



**ORLEN**

**Polski Koncern Naftowy ORLEN**  
Spółka Akcyjna

# ORLEN GROUP

CONSOLIDATED HALF-YEAR REPORT

FOR THE 1<sup>st</sup> HALF

2021

**ORLEN GROUP - SELECTED DATA**

	PLN million		EUR million	
	6 MONTHS ENDED 30/06/2021	6 MONTHS ENDED 30/06/2020 *	6 MONTHS ENDED 30/06/2021	6 MONTHS ENDED 30/06/2020 *
Sales revenues	53 985	39 087	11 872	8 801
Operating profit increased by depreciation and amortisation (EBITDA)	7 608	4 494	1 673	1 012
EBITDA before net impairment allowances	7 697	5 144	1 693	1 158
Profit from operations (EBIT) ncl.:	5 003	2 431	1 100	547
<i>gain on bargain purchase of the ENERGA Group</i>	-	4 062	-	915
Profit before tax	5 015	1 887	1 103	425
Net profit before net impairment allowances	4 205	2 773	925	624
<b>Net profit</b>	<b>4 116</b>	<b>2 123</b>	<b>905</b>	<b>478</b>
Total net comprehensive income	4 504	2 059	990	464
Net profit attributable to equity owners of the parent	4 072	2 106	895	474
Total net comprehensive income attributable to equity owners of the parent	4 464	2 045	982	460
Net cash from operating activities	8 975	3 872	1 974	872
Net cash (used) in investing activities	(6 625)	(4 096)	(1 457)	(922)
Net cash (used) in financing activities	(859)	(2 812)	(189)	(634)
Net increase/(decrease) in cash and cash equivalents	1 491	(3 036)	328	(684)
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	9.52	4.92	2.09	1.11
	30/06/2021	31/12/2020 *	30/06/2021	31/12/2020 *
Non-current assets	62 284	59 433	13 777	12 879
Current assets	33 608	24 615	7 434	5 334
<b>Total assets</b>	<b>95 892</b>	<b>84 048</b>	<b>21 211</b>	<b>18 213</b>
Share capital	1 058	1 058	234	229
Equity attributable to equity owners of the parent	44 580	41 596	9 861	9 014
<b>Total equity</b>	<b>45 420</b>	<b>42 389</b>	<b>10 046</b>	<b>9 185</b>
Non-current liabilities	22 711	18 717	5 024	4 057
Current liabilities	27 761	22 942	6 141	4 971
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)	104.23	97.25	23.06	21.07

**PKN ORLEN – SELECTED DATA**

	PLN million		EUR million	
	6 MONTHS ENDED 30/06/2021	6 MONTHS ENDED 30/06/2020	6 MONTHS ENDED 30/06/2021	6 MONTHS ENDED 30/06/2020
Sales revenues	35 189	28 101	7 739	6 327
Profit from operations increased by depreciation and amortisation (EBITDA)	4 003	619	880	139
Profit/(Loss) from operations (EBIT)	3 005	(327)	661	(74)
Profit/(Loss) before tax	3 828	(2 497)	842	(562)
Net profit/(loss) before net impairment allowances on non-financial and financial non-current assets	3 329	(421)	732	(95)
<b>Net profit/(loss)</b>	<b>3 296</b>	<b>(2 440)</b>	<b>725</b>	<b>(549)</b>
Total net comprehensive income	3 406	(2 458)	749	(553)
Net cash from operating activities	4 168	2 180	917	491
Net cash (used) in investing activities	(4 108)	(3 213)	(903)	(723)
Net cash from/(used in) financing activities	784	(1 618)	172	(364)
Net increase/(decrease) in cash	844	(2 651)	186	(597)
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	7.71	(5.70)	1.70	(1.28)
	30/06/2021	31/12/2020 *	30/06/2021	31/12/2020 *
Non-current assets	40 766	38 993	9 018	8 449
Current assets	23 405	15 559	5 177	3 372
<b>Total assets</b>	<b>64 171</b>	<b>54 552</b>	<b>14 195</b>	<b>11 821</b>
Share capital	1 058	1 058	234	229
<b>Total equity</b>	<b>33 778</b>	<b>31 869</b>	<b>7 472</b>	<b>6 906</b>
Non-current liabilities	12 124	9 093	2 682	1 970
Current liabilities	18 269	13 590	4 041	2 945
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)	78.97	74.51	17.47	16.15

\* restated data

The above financial data for the 6-month period of 2021 and 2020 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 2021 – 4.5472 EUR/PLN and 1 January to 30 June 2020 – 4.4413 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 30 June 2021 – 4.5208 EUR/PLN and as at 31 December 2020 – 4.6148 EUR/PLN.

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# HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 AND 3-MONTH PERIOD ENDED 30 JUNE

2021

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

**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 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2020 (unaudited) (restated data)
Sales revenues	5.1	53 985	29 423	39 087	17 010
<i>revenues from sales of finished goods and services</i>		41 415	22 845	30 431	12 509
<i>revenues from sales of merchandise and raw materials</i>		12 570	6 578	8 656	4 501
Cost of sales	5.2	(44 794)	(24 641)	(36 827)	(14 121)
<i>cost of finished goods and services sold</i>		(33 881)	(18 862)	(29 174)	(10 151)
<i>cost of merchandise and raw materials sold</i>		(10 913)	(5 779)	(7 653)	(3 970)
<b>Gross profit on sales</b>		<b>9 191</b>	<b>4 782</b>	<b>2 260</b>	<b>2 889</b>
Distribution expenses		(3 868)	(1 948)	(3 213)	(1 593)
Administrative expenses		(1 330)	(659)	(1 062)	(555)
Other operating income	5.5	3 164	1 187	7 647	4 484
<i>gain on bargain purchase of the ENERGA Group</i>		-	-	4 062	4 062
Other operating expenses	5.5	(2 404)	(742)	(3 235)	(904)
(Loss)/reversal of loss due to impairment of trade receivables		(38)	(56)	(33)	(41)
Share in profit from investments accounted for using the equity method	5.8	288	207	67	55
<b>Profit from operations</b>		<b>5 003</b>	<b>2 771</b>	<b>2 431</b>	<b>4 335</b>
Finance income	5.6	906	437	566	314
Finance costs	5.6	(890)	(352)	(1 107)	(199)
<b>Net finance income and costs</b>		<b>16</b>	<b>85</b>	<b>(541)</b>	<b>115</b>
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables		(4)	(3)	(3)	(1)
<b>Profit before tax</b>		<b>5 015</b>	<b>2 853</b>	<b>1 887</b>	<b>4 449</b>
Tax expense		(899)	(610)	236	(81)
<i>current tax</i>		(620)	(447)	(138)	14
<i>deferred tax</i>		(279)	(163)	374	(95)
<b>Net profit</b>		<b>4 116</b>	<b>2 243</b>	<b>2 123</b>	<b>4 368</b>
<b>Other comprehensive income:</b>					
<b>which will not be reclassified subsequently into profit or loss</b>		<b>(30)</b>	<b>15</b>	<b>(19)</b>	<b>(8)</b>
<i>actuarial gains and losses</i>		(41)	17	(18)	(18)
<i>gains/(losses) on investments in equity instruments at fair value through other comprehensive income</i>		5	1	(5)	8
<i>deferred tax</i>		6	(3)	4	2
<b>which will be reclassified into profit or loss</b>		<b>418</b>	<b>265</b>	<b>(45)</b>	<b>(26)</b>
<i>hedging instruments</i>		48	637	(405)	73
<i>hedging costs</i>		282	(66)	254	61
<i>exchange differences on translating foreign operations</i>		148	(198)	75	(114)
<i>deferred tax</i>		(60)	(108)	31	(46)
<b>Total net comprehensive income</b>		<b>4 504</b>	<b>2 523</b>	<b>2 059</b>	<b>4 334</b>
<b>Net profit attributable to</b>		<b>4 116</b>	<b>2 243</b>	<b>2 123</b>	<b>4 368</b>
<i>equity owners of the parent</i>		4 072	2 226	2 106	4 350
<i>non-controlling interest</i>		44	17	17	18
<b>Total net comprehensive income attributable to</b>		<b>4 504</b>	<b>2 523</b>	<b>2 059</b>	<b>4 334</b>
<i>equity owners of the parent</i>		4 464	2 505	2 045	4 319
<i>non-controlling interest</i>		40	18	14	15
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		9.52	5.20	4.92	10.17

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

**Consolidated statement of financial position**

	NOTE	30/06/2021 (unaudited)	31/12/2020 (restated data)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		51 408	49 625
Intangible assets, incl.:		2 831	2 515
goodwill	5.7	739	136
Right-of-use asset	5.13.1	5 351	5 252
Investments accounted for using the equity method	5.8	1 066	758
Deferred tax assets		756	685
Derivatives	5.10	343	179
Long-term lease receivables		2	2
Other assets	5.10	527	417
		<b>62 284</b>	<b>59 433</b>
<b>Current assets</b>			
Inventories		14 801	12 279
Trade and other receivables		13 439	9 640
Current tax assets		411	449
Cash and cash equivalents		2 775	1 240
Derivatives	5.10	1 671	440
Short-term lease receivables		6	11
Other assets	5.10	501	530
Non-current assets classified as held for sale		4	26
		<b>33 608</b>	<b>24 615</b>
<b>Total assets</b>		<b>95 892</b>	<b>84 048</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		254	(16)
Revaluation reserve		(33)	(37)
Exchange differences on translating foreign operations		1 493	1 328
Retained earnings		40 581	38 036
<b>Equity attributable to equity owners of the parent</b>		<b>44 580</b>	<b>41 596</b>
<b>Non-controlling interests</b>		<b>840</b>	<b>793</b>
<b>Total equity</b>		<b>45 420</b>	<b>42 389</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans, borrowings and bonds	5.9	12 922	9 430
Provisions	5.11	2 230	2 264
Deferred tax liabilities		2 388	2 003
Derivatives	5.10	72	138
Lease liabilities		4 626	4 501
Other liabilities	5.10	463	370
Liabilities from contracts with customers		10	11
		<b>22 711</b>	<b>18 717</b>
<b>Current liabilities</b>			
Trade and other liabilities		19 752	14 023
Lease liabilities		634	713
Liabilities from contracts with customers		563	442
Loans, borrowings and bonds	5.9	1 414	4 930
Provisions	5.11	2 878	2 299
Current tax liabilities		81	66
Derivatives	5.10	310	270
Other liabilities	5.10	2 129	199
		<b>27 761</b>	<b>22 942</b>
<b>Total liabilities</b>		<b>50 472</b>	<b>41 659</b>
<b>Total equity and liabilities</b>		<b>95 892</b>	<b>84 048</b>

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

**Consolidated statement of changes in equity**

	Equity attributable to equity owners of the parent							Non-controlling interests	Total equity*
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations*	Retained earnings*	Total*			
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	
<b>Total net comprehensive income</b>	-	<b>270</b>	<b>4</b>	<b>148</b>	<b>4 042</b>	<b>4 464</b>	<b>40</b>	<b>4 504</b>	
Liquidation of company	-	-	-	17	-	17	-	17	
Acquisition of subsidiary	-	-	-	-	-	-	8	8	
Dividends	-	-	-	-	(1 497)	(1 497)	(1)	(1 498)	
<b>30/06/2021</b>	<b>2 285</b>	<b>254</b>	<b>(33)</b>	<b>1 493</b>	<b>40 581</b>	<b>44 580</b>	<b>840</b>	<b>45 420</b>	
(unaudited)									
01/01/2020	2 285	328	(33)	847	35 169	38 596	11	38 607	
Net profit	-	-	-	-	2 106	2 106	17	2 123	
Components of other comprehensive income	-	(120)	(5)	75	(11)	(61)	(3)	(64)	
<b>Total net comprehensive income</b>	-	<b>(120)</b>	<b>(5)</b>	<b>75</b>	<b>2 095</b>	<b>2 045</b>	<b>14</b>	<b>2 059</b>	
Issuance of shares attributable to non-controlling interest	-	-	-	-	-	-	1 659	1 659	
Dividends	-	-	-	-	(428)	(428)	-	(428)	
<b>30/06/2020</b>	<b>2 285</b>	<b>208</b>	<b>(38)</b>	<b>922</b>	<b>36 836</b>	<b>40 213</b>	<b>1 684</b>	<b>41 897</b>	
(unaudited)									

