Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED HALF-YEAR REPORT

FOR THE 1st HALF 2022

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	6 MONTHS ENDED 30/06/2022	6 MONTHS ENDED 30/06/2021 (restated data)	6 MONTHS ENDED 30/06/2022	6 MONTHS ENDED 30/06/2021 (restated data)
Sales revenues	103 251	53 985	22 239	11 872
Operating profit increased by depreciation and amortisation (EBITDA)	11 598	7 612	2 498	1 674
EBITDA before net impairment allowances	14 485	7 701	3 120	1 694
Profit from operations (EBIT)	8 751	5 007	1 885	1 101
Profit before tax	8 432	5 015	1 816	1 103
Net profit before net impairment allowances	9 415	4 205	2 028	925
Net profit	**6 528**	**4 116**	**1 406**	**905**
Total net comprehensive income	7 028	4 504	1 514	990
Net profit attributable to equity owners of the parent	6 382	4 072	1 375	895
Total net comprehensive income attributable to equity owners of the parent	6 873	4 464	1 480	982
Net cash from operating activities	10 755	8 975	2 317	1 974
Net cash (used) in investing activities	(9 236)	(6 621)	(1 989)	(1 456)
Net cash (used) in financing activities	(1 414)	(859)	(305)	(189)
Net increase in cash	105	1 495	23	329
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	14.92	9.52	3.21	2.09
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Non-current assets	69 680	68 706	14 887	14 938
Current assets	52 460	38 048	11 208	8 272
Total assets	**122 140**	**106 754**	**26 095**	**23 210**
Share capital	1 058	1 058	226	230
Equity attributable to equity owners of the parent	57 088	51 707	12 197	11 242
Total equity	**58 108**	**52 578**	**12 414**	**11 431**
Non-current liabilities	19 840	23 883	4 239	5 193
Current liabilities	44 192	30 293	9 442	6 586
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	133.47	120.89	28.52	26.28

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	6 MONTHS ENDED 30/06/2022	6 MONTHS ENDED 30/06/2021	6 MONTHS ENDED 30/06/2022	6 MONTHS ENDED 30/06/2021
Sales revenues	73 751	35 189	15 885	7 739
Profit from operations increased by depreciation and amortisation (EBITDA)	4 900	4 003	1 055	880
Profit from operations (EBIT)	3 820	3 005	823	661
Profit before tax	4 076	3 828	878	842
Net profit	**3 229**	**3 296**	**696**	**725**
Total net comprehensive income	3 033	3 406	653	749
Net cash from operating activities	4 624	4 168	996	917
Net cash (used) in investing activities	(5 187)	(4 108)	(1 117)	(903)
Net cash from financing activities	-	784	-	172
Net increase/(decrease) in cash	(563)	844	(121)	186
Net profit and diluted net profit per share (in PLN/EUR per share)	7.55	7.71	1.63	1.70
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Non-current assets	45 304	44 309	9 679	9 634
Current assets	35 780	26 644	7 644	5 793
Total assets	**81 084**	**70 953**	**17 323**	**15 427**
Share capital	1 058	1 058	226	230
Total equity	**39 991**	**38 455**	**8 544**	**8 361**
Non-current liabilities	9 086	13 110	1 941	2 850
Current liabilities	32 007	19 388	6 838	4 216
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	93.50	89.91	19.98	19.55

The above financial data for the 6-month period of 2022 and 2021 was translated into EUR using the following exchange rates:

– items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates quoted by the National Bank of Poland as of the last day of each month during the reporting period: from 1 January to 30 June 2022 – 4.6427 EUR/PLN and 1 January to 30 June 2021 – 4.5472 EUR/PLN;
– items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 30 June 2022 – 4.6806 EUR/PLN and as at 31 December 2021 – 4.5994 EUR/PLN.

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HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 AND 3-MONTH PERIOD ENDED 30 JUNE 2022

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in PLN million)

A. HALF-YEAR 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	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Sales revenues	5.1	103 251	57 804	53 985	29 423
revenues from sales of finished goods and services		*83 516*	*46 981*	*41 415*	*22 845*
revenues from sales of merchandise and raw materials		*19 735*	*10 823*	*12 570*	*6 578*
Cost of sales	5.2	(80 566)	(44 622)	(44 794)	(24 620)
cost of finished goods and services sold		*(62 450)*	*(34 222)*	*(33 881)*	*(18 841)*
cost of merchandise and raw materials sold		*(18 116)*	*(10 400)*	*(10 913)*	*(5 779)*
Gross profit on sales		**22 685**	**13 182**	**9 191**	**4 803**
Distribution expenses		(4 831)	(2 451)	(3 868)	(1 948)
Administrative expenses		(1 434)	(735)	(1 330)	(659)
Other operating income	5.5	1 384	539	2 816	1 087
Other operating expenses	5.5	(9 269)	(5 406)	(2 052)	(679)
(Loss) due to impairment of trade receivables		(28)	(13)	(38)	(56)
Share in profit from investments accounted for using the equity method	5.7	244	102	288	207
Profit from operations		**8 751**	**5 218**	**5 007**	**2 755**
Finance income	5.6	854	409	554	373
Finance costs	5.6	(1 169)	(630)	(542)	(271)
Net finance income and costs		**(315)**	**(221)**	**12**	**102**
(Loss) due to impairment of loans and interest on trade receivables		(4)	(1)	(4)	(3)
Profit before tax		**8 432**	**4 996**	**5 015**	**2 854**
Tax expense		(1 904)	(1 313)	(899)	(610)
current tax		*(2 163)*	*(1 443)*	*(620)*	*(447)*
deferred tax		*259*	*130*	*(279)*	*(163)*
Net profit		**6 528**	**3 683**	**4 116**	**2 244**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		**92**	**46**	**(30)**	**15**
actuarial gains and losses		*105*	*55*	*(41)*	*17*
gains on investments in equity instruments at fair value through other comprehensive income		*7*	*1*	*5*	*1*
deferred tax		*(20)*	*(10)*	*6*	*(3)*
which will be reclassified into profit or loss		**408**	**316**	**418**	**265**
hedging instruments		*(110)*	*286*	*48*	*637*
hedging costs		*(232)*	*(174)*	*282*	*(66)*
exchange differences on translating foreign operations		*682*	*229*	*148*	*(198)*
share in other comprehensive income of investments accounted for using the equity method		*1*	*(1)*	*-*	*-*
deferred tax		*67*	*(24)*	*(60)*	*(108)*
		500	**362**	**388**	**280**
Total net comprehensive income		**7 028**	**4 045**	**4 504**	**2 524**
Net profit attributable to		**6 528**	**3 683**	**4 116**	**2 244**
equity owners of the parent		*6 382*	*3 612*	*4 072*	*2 227*
non-controlling interest		*146*	*71*	*44*	*17*
Total net comprehensive income attributable to		**7 028**	**4 045**	**4 504**	**2 524**
equity owners of the parent		*6 873*	*3 968*	*4 464*	*2 506*
non-controlling interest		*155*	*77*	*40*	*18*
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		14.92	8.44	9.52	5.21

The accompanying notes disclosed on pages 10 – 49 are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in PLN million)

Consolidated statement of financial position

	NOTE	30/06/2022 (unaudited)	31/12/2021
ASSETS			
Non-current assets			
Property, plant and equipment		56 645	55 379
Intangible assets and goodwill		4 103	4 829
Right-of-use asset		5 533	5 586
Investments accounted for using the equity method		1 161	1 125
Deferred tax assets		660	718
Derivatives	5.9	401	343
Other assets	5.9	1 177	726
		69 680	**68 706**
Current assets			
Inventories		26 630	18 410
Trade and other receivables		19 400	15 041
Current tax assets		190	129
Cash		3 046	2 896
Derivatives	5.9	612	1 149
Other assets, incl.:	5.9	2 582	423
security deposits	5.9	*2 412*	*265*
		52 460	**38 048**
Total assets		**122 140**	**106 754**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(705)	(430)
Revaluation reserve		(14)	(20)
Exchange differences on translating foreign operations		2 793	2 111
Retained earnings		52 729	47 761
Equity attributable to equity owners of the parent		**57 088**	**51 707**
Non-controlling interests		**1 020**	**871**
Total equity		**58 108**	**52 578**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.8	9 955	13 742
Provisions	5.10	1 592	1 905
Deferred tax liabilities		1 686	2 060
Derivatives	5.9	988	705
Lease liabilities		5 005	4 876
Other liabilities	5.9	605	586
Liabilities from contracts with customers		9	9
		19 840	**23 883**
Current liabilities			
Trade and other liabilities		27 470	19 811
Lease liabilities		701	679
Liabilities from contracts with customers		1 074	719
Loans, borrowings and bonds	5.8	4 733	1 429
Provisions	5.10	4 360	6 201
Current tax liabilities		1 753	855
Derivatives	5.9	1 626	461
Other liabilities	5.9	2 475	138
		44 192	**30 293**
Total liabilities		**64 032**	**54 176**
Total equity and liabilities		**122 140**	**106 754**

The accompanying notes disclosed on pages 10 – 49 are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in PLN million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
01/01/2022	2 285	(430)	(20)	2 111	47 761	51 707	871	52 578
Net profit	-	-	-	-	6 382	6 382	146	6 528
Components of other comprehensive income	-	(275)	6	682	78	491	9	500
Total net comprehensive income	**-**	**(275)**	**6**	**682**	**6 460**	**6 873**	**155**	**7 028**
Change in share structure	-	-	-	-	5	5	(5)	-
Dividends	-	-	-	-	(1 497)	(1 497)	(1)	(1 498)
30/06/2022	**2 285**	**(705)**	**(14)**	**2 793**	**52 729**	**57 088**	**1 020**	**58 108**
(unaudited)								
01/01/2021	2 285	(16)	(37)	1 328	38 036	41 596	793	42 389
Net profit	-	-	-	-	4 072	4 072	44	4 116
Components of other comprehensive income	-	270	4	148	(30)	392	(4)	388
Total net comprehensive income	**-**	**270**	**4**	**148**	**4 042**	**4 464**	**40**	**4 504**
Liquidation of company	-	-	-	17	-	17	-	17
Acquisition of subsidiary	-	-	-	-	-	-	8	8
Dividends	-	-	-	-	(1 497)	(1 497)	(1)	(1 498)
30/06/2021	**2 285**	**254**	**(33)**	**1 493**	**40 581**	**44 580**	**840**	**45 420**
(unaudited)								

The accompanying notes disclosed on pages 10 – 49 are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in PLN million)

Consolidated statement of cash flows

	NOTE	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Cash flows from operating activities					
Profit before tax		**8 432**	**4 996**	**5 015**	**2 854**
Adjustments for:					
Share in profit from investments accounted for using the equity method		(244)	(102)	(288)	(207)
Depreciation and amortisation	5.2	2 847	1 447	2 605	1 294
Foreign exchange (profit)		(23)	(3)	(200)	(220)
Net interest		272	138	221	121
Dividends	5.6	-	-	(3)	(3)
(Profit)/Loss on investing activities, incl.:		7 334	4 554	(628)	(215)
recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets, goodwill, and other assets		*2 887*	*2 860*	*89*	*85*
settlement and valuation of derivative financial instruments	5.5, 5.6	*4 500*	*1 743*	*(571)*	*(264)*
Change in provisions		3 666	1 939	2 356	1 233
Change in working capital		(7 112)	(2 599)	123	425
inventories		*(7 841)*	*(2 792)*	*(2 436)*	*(469)*
receivables		*(4 514)*	*(848)*	*(1 974)*	*(1 299)*
liabilities		*5 243*	*1 041*	*4 533*	*2 193*
Other adjustments, incl.:		(3 085)	(946)	339	264
settlement of grants for property rights		*(1 496)*	*(698)*	*(814)*	*(550)*
security deposits	5.9	*(2 153)*	*(385)*	*1 043*	*739*
change in settlements of settled cash flow hedging instruments		*184*	*(610)*	*(23)*	*(21)*
Income tax (paid)		(1 332)	(472)	(565)	(429)
Net cash from operating activities		**10 755**	**8 952**	**8 975**	**5 117**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(7 230)	(3 767)	(5 539)	(2 145)
Acquisition of shares lowered by cash		-	-	(772)	(562)
Acquisition of financial assets in ORLEN VC		(18)	(18)	-	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset		28	21	52	28
Short-term deposits		(15)	(8)	34	-
Dividends received		190	190	152	152
Settlement of derivatives not designated as hedge accounting		(2 226)	(1 021)	(530)	(349)
Other		35	22	(18)	1
Net cash (used) in investing activities		**(9 236)**	**(4 581)**	**(6 621)**	**(2 875)**
Cash flows from financing activities					
Proceeds from loans and borrowings received		8 998	163	6 256	1 952
Bonds issued		-	-	3 225	2 231
Repayment of loans and borrowings		(9 264)	(3 798)	(7 412)	(3 007)
Redemption of bonds		(400)	(400)	(2 252)	(2 252)
Interest paid from loans, borrowings and bonds		(266)	(191)	(213)	(182)
Interest paid on lease		(100)	(32)	(92)	(27)
Payments of liabilities under lease agreements		(398)	(167)	(373)	(164)
Grants received		38	30	-	-
Other		(22)	(14)	2	(1)
Net cash (used) in financing activities		**(1 414)**	**(4 409)**	**(859)**	**(1 450)**
Net increase/(decrease) in cash		**105**	**(38)**	**1 495**	**792**
Effect of changes in exchange rates		45	15	44	(16)
Cash, beginning of the period		2 896	3 069	1 240	2 003
Cash, end of the period		**3 046**	**3 046**	**2 779**	**2 779**
including restricted cash		*375*	*375*	*369*	*369*

The accompanying notes disclosed on pages 10 – 49 are an integral part of these half-year condensed consolidated financial statements.

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity of the ORLEN Group

The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group ("Group", "ORLEN 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.
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 half-year condensed consolidated financial statements

2.1. Statement of compliance and general principles of preparation

These half-year condensed consolidated financial statements were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information provided by issuers of securities and terms of deeming information required by the regulations of a non-member state equivalent (Official Journal 2018, item 757) and present the ORLEN Group financial position as at 30 June 2022 and as at 31 December 2021 financial results and cash flows for the 6 and 3-month period ended 30 June 2022 and 30 June 2021.

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

2.2.2. Restated of comparative data

In these half-year condensed consolidated financial statements the following changes were made to the comparative data in relation to the Consolidated Quarterly Report for the 1st half of 2021:

- in the 6 and 3-month of 2021, as a result of the change in the presentation of transaction differences related to the settlement of derivatives with the ICE exchange introduced at the end of 2021, reclassification between:
  a) other operating expenses and financial income in the amount of PLN 352 million and 64 PLN million, respectively;
  b) other operating income and financial expenses in the amount of PLN (348) million and PLN (81) million, respectively;
- in the 2nd quarter of 2021, the Group completed the allocation of the purchase price of Livingstone Sp. z o.o. and ORLEN Transport Sp. z o.o.
  As a result of the final settlement, selected items in the statement of profit or loss and other comprehensive income for the 3-month period ended 31 March 2021 changed:
  a) other operating expenses, due to the settlement of the previously existing links under contracts concluded before the acquisition date between Livingstone and an ORLEN Group company, at the estimated fair value of PLN (8) million.
  b) cost of sales due to the recognition of costs related to the acquisition of ORLEN Transport in the amount of PLN (2) million.

Detailed information on the acquired assets and liabilities as well as their fair value are presented in note 7.3.2. Consolidated Financial Statements for 2021.

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

	6 MONTHS ENDED 30/06/2021 (unaudited)	Change in presentation of transaction differences related to the settlement of derivatives with ICE stock exchange	6 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Cost of sales	(44 794)	-	(44 794)
Gross profit on sales	**9 191**	**-**	**9 191**
Other operating income	3 164	(348)	2 816
Other operating expenses	(2 404)	352	(2 052)
Profit from operations	**5 003**	**4**	**5 007**
Finance income	906	(352)	554
Finance costs	(890)	348	(542)
Net finance income and costs	**16**	**(4)**	**12**
Profit before tax	**5 015**	**-**	**5 015**
Net profit	**4 116**	**-**	**4 116**

	3 MONTHS ENDED 30/06/2021 (unaudited)	Completion of the process allocation of the Livigstone and Orlen Transport purchase price	Change in presentation of transaction differences related to the settlement of derivatives with ICE stock exchange	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Cost of sales	(24 622)	2	-	(24 620)
Gross profit on sales	**4 801**	**2**	**-**	**4 803**
Other operating income	1 168	-	(81)	1 087
Other operating expenses	(751)	8	64	(679)
Profit from operations	**2 762**	**10**	**(17)**	**2 755**
Finance income	437	-	(64)	373
Finance costs	(352)	-	81	(271)
Net finance income and costs	**85**	**-**	**17**	**102**
Profit before tax	**2 844**	**10**	**-**	**2 854**
Net profit	**2 234**	**10**	**-**	**2 244**

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 half-year 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 report is presented in PLN million, unless otherwise stated.

2.3.2. Methods applied to translation of financial statements

Translation into PLN of financial statements of foreign entities, for consolidation purposes:

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

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

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	6 MONTHS ENDED 30/06/2022	3 MONTHS ENDED 30/06/2022	6 MONTHS ENDED 30/06/2021	3 MONTHS ENDED 30/06/2021	30/06/2022	31/12/2021
EUR/PLN	4.6330	4.6467	4.5382	4.5325	4.6806	4.5994
USD/PLN	4.2376	4.3586	3.7653	3.7605	4.4825	4.0600
CZK/PLN	0.1881	0.1886	0.1755	0.1767	0.1892	0.1850
CAD/PLN	3.3338	3.4169	3.0189	3.0610	3.4711	3.1920

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

In the Energy segment sales and distribution of electricity and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed, and consequently sales revenues, increases in the winter months and decreases in the

summer months. This depends on the ambient temperature and day length. The range of these fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of energy sales and distribution applies to a much greater degree to small individual customers than to the industrial sector clients.
There is no significant seasonality or cyclicality of operations in the other segments of the ORLEN Group.

3. Financial situation and the organization of the ORLEN Group

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

On 24 February 2022, Russia launched an invasion of Ukraine. The outbreak of the war significantly deepened the shortages of natural gas, hard coal, crude oil and liquid fuels that appeared on the global markets of these commodities already at the beginning of the fourth quarter of last year. Subsequent sanctions imposed on the import of hydrocarbons from Russia resulted in the initial period an intensive increase in the prices of crude oil and petroleum products. The prices of gas and electricity also rose. At the same time, in the 1st half of 2022, there was a very high volatility in the quotations of CO_2 emission allowances, the price of which decreased sharply after the outbreak of the war, and in the following months it would start increasing again to the levels before the conflict broke out.
Since the beginning of the war the Group observed also an increase in refining margins caused mainly by the insufficient supply of fuels in relation to the demand, resulting from the structural shortage of refining capacities in the world, strongly reduced after the outbreak of the pandemic.
Dynamic changes in the macroeconomic environment and regulatory changes led to the weakening of the PLN currency in the 2nd quarter of 2022 and had a negative impact on the valuation and settlement of derivative instruments owned by the Group throughout 1st half of 2022.
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, 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 a possible slowdown in economic growth or even a recession. On the other hand, the scale and impact of the war in Ukraine on the macroeconomic situation and, consequently, the future financial situation of the Group, its operating activities, as well as its future financial results are currently very difficult to estimate. This impact will depend both on the implementation of possible scenarios for the further course of the war in Ukraine, as well as on the actions that will be taken by the governments of other countries, including the maintenance or imposition of new sanctions on Russia, as well as the continuation of restrictions in trade relations with Russia and possibly countries supporting it military operations in Ukraine. Introduce sanctions or take other measures that significantly reduce the availability of oil from Russia may have a negative effect on the Group's operating activities and financial results.
The description of the Group's achievements and factors having a significant impact on the financial data presented by the Group in the 1st half of 2022 is presented in note 3.2.
So far, there have been no disruptions in the operational processes implemented within the Group, and there have been no significant restrictions in the availability of raw materials, including crude oil, in any of the areas of the Group's operations. Terminals, storage depots and refineries in the ORLEN Group operate in an unchanged scope, and fuel supplies to all fuel stations are carried out all the time. The Group assesses that it has adequate reserves of raw materials, including crude oil and fuels. Additionally, the Group secured additional supplies of crude oil from other sources, ensuring the continuation of processing and sales without significant restrictions.
Moreover, despite the complete suspension, starting from 27 April 2022, of natural gas supplied by PAO Gazprom and OOO Gazprom Eksport to PGNIG, which is the main gas supplier to the ORLEN Group's companies operating on the Polish market, in the 2nd quarter of 2022, a framework agreement with PGNiG for gaseous fuel supply to the ORLEN system was fully implemented and there were no disruptions in supplies. As at the date of these half-year condensed consolidated financial statements, gas transmission to the ORLEN Group is in line with the contract and the Group's demand. From the end of 2021, PKN ORLEN additionally implemented measures on the technological side reducing the dependence of the main plant in Płock on the availability of natural gas. PKN ORLEN has full contractual coverage of its needs, additionally through membership and active participation on the Polish Power Exchange and having a portfolio of OTC contracts, it 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. The dynamic changes in the prices of CO_2 emission allowances observed in the 1st quarter of 2022 and the depreciation of the PLN currency had an impact on the portfolio of derivative transactions held by the Group. Since the outbreak of the war, the Group has been constantly adjusting its derivative transactions portfolio to the changing market conditions in order to reduce their negative impact on the liquidity situation and the Group's results. As a result of the increased demand for working capital and to supplement security deposits, the Group also used additional funds in the 1st quarter of 2022 under the

syndicated loan agreement. In the 2nd quarter of 2022, the Group used the cash surpluses generated in this period to repay overdraft facilities and a syndicated loan.
In the opinion of the Group, the ongoing conflict in Ukraine does not change the risk with regard to the guarantees issued as at 30 June 2022. The Group has made a detailed analysis of sales on the Ukrainian and Russian markets. Based on the analysis, due to the low volume of sales in these countries (less than 2% share in the Group's sales revenues) and insignificant balance of receivables from entities based in these countries as at the balance sheet date, the Group did not find a significant increase in the risk of defaults on receivables disclosed on the 30 June 2022.
Moreover, in connection with the ongoing war in Ukraine, the ORLEN Group companies were actively involved in pro-social activities in helping both refugees coming to Poland from across the eastern border and people fighting in Ukraine.
The Group monitors the developments in Ukraine on an ongoing basis and adjusts its activities to the changing market conditions. Nevertheless, in the event of a protracted armed conflict in Ukraine and the implementation of negative scenarios of the war impact on the global economic situation, it may also have a negative impact on the Group's operations, both in terms of organization and liquidity.
In 1st half the Group recognized the changes in the macroeconomic environment, the increase in crude oil, refinery and petrochemical product prices and a significant increase in gas prices caused, inter alia, by the armed conflict in Ukraine and the uncertainty of REBCO crude oil availability as a result of sanctions imposed on Russia as premises indicating the necessity to conduct value loss tests of non-current assets as at 30 June 2022. Additional information is presented in note 5.4.

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

Profit or loss

Sales revenues of the ORLEN Group for the 6 months of 2022 amounted to PLN 103,251 million and was higher by PLN 49,266 million (y/y). The increase of sales revenues (y/y) reflects both higher by 18% volume sales in all operating segments and higher by 66% crude oil prices and, consequently, also the quotations of the main products. In the 6-month period of 2022 in comparison to the same period of 2021 the prices of the fuel increased by 82%, diesel oil by 101%, aviation fuel by 106%, heavy heating oil by 56%, ethylene by 48% and propylene by 55%.

The operating expenses totally increased by PLN (36,839) million (y/y) to PLN (86,831) million, mainly due to increase in the prices of basic raw materials and energy as a result of the ongoing Russian-Ukrainian war as well as of higher by 2.4 million tonnes (y/y) volume of crude oil processing due to a lower (y/y) scope of maintenance shutdowns in PKN ORLEN.

The result of other operating activities amounted to PLN (7,885) million and was lower by PLN (8,649) 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 (5,369) 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 (2 887) million, which related mainly to the Refinery segment. Additional information in note 5.4.

As a result, profit from operations amounted to PLN 8,751 million and was higher by PLN 3,744 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 C1.

Net finance expenses in the described period amounted to PLN (315) million and included mainly foreign exchange loss in the amount of PLN (310) million, net interest expenses in the amount of PLN (287) million and settlement and valuation of derivative financial instruments in the amount of PLN 303 million.

After the deduction of tax charges in the amount of PLN (1,904) million, the net profit of the ORLEN Group for the 6 months of 2022 amounted to PLN 6,528 million and was higher by PLN 2,412 million (y/y).

Statement of financial position

As at 30 June 2022, the total assets of the ORLEN Group amounted to PLN 122,140 million and was higher by PLN 15,386 million in comparison with 31 December 2021.
As at 30 June 2022, the value of non-current assets amounted to PLN 69,680 million and was higher by PLN 974 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 487 million and other assets by PLN 451 million, mainly due to advances for construction in progress.
The change in balance of property, plant and equipment and intangible assets by PLN 540 million (y/y) comprised:

– investment expenditures in the amount of PLN 5,726 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 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 and projects in Retail and Upstream segment;
– depreciation and amortisation in the amount of PLN (2,499) million;
– purchase of CO_2 allowances and energy certificates in the amount of PLN 1,853 million;
– amortisation of CO2 allowances and energy certificates in the amount of PLN (5,663) million;
– allowances received free of charge in the amount of PLN 3,354 million,

- recognition of net impairment allowances on assets mainly in the Refinery segment in the amount of PLN (2 887) million
- effect of differences in balance on translating foreign operations in the amount of PLN 740 million.

The value of current assets as at 30 June 2022 increased by PLN 14,412 million in comparison with the end of the previous year, mainly as an increase in inventories by PLN 8,220 million, trade and other receivables by PLN 4,359 million, balance of cash by PLN 150 million, and other assets by PLN 2,159 million, which mainly related to the increase in margin deposits in USD on the ICE exchange by PLN 2,134 million with decrease of valuation of derivative financial instruments by PLN (537) million mainly due to the valuation of CO_2 forward contracts related to the decrease in their volume (additional information in note 5.5 and 5.9). The increase in value of inventories is mainly the result of an increase in crude oil and petroleum product prices. The increase in trade receivables results mainly from higher sales in term of value and quantity and from the use of non-recourse factoring in the companies of the Group.

As at 30 June 2022, total equity amounted to PLN 58,108 million and was higher by PLN 5,530 million in comparison with the end of 2021, mainly due to recognition of net profit for the 6 months of 2022 in the amount of PLN 6,528 million, negative impact of the change in hedging reserve in the amount of PLN (275) million related mainly to the application of hedge accounting from 1 January 2022 to the time mismatch resulting from the purchase of crude oil by sea and the sale of refining products and the impact of exchange differences on translating foreign operations in the amount of PLN 682 million, resulting mainly from the increase in CZK, USD and CAD exchange rates with consideration dividends liabilities from previous years' profits to PKN ORLEN's shareholder in the total amount of PLN (1,497) million.

The value of trade and other liabilities increased by PLN 7,659 million compared to the end of 2021 mainly due to increase of trade liabilities by PLN 5,377 million, PKN ORLEN's shareholder dividend liabilities by PLN 1,497 million, tax liabilities by PLN 261 million and investment liabilities by PLN 640 million. The increase in trade liabilities results mainly from the higher prices on the markets.

Value of provisions as at 30 June 2022 amounted to PLN 5,952 million and was lower by PLN (2,154) million in comparison to the end of 2021. The decrease resulted mainly from the change in the balance of net provision for estimated CO_2 emissions and energy certificates in the total amount of PLN (1,887) million mainly due to amortisation of provisions related to 2021 emission in the amount to PLN (5,749) million. In addition, during the 6-month period of 2022, the Group updated provisions from 2021 in the amount of PLN 193 million and recognised a provision for CO_2 emissions for 1st half of 2022 in the total amount of PLN 3,510 million.

Other short-term liabilities were higher by PLN 2,337 million in comparison to the end of 2021 and amounted to PLN 2,475 million, mainly due to the recognition of grants due to CO_2, the value of which to be settled as at 30 June 2022 amounted to PLN 1,381 million and increase of liabilities on settled derivatives in the amount of PLN 867 million.

As at 30 June 2022, net financial indebtedness of the ORLEN Group amounted to PLN 11,627 million and was lower by PLN (648) million in comparison with the end of 2021 mainly due to the net outflows, including inflows and repayments of loans, and borrowings and redemption of bonds in the amount of PLN (666) million, an increase in balance of cash by PLN (150) million, short-term deposits in the amount of PLN (15) million and the net effect of valuation and revaluation of debt due to foreign exchange differences in the total amount of PLN 183 million.

Statement of cash flows

Proceeds of net cash from operating activities for the 6 months of 2022 amounted to PLN 10,755 million and comprised mainly result from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 11,598 million adjusted by: share in profit from investments accounted for using the equity method in the amount of PLN (244) million, the negative impact of increase in a net working capital by PLN (7,112) million mainly related to increase in crude oil prices and prices of products, which translated into the increase of value of inventories, receivables and liabilities, use of non-recourse factoring in the companies of the Group decreased by paid income taxes in the amount of PLN (1,332) million, loss on investing activities in the amount of PLN 7,334 million mainly related to settlement and valuation of derivative financial instruments in the amount of PLN 4,500 million and recognition of net impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets in the amount of PLN 2,887 million, change in provisions in the amount of PLN 3,666 million mainly as a result of creation of provision for CO_2 emission and other adjustments in the amount of PLN (3,085) million related mainly to security deposits for the settlement of transactions with the ICE and IRGIT exchange in the amount of PLN (2,153) million and settlement of grants for property rights in the amount of PLN (1,496) million.

Net cash used in investing activities for the 6 months of 2022 amounted to PLN (9,236) 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 (7,202) million and settlement of derivatives not designated as hedge accounting in the amount of PLN (2,226) million.

Net cash flows from financing activities for the 6 months of 2022 amounted to PLN (1,414) million and comprised mainly the net outflows of loans and borrowings in the amount of PLN (266) million, C and D series bond redemption in the amount of PLN (400) million under the second public retail bond issue program, interest paid in the amount of PLN (366) million and liabilities under lease agreements in the amount of PLN (398) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 6-month period of 2022 increased by PLN 150 million and as at 30 June 2022 amounted to PLN 3,046 million.

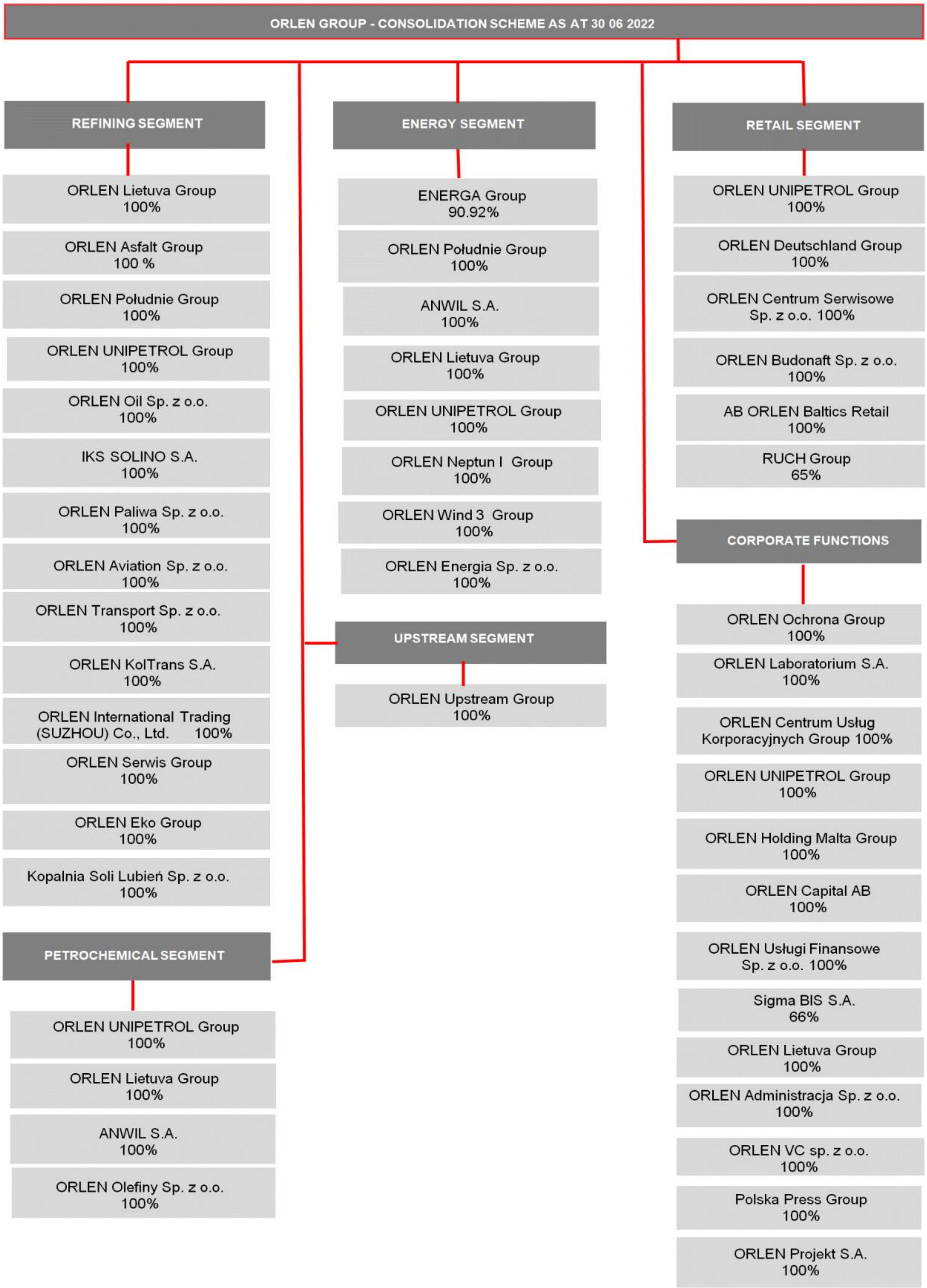
Factors and events which may influence future results

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 COVID-19 pandemic in China on the global economy,
- significant increase in inflation and market interest rates,
- the risk of a recession in the global economy,
- 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 (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,
- renewable electricity generation technology development,
- LOTOS and PGNiG acquisitions and their economic effects.

