Polski Koncern Naftowy ORLEN Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 3rd QUARTER 2020

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	9 MONTHS ENDED 30/09/2020	9 MONTHS ENDED 30/09/2019	9 MONTHS ENDED 30/09/2020	9 MONTHS ENDED 30/09/2019
Sales revenues	63 005	83 703	14 184	19 427
Profit from from operations increased by depreciation and amortisation (EBITDA)	6 352	7 461	1 430	1 732
EBITDA before net impairment allowances	6 994	7 561	1 575	1 755
Profit from operations (EBIT), incl.:	3 116	4 889	701	1 135
gain on bargain purchase of the ENERGA Group	*3 690*	-	*831*	-
Profit before tax	2 337	4 684	526	1 087
Net profit before net impairment allowances	3 070	3 816	691	886
Net profit	**2 428**	**3 716**	**547**	**862**
Total net comprehensive income	2 054	3 989	462	926
Net profit attributable to equity owners of the parent	2 385	3 717	537	863
Total net comprehensive income attributable to equity owners of the parent	2 016	3 990	454	926
Net cash from operating activities	6 071	8 116	1 367	1 884
Net cash (used) in investing activities	(6 422)	(2 373)	(1 445)	(551)
Net cash (used) in financing activities	(4 704)	(3 077)	(1 060)	(714)
Net increase/(decrease) in cash and cash equivalents	(5 055)	2 666	(1 138)	619
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	5.58	8.69	1.26	2,02
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Non-current assets	56 870	39 277	12 563	9 223
Current assets	24 914	31 925	5 505	7 497
Total assets	**81 784**	**71 202**	**18 068**	**16 720**
Share capital	1 058	1 058	234	248
Equity attributable to equity owners of the parent	40 184	38 596	8 877	9 063
Total equity	**41 806**	**38 607**	**9 235**	**9 065**
Non-current liabilities	16 784	14 315	3 709	3 362
Current liabilities	23 194	18 280	5 124	4 293
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	93.95	90.24	20.75	21.19

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	9 MONTHS ENDED 30/09/2020	9 MONTHS ENDED 30/09/2019	9 MONTHS ENDED 30/09/2020	9 MONTHS ENDED 30/09/2019
Sales revenues	43 785	66 666	9 857	15 473
Profit from operations increased by depreciation and amortisation (EBITDA)	1 809	4 807	407	1 116
Profit from operations (EBIT)	382	3 519	86	817
Profit/(Loss) before tax	(1 968)	3 742	(443)	868
Net profit/(loss) before net impairment allowances	(2)	3 080	-	718
Net profit/(loss)	**(2 013)**	**3 062**	**(453)**	**711**
Total net comprehensive income	(2 149)	2 953	(484)	685
Net cash from operating activities	2 966	4 819	668	1 118
Net cash (used) in investing activities	(4 195)	(618)	(944)	(143)
Net cash (used) in financing activities	(3 221)	(2 328)	(725)	(540)
Net increase/(decrease) in cash	(4 450)	1 873	(1 002)	435
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	(4.71)	7.16	(1.06)	1.66
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Non-current assets	37 975	36 939	8 389	8 674
Current assets	16 103	23 337	3 557	5 480
Total assets	**54 078**	**60 276**	**11 946**	**14 154**
Share capital	1 058	1 058	234	248
Total equity	**32 347**	**34 924**	**7 146**	**8 201**
Non-current liabilities	7 651	11 769	1 690	2 764
Current liabilities	14 080	13 583	3 110	3 190
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	75.63	81.65	16.71	19.17

The above financial data for the 9-month period of 2020 and 2019 was translated into EUR using the following exchange rates:

– items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates quoted by the National Bank of Poland as of the last day of each month during the reporting period: from 1 January to 30 September 2020 – 4.4420 EUR/PLN and 1 January to 30 September 2019 – 4.3086 EUR/PLN;

– items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as on 30 September 2020 – 4.5268 EUR/PLN and as at 31 December 2019– 4.2585 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 9 AND 3-MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

(in PLN million)

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

Consolidated statement of profit or loss and other comprehensive income

	NOTE	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Sales revenues	5.1	63 005	23 918	83 703	29 229
revenues from sales of finished goods and services		*48 502*	*18 071*	*70 154*	*24 566*
revenues from sales of merchandise and raw materials		*14 503*	*5 847*	*13 549*	*4 663*
Cost of sales	5.2	(57 300)	(20 503)	(72 853)	(25 192)
cost of finished goods and services sold		*(44 362)*	*(15 198)*	*(60 923)*	*(21 060)*
cost of merchandise and raw materials sold		*(12 938)*	*(5 305)*	*(11 930)*	*(4 132)*
Gross profit on sales		**5 705**	**3 415**	**10 850**	**4 037**
Distribution expenses		(5 005)	(1 792)	(4 648)	(1 637)
Administrative expenses		(1 620)	(558)	(1 295)	(425)
Other operating income, incl.:	5.5	7 931	698	663	260
gain on bargain purchase of the ENERGA Group	3.4.1	*3 690*	-	-	-
Other operating expenses	5.5	(3 951)	(728)	(750)	(440)
(Loss)/reversal of loss due to impairment of financial instruments		(47)	(14)	(48)	(23)
Share in profit from investments accounted for using the equity method		103	36	117	35
Profit from operations		**3 116**	**1 057**	**4 889**	**1 807**
Finance income	5.6	675	109	672	245
Finance costs	5.6	(1 452)	(331)	(876)	(485)
Net finance income and costs		**(777)**	**(222)**	**(204)**	**(240)**
(Loss)/reversal of loss due to impairment of financial instruments		(2)	1	(1)	-
Profit before tax		**2 337**	**836**	**4 684**	**1 567**
Tax expense		91	(148)	(968)	(301)
current tax		*(318)*	*(180)*	*(877)*	*(357)*
deferred tax		*409*	*32*	*(91)*	*56*
Net profit		**2 428**	**688**	**3 716**	**1 266**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		**(26)**	**(6)**	**(17)**	**(1)**
actuarial gains and losses		*(25)*	*(7)*	-	-
gains/(losses) on investments in equity instruments at fair value through other comprehensive income		*(7)*	*(2)*	*(18)*	*(1)*
deferred tax		*6*	*3*	*1*	-
which will be reclassified into profit or loss		**(348)**	**(315)**	**290**	**321**
hedging instruments		*(676)*	*(274)*	*(297)*	*(151)*
hedging costs		*205*	*(49)*	*57*	*(20)*
exchange differences on translating foreign operations		*33*	*(51)*	*480*	*445*
deferred tax		*90*	*59*	*50*	*47*
		(374)	**(321)**	**273**	**320**
Total net comprehensive income		**2 054**	**367**	**3 989**	**1 586**
Net profit attributable to		**2 428**	**688**	**3 716**	**1 266**
equity owners of the parent		*2 385*	*659*	*3 717*	*1 266*
non-controlling interest		*43*	*29*	*(1)*	-
Total net comprehensive income attributable to		**2 054**	**367**	**3 989**	**1 586**
equity owners of the parent		*2 016*	*342*	*3 990*	*1 586*
non-controlling interest		*38*	*25*	*(1)*	-
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		5.58	1.54	8.69	2.96

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

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of financial position

	NOTE	30/09/2020 (unaudited)	31/12/2019
ASSETS			
Non-current assets			
Property, plant and equipment		47 456	32 363
Intangible assets		2 590	1 600
Right-of-use asset	5.11.1	4 916	3 952
Investments accounted for using the equity method		781	678
Deferred tax assets		632	51
Derivatives	5.8	81	310
Long-term lease receivables		4	13
Other assets	5.8	410	310
		56 870	**39 277**
Current assets			
Inventories		12 216	15 074
Trade and other receivables		10 145	9 669
Current tax assets		534	262
Cash and cash equivalents		1 111	6 159
Derivatives	5.8	191	243
Short-term lease receivables		11	12
Other assets	5.8	663	468
Non-current assets classified as held for sale		43	38
		24 914	**31 925**
Total assets		**81 784**	**71 202**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(52)	328
Revaluation reserve		(39)	(33)
Exchange differences on translating foreign operations		880	847
Retained earnings		37 110	35 169
Equity attributable to equity owners of the parent		**40 184**	**38 596**
Non-controlling interests		**1 622**	**11**
Total equity		**41 806**	**38 607**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.7	8 409	8 185
Provisions	5.9	1 966	1 113
Deferred tax liabilities		1 935	1 474
Derivatives	5.8	127	2
Lease liabilities		4 154	3 380
Other liabilities	5.8	182	161
Liabilities from contracts with customers		11	-
		16 784	**14 315**
Current liabilities			
Trade and other liabilities		14 684	15 132
Lease liabilities		653	618
Liabilities from contracts with customers		437	246
Loans, borrowings and bonds	5.7	4 564	422
Provisions	5.9	2 372	1 236
Current tax liabilities		54	124
Derivatives	5.8	146	266
Other liabilities	5.8	284	236
		23 194	**18 280**
Total liabilities		**39 978**	**32 595**
Total equity and liabilities		**81 784**	**71 202**

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

(in PLN million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
01/01/2020	2 285	328	(33)	847	35 169	38 596	11	38 607
Net profit	-	-	-	-	2 385	2 385	43	2 428
Components of other comprehensive income	-	(380)	(6)	33	(16)	(369)	(5)	(374)
Total net comprehensive income	**-**	**(380)**	**(6)**	**33**	**2 369**	**2 016**	**38**	**2 054**
Acquisition of the ENERGA Group	-	-	-	-	-	-	1 573	1 573
Dividends	-	-	-	-	(428)	(428)	-	(428)
30/09/2020	**2 285**	**(52)**	**(39)**	**880**	**37 110**	**40 184**	**1 622**	**41 806**
(unaudited)								
01/01/2019 (approved data)	2 285	361	(15)	709	32 387	35 727	12	35 739
Impact of IFRS 16 adoption	-	-	-	-	(4)	(4)	-	(4)
01/01/2019 (converted data)	2 285	361	(15)	709	32 383	35 723	12	35 735
Net profit/(loss)	-	-	-	-	3 717	3 717	(1)	3 716
Components of other comprehensive income	-	(190)	(17)	480	-	273	-	273
Total net comprehensive income	**-**	**(190)**	**(17)**	**480**	**3 717**	**3 990**	**(1)**	**3 989**
Dividends	-	-	-	-	(1 497)	(1 497)	-	(1 497)
30/09/2019	**2 285**	**171**	**(32)**	**1 189**	**34 603**	**38 216**	**11**	**38 227**
(unaudited)								

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

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of cash flows

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Cash flows from operating activities				
Profit before tax	**2 337**	**836**	**4 684**	**1 567**
Adjustments for:				
Share in profit from investments accounted for using the equity method	(103)	(36)	(117)	(35)
Depreciation and amortisation	3 236	1 183	2 572	893
Foreign exchange loss	507	161	154	239
Net interest	284	127	192	67
Dividends	(6)	-	(5)	-
(Profit)/Loss on investing activities, incl.:	(3 798)	105	182	175
recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets and other non-current assets	*642*	*(8)*	*100*	*73*
settlement and valuation of derivative financial instruments	*(743)*	*119*	*(88)*	*62*
(gain) on bargain purchase of the ENERGA Group	*(3 690)*	*-*	*-*	*-*
Change in provisions	1 250	496	684	167
Change in working capital	3 137	(583)	1 378	726
inventories	*3 051*	*(174)*	*(175)*	*28*
receivables	*1 640*	*(973)*	*(625)*	*702*
liabilities	*(1 554)*	*564*	*2 178*	*(4)*
Other adjustments, incl.:	(154)	(33)	(345)	(26)
rights received free of charge	*(538)*	*(190)*	*(501)*	*(164)*
security deposits	*338*	*221*	*(180)*	*(106)*
change in settlements of settled derivatives designated for hedge accounting	*(10)*	*(37)*	*218*	*255*
Income tax (paid)	(619)	(57)	(1 263)	(342)
Net cash from operating activities	**6 071**	**2 199**	**8 116**	**3 431**
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(5 209)	(1 988)	(2 798)	(1 070)
Acquisition of shares (ENERGA) lowered by cash	(1 609)	-	-	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset	60	19	237	3
Short term deposits	(137)	(62)	-	-
Dividends received	76	35	112	-
Outflow from loans granted	(34)	-	-	-
Settlement of derivatives not designated as hedge accounting	437	(360)	77	37
Other	(6)	17	(1)	(2)
Net cash (used) in investing activities	**(6 422)**	**(2 339)**	**(2 373)**	**(1 032)**
Cash flows from financing activities				
Change in cash related to acquisition of non-controlling interest of UNIPETROL, a.s	-	-	200	-
Proceeds from loans and borrowings received	3 598	1 280	369	7
Repayment of loans and borrowings	(6 840)	(2 437)	(477)	(65)
Redemption of bonds	(100)	-	(1 000)	-
Interest paid from loans and bonds	(283)	(89)	(196)	(14)
Interest paid on lease	(91)	(19)	(51)	(16)
Dividends paid to equity owners of the parent	(428)	(428)	(1 497)	(1 497)
Payments of liabilities under lease agreements	(572)	(191)	(423)	(153)
Other	12	5	(2)	(1)
Net cash (used) in financing activities	**(4 704)**	**(1 879)**	**(3 077)**	**(1 739)**
Net increase/(decrease) in cash and cash equivalents	**(5 055)**	**(2 019)**	**2 666**	**660**
Effect of changes in exchange rates	7	(39)	(45)	(15)
Cash and cash equivalents, beginning of the period	6 159	3 169	4 192	6 168
Cash and cash equivalents, end of the period	**1 111**	**1 111**	**6 813**	**6 813**
including restricted cash	*188*	*188*	*63*	*63*

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

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity of the ORLEN Group

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

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

2.1. Statement of compliance and general principles of preparation

This interim condensed consolidated financial statements were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information to be published by issuers of securities and conditions of consideration of information required by the law of non-member country's law as equal (Official Journal 2018, item 757) and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 30 September 2020 and as at 31 December 2019, financial results and cash flows for the 9 and 3-month period ended 30 September 2020 and 30 September 2019.

This interim condensed consolidated financial statements were prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of this interim condensed consolidated financial statements there is no evidence indicating that the Group will not be able to continue its operations as a going concern.

The Parent Company and the entities comprising the ORLEN Group have unlimited period of operations.

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

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

2.2.1. Accounting principles

In this interim condensed consolidated financial statements, the significant accounting policies applied by the Group and significant values based on judgments and estimates were the same as described in individual explanatory notes in the Consolidated Financial Statements for 2019, except:

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

As a consequence of changes in the structure of the ORLEN Group related to taking control over ENERGA S.A. ("ENERGA"), as well as taking into account the development of the ORLEN Group's operations in respective areas and the related operational decision making process and allocation of resources within the Group, as from the 1st half of 2020 the ORLEN Group decided to change the presentation with respect to the Downstream segment and break it down into three operating segments: Refining, Petrochemical and Energy. In connection with the new presentation, the segments' comparative data for the 9 and 3-month period ended 30 September of 2019 and for the year 2019 were also converted.
In the opinion of the Management Board of PKN ORLEN, such presentation better reflects the internal reporting structure within the Group, on the basis of which key decisions are made regarding the evaluation of the ORLEN Group's operations and allocation of resources, and increases the transparency and usefulness of data presented in the consolidated financial statements. In particular, following the takeover of ENERGA in April 2020, the Energy industry area became more important within the ORLEN Group and now, apart from ensuring power supplies for its own needs, it also generate significant revenues in distribution and sale area as well as electricity and heat generation.
Additionally, the Group decided to adopt the "first in, first out" (FIFO) method for measurement of consumption of coal inventories, which is consistent with the cost formula used so far by ENERGA for this raw material. In the opinion of the Group, this method best reflects business conditions and the actual process of using coal to production of energy, taking into account its physical properties.