\* restated data for 2020

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



**Consolidated statement of cash flows**

	NOTE	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2020 (unaudited) (restated data)
<b>Cash flows from operating activities</b>					
<b>Profit before tax</b>		<b>5 015</b>	<b>2 853</b>	<b>1 887</b>	<b>4 449</b>
Adjustments for:					
Share in profit from investments accounted for using the equity method		(288)	(207)	(67)	(55)
Depreciation and amortisation	5.2	2 605	1 313	2 063	1 128
Foreign exchange (profit)/loss		(200)	(220)	311	(246)
Net interest		221	121	149	114
Dividends	5.6	(3)	(3)	(6)	(6)
(Profit) on investing activities, incl.:		(628)	(215)	(4 246)	(3 646)
<i>recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets and other non-current assets</i>		89	85	650	146
<i>settlement and valuation of derivative financial instruments (gain) on bargain purchase of the ENERGA Group</i>	5.5, 5.6	(567)	(281)	(833)	273
Change in provisions		2 356	1 233	754	436
<b>Change in working capital</b>		<b>123</b>	<b>425</b>	<b>3 720</b>	<b>2 312</b>
<i>inventories, incl.:</i>		(2 436)	(469)	3 225	241
<i>impairment allowances of inventories to net realizable value</i>		9	3	515	(1 560)
<i>receivables</i>		(1 974)	(1 299)	2 613	1 135
<i>liabilities</i>		4 533	2 193	(2 118)	936
Other adjustments, incl.:		339	246	(131)	(807)
<i>settlement of grants for property rights</i>		(814)	(550)	(348)	(169)
<i>security deposits</i>	5.10	1 043	739	117	(364)
<i>change in settlements of settled cash flow hedging instruments</i>		(23)	(21)	27	(161)
Income tax (paid)		(565)	(429)	(562)	(337)
<b>Net cash from operating activities</b>		<b>8 975</b>	<b>5 117</b>	<b>3 872</b>	<b>3 342</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(5 539)	(2 145)	(3 221)	(1 988)
Acquisition of shares lowered by cash		(772)	(562)	(1 609)	(1 609)
Disposal of property, plant and equipment, intangible assets and right-of-use asset		52	28	41	19
Short-term deposits		34	-	(75)	33
Change in the ownership structure in Baltic Power		(35)	-	-	-
Dividends received		152	152	40	40
Net cash flows from loans		-	-	(34)	(34)
Settlement of derivatives not designated as hedge accounting	5.5, 5.6	(515)	(312)	857	633
Proceeds/(Outflows) related to receivables and liabilities due to settled derivatives		(19)	(41)	(73)	350
Other		17	1	(22)	(13)
<b>Net cash (used) in investing activities</b>		<b>(6 625)</b>	<b>(2 879)</b>	<b>(4 096)</b>	<b>(2 569)</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans and borrowings received		6 256	1 952	2 318	2 192
Bonds issued		3 225	2 231	-	-
Repayment of loans and borrowings		(7 412)	(3 007)	(4 403)	(4 401)
Redemption of bonds		(2 252)	(2 252)	(100)	(100)
Interest paid from loans and bonds		(213)	(182)	(181)	(167)
Interest paid on lease		(92)	(27)	(72)	(20)
Dividends paid to non-controlling interest		(1)	(1)	(2)	(2)
Payments of liabilities under lease agreements		(373)	(164)	(381)	(188)
Other		3	-	9	9
<b>Net cash (used) in financing activities</b>		<b>(859)</b>	<b>(1 450)</b>	<b>(2 812)</b>	<b>(2 677)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 491</b>	<b>788</b>	<b>(3 036)</b>	<b>(1 904)</b>
Effect of changes in exchange rates		44	(16)	46	(31)
Cash and cash equivalents, beginning of the period		1 240	2 003	6 159	5 104
<b>Cash and cash equivalents, end of the period</b>		<b>2 775</b>	<b>2 775</b>	<b>3 169</b>	<b>3 169</b>
<i>including restricted cash</i>		369	369	219	219

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. 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 2021 and as at 31 December 2020 financial results and cash flows for the 6 and 3-month period ended 30 June 2021 and 30 June 2020.

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.

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 2020, except for below changes, in force from 1 January 2021, which were implemented as a result of the ongoing integration process with ENERGA Group and work on unification of the applied accounting principles throughout the ORLEN Group:

- changing the method of presentation of grants related to fixed assets,
- changing the method of settlement of granted owned rights ("white"),
- changing the presentation of recognised interest and other similar costs, as well as exchange rate differences related to the provisions created,
- changing in the method of presentation of green energy certificates of origin received free of charge.

So far, the Group had recognised grants related to assets as a reduction of the carrying amount of an asset and, as a result, as a reduction of depreciation expense over the useful life of the asset. Starting from 1 January 2021, the Group decided to change the method of presentation of grants related to assets, which are currently recognised as deferred income and recognised in other operating income on a systematic basis over the useful life of the asset. Retrospective application of this change in relation to data for 2020 resulted in an increase in the total assets and liabilities presented in the statement of financial position by PLN 209 million (by increasing the item of property, plant and equipment and deferred income presented under other non-current and current liabilities by the value of unsettled grants as at 31 December 2020) as well as an increase in depreciation expense and other operating income in the consolidated statement of profit or loss and other comprehensive income by PLN 10 million, representing the value of settled grants during the year.

The impact of the above changes on individual items of the consolidated statement of financial position as at 31 December 2020 and the statement of profit or loss and other comprehensive income for the 6-month period ended 30 June 2021 is presented in note [2.2.2](#).

Additionally, with respect to the granted owned rights ("white"), the Group changed the method of settlement of grants, which from 1 January 2021 are recognised in other operating income on the systematic basis during the depreciation period of the non-current asset, in connection with which these rights were obtained. Until the end of 2020, granted owned rights were recognised on a one-off basis in other operating income. The currently introduced change would not have a significant impact on the comparative data for the 1<sup>st</sup> half of 2020.

The Group also decided to change the presentation of recognised interest and other similar costs, as well as exchange rate differences related to the provisions created, which were previously recognised in the same position of the financial statements in which the principal amount of provision was presented. From 1 January 2021, these costs are presented in financial costs. With respect to the presented comparative data for the 1<sup>st</sup> half of 2020, the above change did not have a significant impact.

Moreover, the Group made a change in accounting policy in accordance to presentation of green energy certificates of origin received free of charge. As from the 1 January 2021 revenue from green energy certificates of origin received free of charge are presented as a decrease of the cost of sales. In previous periods those revenues were presented as other operating income. With respect to the presented comparative data for the 1<sup>st</sup> half of 2020, the above change did not have a significant impact. Additionally, in case when granted green energy certificates are sold directly by ORLEN Group entities producing renewable energy sources (RES) to companies outside the Group under the signed contracts for the sale of property rights, because of short operation cycle and high turnover, these certificates are presented as inventories (merchandise) at the time of production of energy. With regards to green energy certificates used on own needs within the Group, they are still presented as rights to colourful energy on intangible assets.

Due to the fact that the introduced changes related mainly to presentation and/or did not have a significant impact on the presented data for the previous reporting period, the Group did not restate the comparative data.

In the Group's opinion, the introduction of the above-mentioned changes to the accounting principles will provide more relevant data and information, which are also the basis for decisions made by the Management Board of PKN ORLEN as part of the implemented plan to create an integrated multi-energy concern, in particular, ongoing analyses of effectiveness measures of conducted activity by the Group, such as EBITDA ratio. Moreover, the unification of the accounting principles as part of the integration processes in the ORLEN Group enables the Parent Entity to carry out internal control and risk management activities in the process of drawing up financial statements in the Group as indicated under the applicable corporate governance more effectively.

#### **2.2.2. Restarted of comparative data**

The following events had an impact on the comparative data presented in the Consolidated Financial Statements for 2020 and in the Consolidated half-year Report for the 1<sup>st</sup> half of 2020:

- in the 2<sup>nd</sup> quarter of 2021, the Group completed the process of allocating the purchase price of RUCH Group shares. As a result of this process, some items of assets and liabilities as at 31 December 2020 changed, which required transformation of these data. Detailed information on the acquired assets and liabilities is presented in note [3.4.1](#);
- as from 1 January 2021, the Group changed the method of presenting the received grants related to assets. Detailed information in note [2.2.1](#);
- in the 4<sup>th</sup> quarter of 2020, the Group completed the process of allocating the purchase price of ENERGA Group shares, therefore the value of the profit from the bargain purchase of the ENERGA Group recognised on the settlement of this transaction changed. Detailed information is included in note 7.3 of the Consolidated Financial Statements for 2020.

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

	31/12/2020*	Gain on bargain purchase of the ENERGA Group	Change in the presentation of received grants related to assets	Completion of the process allocation of the RUCH purchase price	31/12/2020 (restated data)
<b>ASSETS, incl.:</b>	<b>83 827</b>	-	<b>209</b>	<b>12</b>	<b>84 048</b>
<b>Non-current assets, incl.:</b>	<b>59 212</b>	-	<b>209</b>	<b>12</b>	<b>59 433</b>
Property, plant and equipment	49 387	-	209	29	49 625
Intangible assets	2 534	-	-	(19)	2 515
Deferred tax assets	687	-	-	(2)	685
Other assets, incl.:	413	-	-	4	417
<i>investment property</i>	261	-	-	4	265
<b>EQUITY AND LIABILITIES, incl.:</b>	<b>83 827</b>	-	<b>209</b>	<b>12</b>	<b>84 048</b>
<b>Equity, incl.:</b>	<b>42 379</b>	-	-	<b>10</b>	<b>42 389</b>
Non-controlling interests	783	-	-	10	793
<b>Non-current liabilities, incl.:</b>	<b>18 524</b>	-	<b>189</b>	<b>4</b>	<b>18 717</b>
Deferred tax liabilities	1 999	-	-	4	2 003
Non-current other liabilities	181	-	189	-	370
<b>Current liabilities, incl.:</b>	<b>22 924</b>	-	<b>20</b>	<b>(2)</b>	<b>22 942</b>
Trade and other liabilities	14 024	-	-	(1)	14 023
Provisions	2 300	-	-	(1)	2 299
Current other liabilities	179	-	20	-	199

	6 MONTHS ENDED 30/06/2020 (unaudited)	Gain on bargain purchase of the ENERGA Group	Change in the presentation of received grants related to assets	Completion of the process allocation of the RUCH purchase price	6 MONTHS ENDED 30/06/2020 (unaudited) (restated data)
Cost of sales	(36 817)	-	(10)	-	(36 827)
<b>Gross profit on sales</b>	<b>2 270</b>	-	<b>(10)</b>	-	<b>2 260</b>
Other operating income, incl.:	7 265	372	10	-	7 647
<i>Gain on bargain purchase of the ENERGA Group</i>	3 690	372	-	-	4 062
<b>Profit from operations, incl.:</b>	<b>2 059</b>	<b>372</b>	-	-	<b>2 431</b>
Finance costs	(1 121)	14	-	-	(1 107)
<b>Profit before tax</b>	<b>1 501</b>	<b>386</b>	-	-	<b>1 887</b>
Income tax	239	(3)	-	-	236
<b>Net profit</b>	<b>1 740</b>	<b>383</b>	-	-	<b>2 123</b>

\* data presented in the Financial Statements for 2020 include the full settlement of the ENERGA Group

### 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 ("NBP") in a given period).

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

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	6 MONTHS ENDED 30/06/2021	3 MONTHS ENDED 30/06/2021	6 MONTHS ENDED 30/06/2020	3 MONTHS ENDED 30/06/2020	30/06/2021	31/12/2020
EUR/PLN	4.5382	4.5325	4.4140	4.5048	4.5208	4.6148
USD/PLN	3.7653	3.7605	4.0089	4.0956	3.8035	3.7584
CZK/PLN	0.1755	0.1767	0.1677	0.1664	0.1773	0.1753
CAD/PLN	3.0189	3.0610	2.9374	2.9536	3.0621	2.9477

## 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 cyclicity of operations in the other segments of the ORLEN Group.

## 3. Financial situation and the organization of the ORLEN Group

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

In the 1<sup>st</sup> half of 2021, the COVID-19 pandemic continued to impact the global economy and the situation in the country, causing disruptions in the economic and administrative system. With respect to the market environment, the Group continued to observe high volatility in demand as well as in prices of refining and petrochemical products and raw materials, including crude oil, energy prices and CO<sub>2</sub> emission allowances, which affected sales prices and the level of margin achieved in all operating segments.

Since the outbreak of the COVID-19 pandemic in the European Union, efforts to stop unfavourable climate change have significantly accelerated. The acceleration of the energy transformation has had an impact on the outlook for global demand for fossil fuels, including crude oil and liquid fuels. Currently, it is expected that in 2050 the demand will be by 7 mbpd lower than it was predicted before the pandemic. The deep, though short-lived, global recession caused by the pandemic and the acceleration of the energy transformation had a strong impact on the global refining industry, which processing capacity turned out to be significantly higher than the current and expected demand and requires reduction. To enforce reduction, refining margins have fallen deeply below the processing profitability thresholds and will remain under pressure until the refining potential is appropriately adjusted. From the surplus assessed at 4.5 mbpd in the period 2020-2025, by the end of the 2<sup>nd</sup> quarter the actual and announced power reduction was 3.0 mbpd. The largest part of the shutdowns took place in North America and improved the refining foundations in that region compared to the rest of the world. In Europe, the actual and announced power reduction concerned seven refineries with a total potential of 635,000 bpd. Global capacity, estimated at 1.5 mbpd, remains to be reduced, of which 1.1 mbpd is allocated to Europe.

The strong increase in demand for crude oil and liquid fuels, observed from the beginning of the 2<sup>nd</sup> quarter of 2021, combined with the seasonal effect, improved refining margins, temporarily easing the pressure on reducing refining capacity. The improvement in margins was, however, limited by the unexpected, dynamic increase in crude oil prices to nearly 80 USD/bbl. The reason for the strong increase in prices was the change in the OPEC + price policy, aiming at restraining the increase in oil exploration, so that it would not keep up with the dynamically growing demand until oil prices reached the level desired by OPEC +. The petrochemical industry turned out to be the beneficiary of the pandemic, as the demand for its products increased significantly and, consequently, the petrochemical margins increased. The record levels of margins were caused by one-off events on the supply side and will most likely be very difficult to maintain in the long term, once the temporary supply constraints have subsided.

The acceleration of the energy transformation has led to an increase in the demand for CO<sub>2</sub> emission allowances. Their prices in the short term increased to the level of EUR 50-55 per tonne.

The Group's results in the 1<sup>st</sup> half of 2021 and 2<sup>nd</sup> quarter 2021 by operating segments are presented in note 4.

Since the outbreak of the pandemic PKN ORLEN and entities comprising the Group have taken a number of actions in order to adapt to constantly changing business environment, as well as to prevent the spread of COVID-19 infections, both within its own employees and to support the government's fight against coronavirus, which were continued in the 1<sup>st</sup> half of 2021. The Group adjusts its operations on an ongoing basis to the changing epidemiological situation.