3.3. Organization of the ORLEN Group and changes in the structure of the ORLEN Group

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



HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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%
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%
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%
Upstream Segment	
ORLEN Upstream Group	
ORLEN Upstream Sp. z o.o.	100%
ORLEN Upstream Canada Ltd.	100%
KCK Atlantic Holdings Ltd.	100%

Name of the Capital Group/Company	
Energy Segment	
ENERGA Group	
Energa S.A.	90.92%
Energa-Operator S.A.	100%
Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	100%
Energa-Obrót S.A.	100%
Energa SLOVAKIA s.r.o.	100%
Enspirion Sp. z o.o.	100%
Energa 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. w organizacji	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%
Energa Green Development Sp. z o.o.	100%
ORLEN Południe Group	
ORLEN Południe S.A.	100%
Energomedia Sp. z o.o.	100%
Bioenergy Project Sp. z o.o	100%
CHP Energia Sp. z o.o	100%
Bioutil Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN Wind 3 Group	
ORLEN Wind 3 Sp. z o.o.	100%
Livingstone Sp. z o.o.	100%
Nowotna Farma Wiatrowa sp. z o.o.	100%
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%
Petrochemical Segment	
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN UNIPETROL Deutschland GmbH	100%
Spolana s.r.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%

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

- on 17 February 2022, the name of the company was changed from UAB Mockavos terminalas to UAB ORLEN Mockavos terminalas;
- on 7 March 2022, through the S24 system, Polska Press Sp. z o.o acquired 100% of shares in a limited liability in PL24 Sp. z o.o.;
- on 10 March 2022, the Extraordinary Meeting of Shareholders of PL24 Sp. z o.o. adopted a resolution on increasing the company's share capital. As a result of the capital increase, 950 shares were created, and all newly created shares were acquired by Polska Press Sp. z o.o.

- on 15 March 2022, an Extraordinary General Meeting of ORLEN Południe S.A was held, regarding the consent to the increase of the share capital of ORLEN Południe S.A. All new shares were acquired by PKN ORLEN. On 6 June 2022, an increase in the share capital of ORLEN Południe S.A. was registered;
- on 17 March 2022, the transfer of ownership of 10 registered shares in the share capital of Konsorcjum Olejów Przepracowanych - Organizacja Odzysku Opakowań i Olejów S.A. of shares was made to ORLEN Południe S.A, as a result of which the share of ORLEN Południe S.A. in the share capital of the Konsorcjum Olejów Przepracowanych - Organizacja Odzysku Opakowań i Olejów Spółka Akcyjna increased to 90%;
- on 18 March 2022, the Extraordinary General Meeting of Shareholders of CCGT Ostrołęka Sp. z o.o. which adopted a resolution on increasing the share capital of CCGT Ostrołęka Sp. z o.o. All new shares were acquired by PKN ORLEN, which made a cash contribution of PLN 193 million. On 14 April 2022, there was increase in the share capital of CCGT Ostrołęka Sp. z o.o.;
- on 5 April 2022, a resolution was adopted to increase the share capital of ORLEN Neptun I sp.z o.o.;
- on 5 May 2022, the Extraordinary General Meeting of ORLEN Neptun I sp.z o.o. adopted a resolution on making an in-kind contribution in the form of shares owned by PKN ORLEN and representing 100% of the share capital of ORLEN Neptun II - ORLEN Neptun XI. In connection with the above, ORLEN Neptun I sp.z o.o. has its own capital group, which includes 10 ORLEN Neptun companies, II-XI. Thus, ORLEN Neptun II-XI companies no longer report directly to PKN ORLEN.
- on 12 May 2022, the share in ECARB Sp. z o. o. between companies of the ENERGA Group was sold. Currently, the owner is ENERGA OZE S.A., which acquired the share from ENERGA S.A;
- on 19 May 2022, the Extraordinary Meeting of Shareholders of CCGT Grudziądz Sp. z o.o. adopted a resolution on increasing the share capital;
- on 25 May 2022, a change of name from ENERGA OZE S.A. to Energa Wytwarzanie S.A was registered in the National Court Register;
- on 26 May 2022, a new company was established in the ENERGA Group in the Wytwarzanie Business Line - Energa LBW 1 Sp. z o.o .;
- on 27 May 2022, an increase in the share capital of ORLEN Neptun I sp.z o.o. was registered;
- on 2 June 2022, a resolution was adopted to increase the share capital of CCGT Ostrołęka Sp. z o.o by PLN 254 million. On 26 July 2022, the share capital increase was registered with the National Court Register. After registration, the share of PKN ORLEN in the share capital of CCGT Ostrołęka Sp. z o.o. is 49.99%;
- on 7 June 2022, the Ordinary General Meeting of Sigma BIS adopted a Resolution on increasing the share capital by issuing series C shares, which will be covered by a cash contribution. The payment for the new issue shares was made by contractual deductions with the liabilities due to the PKN ORLEN and PZU S.A from the Company under the loan agreement concluded between Sigma BIS S.A., PKN ORLEN and PZU S.A. On 8 July 2022, the increase in the share capital of Sigma BIS was registered;
- on 28 June 2022, ENERGA Kogeneracja Sp. z o.o. acquired shares in ENERGA Ciepło Ostrołęka Sp. z o.o;
- on 29 June 2022, ENERGA Elektrownie Ostrołęka S.A. acquired shares in ENERGA Serwis Sp. z o.o .;

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

4. Segment's data

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

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

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

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in PLN million)

Revenues, costs, financial results, increases in non-current assets
for the 6-month period ended 30 June 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	46 860	13 653	11 451	30 313	706	268	-	103 251
Inter-segment revenues		26 537	2 918	3 497	75	-	336	(33 363)	-
Sales revenues		73 397	16 571	14 948	30 388	706	604	(33 363)	103 251
Total operating expenses		(61 267)	(14 741)	(13 099)	(29 507)	(282)	(1 298)	33 363	(86 831)
Other operating income	5.5	551	364	404	25	2	38	-	1 384
Other operating expenses	5.5	(7 285)	(753)	(932)	(43)	(135)	(121)	-	(9 269)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	1	(32)	(1)	-	5	-	(28)
Share in profit from investments accounted for using the equity method	5.7	2	195	48	-	-	(1)	-	244
Profit/(Loss) from operations		**5 397**	**1 637**	**1 337**	**862**	**291**	**(773)**	**-**	**8 751**
Net finance income and costs	5.6								(315)
(Loss) due to impairment of loans and interest on trade receivables									(4)
Profit before tax									**8 432**
Tax expense									(1 904)
Net profit									**6 528**
Depreciation and amortisation	5.2	**733**	**542**	**828**	**416**	**175**	**153**	**-**	**2 847**
EBITDA		**6 130**	**2 179**	**2 165**	**1 278**	**466**	**(620)**	**-**	**11 598**
Increases in non-current assets		**1 747**	**2 458**	**1 171**	**525**	**254**	**113**	**-**	**6 268**

for the 3-month period ended 30 June 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	27 080	7 219	5 681	17 261	416	147	-	57 804
Inter-segment revenues		15 202	1 719	2 170	42	-	176	(19 309)	-
Sales revenues		42 282	8 938	7 851	17 303	416	323	(19 309)	57 804
Total operating expenses		(34 552)	(7 789)	(7 125)	(16 818)	(163)	(670)	19 309	(47 808)
Other operating income	5.5	213	127	160	13	-	26	-	539
Other operating expenses	5.5	(5 137)	(4)	(145)	(13)	(54)	(53)	-	(5 406)
(Loss)/reversal of loss due to impairment of trade receivables		2	-	(12)	-	-	(3)	-	(13)
Share in profit from investments accounted for using the equity method	5.7	1	88	14	-	-	(1)	-	102
Profit/(Loss) from operations		**2 809**	**1 360**	**743**	**485**	**199**	**(378)**	**-**	**5 218**
Net finance income and costs	5.6								(221)
(Loss) due to impairment of loans and interest on trade receivables									(1)
Profit before tax									**4 996**
Tax expense									(1 313)
Net profit									**3 683**
Depreciation and amortisation	5.2	**367**	**273**	**418**	**210**	**105**	**74**	**-**	**1 447**
EBITDA		**3 176**	**1 633**	**1 161**	**695**	**304**	**(304)**	**-**	**6 665**
Increases in non-current assets		**986**	**1 146**	**736**	**245**	**71**	**40**	**-**	**3 224**

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for the 6-month period ended 30 June 2021

	NOTE	Refining Segment (unaudited) (restated data)	Petrochemical Segment (unaudited) (restated data)	Energy Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited)	Total (unaudited) (restated data)
External revenues	5.1	21 858	6 431	7 618	17 584	335	159	-	53 985
Inter-segment revenues		10 794	739	1 602	38	-	276	(13 449)	-
Sales revenues		32 652	7 170	9 220	17 622	335	435	(13 449)	53 985
Total operating expenses		(30 820)	(6 432)	(8 225)	(16 651)	(277)	(1 036)	13 449	(49 992)
Other operating income	5.5	1 424	643	706	32	-	11	-	2 816
Other operating expenses	5.5	(1 636)	(37)	(139)	(34)	(140)	(66)	-	(2 052)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	(1)	(37)	(4)	(1)	6	-	(38)
Share in profit from investments accounted for using the equity method	5.7	-	176	112	-	-	-	-	288
Profit/(Loss) from operations		**1 619**	**1 519**	**1 637**	**965**	**(83)**	**(650)**	**-**	**5 007**
Net finance income and costs	5.6								12
(Loss) due to impairment of loans and interest on trade receivables									(4)
Profit before tax									**5 015**
Tax expense									(899)
Net profit									**4 116**
Depreciation and amortisation	5.2	**661**	**482**	**775**	**405**	**157**	**125**	**-**	**2 605**
EBITDA		**2 280**	**2 001**	**2 412**	**1 370**	**74**	**(525)**	**-**	**7 612**
Increases in non-current asset		**871**	**1 394**	**1 175**	**468**	**139**	**121**	**-**	**4 168**

for the 3-month period ended 30 June 2021

	NOTE	Refining Segment (unaudited) (restated data)	Petrochemical Segment (unaudited) (restated data)	Energy Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited)	Total (unaudited) (restated data)
External revenues	5.1	12 493	3 113	3 713	9 785	184	135	-	29 423
Inter-segment revenues		5 590	280	712	24	-	143	(6 749)	-
Sales revenues		18 083	3 393	4 425	9 809	184	278	(6 749)	29 423
Total operating expenses		(17 143)	(3 007)	(3 945)	(9 180)	(145)	(556)	6 749	(27 227)
Other operating income	5.5	372	362	329	14	-	10	-	1 087
Other operating expenses	5.5	(458)	(14)	(95)	(14)	(60)	(38)	-	(679)
(Loss)/reversal of loss due to impairment of trade receivables		-	(1)	(53)	(4)	(1)	3	-	(56)
Share in profit from investments accounted for using the equity method	5.7	-	95	112	-	-	-	-	207
Profit/(Loss) from operations		**854**	**828**	**773**	**625**	**(22)**	**(303)**	**-**	**2 755**
Net finance income and costs	5.6								102
(Loss) due to impairment of loans and interest on trade receivables									(3)
Profit before tax									**2 854**
Tax expense									(610)
Net profit									**2 244**
Depreciation and amortisation	5.2	**332**	**233**	**380**	**199**	**82**	**68**	**-**	**1 294**
EBITDA		**1 186**	**1 061**	**1 153**	**824**	**60**	**(235)**	**-**	**4 049**
Increases in non-current assets		**497**	**871**	**690**	**208**	**52**	**77**	**-**	**2 395**

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

	30/06/2022 (unaudited)	31/12/2021
Refining Segment	42 585	35 343
Petrochemical Segment	23 094	17 897
Energy Segment	29 769	29 399
Retail Segment	12 477	11 688
Upstream Segment	4 691	4 284
Segment assets	**112 616**	**98 611**
Corporate Functions	9 556	8 228
Adjustments	(32)	(85)
	122 140	**106 754**

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

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5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

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

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Revenues from sales of finished goods and services	83 516	46 981	41 415	22 845
revenues from contracts with customers	*83 351*	*46 896*	*41 274*	*22 769*
excluded from scope of IFRS 15	*165*	*85*	*141*	*76*
Revenues from sales of merchandise and raw materials	19 735	10 823	12 570	6 578
revenues from contracts with customers	*19 735*	*10 823*	*12 570*	*6 578*
Sales revenues, incl.:	**103 251**	**57 804**	**53 985**	**29 423**
revenues from contracts with customers	*103 086*	*57 719*	*53 844*	*29 347*

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

Performance obligations

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

Transaction prices in existing contracts with customers are not subject to restrictions, except for prices for customers of G tariff (households) groups and electricity and heat distribution approved by the President of Energy Regulatory Office (Urząd Regulacji Energetyki, URE in Polish) in the Energy segment. There are no contracts in force providing for significant obligations for returns and other similar obligations. Press revenues in the case of wholesale is recognised when the circulation is issued to distributors, and in the case of retail sales for most points/networks are recognised based on the difference accounting between delivered and returned press. The invoice is issued for the completed press sales to end customers. The Group does not identify revenues for which the receipt of payment is conditional and therefore does not present the item Assets under contracts with customers.

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

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

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

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

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

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

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

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

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

As part of the Refining and Petrochemical segments, with respect to sales of petrochemical and refinery products, the Group recognises revenue from the fulfilment of the performance obligation, depending on the terms of delivery applied (Incoterms CFR, CIF, CPT).

In case of some deliveries, the Group as a seller is obliged to organize transport. When the control of good transferred to the customer before the transport service is completed, the delivery of goods and transport becomes separate performance obligations. The delivery of goods is an obligation satisfied at a point in time, while transport is a continuous obligation (satisfied over time), where the customer simultaneously receives and consumes benefits from the service. Revenues are recognised on the basis of the output method with respect to the rendered services.

In the Retail segment, the moment of fulfilment of the performance obligation is the moment of transfer of good, except for sales of fuels in the Fleet Program using Fleet Cards.

Revenue recognised over time mainly relate to the sale of electricity and energy distribution services within the Energy segment, fuel sales in the Fleet Programme and subscription sale within Retail segment and the sale of gas and crude oil within the Upstream segment. These revenues are recognised using the output method for the delivered units of goods.

The duration of most contracts within the Group is short-term. Revenues on services for which start and end dates fall in different reporting periods are recognised according to the degree of complete fulfilment of the performance obligation using the input-based method. Contracts that remain unfulfilled in full as at the balance sheet date relate to i.a. construction and installation contracts.

As at 30 June 2022 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations.

The unfulfilled or partially unfulfilled performance obligations as at 30 June 2022 mainly concerned contracts for the sale of electricity and power media and for the supply of newspapers, subscriptions, advertising broadcast, parcel delivery and collection services that will end within 2022 or are concluded for an indefinite period with a notice period of up to 12 months.

Due to the fact that the described performance obligations are part of the contracts, that can be considered short-term, or the revenues from fulfilled performance obligation under these contracts are recognised in the amount that the Group has the right to invoice, the Group applied a practical solution, according to which it does not disclose information about the total amount of the transaction price allocated to the performance obligation.

The Group mostly realizes revenue from direct sales to end customers based on its own, leased or based on the franchise agreement system sales channels in the Retail segment. The Group manages the network of 2,885 fuel stations: 2,361 own brand stations and 524 stations operated under franchise agreements and carries out sales through 927 retail outlets/ kiosks managed by the RUCH Group. Additionally, the press is sold in third-party outlets, i.e. large organised networks, including franchised and private shops. As part of the publishing activity of the Polska Press Group, revenues are also generated through own websites.

The Group's direct sales to customers in the Refining, Petrochemical and Upstream segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy to customers in the Energy segment are carried out mostly with the use of own distribution infrastructure.

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5.1.1. Sales revenues of operating segments according to product type

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Refining Segment				
Revenue from contracts with customers IFRS 15	**46 851**	**27 076**	**21 850**	**12 489**
Light distillates	9 641	5 126	4 989	3 094
Medium distillates	32 426	18 832	13 275	7 569
Heavy fractions	4 526	2 574	2 168	1 257
Other*	1 591	828	1 451	601
Effect of the settlement of cash flow hedge accounting	(1 333)	(284)	(33)	(32)
Excluded from scope of IFRS 15	**9**	**4**	**8**	**4**
	46 860	**27 080**	**21 858**	**12 493**
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	**13 649**	**7 217**	**6 427**	**3 111**
Monomers	2 977	1 569	1 115	302
Polymers	2 532	1 337	1 656	886
Aromas	1 074	563	625	362
Fertilizers	1 474	842	509	253
Plastics	1 791	883	711	364
PTA	1 421	745	763	412
Other**	2 380	1 278	1 048	532
Excluded from scope of IFRS 15	**4**	**2**	**4**	**2**
	13 653	**7 219**	**6 431**	**3 113**
Energy Segment				
Revenue from contracts with customers IFRS 15	**11 431**	**5 671**	**7 616**	**3 712**
Excluded from scope of IFRS 15	**20**	**10**	**2**	**1**
	11 451	**5 681**	**7 618**	**3 713**
Retail Segment				
Revenue from contracts with customers IFRS 15	**30 194**	**17 199**	**17 468**	**9 722**
Light distillates	11 626	6 757	6 661	3 842
Medium distillates	16 143	9 099	8 655	4 771
Other***	2 425	1 343	2 152	1 109
Excluded from scope of IFRS 15	**119**	**62**	**116**	**63**
	30 313	**17 261**	**17 584**	**9 785**
Upstream Segment				
Revenue from contracts with customers IFRS 15	**706**	**416**	**335**	**184**
NGL ****	272	163	167	95
Crude oil	142	81	35	18
Natural Gas	288	170	129	69
Other	4	2	4	2
	706	**416**	**335**	**184**
Corporate Functions				
Revenue from contracts with customers IFRS 15	**255**	**140**	**148**	**129**
Excluded from scope of IFRS 15	**13**	**7**	**11**	**6**
	268	**147**	**159**	**135**
	103 251	**57 804**	**53 985**	**29 423**

* *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)*

During the 6 and 3-month period ended 30 June 2022 and 30 June 2021 revenues from none of Group customers individually exceeded 10% of the total sales revenues of the ORLEN Group.

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

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Revenue from contracts with customers				
Poland	*55 667*	*31 269*	*29 613*	*15 562*
Germany	*12 040*	*6 638*	*7 548*	*4 214*
Czech Republic	*13 497*	*7 861*	*6 100*	*3 555*
Lithuania, Latvia, Estonia	*7 197*	*4 257*	*3 042*	*1 815*
Other countries, incl.:	*14 685*	*7 694*	*7 541*	*4 201*
Switzerland	*3 300*	*1 488*	*1 877*	*1 024*
	103 086	**57 719**	**53 844**	**29 347**
excluded from scope of IFRS 15				
Poland	*44*	*21*	*25*	*13*
Germany	*44*	*23*	*49*	*26*
Czech Republic	*76*	*40*	*67*	*37*
Lithuania, Latvia, Estonia	*1*	*1*	*-*	*-*
	165	**85**	**141**	**76**
	103 251	**57 804**	**53 985**	**29 423**

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

5.2. Operating expenses

Cost by nature

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Materials and energy	(58 496)	(32 082)	(29 366)	(16 150)
Cost of merchandise and raw materials sold	(18 116)	(10 400)	(10 913)	(5 779)
External services	(3 559)	(1 925)	(2 880)	(1 504)
Employee benefits	(2 704)	(1 352)	(2 438)	(1 215)
Depreciation and amortisation	(2 847)	(1 447)	(2 605)	(1 294)
Taxes and charges	(3 868)	(2 129)	(2 910)	(1 352)
Other	(377)	(179)	(354)	(197)
	(89 967)	**(49 514)**	**(51 466)**	**(27 491)**
Change in inventories	2 841	1 584	1 268	137
Cost of products and services for own use	295	122	206	127
Operating expenses	**(86 831)**	**(47 808)**	**(49 992)**	**(27 227)**
Distribution expenses	4 831	2 451	3 868	1 948
Administrative expenses	1 434	735	1 330	659
Cost of sales	**(80 566)**	**(44 622)**	**(44 794)**	**(24 620)**

The increase in taxes and charges in the 6 and 3-month period ended 30 June 2022 by PLN (958) million and PLN (777) million, respectively, resulted mainly from the revaluation of the provision for the estimated costs of CO_2 emissions for 2021 and the recognition of a provision for the estimated costs of CO_2 emissions for 6 and 3-months of 2022 taking into account the settlement of the grant for entitlements received free of charge for the year in the total amount of PLN (2,247) million and PLN (1,324) million, respectively compared to PLN (1,234) million and PLN (246) million in the corresponding period of 2021. The higher costs of creating and updating the provision for the 6 and 3-months of 2022 were influenced by both the higher weighted average price of the CO_2 rights held, resulting from the acquisition of CO_2 rights under the term contracts held by the Group, as well as the fact that for the estimated emissions of some not covered by the rights held as at the reporting date, the value of the provision was calculated based on market prices.

5.3. Impairment allowances of inventories to net realizable value

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Increase	(79)	(18)	(44)	(26)
Decrease	79	49	41	19

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

As at 30 June 2022, the ORLEN Group identified the indicators to conduct tests for impairment of refining, petrochemical and energy assets in accordance with IAS 36 "Impairment of Assets" related to:
- a change in the macroeconomic environment, an increase in the prices of crude oil, refining and petrochemical products and a significant increase in gas prices,
- uncertainty in the availability of REBCO oil as a result of sanctions related to the war in Ukraine,
- an increase in discount rates related mainly to an increase in the risk-free rate and risk premium.

As at 30 June 2022, the ORLEN Group conducted impairment tests for refining, petrochemical and energy assets for the companies: PKN ORLEN, ORLEN Lietuva, ORLEN Unipetrol Group and for heating assets of ENERGA Group.

5.4.1. Discount rate

At the stage of identifying the impairment indicators for each CGU, the ORLEN Group determines individual discount rates for each defined cash generating unit (Cash Generating Unit CGU) using the so-called CAPM model - Capital Asset Pricing Model. For each CGU as at the date of impairment tests, market risks specific to the country and business segment were taken into account to reflect the current market assessment of the time value of money as at the balance sheet date and the risk associated with a given group of assets corresponding to the return that investors would require when making investment decisions that would generate cash flows in the amount, timing and type of risk corresponding to the flows that the ORLEN Group expects to receive from a given CGU.
The discount rates as at 30 June 2022, for CGUs with identified impairment indicators, were calculated using the peer-to-peer method as the weighted average cost of equity and debt. The sources of macroeconomic indicators necessary to estimate the cost of capital and the cost of debt, such as beta and D/E, were provided by the Bloomberg website and the publications of prof. Aswath Damodaran (source: http://pages.stern.nyu.edu), and the publications of the Energy Regulatory Office for the scope of the ENERGA Group's operations and 10-year government bond quotes. The market risk premium ratio was estimated on the basis of analyzes of the publications of prof. Aswath Damodaran (source: http://pages.stern.nyu.edu) and the available publications of financial institutions.

The main discount rates estimated by the ORLEN Group as at 30 June 2022 were as follows:

Country	Segment / CGU	Nominal discount rate	BETA non-leveraged	Cost of equity capital	Cost of debt after tax	D/E
Poland	Refining	**11.84%**	87.96%	14.59%	6.40%	50.48%
Poland	Petrochemical	**11.51%**	80.47%	13.41%	6.40%	37.26%
Poland	Production Energy & Industrial power engineering	**9.84%**	55,00%	12.29%	6.40%	70.90%
Chech Republic	Refining	**9.99%**	87.96%	12.60%	4.83%	50.48%
Chech Republic	Petrochemical	**9.64%**	80.47%	11.43%	4.83%	37.26%
Lithuania	Refining	**9.4%**	87.96%	12.02%	4.21%	50.48%
Poland	ENERGA_Heat	**9.9%**	45.17%	11.66%	6.40%	50,00%

5.4.2. The main assumptions used in the impairment tests of assets as at 30 June 2022

Impairment tests of assets were performed based on future, expected net cash flows, prepared on the basis of (i) updated projections of financial results included in the Financial Plan of PKN ORLEN and the ORLEN Group for 2022, (ii) updated macroeconomic assumptions based on the available as at 30 June 2022 IHS Markit projections for the prices of oil and main refining and petrochemical products, updated gas prices, electricity, steam and heat prices for CCGT Płock, CCGT Włocławek and EC Płock, as well as (iii) taking into account the impact of sanctions due to the war in Ukraine. The net cash flows were discounted to their present value using discount rates reflecting current market estimates of the time value of money and the risks typical of the assets being measured.

Net cash flows planned for the assets of the Energy segment

The ORLEN Group conducted impairment tests for the main energy assets using the income method based on the discounted value of estimated cash flows from operating activities (value in use), taking into account, i.a. the following assumptions:
- Macroeconomic assumptions applied in the ORLEN Group with regard to electricity prices, prices of hard coal and natural gas, capacity market rates for the Polish market, certificates of origin for energy and prices of carbon dioxide emission allowances. As regards prices of biomass the forecasts of the ORLEN Group companies using this raw material were applied.
- The number of free CO_2 emission allowances for the years 2022-2025 in accordance with the Regulation of the Minister of the Environment of the Republic of Poland.
- Replacement capital expenditure at a level ensuring the maintenance of the production capacity of the existing fixed assets, including expenditure on adjusting the levels of industrial emissions to the requirements of Directive 2010/75 / EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions and the executive decision EU Commission 2021/2326 on the conclusions of the best available techniques (BAT) published on 30 November 2021.
- Maintaining support for production from the existing renewable energy sources in the form of income from proprietary rights.

Net cash flows planned for the assets of the Refining segment and the Petrochemical segment

The ORLEN Group carried out impairment tests for the assets of the Refinery and Petrochemical segments for which impairment indicators were identified as at 30 June 2022, using the discounted future cash flows from operating activities (value in use).

The source of long-term macroeconomic forecasts for refining and petrochemical assets is IHS Markit and other auxiliary sources (forward curves, bank predictions, government agency analyzes) taking into account the following assumptions:

- Projected Model Downstream Margin (MMD) based on current macroeconomic assumptions for the second half of 2022 at the level of approximately 45 USD/bbl. According to the IHS Markit forecast, MMD will remain high in 2023 due to high margins on refining products due to reduced supply from the east and increased demand after the pandemic, followed by a decline in MMD. In the period 2024-2030, IHS Markit expects a significant decline in margins to an average level of 13.7 USD/bbl.
- According to the IHS forecast, the current high levels of Brent DTD crude oil prices will remain in the second half of 2022 at the level of 134 USD/bbl. In the following years, the forecast assumes a decline in prices, keeping them at the average level for 2023-2030, approximately 95 USD/bbl
- The gas price forecasts have been estimated based on the long-term IHS Markit forecast, which assumes an average price level of approximately 110 EUR/MWh for 2022-2023, and an average level of 52 EUR/MWh for 2024-2030. The adopted price forecasts for 2022-2025 additionally take into account the quotations of gas forward contracts in THE and TTF hubs, due to the fact that gas prices in the medium term are under strong pressure from the expected shortages resulting from restrictions on gas supplies from Russia.
- Crack for Gasoline (the difference between the petrol quotation and the price of crude oil) due to significant reductions in supplies from the east in 2022 and high post-pandemic demand, mainly in the USA, has been brought to record levels and it is expected that in the second half of 2022 it will amount to 306 USD/t. By the end of 2023, IHS forecasts a rapid decline to approximately 213 USD/t. This will be due to the increased production dictated by the still high profitability and imports, mainly from the Middle East.
  From 2024, it is assumed that Crack margins on Gasoline will stabilize from 184 USD/t in 2024 to 204 USD/t in 2030, with an average level of 209 USD/t in 2022-2030.
- Crack on diesel oil (the difference between diesel oil quotation and the price of crude oil) in 2022, after sanctions on Russia, the largest importer of medium distillates to Europe, will reach the level of 274 USD/t in the second half of 2022. The IHS forecast for 2022-2025 predicts a decrease in crack margin on diesel oil to 98 USD/t in 2025. From 2026, IHS forecasts maintain increases in diesel crack crack due to global demand and a lower-than-expected impact of de-dieselization until 2030. The average level of crack margin on ON for the years 2022-2030 is at the level of approximately 136 USD/t.
- Crack on kerosene (the difference between the quotation of kerosene and the price of crude oil) in 2022 fell to record lows and according to the IHS Markit forecast in the second half of 2022 it will amount to 50 USD/t. This decrease is due to the reduced petrochemical demand caused by downtime, as well as the low use for the seasonal gasoline blend. As of 2023, the IHS forecasts crack growth and a return to historical levels.
  The average level of crack margin on kerosene for the years 2022-2030 is approximately 113 USD/t.
- In 2022, the spread on Ethylene vs Kerosene (the difference between the quotation of Ethylene and the quotation of Kerosene) was assumed at the level of 660 EUR/t, in 2030 at the level of 645 EUR/t. For the period 2022-2030, the average spread is 597 EUR /t.
- In 2022, the spread for Propylene vs Kerosene was assumed at 661 EUR/t, in 2030 at 609 EUR /t. For the period 2022-2030, the average spread is 538 EUR /t.
- The financial flows for impairment tests include a gradual plan to reduce CO_2 emissions to the level of -20% in 2030 in accordance with the ORLEN Group's Decarbonisation Strategy.
- Replacement capital expenditures at a level ensuring the maintenance of the production capacity of the existing fixed assets.

The Group conducted impairment tests for major production assets based on a scenario analysis. Three scenarios were defined for CGU Refinery (PKN ORLEN, ORLEN Lietuva, ORLEN Unipetrol) and CGU Petrochemicals (PKN ORLEN, ORLEN Unipetrol): baseline, pessimistic and optimistic. The baseline scenario is based on the main macroeconomic assumptions of the updated macroeconomic forecasts for 2023-2030 described above. The pessimistic and optimistic scenarios were built on one standard deviation of the historic Downstream Margin for the years 2012-2021, on the estimated probability of the impact of CO2 emission allowance prices on revenues from the sale of refining and petrochemical products, and on the estimated probability of REBCO crude oil availability.

For each of the scenarios, probability weights were established based on the normal distribution and expert judgment, in each case assigning a higher probability of the negative scenario materializing than the positive one, in order to maintain a conservative approach.

5.4.3. Recognition and Reversal of impairment allowances of property, plant and equipment, intangible assets, goodwill and rights-of-use assets as at 30 June 2022

Assets of the Energy segment

The performed impairment tests for PKN ORLEN's assets for CGU: CCGT Płock, CCGT Włocławek and EC Płock, taking into account the updated gas and electricity prices, did not confirm the impairment of the assets. A discount rate of 9.84% was used in the analyzes (note 5.4.1).

As at 30 June 2022, the ORLEN Group recognized an impairment allowance on the assets of the ENERGA Group in the amount of PLN (16) million, of which PLN (12) million results from the tests performed. Other impairment allowances in the amount of PLN (4) million relate mainly to discontinuation of investments.

Asset impairment tests showed the necessity to make an impairment allowance for ENERGA Kogeneracja: CGU Żychlin PLN (6) million and CGU Kalisz PLN (6) million. The value in use of CGU Żychlin was PLN 13 million and was calculated at a discount rate of 9.9%, the value in use of CGU Kalisz was PLN 20 million and was calculated at a discount rate of 13.22% (including a 5% bonus for specific risk due to to include investments in new sources). Other impairment allowances in the amount of PLN (4) million related mainly to discontinuation of investments, liquidation of property, plant and equipment and others. The reversal of write-offs in the amount of PLN 1 million concerned the reversal of the impairment allowance in connection with the sale and adjustment of fixed assets under construction for CGU Ostrołęka B. The total value of the created net impairment allowances amounted to PLN (15) million.

Sensitivity analysis of value in use of the ENERGA KOGENERACJA: CGU Żychlin as part of the tests carried out as at 30 June 2022

in PLN million

DISCOUNT RATE change	EBITDA -5%	EBITDA 0%	EBITDA 5%
- 1 p.p.	*decrease in allowance* 2	*decrease in allowance* 3	*decrease in allowance* 4
0,0 p.p.	*increase in allowance* (1)	-	*decrease in allowance* 1
+ 1 p.p.	*increase in allowance* (3)	*increase in allowance* (3)	*increase in allowance* (2)

Sensitivity analysis of value in use of the ENERGA KOGENERACJA: CGU Kalisz as part of the tests carried out as at 30 June 2022

in PLN million

DISCOUNT RATE change	EBITDA -5%	EBITDA 0%	EBITDA 5%
- 1 p.p.	*decrease in allowance* 2	*decrease in allowance* 10	*decrease in allowance* 19
0,0 p.p.	*increase in allowance* (7)	-	*decrease in allowance* 7
+ 1 p.p.	*increase in allowance* (16)	*increase in allowance* (9)	*increase in allowance* (2)

Assets of the Refinery segment

The ORLEN Group conducted impairment tests at the end of 30 June 2022 based on the above-mentioned assumptions for the assets of the Refining segment for PKN ORLEN, ORLEN Lietuva, ORLEN Unipetrol Group. The conducted tests resulted in impairment allowances of refining assets of PKN ORLEN S.A. in the amount of PLN (2,092) million and ORLEN Lietuva in the amount of PLN (713) million.

Impairment tests for the production assets of the PKN ORLEN Refinery segment, carried out at a discount rate of 11.84% for CGU Refinery, showed an impairment of assets in the amount of PLN (2,092) million and determined the value in use at PLN 14,068 million. The main factors adversely affecting the valuation of assets are high gas prices, an increase in the discount rate, and the impact of sanctions due to the war in Ukraine, partially offset by higher forecasts for the quotations of the main refining products. As a result of the uncertainty of the impact of the 6th package of sanctions in connection with the war in Ukraine in Poland, various REBCO crude oil availability scenarios were applied to the valuation of PKN ORLEN's refining assets. In previous years, PKN ORLEN processed REBCO crude oil using a differential. Currently, after the elimination of purchases of Russian oil by sea, only pipeline deliveries resulting from contacts with Rosneft and Tatneft are carried out. The flow estimate takes into account the limited availability of REBCO crude oil included in the scenario analyzes and its replacement with other more expensive crude oils, which translates directly into an increase in production costs. Other impairment losses of the PKN ORLEN Refinery segment in Q2 2022 amounted to PLN (7) million and in Q1 2022 PLN (24) million mainly due to catalyst damage.

