Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 1st QUARTER 2023

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	3 MONTHS ENDED 31/03/2023	3 MONTHS ENDED 31/03/2022	3 MONTHS ENDED 31/03/2023	3 MONTHS ENDED 31/03/2022
Sales revenues	110 270	45 447	23 459	9 779
Operating profit increased by depreciation and amortisation (EBITDA)	15 453	4 933	3 288	1 061
Profit from operations (EBIT)	12 575	3 533	2 675	760
Profit before tax	13 345	3 436	2 839	739
Net profit	**9 153**	**2 845**	**1 947**	**612**
Total net comprehensive income	13 498	2 983	2 872	642
Net profit attributable to equity owners of the parent	9 006	2 770	1 916	596
Total net comprehensive income attributable to equity owners of the parent	13 346	2 905	2 839	625
Net cash from operating activities *	23 479	598	4 995	129
Net cash (used) in investing activities *	(13 329)	(3 450)	(2 836)	(742)
Net cash from/(used in) financing activities	(2 735)	2 995	(582)	644
Net increase in cash	7 415	143	1 577	31
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	7.76	6.48	1.65	1.39
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Non-current assets	156 974	153 117	33 574	32 648
Current assets	122 030	119 210	26 100	25 418
Total assets	**279 004**	**272 327**	**59 674**	**58 066**
Share capital	1 974	1 974	422	421
Equity attributable to equity owners of the parent	149 294	135 948	31 931	28 987
Total equity	**150 457**	**136 959**	**32 180**	**29 203**
Non-current liabilities	36 081	41 531	7 717	8 855
Current liabilities	92 466	93 837	19 777	20 008
Number of shares	1 160 942 049	1 160 942 049	1 160 942 049	1 160 942 049
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	128.60	117.10	27.51	24.97

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	3 MONTHS ENDED 31/03/2023	3 MONTHS ENDED 31/03/2022	3 MONTHS ENDED 31/03/2023	3 MONTHS ENDED 31/03/2022
Sales revenues	72 300	33 474	15 381	7 203
Profit from operations increased by depreciation and amortisation (EBITDA)	9 203	1 033	1 958	222
Profit from operations (EBIT)	8 411	493	1 789	106
Profit before tax	9 310	435	1 981	94
Net profit	**7 624**	**387**	**1 622**	**83**
Total net comprehensive income	11 929	277	2 538	60
Net cash from/(used in) operating activities *	26 087	(1 892)	5 550	(148)
Net cash (used) in investing activities *	(18 402)	(1 797)	(3 915)	(646)
Net cash from/(used in) financing activities	(1 766)	3 929	(376)	846
Net increase in cash	5 919	240	1 259	52
Net profit and diluted net profit per share (in PLN/EUR per share)	6.57	0.90	1.40	0.19

	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Non-current assets	108 106	107 460	23 122	22 913
Current assets	93 535	86 145	20 005	18 368
Total assets	**201 641**	**193 605**	**43 127**	**41 281**
Share capital	1 974	1 974	422	421
Total equity	**127 051**	**115 122**	**27 174**	**24 547**
Non-current liabilities	16 220	20 569	3 469	4 386
Current liabilities	58 370	57 914	12 484	12 348
Number of shares	1 160 942 049	1 160 942 049	1 160 942 049	1 160 942 049
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	109.44	99.16	23.41	21.14

* *Data for the 1st quarter of 2022 restated*

The above financial data for the 3-month period of 2023 and 2022 was translated into EUR using the following exchange rates:

– items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates quoted by the National Bank of Poland as of the last day of each month during the reporting period: from 1 January to 31 March 2023 – 4.7005 EUR/PLN and from 1 January to 31 March 2022 – 4.6883 EUR/PLN;

– items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 March 2023 – 4.6755 EUR/PLN and asat 31 December 2022 – 4.6899 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2023

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

ORLEN ORLEN GROUP (in PLN million)

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

Consolidated statement of profit or loss and other comprehensive income

	NOTE	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Sales revenues	5.1	110 270	45 447
revenues from sales of finished goods and services		*91 777*	*36 535*
revenues from sales of merchandise and raw materials		*18 493*	*8 912*
Cost of sales	5.2	(92 875)	(35 944)
cost of finished goods and services sold		*(75 995)*	*(28 228)*
cost of merchandise and raw materials sold		*(16 880)*	*(7 716)*
Gross profit on sales		**17 395**	**9 503**
Distribution expenses		(3 662)	(2 380)
Administrative expenses		(1 392)	(699)
Other operating income	5.5	2 021	845
Other operating expenses	5.5	(1 759)	(3 863)
(Loss) due to impairment of trade receivables		(27)	(15)
Share in profit from investments accounted for using the equity method		(1)	142
Profit from operations		**12 575**	**3 533**
Finance income	5.6	1 349	445
Finance costs	5.6	(565)	(539)
Net finance income and costs		**784**	**(94)**
(Loss) due to impairment of loans and interest on trade receivables		(14)	(3)
Profit before tax		**13 345**	**3 436**
Tax expense		(4 192)	(591)
current tax		*(3 755)*	*(720)*
deferred tax		*(437)*	*129*
Net profit		**9 153**	**2 845**
Other comprehensive income:			
which will not be reclassified subsequently into profit or loss		**40**	**46**
actuarial gains and losses		*52*	*50*
gains and losses on investments in equity instruments at fair value through other comprehensive income		*(4)*	*6*
deferred tax		*(8)*	*(10)*
which will be reclassified into profit or loss		**4 305**	**92**
cash flow hedging instruments		*5 438*	*(396)*
hedging costs		*140*	*(58)*
exchange differences on translating foreign operations		*(217)*	*453*
share in other comprehensive income of investments accounted for using the equity method		*-*	*2*
deferred tax		*(1 056)*	*91*
		4 345	**138**
Total net comprehensive income		**13 498**	**2 983**
Net profit attributable to		**9 153**	**2 845**
equity owners of the parent		*9 006*	*2 770*
non-controlling interest		*147*	*75*
Total net comprehensive income attributable to		**13 498**	**2 983**
equity owners of the parent		*13 346*	*2 905*
non-controlling interest		*152*	*78*
Net profit per share attributable to equity owners of the parent (in PLN per share)			
basic		*7.76*	*6.48*
diluted		*7.76*	*6.48*

The accompanying notes disclosed on pages 10 – 47 are an integral part of these interim condensed consolidated financial statements.

ORLEN GROUP (in PLN million)

Consolidated statement of financial position

	NOTE	31/03/2023 (unaudited)	31/12/2022
ASSETS			
Non-current assets			
Property, plant and equipment		119 021	118 844
Intangible assets and goodwill		15 324	10 861
Right-of-use asset		10 670	10 262
Investments accounted for using the equity method		3 986	3 442
Deferred tax assets		2 902	4 154
Derivatives	5.8	1 452	1 505
Other assets	5.8	3 619	4 049
		156 974	**153 117**
Current assets			
Inventories		35 550	45 127
Trade and other receivables		45 580	37 905
Current tax assets		924	1 036
Cash		28 683	21 456
Derivatives	5.8	2 695	3 359
Assets classified as held for sale		23	17
Other assets, incl.:		8 575	10 310
security deposits	5.8	*4 650*	*8 774*
purchased securities	5.8	*3 549*	*479*
		122 030	**119 210**
Total assets		**279 004**	**272 327**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 974	1 974
Share premium		46 405	46 405
Own shares		(2)	(2)
Hedging reserve		9 527	5 005
Revaluation reserve		(8)	(5)
Exchange differences on translating foreign operations		2 467	2 684
Retained earnings		88 931	79 887
Equity attributable to equity owners of the parent		**149 294**	**135 948**
Non-controlling interests		**1 163**	**1 011**
Total equity		**150 457**	**136 959**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.7	9 610	11 973
Provisions	5.9	7 853	8 079
Deferred tax liabilities		7 134	7 279
Derivatives	5.8	1 866	4 613
Lease liabilities		8 867	8 842
Other liabilities	5.8	751	745
		36 081	**41 531**
Current liabilities			
Trade and other liabilities		40 442	40 257
Lease liabilities		1 290	1 422
Liabilities from contracts with customers		2 615	2 644
Loans, borrowings and bonds	5.7	7 615	7 252
Provisions	5.9	15 044	12 817
Current tax liabilities		13 564	14 604
Derivatives	5.8	6 170	12 839
Other liabilities	5.8	5 726	2 002
		92 466	**93 837**
Total liabilities		**128 547**	**135 368**
Total equity and liabilities		**279 004**	**272 327**

The accompanying notes disclosed on pages 10 – 47 are an integral part of these interim condensed consolidated financial statements.

ORLEN GROUP (in PLN million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent									
	Share capital	Share premium	Own shares	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
01/01/2023	1 974	46 405	(2)	5 005	(5)	2 684	79 887	135 948	1 011	136 959
Net profit	-	-	-	-	-	-	9 006	9 006	147	9 153
Components of other comprehensive income	-	-	-	4 522	(3)	(217)	38	4 340	5	4 345
Total net comprehensive income	**-**	**-**	**-**	**4 522**	**(3)**	**(217)**	**9 044**	**13 346**	**152**	**13 498**
31/03/2023	**1 974**	**46 405**	**(2)**	**9 527**	**(8)**	**2 467**	**88 931**	**149 294**	**1 163**	**150 457**
(unaudited)										
01/01/2022	1 058	1 227	-	(430)	(20)	2 111	47 761	51 707	871	52 578
Net profit	-	-	-	-	-	-	2 770	2 770	75	2 845
Components of other comprehensive income	-	-	-	(363)	5	453	40	135	3	138
Total net comprehensive income	**-**	**-**	**-**	**(363)**	**5**	**453**	**2 810**	**2 905**	**78**	**2 983**
31/03/2022	**1 058**	**1 227**	**-**	**(793)**	**(15)**	**2 564**	**50 571**	**54 612**	**949**	**55 561**
(unaudited)										

The accompanying notes disclosed on pages 10 – 47 are an integral part of these interim condensed consolidated financial statements.

(in PLN million)

Consolidated statement of cash flows

	NOTE	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited) (restated data)
Cash flows from operating activities			
Profit before tax		**13 345**	**3 436**
Adjustments for:			
Share in profit from investments accounted for using the equity method		1	(142)
Depreciation and amortisation	*5.2*	2 878	1 400
Foreign exchange (profit)		(220)	(20)
Net interest		110	134
Loss on investing activities		523	23
Change in provisions		3 162	1 727
Change in working capital		6 013	(4 513)
inventories		*9 702*	*(5 049)*
receivables		*(4 958)*	*(3 666)*
liabilities		*1 269*	*4 202*
Other adjustments		1 744	(587)
settlement of grants for property rights		*(961)*	*798*
security deposits		*4 735*	*(1 768)*
derivatives		*(2 024)*	*1 554*
Income tax (paid)		(4 077)	(860)
Net cash from operating activities		**23 479**	**598**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(9 659)	(3 463)
Acquisition of shares lowered by cash		31	-
Acquisition of financial assets in ORLEN VC		(2)	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset		80	7
Short-term deposits		-	(7)
Purchase of bonds		(3 055)	-
Acquisition of petrochemical assets less cash		(218)	-
Non-returnable payments to equity for Baltic JV		(521)	-
Proceeds net cash from loans		8	-
Other		7	13
Net cash (used) in investing activities		**(13 329)**	**(3 450)**
Cash flows from financing activities			
Proceeds from loans and borrowings received		2 065	8 835
Repayment of loans and borrowings		(3 998)	(5 466)
Redemption of bonds		(51)	-
Interest paid from loans, borrowings and bonds		(161)	(75)
Interest paid on lease		(118)	(68)
Payments of liabilities under lease agreements		(447)	(231)
Grants received		42	8
Other		(67)	(8)
Net cash from/(used in) financing activities		**(2 735)**	**2 995**
Net increase in cash		**7 415**	**143**
Effect of changes in exchange rates		(188)	30
Cash, beginning of the period		21 456	2 896
Cash, end of the period		**28 683**	**3 069**
including restricted cash		*4 816*	*314*

The accompanying notes disclosed on pages 10 – 47 are an integral part of these interim condensed consolidated financial statements.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity of the ORLEN Group

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

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

2.1. Statement of compliance and general principles of preparation

These interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information to be published by issuers of securities and conditions of consideration of information required by the law of non-member country's law as equal (Official Journal 2018, item 757) and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 March 2023 and as at 31 December 2022 , financial results and cash flows for the 3-month period ended 31 March 2023 and 31 March 2022.

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

As part of the assessment of the Group's ability to continue as a going concern, the Management Board analysed the existing risks, both financial and operational, and in particular assessed the impact of the ongoing armed conflict in Ukraine and the related changes in the macroeconomic situation in Europe and around the world as well as sanctions imposed on Russia for the Group's operations, as described in more detail in note 3.1.

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

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

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

2.2.1. Accounting principles

In these interim condensed consolidated financial statements, the significant accounting policies applied by the Group and significant values based on judgments and estimates were the same as described in individual explanatory notes in the Consolidated Financial Statements for 2022.

2.2.2. Restated of comparative data

The Group has changed in these consolidated financial statements for 2022 the presentation of the valuation and settlement of derivative financial instruments not designated as hedge accounting purposes. Until now the inflows and outflows from the settlement of these instruments have been presented under investing activities. The above event affected the comparative data presented in these interim consolidated financial statements in relation to the Consolidated Quarterly Report for the 1st quarter of 2022.

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

	3 MONTHS ENDED 31/03/2022 (unaudited)	Change in the presentation of the measurement and settlement of derivatives not designated for hedge accounting purposes	3 MONTHS ENDED 31/03/2022 (unaudited) (restated data)
Cash flows from operating activities			
(Profit) on investing activities	2 780	(2 757)	23
Other adjustments	(2 139)	1 552	(587)
Net cash from operating activities	**1 803**	**(1 205)**	**598**
Cash flows from investing activities			
Settlement of derivatives not designated as hedge accounting	(1 205)	1 205	-
Net cash (used) in investing activities	**(4 655)**	**1 205**	**(3 450)**

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

2.3.1. Functional currency and presentation currency

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

2.3.2. Methods applied to translation of financial data

Translation into PLN of financial statements of foreign entities, for consolidation purposes:
- particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
- items of the statement of profit or loss and other comprehensive income and the statement of cash flows - at the average exchange rate for the reporting period (arithmetic average of daily average exchange rates published by the National Bank of Poland ("NBP") 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. Upon disposal of a foreign operation, foreign exchange differences accumulated in equity are transferred to the statement of profit or loss and disclosed as part of the overall net gain/(loss) on the disposal.

CURRENCY	Average exchange rate for the reporting period		Exchange rate as at the end of the reporting period	
	3 MONTHS ENDED 31/03/2023	3 MONTHS ENDED 31/03/2022	31/03/2023	31/12/2022
EUR/PLN	4.7111	4.6194	4.6755	4.6899
USD/PLN	4.3887	4.1165	4.2934	4.4018
CZK/PLN	0.1980	0.1876	0.1987	0.1942
CAD/PLN	3.2473	3.2506	3.1676	3.2486
NOK/PLN	0.4295	-	0.4117	0.4461

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

Sales and distribution of natural gas and production, sales and distribution electricity and heat during the year are subject to seasonal fluctuations. The volume of natural gas and 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 this part of revenues applies to a much greater degree to individual customers than to the production/industrial sector clients.

In the 3-month period ended 31 March 2023 there is no significant seasonality or cyclicality of operations in the other segments of the ORLEN Group.

3. Financial situation and the organization of the ORLEN Group

3.1. Impact of the military conflict in Ukraine on Group's operating and financing activities

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

The description of the Group's achievements and factors having a significant impact on the financial data presented by the Group as at 31 March of 2023 is presented in note 3.2.

So far, there have been no significant disruptions in the operational processes carried out within the Group, and there were no significant restrictions on the availability of raw materials, including crude oil, in any of the Group's operating areas. Terminals, storage depots and refineries in ORLEN Group operate in the same scope, and fuel deliveries to all filling stations are carried out all the time. The Group believes that it has adequate stocks of raw materials, including crude oil and fuels to ensure the continuity of production processes. In addition, the Group secured additional supplies of crude oil from alternative sources. Since the outbreak of the war in Ukraine, PKN ORLEN has given up importing crude oil by sea and finished fuels from Russia. From the beginning of February 2023, after the contract with Rosneft expired, Russian oil supplies covered only about 10 percent. the Company's demand for this raw material. These were only pipeline deliveries for which international sanctions had not been introduced. At the end of February 2023, the Russian side suspended supplies via the Przyjaźń pipeline to Poland, and therefore PKN ORLEN currently does not receive crude oil from Russia. Recently, the Company has been taking intensive steps to diversify its portfolio and deliveries to the refinery can only be made by sea. Currently, crude oil is supplied from the North Sea, West Africa, the Mediterranean basin, as well as the Persian and Mexican Gulfs. An important partner in the import portfolio of this raw material is Saudi Aramco, with whom PKN ORLEN concluded a strategic contract for the supply of crude oil in 2022. Thus, in the Group’s opinion the suspension of REBCO oil deliveries from Russia will not affect the supply of the Company's Polish customers with the Company's products, including gasoline and diesel oil. The Company monitors and forecasts crude oil operating inventories on an ongoing basis and verifies the assumptions for the operating plan. Purchasing decisions are made on the basis of the contracted volumes of deliveries and the planned levels of processing, in order to secure the continuity of production processes with the assumed structure of the raw material in subsequent periods and to maintain the security of product supply.

The Company is also subject to numerous obligations resulting from the Act of 16 February 2007 on stocks of crude oil, petroleum products and natural gas and the rules of conduct in situations of threat to the fuel security of the state and disturbances on the oil market and fully meets the requirements regarding mandatory stocks of crude oil and fuels. The volumes of mandatory stocks are controlled by national regulatory authorities and may be placed on the market (or processed into products in the case of crude oil) only in response to supply shortages/disruptions or market crises, pursuant to a government decision/authorisation or as a result of a stock release decision by the International Energy Agency (IEA).

Additionally, the Group is taking intensive steps to increase oil imports to Czech refineries from directions other than Russia. In particular, the Company is in talks with the Czech government on the modernization of TAL, IHL and Adria oil pipelines and thus reducing dependence on oil imports from Russia. Currently, pipelines that deliver oil to the Czech Republic are still excluded from the sanctions due to the limited possibilities of alternative supplies.

Considering the above, in the period of 12 months after the balance sheet date, the Group does not identify the risk of shortages of crude oil operating inventories.

Nevertheless, the Group believes that restrictions on oil supplies from the Russian direction has affect the Group's operating activities and financial results. Limited availability of REBCO crude oil and its replacement with other, more expensive, available crude oils translates into an increase in production costs in the Group in the Refining and Petrochemical segments.

In connection with the merger of PKN ORLEN and PGNiG on 2 November 2022, PKN ORLEN as PGNiG's legal successor, monitors the situation regarding the implementation of natural gas supplies to the Polish transmission system on an ongoing basis. Thanks to the reserved transmission capacity, PKN ORLEN can supply natural gas from various directions, including the LNG Terminal in Świnoujście (shipments mainly from Qatar and the United States), Lithuania, as well as via the Baltic Pipe gas pipeline from the Norwegian Continental Shelf. An important source of natural gas is also extraction from domestic deposits. Depending on the balancing needs, the ORLEN Group makes reservations for additional transmission capacities on interconnectors and supplementary gas purchases. The Group is also investing in its own LNG tankers, which will provide the Group with effective transport of liquefied gas to Poland and will strengthen the company's position on the global LNG market.

The suspension of supplies of Russian gas to Poland in April 2022 accelerated the diversification of imports and thanks to the quick and effective reorganization, the Company ensured the safety of Polish recipients of this raw material from various directions. The Company expects 2023 to be the first full year without gas imports from Russia.

As at the date of preparation of these interim condensed consolidated financial statements, gas transmission both to the Company's customers and to the ORLEN Group complies with the reported demand. In addition, PKN ORLEN continues implemented technological measures to reduce the dependence of the main plant in Płock on the availability of natural gas. In addition, through membership and active participation on the Polish Power Exchange and the possession of a portfolio of OTC contracts, the Company has a wide range of purchasing alternatives.