During the period covered by these half-year condensed consolidated financial statements as well as presently all ORLEN petrol stations remain open, there are no disruptions in any area of operations within the concern or other production plants of ORLEN Group. There were also no material disruptions in Group's operations on foreign markets. In Group's opinion currently there are no threats to the supply chain, both with respect to purchase of raw materials and merchandise, as well as in the field of internal logistic processes (among others supply of liquid fuels from the production plant to fuel terminals and then to petrol stations).

The total cost incurred in the 6-month period ended 30 June 2021 and 30 June 2020 due the preventive measures taken by the Group in order to limit the spread of the virus at the premises and protection of employees and customers amounted to PLN (24) million and PLN (39) million, respectively.

In the 1<sup>st</sup> half of 2021 the Group has not observed any significant deterioration in repayment ratio nor an increase in bankruptcies or restructuring among its clients. Due to effective management of trade credit and debt recovery the Group assess that despite the protracted coronavirus pandemic, the risk of unsettled receivables by customers did not change significantly, and the level of repayment of receivables presented in the balance sheet as at 30 June 2021, which payment dates fall in the coming months, will not change significantly. Due to the above, as at 30 June 2021, the Group did not identify any indicators for modification of assumptions taken for estimation of expected credit loss in terms of the potential need to include additional risk factor related to current economic situation and forecasts for the future.



The Group analyses on the current basis the situation on the markets and incoming signals from contractors which could indicate deterioration of financial situation and if there is a need, the Group will update adopted estimates for ECL calculation in following reporting periods.

Taking into account the situation related to the COVID-19 pandemic, which in the medium and long term will affect the domestic and global economic situation, at the end of 2020 the Group performed impairment tests on assets. As at 30 June 2021, on the basis of the analysis performed, apart from the production assets of the Energy segment in the ENERGA Group, the Group has not identified any indications, which would require the Group to conduct impairment tests with respect to non-current assets. Moreover, impairment allowances on the assets of the Refinery segment were made, mainly as a result of abandonment of selected investment projects in PKN ORLEN. Additional information is presented in note 5.4.

As at the date of preparation of these half-year condensed consolidated financial statements the financial situation of the Group is stable. Working capital decreased by PLN 123 million compared to the end of 2020, which was mainly related to growth in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities.

In the Group's opinion, the ongoing coronavirus pandemic did not affect the level of risk in relation to guarantees granted as at 30 June 2021 and the probability of activation of these guarantees remains low.

The Group does not identify currently and within the next 12 months problems with liquidity. The Group also does not see risk of default on loans or other financing agreements. The Group takes optimization actions consisting, among others, on obtaining financing for projects in the project finance formula no recourse or with limited recourse to PKN ORLEN and the Group (i.e. financing directly to the SPV) and assumes maintaining a safe level of net debt and financial covenants included in the financing agreements.

As at the date of preparation of these half-year condensed consolidated financial statements, the Group estimates, that it has sufficient sources of funding for implementation of all strategic development and investment projects as well as acquisitions as planned.

### **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 2021 amounted to PLN 53,985 million and was higher by PLN 14,898 million (y/y). The increase of sales revenues (y/y), partially limited by (1)% (y/y) decrease in sales volumes in all operating segments result mainly from the increase by 62% (y/y) of crude oil prices and, as a result, also quotations of major products as well as the recognition of newly acquired subsidiaries in the ORLEN Group's consolidation. In the 6-month period of 2021 in comparison to the same period of 2020 the prices of the main products increased, including fuel by 62%, diesel oil by 39%, aviation fuel by 49%, heavy heating oil by 83%, ethylene by 23% and propylene by 33%.

The operating expenses totally increased by PLN (8 890) million (y/y) to PLN (49 992) million. The largest item in this cost structure constitute the costs of materials and energy consumption related mainly to the crude oil and other chemicals used in technological processes. The costs of materials and energy consumption in the analysed period increased by 19% (y/y) mainly as a result of an increase in crude oil quotation by 25 USD/bbl (y/y) and a higher share of low-sulfur crude oil in the processing structure.

The level of operating costs was also significantly affected by the increase in the value of goods and raw materials sold related to the recognition of newly acquired subsidiaries in the ORLEN Group consolidation, as well as in the category taxes and charges resulting from the recognition of a provision for estimated costs of CO<sub>2</sub> emissions in connection with the observed increase in the weighted average price of allowances.

The positive result of other operating activities amounted to PLN 760 million and was lower by PLN (3 652) million (y/y) mainly as a result of lack of impact of recognition of gain on bargain purchase of 80% shares of ENERGA in the amount of PLN (4,062) million.

As a result profit from operations amounted to PLN 5,003 million and was higher by PLN 2,572 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 income in the described period amounted to PLN 16 million and included mainly net foreign exchange gain in the amount of PLN 255 million and net interest expenses in the amount of PLN (215) million.

After the deduction of tax charges in the amount of PLN (899) million, the net profit of the ORLEN Group for the 6 months of 2021 amounted to PLN 4,116 million and was higher by PLN 1,993 million (y/y).

#### **Statement of financial position**

As at 30 June 2021, the total assets of the ORLEN Group amounted to PLN 95,892 million and was higher by PLN 11,844 million in comparison with 31 December 2020.

As at 30 June 2021, the value of non-current assets amounted to PLN 62,284 million and was higher by PLN 2,851 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets by PLN 2,099 million and an increase in the value of investments accounted for using the equity method by PLN 308 million, mainly as a result of the recognition of an investment in the Baltic Power joint venture in the amount of PLN 268 million and recognition of a higher share in the results of jointly controlled entities (additional information in notes [3.4.7](#), [5.8](#)).

The change in balance of property, plant and equipment and intangible assets by PLN 2,099 million (y/y) comprised:

- investment expenditures in the amount of PLN 3,635 million including development of fertilizer production capacities in Anwil, construction of the Glikol installation in ORLEN Południe and Visbreaking Installation in Plock, expenditure of the production capacity of the Olefin installation in Plock, projects in the Energy segment related mainly to the modernization of existing assets and the connection of new customers and modernization of the DCS of the power system in Plock and projects in Retail and Upstream segment;
- depreciation and amortisation in the amount of PLN (2,265) million;
- goodwill recognised on the acquisition of new subsidiaries in the amount of PLN 604 million. Additional information in notes [5.7](#), [3.4](#);
- purchase of CO<sub>2</sub> allowances and energy certificates in the amount of PLN 1,362 million;
- amortisation of CO<sub>2</sub> allowances and energy certificates in the amount of PLN (1 713) million;
- effect of recognition of new assets at the date of acquisition of new subsidiaries in the amount of PLN 512 million and
- effect of differences in balance on translating foreign operations in the amount of PLN 186 million.

The value of current assets as at 30 June 2021 increased by PLN 8,993 million in comparison with the end of the previous year, mainly as an increase in inventories by PLN 2,522 million, balance of cash and cash equivalents by PLN 1,535 million, trade and other receivables by PLN 3,799 million and valuation of derivative financial instruments by PLN 1,231 million mainly due to the valuation of CO<sub>2</sub> forward contracts (additional information in note [5.5](#)). The increase in value of inventories is mainly the result of an increase in crude oil and petroleum product prices. The increase in trade receivables results mainly from higher sales in term of value.

As at 30 June 2021, total equity amounted to PLN 45,420 million and was higher by PLN 3,031 million in comparison with the end of 2020, mainly due to recognition of net profit for the 6 months of 2021 in the amount of PLN 4,116 million, positive impact of the change in hedging reserve in the amount of PLN 270 million and the impact of exchange differences on translating foreign operations in the amount of PLN 165 million 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 5,729 million compared to the end of 2020 mainly due to increase of trade liabilities by PLN 3,526 million, tax liabilities by PLN 1,658 million related mainly to excise tax and fuel charge as well as value added tax due to higher volume sales and value of product, PKN ORLEN's shareholder dividend liabilities by PLN (1,497) million by decrease in investment liabilities by PLN (558) million. The increase in trade liabilities results mainly from the higher prices on the markets.

Value of provisions as at 30 June 2021 amounted to PLN 5,108 million and was higher by PLN 545 million in comparison to the end of 2020. The change of net provisions for CO<sub>2</sub> emissions resulted mainly from redemptions a provision in connection with CO<sub>2</sub> emissions for 2020 in amount of PLN (1,713) million. In addition, during the 6-month period of 2021, the Group updated provisions from 2020 and recognised/reversed a provision for CO<sub>2</sub> emissions for 1<sup>st</sup> half of 2021 in the total amount of PLN 2,048 million. The increase resulted mainly from increase of average weighted price and market prices, while maintenance of similar amounts of CO<sub>2</sub> emissions.

Other short-term liabilities were higher by PLN 1,930 million in comparison to the end of 2020 and amounted to PLN 2,129 million, mainly due to the recognition of grants due to CO<sub>2</sub>, the value of which to be settled as at 30 June 2021 amounted to PLN 907 million and the negative balance of security deposits on the ICE exchange in the amount of PLN 1,070 million.

As at 30 June 2021, net financial indebtedness of the ORLEN Group amounted to PLN 11,534 million and was lower by PLN (1,526) million in comparison with the end of 2020 mainly due to the net outflows, including inflows and repayments of loans, borrowings and redemption and issue of bonds in the amount of PLN (183) million, an increase in balance of cash and cash equivalents by PLN (1,535) million, short-term deposits in the amount of PLN 33 million and and the net effect of valuation and revaluation of debt due to foreign exchange differences, as well as new acquisitions within the Group in the total amount of PLN 159 million.

### Statement of cash flows

Proceeds of net cash from operating activities for the 6-month period of 2021 amounted to PLN 8,975 million and comprised mainly result from operations increased by depreciation and amortisation in the amount of PLN 7,608 million, the positive impact of decrease in a net working capital by PLN 123 million mainly related to increase in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities decreased by paid income taxes in the amount of PLN (565) million, profit on investing activities in the amount of PLN (628) million mainly related to settlement and valuation of derivative financial instruments in the amount of PLN (567) million, change in provisions in the amount of PLN 2,356 million

mainly due to an increase in the weighted average price of CO<sub>2</sub> allowances and other adjustments in the amount of PLN 339 million related mainly to security deposits for the settlement of transactions with the ICE and IRGIT exchange in the amount of PLN 1,043 million and settlement of grants for property rights in the amount of PLN (814) million.

Net cash used in investing activities for the 6-month period of 2021 amounted to PLN (6,625) 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 (5,487) million, and acquisition of shares of subsidiaries adjusted by acquired cash as at the acquisition date (mainly due to the acquisition of new subsidiaries - detailed information, note 3.4) in the amount of PLN (772) million and settlement of derivatives not designated as hedge accounting in the amount of PLN (515) million.

Net cash flows of financing activities for the 6-month period of 2021 amounted to PLN (859) million and comprised mainly the net outflows included proceeds and repayment of loans in the amount of PLN (1,156) million, bond issues in the amount of PLN 3,225 million, mainly due to the issue of D series corporate bonds and A series Eurobonds by PKN ORLEN, redemption of bonds in the amount of PLN (2,252) million by ORLEN Capital and interest paid in the amount of PLN (305) million and liabilities under lease agreements in the amount of PLN (373) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 6-month period of 2021 increased by PLN 1,535 million and as at 30 June 2021 amounted to PLN 2,775 million.

### **Factors and events which may influence future results**

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

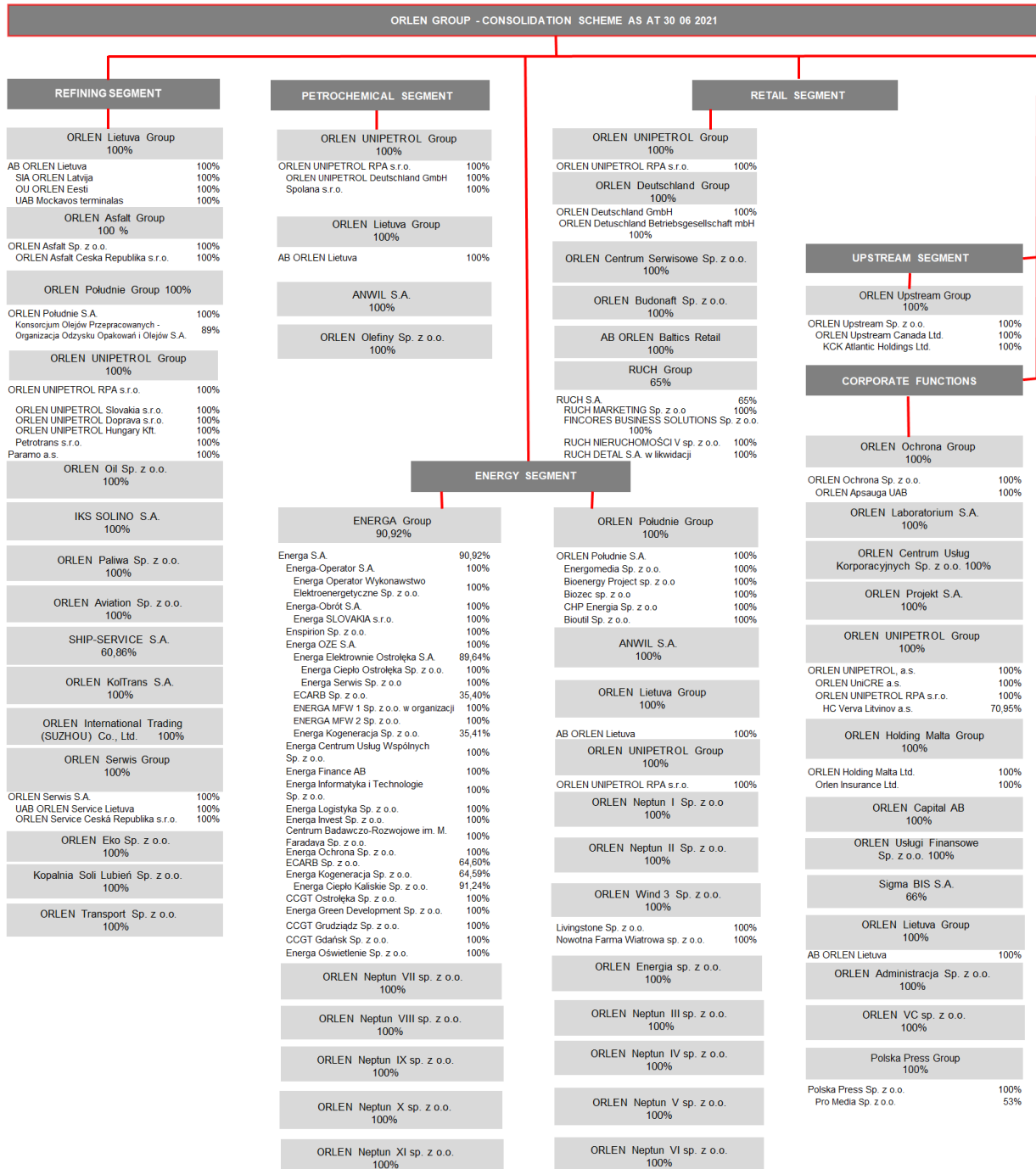
- further impact of the COVID-19 pandemic on the macroeconomic environment,
- macroeconomic and geopolitical environment - crude oil and other energy resources prices, quotations on refinery and petrochemical products, foreign exchange rates (mainly EUR/USD, PLN/USD, PLN/EUR) and economic relations between the US, China and Iran, relations between the EU and the US with Russia ,
- EU's climate policy and prices of rights and CO<sub>2</sub> emissions allowances, and consequently the price of electricity,
- situation on the financial market, in particular the possibility of obtaining debt financing,
- economic situation - GDP level, fuel, electricity and other products of the Group consumption on the markets of its operations and the situation on the labour market,
- availability of production installations,
- refining overcapacity on a global scale and in Europe in relation to the expected demand,
- applicable legal regulations,
- renewable electricity generation technology development,
- tariff policy of the Energy Regulatory Office in the face of the dynamic increase in energy prices on the market.