2.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial statements of foreign entities

2.3.1. Functional currency and presentation currency

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

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,

ORLEN GROUP (in PLN million)

- 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	
	9 MONTHS ENDED 30/09/2020	3 MONTHS ENDED 30/09/2020	9 MONTHS ENDED 30/09/2019	3 MONTHS ENDED 30/09/2019	30/09/2020	31/12/2019
EUR/PLN	4.4233	4.4418	4.3024	4.3197	4.5268	4.2585
USD/PLN	3.9392	3.7997	3.8288	3.8859	3.8658	3.7977
CZK/PLN	0.1677	0.1678	0.1674	0.1678	0.1666	0.1676
CAD/PLN	2.9091	2.8524	2.8807	2.9427	2.8843	2.9139

2.4. Information concerning the seasonal or cyclical character of the ORLEN Group's operations in the presented period

In the Energy segment sales and distribution of electricity and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed, and consequently sales revenues, increases in the winter months and decreases in the summer months. This depends on the ambient temperature and day length. The range of these fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of energy sales and distribution applies to a much greater degree to small individual customers than to the industrial sector clients.

There is no significant seasonality or cyclicality of operations in the other segments of the ORLEN Group.

3. Financial situation and the organization of the ORLEN Group

3.1. Impact of coronavirus pandemic on ORLEN Group's operations

The outbreak of the coronavirus SARS-Cov-2 causing the disease COVID-19 had a huge impact on a global economy and situation in the country causing the introduction of significant restrictions on a global scale. Especially, during the period March – June 2020 it caused a blockade of transport on a global scale and an unprecedented drop in global demand for jet fuel, diesel and gasoline, which, as a consequence, led to a drop in demand for crude oil. Excess of crude oil supply over crude oil demand on a scale exceeding available storage capacities caused at the turn of the first and second quarter a sharp and deep decline in crude oil prices, which was in time and scale faster than price adjustments on the markets of fuel and crude oil products. Crude oil prices started to rise in May as a result of the reduction in the production of this commodity by OPEC and Russia and a decline in production due to economic reasons, mainly in the USA, as well as due to the increase in demand resulting from the defrosting of global economies.

Situation connected with coronavirus pandemic affected to a large extent the results achieved by the Group in the 9-month period ended 30 September 2020 in all operating segments. In particular, during the period March – June 2020 the Group identified both a decrease in crude oil prices and a sharp drop in demand for its products and in consequence decrease in their prices in Refine, Petrochemical, Retail and Upstream segments. The effects of the coronavirus are also visible in the Energy segment, where significant decrease in demand for electricity occurred, especially for end customers from A, B and C tariff groups, as well as decline in the production volume.

In the 2nd and 3rd quarter, due to the defrosting of global economies and social life, as well as adapting them to functioning in pandemic conditions, the Group observed gradual increase in demand. Nevertheless, this process is slow, and the wave of coronavirus in autumn may stop this trend and bring the economy to a halt again, which may adversely affect the Group's results in the next quarter.

In the 9-month period ended 30 September 2020 as well as presently all ORLEN petrol stations remain open, there are no disruptions in any area of operations within the concern. There were also no material disruptions in Group's operations on foreign markets as a result of COVID-19 pandemic. In Group's opinion currently there are no threats to the supply chain, both with respect to purchase of raw materials and goods, as well as in the field of internal logistic processes (among others supply of liquid fuels from the production plant to fuel terminals and then to petrol stations).

Since the outbreak of the pandemic PKN ORLEN and entities comprising the Group have taken a number of actions in order to adapt to constantly changing business environment, as well as to prevent the spread of COVID-19 infections, both within its own employees and to support the government's fight against coronavirus.

Below the Group presented the impact of the coronavirus pandemic on selected areas of the Group's operations.

Group's results by operating segments, macroeconomic situation and estimates regarding the impact of COVID-19 on the Group's financial plans, which were basis of the impairment tests were presented in note 5.4.

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

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

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

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

- in the area of direct purchases actions were taken in order to extend supplier databases for emergency situations, managing supplies from alternative sources as well as cooperation with key suppliers with respect to ongoing reporting of inventory stock and appearing risks in supply chain and ad hoc preparation of alternative action plans in order to assure operational continuity,

- in the area of investment purchases additional procedures regarding ongoing monitoring of fulfilment of contractual terms and deadlines as well as financial condition of suppliers have been implemented and procedures regarding launching purchasing processes for substitute contractors, if needed,
- procedures were implemented regarding ongoing analysis of liquidity risk with respect to key suppliers and their current ability to settle liabilities to subcontractors for construction works on the basis of declarations and taking appropriate actions, including shortening payment terms in individual cases, if needed.

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

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

The Group estimates that the total cost incurred in the 9 and 3-month period ended 30 September 2020 due to the above actions amounted to approximately PLN (61) million and PLN (22) million, respectively.
The Group adjusts its operations on an ongoing basis to the changing epidemiological situation.

Prosocial activities taken by the Group in the fight against coronavirus

In the 9 and 3-month period ended 30 September 2020 the value of donations recognised by the Group in other operating cost provided as part of prosocial activities in the fight against coronavirus amounted to PLN (137) million and PLN (60) million.
Most of these funds were transferred by the Group to uniform and medical services, which were involved to the greatest extent in helping people infected with coronavirus and health protection of others.
Those funds were allocated for the purchase of medical masks, medical equipment, safety uniforms, gloves. As part of in-kind support the Group donated also disinfectants, to which subsidiary ORLEN Oil switched over its production, and organized actions of free products and goods releases for uniform services and drivers waiting to cross the border. In-kind and cash donations were, among others, given also through the ORLEN Foundation to medical facilities, police units, social welfare homes and Material Reserves Agency.

Entities from ORLEN Group have also undertaken additional activities, especially aiming at supporting Polish entrepreneurs in a difficult period related to the ongoing pandemic. At that time PKN ORLEN expanded its cooperation with Polish producers and consistently increases the availability of products manufactured in Poland at its petrol stations. Additionally, in mid-June PKN ORLEN has started #WspieramyPolskę campaign in cooperation with the Foundation ORLEN, under which, the Company focused on promoting local products and supporting companies in the process of defrosting the national economy.

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

Inventory impairment allowances to net realizable values
Record drops in crude oil prices during the period March – May 2020, as well as turmoil on global markets caused by coronavirus pandemic, which resulted in rapid fall of demand and decrease in prices of Group's products, affected the recognition by the Group of significant inventory impairment allowances to net realizable values in the 1st quarter of 2020 in the amount of PLN (2,017) million. Due to the increase since June 2020 in oil prices as well as gradual defrosting of global economies, which allowed prices to rise, at the end of June 2020 the Group recognised usage of impairment allowances of inventories in the amount of PLN 2,103 million. As a result of the volatility of crude oil prices and sale prices for the Group's products in the next months, the additional cumulative amount of impairment allowances to net realizable values recognized by the Group in the third quarter amounted to PLN (42) million.
The cumulative value of net impairment allowances recognised in the 9-month period ended 30 September 2020 amounted to PLN 44 million. Additional information in note 5.3.

Estimation of expected credit loss ECL
As at 30 September 2020 the Group performed detailed analysis of changes in macroeconomic environment caused by coronavirus pandemic on expected credit loss calculation in terms of the potential need to modify the assumptions made for estimations and including additional risk factor related to current economic situation and forecasts for the future.

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

Additionally, receivables from entities, which, in opinion of the Group, are exposed most to insolvency risk in the short term, are covered by collaterals. As at 30 September 2020 the Group received bank and insurance guarantees of PLN 3,175 million. The Group additionally receives from its customers collateral in the form of sureties, voluntary submission to execution (Article 777 of the Code of Civil Procedure), deposits, registered pledges, mortgages and bills of exchange. Despite the coronavirus pandemic, the Group assess that the risk of unsettled receivables by customers did not change significantly, due to effective management of trade credit and debt recovery and the level of repayment of receivables presented in the balance sheet as at 30 September 2020, which payment dates fall in the coming months, will not change significantly.

As at 30 September 2020, based on performed analysis, the Group did not identify any indicators for modification of assumptions taken for estimation of expected credit loss.

The Group plans to analyse on the current basis the situation on the markets and incoming signals from contractors which could indicate deterioration of financial situation and if there is a need, update adopted estimates for ECL calculation for the purpose of preparation of the annual financial statements for 2020.

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

Taking into consideration the situation related to the COVID-19 pandemic, in particular the changes in the conditions for conducting business activity and the destabilization on markets of fuel and crude oil products, resulting in high volatility of prices and fluctuations in demand, which in the medium and long term will affect the domestic and global economic situation, at the end of the first quarter and the first half of 2020 the Group performed impairment tests of assets. Taking into account the financial results achieved by the Group in the third quarter and the latest macroeconomic forecasts, which do not differ significantly from the adjusted forecasts and other assumptions adopted for the tests, the Group did not identify the need to recognize additional impairment losses on assets as at 30 September 2020.
Additional information were included in note 5.4.

Liquidity situation

In 9-month period ended 30 September 2020 the Group continued its current policy with respect to liquidity management process based on diversification of financing resources and using range of tools for effective liquidity management, as well as optimizing financial cost, including systems of cash concentration ("cash-pool systems"). In 3rd quarter the ORLEN Group invested cash in bank deposits as before. As at the date of preparation of this interim condensed consolidated financial statements the financial situation of the Group is stable. Working capital decreased by PLN 3,137 million compared to the end of 2019, which was mainly related to decline in crude oil prices, which translated into the value of inventories, receivables and liabilities, as well as reduction in demand related to coronavirus pandemic.

The value of guarantees regarding liabilities to third parties granted during ongoing operations as at 30 September 2020 amounted to PLN 1,190 million and concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations securing regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.
In the Group's opinion, the ongoing coronavirus pandemic did not affect the level of risk in relation to guarantees granted as at 30 September 2020 and the probability of activation of above guarantees remains low.

The Group does not identify currently and within the next 12 months problems with liquidity. The Group also does not see risk of default on loans or other financing agreements. The Group takes optimization actions and assumes maintaining a safe level of net debt and financial covenants included in the financing agreements.
As at the date of preparation of this interim condensed consolidated financial statements, the Group estimates, that it has sufficient sources of funding for implementation of all strategic development and investment projects as well as acquisitions as planned.

Other accounting estimates

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

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

Profit or loss for the 9 months of 2020

Sales revenues of the ORLEN Group for the 9 months of 2020 amounted to PLN 63,005 million and was lower by PLN (20,698) million (y/y). The decrease of sales revenues (y/y) result mainly from lower volume sales by (13)% (in Refining, Petrochemical and Retail segments) and reflects also (36)% decrease of crude oil prices and, as a result, also quotations of major products. In the 9-month period of 2020 in comparison to the same period of 2019 the fuel prices decreased by (37)%, diesel oil by (37)%, aviation fuel by (44)%, heavy heating oil by (42)%, ethylene by (21)% and propylene by (22)%.

The operating expenses decreased totally by PLN 14,871 million (y/y) to PLN (63,925) million. The largest item in this cost structure constitute the costs of materials and energy consumption related mainly to the crude oil and other chemicals used in technological processes. The decrease in the costs of materials and energy consumption by 33% (y/y) resulted mainly from the reduction by (3.4) million tons (y/y) of crude oil processing as a result of the unfavourable macroeconomic situation and planned maintenance shutdowns mainly in PKN ORLEN and in the Unipetrol Group.

The positive result of other operating activities was higher by PLN 4,067 million (y/y) and amounted to PLN 3,980 million mainly due to provisional recognition of gain on bargain purchase of 80% shares of ENERGA in the amount of PLN 3,690 million, impact of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN 880 million and the recognition of impairment allowances of property, plant and equipment and intangible assets, right of-use asset and other non-current assets mainly in Upstream segment in Poland in the amount of PLN (238) million and in Canada in the amount of PLN (381) million.

As a result profit from operations amounted to PLN 3,116 million and was lower by PLN (1,773) million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance cost in the described period amounted to PLN (777) million and included net foreign exchange loss in the amount of PLN (390) million, net interest expenses in the amount of PLN (270) million and settlement and valuation of financial instruments in the amount of PLN (137) million.

After the deduction of tax charges in the amount of PLN 91 million, the net profit of the ORLEN Group for the 9 months of 2020 amounted to PLN 2,428 million and was lower by PLN (1,288) million (y/y).

Profit or loss for the 3rd quarter of 2020

Sales revenues of the ORLEN Group in the 3rd quarter of 2020 amounted to PLN 23,918 million and were lower by PLN (5,311) million (y/y). The decrease in sales revenues (y/y) reflects (31%) decrease in crude oil prices and as a result, also the quotation of major products fuel by (35%), diesel oil by (39%), aviation fuel by (47)%, heavy heating oil by (27%), ethylene by (21%) and propylene by (19%).

Total operating expenses decreased by PLN 4,401 million (y/y) to PLN (22,853) million mainly as a result of the reduction of crude oil processing by (0.8) million tons due to the unfavourable macroeconomic situation and planned maintenance shutdowns, which resulted in a reduction of the costs of materials and energy used by PLN 6,275 million (y/y)

After consideration of result on other operating activities in the amount of PLN (30) million included mainly impact of net positions of settlement and valuation of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN (33) million, the operating profit amounted to PLN 1,057 million and was lower by PLN (750) million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance costs in the described period amounted to PLN (222) million and included mainly net negative impact of settlement and valuation of financial instruments in the amount of PLN (86) million, net foreign exchange loss in the amount of PLN (41) million and net interest expenses in the amount of PLN (101) million.

After the deduction of tax charges in the amount of PLN (148) million, the net profit of the ORLEN Group amounted to PLN 688 million and was lower by PLN (578) million (y/y).

Statement of financial position

As at 30 September 2020, the total assets of the ORLEN Group amounted to PLN 81,784 million and was higher by PLN 10,582 million in comparison with 31 December 2019.
As at 30 September 2020, the value of non-current assets amounted to PLN 56,870 million and was higher by PLN 17,593 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets by PLN 16,083 million mainly due to takeover of control of non-current assets of ENERGA Group in the amount of PLN 14,657 million. Additionally the change in balance of property, plant and equipment and intangible assets comprised investment expenditures in the amount of PLN 4,875 million including development of fertilizer production capacities in Anwil, construction of the Glikol installation in ORLEN Południe and Visbreaking Installation in Płock, revitalization of POX in the Unipetrol Group, expenditure on the construction of installations under Program of the Petrochemical Segment Development, projects in the Energy segment related mainly to the upgrade TG1 turbine generator of power plant in Płock, preparation for the construction of offshore wind farms in the Baltic Sea, construction of the wind farm and the connection of the Energa-Operator distribution infrastructure and projects in Retail and Upstream segment and depreciation and amortisation in the amount of PLN (2,779) million and recognition of net impairment allowances on assets mainly in the Upstream segment in the amount of PLN (619) million.