In connection with the ongoing war in Ukraine, the Group has developed appropriate contingency plans in the event of cyber attacks, the need to introduce immediate changes in the supply chain, and in the event of a threat to the lives of employees of the Group's companies in the event of expansion of military operations to the territories of other countries. Additionally, procedures in the event of emergency situations have been developed to ensure the continuity of the critical infrastructure. The Group has sufficient financial resources to enable it to settle its current liabilities and to continue planned investment and acquisition projects.

Moreover, the Group constantly adjusting its derivative transactions portfolio to the changing market conditions in order to reduce their negative impact on the liquidity situation and the Group's results.

In the opinion of the Group, the ongoing conflict in Ukraine does not change the risk with regard to the guarantees issued as at 31 March 2023. The Group has made a detailed analysis of sales on the Ukrainian and Russian markets.

The Group has no subsidiaries, jointly controlled entities or associates in Russia and Belarus. As at 31 March 2023, the Group did not have any significant assets located in Russia, Belarus or Ukraine, and the sales volume in these countries is immaterial (less than 2% share in the Group's sales revenues).

Despite the ongoing conflict in Ukraine and the related volatility in the markets and macroeconomic situation, in 1st quarter of 2023 the Group did not observe a significant deterioration in repayment capacity or an increase in the number of bankruptcies or restructuring among its clients. Due to the effective management of trade credit and debt collection, the Group believes that the risk of non-payment of receivables by contractors has not changed significantly, and the repayment of receivables shown in the balance sheet as at 31 March 2023, which are due in the coming months, will remain at a materially unchanged level. In connection with the above, as at 31 March 2023, the Group did not identify any reasons to modify the assumptions adopted to assess the expected credit loss in terms of the potential need to take into account an additional element of risk related to the current economic situation and forecasts for the future.

The Group analyses the situation on the markets on an ongoing basis and the incoming signals from contractors that may indicate a deterioration of the financial situation and, if necessary, will update the adopted estimates for the ECL calculation in subsequent reporting periods.

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

The ORLEN Group assumes that Russia's invasion of Ukraine may affect significant estimates and assumptions made by the Management Board in subsequent periods, in particular such as:

- prices and supply of raw materials: crude oil, gas, electricity;
- changes in prices of CO_2 emission allowances;
- raw material optimization due to the high price and volatility of supply;
- prices and margins of refinery and petrochemical products;
- exchange rates, mainly EUR and USD;
- ratios of the expected rate of return on WACC investments;
- inflation rates and the level of interest rates.

These assumptions will mainly affect the models in relation to future expected cash flows in the scenarios developed by the Group as well as the method of calculating the discount rates used to estimate the value in use in impairment tests of fixed assets.

Details of the assumptions regarding the above parameters adopted by the Group as part of the cash flow forecasts used in the impairment tests of non-current assets carried out as at 31 March 2023 and the sensitivity analysis in relation to selected assumptions are presented in note 5.4.

Changes in the assumptions regarding inflation rates and the level of interest rates will also affect the estimates of the provisions created in the long-term part, as well as the calculation of the marginal interest rate for the valuation of lease liabilities.

Assumptions regarding oil prices as well as prices of refinery and petrochemical products will affect the Group's estimates of the net realizable value of inventories.

In addition, changes in the prices of raw materials, CO_2 emission allowances, margins on products and fluctuations in exchange rates will have a direct impact on the operating profit generated by the Issuer, including the valuation and settlement of derivatives held by the Group.

In addition, the assumptions made with regard to macroeconomic data, such as the dynamics of Gross Domestic Product, inflation rate, or unemployment rates, may make it necessary to change the estimates of the expected credit loss for the Group's trade receivables and to include an additional element in the calculation of the expected credit loss risks related to the economic situation and forecasts for the future.

When making assumptions and estimates, the Group relied on rational and factually supported assumptions reflecting the most appropriate assessment of the Management Board regarding all economic conditions that may occur in the foreseeable future. Nevertheless, due to the fact that the estimates adopted by the Group are subject to high uncertainty, there is a significant risk that the balance sheet values of the assets and liabilities described above, which are most affected by the adopted assumptions, may change significantly in subsequent reporting periods. Since the outbreak of the war in Ukraine, high uncertainty and unpredictability of price changes have persisted in commodity markets. This is due both to the unpredictability of the further course of the war, subsequent sanctions imposed on Russia and their effects, and retaliation from Russia. Under these conditions, many international institutions withheld their forecasts. They were replaced by conditional scenarios, limited to the leading commodity markets, such as oil, and differing in the scale and effectiveness of sanctions on Russian exports of fossil fuels, which, however, due to high uncertainty, cannot be assigned a reasonable level of probability of implementation.

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

Profit or loss for the 3 months of 2023

Sales revenues of the ORLEN Group for the 3 months of 2023 amounted to PLN 110,270 million and was higher by PLN 64,823 million (y/y). The increase of sales revenues (y/y) reflects higher by 17% volume sales in tonnes (increase mainly in the refining, upstream and gas segment, with a decrease in petrochemical and a comparable level in retail segments) and the inclusion in 2023 volumes sales of natural gas in the amount of 101.1 TWh and CNG gas in the amount of 6.6 million m3. The increase in volumes results mainly from the recognition in consolidation companies from the former LOTOS Group and former PGNiG Group.

The increase in sales revenues was partly limited by the decrease in quotations of the main products as a result of lower crude oil prices by (-) 21% (y/y). In the 3-months period of 2023, compared to the corresponding period of 2022, the prices of gasoline decreased by (-) 5%, diesel oil by (-) 7%, aviation fuel by (-) 5%, heavy fuel oil by (-) 29 %, ethylene by (-) 8% and propylene by (-) 17%.

The operating expenses totally increased by PLN (58,906) million (y/y) to PLN (97,929) million, mainly as a result of including the costs of the companies of the former LOTOS Group and former PGNiG Group in the amount of PLN (4,104) million and of PLN (52,458) million, respectively.

The result of other operating activities amounted to PLN 262 million and was higher by PLN 3,280 million (y/y) mainly due to the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN 3,241 million and the recognition of net impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets in the amount of PLN (529) million.

As a result, profit from operations amounted to PLN 12,575 million and was higher by PLN 9,042 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 income in the described period amounted to PLN 784 million and included mainly net foreign exchange gain in the amount of PLN 631 million, net interest expenses in the amount of PLN 234 million and settlement and valuation of derivative financial instruments in the amount of PLN (92) million.

After the deduction of tax charges in the amount of PLN (4,192) million, the net profit of the ORLEN Group for the 3 months of 2023 amounted to PLN 9,153 million and was higher by PLN 6,308 million (y/y).

Statement of financial position

As at 31 March 2023, the total assets of the ORLEN Group amounted to PLN 279,004 million and was higher by PLN 6,677 million in comparison with 31 December 2022.

As at 31 March 2023, the value of non-current assets amounted to PLN 156,974 million and was higher by PLN 3,857 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets and right-of-use assets by PLN 5,048 million.

The change in balance of property, plant and equipment and intangible assets by PLN 4,640 million (y/y) comprised:

- investment expenditures in the amount of PLN 4,547 million including development of fertilizer production capacities in Anwil, construction of the Visbreaking and HVO (Hydrotreated Vegetable Oil) Installation in Płock, construction of the Bioetanol 2nd Gen installation in ORLEN Południe, construction of the Hydrocracking Oil Unit and a marine terminal for transhipment of petroleum products on the Martwa Wisła in Gdańsk,,construction of the new hydrocracking in Lithuania, expenditure of the production capacity of the Olefin installation in Płock, projects in the Energy segment related mainly to the modernization of existing assets and the connection of new customers, construction of CCGT Ostrołęka, construction and modernization of customer connections to the grid - PSG and projects in Retail and Upstream segment;
- depreciation and amortisation in the amount of PLN (2,568) million;
- purchase of CO_2 allowances and energy certificates in the amount of PLN 3,827 million;
- partial amortisation of CO_2 allowances and energy certificates in the amount of PLN (964) million;
- rights received free of charge in the amount of PLN 1,380 million;
- recognition of net impairment allowances on assets mainly in the Upstream segment in the amount of PLN (529) million;
- effect of differences in balance on translating foreign operations in the amount of PLN (1,139) million.

The value of current assets as at 31 March 2023 increased by PLN 2,820 million in comparison with the end of the previous year, mainly as:

- an increase in trade and other receivables by PLN 7,675 million,
- an increase in balance of cash by PLN 7,227 million
- decrease in inventories by PLN (9,577) million, mainly due to decrease in gas prices on the European market, resulting in a decrease in gas purchase prices by the company, and partial depletion of gas stocks from storage facilities (seasonal effect).

- decrease in other assets by PLN (1,735) million, which mainly related to the decrease in margin deposits by PLN (4,124) million due to hedging transactions traded with financial institutions and on commodity exchanges (detailed information in note 5.8) and purchase of bonds in the amount of PLN 3,055 million issued mainly by the State Treasury. The decrease in the balance of margin deposits results mainly from the settlement of commodity risk hedging transactions concluded by PKN ORLEN (mainly gas commodity swaps).

As at 31 March 2023, total equity amounted to PLN 150,457million and was higher by PLN 13,498 million in comparison with the end of 2022, mainly due to recognition of net profit for the 3 months of 2023 in the amount of PLN 9,153 million, impact of the change in hedging reserve in the amount of PLN 4,522 million and the impact of exchange differences on translating foreign operations in the amount of PLN (217) million.

The value of trade and other liabilities increased by PLN 185 million in comparison to the end of 2022 mainly due to increase of tax liabilities by PLN 4,342 million by decrease of trade liabilities by PLN (2,346) million, investment liabilities by PLN (1,745) million and other liabilities in the amount of PLN 1,985 million. The increase in tax liabilities is mainly due to the termination of the reduced VAT rate on fuels and gas introduced by the provisions of the anti-inflation shield as of January 2023.

Value of provisions as at 31 March 2023 amounted to PLN 22,897 million and was higher by PLN 2,001 million in comparison to the end of 2022. The increase in net provisions in the total amount of PLN 2,346 million resulted mainly from the recognition and updating of the net provision for estimated CO_2 emissions and energy certificates in the amount of PLN 3,310 based on the weighted average price of allowances and certificates held and their use due to partial redemption of property rights for 2022 in the amount of PLN (964) million.

Derivatives non-current and current as at 31 March 2023 amounted to PLN 8,036 million and were lower by PLN (9,416) million, mainly due to change in cash flow hedging instruments and derivatives not designated as hedge accounting in the amounts of PLN (7,242) million and PLN (2,187) million, respectively.

Other short-term liabilities were higher by PLN 3,724 million in comparison to the end of 2022 and amounted to PLN 5,726 million, mainly due to deferred income in the amount of PLN 2,916 million, related mainly to the recognition of received free of charge and an increase in security deposits in the amount of PLN 610 million.

As at 31 March 2023, net financial indebtedness of the ORLEN Group amounted to PLN (11,474) million and was lower by PLN (9,216) million in comparison with the end of 2022 mainly due to the net outflows, including inflows and repayments of loans, and borrowings and redemption of bonds in the amount of PLN (1,984) million, an increase in balance of cash by PLN (7,227) million, short-term deposits in the amount of PLN 11 million and the net effect of valuation and revaluation of debt due to foreign exchange differences in the total amount of PLN (16) million.

Statement of cash flows for the 3 months of 2023

Proceeds of net cash from operating activities for the 3 months of 2023 amounted to PLN 23,479 million and comprised mainly result from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 15,453 million adjusted by:

- the positive impact of increase in a net working capital by PLN 6,013 million mainly related to increase in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities, decreased by paid income taxes in the amount of PLN (4,077) million,
- gain on investing activities in the amount of PLN 523 million,
- change in provisions in the amount of PLN 3,162 million mainly as a result of creation of provision for CO_2 emission,
- other adjustments in the amount of PLN 1,744 million related mainly to securing the settlement of transactions hedging commodity risk traded with financial institutions and on commodity exchanges in the amount of PLN 4,735 million, settlement and valuation of derivatives in the amount of PLN (2,024) million and settlement of grants for property rights in the amount of PLN (961) million.

Net cash used in investing activities for the 3 months of 2023 amounted to PLN (13,329) million and comprised mainly net cash flows for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (9,579) million and the purchase of bonds in the amount of PLN (3,055) million.

Net cash flows used in financing activities for the 3 months of 2023 amounted to PLN (2,735) million and comprised mainly the net repayment of loans and borrowings in the amount of PLN (1,933) million, partial redemption of senior bonds of B8 Sp. z o. o. Baltic SKA in the amount of PLN (51) million, interest paid in the amount of PLN (279) million and liabilities under lease agreements in the amount of PLN (447) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 3-month period of 2023 increased by PLN 7,227 million and as at 31 March 2023 amounted to PLN 28,683 million.

Factors and events which may influence future results

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

- the impact of the war in Ukraine (sanctions on the crude oil, petroleum products and restrictions on natural gas supplies to Europe) on the deepening of natural gas, diesel oil, crude oil and coal shortages in global markets and their market prices,
- impact of the geopolitical situation on the global economy and energy markets,
- impact of the COVID-19 pandemic in China on the global economy and energy markets,
- inflation and market interest rates persisting at a high level,

- a significant decrease in the global GDP growth rate and the risk of recession,
- the depth and pace of reduction of the global demand for energy carriers,
- EU's climate policy and prices of rights and CO_2 emissions allowances,
- administrative interventions on international and domestic fuel markets and electricity (price caps, taxation of windfall profits, tariff policy of the President of the Energy Regulatory Office),
- increase in operating costs and investment financing related to inflation, geopolitical risk and regulatory risk,
- availability of production installations,
- applicable legal regulations,
- investments in development projects of the ORLEN Group,
- synergies resulting from the Grupa LOTOS and PGNiG acquisition

3.3. Description of the organization of the ORLEN Group

As at 31 March 2023, the ORLEN Group included PKN ORLEN as the Parent Company and entities located in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, Slovakia, Hungary, Norway, Cyprus, Estonia, Switzerland, United Kingdom, United Arab Emirates, Libya, Pakistan, Netherlands, Belgium, Austria, France, Croatia, Ireland, Colombia, Tanzania, Mozambique, Ukraine, Latvia, Canada and China.

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

ORLEN GROUP - CONSOLIDATION SCHEME AS AT 31 03 2023

REFINING SEGMENT

- ORLEN Lietuva Group 100%
- ORLEN Asfalt Group 100 %
- ORLEN Południe Group 100%
- ORLEN UNIPETROL Group 100%
- ORLEN Oil Sp. z o.o. 100%
- IKS SOLINO S.A. 100%
- ORLEN Paliwa Sp. z o.o. 100%
- ORLEN Aviation Sp. z o.o. 100%
- ORLEN Transport Sp. z o.o. 100%
- ORLEN KolTrans S.A. 100%
- ORLEN International Trading (SUZHOU) Co., Ltd. 100%
- ORLEN Serwis Group 100%
- ORLEN Eko Group 100%
- Kopalnia Soli Lubień Sp. z o.o. 100%
- LOTOS Oil Sp. z o.o. 100%
- ORLEN Trading Switzerland GmbH 100%
- LOTOS Kolej Sp. z o.o. 100%
- LOTOS Serwis Sp. z o.o. 100%
- LOTOS SPV 3 Sp. z o.o. 100%
- LOTOS SPV 4 Sp. z o.o. 100%
- LOTOS SPV 6 Sp. z o.o. 100%

ENERGY SEGMENT

- ENERGA Group 90.92%
- ORLEN Południe Group 100%
- ANWIL S.A. 100%
- ORLEN Lietuva Group 100%
- ORLEN UNIPETROL Group 100%
- ORLEN Neptun I Group 100%
- ORLEN Wind 3 Group 100%
- ORLEN Energia Sp. z o.o. 100%
- LOTOS Green H2 Sp. z o.o. 100%
- PGNiG TERMIKA Group 100%
- SOLGEN Sp. z o.o. 60%

UPSTREAM SEGMENT

- ORLEN Upstream Group 100%
- LOTOS Upstream Group 100%
- LOTOS Petrobaltic Group 99,99%
- Exalo Drilling Group 100%
- GEOFIZYKA Toruń S.A. 100%
- PGNiG Technologie S.A. 100%
- PGNiG Upstream North Africa B.V. 100%
- PGNiG Upstream Norway A.S. 100%
- PGNiG BioEvolution sp. z o.o. 100%
- LLC "Karpatgazvydobuvannya" 85%

RETAIL SEGMENT

- ORLEN UNIPETROL Group 100%
- ORLEN Deutschland Group 100%
- ORLEN Centrum Serwisowe Sp. z o.o. 100%
- ORLEN Budonaft Sp. z o.o. 100%
- AB ORLEN Baltics Retail 100%
- RUCH Group 65%
- LOTOS SPV 5 Sp. z o.o. 100%

PETROCHEMICAL SEGMENT

- ORLEN UNIPETROL Group 100%
- ORLEN Lietuva Group 100%
- ANWIL S.A. 100%
- ORLEN Olefiny Sp. z o.o. 100%

GAS SEGMENT

- Polska Spółka Gazownictwa Group 100%
- Gas Storage Poland Group 100%
- PGNiG Supply & Trading GmbH Group 100%
- PGNiG Obrót Detaliczny Sp. z o.o. 100%
- PGNiG SPV 6 Sp. z o.o. 100%
- PGNiG Upstream Polska Sp. z o.o. 100%
- PGNiG SPV 9 Sp. z o.o. 100%
- PGNiG SPV 10 Sp. z o.o. 100%
- PGNiG GAZOPROJEKT S.A. 95.17 %
- GAS -TRADING Group 79.58%
- Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych Group 100%

CORPORATE FUNCTIONS

- ORLEN Laboratorium S.A. 100%
- ORLEN Centrum Usług Korporacyjnych Group 100%
- ORLEN UNIPETROL Group 100%
- ORLEN Holding Malta Group 100%
- ORLEN Capital AB 100%
- ORLEN Usługi Finansowe Sp. z o.o. 100%
- Sigma BIS S.A. 66%
- ORLEN Lietuva Group 100%
- ORLEN Administracja Sp. z o.o. 100%
- Polska Press Group 100%
- ORLEN Projekt S.A. 100%
- LOTOS Straż Sp. z o.o. 100%
- LOTOS Ochrona Sp. z o.o. 100%
- LOTOS Lab Sp. z o.o. 100%
- ORLEN Ochrona Group 100%
- PGNiG Serwis Group 100%
- PGNiG Ventures Sp. z o.o 100%
- ORLEN VC sp. z o.o. 100%

(hatched) companies not consolidated using the full method due to their immateriality

(in PLN million)