### **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, the Netherlands, Slovakia, Hungary, Estonia, Latvia and Canada and China.

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





### Changes in the structure of the ORLEN Group from 1 January 2021 up to the date of preparation of this report

- on 1 January 2021 the name of Unipetrol a.s. was changed to ORLEN Unipetrol a.s. Similar changes took place in some Unipetrol Group subsidiaries;
- in January 2021, 2 companies from the ORLEN Upstream Group were liquidated: Frontier Exploration Inc. and FX Energy Inc.;
- in January 2021, 2 new companies were established in the ENERGA Group: CCGT Ostrołęka Spółka z o.o. (share capital amounts to PLN 150,000 - 150 shares of PLN 1,000 each) and ENERGA Green Development Spółka z o.o. (share capital amounts to PLN 600,000 -1,200 shares of PLN 500 each). ENERGA owns 100% of shares in both companies;
- on 11 February 2021, ORLEN Wind 3 Sp.z o.o., acquired 100% of the capital of Livingstone Sp.z o.o with its headquarters in Warsaw. Additional information in note [3.4.2](#);
- on 12 February 2021, the National Court Register registered the second increase in the share capital of RUCH S.A., in which PKN ORLEN SA acquired 65,000 shares with a nominal value of PLN 1, (issue value per share amounted to PLN 1.83). Additional information in note [3.4.1](#);

- on 1 March 2021, PKN ORLEN acquired 100% of the Polska Press Sp. z o.o. shares with its headquarters in Warsaw, i.e. 12,000 shares with a nominal value of PLN 3,500 each, with a total nominal value of PLN 42 million. Additional information in note [3.4.3](#);
- on 18 March 2021 ORLEN Południe acquired 100% of the CHP Energia Sp. z o.o. shares for the amount of PLN 2 million. Additionally, a subrogation agreement was signed for the repayment by ORLEN Południe of a loan granted to CHP ENERGIA by third parties in the amount of PLN 6 million. On the acquisition date, ORLEN Południe contributed an additional capital contribution to CHP Energia Sp. z o.o. in the amount of PLN 3.5 million;  
The core business of the acquired company is the construction of a biogas plant and an integrated biomass solid fuel production plant in the form of pellets and the production of green electricity in cogeneration. As a result of this transaction, goodwill in the amount of PLN 10 million was recognised. As at the date of approval of these half-year condensed consolidated financial statements, the process of allocating the purchase price has not yet been completed. The Group plans to complete settlement of the transaction by the end of 2021;
- on 24 March 2021, the Extraordinary General Meeting of Shareholders of Baltic Power S. z o.o. adopted a resolution to increase the company's share capital by PLN 566,500, i.e. from PLN 600,000 to PLN 1,166,500, by creating 5,665 new shares with a nominal value of PLN 100 per share. All new shares, representing 48.56%, were acquired in full by NP Baltic Wind B.V. with its headquarters in Amsterdam and covered them in full with a cash contribution in the total amount of EUR 35,000,000 and PLN 93,108,895. The surplus of the cash contribution over the nominal value of the new shares in the amount of EUR 35,000,000 and PLN 92,542,395 was transferred to the supplementary capital of Baltic Power Sp. z o.o. The increase in the share capital of Baltic Power Sp. z o.o., including joining NP Baltic Wind B.V. as a partner, was registered in the National Court Register on 20 May 2021. Additional information in note [3.4.7](#);
- on 26 March 2021, two new companies were established by ENERGA OZE SA;  
ENERGA MFW 1 Sp. z o.o. at a startup with its headquarters in Gdańsk with a share capital of PLN 5,000, 100 shares with a nominal value of PLN 50, the surplus of the cash contribution over the total nominal value of the shares in the amount of PLN 245,000 was transferred to the reserve capital.  
ENERGA MFW 2 Sp. z o.o. at a startup with its headquarters in Gdańsk with a share capital of PLN 5,000, 100 shares with a nominal value of PLN 50, the surplus of the cash contribution over the total nominal value of shares in the amount of PLN 245,000 was transferred to the reserve capital.  
The companies are 100% owned by ENERGA OZE SA;
- on 30 March 2021, new companies were established: ORLEN Neptun III Sp. z o.o., ORLEN Neptun IV Sp. z o.o., ORLEN Neptun V Sp. z o.o., ORLEN Neptun VI Sp. z o.o., ORLEN Neptun VII Sp. z o.o., ORLEN Neptun VIII Sp. z o.o., ORLEN Neptun IX Sp. z o.o., ORLEN Neptun X Sp. z o.o., ORLEN Neptun XI Sp. z o.o. (further ORLEN Neptun III-XI) and ORLEN Energia Sp. z o.o. The share capital of ORLEN Neptun III - ORLEN Neptun XI amounts to PLN 1,750,000 and is divided into 700 shares with a nominal value of PLN 2,500 each.  
The share capital of ORLEN Energia amounts to PLN 5,000 and is divided into 50 shares with a nominal value of PLN 100 each. The surplus of the cash contribution over the total nominal value of the shares, in the amount of PLN 9,995,000, will be transferred to the company's reserve capital (agio).  
ORLEN Neptun III - ORLEN Neptun XI companies were established as part of the Morska Energetyka Wiatrowa project, and ORLEN Energia for wholesale trade in energy produced in the ORLEN Group;
- on 31 March 2021, PKN ORLEN acquired 454,546 shares of OTP Sp. z o.o. with its headquarters in Płock, which constitutes 100% of the share capital, thus PKN ORLEN became the sole owner of the company. On 22 June 2021, the name of the company was changed from OTP Sp. z o.o. for ORLEN Transport Sp. z o.o. Additional information in note [3.4.4](#);
- on 14 April 2021, ORLEN Wind 3 acquired 100% of shares of Nowotna Farma Wiatrowa Sp. z o.o. with its headquarters in Gdańsk. The company's share capital amounts to PLN 16,617,500 and is divided into 332,350 equal and indivisible shares with a nominal value of PLN 50 each. The value of the transaction amounted to PLN 372,446,788. Additional information in note [3.4.5](#);
- on 30 April 2021, was registered an increase in the share capital of ORLEN Wind 1 Sp. z o.o. by PLN 1,550,000 (i.e. from PLN 5,000 to PLN 1,555,000) by creating 15,500 new and indivisible shares in the company's share capital with a nominal value of PLN 100 per share. All new shares, will be taken over in full by the current shareholder of the Company, i.e. PKN ORLEN SA, and will be covered in full with a cash contribution in the amount of PLN 1,550,000. On the same day, a change of name from ORLEN Wind 1 Sp. z o.o. to ORLEN Neptun I Sp. z o.o. and on 28 April a change of name from ORLEN Wind 2 Sp. z o.o. for ORLEN Neptun II Sp. z o.o.; was registered;
- on 6 May 2021, the National Court Register registered the increase in the share capital of IKS Solino.  
PKN ORLEN brought to IKS Solino S.A. cash contribution in the total amount of PLN 10,031,000 to increase the share capital by PLN 716,500, i.e. from PLN 19,145,600 to PLN 19,862,100 by issuing 71,650 new registered C series shares with a nominal value of 10 PLN each and the issue price of PLN 140 each. The entire issue was addressed to PKN ORLEN. A cash contribution in the amount of PLN 9,314,500, constituting the surplus of the total issue price over the total nominal value of all new C series shares (agio), was transferred to the supplementary capital;
- on 14 May 2021, ORLEN Olefiny Spółka z ograniczoną odpowiedzialnością has been set;

- on 15 June, AB ORLEN Lietuva acquired 100% of shares in UAB Mockavos terminalas. The company's share capital amounts to EUR 8,568,974.40 and is divided into 295,890 shares with a par value of EUR 28.96 each. The transaction value is EUR 44,500,000. Additional information in note [3.4.6.](#);
- on 24 June 2021, ENERGA adopted a Resolution on increasing the share capital of CCGT Ostrołęka Sp. z o.o. by PLN 245,000,000, i.e. from PLN 150,000 to PLN 245,150,000 through the issue of 245,000 shares with a par value of 1,000 each.
- on 28 June 2021 was registered in the National Court Register the increase of the share capital of the company Energa Green Development Sp. z o.o. i.e. from the amount of PLN 600,000 to the amount of PLN 600,500;
- on 29 June 2021 ORLEN Południe S.A. acquired 100% shares in Bioutil Sp. z o.o. for the amount of PLN 29 million. Bioutil has two areas of activity:
  - Biogas – this installation is currently used to produce electric energy from biogas and
  - Waste utilisation facility – which out of services for biogas installation also may provide waste utilisation services on the market.As a result of this transaction, a goodwill of a company in amount of PLN 10 million was recognised. On the day of approval of these half-year condensed consolidated financial statements the process of allocation of acquisition price was not yet finalised. The Group plans full settlement of transaction until 2021.
- on 29 June 2021, the Extraordinary Meeting of Shareholders of Baltic Power Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 400.00, i.e. from PLN 1,166,500 to PLN 1,166,900 by creating 4 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 in full with a cash contribution in the amount of PLN 21,322,433. The surplus of the cash contribution over the nominal value of the new shares in the amount of PLN 21,322,033 will be transferred to the company's supplementary capital. As a result of the increase, the share in the share capital of Baltic Power Sp.z o.o. PKN ORLEN owns - 51.42%, NP Baltic Wind B.V. - 48.58%;
- on 5 July 2021, the share capital of Energa Operator Wykonastwo Elektroenergetyczne Sp.z o.o. (ENERGA Group) was increased by PLN 1,422,000, i.e. from PLN 795,000 to PLN 2,217,000 through the issue of 1,422 new shares with a nominal value of PLN 1,000 each.

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

### **3.4. Settlement of acquisition of shares in accordance with IFRS 3 Business Combinations**

#### **3.4.1. Settlement of acquisition of RUCH S.A. shares in accordance with IFRS 3 Business Combinations**

On 11 April 2019 PKN ORLEN approached RUCH S.A. (RUCH) with a conditional financing proposal relating to the intended acquisition of a controlling interest in the company. This decision was preceded by a due diligence of the company and a process to work out a framework for future restructuring measures. Since then in RUCH, steps have been taken to adopt and approve restructuring arrangements, which were one of the pre-conditions to PKN ORLEN providing financing to RUCH. In the meantime, a detailed restructuring plan for the company was developed, and an investment agreement was negotiated with the other partners on the project – PZU S.A., PZU Życie S.A. and Alior Bank S.A. The signing of investment agreement in June 2020 and clearance from the anti-trust regulator for PKN ORLEN to acquire control of RUCH have enabled the acquisition process to move forward. The final and binding statement by the court of the performance of restructuring arrangements with creditors by RUCH in November 2020 as part of two accelerated arrangement proceedings was the last condition and enabled PKN ORLEN to finalize the acquisition of a majority stake in RUCH.

On 24 November 2020 General Meeting of RUCH adopted a resolution to increase the company's share capital by the amount of PLN 109,189,617, through the issue of 109,189,617 shares with a nominal value of PLN 1 each. The issue price of 1 share was PLN 1.83. As a part of the adopted resolution, PKN ORLEN acquired and at the same time paid for 70,973,251 shares of RUCH for the consideration of PLN 130 million, representing 64.94% of the share capital of the company and corresponding to 64.94% of the total number of votes at the General Meeting of RUCH. Thus, 24 November 2020 is the date on which PKN ORLEN obtained control of RUCH.

#### **Full settlement of the transaction**

The acquisition of the RUCH shares is being settled using the acquisition method in accordance with IFRS 3 Business Combinations.

In the consolidated financial report of 2020 and in the consolidated quarterly report for the 1<sup>st</sup> quarter of 2021, the Group presented a provisional settlement of transactions due to the uncompleted process of valuation of fixed assets and contingent liabilities. In the 2<sup>nd</sup> quarter of 2021 the Group finalized the process of valuation to fair value of individual items of property plant and equipment and intangible assets, as well as the right-of-use assets.

