ORLEN Group consolidated financial results 2Q22

5 August 2022

#ORLEN2Q22@PKN_ORLEN

Agenda

- Summary 2Q22
- Market environment
- Financial and operating results
- Financial strength
- Outlook

Summary 2Q22

Financial and operating results

- EBITDA LIFO: PLN 5,3 bn;
- Crude oil throughput: 7,2 mt; / 83% utilization ratio
- Sales volumes: 9,8 mt;

Macro:

- Model refining margin with differential: 38,7 USD/bbl
- Petrochemical margin: 1405 EUR/t
- Electricity: 702 PLN/MWh
- Natural gas: 471 PLN/MWh
- CO2 emission rights: 83 EUR/t

Financial situation

- Cash flow from operations: PLN 9,0 bn
- CAPEX: PLN 3,2 bn
- Net debt: PLN 11,6 bn
- Net debt/EBITDA: 0,42
- Investment rating: BBB- positive outlook (Fitch), Baa2 positive outlook (Moody's).
- AGM of PKN ORLEN agreed for recommended by the Management Board dividend payout for 2021 at the level of PLN 3,50 per share (dividend payment date 3 October 2022).

Key facts

M&A's:

- LOTOS Group
  - Agreement and signing of the Merger Plan, including determination of parity ratio 1,075:1.
  - EC consent for a merger with LOTOS Group.
  - In July EGM of both companies approved the merger.
- PGNiG – preparation for the finalization of the merger process.

Investments:

- Signing contracts with 37 entities for the production, storage and use of zero and low-emission hydrogen.
- Launch of the first mobile hydrogen refueling station in Poland.
- Launch of the first in Poland installation for the production of ecological lactic acid.
- Completion of geotechnical studies of the seabed as part of the project to build an offshore wind farm in the Baltic Sea.
- Commencement of electricity production from own natural gas deposits.
- Signing an agreement on strategic cooperation with Alstom in the supply of zero-emission trains and hydrogen fuel for public rail transport.

Others:

- PKN ORLEN received the Golden Leaf of CSR Polityka newspaper for the eighth time in a row, Golden Leaf also for Anwil, Silver Leaf for Energa.
- PKN ORLEN was awarded the Heros of the Capital Market in the category: Large ESG Company during the WallStreet 26 conference.
- ORLEN VC with the first direct investment in the cybersecurity for industry.
- PKN ORLEN the largest sponsor of Polish sport, culture and CSR. Publication of 2nd Sponsoring Report - investment increase by 120% (y/y).

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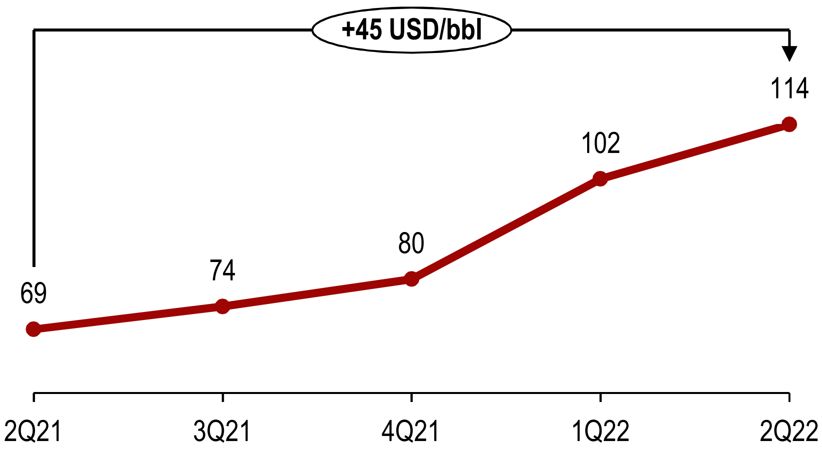
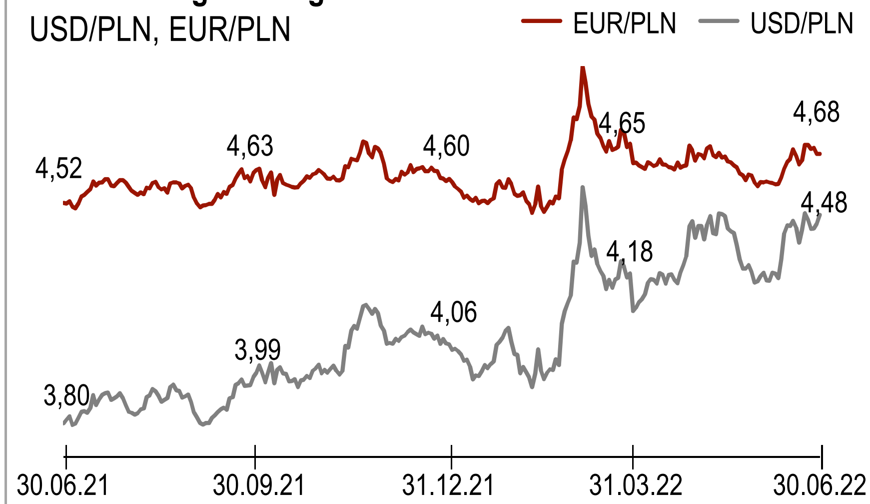
Macro 2Q22

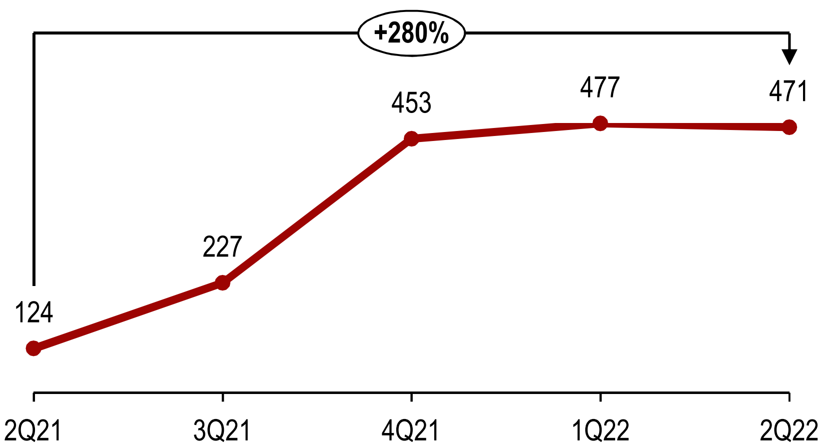
Brent crude oil price
USD/bbl



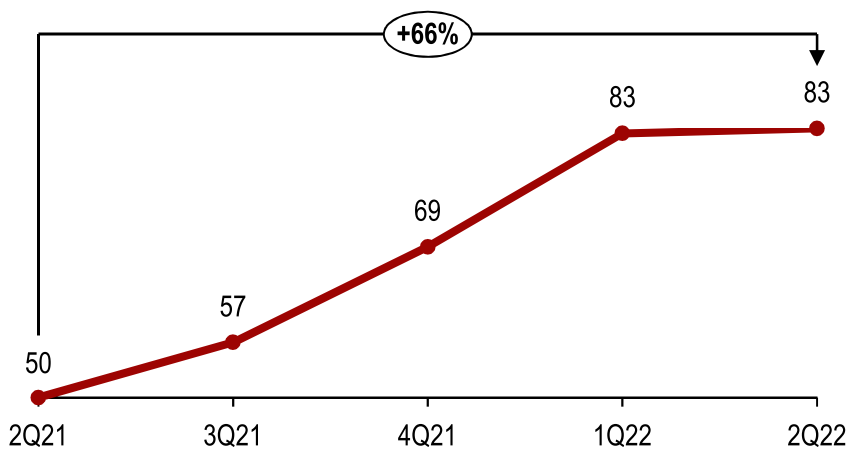
PLN exchange rate against USD and EUR
USD/PLN, EUR/PLN



