positive and amounted to PLN 193 million, by no material impact of inventory revaluation in the 1st quarter of 2022.
- PLN 70 million (y/y) - other elements, including mainly higher (y/y) wholesale margins with a significant decrease in retail margins on the Polish market, increase in general and labor costs and no positive effect from the 1st quarter of 2021 in the amount of PLN (156) million (y/y) related to the change in the ownership structure of Baltic Power

2. The most significant events in the period from 1 January 2022 up to the date of preparation of this report

JANUARY 2022

Approval for conclusion of agreements regarding implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A. and framework agreement on purchase of fuel stations in Slovakia and Hungary

PKN ORLEN announced that on 10 January 2022 the Company's Management Board has chosen the partners with whom the certain agreements shall be concluded on implementation of remedies ("Remedies") which PKN ORLEN is obliged to realized according to conditional decision of the European Commission ("Commission") as of 14 July 2020 on taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS").

The Company's Management Board gave consent to conclude agreements with the following partners:

1) in fuels production, fuels wholesales and aviation fuels market: Aramco Overseas Company B.V. headquartered in Hague (the Netherlands);
2) in bitumen and fuels logistics market: Unimot Investments spółka z ograniczoną odpowiedzialnością headquartered in Warsaw (Poland);
3) in biocomponents market: Rossi Biofuel Zrt. headquartered in Komárom (Hungary);
4) in retail market: MOL Hungarian Oil and Gas Public Limited Company headquartered in Budapest (Hungary).

Moreover the Company's Management Board gave consent for conclusion by the Company of a framework agreement in result of which the entities belonging to the ORLEN Capital Group will purchase from MOL Plc. assets connected with

operation of fuel stations in Slovakia and Hungary.
The above-mentioned decisions of the Company's Management Board has been accepted by the Company's Supervisory Board.

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

In order to implement Remedies in fuels production market and fuels wholesales market area following agreements were concluded:
1. Preliminary agreement on sales of 30% of shares in LOTOS Asfalt sp. z o.o. headquartered in Gdańsk ("LOTOS Asfalt") ("Preliminary Agreement on Sales of Shares in LOTOS Asfalt") between Grupa LOTOS and Aramco Overseas Company B.V. („Aramco"), with following agreements attached:
a. a template of joint venture agreement between PKN ORLEN, Grupa LOTOS, LOTOS Asfalt and Aramco, realizing the requirement of divestment to the independent third party of 30% of the shares in the company, to which refinery located in Gdańsk was contributed as an in-kind contribution and granting guarantee to this third party of contractual rights in the scope of corporate governance,
b. a template of processing agreement and offtake agreement between Grupa LOTOS, LOTOS Asfalt and Wholesales Company (defined below), which will be concluded for contractual period of joint venture agreement, referred to in point a above,
c. a template of a framework agreement on storage of obligatory inventories of crude oil between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period of 10 years from its entry into force,
d. a template of a framework agreement on railway logistics outsourcing between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period when the processing or offtake agreement are in force.
The agreements indicated above will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Asfalt.
The price specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt, which consists of fixed element in the amount of approximately PLN 1.15 billion and variable element, depending on the level of debt and working capital of LOTOS Asfalt on the day preceding the signing of the promised agreement.
The Preliminary Agreement on Sales of Shares in LOTOS Asfalt includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

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

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

In order to implement Remedies in fuels logistics market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") between Grupa LOTOS and Unimot Investments spółka z ograniczoną odpowiedzialnością

(„Unimot Investments"), to which a contribution agreement is attached on contribution of four PKN ORLEN fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec to LOTOS Terminale;
2. Conditional fuels depot agreement between PKN ORLEN and Unimot Investments which allows PKN ORLEN to use the warehouses in fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec after the shares in LOTOS Terminale are disposed to Unimot Investments, concluded for a period of 10 years starting from the date of its entry into force;
3. Conditional preliminary agreement between PKN ORLEN and Unimot Investments and Unimot S.A. on renting and settlements of expenditures which describes the obligation of the Company, Unimot Investments and Unimot S.A. to conclude a promised agreement on conditions of realization of the investment of building a fuels depot located in Szczecin, that will be owned and operated by LOTOS Terminale.
The contribution agreement, indicated above, will be concluded between PKN ORLEN and LOTOS Terminale after concentration between the Company and Grupa LOTOS is realized.