The value of current assets as at 30 September 2020 decreased by PLN (7,011) million in comparison with the end of the previous year, mainly as a decrease in inventories by PLN (2,858) million, balance of cash and cash equivalents by PLN (5,048) million by increase of trade and other receivables by PLN 476 million and income tax receivables by PLN 272 million. The decrease in value of inventories is mainly the result of a decrease in crude oil and petroleum product prices.

As at 30 September 2020, total equity amounted to PLN 41,806 million and was higher by PLN 3,199 million in comparison with the end of 2019, mainly due to recognition of net profit for the 9 months of 2020 in the amount of PLN 2,428 million, increase by PLN 1,611 million (y/y) of value of non-controlling interest mainly due to acquisition of 80% of ENERGA shares, negative impact of the change in balance of hedging reserve in the amount of PLN (380) million and the inclusion of dividend payments from previous years' profits in the amount of PLN (428) million.

The value of trade and other liabilities decreased by PLN (448) million compared to the end of 2019 mainly due to decrease of trade liabilities in the amount of PLN (573) million and investment liabilities in the amount of PLN (22) million and an increase of tax liabilities in the amount of PLN 202 million. The decrease in liabilities results mainly from the lower amount of purchased crude oil and commodities and lower prices on the markets.

As at 30 September 2020 the value of provisions amounted to PLN 4,338 million and was higher by PLN 1,989 million compared to the end of 2019. The increase resulted mainly from:

- recognition of the provisions of the ENERGA Group in the statement of financial position of the ORLEN Group in the total amount of PLN 1,798 million (mainly jubilee bonuses and post-employment benefits, provisions for estimated emissions of CO_2 and energy certificates and other provisions relating to disputes);
- net provision balance settlement of estimated CO_2 emissions and energy certificates in the total amount of PLN 287 million mainly from the net effect of recognition of provision in the amount of PLN 1,364 million based on weighted average method price of owned rights and certificates and their usage due to redemption of rights for 2019 in the amount of PLN (1 077) million;
- reversal of provisions for onerous contracts in the ENERGA Group in the amount of PLN (47) million and reversal of the provision for additional tax liabilities in the amount of PLN (37) million.

As at 30 September 2020, net financial indebtedness of the ORLEN Group amounted to PLN 11,862 million and was higher by PLN 9,414 million in comparison with the end of 2019 mainly due mainly due to the recognition of the ENERGA Group's debt in the amount of PLN 7,348 million, the net outflows, including inflows and repayments of loans, borrowings and redemption of bonds in the amount of PLN (3,342) million, an decrease in balance of cash and cash equivalents by PLN 5,048 million and the net impact of negative exchange differences from revaluation, of the valuation of debt and interest in the total amount of PLN 360 million.

Statement of cash flows for the 9 months of 2020

Proceeds of net cash from operating activities for the 9-month period of 2020 amounted to PLN 6,071 million and comprised mainly of result from operations increased by depreciation and amortisation EBITDA in the amount of PLN 6,352 million, the positive impact of the decrease in net working capital by PLN 3,137 million decreased by income taxes paid in the amount of PLN (619) million, profit on investing activities in the amount of PLN (3,798) million mainly related to gain on bargain purchase of ENERGA Group in the amount of PLN (3,690) million, settlement and valuation of derivative financial instruments PLN (743) million, change in provisions in the amount of PLN 1,250 million and investments accounted for under equity method in the amount of PLN (103) million.

Net cash used in investing activities for the 9-month period of 2020 amounted to PLN (6,422) million and comprised mainly of net expenses for the acquisition and sales of property, plant and equipment, intangible assets and right-of-use asset in the net amount of PLN (5,149) million, shares acquisition of ENERGA adjusted by acquired cash and cash equivalents in the amount of PLN (1,609) million and settlement of derivatives not designated as hedge accounting in the amount of PLN 437 million.

Net outflows of cash from financing activities for the 9-month period of 2020 amounted to PLN (4,704) million and comprised mainly of net outflows of loans, borrowings and bonds in the amount of PLN (3,342) million, dividends paid in the amount of PLN (428) million, interest paid in the amount of PLN (374) million, payments of liabilities under finance lease agreements in the amount of PLN (572) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 9-month period of 2020 decreased by PLN (5,048) million and as at 30 September 2020 amounted to PLN 1,111 million.

Statement of cash flows for the 3rd quarter of 2020

In the 3rd quarter of 2020 the net cash from operating activities amounted to PLN 2,199 million and comprised mainly of profit from operations increased by depreciation and amortisation in the amount of PLN 2,240 million and the negative impact of increase in a net working capital by PLN (583) million, paid income tax in the amount of PLN (57) million, loss on investing activities in the amount of PLN 105 million and change in provisions in the amount of PLN 496 million.

In the 3rd quarter of 2020 the net cash used in investing activities amounted to PLN (2,339) million and comprised mainly of net expenses for the acquisition and disposal of property, plant and equipment, intangible assets and perpetual usufruct of land in the amount of PLN (1,969) million and settlement of derivatives not designated as hedge accounting in the amount of PLN (360) million.

In the 3rd quarter of 2020 net expenses of cash used in financing activities amounted to PLN (1,879) million and comprised mainly of paid dividend in the amount of PLN (428) million and the net outflows of loans and borrowings in the amount of PLN (1,157) million, payments of liabilities under lease agreements in the amount of PLN (191) million and interest paid in the amount of PLN (108) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 3rd quarter of 2020 decreased by PLN (2,058) million and as at 30 September 2020 amounted to PLN 1,111 million.

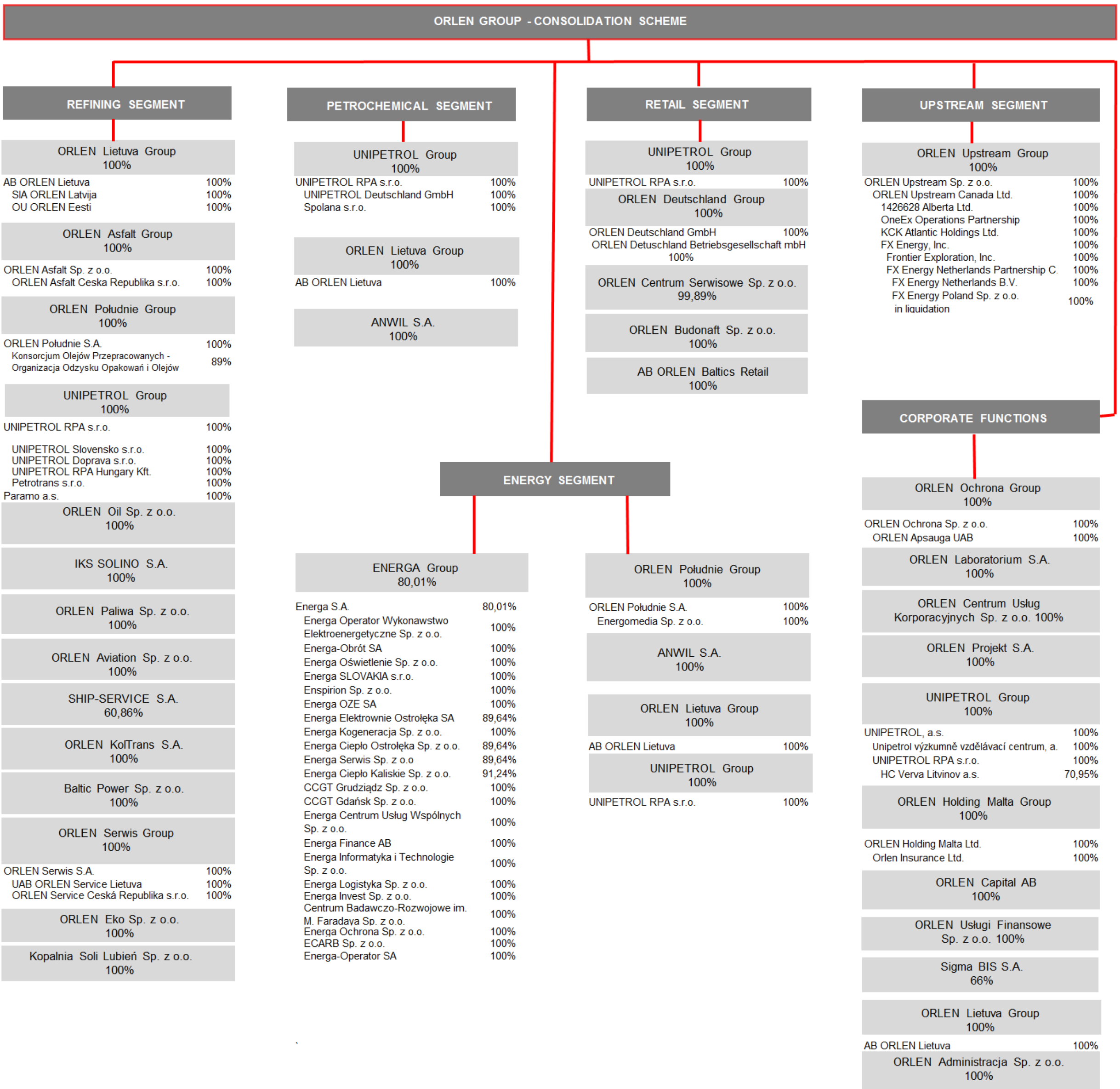
Factors and events which may influence future results

The factors that will affect future financial results of the ORLEN Group include:
- further impact of the COVID-19 pandemic on the macroeconomic environment,
- macroeconomic and geopolitical environment - crude oil and other energy resources prices, quotations on refinery and petrochemical products, foreign exchange rates (mainly EUR/USD, PLN/USD, PLN/EUR) and the tariff war between the US and China as well as the US conflict with Iran,
- economic situation - GDP level, fuel and other products of the Group consumption on the markets of its operations and the situation on the labour market,
- availability of production instances,
- applicable legal regulations,
- situation on the financial market, in particular the possibility of obtaining debt financing.

3.3. Description of the organization of the ORLEN Group

The ORLEN Group includes PKN ORLEN as the Parent Company and entities located in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, the Netherlands, Slovakia, Hungary, Estonia, Latvia and the USA and Canada.

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



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

- from 14 February 2020 the name of UAB EMAS from the ORLEN Serwis Group was changed to UAB ORLEN Service Lietuva;
- on 8 April 2020 the Extraordinary General Meeting of Shareholders of the FX Energy Poland Sp. z o.o. took place, at which a resolution regarding the dissolution of FX Energy Poland Sp. z o.o. was adopted and thus the company liquidation process was started;
- on 30 April 2020 PKN ORLEN acquired 331,313,082 shares of ENERGA representing approximately 80% of the share capital of ENERGA and corresponding to approximately 85% of the total number of votes at the General Meeting of the company. The price amounted to PLN 8.35 per one Share and the value of all acquired Shares amounted to approximately PLN 2.77 billion and was covered by own resources and consortium credit line.

Changes in the Group structure are an element of the ORLEN Group strategy, assuming a focus on core activities and allocating capital for the development of the Group in the most prospective areas and creating an integrated multi-energy concern.

3.4.1. Acquisition of ENERGA shares

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

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

The subject of transaction concluded under the Tender Offer were:

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

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

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

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

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

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

The transaction of acquisition of ENERGA shares is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations. The date on which PKN ORLEN obtained control of ENERGA was 30 April 2020. As at 30 September 2020 the Group made provisional settlement of the transaction. So far, in this respect, the process of valuation of individual items of property plant and equipment and intangible assets by independent experts has not been finalized. The currently recognised provisional values of property, plant and equipment and intangible assets have been determined using the income method. Currently, the Group is finalizing the valuation by independent experts using replacement cost method. This process should be completed in the 4th quarter of 2020 and may affect the final fair value of these assets. The process of valuation to fair value of the right-of-use assets related to right of way and perpetual usufruct right is currently being finalized. Moreover, the Group is the process of final analysis and gathering information in order to estimate additional value of provision with respect to the assumed contingent liabilities to the general contractor resulting from the suspension of construction works at the power plant Ostrołęka C, in connection with the plans to continue the construction project in the variant of the Combined Cycle Gas Turbines (CCGT) unit as well as contingent liabilities concerning legal disputes against ENERGA Group related to energy infrastructure of ENERGA Operator S.A. located on private land. The Group plans to complete the purchase price allocation process related to acquisition of ENERGA in the 4th quarter 2020.

ORLEN GROUP (in PLN million)

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

Assets acquired	**A**	**19 874**
Non-current assets		
Property, plant and equipment*		13 715
Intangible assets*		942
Right-of-use asset*		843
Investments accounted for using the equity method		68
Deferred tax assets		421
Derivatives		3
Other assets		71
Current assets		
Inventories		161
Trade and other receivables		2 057
Current tax assets		43
Cash and cash equivalents		1 157
Other assets		393
Assumed liabilities	**B**	**11 888**
Non-current liabilities		
Provisions*		963
Loans, borrowings and bonds		4 416
Deferred tax liabilities		794
Derivatives		77
Lease liabilities		614
Other liabilities		29
Current liabilities		
Trade and other liabilities		1 072
Lease liabilities		42
Liabilities from contracts with customers		110
Loans, borrowings and bonds		2 931
Provisions*		835
Other liabilities		5
Total net assets	**C = A - B**	**7 986**
Acquired net assets attributable to non-controlling interest		(30)
Net assets attributable to the equity owners of the parent	**D**	**8 016**
Non-controlling interest measured as a proportionate share in the net assets		**1 573**
% share in the share capital	**E**	80%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	6 413
Fair value of the consideration transferred (Cash paid)	**G**	2 766
Value of pre-existing relationship	**H**	43
Gain on bargain purchase	**I = F - G + H**	**3 690**

* Items with provisional values as their settlement has not been completed at the date of acquisition

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

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

According to specific requirements of IFRS 3 Business Combinations, as part of provisional purchase price allocation process, the Group estimated fair value of additional provisions with respect to Ostrołęka C project due to the decision of ENERGA and Enea to suspend the construction of a coal-fired unit and plans of implementation of the project using natural gas. Such change is in line with the strategy of ORLEN Group which assumes the development of zero and low-emission investments, including the use of gas technology. Value of provisions recognised as part of provisional settlement of the purchase price allocation connected with Ostrołęka C project amounted to PLN 259 million and related to provisions for investment liabilities towards the general contractor in connection with the suspension of construction works at the Ostrołęka C power plant which were estimated based on, among others, value of claims regarding settlement of work in progress and suspension costs resulting from the proposals presented by the general contractor, as well as contingent liability related to the risk of failure to meet the capacity obligation resulting from the concluded capacity contracts. In the Group's opinion, in case the above risk materialize, main outflow of economic benefits in this respect will take place till the end of 2021.
As part of provisional settlement of transaction, the Group also recognised provisions related to fair value of assumed contingent liabilities amounting to PLN 154 million related to legal disputes against companies from ENERGA Group including claims related to energy infrastructure of ENERGA Operator S.A. located on private land, which fair value was determined taking into consideration probability of meeting clients' claims based on the estimation of law firms. The Group estimates, that the outflow of economic benefits in this respect, in the event of an obligation, may occur in 2021.
The value of provisions described above may still change as part of the final settlement of the purchase price allocation process.