Natural gas
PLN/MWh



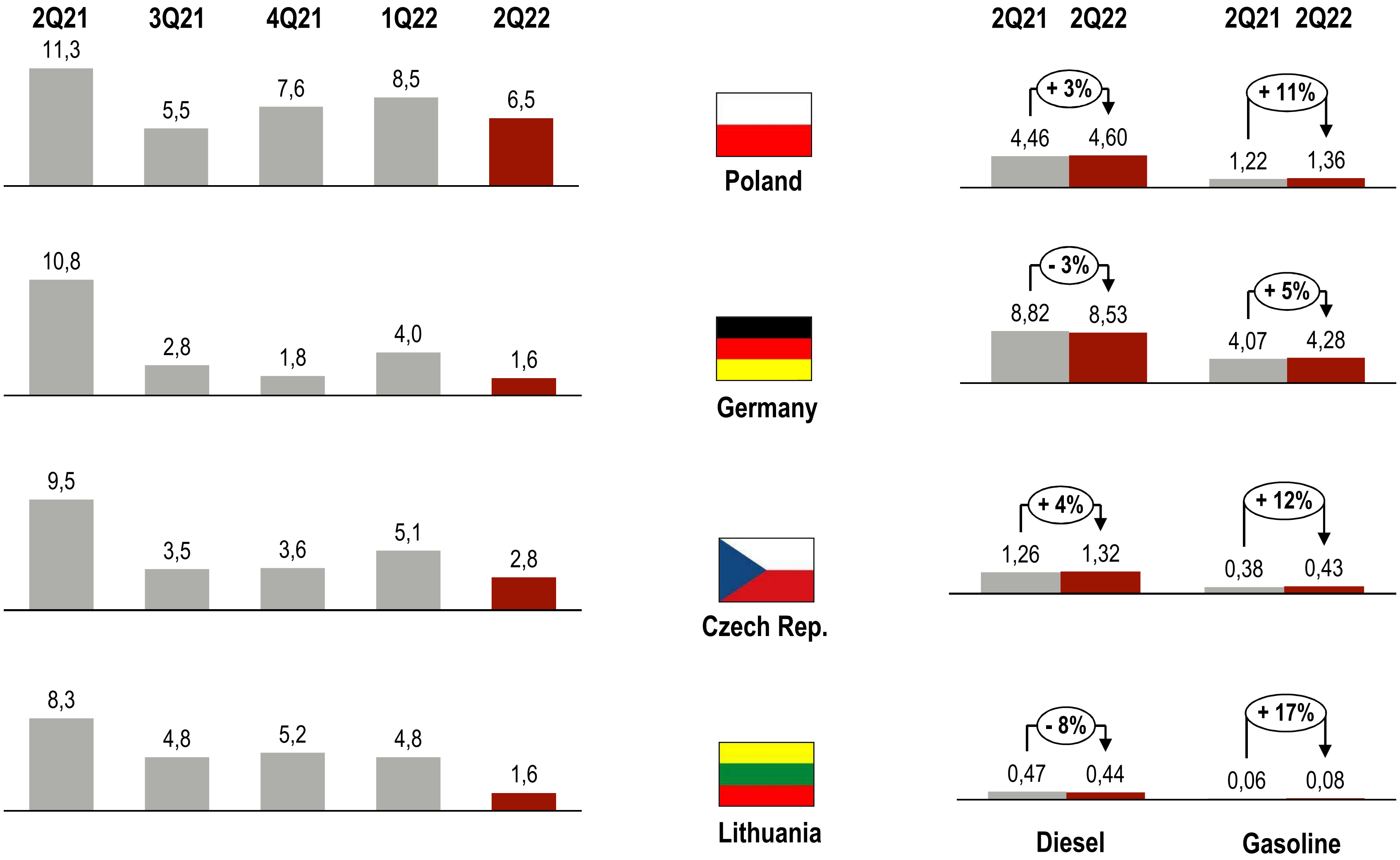
CO2 emission rights
EUR/t



Decline in GDP growth as a result of economic slowdown

GDP[1]
Change % (y/y)

Fuel consumption[2]
mt



[1] 2Q22 – estimates: Poland (NBP) / the Czech Rep., Germany, Lithuania (European Commission)
[2] 2Q22 – own estimates based on available data from ARE, Lithuanian Statistical Office, Czech Statistical Office and German Association of Petroleum Industry

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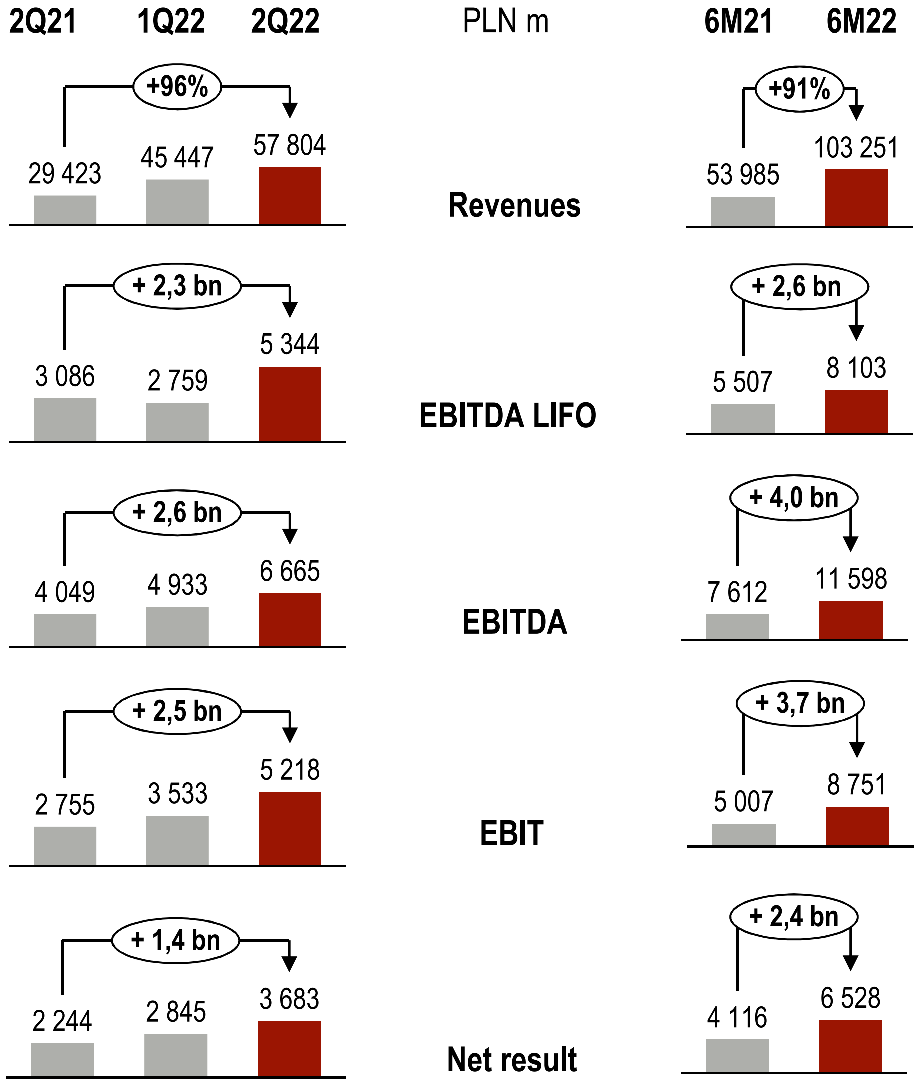
Financial results



Revenues: increase by 96% (y/y) due to higher quotations of refining and petrochemical products resulting from higher crude oil prices and higher sales volumes.

EBITDA LIFO: increase by PLN 2,3 bn (y/y) as a result of positive macro impact, higher sales volumes, higher wholesale margins, higher non-fuel margins in retail and usage of historical inventory layers. Abovementioned positive effects were partially limited by higher costs of internal usage, lower fuel margins in retail and higher costs as well as impairments.

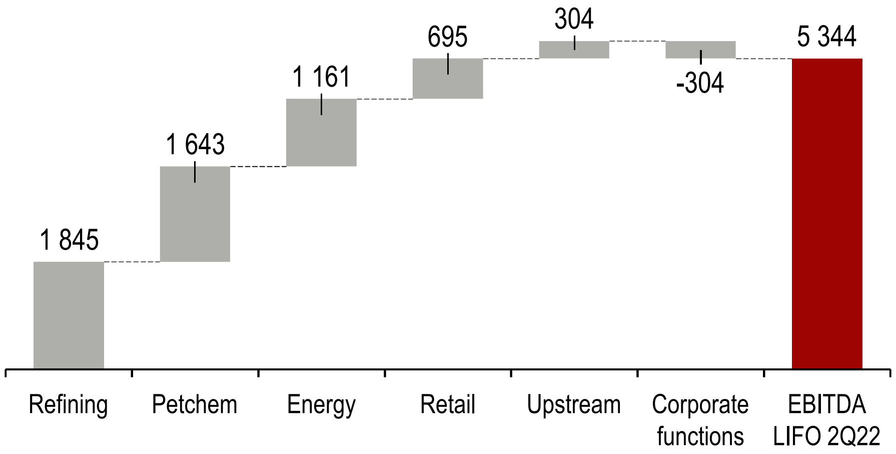
LIFO effect: PLN 1,3 bn impact of changes in crude oil prices on inventory valuation.

Financial result: PLN (-) 0,2 bn as a result of the surplus of negative FX differences and interest costs at positive net impact of settlement and valuation of derivative financial instruments.

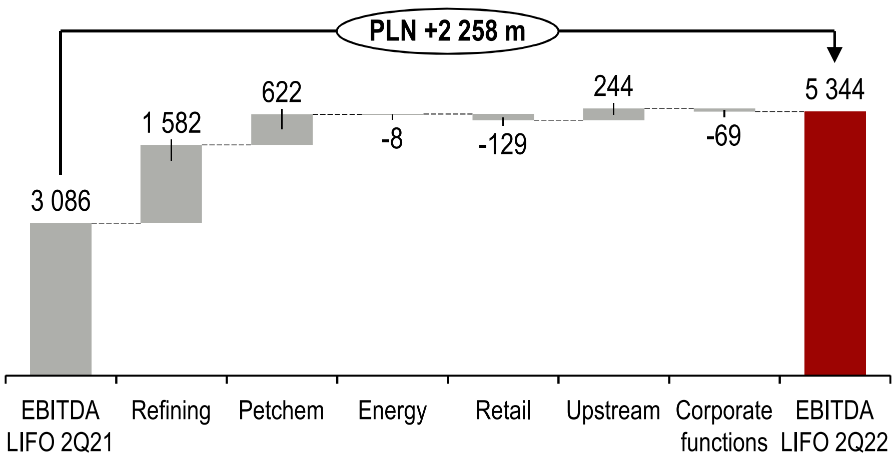
Net result: increase by PLN 1,4 bn (y/y), of which: higher EBITDA LIFO by PLN 2,3 bn, neutral impact of impairments, higher LIFO effect by PLN 0,4 bn, higher depreciation by PLN (-) 0,2 bn, negative effect of net financials by PLN (-) 0,3 bn and higher income tax by PLN (-) 1,1 bn.

EBITDA LIFO

Segments' results
PLN m



Change in segments' results (y/y)
PLN m



Refining: increase by PLN 1582 m (y/y) due to positive macro impact, higher trade margins and usage of historical inventory layers at negative impact of sales volumes, higher costs of internal usage, higher costs and impairments.

Petchem: increase by PLN 622 m (y/y) due to positive macro impact, higher sales volumes, higher trade margins at negative impact of usage of historical inventory layers and higher costs.

Energy: increase by PLN 8 m (y/y) due to positive impact of macro and higher sales volumes at negative impact of higher costs.

Retail: decrease by PLN (-) 129 m (y/y) due to negative impact of lower fuel margins and higher costs at positive impact of higher sales volumes and higher non-fuel margins.