In order to implement Remedies in retail market area following agreements were concluded:
1. Preliminary agreement of sales of shares in LOTOS Paliwa between Grupa LOTOS and MOL Hungarian Oil and Gas Public Limited Company („MOL") ("Preliminary Agreement of Sales of Shares in LOTOS Paliwa"), from which, before concluding of promised agreement of sales of shares in LOTOS Paliwa, Wholesales Business will be separated, consisting of in total 417 fuel stations of LOTOS retail network, located in Poland.
Additional document to the Preliminary Agreement of Sales of Shares in LOTOS Paliwa is a conditional agreement on sales of fuels to MOL Group, between PKN ORLEN and MOL, which will be concluded for a period of up to 8 years.
The price specified in the Preliminary Agreement of Sales of Shares in LOTOS Paliwa will be calculated on the base of formula specified in the Preliminary Agreement of Sales of Shares in LOTOS Paliwa, which consist of fixed element in the amount of approximately USD 610 million and variable element, depending on the level of debt and working capital of LOTOS Paliwa on the last day of the month preceding the month in which the promised agreement will be signed.
The Preliminary Agreement of Sales of Shares in LOTOS Paliwa includes a material adverse change clause, according to which, in case of occurrence of the events strictly defined in the agreement the price for shares in LOTOS Paliwa will be reduced accordingly based on agreed formula.

In order to implement Remedies in aviation fuels market area following agreements were concluded:
1. Preliminary agreement on sales of all shares owned by Grupa LOTOS in LOTOS-Air BP Polska sp. z o.o. headquartered in Gdańsk ("LOTOS-Air BP") between Grupa LOTOS and Aramco;
2. Conditional agreement on sales of aviation fuel to LOTOS-Air BP, between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
3. Conditional agreement on LOTOS-Air BP aviation fuel storage in Olszanica between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
4. Conditional agreement on providing services of operating activity support in case of force majeure, between PKN ORLEN, ORLEN Aviation sp. z o.o. headquartered in Warsaw and LOTOS-Air BP, concluded for a period of 15 years from the date of its entry into force.
In order to implement Remedies in bitumen market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale, which, before concluding of promised agreement of sales of shares will acquire 100% of shares in LOTOS SPV 2 sp. z o.o. ("Bitumen Company"), between PKN ORLEN and Unimot Investments. Beforehand, Bitumen Business will be separated to Bitumen Company.
2. Conditional bitumen sales agreement between Grupa LOTOS, PKN ORLEN and Unimot Investments, which will be concluded for a period of 10 years from its entry into force with option to extend this period by another two 5 years periods on terms previously agreed between parties.
Within 7 days from the conclusion of the above mentioned agreements the Company will submit to the Commission a motion for approval of proposed buyers of assets that are being disposed to implement Remedies and of concluded preliminary agreements and conditional agreements with attachments.
Additionally PKN ORLEN has concluded a conditional framework sales and purchase agreement with MOL ("Framework Agreement") as a result of which companies belonging to the ORLEN Capital Group will purchase from MOL 144 fuel stations located in Hungary and 41 fuel stations located in Slovakia for the total price amounting to approximately EUR 229 million ("Transactions"). The price is subject to be corrected as of the Transaction settlement day due to changes in the level of net debt and working capital of the acquiring assets in relation to their reference values.
The Transactions shall be closed in 12 months from the day of signing of the Framework Agreement, however the actual acceptance of all acquiring assets shall be made in 18 months from the day of the Transactions closing.
Closing of the Transaction subjects to, among others, obtaining a certain approval of the Commission and the former purchase of 100% of shares in LOTOS Paliwa by MOL.
Additionally PKN ORLEN concluded with Saudi Arabian Oil Company a long term agreement on crude oil deliveries to the ORLEN Capital Group companies. On the base of the agreement, in case of finalization of the concentration with Grupa LOTOS, PKN ORLEN will secure deliveries of the crude oil from Saudi Arabian Oil Company to ORLEN Capital Group in the amount from 200 to 337 thousand barrels daily.
PKN ORLEN also concluded with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a memorandum of understanding on cooperation to analyse, prepare and realize common investments in petrochemical segment. As potential areas of cooperation there will be analysed, among others, development projects in olefins and olefin derivatives, including aroma derivatives, in Poland and in Central and Eastern Europe.
PKN ORLEN also signed with Saudi Arabian Oil Company a memorandum of understanding on cooperation for the common analyses, preparation and realization of research and development projects, as well within the sustainable development technology.