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

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

Due to the provisional settlement the final settlement of the transaction is planned in the 4th quarter 2020, which will include, especially, the second stage of the valuation of property, plant and equipment using the replacement cost method, valuation of the right-of-use assets and adjustments related to the estimation of the provisions described above.

As a result of provisional settlement of acquisition of ENERGA shares, the share of PKN ORLEN in the net of the fair value amounts of the identifiable assets, liabilities and contingent liabilities exceeded the consideration transferred by PLN 3 690 million, which was recognised as a gain on a bargain purchase within other operating income in the interim condensed consolidated statement of profit and loss and other comprehensive income.

Taking into account the requirements of IFRS 3 Business Combinations with respect to the possibility of recognizing a possible gain on a bargain purchase, the Group is currently reviewing the procedures used to identify and measure all amounts affecting the calculation of the result on the transaction. Therefore, the value of the gain on a bargain purchase may change as part of the final settlement of the acquisition transaction.

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

Despite offering a 20% premium to the share price from the date of the Tender Offer the Group recognised gain on a bargain purchase resulting from the excess of net asset value of ENERGA Group over the price paid by the ORLEN Group.

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

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

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

In the period from the acquisition date, the share of ENERGA Group in the net profit generated by the ORLEN Group amounted to PLN 205 million, and in sales revenues PLN 4,964 million. If the acquisition of the ENERGA shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 2,505 million, and sales revenues would be PLN 67,200 million.

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

On 21 September 2020 PKN ORLEN announced the Tender Offer (delisting offer) for sales of shares issued by ENERGA held by all remaining ENERGA shareholders. Additional information in note B2.

4. Segment's data

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

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

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.

(in PLN million)

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

for the 9-month period ended 30 September 2020

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	25 148	7 662	6 311	23 469	356	59	-	63 005
Inter-segment revenues		13 480	1 589	2 462	75	-	358	(17 964)	-
Sales revenues		38 628	9 251	8 773	23 544	356	417	(17 964)	63 005
Total operating expenses		(42 607)	(8 718)	(7 308)	(21 589)	(444)	(1 223)	17 964	(63 925)
Other operating income, incl.:	5.5	3 743	140	3 769	45	170	64	-	7 931
gain on bargain purchase of the ENERGA Group	5.5	-	-	*3 690*	-	-	-	-	*3 690*
Other operating expenses	5.5	(2 938)	(8)	(52)	(70)	(671)	(212)	-	(3 951)
(Loss)/reversal of loss due to impairment of financial instruments		2	1	(18)	(3)	(1)	(28)	-	(47)
Share in profit from investments accounted for using the equity method		-	101	1	-	-	1	-	103
Profit/(Loss) from operations		**(3 172)**	**767**	**5 165**	**1 927**	**(590)**	**(981)**	**-**	**3 116**
Net finance income and costs	5.6								(777)
(Loss)/reversal of loss due to impairment of financial instruments									(2)
Profit before tax									**2 337**
Tax expense									91
Net profit									**2 428**
Depreciation and amortisation	5.2	**855**	**682**	**776**	**527**	**244**	**152**	**-**	**3 236**
EBITDA		**(2 317)**	**1 449**	**5 941**	**2 454**	**(346)**	**(829)**	**-**	**6 352**
Increases in non-current assets		**1 989**	**1 155**	**973**	**856**	**265**	**221**	**-**	**5 459**

for the 3-month period ended 30 September 2020

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	9 163	2 615	3 452	8 552	117	19	-	23 918
Inter-segment revenues		4 942	529	854	13	-	125	(6 463)	-
Sales revenues		14 105	3 144	4 306	8 565	117	144	(6 463)	23 918
Total operating expenses		(14 472)	(2 956)	(3 670)	(7 707)	(134)	(377)	6 463	(22 853)
Other operating income	5.5	560	59	50	10	18	1	-	698
Other operating expenses	5.5	(576)	(8)	(35)	(10)	(19)	(80)	-	(728)
(Loss)/reversal of loss due to impairment of financial instruments		(1)	1	(8)	(1)	-	(5)	-	(14)
Share in profit from investments accounted for using the equity method		1	34	1	-	-	-	-	36
Profit/(Loss) from operations		**(383)**	**274**	**644**	**857**	**(18)**	**(317)**	**-**	**1 057**
Net finance income and costs	5.6								(222)
(Loss)/reversal of loss due to impairment of financial instruments									1
Profit before tax									**836**
Tax expense									(148)
Net profit									**688**
Depreciation and amortisation	5.2	**285**	**224**	**372**	**176**	**72**	**54**	**-**	**1 183**
EBITDA		**(98)**	**498**	**1 016**	**1 033**	**54**	**(263)**	**-**	**2 240**
Increases in non-current assets		**728**	**344**	**506**	**309**	**51**	**93**	**-**	**2 031**

(in PLN million)

for the 9-month period ended 30 September 2019

	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)	Adjustments (unaudited) (restated data)	Total (unaudited)
External revenues	5.1	42 332	10 526	1 235	29 115	438	57	-	83 703
Inter-segment revenues		21 659	1 827	2 428	172	-	319	(26 405)	-
Sales revenues		63 991	12 353	3 663	29 287	438	376	(26 405)	83 703
Total operating expenses		(62 560)	(11 076)	(2 782)	(27 275)	(439)	(1 069)	26 405	(78 796)
Other operating income	5.5	398	133	20	62	30	20	-	663
Other operating expenses	5.5	(473)	(30)	(36)	(79)	(67)	(65)	-	(750)
(Loss)/reversal of loss due to impairment of financial instruments		(8)	(1)	-	(6)	-	(33)	-	(48)
Share in profit from investments accounted for using the equity method		-	117	-	-	-	-	-	117
Profit/(Loss) from operations		**1 348**	**1 496**	**865**	**1 989**	**(38)**	**(771)**	**-**	**4 889**
Net finance income and costs	5.6								(204)
(Loss)/reversal of loss due to impairment of financial instruments									(1)
Profit before tax									**4 684**
Tax expense									(968)
Net profit									**3 716**
Depreciation and amortisation	5.2	**840**	**596**	**319**	**468**	**236**	**113**	**-**	**2 572**
EBITDA		**2 188**	**2 092**	**1 184**	**2 457**	**198**	**(658)**	**-**	**7 461**
Increases in non-current assets, incl.:		**1 794**	**737**	**207**	**2 707**	**406**	**527**	**-**	**6 378**
impact of IFRS 16 adoption		757	271	19	1 974	3	292	-	**3 316**

for the 3-month period ended 30 September 2019

	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)	Adjustments (unaudited) (restated data)	Total (unaudited)
External revenues	5.1	14 840	3 388	466	10 382	134	19	-	29 229
Inter-segment revenues		7 357	596	779	9	-	107	(8 848)	-
Sales revenues		22 197	3 984	1 245	10 391	134	126	(8 848)	29 229
Total operating expenses		(21 536)	(3 584)	(832)	(9 612)	(163)	(375)	8 848	(27 254)
Other operating income	5.5	170	54	6	7	14	9	-	260
Other operating expenses	5.5	(307)	(13)	(12)	(18)	(62)	(28)	-	(440)
(Loss)/reversal of loss due to impairment of financial instruments		(1)	(1)	(1)	(2)	-	(18)	-	(23)
Share in profit from investments accounted for using the equity method		-	35	-	-	-	-	-	35
Profit/(Loss) from operations		**523**	**475**	**406**	**766**	**(77)**	**(286)**	**-**	**1 807**
Net finance income and costs	5.6								**(240)**
Profit before tax									**1 567**
Tax expense									(301)
Net profit									**1 266**
Depreciation and amortisation	5.2	**282**	**205**	**108**	**158**	**100**	**40**	**-**	**893**
EBITDA		**805**	**680**	**514**	**924**	**23**	**(246)**	**-**	**2 700**
Increases in non-current assets		**371**	**213**	**89**	**358**	**136**	**152**	**-**	**1 319**

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

Assets by operating segments

	30/09/2020 (unaudited)	31/12/2019 (restated data)
Refining Segment	25 759	28 618
Petrochemical Segment	13 106	13 245
Energy Segment	23 898	5 511
Retail Segment	10 127	9 945
Upstream Segment	3 752	4 440
Segment assets	**76 642**	**61 759**
Corporate Functions	5 216	9 705
Adjustments	(74)	(262)
	81 784	**71 202**

Operating segments include all assets except for financial assets, tax assets and cash. Assets used jointly by the operating segments are allocated based on revenues generated by individual operating segments.

ORLEN ORLEN GROUP (in PLN million)

5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

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

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Revenues from sales of finished goods and services	48 502	18 071	70 154	24 566
revenues from contracts with customers	*48 314*	*18 003*	*69 843*	*24 373*
excluded from scope of IFRS 15	*188*	*68*	*311*	*193*
Revenues from sales of merchandise and raw materials, net	14 503	5 847	13 549	4 663
revenues from contracts with customers	*14 502*	*5 847*	*13 522*	*4 636*
excluded from scope of IFRS 15	*1*	*-*	*27*	*27*
Sales revenues, incl.:	**63 005**	**23 918**	**83 703**	**29 229**
revenues from contracts with customers	*62 816*	*23 850*	*83 365*	*29 009*

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

Performance obligations
As part of the contractual obligations, the Group commits to deliver to its customers mostly refining, petrochemical products and goods, electricity and heat, crude oil, gas and energy distribution services. Under these agreements, the Group acts as a principal.
Transaction prices in existing contracts with customers are not constrained, except for prices approved by the President of ERO for customers of G tariff groups in the Energy segment.There are no contracts in force providing for significant obligations for returns and other similar obligations. There is no significant financing component in contracts with customers. The Group does not identify revenues for which the payment of consideration is contingent.
The warranties provided under the contracts are warranties that provide a customer with assurance that the related product complies with agreed-upon specification. They are not a distinct service.
In the Refining, Petrochemical, Energy and Upstream segment, there are mainly sales with deferred payment. In contracts with customers in most cases payment terms not exceeding 30 days are used, except the Upstream segment where payment terms not exceeding 60 days.
In the Energy segment, settlements with customers are made in one- and two-month periods. In the Retail segment, there are both cash sales as well as sales with deferred payment terms performed by using a fuel cards entitling customers to continuous purchase at the network of petrol stations. Settlements with customers take place mostly in two-week periods (so-called Fleet Cards).
Usually payment is due after transferring good or service.The variability of consideration in contracts with customers is connected mainly with volume rebates.

Revenues according to categories taking into account significant economic factors affecting their recognition
Except of revenues according to product type and geographical region presented in notes 5.1.1 and 5.1.2, the Group analyses revenues based on the type of contract, date of transfer, contract duration and sales channels.
Revenues based on a fixed price constitute the majority of revenues in the Group. According to IFRS 15, the variable component of remuneration is penalties and the customer's right to discounts. The Group recognises revenues in the amount of consideration, to which – in line with expectations- it will be entitled and which will not be reversed in the future. Consequently, the Group adjusts revenues for highly probable discounts and penalties. The variability of consideration in contracts with customers is largely related to volume rebates. The Group also defers the part of revenue related to the VITAY loyalty program, according to which the customer is entitled to future benefits (i.e. VITAY points).

As part of the Refining and Petrochemical segments, with respect to sales of petrochemical and refinery products, the Group recognises revenue from satisfaction of performance obligation, depending on the terms of delivery (Incoterms) used. In case of some deliveries, the Group is obliged to organize transport and/or insurance. When the control of good passes to the customer before transport is performed, the delivery of goods and transport (and possibly insurance) becomes separate performance obligations. The delivery of goods is an obligation satisfied at a point in time, while transport is a continuous obligation (satisfied over time). In case of transport and insurance, the customer simultaneously receives and consumes benefits from the service.
In the Retail segment, the moment of satisfaction of performance obligation is the moment of transfer of good, except for sales of fuels using Fleet Cards.
In case of sales satisfied over time, the Group recognises revenues at least on a monthly basis, where settlements between parties to the contract take place periodically and reflect the amount of consideration that the Group is entitled for transfer of goods and services to the customer. Revenue recognised over time mainly relate to the sale of energy and energy distribution services within the Energy segment, the sale of fuels using Fleet cards within Retail segment and the sale of gas and crude oil within the Upstream segment.

ORLEN ORLEN GROUP (in PLN million)

The majority of contracts within the Group are short-term excluding contracts in the Energy segment, where the majority of the contracts' duration is indefinite. Revenues on services for which start and end dates fall in different reporting periods (long-term contracts) are recognised according to the stage of their completion, if the result of the transaction can be reliably estimated. Long-term contracts that remain unfulfilled in full as at the balance sheet date relate to construction and assembly contracts and energy sales.

The Group realizes sales directly to end customers in the Retail segment, managing the network of nearly 2,840 fuel stations, including 2,310 own brand stations and a further 530 stations operated under franchise agreements.
The Group's sales to customers in the Refining and Petrochemical segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy to customers in the Energy segment are carried out mostly with the use of own distribution infrastructure.

5.1.1. Sales revenues of operating segments according to product type

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited) (restated data)	3 MONTHS ENDED 30/09/2019 (unaudited) (restated data)
Refining Segment				
Revenue from contracts with customers IFRS 15	**25 137**	**9 162**	**42 264**	**14 817**
Light distillates	5 302	2 007	8 984	3 092
Medium distillates	15 821	5 478	26 719	9 494
Heavy fractions	2 800	1 223	5 031	1 786
Other*	1 214	454	1 530	445
Excluded from scope of IFRS 15	**11**	**1**	**68**	**23**
	25 148	**9 163**	**42 332**	**14 840**
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	**7 657**	**2 613**	**10 521**	**3 386**
Monomers	2 108	764	2 788	919
Polymers	1 262	470	1 915	602
Aromas	513	163	848	298
Fertilizers	612	211	681	226
Plastics	929	310	1 056	319
PTA	995	305	1 469	474
Other	1 238	390	1 764	548
Excluded from scope of IFRS 15	**5**	**2**	**5**	**2**
	7 662	**2 615**	**10 526**	**3 388**
Energy Segment				
Revenue from contracts with customers IFRS 15	**6 308**	**3 452**	**1 143**	**376**
Excluded from scope of IFRS 15	**3**	**-**	**92**	**90**
	6 311	**3 452**	**1 235**	**466**
Retail Segment				
Revenue from contracts with customers IFRS 15	**23 318**	**8 494**	**28 958**	**10 282**
Light distillates	8 945	3 381	11 043	3 953
Medium distillates	11 610	4 046	15 233	5 385
Other **	2 763	1 067	2 682	944
Excluded from scope of IFRS 15	**151**	**58**	**157**	**100**
	23 469	**8 552**	**29 115**	**10 382**
Upstream Segment				
Revenue from contracts with customers IFRS 15	**355**	**116**	**438**	**134**
NGL ***	146	51	240	74
Crude oil	76	20	80	29
Natural Gas	129	45	115	30
Other	4	-	3	1
Excluded from scope of IFRS 15	**1**	**1**	**-**	**-**
	356	**117**	**438**	**134**
Corporate Functions				
Revenue from contracts with customers IFRS 15	**41**	**13**	**41**	**14**
Excluded from scope of IFRS 15	**18**	**6**	**16**	**5**
	59	**19**	**57**	**19**
	63 005	**23 918**	**83 703**	**29 229**

* *Other includes mainly: brine, industrial salt, vacuum distillates, acetone, ammonia, butadiene, phenol, technical gases, caprolactam, soda lye and sulphur. In addition, it includes revenues from sale of services and materials*
** *Other mainly includes the sale of non-fuel merchandise*
*** *NGL (Natural Gas Liquids)*

During the 9 and 3-month period ended 30 September 2020 and 30 September 2019 revenues from none of Group customers individually exceeded 10% of the total sales revenues of the ORLEN Group.