Impairment tests for the production assets of the ORLEN Lietuva refinery segment, carried out at a discount rate of 9.40%, showed impairment of value in use over the carrying amount of the tested assets, including allocated goodwill on the acquisition of UAB Mockavos terminalas in the amount of USD (163) million, which corresponds to PLN (713) million. The impairment includes a goodwill impairment allowance on the acquisition of UAB Mockavos terminalas in the amount of USD (44) million, which corresponds to PLN (193) million. The value in use of ORLEN Lietuva's refining assets was set at USD 1,030 million, which corresponds to PLN 4,617 million. Estimated cash flows assume a complete shift from REBCO crude oil processing to other available crude oils. In addition, in the first quarter of 2022, the impairment allowance was reversed in the amount of PLN 1 million. The net impairment allowance is PLN (712) million.

As at 30 June 2022, tests for impairment of the production assets of the ORLEN Unipetrol Group's refining segment with a discount rate of 9.99% did not show impairment of assets. Currently, only deliveries via pipelines resulting from contacts with Rosneft and Tatneft are carried out. The cash flow forecast assumes a partial reduction in the availability of REBCO crude oil and its replacement with more expensive available crude oil, which translates directly into an increase in production costs. In the first quarter, the ORLEN Unipetrol Group made an impairment loss on the assets of the Refinery segment in the total amount of PLN (2) million.

The total impact of net impairment allowances on the ORLEN Group's refining assets as at 30 June 2022 was PLN (2,836) million.

Value in use of the CGUs of the Refining segment in the ORLEN Group for which the value of assets was updated as at 30 June 2022

	30/06/2022	31/12/2021
PKN ORLEN	14 068	16 761
ORLEN Lietuva	4 617	3 120

Sensitivity analysis for impairment of value in use of the Refining segment PKN ORLEN CGU Refinery under tests carried out as at 30 June 2022

in PLN million; EBITDA; DISCOUNT RATE

change	-5%	0%	5%
- 1 p.p.	*increase in allowance* (365)	*decrease in allowance* 1 016	*decrease in allowance* 2 397
0,0 p.p.	*increase in allowance* (1 294)	-	*decrease in allowance* 1 294
+ 1 p.p.	*increase in allowance* (2 081)	*increase in allowance* (863)	*decrease in allowance* 355

Sensitivity analysis for impairment of value in use of the Refining segment ORLEN Lietuva under tests carried out as at 30 June 2022

in PLN million; EBITDA; DISCOUNT RATE

change	-5%	0%	5%
- 1 p.p.	*increase in allowance* (12)	*decrease in allowance* 451	*decrease in allowance* 914
0,0 p.p.	*increase in allowance* (428)	-	*decrease in allowance* 428
+ 1 p.p.	*increase in allowance* (785)	*increase in allowance* (387)	*decrease in allowance* 11

Assets of the Petrochemical segment

The ORLEN Group conducted impairment tests at the end of 30 June 2022 based on the above-mentioned assumptions of the Petrochemical segment assets for PKN ORLEN, ORLEN Unipetrol Group. The performed tests did not result in the creation of impairment allowances of the assets of the Petrochemical segment.

Assets of the Upstream segment

The ORLEN Upstream Group made an impairment allowance on the value of exploration assets due to the waiver of the Skołyszyn license in the net amount of PLN (31) million. The ORLEN Group has not identified any other impairment indicators and has not performed any impairment tests for the Upstream segment assets.

Assets of the Retail segment

The ORLEN Group has not identified any indicators for impairment and has not carried out impairment tests for the assets of the Retail segment.

Goodwill impairment tests

As a result of the impairment tests performed for CGU ORLEN Lietuva, to which the goodwill of UAB Mockavos terminalas is assigned, the ORLEN Group impaired the goodwill of UAB Mockavos terminalas in the amount of USD (44) million, which corresponds to the value of PLN (193) million.

Summary of the results of the impairment analysis

The total impact of the recognized net impairments allowances on the non-current assets of the ORLEN Group in the first half of 2022 amounted to PLN (2 887) million.

Net impairment allowances on non-current assets of the ORLEN Group in the 1st half of 2022 by the ORLEN Group companies:

	IQ2022 (unaudited)	IIQ2022 (unaudited)	6 MONTHS ENDED 30/06/2022 (unaudited)
PKN ORLEN	(24)	(2 102)*	(2 126)
ORLEN Lietuva	1	(713)*	(712)
ORLEN Upstream Group	-	(31)	(31)
ENERGA Group	(1)	(14)	(15)
ORLEN Deutschland	(2)	(2)	(4)
ORLEN Unipetrol	(2)	-	(2)
Other	-	3	3
Total	**(27)**	**(2 860)**	**(2 887)**

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Net impairment allowances on non-current assets of the ORLEN Group in the 1st half of 2022 by the segments:

	IQ2022 (unaudited)	IIQ2022 (unaudited)	6 MONTHS ENDED 30/06/2022 (unaudited)
Refining	(25)	(2 811)*	(2 836)
Energy	-	(15)	(15)
Retail	(2)	(2)	(4)
Upstream	-	(32)	(32)
Total	**(27)**	**(2 860)**	**(2 887)**

* values included in the current report No. 39/2022 of 2 August 2022 regarding the expected significant one-off events significantly affecting the financial data disclosed in the financial statements of the ORLEN Capital Group as at 30 June 2022

The reversal and recognition of impairment allowances on property, plant and equipment, intangible assets, goodwill and right-of-use assets were recognised in other operating income and in other operating expenses (note 5.5).

5.5. Other operating income and expenses

Other operating income

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Profit on change in the ownership structure of Baltic Power Sp. z o.o.	-	-	156	-
Profit on sale of non-current non-financial assets	10	4	17	9
Reversal of provisions	66	45	27	14
Reversal of impairment allowances of property, plant and equipment and intangible assets and other assets	6	2	2	-
Penalties and compensations	136	94	54	30
Grants	22	11	19	-
Settlement and valuation of derivative financial instruments related to operating exposure	841	228	2 254	849
Ineffective part related to valuation and settlement of operating exposure	44	12	7	1
Settlement of hedging costs	176	91	141	75
Other, incl.:	83	52	139	109
Profit on dilution of shares in Baltic Power Sp. z o.o.	*20*	*20*	*11*	*11*
	1 384	**539**	**2 816**	**1 087**

Other operating expenses

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Loss on sale of non-current non-financial assets	(18)	(6)	(24)	(13)
Recognition of provisions	(38)	(4)	(91)	(46)
Recognition of impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets	(2 893)	(2 862)	(91)	(85)
Penalties, damages and compensations	(134)	(57)	(29)	(17)
Settlement and valuation of derivative financial instruments related to operating exposure	(5 644)	(2 185)	(1 688)	(469)
Ineffective part related to valuation and settlement of operating exposure	(392)	(230)	(26)	(21)
Settlement of hedging costs	-	-	(1)	-
Other, incl.:	(150)	(62)	(102)	(28)
donations	*(99)*	*(34)*	*(32)*	*(11)*
	(9 269)	**(5 406)**	**(2 052)**	**(679)**

In the 6 and 3-month period ended 30 June 2022 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 Refinery segment. Additional information in note 5.4.

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

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Valuation of derivative financial instruments	(1 734)	(377)	1 051	621
commodity futures (CO2 emission allowances)	*(648)*	*65*	*1 154*	*764*
commodity forwards (electricity)	-	*(38)*	-	-
commodity swaps	*(1 133)*	*(439)*	*(103)*	*(143)*
commodity futures (diesel oil)	*47*	*47*	-	-
other	-	*(12)*	-	-
Settlement of derivative financial instruments	(3 069)	(1 580)	(485)	(241)
commodity futures (CO2 emission allowances)	*(1 012)*	-	*178*	-
commodity swaps	*(1 925)*	*(1 445)*	*(663)*	*(241)*
commodity forwards (electricity)	*(14)*	*(14)*	-	-
commodity futures (diesel oil)	*(118)*	*(118)*	-	-
other	-	*(3)*	-	-
	(4 803)	**(1 957)**	**566**	**380**

For the 6 and 3-month period ended 30 June 2022 and 30 June 2021 the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) mainly related to the valuation and settlement of CO_2 forward contracts as a part of "transaction" portfolio. Moreover this line includes the effect of valuation and settlement of commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging, refining margin hedging and securing the physical sale of finished products purchased by sea as well as the ORLEN Upstream Canada transactions hedging oil and gas. The result on a physical item, hedged by the Group with forward transactions is reflected in the profit/(loss) on sales under manufacturing costs (cost of crude oil used to manufacture refining products based on weighted average acquisition prices) and revenue from sales of refining products. Therefore, the result on the settlement of derivative financial instruments relating to the operational exposure should always be considered together with the profit/(loss) generated by the Group on the sale of a physical position.

In the 2nd quarter of 2022, the net position of the valuation and settlement of derivatives related to operational exposure included the effect of the valuation and settlement of commodity swaps hedging the timing mismatch on oil purchases by sea only with regard to derivatives concluded in 2021. Starting from 1 January 2022, the Group began to apply hedge accounting in relation to the hedging of time mismatches resulting from the purchase of crude oil by sea and the sale of refining products, therefore currently the valuation and settlement of commodity swaps concluded in 2022 as part of the commodity risk management strategy related to a time mismatch between the date of purchase of crude oil by sea and the date of processing and sale of refining products in the effective part are recognised under the hedge accounting equity item, and when the hedged item is realised they are recognised respectively in sales revenue or manufacturing cost. The application of hedge accounting from the beginning of 2022 to hedge a time mismatch resulting from the purchase of crude oil by sea and the sale of refining products also changed the net position of the ineffective part related to the valuation and settlement of the operating exposure. The events related to the Russian aggression against Ukraine resulted in decrease in emission allowance prices, an increase in the prices of crude oil and the prices of refining products, an increase in interest rates, a weakening of the PLN against EUR and USD. This had a negative impact on the settlement and valuation of transactions held in our portfolio in the 1st half of 2022 compared to the 1st half of 2021.

5.6. Finance income and costs

Finance income

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Interest calculated using the effective interest rate method	38	19	19	10
Other interest	1	-	-	-
Net foreign exchange gain	-	-	255	337
Dividends	-	-	3	3
Settlement and valuation of derivative financial instruments	729	354	271	18
Other	86	36	6	5
	854	**409**	**554**	**373**

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Finance costs

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2021 (unaudited) (restated data)
Interest calculated using the effective interest rate method	(240)	(119)	(158)	(81)
Interest on lease	(85)	(44)	(75)	(36)
Interest on tax liabilities	(1)	-	(1)	(1)
Net foreign exchange loss	(310)	(278)	-	-
Settlement and valuation of derivative financial instruments	(426)	(140)	(266)	(134)
Other	(107)	(49)	(42)	(19)
	(1 169)	**(630)**	**(542)**	**(271)**

Borrowing costs capitalized during the 6 and 3-month period ended 30 June 2022 and 30 June 2021 amounted to PLN (34) million and PLN (20) million, PLN (32) million and PLN (20) million, respectively.

Settlement and valuation of derivative financial instruments

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Valuation of derivative financial instruments	150	154	31	(28)
currency forwards	*37*	79	*16*	*34*
other	*113*	75	*15*	*(62)*
Settlement of derivative financial instruments	153	60	(26)	(88)
currency forwards	*182*	90	*(14)*	*(76)*
other	*(29)*	(30)	*(12)*	*(12)*
	303	**214**	**5**	**(116)**

During the 6 and 3-month period ended 30 June 2022 and 30 June 2021 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices for crude oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests. The main impact on the valuation and settlement of derivative financial instruments in the 6-month period ended 30 June 2022 was fluctuations EUR and USD exchange rates against PLN.

5.7. Investments accounted for using the equity method

	Place of business	Principal activity	Business segment	Participation in share capital at 30.06.2022	Valuation method
joint ventures					
Basell ORLEN Polyolefins Sp. z o.o. (BOP) (PKN ORLEN)	Płock/Poland	production, distribution and sales of poliolefins	Petrochemical	50.00%	equity method
Płocki Park Przemysłowo-Technologiczny (PPPT) (PKN ORLEN)	Płock/Poland	construction and renting real estate	Corporate Functions	50.00%	equity method
ORLEN Synthos Green Energy Sp. z o.o. (PKN ORLEN)	Warsaw/Poland	commercialization of micro and small nuclear reactor technology	Energy	9.09%	equity method
Pieridae Production GP Ltd (ORLEN Upstream Group)	Calgary/Canada	exploration and extraction of minerals, storage, transport and logistics	Upstream	50.00%	equity method
Polska Grupa Górnicza (ENERGA Group)	Katowice/Poland	coal mining	Energy	15.32%	equity method
Elektrownia Ostrołęka (ENERGA Group)	Ostrołęka/Poland	production of electricity and heat	Energy	50.00%	equity method
Baltic Power (PKN ORLEN)	Warsaw/Poland	construction and operation of offshore wind farms	Energy	51.38%	equity method
Associates, incl.:					
Polimex Mostostal (ENERGA Group)*	Warsaw/Poland	an engineering and construction company, general contractor in the field of industrial construction, producer and exporter of steel structures	Energy	16.42%	equity method
UAB Naftelf (ORLEN Lietuva Group)	Vilnius / Lithuania	aviation fuel trading and construction warehouses	Refinery	34.00%	equity method
joint operations					
Butadien Kralupy (ORLEN Unipetrol Group)	Kralupy nad Vltavou/Czech Republic	manufacturing of butadien	Petrochemical	51.00%	share in assets and liabilities

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

- On 18 May 2022, a new company, ORLEN Synthos Green Energy sp.z o.o., was established in organisation. Based on professional judgment, taking into account its rights, obligations, considering the structure, legal form and the terms of the agreement agreed by the parties, the Group assessed that as at 30 June 2022, the investment in ORLEN Synthos Green Energy is a joint venture. The contractual arrangements for this investment indicate joint control of the parties to the contract over the enterprise, decisions regarding significant activities of the company and its operating activities require the unanimous consent of all parties to the contract, and the legal form does not give the parties to the contract the right to the company's assets or the obligation to repay its liabilities. On 7 July 2022, the Extraordinary General Meeting of ORLEN Synthos Green Energy sp.z o.o. adopted a resolution on increasing the company's share capital. The increase requires a register in the National Court Register. All new shares were acquired by PKN ORLEN which made a cash contribution of PLN 209 million. As a result of the transaction, PKN ORLEN's share in the company's share capital increased to 50%, and the value of the investment amounted to PLN 210 million;
- Due to the JV Agreement, the Extraordinary General Meeting of Shareholders of Baltic Power sp.z o.o. adopted a resolution to increase the company's share capital by creating 15 new shares with a value of PLN 100 each. All new shares were acquired by the company's partner - NP Baltic Wind B.V. and covered them entirely with a cash contribution. As a result of this transaction, the share of PKN ORLEN decreased and as at 30 June 2022 amounted to 51.38%. In the line other operating income, in the period of 6 and 3-month ended 30 June 2022, additional gain on dilution of shares in the amount of PLN 20 million, respectively, was recognized;
- As a result of the transaction, the share of ENERGA S.A. in Polimex Mostostal S.A. decreased and as at 30 June 2022 amounted 16.42%.
  On 14 June 2022, ENERGA ordered the sale of 312,500 shares of Polimex Mostostal SA (order valid until 30 September 2022). The sale is to be made in batches, the volume is to be decided by the broker. The sale of shares took place on individual days of June and July 2022 and as at the date of the last sale, ENERGA's share in Polimex Mostostal amounts to 16.35%.
- On 3 August 2022 a conditional agreement was signed for the sale of shares of Polska Grupa Górnicza S.A., ("PGG"). The sellers in the Conditional Sale Agreement include: ECARB Sp. z o.o. (the Issuer's subsidiary), PGNiG Termika S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., ENEA S.A., Polski Fundusz Rozwoju S.A., Towarzystwo Finansowe Silesia Sp. z o.o. and WĘGLOKOKS S.A., and the purchaser is the State Treasury of Republic of Poland ("State Treasury").
  According to the Conditional Sale Agreement, ECARB Sp. z o.o. will sell to the State Treasury all possessed shares in PGG, i.e. 6 000 000 ordinary registered shares (representing 15.32% in the PGG's share capital), for the amount of PLN 1 for all possessed shares.
  The transfer of the ownership of shares will take place provided that the National Support Centre for Agriculture ("KOWR") will not exercise the pre-emption right.

Value of investments accounted for using the equity method

	30/06/2022 (unaudited)	31/12/2021
Joint ventures, incl.:	1 055	1 030
Basell ORLEN Polyolefins (PKN ORLEN)	*719*	*715*
Baltic Power (PKN ORLEN)	*301*	*281*
Other	*35*	*34*
Associates, incl.:	106	95
*Polimex Mostostal (ENERGA Group)***	*97*	*89*
UAB Naftelf (ORLEN Lietuva Group)	*9*	*6*
	1 161	**1 125**

Share in profit from investments accounted for using the equity method

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Joint ventures	237	98	285	204
Basell ORLEN Polyolefins (PKN ORLEN)	*196*	*88*	176	95
*Elektrownia Ostrołęka (ENERGA Group) **	*41*	*10*	111	111
Baltic Power (PKN ORLEN)	-	-	(2)	(2)
Associates, incl.:	7	*4*	3	3
*Polimex Mostostal (ENERGA Group) ***	*7*	*4*	3	3
	244	**102**	**288**	**207**

* *The line include partial reversal of provisions relating to the construction project of the Ostrołęka C Power Plant (ENERGA Group).*
The original value of provisions related to the Ostrołęka C project recognised within the settlement of the acquisition of ENERGA shares included the estimated investment liabilities to the general contractor in connection with the suspension of construction works in Ostrołęka C Power Plant, as well as the contingent liability for the risk of non-performance of the capacity obligation under the concluded capacity agreements and amounted to PLN 259 million. The partial reversed of provisions takes place in connection with the settlement of the coal project under the Ostrołęka C project and the implementation of the gas project in Ostrołęka, including, in particular, the conclusion of an agreement with the general contractor specifying the terms and conditions for the settlement of works performed on the project implementation in the formula a coal unit, prior to its suspension and after the suspension period, until the implementation of the decision to change the technology and define the subject of the investment as the construction of a gas-steam power plant
** *data based on the consolidation package of Polimex Mostostal S.A. for the 1st quarter of 2022, included in the financial statements of the ENERGA Group for the 2nd quarter of 2022*

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Condensed financial information of joint venture of Basell ORLEN Polyolefins Sp. z o.o.:

	30/06/2022 (unaudited)	31/12/2021
Non-current assets	734	746
Current assets	2 143	1 779
cash	*356*	*150*
other current assets	*1 787*	*1 629*
Total assets	**2 877**	**2 525**
Total equity	**1 498**	**1 454**
Non-current liabilities	35	48
Current liabilities, incl.:	1 344	1 023
trade and other liabilities	*1 297*	*975*
Total liabilities	**1 379**	**1 071**
Total equity and liabilities	**2 877**	**2 525**
Net debt	**(356)**	**(150)**
Net assets	1 498	1 454
Group's share in joint ventures (50%)	749	727
Elimination of unrealised profit and loss	(30)	(12)
Joint ventures investments accounted for under equity method	**719**	**715**

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Sales revenues	3 118	1 488	1 430	651
Cost of sales, incl.:	(2 516)	(1 228)	(992)	(442)
depreciation and amortisation	*(35)*	*(18)*	*(40)*	*(18)*
Gross profit on sales	**602**	**260**	**438**	**209**
Distribution expenses	(76)	(38)	(28)	(13)
Administrative expenses	(11)	(6)	(11)	(6)
Other operating income and expenses, net	5	6	3	3
Profit from operations	**520**	**222**	**402**	**193**
Net finance income and costs	**4**	**(1)**	**(3)**	**(1)**
Profit before tax	**524**	**221**	**399**	**192**
Tax expense	(99)	(42)	(75)	(35)
Net profit	**425**	**179**	**324**	**157**
Total net comprehensive income	**425**	**179**	**324**	**157**
Dividends received from joint ventures	**190**	**190**	**149**	**149**
Net profit	425	179	324	157
Group's share in joint ventures (50%)	213	90	162	79
Elimination of unrealised profit and loss	(17)	(2)	14	16
Group's share in result of joint ventures accounted for under equity method	**196**	**88**	**176**	**95**

Condensed financial information of joint venture of Baltic Power Sp. z o.o.

	30/06/2022 (unaudited)	31/12/2021
Non-current assets	438	378
Current assets	201	218
cash	*163*	*168*
other current assets	*38*	*50*
Total assets	**639**	**596**
Total equity	**585**	**546**
Current liabilities, incl.:	54	50
trade and other liabilities	*54*	*50*
Total liabilities	**54**	**50**
Total equity and liabilities	**639**	**596**
Net debt	**(163)**	**(168)**
Net assets	585	546
Group's share in joint ventures (51.38%), incl.:	301	281
goodwill	*69*	*69*
Joint ventures investments accounted for under equity method	**301**	**281**

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Condensed financial information of the associate of POLIMEX-Mostostal (ENERGA Group)

Share in Polimex-Mostostal was classified as an associate accounted for using the equity method. The Group has a significant influence on investments by influencing financial and operating policy and determining the composition of Polimex-Mostostal bodies.

	31/03/2022 (unaudited)	31/12/2021
Non-current assets	435	431
Current assets	1 791	1 592
cash	*828*	*669*
other current assets	*963*	*923*
Total assets	**2 226**	**2 023**
Non-current liabilities	268	225
Current liabilities	1 365	1 260
Total liabilities	**1 633**	**1 485**
Total equity and liabilities	**2 226**	**2 023**
Net assets	593	538
Group's share in associates (16.42%)	97	89
Investments in associates	**97**	**89**

	3 MONTHS ENDED 31/03/2022 (unaudited)	3 MONTHS ENDED 31/03/2021 (unaudited)
Sales revenues	1 576	409
depreciation and amortisation	*17*	*9*
Net finance income and costs	**(11)**	**(3)**
Profit before tax	**44**	**5**
Tax expense	(8)	(2)
Net profit	**36**	**3**
Total net comprehensive income	**52**	**4**
Net profit	36	3
Group's share in associates (16,42%)	6	1
Elimination of unrealised profit and loss	1	2
Group's share in profit of associates	**7**	**3**

5.8. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Loans *	2 994	3 434	764	502	3 758	3 936
Borrowings	102	110	18	21	120	131
Bonds	6 859	10 198	3 951	906	10 810	11 104
	9 955	**13 742**	**4 733**	**1 429**	**14 688**	**15 171**

** as at 30 June 2022 and as at 31 December 2021, the line Loans includes loans in the Project Finance formula (financing obtained by special purpose companies for the implementation of investments): PLN 214 million and PLN 223 million in the non-current part and PLN 15 million and PLN 18 million in the current part, respectively.*

During the 6-month period of 2022, as a part of cash flows from financing activities the Group has made drawings and repayments of borrowings and loans from available credit lines in the total amount of PLN 8,998 million and PLN (9,264) million.

The decrease in the Group's indebtedness resulted mainly from the change in PKN ORLEN's credit exposure due to the repayment of tranches of the available syndicated loan presented in the long-term part and the use of the overdraft presented in the short-term part, which corresponds to the total amount of net cash flows of PLN (1 093) million. At the same time, the long-term financing received from the European Investment Bank in February 2022 in the amount of EUR 180 million remains valid, which corresponds to the cash flow amount of PLN 813 million. The loan was granted to finance sustainable development investments in the ORLEN Group, part of which will be used to finance the investment project in ORLEN Południe "“Project and building of UCO FAME production and distillation lines” and “Building of the complex of units for production of II generation bioethanol (B2G)”.

In addition, in June 2022, PKN ORLEN redeemed the maturing bond series C and D with a total nominal value of PLN (400) million under the second public retail bond issue program. Additional information on active bond issues was presented in note 5.13.

Also in June 2022, the liability for the issue of ORLEN Capital's Eurobond with a nominal value of EUR 750 million was reclassified from the long-term to the short-term part. The maturity date for this issue is June 2023.

As at 30 June 2022 and as at 31 December 2021 the maximum possible indebtedness due to loans amounted to PLN 24,382 million and PLN 19,063 million, respectively. As at 30 June 2022 and as at 31 December 2021 PLN 20,233 million and PLN

14,960 million, respectively, remained unused. The increase in the maximum possible indebtedness of the Group and the open credit lines to be used results mainly from two agreements signed by PKN ORLEN in April 2022:

– loan agreements in the amount of PLN 4.8 billion with Bank Gospodarstwa Krajowego
– an annex to the multi-purpose loan agreement, increasing the limit amount to PLN 600 million with the bank PKO BP.

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

5.9. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Cash flow hedging instruments	78	68	186	159	264	227
currency forwards	*78*	*68*	*158*	*159*	*236*	*227*
commodity swaps	*-*	*-*	*28*	*-*	*28*	*-*
Derivatives not designated as hedge accounting	292	261	404	985	696	1 246
currency forwards	*-*	*-*	*32*	*4*	*32*	*4*
commodity swaps	*2*	*-*	*186*	*132*	*188*	*132*
currency interest rate swaps	*266*	*202*	*75*	*48*	*341*	*250*
interest rate swaps	*-*	*2*	*9*	*4*	*9*	*6*
commodity futures (CO2 emission allowances)	*13*	*42*	*52*	*796*	*65*	*838*
commodity futures (diesel oil)	*-*	*-*	*49*	*-*	*49*	*-*
other	*11*	*15*	*1*	*1*	*12*	*16*
Fair value hedging instruments	31	14	22	5	53	19
commodity swaps	*31*	*14*	*22*	*5*	*53*	*19*
Derivatives	**401**	**343**	**612**	**1 149**	**1 013**	**1 492**
Other financial assets	173	133	2 581	423	2 754	556
receivables on settled derivatives	*-*	*-*	*143*	*155*	*143*	*155*
financial assets measured at fair value through other comprehensive income	*89*	*81*	*-*	*-*	*89*	*81*
financial assets measured at fair value through profit or loss	*25*	*5*	*-*	*-*	*25*	*5*
hedged item adjustment	*-*	*-*	*1*	*-*	*1*	*-*
security deposits	*-*	*-*	*2 412*	*265*	*2 412*	*265*
short-term deposits	*-*	*-*	*15*	*-*	*15*	*-*
loans granted	*1*	*1*	*1*	*1*	*2*	*2*
other	*58*	*46*	*9*	*2*	*67*	*48*
Other non-financial assets	1 004	593	1	-	1 005	593
investment property	*329*	*327*	*-*	*-*	*329*	*327*
non-current assets classified as held for sale	*-*	*-*	*1*	*-*	*1*	*-*
*other **	*675*	*266*	*-*	*-*	*675*	*266*
Other assets	**1 177**	**726**	**2 582**	**423**	**3 759**	**1 149**

** The line Other include mainly advances for non-current assets. The increase results from the projects related to the construction of gas and steam power plants in ENERGA Group and in the Lietuva Group projects related to the construction of Hydrocracking.*

As at 30 June 2022 and 31 December 2021, the Group has security deposits that do not meet the definition of cash equivalents concerning mainly hedging of settlement of transactions on the Intercontinental Exchange Inc. (ICE) and the Clearing and Settlement House (Izba Rozliczeniowa Giełd Towarowych S.A. IRGiT in Polish) as well as in the Hungarian and Czech market (Keler CCP clearing house (KELER), operator OTE a.s. (OTE)) totally in the amount of PLN 2,397 million and PLN 250 million, respectively. The increase in the value of security deposits results mainly from the change in the valuation of hedging transactions concluded on the ICE exchange, which is a consequence of the increase of crude oil and refining products prices.

Open futures contracts for the purchase of CO_2 emission allowances

Open futures contracts for purchase of CO2 emission allowances at 30/06/2022	Settlement period	Number of allowances in tonnes	Fair value measurement 30/06/2022 (in PLN million)	
			Financial assets (unaudited)	Financial liabilities (unaudited)
CO2 "transaction" portfolio	XII 2022, XII 2023, XII 2024	2 325 000	65	-
CO2 'own' portfolio	XII 2022, III 2023	2 043 000	not to be valuated at the balance sheet date	

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

The effect of the valuation of CO_2 futures contracts in the transaction portfolio was recognised in other operating income and other operating expenses in position Settlement and valuation of derivative financial instruments (note 5.5).
As at 30 June 2022, the Group had 5,235,432 CO_2 emission allowances recognised as intangible assets.

Derivatives and other liabilities

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Cash flow hedging instruments	919	702	206	42	1 125	744
currency forwards	*919*	*702*	*105*	*31*	*1 024*	*733*
commodity swaps	*-*	*-*	*101*	*11*	*101*	*11*
Derivatives not designated as hedge accounting	69	3	1 419	419	1 488	422
currency forwards	*-*	*-*	*12*	*21*	*12*	*21*
commodity swaps	*69*	*-*	*1 277*	*125*	*1 346*	*125*
currency interest rate swaps	*-*	*-*	*30*	*52*	*30*	*52*
commodity futures (CO2 emission allowances)	*-*	*3*	*-*	*122*	*-*	*125*
commodity futures (diesel oil)		*-*	*2*	*-*	*2*	*-*
commodity forwards (electricity)	*-*	*-*	*98*	*99*	*98*	*99*
Fair value hedging instruments	-	-	1	-	1	-
commodity swaps	*-*	*-*	*1*	*-*	*1*	*-*
Derivatives	**988**	**705**	**1 626**	**461**	**2 614**	**1 166**
Other financial liabilities	199	179	982	76	1 181	255
liabilities on settled derivatives	*-*	-	*892*	25	*892*	*25*
investment liabilities	*78*	77	*-*	-	*78*	*77*
hedged item adjustment	*31*	14	*22*	5	*53*	*19*
refund liabilities	*-*	-	*50*	23	*50*	*23*
security deposits	*-*	*-*	*12*	*18*	*12*	*18*
*pozostałe **	*90*	*88*	*6*	*5*	*96*	*93*
Other non-financial liabilities	406	407	1 493	62	1 899	469
deferred income	*406*	*407*	*1 493*	*62*	*1 899*	*469*
Other liabilities	**605**	**586**	**2 475**	**138**	**3 080**	**724**

* *As at 30 June 2022 and as at 31 December 2021, the line other in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 18 million and PLN 26 million, and received other deposits in the amount of PLN 65 million and PLN 53 million, respectively.*

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

The line receivables due to settled derivatives and liabilities due to settled derivatives refer to derivatives with a maturity date at the end of the reporting period or earlier, however the payment date falls after the balance sheet date. As at 30 June 2022 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 30 June 2022 and 31 December 2021 includes mainly the unsettled part of the grants for non-current assets received, mainly in previous years, in the amount of PLN 354 million and PLN 316 million, respectively and as at 30 June 2022 value of received CO_2 donation unsettled as at the reporting date for the year 2022 in the amount of PLN 1,381 million.

The ICE stock exchange settles financial instruments on a net basis by maintaining separate security deposits: USD and EUR. Cash accumulated on these security deposits is not used interchangeably, therefore in case the balance of one security deposit is positive and the other negative, the Group does not net these positions and presents them separately. As at 30 June 2022, the balance of a security deposit maintained in USD was positive and amounted to USD 531 million, which as at the balance sheet date represented the value of PLN 2,378 million and was presented under Other financial assets. Whereas, the balance of EUR security deposit was negative and amounted to EUR (2) million, which as at the balance sheet date represented the value of PLN (12) million and was presented under Other financial liabilities.

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5.10. Provisions

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Environmental	785	961	55	64	840	1 025
Jubilee bonuses and post-employment benefits	636	788	107	102	743	890
CO_2 emissions, energy certificates	-	-	3 587	5 474	3 587	5 474
Other	171	156	611	561	782	717
	1 592	**1 905**	**4 360**	**6 201**	**5 952**	**8 106**

As at 30 June 2022 the decrease in the environmental provision and provision for jubilee bonuses and post-employment benefits compared to the previous year mainly resulted from the update of the discount rate for Poland adopted for the calculation, which as at 30 June 2022 amounted to 6.9%.
Detailed information in note 3.2.

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

As compared to the previous reporting period the Group did not change the valuation methods concerning financial instruments. Methods applied in determining the fair value were described in the Consolidated Financial Statements for 2021 in note 16.3.
In the position financial assets measured at fair value through other comprehensive income, quoted/unquoted shares not held for trading are presented. With respect to shares unquoted on active market for which there are no observable inputs, fair value is determined on the basis of expected discounted cash flows.

Fair value hierarchy

	30/06/2022		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through other comprehensive income	89	89	35	-	54
Financial assets measured at fair value through profit or loss	25	25	-	-	25
Loans granted	2	2	-	2	-
Derivatives	1 013	1 013	-	1 013	-
	1 129	**1 129**	**35**	**1 015**	**79**
Financial liabilities					
Loans	3 758	3 763	-	3 763	-
Borrowings	120	117	-	117	-
Bonds	10 810	10 244	8 031	2 213	-
Derivatives	2 614	2 614	-	2 614	-
	17 302	**16 738**	**8 031**	**8 707**	**-**

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).
During the reporting period and comparative period, there were no reclassifications in the Group between levels of the fair value hierarchy during the reporting and comparative period.

5.12. Future commitments resulting from signed investment contracts

As at 30 June 2022 and as at 31 December 2021 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 24,461 million and PLN 19,033 million, respectively.

5.13. Issue and redemption of debt securities

The balance of debt securities liabilities as at 30 June 2022:
a) in PKN ORLEN under:
- the second public bond issue program, B and E Series remains open with a total nominal value of PLN 400 million;
- 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.

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.

5.14. Distribution of the Parent Company's profit for 2021 and the dividend payment in 2022

The Ordinary General Meeting of Shareholders of PKN ORLEN on 25 May 2022 decided to distribute the net profit of PKN ORLEN for the year 2021 in the amount of PLN 8,397,702,761.43 PLN as follows: the amount of PLN 1,496,981,713.50 allocate as a dividend payment (PLN 3.50 per 1 share) and the remaining amount of PLN 6,900,721,047.93 as reserve capital. The dividend date was set at 27 July 2022 and the dividend payment date at 3 October 2022.