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

Name of the Capital Group/Company	
Refining Segment	
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
SIA ORLEN Latvija	100%
OU ORLEN Eesti	100%
UAB ORLEN Mockavos terminalas	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN UNIPETROL Slovakia s.r.o.	100%
ORLEN UNIPETROL Doprava s.r.o.	100%
ORLEN UNIPETROL Hungary Kft.	100%
Petrotrans s.r.o.	100%
Paramo a.s.	100%
ORLEN Południe Group	
ORLEN Południe S.A.	100%
Konsorcjum Olejów Przepracowanych - Organizacja Odzysku Opakowań i Olejów S.A.	90%
ORLEN Asfalt Group	
ORLEN Asfalt Sp. z o.o.	100%
ORLEN Asfalt Ceska Republika s.r.o.	100%
ORLEN Serwis Group	
ORLEN Serwis S.A.	100%
UAB ORLEN Service Lietuva	100%
ORLEN Service Česká Republika s.r.o.	100%
ORLEN Eko Group	
ORLEN Eko Sp. z o.o.	100%
ORLEN EkoUtylizacja Sp. z o.o.	100%
Retail Segment	
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
Normbenz Magyarország Kft	100%
ORLEN Deutschland Group	
ORLEN Deutschland GmbH	100%
ORLEN Detuschland Betriebsgesellschaft mbH	100%
RUCH Group	
RUCH S.A.	65%
RUCH MARKETING Sp. z o.o	100%
FINCORES BUSINESS SOLUTIONS Sp. z o.o.	100%
RUCH NIERUCHOMOŚCI V Sp. z o.o.	100%
Upstream Segment	
ORLEN Upstream Group	
ORLEN Upstream Sp. z o.o.	100%
ORLEN Upstream Canada Ltd.	100%
KCK Atlantic Holdings Ltd.	100%
LOTOS Upstream Group	
LOTOS Upstream Sp. z o.o.	100%
LOTOS Exploration and Production Norge AS	100%
AB LOTOS Geonafta	100%
UAB Genciu Nafta	100%
UAB Manifoldas	100%
LOTOS Petrobaltic Group	
LOTOS Petrobaltic S.A.	99.99%
Energobaltic Sp. z o.o.	100%
B8 Sp. z o.o.	100%
B8 Sp. z o.o. BALTIC S.K.A.	100%
Miliana Shipholding Company Ltd.	100%
Miliana Shipmanagement Ltd.	100%
Bazalt Navigation Company Ltd.	100%
Granit Navigation Company Ltd.	100%
Kambr Navigation Company Ltd.	100%
St. Barbara Navigation Company Ltd.	100%
Petro Icarus Company Ltd.	100%
Petro Aphrodite Company Ltd.	100%
Technical Ship Management Sp. z o.o.	100%
SPV Baltic Sp. z o.o.	100%
SPV Petro Sp. z o.o.	100%
Grupa Exalo Drilling	
Exalo Drilling S.A.	100%
Zakład Gospodarki Mieszkaniowej sp. z o.o.	100%
„EXALO DRILLING UKRAINE" LLC	100%
Oil Tech International F.Z.E.	100%
Exalo Diament Sp. z o.o.	100%

Name of the Capital Group/Company	
Energy Segment	
ENERGA Group	
Energa S.A.	90.92%
Energa-Operator S.A.	100%
Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	100%
Energa-Obrót S.A.	100%
Energa Green Development Sp. z o.o.	100%
Enspirion Sp. z o.o.	100%
Energa Oświetlenie Sp. z o.o.	100%
Energa Wytwarzanie S.A.	100%
Energa Elektrownie Ostrołęka S.A.	89.64%
Energa Serwis Sp. z o.o.	100%
ECARB Sp. z o.o.	100%
ENERGA MFW 1 Sp. z o.o.	100%
ENERGA MFW 2 Sp. z o.o.	100%
Energa Kogeneracja Sp. z o.o.	35.41%
Energa LBW 1 sp. z o.o.	100%
CCGT Grudziądz Sp. z o.o.	100%
CCGT Gdańsk Sp. z o.o.	100%
Energa Finance AB	100%
Energa Informatyka i Technologie Sp. z o.o.	100%
Energa Logistyka Sp. z o.o.	100%
Energa Invest Sp. z o.o.	100%
Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	100%
Energa Kogeneracja Sp. z o.o.	64.59%
Energa Ciepło Ostrołęka Sp. z o.o.	100%
Energa Ciepło Kaliskie Sp. z o.o.	91.24%
CCGT Ostrołęka Sp. z o.o.	100%
ORLEN Południe Group	
ORLEN Południe S.A.	100%
Energomedia Sp. z o.o.	100%
Bioenergy Project Sp. z o.o.	100%
CHP Energia Sp. z o.o.	100%
Bioutil Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN Wind 3 Group	
ORLEN Wind 3 Sp. z o.o.	100%
Livingstone Sp. z o.o.	100%
Nowotna Farma Wiatrowa sp. z o.o.	100%
ORLEN Neptun I Group	
ORLEN Neptun I Sp. z o.o.	100%
ORLEN Neptun II Sp. z o.o.	100%
ORLEN Neptun III Sp. z o.o.	100%
ORLEN Neptun IV Sp. z o.o.	100%
ORLEN Neptun V Sp. z o.o.	100%
ORLEN Neptun VI Sp. z o.o.	100%
ORLEN Neptun VII Sp. z o.o.	100%
ORLEN Neptun VIII Sp. z o.o.	100%
ORLEN Neptun IX Sp. z o.o.	100%
ORLEN Neptun X Sp. z o.o.	100%
ORLEN Neptun XI Sp. z o.o.	100%
PGNiG TERMIKA Group	
PGNiG TERMIKA S.A.	100%
PGNiG TERMIKA Energetyka Rozproszona sp. z o.o.	100%
PGNiG TERMIKA Energetyka Przemyśl sp. z o.o.	100%
PGNiG TERMIKA Energetyka Przemysłowa S.A.	100%
PGNiG TERMIKA Energetyka Przemysłowa - Technika Sp. z o.o.	100%
Zakład Separacji Popiołów Siekierki Sp. z o.o.	70%
Petrochemical Segment	
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN UNIPETROL Deutschland GmbH	100%
Spolana s.r.o.	100%
REMAQ, s.r.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%

(in PLN million)

Name of the Capital Group/Company	
Gas Segment	
Polska Spółka Gazownictwa Group	
Polska Spółka Gazownictwa Sp. z o.o.	100%
PSG Inwestycje Sp. z o.o.	100%
Gaz Sp. z o.o.	100%
Gas Storage Poland Group	
Gas Storage Poland Sp. z o.o.	100%
Ośrodek Badawczo-Rozwojowy Górnictwa Surowców Chemicznych CHEMKOP Sp. z o.o.	92,82%
PGNiG Supply & Trading GmbH Group	
PGNiG Supply & Trading GmbH	100%
PGNiG Supply&Trading Polska Sp. z o.o.	100%
PST Europe Sales GmbH in liquidation	100%
XOOL GmbH in liquidation	100%
PST LNG TRADING LIMITED	100%
PST LNG SHIPPING LIMITED	100%
GAS -TRADING Group	
GAS - TRADING S.A.	79.58%
Gas-Trading Podkarpacie sp. z o.o.	78.82%
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych Group	
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych	100%
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie	100%

Name of the Capital Group/Company	
Corporate Functions	
ORLEN Ochrona Group	
ORLEN Ochrona Sp. z o.o.	100%
ORLEN Apsauga UAB	100%
ORLEN Centrum Usług Korporacyjnych Group	
ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	100%
Energa Centrum Usług Wspólnych Sp. z o.o.	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL, a.s.	100%
ORLEN UniCRE a.s.	100%
ORLEN UNIPETROL RPA s.r.o.	100%
HC Verva Litvinov a.s.	70.95%
ORLEN Holding Malta Group	
ORLEN Holding Malta Ltd.	100%
Orlen Insurance Ltd.	100%
Polska Press Group	
Polska Press Sp. z o.o.	100%
Pro Media Sp. z o.o.	53%
PL24 Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
PGNiG Serwis Group	
PGNiG Serwis Sp. z o.o.	100%
Polskie Centrum Brokerskie sp. z o.o.	100%

companies not consolidated using the full method due to their immateriality

Changes in the structure of the ORLEN Group from 1 January 2023 up to the date of preparation of this report

- on 2 January 2023 ORLEN Unipetrol RPA s.r.o. acquired 100% of shares in REMAQ s.r.o. (REMAQ) with its headquarters in Otrokovice, Czech Republic. REMAQ is a leading company in the region of Central and Eastern Europe, focusing its core activity on chemical and mechanical recycling activities. Additional information in note 3.4.2.
- on 1 March 2023, a change in the name of PGNiG SPV 7 sp. z o.o. was registered with the National Court Register on PGNiG BioEvolution sp. z o.o.;
- on 5 April 2023, ORLEN Unipetrol RPA s.r.o. and ORLEN Projekt S.A. act of establishing a new entity ORLEN Projekt Česká republika s.r.o.
- on 7 April 2023, a change in the name of ORLEN Neptun I sp. z o.o. was registered in the National Court Register. on ORLEN Neptun sp. z o.o.

Changes in the Group structure are an element of the ORLEN Group strategy, assuming the development of a strong and diversified multi-energy concern, 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. Settlement of acquisition of shares in accordance with IFRS 3 Business Combinations

3.4.1. Acquisition of petrochemical assets

On 1 January 2023 the Group has closed the transaction to acquire a part of the business related to the production and marketing of LDPE from the Poland's largest plastics manufacturer Basell Orlen Polyolefins sp z o.o. (a joint venture in which PKN ORLEN and Lyondell Basell Industries each hold a 50% of shares) and Basell Orlen Polyolefins Sprzedaż sp. z o.o. (100% of shares held by Basell Orlen Polyolefins sp z o.o.). The business involves the production and marketing of LDPE, as well as customer service in the Polish market. The transaction was cleared by the Polish and Dutch antitrust regulators.

The acquired production capacity is 100 thousand tonnes per year, which means that PKN ORLEN, as Poland's only producer of LDPE, will single-handedly cover about a third of the country's overall demand for the plastic.

Low density polyethylene (LDPE) is commonly used to make consumer and industrial products, found in plastic films, bags, canisters, food packaging, as well as components of electronic devices, such as wires and cables. It is a fully recyclable product playing an important role in advancing the circular economy.

After the transaction, Basell Orlen Polyolefins sp. z o.o. will continue to develop the production and sale of HDPE polyethylene, i.e. high-density polyethylene, and polypropylene.

The acquisition of the part of the business related to the production and sale of LDPE is in line with the strategy implemented by the Group. The Group observes a dynamic increase in demand for petrochemical products on global markets, and according to forecasts, by 2030 the value of the petrochemicals and base plastics market is expected to double. Therefore, the Group aims to increase its share in this promising business and to strengthen its position as the leading producer of petrochemical products in Europe, which will enable it to increase its profits.

Provisional settlement of the transaction

The acquisition of the business related to the production and sale of LDPE is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

As at the date of preparation of these interim consolidated financial statements, the accounting for the merger has not been completed, in particular the valuation process of measuring the acquired net assets to fair value is being finalised by external experts. Therefore, the Group presented provisional values of identifiable assets and liabilities which correspond to their fair values as at the merger date estimated on the basis of previous works carried out by external experts, which are currently being verified by the Group, and therefore may still change. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

The provisional value of identifiable assets acquired and liabilities assumed recognised as at the acquisition date are as follows:

in PLN million		01/01/2023
Assets acquired	**A**	**258**
Non-current assets		***123***
Property, plant and equipment		110
Right-of-use asset		3
Deferred tax assets		10
Current assets		***135***
Inventories		61
Trade and other receivables		1
Cash		73
Assumed liabilities	**B**	**1**
Non-current and current liabilities		***1***
Trade and other liabilities		1
Total temporary net assets	**C = A - B**	**257**
Fair value of the consideration transferred (Cash paid)	D	285
The value of pre-existing connections	E	71
Goodwill	**F = D - C + E**	**99**

The net cash outflow related to the acquisition of the business related to the production and sale of LDPE, being the difference between the net cash acquired (recognised as cash flows from investing activities) and the paid cash transferred as consideration, amounted to PLN 214 million.
As part of the ongoing process of verifying the work of external experts by the Group, the provisional net asset values presented above have not changed significantly compared to the values presented in the Consolidated Financial Statements for 2022.
The temporary goodwill recognised as part of the merger settlement represents the value of assets that could not be recognised separately in accordance with the requirements of IAS 38 - Intangible Assets, including in particular:

a) the possibility of increasing sales and profits for the Group,
b) strengthening the market position on the market of petrochemicals and base plastics (the sole producer of low-density polyethylene in Poland),
c) the existing potential for the production and sale of LDPE for future customers and access to an organized workforce.

As at 31 March 2023, the Group did not identify any impairment in relation to the recognised provisional goodwill.

3.4.2. Transaction of acquisition of REMAQ s.r.o

On 2 January 2023 ORLEN Unipetrol RPA s.r.o. acquired 100% of shares in REMAQ s.r.o. (REMAQ) based in Otrokovice, the Czech Republic. REMAQ is a leading company in the region of Central and Eastern Europe, focusing its core activity on chemical and mechanical recycling activities. With the acquisition of the REMAQ the Group, will be able to effectively acquire and process waste plastic and bio-waste and produce new petrochemicals and biofuels from it. The acquisition of REMAQ will enable the expansion of the Group's competencies in the field of mechanical recycling and is the result of the strategy implemented in the Group, the aim of which is to achieve an appropriate level of recycling capacity for plastics and natural waste and to link all waste recycling methods and create a fully functional chain in which local governments, distributors waste and final processors will work together effectively.

Provisional settlement of the transaction

Acquisition of REMAQ shares is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations.

As at the date of preparation of these interim condensed consolidated financial statements, the accounting for the merger has not been completed, and the process of measuring the acquired net assets to fair value is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which, apart from the exceptions described below, correspond to their book values as at the merger date. In particular, the Group decided to involve independent experts in order to carry out the valuation at fair value of the acquired assets and assumed liabilities. This valuation will be performed by external experts in subsequent periods and will affect the final fair value of the presented net assets under settlement. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

The provisional value of identifiable assets acquired and liabilities assumed recognised as at the acquisition date are as follows:

in PLN million		02/01/2023
Assets acquired	**A**	**117**
Non-current assets		**30**
Property, plant and equipment		11
Right-of-use asset		18
Other assets		2
Current assets		87
Inventories		27
Trade and other receivables		22
Other financial assets		2
Cash		36
Assumed liabilities	**B**	44
Non-current liabilities		25
Loans		5
Deferred tax liabilities		2
Lease liabilities		17
Current liabilities		19
Trade and other liabilities		15
Loans		1
Other liabilities		3
Net assets – provisional amount	**C=A-B**	**73**
Acquired net assets attributable to the equity owners of the parent	D	73
% share in the share capital	E	100%
Value of shares measured as a proportionate share in the net assets	F=D*E	73
Fair value of the consideration transferred (Cash paid)	G	291
Provisional goodwill	**I=G-F**	**218**

The net cash outflow related to the acquisition of REMAQ, being the difference between the net cash acquired (recognised as cash flows from investing activities) and the paid cash transferred as payment, amounted to PLN 255 million.
The Group expects that as a result of the purchase price settlement process, the provisionally determined goodwill of PLN 218 million will decrease, as a significant part of it will be allocated to other assets as a result of the fair value measurement of property, plant and equipment carried out by independent appraisers. The remaining part of the goodwill relates to the expected benefits and synergies in the Group as part of the implemented strategy, the aim of which is to achieve an appropriate level of recycling capacity for plastics and natural waste.

Due to the acquisition of REMAQ shares on 2 January 2023, the Group's sales revenue and net profit correspond to the published data for the 1st quarter of 2023. REMAQ data are included in the consolidated data for the entire published period.

REMAQ's share in the revenues and the result generated by the ORLEN Group for the first quarter of 2023 amounted to PLN 49 million and PLN 7 million, respectively.

As at 31 March 2023, the Group did not identify any impairment in relation to the recognised provisional goodwill.

3.4.3. Settlement of business combinations that took place in the previous financial year

Merger with Grupa LOTOS S.A.

On 1st August 2022, the merger between PKN ORLEN and Grupa LOTOS S.A. ("Grupa LOTOS") was registered. Details of this transaction are disclosed in Note 7.3.1 to the Consolidated Financial Statements for 2022. As at the date of preparation of these interim condensed consolidated financial statements, settlement of the merger has not been completed. In particular, the process of fair value measurement of acquired assets and assumed liabilities carried out by external experts engaged by the Group is still ongoing. Thus, as at the date of preparation of these interim condensed consolidated financial statements, the provisional net asset values acquired by the Group as part of the merger with Grupa LOTOS did not change compared to the values presented in the Consolidated Financial Statements for 2022. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

Merger with PGNiG S.A.

On 2nd November 2022, the merger of PKN ORLEN with Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") was registered. Details of this transaction are disclosed in Note 7.3.2 to the Consolidated Financial Statements for 2022. As at the date of preparation of these interim condensed consolidated financial statements, settlement of the merger has not been completed. In particular, the process of fair value measurement of acquired assets and assumed liabilities carried out by external experts engaged by the Group is still ongoing. Thus, as at the date of preparation of these interim condensed consolidated financial statements, the provisional net asset values acquired by the Group as part of the merger with PGNiG did not change compared to the values presented in the Consolidated Financial Statements for 2022. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

Acquisition of Normbenz shares

On 1st December 2022, ORLEN Unipetrol RPA s.r.o. concluded agreements with MOL Hungarian Oil and Gas Public Limited Company, as a result of which ORLEN Unipetrol acquired 100% of shares in Normbenz Magyarország Kft with its registered office in Budapest ("Normbenz"). Details of this transaction are disclosed in Note 7.3.3 to the Consolidated Financial Statements for 2022. As at the date of preparation of these interim condensed consolidated financial statements, settlement of the merger has not been completed. In particular, the process of fair value measurement of acquired assets and assumed liabilities carried out by external experts engaged by the Group is still ongoing. Thus, as at the date of preparation of these interim condensed consolidated financial statements, the provisional net asset values acquired by the Group as part of this transaction have not changed compared to the values presented in the Consolidated Financial Statements for 2022. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

ORLEN ORLEN GROUP (in PLN million)

4. Segment's data

As at 31 March 2023 the operations of the ORLEN Group were conducted in:

- the Refining segment, which includes refinery products processing and wholesale, oil production and sale as well as supporting production,
- the Petrochemical segment, which includes the production and wholesale of petrochemicals, production and sale of chemicals and supporting production,
- the Energy segment, which includes production, distribution and sale of electricity and heat and trading in electricity,
- the Retail segment, which includes mainly activity carried out at petrol stations and activity of RUCH Group,
- the Upstream segment, which includes activity related to exploration and extraction of mineral resources conducted through the ORLEN Upstream Group, LOTOS Upstream Group, LOTOS Petrobaltic Group, PGNiG Upstream Norway,
- the Gas segment, which is a new operating segment separated as a result of the merger in 4th quarter of 2022 with the PGNiG Group and includes he sale of imported natural gas, extracted from deposits and purchased on gas exchanges, distribution of natural gas through the distribution network to individual, industrial and wholesale customers as well as operation, repairs and expansion of the distribution network;
- and Corporate Functions, which include activities related to management, administration and remaining activities not allocated to separate operating segments i.e. reconciling items.