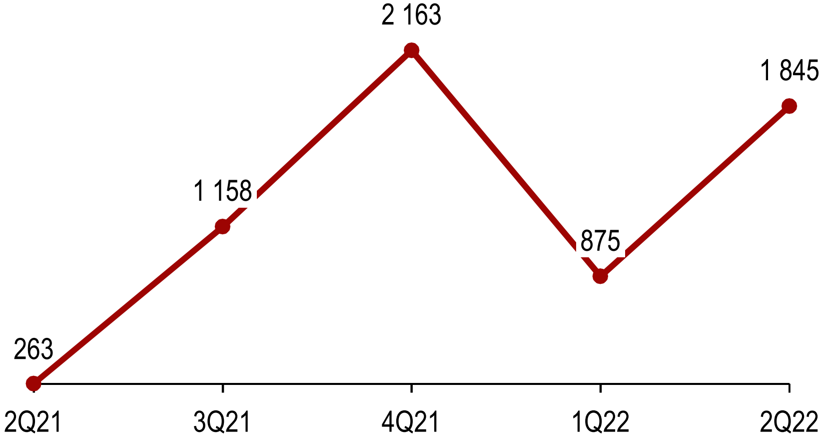
Upstream: increase by PLN 244 m (y/y) due to positive macro impact and higher sales volumes.

Corporate functions: mainly due to higher costs of running a business.

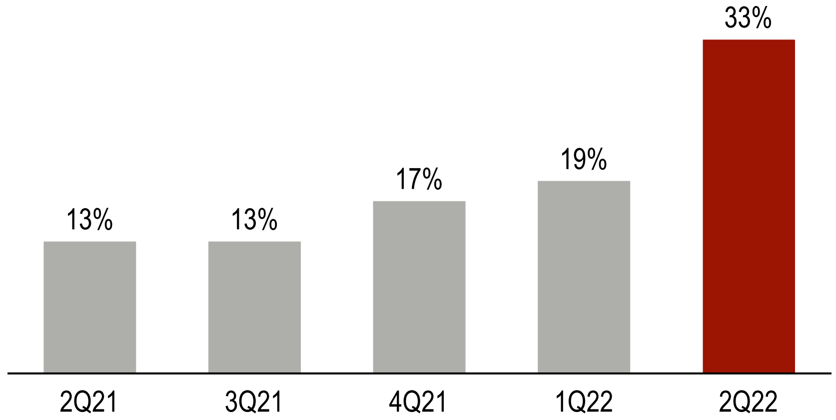
Refining – EBITDA LIFO

Positive impact of macro, higher trade margins and usage of historical inventory layers

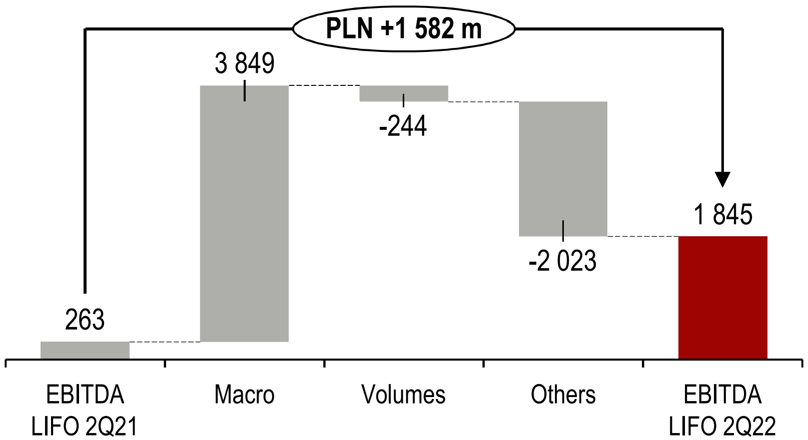
EBITDA LIFO
PLN m



Arabian light crude oil share in throughput
%



EBITDA LIFO – impact of factors
PLN m



- Positive macro impact (y/y) due to higher margins on light and middle distillates, higher differential and weakening of PLN vs USD. Abovementioned effects were partially limited by negative impact of hedging, higher provisions for CO_2, valuation of CO_2 contracts, lower cracks on HSFO and higher costs of internal usage resulting from higher crude oil prices.
- Sales volumes increase by 2% (y/y), of which: higher sales of diesel by 2%, JET by 104% and HSFO by 30% at lower sales of gasoline by (-) 26% and LPG by (-) 11%.
- Others include mainly: PLN 0,6 bn (y/y) higher trade margins, PLN 0,4 bn (y/y) usage of historical inventory layers and PLN (-) 0,1 bn (y/y) higher fixed and overhead costs, PLN (-) 2,8 bn (y/y) of impairments.

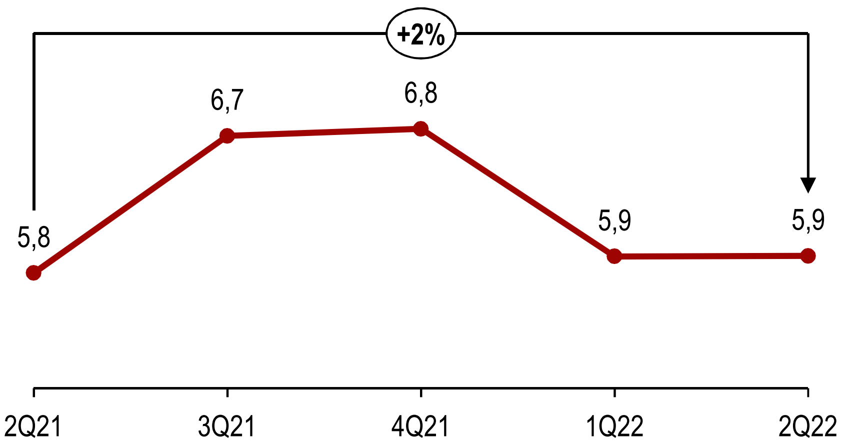
Macro: margins PLN 3193 m, differential PLN 2275 m, exchange rate PLN 1010 m, hedging PLN (-) 2163 m, valuation of CO_2 contracts PLN (-) 239 m, CO_2 provision PLN (-) 227 m

Refining – operational data

Higher throughput and sales due to better macro and demand increase

Sales volumes

mt



Crude oil throughput and utilization ratio

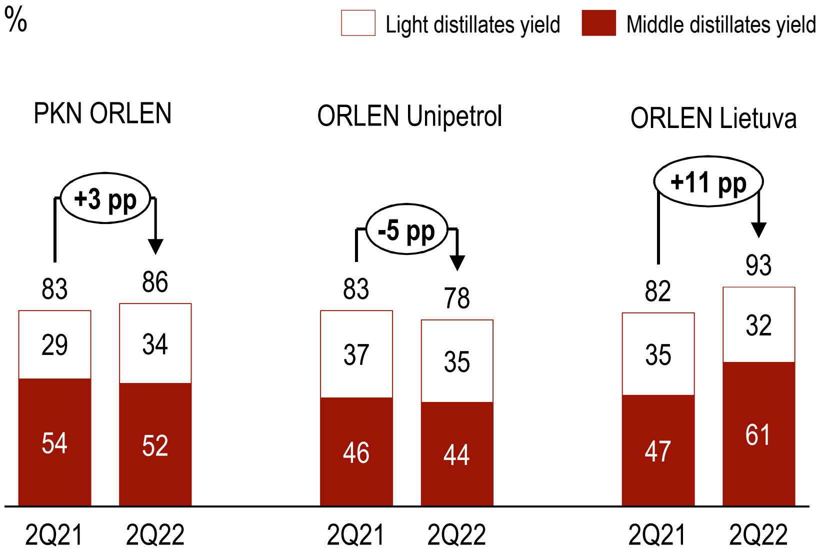
mt, %

Throughput (mt)	2Q21	1Q22	2Q22	(y/y)
PKN ORLEN	3,3	4,1	4,3	1,0
ORLEN Unipetrol	1,6	1,7	1,7	0,1
ORLEN Lietuva	1,8	2,3	1,2	-0,6
TOTAL	6,8	8,2	7,2	0,4

Utilization (%)	2Q21	1Q22	2Q22	(y/y)
PKN ORLEN	81%	102%	107%	26 pp
ORLEN Unipetrol	74%	79%	77%	3 pp
ORLEN Lietuva	72%	90%	46%	-26 pp
TOTAL	78%	94%	83%	5 pp

Fuel yield

%

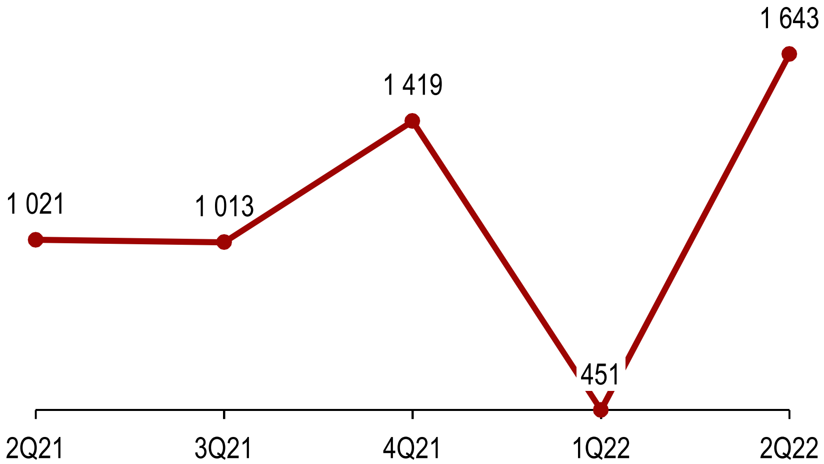


- 7,2 mt of crude oil throughput, i.e. increase by 0,4 mt (y/y), of which:
  - PKN ORLEN – higher throughput by 1,0 mt (y/y) and fuel yield by 3 pp (y/y) due to lack of negative impact of maintenance shutdowns of Olefin II unit from 2Q21.
  - ORLEN Unipetrol – crude oil throughput increase by 0,1 mt (y/y) due to favourable macro environment and lower scope of maintenance shutdowns. Lower fuel yield by (-) 5 pp due to higher share of high sulphur crude oils in throughput structure.
  - ORLEN Lietuva – throughput decrease by (-) 0,6 mt (y/y) due to realization of planned cyclical maintenance shutdown of refinery. Fuel yield increase by 11 pp (y/y) due to higher share of low sulphur crude oils in throughput structure.
- Sales volumes amounted to 5,9 mt, i.e. increase by 2% (y/y), of which: increase in Poland by 14% and in the Czech Rep. by 11% due to market and macroeconomic situation improvement at sales volumes decrease in Lithuania by (-) 21% resulting from cyclical maintenance shutdown of refinery in May and June 2022.