(in PLN million)

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

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Revenue from contracts with customers				
Poland	*34 794*	*13 737*	*38 587*	*12 397*
Germany	*9 615*	*3 326*	*12 281*	*4 132*
Czech Republic	*6 864*	*2 555*	*11 225*	*3 991*
Lithuania, Latvia, Estonia	*4 368*	*1 688*	*8 914*	*4 381*
Other countries	*7 175*	*2 544*	*12 358*	*4 108*
	62 816	**23 850**	**83 365**	**29 009**
excluded from scope of IFRS 15				
Poland	*34*	*10*	*179*	*117*
Germany	*65*	*24*	*68*	*68*
Czech Republic	*88*	*32*	*90*	*35*
Lithuania, Latvia, Estonia	*1*	*1*	*1*	*-*
Other countries	*1*	*1*	*-*	*-*
	189	**68**	**338**	**220**
	63 005	**23 918**	**83 703**	**29 229**

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

5.2. Operating expenses

Cost by nature

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Materials and energy	(38 022)	(13 370)	(56 879)	(19 645)
Cost of merchandise and raw materials sold	(12 938)	(5 305)	(11 930)	(4 132)
External services	(3 732)	(1 514)	(3 256)	(1 152)
Employee benefits	(2 914)	(1 105)	(2 146)	(688)
Depreciation and amortisation	(3 236)	(1 183)	(2 572)	(893)
Taxes and charges	(2 465)	(780)	(1 999)	(643)
Other	(554)	(215)	(477)	(191)
	(63 861)	**(23 472)**	**(79 259)**	**(27 344)**
Change in inventories	(763)	115	347	34
Cost of products and services for own use	699	504	116	56
Operating expenses	**(63 925)**	**(22 853)**	**(78 796)**	**(27 254)**
Distribution expenses	5 005	1 792	4 648	1 637
Administrative expenses	1 620	558	1 295	425
Cost of sales	**(57 300)**	**(20 503)**	**(72 853)**	**(25 192)**

5.3. Impairment allowances of inventories to net realizable value

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Increase	(2 448)	(101)	(149)	(63)
Decrease	2 492	59	310	106

During the 9-month period ended 30 September 2020, the item decrease includes first of all usage in the 2nd quarter of 2020 of impairment allowances recognised mainly in the 1st quarter of 2020 due to a decrease in crude oil and petroleum products' prices.

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

The analysis of the impairment indicators as at 30 September 2020, including the verification of discount rates, sales volumes, margins and the forecast of future cash flows including planned capital expenditures and working capital, confirmed that the assumptions on which assets of the ORLEN Group were valued as at 30 June 2020 remain valid.

The ORLEN Group also analysed the impairment indicators in the context of the results achieved in the 3rd quarter of 2020 against the assumed cash flow forecasts and macroeconomic assumptions. As a result of the analysis, the ORLEN Group did not identify the need to increase the impairments as at 30 September 2020 over those recognized and disclosed in the financial reports as at 31 March 2020 and 30 June 2020.

According to the disclosures as at 31 March 2020 and 30 June 2020, the ORLEN Group identified indicators for impairment tests in accordance with IAS 36 "Impairment of Assets" related to the coronavirus pandemic and its impact on future estimated cash flows generated by cash-generating units, made appropriate adjustments to the projection of cash flows, prepared asset impairment tests and updated its assets accordingly. As at 30 June 2020 the impairment tests were conducted based on the ORLEN Group's assets as at this day and net cash flows updated in accordance with the judgments and estimates explained below, discounted to their present value using discount rates reflecting current market estimates of the time value of money and risks typical for the assets being valued. In connection with the current economic situation, uncertainty of demand and supply, which affect the shaping and forecasting of macroeconomic data, the ORLEN Group will analyse and, if necessary, update the adopted assumptions.

ORLEN ORLEN GROUP (in PLN million)

Production assets of the Upstream segment

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

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

As at 30 September 2020 the impairment losses of the remaining production assets of the Upstream segment of ORLEN Upstream Group performed as at 31 March 2020 are maintained, in a total value of PLN (496) million.

After analysing the macroeconomic and economic situation, the valuations of the remaining production assets of the Upstream segment located in Poland and Canada as of 31 March 2020 and as of 30 June 2020 were maintained.

ORLEN Group constantly observe emerging market trends and customer behaviour.

Production assets of Refinery and Petrochemical segment

As a result of the verification of the impairment indicators of assets as at 30 September 2020, the probability of achieving the planned sales volumes and margins of production assets of the Refining and Petrochemical segments prepared for the purposes of asset impairment tests as at 30 June 2020 was maintained.

Asset impairment tests performed as at 30 June 2020 based on updated assumptions have not confirmed the need to make impairment losses or reversal of impairment losses of Refinery and Petrochemical segment assets of the ORLEN Group.

Production assets of the Energy segment

As at 30 September 2020, the assumptions adopted for the valuation of the ENERGA Group's assets, prepared as at the acquisition date, 30 April 2020, remain actual. The analyse performed for other assets of the ORLEN Group's Power segment did not show indicators for impairment losses.

Assets of Retail segment

The retail segment assets were verified for the existence of impairment indicators, which included an analysis of sales volumes and margins realized in the 3rd quarter of 2020. The ORLEN Group did not recognize any impairment of fuel station assets in the three months ended 30 September 2020. During the 9-month period, the impairment of petrol station assets amounted to PLN (13) million net.

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

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

	NOTE	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
ORLEN Upstream Group		(619)	10
ORLEN Upstream Poland		(238)	10
ORLEN Upstream Canada		(381)	-
Other		(23)	(2)
	5.5	**(642)**	**8**

The total value of impairment losses on exploration and production assets in the ORLEN Upstream Group in the 9-month period ended on 30 September 2020 amounts to PLN (619) million.

Other impairment losses for property, plant and equipment, intangible assets and net asset rights in the of 9 and 3-month period ended 30 September 2020 relate mainly to the impairment of assets in the Retail segment PLN (13) million and PLN (1) million and the Refinery and Petrochemical segment PLN (10) million and PLN (1) million.

The total impact of recognized net impairments on the ORLEN Group's non-current assets in the in the of 9 and 3-month period ended 30 September 2020 amounts to PLN (642) million and PLN 8 million.

ORLEN ORLEN GROUP (in PLN million)

5.5. Other operating income and expenses

Other operating income

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Profit on sale of non-current non-financial assets	17	4	15	1
Gain on bargain purchase of the ENERGA Group	3 690	-	-	-
Reversal of provisions	80	15	17	9
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	75	22	39	4
Penalties and compensations	50	11	37	4
Settlement and valuation of derivative financial instruments related to operating exposure	3 749	553	221	84
Ineffective part related to valuation and settlement of operating exposure	20	2	143	86
Settlement of hedging costs	132	43	115	43
Other	118	48	76	29
	7 931	**698**	**663**	**260**

The line gain on bargain purchase of the ENERGA Group relates to the settlement of the purchase transaction of ENERGA shares. Detailed information in note 3.4.1.

Other operating expenses

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Loss on sale of non-current non-financial assets	(27)	(12)	(42)	(16)
Recognition of provisions	(31)	(13)	(27)	(1)
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	(717)	(14)	(139)	(77)
Penalties, damages and compensations	(30)	(14)	(14)	(6)
Settlement and valuation of derivative financial instruments related to operating exposure	(2 869)	(586)	(341)	(254)
Ineffective part related to valuation and settlement of operating exposure	(44)	(4)	(87)	(37)
Settlement of hedging costs	(4)	(2)	-	-
Other, incl.:	(229)	(83)	(100)	(49)
donations	*(192)*	*(69)*	*(53)*	*(30)*
	(3 951)	**(728)**	**(750)**	**(440)**

In the 9-month period ended 30 September 2020 the line recognition of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset and other non-current assets and classified as held for sale in the amount of PLN (717) million concerned mainly recognition of impairment allowances in the upstream segment in Poland in the amount of PLN (238) million and in Canada in the amount of PLN (381) million. Additional information in note 5.4.

In the 9 and 3-month period ended 30 September 2020 and 30 September 2019 the net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) amounted to PLN 880 million, PLN (33) million and PLN (120) million, PLN (170) million, respectively, and mainly related to commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging.
The change in the net position of valuations and settlements of derivative financial instruments related to operating exposure results from discontinuation of hedge accounting for transactions hedging exposure resulting from time mismatch on crude oil purchases. As at 30 September 2019, the transaction valuation was recognised in revaluation reserve, while as at 30 September 2020 both the valuation and settlement of the transaction are recognised in other operating activities. The change in the valuation of transaction results from the decrease in crude oil prices related to the coronavirus crisis on the market as well as the weakening of PLN against USD.

(in PLN million)

5.6. Finance income and costs

Finance income

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Interest calculated using the effective interest rate method	34	10	37	11
Other interest	6	-	-	-
Dividends	6	-	5	-
Settlement and valuation of derivative financial instruments	548	84	603	226
Other	81	15	27	8
	675	**109**	**672**	**245**

Finance costs

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Interest calculated using the effective interest rate method	(216)	(67)	(148)	(51)
Interest on lease	(94)	(44)	(55)	(16)
Net foreign exchange loss	(390)	(41)	(228)	(284)
Settlement and valuation of derivative financial instruments	(685)	(170)	(395)	(118)
Other	(67)	(9)	(50)	(16)
	(1 452)	**(331)**	**(876)**	**(485)**

In the 9 and 3-month period ended 30 September 2020, the increase in the value of interest resulted mainly from the increase in debt due to taking over the control of the ENERGA Group.
Borrowing costs capitalized in the 9 and 3-month period ended 30 September 2020 and 30 September 2019 amounted to PLN (29) million, PLN (11) million and PLN (20) million, PLN (3) million, respectively.

During the 9 and 3-month period ended 30 September 2020 and 30 September 2019 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) amounted to PLN (137) million, PLN (86) million and PLN 208 million, PLN 108 million, respectively and related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests.
The main impact on the change in valuation and settlement of derivative financial instruments in the 9-month period ended 30 September 2020 was depreciation of the PLN against USD and EUR on financial markets.

5.7. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019
Loans	1 676	1 884	2 026	252	3 702	2 136
Borrowings	116	-	13	-	129	-
Bonds	6 617	6 301	2 525	170	9 142	6 471
	8 409	**8 185**	**4 564**	**422**	**12 973**	**8 607**

As at 30 September 2020, the increase in debt of loans, borrowings and bonds resulted mainly from taking over the control of the ENERGA Group and includes:
- investment loans and loans taken for corporate purposes of the ENERGA Group in the total amount of PLN 3,619 million;
- borrowings received at the ENERGA Group in the amount of PLN 126 million;
- bonds issued by the ENERGA Group in the amount of PLN 2 461 million.

In addition, during 9 months of 2020 PKN ORLEN completed:
- withdrawing the revolving credit in the amount of PLN 1.8 billion (EUR 400 million)
- repayment entirely the revolving credit disbursed in previous periods from a syndicate of banks. The total repayment amounted to PLN 4.0 billion (corresponding to EUR 900 million).

Moreover, increase in short-term bonds as at 30 September 2020 as compared to 2019 resulted from reclassification:
- first issue of Eurobonds of ORLEN Capital in the amount of EUR 500 million (corresponding to PLN 2 263 million exchanged at the average exchange rate quoted by the National Bank of Poland as at 30 September 2020) maturing in June 2021;
- the A series of the second public bond issue programme of PKN ORLEN in the amount of PLN 200 million, maturing in September 2021.

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

As at 30 September 2020 and as at 31 December 2019 the maximum possible indebtedness due to loans amounted to PLN 16,322 million and PLN 9,160 million, respectively. As at 30 September 2020 and as at 31 December 2019 PLN 12,444 million and PLN 6,742 million, respectively, remained unused.
The increase in the value of available credit lines and borrowings results mainly from taking over the control of ENERGA Group, where the maximum possible indebtedness due to loans and borrowings amounts to PLN 5,668 million and PLN 1,928 million remains unused as at 30

ORLEN ORLEN GROUP (in PLN million)

September 2020 and a new revolving facility agreement signed by PKN ORLEN in July 2020 with a syndicate of 16 banks in the amount of PLN 7,922 million (corresponding to EUR 1.75 billion exchanged at the average exchange rate quoted by the National Bank of Poland as at 30 September 2020).

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

5.8. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019
Cash flow hedging instruments	59	291	28	174	87	465
currency forwards	*59*	*291*	*17*	*169*	*76*	*460*
commodity swaps	*-*	*-*	*11*	*5*	*11*	*5*
Derivatives not designated as hedge accounting	20	19	161	65	181	84
currency forwards	*-*	*-*	*26*	*27*	*26*	*27*
commodity swaps	*-*	*-*	*133*	*38*	*133*	*38*
currency interest rate swaps	*19*	*19*	*-*	*-*	*19*	*19*
other	*1*		*2*	*-*	*3*	*-*
Fair value hedging instruments	2	-	2	4	4	4
commodity swaps	*2*	*-*	*2*	*4*	*4*	*4*
Derivatives	**81**	**310**	**191**	**243**	**272**	**553**
Other financial assets	102	72	663	468	765	540
receivables on settled derivatives	*-*	*-*	*68*	*110*	*68*	*110*
financial assets measured at fair value through other comprehensive income	*59*	*66*	*-*	*-*	*59*	*66*
hedged item adjustment	*4*	*-*	*27*	*4*	*31*	*4*
security deposits	*3*	*-*	*222*	*354*	*225*	*354*
short-term deposits	*-*	*-*	*131*	*-*	*131*	*-*
loans granted	*-*	*-*	*215*	*-*	*215*	*-*
other	*36*	*6*	*-*	*-*	*36*	*6*
Other non-financial assets	308	238	-	-	308	238
*investment property **	*258*	*219*	*-*	*-*	*258*	*219*
other	*50*	*19*	*-*	*-*	*50*	*19*
Other assets	**410**	**310**	**663**	**468**	**1 073**	**778**

** As at 30 September 2020 and as at 31 December 2019, the line investment property includes right-of-use asset in the amount of PLN 56 million and 42 million, respectively.*

Derivatives and other liabilities

	Non-current		Current		Total	
	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019
Cash flow hedging instruments	77	1	51	82	128	83
currency forwards	*77*	*1*	*38*	*-*	*115*	*1*
commodity swaps	*-*	*-*	*13*	*82*	*13*	*82*
Derivatives not designated as hedge accounting	46	1	90	180	136	181
currency forwards	*-*	*1*	*5*	*42*	*5*	*43*
commodity swaps	*-*	*-*	*32*	*119*	*32*	*119*
interest rate swaps	*7*	*-*	*6*	*19*	*13*	*19*
currency interest rate swaps	*39*	*-*	*47*	*-*	*86*	*-*
Fair value hedging instruments	4	-	5	4	9	4
commodity swaps	*4*	*-*	*5*	*4*	*9*	*4*
Derivatives	**127**	**2**	**146**	**266**	**273**	**268**
Other financial liabilities	171	152	71	223	242	375
liabilities on settled derivatives	*-*	*-*	*58*	*209*	*58*	*209*
investment liabilities	*92*	*94*	*-*	*-*	*92*	*94*
hedged item adjustment	*2*	*-*	*5*	*4*	*7*	*4*
refund liabilities	*-*	*-*	*8*	*10*	*8*	*10*
*other **	*77*	*58*	*-*	*-*	*77*	*58*
Other non-financial liabilities	11	9	213	13	224	22
deferred income	*11*	*9*	*213*	*13*	*224*	*22*
Other liabilities	**182**	**161**	**284**	**236**	**466**	**397**

** As at 30 September 2020 and as at 31 December 2019, the line other in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 32 million and PLN 18 million, and a guarantees in the amount of PLN 40 million and PLN 39 million, respectively.*

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

(in PLN million)

5.9. Provisions

	Non-current		Current		Total	
	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019
Environmental	922	817	33	42	955	859
Jubilee bonuses and post-employment benefits	952	256	98	49	1 050	305
CO_2 emissions, energy certificates	-	-	1 543	961	1 543	961
Other	92	40	698	184	790	224
	1 966	**1 113**	**2 372**	**1 236**	**4 338**	**2 349**

The increase in the balance of provisions as at 30 September 2020 compared to the previous year resulted mainly from the inclusion of the ENERGA Group's provisions in the amount of PLN 1,798 million, mainly due to the takeover control by PKN ORLEN. Detailed information in note 3.2.