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

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

for the 3-months period ended 31 March 2023

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Gas Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	27 827	4 456	13 001	13 106	1 955	49 754	171	-	110 270
Inter-segment revenues		11 515	1 197	2 318	48	5 049	6 079	239	(26 445)	-
Sales revenues		39 342	5 653	15 319	13 154	7 004	55 833	410	(26 445)	110 270
Total operating expenses		(35 712)	(6 071)	(12 635)	(13 154)	(5 543)	(50 381)	(870)	26 437	(97 929)
Other operating income	5.5	561	238	145	14	126	921	16	-	2 021
Other operating expenses	5.5	(235)	(27)	(71)	(17)	(650)	(722)	(37)	-	(1 759)
(Loss)/reversal of loss due to impairment of trade receivables		1	1	(37)	-	(15)	29	(6)	-	(27)
Share in profit from investments accounted for using the equity method		6	-	(6)	-	1	(3)	1	-	(1)
Profit/(Loss) from operations		**3 963**	**(206)**	**2 715**	**(3)**	**923**	**5 677**	**(486)**	**(8)**	**12 575**
Net finance income and costs	5.6									784
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables										(14)
Profit before tax										**13 345**
Tax expense										(4 192)
Net profit										**9 153**
Depreciation and amortisation	5.2	**365**	**291**	**559**	**233**	**825**	**519**	**86**	**-**	**2 878**
EBITDA		**4 328**	**85**	**3 274**	**230**	**1 748**	**6 196**	**(400)**	**(8)**	**15 453**
Increases in non-current assets		**952**	**638**	**876**	**594**	**1 340**	**863**	**42**	**-**	**5 305**

ORLEN GROUP (in PLN million)

for the 3-month period ended 31 March 2022

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	19 780	6 434	5 770	13 052	290	121	-	45 447
Inter-segment revenues		11 335	1 199	1 327	33	-	160	(14 054)	-
Sales revenues		31 115	7 633	7 097	13 085	290	281	(14 054)	45 447
Total operating expenses		(26 715)	(6 952)	(5 974)	(12 689)	(119)	(628)	14 054	(39 023)
Other operating income	5.5	338	237	244	12	2	12	-	845
Other operating expenses	5.5	(2 148)	(749)	(787)	(30)	(81)	(68)	-	(3 863)
(Loss)/reversal of loss due to impairment of trade receivables		(3)	1	(20)	(1)	-	8	-	(15)
Share in profit from investments accounted for using the equity method		1	107	34	-	-	-	-	142
Profit/(Loss) from operations		**2 588**	**277**	**594**	**377**	**92**	**(395)**	**-**	**3 533**
Net finance income and costs	5.6								(94)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(3)
Profit before tax									**3 436**
Tax expense									(591)
Net profit									**2 845**
Depreciation and amortisation	5.2	**366**	**269**	**410**	**206**	**70**	**79**	**-**	**1 400**
EBITDA		**2 954**	**546**	**1 004**	**583**	**162**	**(316)**	**-**	**4 933**
Increases in non-current asset		**761**	**1 312**	**435**	**280**	**183**	**73**	**-**	**3 044**

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

Assets by operating segments

	31/03/2023 (unaudited)	31/12/2022
Refining Segment	95 222	73 034
Petrochemical Segment	25 033	23 809
Energy Segment	54 870	47 487
Retail Segment	14 773	14 539
Upstream Segment	34 533	37 547
Gas Segment	95 187	70 314
Segment assets	**319 618**	**266 730**
Corporate Functions	39 102	36 253
Adjustments	(79 716)	(30 656)
	279 004	**272 327**

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

5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

Sales revenues of goods and services are recognised at a point in time (or over time) when a performance obligations are satisfied by transferring a promised good or service (i.e. an asset) to a customer in the amount reflecting the consideration, to which - as the Group expects - it will be entitled in exchange for these goods or services.
This principle the Group also applies to consideration, which includes a variable amount and recognises revenue by the amount of expected consideration that is likely not to be reversed in the future.
The following circumstances indicate the transfer of control in accordance with IFRS 15: the current right of the seller to consideration for an asset, the legal ownership of the asset by the customer, physical possession of the asset, transfer of risks and rewards and acceptance of the asset by the customer.
Revenues include received and due payments for delivered finished goods, merchandise, raw materials and services, decreased by the amount of any trade discounts, penalties and value added tax (VAT), excise tax and fuel charges. Revenues from the sale of finished goods and services are adjusted for profits or losses from settlement of cash flows hedging instruments related to the above mentioned revenues.
For sales transferred over time, the revenues are recognised based on the extent to which the performance obligation is completely fulfilled ie the transfer of control of goods or services promised to the customer. The Group uses both the outcome method and the input-based method to measure the degree of fulfilment of the performance obligation. The Group excludes the impact of those expenditures that do not reflect the service

ORLEN ORLEN GROUP (in PLN million)

provided by the Group which involves the transfer of control of goods or services to the customer. Applying the outcome method the Group uses mostly the practical expedient whereby it recognises revenue that it is entitled to invoice in an amount that corresponds directly to the value to which the Group is entitled for the goods and services already provided to the customer.
There is no significant financing component in the Group's contracts with customers.
If the Group is subject to laws guaranteeing compensation to sales prices, and the fact of granting compensation does not modify the contract concluded with the customer, the received compensation is classified as revenue from contracts with customers, in accordance with IFRS 15.These compensations are treated as performance of the contract concluded with the customer, the remuneration for which will be obtained partly from the customer and partly from the state institution (where part of the sales revenue from contracts concluded with customers is covered under the compensation program, not by customers who are parties to the contract but by a government institution, e.g. the Settlement Manager).Thus, the revenue from the contract with the customer, in the part to which it will be covered under the compensation scheme, is recognised in accordance with IFRS 15, in particular when, in the Group's opinion, obtaining compensation from the state institution is probable.
In the case of sales of crude oil extracted on the Norwegian Continental Shelf, where the Group has a joint interest in individual licenses with other shareholders, revenue from crude oil sales is recognized based on the volumes of the product extracted and sold to customers. The volume of crude oil sold to customers may differ from the volume of the product held by the Group as a license shareholder in a given period. If the production volume exceeds the sales volume, an asset (underlift) is recognized in the consolidated financial statement, and if the volume of crude oil sold exceeds the production volume attributable to the Group in a given reporting period, a liability is recognized (overlift).

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Revenues from sales of finished goods and services	91 777	36 535
revenues from contracts with customers	*91 686*	*36 455*
excluded from scope of IFRS 15	*91*	*80*
Revenues from sales of merchandise and raw materials	18 493	8 912
revenues from contracts with customers	*18 493*	*8 912*
Sales revenues, incl.:	**110 270**	**45 447**
revenues from contracts with customers	*110 179*	*45 367*

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

The impact of the merger with LOTOS Group and PGNiG Group on the sales revenues

	3 MONTHS ENDED 31/03/2023 (unaudited)
Revenues from sales of finished goods and services	59 783
revenues from contracts with customers	*59 773*
excluded from scope of IFRS 15	*10*
Revenues from sales of merchandise and raw materials	3 960
revenues from contracts with customers	*3 960*
Sales revenues, incl.:	**63 743**
revenues from contracts with customers	*63 733*

Performance obligations

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

Transaction prices in existing contracts with customers are not subject to restrictions, except for prices for customers subject to the tariff approval by the President of the Energy Regulatory Office (Urząd Regulacji Energetyki, URE in Polish), for the sale of electricity and the electricity and heat distribution services in the Energy segment and the sale of gaseous fuel and the gaseous fuel distribution services in Gas segment. There are no contracts in force providing for significant obligations for returns and other similar obligations. Press revenues in the case of wholesale is recognised when the circulation is issued to distributors, and in the case of retail sales for most points/networks are recognised based on the difference accounting between delivered and returned press. The invoice is issued for the completed press sales to end customers.

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

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

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

In the Group the revenues from deliveries of goods and provision of services, when the customer simultaneously receives and benefits from them, are being accounted and recognised over time. In the Refining, Petrochemical and Gas segment, in continuous sale, when goods are transferring using pipelines, the ownership right over the transferred good passes to the customer at an agreed point in the infrastructure of the plant. This moment is considered as the date of sale. Revenue is recognised based on the output method for the delivered units of goods. In the Group in case of construction services, when an asset is created as a result of the performance, and control over this component is exercised by the customer, revenue is recognised over time using input-based method based on the costs incurred irrespective of the signed acceptance protocols. Within the Retail segment, in Fleet Program settlements with customers take place mostly in two-week periods, the delivery of the press are accounted for on a weekly basis, and subscriptions on a monthly, quarterly, semi-annual and annual periods.

Within the Energy and Gas segment, revenue for energy and gaseous fuel delivered in the period and energy distribution, as well as energy distribution, transmission and distribution of heat and distribution and transmission of gaseous fuel are recognised on a decadal or monthly and are determined on the basis of billed price and volumes as well as additional estimations. The estimates of revenues for energy are made on the basis of reports from billing systems as well as forecasts of customers' energy needs and prices for the estimated days of energy consumption, as well as a result of reconciliations of the energy balance.
The value of uninvoiced gas delivered to individual customers is estimated on the basis of the current consumption characteristics in comparable reporting periods. The value of estimated gas sales is determined as the product of the quantities assigned to individual tariff groups and the rates specified in the applicable tariff.

Accounts with customers are settled on decade cycles and a one- and two-month basis. Revenues from services related to connection to the energy network are recognised at the point in time when the works are completed.

Revenues according to categories taking into account significant economic factors affecting their recognition
Except of revenues according to product type and geographical region presented in notes 5.1.1 and 5.1.2, the Group analyses revenues based on the type of contract, date of transfer, contract duration and sales channels.
In the Group, most contracts with customers in exchange for the goods/services provided are based on a fixed price, and thus the revenues already recognised will not change.
The Group classifies as revenues from contracts based on a variable price, when the consideration is a variable fee on turnover, customers have the rights to trade discounts and bonuses, a part of revenues related to penalties and where the selling price of services is determined based on the costs incurred. Revenue from contracts with a variable amount is presented mainly in the Refining, Petrochemical, Energy and Corporate Functions segments.
As part of the Refining, Petrochemical and Gas segments, with respect to sales of petrochemical refinery and gas products, the Group recognises revenue from the fulfilment of the performance obligation, depending on the terms of delivery applied (Incoterms CFR, CIF, CPT, DAP, DDP, EXW, FCA). In case of some deliveries, the Group as a seller is obliged to organize transport. When the control of good transferred to the customer before the transport service is completed, the delivery of goods and transport becomes separate performance obligations. The delivery of goods is an obligation satisfied at a point in time, while transport is a continuous obligation (satisfied over time), where the customer simultaneously receives and consumes benefits from the service. Revenues are recognised on the basis of the output method with respect to the rendered services.
In the Retail segment, the moment of fulfilment of the performance obligation is the moment of transfer of good, except for sales of fuels in the Fleet Program using Fleet Cards. Revenues recognised over the time in the Refining, Petrochemical and Energy segment relate mainly to sales of crude oil, petrochemical products, energy and heat.
In the Gas segment, revenues from gas sales on exchanges are realized at a point in time.
Revenues generated by the Group over time are recognised using the output method and the time and effort used.
Revenues recognised over time recognised using the output method for the delivered units of goods relate mainly to the sale and distribution of electricity and gas to business and institutional customers, as well as the sale, transmission and distribution of heat within the Energy and Gas segment, fuel sales in the Fleet Programme and subscription sale within Retail segment and the sale of gas and crude oil within the Upstream segment.
Contracts accounted for on the basis of time and effort consumed include long-term contracts, among them construction and IT contracts.
The duration of most contracts within the Group is short-term. Revenues on services for which start and end dates fall in different reporting periods are recognised according to the degree of complete fulfilment of the performance obligation using the input-based method. Contracts that remain unfulfilled in full as at the balance sheet date relate to i.a. construction and installation contracts.
As at 31 March 2023 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations.
The unfulfilled or partially unfulfilled performance obligations as at 31 March 2023 mainly concerned contracts for the sale of electricity, gas and power media and for the supply of newspapers, subscriptions, advertising broadcast, parcel delivery and collection services that will end within 2023 or are concluded for an indefinite period with a notice period of up to 12 months.
Due to the fact that the described performance obligations are part of the contracts, that can be considered short-term, or the revenues from fulfilled performance obligation under these contracts are recognised in the amount that the Group has the right to invoice, the Group applied a practical solution, according to which it does not disclose information about the total amount of the transaction price allocated to the performance obligation.

The Group mostly realizes revenue from direct sales to end customers based on its own, leased or based on the franchise agreement system sales channels in the Retail segment. The Group manages the network of 3,122 fuel stations: 2,574 own brand stations and 548 stations operated under franchise agreements and carries out sales through 794 retail outlets/ kiosks managed by the RUCH Group. Additionally, the press is sold in third-party outlets, i.e. large organised networks, including franchised and private shops. As part of the publishing activity of the Polska Press Group, revenues are also generated through own websites.
The Group's direct sales to customers in the Refining, Petrochemical, Gas and Upstream segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy and gas to customers in the Energy and Gas segment are carried out mostly with the use of own distribution infrastructure.

Compensation for electricity and gas prices

Regulations regulating energy prices
Due to the crisis situation on the electricity market in 2022, when a significant increase in electricity prices in SPOT and futures contracts was recorded, largely caused by increases in conventional fuel prices as a result of the war in Ukraine, the regulator decided to introduce a number of legal acts aimed at market regulation and consumer protection.

As at 31 March 2023, the following acts were in force:
- Act of 7 October 2022 on special solutions to protect electricity consumers in 2023 in connection with the situation on the electricity market (concerning the freezing of prices for tariff G up to consumption limits);
- Act of 27 October 2022 on emergency measures to reduce electricity prices and support for certain consumers in 2023;
- Regulation of 8 November 2022 on the method of calculating the price limit;
- Act of 15 December 2022 on special protection of certain consumers of gaseous fuels in 2023 in the light of the assessment on the gas market;
- decision of the President of the Energy Regulatory Office of 17 December 2022 on the approval of the Tariff for electricity for G tariff groups for 2023 (connected to the Energa-Operator S.A. grid), for which Energa Obrót S.A. provides a comprehensive service

Based on the applicable regulations, the Group presented PLN 1,443 million for compensations due to electricity trading companies as a result of the use of frozen electricity prices in settlements with eligible customers. Due to the fact that the fact of granting the above compensations did not modify the contracts concluded with customers, but only changes the method of obtaining remuneration by the Group (partially the remuneration will be received from the Settlement Manager), the Group classified the received compensations as revenue from contracts with customers, in accordance with IFRS 15.

Regulations regulating gas prices
In order to protect certain gas consumers against rising gas prices, the regulator introduced the Act of 15 December 2022 on special protection of certain gas fuel consumers in 2023. The act resulted in freezing the price of gaseous fuel at PLN 200.17/MWh (price excluding VAT and excise tax) and freezing the rates for the distribution service at the level of tariffs applicable in 2022. At the same time, the legislator introduced a compensation mechanism for energy companies selling gaseous fuels and providing distribution services, which are to cover the difference between the frozen price and the price specified in the tariff approved by the President of the Energy Regulatory Office. Within the Group, PGNiG Obrót Detaliczny Sp. z o. o. (seller of gaseous fuels) and Polska Spółka Gazownictwa Sp. z o. o. (providing distribution services) are entitled to receive compensation under the above act. Based on the applicable regulations, in the period of 3 months ended 31 March 2023, the Group presented PLN 7,418 million of revenues from compensation due to the freezing of gas fuel prices and the freezing of rates for the distribution service. Due to the fact that granting the above compensations does not modify the contracts concluded with customers, but only changes the method of obtaining remuneration by the Group (partially the remuneration will be received from the Settlement Manager), the Group classified the received compensations as revenue from contracts with customers, in accordance with IFRS 15.

ORLEN ORLEN GROUP (in PLN million)

5.1.1. Sales revenues of operating segments according to product type

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Refining Segment		
Revenue from contracts with customers IFRS 15	**27 822**	**19 775**
Light distillates	5 346	4 515
Medium distillates	17 220	13 594
Heavy fractions	2 073	1 952
Other*	3 046	763
Effect of the settlement of cash flow hedge accounting	137	(1 049)
Excluded from scope of IFRS 15	**5**	5
	27 827	**19 780**
Petrochemical Segment		
Revenue from contracts with customers IFRS 15	**4 454**	**6 432**
Monomers	887	1 408
Polymers	996	1 195
Aromas	373	511
Fertilizers	389	632
Plastics	467	908
PTA	376	676
Other**	966	1 102
Excluded from scope of IFRS 15	**2**	**2**
	4 456	**6 434**
Energy Segment		
Revenue from contracts with customers IFRS 15	**12 988**	**5 760**
Excluded from scope of IFRS 15	**13**	**10**
	13 001	**5 770**
Retail Segment		
Revenue from contracts with customers IFRS 15	**13 046**	**12 995**
Light distillates	4 764	4 869
Medium distillates	7 002	7 044
Other***	1 280	1 082
Excluded from scope of IFRS 15	**60**	**57**
	13 106	**13 052**
Upstream Segment		
Revenue from contracts with customers IFRS 15	**1 955**	**290**
NGL ****	216	109
Crude oil	959	61
Natural Gas	533	118
LNG *****	23	-
Other	224	2
	1 955	**290**
Gas Segment		
Revenue from contracts with customers IFRS 15	**49 754**	**-**
Natural Gas	39 888	-
LNG *****	181	-
CNG ******	41	-
Electricity	6	-
Other	9 638	-
	49 754	**-**
Corporate Functions		
Revenue from contracts with customers IFRS 15	**160**	**115**
Excluded from scope of IFRS 15	**11**	**6**
	171	**121**
	110 270	**45 447**

** Other includes mainly: brine, industrial salt, vacuum distillates, acetone, phenol, technical gases and sulphur. In addition, it includes revenues from sale of services and materials.*
*** Other includes mainly: ammonia, butadiene, soda lye, caprolactam*
**** Other mainly includes the sale of non-fuel merchandise*
***** NGL (Natural Gas Liquids) a gas composed of heavier molecules than methane: ethane, propane, butane, isobutane*
****** LNG Liquefied Natural Gas*
******* CNG Compressed Natural Gas*

During the 3-month period ended 31 March 2023 and 31 March 2022 revenues from none of Group leading 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

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Revenue from contracts customers		
Poland	*83 912*	*24 398*
Germany	*6 666*	*5 402*
Czech Republic	*5 217*	*5 636*
Lithuania, Latvia, Estonia	*3 090*	*2 940*
Other countries, incl.:	*11 294*	*6 991*
Switzerland	*2 901*	*1 812*
Ireland	*758*	*775*
Ukraine	*1 246*	*277*
United Kingdom	*1 779*	*906*
Netherlands	*957*	*291*
Slovakia	*516*	*582*
Hungary	*466*	*315*
	110 179	**45 367**
excluded from scope of IFRS 15		
Poland	*31*	*23*
Germany	*18*	*21*
Czech Republic	*42*	*36*
	91	**80**
	110 270	**45 447**

5.2. Operating expenses

Cost by nature

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Materials and energy	(44 889)	(26 414)
Gas costs	(21 182)	-
Cost of merchandise and raw materials sold	(16 880)	(7 716)
External services	(2 036)	(1 634)
Employee benefits	(2 884)	(1 352)
Depreciation and amortisation	(2 878)	(1 400)
Taxes and charges, incl.:	(7 853)	(1 739)
write-off for the Fund for the Payment of Price Differences	(4 160)	-
Other	(484)	(198)
	(99 086)	**(40 453)**
Change in inventories	559	1 257
Cost of products and services for own use and other	598	173
Operating expenses	**(97 929)**	**(39 023)**
Distribution expenses	3 662	2 380
Administrative expenses	1 392	699
Cost of sales	**(92 875)**	**(35 944)**

The increase in materials and energy in the 3-month periods ended 31 March 2023 resulted mainly from the inclusion of costs of the former Grupa LOTOS and Grupa PGNIG companies in the amount of PLN (27,021) million.

The increase in the line taxes and charges in the of 3-months period ended 31 March 2023 by PLN (6,114) million, resulted mainly from write-off for the Fund for the Payment of Price Differences in the amount of PLN (4,160) million, which energy producers and sellers as well as gas extraction companies were obliged to transfer in connection with a package of laws that protect consumers against excessive increases in energy and gas prices in 2023. In addition, the increase was also influenced by the revaluation of the provision for the estimated costs of CO_2 emissions for 2022 and the recognition of a provision for the estimated costs of CO_2 emissions for 3-months of 2023 taking into account the settlement of the grant for entitlements received free of charge for the year in the total amount of PLN (2,109) million.

ORLEN GROUP (in PLN million)

The impact of the merger with LOTOS Group and PGNiG Group on the cost by nature

	3 MONTHS ENDED 31/03/2023 (unaudited)
Materials and energy	(27 021)
Gas costs	(21 182)
Cost of merchandise and raw materials sold	(3 653)
External services	(94)
Employee benefits	(1 243)
Depreciation and amortisation	(1 522)
Taxes and charges, incl.:	(5 177)
write-off for the Fund for the Payment of Price Differences	(3 705)
Other	(253)
	(60 145)
Change in inventories	(992)
Cost of products and services for own use and other	4 624
Operating expenses	**(56 513)**
Distribution expenses	487
Administrative expenses	373
Cost of sales	**(55 653)**

5.3. Impairment allowances of inventories to net realizable value

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Increase	(160)	(61)
Decrease	560	30

Decrease in impairment losses of inventories to net realizable value in the 3 months ended 31 March 2023 was higher than in the corresponding period of the previous year, mainly due to the partial usage of impairment allowances from 2022 and reversal of the impairment allowances as a result of a drop in gas prices on the European market, which resulted in a decrease in gas purchase prices by the Group.

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

As at 31 March 2023, the ORLEN Group identified indications that necessitate impairment testing in accordance with IAS 36 *Impairment of Assets* in the Upstream segment in connection with:

- update of gas price forecasts,
- the statutory obligation to make a gas levy payment in 2023 to the Price Difference Payment Fund by companies extracting natural gas.