5.15. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and 2020 and 2021, PERN S.A. (PERN) informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN as a pipeline system operator. At the same time, 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 30 June 2022, according to received confirmation from PERN, PKN ORLEN's operating stock of crude oil REBCO-type amounted to 411,238 net metric tons. The difference in the quantity of stocks increased by 1,244 net metric tons in comparison compared to the status as at 31 December 2021 and amounted to 92,934 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, 2020 and 2021 and in the 6-month period of 2022 totally in the amount of PLN (161) 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 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.

5.16. Contingent liabilities

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

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

On 5 September 2014, OBR S.A. (currently: Warter Fuels S.A.) filled an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights. The amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of PLN 84 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of PLN 247 million. So far, several hearings have been held, during which witnesses submitted by the parties were heard by the court. On 19 December 2018, a hearing took place, during which the Court heard the parties' position in the scope of the grounds for any repeal of the freezing order. By a decision of 2 January 2019 the Regional Court set aside the order granting security for claims. Warter Fuels S.A. submitted a complaint against this decision on 5 February 2019. PKN ORLEN submitted a response to the complaint. The matter of complaint consideration is at the stage of secondary proceedings, i.e. before the Court of Appeal in Łódź. The freezing order has been legally repealed.
The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. As at the date of these half-year condensed consolidated financial statement the request has not been considered yet. The court has found an expert to issue an opinion also among foreign entities. The opinion in the case will be provided by the University of Technology and Economics. On 21 September 2021 Warter Fuels paid an upfront payment for that expert.
A full assessment of the risk of an unsuccessful decision may be made at a later stage of the proceedings, taking into account the arguments of PKN ORLEN. In the opinion of PKN ORLEN the claims of Warter Fuels S.A. are without merit.

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

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

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

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

In the case, ORLEN Projekt claims from POLWAX the payment of a total amount of PLN 67.8 million together with overdue interest for delay consists of: (i) remuneration for completed construction works and deliveries, (ii) unjustifiably executed performance guarantee, and (iii) costs related to ORLEN Projekt's withdrawal from the contract. The court has already heard all the witnesses and parties in the case. The proceedings have been suspended until the case heard by the Court of Appeal in Rzeszów under file no. act I AGa 20/21.

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.

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

POLWAX claims from ORLEN Projekt the payment of PLN 9.7 million together with overdue interest for delay consists of: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) noncontractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. So far, seven hearings have been held in the case. The next hearing in the case next hearings are scheduled for 14 September 2022.

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

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

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

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

In connection with the delay in execution of the Agreement concluded between Technip Italy S.p.A. ("Technip") and ORLEN Unipetrol for the construction of the Polyethylene Plant in Litvinov, Technip was obliged to pay contractual penalties for the delay in the amount of PLN 108 million, translated using the exchange rate as at 30 June 2022 (representing EUR 23 million). Technip did not pay the above mentioned contractual penalties to ORLEN Unipetrol, therefore ORLEN Unipetrol activated the bank guarantee in the amount of PLN 98 million, translated using the exchange rate as at 30 June 2022 (representing EUR 21 million).

On 17 August 2020, Technip called for arbitration. In November 2020, ORLEN Unipetrol claimed an offset of the remaining contractual interest from the invoice issued by Technip for the remaining part of the contractual remuneration: the outstanding amount of contractual interest for delay is PLN 8.4 million translated using the exchange rate as at 30 June 2022 (corresponding to EUR 1.8 million).

On 30 November 2020, ORLEN Unipetrol submitted a reply to the statement of claim and filed a counterclaim for the outstanding contractual interest for delay in the amount of PLN 8.4 million translated using the exchange rate as at 30 June 2022 (corresponding to EUR 1.8 million).

On 5 January 2021, Technip submitted an amendment to the demand for arbitration increasing the total amount of the claim to PLN 135 million translated using the exchange rate of 30 June 2022 (corresponding to EUR 28.8 million).

Technip, by filing for arbitration taking into account the submitted amendment, intends to obtain:

a. payment of the amount of PLN 100 million, translated using the exchange rate as at 30 June 2022 (corresponding to EUR 21.3 million), representing the amount of unjustified payment under the bank guarantee by ORLEN Unipetrol;
b. payment of the amount of PLN 34 million, translated using the exchange rate as at 30 June 2022 (corresponding to EUR 7.3 million) representing additional claims of Technip based on various circumstances and legal grounds mainly concerning works, additional services provided by Technip in connection with the Polyethylene Plant construction project;
c. payment of the amount of PLN 0.9 million, translated using the exchange rate as at 30 June 2022 (corresponding to EUR 0.2 million) from the invoice issued by Technip, representing the remaining part of the contractual remuneration (which was offset by ORLEN Unipetrol in November 2020);
d. payment of the amount of statutory interest for the entire due payment;
e. dismissal of ORLEN Unipetrol's counterclaim.

The arbitration proceedings are pending before the Court of Arbitration at the International Chamber of Commerce in Vienna. ORLEN Unipetrol RPA s.r.o. submitted its full position in the case on 6 August 2021. There was an interchange of preparatory letters between the parties. In February, a hearing took place. On 9 May 2022, the Parties submitted their final and cost-related statements in the case. The Arbitration Court closed the hearing and adjourned the award until 9 August 2022.

In the opinion of ORLEN Unipetrol RPA s.r.o., Technip's claim is without merit.

Contingent liabilities related to the ENERGA Group

As at 30 June 2022, the contingent liabilities of the ENERGA Group recognised in these half-year condensed consolidated financial statement of the ORLEN Group amounted to PLN 263 million.

The largest item of contingent liabilities of the ENERGA Group consists of legal claims relating to the power infrastructure of Energa-Operator SA located on private land. The Group recognises provisions for filed legal claims. If there is uncertainty as to the validity of the amount of the claim or legal title to land, the Group recognises contingent liabilities. As at 30 June 2022, the estimated value of those claims recognised as contingent liabilities amounts to PLN 243 million, while as at 31 December 2021 its value amounted to PLN 249 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

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

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

1) consideration of PLN 20.6 million and EUR 7.6 million plus statutory default interest, alleged to be payable under the EPC Contract to Elektrobudowa S.A. or, alternatively, to Citibank if the consideration is found to be payable to Citibank following assignment;
2) a fee of PLN 7.8 million and EUR 1.26 million plus statutory default interest accrued since 23 October 2018 for additional and substitute works, alleged to be payable to Elektrobudowa S.A. or Citibank (see above);

3) a claim of PLN 62.4 million plus statutory default interest since 27 December 2019 as remuneration by reference to which the lump-sum should be increased in favour of Elektrobudowa, or Citibank as above;
4) compensation of PLN 13.2 million and EUR 2.6 million plus statutory default interest accrued since 25 October 2019, alleged to be payable to Elektrobudowa S.A. for the harm it suffered as a result of wrongful drawdown of funds by PKN ORLEN under bank guarantees.

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

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

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

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

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

(III) Partial Judgment (No. 10) of 15 April 2022 ordering the defendant to pay the plaintiff the amount of PLN 0.5 million and EUR 0.8 million with interest for late payment until the date of payment as additional remuneration and partial remuneration for deliveries of equipment. The awarded amounts were covered by previously issued preliminary judgments (2) and (3).

(IV) Partial Judgment (No. 11) of 26 May 2022, stating that PKN ORLEN unsuccessfully deducted PLN 5.8 million and EUR 0.4 million from the remuneration claimed by Elektrobudowa in the part retained by PKN ORLEN under 15.2 of the Agreement. The judgment is not an award judgment.

In the 1st half of 2022, the Group recognised additional provisions for the pending proceedings with Elektrobudowa in the total amount of PLN 55 million, of which provisions of PLN 35 million increased the value of property, plant and equipment, and the remaining part, i.e. PLN 20 million, was charged to financial costs.

The total value of provisions recognised as at 30 June 2022 in connection with the pending proceedings with Elektrobudowa amounted to PLN 81 million.

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

5.17. Related parties transactions

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

As at 30 June 2022 and 31 December 2021 and in the 6 and 3-month period ended 30 June 2022 and 30 June 2021 there were no transactions of related parties of the ORLEN Group with Members of the Management Board and the Supervisory Board, members of the other key executive personnel of the Parent Company and their relatives.

In the 6 and 3-month period ended 30 June 2022 on the basis of submitted declarations there were mainly sales transactions of the relatives of key executive personnel of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 0.8 million and PLN 0.4 million, respectively. The largest amounts in both periods were related to the sale of legal services.

In the 6 and 3-month period ended 30 June 2021 on the basis of submitted declarations there were sales transactions of the members of the other key executive personnel and their relatives of the ORLEN Group companies with related parties of the ORLEN Group the amount of PLN 1 million and PLN 0.4 million, respectively. The largest amounts in both periods were related to the sale of legal services.

As at 30 June 2022 the balance of the trade and other liabilities due to the above transactions was not significant and as at 30 June 2021 the balance of the trade and other liabilities due to the above transactions amounted to PLN 0.01 million.

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

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Parent Company				
Short-term employee benefits	27.7	14.6	25.3	13.1
Termination benefits	0.6	0.6	-	-
Subsidiaries				
Short-term employee benefits	166.7	86.4	144.6	73.3
Post-employment benefits	0.1	0.1	0.2	-
Other long term employee benefits	0.1	0.1	0.4	0.2
Termination benefits	3.0	2.0	3.6	1.6
	198.2	**103.8**	**174.1**	**88.2**

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

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

	Sales				Purchases			
	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Jointly-controlled entities	**2 660**	**1 443**	**874**	**160**	**(240)**	**(112)**	**(155)**	**(80)**
joint ventures	*2 521*	*1 368*	*804*	*120*	*(166)*	*(73)*	*(115)*	*(57)*
joint operations	*139*	*75*	*70*	*40*	*(74)*	*(39)*	*(40)*	*(23)*
	2 660	**1 443**	**874**	**160**	**(240)**	**(112)**	**(155)**	**(80)**

	Trade and other receivables		Trade, lease and other liabilities	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Jointly-controlled entities	**1 106**	**844**	**148**	**154**
joint ventures	*1 066*	*819*	*128*	*134*
joint operations	*40*	*25*	*20*	*20*
	1 106	**844**	**148**	**154**

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and services. During the 6 and 3-month period ended 30 June 2022 and 30 June 2021 there were no related parties transactions within the Group concluded on other than an arm's length basis.

Additionally, during the 6 and 3-month period ended 30 June 2022, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives of the other key management personnel of the Parent Company and entities of the ORLEN Group.

In the 6 and 3-month period ended 30 June 2022 and as at 30 June 2022, the Group identified the following transactions:
- sales amounted to PLN 1 million and PLN 0.5 million, respectively;
- purchase amounted to PLN (2.5) million and PLN (0.7) million, respectively;
- balance of receivables amounted to PLN 0.1 million;
- balance of liabilities amounted to PLN 0.2 million.

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

5.17.4. Transactions with entities related to the State Treasury

As at 30 June 2022 and 31 December 2021, the State Treasury owns 27.52% of the Parent Company of ORLEN Group shares - PKN ORLEN and has ability to exert a significant influence on it.
Therefore, entities related to ORLEN Group companies are those entities over which the State Treasury exercises direct control (subsidiaries) or indirectly (jointly controlled entities).
The Group identified transactions with related parties, which are also parties related to the State Treasury, based on the "List of companies with State Treasury share" provided by the Prime Minister's Office.

During the 6 and 3-month period ended 30 June 2022 and 30 June 2021 and as at 30 June 2022 and 31 December 2021, the Group identified the following transactions:

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Sales	5 986	3 434	1 763	949
Purchases	(11 856)	(7 603)	(3 147)	(1 656)

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	30/06/2022 (unaudited)	31/12/2021
Trade and other receivables	1 166	687
Trade, lease and other liabilities	2 531	1 571

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

5.18. 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 30 June 2022 and as at 31 December 2021 amounted to PLN 2,697 million and PLN 2,659 million, respectively. As at 30 June 2022, the Group assesses the materialisation of this type of liability as very low.

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

The guarantees and sureties granted in the Group on behalf of its subsidiaries to third parties as at 30 June 2022 and as at 31 December 2021 amounted to PLN 14,788 million and PLN 14,385 million, respectively. They were mainly related to secure of ORLEN Capital and Energa Finance future liabilities due to Eurobonds issuance in total amount of PLN 11,000 million and securing the CCGT Ostrołęka and CCGT Grudziądz gas projects in the equivalent of PLN 1,351 million as well as timely payment of liabilities by related parties.

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

	Nominal value						Value of guarantee issued	
	EUR	PLN	Subscription date	Expiration date	Interest rate	Rating	EUR	PLN
Eurobonds	750	3 318 *	7.06.2016	7.06.2023	2.5%	BBB-, Baa2	1 100	5 149
Eurobonds	300	1 251 **	7.03.2017	7.03.2027	2.125%	BBB-, Baa2	1 250	5 851
	1 050	**4 569**					**2 350**	**11 000**

* translated using exchange rate as at 31 December 2016
** translated using exchange rate as at 29 December 2017
The value of guarantees granted was translated using the exchange rate as at 30 June 2022

In addition, the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 30 June 2022 and as at 31 December 2021 amounted to PLN 456 million and PLN 486 million, respectively. Guarantees concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.

5.20. Events after the end of the reporting period

1. PKN ORLEN developing its petrochemical assets

On 6 July 2022 PKN ORLEN has signed an agreement to acquire the business related to the production and sale of LDPE from Basell Orlen Polyolefins sp z o.o. (joint venture in which PKN ORLEN and LyondellBasell Industries hold 50% of shares each) and Basell Orlen Polyolefins Sprzedaż sp.z o.o. (100% of which is owned by Basell Orlen Polyolefins sp z o.o.).

As a result of the transaction, PKN ORLEN will acquire Basell Orlen Polyolefins assets engaged in LDPE production, with a capacity of about 100 thousand tonnes per year as well as its sales and customer service on the Polish market, covering approximately 1/3 of the domestic demand for this product. The Company expects to close the transaction by the end of this year, meanwhile obtaining all the required antitrust approvals from the competent authorities in Poland and the Netherlands.

Low density polyethylene, or LDPE, is a polymer commonly used to make consumer and industrial products. It is 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, which plays an important role in advancing the circular economy.

After the transaction is completed, the company will focus on continued development of its business involving production and marketing of HDPE (high density polyethylene) and polypropylene.

2. New bank financing

In July 2022, PKN ORLEN signed the loan agreement with SMBC Group entities in the amount of EUR 300 million. As at the date of the approval of these half-year condensed consolidated financial statements, the new loan from SMBC has not been launched.

3. Agreement of merger plan between PKN ORLEN and PGNiG S.A. and agreement on the ratio of the shares to be exchanged in connection with that merger

On 29 July 2022 PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw ("PGNiG") have signed the merger plan ("Merger Plan"). The Merger Plan assumes that merger will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies, i.e. merger by acquisition of PGNiG (company being acquired) by PKN ORLEN (acquiring company), through transfer of all assets and liabilities of PGNiG to the Company in exchange for shares of the Company that will be issued to the shareholders of PGNiG ("Merger"). The shares will be newly issued through the increase of the Company's share capital ("Merger Shares").

The Company will made a public offer of the Merger Shares addressed to the shareholders of PGNiG on the base of the prospectus approved by the Polish Financial Supervision Authority, in line with Regulation (EU) 2017/1129 of the European Parliament and of the Council as of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJEU L 168, 30.6.2017, p. 12 with amendments).

According to the Merger Plan the Shareholders of PGNiG, in exchange for their shares in PGNiG, will be issued the Merger Shares in the following proportions: 0,0925 (PKN ORLEN shares): 1 (PGNiG shares) ("Share Swap Ratio"). The foregoing means that, in exchange for 1 (one) share in PGNiG, the Shareholders of PGNiG will receive 0,0925 Merger Shares, with reservation that the number of allotted Merger Shares will be a natural number, while the non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of PGNiG by way of payouts under the terms set out in the Merger Plan.

In accordance with Art. 506.1 of the Polish Code of Commercial Companies, the basis for the Merger are the resolutions of the General Meeting of Shareholders of PKN ORLEN and the General Meeting of Shareholders of PGNiG, containing, under Art. 506.2 and 506.4 of the Polish Code of Commercial Companies as well as relevant provisions of the articles of association of each of the merging companies, approval of both, the Merger Plan and the amendments to the article of association of the acquiring company.

Conditions of the Merger

The Merger is subject to the fulfilment of the conditions prescribed by law in the form of obtaining the legally required approvals and completing the other legally required actions related to the Merger. In particular, in order to complete the Merger process initiated by this Merger Plan, the following are necessary:

(a) the preparation of the prospectus by the acquiring company and submitting an application by the acquiring company to the Polish Financial Supervision Authority for the approval of the prospectus and the issuance of a decision on its approval;

(b) providing the prospectus to the persons who are the recipients of the public offer related to the Merger;

(c) issuance by the Council of Ministers of approval of the Merger based on Art. 13.5 in connection with paragraph 1.9 and 1.23 of the Act of 16 December 2016 on the principles of state property management (Official Journal 2021, item 1933, as amended);

(d) the failure of the controlling authority to issue a decision to object to the subsequent acquisition of dominance in the acquiring company as defined in Art. 3.7.2. of the act of 24 July 2015 on the control of certain investments (Official Journal 2020, item 2145, as amended), following notification by the acquiring company, or the issuance of a decision refusing to initiate proceedings on the basis that the activity covered by the acquiring company's notification is not subject to the provisions of this act.

The Merger Shares shall entitle to participate in the profit of the acquiring company as of the first day of the financial year in which the Merger Shares are recorded in the securities accounts of PGNiG shareholders, i.e. as of 1 January 2022. The above means that the Merger Shares may participate in dividends starting from the dividend determined in accordance with Art. 348 of the the Polish Code of Commercial Companies on the basis of the financial statements of the acquiring company for the financial year beginning on 1 January 2022 and ending on 31 December 2022.

The Merger Plan together with the other documents published by the Company in connection with the Merger will be available on the PKN ORLEN's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-pgnig.

4. Merger of PKN ORLEN with GRUPA LOTOS S.A.

Description of the transaction

On 1 August 2022, the District Court for Łódź-Śródmieście in Łódź, XX Commercial Division of the National Court Register, registered the merger of PKN ORLEN S.A. with Grupa LOTOS S.A. ("Grupa LOTOS"), ("Merger") and amendments to the Articles of Association of PKN ORLEN S.A. adopted by the Extraordinary General Meeting of PKN ORLEN S.A. on 21 July 2022, including the increase of the Company's share capital and changes in the composition of the Supervisory Board and the Management Board of the Company.

The merger took place pursuant to Article 492 § 1(1) of the Code of Commercial Companies, therefore, on 1 August 2022, i.e. on the date of recorder in the business register of the National Court Register by the district court, PKN ORLEN took over all the assets of Grupa LOTOS and, subject to exceptions resulting from legal regulations, entered into all rights and obligations of Grupa LOTOS under universal succession. In particular, as of the Merger date, the permits, concessions and licenses granted to Grupa LOTOS were transferred to the Company, unless a relevant act of law or decision awarding a specific permit, concession,

license or exemption provide otherwise. At the same time, the share capital of the Company was increased by issuing shares, to be issued by the Company to Grupa LOTOS' shareholders ("Merger Shares").
Share capital was increased from PLN 534,636,326.25 to the amount of PLN 783,059,906.25 by issuing 198,738,864 E series ordinary bearer shares with the nominal value of PLN 1.25 each, with the aggregate nominal value of PLN 248,423,580. Shareholders of Grupa LOTOS will be allotted Merger Shares: in accordance with the agreed share swap ratio, under which the shareholders of Grupa LOTOS receive 1.075 PKN ORLEN shares (Merger Shares) for 1 share of Grupa LOTOS, with reservation that the number of alloted shares will be a natural number, while the non-alloted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of Grupa LOTOS by way of Payouts.

Reasons and strategic goals for the Merger

LOTOS Capital Group, which was taken over by PKN ORLEN as part of the Merger, was the second largest oil company in Poland, dealing in the extraction and processing of crude oil as well as wholesale and retail sale of petroleum products. Grupa LOTOS was a producer and supplier of, among others, unleaded petrol, diesel fuel, heating diesel oil (light fuel oil), aviation fuel and heavy fuel oil. The corporation also specializes in the production and sale of lubricating oils and asphalts. The companies from the former LOTOS Capital Group, which at the time of the Merger became part of the ORLEN Group, are involved in the extraction of hydrocarbons in the Polish Exclusive Economic Zone of the Baltic Sea, as well as conducting exploration and production works in the field of exploitation of crude oil fields within the area of the Norwegian Continental Shelf and on the territory of Lithuania.
The merger transaction with Grupa LOTOS is the next step in the ORLEN Group's strategy of building a strong and diversified multi-energy corporation, capable of confronting energy transition, assuming a gradual abandonment of hydrocarbons and conventional fuels in favour of new and more sustainable energy sources. The merged corporation will have greater opportunities to diversify its business and compete against the leading actors in the European and global market, as well as implementing investments supporting the corporation's efforts to achieve operating excellence in the existing areas of its operations, including oil extraction and refinery production. By 2030, the ORLEN Group is to become one of the largest integrated producers of petrochemicals in Europe. What is more, in response to the challenges of transformation, the corporation plans to invest significant funds in the development of plastics recycling technologies.
In addition, through the merger, the ORLEN Group implements its strategic goals aimed at maintaining and strengthening its position as a regional leader in the retail sector, with more than 3,500 petrol stations in 7 Central and Eastern European markets, with an extensive network of electric vehicle charges. At the same time, the merged corporation will have the scale of operations and means necessary to develop in the most innovative and often not yet commercialised areas such as the hydrogen technologies. Here the competence and assets of Grupa LOTOS would be of key importance. As a result, the completed merger with Grupa LOTOS and the related initiatives will contribute to increasing energy security both of Poland and the entire region, which is of crucial importance given the current geopolitical context.

Meeting the required conditions for the merger

Merger with Grupa LOTOS was contingent upon, inter alia, the following conditions being met:
1. adopt relevant merger resolutions by Grupa LOTOS' General Meeting of containing, in particular, consent to the Merger Plan and approve the proposed amendments to PKN ORLEN's Statutes in connection with the merger - adopted on 20 July 2022;
2. adopt relevant merger resolutions by the PKN ORLEN's General Meeting, including in particular, the increase of the PKN ORLEN's share capital in connection with the Merger, on establishing consolidated text of Statues inclusive of the amendments made in connection with the Merger, as an amendment to the Statues, and on the consent to admit and introduce the merger shares to be traded in the regulated market – adopted on 21 July 21 2022;
3. compliance with the requirements set out in the European Commission's Decision of and implementation of Remedies for divestment and performance of part of the behavioural obligations (remaining part of obligations is extended over time in the post-Merger period) - described below;
4. obtaining the approval of the Council of Ministers of the Republic of Poland for the Merger as required by Article 13(5) in conjunction with Article 13(1)(9) and 13(1)(23) of the Act of the Management of State Assets- the Council of Ministers approved on 19 July 2022;
5. no objection being raised by the supervising authority with regard to the secondary acquisition by the State Treasury of a major stake in the Acquiring.

Company- the decision regarding the lack of objection was issued on 27 June 2022.

<u>Compliance of the requirements set out in the European Commission's Decision and implementation of Remedies</u>

On 27 February 2018, a letter of intent was signed between the Company and the State Treasury on concentration between the Company and Grupa LOTOS. Carrying out a concentration in accordance with the applicable regulations required the consent of the European Commission. As a result of the proceeding, on 14 July 2020, the European Commission issued a positive conditional decision on the Concentration pursuant to Art. 8 sec. 2, second paragraph of Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (Journal of Laws of the EU. L No. 24, p. 1). In connection with the above, the Company was obliged to implement the Remedies specified in the decision

in order to prevent the occurrence of negative effects of the planned concentration on competition in the relevant markets. Remedies included commitments of structural and behavioural nature, relating to the structure and policy of the companies participating in the concentration - PKN ORLEN and Grupa LOTOS, including commitments to conclude agreements also covering divestments of assets in five areas: i) fuel production and wholesale operations; (ii) fuel logistics; (iii) retail activity; (iv) aviation fuel activities; and (v) biofuel production. Remedies were found to be an integral part of the decision and a necessary condition for the concentration. To implement them, the Company and Grupa LOTOS entered into a number of preliminary or conditional agreements obliging the Company and Grupa LOTOS to make certain divestments.

In order to implement Remedies in fuels production market and fuels wholesales market area following agreements were concluded:

1. preliminary agreement on sales of 30% of shares in LOTOS Asfalt sp. z o.o. headquartered in Gdańsk ("LOTOS Asfalt") ("Preliminary Agreement on Sales of Shares in LOTOS Asfalt") between Grupa LOTOS and Aramco Overseas Company B.V. („Aramco"), with following agreements attached:
   a) a template of joint venture agreement between PKN ORLEN, Grupa LOTOS, LOTOS Asfalt and Aramco, realizing the requirement of divestment to the independent third party of 30% of the shares in the company, to which refinery located in Gdańsk was contributed as an in-kind contribution and granting guarantee to this third party of contractual rights in the scope of corporate governance,
   b) a template of processing agreement and offtake agreement between Grupa LOTOS, LOTOS Asfalt and Wholesales Company (defined below), which will be concluded for contractual period of joint venture agreement, referred to in point a) above,
   c) a template of a framework agreement on storage of obligatory inventories of crude oil between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period of 10 years from its entry into force,
   d) a template of a framework agreement on railway logistics outsourcing between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period when the processing or offtake agreement are in force.

   The agreements indicated above will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Asfalt.

   The price specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt, which consists of fixed element in the amount of approximately PLN 1,15 bn and variable element, depending on the level of debt and working capital of LOTOS Asfalt on the day preceding the signing of the promised agreement.

   The Preliminary Agreement on Sales of Shares in LOTOS Asfalt includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.
2. preliminary agreement on sales of 100% of shares in LOTOS SPV 1 sp. z o.o. headquartered in Gdańsk ("Wholesales Company") between Grupa LOTOS and Aramco ("Preliminary Agreement on Sales of Shares in Wholesales Company"). Before concluding of the promised agreement on sales of shares in the Wholesales Company, to that company there will be separated an organised part of fuels wholesales enterprise that is currently conducted by LOTOS Paliwa sp. z o.o. headquartered in Gdańsk ("LOTOS Paliwa"), ('Wholesales Business").

   The price specified in the Preliminary Agreement on Sales of Shares in Wholesales Company will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in Wholesales Company, which consists of fixed element in the amount of approximately PLN 1 bn and variable element, depending on the level of debt and working capital of Wholesales Company on the day preceding the signing of the promised agreement.

   The Preliminary Agreement on Sales of Shares in Wholesales Company includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

In order to implement Remedies in biofuels market area following agreement was concluded:

1. preliminary agreement on sales of 100% of shares in LOTOS Biopaliwa sp. z o.o. headquartered in Gdańsk ("LOTOS Biopaliwa") between Grupa LOTOS and Rossi Biofuel Zrt. ("Preliminary Agreement on Sales of Shares in LOTOS Biopaliwa").

   An additional document to the Preliminary Agreement on Sales of Shares in LOTOS Biopaliwa is an agreement on sales of biocomponents between the Company and LOTOS Biopaliwa which will be concluded for a period of 4 years. The agreement on sales of biocomponents, indicated above, will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Biopaliwa.

In order to implement Remedies in fuels logistics market area following agreements, among others, were concluded:

1. preliminary agreement on sales of 100% of shares in LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") between Grupa LOTOS and Unimot Investments spółka z ograniczoną odpowiedzialnością („Unimot Investments"), to which a contribution agreement is attached on contribution of four PKN ORLEN fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec to LOTOS Terminale;

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

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

In order to implement Remedies in aviation fuels market area following agreements were concluded:
1. preliminary agreement on sales of all shares owned by Grupa LOTOS in LOTOS-Air BP Polska sp. z o.o. headquartered in Gdańsk ("LOTOS-Air BP") between Grupa LOTOS and Aramco;
2. conditional agreement on sales of aviation fuel to LOTOS-Air BP, between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
3. conditional agreement on LOTOS-Air BP aviation fuel storage in Olszanica between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
4. conditional agreement on providing services of operating activity support in case of force majeure, between PKN ORLEN, ORLEN Aviation sp. z o.o. headquartered in Warsaw and LOTOS-Air BP, concluded for a period of 15 years from the date of its entry into force.

In order to implement Remedies in bitumen market area following agreements, among others, were concluded:
1. preliminary agreement on sales of 100% of shares in LOTOS Terminale, which, before concluding of promised agreement of sales of shares will acquire 100% of shares in LOTOS SPV 2 sp. z o.o. ("Bitumen Company"), between PKN ORLEN and Unimot Investments. Beforehand, Bitumen Business will be separated to Bitumen Company.
2. conditional bitumen sales agreement between Grupa LOTOS, PKN ORLEN and Unimot Investments, which will be concluded for a period of 10 years from its entry into force with option to extend this period by another two 5 years periods on terms previously agreed between parties.

On 20 June 2022, the European Commission approved the parties and the terms of the agreements described above, confirming that they meet the requirements set out in the decision and the identity of the contractors. Conclusion of promised agreements with the abovementioned buyers and, depending on the case, entry into force of conditional contracts should take place within 6 months from the date of their approval by the European Commission.

Additional agreements in connection with the Merger
PKN ORLEN has concluded a conditional framework sales and purchase agreement with MOL ("Framework Agreement") as a result of which companies belonging to the ORLEN Capital Group will purchase from MOL 144 fuel stations located in Hungary and 41 fuel stations located in Slovakia for the total price amounting to approximately EUR 229 m ("Transactions"). The price is subject to be corrected as of the Transaction settlement day due to changes in the level of net debt and working capital of the acquiring assets in relation to their reference values.
The Transactions shall be closed in 12 months from the day of signing of the Framework Agreement, however the actual acceptance of all acquiring assets shall be made in 18 months from the day of the Transactions closing.
Closing of the Transaction subjects to, among others, obtaining a certain approval of the Commission and the former purchase of 100% of shares in LOTOS Paliwa by MOL.

Additionally PKN ORLEN concluded with Saudi Arabian Oil Company a long term agreement on crude oil deliveries to the ORLEN Capital Group companies. On the base of the agreement, after the merger PKN ORLEN will secure deliveries of the crude oil from Saudi Arabian Oil Company to ORLEN Capital Group in the amount from 200 to 337 thousand barrels daily.
PKN ORLEN also concluded with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a memorandum of understanding on cooperation to analyze, prepare and realize common investments in petrochemical segment. As potential areas of cooperation there will be analysed, among others, development projects in olefins and olefin derivatives, including aroma derivatives, in Poland and in Central and Eastern Europe.
PKN ORLEN also signed with Saudi Arabian Oil Company a memorandum of understanding on cooperation for the common analyzes, preparation and realization of research and development projects, as well within the sustainable development technology.

Agreement with the State Treasury
20 July 2022 there has been signed an agreement between the Company and the State Treasury regarding the planned merger of the Company with Grupa LOTOS S.A. ("Agreement").
The Agreement sets forth the Company's declarations of intent not constituting a contractual obligation of the Company regarding: (i) realization of the energy policy of Poland for crude oil and liquid fuels (traditional) and (ii) continuation of employment policy towards employees of Grupa LOTOS capital group, who will become employees of the Company's capital group after the merger, assuring proper and safe operating of the workplaces belonging to Grupa LOTOS capital group before the merger and also Company's commitment to continue key investments that are realized by Grupa LOTOS before the merger, indicated in the Agreement.
The parties of the Agreement assumes that after the merger of the Company with Grupa LOTOS the key investments of Grupa LOTOS, indicated in the Agreement, will be continued in the minimum scope specified in the Agreement ("Investment Commitments"). The Company declared that immediately after the merger it will verify the conditions for continuation of these investments.
The Company declared also that after the merger and subject to the exceptions described in the Agreement it will take steps towards: (i) diversifying of the supplies of natural resources, in particular crude oil and independence of Poland from Russian crude oil deliveries, (ii) strengthening of the Company's position on the production and distribution of liquid fuels (traditional) market while endeavouring to reduce their emissivity, (iii) development of the Company on the petrochemical products market, including searching for and undertaking investments, (iv) research and projects on the use of alternative fuels, as well as electromobility and (v) maintaining the proper operation of Gdańsk refinery.
Declaration on the Company's realization of the energy policy of Poland will be realized in the scope permitted by the generally applicable law and provisions of the Company's Articles of Association.
The Agreement is not legally binding except for selected provisions regulating, among others, execution of the Investment Commitments, including the Company's liability for breach of these obligations.
In case of culpable non-performance or improper performance of legally binding Investment Commitments by the Company and ineffective expiry of the deadlines provided by the parties of the Agreement to develop the recovery plan for non-performance or improper performance of the Investment Commitments, the Company will be obliged to pay contractual penalties to the State Treasury, which are in a precisely defined amount described in the Agreement.
Subject to the exceptions set out in the Agreement, it will remain in force for a period of 10 years from the date of its conclusion and will be automatically extended in the circumstances defined in the Agreement, for the period necessary for realization of the Investment Commitments. The Agreement will enter into force in principle on the date of the merger of the Company with Grupa LOTOS, i.e. with the date of entry the merger in the relevant register.
In the Company's opinion, as at the date of preparation of these half-year condensed consolidated financial statements, there is no risk that the conditions contained in an agreement with the State Treasury could not be met.

Settlement of acquisition transaction
The merger transaction between PKN ORLEN and Grupa LOTOS is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.
As the transaction was made by exchanging equity interests, where PKN ORLEN increased the share capital by issuing shares, which will then be allocated to the shareholders of Grupa LOTOS, the Group assessed the facts and circumstances related to the transaction in order to determine which of the companies is the acquirer.
Based on its professional judgment, the Group assessed that PKN ORLEN is the acquirer, which gained control over the LOTOS Group through the merger transaction.
A significant shareholder of Grupa LOTOS at the time of the merger was the State Treasury, which at the time of the transaction held 98,329,515 shares in the company, representing 53.19% of its share capital and entitling to approximately 53.19% of votes at the company's general meeting. As a result of the transaction, the State Treasury's share in the share capital and voting rights at the General Meeting of the Parent Company - PKN ORLEN increased from approximately 27.52% to approximately 35.66% and, in the Group's opinion, after the Merger, the State Treasury still has the ability to exercise significant influence over it.
The date of acquisition of Grupa LOTOS is the date of record of the merger in the business register of the National Court Register by the district court, i.e. 1 August 2022.