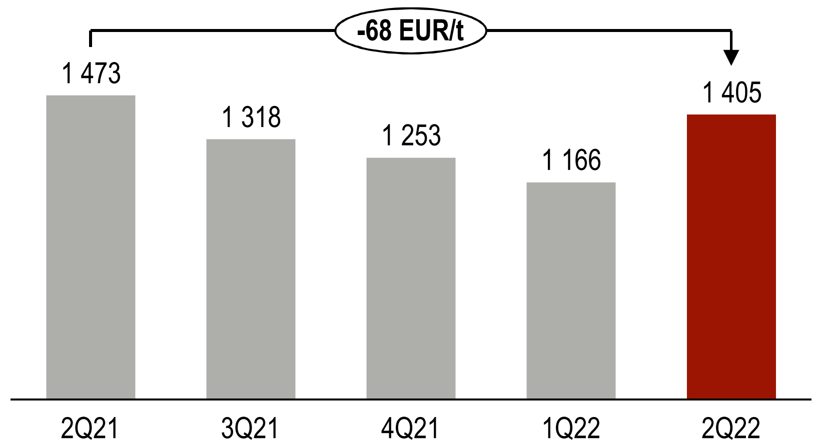
Petchem – EBITDA LIFO

Positive impact of sales volumes at negative macro impact

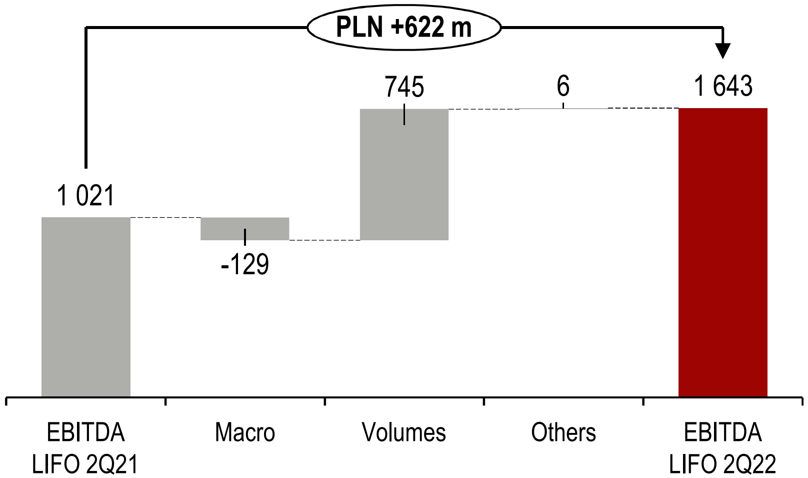
EBITDA LIFO
PLN m



Model petrochemical margin
EUR/t



EBITDA LIFO – impact of factors
PLN m



- Negative macro impact (y/y) as a result of valuation of CO2 contracts, higher provisions for CO2 and lower margins on polyolefins and PTA partially compensated by positive impact of higher margins on olefins, PVC and fertilizers.
- Sales volumes increase by 31% (y/y), of which: higher sales of olefins by 254%, polyolefins by 26%, fertilizers by 2%, PVC by 54% and PTA by 10%.
- Others include mainly PLN 0,1 bn (y/y) of higher trade margins, PLN (-) 0,2 bn (y/y) usage of historical inventory layers and PLN (-) 0,1 bn (y/y) of higher fixed and labor costs.

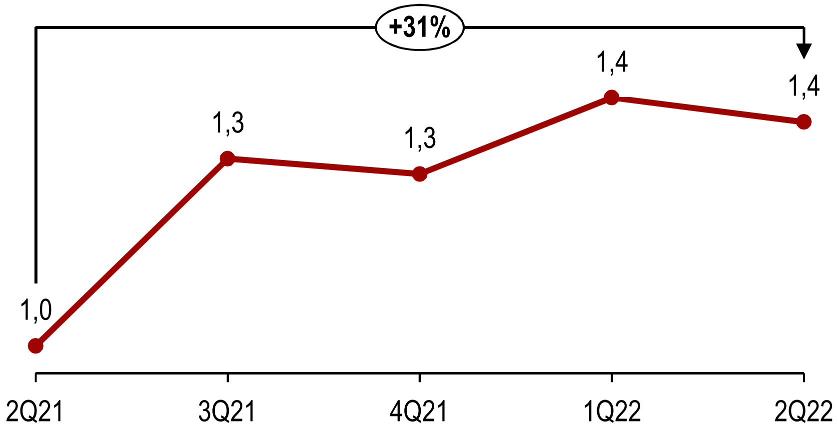
Macro: margins PLN 167 m, exchange rate PLN (-) 15 m, hedging PLN 36 m, valuation of CO2 contracts PLN (-) 264 m, CO2 provisions PLN (-) 53 m

Petchem – operational data

Higher utilization and sales volumes increase

Sales volumes

mt



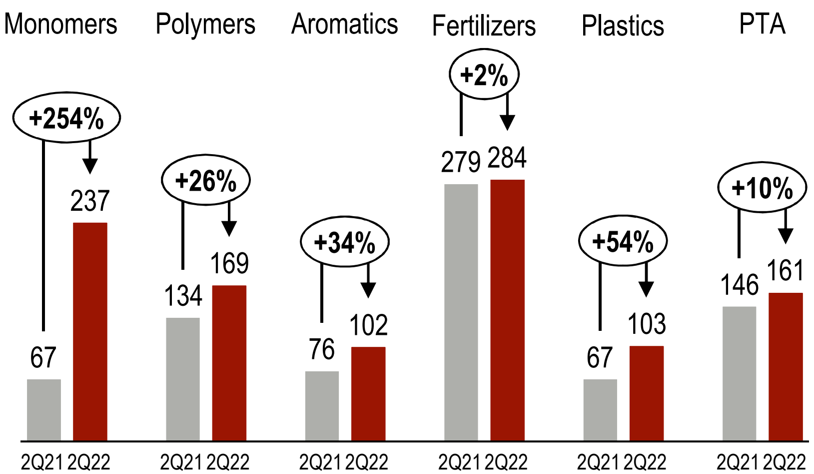
Utilization ratio

%

Petchem installations	2Q21	1Q22	2Q22	(y/y)
Olefins (Płock)	2%	89%	89%	87 pp
BOP (Płock)	6%	74%	74%	68 pp
Metathesis (Płock)	2%	69%	65%	63 pp
Fertilizers (Włocławek)	80%	64%	78%	-2 pp
PVC (Włocławek)	7%	88%	82%	75 pp
PTA (Włocławek)	86%	100%	97%	11 pp
Olefins (ORLEN Unipetrol)	87%	94%	87%	0 pp
PPF Splitter (ORLEN Lietuva)	71%	92%	34%	-37 pp

Sales volumes – split by product

kt

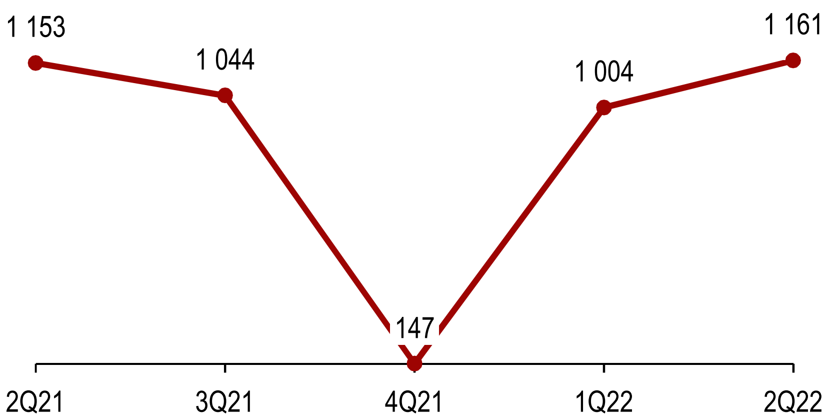


- Utilization of petrochemical installations:
  - Olefins (Płock) – impact of maintenance shutdown from 2Q21
  - BOP (Płock) – impact of maintenance shutdown of Olefin unit at PKN ORLEN from 2Q21.
  - Metathesis (Płock) – impact of maintenance shutdown from 2Q21.
  - Fertilizers – impact of lower availability of installation in 2Q22.
  - PVC (Włocławek) – impact of maintenance shutdown from 2Q21.
  - PTA (Włocławek) – lack of maintenance shutdown in 2Q22.
  - Olefins (Unipetrol) – stable work of installation.
- Sales amounted to 1,4 mt i.e. increase by 31% (y/y), of which: higher sales in Poland by 52% mainly olefins (maintenance shutdown of Olefin II installation in 2Q21), in the Czech Rep. by 6% as a result of market situation improvement at decrease in sales in Lithuania by (-) 29% as a result of cyclical maintenance shutdown of installations in May and June 2022.