5.4.1 Discount rate

The ORLEN Group determines individual discount rates for each defined cash-generating unit (CGU) using the Capital Asset Pricing Model (CAPM). As of the date of impairment tests, i.e., 31 March 2023, market risks specific to the country and business segment were considered for each Cash Generating Unit (CGU) to reflect the ongoing market assessment of the time value of money and the risk associated with a particular group of assets. This consideration corresponds to the return that investors would require when deciding on an investment that would generate cash flows in the amount, timing and type of risk corresponding to the cash flows that the Group expects to obtain from a given CGU.

As at 31 March 2023 and 31 December 2022, the ORLEN Group applied variable discount rates, which took into account the anticipated changes in interest rates on 10-year government bonds for the countries that were analysed.

This approach is intended to reflect the expected decrease in the risk-free rate in the coming years, resulting, among other things, from forecasts of a decline in the inflation rate.

As at 31 March 2023, the ORLEN Group estimated the following main after-tax discount rates for the years 2023-2029 (the fixed discount rate calculated for 2029 was used for subsequent years):

Country	Segment / CGU	2023	2024	2025	2026	2027	2028	2029+	BETA non-leveraged	D/E
Poland	Upstream Exploration	11.09%	10.99%	10.90%	10.87%	10.89%	10.90%	9.48%	74.62%	58.32%
Poland	Upstream Production	10.46%	10.35%	10.27%	10.24%	10.26%	10.27%	8.85%	74.62%	58.32%
Pakistan	Upstream Development & Exploitation	22.55%	23.49%	22.43%	22.19%	22.27%	22.29%	21.90%	106.82%	26.35%

To determine the value in use, the ORLEN Group used the comparable companies method to calculate the discount rates as at 31 March 2023, which were based on the weighted average cost of equity and debt. To estimate the cost of capital and cost of

(in PLN million)

debt, the ORLEN Group obtained macroeconomic indicators, such as beta and D/E, from sources including the Bloomberg website and publications by Prof. Aswath Damodaran (source: http://pages.stern.nyu.edu), quotations of 10-year government bonds available as at 31 March 2023 and used publications by the Energy Regulatory Authority as sources for the ENERGA Group's business.
For the initial five years, the ORLEN Group applied a discount rate that takes into account the estimated variable risk-free rate, which was based on the yield curve of 10-year bonds.
Starting from 2029, the ORLEN Group estimated the risk-free rate as the sum of the inflation target for a specific country and the average spread for the period of 2007-2020 between the historical yield of 10-year bonds and historical inflation for that country.
As a result, the applied discount rates take into consideration the anticipated impact of projected interest rates on impairment tests.
The market risk premium was estimated based on Prof. Aswath Damodaran's publications (source: http://pages.stern.nyu.edu) and available publications of financial institutions.

As at 31 December 2022, the ORLEN Group estimated the following main after-tax discount rates for the years 2023-2028 (the fixed discount rate calculated for 2028 was used for subsequent years):

Country	Segment / CGU	2023	2024	2025	2026	2027	2028+	BETA non-leveraged	D/E
Poland	Upstream Exploration	11.40%	11.77%	11.88%	11.83%	11.71%	9.47%	74.62%	58.32%
Poland	Upstream Production	10.77%	11.14%	11.24%	11.20%	11.08%	8.84%	74.62%	58.32%
Pakistan	Upstream Development & Exploitation	23.63%	23.03%	22.62%	22.64%	22.69%	21.90%	106.82%	26.35%

To determine the value in use, the ORLEN Group used the comparable companies method to calculate the discount rates as at 31 December 2022, which were based on the weighted average cost of equity and debt. To estimate the cost of capital and cost of debt, the ORLEN Group obtained macroeconomic indicators, such as beta and D/E, from sources including the as Bloomberg website and publications by Prof. Aswath Damodaran (source: http://pages.stern.nyu.edu), quotations of 10-year government bonds available as at 31 December 2022 and used publications by the Energy Regulatory Authority as sources for the ENERGA Group's business.
For the initial five years, the ORLEN Group applied a discount rate that takes into account the estimated variable risk-free rate, which was based on the yield curve of 10-year bonds.
Starting from 2028, the ORLEN Group estimated the risk-free rate as the sum of the inflation target for a specific country and the average spread for the period of 2007-2020 between the historical yield of 10-year bonds and historical inflation for that country.
As a result, the applied discount rates take into consideration the anticipated impact of projected interest rates on impairment tests.
The market risk premium was estimated based on Prof. Aswath Damodaran's publications (source: http://pages.stern.nyu.edu) and available publications of financial institutions.

5.4.2 Key assumptions used in asset impairment tests

As at 31 March 2023 in impairment tests of assets for which indications had been identified. an estimate of future net cash flows was carried out including updated gas price forecasts.

Other assumptions have not changed and remain in line with the assumptions approved as at 31 December 2022.

Comparison of gas prices for years 2023-2033 used in the impairment tests as at 31 March 2023 and 31 December 2022:

As at	Unit	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
31 March 2023	EUR/MWh	51.50	59.59	51.64	40.56	37.72	36.97	36.31	35.78	36.09	36.28	37.13
31 December 2022	EUR/MWh	131.02	84.85	65.13	49.56	45.58	44.67	42.79	41.23	37.08	33.42	30.97

After the projection period, extrapolation of cash flows was applied considering the long-term inflation rate for each country.

Net cash flows were discounted to their present value using discount rates reflecting current market estimates of the time value of money and risks typical of the assets measured.

5.4.3 Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, goodwill and rights-of-use assets

As at 31 March 2023 the total effect of net impairment losses recognised on the ORLEN Group's non-current assets was PLN (529) million, mainly related to PKN ORLEN in the Upstream segment.

In the 1st quarter of 2023, the analyses identified a significant impact of the assumptions. described in the note 5.4. on assets in the Upstream segment, in the result of which were recognized net impairment losses in the value of PLN (525) million.

The impairment was mainly related to production assets used for the extraction of natural gas and crude oil in Poland and Pakistan, as well as property plant, and equipment under construction (specifically wells under construction).

Impairment tests on the production assets in Poland resulted in an net impairment loss of PLN (538) million. The value in use of the production assets in Poland as at 31 March 2023 and 31 December 2022 were PLN 21,355 million and PLN 36,298 million, respectively and was calculated at the discount rate dedicated to Poland Upstream development (note 5.4.1).

The update of projected gas prices and the statutory obligation to make a gas levy payment to the Price Difference Payment Fund by companies extracting natural gas are the main factors that negatively impact the valuation of production assets in the country.

Sensitivity analysis of impairment of value use in the Upstream segment for PKN ORLEN's production assets located in Poland as part of the tests performed as at 31 March 2023

	in PLN million	EBITDA		
	change	-5%	0%	5%
DISCOUNT RATE	- 1 p.p.	*increase in allowance* (103)	*decrease in allowance* 954	*decrease in allowance* 954
	0.0 p.p.	*increase in allowance* (1 073)	-	*decrease in allowance* 954
	+ 1 p.p.	*increase in allowance* (1 964)	*increase in allowance* (938)	*decrease in allowance* 89

Impairment tests on the production assets in Pakistan resulted in reversal of the impairment loss of PLN 37 million. The value in use of the assets in Pakistan as at 31 March 2023 and 31 December 2022 were PLN 455 million and PLN 424 million, respectively. calculated at the discount rate dedicated to Development and Production Pakistan (note 5.4.1). The main factor with positive impact on valuation of production assets located in Pakistan is the update of future cash flows as a result of a reduction in the operating costs of the Department and an increase in the number of new wells.

Sensitivity analysis of impairment of value use in the Upstream segment for PKN ORLEN's production assets located in Pakistan as part of the tests performed as at 31 March 2023

	in PLN million	EBITDA		
	change	-5%	0%	5%
DISCOUNT RATE	- 1 p.p.	*increase in allowance* (15)	*decrease in allowance* 8	*decrease in allowance* 32
	0.0 p.p.	*increase in allowance* (23)	-	*decrease in allowance* 23
	+ 1 p.p.	*increase in allowance* (30)	*increase in allowance* (8)	*decrease in allowance* 14

The amount of net impairment losses recognised on property, plant and equipment under construction located in Poland was PLN (24) million. The value in use of property, plant and equipment under construction in Poland as at 31 March 2023 and 31 December 2022 were PLN 3,979 million and PLN 4,559 million, respectively and were calculated at the discount rate dedicated to Poland Upstream exploration (note 5.4.1). The main cause of the impairment loss was attributed to the macroeconomic assumptions used in the impairment test. as well as the abandonment of work on wells due to the failure to achieve commercial flow.

Sensitivity analysis of impairment of value use in the Upstream segment for PKN ORLEN's property, plant and equipment under construction located in Poland as part of the tests performed as at 31 March 2023

	in PLN million	EBITDA		
	change	-5%	0%	5%
DISCOUNT RATE	- 1 p.p.	*increase in allowance* (35)	*decrease in allowance* 64	*decrease in allowance* 64
	0.0 p.p.	*increase in allowance* (251)	-	*decrease in allowance* 64
	+ 1 p.p.	*increase in allowance* (450)	*increase in allowance* (210)	*decrease in allowance* 30

Other impairment losses in ORLEN Group in the 1st quarter of 2023 in the net amount of PLN (4) million mainly attributed to ORLEN Deutschland.

Reversal and recognition of impairment losses on property, plant and equipment, intangible assets, goodwill and rights-of-use assets were recognised in other income and other expenses (note 5.5), respectively.

(in PLN million)

5.5. Other operating income and expenses

Other operating income

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Profit on sale of non-current non-financial assets	13	6
Reversal of provisions	51	21
Reversal of impairment allowances of property, plant and equipment and intangible assets and other assets	69	4
Penalties and compensations	90	42
Grants	16	11
Derivatives, incl.:	1 600	730
not designated for hedge accounting purposes - settlement and valuation	*1 420*	*613*
hedging cash flows - ineffective part concerning measurement and settlement	*51*	*32*
fair value hedges - valuation of hedging instruments and items	*4*	*-*
hedging cash flows - settlement of hedging costs	*125*	*85*
Other	182	31
	2 021	**845**

Other operating expenses

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Loss on sale of non-current non-financial assets	(25)	(12)
Recognition of provisions	(35)	(34)
Recognition of impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets	(598)	(31)
Penalties, damages and compensations	(29)	(77)
Derivatives, incl.:	(928)	(3 621)
not designated for hedge accounting purposes - settlement and valuation	*(1 025)*	*(3 459)*
hedging cash flows - ineffective part concerning measurement and settlement	*119*	*(162)*
fair value hedges - valuation of hedging instruments and items	*(5)*	*-*
hedging cash flows - settlement of hedging costs	*(17)*	*-*
Other, incl.:	(144)	(88)
donations	*(23)*	*(65)*
	(1 759)	**(3 863)**

In the 3-month period ended 31 March 2023 the line recognition of impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets concerned mainly recognition of impairment allowances in Upstream segment. Additional information in note 5.4.

(in PLN million)

Net settlement and valuation of derivative financial instruments not designated as hedge accounting purposes

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Valuation of derivative financial instruments	104	(1 357)
commodity futures, incl.:	*(454)*	-
CO2 emission allowances	*(150)*	-
electricity	*32*	-
natural gas	*(336)*	-
commodity forwards, incl.:	*314*	*(675)*
CO2 emission allowances	-	*(713)*
electricity	*(26)*	*38*
natural gas	*340*	-
commodity swaps	*243*	*(694)*
other	*2*	*12*
Settlement of derivative financial instruments	*291*	*(1 489)*
commodity futures, incl.:	*321*	-
CO2 emission allowances	*298*	-
diesel oil	*23*	-
commodity forwards, incl.:	*19*	(1 012)
CO2 emission allowances	-	*(1 012)*
electricity	*19*	-
commodity swaps	*(50)*	(480)
other	*1*	3
	395	**(2 846)**

For the 3-month period ended 31 March 2023 and 31 March 2022 the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) mainly related to the valuation and settlement of commodity swaps hedging the refining margin, time mismatch on purchases of crude oil and valuation and settlement of CO_2 forward contracts as a part of "transaction" portfolio. Moreover this line includes the effect of valuation and settlement of commodity swaps for securing oversized stocks and bitumen hedging and securing the physical sale of finished products purchased by sea as well as electricity hedging transactions and gas. The result on a physical item, hedged by the Group with forward transactions is reflected in the profit/(loss) on sales under manufacturing costs (cost of crude oil used to manufacture refining products based on weighted average acquisition prices) and revenue from sales of refining products. Therefore, the result on the settlement of derivative financial instruments relating to the operational exposure should always be considered together with the profit/(loss) generated by the Group on the sale of a physical position.

The Group applies hedge accounting in relation to the hedging of time mismatches resulting from the purchase of crude oil by sea and the sale of refining products, therefore the valuation and settlement of commodity swaps concluded as part of the commodity risk management strategy related to a time mismatch between the date of purchase of crude oil by sea and the date of processing and sale of refining products in the effective part are recognised under the hedge accounting equity item, and when the hedged item is realised they are recognised respectively in sales revenue or manufacturing cost. The instrument portfolio includes also derivative transactions of the merged Lotos Group and PGNiG Group.

Since 1 July 2022 PKN ORLEN has begun to apply hedge accounting for purchases to hedge risk of change of market prices of CO_2 allowances. In connection with the above, the effective part of change in fair value of hedging instrument is related to statement of financial situation in position revaluation reserve due to the application of hedge accounting, whereas the non-effective part of change in fair value of hedging instrument is related to profit and loss statement into other operating income or other operating expenses. Accumulated gains or losses related to the hedging instrument recognized in the revaluation reserve, accumulated until the date of termination of the hedging relationship, are reclassified in the period of recognition of the hedged item to intangible assets or assets held for sale, respectively. As at 31 March 2023 the value from the valuation of CO_2 hedging instruments presented in the item Hedging reserve amounted to PLN 20 million.

(in PLN million)

5.6. Finance income and costs

Finance income

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Interest calculated using the effective interest rate method	479	19
Other interest	1	1
Net foreign exchange gain	631	-
Derivatives not designated as hedge accounting - settlement and valuation	126	375
Other	112	50
	1 349	**445**

Finance costs

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Interest calculated using the effective interest rate method	(91)	(121)
Interest on lease	(112)	(41)
Interest on tax liabilities	(43)	(1)
Net foreign exchange loss	-	(32)
Derivatives not designated as hedge accounting - settlement and valuation	(218)	(286)
Other	(101)	(58)
	(565)	**(539)**

Borrowing costs capitalized in the 3-month period ended 31 March 2023 and 31 March 2022 amounted to PLN (105) million and PLN (14) million, respectively.

Settlement and valuation of derivative financial instruments not designated as hedge accounting purposes related to operating exposure

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Valuation of derivative financial instruments	(86)	(4)
currency forwards	*(15)*	*(42)*
other, incl.:	*(71)*	*38*
currency interest rate swaps	*(68)*	*35*
interest rate swaps	*(3)*	*2*
Polimex-Mostostal option	*-*	*1*
Settlement of derivative financial instruments	(6)	93
currency forwards	*(8)*	*92*
other, incl.:	*2*	*1*
currency interest rate swaps	*-*	*1*
interest rate swaps	*2*	*-*
	(92)	**89**

During the 3-month period ended 31 March 2023 and 31 March 2022 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices for crude oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests. The main impact on the valuation and settlement of derivative financial instruments was the development of PLN against EUR and USD currency.

(in PLN million)

5.7. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022
Loans *	3 112	5 443	3 209	2 806	6 321	8 249
Borrowings	157	161	103	120	260	281
Bonds	6 341	6 369	4 303	4 326	10 644	10 695
	9 610	**11 973**	**7 615**	**7 252**	**17 225**	**19 225**

** as at 31 March 2023 and as at 31 December 2022. the line Loans includes loans in the Project Finance formula (financing obtained by special purpose companies for the implementation of investments): PLN 203 million and PLN 223 million in the non-current part and PLN 12 million and PLN 18 million in the current part, respectively.*

During the 3-month period of 2023, as a part of cash flows from financing activities the Group has made drawings and repayments of borrowings and loans from available credit lines in the total amount of PLN 2,065 million and PLN (3,998) million and has partially redeemed the senior bonds issued by B8 Sp.z o.o. Baltic SKA in the amount of USD (11.2) million which corresponds to the amount of PLN (51) million.

As at 31 March 2023 the decrease in debt level of the Group results mainly from the change in PKN ORLEN and ENERGA Group's credit exposure in the total amount of net cash flows of PLN (3,598) million and PLN 1,349 million respectively.

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

As at 31 March 2023 and as at 31 December 2022 the maximum possible indebtedness due to loans and borrowings amounted to PLN 51,765 million and PLN 51,860 million, respectively. As at 31 March 2023 and as at 31 December 2022 PLN 45,145 million and PLN 43,314 million, respectively, remained unused.

In the period covered by these interim condensed consolidated financial statements as well as after the reporting date, there were no material defaults on repayment of principal or interest of loans nor defaults on other terms of the loans agreements. One of the former PGNiG Group subsidiary continued from previous period the reclassification of long-term debt into short-term part due to the failure to satisfy the covenant under the loan agreement on 31 December 2022. On 26 April 2023 the subsidiary received the information from the financial institution that sanctions have been waived in relation to this default.

ORLEN ORLEN GROUP (in PLN million)

5.8. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022
Cash flow hedging instruments	1 204	1 124	909	1 452	2 113	2 576
currency forwards	*1 075*	*787*	*537*	*568*	*1 612*	*1 355*
commodity swaps	*106*	*291*	*288*	*856*	*394*	*1 147*
commodity futures	-	*3*	*21*	*17*	*21*	*20*
foreign currency swaps	*23*	*43*	*63*	*11*	*86*	*54*
Derivatives not designated as hedge accounting	247	381	1 760	1 879	2 007	2 260
currency forwards	*2*	*2*	*9*	*12*	*11*	*14*
commodity swaps	-	-	*278*	*85*	*278*	*85*
currency interest rate swaps	*117*	*156*	*68*	*97*	*185*	*253*
interest rate swaps	-	-	*2*	*4*	*2*	*4*
currency swaps	-	-	*11*	*78*	*11*	*78*
commodity futures, incl.:	*63*	*191*	*496*	*714*	*559*	*905*
CO2 emission allowances	-	*94*	-	*59*	-	*153*
electricity	*8*	-	*181*	*146*	*189*	*146*
natural gas	*55*	*97*	*315*	*509*	*370*	*606*
commodity forwards, incl.:	*33*	-	*893*	*885*	*926*	*885*
electricity	*27*	-	*380*	*366*	*407*	*366*
natural gas	*6*	-	*513*	*519*	*519*	*519*
other	*32*	*32*	*3*	*4*	*35*	*36*
Fair value hedging instruments	1	-	26	28	27	28
commodity swaps	*1*	-	*26*	*28*	*27*	*28*
Derivatives	**1 452**	**1 505**	**2 695**	**3 359**	**4 147**	**4 864**
Other financial assets	2 361	2 584	8 575	10 310	10 936	12 894
receivables on settled derivatives	-	-	*153*	*1 024*	*153*	*1 024*
financial assets measured at fair value through other comprehensive income	*317*	*324*	-	-	*317*	*324*
financial assets measured at fair value through profit or loss	*97*	*94*	*267*	*267*	*364*	*361*
hedged item adjustment	*2*	-	*17*	*8*	*19*	*8*
security deposits	-	-	*4 650*	*8 774*	*4 650*	*8 774*
short-term deposits	-	-	*16*	*27*	*16*	*27*
loans granted	*335*	*524*	*337*	*129*	*672*	*653*
purchased securities	*485*	*471*	*3 064*	*8*	*3 549*	*479*
including restricted cash	*860*	*898*	*57*	*41*	*917*	*939*
other	*265*	*273*	*14*	*32*	*279*	*305*
Other non-financial assets	1 258	1 465	-	-	1 258	1 465
investment property	*622*	*619*	-	-	*622*	*619*
shares and stocks of consolidated subsidiaries	*128*	*128*	-	-	*128*	*128*
*other **	*508*	*718*	-	-	*508*	*718*
Other assets	**3 619**	**4 049**	**8 575**	**10 310**	**12 194**	**14 359**

* *The line other include mainly advances for non-current assets. The projects relate to the construction of gas and steam power plants in ENERGA Group and the conversion installation project in the Lietuva Group.*

The restricted cash represents cash of the Extraction Facilities Decommissioning Fund, accumulated in a separate bank account due to securing future costs of decommissioning mines and fields. The Extraction Facilities Decommissioning Fund is created on the basis of the Mining and Geological Law, which requires the Group to decommission extraction facilities once their operation is discontinued. The Fund's resources comprise restricted cash in accordance with IAS 7 and due to its multi-year nature are presented under group of long-term assets. The Fund's cash is increased by the amount of interest accruing on the Fund's assets. Due to formal and legal restrictions related to the possibility of using these Funds only for a specific purpose carried out over a multi-year period, the assets accumulated in the Extraction Facilities Decommissioning Fund are recognised in the Group's statement of financial position under non-current assets section as Other assets.