As the merger with Grupa LOTOS was carried out through an issue of shares to be issued to the former shareholders of Grupa LOTOS, the fair value of the consideration transferred as part of the merger, measured in accordance with IFRS 3, will be the fair value of the equity shares issued by PKN ORLEN and transferred to the shareholders, increased by possible additional payout to shareholders who, as a result of the application of the share exchange parity, will be entitled to fractional parts of the merger shares.

As at the date of these half-year condensed consolidated financial statements, the estimated fair value of the payment was calculated as the quotient of the number of shares issued, i.e. 198,738,864, and the market price of one share at the closing rate at the merger date of PLN 76.10 and amounted to PLN 15,124 million. The fair value of the payment made may change due to the adopted process of granting the former shareholders of Grupa LOTOS merger shares and the payment of any additional payouts. The application of the acquisition method in accordance with IFRS 3 Business Combinations also requires the recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree, and the recognition and measurement of goodwill or a bargain purchase gain.

Due to the short period of time between the date of the merger, i.e. 1 August 2022 and the date of approval of these half-year condensed consolidated financial statements, the Group did not obtain the information necessary to present all disclosures related to the merger transaction required by IFRS 3. In particular, the Group did not receive any financial data on the basis of which it could present the provisional values of the acquired assets and assumed liabilities, and make a provisional purchase price settlement, that would have the effect of presenting provisional goodwill or a temporary gain on a bargain purchase. The lack of financial data also prevented the Group from presenting the disclosures required by IFRS 3 regarding the revenues and profit of the enlarged Group for the current reporting period, calculated as if the acquisition date was 1 January 2022.

After the end of the reporting period there were no other events, apart from those disclosed in these half-year condensed consolidated financial statements that would require recognition or disclosure.

After the end of the reporting period there were no other events, apart from those disclosed in these half-year condensed consolidated financial statements that would require recognition or disclosure.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE 6 AND 3-MONTH PERIOD ENDED 30 JUNE 2022

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

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in PLN million)

B. HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Separate statement of profit or loss and other comprehensive income

	NOTE	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Sales revenues	5.1	73 751	40 277	35 189	19 336
revenues from sales of finished goods and services		*45 589*	*26 282*	*20 013*	*10 903*
revenues from sales of merchandise and raw materials		*28 162*	*13 995*	*15 176*	*8 433*
Cost of sales	5.2	(61 113)	(32 509)	(30 306)	(16 663)
cost of finished goods and services sold		*(33 978)*	*(19 170)*	*(15 849)*	*(8 573)*
cost of merchandise and raw materials sold		*(27 135)*	*(13 339)*	*(14 457)*	*(8 090)*
Gross profit on sales		**12 638**	**7 768**	**4 883**	**2 673**
Distribution expenses		(2 687)	(1 355)	(2 331)	(1 168)
Administrative expenses		(662)	(351)	(615)	(293)
Other operating income	5.5	1 170	292	1 853	921
Other operating expenses	5.5	(6 644)	(3 026)	(784)	(261)
(Loss)/reversal of loss due to impairment of trade receivables		5	(1)	(1)	(2)
Profit from operations		**3 820**	**3 327**	**3 005**	**1 870**
Finance income	5.6	1 935	991	1 570	1 109
Finance costs	5.6	(1 629)	(644)	(743)	(217)
Net finance income and costs		**306**	**347**	**827**	**892**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables		(50)	(33)	(4)	(1)
Profit before tax		**4 076**	**3 641**	**3 828**	**2 761**
Tax expense		(847)	(799)	(532)	(429)
current tax		*(1 225)*	*(935)*	*(306)*	*(254)*
deferred tax		*378*	*136*	*(226)*	*(175)*
Net profit		**3 229**	**2 842**	**3 296**	**2 332**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		**6**	**(3)**	**3**	**-**
actuarial gains and losses		*10*	*(2)*	*-*	*-*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income		*(2)*	*(1)*	*4*	*-*
deferred tax		*(2)*	*-*	*(1)*	*-*
which will be reclassified into profit or loss		**(202)**	**(83)**	**107**	**250**
hedging instruments		*(268)*	*39*	*(134)*	*354*
hedging costs		*18*	*(142)*	*266*	*(45)*
deferred tax		*48*	*20*	*(25)*	*(59)*
		(196)	**(86)**	**110**	**250**
Total net comprehensive income		**3 033**	**2 756**	**3 406**	**2 582**
Net profit and diluted net profit per share (in PLN per share)		7.55	6.65	7.71	5.46

The accompanying notes disclosed on pages 55 – 83 are an integral part of these half-year condensed separate financial statements.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in PLN million)

Separate statement of financial position

	NOTE	30/06/2022 (unaudited)	31/12/2021
ASSETS			
Non-current assets			
Property, plant and equipment		18 104	17 997
Intangible assets		1 734	1 667
Right-of-use asset		2 183	2 382
Shares in subsidiaries and jointly controlled entities		19 909	19 274
Derivatives	5.8	273	265
Long-term lease receivables		20	20
Other assets, incl.:	5.8	3 081	2 704
Loans granted		*2 865*	*2 490*
		45 304	**44 309**
Current assets			
Inventories		15 222	11 167
Trade and other receivables		12 879	9 867
Current tax assets		2	4
Cash		961	1 521
Derivatives	5.8	1 579	1 191
Other assets, incl.:	5.8	5 116	2 744
Security deposits		*2 387*	*247*
Loans granted		*914*	*1 315*
Non-current assets classified as held for sale		21	150
		35 780	**26 644**
Total assets		**81 084**	**70 953**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(625)	(423)
Revaluation reserve		9	11
Retained earnings		38 322	36 582
Total equity		**39 991**	**38 455**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.7	5 160	8 953
Provisions	5.9	336	465
Deferred tax liabilities		188	613
Derivatives	5.8	1 050	769
Lease liabilities		2 156	2 127
Other liabilities	5.8	196	183
		9 086	**13 110**
Current liabilities			
Trade and other liabilities		17 598	12 144
Lease liabilities		325	356
Liabilities from contracts with customers		577	300
Loans, borrowings and bonds	5.7	4 239	945
Provisions	5.9	1 579	2 362
Current tax liabilities		1 109	621
Derivatives	5.8	1 892	623
Other liabilities	5.8	4 688	2 037
		32 007	**19 388**
Total liabilities		**41 093**	**32 498**
Total equity and liabilities		**81 084**	**70 953**

The accompanying notes disclosed on pages 55 – 83 are an integral part of these half-year condensed separate financial statements.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in PLN million)

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2022	2 285	(423)	11	36 582	38 455
Net profit	-	-	-	3 229	3 229
Items of other comprehensive income	-	(202)	(2)	8	(196)
Total net comprehensive income	**-**	**(202)**	**(2)**	**3 237**	**3 033**
Dividends	-	-	-	(1 497)	(1 497)
30/06/2022	**2 285**	**(625)**	**9**	**38 322**	**39 991**
(unaudited)					
01/01/2021	2 285	(74)	(8)	29 666	31 869
Net profit	-	-	-	3 296	3 296
Items of other comprehensive income	-	107	3	-	110
Total net comprehensive income	**-**	**107**	**3**	**3 296**	**3 406**
Dividends	-	-	-	(1 497)	(1 497)
30/06/2021	**2 285**	**33**	**(5)**	**31 465**	**33 778**
(unaudited)					

The accompanying notes disclosed on pages 55 – 83 are an integral part of these half-year condensed separate financial statements.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in PLN million)

Separate statement of cash flows

	NOTE	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Cash flows from operating activities					
Profit before tax		**4 076**	**3 641**	**3 828**	**2 761**
Adjustments for:					
Depreciation and amortisation	5.2	1 080	540	998	497
Foreign exchange (profit)/loss		(61)	1	(123)	(114)
Net interest		49	21	87	45
Dividends	5.6	(488)	(488)	(718)	(718)
(Profit)/Loss on investing activities, incl.:		5 556	2 820	(1 003)	(619)
recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets and other assets	5.5	*2 126*	*2 102*	*17*	*15*
settlement and valuation of derivative financial instruments	5.5, 5.6	*3 306*	*613*	*(1 077)*	*(663)*
Change in provisions		1 690	865	954	408
Change in working capital		(3 913)	(1 789)	(255)	(781)
inventories		*(4 055)*	*(1 794)*	*(1 245)*	*(127)*
receivables		*(3 083)*	*(980)*	*(2 575)*	*(1 980)*
liabilities		*3 225*	*985*	*3 565*	*1 326*
Other adjustments, incl.:		(2 630)	(231)	659	475
settlement of grants for property rights		*(712)*	*(373)*	*(422)*	*(278)*
security deposits	5.8	*(2 146)*	*(388)*	*1 044*	*747*
Income tax (paid)		(735)	(68)	(259)	(166)
Net cash from operating activities		**4 624**	**5 312**	**4 168**	**1 788**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(4 102)	(2 217)	(2 618)	(846)
Acquisition of shares		(590)	(269)	(366)	(56)
Outflows from additional payments to equity in subsidiaries		(108)	(57)	(485)	(380)
Disposal of property, plant and equipment, intangible assets and right-of-use asset		881	855	507	501
Interest received		90	55	35	20
Dividends received		481	481	489	489
Expenses from non-current loans granted		(356)	(220)	(677)	(254)
Proceeds from non-current loans granted		273	200	3	2
Proceeds/(Expenses) from current loans granted		172	(89)	(841)	(841)
Net flows within cash-pool system		-	(199)	(74)	187
Settlement of derivatives not designated as hedge accounting		(1 931)	(727)	(93)	(87)
Other		3	1	12	13
Net cash (used) in investing activities		**(5 187)**	**(2 186)**	**(4 108)**	**(1 252)**
Cash flows from financing activities					
Proceeds from loans and borrowings received	5.7	7 836	-	4 656	700
Bonds issued		-	-	3 225	2 231
Repayments of loans and borrowings	5.7	(8 050)	(3 550)	(6 853)	(2 936)
Redemption of bonds	5.7	(400)	(400)	-	-
Interest paid from loans, borrowings, bonds and cash pool		(204)	(181)	(170)	(157)
Interest paid on lease		(52)	(11)	(51)	(10)
Net flows within cash-pool system		1 064	308	175	15
Payments of liabilities under lease agreements		(176)	(85)	(184)	(88)
Other		(18)	(10)	(14)	(14)
Net cash from/(used in) financing activities		**-**	**(3 929)**	**784**	**(259)**
Net increase/(decrease) in cash		**(563)**	**(803)**	**844**	**277**
Effect of changes in exchange rates		3	(2)	(1)	(1)
Cash, beginning of the period		1 521	1 766	586	1 153
Cash, end of the period		**961**	**961**	**1 429**	**1 429**
including restricted cash		*83*	*83*	*87*	*87*

The accompanying notes disclosed on pages 55 – 83 are an integral part of these half-year condensed separate financial statements.

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS

1. Principal activity of PKN ORLEN

Polski Koncern Naftowy ORLEN Spółka Akcyjna with its headquarters in Płock, 7 Chemików Street ("Company", "PKN ORLEN", "Issuer", "Parent Company") was funded by incorporation of Petrochemia Płock S.A. with Centrala Produktów Naftowych S.A., on 7 September 1999.

The core business of the Company is the processing of crude oil and the production of fuel, petrochemical and chemical goods, as well as, retail and wholesale of fuel products. PKN ORLEN generates, distributes and trades of electricity and heat.
Since 26 November 1999 PKN ORLEN shares are quoted on the main market of the Warsaw Stock Exchange in the continuous trading system.

2. Information on principles adopted in the preparation of the half-year condensed separate financial statements

2.1. Statement of compliance and general principles of preparation

These half-year condensed separate 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 provided by issuers of securities and terms of deeming information required by the regulations of a non-member state equivalent (Official Journal 2018, item 757) and present the PKN ORLEN financial position as at 30 June 2022 and as at 31 December 2021, financial results and cash flows for the 6 and 3-month period ended 30 June 2022 and 30 June 2021.

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

As part of the assessment of the Company's ability to continue as a going concern, the Management Board analyzed 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 Company's operations, as described in more detail in note 3.1.

The Company has unlimited period of operations.

These half-year condensed separate financial statements, except for the separate 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 half-year condensed separate financial statements, the significant accounting policies applied by the Company and significant values based on judgments and estimates were the same as described in individual explanatory notes in the Separate Financial Statements for 2021.

2.3. Functional currency and presentation currency of financial statements

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

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

There is no significant seasonality or cyclicality to the PKN ORLEN operations.

3. Financial situation of PKN ORLEN and changes in the structure of shares in related parties

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

On 24 February 2022, Russia launched an invasion of Ukraine. The outbreak of the war significantly deepened the shortages of natural gas, hard coal, crude oil and liquid fuels that appeared on the global markets of these commodities already at the beginning of the fourth quarter of last year. Subsequent sanctions imposed on the import of hydrocarbons from Russia resulted in the initial period an intensive increase in the prices of crude oil and petroleum products. The prices of gas and electricity also rose. At the same time, in the 1st half of 2022, there was a very high volatility in the quotations of CO2 emission allowances, the price of which decreased sharply after the outbreak of the war, and in the following months it would start increasing again to the levels before the conflict broke out.

Since the beginning of the war the Company observed also an increase in refining margins caused mainly by the insufficient supply of fuels in relation to the demand, resulting from the structural shortage of refining capacities in the world, strongly reduced after the outbreak of the pandemic.

Dynamic changes in the macroeconomic environment and regulatory changes led to the weakening of the PLN currency in the 2nd quarter of 2022 and had a negative impact on the valuation and settlement of derivative instruments owned by the Company throughout 1st half of 2022.

In the Company'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, 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 Company operates, including a possible slowdown in economic growth or even a recession. On the other hand, the scale and impact of the war in Ukraine on the macroeconomic situation and, consequently, the future financial situation of the Company, its operating activities, as well as its future financial results are currently very difficult to estimate. This impact will depend both on the implementation of possible scenarios for the further course of the war in Ukraine, as well as on the actions that will be taken by the governments of other countries, including the maintenance or imposition of new sanctions on Russia, as well as the continuation of restrictions in trade relations with Russia and possibly countries supporting it military operations in Ukraine. Introduce sanctions or take other measures that significantly reduce the availability of oil from Russia may have a negative effect on the Company's operating activities and financial results.

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

So far, there have been no disruptions in the operational processes implemented within the Company, and there have been no significant restrictions in the availability of raw materials, including crude oil, in any of the areas of the Company's operations.

Fuel supplies to all ORLEN network stations are carried out all the time and there are no disruptions in any of the Company's operating areas. The Company assesses that it has adequate reserves of raw materials, including crude oil and fuels. Additionally, the Company secured additional supplies of crude oil from other sources, ensuring the continuation of processing and sales without significant restrictions.

Moreover, despite the complete suspension, starting from 27 April 2022, of natural gas supplied by PAO Gazprom and OOO Gazprom Eksport to PGNIG, which is the main gas supplier to the Company, in the 2nd quarter of 2022, a framework agreement with PGNiG for gaseous fuel supply to the PKN ORLEN system was fully implemented and there were no disruptions in supplies. As at the date of these half-year condensed separate financial statements, gas transmission to the Company is in line with the contract and the Company's demand. From the end of 2021, PKN ORLEN additionally implemented measures on the technological side reducing the dependence of the main plant in Płock on the availability of natural gas. PKN ORLEN has full contractual coverage of its needs, additionally through membership and active participation on the Polish Power Exchange and having a portfolio of OTC contracts, it has a wide range of purchasing alternatives.

In connection with the ongoing war in Ukraine, the Company 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 Company in the event of expansion of military operations on the territory of Poland. Additionally, procedures in the event of emergency situations have been developed to ensure the continuity of the critical infrastructure.

The Company has sufficient financial resources to enable it to settle its current liabilities and to continue planned investment and acquisition projects. In the Company's opinion, the ongoing conflict in Ukraine does not change the risk with regard to the guarantees issued as at 30 June 2022. The dynamic changes in the prices of CO_2 emission allowances observed in the 1st quarter of 2022 and the depreciation of the PLN currency had an impact on the portfolio of derivative transactions held by the Company. Since the outbreak of the war, the Company has been constantly adjusting its derivative transactions portfolio to the changing market conditions in order to reduce their negative impact on the liquidity situation and the Company's results. As a result of the increased demand for working capital and to supplement security deposits, the Company also used additional funds in the 1st quarter of 2022 under the syndicated loan agreement. In the 2nd quarter of 2022, the Company used the cash surpluses generated in this period to repay overdraft facilities and a syndicated loan.

The Company has made a detailed analysis of sales on the Ukrainian and Russian markets. Based on the analysis, due to the low volume of sales in these countries (less than 2% share in the Company's sales revenues) and insignificant balance of receivables from entities based in these countries as at the balance sheet date, the Company did not find a significant increase in the risk of defaults on receivables disclosed on the 30 June 2022.

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

The Company 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 Company's operations, both in terms of organization and liquidity.

In the 1st half the Company recognized the changes in the macroeconomic environment, the increase in crude oil, refinery and petrochemical product prices and a significant increase in gas prices caused, inter alia, by the armed conflict in Ukraine and the uncertainty of REBCO crude oil availability as a result of sanctions imposed on Russia as premises indicating the necessity to conduct loss value tests of non-current assets as at 30 June 2022. Additional information is presented in note 5.4.

3.2. PKN ORLEN achievements and factors that have a significant impact on the half-year condensed separate financial statements

Profit or loss

Sales revenues of the PKN ORLEN for the 6 months of 2022 amounted to PLN 73,751 million and was higher by PLN 38,562 million (y/y). The increase of sales revenues (y/y) reflects both higher by 16% (y/y) volume sales in all operating segments and higher by 66% (y/y) crude oil prices and, consequently, also the quotations of the main products.

In the 6-month period of 2022 in comparison to the same period of 2021 the prices of the fuel increased by 82%, diesel oil by 101%, aviation fuel by 106%, heavy heating oil by 56%, ethylene by 48% and propylene by 55%.

The operating expenses totally increased by PLN (31,210) million (y/y) to PLN (64,462) million, mainly as a result of an increase in the prices of raw materials and energy mainly as a result of higher (y/y) prices of basic raw materials, due to import restrictions from Russia.

The result of other operating activities amounted to PLN (5,474) million and was lower by PLN (6,543) 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 (4,502) million and the recognition of net impairment allowances of property, plant and equipment and intangible assets and other assets in the amount of PLN (2,126) million, which related mainly to the Refinery segment. Additional information in note 5.4.

As a result, profit from operations for the 6 months of 2022 amounted to PLN 3,820 million and was higher by PLN 815 million (y/y).

Net finance income in the described period amounted to PLN 306 million and included mainly dividend income in the amount of PLN 488 million, foreign exchange loss in the amount of PLN (151) million and net interest expenses in the amount of PLN (66) million.

After the deduction of tax charges in the amount of PLN (847) million, the net profit of the PKN ORLEN for the 6 months of 2022 amounted to PLN 3,229 million and was lower by PLN (67) million (y/y).

Statement of financial position

As at 30 June 2022 the total assets of PKN ORLEN amounted to PLN 81,084 million and was higher by PLN 10,131 million in comparison with 31 December 2021.

As at 30 June 2022, the value of non-current assets amounted to PLN 45,304 million and was higher by PLN 995 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets by PLN 174 million, intra-group loans granted to ORLEN Group companies by PLN 375 million and the increase in shares in subsidiaries and jointly controlled entities by PLN 635 million mainly as a result of an increase in the share in CCGT Ostrołęka and an increase in the share capital in ORLEN Południe in the total amount of PLN 574 million and payments to equity for ORLEN VC in the amount of PLN 108 million. Additionally in the 1st half PKN ORLEN recognised net impairment allowances on assets mainly in the Refinery segment in the amount of PLN (2,126) million. Additional information in note 5.4.

The value of current assets increased by PLN 9,136 million, mainly due to increase of trade and other receivables by PLN 3,012 million, inventories by PLN 4,055 million and other assets by PLN 2,372 million, which mainly related to the increase in margin deposits in USD on the ICE exchange by PLN 2,134 million, valuation of derivative financial instruments by PLN 388 million mainly due to the valuation of CO_2 forward contracts related to the decrease in their volume (additional information in note 5.5 and 5.8) by decrease balance of cash by PLN (560) million, loans granted to ORLEN Group companies by PLN (401) million. The increase in value of inventories is mainly the result of an increase in crude oil and petroleum product prices. The increase in trade receivables results mainly from higher sales in term of value.

As at 30 June 2022, total equity amounted to PLN 39,991 million and was higher by PLN 1,536 million in comparison with the end of 2021, mainly as a result of net result for the 6 months of 2022 in the amount of PLN 3,229 million with consideration of dividends liabilities from previous years' profits in the amount PLN (1,497) million.

The value of trade and other liabilities increased by PLN 5,454 million compared to the end of 2021 mainly due to increase in trade liabilities in the amount of PLN 3,628 million and PKN ORLEN's shareholder dividend liabilities in the amount of PLN 1,497 million by decrease of tax liabilities in the amount of PLN (325) million. The increase in trade liabilities resulted mainly from the higher price on the markets.

Value of provisions as at 30 June 2022 amounted to PLN 1,915 million and was lower by PLN (912) million in comparison to the end of 2021. The decrease resulted mainly from the change in the balance of net provision for estimated CO_2 emissions and energy certificates in the total amount of PLN (833) million mainly due to amortisation of provisions related to 2021 emission in the amount to PLN (2,538) million. In addition, during the 6-month period of 2022, the Company updated provisions from 2021 in the amount of PLN 315 million and recognised a provision for CO_2 emissions for 1st half of 2022 in the amount of PLN 1,348 million.

As at 30 June 2022 net financial indebtedness of PKN ORLEN amounted to PLN 8,438 million and was higher by PLN 61 million in comparison with the end of 2021. Change of net financial indebtedness included decrease of cash balance by PLN 560 million the net impact of negative exchange differences from revaluation and indebtedness valuation and interests in total amount of PLN 115 million and net outflows included proceeds and repayment of loans, borrowings and bonds in the amount of PLN (614) million.

Statement of cash flows

Proceeds of net cash from operating activities for the 6-month period of 2022 amounted to PLN 4,624 million and comprised mainly result from operations increased by depreciation and amortisation in the amount of PLN 4,900 million, the negative impact of increase in a net working capital by PLN (3,913) million, loss on investing activities in the amount of PLN 5,556 million mainly related to settlement and valuation of derivative financial instruments in the amount of PLN 3,306 million and and recognition of net impairment allowances of property, plant and equipment and intangible assets and other assets in the amount of PLN 2,126 million, change in provisions in the amount of PLN 1,690 million mainly due to the creation of a provision for estimated CO_2 emissions and energy certificates, as a result of an increase in the weighted average price of CO_2 allowances and other adjustments in the amount of PLN (2,630) million related mainly to security deposits for the settlement of transactions with the ICE and IRGIT exchange in the amount of PLN (2,146) million and settlement of grants for property rights in the amount of PLN (712) million.

Net cash used in investing activities for the 6-month period of 2022 amounted to PLN (5,187) million and comprised mainly net cash flows for the acquisition of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (3,221) million, for acquisition of shares of subsidiaries in the amount of PLN (590) million (mainly for CCGT Ostrołęka) and payments to equity for ORLEN VC in the amount of PLN (108) million, settlement of derivatives not designated as hedge accounting in the amount of PLN (1,931) million, net flows on loans granted in the amount of PLN 89 million and dividends received in the amount of PLN 481 million.

Net cash flows of financing activities for the 6-months of 2022 comprised mainly the net outflows included proceeds and repayment of loans and borrowings in the amount of PLN (214) million, C and D series bond redemption in the amount of PLN (400) million under the second public retail bond issue program and interest paid in the amount of PLN (256) million, payments of liabilities under finance lease agreements in the amount of PLN (176) million and net flows within cash-pool system in the amount of PLN 1,064 million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 6-months of 2022 decreased by PLN (560) million and as at 30 June 2022 amounted to PLN 961 million.

Factors and events which may influence future results

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

- the impact of the war in Ukraine (sanctions on the import of 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 COVID-19 pandemic in China on the global economy,
- significant increase in inflation and market interest rates,
- the risk of a recession in the global economy,
- 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 (price caps, taxation of windfall profits),
- increase in operating costs and investment financing related to inflation, geopolitical risk and regulatory risk,
- availability of production installations,
- applicable legal regulations,
- renewable electricity generation technology development,
- LOTOS and PGNiG acquisitions and their economic effects.

3.3. Changes of shares of PKN ORLEN from 1 January 2022 up to the date of preparation of this report

- on 18 March 2022, the Extraordinary General Meeting of Shareholders of CCGT Ostrołęka Sp. z o.o. which adopted a resolution on increasing the share capital of CCGT Ostrołęka Sp. z o.o. All new shares were acquired by PKN ORLEN (31.75%), which made a cash contribution of PLN 193 million.
  On 14 April 2022, there was increase in the share capital of CCGT Ostrołęka Sp. z o.o.;

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- on 2 June 2022, a resolution was adopted to increase the share capital of the company CCGT Ostrołęka Sp. z o.o. by PLN 254 million. On 26 July 2022, the share capital increase was registered with the National Court Register. After registration, the share of PKN ORLEN in the share capital of CCGT Ostrołęka Sp. z o.o. is 49.99%;
- on 7 July 2022, the Extraordinary General Meeting of ORLEN Synthos Green Energy sp.z o.o. adopted a resolution on increasing the share capital of ORLEN Synthos Green Energy sp.z o.o. The increase requires a register in the National Court Register. All new shares were acquired by PKN ORLEN which made a cash contribution of PLN 209 million. As a result of the transaction, PKN ORLEN's share in the company's share capital increased to 50%, and the value of the investment amounted to PLN 210 million.

4. Segment's data

The operations of the Company are conducted in:

- the Refining segment, which includes refinery products processing and wholesale, oil production and sale as well as supporting production,
- the Petrochemical segment, which includes the production and wholesale of petrochemicals and production and sale of chemicals, supporting production,
- the Energy segment, which includes production, distribution and sales of electricity and heat and trading in electricity,
- the Retail segment, which includes activity carried out at petrol stations,

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

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

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

for the 6-month period ended 30 June 2022

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	46 643	5 431	2 573	19 040	64	-	73 751
Inter-segment revenues		22 158	2 516	1 501	-	66	(26 241)	-
Sales revenues		68 801	7 947	4 074	19 040	130	(26 241)	73 751
Operating expenses		(59 998)	(7 590)	(3 872)	(18 530)	(713)	26 241	(64 462)
Other operating income	5.5	668	314	150	11	27	-	1 170
Other operating expenses	5.5	(5 103)	(751)	(664)	(18)	(108)	-	(6 644)
(Loss)/reversal of loss due to impairment of trade receivables		-	-	-	-	5	-	5
Profit/(Loss) from operations		**4 368**	**(80)**	**(312)**	**503**	**(659)**	**-**	**3 820**
Net finance income and costs	5.6							306
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								(50)
Profit before tax								**4 076**
Tax expense								(847)
Net profit								**3 229**
Depreciation and amortisation	5.2	**374**	**235**	**155**	**225**	**91**	**-**	**1 080**
EBITDA		**4 742**	**155**	**(157)**	**728**	**(568)**	**-**	**4 900**
Increases in non-current assets		**648**	**2 064**	**142**	**321**	**64**	**-**	**3 239**

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for the 3-month period ended 30 June 2022

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	24 818	2 885	1 395	11 138	41	-	40 277
Inter-segment revenues		12 644	1 477	756	-	36	(14 913)	-
Sales revenues		37 462	4 362	2 151	11 138	77	(14 913)	40 277
Operating expenses		(31 847)	(4 011)	(2 100)	(10 798)	(372)	14 913	(34 215)
Other operating income	5.5	131	109	28	5	19	-	292
Other operating expenses	5.5	(2 970)	(3)	(3)	(8)	(42)	-	(3 026)
(Loss)/reversal of loss due to impairment of financial instruments		-	-	-	-	(1)	-	(1)
Profit/(Loss) from operations		**2 776**	**457**	**76**	**337**	**(319)**	**-**	**3 327**
Net finance income and costs	5.6							347
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								(33)
Profit before tax								**3 641**
Tax expense								(799)
Net profit								**2 842**
Depreciation and amortisation	5.2	**187**	**117**	**77**	**113**	**46**	**-**	**540**
EBITDA		**2 963**	**574**	**153**	**450**	**(273)**	**-**	**3 867**
Increases in non-current assets		**334**	**932**	**73**	**151**	**19**	**-**	**1 509**

for the 6-month period ended 30 June 2021

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	22 287	2 170	1 036	9 650	46	-	35 189
Inter-segment revenues		8 406	575	945	-	61	(9 987)	-
Sales revenues		30 693	2 745	1 981	9 650	107	(9 987)	35 189
Operating expenses		(29 148)	(2 689)	(1 872)	(8 905)	(625)	9 987	(33 252)
Other operating income	5.5	830	606	393	13	11	-	1 853
Other operating expenses	5.5	(686)	(30)	-	(12)	(56)	-	(784)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	-	-	(3)	3	-	(1)
Profit/(Loss) from operations		**1 688**	**632**	**502**	**743**	**(560)**	**-**	**3 005**
Net finance income and costs	5.6							827
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								(4)
Profit before tax								**3 828**
Tax expense								(532)
Net profit								**3 296**
Depreciation and amortisation	5.2	**342**	**197**	**150**	**222**	**87**	**-**	**998**
EBITDA		**2 030**	**829**	**652**	**965**	**(473)**	**-**	**4 003**
Increases in non-current assets		**475**	**805**	**70**	**229**	**78**	**-**	**1 657**

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in PLN million)

for the 3-month period ended 30 June 2021

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	12 597	789	513	5 410	27	-	19 336
Inter-segment revenues		4 250	191	409	-	33	(4 883)	-
Sales revenues		16 847	980	922	5 410	60	(4 883)	19 336
Operating expenses		(15 940)	(995)	(836)	(4 938)	(298)	4 883	(18 124)
Other operating income	5.5	342	342	225	5	7	-	921
Other operating expenses	5.5	(216)	(7)	-	(6)	(32)	-	(261)
(Loss)/reversal of loss due to impairment of financial instruments		-	-	-	(3)	1	-	(2)
Profit/(Loss) from operations		**1 033**	**320**	**311**	**468**	**(262)**	**-**	**1 870**
Net finance income and costs	5.6							892
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								(1)
Profit before tax								**2 761**
Tax expense								(429)
Net profit								**2 332**
Depreciation and amortisation	5.2	**178**	**90**	**75**	**109**	**45**	**-**	**497**
EBITDA		**1 211**	**410**	**386**	**577**	**(217)**	**-**	**2 367**
Increases in non-current assets		**269**	**492**	**21**	**96**	**50**	**-**	**928**

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

Assets by operating segments

	30/06/2022 (unaudited)	31/12/2021
Refining Segment	27 262	23 278
Petrochemical Segment	10 516	7 580
Energy Segment	5 215	5 231
Retail Segment	6 218	5 911
Segment assets	**49 211**	**42 000**
Corporate Functions	31 873	28 953
	81 084	**70 953**

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

5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

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

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in PLN million)

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Revenues from sales of finished goods and services, net	45 589	26 282	20 013	10 903
revenue from contracts with customers	*45 559*	*26 270*	*19 985*	*10 889*
excluded from scope of IFRS 15	*30*	*12*	*28*	*14*
Revenues from sales of merchandise and raw materials, net	28 162	13 995	15 176	8 433
revenue from contracts with customers	*28 162*	*13 995*	*15 176*	*8 433*
Sales revenues, incl.:	**73 751**	**40 277**	**35 189**	**19 336**
revenue from contracts with customers	*73 721*	*40 265*	*35 161*	*19 322*

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

Performance obligations

As part of the concluded contracts, the Company undertakes to transfer to customers mainly refining and petrochemical products and goods, electricity and heat and crude oil. Under these agreements, the Company acts as a principal.
Transaction prices in existing contracts with customers are not regulated except for electricity distribution prices and heat prices approved by the President of Energy Regulatory Office (ERO) (Urząd Regulacji Energetyki, URE in Polish) in the Energy segment. There are no contracts that provide for significant reimbursements of remuneration and other similar obligations. The Company does not identify revenues for which the receipt of payment is conditional and therefore the Company does not present the item Assets under contracts with customers.
The warranties provided under the contracts are warranties that provide a customer with assurance that the product complies with agreed-upon specification. They do not consist of a separate service.
There are mainly sales with deferred payment in the Company. Additionally, cash sales occurs in the Retail segment. In contracts with customers, in most cases payment terms not exceeding 30 days are used. Usually payment is due upon delivery of the good or upon completion of the service.
Within the Refining, Petrochemical and Retail segments, in case of deliveries of goods, where the control is transferred to the customer in terms of services provided at a point in time, accounting with customers and recognition of revenues take place after each delivery.
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 Company.
In the Refining and Petrochemical segment, in continuous sale, when goods are transferring using pipelines, the ownership right over the transferred good passes to the customer at an agreed point in the infrastructure of the plant. This moment is considered as the date of sale. Revenue is recognized based on the output method for the delivered units of goods.
Within the Retail segment, in Fleet Program accounts are mostly settled with customers in two-week periods. Within the Energy segment, revenues for energy delivered in the period, are recognised monthly based on reports from billing systems, and accounts with customers are settled on a one- and two-month basis.

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 Company analyses revenues based on the type of contract, date of transfer, contract duration and sales channels.
In the Company, most contracts with customers in exchange for goods/services provided are based on a fixed price, and thus the revenues already recognised will not change.
The Company classifies as revenues from contracts based on a variable price, when the consideration is a variable fee on turnover, customers have the rights to trade discounts and bonuses and a part of revenues related to penalties. Revenues from contracts with a variable amount are presented primarily in the Corporate Functions segment.

As part of the Refining and Petrochemical segment, with respect to sales of refinery and petrochemical products, the Company recognises revenue from the fulfilment of the performance obligation, depending on the terms of delivery applied (Incoterms CFR, CIF, CPT). In case of some deliveries, the Company as seller is responsible for arranging transport. When the control of good is transferred to the customer before the transport service is provided, these constitute separate performance obligations. The delivery of a good is a service provided at a point in time, while a transport is a continuous service (provided over time), where the customer simultaneously receives and consumes benefits from the service. Revenues are recognized 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 and revenue recognition is the moment of release of good, except for sales of fuels in the Fleet Program using Fleet Cards.