Therefore, in these consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities and finally settles the transaction related to acquisition of RUCH.

The final value of net assets amounted to PLN 73 million, which means an increase by PLN 31 million compared to the provisional settlement of the transaction presented in the consolidated financial statements for 2020 and in the consolidated

quarterly report for the 1<sup>st</sup> quarter of 2021. There were significant changes mainly in property, plant and equipment, the fair value of which as part of the final settlement amounted to PLN 42 million (the provisional value was PLN 13 million). There were no significant changes in relation to other net assets.

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

<b>Assets acquired</b>	<b>A</b>	<b>369</b>
<b>Non-current assets</b>		
Property, plant and equipment		42
Intangible assets		25
Right-of-use asset		37
Deferred tax assets		8
Other assets		11
<b>Current assets</b>		
Inventories		54
Trade and other receivables		58
Cash and cash equivalents		131
Other assets		3
<b>Assumed liabilities</b>	<b>B</b>	<b>296</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities		4
Lease liabilities		27
<b>Current liabilities</b>		
Trade and other liabilities		149
Lease liabilities		10
Loans, borrowings and bonds		35
Provisions		70
Other liabilities		1
<b>Total net assets</b>	<b>C = A - B</b>	<b>73</b>
Acquired net assets attributable to the equity owners of the parent	<b>D</b>	<b>73</b>
Non-controlling interest measured as a proportionate share in the net assets		<b>25</b>
% share in the share capital	<b>E</b>	<b>64.94%</b>
Value of shares measured as a proportionate share in the net assets	<b>F = D*E</b>	<b>46</b>
Fair value of the consideration transferred (Cash paid)	<b>G</b>	<b>130</b>
<b>Goodwill</b>	<b>I = G - F</b>	<b>84</b>

The goodwill arising from the acquisition of RUCH results from estimated synergies and other benefits resulting from the merger of RUCH's operations with the ORLEN Group. By acquiring RUCH, the Group is pursuing its strategy of developing the retail area based on locations outside fuel stations and comprehensive customer services, including courier services.

Effective use of RUCH's assets will strengthen the position of the ORLEN Group on the retail market through significant expansion of the sales network and planned development of new catering and shop formats, as well as further increase its competitiveness in terms of service quality, assortment, services and improved operating standards in the retail segment.

Recognised goodwill represents the value of assets, that could not be recognised separately under the requirements of IAS 38 Intangible Assets (employees and their knowledge, business components and relationships with the environment). As at 30 June 2021, the Group did not identify any indicators for impairment in relation to the recognised goodwill.

At the date of taking control, as well as at present, securities were established on the assets of RUCH and its subsidiaries for the benefit of Alior Bank under the agreements signed with the bank. As at 30 June 2021, RUCH's debt to Alior Bank has been repaid in full. RUCH is in the process of taking the remaining steps necessary to release the securities established on its assets.

### 3.4.2. The settlement of acquisition of Livingstone Sp. z o.o shares in accordance with IFRS 3 Business Combinations

On 11 February 2021, ORLEN Wind 3 Sp. z o.o. ("ORLEN Wind 3") acquired from foreign investment funds 100% shares in Livingstone Sp.z o.o. (Livingstone) with its headquarters in Warsaw. The fair value of the payment made amounted to PLN 24 million. Furthermore, on the same day ORLEN Wind 3 signed with Livingstone Sp. z o.o. a loan agreement for the amount of PLN 76 million, which was designated for repayment of liabilities of the acquired company indicated in the share purchase agreement, including in particular liabilities towards former shareholders under granted loans and bank credits in the amount of PLN 34 million and PLN 41 million, respectively. The core business of the acquired company is generation of electricity from renewable energy sources at the Kanin wind farm located in the West Pomeranian province with a capacity of 20 MW. The transaction was executed as part of ORLEN Group's strategy aimed at, among other things, expanding its portfolio of zero-emission energy sources.

#### Full settlement of the transaction

The transaction of Livingstone acquisition is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations. In the consolidated quarterly report for the 1<sup>st</sup> quarter of 2021, the Group presented the temporary settlement of the transaction, because of the unfinished process of valuation of fixed assets and contingent liabilities. In the 2<sup>nd</sup> quarter of 2021 the Group completed the process of valuation of individual property, plant and equipment and intangible assets carried out by independent appraisers. Therefore, in these half-year condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities and makes the final settlement of the Livingstone acquisition.

The final value of net assets amounted to PLN (23) million, which means a decrease by PLN 32 million compared to provisional settlement of the transactions presented in the consolidated quarterly report for the 1<sup>st</sup> quarter of 2021. There were significant changes mainly in property, plant and equipment, the fair value of which as part of the final settlement amounted to PLN 62 million (the provisional value amounted to PLN 91 million). There were no significant changes in relation to other net assets.

The fair value of the identifiable major items of Livingstone's acquired assets and liabilities at the acquisition date are as follows:

<b>Assets acquired</b>	<b>A</b>	<b>73</b>
<b>Non-current assets</b>		
Property, plant and equipment		62
Right-of-use asset		5
<b>Current assets</b>		
Inventories		1
Trade and other receivables		3
Cash and cash equivalents		2
<b>Assumed liabilities</b>	<b>B</b>	<b>96</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities		3
Loans and borrowings		69
Lease liabilities		5
Lease liabilities		8
<b>Current liabilities</b>		
Deferred tax liabilities		1
Trade and other liabilities		4
Loans, borrowings and bonds		6
<b>Total net assets</b>	<b>C = A - B</b>	<b>(23)</b>
Acquired net assets attributable to the equity owners of the parent	<b>D</b>	<b>(23)</b>
% share in the share capital	<b>E</b>	100%
Value of shares measured as a proportionate share in the net assets	<b>F = D*E</b>	(23)
Fair value of the consideration transferred (Cash paid)	<b>G</b>	24
Value of pre-existing relationship	<b>H</b>	8
<b>Goodwill</b>	<b>I = G - F - H</b>	<b>39</b>

As part of the acquisition transaction, the previously existing relationships due to the agreements concluded before the acquisition date between Livingstone and the ORLEN Group's company were settled at the estimated fair value of PLN (8) million, which was recognised as other operating expenses.

The goodwill identified on the acquisition of Livingstone presents the estimated fair value of the expected benefits and synergies in the ORLEN Group as part of the implemented strategy to expand the portfolio of renewable energy sources. As at 30 June 2021, the Group has not identified any indicators for impairment in relation to the recognised goodwill.

Net cash outflow related to the acquisition of Livingstone, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (22) million.

If the acquisition of the Livingstone shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 4,114 million, and sales revenues would be PLN 53,985 million. The share of Livingstone in the sales revenues generated by the ORLEN Group for the 1<sup>st</sup> half of 2021 was not material.

### 3.4.3. Provisional settlement of acquisition of Polska Press shares in accordance with IFRS 3 Business Combinations

On 1 March 2021 PKN ORLEN acquired from German Verlagsgruppe Passau Capital Group 100% shares in Polska Press Sp. z o.o. with its headquarters in Warsaw. Polska Press is one of the largest publishing groups in Poland with about 20 regional dailies, nearly 120 local weeklies as well as about 500 online websites. The acquisition of Polska Press is in line with PKN ORLEN's strategic plans to strengthen retail sales, including non-fuel sales. By acquiring Polska Press the Company gained, i. a. access to 17.4 million Internet users and the possibility to acquire new customers, optimise marketing costs and develop big data tools within the Group. As part of the final price settlement, after an adjustment by PLN 13 million, which was affected by the change in working capital and net debt, the final fair value of the payment transferred amounted to PLN 222 million. The book value of the acquired net assets at the moment of taking control amounted to PLN 200 million.

As at the date of approval of these half-year condensed consolidated financial statements, the process of purchase price allocation has not been completed yet. The Company plans to complete settlement of the transaction by the end of 2021.

On 17 March 2021, the Commissioner for Human Rights of Poland (Commissioner) announced in a communique published on his website that he appealed to the District Court in Warsaw (Court of Competition and Consumer Protection) against the decision of the President of the Office of Competition and Consumer Protection (OCCP) of 5 February 2021 on consent to concentration consisting in taking over by PKN ORLEN control over Polska Press Sp. z o.o. The case is pending before the court. At the same time, the Commissioner filed a motion to the court to suspend the execution of the President of OCCP decision (including the ban on exercising participation rights by PKN ORLEN in Polska Press). On 8 April 2021, the District Court issued an order to suspend the execution of the decision of the President of OCCP of 5 February 2021 until the court resolves the appeal submitted by the Commissioner. In the opinion of PKN ORLEN, this order does not affect the effectiveness of the acquisition by PKN ORLEN of shares in Polska Press, as the acquisition was made before the court issued this order; the court's order does not restrict PKN ORLEN in exercising its rights from shares in Polska Press (the court in its order did not consider the Commissioner's motion in this respect).



On the basis on its own judgment, on the obtained legal analyses prepared by external law firm, the Group assessed that as at 30 June 2021, in accordance with the requirements of IFRS 10, has control over Polska Press, and therefore it was consolidated using the full method. In the following reporting periods, the Group will analyse new facts and circumstances to assessing control.

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

<b>Assets acquired</b>	<b>A</b>	<b>255</b>
<b>Non-current assets</b>		
Property, plant and equipment		67
Intangible assets		1
Right-of-use asset		1
Deferred tax assets		20
Other assets		5
<b>Current assets</b>		
Inventories		19
Trade and other receivables		38
Cash and cash equivalents		104
<b>Assumed liabilities</b>	<b>B</b>	<b>55</b>
<b>Non-current liabilities</b>		
Provisions		7
Deferred tax liabilities		1
<b>Current liabilities</b>		
Trade and other liabilities		42
Liabilities from contracts with customers		4
Other liabilities		1
<b>Total net assets</b>	<b>C = A - B</b>	<b>200</b>
Non-controlling interest measured as a proportionate share in the net assets		8
Acquired net assets attributable to the equity owners of the parent	<b>D</b>	<b>192</b>
% share in the share capital	<b>E</b>	100%
Value of shares measured as a proportionate share in the net assets	<b>F = D*E</b>	192
Fair value of the consideration transferred (Cash paid)	<b>G</b>	222
<b>Goodwill</b>	<b>I = G - F</b>	<b>30</b>

The total value of non-controlling interest presented in the above table, valued at PLN 8 million and measured on a pro-rata basis of net assets includes the non-controlling interest within the Polska Press Group, related to net assets of subsidiary ProMedia, in which Polska Press does not hold 100% in share capital.

The goodwill arising from the acquisition of Polska Press represents the value of assets that could not be recognised separately under the requirements of IAS 38 (employees and their knowledge). As at 30 June 2021, the Group did not identify any impairment in relation to the recognised goodwill.

Net cash outflow related to the acquisition of Polska Press, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (118) million.

If the acquisition of the Polska Press shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 4,110 million, and sales revenues would be PLN 54,028 million. The share of Polska Press in the in sales revenues and result generated by the ORLEN Group for the 1<sup>st</sup> half of 2021 amounted to PLN 98 million and PLN (5) million, respectively.

#### 3.4.4. Provisional settlement of acquisition of ORLEN Transport Sp. z o.o. (before OTP Sp. z o.o.) shares in accordance with IFRS 3 Business Combinations

On 31 March 2021, PKN ORLEN acquired from Trans Polonia Group, 100% of shares in ORLEN Transport Sp. z o.o. (ORLEN Transport) with its headquarters in Plock.

ORLEN Transport is one of the largest road transport service providers in Poland. The company was established on the basis of ORLEN Transport assets, the sale of which to Trans Polonia Group was decided in 2015.

Transport operates a modern fleet of over 200 sets to the transport of dangerous goods by road (ADR) of class II and III. It employs nearly 700 employees, including over 550 drivers. The transaction will enable dynamic development and optimization of logistics processes. The reconstruction of own transport capacity within the Group's structures and the planned centralization of road logistics management will also have a positive impact on ORLEN Group's results. In this way, the Group will definitely strengthen its position on the road transport market. The fair value of the payment made amounted to PLN 102 million. The book value of the net assets acquired at the moment of taking control amounted to PLN 17 million. As at the date of approval of these half-year consolidated financial statements, the process of purchase price allocation has not been completed yet.

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

<b>Assets acquired</b>	<b>A</b>	<b>82</b>
<b>Non-current assets</b>		
Property, plant and equipment		3
Right-of-use asset		46
Deferred tax assets		1
<b>Current assets</b>		
Trade and other receivables		24
Cash and cash equivalents		8
<b>Assumed liabilities</b>	<b>B</b>	<b>65</b>
<b>Non-current liabilities</b>		
Lease liabilities		36
Other liabilities		
Trade and other liabilities		15
Lease liabilities		14
<b>Total net assets</b>	<b>C = A - B</b>	<b>17</b>
Acquired net assets attributable to the equity owners of the parent	<b>D</b>	<b>17</b>
% share in the share capital	<b>E</b>	100%
Value of shares measured as a proportionate share in the net assets	<b>F = D*E</b>	17
Fair value of the consideration transferred (Cash paid)	<b>G</b>	102
<b>Goodwill</b>	<b>I = G - F</b>	<b>85</b>

Goodwill recognised as a result of acquisition of ORLEN Transport consist of, first of all, fair value of expected cost synergies and additional benefits connected with gained operating flexibility in the area of logistic processes, including fleet management and increasing of synergies in road transport segment among companies from the ORLEN Group.

In addition, transport costs will be limited due to increased utilisation of the fleet and retention of margin on road transport in the Group.

Possession of own fleet and centralisation of logistical processes, apart from cost optimisation, will also facilitate execution of strategy of the ORLEN Group in relation to digitalisation of processes.

As at 30 June 2021, the Group has not identified premises for impairment in relation to the recognised temporary goodwill.