As at 31 March 2023 in the position Financial assets measured at fair value through profit or loss, the Group presented the estimated fair value of the shares of companies that will be disposed as part of the implementation of the Remedies in connection with the LOTOS Group merger in the amount of PLN 267 million.

As at 31 March 2023 and 31 December 2022, the Group has security deposits that do not meet the definition of cash equivalents concerning mainly securing the settlement of transactions hedging commodity risk traded with financial institutions and on commodity exchanges, in the total amount of PLN 4,619 million and PLN 8,741 million respectively, The amount of security deposits depends on the valuation of the portfolio of outstanding transactions and is subject to ongoing revisions,

The position loans granted constitutes mainly the borrowings for Grupa Azoty Polyolefins S,A, in the amount of PLN 245 million and for non-consolidated PGNiG Group companies in the amount of PLN 425 million.

(in PLN million)

Derivatives and other liabilities

	Non-current		Current		Total	
	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022
Cash flow hedging instruments	1 770	4 491	3 873	8 394	5 643	12 885
currency forwards	*172*	*298*	*68*	*80*	*240*	*378*
commodity swaps	*1 598*	*4 190*	*3 804*	*8 274*	*5 402*	*12 464*
commodity futures	*-*	*3*	*1*	*39*	*1*	*42*
foreign currency swaps	*-*	*-*	*-*	*1*	*-*	*1*
Derivatives not designated as hedge accounting	94	122	2 278	4 437	2 372	4 559
currency forwards	*3*	*2*	*49*	*71*	*52*	*73*
commodity swaps	*-*	*-*	*1 155*	*3 090*	*1 155*	*3 090*
foreign currency swaps	*-*	*-*	*10*	*74*	*10*	*74*
commodity futures, incl.:	*33*	*30*	*716*	*616*	*749*	*646*
CO2 emission allowances	*-*	*1*	*1*	*3*	*1*	*4*
electricity	*5*	*-*	*46*	*40*	*51*	*40*
natural gas	*28*	*29*	*669*	*573*	*697*	*602*
commodity forwards, incl.:	*58*	*90*	*348*	*586*	*406*	*676*
electricity	*29*	*27*	*207*	*144*	*236*	*171*
natural gas	*29*	*63*	*141*	*442*	*170*	*505*
Fair value hedging instruments	2	-	19	8	21	8
commodity swaps	*2*	*-*	*19*	*8*	*21*	*8*
Derivatives	**1 866**	**4 613**	**6 170**	**12 839**	**8 036**	**17 452**
Other financial liabilities	255	259	2 325	1 517	2 580	1 776
liabilities on settled derivatives	*-*	*-*	*1 608*	*1 419*	*1 608*	*1 419*
investment liabilities	*80*	*84*	*-*	*-*	*80*	*84*
hedged item adjustment	*1*	*-*	*24*	*28*	*25*	*28*
refund liabilities	*-*	*-*	*39*	*32*	*39*	*32*
security deposits	*-*	*-*	*638*	*28*	*638*	*28*
*other **	*174*	*175*	*16*	*10*	*190*	*185*
Other non-financial liabilities	496	486	3 401	485	3 897	971
liabilities from contracts with customers	*34*	*30*	*-*	*-*	*34*	*30*
deferred income	*462*	*456*	*3 401*	*485*	*3 863*	*941*
Other liabilities	**751**	**745**	**5 726**	**2 002**	**6 477**	**2 747**

* *As at 31 March 2023 and as at 31 December 2022. the line other in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 57 million and PLN 68 million, and received other deposits in the amount of PLN 93 million and PLN 86 million, respectively.*

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

The line receivables due to settled derivatives and liabilities due to settled derivatives refer to derivatives with a maturity date at the end of the reporting period or earlier, however the payment date falls after the balance sheet date. As at 31 March 2023 the line liabilities due to settled derivatives includes the value of mature commodity swaps hedging the refining margin and hedging bitumen. The increase in the balance of liabilities was a consequence of the increase in the prices of crude oil and refinery products and the depreciation of PLN against EUR and USD.

Deferred income as at 31 March 2023 and 31 December 2022 includes mainly the unsettled part of the grants for non-current assets received, mainly in previous years, in the amount of PLN 501 million and PLN 478 million, respectively. Additionally, as at 31 March 2023, the line also includes recognised property rights free of charge in the amount of PLN 2,961 million.

5.9. Provisions

	Non-current		Current		Total	
	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022
For decommissioning and environmental costs	5 756	5 951	195	209	5 951	6 160
Jubilee bonuses and post-employment benefits	1 521	1 566	262	262	1 783	1 828
CO_2 emissions, energy certificates	-	-	12 183	9 846	12 183	9 846
Other	576	562	2 404	2 500	2 980	3 062
	7 853	**8 079**	**15 044**	**12 817**	**22 897**	**20 896**

A detailed description of changes in provision is presented in note 3.2.

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

As compared to the previous reporting period the Group did not change the valuation methods concerning financial instruments. Methods applied in determining the fair value were described in the Consolidated Financial Statements for 2022 in note 16.3.1.

ORLEN ORLEN GROUP (in PLN million)

In the position financial assets measured at fair value through other comprehensive income. quoted/unquoted shares not held for trading are presented. With respect to shares unquoted on active market for which there are no observable inputs, fair value is determined on the basis of expected discounted cash flows.

Fair value hierarchy

	31/03/2023		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	317	317	49	-	268
Financial assets measured at fair value through profit or loss	364	364	-	-	364
Loans granted	672	682	-	682	-
Derivatives	4 147	4 147	-	4 147	-
	5 500	**5 510**	**49**	**4 829**	**632**
Financial liabilities					
Loans	6 321	6 298	-	6 298	-
Borrowings	260	259	-	259	-
Bonds	10 644	10 129	7 774	2 355	-
Derivatives	8 036	8 036	-	8 036	-
	25 261	**24 722**	**7 774**	**16 948**	**-**

The fair value of financial assets and liabilities quoted on active markets is determined based on market quotations (i.e. Level 1). In other cases, the fair value is determined based on other input data which are directly or indirectly observable (i.e. Level 2) or unobservable inputs (i.e. Level 3).
There were no reclassifications in the Group between levels of the fair value hierarchy during the reporting and comparative period.

5.11. Future commitments resulting from signed investment contracts

As at 31 March 2023 and as at 31 December 2022 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 26,009 million and PLN 27,193 million, respectively.

5.12. Issue and redemption of debt securities

The balance of debt securities liabilities as at 31 March 2023:

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

b) in ORLEN Capital:
- the Eurobond issue with a nominal value of EUR 750 million, remains open;

c) in ENERGA Group under:
- the Eurobond issue program, a series with a nominal value of EUR 300 million, remains open;
- the subscription agreement and the project agreement concluded with the European Investment Bank, two series of subordinated bonds remain open with a total nominal value of EUR 250 million,

d) LOTOS Petrobaltic Group as part of:
- the senior bond issue program of B8 Sp. z o.o. Baltic S.K.A. seven series of issues with a total nominal value of USD 37 million (the value of outstanding bonds) remain open.

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

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

5.13. Proposal for distribution of the Parent Company's profit for 2022 and the dividend payment in 2023

Taking into account the Company's results for 2022 and its liquidity situation, the Management Board of the Company, as part of the Strategy 2030 update, decided to distribute the net profit of PKN ORLEN for the year 2022 in the amount of PLN 27,261,937,353.96 PLN as follows: the amount of PLN 6,385,181,269.50 allocate as a dividend payment (PLN 5.50 per 1 share) and the remaining amount of PLN 20,876,756,084.46 as reserve capital. The Management Board of PKN ORLEN proposes 10 August of 2023 as the dividend date and 31 August of 2023 as the dividend payment date. This recommendation of the Management Board will be presented to the General Shareholders' Meeting of PKN ORLEN. which will make a conclusive decision in this matter

5.14. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019, 2020, 2021 and 2022, PERN S.A. (PERN) informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN as a pipeline system operator. At the same time, as at 31 December 2021, PERN indicated shortage in the amount of PKN ORLEN's crude oil supply delivered by sea through the PERN Manipulation Base in Gdańsk, made an unilateral adjustment of the REBCO crude oil inventory balance.

PERN maintains that the reason for the change in operating stocks is the difference in methodology of calculating the quantity of crude oil REBCO-type delivered by the tank storage in Adamów and crude oil delivered by sea. As at 31 March 2023, according to received confirmation from PERN, PKN ORLEN's operating stock of crude oil REBCO-type amounted to 305,180 net metric tons. The difference in the quantity of stocks decreased by 1,311 net metric tons in comparison compared to the status as at 31 December 2022 and amounted to 93,147 net metric tons.

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

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019-2022 totally in the amount of PLN (156) million is also a contingent asset of PKN ORLEN.

In connection with the disclosure by PERN of loss of crude oil belonging to PKN ORLEN and stored by PERN, PKN ORLEN issued a debit note and called for compensation on 24 July 2020 from PERN for the loss of 90.356 net metric tons of crude oil REBCO-type (the amount of loss at the time) and related unlawful reduction of crude oil inventories of PKN ORLEN, which PERN should keep in its storage and transmission system in the amount of PLN 156 million, PERN did not pay this amount within the deadline specified in the debit note. Consequently, in the period from 30 July 2020 to 19 May 2021 PKN ORLEN has been satisfying PERN's claims for issued invoices by way of statutory deductions with the claim for compensation.

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

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

As at 31 December 2022, in accordance with the document "Balance of crude oil as at 31.12.2022" provided by PERN.

PERN made another one-sided adjustment in minus the inventory records of crude oil belonging to PKN ORLEN in amount of 1,921 tons net. As a consequence, a loss of REBCO oil in the volume of 146 tonnes was disclosed, which is the difference between the total volume of loss covered by the debit notes of 24 July 2020 and 21 January 2022 and the REBCO oil loss reported as at 31 December 2022. PKN ORLEN will take further legal steps to secure claims arising from the loss disclosed by PERN at the end of 2022.

On 1 August 2022, PKN ORLEN merged with Grupa LOTOS S.A. (GRUPA LOTOS), and therefore assumed all rights and obligations of GRUPA LOTOS, including rights and claims related to the agreements concluded between PERN and GRUPA LOTOS.

In March 2020 PERN informed GRUPA LOTOS that as a result of alleged measurement differences arising from the methodology of crude oil volume settlements using GOST and ASTM standards, the level of operating stocks of REBCO crude oil belonging to GRUPA LOTOS (currently PKN ORLEN) decreased, causing a decrease in REBCO's operating stocks. The loss indicated by PERN as of 20 November 2019 was to amount to 18,270 net metric tons of REBCO. On 29 December 2022, PKN ORLEN issued a debit note to PERN for PLN 31.5 million for compensation for the loss by PERN of 18,270 net metric tons of

REBCO belonging to GRUPA LOTOS (currently PKN ORLEN), which PERN was obliged to store. PERN has not made the payment, therefore the amount PLN 31.5 million was set-off from PERN's receivables for remuneration for services provided by PERN to PKN ORLEN on the basis of statements on set-off submitted on 7 February 2023, 16 February 2023, 27 February 2023 and 3 March 2023.

5.15. Contingent liabilities

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

Claim of Warter Fuels S.A. (formerly: OBR S.A.) against PKN ORLEN for compensation

On 5 September 2014, OBR S.A. (currently: Warter Fuels S.A.) filled an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights. The amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of PLN 84 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of PLN 247 million. So far, several hearings have been held, during which witnesses submitted by the parties were heard by the court. The court appointed an expert to prepare an opinion in the case of the University of Technology and Economics in Budapest, Experts from the Budapest University of Technology and Economics are in the process of preparing an opinion.

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

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

On 23 May 2019 the Court issued a warrant for payment to ORLEN Projekt in a writ of payment proceedings covering the entire amount claimed. On 27 November 2020, the District Court issued a judgment in the case, according to which (i) upheld the payment order in full with respect to the claimed principal amount of PLN 6.7 million as well as with respect to the overdue interest for delay in commercial transactions from 2 October 2019 to the date of payment; (ii) revoked the payment order issued dated on 23 May 2019 for the payment of a part of the overdue interest, i.e. in the amount of PLN 3 million from 11 January 2019 to 1 October 2019 and in the amount of PLN 3.7 million from 25 January 2019 to 1 October 2019.

Both parties appealed against the judgement, POLWAX appealed against it in its entirety, whereas ORLEN Projekt appealed against the part in which the Court revoked the payment order concerning payment of statutory overdue interest for delay in commercial transactions. Currently the case is considered by the Court of Appeals in Rzeszów under the file number I AGa 20/21. On 10 November 2022, the Court of Appeal announced its verdict, according to which it upheld the payment order issued by the District Court in its entirety and awarded POLWAX to ORLEN Projekt with the costs of the lawsuit. The judgment of the court of second instance is final, POLWAX filed a cassation appeal against the judgment of the Court of Second Instance to the Supreme Court. ORLEN Projekt filed a response to POLWAX 's cassation appeal to the Supreme Court.

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

In the case, ORLEN Projekt claims from POLWAX the payment of a total amount of PLN 67.8 million together with overdue interest for delay consists of: (i) remuneration for completed construction works and deliveries, (ii) unjustifiably executed performance guarantee, and (iii) costs related to ORLEN Projekt's withdrawal from the contract. The court has already heard all the witnesses and parties in the case. The proceedings have been suspended until the case heard by the Court of Appeal in Rzeszów under file no, act I AGa 20/21. In connection with the issuance by the Court of Appeal in Rzeszów on 10 November 2022 of the judgment in the case under reference number I AGa 20/21, on 22 November 2022, the ORLEN Projekt filed a motion for the District Court to resume the suspended proceedings. The application has not yet been recognized.

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

The claim submitted by POLWAX against ORLEN Projekt includes PLN 84 million for material damage and PLN 48 million for lost profits that were supposed to arise in connection with improper performance and non-performance of the contract by ORLEN Projekt. The proceedings have been suspended at the joint request of the parties. On 21 October 2021 the court, on the application of POLWAX, made an order to resume the suspended proceedings. On 20 April 2022, the proceedings were suspended until the case: (i) considered by the Court of Appeal in Rzeszów under file no. act I AGa 20/21; (ii) heard by the Regional Court in Rzeszów, file no. VI GC 201/19. On 22 November 2022, the Court of Appeal in Rzeszów allowed ORLEN Projet complaint against the decision of the District Court to suspend the proceedings and issued a decision by which it overturned the challenged decision of the District Court. As a consequence, ORLEN Projekt filed a motion with the District Court to initiate the proceedings, which has not yet been examined.

IV. Case filed by POLWAX against ORLEN Projekt for the payment of PLN 9.9 million, pending before the District Court in Rzeszów, case file no. VI GC 104/20

POLWAX claims from ORLEN Projekt the payment of PLN 9.9 million together with overdue interest for delay consists of: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) noncontractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. So far, nine hearings have been held in the case. The next meeting was held on 6 February 2023, at which PKN ORLEN submitted a copy of POLWAX S.A.'s notification of the possibility of committing a crime, requesting the suspension of civil proceedings until the criminal case is resolved. The court adjourned the hearing indefinitely. At a closed session, the Court will decide on the request of the parties to take evidence from the opinion of a forensic expert, as well as another request of POLWAX to suspend the proceedings.

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

POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses submitted to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. So far, six hearings have been held in the case. At the hearing on 23 June 2022, the Court heard the defendant, admitted evidence from an expert witness and adjourned the hearing without a time limit. A court expert prepared an opinion which was delivered to both parties. On 13 February 2023 ORLEN Projekt raised objections to the expert's opinion, POLWAX did not raise any objections to the expert's opinion, indicating that the opinion only confirms the claimant's position in this proceeding. On 28 March 2023, the Court commissioned a court expert to prepare a supplementary opinion.

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

Contingent liabilities related to the ENERGA Group

As at 31 March 2023, the contingent liabilities of the ENERGA Group recognised in these interim condensed consolidated financial statement of the ORLEN Group amounted to PLN 237 million.

The largest item of contingent liabilities of the ENERGA Group consists of legal claims relating to the power infrastructure of Energa-Operator S.A. located on private land. The Group recognises provisions for filed legal claims. If there is uncertainty as to the validity of the amount of the claim or legal title to land, the Group recognises contingent liabilities. As at 31 March 2023, the estimated value of those claims recognised as contingent liabilities amounts to PLN 220 million, while as at 31 December 2022 its value amounted to PLN 218 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

Arbitration procedure brought by Elektrobudowa S.A. against PKN ORLEN

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

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

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

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

Within last six months of 2022 and in the 1st quarter of 2023, the Arbitration Tribunal issued the following rulings:

(I) Partial judgment (no. 13) of 5 December 2022, ordering to pay the plaintiff a total amount of PLN 0.15 with interest for delay as remuneration for the execution of the Instructions for preparing the installation for operation after renovation and dismissing the claim for the amount of PLN 0.10 as the remaining part of this claims.

(II) Partial judgment (no. 14) of 30 December 2022, ordering to pay the plaintiff the amount of PLN 0.3 million net as additional remuneration for the execution of a different K-1 chamber than provided for in the construction design, together with statutory interest for delay and the amount of PLN 5.3 million net as additional remuneration for the construction of another building of the Zimna Station than provided for in the construction design, together with statutory interest. The amounts awarded are the amounts referred to earlier in the preliminary judgments (4) and (5).

(III) Partial judgment (No. 15) of 30 March 2023, awarding the plaintiff a total of PLN 1.5 million and EUR 0.1 million as additional remuneration for the execution of: a septic tank in Chamber K-1, delivery of frequency converters for K-2301A/B compressors, power supply for inverters of K-2301A/compressors B, changing the parameters of the K-2301A/B compressors, changing the design of the E-2304 apparatus. together with statutory interest for delay until the date of payment and dismissing further claims of the plaintiff for the performance of the above-mentioned additional works.

The total value of provisions recognised as at 31 March 2023 in connection with the pending proceedings with Elektrobudowa amounted to PLN 72 million.

Contingent liabilities acquired as a result of merger transactions with LOTOS Group and PGNiG Group
The following is a description of the material contingent liabilities relating to the former LOTOS Group companies and the former PGNiG Group companies acquired by the Group in merger transactions. In accordance with the requirements of IFRS 3, as part of the accounting for merger transactions, the Group should recognise contingent liabilities assumed in a business combination at the acquisition date, even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the liability. At the date of these interim condensed consolidated financial statements, the accounting for the merger with the LOTOS Group and the merger with PGNIG has not been completed. Thus, in subsequent reporting periods, the contingent liabilities described below will be measured at fair value, as well as potential additional contingent liabilities resulting from regulatory, legal, environmental and other risks, and they will be included in the purchase price allocation process at the fair value of the acquired net assets.