Revenue recognised over time within the Energy segment mainly relate to the energy and heat. These revenues are recognised using the result method.
The duration of most contracts within the Company is short-term.
As at 30 June 2022 the Company analysed the value of the transaction price allocated to unfulfilled performance obligations at the end of the year.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in PLN million)

The unfulfilled or partially unfulfilled performance obligations at the end of the year mainly concerned contracts for the sale of electricity and power media that will end during 2022 or are concluded for an indefinite period with a notice period of up to 12 months.
Due to the fact that the described performance obligations are part of the contracts, that can be considered short-term, or the revenues from fulfilment of performance obligation under these contracts are recognised in the amount that the Company has the right to invoice, the Company applied a practical exception, according to which it does not disclose information about the total amount of the transaction price allocated to the performance obligation.

The Company realizes sales directly to end customers in the Retail segment managing the network nearly 1,819 fuel stations: 1,396 own stations and 423 stations operated under franchise agreement.
The Company's sales to customers in the Refining and Petrochemical segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks.
Sales and distribution of energy to customers in the Energy segment are carried out using mostly third-party distribution infrastructure.

5.1.1. Sales revenues of operating segments according to product type

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Refining Segment				
Revenue from contracts with customers IFRS 15	**46 635**	**24 814**	**22 280**	**12 594**
Crude oil	22 459	10 785	11 425	6 578
Medium distillates	17 900	10 289	7 079	3 886
Light distillates	3 496	2 124	1 917	1 172
Heavy fractions	2 350	1 386	1 059	673
Other*	430	230	800	285
Excluded from scope of IFRS 15	**8**	**4**	**7**	**3**
	46 643	**24 818**	**22 287**	**12 597**
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	**5 430**	**2 884**	**2 170**	**789**
Monomers	2 903	1 574	892	141
PTA	1 421	745	763	412
Aromas	604	321	231	120
Other**	502	244	284	116
excluded from scope of IFRS 15	**1**	**1**	**-**	-
	5 431	**2 885**	**2 170**	**789**
Energy Segment				
Revenue from contracts with customers IFRS 15	**2 573**	**1 395**	**1 036**	**513**
Excluded from scope of IFRS 15	**-**	**-**	**-**	-
	2 573	**1 395**	**1 036**	**513**
Retail Segment				
Revenue from contracts with customers IFRS 15	**19 024**	**11 133**	**9 636**	**5 403**
Medium distillates	10 619	6 120	4 895	2 709
Light distillates	6 554	3 964	3 189	1 841
Other***	1 851	1 049	1 552	853
Excluded from scope of IFRS 15	**16**	**5**	**14**	**7**
	19 040	**11 138**	**9 650**	**5 410**
Corporate Functions				
Revenue from contracts with customers IFRS 15	**59**	**39**	**39**	**23**
Excluded from scope of IFRS 15	**5**	**2**	**7**	**4**
	64	**41**	**46**	**27**
	73 751	**40 277**	**35 189**	**19 336**

** Other includes mainly: sulphur, alkylate, isomerizate and slack wax. In addition, it includes revenues from sale of services and materials.*
*** Other mainly includes: butadien, acetone, phenol, glycols.*
**** Other mainly includes sale of non-fuel merchandise.*

During the 6-month period ended 30 June 2022 and 30 June 2021 the Company generated sales revenues from three customers of finished goods and merchandise mainly mainly operating in the Refining and Petrochemical segment in the total amount of PLN 36,668 million and PLN 20,035 million respectively, which individually exceeded 10% of total revenues from sale. These customers were entities from the ORLEN Group.

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

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Poland	45 164	25 753	21 603	11 680
Germany	1 731	1 035	638	403
Czech Republic	11 130	6 534	5 747	3 286
Lithuania, Latvia, Estonia	12 015	4 609	6 100	3 589
Other countries, incl.:	3 681	2 334	1 073	364
Switzerland	*1 253*	*589*	*541*	*125*
	73 721	**40 265**	**35 161**	**19 322**
excluded from scope of IFRS15 - Poland	30	12	28	14
	73 751	**40 277**	**35 189**	**19 336**

Position Other countries comprises mainly sales to customers from Ireland and the United Kingdom.

5.2. Operating expenses

Cost by nature

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Materials and energy	(32 733)	(18 347)	(14 422)	(7 874)
Cost of merchandise and raw materials sold	(27 135)	(13 339)	(14 457)	(8 090)
External services	(1 738)	(936)	(1 424)	(723)
Employee benefits	(623)	(309)	(571)	(268)
Depreciation and amortisation	(1 080)	(540)	(998)	(497)
Taxes and charges	(2 156)	(1 109)	(1 690)	(705)
Other	(215)	(111)	(184)	(102)
	(65 680)	**(34 691)**	**(33 746)**	**(18 259)**
Change in inventories	1 128	452	388	61
Cost of products and services for own use	90	24	106	74
Operating expenses	**(64 462)**	**(34 215)**	**(33 252)**	**(18 124)**
Distribution expenses	2 687	1 355	2 331	1 168
Administrative expenses	662	351	615	293
Cost of sales	**(61 113)**	**(32 509)**	**(30 306)**	**(16 663)**

The increase in taxes and charges in the 6 and 3-month period ended 30 June 2022 by PLN (466) million and PLN (404) million, respectively, resulted mainly from the revaluation of the provision for the estimated costs of CO_2 emissions for 2021 and the recognition of a provision for the estimated costs of CO_2 emissions for 6 and 3 months of 2022 taking into account the settlement of the grant for entitlements received free of charge for the year in the total amount of PLN (950) million and PLN (529) million, respectively compared to PLN (543) million and PLN (126) million in the corresponding period of 2021. The higher costs of creating and updating the provision for the 6 and 3 months of 2022 were influenced by both the higher weighted average price of the CO_2 rights held, resulting from the acquisition of CO_2 rights under the term contracts held by the Company, as well as the fact that for the estimated emissions of some not covered by the rights held as at the reporting date, the value of the provision was calculated based on market prices.

5.3. Impairment allowances of inventories to net realizable value

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Increase	(33)	(6)	(10)	(5)
Decrease	30	29	17	7

5.4. Impairment allowances of property, plant and equipment and intangible assets, right-of-use assets and shares in subsidiaries and jointly-controlled entities

As at 30 June 2022, the PKN ORLEN identified the indicators to conduct tests for impairment of refining, petrochemical and energy assets in accordance with IAS 36 "Impairment of Assets" related to:

- a change in the macroeconomic environment, an increase in the prices of crude oil, refining and petrochemical products and a significant increase in gas prices,
- uncertainty in the availability of REBCO oil as a result of sanctions related to the war in Ukraine,

- an increase in discount rates related mainly to an increase in the risk-free rate and risk premium.

In connection with the current geopolitical situation, including the impact of the VI package of sanctions due to the war in Ukraine and the related uncertainty in the availability of REBCO crude oil, and the forecasted high gas prices, PKN ORLEN conducted tests of refining, petrochemical and energy assets based on available macroeconomic data forecasts and updated discount rate as at 30 June 2022.

5.4.1. The main assumptions used in the impairment tests of assets and shares as at 30 June 2022

The PKN ORLEN carried out impairment tests of the assets of the Refinery, Petrochemical and Energy segment as at 30 June 2022 based on future expected net cash flows, prepared on the basis of (i) updated projections of financial results included in the Financial Plan of PKN ORLEN for 2022, (ii) macroeconomic assumptions updated on based on the IHS Markit projections available as of June 30, 2022 for the prices of oil and major refining and petrochemical products, updated gas prices, electricity, steam and heat prices for CCGT Płock, CCGT Włocławek and EC Płock, as well as (iii) taking into account the effect of war sanctions in Ukraine.

The source of long-term macroeconomic forecasts for refining and petrochemical assets is IHS Markit and other auxiliary sources (forward curves, bank predictions, government agency analyzes) taking into account the following assumptions:

- Projected Model Downstream Margin (MMD) based on current macroeconomic assumptions for the second half of 2022 at the level of approximately 45 USD / bbl. According to the IHS Markit forecast, MMD will remain high in 2023 due to high margins on refining products due to reduced supply from the east and increased demand after the pandemic, followed by a decline in MMD. In the period 2024-2030, IHS Markit expects a significant decline in margins to an average level of USD 13.7 / bbl.
- According to the IHS forecast, the current high levels of Brent DTD crude oil prices will remain in the second half of 2022 at the level of 134 USD/bbl. In the following years, the forecast assumes a decline in prices, keeping them at the average level for 2023-2030, approximately 95 USD/bbl
- The gas price forecasts have been estimated based on the long-term IHS Markit forecast, which assumes an average price level of approximately 110 EUR/MWh for 2022-2023, and an average level of 52 EUR/MWh for 2024-2030. The adopted price forecasts for 2022-2025 additionally take into account the quotations of gas forward contracts in THE and TTF hubs, due to the fact that gas prices in the medium term are under strong pressure from the expected shortages resulting from restrictions on gas supplies from Russia.
- Crack for Gasoline (the difference between the petrol quotation and the price of crude oil) due to significant reductions in supplies from the east in 2022 and high post-pandemic demand, mainly in the USA, has been brought to record levels and it is expected that in the second half of 2022 it will amount to 306 USD/t. By the end of 2023, IHS forecasts a rapid decline to approximately 213 USD/t. This will be due to the increased production dictated by the still high profitability and imports, mainly from the Middle East.
  From 2024, it is assumed that Crack margins on Gasoline will stabilize from 184 USD/t in 2024 to 204 USD/t in 2030, with an average level of 209 USD/t in 2022-2030.
- Crack on diesel oil (the difference between diesel oil quotation and the price of crude oil) in 2022, after sanctions on Russia, the largest importer of medium distillates to Europe, will reach the level of 274 USD/t in the second half of 2022. The IHS forecast for 2022-2025 predicts a decrease in crack margin on diesel oil to 98 USD/t in 2025. From 2026, IHS forecasts maintain increases in diesel crack crack due to global demand and a lower-than-expected impact of de-dieselization until 2030. The average level of crack margin on ON for the years 2022-2030 is at the level of approximately 136 USD/t.
- Crack on kerosene (the difference between the quotation of kerosene and the price of crude oil) in 2022 fell to record lows and according to the IHS Markit forecast in the second half of 2022 it will amount to 50 USD/t. This decrease is due to the reduced petrochemical demand caused by downtime, as well as the low use for the seasonal gasoline blend. As of 2023, the IHS forecasts crack growth and a return to historical levels.
  The average level of crack margin on kerosene for the years 2022-2030 is approximately 113 USD/t.
- In 2022, the spread on Ethylene vs Kerosene (the difference between the quotation of Ethylene and the quotation of Kerosene) was assumed at the level of 660 EUR/t, in 2030 at the level of 645 EUR/t. For the period 2022-2030, the average spread is 597 EUR /t.
- In 2022, the spread for Propylene vs Kerosene was assumed at 661 EUR/t, in 2030 at 609 EUR /t. For the period 2022-2030, the average spread is 538 EUR /t.
- The financial flows for impairment tests include a gradual plan to reduce CO_2 emissions to the level of -20% in 2030 in accordance with the ORLEN Group's Decarbonisation Strategy.
- Replacement capital expenditures at a level ensuring the maintenance of the production capacity of the existing fixed assets.

PKN ORLEN has conducted main production assets impairment tests based on a scenario analysis. Three scenarios were defined: base, pessimistic and optimistic for Refining CGU and Petrochemical CGU. The baseline scenario is based updated macroeconomic forecasts for 2023-2030 taking into account the above-described assumptions. The pessimistic and optimistic scenarios were built on one standard deviation of the historic Downstream Margin for 2012-2021 and on the estimated probability of the impact of the prices of CO_2 emission allowances on revenues from the sale of refining and petrochemical products and on the estimated probability of REBCO crude oil availability. For each of the scenarios, probability weights were established based on the normal distribution and expert judgment, in each case assigning a higher probability of a negative scenario materializing than a positive scenario, in order to maintain a conservative approach.

Discount rate

At the stage of identifying the impairment indicators for each CGU, the PKN ORLEN determines individual discount rates for each defined cash generating unit (Cash Generating Unit CGU) using the so-called CAPM model - Capital Asset Pricing Model. For each CGU as at the date of impairment tests, market risks specific to the country and business segment were taken into account to reflect the current market assessment of the time value of money as at the balance sheet date and the risk associated with a given group of assets. corresponding to the return that investors would require when making investment decisions that would generate cash flows in the amount, timing and type of risk corresponding to the flows that the PKN ORLEN expects to receive from a given CGU.

The discount rates as at 30 June 2022, for CGUs with identified impairment indicators, were calculated using the peer-to-peer method as the weighted average cost of equity and debt. The sources of macroeconomic indicators necessary to estimate the cost of capital and the cost of debt, such as beta and D/E, were provided by the Bloomberg website and the publications of prof. Aswath Damodaran (source: http://pages.stern.nyu.edu), and 10-year government bond quotes. The market risk premium ratio was estimated on the basis of analyzes of the publications of prof. Aswath Damodaran (source: http://pages.stern.nyu.edu) and the available publications of financial institutions.

The discount rates estimated as at 30 June 2022 were as follows:

Country	*Segment / CGU*	*Nominal discount rate*	*BETA non-leveraged*	*Cost of equity capital*	*Cost of debt after tax*	*D/E*
Poland	Refining	**11,84%**	87.96%	14.59%	6.40%	50.48%
Poland	Petrochemical	**11,51%**	80.47%	13.41%	6.40%	37.26%
Poland	Production Energy & Industrial power engineering	**9,84%**	55,00%	12.29%	6.40%	70.90%

5.4.2. Recognition and Reversal of impairment allowances of property, plant and equipment, intangible assets, goodwill and rights-of-use assets as at 30 June 2022

Assets of the Refinery segment

The net cash flows have been discounted to their present value using discount rates reflecting current market estimates of the time value of money and the risks typical for the assets under valuation.

Impairment tests for the production assets of the PKN ORLEN Refinery segment, showed the impairment allowance in the amount of PLN (2,092) million.

The value in use of the Refinery segment assets amounted to PLN 14,068 million and was calculated at a discount rate of 11.84%.

The main factors contributing to the decrease in the value in use of the Refinery segment's assets are the forecasted high gas prices, and the uncertainty related to the availability of REBCO crude oil.

In previous years, PKN ORLEN processed REBCO crude oil using a differential effect. Currently, after the elimination of purchases of Russian oil by sea, only pipeline deliveries resulting from contacts with Rosneft and Tatneft are carried out. The flow estimate takes into account the limited availability of REBCO crude oil included in the scenario analyzes and its replacement with other more expensive crude oils, which translates directly into an increase in production costs. Other impairment losses of the PKN ORLEN Refinery segment in 2nd quarter of 2022 amounted to PLN (7) million and in Q1 2022 PLN (24) million mainly due to catalyst damage.

Sensitivity analysis of the value in use of Refinery segment in PKN ORLEN as part of the conducted tests as at 30 June 2022

in PLN million		EBITDA		
	change	**-5%**	**0%**	**5%**
DISCOUNT RATE	**- 1 p.p.**	*increase in allowance* (365)	*decrease in allowance* 1 016	*decrease in allowance* 2 397
	0,0 p.p.	*increase in allowance* (1 294)	-	*decrease in allowance* 1 294
	+ 1 p.p.	*increase in allowance* (2 081)	*increase in allowance* (863)	*decrease in allowance* 355

Assets of the Petrochemical segment

The PKN ORLEN conducted impairment tests at the end of 30 June 2022 based on the above-mentioned assumptions of the Petrochemical segment assets. The performed tests did not result in the creation of impairment allowances of the assets of the Petrochemical segment.

Assets of the Energy segment

The PKN ORLEN conducted impairment tests at the end of 30 June 2022 based on the above-mentioned assumptions of the Energy segment assets. The performed tests for energy assets PKN ORLEN CGU: CCGT Płock, CCGT Włocławek and EC Płock.

The cash flow estimates included updated gas prices, electricity, steam and heat prices. The tests performed did not result in the creation of impairment allowances of the Energy segment assets.

The impairment allowance in the amount of PLN (3) million on the assets of the Energy segment results from the creation of an allowance for property rights.

The total effect of recognized net impairment allowances on fixed assets as at 30 June 2022

PKN ORLEN (in PLN million)	IQ2022 (unaudited)	IIQ2022 (unaudited)	6 MONTHS ENDED 30/06/2022 (unaudited)
Refining	(24)	(2 099)*	(2 123)
Energy	-	(3)	(3)
Total	**(24)**	**(2 102)**	**(2 126)**

* values included in the current report No. 39/2022 of 2 August 2022 regarding the expected significant one-off events significantly affecting the financial data disclosed in the financial statements of the ORLEN Capital Group as at 30 June 2022

5.4.3. Recognition and Reversal of impairment allowances of shares in subsidiaries and jointly controlled entities

As at 30 June 2022, PKN ORLEN recognized an impairment of its investment in ORLEN Capital in the amount of PLN (34) million net. The impairment allowance value was included in the financial costs. The revaluation is a result of a change in the provision for deferred tax on exchange rate differences on account of the loan granted, which respectively increases or decreases the value of ORLEN Capital's equity. Value in use of PKN ORLEN's investment in ORLEN Capital amounted to PLN 102 million and was calculated at a discount rate of 7.15% and is not sensitive to changes in the discount rate and EBITDA.

Additionally, as at 30 June 2022, as a result of an impairment test, PKN ORLEN made an impairment allowance on the investment in Polska Press shares affecting financial costs in the amount of PLN (33) million. The value in use of PKN ORLEN's investment in shares in Polska Press amounts to PLN 193 million and was calculated at a discount rate of 10.89%. The impairment loss on investments in the shares of Polska Press mainly results from the increase in the discount rate.

Sensitivity analysis of the value in use of PKN ORLEN shares in Polska Press as at 30 June 2022

in PLN million		EBITDA		
	change	-5%	0%	5%
DISCOUNT RATE	- 1 p.p.	*increase in allowance* 0	*decrease in allowance* 12	*decrease in allowance* 24
	0,0 p.p.	*increase in allowance* (11)	-	*decrease in allowance* 11
	+ 1 p.p.	*increase in allowance* (22)	*increase in allowance* (11)	*increase in allowance* (0)

Total impact of recognized net impairment allowances of shares as at 30 June 2022

Company (in PLN million)	IQ2022 (unaudited)	IIQ2022 (unaudited)	6 MONTHS ENDED 30/06/2022 (unaudited)
ORLEN Capital	-	(34)	(34)
Polska Press	-	(33)	(33)
Total		**(67)**	**(67)**

As at 30 June 2022, PKN ORLEN has not identified any indications of impairment for other assets.
The total effect of the recognized net impairment allowances of shares as at 30 June 2022 is PLN (67) million.

5.5. Other operating income and expenses

Other operating income

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Profit on sale of non-current non-financial assets	16	12	2	1
Reversal of provisions	24	14	18	7
Reversal of impairment allowances of property, plant and equipment and intangible assets and other assets	4	2	2	1
Penalties and compensations	14	7	13	10
Settlement and valuation of derivative financial instruments related to operating exposure	938	163	1 697	840
Ineffective part related to valuation and settlement of operating exposure	3	2	3	1
Settlement of hedging costs	153	81	104	54
Other	18	11	14	7
	1 170	**292**	**1 853**	**921**

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Other operating expenses

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Loss on sale of non-current non-financial assets	(24)	(18)	(40)	(35)
Recognition of provisions	-	-	(25)	(1)
Recognition of impairment allowances of property, plant and equipment and intangible assets and other assets	(2 130)	(2 104)	(19)	(16)
Penalties, damages and compensations	(9)	(5)	(6)	(3)
Settlement and valuation of derivative financial instruments related to operating exposure	(4 375)	(867)	(632)	(180)
Ineffective part related to valuation and settlement of operating exposure	(3)	(1)	(20)	(17)
Other, incl.:	(103)	(31)	(42)	(9)
donations	*(81)*	*(20)*	*(21)*	-
	(6 644)	**(3 026)**	**(784)**	**(261)**

In the 6 and 3-month period ended 30 June 2022 the line recognition of impairment allowances of property, plant and equipment and intangible assets, and other assets concerned mainly recognition of impairment allowances in Refinery segment. Additional information in note 5.4.

Settlement and valuation of derivative financial instruments related to operating exposure

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Valuation of derivative financial instruments	(980)	8	1 143	692
commodity futures (CO2 emission allowances)	*(647)*	*65*	*1 154*	*764*
commodity swaps	*(348)*	*(72)*	*(11)*	*(72)*
commodity futures (diesel oil)	*15*	*15*	-	-
Settlement of derivative financial instruments	(2 457)	(712)	(78)	(32)
commodity futures (CO2 emission allowances)	*(1 012)*	-	*178*	-
commodity swaps	*(1 420)*	*(687)*	*(256)*	*(32)*
commodity futures (diesel oil)	*(25)*	*(25)*	-	-
	(3 437)	**(704)**	**1 065**	**660**

During the 6 and 3-month period ended 30 June 2022 and 30 June 2021 the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) mainly related to the valuation and settlement of CO_2 futures contracts as a part of "transaction" portfolio. Moreover this line includes the effect of valuation and settlement of commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging, refining margin hedging and securing the physical sale of finished products purchased by sea.
As part of the commodity risk management strategy related to the time mismatch between the date of crude oil purchase and the date of processing and sale of refining products, the Company uses paper market instruments to hedge against the risk of a decline in crude oil prices. The risk concerned occurs when crude oil is purchased by sea. In this way, the Company eliminates the risk related to the volatility of crude oil prices, incurring only an additional cost or provides additional profit resulting from the market structure at the moment of concluding the hedging transaction.
The result on a physical item, hedged by the Company 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 Company on the sale of a physical position. The events related to the Russian aggression against Ukraine resulted in decrease in emission allowance prices, an increase in the prices of crude oil and the prices of refining products, an increase in interest rates, a weakening of the PLN against EUR and USD. This had a negative impact on the settlement and valuation of transactions held in our portfolio in the 1st half of 2022 compared to the 1st half of 2021.

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5.6. Finance income and costs

Finance income

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Interest calculated using the effective interest rate method	110	65	38	21
Net foreign exchange gain	-	-	221	241
Dividends	488	488	718	718
Settlement and valuation of derivative financial instruments	537	249	232	59
Reversal on impairment allowances of shares in subsidiaries	-	-	5	5
Other	800	189	356	65
	1 935	**991**	**1 570**	**1 109**

Finance costs

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Interest calculated using the effective interest rate method	(115)	(63)	(94)	(52)
Interest on lease	(37)	(19)	(36)	(18)
Other interest	(24)	(7)	(1)	(1)
Net foreign exchange loss	(151)	(147)	-	-
Settlement and valuation of derivative financial instruments	(406)	(157)	(220)	(56)
Recognition of impairment allowances of shares in subsidiaries	(67)	(67)	(21)	-
Other	(829)	(184)	(371)	(90)
	(1 629)	**(644)**	**(743)**	**(217)**

Borrowing costs capitalized during the 6 and 3-month period ended 30 June 2022 and 30 June 2021 amounted to PLN (52) million and PLN (31) million, PLN (17) million and PLN (9) million, respectively.
The line other in the 6 and 3-month period ended 30 June 2022, presented in the note finance income and costs included the net amount of PLN (18) million and PLN 9 million, respectively relating to transaction differences arising from the delay in the settlement of transactions with a financial institution (ICE stock exchange) and transactions with the Company as part of centralization, where PKN ORLEN acts as an agent.

Settlement and valuation of derivative financial instruments

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Valuation of derivative financial instruments	(7)	44	27	58
currency forwards	*(29)*	*15*	*6*	*27*
other	*22*	*29*	*21*	*31*
Settlement of derivative financial instruments	138	48	(15)	(55)
currency forwards	*157*	*68*	*(20)*	*(59)*
other	*(19)*	*(20)*	*5*	*4*
	131	**92**	**12**	**3**

During the 6 and 3-month period ended 30 June 2022 and 30 June 2021 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes instruments within risk related to financing activities exposure) related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices for crude oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests. The main impact on the valuation and settlement of derivative financial instruments in the 6-month period ended 30 June 2022 was fluctuations EUR and USD exchange rates against PLN.

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5.7. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Loans	842	1 272	215	5	1 057	1 277
Borrowings	-	3 406	3 606	114	3 606	3 520
Bonds	4 318	4 275	418	826	4 736	5 101
	5 160	**8 953**	**4 239**	**945**	**9 399**	**9 898**

During the 6-month period of 2022, as a part of cash flows from financing activities the PKN ORLEN has made drawings of borrowings and loans and repayments loans from available credit lines in the total amount of PLN 7,836 million and PLN (8,050) million.

The decrease in indebtedness resulted mainly from the change in credit exposure due to the repayment of tranches of the available syndicated loan presented in the long-term part and the use of the overdraft presented in the short-term part, which corresponds to the total amount of net cash flows of PLN (1 093) million. At the same time, the long-term financing received from the European Investment Bank in February 2022 in the amount of EUR 180 million remains valid, which corresponds to the cash flow amount of PLN 813 million. In addition, in June 2022, PKN ORLEN redeemed the maturing bond series C and D with a total nominal value of PLN 400 million under the second public retail bond issue program. Additional information on active bond issues was presented in note 5.12.

As well, in June 2022, a liability for an intra-group loan received from ORLEN Capital in the amount of EUR 740 million was reclassified from the long-term to the short-term part. The borrowing matures in June 2023.

As at 30 June 2022 and as at 31 December 2021 the maximum possible indebtedness due to loans and borrowings amounted to PLN 19,245 million and PLN 13,544 million, respectively. As at 30 June 2022 and as at 31 December 2021 PLN 14,370 million and PLN 8,800 million, respectively, remained unused. The increase in the maximum possible indebtedness of the Company and the open credit lines to be used results mainly from two agreements signed by PKN ORLEN in April 2022:

- loan agreement in the amount of PLN 4.8 billion with Bank Gospodarstwa Krajowego
- an annex to the multi-purpose loan agreement, increasing the limit amount up to PLN 600 million with the bank PKO BP.

In the period covered by these half-year condensed separate financial statements, as well as after the reporting date, there were no instances of violation of principal or interest repayment nor breach of loan covenants.

5.8. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Cash flow hedging instruments	15	5	9	1	24	6
currency forwards	*15*	*5*	*9*	*1*	*24*	*6*
Derivatives not designated as hedge accounting	16	42	137	831	153	873
currency forwards	*-*	*-*	*14*	*4*	*14*	*4*
commodity swaps	*2*	*-*	*57*	*31*	*59*	*31*
commodity futures (CO2 emission allowances)	*14*	*42*	*51*	*796*	*65*	*838*
commodity futures (diesel oil)	*-*	*-*	*15*	*-*	*15*	*-*
Derivatives under centralization	211	204	1 412	354	1 623	558
commodity swaps	*-*	*-*	*1 187*	*178*	*1 187*	*178*
currency forwards	*211*	*204*	*191*	*176*	*402*	*380*
commodity futures (diesel oil)	*-*	*-*	*34*	*-*	*34*	*-*
Fair value hedging instruments	31	14	21	5	52	19
commodity swaps	*31*	*14*	*21*	*5*	*52*	*19*
Derivatives	**273**	**265**	**1 579**	**1 191**	**1 852**	**1 456**
Other financial assets	2 952	2 575	5 116	2 744	8 068	5 319
loans granted	*2 865*	*2 490*	*914*	*1 315*	*3 779*	*3 805*
cash pool	*-*	*-*	*1 092*	*961*	*1 092*	*961*
receivables on settled derivatives	*-*	*-*	*69*	*68*	*69*	*68*
receivables on settled derivatives under centralization	*-*	*-*	*653*	*153*	*653*	*153*
financial assets measured at fair value through other comprehensive income	*62*	*64*	*-*	*-*	*62*	*64*
financial assets measured at fair value through profit or loss	*5*	*5*	*-*	*-*	*5*	*5*
hedged item adjustment	*-*	*-*	*1*	*-*	*1*	*-*
security deposits	*-*	*-*	*2 387*	*247*	*2 387*	*247*
other	*20*	*16*	*-*	*-*	*20*	*16*
Other non-financial assets	129	129	-	-	129	129
investment property	*129*	*129*	*-*	*-*	*129*	*129*
Other assets	**3 081**	**2 704**	**5 116**	**2 744**	**8 197**	**5 448**

As at 30 June 2022 and as at 31 December 2021, the Company has security deposits that do not meet the definition of cash equivalents concerning mainly hedging of settlement of transactions on the Intercontinental Exchange Inc. (ICE) and the Clearing and Settlement House (Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT) in Polish) as well as on the Hungarian and Czech market (Keler CCP clearing house (KELER), operator OTE a.s. (OTE))in in the total amount of PLN 2,387 million and PLN 247 million. The increase in the value of security deposits results mainly from the change in the valuation of hedging transactions concluded on the ICE exchange, which is a consequence of the increase of crude oil and refining products prices.
As at 30 June 2022 and 31 December 2021, the position loans granted amounted to PLN 3,779 million and PLN 3,805 million, respectively, and related to intra-group loans granted to ORLEN Group companies for corporate-wide and investment purposes as well as loans granted under the employee loan programme.

Open futures contracts for the purchase of CO_2 emission allowances

Open futures contracts for purchase of CO2 emission allowances at 30/06/2022	Settlement period	Volume of allowances in tons	Fair value measurement 30/06/2022 (in PLN million)	
			Financial assets	Financial liabilities
CO2 "transaction" portfolio	XII 2022, XII 2023 XII 2024	2 325 000	65	-
CO2 "own" portfolio	XII 2022, III 2023	2 002 000	not to be valuated at the balance sheet date	

Open futures contracts for purchase of CO2 emission allowances at 31/12/2021	Settlement period	Volume of allowances in tons	Fair value measurement 31/12/2021 (in PLN million)	
			Financial assets	Financial liabilities
CO2 "transaction" portfolio	III 2022, XII 2022 III 2023, XII 2023	20 716 000	838	125
CO2 "own" portfolio	III 2022, XII 2022	2 259 000	not to be valuated at the balance sheet date	

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

As at 30 June 2022, the Company had 4,123,741 CO_2 emission allowances recognised as intangible assets.

Derivatives and other liabilities

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Cash flow hedging instruments	694	502	104	27	798	529
commodity swaps	-	-	30	3	30	3
currency forwards	694	502	74	24	768	526
Derivatives not designated as hedge accounting	145	63	429	237	574	300
commodity futures (CO2 emission allowances)	-	3	-	122	-	125
currency interest rate swaps	-	-	30	52	30	52
currency forwards	76	60	26	10	102	70
commodity swaps	69	-	373	53	442	53
Derivatives under centralization	211	204	1 358	359	1 569	563
commodity swaps	-	-	1 160	183	1 160	183
currency forwards	211	204	196	176	407	380
commodity futures (diesel oil)	-		2	-	2	-
Fair value hedging instruments	-	-	1	-	1	-
commodity swaps	-	-	1	-	1	-
Derivatives	**1 050**	**769**	**1 892**	**623**	**2 942**	**1 392**
Other financial liabilities	117	101	3 975	2 010	4 092	2 111
liabilities on settled derivatives	-	-	380	-	380	-
liabilities on settled derivatives under centralization	-	-	648	170	648	170
investment liabilities	78	76	-	-	78	76
cash pool	-	-	2 899	1 811	2 899	1 811
hedged item adjustment	31	14	21	5	52	19
refund liabilities	-	-	10	-	10	-
security deposits	-	-	12	18	12	18
other	8	11	5	6	13	17
Other non-financial liabilities	79	82	713	27	792	109
deferred income	79	82	713	27	792	109
Other liabilities	**196**	**183**	**4 688**	**2 037**	**4 884**	**2 220**

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Under market risk management, the ORLEN Group launched a process of service centralization derivative financial instruments. PKN ORLEN as part of centralization concludes transactions with a financial institution (Bank or ICE stock exchange) and subsequently, an intercompany transaction with a company from the ORLEN Group.
PKN ORLEN acts as an intermediary in this type of transactions, and the effect of intermediation is presented in the position revenues from sales of services.
Moreover, PKN ORLEN concludes transactions with the ORLEN Group companies from, in which it acts as the ordering party, and the effect of valuation and settlement of these transactions is presented in other operating activities for the commodity exposure or in financial activities for the currency exposure, respectively.

Description of changes of derivatives not designated as hedge accounting is presented in notes 5.5 i 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 30 June 2022 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.

The line deferred income as at 30 June 2022 and 31 December 2021 includes mainly the unsettled part of the grants for non-current assets received, mainly in previous years, in the amount of PLN 85 million and PLN 88 million, respectively and as at 30 June 2022 value of received CO_2 donation unsettled as at the reporting date for the year 2022 in the amount of PLN 678 million.

The ICE stock exchange settles financial instruments on a net basis by maintaining separate security deposits: USD and EUR. Cash accumulated on these security deposits is not used interchangeably, therefore in case the balance of one security deposit is positive and the other negative, the Company does not net these positions and presents them separately. As at 30 June 2022, the balance of a security deposit maintained in USD was positive and amounted to USD 531 million, which as at the balance sheet date represented the value of PLN 2,378 million and was presented under Other financial assets position. Whereas, the balance of EUR security deposit was negative and amounted to EUR (2) million, which as at the balance sheet date represented the value of PLN (12) million and was presented under Other financial liabilities position.

5.9. Provisions

	Non-current		Current		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Environmental	237	353	26	31	263	384
Jubilee bonuses and post-employment benefits	99	112	30	27	129	139
CO_2 emissions, energy certificates	-	-	1 390	2 223	1 390	2 223
Other	-	-	133	81	133	81
	336	**465**	**1 579**	**2 362**	**1 915**	**2 827**

As at 30 June 2022 the decrease in the environmental provision and provision for jubilee bonuses and post-employment benefits compared to the previous year mainly resulted from the update of the discount rate adopted for the calculation, which as at 30 June 2022 amounted to 6.9%.
Detailed information in note 3.2.

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

As compared to the previous reporting period the Company did not change the valuation methods concerning financial instruments.
Methods applied in determining the fair value were described in the Separate Financial Statements for 2021 in note 14.3.
In the position Financial assets at fair value through other comprehensive income, quoted/unquoted shares not held for trading are presented.