Change in the Management Board
PKN ORLEN announced that on 27 January 2022 Mr Zbigniew Leszczyński submit a resignation with the effect from the end of 31 January 2022 from the position of PKN ORLEN Management Board Member.

The Polish Office of Competition and Consumer Protection consent to establish SPV with PGNiG in biomethane area
PKN ORLEN announced that on 31 January 2022 ORLEN Południe S.A. and PGNiG S.A. received the consent from the Chairman of the Polish Office of Competition and Consumer Protection to establish special purpose vehicle ("SPV"). Consequently the condition of establish a joint venture has been fulfilled. ORLEN Południe S.A. will have 51% of shares and PGNiG S.A. 49% in creating entity.
The core business of SPV is development of the market and production of biomethane, particularly acquisition and construction of biomethane plants, development of biomethane production technologies, as well as production, trading and use of biomethane in different fields of ORLEN Group and PGNiG S.A. business activity.

FEBRUARY 2022

ORLEN Capital Group Hydrogen Strategy
PKN ORLEN announced that on 2 February 2022 Company's Supervisory Board approved ORLEN Capital Group Hydrogen Strategy 2030 ("Hydrogen Strategy") which is more detailed part of ORLEN Capital Group Strategy 2030 in one of business areas – hydrogen as part of the plan to invest in ORLEN Capital Group future.
The Hydrogen Strategy defines ORLEN Capital Group goals by 2030 and long-term development ambitions in hydrogen area in four key areas:
- Mobility – ORLEN Capital Group as a transition leader in Central Europe, producing and providing zero- and low-carbon hydrogen as alternative fuel for transport sector and operator of publicly accessible hydrogen refuelling stations located in Central Europe. In the first stage (by 2025) focus on development of B2B market (primarily public transport ensuring stable demand volumes), next development of partnerships to creating of hydrogen corridors for long-haul heavy-duty transport; development of B2C offer and intensification of R&D activities in e-fuels area for air transport and in long term sea transport.
- Refining and petrochemicals – hydrogen as main enabler of decarbonisation of ORLEN Capital Group. Focus on cost-efficient reduction of CO_2 emission of existing hydrogen production units in ORLEN Capital Group through, among others, realization before 2030 of projects in the field of carbon capture, utilisation and/or storage in selected locations. At the same time building of new hydrogen production plants based on electrolysis powered by renewable energy sources and units which convert municipal waste into hydrogen (waste-to-hydrogen type).
- Research and development, innovations and regulatory environment – advancement of research and development activities actively supporting the potential of the ORLEN Capital Group. ORLEN Capital Group as a partner of first choice for building a hydrogen economy in Central Europe: focus on creating and promoting hydrogen partnerships and the hydrogen ecosystem as well as building in-house capabilities across the hydrogen value chain supporting realizing investment initiatives.
- Industry and energy - promising direction of ORLEN Capital Group engagement as a major supplier and customer of zero- and low-carbon hydrogen within the European Hydrogen Backbone.

It was estimated that realization of activities planned by 2030 in Hydrogen Strategy will require CAPEX of approximately PLN 7.4 billion. Expenditures have been partially taken into account in ORLEN Capital Group Strategy 2030 as part of pillar: Investing in the future. The Hydrogen Strategy will consist of a series of initiatives to be realizes, the most important of which include the following projects:
- Building of over 100 publicly accessible hydrogen refuelling stations with necessary logistics infrastructure in Central Europe.
- Building new low- and zero-carbon hydrogen capacity of approximately 540 MW, including from water electrolysis powered by renewables and municipal waste to hydrogen.
- Building of units dedicated to CO_2 emission reduction from existing hydrogen production units with using of carbon capture, utilisation and/or storage technologies.

Realization of above projects allow for production of zero- and low-carbon hydrogen in ORLEN Capital Group in 2030 on the level of approximately 50% of the total planned volume of hydrogen production in ORLEN Capital Group in 2030, which will lead to avoidance of approximately 1,6 Mt of CO_2 emission from hydrogen production yearly.
The scale of CAPEX planned in the Hydrogen Strategy may by lowered due to use of external financing, including non-returnable, connected with innovations and energy transition.

Change in the Management Board
PKN ORLEN announced that the Supervisory Board of PKN ORLEN S.A., following its meeting on 15 February 2022 appointed Mr Piotr Sabat to hold the position of the Member of the Company's Management Board, with the effect from 1 March 2022.