AGR Subsea Ltd. and LOTOS Petrobaltic S.A. dispute
In March 2013, LOTOS Petrobaltic S.A. received a call for payment from AGR Subsea Ltd. ("AGR") for approximately GBP 6.5 million as the contract sum payable to AGR for dredging the Baltic Beta rig's legs, In response, LOTOS Petrobaltic S,A, challenged the amount claimed by AGR and proposed the payment to AGR in the amount of PLN 16 million (corresponding to GBP 3.2 million translated using the average exchange rate of the National Bank of Poland as at 31 December 2012), The dispute between the parties concerns the nature of the contract, reasons for its execution after the due date and incomplete, as well as validity of its termination by LOTOS Petrobaltic S.A., and the demand for reimbursement of costs incurred to employ the alternative contractor engaged by LOTOS Petrobaltic S.A. to complete the work (counterclaim against AGR for payment in the amount of GBP 5.6 million) AGR Subsea Ltd, took its claim to court. On 11 December 2020, the Court issued a judgement awarding the full claimed amount to AGR, i.e. GBP 6.5 million together with overdue interest, reimbursement of court expenses and legal representation costs, and dismissed LOTOS Petrobaltic S.A.'s claim.
In view of the fact that the notice, stating the date of the Court's closing hearing and announcement of the judgement, was not effectively delivered to LOTOS Petrobaltic S.A.'s attorney, the attorney, without his fault, did not participate in the closing hearing held on 27 November 2020. The attorney did not know the date of publication of the judgement issued on 11 December 2020, did not attend the date of publication, nor learn its contents.
In a view of the information obtained by LOTOS Petrobaltic S.A. during the Court hearing held in March 2021, the objections were presented to the Court regarding AGR's judicial and procedural capacity, its legal standing and proper authorisation of its attorneys. These doubts arose, following the knowledge in March 2021, about the announcement on 25 May 2015 of a Winding-up procedure with respect to AGR and appointment of a Liquidator to administer the affairs and represent AGR.
On 2 April 2021, LOTOS Petrobaltic S.A. lodged a complaint for the resumption of proceedings in the case. On 18 May 2021, LOTOS Petrobaltic S.A. applied to the Regional Prosecutor's Office in Gdańsk with a request to bring an action for the resumption of proceedings in the cases No IX GC 811/13 and No IX GC 12/15. The complaint of the Regional Prosecutor's Office in Gdańsk for the resumption of proceedings in the combined cases was filed with the Court on 12 August 2021.
On 9 December 2021, AGR applied for enforcement of the judgement. By a decision of 13 December 2021 issued in case IX GC 696/21 (request for resumption of proceedings – complaint of the Regional Prosecutor's Office), the Regional Court in Gdańsk suspended the enforceability of the judgement of 11 December 2020 covered by the enforcement motion, AGR's enforcement motion was dismissed by the Court ordered on 15 December 2021.
Proceedings are currently underway in the context of:
- LOTOS Petrobaltic S.A. complaint for the resumption of proceedings (IX GC 1031/21), and
- the Regional Prosecutor's Office in Gdańsk complaint for the resumption of proceedings(IX GC 696/21).
As at 31 March 2023 the total value of provisions recognised in connection with the pending proceedings amounted to PLN 50 million.

Ex. Grupa LOTOS S.A. tax settlements
Following the merger PKN ORLEN with Grupa LOTOS S.A. on 1 August 2022, PKN ORLEN as a legal successor of Grupa LOTOS S.A. became a party to the following tax proceedings.
Ex. Grupa LOTOS S.A. tax settlements are subject to customs and tax inspections carried out by the tax inspection authorities. On 21 January 2022 ex. Grupa LOTOS S.A. was notified of the results of two customs and tax inspections for the period of January−October 2014 and October−December 2015, issued on 7 January 2022. As a result of these inspections, input VAT settlements by the Company, for a total amount of PLN 23.3million (net of interest), were questioned. On 12 April 2022 ex. Grupa LOTOS S.A. was notified of the result of custom and tax inspection for the period of January−December 2016, issued on 7 April 2022. As a result of this inspection, input VAT settlements by the Company, for a total amount of PLN 6.5 million (net of interest), were questioned. The company has not filed corrections to the VAT returns for the aforementioned periods as agreed by the authority, because it was of the opinion that there are arguments in favour of taking a different course of action. Due to the failure to submit the corrections by the Company, the tax authority (Head of the Pomeranian Customs and Fiscal Office in Gdynia) has conducted tax proceedings). On 29 March 2023 the tax authority issued two decisions, where determined the VAT liability for the period of April-October 2014 and October 2015 and indicated an underestimation of the liability in the amount of PLN 23.3

million. The Company plans to appeal to the second instance authority against the decision. The Company will also have the possibility to file complaints to the Provincial Administrative Court in Gdańsk, and if the court reaches an unfavourable verdict, it will be possible to file a cassation complaint with the Supreme Administrative Court.

In connection with a judgement by the Court of Justice of the European Union of October dated 16 October 2019 in Case C-189/18 Glencore, on 15 January 2020 the company requested for resumption of proceedings in which the following decisions had been issued:

- decision by the Director of the Tax Chamber in Gdańsk, dated 29 December 2015, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated 28 September 2015, assessing the company's VAT liabilities for individual months of 2010 at a total amount of PLN 48.4 million.
- decision by the Director of the Tax Chamber in Gdańsk, dated 29 February 2016, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated 28 September 2015, assessing the company's VAT liabilities for individual months of 2011 at a total amount of PLN 112.5 million.
- decision by the Director of the Tax Administration Chamber in Gdańsk, dated 25 October 2018, upholding the decision by the Head of the Gdańsk Province Customs and Tax Office in Gdynia, dated 19 January 2018, assessing the company's VAT liabilities for January 2012 at a total amount of PLN 7.3 million.

after resumption of the proceedings, for:

- reversal of the decisions by the tax authorities of both instances and discontinuation of the tax proceedings – with respect to the proceedings for 2010–2011;
- suspension of the proceedings until final conclusion of the court proceedings – with respect to the proceedings for 2012. in connection with proceedings pending before the Supreme Administrative Court, initiated by the company's cassation complaint.

On 8 October 2020, the Head of the Tax Administration Chamber in Gdańsk upheld the decisions of the Head of the Tax Chamber in Gdańsk, dated 29 December 2015 and 29 February 2016. On 23 November 2020, the company appealed against the unfavourable decisions of the Head of the Tax Administration Chamber in Gdańsk. On 23 December 2020, the Head of the Tax Administration Chamber in Gdańsk issued decisions refusing to revoke its decision of 8 October 2020, against which the company filed complaints with the Provincial Administrative Court in Gdańsk. On 15 June 2021, the Provincial Administrative Court of Gdańsk dismissed the company's complaints against refusal to reverse the final decisions concerning determination of VAT liabilities for the individual months of 2010 and 2011. On 10 September 2021, the company appealed in cassation against the judgements of the Provincial Administrative Court of Gdańsk to the Supreme Administrative Courts.

As at 31 March 2023, Group disclosed a provision for tax risk, recognised in connection with such proceedings, in the amount of PLN 100.5 million.

LOTOS Exploration and Production Norge AS tax settlements

Due to the crisis caused by the COVID-19 pandemic and the sharp decline in commodity prices, the Norwegian government introduced a provisional tax regime for 2020-2021 that allowed companies investing on the Norwegian continental shelf to directly expense capital expenditure and to receive an immediate refund of the tax loss incurred in each of the years. With these solutions, the effective tax rate was lower than the standard of 78%.

At the same time, the government has introduced an additional rule, namely for investment projects that have been submitted to the Ministry by the end of 2022 and that will be approved in 2023, it will be possible to account for all capital expenditure under the system of the temporary tax regime of 2020-2021, with minor changes, which significantly improves the economics of the projects. Two key development projects LOTOS E&P Norge – NOAKA and Trell&Trine will be covered by this reduction.

In December 2019, the LOTOS E&P Norge received a draft decision on thin capitalization in 2015-2016. In September 2020, the company submitted a letter to the tax authorities, in which it commented its position to the preliminary decision of the Oil Taxation Office ("OTO") concerning thin capitalisation in 2015–2016, along with its response to the 'deviation notice' for the following years 2017 and 2018. In its preliminary decision, the OTO challenges the inclusion of loans and borrowings service costs and exchange rate differences on debt financing in the company's tax-deductible costs due to the company's equity being too low at that time. In May 2022, the OTO issued its final decision for 2015 -2016, in which the tax surcharge was set at NOK 170 million plus interest.

With regard to the second thin capitalisation case, covering a period of 2017-2019, the Company received a draft decision in August 2022, previously announcing the extension of the investigation period by one year. Under the draft decision the estimated amount to be paid is NOK 103 million, while the vast majority of this amount relates to financial income from foreign exchange differences that the Company had previously removed from the settlement.. The company was creditworthy during that period, confirmed in RBL models, and, therefore, real effect of thin capitalisation is much less than in 2015-2016. Furthermore, in its tax declaration for 2017 and 2019 the company did not include in its taxable base, the finance income arising from foreign exchange rates realised on loans in the case of which the OTO had previously questioned the financial costs as deductible. Tax deductions made on this amounted to NOK 88 million (2017: NOK 52 million; and 2019: NOK 36 million). The Company has recognised a provision for these amounts.

In February 2023, the Company received two invoices for payment relating to thin capitalisation of 2015-2016. Due to the tax loss the Company had in these years, the tax surcharge was only accounted for in the 2017 and 2018 returns. The total amount paid was NOK 158.1 million, which is PLN 65 million.

At the same time, on 31 March 2023, the Company appealed against Tax Office decision for 2015-2016. If the appeal is unsuccessful the Company is considering judicial arbitration. On the same day the Company submitted a written response and reaction to the draft decision on thin capitalisation for 2017-2019.
As at 31 March 2023 the total value of provisions recognised in connection with the pending proceedings amounted to PLN 46 million.

Settlements for natural gas supplied under the Yamal Contract and suspension of natural gas supplies by Gazprom
On 31 March 2021 Decree of the President of the Russian Federation No. 172 "On a special procedure for the performance of obligations of foreign buyers towards Russian natural gas suppliers" (the "Decree") was published, following which Gazprom requested PGNiG to amend the terms and conditions of the Yamal Contract, among others by introducing settlements in Russian rubles.
On 12 April 2022, the Management Board of PGNiG S.A. decided to continue settling PGNiG's liabilities for gas supplied by Gazprom under the Yamal Contract, in accordance with its applicable terms, and not to consent to PGNiG's performance of its settlement obligations for natural gas supplied by Gazprom under the Yamal Contract, in accordance with the provisions of the Decree.
From 27 April 2022, from 8:00 am CET Gazprom completely suspended natural gas deliveries under the Yamal Contract, citing the Decree's prohibition on delivering natural gas to foreign buyers from countries "unfriendly to the Russian Federation" (including Poland). if payments for natural gas supplied to such countries starting from 1 April 2022, will be made contrary to the terms of the Decree.
In response, PGNiG took steps to protect the Company's interests under its contractual rights, including: call for deliveries and compliance with settlement conditions, etc. terms of the agreement binding the parties until the end of 2022.
By 31 December 2022, natural gas supplies had not been resumed by Gazprom, the supplier refused to make settlements based on the applicable contractual conditions. Pursuant to PGNiG's declaration of intent of 15 November 2019, the Yamal Contract expired at the end of 2022. As at 31 March 2023 disputes arising during the term of the Yamal Contract are pending.

Claim by B. J. Noskiewicz against Exalo S.A.(Exalo) for payment of rent and damages
On 9 February 2015, B.J. Noskiewicze filed an action against Exalo (formerly Poszukiwania Nafty i Gazu Jasło sp. z o.o.) seeking payment of a total of PLN 130 million. The demand of the claim includes an adjudication for a fee for the use of a property owned by the plaintiffs (occupied by the Company for the purpose of drilling a geothermal water well) and compensation for lost income. The plaintiffs claim that the property was not properly returned to them upon completion of the works. Exalo has filed a response to the claim. Exalo argues (based on expert opinions) that it completed the use of the property within the contractual deadline, removed all equipment and movable property, the site was cleaned up and rehabilitated, and therefore properly offered and released the property to the owners in 2012, so that the claim for both any fees for the period after that date and damages is completely unjustified. The proceedings are currently suspended. A full assessment of the risk of an unsuccessful outcome can be made at a later stage of the proceedings taking into account Exalo's arguments. In Exalo's opinion, the claim is without merit.
As at 31 March 2023 the total value of provisions recognised in connection with the pending proceeding amounted to PLN 35 million.

Veolia Energia Warsaw's claim against PGNiG Termika S.A. (Termika)
On 21 February 2018, PGNiG TERMIKA received a claim for payment in respect of the execution of the agreement for services for the development of the heat market in Warsaw. brought by Veolia Energia Warszawa S.A. to the District Court in Warsaw. On 29 June 2018, PGNiG TERMIKA filed a response to the lawsuit. where it addressed the plaintiff's claims. Veolia Energia Warszawa S.A. originally claimed PLN 5.7 million as payment under the agreement, and later extended the claim by PLN 66.6 million, i.e. to PLN 72.3 million, representing further tranches of remuneration under the agreement. Further pleadings are being exchanged in the case, In the opinion of PGNiG TERMIKA, the agreement for the provision of services for the development of the heat market in Warsaw is invalid, as it violated mandatory provisions of law. Due to the precedent-setting and particularly complicated nature of the case in question, it is not possible to assess the risk of an unfavourable outcome.
As at 31 March 2023 the total value of provisions recognised in connection with the pending proceedings amounted to PLN 121 million.

PBG SA (currently under restructuring in liquidation) claim against PGNiG S.A. (currently PKN ORLEN S.A.)
Counterclaim dated 1 April 2019 was filed by PBG SA against PGNiG S.A. for payment of the amount of PLN 118 million, in the case pending before the Regional Court of Warsaw from a PGNiG S.A. claim against PBG SA. in Wysogotowo. TCM in Paris and Technimont in Milan (value of the object of that dispute is PLN 147 million). The cases relate to mutual settlements in the performance of contracts for the upgrade of PMG (the underground gas storage) Wierzchowice. The basis of the claims in the counterclaim is a challenge by PBG SA to the statements of set-off of mutual receivables and liabilities made by PGNiG SA in the course of settling the contracts for the execution of upgrading PMG Wierzchowice. The stage of the proceedings for the counterclaim is identical to that of the main claim, i.e. the evidentiary proceedings are ongoing, the court has heard all witnesses and admitted expert evidence. The defendants in the main claim and the counterclaimant in the counterclaim applied to the court to exclude the expert. A further hearing date was not scheduled.

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

ORLEN GROUP (in PLN million)

5.16. Related parties transactions

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

As at 31 March 2023 and as at 31 March 2022 and in the 3-month period ended 31 March 2023 and 31 March 2022, on the basis of submitted declarations there were no transactions of related parties of the ORLEN Group with the Members of the Management Board and the Supervisory Board of the Parent Company and their relatives.

In the 3-month period ended 31 March 2023 and 31 March 2022, on the basis of submitted declarations, there were mainly sales transactions of the members of key executive personnel and their relatives of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 0.5 million and PLN 0.4 million, respectively. The largest amount in 2023 and 2022 was related to the sale of legal services.

As at 31 March 2023 and as at 31 March 2022 balances of the trade and other liabilities due to the above transactions amounted to PLN 0.01 million and PLN 0.05 million, respectively.

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

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Parent Company		
Short-term employee benefits	18.5	13.1
Subsidiaries		
Short-term employee benefits	111.1	80.3
Other long term employee benefits	0.3	-
Termination benefits	1.3	1.0
	131.2	**94.4**

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

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

	Sales		Purchases	
	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Jointly-controlled entities	**1 253**	**1 217**	**(331)**	**(128)**
joint ventures	*1 058*	*1 153*	*(103)*	*(93)*
joint operations	*195*	*64*	*(228)*	*(35)*
Other related parties	**63**	**-**	**(40)**	**-**
	1 316	**1 217**	**(371)**	**(128)**

	Trade receivables, other receivables and loans granted		Trade and other liabilities	
	31/03/2023 (unaudited)	31/12/2022	31/03/2023 (unaudited)	31/12/2022
Jointly-controlled entities	**1 298**	**1 398**	**241**	**389**
joint ventures	*1 192*	*1 291*	*70*	*167*
joint operations	*106*	*107*	*171*	*222*
Other related parties	**129**	**138**	**15**	**21**
	1 427	**1 536**	**256**	**410**

The above transactions with related parties include mainly sales and purchases of refining and petrochemicals products and services.

Additionally, during the 3-month period ended 31 March 2023, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives with the other key management personnel of the Parent Company and ORLEN Group companies and entities of the ORLEN Group.

In the 3-month period ended 31 March 2023 and as at 31 March 2023, the Group identified the following transactions:

- sales amounted to PLN 1 million and PLN 2 million, respectively;
- purchase amounted to PLN (3) million and PLN (10) million, respectively;
- balance of receivables amounted to PLN 0.6 million;
- balance of liabilities amounted to PLN 2 million.

The above transactions concerned mainly the purchases and sales of fuels, fuel additives, diesel oil, heat, pellets and foil.

Additionally, in the 3-month period ended 31 March 2023, on the basis of a declaration submitted by the managing person, a link was indicated in terms of shares held in a related party, demonstrated by a relative of a key personnel member of the ORLEN

ORLEN ORLEN GROUP (in PLN million)

Group. The number of shares shown as at 31 March 2023 and as at 31 December 2022 amounted to 8,000 shares with a nominal value of PLN 0.8 million, respectively.

5.16.4. Transactions with entities related to the State Treasury

PKN ORLEN S.A is the ultimate parent company preparing the consolidated financial statements, in which as at 31 March 2023 and 31 December 2022 the State Treasury holding 49.9% of shares is the largest shareholder.
The Group identified transactions with related parties, which are also parties related to the State Treasury, based on the "List of companies with State Treasury share" provided by the Prime Minister's Office.

During the 3-month period ended 31 March 2023 and 31 March 2022 and as at 31 March 2023 and as at 31 December 2022, the Group identified the following transactions:

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Sales	3 002	2 552
Purchases	(2 783)	(4 253)

	31/03/2023 (unaudited)	31/12/2022 (restated data)
Trade and other receivables	2 054	1 943
Trade and other liabilities	903	1 936

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, bank fees, commission) with Bank Gospodarstwa Krajowego and transaction fees on the Polish Power Exchange.

During the 3-month period ended 31 March 2023 and 31 March 2022 there were no related parties transactions within the Group concluded on other than an arm's length basis.

5.17. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure are part of off-balance sheet liabilities and as at 31 March 2023 and as at 31 December 2022 amounted to PLN 4,471 million and PLN 4,040 million, respectively. As at 31 March 2023 the Group assesses the materialisation of this type of liability as very low.

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

The guarantees and sureties granted within the Group to third parties as at 31 March 2023 and as at 31 December 2022 amounted to PLN 26,891 million and PLN 31,632 million, respectively. As at 31 March 2023 they related mainly to security of:
- future liabilities arising from bonds issuances of Group's subsidiaries in total amount of PLN 11,380 million.
- liabilities of PGNiG Supply&Trading GmbH and PGNiG Upstream Norway AS arising from operational activities in the total amount of PLN 10,281 million.
- realisation of investment projects of subsidiaries: CCGT Ostrołęka and CCGT Grudziądz in total amount of PLN 886 million.
- realisation of wind projects and other liabilities of jointly-controlled entity Baltic Power in amount of PLN 274 million.

As at 31 March 2023 an unconditional and irrevocable guarantee issued by LOTOS Upstream Sp. z o.o. for the benefit of the government of Norway, covering the exploration and production activities of LOTOS Exploration and Production Norge AS on the Norwegian Continental Shelf, was effective. The guarantee does not have a defined value. In the guarantee, LOTOS Upstream Sp. z o.o. undertook to assume any financial liabilities which may arise in connection with the operations of LOTOS Exploration and Production Norge AS on the Norwegian Continental Shelf, consisting in exploration for and extraction of the natural resources from the sea bottom, including their storage and transport using means of transport other than ships.

Future liabilities arising from bonds issuances are secured by the irrevocable and unconditional guarantees issued in favour of the bondholders by:
- PKN ORLEN - guarantee until 7 June 2023 for issuer of Eurobonds, ORLEN Capital.
- PKN ORLEN - guarantee until 31 March 2025 for issuer of senior bonds, B8 Sp.z o.o. Baltic SKA.
- ENERGA - guarantee until 31 December 2033 for issuer of Eurobonds, Energa Finance.