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Fair value hierarchy

	30/06/2022		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through profit or loss	5	5	-	-	5
Financial assets measured at fair value through other comprehensive income	62	62	22	-	40
Loans granted	3 779	3 850	-	3 850	-
Derivatives, incl.:	1 852	1 852	-	1 852	-
Derivatives under centralization	*1 623*	*1 623*	-	*1 623*	-
	5 698	**5 769**	**22**	**5 702**	**45**
Financial liabilities					
Loans	1 057	1 058	-	1 058	-
Borrowings	3 606	3 606	-	3 606	-
Bonds	4 736	4 230	3 222	1 008	-
Derivatives, incl.:	2 942	2 942	-	2 942	-
Derivatives under centralization	*1 569*	*1 569*	-	*1 569*	-
	12 341	**11 836**	**3 222**	**8 614**	**-**

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).
During the reporting period and comparative period there were no reclassifications in the Company between levels of the fair value hierarchy during the reporting and comparative period.

5.11. Future commitments resulting from signed investment contracts

As at 30 June 2022 and as at 31 December 2021 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 11,705 million and PLN 11,565 million, respectively.

5.12. Issue and redemption of debt securities

The balance of debt securities liabilities in PKN ORLEN as at 30 June 2022 under:
- the second public bond issue program, B and E Series remains open with a total nominal value of PLN 400 million;
- 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;

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. Distribution of the Parent Company's profit for 2021 and the dividend payment in 2022

The Ordinary General Meeting of Shareholders of PKN ORLEN on 25 May 2022 decided to distribute the net profit of PKN ORLEN for the year 2021 in the amount of PLN 8,397,702,761.43 PLN as follows: the amount of PLN 1,496,981,713.50 allocate as a dividend payment (PLN 3.50 per 1 share) and the remaining amount of PLN 6,900,721,047.93 as reserve capital. The dividend date was set at 27 July 2022 and the dividend payment date at 3 October 2022.

5.14. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and 2020 and 2021, PERN S.A. (PERN) informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN as a pipeline system operator. At the same time, 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 30 June 2022, according to received confirmation from PERN, PKN ORLEN's operating stock of crude oil REBCO-type amounted to 411,238 net metric tons. The difference in the quantity of stocks increased by 1,244 net metric tons in comparison compared to the status as at 31 December 2021 and amounted to 92,934 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, 2020 and 2021 and in the 6-month of 2022 totally in the amount of PLN (161) million is also a contingent asset of PKN ORLEN.

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

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

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

5.15. Contingent liabilities

Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of administration bodies:

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

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

The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. As at the date of these half-year condensed separate financial statement the request has not been considered yet. The court has found an expert to issue an opinion also among foreign entities. The opinion in the case will be provided by the University of Technology and Economics. On 21 September 2021 Warter Fuels paid an upfront payment for that expert. A full assessment of the risk of an unsuccessful decision may be made at a later stage of the proceedings, taking into account the arguments of PKN ORLEN. In the opinion of PKN ORLEN the claims of Warter Fuels S.A. are without merit.

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

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

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

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

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

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

(III) Partial Judgment (No. 10) of 15 April 2022 ordering the defendant to pay the plaintiff the amount of PLN 0.5 million and EUR 0.8 million with interest for late payment until the date of payment as additional remuneration and partial remuneration for deliveries of equipment. The awarded amounts were covered by previously issued preliminary judgments (2) and (3).

(IV) Partial Judgment (No. 11) of 26 May 2022, stating that PKN ORLEN unsuccessfully deducted PLN 5.8 million and EUR 0.4 million from the remuneration claimed by Elektrobudowa in the part retained by PKN ORLEN. The judgment is not an award judgment.

In the 1st half of 2022, the Company recognised additional provisions for the pending proceedings with Elektrobudowa in the total amount of PLN 55 million, of which provisions of PLN 35 million increased the value of property, plant and equipment, and the remaining part, i.e. PLN 20 million, was charged to financial costs.

The total value of provisions recognised as at 30 June 2022 in connection with the pending proceedings with Elektrobudowa amounted to PLN 81 million.

Except of described above proceedings, PKN ORLEN has not identified any other significant contingent liabilities.

5.16. Related parties transactions

5.16.1. Related parties transactions of the ORLEN Group

As at 30 June 2022 and 31 December 2021 and in the 6 and 3-month period ended 30 June 2022 and 30 June 2021 there were no transactions of related parties with Members of the Management Board and the Supervisory Board of the Company, other key executive personnel of the Company and their relatives.

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5.16.2. Remuneration of key executive personnel of the Company

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Short-term employee benefits	27.7	14.6	25.3	13.1
Termination benefits	0.6	0.6	-	-
	28.3	**15.2**	**25.3**	**13.1**

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

5.16.3. Transactions and balances of settlements of the Company with related parties

	Subsidiaries		Jointly- controlled entities		Total	
	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)
Sales	38 142	19 852	2 507	1 361	40 649	21 213
Revenues under centralization of derivative financial instruments	4 434	1 695	-	-	4 434	1 695
Purchases	(5 923)	(2 944)	(29)	(17)	(5 952)	(2 961)
Costs under centralization of derivative financial instruments	(1 831)	(221)	(3)	(16)	(1 834)	(237)
Finance income, incl.:	405	364	190	190	595	554
Dividends	*298*	*298*	*190*	*190*	*488*	*488*
Finance costs (mainly interest)	(61)	(35)	-	-	(61)	(35)

	Subsidiaries		Jointly- controlled entities		Total	
	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Sales	18 108	10 315	793	115	18 901	10 430
Revenues under centralization of derivative financial instruments	1 592	937	-	-	1 592	937
Purchases	(4 987)	(2 048)	(9)	(2)	(4 996)	(2 050)
Costs under centralization of derivative financial instruments	(454)	853	-	-	(454)	853
Finance income, incl.:	604	586	149	149	753	735
Dividends	*566*	*566*	*149*	*149*	*715*	*715*
Finance costs (mainly interest)	(71)	(35)	-	-	(71)	(35)

	Subsidiaries		Jointly- controlled entities		Total	
	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021	30/06/2022 (unaudited)	31/12/2021
Trade and other receivables	5 658	4 774	1 054	808	6 712	5 582
Other assets	5 449	4 830	-	-	5 449	4 830
Loans granted	*3 779*	*3 805*	-	-	*3 779*	*3 805*
Cash pool	*1 092*	*961*	-	-	*1 092*	*961*
Receivables on settled derivatives under centralization	*578*	*64*	-	-	*578*	*64*
Lease receivables	21	21	-	-	21	21
Derivatives under centralization	1 200	241	-	-	1 200	241
Trade and other liabilities	1 120	1 228	14	7	1 134	1 235
Borrowings	3 606	3 520	-	-	3 606	3 520
Other liabilities, incl.:	3 041	1 957	-	-	3 041	1 957
Cash pool	*2 899*	*1 811*	-	-	*2 899*	*1 811*
Liabilities on settled derivatives under centralization	*137*	*145*	-	-	*137*	*145*
Lease liabilities	161	206	-	-	161	206
Derivatives under centralization	457	336	12	-	469	336

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and services.
During the 6 and 3-month period ended 30 June 2022 and 30 June 2021, there were no related parties transaction in the Company concluded on other than as arm's length basis.

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Additionally, during the 6 and 3-month period ended 30 June 2022, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives with the other key management personnel of the Parent Company and entities of the ORLEN Group.

In the 6 and 3-month period ended 30 June 2022 and as at 30 June 2022, the Group identified the following transactions:

- sales amounted to PLN 1 million and PLN 0.5 million, respectively;
- purchase amounted to PLN (2.5) million and PLN (0.7) million, respectively;
- balance of receivables amounted to PLN 0.1 million;
- balance of liabilities amounted to PLN 0.2 million.

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

5.16.4. Transactions with entities related to the State Treasury

As at 30 June 2022 and 31 December 2021, the State Treasury owns 27.52% of PKN ORLEN shares and has ability to exert a significant influence on it.
Therefore, entities related to PKN ORLEN are those entities over which the State Treasury exercises direct control (subsidiaries) or indirectly (jointly controlled entities).
The Company 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 6 and 3-month period ended 30 June 2022 and 30 June 2021, the Company identified the following transactions:

	6 MONTHS ENDED 30/06/2022 (unaudited)	3 MONTHS ENDED 30/06/2022 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Sales	3 512	1 625	623	324
Purchases	(6 971)	(3 716)	(1 714)	(909)

	30/06/2022 (unaudited)	31/12/2021
Trade and other receivables	448	337
Trade, lease and other liabilities	2 201	1 285

Above transactions were concluded on an arm's length basis and were related to the Company's 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.

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 30 June 2022 and as at 31 December 2021 amounted to PLN 2,286 million and PLN 2,198 million, respectively. As at 30 June 2022, the PN ORLEN assesses the materialisation of this type of liability as very low.

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

The guarantees and sureties granted to subsidiaries on behalf of related parties as at 30 June 2022 and as at 31 December 2021 amounted to PLN 8,177 million and PLN 7,900 million, respectively. They were mainly related to secure of ORLEN Capital future liabilities due to Eurobonds issuance in the amount of PLN 5,149 million and securing the CCGT Ostrołęka and CCGT Grudziądz gas projects in the equivalent of PLN 1,347 million as well as timely payment of liabilities by related parties.

In addition, the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 30 June 2022 and as at 31 December 2021 amounted to PLN 361 million and PLN 407 million, respectively. Guarantees concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.

5.19. Events after the end of the reporting period

1. PKN ORLEN developing its petrochemical assets

On 6 July 2022 PKN ORLEN has signed an agreement to acquire the business related to the production and sale of LDPE from Basell Orlen Polyolefins sp z o.o. (joint venture in which PKN ORLEN and LyondellBasell Industries hold 50% of shares each) and Basell Orlen Polyolefins Sprzedaż sp.z o.o. (100% of which is owned by Basell Orlen Polyolefins sp z o.o.).

As a result of the transaction, PKN ORLEN will acquire Basell Orlen Polyolefins assets engaged in LDPE production, with a capacity of about 100 thousand tonnes per year as well as its sales and customer service on the Polish market, covering approximately 1/3 of the domestic demand for this product. The Company expects to close the transaction by the end of this year, meanwhile obtaining all the required antitrust approvals from the competent authorities in Poland and the Netherlands.

Low density polyethylene, or LDPE, is a polymer commonly used to make consumer and industrial products. It is 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, which plays an important role in advancing the circular economy.

After the transaction is completed, the company will focus on continued development of its business involving production and marketing of HDPE (high density polyethylene) and polypropylene.

2. New bank financing

In July 2022, PKN ORLEN signed the loan agreement with SMBC Group entities in the amount of EUR 300 million. As at the date of the approval of these half-year condensed separate financial statements, the new loan from SMBC has not been launched.

3. Agreement of merger plan between PKN ORLEN and PGNiG S.A. and agreement on the ratio of the shares to be exchanged in connection with that merger

On 29 July 2022 PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw (“PGNiG”) have signed the merger plan (“Merger Plan”). The Merger Plan assumes that merger will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies, i.e. merger by acquisition of PGNiG (company being acquired) by PKN ORLEN (acquiring company), through transfer of all assets and liabilities of PGNiG to the Company in exchange for shares of the Company that will be issued to the shareholders of PGNiG (“Merger”). The shares will be newly issued through the increase of the Company’s share capital (“Merger Shares”).

The Company will made a public offer of the Merger Shares addressed to the shareholders of PGNiG on the base of the prospectus approved by the Polish Financial Supervision Authority, in line with Regulation (EU) 2017/1129 of the European Parliament and of the Council as of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJEU L 168, 30.6.2017, p. 12 with amendments).

According to the Merger Plan the Shareholders of PGNiG, in exchange for their shares in PGNiG, will be issued the Merger Shares in the following proportions: 0,0925 (PKN ORLEN shares): 1 (PGNiG shares) ("Share Swap Ratio"). The foregoing means that, in exchange for 1 (one) share in PGNiG, the Shareholders of PGNiG will receive 0,0925 Merger Shares, with reservation that the number of allotted Merger Shares will be a natural number, while the non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of PGNiG by way of payouts under the terms set out in the Merger Plan.

In accordance with Art. 506.1 of the Polish Code of Commercial Companies, the basis for the Merger are the resolutions of the General Meeting of Shareholders of PKN ORLEN and the General Meeting of Shareholders of PGNiG, containing, under Art. 506.2 and 506.4 of the Polish Code of Commercial Companies as well as relevant provisions of the articles of association of each of the merging companies, approval of both, the Merger Plan and the amendments to the article of association of the acquiring company.

Conditions of the Merger

The Merger is subject to the fulfilment of the conditions prescribed by law in the form of obtaining the legally required approvals and completing the other legally required actions related to the Merger. In particular, in order to complete the Merger process initiated by this Merger Plan, the following are necessary:

(a) the preparation of the prospectus by the acquiring company and submitting an application by the acquiring company to the Polish Financial Supervision Authority for the approval of the prospectus and the issuance of a decision on its approval;

(b) providing the prospectus to the persons who are the recipients of the public offer related to the Merger;

(c) issuance by the Council of Ministers of approval of the Merger based on Art. 13.5 in connection with paragraph 1.9 and 1.23 of the Act of 16 December 2016 on the principles of state property management (Official Journal 2021, item 1933, as amended);

(d) the failure of the controlling authority to issue a decision to object to the subsequent acquisition of dominance in the acquiring company as defined in Art. 3.7.2. of the act of 24 July 2015 on the control of certain investments (Official Journal 2020, item

2145, as amended), following notification by the acquiring company, or the issuance of a decision refusing to initiate proceedings on the basis that the activity covered by the acquiring company's notification is not subject to the provisions of this act.

The Merger Shares shall entitle to participate in the profit of the acquiring company as of the first day of the financial year in which the Merger Shares are recorded in the securities accounts of PGNiG shareholders, i.e. as of 1 January 2022. The above means that the Merger Shares may participate in dividends starting from the dividend determined in accordance with Art. 348 of the the Polish Code of Commercial Companies on the basis of the financial statements of the acquiring company for the financial year beginning on 1 January 2022 and ending on 31 December 2022.

The Merger Plan together with the other documents published by the Company in connection with the Merger will be available on the PKN ORLEN's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-pgnig.

4. Merger of PKN ORLEN with GRUPA LOTOS S.A.

Description of the transaction

On 1 August 2022, the District Court for Łódź-Śródmieście in Łódź, XX Commercial Division of the National Court Register, registered the merger of PKN ORLEN S.A. with Grupa LOTOS S.A. ("Grupa LOTOS"), ("Merger") and amendments to the Articles of Association of PKN ORLEN S.A. adopted by the Extraordinary General Meeting of PKN ORLEN S.A. on 21 July 2022, including the increase of the Company's share capital and changes in the composition of the Supervisory Board and the Management Board of the Company.

The merger took place pursuant to Article 492 § 1(1) of the Code of Commercial Companies, therefore, on 1 August 2022, i.e. on the date of recorder in the business register of the National Court Register by the district court, PKN ORLEN took over all the assets of Grupa LOTOS and, subject to exceptions resulting from legal regulations, entered into all rights and obligations of Grupa LOTOS under universal succession. In particular, as of the Merger date, the permits, concessions and licenses granted to Grupa LOTOS were transferred to the Company, unless a relevant act of law or decision awarding a specific permit, concession, license or exemption provide otherwise. At the same time, the share capital of the Company was increased by issuing shares, to be issued by the Company to Grupa LOTOS' shareholders ("Merger Shares").

Share capital was increased from PLN 534,636,326.25 to the amount of PLN 783,059,906.25 by issuing 198,738,864 E series ordinary bearer shares with the nominal value of PLN 1.25 each, with the aggregate nominal value of PLN 248,423,580. Shareholders of Grupa LOTOS will be allotted Merger Shares: in accordance with the agreed share swap ratio, under which the shareholders of Grupa LOTOS receive 1.075 PKN ORLEN shares (Merger Shares) for 1 share of Grupa LOTOS, with reservation that the number of alloted shares will be a natural number, while the non-alloted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of Grupa LOTOS by way of Payouts.

Reasons and strategic goals for the Merger

LOTOS Capital Group, which was taken over by PKN ORLEN as part of the Merger, was the second largest oil company in Poland, dealing in the extraction and processing of crude oil as well as wholesale and retail sale of petroleum products. Grupa LOTOS was a producer and supplier of, among others, unleaded petrol, diesel fuel, heating diesel oil (light fuel oil), aviation fuel and heavy fuel oil. The corporation also specializes in the production and sale of lubricating oils and asphalts. The companies from the former LOTOS Capital Group, which at the time of the Merger became part of the ORLEN Group, are involved in the extraction of hydrocarbons in the Polish Exclusive Economic Zone of the Baltic Sea, as well as conducting exploration and production works in the field of exploitation of crude oil fields within the area of the Norwegian Continental Shelf and on the territory of Lithuania.

The merger transaction with Grupa LOTOS is the next step in the ORLEN Group's strategy of building a strong and diversified multi-energy corporation, capable of confronting energy transition, assuming a gradual abandonment of hydrocarbons and conventional fuels in favour of new and more sustainable energy sources. The merged corporation will have greater opportunities to diversify its business and compete against the leading actors in the European and global market, as well as implementing investments supporting the corporation's efforts to achieve operating excellence in the existing areas of its operations, including oil extraction and refinery production. By 2030, the ORLEN Group is to become one of the largest integrated producers of petrochemicals in Europe. What is more, in response to the challenges of transformation, the corporation plans to invest significant funds in the development of plastics recycling technologies.

In addition, through the merger, the ORLEN Group implements its strategic goals aimed at maintaining and strengthening its position as a regional leader in the retail sector, with more than 3,500 petrol stations in 7 Central and Eastern European markets, with an extensive network of electric vehicle charges. At the same time, the merged corporation will have the scale of operations and means necessary to develop in the most innovative and often not yet commercialised areas such as the hydrogen technologies. Here the competence and assets of Grupa LOTOS would be of key importance. As a result, the completed merger with Grupa LOTOS and the related initiatives will contribute to increasing energy security both of Poland and the entire region, which is of crucial importance given the current geopolitical context.

Meeting the required conditions for the merger

Merger with Grupa LOTOS was contingent upon, inter alia, the following conditions being met:

1. adopt relevant merger resolutions by Grupa LOTOS' General Meeting of containing, in particular, consent to the Merger Plan and approve the proposed amendments to PKN ORLEN's Statutes in connection with the merger - adopted on 20 July 2022;
2. adopt relevant merger resolutions by the PKN ORLEN's General Meeting, including in particular, the increase of the PKN ORLEN's share capital in connection with the Merger, on establishing consolidated text of Statues inclusive of the amendments made in connection with the Merger, as an amendment to the Statues, and on the consent to admit and introduce the merger shares to be traded in the regulated market – adopted on 21 July 21 2022;
3. compliance with the requirements set out in the European Commission's Decision of and implementation of Remedies for divestment and performance of part of the behavioural obligations (remaining part of obligations is extended over time in the post-Merger period) - described below;
4. obtaining the approval of the Council of Ministers of the Republic of Poland for the Merger as required by Article 13(5) in conjunction with Article 13(1)(9) and 13(1)(23) of the Act of the Management of State Assets- the Council of Ministers approved on 19 July 2022;
5. no objection being raised by the supervising authority with regard to the secondary acquisition by the State Treasury of a major stake in the Acquiring.

Company- the decision regarding the lack of objection was issued on 27 June 2022.

Compliance of the requirements set out in the European Commission's Decision and implementation of Remedies

On 27 February 2018, a letter of intent was signed between the Company and the State Treasury on concentration between the Company and Grupa LOTOS. Carrying out a concentration in accordance with the applicable regulations required the consent of the European Commission. As a result of the proceeding, on 14 July 2020, the European Commission issued a positive conditional decision on the Concentration pursuant to Art. 8 sec. 2, second paragraph of Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (Journal of Laws of the EU. L No. 24, p. 1). In connection with the above, the Company was obliged to implement the Remedies specified in the decision in order to prevent the occurrence of negative effects of the planned concentration on competition in the relevant markets. Remedies included commitments of structural and behavioural nature, relating to the structure and policy of the companies participating in the concentration - PKN ORLEN and Grupa LOTOS, including commitments to conclude agreements also covering divestments of assets in five areas: i) fuel production and wholesale operations; (ii) fuel logistics; (iii) retail activity; (iv) aviation fuel activities; and (v) biofuel production. Remedies were found to be an integral part of the decision and a necessary condition for the concentration. To implement them, the Company and Grupa LOTOS entered into a number of preliminary or conditional agreements obliging the Company and Grupa LOTOS to make certain divestments.

In order to implement Remedies in fuels production market and fuels wholesales market area following agreements were concluded:

1. preliminary agreement on sales of 30% of shares in LOTOS Asfalt sp. z o.o. headquartered in Gdańsk ("LOTOS Asfalt") ("Preliminary Agreement on Sales of Shares in LOTOS Asfalt") between Grupa LOTOS and Aramco Overseas Company B.V. („Aramco"), with following agreements attached:
   a) a template of joint venture agreement between PKN ORLEN, Grupa LOTOS, LOTOS Asfalt and Aramco, realizing the requirement of divestment to the independent third party of 30% of the shares in the company, to which refinery located in Gdańsk was contributed as an in-kind contribution and granting guarantee to this third party of contractual rights in the scope of corporate governance,
   b) a template of processing agreement and offtake agreement between Grupa LOTOS, LOTOS Asfalt and Wholesales Company (defined below), which will be concluded for contractual period of joint venture agreement, referred to in point a) above,
   c) a template of a framework agreement on storage of obligatory inventories of crude oil between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period of 10 years from its entry into force,
   d) a template of a framework agreement on railway logistics outsourcing between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period when the processing or offtake agreement are in force.

   The agreements indicated above will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Asfalt.

   The price specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt, which consists of fixed element in the amount of approximately PLN 1,15 bn and variable element, depending on the level of debt and working capital of LOTOS Asfalt on the day preceding the signing of the promised agreement.

   The Preliminary Agreement on Sales of Shares in LOTOS Asfalt includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.
2. preliminary agreement on sales of 100% of shares in LOTOS SPV 1 sp. z o.o. headquartered in Gdańsk ("Wholesales Company") between Grupa LOTOS and Aramco ("Preliminary Agreement on Sales of Shares in Wholesales Company"). Before concluding of the promised agreement on sales of shares in the Wholesales Company, to that company there will be separated an organised part of fuels wholesales enterprise that is currently conducted by LOTOS Paliwa sp. z o.o. headquartered in Gdańsk ("LOTOS Paliwa"), ('Wholesales Business").

The price specified in the Preliminary Agreement on Sales of Shares in Wholesales Company will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in Wholesales Company, which consists of fixed element in the amount of approximately PLN 1 bn and variable element, depending on the level of debt and working capital of Wholesales Company on the day preceding the signing of the promised agreement.
The Preliminary Agreement on Sales of Shares in Wholesales Company includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

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

In order to implement Remedies in fuels logistics market area following agreements, among others, were concluded:
1. preliminary agreement on sales of 100% of shares in LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") between Grupa LOTOS and Unimot Investments spółka z ograniczoną odpowiedzialnością („Unimot Investments"), to which a contribution agreement is attached on contribution of four PKN ORLEN fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec to LOTOS Terminale;
2. conditional fuels depot agreement between PKN ORLEN and Unimot Investments which allows PKN ORLEN to use the warehouses in fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec after the shares in LOTOS Terminale are disposed to Unimot Investments, concluded for a period of 10 years starting from the date of its entry into force
3. conditional preliminary agreement between PKN ORLEN and Unimot Investments and Unimot S.A. on renting and settlements of expenditures which describes the obligation of the Company, Unimot Investments and Unimot S.A. to conclude a promised agreement on conditions of realization of the investment of building a fuels depot located in Szczecin, that will be owned and operated by LOTOS Terminale.
   The contribution agreement, indicated above, will be concluded between PKN ORLEN and LOTOS Terminale after concentration between the Company and Grupa LOTOS is realized.

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

In order to implement Remedies in aviation fuels market area following agreements were concluded:
1. preliminary agreement on sales of all shares owned by Grupa LOTOS in LOTOS-Air BP Polska sp. z o.o. headquartered in Gdańsk ("LOTOS-Air BP") between Grupa LOTOS and Aramco;
2. conditional agreement on sales of aviation fuel to LOTOS-Air BP, between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
3. conditional agreement on LOTOS-Air BP aviation fuel storage in Olszanica between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
4. conditional agreement on providing services of operating activity support in case of force majeure, between PKN ORLEN, ORLEN Aviation sp. z o.o. headquartered in Warsaw and LOTOS-Air BP, concluded for a period of 15 years from the date of its entry into force.

In order to implement Remedies in bitumen market area following agreements, among others, were concluded:

1. preliminary agreement on sales of 100% of shares in LOTOS Terminale, which, before concluding of promised agreement of sales of shares will acquire 100% of shares in LOTOS SPV 2 sp. z o.o. ("Bitumen Company"), between PKN ORLEN and Unimot Investments. Beforehand, Bitumen Business will be separated to Bitumen Company.
2. conditional bitumen sales agreement between Grupa LOTOS, PKN ORLEN and Unimot Investments, which will be concluded for a period of 10 years from its entry into force with option to extend this period by another two 5 years periods on terms previously agreed between parties.

On 20 June 2022, the European Commission approved the parties and the terms of the agreements described above, confirming that they meet the requirements set out in the decision and the identity of the contractors. Conclusion of promised agreements with the abovementioned buyers and, depending on the case, entry into force of conditional contracts should take place within 6 months from the date of their approval by the European Commission.

Additional agreements in connection with the Merger

PKN ORLEN has concluded a conditional framework sales and purchase agreement with MOL ("Framework Agreement") as a result of which companies belonging to the ORLEN Capital Group will purchase from MOL 144 fuel stations located in Hungary and 41 fuel stations located in Slovakia for the total price amounting to approximately EUR 229 m ("Transactions"). The price is subject to be corrected as of the Transaction settlement day due to changes in the level of net debt and working capital of the acquiring assets in relation to their reference values.

The Transactions shall be closed in 12 months from the day of signing of the Framework Agreement, however the actual acceptance of all acquiring assets shall be made in 18 months from the day of the Transactions closing.

Closing of the Transaction subjects to, among others, obtaining a certain approval of the Commission and the former purchase of 100% of shares in LOTOS Paliwa by MOL.

Additionally PKN ORLEN concluded with Saudi Arabian Oil Company a long term agreement on crude oil deliveries to the ORLEN Capital Group companies. On the base of the agreement, after the merger PKN ORLEN will secure deliveries of the crude oil from Saudi Arabian Oil Company to ORLEN Capital Group in the amount from 200 to 337 thousand barrels daily.

PKN ORLEN also concluded with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a memorandum of understanding on cooperation to analyze, prepare and realize common investments in petrochemical segment. As potential areas of cooperation there will be analysed, among others, development projects in olefins and olefin derivatives, including aroma derivatives, in Poland and in Central and Eastern Europe.

PKN ORLEN also signed with Saudi Arabian Oil Company a memorandum of understanding on cooperation for the common analyzes, preparation and realization of research and development projects, as well within the sustainable development technology.

Agreement with the State Treasury

20 July 2022 there has been signed an agreement between the Company and the State Treasury regarding the planned merger of the Company with Grupa LOTOS S.A. ("Agreement").

The Agreement sets forth the Company's declarations of intent not constituting a contractual obligation of the Company regarding: (i) realization of the energy policy of Poland for crude oil and liquid fuels (traditional) and (ii) continuation of employment policy towards employees of Grupa LOTOS capital group, who will become employees of the Company's capital group after the merger, assuring proper and safe operating of the workplaces belonging to Grupa LOTOS capital group before the merger and also Company's commitment to continue key investments that are realized by Grupa LOTOS before the merger, indicated in the Agreement.

The parties of the Agreement assumes that after the merger of the Company with Grupa LOTOS the key investments of Grupa LOTOS, indicated in the Agreement, will be continued in the minimum scope specified in the Agreement ("Investment Commitments"). The Company declared that immediately after the merger it will verify the conditions for continuation of these investments.

The Company declared also that after the merger and subject to the exceptions described in the Agreement it will take steps towards: (i) diversifying of the supplies of natural resources, in particular crude oil and independence of Poland from Russian crude oil deliveries, (ii) strengthening of the Company's position on the production and distribution of liquid fuels (traditional) market while endeavouring to reduce their emissivity, (iii) development of the Company on the petrochemical products market, including searching for and undertaking investments, (iv) research and projects on the use of alternative fuels, as well as electromobility and (v) maintaining the proper operation of Gdańsk refinery.

Declaration on the Company's realization of the energy policy of Poland will be realized in the scope permitted by the generally applicable law and provisions of the Company's Articles of Association.

The Agreement is not legally binding except for selected provisions regulating, among others, execution of the Investment Commitments, including the Company's liability for breach of these obligations.

In case of culpable non-performance or improper performance of legally binding Investment Commitments by the Company and ineffective expiry of the deadlines provided by the parties of the Agreement to develop the recovery plan for non-performance or improper performance of the Investment Commitments, the Company will be obliged to pay contractual penalties to the State Treasury, which are in a precisely defined amount described in the Agreement.

Subject to the exceptions set out in the Agreement, it will remain in force for a period of 10 years from the date of its conclusion and will be automatically extended in the circumstances defined in the Agreement, for the period necessary for realization of the Investment Commitments. The Agreement will enter into force in principle on the date of the merger of the Company with Grupa LOTOS, i.e. with the date of entry the merger in the relevant register.
In the Company's opinion, as at the date of preparation of these half-year condensed separate financial statements, there is no risk that the conditions contained in an agreement with the State Treasury could not be met.

Settlement of acquisition transaction
The merger transaction between PKN ORLEN and Grupa LOTOS is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.
As the transaction was made by exchanging equity interests, where PKN ORLEN increased the share capital by issuing shares, which will then be allocated to the shareholders of Grupa LOTOS, the Company assessed the facts and circumstances related to the transaction in order to determine which of the companies is the acquirer.
Based on its professional judgment, the Company assessed that is the acquirer, which gained control over the LOTOS Group through the merger transaction.
A significant shareholder of Grupa LOTOS at the time of the merger was the State Treasury, which at the time of the transaction held 98,329,515 shares in the company, representing 53.19% of its share capital and entitling to approximately 53.19% of votes at the company's general meeting. As a result of the transaction, the State Treasury's share in the share capital and voting rights at the General Meeting of PKN ORLEN increased from approximately 27.52% to approximately 35.66% and, in the Company's opinion, after the Merger, the State Treasury still has the ability to exercise significant influence over it.
The date of acquisition of Grupa LOTOS is the date of record of the merger in the business register of the National Court Register by the district court, i.e. 1 August 2022.
As the merger with Grupa LOTOS was carried out through an issue of shares to be issued to the former shareholders of Grupa LOTOS, the fair value of the consideration transferred as part of the merger, measured in accordance with IFRS 3, will be the fair value of the equity shares issued by PKN ORLEN and transferred to the shareholders, increased by possible additional payout to shareholders who, as a result of the application of the share exchange parity, will be entitled to fractional parts of the merger shares.
As at the date of these half-year condensed separate financial statements, the estimated fair value of the payment was calculated as the quotient of the number of shares issued, i.e. 198,738,864, and the market price of one share at the closing rate at the merger date of PLN 76.10 and amounted to PLN 15,124 million. The fair value of the payment made may change due to the adopted process of granting the former shareholders of Grupa LOTOS merger shares and the payment of any additional payouts. The application of the acquisition method in accordance with IFRS 3 Business Combinations also requires the recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree, and the recognition and measurement of goodwill or a bargain purchase gain.
Due to the short period of time between the date of the merger, i.e. 1 August 2022 and the date of approval of these half-year condensed consolidated financial statements, the Company did not obtain the information necessary to present all disclosures related to the merger transaction required by IFRS 3. In particular, the Company did not receive any financial data on the basis of which it could present the provisional values of the acquired assets and assumed liabilities, and make a provisional purchase price settlement, that would have the effect of presenting provisional goodwill or a temporary gain on a bargain purchase. The lack of financial data also prevented the Company from presenting the disclosures required by IFRS 3 regarding the revenues and profit of the mergered unit for the current reporting period, calculated as if the acquisition date was 1 January 2022.
After the end of the reporting period there were no other events, apart from those disclosed in these half-year condensed separate financial statements that would require recognition or disclosure.

After the end of the reporting period there were no other events apart from those disclosed in these half-year condensed separate financial statements, that would require recognition or disclosure.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

FOR THE 1st HALF 2022

C. MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

1. Financial situation

1.1. Major factors affecting EBITDA LIFO (profit on operations increased by depreciation and amortisation by LIFO method of inventory valuation)

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 1st half of 2022 amounted to PLN 11,598 million by PLN 7,612 million in comparison period of 2021.

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

The impact of rising crude oil prices in the 1st half of 2022 on the valuation of inventories recognised in the EBITDA result amounted to PLN 3,495 million.
As a result, profit from operations increased by depreciation and amortisation before consideration of impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of assets amounted to PLN 8,103 million and was higher by PLN 2,596 million.

The positive impact of macroeconomic factors amounted to PLN 2,845 million (y/y) and included mainly higher impact of the Ural/Brent differential of USD (21.7)/bbl and an increase in margins on light and medium distillates, olefins, polyolefins, PVC and fertilizers. The above positive effects were partially limited by the negative impact of the valuation and settlement of the CO_2 futures contract in the amount of PLN (2,992) million and hedging transactions in the amount of PLN (3,596) million (y/y) due to an increase of quotations of crude oil and products. Additionally, the increase in crude oil, natural gas and electricity prices by much higher crude oil processing (y/y) significantly contributed to higher costs of own consumption.

Sales volume increased by 10% (y/y) to the level of 19,436 thousand tonnes and was higher in all operating segments of the ORLEN Group, i.e. the refinery by 9% (y/y), petrochemical by 19% (y/y), retail by 8% (y/y) and upstream by 3% (y/y).
The improvement of the market situation and, as a result, higher product sales were achieved despite the cyclical maintenance shutdowns of the refinery in Kralupy (March-April) and the refinery in Mazeikiu (May-June). The above changes in sales trends resulted in a positive volume effect in the amount of PLN 1,786 million (y/y).