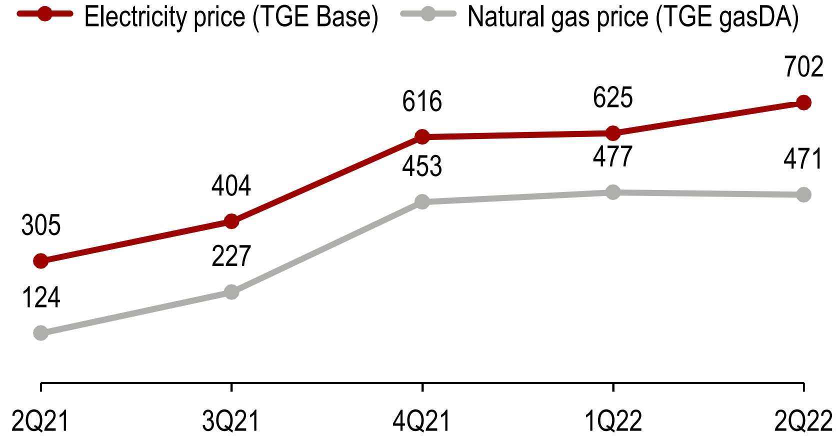
Energy– EBITDA

Increase of sales volumes and margins on electricity

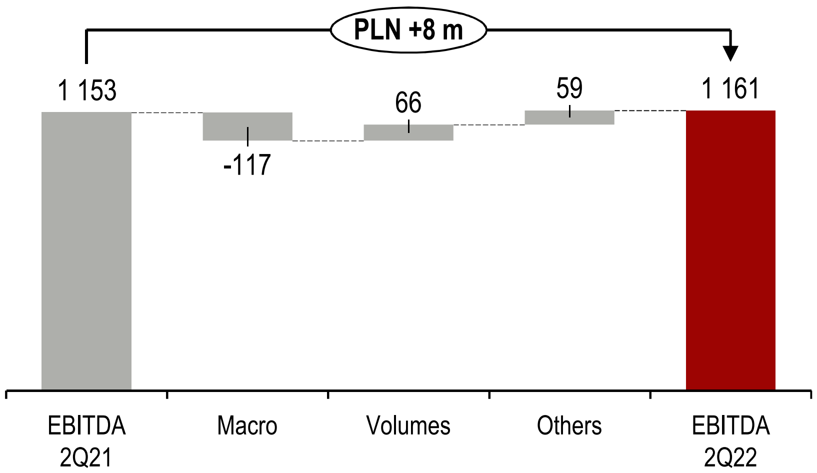
EBITDA
PLN m



Electricity and natural gas prices (market quotations)
PLN/MWh



EBITDA – impact of factors
PLN m



- Negative macro impact (y/y) due to higher provisions for CO2 and valuation of CO2 contracts at increase in margins on electricity sales and distribution.
- Positive volume effect resulting mainly from higher production and sales of electricity of CCGT's and CHP Płock as well as lower consumption of natural gas in PKN ORLEN S.A. (high quotations of feedstock). Lower production and sales of electricity in CCGT Włocławek and energy distribution in Energa Group.
- Others include mainly : PLN 0.1 billion (y / y) impairments of assets
- EBITDA includes:
  - PLN 941 m of ENERGA Group result; increase by 28% (y/y).

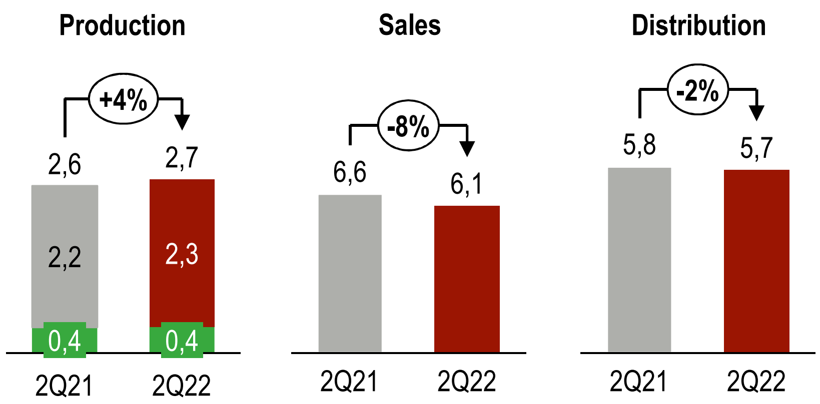
Macro: margins PLN 531 m, exchange rate PLN 17 m, hedging PLN (-) 62 m, valuation of CO2 contracts PLN (-) 196 m, CO2 provisions PLN (-) 407 m

Energy – operational data

Almost 60% of electricity production comes from zero and low emission sources

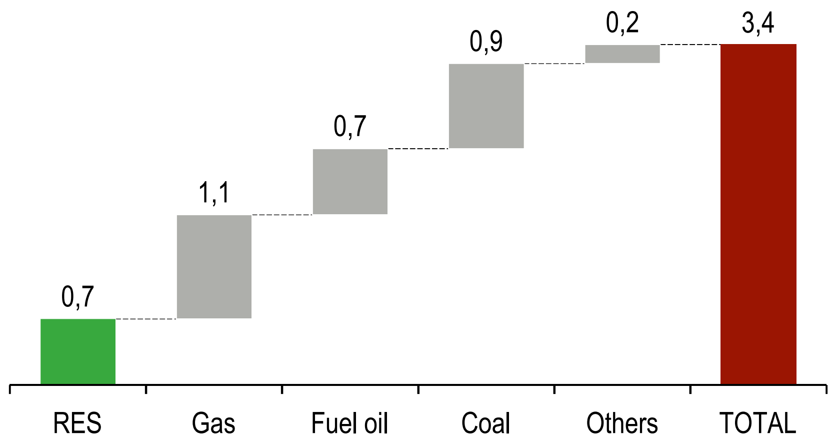
Electricity volumes

TWh



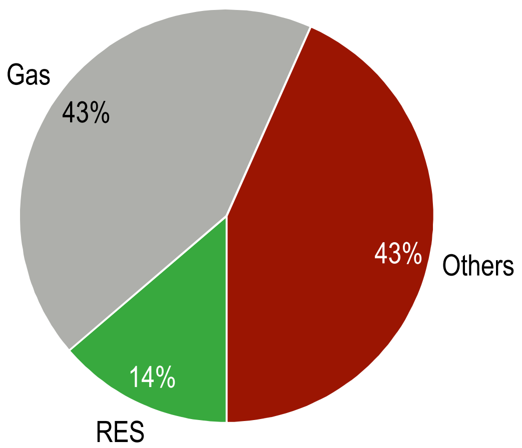
Installed capacity

GWe



Electricity production by type of sources

%

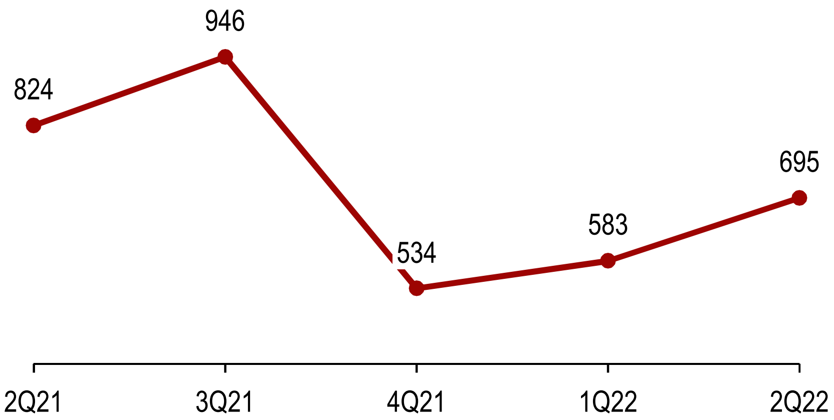


- Installed capacity : 3,4 GWe (electricity) / 6,3 GWt (heat).
- Production: 2,7 TWh (electricity) / 10,0 PJ (heat).
- Electricity production increased by 4% (y/y) as a result of higher demand from PSE and longer shutdown of CCGT Plock in 2Q21. Higher installed capacity of wind farms (y/y) resulted in increased production from wind.
- Electricity sales volumes decreased by (-) 8% (y/y) as a result of unfavorable macroeconomic conditions for gas units.
- Electricity distribution at comparable level (y/y).
- CO_2 emission amounted to 2,2 mt.