5.10. Methods applied in determining fair value (fair value hierarchy)

As compared to the previous reporting period the Group did not change the valuation methods concerning financial instruments.
Methods applied in determining the fair value were described in the Consolidated Financial Statements for 2019 in note 13.3.
In the position financial assets measured at fair value through other comprehensive income, quoted/unquoted shares not held for trading are presented. With respect to shares unquoted on active market for which there are no observable inputs, fair value is determined on the basis of expected discounted cash flows.

Fair value hierarchy

	30/09/2020		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through other comprehensive income	59	59	19	-	40
Loans granted	215	215	-	215	-
Derivatives	272	272	-	272	-
	546	**546**	**19**	**487**	**40**
Financial liabilities					
Loans	3 702	3 702	-	3 702	-
Borrowings	129	129	-	129	-
Bonds	9 142	9 380	9 380	-	-
Derivatives	273	273	-	273	-
	13 246	**13 484**	**9 380**	**4 104**	**-**

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.

(in PLN million)

5.11. Lease

5.11.1. Group as a lessee

Change in assets due to right-of-use

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
Net carrying amount at 01/01/2020					
Gross carrying amount	1 795	1 685	125	1 012	**4 617**
Accumulated depreciation	(81)	(205)	(24)	(322)	**(632)**
Impairment allowances	(24)	(5)	(2)	(2)	**(33)**
	1 690	**1 475**	**99**	**688**	**3 952**
increases/(decreases), net					
New lease agreements, increase in lease remuneration	100	213	7	256	576
Depreciation	(59)	(123)	(15)	(260)	(457)
Net impairment allowances	(2)	-	-	1	(1)
Acquisition of subsidiary	728	84	7	23	842
Other	(13)	36	(2)	(17)	4
	2 444	**1 685**	**96**	**691**	**4 916**
Net carrying amount at 30/09/2020 (unaudited)					
Gross carrying amount	2 608	2 022	133	1 205	5 968
Accumulated depreciation	(138)	(332)	(35)	(513)	(1 018)
Impairment allowances	(26)	(5)	(2)	(1)	(34)
	2 444	**1 685**	**96**	**691**	**4 916**
Net carrying amount at 01/01/2019					
Gross carrying amount	1 544	984	95	697	**3 320**
Impairment allowances	-	-	(2)	(2)	**(4)**
	1 544	**984**	**93**	**695**	**3 316**
increases/(decreases), net					
New lease agreements, increase in lease remuneration	160	514	7	312	993
Depreciation	(54)	(135)	(15)	(321)	(525)
Net impairment allowances	(24)	(5)	-	-	(29)
Reclassifications	97	150	19	49	315
Other	(33)	(33)	(5)	(47)	(118)
Net carrying amount at 31/12/2019	**1 690**	**1 475**	**99**	**688**	**3 952**

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

		9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Costs due to:		**(199)**	**(77)**	**(136)**	**(66)**
interest on lease	Finance costs	(94)	(44)	(55)	(16)
short-term lease	Cost by nature: External Services	(78)	(26)	(54)	(39)
lease of low-value assets that are not short-term lease	Cost by nature: External Services	(5)	(2)	(2)	(1)
variable lease payments not recognised in valuation of lease liabilities	Cost by nature: External Services	(22)	(5)	(25)	(10)

5.11.2. Group as a lessor

Financial lease

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

The Group as a lessor in finance lease, recognised as at 1 January 2019, in accordance with IFRS 16 subleasing agreements in the Unipetrol Group for which the value of lease payments due as at 30 September 2020 and as at 31 December 2019 amounted to PLN 15 million and PLN 25 million, respectively.

Operating lease

Assets transferred by the Group to other entities for use under an operating lease agreement are classified as the Group's assets. Lease payments under operating leases are recognised as revenues from the sale of products and services on a straight-line basis over the lease period.
Revenues from operating lease for the 9 and 3-month period ended 30 September 2020 and 30 September 2019 amounted to PLN 188 million, PLN 68 million and PLN 250 million, PLN 132 million, respectively.

5.12. Future commitments resulting from signed investment contracts

As at 30 September 2020 and as at 31 December 2019 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 9,990 million and PLN 5,100 million, respectively.

5.13. Issue, redemption and repayment of debt securities

In the 3rd quarter of 2020:

a) PKN ORLEN as part of:
- the second public bond issue program, A-E Series remains open with a total nominal value of PLN 1 billion.

b) ORLEN Capital as part of:
- the first bond issue program remains open with a nominal value of EUR 500 million.
- the second bond issue program remains open with a nominal value of EUR 750 million

c) ENEGRA Group as part of:
- the bond issue program remains open with a nominal value of EUR 300 million
- the hybrid bond issue program, two series with a total nominal value EUR 250 million, remain open.

5.14. Distribution of the profit for 2019

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

5.15. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and for the 1st and 2nd quarter of 2020, PERN S.A. informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamowo, carried out by PERN S.A. as a pipeline system operator.

PERN S.A. maintains that the reason for the change in operating stocks is the difference in methodology of calculating the quantity of crude oil REBCO-type. As at 30 September 2020, according to received confirmation from PERN S.A., PKN ORLEN's operating stock of crude oil REBCO-type amounted to 500.363 net metric tons. The difference in the quantity of stocks decreased by 2.033 net metric tons in comparison to 2019 and amounted to 87.620 net metric tons.

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

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019 and in 9-month period of 2020 in the amount of PLN (153) million is also a contingent asset of PKN ORLEN.

5.16. Contingent liabilities

Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of administration bodies in which the companies of the ORLEN Group act as the defendant:

I.P.-95 s.r.o. compensation claim against Unipetrol RPA s.r.o.
On 23 May 2012, Unipetrol RPA s.r.o. received from the District Court in Ostrava a claim brought by I.P.-95 s.r.o. for compensation related to the filing by Unipetrol RPA s.r.o. a motion for bankruptcy of I.P.-95 s.r.o. in November 2009. The total amount of the claim is approximately PLN 298 million, translated using the exchange rate as at 30 September 2020 (representing CZK 1,789 million). Unipetrol RPA s.r.o. is one of eight defendants which were jointly and severally claimed. At the request of the I.P.-95 s.r.o proceeding was pending concerning the accession to the claim as plaintiff NESTARMO TRADING LIMITED. The court refused the Company permission to enter to the case. In February 2018, the court dismissed in entirety claim ruling in favour of Unipetrol RPA s.r.o. On 3 April 2018, I.P.-95 s.r.o. appealed against the decision of the court of first instance. On 22 May 2018, the District Court in Ostrava obliged I.P. - 95 s.r.o. to pay the appeal fee. On 11 December 2018, the court of second instance dismissed the appeal of I.P.-95 s.r.o. from the judgment of the District Court in Ostrava. The judgment is binding. On 20 March 2019 I.P. - 95 s.r.o. filed a cassation appeal against the judgment of the court of second instance. According to Unipetrol RPA s.r.o. the claim is without merit.

Claim of Warter Fuels S.A. (before: OBR S.A.) against PKN ORLEN for compensation
On 5 September 2014, OBR S.A. (currently: Warter Fuels S.A.) filled an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights. The amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of approximately PLN 84 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of approximately PLN 247 million. So far, several hearings have been held (last on 28 September 2018), during which witnesses submitted by the parties were heard by the court. On 19 December 2018, a hearing took place, during which the Court heard the parties' position in the scope of the grounds for any repeal of the freezing order. By a decision of 2 January 2019 the Regional Court set aside the order granting security for claims. Warter Fuels S.A. submitted a complaint against this decision on 5 February 2019. PKN ORLEN submitted a response to the complaint. The matter of complaint consideration is at the stage of secondary proceedings, i.e. before the Court of Appeal in Łódź. The freezing order has been legally repealed.

The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. The request has not been considered yet. The court is currently looking for an expert or institute to issue an opinion. In the opinion of PKN ORLEN the claims of Warter Fuels S.A. are without merit.

UAB Baltpool claim against ORLEN Lietuva

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

The case is connected with 8 administrative cases brought by ORLEN Lietuva (since 2013), in which ORLEN Lietuva challenges the legality of charging PSO on electricity generated and consumed for own needs. All these administrative cases are suspended in connection with proceedings pending before the Court of Justice of the EU. The outcome of the case brought by UAB Baltpool depends on a large extent on the outcome of these administrative proceedings and proceedings before the Court of Justice of the EU. The Court of Justice of the EU decided, that the Lithuanian PSO program constitutes the nature of state aid. In order to participate in the PSO fee reimbursement plan, which starts on 1 July 2020, the Supervisory Board of ORLEN Lietuva decided to settle the arrears. A reduction of overdue interest was negotiated. On 25 June 2020, ORLEN Lietuva settled the arrears in the amount of PLN 62 million, translated at the exchange rate as at 30 September 2020 (i.e EUR 13.7 million), which is equivalent to the total dispute value as at 30 September 2020. Therefore UAB Baltpool should withdraw the lawsuit and ORLEN Lietuva will participate in the PSO reimbursement plan, as one of the conditions of participation is lack of debt to UAB Baltpool. In the opinion of the ORLEN Lietuva the claims are without merit.

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

On 19 April 2019 ORLEN Projekt filed a claim against POLWAX with the District Court in Rzeszów for payment of the amount of PLN 6.7 million together with due statutory interest for delay in commercial transactions in respect of remuneration for performed and received by POLWAX construction works in connection with the Agreement concluded on 7 April 2017 for "Construction and start-up of the paraffin wax solvent deoiling installation together with auxiliary installations for POLWAX .S.A.". On 23 May 2019 the Court issued a warrant for payment to ORLEN Projekt in a writ of payment proceedings covering the entire amount claimed, thanks to which ORLEN Projekt obtained subsequently a bailiff's security for this amount on the POLWAX bank account. The motion submitted by POLWAX for overturning the warrant of payment was dismissed by the decision of the Court of First Instance. POLWAX appealed against the decision of the Court of First Instance, however on 16 March 2020 the Court of Appeal in Rzeszów issued a decision rejecting POLWAX's complaint. The lawsuit's files were transferred back to the District Court in order to carry on evidence proceeding. The case is pending, although the preparatory meeting assigned to the case on 28 September 2020 was postponed at the joint request of the parties until 21 December 2020.

On 31 May 2019 ORLEN Projekt filed another claim against POLWAX with the District Court in Rzeszów for payment of further PLN 6.5 million together with due statutory interest for delay in commercial transactions in respect of further part of remuneration for performed and received by POLWAX construction works.This claim was then extended twice - the extension of the claim as at 20 September 2019 by the amount of PLN 13.9 million for groundless reimbursement of a performance guarantee and covering the costs of its execution, and the extension of the claim as at 6 November 2019 by the amount of PLN 25 million for other claims related to withdrawal from the Agreement by ORLEN Projekt due to POLWAX's fault, up to the total amount of PLN 45 million. The case is pending.

On 2 March 2020, POLWAX filed a lawsuit against ORLEN Projekt with the District Court in Rzeszów for payment of PLN 132 million plus accrued interest for delay. The total amount investigated by the defendant includes PLN 84 million for damage in the form of actual loss to be incurred by POLWAX and PLN 48 million for lost benefits resulting from improper performance and failure to perform the Agreement by ORLEN Projekt.
In the opinion of ORLEN Projekt, the POLWAX claims pursued by the lawsuit are unfounded, therefore in response to the lawsuit dated 3 September 2020 ORLEN Projekt requested to dismiss the claim in its entirety.
According to the information held by ORLEN Projekt, before filing the lawsuit, POLWAX filed a request to the District Court in Rzeszów for securing the claims it intended to pursue from ORLEN Projekt, however, the Court entirely dismissed the request by the order as at 6 February 2020. The Court dismissed the request in its entirely.

On 11 March 2020, POLWAX filed a lawsuit against ORLEN Projekt with the District Court in Rzeszów for payment of PLN 9.7 million plus accrued interest for late payment: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) non-contractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. In the opinion of ORLEN Projekt, the POLWAX claims pursued by the above lawsuit are unfounded, hence in response to the lawsuit of 19 June 2020 ORLEN Projekt requested to dismiss the claim in its entirety. The case was suspended at the joint request of the parties.

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

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

In connection with the delay in execution of the Agreement concluded between Technip Italy S.p.A. ("Technip") and UNIPETROL for the construction of the Polyethylene Plant in Litvinov, Technip was obliged to pay contractual penalties for the delay in the amount of PLN 104 million, translated using the exchange rate as at 30 September 2020 (representing EUR 23 million). Technip did not pay the above mentioned contractual penalties to UNIPETROL, therefore UNIPETROL activated the bank guarantee in the amount of PLN 96 million, translated using the exchange rate as at 30 September 2020 (representing EUR 21 million).
On 17 August 2020, Technip called for arbitration, in which it demands to determine the effective date of delay affecting the amount of contractual penalties imposed on Technip and to precisely calculate and establish Technip's claims against UNIPETROL. The arbitration proceedings are pending before the Court of Arbitration at the International Chamber of Commerce in Vienna. In the opinion of UNIPETROL RPA s.r.o., Technip's claim is without merit.

Contingent liabilities related to the ENERGA Group

As at 30 September 2020, the ENERGA Group identifies contingent liabilities in the amount of PLN 324 million, including mainly the contingent liabilities relating to legal claims filed against ENERGA Group companies likely to be effectively dismissed by the companies or for which no cash outflow can be reliably estimated and no provision has been recognised for those claims.
The largest item of contingent liabilities of the ENERGA Group consists of legal claims relating to the power infrastructure of Energa-Operator SA located on private land. The Group recognises provisions for filed legal claims. If there is uncertainty as to the validity of the amount of the claim or legal title to land, the Group recognises contingent liabilities. As at 30 September 2020, the estimated value of those claims recognised as contingent liabilities amounts to PLN 253 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

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

As part of the provisional settlement of the acquisition of ENERGA shares, in relation to the above contingent liabilities, the ORLEN Group has recognised so far in the statement of financial position additional provisions reflecting their estimated fair value as at the acquisition date in the amount of PLN 154 million, including those related to the power infrastructure of Energa-Operator SA located on private land, the fair value of which has been determined on the basis of the probability of meeting the clients' claims based on the estimation of law firms. The value of the above provisions may change as part of the final settlement of the transaction.