The negative impact of the other factors amounted to PLN (2,035) million (y/y) and included mainly:

- PLN (2,798) million – net impact of impairment allowances on property, plant and equipment and intangible assets from the 1st half of 2022, including mainly refining assets of PKN ORLEN and ORLEN Lietuva.
- PLN (208) million (y/y) – lack of positive impact of revaluation of inventories to net realisable value from the 1st half of 2021. Impact of revaluation of inventories in the 1st half of 2021 was positive and amounted to PLN 207 million, by no material impact of inventory revaluation in the 1st half of 2022.
- PLN 616 million (y/y) - positive impact of the use of historical inventory layers due to disrupted logistics of oil supplies as a result of the armed conflict in Ukraine and as a result of maintenance shutdowns.
- PLN 355 million (y/y) - other elements, including mainly higher (y/y) wholesale margins with a significant decrease in retail margins on the Polish market, increase in general and labour costs and no positive effect from the 1st half of 2021 in the amount of PLN (156) million (y/y) related to the change in the ownership structure of Baltic Power.

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

JANUARY 2022

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

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

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

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

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

The above-mentioned decisions of the Company's Management Board has been accepted by the Company's Supervisory Board.

Completion of works on implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A.

PKN ORLEN announced that it has completed works on implementation of remedies according to conditional decision of the European Commission ("Commission") as of 14 July 2020 on concentration of taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS"), ("Remedies").

In order to implement the Remedies there have been signed the below mentioned conditional agreements that will come into force under, among others, following conditions:

1. The Commission approves the purchasers of the assets that are being disposed during implementation of Remedies and provisions of agreements concluded with them;
2. Concentration between the Company and Grupa LOTOS is realized;
3. The below mentioned purchasers of the assets that are being disposed during implementation of Remedies obtain the approvals of the certain antitrust offices and other public administration organs for conclusion and realization of the below mentioned agreements by them;
4. The other consents of the certain institutions, required by law, for disposal of some parts of disposing assets are obtained.

In order to implement Remedies in fuels production market and fuels wholesales market area following agreements were concluded:

1. Preliminary agreement on sales of 30% of shares in LOTOS Asfalt sp. z o.o. headquartered in Gdańsk ("LOTOS Asfalt") ("Preliminary Agreement on Sales of Shares in LOTOS Asfalt") between Grupa LOTOS and Aramco Overseas Company B.V. („Aramco"), with following agreements attached:

a. a template of joint venture agreement between PKN ORLEN, Grupa LOTOS, LOTOS Asfalt and Aramco, realizing the requirement of divestment to the independent third party of 30% of the shares in the company, to which refinery located in Gdańsk was contributed as an in-kind contribution and granting guarantee to this third party of contractual rights in the scope of corporate governance,

b. a template of processing agreement and offtake agreement between Grupa LOTOS, LOTOS Asfalt and Wholesales Company (defined below), which will be concluded for contractual period of joint venture agreement, referred to in point a above,

c. a template of a framework agreement on storage of obligatory inventories of crude oil between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period of 10 years from its entry into force,

d. a template of a framework agreement on railway logistics outsourcing between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period when the processing or offtake agreement are in force.

The agreements indicated above will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Asfalt.

The price specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt, which consists of fixed element in the amount of approximately PLN 1.15 billion and variable element, depending on the level of debt and working capital of LOTOS Asfalt on the day preceding the signing of the promised agreement.

The Preliminary Agreement on Sales of Shares in LOTOS Asfalt includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

2. Preliminary agreement on sales of 100% of shares in LOTOS SPV 1 sp. z o.o. headquartered in Gdańsk ("Wholesales Company") between Grupa LOTOS and Aramco ("Preliminary Agreement on Sales of Shares in Wholesales Company"). Before concluding of the promised agreement on sales of shares in the Wholesales Company, to that company there will be separated an organised part of fuels wholesales enterprise that is currently conducted by LOTOS Paliwa sp. z o.o. headquartered in Gdańsk ("LOTOS Paliwa"), ('Wholesales Business").

The price specified in the Preliminary Agreement on Sales of Shares in Wholesales Company will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in Wholesales Company, which consists of fixed element in the amount of approximately PLN 1 billion and variable element, depending on the level of debt and working capital of Wholesales Company on the day preceding the signing of the promised agreement.
The Preliminary Agreement on Sales of Shares in Wholesales Company includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

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

In order to implement Remedies in fuels logistics market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") between Grupa LOTOS and Unimot Investments spółka z ograniczoną odpowiedzialnością („Unimot Investments"), to which a contribution agreement is attached on contribution of four PKN ORLEN fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec to LOTOS Terminale;
2. Conditional fuels depot agreement between PKN ORLEN and Unimot Investments which allows PKN ORLEN to use the warehouses in fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec after the shares in LOTOS Terminale are disposed to Unimot Investments, concluded for a period of 10 years starting from the date of its entry into force;
3. Conditional preliminary agreement between PKN ORLEN and Unimot Investments and Unimot S.A. on renting and settlements of expenditures which describes the obligation of the Company, Unimot Investments and Unimot S.A. to conclude a promised agreement on conditions of realization of the investment of building a fuels depot located in Szczecin, that will be owned and operated by LOTOS Terminale.
The contribution agreement, indicated above, will be concluded between PKN ORLEN and LOTOS Terminale after concentration between the Company and Grupa LOTOS is realized.

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

In order to implement Remedies in aviation fuels market area following agreements were concluded:
1. Preliminary agreement on sales of all shares owned by Grupa LOTOS in LOTOS-Air BP Polska sp. z o.o. headquartered in Gdańsk ("LOTOS-Air BP") between Grupa LOTOS and Aramco;
2. Conditional agreement on sales of aviation fuel to LOTOS-Air BP, between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
3. Conditional agreement on LOTOS-Air BP aviation fuel storage in Olszanica between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
4. Conditional agreement on providing services of operating activity support in case of force majeure, between PKN ORLEN, ORLEN Aviation sp. z o.o. headquartered in Warsaw and LOTOS-Air BP, concluded for a period of 15 years from the date of its entry into force.
In order to implement Remedies in bitumen market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale, which, before concluding of promised agreement of sales of shares will acquire 100% of shares in LOTOS SPV 2 sp. z o.o. ("Bitumen Company"), between PKN ORLEN and Unimot Investments. Beforehand, Bitumen Business will be separated to Bitumen Company.
2. Conditional bitumen sales agreement between Grupa LOTOS, PKN ORLEN and Unimot Investments, which will be concluded for a period of 10 years from its entry into force with option to extend this period by another two 5 years periods on terms previously agreed between parties.
Within 7 days from the conclusion of the above mentioned agreements the Company will submit to the Commission a motion for approval of proposed buyers of assets that are being disposed to implement Remedies and of concluded preliminary agreements and conditional agreements with attachments.
Additionally PKN ORLEN has concluded a conditional framework sales and purchase agreement with MOL ("Framework Agreement") as a result of which companies belonging to the ORLEN Capital Group will purchase from MOL 144 fuel stations located in Hungary and 41 fuel stations located in Slovakia for the total price amounting to approximately EUR 229 million

("Transactions"). The price is subject to be corrected as of the Transaction settlement day due to changes in the level of net debt and working capital of the acquiring assets in relation to their reference values.
The Transactions shall be closed in 12 months from the day of signing of the Framework Agreement, however the actual acceptance of all acquiring assets shall be made in 18 months from the day of the Transactions closing.
Closing of the Transaction subjects to, among others, obtaining a certain approval of the Commission and the former purchase of 100% of shares in LOTOS Paliwa by MOL.
Additionally PKN ORLEN concluded with Saudi Arabian Oil Company a long term agreement on crude oil deliveries to the ORLEN Capital Group companies. On the base of the agreement, in case of finalization of the concentration with Grupa LOTOS, PKN ORLEN will secure deliveries of the crude oil from Saudi Arabian Oil Company to ORLEN Capital Group in the amount from 200 to 337 thousand barrels daily.
PKN ORLEN also concluded with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a memorandum of understanding on cooperation to analyse, prepare and realize common investments in petrochemical segment. As potential areas of cooperation there will be analysed, among others, development projects in olefins and olefin derivatives, including aroma derivatives, in Poland and in Central and Eastern Europe.
PKN ORLEN also signed with Saudi Arabian Oil Company a memorandum of understanding on cooperation for the common analyses, preparation and realization of research and development projects, as well within the sustainable development technology.

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

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

FEBRUARY 2022

ORLEN Capital Group Hydrogen Strategy
PKN ORLEN announced that on 2 February 2022 Company's Supervisory Board approved ORLEN Capital Group Hydrogen Strategy 2030 ("Hydrogen Strategy") which is more detailed part of ORLEN Capital Group Strategy 2030 in one of business areas – hydrogen as part of the plan to invest in ORLEN Capital Group future.
The Hydrogen Strategy defines ORLEN Capital Group goals by 2030 and long-term development ambitions in hydrogen area in four key areas:

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

It was estimated that realization of activities planned by 2030 in Hydrogen Strategy will require CAPEX of approximately PLN 7.4 billion. Expenditures have been partially taken into account in ORLEN Capital Group Strategy 2030 as part of pillar: Investing in the future. The Hydrogen Strategy will consist of a series of initiatives to be realizes, the most important of which include the following projects:

- Building of over 100 publicly accessible hydrogen refuelling stations with necessary logistics infrastructure in Central Europe.
- Building new low- and zero-carbon hydrogen capacity of approximately 540 MW, including from water electrolysis powered by renewables and municipal waste to hydrogen.
- Building of units dedicated to CO_2 emission reduction from existing hydrogen production units with using of carbon capture, utilisation and/or storage technologies.

Realization of above projects allow for production of zero- and low-carbon hydrogen in ORLEN Capital Group in 2030 on the level of approximately 50% of the total planned volume of hydrogen production in ORLEN Capital Group in 2030, which will lead

to avoidance of approximately 1,6 Mt of CO_2 emission from hydrogen production yearly.
The scale of CAPEX planned in the Hydrogen Strategy may by lowered due to use of external financing, including non-returnable, connected with innovations and energy transition.

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

MARCH 2022

Agreements for building of the complex of units for production of II generation bioethanol in the ORLEN Poludnie production plant
PKN ORLEN announced that ORLEN Poludnie S.A. ("ORLEN Poludnie") signed the agreements for building of the complex of units for production of II generation bioethanol (B2G) in EPC formula (Engineering, Procurement and Construction) in the ORLEN Poludnie production plant in Jedlicze ("B2G Complex").
Within the B2G Complex main unit for bioethanol production, heat and power plant and ancillary infrastructure will be built.
The general contractor of the main B2G unit, with yearly capacity of 25 thousand tonnes, will be ZARMEN Sp. z o.o. headquartered in Warsaw. CAPEX for B2G unit will amount to approximately PLN 550 million.
The contractor of biomass heat and power plant will be Valmet Technologies Oy headquartered in Espoo, Finland. CAPEX for heat and power plant will amount to approximately PLN 170 million.
In the next stage, for the purpose of the B2G Complex, the biogas plant will also be built.
Total CAPEX for building of the B2G Complex is estimated at approximately PLN 1.12 billion. The completion of the building is planned by the end of 2024.

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

MAY 2022

Agreement for building of the new Air Separation Unit III in the Production Plant in Plock

PKN ORLEN announced that on 17 May 2022 it signed with Linde GmbH, Linde Engineering an agreement for building of the new Air Separation Unit III in the Production Plant in Plock ("Investment") in EPC (Engineering, Procurement and Construction) formula for ISBL. The annual production capacity of the unit will amount to 38 500 Nm3/h of oxygen and 75 000 Nm3/h of nitrogen. Realization of the Investment is necessary due to the need to secure oxygen gas and nitrogen gas to new, building Olefins III complex and other units in the Production Plant in Plock. Additionally realization of the Investment will allow to extent the scope of the offered products with high-margin liquid gases and also there will be achieved savings due to improved operation and processing efficiency.
Total cost of the Investment is estimated at the level of approximately PLN 760 million. The completion of the Investment is planned for the beginning of 2025.

JUNE 2022

Agreement of merger plan between PKN ORLEN and Grupa LOTOS S.A. and agreement on the ratio of the shares to be exchanged in connection with that merger
PKN ORLEN announced that on 2 June 2022 the Company and Grupa LOTOS have concluded a written agreement on the merger plan ("Merger Plan"). The merger will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies through transfer of all assets and liabilities of Grupa LOTOS (company being acquired) to PKN ORLEN (acquiring company) in exchange for shares which the Company will issue to the shareholders of Grupa LOTOS ("Merger").
In connection with the Merger the Company will made a public offer of the shares that will be issued within the process of the Merger ("Merger Shares"), the public offer will be addressed to the shareholders of Grupa LOTOS and it will be exempted from the formal prospectus requirements, providing that an information document will be prepared in line with the Commission Delegated Regulation (EU) 2021/528 of 16 December 2020 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the minimum information content of the document to be published for a prospectus exemption in connection with a takeover by means of an exchange offer, a merger or a division, in connection with Art. 1.4.g, Art. 5.f and Art. 1.6 of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC ("Regulation 2017/1129") ("Information Document"). Information Document will not subject to the approval or verification by any of the authority according to Art. 20 of the Regulation 2017/1129, in particular it will not subject to the approval of the Polish Financial Supervision Authority.
According to the Merger Plan the Shareholders of Grupa LOTOS, in exchange for their shares in Grupa LOTOS, will be issued the Merger Shares in the following proportions: 1,075 (PKN ORLEN shares) : 1 (Grupa LOTOS shares) ("Share Swap Ratio").
The foregoing means that, in exchange for 1 (one) share in Grupa LOTOS, the Shareholders of Grupa LOTOS will receive 1,075 PKN ORLEN shares (Merger Shares), with reservation that the number of allotted shares will be a natural number, while

the non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of Grupa LOTOS by way of payouts under the terms set out in the Merger Plan.

The first and the second notification for shareholders of the intention to merge PKN ORLEN with Grupa LOTOS
The Management Board of PKN ORLEN acting in compliance with Art. 504.1. of the Polish Code of Commercial Companies notifies shareholders as at 15 June and as at 4 July 2022 of the intention to merge PKN ORLEN with Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS"), that will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies through transfer of all assets and liabilities of Grupa LOTOS (company being acquired) to PKN ORLEN (acquiring company) in exchange for shares which the Company will issue to the shareholders of Grupa LOTOS ("Merger").
The transfer of all assets and liabilities of Grupa LOTOS to PKN ORLEN will take place on the Merger Date, i.e. when the Merger is recorded in the business 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 Grupa LOTOS in compliance with Art. 494.1 of the Polish Code of Commercial Companies (universal succession). Pursuant to Art. 494.4 of the Polish Code of Commercial Companies, as from the Merger Day, the shareholders of Grupa LOTOS will become PKN ORLEN shareholders.
On 2 June 2022 the Company and Grupa LOTOS agreed in writing the merger plan ("Merger Plan").
The Merger requires resolutions of general meetings of the Merging Companies. Pursuant to the Merger Plan, the general meetings of the Merging Companies will be presented draft resolutions on the Merger, which will include, in particular: (i) approval of the Merger Plan and (ii) approval of the proposed amendments to PKN ORLEN's Articles of Association in connection with the Merger ("Merger resolutions"). To conclude the Merger resolutions the Company will convey the general meeting pursuant to the provisions of the Polish Code of Commercial Companies and to the Company's Articles of Association.
Moreover the Company informs that on 15 June 2022 an opinion of an expert has been delivered to the Company regarding the Merger of the Company with Grupa LOTOS, prepared pursuant to Art. 503.1 of the Polish Code of Commercial Companies.
The Merger Plan together with the other documents published by the Company in connection with the Merger, including:
1. Company Extraordinary General Meeting draft resolution on the Merger;
2. Grupa LOTOS Extraordinary General Meeting draft resolution on the Merger;
3. Draft amendments to Company Articles of Association;
4. Document setting forth the value of the assets and liabilities of the Company (prepared pursuant to Art. 499.2.2 of the Polish Code of Commercial Companies);
5. Document setting forth the value of the assets and liabilities of Grupa LOTOS (prepared pursuant to Art. 499.2.2 of the Polish Code of Commercial Companies);
6. Financial statements of the Company and the Company's Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
7. Financial statements of Grupa LOTOS and Grupa LOTOS Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
8. Company Management Board Report drawn up for the purpose of Merger, pursuant to Art. 501 of the Polish Code of Commercial Companies;
9. Grupa LOTOS Management Board Report drawn up for the purpose of Merger, pursuant to Art. 501 of the Polish Code of Commercial Companies;
10. The expert opinion, pursuant to Art. 503.1 of the Polish Code of Commercial Companies
- will be permanently available (in electronic version, printable) on the Company's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-the-LOTOS-Group by the day of closing of the general meetings concluding the Merger resolutions.

European Commission approval for taking control by PKN ORLEN over Grupa LOTOS S.A.
PKN ORLEN announced that on 20 June 2022 the European Commission ("Commission") has approved the purchasers of the assets that are being disposed in order to implement the remedies ("Remedies") that were specified in conditional decision of the Commission as of 14 July 2020 on the concentration involving the acquisition of control by Company over Grupa LOTOS. The Commission has also approved the the agreements concluded with those purchasers.
The promised agreements with the abovementioned purchasers shall be concluded and, as the case may be, the conditional agreements shall come into force within 6 months from the day of their approval by the Commission.

JULY 2022

Publication of the Exemption Document in connection with the planned merger between PKN ORLEN and Grupa LOTOS S.A.
In connection with the planned merger between PKN ORLEN and Grupa LOTOS that will take place pursuant to Article 492.1.1 of the Polish Code of Commercial Companies ("Merger") a document for a prospectus exemption has been prepared in line with Regulation 2021/528 and publicly disclosed ("Exemption Document"). The Exemption Document relates to the public offer of the shares that will be issued within the process of the Merger, addressed to the shareholders of Grupa LOTOS, and to admission and introduction of that shares to public trading organized by the Warsaw Stock Exchange, that is subject to exemption from the prospectus obligations and requirements according to Regulation 2017/1129. The Exemption Document is not subject to the review or approval by a competent authority pursuant to Article 20 of Regulation 2017/1129, in particular, it is not subject to the approval of the Polish Financial Supervision Authority.The Exemption Document is available on the Company's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-the-LOTOS-Group

New deadline for finalization of the Visbreaking Installation at production plant in Plock
PKN ORLEN announced that on 14 July 2022 it signed with KTI Poland S.A. an annex to the agreement for design,

deliveries and building "in turn key" formula of the Visbreaking Installation at production plant in Plock. On the base of the annex the realization of the investment has been postponed from the end of 2022 to the mid-2023.

The agreement between PKN ORLEN and the State Treasury regarding planned merger of PKN ORLEN with Grupa LOTOS S.A.

PKN ORLEN announced that on 20 July 2022 there has been signed an agreement between the Company and the State Treasury regarding the planned merger of the Company with Grupa LOTOS ("Agreement").

The Agreement sets forth the Company's declarations of intent not constituting a contractual obligation of the Company regarding: (i) realization of the energy policy of Poland for crude oil and liquid fuels (traditional) and (ii) continuation of employment policy towards employees of Grupa LOTOS capital group, who will become employees of the Company's capital group after the merger, assuring proper and safe operating of the workplaces belonging to Grupa LOTOS capital group before the merger and also Company's commitment to continue key investments that are realized by Grupa LOTOS before the merger, indicated in the Agreement.

The parties of the Agreement assumes that after the merger of the Company with Grupa LOTOS the key investments of Grupa LOTOS, indicated in the Agreement, will be continued in the minimum scope specified in the Agreement ("Investment Commitments"). The Company declared that immediately after the merger it will verify the conditions for continuation of these investments.

The Company declared also that after the merger and subject to the exceptions described in the Agreement it will take steps towards: (i) diversifying of the supplies of natural resources, in particular crude oil and independence of Poland from Russian crude oil deliveries, (ii) strengthening of the Company's position on the production and distribution of liquid fuels (traditional) market while endeavouring to reduce their emissivity, (iii) development of the Company on the petrochemical products market, including searching for and undertaking investments, (iv) research and projects on the use of alternative fuels, as well as electromobility and (v) maintaining the proper operation of Gdańsk refinery.

Declaration on the Company's realization of the energy policy of Poland will be realized in the scope permitted by the generally applicable law and provisions of the Company's Articles of Association.

The Agreement is not legally binding except for selected provisions regulating, among others, execution of the Investment Commitments, including the Company's liability for breach of these obligations.

In case of culpable non-performance or improper performance of legally binding Investment Commitments by the Company and ineffective expiry of the deadlines provided by the parties of the Agreement to develop the recovery plan for non-performance or improper performance of the Investment Commitments, the Company will be obliged to pay contractual penalties to the State Treasury, which are in a precisely defined amount described in the Agreement.

Subject to the exceptions set out in the Agreement, it will remain in force for a period of 10 years from the date of its conclusion and will be automatically extended in the circumstances defined in the Agreement, for the period necessary for realization of the Investment Commitments. The Agreement will enter into force in principle on the date of the merger of the Company with Grupa LOTOS, i.e. with the date of entry the merger in the relevant register.

EGM adopted resolutions regarding the merger of PKN ORLEN with Grupa LOTOS

PKN ORLEN announced that on 21 July 2022 Extraordinary General Meeting of the Company adopted resolutions regarding:

- merger between the Company and Grupa LOTOS, the increase of the Company's share capital and the approval of the proposed amendments to the Company's Articles of Association;
- consent for transfer of fuel storage terminals located in Gdańsk, Gutkowo, Szczecin and Bolesławiec by the Company, which constitute an organized part of enterprise of the Company, in the form of an in-kind contribution to cover shares in the increased share capital of LOTOS Terminale S.A. with its registered office in Czechowice-Dziedzice, which will remain a subsidiary of the Company as a result of the merger of the Company with Grupa LOTOS pursuant to Article 492 § 1.1. of the Code of Commercial Companies;

as presented to the Company's shareholders in the regulatory announcement no 28/2022 dated 23 June 2022.

Agreement of merger plan between PKN ORLEN and PGNiG S.A. and agreement on the ratio of the shares to be exchanged in connection with that merger

PKN ORLEN announced that on 29 July 2022 the Company and Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw ("PGNiG") have signed the merger plan ("Merger Plan"). The Merger Plan assumes that merger will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies, i.e. merger by acquisition of PGNiG (company being acquired) by PKN ORLEN (acquiring company), through transfer of all assets and liabilities of PGNiG to the Company in exchange for shares of the Company that will be issued to the shareholders of PGNiG ("Merger"). The shares will be newly issued through the increase of the Company's share capital ("Merger Shares").

The Company will made a public offer of the Merger Shares addressed to the shareholders of PGNiG on the base of the prospectus approved by the Polish Financial Supervision Authority, in line with Regulation (EU) 2017/1129 of the European Parliament and of the Council as of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJEU L 168, 30.6.2017, p. 12 with amendments).

According to the Merger Plan the Shareholders of PGNiG, in exchange for their shares in PGNiG, will be issued the Merger Shares in the following proportions: 0,0925 (PKN ORLEN shares): 1 (PGNiG shares) ("Share Swap Ratio"). The foregoing means that, in exchange for 1 (one) share in PGNiG, the Shareholders of PGNiG will receive 0,0925 Merger Shares, with reservation that the number of allotted Merger Shares will be a natural number, while the non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of PGNiG by way of payouts under the terms set out in the Merger Plan.

AUGUST 2022

Registration of merger between PKN ORLEN and Grupa LOTOS, increase in share capital and changes of PKN ORLEN Articles of Association connected with that merger

PKN ORLEN announced that on the basis of the Central Information Office of the National Court Register data it has been informed that on 1 August 2022 merger between PKN ORLEN and Grupa LOTOS S.A. („Grupa LOTOS") ("Merger"), increase in share capital and changes to the Articles of Association of PKN ORLEN ("Articles of Association"), approved by the Company Extraordinary General Meeting on 21 July 2022, were registered in National Court Register by the District Court for Łódź Śródmieście in Łódź, XX Commercial Division of the National Court Register.
The Merger has been conducted pursuant to Article 492.1.1. of the Polish Code of Commercial Companies by transferring all the rights and obligations (assets and liabilities) of Grupa LOTOS (company being acquired) to PKN ORLEN (acquiring company) with the relevant increase of PKN ORLEN's share capital by issuing merger shares to be allocated by PKN ORLEN to Grupa LOTOS' Shareholders.
In accordance with Article 493.2 of the Polish Code of Commercial Companies the Merger is effected on the day when the Merger has been recorded in the register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN. As a result of the registration Grupa LOTOS shall be struck off the register.
As from 1 August 2022, the Company has assumed any and all rights and obligations of Grupa LOTOS in compliance with Article 494.1. of the Polish Code of Commercial Companies (universal succession).
In connection with the Merger the share capital of PKN ORLEN has been increased from PLN 534,636,326.25 (five hundred and thirty four million six hundred and thirty six thousand three hundred and twenty six point twenty five zloty) to the amount of PLN 783,059,906.25 (seven hundred and eighty three million fifty nine thousand nine hundred and six point twenty five zlotys). After registration of the Company's share capital increase the total amount of all issued shares amounts to 626,447,925 (six hundred and twenty six million four hundred and forty seven thousand nine hundred and twenty five) shares with the nominal value of PLN 1.25 (one point twenty five zloty) per one share. The total number of votes resulting from all shares issued by the Company amounts to 626,447,925 (six hundred and twenty six million four hundred and forty seven thousand nine hundred and twenty five).

Conditional registration of PKN ORLEN series E shares in Central Securities Depository of Poland, exchange of Grupa LOTOS shares into PKN ORLEN shares and withdrawal of Grupa LOTOS shares from securities depository

PKN ORLEN announced that on 3 August 2022 Central Securities Depository of Poland ("KDPW") has made a conditional registration of 198 738 864 ordinary series E shares with a nominal value of PLN 1,25 each issued in connection with the merger between the Company and Grupa LOTOS S.A ("Series E shares") under the condition that: (i) the Series E shares will be introduced to trading on the regulated market where other Company's shares with ISIN code PLPKN0000018 were introduced to trading and (ii) submission by the National Support Centre for Agriculture (KOWR) the representation of will concerning its exercise of the right to acquire the above mentioned shares in accordance with the Act on the Structuring of the Agrarian System dated 11.04.2003 (unified text Journal of Laws 2022 No. 461) or until the lapse of the time during which such right could be exercised.
The registration of the Series E shares will take place within 3 days from receiving by KDPW the decision that the shares will be introduced to trading on the regulated market, however not sooner than on the date indicated in that decision as the day of introduction of that shares to trading on that regulated market and not sooner than after receiving by KDPW of KOWR representation of will concerning its exercise of the right to acquire the above mentioned shares or until the lapse of the time during which such right could be exercised.
Moreover KDPW decided about:
1) exchange of Grupa LOTOS S.A. shares into PKN ORLEN shares, in accordance with the following conditions:
(i) reference date, referred to in § 228 of the Detailed Rules of the KDPW – 3 August 2022
(ii) share swap ratio 1:1,075,
2) in connection with the exchange of shares, mentioned above, withdraw from securities depository:
(i) 184 825 312 of ordinary bearer shares of Grupa LOTOS S.A., with ISIN code: PLLOTOS00025,
(ii) 48 050 of ordinary registered shares of Grupa LOTOS S.A., with ISIN code: PLLOTOS00033.
Information on the registration of Series E shares will be provided in the form of KDPW operating announcement.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP (in PLN million)

1.3. Significant risk factors influencing current and future financial results

As part of its operations the ORLEN Group monitors and assesses risk and undertakes activities in order to minimise their impact on the financial situation on an ongoing basis.
The ORLEN Group applies a consistent set of rules for managing the financial risk defined in the policy for risk management and under the control and supervision of the Financial Risk Committee, the Management Board and the Supervisory Board.
Main financial risks in respect of the ORLEN Group`s operations include:

- market risk: commodity risk, exchange rates risk and interest rates risk;
- credit and liquidity risk.

The above risks are described detailed in the Consolidated Financial Statements for 2021 in note 16.5 and in point 4.4 of the Management Board Report on the Operations of the Group for 2021.

1.4. Hedge accounting

As part of hedging strategies, the ORLEN Group mainly hedges its cash flows from sales of the Group's products and purchase of crude oil and also changes in operating inventories.

Net carrying amount of financial instruments hedging cash flows

		30/06/2022 (unaudited)	31/12/2021
Type of instrument / type of risk	***Hedging strategies within the cash flows hedge related to exposure to:***		
currency forwards / risk of exchange rates changes	*operating activities from sales of finished goods and purchase of crude oil*	(788)	(506)
commodity swaps / commodity risk	*volatility of refinery margin and prices of raw materials or finished goods constituting oversized operating inventories, time mismatch occurring on purchases of crude oil*	(73)	(11)
		(861)	**(517)**

Net carrying amount of instruments hedging fair value

		30/06/2022 (unaudited)	31/12/2021
Type of instrument / type of risk	***Hedging strategies within the cash flows hedge related to exposure to:***		
commodity swaps / commodity risk	*offers for which pricing formulas are based on fixed price*	52	19
		52	**19**

2. Forecasted development of the ORLEN Group

The ORLEN Group's development directions are in line with the ORLEN Group's Strategy until 2030 adopted in 2020, which sets the direction for the transformation towards a multi-energy concern and a leader in energy transformation in the region. The ORLEN Group's growth will be based on a diversified portfolio of existing and future operations, whose development is guided by the direction of the Group's transformation until 2030.

ORLEN Group's ambition is to be an active leader of energy transition in Poland and Central Europe. The Group intends to achieve this goal by further development of its multi-utility structure. One of the first steps taken by Group was to conduct an effective acquisition of the ENERGA Group in 2020, one of the largest producers and suppliers of electricity in Poland. A key element of the strategy of building a multi-energy concern is also the currently implemented process of merging PKN ORLEN and Grupa LOTOS as well as Polskie Górnictwo Naftowe i Gazownictwo (PGNiG).The new strategy of the ORLEN Group is consistent with global trends in the development of renewable energy and production of advanced petrochemicals, with a simultaneous conversion of existing operations, where innovation and adoption of new technologies is consistent with the long-term objective of achieving the ORLEN Group's carbon neutrality by 2050.
Effective growth of the ORLEN Group would not be possible without full operational and cost efficiency. The ORLEN Group continually takes steps to improve its management processes, optimise its business model and consolidate its assets. As a result of this strategy, it has consistently strengthened its position on home markets and has been steadily expanding its product range and geographical reach.

In response to trends and challenges facing the energy sector, the ORLEN Group will be the leader of sustainable transition in Central Europe. In 2030 the ORLEN Group will be:

- one of the leading players in Europe, with a presence along the entire value chain in more than 10 European countries, with annual EBITDA of approximately PLN 26 billion;
- leader of the energy transition in the region holding the largest portfolio of attractive renewable and low-carbon generation assets, with conversion to hydrogen possible in the future;
- provider of integrated services for customers that meets their fuel, energy and convenience shopping needs, relying on existing and new channels and on digital technologies;

- responsible corporate citizen investing in sustainable development, energy transition, decarbonisation, recycling and community initiatives;
- a stable source of value creation stemming from a responsible financial policy and a focus on maximising returns on investments combined with efforts to maintain a stable balance sheet.

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

- annual LIFO-based EBITDA (before impairment losses) of approximately PLN 26 billion;
- total CAPEX over the lifetime of the strategy of approximately PLN 140 billion;
- total CAPEX on sustainable development over the lifetime of the strategy of over PLN 30 billion, with over PLN 25 billion to be allocated to measures aimed at reducing our carbon footprint;
- reduction CO_2 emmission by 20% from the existing refining and petrochemical assets and 33% less CO_2 emissions per MWh from the energy business;
- over 2,5 GW in installed RES capacity (attributable to the ORLEN Group's interests in the installed capacities);
- more than 3,500 fuel stations and over 1,000 EV fast chargers for electric vehicles and increasing sales of hydrogen and LNG/CNG.

Detailed description of the ORLEN Group Strategy in particular areas and the main parameters of financial operations are presented on the PKN ORLEN website: https://www.orlen.pl/EN/Company/Strategy2030/Pages/default.aspx

Additionally, in Chapter 2 of the Management Board Report on the Operations of the Group and PKN ORLEN S.A. for 2021, the implementation of strategic goals in 2021 was described:
https://www.orlen.pl/EN/InvestorRelations/FinancialData/Pages/FinancialResults.aspx

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

On the date of preparation of these Consolidated half-year report, the composition of the management and supervisory bodies of PKN ORLEN is as follows:

Management Board

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

Supervisory Board

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

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP (in PLN million)

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

	Percentage share in total voting rights at Shareholder's Meeting as at submission date			Number of shares as at submission date		
Shareholder	this half-year report*	change p.p.	previous quarterly report**	this half-year report*	change	previous quarterly report**
State Treasury	27.52%	-	27.52%	117 710 196	-	117 710 196
Nationale-Nederlanden OFE*	7.76%	0.22%	7.54%	33 182 529	922 024	32 260 505
Aviva OFE*	6.35%	(0.08)%	6.43%	27 140 000	(360 000)	27 500 000
Other	58.37%	(0.13)%	58.51%	249 676 336	(562 024)	250 238 360
	100.00%	**-**	**100.00%**	**427 709 061**	**-**	**427 709 061**

* according to the information from the Extraordinary General Shareholders' Meeting of PKN ORLEN of 21 July 2022
** according to the information from the Ordinary General Shareholders' Meeting of PKN ORLEN of 27 May 2021

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

As at the date of preparation of these Consolidated half-year report, Members of the Management Board and the Supervisory Board did not hold any shares in PKN ORLEN.
In the period covered by these half-year 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 realize previously published forecasts of current year results

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

D. STATEMENTS OF THE MANAGEMENT BOARD

In respect of the reliability of preparation of the half-year condensed consolidated and separate financial statements
The Management Board of PKN ORLEN hereby declares that to the best of its knowledge these half-year condensed consolidated and separate financial statements and comparative data were prepared in compliance with the accounting principles applicable to the ORLEN Group and PKN ORLEN in force and that they reflect true and fair view of the economic condition, financial position and financial result of the ORLEN Group and PKN ORLEN.

In respect of the half-year Management Board Report on the operations of the ORLEN Group
The Management Board of PKN ORLEN herby declares that this half-year Management Board Report on the operations of the ORLEN Group gives a true view of the ORLEN Group development, achievements and position, and includes a description of key threats and risks.

This half-year report was approved by the Management Board of the Parent Company on 4 August 2022.

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
………………………..…………..
Piotr Sabat
Member of the Board

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

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

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