Net cash outflow related to the acquisition of ORLEN Transport, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (94) million.

If the acquisition of the ORLEN Transport shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 4,118 million, and sales revenues would be PLN 53,989 million.

The share of ORLEN Transport in the in sales revenues and result generated by the ORLEN Group for the 1<sup>st</sup> half of 2021 amounted to PLN 31 million and PLN 2 million, respectively.

### 3.4.5. Provisional settlement of acquisition of Nowotna Farma Wiatrowa Sp. z o.o. shares in accordance with IFRS 3 Business Combinations

As at 26 February 2021, Orlen Wind 3 Sp. z.o.o. signed with investment funds: Taiga Inversiones Eolicas SCR SA and Santander Energias Renovables SCRA SA, with its headquarters in Madrid, Spain, purchase agreement of 100% of shares in Nowotna Farma Wiatrowa Sp. z.o.o. (Nowotna Farma Wiatrowa), with its headquarters in Gdańsk, which is the owner of wind farms: Kobylnica, Subkowy, Nowotna („Agreement”). Purchased wind farms have combined power of 89.4 MW. After receiving positive decision of Polish Office of Competition and Consumer Protection, ORLEN Wind 3 as at 14 April 2021 finalized transaction, acquired 100% shares and took control over Notowna Farma Wiatrowa. The fair value of the payment made amounted to PLN 372 million.

Acquiring of wind farms in Pomerania is next step in the ORLEN Group strategy of building modern multi-energy concern and striving for realization of emission neutrality, among others, through investment in zero-emission energy sources. Book value of purchased net assets as at the moment of acquiring control amounted to PLN 109 million. As at the date of approval of these half-year condensed consolidated financial statements, the process of allocating the purchase price has not been completed.

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

<b>Assets acquired</b>	<b>A</b>	<b>415</b>
<b>Non-current assets</b>		
Property, plant and equipment		309
Other non-current assets		9
<b>Current assets</b>		
Inventories		9
Trade and other receivables		13
Short-term financial assets		11
Cash and cash equivalents		64
<b>Assumed liabilities</b>	<b>B</b>	<b>306</b>
<b>Non-current liabilities</b>		
Provisions		11
Loans, borrowings and bonds		236
Deferred tax liabilities		12
Lease liabilities		34
Other liabilities		
<b>Current liabilities</b>		
Trade and other liabilities		4
Loans, borrowings and bonds		7
Provisions		1
Other liabilities		1
<b>Total net assets</b>	<b>C = A - B</b>	<b>109</b>
Acquired net assets attributable to the equity owners of the parent	<b>D</b>	<b>109</b>
% share in the share capital	<b>E</b>	100%
Value of shares measured as a proportionate share in the net assets	<b>F = D*E</b>	109
Fair value of the consideration transferred (Cash paid)	<b>G</b>	372
<b>Goodwill</b>	<b>I = G - F</b>	<b>263</b>

The Group expects that as a result of the process of settlement the purchase price, temporarily determined goodwill in the amount of PLN 263 million will decrease, as a significant part of it will be allocated to other assets as a result of the process of valuation to fair value of property, plant and equipment carried out by independent experts, as well as valuation to fair value of intangible assets related to the existing contracts for the sale of property rights resulting from Certificate Purchase Agreements (CPA). The remaining part of the goodwill relates to the fair value of potential future agreements PPA and CPA, for which flows are forecasted over the next dozen years, as well as the expected benefits and synergies in the entire Group as part of the strategy of expanding the portfolio of renewable energy sources. As at 30 June 2021, the Group did not identify any impairment in relation to the recognised temporary goodwill.

Net cash outflow related to the acquisition of Nowotna Farma Wiatrowa, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (308) million.

If the acquisition of the Nowotna Farma Wiatrowa shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 4,195 million, and sales revenues would be PLN 54,010 million. The share of Nowotna Farma Wiatrowa in the sales revenues and result generated by the ORLEN Group for the 1<sup>st</sup> half of 2021 amounted to PLN 24 million and PLN 10 million, respectively.

### 3.4.6. Provisional settlement of acquisition of UAB Mockavos Terminals shares in accordance with IFRS 3 Business Combinations

As at 15 June, AB ORLEN Lietuva acquired 100% of shares in UAB Mockavos Terminalas. The fair value of the payment made amounted to EUR 45 mln (PLN 202 million).

The terminal in Mockava was built in 2017. Its area, together with the adjacent land, is approx. 40 ha. The total tank capacity of the terminal is 19 thousand m<sup>3</sup>, while the reloading capacity is estimated at 1.2 million tonnes of liquid fuels per year. The terminal in Mockava is the only railway transshipment terminal at the Polish-Lithuanian border, which is used for reloading of petroleum products manufactured at the refinery in Mažeikiai for the Polish and Ukrainian markets.

The book value of the acquired net assets as at the time of taking over control was EUR 10 million (PLN 38 million). As at the date of approval of these half-year condensed consolidated financial statements, the process of allocation the purchase price has not yet been completed.



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

<b>Assets acquired</b>	<b>A</b>	<b>38</b>
<b>Non-current assets</b>		
Property, plant and equipment		38
<b>Total net assets</b>	<b>C = A - B</b>	<b>38</b>
Acquired net assets attributable to the equity owners of the parent	<b>D</b>	<b>38</b>
% share in the share capital	<b>E</b>	100%
Value of shares measured as a proportionate share in the net assets	<b>F = D * E</b>	38
Fair value of the consideration transferred taking into account the exchange rate differences from translation	<b>G</b>	205
<b>Goodwill</b>	<b>I = G - F</b>	<b>167</b>

The goodwill arising from the acquisition of Mockavos Terminalas mainly presents the value of the projected cost synergies, including, among others, those related to with the elimination of the fees incurred so far for the use of the terminal and greater independence and the possibility of implementing new, more effective logistics solutions, as well as the value of other assets (workforce, logistic customer service, presence in a given geographical location, the possibility of implementing development plans in the area, which the terminal is located) that could not be separately accounted for in accordance with the requirements of IAS 38 Intangible Assets. As at 30 June 2021, the Group did not identified any impairment premises with respect to the recognised temporary goodwill.

Net cash outflow related to the acquisition of Mockavos Terminalas, being the difference between acquired net cash (recognised as cash flows from investing activities) and cash transferred as a consideration amounted to PLN (202) million.

If the acquisition of the Mockavos Terminalas shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 4,119 million, and sales revenues would be PLN 53,987 million. The share of Mockavos Terminalas in the sales revenues generated by the ORLEN Group for the 1<sup>st</sup> half of 2021 was not material.

### 3.4.7. Change in the shareholding structure in Baltic Power

On 24 March 2021, by the decision of the Extraordinary General Meeting of Shareholders of Baltic Power Sp.z o.o. (Baltic Power) a resolution to increase the company's share capital by PLN 1 million by creating 5,665 new shares with a nominal value of PLN 100 each was adopted. All new shares, representing 48.56% of the share capital, were acquired in full by NP Baltic Wind B.V. with its headquarters in Amsterdam (a subsidiary of Northland Power) and covered them in full with a cash contribution in the total amount of EUR 35 million (i.e. PLN 163 million) and PLN 93 million. The surplus of the cash contribution over the nominal value of the new shares in the amount of EUR 35 million (i.e. PLN 163 million) and PLN 92 million was transferred to the reserve capital of Baltic Power.

As a result of this transaction, PKN ORLEN lost control over Baltic Power. Taking into account the terms of the partnership agreement signed with NP Baltic Wind B.V., PKN ORLEN assessed the continued investment in Baltic Power (51.44% share in the share capital) as a joint venture, which was included in these half-year condensed consolidated financial statements using the equity method. In the financial result, the amount of PLN 156 million was recognised in other operating income as the difference between the net assets as at the date of loss of control of PLN 112 million and the fair value of the investment held in Baltic Power as at the date of loss of control in the amount of PLN 268 million.

Based on performed analyses and valuation of acquired assets and liabilities, the final fair value of identifiable assets and liabilities of Baltic Power was determined at the time of kept investment as joint venture at the amount of PLN 384 million. The Group shares in net assets amounted to PLN 198 million (51,44%).

The obtained goodwill, representing the excess of the fair value of the investment held in Baltic Power over the Group's part of the company's net assets, amounted to PLN 70 million.

As at 29 June 2021 the share capital of Baltic Power Sp. z.o.o. was increased. All 4 new shares were acquired by the company's partner - NP Baltic Wind B.V. and covered them in full with a cash contribution in the amount of PLN 21 million. As a result of this event, share of PKN ORLEN in the company decreased and amounted to 51,42% as at 30 June 2021. In other operating income there was recognition of profit on dilution of shares in the amount of PLN 11 million.

In subsequent reporting periods, additional capital increases are planned by Baltic Power, which will be fully covered by NP Baltic Wind B.V., leading to increase the share of NP Baltic Wind B.V to 49% (and at the same time decrease the share of PKN ORLEN to 51%).

## 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 and Polska Press 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.

In the period of 6 and 3 months of 2021, the Group presents the valuation effect of CO<sub>2</sub> forward contracts divided into individual business segments using the key based on estimated CO<sub>2</sub> emissions.

In previous periods the valuation effect of CO<sub>2</sub> forward contracts was presented in the Corporate Functions segment.

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

### Revenues, costs, financial results, increases in non-current assets for the 6-month period ended 30 June 2021

	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	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	1 772	643	706	32	-	11	-	3 164
Other operating expenses	5.5	(1 988)	(37)	(139)	(34)	(140)	(66)	-	(2 404)
(Loss)/reversal of loss due to impairment of financial instruments		(1)	(1)	(37)	(4)	(1)	6	-	(38)
Share in profit from investments accounted for using the equity method	5.8	-	176	112	-	-	-	-	288
<b>Profit/(Loss) from operations</b>		<b>1 615</b>	<b>1 519</b>	<b>1 637</b>	<b>965</b>	<b>(83)</b>	<b>(650)</b>	<b>-</b>	<b>5 003</b>
Net finance income and costs	5.6								16
Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(4)
<b>Profit before tax</b>									<b>5 015</b>
Tax expense									(899)
<b>Net profit</b>									<b>4 116</b>
<b>Depreciation and amortisation</b>	5.2	<b>661</b>	<b>482</b>	<b>775</b>	<b>405</b>	<b>157</b>	<b>125</b>	<b>-</b>	<b>2 605</b>
<b>EBITDA</b>		<b>2 276</b>	<b>2 001</b>	<b>2 412</b>	<b>1 370</b>	<b>74</b>	<b>(525)</b>	<b>-</b>	<b>7 608</b>
<b>Increases in non-current assets</b>		<b>871</b>	<b>1 394</b>	<b>1 175</b>	<b>468</b>	<b>139</b>	<b>121</b>	<b>-</b>	<b>4 168</b>

### for the 3-month period ended 30 June 2021

	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	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		(17 145)	(3 007)	(3 964)	(9 180)	(145)	(556)	6 749	(27 248)
Other operating income	5.5	453	362	348	14	-	10	-	1 187
Other operating expenses	5.5	(521)	(14)	(95)	(14)	(60)	(38)	-	(742)
(Loss)/reversal of loss due to impairment of financial instruments		-	(1)	(53)	(4)	(1)	3	-	(56)
Share in profit from investments accounted for using the equity method	5.8	-	95	112	-	-	-	-	207
<b>Profit/(Loss) from operations</b>		<b>870</b>	<b>828</b>	<b>773</b>	<b>625</b>	<b>(22)</b>	<b>(303)</b>	<b>-</b>	<b>2 771</b>
Net finance income and costs	5.6								85
Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(3)
<b>Profit before tax</b>									<b>2 853</b>
Tax expense									(610)
<b>Net profit</b>									<b>2 243</b>
<b>Depreciation and amortisation</b>	5.2	<b>332</b>	<b>233</b>	<b>399</b>	<b>199</b>	<b>82</b>	<b>68</b>	<b>-</b>	<b>1 313</b>
<b>EBITDA</b>		<b>1 202</b>	<b>1 061</b>	<b>1 172</b>	<b>824</b>	<b>60</b>	<b>(235)</b>	<b>-</b>	<b>4 084</b>
<b>Increases in non-current assets</b>		<b>497</b>	<b>871</b>	<b>690</b>	<b>208</b>	<b>52</b>	<b>77</b>	<b>-</b>	<b>2 395</b>

**for the 6-month period ended 30 June 2020**

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited) (restated data)
External revenues	5.1	15 985	5 047	2 859	14 917	239	40	-	39 087
Inter-segment revenues		8 538	1 060	1 608	62	-	233	(11 501)	-
Sales revenues		24 523	6 107	4 467	14 979	239	273	(11 501)	39 087
Total operating expenses		(28 135)	(5 762)	(3 668)	(13 882)	(310)	(846)	11 501	(41 102)
Other operating income, incl.:	5.5	3 183	81	4 121	35	164	63	-	7 647
<i>gain on bargain purchase of the ENERGA Group</i>	5.45	-	-	4 062	-	-	-	-	4 062
Other operating expenses	5.5	(2 362)	-	(17)	(60)	(664)	(132)	-	(3 235)
(Loss)/reversal of loss due to impairment of financial instruments		3	-	(10)	(2)	(1)	(23)	-	(33)
Share in profit from investments accounted for using the equity method	5.8	(1)	67	-	-	-	1	-	67
<b>Profit/(Loss) from operations</b>		<b>(2 789)</b>	<b>493</b>	<b>4 893</b>	<b>1 070</b>	<b>(572)</b>	<b>(664)</b>	<b>-</b>	<b>2 431</b>
Net finance income and costs	5.6								(541)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(3)
<b>Profit before tax</b>									<b>1 887</b>
Tax expense									236
<b>Net profit</b>									<b>2 123</b>
<b>Depreciation and amortisation</b>	5.2	<b>570</b>	<b>458</b>	<b>414</b>	<b>351</b>	<b>172</b>	<b>98</b>	<b>-</b>	<b>2 063</b>
<b>EBITDA</b>		<b>(2 219)</b>	<b>951</b>	<b>5 307</b>	<b>1 421</b>	<b>(400)</b>	<b>(566)</b>	<b>-</b>	<b>4 494</b>
<b>Increases in non-current asset</b>		<b>1 261</b>	<b>811</b>	<b>467</b>	<b>547</b>	<b>214</b>	<b>128</b>	<b>-</b>	<b>3 428</b>