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

5.17. Related parties transactions

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

As at 30 September 2020 and as at 31 December 2019 and in the 9 and 3-month period ended 30 September 2020 and 30 September 2019, on the basis of submitted declarations, there were no transactions of related parties of the ORLEN Group with the Members of the Management Board and the Supervisory Board of the Parent Company.

In the 9 and 3-month period ended 30 September 2020, on the basis of submitted declarations, there were mainly sales transactions of the member of key executive personnel and their relatives with related parties of the ORLEN Group in the amount of PLN 0.4 million and 0.03 PLN million, respectively. The main amount was related to the sale of legal services.

In the 9 and 3-month period ended 30 September 2019 on the basis of submitted declarations, there were no transactions of close relatives with the other key executive personnel of the Parent Company and key executive personnel of the ORLEN Group companies with related parties.

As at 30 September 2020 and as at 31 December 2019 there were no balances of the trade and other liabilities due to the above transactions.

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

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Parent Company				
Short-term employee benefits	34.2	11.6	31.7	10.8
Termination benefits	1.9	0.2	1.9	0.2
Subsidiaries				
Short-term employee benefits	199.8	96.7	110.5	41.2
Other long term employee benefits	0.1	-	0.7	0.1
Termination benefits	6.4	3.9	6.5	1.9
	242.4	**112.4**	**151.3**	**54.2**

The above table presents remuneration paid and due or potentially due to the key management personnel of the Parent Company and subsidiaries in the reporting period.

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

	Sales				Purchases			
	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Jointly-controlled entities	**1 942**	**675**	**2 387**	**766**	**(109)**	**(59)**	**(107)**	**(34)**
joint ventures	*1 876*	*650*	*2 278*	*733*	*(68)*	*(45)*	*(40)*	*(13)*
joint operations	*66*	*25*	*109*	*33*	*(41)*	*(14)*	*(67)*	*(21)*
	1 942	**675**	**2 387**	**766**	**(109)**	**(59)**	**(107)**	**(34)**

(in PLN million)

	Trade and other receivables		Trade and other liabilities	
	30/09/2020 (unaudited)	31/12/2019	30/09/2020 (unaudited)	31/12/2019
Jointly-controlled entities	**542**	**540**	**51**	**16**
joint ventures	*528*	*529*	*44*	*10*
joint operations	*14*	*11*	*7*	*6*
	542	**540**	**51**	**16**

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and services.
During the 9 and 3-month period ended 30 September 2020 and 30 September 2019 there were no related parties transactions within the Group concluded on other than an arm's length basis.

Additionally, during the 9-month period ended 30 September 2020, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives with the other key management personnel of the Parent Company and entities of the ORLEN Group.

In the 9 -month period ended 30 September 2020 and as at 30 September 2020, the Group identified the following transactions:
- sale and purchase amounted to PLN 0.5 million and PLN (2) million, respectively;
- balance of receivables amounted to PLN 0.08 million;
- balance of liabilities amounted to PLN 0.2 million.

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

5.17.4. Transactions with entities related to the State Treasury

As at 30 September 2020 and as at 31 December 2019, the State Treasury owns 27.52% of the Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.
The Group identified transactions with related parties with the State Treasury on the basis of "The Council of Ministers Regulation of 27 March 2019 on the list of companies in which the rights of the State Treasury shares carry other than the President Council of Ministers members of the Council of Ministers', Government Plenipotentiaries or state legal entities including single-member companies of the State Treasury".

During the 9 and 3-month period ended 30 September 2020 and 30 September 2019 and as at 30 September 2020 and as at 31 December 2019, the Group identified the following transactions:

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Sales	1 728	640	1 483	557
Purchases	(3 568)	(1 431)	(3 214)	(995)

	30/09/2020 (unaudited)	31/12/2019
Trade and other receivables	659	339
Trade and other liabilities	419	683

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

5.18. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 September 2020 and as at 31 December 2019 amounted to PLN 3,105 million and PLN 2,826 million, respectively.

5.19. Events after the end of the reporting period

The Supervisory Board of PKN ORLEN, following its meeting on 28 October 2020 gave consent to change the Agreement for a Bond Issue Programme, signed on 27 November 2006, with subsequent annexes, ("Programme Agreement") as well as to prepare its unified text and to incur, by the PKN ORLEN, liabilities resulting from the changed Programme Agreement.
Changes to the Programme Agreement include: adjustment of its provisions to the amended Polish law and to the current market conditions, as well as adding to the issue documents form an ESG component enabling an issue of so called green or sustain bonds.
PKN ORLEN, within the bond issue programme set on the base of the Programme Agreement, has started works on conducting, by the end of 2020, the issue of unsecured, bearer bonds with the total value not higher than PLN 1 billion with 5 year maturity. PKN ORLEN will consider implementing ESG elements to the issue. The issue would be directed to institutional investors through a public offer. The issue of bonds will be subject to certain corporate approvals as well as to adequate debt market conditions.

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

OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

FOR THE 9 AND 3-MONTH PERIOD ENDED 30 SEPTEMBER 2020

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Major factors having impact on EBITDA and EBITDA LIFO

Profit or loss for the 9 months of 2020

Result from operations increased by depreciation and amortisation (so-called EBITDA) amounted to PLN 6,352 million and included PLN 3,690 million of profit on a bargain purchase of ENERGA shares. After eliminating the impact of acquisition, EBITDA for the 9 months of 2020 amounted to PLN 2,662 million and was lower by PLN (4,799) million (y/y).
The presented EBITDA includes the net impact of impairment allowances of property, plant and equipment and intangible assets in the amount of PLN (642) million, which mainly related to the Upstream segment assets in Canada and Poland in connection with the update of hydrocarbon prices and the abandonment of selected upstream projects. For comparison, the impact of impairment allowances of assets in the corresponding period of 2019 amounted to PLN (100) million and included mainly the upstream assets in ORLEN Upstream Group in Poland as a result of updating the price assumptions.

After the elimination of above impacts of impairment allowances of assets, reported EBITDA amounted to PLN 3,304 million and was lower by PLN (4,257) million (y/y).
The ORLEN Group measures inventories in the financial statements in accordance with International Financial Reporting Standards at the manufacturing cost using weighted average method or by purchase price. Therefore, an increase in crude oil prices (by weighted average cost in comparison to the valuation of crude oil according to LIFO method) has a positive impact and the decrease has a negative impact on the reported results.
The negative impact of changes in crude oil prices on inventory valuation recognised in EBITDA was lower by PLN (1,919) million (y/y) and amounted to PLN (2,271) 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 the elimination of the profit on a bargain purchase of ENERGA and impairment allowances of assets amounted to PLN 5,575 million and was lower by PLN (2,338) million (y/y).
The negative impact of macroeconomic factors amounted to PLN (459) million (y/y) and mainly related to the observed since May 2020 decrease in margins on light and medium distillates, olefins and PVC. The negative impact of lower margins on the above products was partially compensated by improvement of Ural/Brent differential by 0.2 USD/bbl, increase on margins on heavy refining fractions, polyolefins and PVC and PLN depreciation against foreign currencies. The positive effect of using raw materials for own energy needs was also visible as a result of decreasing of crude oil price by nearly (24) USD/bbl and cash flow hedging transactions realised on crude oil purchases and sales of products in the amount of PLN 1,001 million (y/y)*
The decrease in total sale by (13)% (y/y) to 28,366 thousand tons as a result of reduced economic activity on the ORLEN Group's operating markets, especially in the 2nd quarter of 2020 since the outbreak of the Covid-19 pandemic. The wholesale of refining products decreased by (15)% (y/y), petrochemical products by (7)% (y/y) and retail of fuels by (8)% (y/y). Sales of hydrocarbons on the Polish and Canadian markets increased by 6% (y/y). Additionally, the level of sales of refining and petrochemical products on the Czech market was limited by the cyclical shutdown of the refinery in Litvinov. The above changes in sales trends resulted in a negative volume effect in the amount of PLN (1,026) million (y/y).
The negative impact of the other factors amounted to PLN (853) million (y/y) and included mainly:

- PLN (527) million (y/y) – the negative impact of revaluation of inventories to realisable value for the available inventory layers according to LIFO method. In the 9-month period of 2020, the impact of revaluation of inventories amounted to PLN (468) million, while in the corresponding period of 2019, the abovementioned effect was positive and amounted to PLN 59 million,
- PLN (1,164) million (y/y) – the negative impact of the use of historical inventory layers in connection with the maintenance shutdowns of installations, mainly in PKN ORLEN and in the Unipetrol Group,
- PLN 838 million (y/y) - other elements, including mainly the recognition of the ENERGA Group's results in the amount of PLN 746 million, higher trade margins in wholesale and retail with higher general and labour costs.

Profit or loss for the 3rd quarter of 2020

Result from operations increased by depreciation and amortisation (so-called EBITDA) in the 3rd quarter 2020 of amounted to PLN 2,240 million compared to PLN 2,700 million in the corresponding period of 2019.
The net impact of impairment allowances of property, plant and equipment and intangible assets was not significant and amounted to PLN 8 million compared to PLN (73) of impairment allowances in the 3rd quarter of 2019 related mainly to upstream assets of ORLEN Upstream Group in Poland as a result of updating the gas price.
After elimination of above impacts of impairment allowances of assets, reported EBITDA amounted to PLN 2,232 million and was lower by PLN (541) million (y/y). The ORLEN Group measures inventories in the financial statements in accordance with International Financial Reporting Standards at the manufacturing cost using weighted average method or by purchase price. Therefore, an increase in crude oil prices (by weighted average cost in comparison to the valuation of crude oil according to LIFO method) has a positive impact and the decrease has a negative impact on the reported results.
The positive impact of changes in crude oil prices on inventory valuation recognised in EBITDA amounted to PLN 267 million and resulted mainly from the increase in crude oil prices in July and August of 2020.
As a result, profit from operations increased by depreciation and amortisation before consideration of impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and after the elimination of impairment allowances of assets amounted to PLN 1,965 million and was lower by PLN (1,202) million (y/y).
Changes in macroeconomic factors lowered the ORLEN Group's results by PLN (1,768) million (y/y) and mainly included decrease by (1,1) USD/bbl of Ural/Brent differential and margins on light and medium distillates, olefins and polypropylene as well as the negative impact of cash flow hedging transactions realized on crude oil purchases and sales of products in the amount of PLN (83) million (y/y)*

The above negative effect of macroeconomic factors were partially compensated by higher margins on heavy refining fractions, polyethylene and PVC, and PLN depreciation against foreign currencies.
The total volume sale of the ORLEN Group decreased by (8)% (y/y) to the level of 10,467 thousand tons. The wholesale of refining products decreased by (12)% (y/y), retail of fuels by (4)% (y/y) and hydrocarbons in the Upstream segment by (2)% (y/y). On the other hand, petrochemical volumes reached a similar level (y/y), mainly due to higher sales in Poland and Lithuania. The above changes in sales trends resulted in a negative volume effect in the amount of PLN (282) million (y/y).
The positive impact of the other factors amounted to PLN 848 million (y/y) and included mainly the consolidation of the ENERGA Group's results in the amount of PLN 486 million, positive impact of reversal of impairment on inventories in the amount of PLN 77 million (y/y) and higher trade wholesale and retail margins with higher general (expenditure on COVID-19) and labour costs.

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

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

JANUARY 2020

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

FEBRUARY 2020

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

PKN ORLEN submitted to the European Commission a notification for concentration regarding the planned taking control over ENERGA S.A. headquartered in Gdansk
PKN ORLEN announced that on 26 February 2020 it submitted to the European Commission a notification for concentration ("Notification") regarding the planned taking control over ENERGA S.A. headquartered in Gdańsk ("ENERGA") by the Company ("Transaction").
Notification, submitted by the Company, initiates the formal proceedings regarding control of concentration.
Notification includes, apart from the description of the parties and Transaction assumptions, description of parties activity on the certain markets and presents arguments on the influence of the Transaction on the competition on that markets.
One of the conditions under which the Company announced a tender offer for the sale of all shares of ENERGA was obtaining by the Company the European Commission decision approving the merger involving the takeover of control of the ENERGA.

MARCH 2020

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

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

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

APRIL 2020

The main part of investment of Polyethylene 3 Unit at UNIPETROL RPA, s.r.o. has been completed
PKN ORLEN announced that the realisation of the main part of investment of Polyethylene 3 Unit (PE3) building at the Czech production plant of UNIPETROL RPA, s.r.o. in Litvinov, has been completed. The unit in the part producing natural polyethylene was handed over to UNIPETROL RPA, s.r.o.
The guarantee test of the part of the plant producing black polyethylene will be completed as soon as possible after the restrictions connected with the COVID-19 pandemic are lifted. The unit for the production of natural polyethylene can work with 100% of the total name plate capacity of the PE3 unit.

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

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

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

Mr Daniel Obajtek appointed to the position of the President of the Company's Management Board for the next term of office
PKN ORLEN announced that the Minister of the State Assets, acting as an entity authorised to exercise the rights attached to the Company's shares owned by the Polish Stare Treasury, appointed Mr Daniel Obajtek to the Company's Management Board for the new common term of office, starting from the day coming after the day of termination of the current common term of office of the Company's Management Board, i.e. after the day of the Ordinary General Meeting that will approve financial statement for 2019.
Subsequently, the Company's Management Board appointed Mr Daniel Obajtek to hold the position of the President of PKN ORLEN Management Board during the new common term of office of the Company's Management Board, starting from the day coming after the day of termination of the current common term of office of the Company's Management Board.

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

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

MAY 2020

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

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

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

JUNE 2020

Conclusion of the agreement on directional rules of continuation of cooperation in the construction of the Ostrołęka C Power Plant
PKN ORLEN announced that on 2 June 2020 it has concluded the agreement with ENERGA and ENEA S.A. with its registered office in

Poznan (ENEA) on directional rules of continuation of cooperation in the construction of the Ostrołęka C Power Plant that is realized by Elektrownia Ostrołęka sp. z o.o. with its registered office in Ostrołęka ("Investment"), ("Agreement"). The Agreement provides for the continuation of the Investment with the change in the technological assumptions for the Investment to gas-based technology.

In the Agreement, the Issuer expressed its will to participate in the Investment through contribution in its financing and, after obtaining relevant corporate consents, to join the company Elektrownia Ostrołęka sp. z o.o. as a shareholder. The Agreement provides for changes in the organizational structure of Elektrownia Ostrołęka sp. z o.o. that will reflect the value of the shareholders involvement, including limitation of ENEA share to minority shareholder in the Investment with limited capital involvement thanks to which ENEA will not be a jointly controlling entity in Elektrownia Ostrołęka sp. z o.o. The amount of commitment of the parties to the Agreement as well as the capital involvement in Elektrownia Ostrołęka sp.z o.o. and the rights of shareholders will be the subject of further talks and negotiations, leading to the conclusion of the final shareholders agreement. The Agreement assumes that PKN ORLEN will not participate in settlements with existing Investment contractors, which will be made according to the up until now arrangements, but as the further partner of Elektrownia Ostrołęka sp.z o.o. it will co-decide on their scope. Conclusion of the Agreement opens the way for further talks of the partners on the Investment, which will lead to conclusion of the investment agreement on the detail rules of management, financing and realization of the Investment.