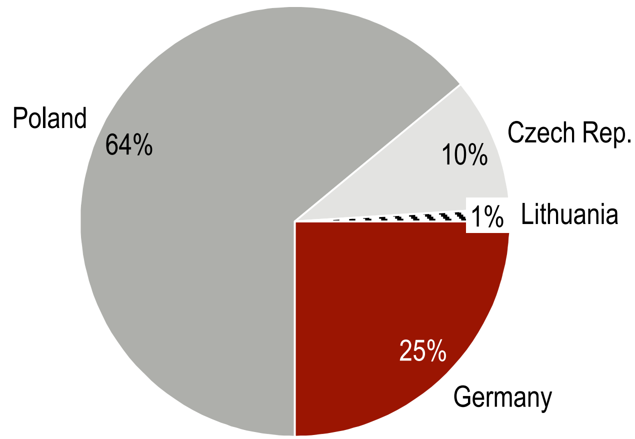
Retail – EBITDA

Lower fuel margins and higher costs limited by higher sales and non-fuel margin

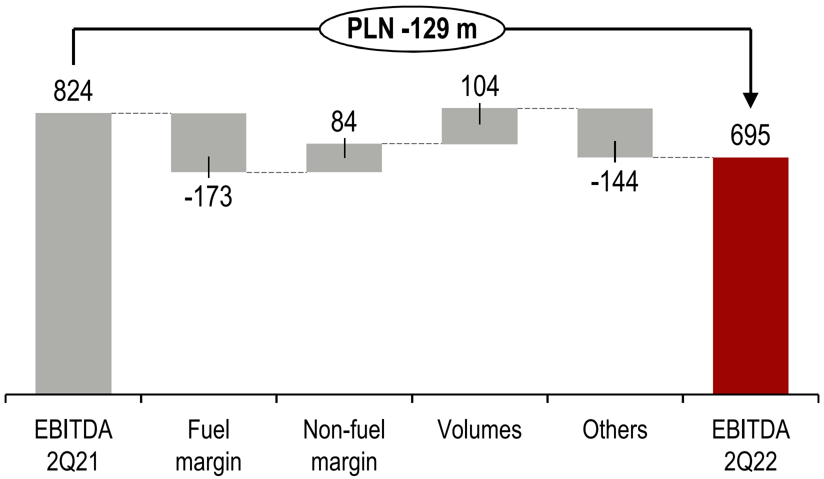
EBITDA
PLN m



EBITDA by country
%



EBITDA – impact of factors
PLN m

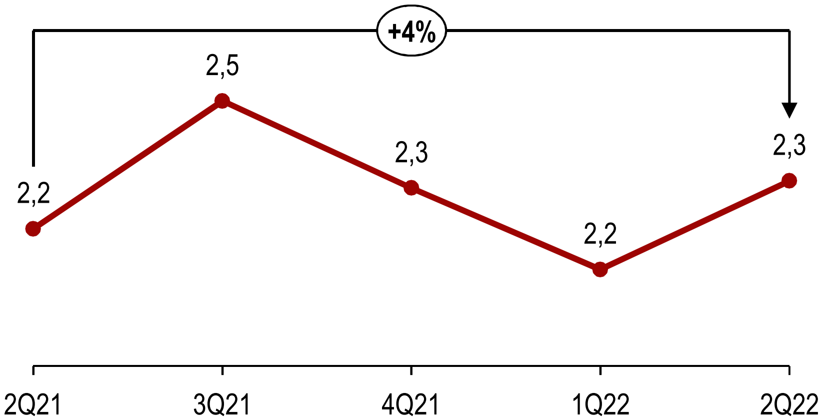


- Higher sales volumes by 4% (y/y), of which: higher sales of gasoline by 4%, diesel by 4% and LPG by 1%.
- Lower fuel margins in Poland at higher fuel margins in Germany and comparable margins in the Czech Rep. and in Lithuania (y/y).
- Higher non-fuel margins in Poland at comparable margins in the Czech Rep., Germany and Lithuania (y/y).
- Non-fuel locations Stop Cafe/Star Connect/ORLEN w ruchu increased by 69 (y/y).
- More than 2 times increase in alternative fuel points (y/y). We currently have 567 alternative fuel points, including: 519 EV chargers, 2 hydrogen stations and 46 CNG stations.
- Others include mainly PLN (-) 0,2 bn (y/y) of higher costs of running fuel stations.

Retail – operational data

Dynamic increase of alternative fuel points

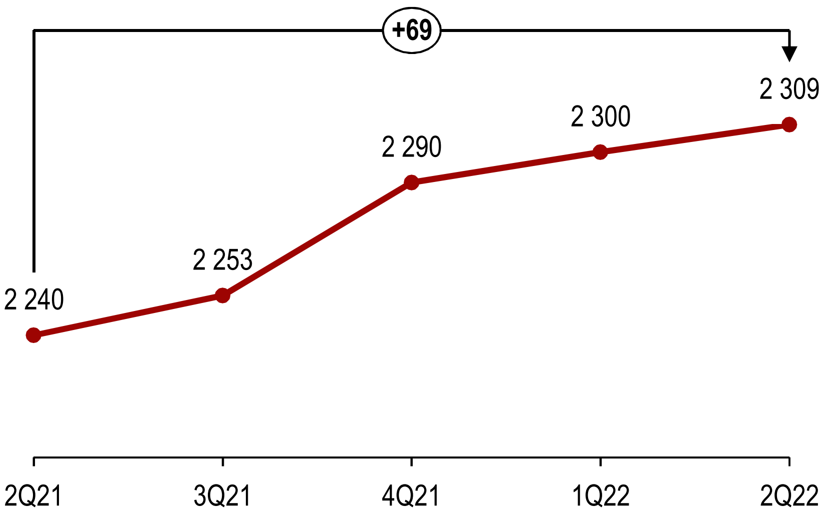
Sales volumes
mt



Number of petrol stations and market shares (by volume)
#, %

	# stations	(y/y)	% market	(r/r)
Poland	1 819	16	31,9	-0,1 pp
Germany	587	1	6,1	-0,1 pp
Czech Rep.	427	6	23,1	-2,4 pp
Lithuania	29	0	4,0	-0,5 pp
Slovakia	23	8	1,2	0,4 pp

Non-fuel locations
#



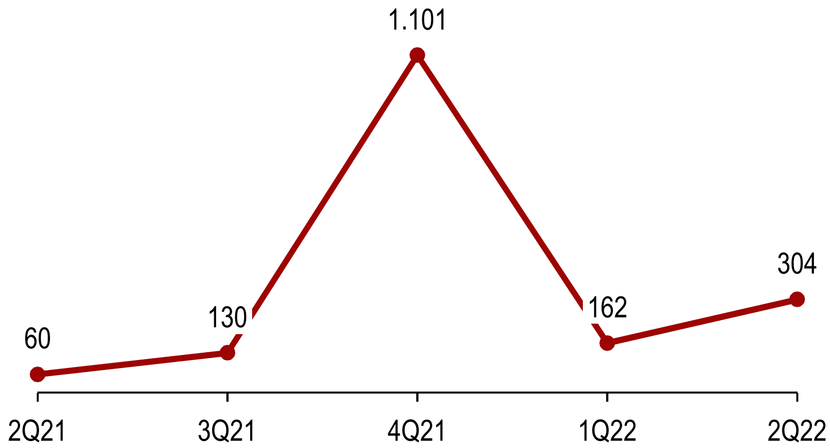
- Sales volumes increase by 4% (y/y), of which: higher sales in Poland by 15% at lower sales in the Czech Rep. by (-) 15%, in Germany by (-) 11%* and in Lithuania by (-) 16%.
- 2885 fuel stations, i.e. increase by 31 (y/y), of which: in Poland by 16, in Germany by 1, in the Czech Rep. by 6 and in Slovakia by 8 at comparable number of fuel stations in Lithuania.
- Market share increase in Slovakia at decrease in market share in the Czech Rep. and Lithuania at comparable market share in Poland and Germany (y/y).
- 2309 non-fuel locations, of which: 1768 in Poland (incl. 12 ORLEN w ruchu), 326 in the Czech Rep., 170 in Germany, 29 in Lithuania and 16 in Slovakia. Increase by 69 points (y/y), of which: in Poland by 38, in the Czech Rep. by 10, in Germany by 19, in Slovakia by 2 at comparable number in Lithuania.
- 567 alternative fuel points, of which: 428 in Poland, 120 in the Czech Rep. and 19 in Germany. Increase by 289 (y/y), of which: in Poland by 237, in the Czech Rep. by 42 and in Germany by 10.

* Includes also fuel sales beyond own petrol stations. Sales volumes on ORLEN Deutschland fuel stations increased by more than 5 % (y/y).

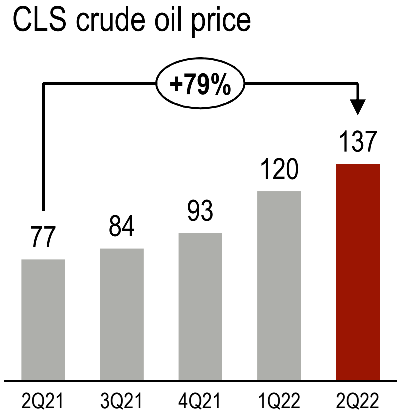
Upstream – EBITDA

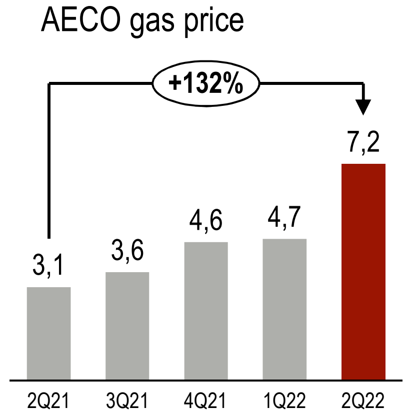
Positive impact of macro and higher sales volumes

EBITDA
PLN m

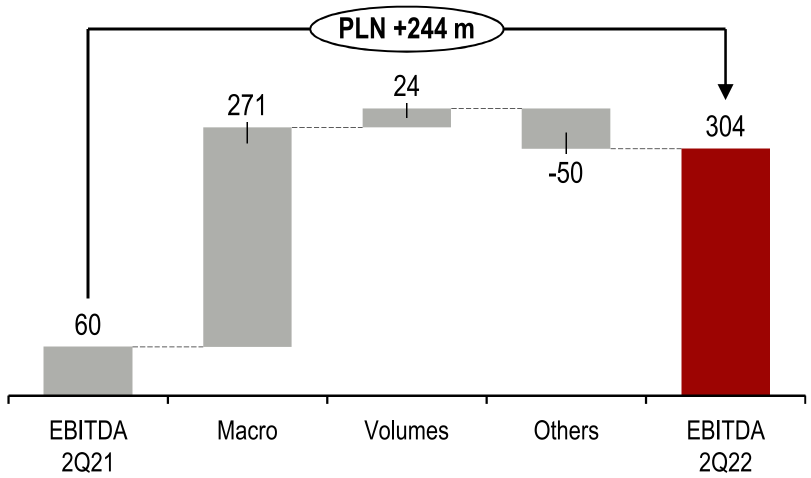


Canadian Light Sweet crude oil (CLS) and AECO gas prices
CAD/bbl, CAD/mcf





EBITDA – impact of factors
PLN m



Macro: margins PLN 235 m, hedging PLN 36 m

- Positive macro impact (y/y) due to increase in crude oil, gas and NGL's quotations and positive impact of hedging.
- Higher sales volumes by 3%, of which: higher crude oil sales by 125% at lower gas sales by (-) 7% and lower NGL's sales by (-) 4%.
- Increase in average production by 0,6 th. boe/d, including: increase in production in Canada by 0,3 th. boe/d and in Poland by 0,3 th. boe/d.
- Others include mainly higher costs due to start of electricity production in Poland in 2022.

Upstream – operational data

18,5 th. boe/d – increase of average production by 3% (y/y)

Poland

Total reserves of crude oil and gas (2P)

8,6 m boe* (4% liquid hydrocarbons, 96% gas)

2Q22

Average production **: 1,4 th. boe/d (99% gas)

Electricity production from gas: 0,4 GWh/d (40% from extraction)

Development of existing assets:

- Płotki – together with PGNiG: works continued on development of Chwalęcin and Grodzewo discoveries were realized as well as works related to equipping selected production fields with gas compression installations.
- Sieraków – together with PGNiG: as part of development of Sieraków-2H well, design documentation was updated prior to the selection of the Contractor for the investment documentation. The tender procedure is continued in order to select a Contractor for the design documentation and evaluation of the submitted bids.