**for the 3-month period ended 30 June 2020**

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited) (restated data)
External revenues	5.1	6 276	1 945	2 366	6 308	94	21	-	17 010
Inter-segment revenues		3 196	375	729	38	-	117	(4 455)	-
Sales revenues		9 472	2 320	3 095	6 346	94	138	(4 455)	17 010
Total operating expenses		(9 380)	(2 322)	(2 666)	(5 797)	(145)	(414)	4 455	(16 269)
Other operating income, incl.:	5.5	298	27	4 119	25	5	10	-	4 484
<i>gain on bargain purchase of the ENERGA Group</i>	5.5	-	-	4 062	-	-	-	-	4 062
Other operating expenses	5.5	(596)	-	(15)	(37)	(154)	(102)	-	(904)
(Loss)/reversal of loss due to impairment of financial instruments		1	-	(11)	(2)	(1)	(28)	-	(41)
Share in profit from investments accounted for using the equity method	5.8	(1)	55	-	-	-	1	-	55
<b>Profit/(Loss) from operations</b>		<b>(206)</b>	<b>80</b>	<b>4 522</b>	<b>535</b>	<b>(201)</b>	<b>(395)</b>	<b>-</b>	<b>4 335</b>
Net finance income and costs	5.6								115
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(1)
<b>Profit before tax</b>									<b>4 449</b>
Tax expense									(81)
<b>Net profit</b>									<b>4 368</b>
<b>Depreciation and amortisation</b>	5.2	<b>290</b>	<b>231</b>	<b>297</b>	<b>184</b>	<b>78</b>	<b>48</b>	<b>-</b>	<b>1 128</b>
<b>EBITDA</b>		<b>84</b>	<b>311</b>	<b>4 819</b>	<b>719</b>	<b>(123)</b>	<b>(347)</b>	<b>-</b>	<b>5 463</b>
<b>Increases in non-current assets</b>		<b>782</b>	<b>571</b>	<b>421</b>	<b>282</b>	<b>38</b>	<b>90</b>	<b>-</b>	<b>2 184</b>

*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**

	30/06/2021 (unaudited)	31/12/2020 (restated data)
Refining Segment	30 018	25 908
Petrochemical Segment	15 529	13 873
Energy Segment	27 071	24 844
Retail Segment	11 165	10 983
Upstream Segment	3 114	3 070
<b>Segment assets</b>	<b>86 897</b>	<b>78 678</b>
Corporate Functions	9 008	5 589
Adjustments	(13)	(219)
	<b>95 892</b>	<b>84 048</b>

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 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 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 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Revenues from sales of finished goods and services	41 415	22 845	30 431	12 509
revenues from contracts with customers	41 274	22 769	30 311	12 446
excluded from scope of IFRS 15	141	76	120	63
Revenues from sales of merchandise and raw materials	12 570	6 578	8 656	4 501
revenues from contracts with customers	12 570	6 578	8 655	4 501
excluded from scope of IFRS 15	-	-	1	-
<b>Sales revenues, incl.:</b>	<b>53 985</b>	<b>29 423</b>	<b>39 087</b>	<b>17 010</b>
revenues from contracts with customers	53 844	29 347	38 966	16 947

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

The impact of new subsidiaries in the 6 and 3-month period ended 30 June 2021 and 30 June 2020 on the items of revenues from sales of finished goods, services, merchandise and raw materials amounted to PLN 7,323 million and PLN 3,582 million and PLN 1,934 million, and PLN 1,934 million, respectively.

**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, printing and advertising services as well as courier distribution services. Under these agreements, the Group acts as a principal.

Transaction prices in existing contracts with customers are not regulated restrictions, except for prices for customers of G tariff 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, excluding paid subscriptions, which will be made in the future. 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 case of contracts where the remuneration includes a variable amount, the Group recognises revenues in the amount of remuneration to which - in line with expectations - will be entitled and for which it is highly probable that it will not be reversed in the future.

Consequently, the Group does not recognise revenues, until the uncertainty of receipt the remuneration ceases, in particular in relation to discount rights held by customers, bonuses and penalties imposed.

The Group also classifies to the category of revenues based on a variable price, revenues resulting from contracts where the remuneration is a variable fee on turnover. 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). In case of transport, 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 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 (long-term contracts) are recognised according to the degree of complete fulfilment of the performance obligation using the input-based method. Long-term contracts that remain unfulfilled in full as at the balance sheet date relate to i.a. construction and installation contracts.

As at 30 June 2021 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations at the end of the year.

The unfulfilled or partially unfulfilled performance obligations at the end of the year mainly concerned contracts for the sale of electricity and power media and for the supply of newspapers, subscriptions, parcel delivery and collection services that will end within 2021 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 2,854 fuel stations: 2,328 own

brand stations and 526 stations operated under franchise agreements and by 1,195 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 transshipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy to customers in the Energy segment are carried out mostly with the use of own distribution infrastructure.

**5.1.1. Sales revenues of operating segments according to product type**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
<b>Refining Segment</b>				
Revenue from contracts with customers IFRS 15	21 850	12 489	15 975	6 270
Light distillates	4 989	3 094	3 295	1 238
Medium distillates	13 275	7 569	10 343	3 968
Heavy fractions	2 168	1 257	1 577	660
Other*	1 418	569	760	404
Excluded from scope of IFRS 15	8	4	10	6
	<b>21 858</b>	<b>12 493</b>	<b>15 985</b>	<b>6 276</b>
<b>Petrochemical Segment</b>				
Revenue from contracts with customers IFRS 15	6 427	3 111	5 044	1 944
Monomers	1 115	302	1 344	524
Polymers	1 656	886	792	372
Aromas	625	362	350	55
Fertilizers	509	253	401	170
Plastics	711	364	619	256
PTA	763	412	690	288
Other	1 048	532	848	279
Excluded from scope of IFRS 15	4	2	3	1
	<b>6 431</b>	<b>3 113</b>	<b>5 047</b>	<b>1 945</b>
<b>Energy Segment</b>				
Revenue from contracts with customers IFRS 15	7 616	3 712	2 856	2 365
Excluded from scope of IFRS 15	2	1	3	1
	<b>7 618</b>	<b>3 713</b>	<b>2 859</b>	<b>2 366</b>
<b>Retail Segment</b>				
Revenue from contracts with customers IFRS 15	17 468	9 722	14 824	6 259
Light distillates	6 661	3 842	5 564	2 328
Medium distillates	8 655	4 771	7 564	3 073
Other **	2 152	1 109	1 696	858
Excluded from scope of IFRS 15	116	63	93	49
	<b>17 584</b>	<b>9 785</b>	<b>14 917</b>	<b>6 308</b>
<b>Upstream Segment</b>				
Revenue from contracts with customers IFRS 15	335	184	239	94
NGL ***	167	95	95	35
Crude oil	35	18	56	15
Natural Gas	129	69	84	42
Other	4	2	4	2
	<b>335</b>	<b>184</b>	<b>239</b>	<b>94</b>
<b>Corporate Functions</b>				
Revenue from contracts with customers IFRS 15	148	129	28	15
Excluded from scope of IFRS 15	11	6	12	6
	<b>159</b>	<b>135</b>	<b>40</b>	<b>21</b>
	<b>53 985</b>	<b>29 423</b>	<b>39 087</b>	<b>17 010</b>

\* Other includes mainly: brine, industrial salt, vacuum distillates, acetone, ammonia, butadiene, phenol, technical gases, caprolactam, soda lye and sulphur. In addition, it includes revenues from sale of services and materials.

\*\* The line Other in the Retail segment mainly includes the sale of non-fuel merchandise

\*\*\* NGL (Natural Gas Liquids)

During the 6 and 3-month period ended 30 June 2021 and 30 June 2020 revenues from none of Group customers individually exceeded 10% of the total sales revenues of the ORLEN Group.



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

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Revenue from contracts with customers				
Poland	29 613	15 562	21 057	9 777
Germany	7 548	4 214	6 289	2 710
Czech Republic, Slovakia	6 100	3 555	4 309	1 521
Lithuania, Latvia, Estonia	3 042	1 815	2 680	1 281
Other countries	7 541	4 201	4 631	1 658
	<b>53 844</b>	<b>29 347</b>	<b>38 966</b>	<b>16 947</b>
excluded from scope of IFRS 15				
Poland	25	13	24	10
Germany	49	26	41	23
Czech Republic, Slovakia	67	37	56	30
	<b>141</b>	<b>76</b>	<b>121</b>	<b>63</b>
	<b>53 985</b>	<b>29 423</b>	<b>39 087</b>	<b>17 010</b>

Position Other countries comprises mainly sales to customers from Switzerland, Ukraine, Singapore, the Ireland and the Netherlands.

**5.2. Operating expenses**
**Cost by nature**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Materials and energy	(29 366)	(16 150)	(24 652)	(8 739)
Cost of merchandise and raw materials sold	(10 913)	(5 779)	(7 653)	(3 970)
External services	(2 880)	(1 505)	(2 218)	(1 115)
Employee benefits	(2 438)	(1 215)	(1 809)	(1 007)
Depreciation and amortisation	(2 605)	(1 313)	(2 063)	(1 128)
Taxes and charges	(2 910)	(1 352)	(1 685)	(916)
Other	(354)	(198)	(339)	(162)
	<b>(51 466)</b>	<b>(27 512)</b>	<b>(40 419)</b>	<b>(17 037)</b>
Change in inventories	1 268	137	(878)	268
Cost of products and services for own use	206	127	195	500
<b>Operating expenses</b>	<b>(49 992)</b>	<b>(27 248)</b>	<b>(41 102)</b>	<b>(16 269)</b>
Distribution expenses	3 868	1 948	3 213	1 593
Administrative expenses	1 330	659	1 062	555
<b>Cost of sales</b>	<b>(44 794)</b>	<b>(24 641)</b>	<b>(36 827)</b>	<b>(14 121)</b>

The increase in taxes and charges during the 6 and 3-month period ended 30 June 2021 by PLN (1,225) million and PLN (436) million, respectively, resulted mainly from the revaluation of the provision for the estimated costs of CO<sub>2</sub> emissions for 2020 and the recognition/reversal of a provision for the estimated costs of CO<sub>2</sub> emissions for 1<sup>st</sup> half of 2021 in the total amount of PLN (2 048) million and PLN (1 074) million, respectively compared to PLN (649) million and PLN (320) million in the corresponding period of 2020. The higher costs of creating and updating the provision in the 1<sup>st</sup> half of 2021 were influenced by both the higher weighted average price of the CO<sub>2</sub> rights held, resulting from the acquisition of 7 million of CO<sub>2</sub> rights under the term contracts held by the Group in March 2021, 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.

The increase in other on cost by nature in the 6 and 3-month period ended 30 June 2021 in comparison to the comparative period was mainly due to the Group's acquisitions in 2020 and 2021. Additional information describing changes in operating expenses items is included in note [3.2](#).

**Impact of new entities on cost by nature**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Materials and energy	(428)	(135)	(137)	(137)
Cost of merchandise and raw materials sold	(3 347)	(1 662)	(1 049)	(1 049)
External services	(793)	(418)	(80)	(80)
Employee benefits	(672)	(348)	(210)	(210)
Depreciation and amortisation	(568)	(293)	(169)	(169)
Taxes and charges	(714)	(345)	(227)	(227)
Other	(44)	(26)	(10)	(10)
<b>Operating expenses</b>	<b>(6 566)</b>	<b>(3 227)</b>	<b>(1 882)</b>	<b>(1 872)</b>
Distribution expenses	595	275	61	595
Administrative expenses	207	121	59	207
<b>Cost of sales</b>	<b>(5 764)</b>	<b>(2 831)</b>	<b>(1 762)</b>	<b>(1 070)</b>

**5.3. Impairment allowances of inventories to net realizable value**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Increase	(44)	(26)	(2 347)	(202)
Decrease	41	19	2 433	2 305

The impairment allowances of inventories to net realizable value during the 6 and 3-month period ended 30 June 2021 were lower compared to the corresponding period of the previous year mainly due to the lack of impact of usage of inventory impairment allowances to net realizable value recognised mainly in the 1<sup>st</sup> quarter of 2020 due to a decrease in crude oil and petroleum product prices.

**5.4. Impairment allowances of property, plant and equipment and intangible assets and right-of-use assets**
**Assets of the Energy segment**

As at 30 June 2021, the ORLEN Group identified an indicator for the impairment of assets in accordance with IAS 36 „Impairment of Assets” in the Energy segment in the Energa Group in relation to the assets of Energa Elektrownia Ostrołęka SA constituting a separate cash-generating unit (“CGU Ostrołęka B”), in connection with the occurrence in the 1<sup>st</sup> half of 2021 of a negative deviation from the Company’s results plan and lower projected cash flows for the 2<sup>nd</sup> half of 2021, mainly due to the high cost of CO<sub>2</sub> emissions. Other assumptions adopted for the cash flows of the Energy segment, recognized and disclosed in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2020, remain valid.

Based on the results of the test carried out as at 30 June 2021, it was found that there is an impairment allowances on the assets of CGU Ostrołęka B in the amount of PLN (45) million. The discount rate for the assets of CGU Ostrołęka B is 5.61%. The impairment allowances value does not include the value of land and perpetual usufruct of land. The value of the assets of CGU Ostrołęka after the impairment allowances, with the exception of land and perpetual usufruct of land, is 0.