JULY 2020

Positive conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A.

PKN ORLEN announced that on 14 July 2020 it obtained a positive conditional decision from the European Commission („Commission") on the clearance for the concentration consisting in the Company taking control over Grupa LOTOS S.A. having its registered seat in Gdańsk („Grupa LOTOS").

The Commission's decision was issued on the basis of Article 8(2) second paragraph of Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (EU Official Journal L No. 24, p. 1). With regard to the above, the Company is required to implement remedies specified in the content of this decision, aimed at preventing negative effects of the proposed concentration on competition in the relevant markets („Remedies").

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

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

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

3) in retail activity:
   a) divestment of 100% of the shares in Lotos Paliwa Sp. z o.o. to an entity present on the Polish market for retail supply of fuels, which will encompass the following package of petrol stations of the retail chain of Lotos located in Poland:
   • 389 existing petrol stations, comprising of 256 CODO stations and 133 DOFO stations, among which there are included 20 petrol stations operating within the so-called MOPs (motorway rest and service area), and
   • 14 lease agreements for new petrol stations operating within the so-called MOPs;
   b) not to solicit the control (including gaining ownership or entering into franchise agreements) over any of the DOFO stations referred

to above, in the specified period from the day of divestment of shares in the company Lotos Paliwa Sp. z o.o.;
c) transferring of the petrol stations of rights and obligations arising from agreements concluded with fuel card holders issued by Lotos Paliwa Sp. z o.o. to the purchaser;
d) granting the purchaser of the petrol stations a license to use the Grupa LOTOS brands (including trademarks such as Lotos, Navigator, Dynamic and others) in a specified period necessary to rebrand the above petrol stations;
e) granting the purchaser of the petrol stations the sales of fuel in a specified quantity and period;

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

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

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

Signing a letter of intent between PKN ORLEN and the State Treasury concerning taking capital control over Polskie Górnictwo Naftowe i Gazownictwo S.A. by PKN ORLEN
PKN ORLEN announced that on 14 July 2020 there has been signed a letter of intent between PKN ORLEN and the State Treasury concerning taking capital control by PKN ORLEN over Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") ("Transaction").
By signing the letter of intent the Company and the State Treasury confirmed that the Company will play the leading role in the capital and organizational consolidation of the Company and PGNiG as the entity that will take the control over PGNiG. They also agreed to start, in a good faith, discussions with the intent to conclude the Transaction. As of the day of signing of the letter of intent the Transaction model and the schedule has not been set yet. Thus the parties of the letter of intent agreed that immediately after the signing, they will start the cooperation and form the teams the aim of which will be preparation of the Transaction model, the schedule and coordination of works connected with the Transaction conclusion.
Finalisation of the Transaction will be possible, among others, after receiving appropriate corporate approvals and approvals of the competition protection authorities regarding the concentration.

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

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

The Agreement was signed in connection with initiation of a process directed to take capital control over PGNiG by PKN ORLEN. On the basis of the Agreement and within the frames of general applicable law the Company and PGNiG will cooperate to enable the Company to access information necessary to:
- proper preparation of application, to submit to the European Commission, of the intent on concentration between the Company and PGNiG and conducting a proceeding or proceedings regarding control of concentration initiated by its submitting and, if needed – preparation and execution of remedies.
- conducting a due diligence of PGNiG.

At the same time, the Company is required to keep the confidentiality of information shared by PGNiG.
The parties agreed to take all necessary measures to respecting the law, in particular competition law, when sharing of information in connection with execution of the Agreement.

AUGUST 2020

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

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

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

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

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

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

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

The Agreement terminates on 31 March 2022.

SEPTEMBER 2020

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

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

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

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

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

The parties will make its best effort to prepare the draft Agreements by 30 October 2020.

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

Aspirations and targets of PKN ORLEN in terms of climate neutrality

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

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

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

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

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

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

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

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

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

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

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

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

(in PLN million)

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

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

As at the date of preparation of this interim condensed consolidated financial statements, the composition of the management and supervisory bodies of the Company is as follows:

Management Board

Daniel Obajtek – President of the Management Board, Chief Executive Officer
Adam Burak – Member of the Management Board, Communication and Marketing
Armen Konrad Artwich – Member of the Management Board, Corporate Affairs
Patrycja Klarecka – Member of the Management Board, Retail Sales
Zbigniew Leszczyński – Member of the Management Board, Development
Michał Róg – Member of the Management Board, Wholesale and International Trades
Jan Szewczak – Member of the Management Board, Chief Financial Officer
Józef Węgrecki – Member of the Management Board, Operations

Supervisory Board

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

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
Nationale-Nederlanden OFE*	7.34%	31 391 297
Aviva OFE*	6.29%	26 898 000
Other	58.85%	251 709 568
	100.00%	**427 709 061**

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

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

As at the date of preparation of this interim condensed consolidated financial statements, the Members of the Management Board and the Supervisory Board did not hold any shares in PKN ORLEN.
In the period covered by this interim condensed consolidated financial statements, there were no changes in the ownership of PKN ORLEN shares held by Members of the Management Board and the Supervisory Board.

(in PLN million)

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

As part of the active Eurobond issue remain the irrevocable and unconditional guarantees issued in favor of the bondholders for the duration of the issue:

- PKN ORLEN - two guarantees up to 30 June 2021 and 7 June 2023, respectively;
- ENERGA S.A. - guarantee up to 31 December 2033

	Nominal value						Value of guarantee issued	
	EUR	PLN	Subscription date	Expiration date	Interest rate	Rating	EUR	PLN
Eurobonds	750	3 318 **	7.06.2016	7.06.2023	2.5%	BBB-, Baa2	1 100	4 979
Eurobonds	500	2 131 *	30.06.2014	30.06.2021	2.5%	BBB-, Baa2	1 000	4 527
Eurobonds	300	1 251 ***	07.03.2017	07.03.2027	2.125%	BBB-, Baa2	1 250	5 659
	1 550	**6 700**					**3 350**	**15 165**

* translated using exchange rate as at 31 December 2014
** translated using exchange rate as at 31 December 2016
*** translated using exchange rate as at 29 December 2017
The value of guarantees granted was translated using the average exchange rate published by the National Bank of Poland as on 30 September 2020 – 4.5268 EUR/PLN

Moreover, as at 30 September 2020 and as at 31 December 2019, the Group granted sureties and guarantees to subsidiaries for third parties of PLN 2,353 million and PLN 1,003 million, respectively, and mainly related to the timely payment of liabilities by subsidiaries.

3.5. Statement of the Management Board regarding the possibility to realize 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 3rd QUARTER 2020

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

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN

Separate statement of profit or loss and other comprehensive income

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Sales revenues	43 785	15 684	66 666	23 608
revenues from sales of finished goods and services	*26 577*	*9 406*	*37 442*	*13 208*
revenues from sales of merchandise and raw materials	*17 208*	*6 278*	*29 224*	*10 400*
Cost of sales	(39 371)	(13 488)	(59 256)	(20 920)
cost of finished goods and services sold	*(23 002)*	*(7 541)*	*(31 079)*	*(10 882)*
cost of merchandise and raw materials sold	*(16 369)*	*(5 947)*	*(28 177)*	*(10 038)*
Gross profit on sales	**4 414**	**2 196**	**7 410**	**2 688**
Distribution expenses	(3 432)	(1 205)	(3 184)	(1 117)
Administrative expenses	(785)	(239)	(682)	(223)
Other operating income	1 651	311	397	133
Other operating expenses	(1 444)	(348)	(391)	(183)
(Loss)/reversal of loss due to impairment of financial instruments	(22)	(6)	(31)	(17)
Profit from operations	**382**	**709**	**3 519**	**1 281**
Finance income	964	91	1 088	218
Finance costs	(3 302)	(275)	(872)	(439)
Net finance income and costs	**(2 338)**	**(184)**	**216**	**(221)**
(Loss)/reversal of loss due to impairment of financial instruments	(12)	4	7	(1)
Profit/(Loss) before tax	**(1 968)**	**529**	**3 742**	**1 059**
Tax expense	(45)	(102)	(680)	(191)
current tax	*(98)*	*(98)*	*(650)*	*(260)*
deferred tax	*53*	*(4)*	*(30)*	*69*
Net profit/(loss)	**(2 013)**	**427**	**3 062**	**868**
Other comprehensive income:				
which will not be reclassified subsequently into profit or loss	**(3)**	**(2)**	**(1)**	**(3)**
gains/(losses) on investments in equity instruments at fair value through other comprehensive income	*(4)*	*(3)*	*(1)*	*(3)*
deferred tax	*1*	*1*	-	-
which will be reclassified into profit or loss	**(133)**	**(116)**	**(108)**	**(83)**
hedging instruments	*(239)*	*(118)*	*(222)*	*(105)*
hedging costs	*75*	*(25)*	*89*	*3*
deferred tax	*31*	*27*	*25*	*19*
	(136)	**(118)**	**(109)**	**(86)**
Total net comprehensive income	**(2 149)**	**309**	**2 953**	**782**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	(4.71)	0.99	7.16	2.03

(in PLN million)

Separate statement of financial position

	30/09/2020 (unaudited)	31/12/2019
ASSETS		
Non-current assets		
Property, plant and equipment	15 606	15 253
Intangible assets	875	1 074
Right-of-use asset	2 266	2 336
Shares in related parties	17 332	16 513
Derivatives	133	277
Long-term lease receivables	21	21
Other assets	1 742	1 465
	37 975	**36 939**
Current assets		
Inventories	8 074	9 835
Trade and other receivables	5 887	7 160
Current tax assets	489	10
Cash	606	5 056
Derivatives	267	299
Short-term lease receivables	1	1
Other assets	740	917
Non-current assets classified as held for sale	39	59
	16 103	**23 337**
Total assets	**54 078**	**60 276**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	53	186
Revaluation reserve	(9)	(6)
Retained earnings	30 018	32 459
Total equity	**32 347**	**34 924**
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	4 151	8 222
Provisions	553	553
Deferred tax liabilities	728	814
Derivatives	117	72
Lease liabilities	1 996	2 000
Other liabilities	106	108
	7 651	**11 769**
Current liabilities		
Trade and other liabilities	8 314	9 779
Lease liabilities	327	368
Liabilities from contracts with customers	208	206
Loans, borrowings and bonds	2 497	346
Provisions	547	588
Current tax liabilities	-	8
Derivatives	205	306
Other liabilities	1 982	1 982
	14 080	**13 583**
Total liabilities	**21 731**	**25 352**
Total equity and liabilities	**54 078**	**60 276**

(in PLN million)

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2020	2 285	186	(6)	32 459	34 924
Net (loss)	-	-	-	(2 013)	(2 013)
Items of other comprehensive income	-	(133)	(3)	-	(136)
Total net comprehensive income	**-**	**(133)**	**(3)**	**(2 013)**	**(2 149)**
Dividends	-	-	-	(428)	(428)
30/09/2020	**2 285**	**53**	**(9)**	**30 018**	**32 347**
(unaudited)					
01/01/2019	2 285	203	(6)	29 152	31 634
Net profit	-	-	-	3 062	3 062
Items of other comprehensive income	-	(108)	(1)	-	(109)
Total net comprehensive income	**-**	**(108)**	**(1)**	**3 062**	**2 953**
Dividends	-	-	-	(1 497)	(1 497)
30/09/2019	**2 285**	**95**	**(7)**	**30 717**	**33 090**
(unaudited)					

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of cash flows

	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2019 (unaudited)	3 MONTHS ENDED 30/09/2019 (unaudited)
Cash flows from operating activities				
Profit/(Loss) before tax	**(1 968)**	**529**	**3 742**	**1 059**
Adjustments for:				
Depreciation and amortisation	1 427	481	1 288	440
Foreign exchange loss	488	112	133	219
Net interest	133	60	186	60
Dividends	(305)	-	(470)	(5)
Loss on investing activities, incl.:	1 935	88	92	44
recognition/(reversal) of impairment allowances of shares in related parties	*1 994*	*(6)*	*140*	*7*
Change in provisions	452	119	314	74
Change in working capital	1 467	(479)	694	646
inventories	*1 763*	*(216)*	*378*	*228*
receivables	*1 284*	*(644)*	*(988)*	*178*
liabilities	*(1 580)*	*381*	*1 304*	*240*
Other adjustments, incl.:	(78)	98	(204)	34
rights received free of charge	*(236)*	*(73)*	*(208)*	*(68)*
security deposits	*213*	*184*	*(173)*	*(100)*
Income tax (paid)	(585)	(222)	(956)	(278)
Net cash from operating activities	**2 966**	**786**	**4 819**	**2 293**
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(1 523)	(719)	(990)	(410)
Acquisition of shares, incl.:	(2 766)	-	(54)	(53)
Acquisition of ENERGA shares	*(2 766)*	-	-	-
Outflows from additional payments to equity	(47)	(47)	(296)	(83)
Disposal of property, plant and equipment, intangible assets and right-of-use asset	128	13	177	11
Interest received	41	13	44	13
Dividends received	299	211	468	9
Expenses from non-current loans granted	(390)	(88)	(370)	(229)
Proceeds from non-current loans granted	25	19	4	1
Proceeds/(Expenses) from current loans granted	(38)	(3)	1	-
Change in cash related to purchase of non-controlling interest of UNIPETROL, a.s.	-	-	200	-
Proceeds/(Outflows) from cash-pool facility	(4)	(242)	134	(15)
Settlement of derivatives not designated as hedge accounting	82	(139)	81	61
Other	(2)	-	(17)	(12)
Net cash (used) in investing activities	**(4 195)**	**(982)**	**(618)**	**(707)**
Cash flows from financing activities				
Proceeds from loans received	1 816	1	-	-
Bonds issued	-	-	509	-
Repayments of loans	(4 024)	(1 081)	-	-
Redemption of bonds	(100)	-	(1 619)	(220)
Interest paid from loans, bonds and cash pool	(188)	(37)	(222)	(19)
Interest paid on lease	(63)	(11)	(37)	(12)
Dividends paid to equity owners of the parent	(428)	(428)	(1 497)	(1 497)
Proceeds from cash pool facility	44	45	771	318
Payments of liabilities under lease agreements	(278)	(92)	(233)	(85)
Net cash (used) in financing activities	**(3 221)**	**(1 603)**	**(2 328)**	**(1 515)**
Net increase/(decrease) in cash	**(4 450)**	**(1 799)**	**1 873**	**71**
Effect of changes in exchange rates	-	(10)	18	38
Cash, beginning of the period	5 056	2 415	3 461	5 243
Cash, end of the period	**606**	**606**	**5 352**	**5 352**
including restricted cash	*41*	*41*	*18*	*18*

This consolidated quarterly report was approved by the Management Board of the Parent Company on 28 October 2020.

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

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

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

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

signed digitally on the Polish original
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Zbigniew Leszczyński
Member of the Board

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

signed digitally on the Polish original
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Jan Szewczak
Member of the Board

signed digitally on the Polish original
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Józef Węgrecki
Member of the Board