Drilling works:

- Płotki – together with PGNiG: testing of Miłosław-7H well has been completed, pressure restoration phase is in progress; preparatory works for drilling Rogusko-1k well was carried out (drilling planned to start at the end of July this year.)
- Edge – preparatory works has started before the planned for the end of August this year drilling the Rosochatka - OU1 well.
- Analysis are ongoing for future work on own concessions.

Concessions:

- Realizing goals set in ORLEN Strategy, in April 2022 ORLEN has resigned from the concession Skołyszyn (Karpaty project). In June 2022 operator of Płotki project (PGNiG) relinquished its rights to the concessions of Jarocin – Grabina.

Canada

Total reserves of crude oil and gas (2P)

162,8 m boe* (59% liquid hydrocarbons, 41% gas)

2Q22

Average production : 17,1 th. boe/d (51% liquid hydrocarbons)

Development of existing assets:

- Ferrier – 1 well connected to production (OU share 100%);
- Kakwa – 1 well was fractured and 3 wells were connected to the production (OU share 75%)
- Completed adaptation of the installation at the gas processing plant in the Ferrier area to handle increased amounts of hydrocarbons from the Strachan area and increased capacity of the gas pipeline from the Strachan area. The main purpose of carried out upgrade was to enable the drilling of new production wells in the Strachan area. In addition, the carried out modernization will make it possible to maintain production from old boreholes in the vicinity of the compressor and reduce the costs of extraction from this part of the boreholes in the Strachan region, which were connected to processing plants owned by third companies.
- In order to meet new regulations and tighter methane emission limits, which will be effective in Alberta province from the beginning of 2023, in June, work related to the conversion of gas-fired pneumatic at-well installations in the Kakwa and Ferrier regions to installations powered by electricity obtained, i.e. from with solar panels began.
- As a result of strong increase in hydrocarbon prices and significant surplus of free cash flow, company decided to speed up some of investment works from the next year.
- ORLEN Upstream Canada, realizing goals set in ORLEN Strategy, carried out two small transactions in the Ferrier area (sale of undeveloped area and a transaction of replacement of secondary assets for OUC with extraction rights from the Cardium formation, which ORLEN has been systematically developing since entering the Canadian market).

* Data as of 31.12.2021
** Volumes do include gas converted into electricity

Agenda

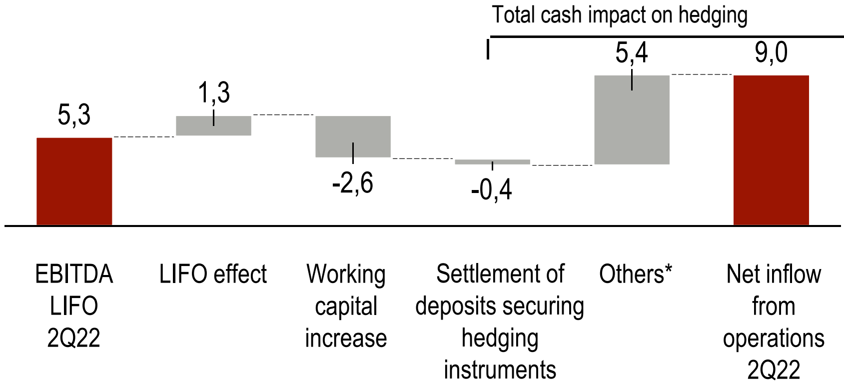
- Summary 2Q22
- Market environment
- Financial and operating results
- Financial strength
- Outlook

Cash flow

ORLEN

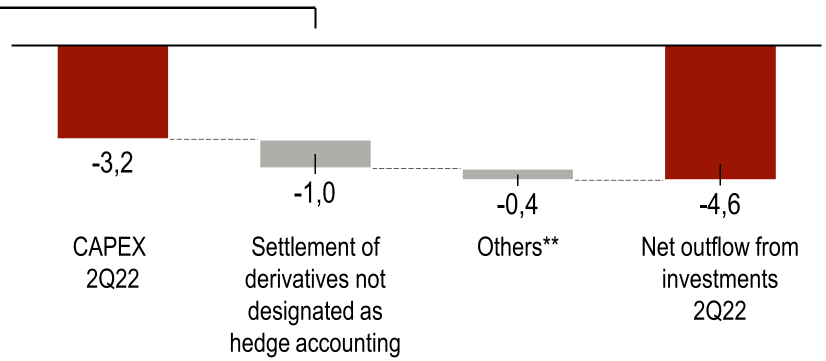
Cash flow from operations

PLN bn



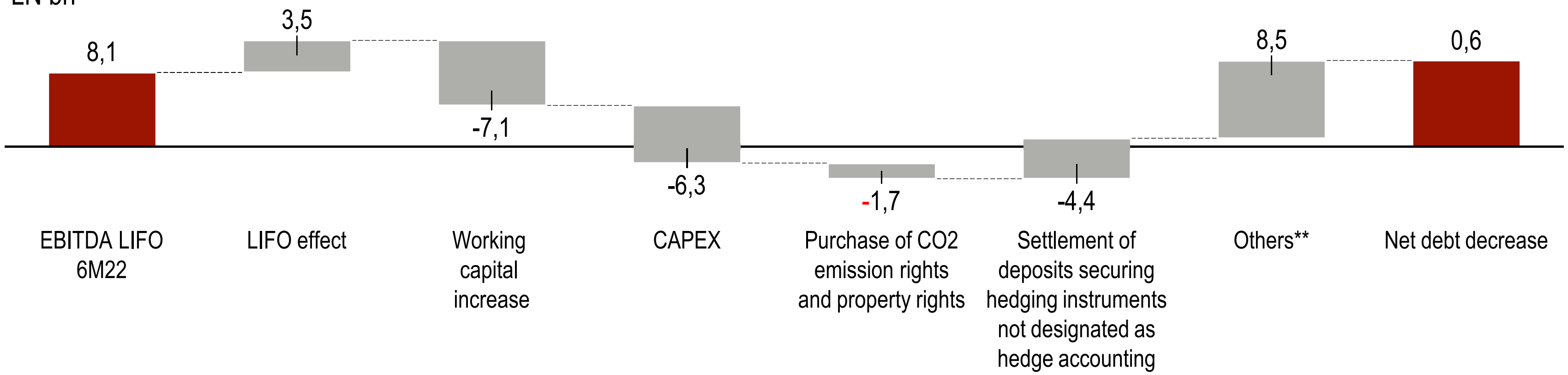
Cash flow from investments

PLN bn



Free cash flow 6M22

PLN bn



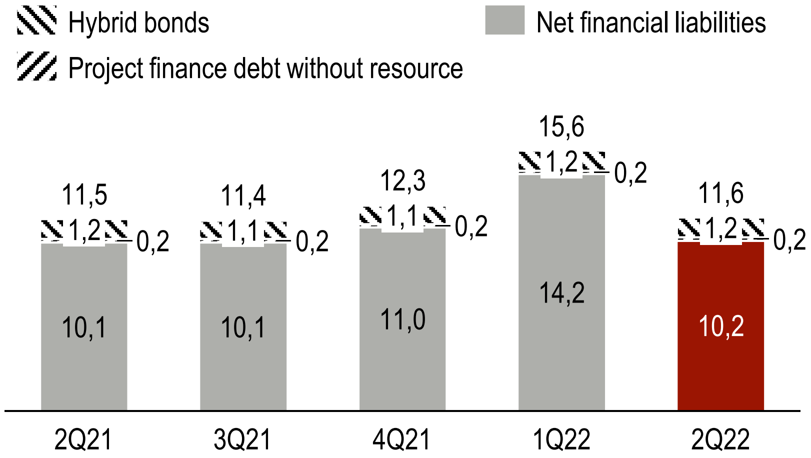
**Includes mainly: income tax paid PLN (-) 0,5 bn, capital adjustments PLN (-) 0,1 bn, adjustment for changes in the balance of reserves PLN 1,9 bn, settlement and valuation of derivatives PLN 1,7 bn, settlement of property rights subsidies PLN (-) 0,7 bn.

**Includes mainly: recognition of the right to use assets PLN 0,1 bn, purchase of CO_2 emission rights and property rights PLN (-) 0,8 bn, dividends received PLN 0,2 bn and change in advances and investment liabilities PLN 0,1 bn.

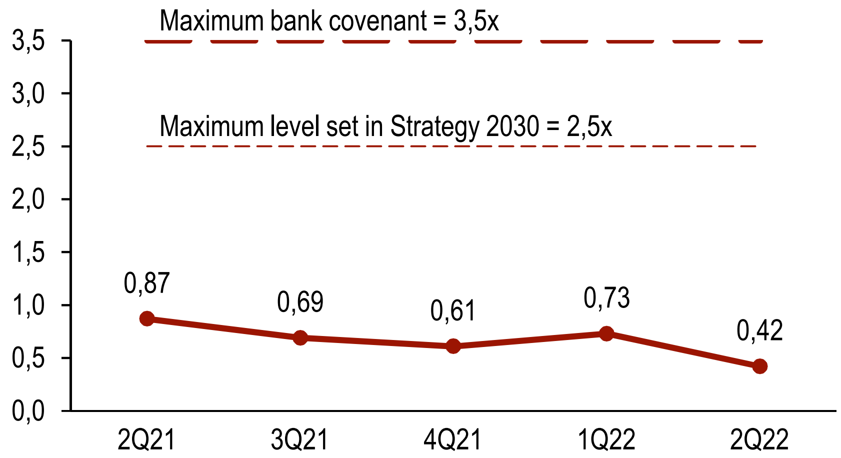
***Includes mainly: income tax paid PLN (-) 1,3 bn, lease payments PLN (-) 0,4 bn, interest paid PLN (-) 0,4 bn, settlement and valuation of derivatives PLN 5,0 bn, recognition of the right to use assets PLN 0,5 bn, capital adjustments PLN (-) 0,2 bn, adjustment for changes in the balance of reserves PLN (-) 1,5 bn as well as valuation and revaluation of debt due to net FX differences PLN (-) 0,2 bn.