ORLEN GROUP (in PLN million)

	Nominal value					Value of guarantee issued	
		PLN	Subscription date	Expiration date	Rating		PLN
Eurobonds	750 EUR	3 507	7.06.2016	7.06.2023	BBB+, A3	1 100 EUR	5 143
Eurobonds	300 EUR	1 403	7.03.2017	7.03.2027	BBB+, Baa2	1 250 EUR	5 844
Senior bonds	37 USD	159	from 01.03.2017 till 31.01.2022	till 31.12 2024	n/a	91,5 USD	393
		5 068					**11 380**

The value of guarantees granted was translated using the exchange rate as at 31 March 2023

In addition the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 March 2023 and as at 31 December 2022 amounted to PLN 1,717million and PLN 780 million, respectively. Guarantees concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.

5.19. Events after the end of the reporting period

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

OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

FOR THE 3 MONTH PERIOD ENDED 31 MARCH 2023

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Major factors having impact on EBITDA and EBITDA LIFO

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 1st quarter of 2023 amounted to PLN 15,453 million, compared to PLN 4,933 million in the same period of 2022.
Net impairment allowances on property, plant and equipment, intangible assets and other assets in the 1st quarter of 2023 amounted to PLN (529) million and were mainly related to production assets used in natural gas and oil production in Poland and Pakistan, as well as fixed assets under construction at PKN ORLEN.
In comparison, in 1st quarter of 2022, net impairment allowances were not significant and amounted to PLN (27) million.

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

The impact of falling crude oil prices in the 1st quarter of 2023 on the valuation of inventories recognized in the EBITDA result amounted to PLN (1,171) million.
As a result, profit from operations increased by depreciation and amortisation after elimination of the impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO), impairment allowances of assets amounted to PLN 17,153 million and was higher by PLN 14,367 million (y/y).

Due to lack of consolidation of former LOTOS and former PGNIG results in the 1st quarter of 2022 the following business effects have been calculated on the comparable (y/y) organizational structure of the ORLEN Group. The results of the former LOTOS and PGNIG Groups and their impact on the ORLEN Group's EBITDA LIFO growth in the 1st quarter of 2023 are presented in other business factors.

Positive impact of macroeconomic factors amounted to PLN 7,571 million (y/y) and included mainly lack of the negative impact of the valuation and settlement of the CO_2 futures contract in the amount of PLN 1,788 million and hedging transactions in the amount of PLN 2,384 million (y/y). Additionally results were positively affected by increase in margins on light and medium distillates and depreciation of PLN against USD. The above positive effects were partially limited by the weakening of macroeconomic environment in the petrochemical segment in the polyolefins, propylene, fertilizers, PVC and PTA areas.

The so-called volume effect in ORLEN Group amounted to PLN (2,021) million (y/y). Higher sales volume by 17% (y/y), i.e. to 11,267 thousand tonnes, were achieved mainly due to the recognition of former LOTOS Group volumes of 2,282 thousand tonnes in the refining segment and former LOTOS and PGNIG Group volumes of 412 thousand tonnes in the upstream and gas segments. After the elimination of volumes of the acquired groups, total volume sales were down by (11.1)%, i.e. by (1,070) thousand tonnes.
In the refining segment, sales volume amounted to 7,432 thousand tonnes and after the elimination of volumes of the former LOTOS Group, sales decreased by (12.9)% (y/y) to 5,150 thousand tonnes. The decrease in comparable segment sales (y/y) is due to high fuel sales volumes in March 2022 following the outbreak of war in Ukraine. Additionally, the volume effect in the refining segment of PLN (1,275) million (y/y) was affected by the change in the structure of crude processed due to the reduction of Rebco crude processing by 37 pp. (y/y) and its replacement with more expensive crude grades. Also, production facility shutdowns, particularly at PKN ORLEN and Unipetrol in the 1st quarter of 2023, increased the share of heavy fractions in the sales structure and thus had a negative volume impact on the segment.
In the petrochemical segment, total sales volume amounted to 1,119 thousand tonnes and decreased by (20)% in all operating markets, i.e. Poland by (19)%, the Czech market by (20)% (y/y) and Lithuania by (49)% (y/y).
Total fuel volumes in the retail segment remained unchanged (y/y) at 2,166 thousand tonnes thanks to higher sales on the Czech market by 43% (y/y) and on the Lithuanian market by 10% (y/y), with lower fuel sales on the Polish market by (5)% (y/y) and on the German market by (3)% (y/y).
The volume of the upstream segment increased by 225% (y/y) due to the recognition in the consolidation of the volumes of LOTOS Upstream, LOTOS Petrobaltic and former PGNiG Group (Upstream Norway and the Branch Group).
Volume sales of the gas segment reached 30,000 tonnes and included sales volumes of the former PGNIG Group.

The impact of other factors amounted to PLN 8,817 million (y/y) and included mainly the effect of consolidating the operating results of the former LOTOS Group in the amount of PLN 1,355 million and the former PGNiG Group in the amount of PLN 8,475 million, a decrease in retail margins and an increase in overheads and labour costs.

2. The most significant events in the period from 1 January 2023 up to the date of preparation of this report

JANUARY 2023

Change in the Supervisory Board

PKN ORLEN announced that on 11 January 2023 the Minister of the State Assets. acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association appointed Ms Janina Goss to the PKN ORLEN S.A. Supervisory Board.

FEBRUARY 2023

The first notification of shareholders of the intention to merge PKN ORLEN with LOTOS SPV5 sp. z o.o. headquartered in Gdańsk

The Management Board of PKN ORLEN acting pursuant to Art. 504.1. of the Polish Code of Commercial Companies ("CCC") on 16 February 2023 notified the shareholders of the intention to merge PKN ORLEN with LOTOS SPV5 sp. z o.o. headquartered in Gdańsk, KRS No. 0000896706 ("SPV5"), that will be conducted on the base of Art. 492.1.1 in connection with Art. 516.6 of the CCC, i.e. through transfer of all assets and liabilities of SPV5 (target company), PKN ORLEN sole shareholder company, to PKN ORLEN (acquiring company), without the necessity to increase the Company's share capital or amend PKN ORLEN's Articles of Association in connection with the merger ("Merger").

The transfer of all assets and liabilities of SPV5 to PKN ORLEN will take place on the Merger Date, i.e. when the Merger is recorded in the Entrepreneurs Register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN. As from the Merger Day, PKN ORLEN will assume any and all rights and obligations of SPV5 in compliance with Art. 494.1 of the CCC (universal succession) and the effect specified in Art. 494.4 of the CCC, will not occur because apart from the Company there are no other shareholders in SPV5.

On 7 February 2023, the Company and SPV5 agreed in writing on the merger plan, which was published by the Company on its website: www.orlen.pl/en/investor-relations/Merger-with-LOTOS-SPV5 ("Merger Plan").

The Merger requires resolutions of general meetings of the merging companies. Pursuant to the Merger Plan, draft resolutions on the Merger, including Merger Plan approval ("Merger resolution") will be submitted for adoption to the general meeting of the Company and the shareholders meeting of SPV5. To adopt the Merger resolution, the Company will convene the general meeting, pursuant to the provisions of the CCC and to the Company's Articles of Association, for a date not earlier than 20 March 2023, of which the Company will notify in a separate regulatory announcement.

Pursuant to Art. 505.3.1 in connection with par.1 of the CCC following documents are publicly available for shareholders review:

1. Merger Plan with attachments 1-5;
2. Financial statements of the Company and the Company's Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
3. Financial statement of SPV5 and SPV5 Management Board report for the entire period of operation until the end of 2021.

- and will be continuously available (in electronic version, printable) on the PKN ORLEN's website under the following address: www.orlen.pl/en/investor-relations/Merger-with-LOTOS-SPV5 by the day of closing of the Company's general meeting and the shareholders meeting of SPV5 concluding the Merger resolutions.

MARCH 2023

Summary of costs related to the issue of shares issued under the public offering in connection with merger of PKN ORLEN and Grupa LOTOS, and merger of PKN ORLEN and PGNiG

PKN ORLEN announced about the costs related to the issue of series E shares issued under the public offering in connection with merger of PKN ORLEN and Grupa LOTOS S.A., as well as to the issue of series F shares issued under the public offering in connection with merger of PKN ORLEN and PGNiG S.A.

In connection with the merger of PKN ORLEN and Grupa LOTOS S.A. the Company issued under the public offering 198,738,864 ordinary bearer series E shares "Series E shares". The total costs of the issue of Series E shares amounted to PLN 24.54 m, including:

- costs of preparing and conducting of the public offer of Series E shares: approximately PLN 22.57 million;
- costs of preparing of the document for a prospectus exemption, including consulting costs: approximately PLN 1,97 million;
- costs of promoting of the public offer of Series E shares: PLN 0.00.

The average cost of the public offer per one Series E share amounted to PLN 0.12.

In connection with the merger of PKN ORLEN and PGNiG S.A. the Company issued under the public offering 534,494,124 ordinary bearer series F shares "Series F shares". The total costs of the issue of Series F shares amounted to PLN 27.15 million, including:

- costs of preparing and conducting of the public offer of Series F shares: PLN 25.22 million;
- costs of preparing of the document for a prospectus exemption, including consulting costs: PLN 1.93 million;
- costs of promoting of the public offer of Series F shares: PLN 0.00.

The average cost of the public offer per one Series F share amounted to PLN 0.05.

PKN ORLEN did not incurred the costs of underwriters fees, due to the fact that no underwriting agreement was signed by PKN ORLEN either in connection with the public offer of Series E shares nor the public offer of the Series F shares.

The costs related to the Series E shares and Series F shares issues were included as a decrease of equity within the position of "Share premium".

APRIL 2023

Completion of the implementation of the remedies required in connection with the conditional approval of the European Commission to the acquisition of control over Grupa LOTOS by PKN ORLEN

PKN ORLEN announced that it has finalised the implementation of the remedies specified in the conditional approval of the European Commission of 14 July 2020 to the concentration involving the acquisition of control over Grupa LOTOS S.A., with its registered office in Gdańsk ("Grupa LOTOS") by PKN ORLEN (the "Remedies").

In order to implement the Remedies related to the fuel logistics and bitumen markets, on 7 April 2023, a transfer agreement was concluded between PKN ORLEN and Unimot Investments Sp. z o.o. ("Unimot Investments") pursuant to which PKN ORLEN sold and transferred to Unimot Investments 100% of the shares in LOTOS Terminale S.A., with its registered office in

ORLEN ORLEN GROUP (in PLN million)

Czechowice Dziedzice ("LOTOS Terminale"), to which PKN ORLEN had previously transferred 100% of the shares in Uni-Bitumen Sp. z o.o. (to which its bitumen business unit had previously been transferred after being spun off from Rafineria Gdańska Sp. z o.o.) and four fuel terminals located in Gdańsk, Szczecin, Gutków and Bolesławiec. Thus, the following agreements signed on 12 January 2022 will enter into force:

- the conditional fuel storage agreement enabling PKN ORLEN to use the storage capacity at LOTOS Terminale fuel terminals in Gdańsk, Szczecin, Gutków and Bolesławiec for a period of 10 years from the date of entry into force of the agreement,
- the agreement for the sale of bitumen to Uni-Bitumen Sp. z o.o. concluded for a period of 10 years from the date of its entry into force, with the option to extend this period for two further five-year periods on the terms previously agreed between the parties.

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

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

Management Board

Daniel Obajtek – President of the Management Board, Chief Executive Officer
Armen Konrad Artwich – Member of the Management Board, Corporate Affairs
Adam Burak – Member of the Management Board, Communication and Marketing
Patrycja Klarecka – Member of the Management Board, Retail Sales
Krzysztof Nowicki – Member of the Management Board, Production and Optimization
Robert Perkowski – Member of the Management Board, Upstream
Michał Róg – Member of the Management Board, Wholesale and International Trades
Piotr Sabat – Member of the Management Board, Development
Jan Szewczak – Member of the Management Board, Chief Financial Officer
Iwona Waksmundzka-Olejniczak – Member of the Management Board, Strategy and Sustainability
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
Janina Goss – Member of the Supervisory Board
Barbara Jarzembowska – Independent Member of the Supervisory Board
Andrzej Kapała – Independent Member of the Supervisory Board
Michał Klimaszewski – Independent Member of the Supervisory Board
Roman Kusz – Independent Member of the Supervisory Board
Jadwiga Lesisz – Member of the Supervisory Board
Anna Sakowicz-Kacz – Independent Member of the Supervisory Board

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury *	49.90%	579 310 079
Nationale-Nederlanden OFE	5.06%	58 748 000
Other	45.04%	522 883 970
	100.00%	**1 160 942 049**

** according to information from the Extraordinary General Meeting of PKN ORLEN from 22 March 2023*

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

As at the date of preparation of these interim condensed consolidated financial statements, the Members of the Management Board did not hold any shares in PKN ORLEN.

Changes in the number of the Company's Shares held by the Supervisory Board Members

	Number of shares. options as at the date of the quarterly report filling *	Acquisition	Disposal	Number of shares. options as at the date of the prior quarterly report filling **
Supervisory Board	**925**	**-**	-	**925**
Roman Kusz	925	-	-	925

* *According to the confirmations received as at 17 February 2023*
*** According to the confirmations received as at 18 May 2023*

In the period covered by these interim condensed consolidated financial statements, there were no changes in the ownership of PKN ORLEN shares held by Members of the Management Board and the Supervisory Board.

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

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

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR THE 1st QUARTER 2023

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

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited)
Sales revenues	72 300	33 474
revenues from sales of finished goods and services	*57 343*	*19 307*
revenues from sales of merchandise and raw materials	*14 957*	*14 167*
Cost of sales	(61 414)	(28 604)
cost of finished goods and services sold	*(47 112)*	*(14 808)*
cost of merchandise and raw materials sold	*(14 302)*	*(13 796)*
Gross profit on sales	**10 886**	**4 870**
Distribution expenses	(1 919)	(1 332)
Administrative expenses	(591)	(311)
Other operating income	2 648	878
Other operating expenses	(2 613)	(3 618)
(Loss)/reversal of loss due to impairment of trade receivables	-	6
Profit from operations	**8 411**	**493**
Finance income	1 159	944
Finance costs	(342)	(985)
Net finance income and costs	**817**	**(41)**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables	82	(17)
Profit before tax	**9 310**	**435**
Tax expense	(1 686)	(48)
current tax	*(841)*	*(290)*
deferred tax	*(845)*	*242*
Net profit	**7 624**	**387**
Other comprehensive income:		
which will not be reclassified subsequently into profit or loss	**1**	**9**
actuarial gains and losses	*-*	*12*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income	*1*	*(1)*
deferred tax	*-*	*(2)*
which will be reclassified into profit or loss	**4 304**	**(119)**
hedging instruments	*4 874*	*(307)*
hedging costs	*439*	*160*
deferred tax	*(1 009)*	*28*
	4 305	**(110)**
Total net comprehensive income	**11 929**	**277**
Net profit and diluted net profit per share (in PLN per share)	6.57	0.90

(in PLN million)

Separate statement of financial position

	31/03/2023 (unaudited)	31/12/2022
ASSETS		
Non-current assets		
Property, plant and equipment	36 158	35 719
Intangible assets	4 784	3 420
Right-of-use asset	3 257	2 639
Shares in subsidiaries and jointly controlled entities	50 038	49 268
Deferred tax assets	452	2 297
Derivatives	1 222	1 252
Long-term lease receivables	20	20
Other assets, incl.:	12 175	12 845
loans granted	*11 122*	*11 767*
	108 106	**107 460**
Current assets		
Inventories	24 783	34 255
Trade and other receivables	23 801	22 459
Current tax assets	448	455
Cash	13 846	7 939
Derivatives	1 552	2 094
Other assets	25 674	17 725
Non-current assets classified as held for sale	3 431	1 218
	93 535	**86 145**
Total assets	**201 641**	**193 605**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 974	1 974
Share premium	46 405	46 405
Own shares	(2)	(2)
Hedging reserve	8 843	4 539
Revaluation reserve	11	10
Retained earnings	69 820	62 196
Total equity	**127 051**	**115 122**
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	7 854	10 088
Provisions	2 682	2 707
Derivatives	2 513	5 091
Lease liabilities	2 976	2 465
Other liabilities	195	218
	16 220	**20 569**
Current liabilities		
Trade and other liabilities	27 356	25 523
Lease liabilities	396	353
Liabilities from contracts with customers	445	277
Loans, borrowings and bonds	4 145	5 513
Provisions	5 376	4 325
Current tax liabilities	4 717	4 165
Derivatives	5 629	11 969
Other liabilities	10 306	5 789
	58 370	**57 914**
Total liabilities	**74 590**	**78 483**
Total equity and liabilities	**201 641**	**193 605**

(in PLN million)

Separate statement of changes in equity

	Share capital	Share premium	Own shares	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2023	1 974	46 405	(2)	4 539	10	62 196	115 122
Net profit	-	-	-	-	-	7 624	7 624
Items of other comprehensive income	-	-	-	4 304	1	-	4 305
Total net comprehensive income	**-**	**-**	**-**	**4 304**	**1**	**7 624**	**11 929**
31/03/2023	**1 974**	**46 405**	**(2)**	**8 843**	**11**	**69 820**	**127 051**
(unaudited)							
01/01/2022	1 058	1 227	-	(423)	11	36 582	38 455
Net profit	-	-	-	-	-	387	387
Items of other comprehensive income	-	-	-	(119)	(1)	10	(110)
Total net comprehensive income	**-**	**-**	**-**	**(119)**	**(1)**	**397**	**277**
31/03/2022	**1 058**	**1 227**	**-**	**(542)**	**10**	**36 979**	**38 732**
(unaudited)							

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of cash flows

	3 MONTHS ENDED 31/03/2023 (unaudited)	3 MONTHS ENDED 31/03/2022 (unaudited) (restated data
Cash flows from operating activities		
Profit before tax	**9 310**	**435**
Adjustments for:		
Depreciation and amortisation	792	540
Foreign exchange (profit)/loss	14	(62)
Net interest	(415)	28
Loss on investing activities	446	43
Change in provisions	1 056	825
Change in working capital	12 762	(2 124)
inventories	*9 537*	*(2 261)*
receivables	*1 177*	*(2 103)*
liabilities	*2 048*	*2 240*
Other adjustments, incl.:	2 404	(910)
settlement of grants for property rights	*(486)*	*(339)*
security deposits	*4 715*	*(1 758)*
derivatives	*(2 022)*	*1 125*
Income tax (paid)	(282)	(667)
Net cash from/(used in) operating activities	**26 087**	**(1 892)**
Cash flows from investing activities		
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(5 893)	(1 885)
Acquisition of shares	-	(321)
Non-returnable payments to equity for subsidiaries	(249)	(51)
Non-returnable payments to equity for Baltic JV	(521)	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset	164	26
Interest received	477	35
Purchase of bonds	(3 055)	-
Acquisition of petrochemical assets less cash	(218)	-
Expenses from loans granted	(11 336)	(436)
Proceeds from loans granted	6 583	634
Net flows within cash-pool system	(4 355)	199
Other	1	2
Net cash (used) in investing activities	**(18 402)**	**(1 797)**
Cash flows from financing activities		
Proceeds from loans and borrowings received	-	7 836
Repayments of loans	(3 598)	(4 500)
Interest paid from loans, borrowings, bonds and cash pool	(161)	(23)
Interest paid on lease	(55)	(41)
Net flows within cash-pool system	2 207	756
Payments of liabilities under lease agreements	(113)	(91)
Other	(46)	(8)
Net cash from/(used in) financing activities	**(1 766)**	**3 929**
Net increase in cash	**5 919**	**240**
Effect of changes in exchange rates	(12)	5
Cash, beginning of the period	7 939	1 521
Cash, end of the period	**13 846**	**1 766**
including restricted cash	*1 225*	*83*

This consolidated quarterly report was approved by the Management Board of the Parent Company on 24 May 2023.

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

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

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

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

signed digitally on the Polish original
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Krzysztof Nowicki
Member of the Board

signed digitally on the Polish original
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Robert Perkowski
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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Piotr Sabat
Member of the Board

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

signed digitally on the Polish original
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Iwona Waksmundzka-Olejniczak
Member of the Board

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