MARCH 2022

Agreements for building of the complex of units for production of II generation bioethanol in the ORLEN Poludnie production plant
PKN ORLEN announced that ORLEN Poludnie S.A. ("ORLEN Poludnie") signed the agreements for building of the complex of units for production of II generation bioethanol (B2G) in EPC formula (Engineering, Procurement and Construction) in the ORLEN Poludnie production plant in Jedlicze ("B2G Complex").
Within the B2G Complex main unit for bioethanol production, heat and power plant and ancillary infrastructure will be built.

ORLEN GROUP (in PLN million)

The general contractor of the mail B2G unit, with yearly capacity of 25 thousand tonnes, will be ZARMEN Sp. z o.o. headquartered in Warsaw. CAPEX for B2G unit will amount to approximately PLN 550 million.
The contractor of biomass heat and power plant will be Valmet Technologies Oy headquartered in Espoo, Finland. CAPEX for heat and power plant will amount to approximately PLN 170 million.
In the next stage, for the purpose of the B2G Complex, the biogas plant will also be built.
Total CAPEX for building of the B2G Complex is estimated at approximately PLN 1.12 billion. The completion of the building is planned by the end of 2024.

The Polish Office of Competition and Consumer Protection conditional consent regarding concentration between PKN ORLEN and PGNiG S.A.
PKN ORLEN announced that on 16 March 2022 it received the conditional positive decision from the Chairman of the Polish Office of Competition and Consumer Protection ("UOKiK") regarding consent for concentration consisting in merger with Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw („PGNiG").
The positive decision of the Chairman of UOKiK was submitted under condition of implementing by PKN ORLEN and PGNiG the remedy in the form of getting rid of control over Gas Storage Poland Sp. z o.o., the subsidiary of PGNiG, which core field of activity is performing tasks of a storage system operator of natural gas. The decision provides also an obligation to conclude or maintain with Gas Storage Poland Sp. z o.o. an agreement entrusting the duties of storage system operator after getting rid of control over that company. PKN ORLEN and PGNiG have 12 months from the moment of concertation for realization of the remedy.

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

As at the date of preparation of these 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
Piotr Sabat – Member of the Management Board, Development
Michał Róg – Member of the Management Board, Wholesale and International Trades
Jan Szewczak – Member of the Management Board, Chief Financial Officer
Józef Węgrecki – Member of the Management Board, Operations

Supervisory Board

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

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

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

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

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

As at the date of preparation of these 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 these interim condensed consolidated financial statements, there were no changes in the ownership of PKN ORLEN shares held by Members of the Management Board and the Supervisory Board.

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

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

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR THE 1st QUARTER 2022

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

(in PLN million)

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN

Separate statement of profit or loss and other comprehensive income

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Sales revenues	33 474	15 853
Cost of sales	(28 604)	(13 643)
Gross profit on sales	**4 870**	**2 210**
Distribution expenses	(1 332)	(1 163)
Administrative expenses	(311)	(322)
Other operating income	878	932
Other operating expenses	(3 618)	(523)
(Loss)/reversal of loss due to impairment of trade receivables	6	1
Profit from operations	**493**	**1 135**
Finance income	944	481
Finance costs	(985)	(546)
Net finance income and costs	**(41)**	**(65)**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables	(17)	(3)
Profit before tax	**435**	**1 067**
Tax expense	(48)	(103)
current tax	*(290)*	*(52)*
deferred tax	*242*	*(51)*
Net profit	**387**	**964**
Other comprehensive income:		
which will not be reclassified subsequently into profit or loss	**9**	**3**
actuarial gains and losses	*12*	*-*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income	*(1)*	*4*
deferred tax	*(2)*	*(1)*
which will be reclassified into profit or loss	**(119)**	**(143)**
hedging instruments	*(307)*	*(488)*
hedging costs	*160*	*311*
deferred tax	*28*	*34*
	(110)	**(140)**
Total net comprehensive income	**277**	**824**
Net profit and diluted net profit per share (in PLN per share)	0.90	2.25