Debt

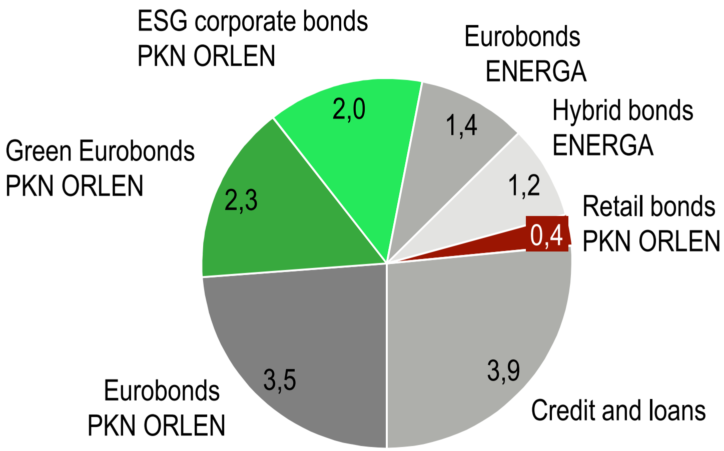
Net debt
PLN bn



Net debt/EBITDA*



Gross debt – sources of financing
PLN bn

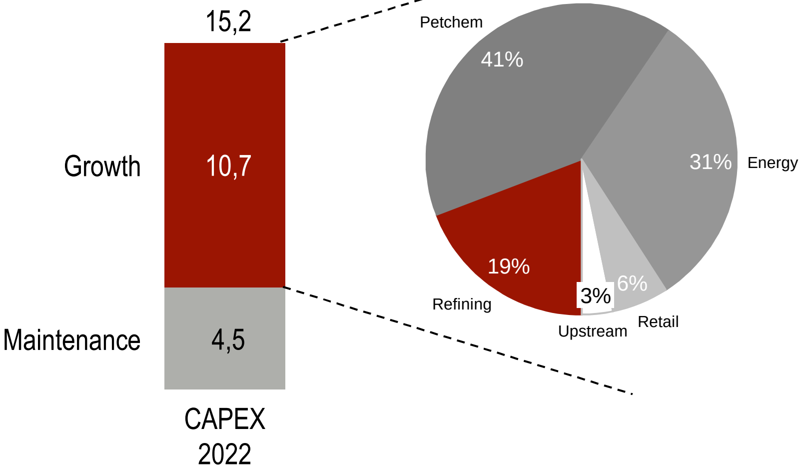


- Gross debt currency structure: EUR 66%, PLN 32%, CZK 2%
- Weighted average debt maturity: 2025.
- Investment grade: BBB- positive outlook (Fitch), Baa2 positive outlook (Moody's).
- Net debt decrease by PLN 4,0 bn (q/q) mainly as a result of cash flow from operations of PLN 9,0 bn at cash outflow from investments at the level of PLN (-) 4,6 bn.
- Obligatory reserves in the balance sheet at the end of 2Q22 amounted to PLN 7,7 bn, of which: PLN 6,5 bn in PKN ORLEN and PLN 1,2 bn in ORLEN Lietuva.

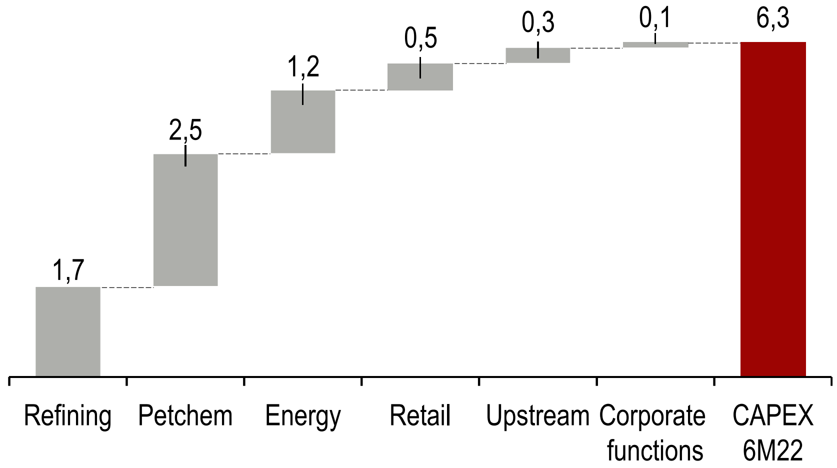
* The level of net debt adopted for the calculation of the ratio does not take into account project finance debt without recourse and hybrid bond issue

CAPEX

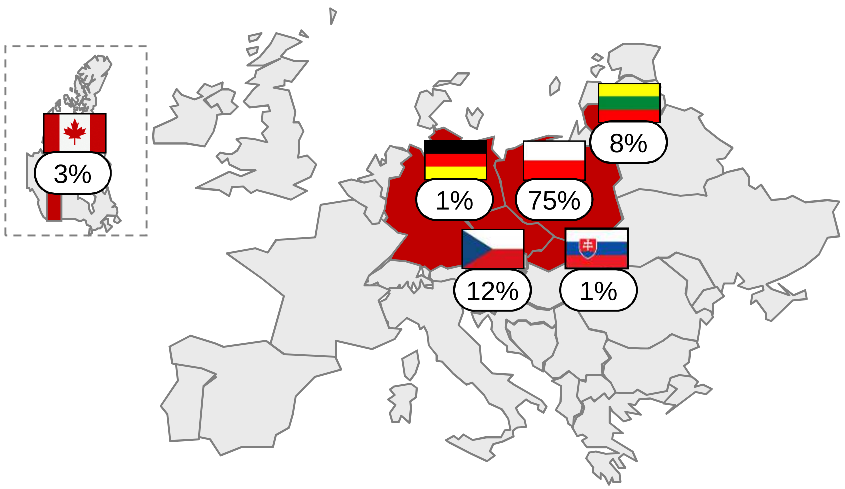
Planned CAPEX
PLN bn, %



Realized CAPEX 6M22 – split by segment
PLN bn



Realized CAPEX 6M22 – split by country
%



Main growth projects in 2022

Refining
- Construction of Hydrocracking unit – Lithuania
- Construction of Bioethanol 2 Gen. unit – ORLEN Południe
- Construction of HVO (Hydrotreated Vegetable Oils) – Płock
- Construction of Visbreaking unit – Płock

Petchem
- Extension of olefin capacities – Płock
- Extension of fertilizers production – Anwil

Energy
- Modernization of current assets and connection of new clients – ENERGA Group
- Construction of CCGT Ostrołęka and CCGT Grudziądz
- Construction of a wind farm in the Baltic Sea

Retail
- Growth of fuel stations network (> 30 stations)
- Growth of non-fuel sales network (> 30 locations of Stop Cafe/Star Connect)
- Introducing new services and products

Upstream
- Poland /Canada – focus on projects: Egde, Miocen and Płotki / Kakwa and Ferrier

CAPEX includes IFRS16 leasing
CAPEX 2Q22 amounted to PLN 3 224 m: refining PLN 986 m, petchem PLN 1 146 m, energy PLN 736 m, retail PLN 245 m, upstream PLN 71 m, CF PLN 40 m

Agenda

Summary 2Q22

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Macro environment in 2022

Macro

- Brent crude oil - increases in interest rates by central banks, gas and energy crisis in Europe, slow economic growth in China and continuous disruptions in the supply chain, signal deteriorating global economic background for oil market. In the most of scenarios, the average Brent crude oil price in 2022 will not exceed 115 USD/bbl.
- Refining margin – despite decrease by several dozen % (q/q), margins remains high due to shortage of fuels in global markets compared to the demand that cannot be met in the short term without investments, because the demand is still greater than the production capacity of refineries worldwide and stocks of finished products are practically run out. High fuel prices are to balance the market by reducing demand. In Poland situation is under control.
- Brent/Ural differential - reluctance to buy Ural crude oil caused the European spot market for this crude oil lost liquidity, which is reflected in the increase in B/U diff above 30 USD/bbl, which does not inform about the profitability of crude oil processing.
- Petrochemical margin - increase in crude oil and natural gas prices adversely affect petrochemical margins. However, since petrochemicals have much shallower markets than fuels, making them more sensitive to diversion, petrochemical margins are difficult to predict
- Gas - situation on the gas market deteriorated due to Russia politics and restrictions on natural gas supplies from the eastern direction via the Nord Stream gas pipeline. High uncertainty about the level of natural gas supplies in the winter season, combined with the low level of gas stocks in Europe also put pressure on futures market. In the coming months, market may also be affected by regulatory risks related to willingness to reduce gas consumption in the EU countries. We assume that average gas price in 2022 will be almost 3x higher than the average gas price in 2021 on the Polish TGE market.
- Electricity - we expect a strong increase in electricity prices to the level of over PLN 1000 per MWh, i.e. 2,6x increase (y/y) as a result of maintained very high gas and coal prices caused mainly by geopolitical situation and high prices of CO_2 emission rights.

Economy

- GDP* – Poland 4,7%, the Czech Rep 2,3%, Lithuania 1,9%, Germany 1,4%.
- Fuel consumption – increased demand for fuels and petrochemical products as a result of the economy recovery.

Regulations

- National Index Target – base level increase from 8,7 to 8,8% (reduced ratio for PKN ORLEN is 5,773%).
- Capacity market – we expect comparable (y/y) support for energy units.
- Government Anti-Inflation Package – reduction of excise tax on fuels, exemption from retail sales tax and reduction of VAT on fuels from 23% to 8%

* Poland (NBP, July 2022); Germany (EC, July 2022); Czech Rep. (EC, July 2022); Lithuania (EC, July 2022)

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