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of financial position

	31/03/2022 (unaudited)	31/12/2021
ASSETS		
Non-current assets		
Property, plant and equipment	19 010	17 997
Intangible assets	2 175	1 667
Right-of-use asset	2 422	2 382
Shares in subsidiaries and jointly controlled entities	19 645	19 274
Derivatives	317	265
Long-term lease receivables	20	20
Other assets, incl.:	3 062	2 704
Loans granted	*2 850*	*2 490*
	46 651	**44 309**
Current assets		
Inventories	13 428	11 167
Trade and other receivables	13 150	9 866
Current tax assets	5	4
Cash	1 766	1 521
Derivatives	1 381	1 191
Short-term lease receivables	2	1
Other assets, incl.:	4 454	2 744
Loans granted	*806*	*1 315*
Non-current assets classified as held for sale	475	150
	34 661	**26 644**
Total assets	**81 312**	**70 953**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	(542)	(423)
Revaluation reserve	10	11
Retained earnings	36 979	36 582
Total equity	**38 732**	**38 455**
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	12 023	8 953
Provisions	369	465
Deferred tax liabilities	345	613
Derivatives	968	769
Lease liabilities	2 159	2 127
Other liabilities	193	183
	16 057	**13 110**
Current liabilities		
Trade and other liabilities	14 799	12 144
Lease liabilities	339	356
Liabilities from contracts with customers	360	300
Loans, borrowings and bonds	1 298	945
Provisions	3 192	2 362
Current tax liabilities	245	621
Derivatives	1 530	623
Other liabilities	4 760	2 037
	26 523	**19 388**
Total liabilities	**42 580**	**32 498**
Total equity and liabilities	**81 312**	**70 953**

(in PLN million)

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2022	2 285	(423)	11	36 582	38 455
Net profit	-	-	-	387	387
Items of other comprehensive income	-	(119)	(1)	10	(110)
Total net comprehensive income	**-**	**(119)**	**(1)**	**397**	**277**
31/03/2022	**2 285**	**(542)**	**10**	**36 979**	**38 732**
(unaudited)					
01/01/2021	2 285	(74)	(8)	29 666	31 869
Net profit	-	-	-	964	964
Items of other comprehensive income	-	(143)	3	-	(140)
Total net comprehensive income	**-**	**(143)**	**3**	**964**	**824**
31/03/2021	**2 285**	**(217)**	**(5)**	**30 630**	**32 693**
(unaudited)					

(in PLN million)

Separate statement of cash flows

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Cash flows from operating activities		
Profit before tax	**435**	**1 067**
Adjustments for:		
Depreciation and amortisation	540	501
Foreign exchange (profit)	(62)	(9)
Net interest	28	42
(Profit)/Loss on investing activities, incl.:	2 736	(384)
settlement and valuation of derivative financial instruments	*2 693*	*(414)*
Change in provisions	825	546
Change in working capital	(2 124)	526
inventories	*(2 261)*	*(1 118)*
receivables	*(2 103)*	*(595)*
liabilities	*2 240*	*2 239*
Other adjustments, incl.:	(2 399)	184
settlement of grants for property rights	*(339)*	*(144)*
security deposits	*(1 758)*	*297*
Income tax (paid)	(667)	(93)
Net cash from/(used in) operating activities	**(688)**	**2 380**
Cash flows from investing activities		
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(1 885)	(1 772)
Acquisition of shares	(321)	(310)
Outflows from additional payments to equity in subsidiaries	(51)	(105)
Disposal of property, plant and equipment, intangible assets and right-of-use asset	26	6
Interest received	35	15
Expenses from non-current loans granted	(136)	(423)
Proceeds from non-current loans granted	73	1
Proceeds from current loans granted	261	-
Net flows within cash-pool system	199	(261)
Settlement of derivatives not designated as hedge accounting	(1 204)	(7)
Other	2	-
Net cash (used) in investing activities	**(3 001)**	**(2 856)**
Cash flows from financing activities		
Proceeds from loans and borrowings received	7 836	3 956
Bonds issued	-	994
Repayments of loans	(4 500)	(3 917)
Interest paid from loans, borrowings, bonds and cash pool	(23)	(13)
Interest paid on lease	(41)	(41)
Net flows within cash-pool system	756	160
Payments of liabilities under lease agreements	(91)	(96)
Other	(8)	-
Net cash from financing activities	**3 929**	**1 043**
Net increase in cash	**240**	**567**
Effect of changes in exchange rates	5	-
Cash, beginning of the period	1 521	586
Cash, end of the period	**1 766**	**1 153**
including restricted cash	*83*	*83*

This consolidated quarterly report was approved by the Management Board of the Parent Company on 27 April 2022.

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

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

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

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

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

signed digitally on the Polish original
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Piotr Sabat
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
………………………..…………..
Józef Węgrecki
Member of the Board