In addition, in the 2<sup>nd</sup> quarter of 2021, the Energa Group made an asset impairment allowances of PLN (17) million, relating mainly to the assets of Energa Kogeneracja due to the separation of the heating installation in Żychlin as a separate CGU. The discount rate for the assets of CGU Żychlin is 4.16%, and the value in use is PLN 9 million.

The ORLEN Group has not identified any impairment allowances of other assets of the Energy segment.

The total effect of the recognized net impairments on the fixed assets of the Energy segment in the 6-month period ended 30 June 2021 amounted to PLN (62) million.

**Assets of Refinery segment**

In the 1<sup>st</sup> half of 2021, impairment allowances were made on the assets of the Refinery segment in the amount of PLN (21) million, mainly as a result of closing selected investment projects in PKN ORLEN S.A. in the amount of PLN (16) million, impairment allowances on assets in ORLEN Lietuva PLN (2) million and the ORLEN UNIPETROL Group PLN (2) million.

**Other assets of the ORLEN Group**

Other impairment allowances on fixed assets of the ORLEN Group in the 6-month period ended 30 June 2021 amounted to PLN (6) million and mainly related to the assets of the Retail segment in the following companies: ORLEN Deutschland PLN (3) million, ORLEN UNIPETROL Group PLN (1) million.



**Net impairment allowances for property, plant and equipment, intangible assets and right-of-use assets**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
ENERGA Group	(62)	(62)
PKN ORLEN	(16)	(14)
ORLEN UNIPETROL Group	(3)	(1)
ORLEN Lietuva	(2)	(2)
other	(6)	(6)
	<b>(89)</b>	<b>(85)</b>

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)
Energy Segment	(62)	(62)
Refining Segment	(21)	(19)
Retail Segment	(6)	(4)
	<b>(89)</b>	<b>(85)</b>

As at 30 June 2021, the ORLEN Group has not identified any other indicators that could result in impairment of the assets of the ORLEN Group. The assumptions and levels of value in use of other assets estimated as at 31 December 2020 and disclosed in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2020 remain valid.

**5.5. Other operating income and expenses**
**Other operating income**

	NOTE	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2020 (unaudited) (restated data)
Profit on change in the ownership structure of Baltic Power Sp. z o.o.	3.4.7	156	-	-	-
Profit on sale of non-current non-financial assets		17	9	13	10
Gain on bargain purchase		-	-	4 062	4 062
Reversal of provisions		27	14	85	31
Reversal of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset, other non-current assets and classified as held for sale		2	-	53	19
Penalties and compensations		54	30	39	11
Settlement and valuation of derivative financial instruments related to operating exposure		2 602	930	3 208	273
Ineffective part related to valuation and settlement of operating exposure		7	1	18	4
Settlement of hedging costs		141	75	89	43
Other, incl.:		158	128	80	31
<i>profit on dilution of shares in Baltic Power Sp. z o.o.</i>		11	11	-	-
<i>repayment of receivables in excess of their valuation as at the acquisition date (ENERGA Group)</i>		77	77	-	-
		<b>3 164</b>	<b>1 187</b>	<b>7 647</b>	<b>4 484</b>

**Other operating expenses**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Loss on sale of non-current non-financial assets	(24)	(13)	(15)	(7)
Recognition of provisions	(91)	(46)	(18)	(12)
Recognition of impairment allowances of property, Penalties, damages and compensations	(91)	(85)	(703)	(165)
Settlement and valuation of derivative financial instruments	(2 040)	(533)	(2 295)	(598)
Ineffective part related to valuation and settlement of operating Settlement of hedging costs	(26)	(21)	(40)	(13)
Other, incl.: donations	(1)	-	(2)	(1)
	(102)	(27)	(146)	(96)
	(32)	(11)	(123)	(96)
	<b>(2 404)</b>	<b>(742)</b>	<b>(3 235)</b>	<b>(904)</b>

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

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	1 051	621	(4)	(1 021)
<i>commodity forwards (CO<sub>2</sub> futures)</i>	1 154	764	-	-
<i>commodity swaps</i>	(103)	(143)	(4)	(1 021)
Settlement of derivative financial instruments related to operating exposure	(489)	(224)	917	696
<i>commodity forwards (CO<sub>2</sub> futures)</i>	178	-	-	-
<i>commodity swaps</i>	(667)	(224)	917	696
	<b>562</b>	<b>397</b>	<b>913</b>	<b>(325)</b>

For the 6 and 3-month period ended 30 June 2021 and 30 June 2020 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<sub>2</sub> forward contracts as a part of "transaction" portfolio. Moreover this line includes inter alia, the effect of commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging.

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 Group 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 Group 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 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.

**5.6. Finance income and costs**
**Finance income**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited) (restated data)
Interest calculated using the effective interest rate method	19	10	24	15
Other interest	-	-	6	3
Net foreign exchange gain	255	337	-	135
Dividends	3	3	6	6
Settlement and valuation of derivative financial instruments	271	18	464	111
Other	358	69	66	44
	<b>906</b>	<b>437</b>	<b>566</b>	<b>314</b>

**Finance costs**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/06/2020 (unaudited) (restated data)
Interest calculated using the effective interest rate method	(158)	(81)	(141)	(76)
Interest on lease	(75)	(36)	(50)	(24)
Interest on tax liabilities	(1)	(1)	(1)	-
Net foreign exchange loss	-	-	(315)	-
Settlement and valuation of derivative financial instruments	(266)	(134)	(544)	(63)
Other	(390)	(100)	(56)	(36)
	<b>(890)</b>	<b>(352)</b>	<b>(1 107)</b>	<b>(199)</b>

Borrowing costs capitalized during the 6 and 3-month period ended 30 June 2021 and 30 June 2020 amounted to PLN (32) million and PLN (20) million, PLN (18) million and PLN (9) million, respectively.

**Settlement and valuation of derivative financial instruments**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	31	(28)	(20)	111
<i>currency forwards</i>	16	34	30	98
<i>other</i>	15	(62)	(50)	13
Settlement of derivative financial instruments related to operating exposure	(26)	(88)	(60)	(63)
<i>currency forwards</i>	(14)	(76)	(45)	(50)
<i>other</i>	(12)	(12)	(15)	(13)
	<b>5</b>	<b>(116)</b>	<b>(80)</b>	<b>48</b>

During the 6 and 3-month period ended 30 June 2021 and 30 June 2020 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 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 and 3-month period ended 30 June 2021 was fluctuations EUR and USD exchange rates against PLN.

The line other presented in the finance income and cost in the 6 and 3-month period ended 30 June 2021 and 30 June 2020 related mainly to transaction differences on the ICE stock exchange in the amount of PLN 7 million and PLN (11) million, which are related to the settlement pattern of transactions concluded with the exchange and their early closure - as a result of which differences arise between the exchange rates and the quotations of the index that is the basis for the settlement of both transactions. Early closure on the ICE stock exchange results in the simultaneous generation of income and costs due to transaction differences. The amount of recognised income and costs depends on the moment of early closure in relation to the original contractual maturity of a given transaction and the number of closings performed. As a result, the value of these differences can fluctuate widely between reporting periods.

**5.7. Goodwill**

	6 MONTHS ENDED 30/06/2021 (unaudited)	31/12/2020 (restated data)
At the beginning of the period	136	49
New acquisitions	604	84
Polska Press Sp. z o.o.	30	-
Orlen Transport Sp. z o.o. (formerly OTP Sp. z o.o.)	85	-
CHP Energia sp z o.o. (ORLEN Południe GROUP)	10	-
Livingstone sp z o.o. (ORLEN WIND 3 GROUP)	39	-
Farma Wiatrowa Nowotna Sp. z o.o. (ORLEN WIND 3 GROUP)	263	-
RUCH Group	-	84
UAB Mockavos Terminals (Orlen Lietuva Group)	167	-
Bioutil Sp. z o.o. (ORLEN Południe GROUP)	10	-
Foreign exchange differences	(1)	3
	<b>739</b>	<b>136</b>

As at 30 June 2021 and as at 31 December 2020, the Group has not identified any impairment indicators with respect to the above-mentioned goodwill.

### 5.8. Investments accounted for using the equity method

	Place of business	Principal activity	Participation in share capital	Valuation method
<b>joint ventures</b>				
Basell ORLEN Polyolefins Sp. z o.o. (BOP) (PKN ORLEN)	Plock/Poland	production, distribution and sales of polyolefins	50.00%	equity method
Plocki Park Przemysłowo-Technologiczny (PPPT) (PKN ORLEN)	Plock/Poland	construction and renting real estate	50.00%	equity method
Pieridae Production GP Ltd (ORLEN Upstream Group)	Calgary/Canada	exploration and extraction of minerals, storage, transport and logistics	50.00%	equity method
Polska Grupa Górnicza (ENERGA Group)	Katowice/Poland	coal mining	15.32%	equity method
Elektrownia Ostrołęka (ENERGA Group)	Ostrołęka/Poland	production of electricity and heat	50.00%	equity method
Baltic Power Sp. z o.o. (PKN ORLEN)	Warsaw/Poland	construction and operation of offshore wind farms	51.42%	equity method
<b>Associates</b>				
Polimex Mostostal S.A. (ENERGA Group)	Warsaw/Poland	an engineering and construction company, general contractor in the field of industrial construction, producer and exporter of steel structures	16.48%	equity method
ElectroMobility Poland (ENERGA Group)	Warsaw/Poland	electromobility and electric cars	25.00%	equity method
UAB Naftelf (ORLEN Lietuva Group)	Vilnius / Lithuania	aviation fuel trading and construction warehouses	34.00%	equity method
<b>joint operations</b>				
Butadien Kralupy a.s. (ORLEN Unipetrol Group)	Kralupy nad Vltavou/Czech Republic	manufacturing of butadien	51.00%	share in assets and liabilities

### Value of investments accounted for using the equity method

	30/06/2021 (unaudited)	31/12/2020 (unaudited)
Joint ventures, incl.:	983	680
<i>Basell ORLEN Polyolefins Sp. z o.o. (PKN ORLEN)</i>	674	648
<i>Baltic Power Sp. z o.o. (PKN ORLEN)</i>	276	-
Associates	83	78
<i>Polimex Mostostal S.A. (ENERGA Group)</i>	77	72
<i>UAB Naftelf (ORLEN Lietuva Group)</i>	6	6
	<b>1 066</b>	<b>758</b>

### Share in profit from investments accounted for using the equity method

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Joint ventures	285	204	67	55
<i>Basell ORLEN Polyolefins Sp. z o.o. (PKN ORLEN)</i>	176	95	67	55
<i>Elektrownia Ostrołęka Sp. z o.o. (Grupa ENERGA) *</i>	111	111	-	-
<i>Baltic Power Sp. z o.o. (PKN ORLEN)</i>	(2)	(2)	-	-
Associates	3	3	-	-
<i>Polimex Mostostal S.A. (ENERGA Group) **</i>	3	3	-	-
	<b>288</b>	<b>207</b>	<b>67</b>	<b>55</b>

\* 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 provisions were partially reversed in connection with the signing, at the end of 2nd quarter of 2021, of documents regarding the settlement of the coal project under 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 1<sup>st</sup> quarter of 2021, included in the financial statements of the ENERGA Group for the 1<sup>st</sup> half of 2021

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

	30/06/2021 (unaudited)	31/12/2020
Non-current assets	750	733
Current assets	929	1 178
<i>cash</i>	379	235
<i>other current assets</i>	550	943
<b>Total assets</b>	<b>1 679</b>	<b>1 911</b>
<b>Total equity</b>	<b>1 354</b>	<b>1 329</b>
Non-current liabilities	55	61
Current liabilities, incl.:	270	521
<i>trade and other liabilities</i>	239	498
<b>Total liabilities</b>	<b>325</b>	<b>582</b>
<b>Total equity and liabilities</b>	<b>1 679</b>	<b>1 911</b>
<b>Net debt</b>	<b>(379)</b>	<b>(235)</b>
Net assets	1 354	1 329
Group's share in joint ventures (50%)	677	665
Elimination of unrealised profit and loss	(3)	(17)
<b>Joint ventures investments accounted for under equity method</b>	<b>674</b>	<b>648</b>

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Sales revenues	1 430	651	1 707	832
Cost of sales, incl.:	(992)	(442)	(1 514)	(693)
<i>Depreciation and amortisation</i>	(40)	(18)	(44)	(22)
<b>Gross profit on sales</b>	<b>438</b>	<b>209</b>	<b>193</b>	<b>139</b>
Distribution expenses	(28)	(13)	(53)	(26)
Administrative expenses	(11)	(6)	(11)	(6)
Other operating income and expenses, net	3	3	2	2
<b>Profit from operations</b>	<b>402</b>	<b>193</b>	<b>131</b>	<b>109</b>
<b>Net finance income and costs</b>	<b>(3)</b>	<b>(1)</b>	<b>12</b>	<b>(6)</b>
<b>Profit before tax</b>	<b>399</b>	<b>192</b>	<b>143</b>	<b>103</b>
Tax expense	(75)	(35)	(26)	(19)
<b>Net profit</b>	<b>324</b>	<b>157</b>	<b>117</b>	<b>84</b>
<b>Total net comprehensive income</b>	<b>324</b>	<b>157</b>	<b>117</b>	<b>84</b>
<b>Dividends received from joint ventures</b>	<b>149</b>	<b>149</b>	<b>69</b>	<b>69</b>
Net profit	324	157	117	84
Group's share in joint ventures (50%)	162	79	59	42
Elimination of unrealised profit and loss	14	16	8	13
<b>Group's share in result of joint ventures accounted for under equity method</b>	<b>176</b>	<b>95</b>	<b>67</b>	<b>55</b>

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

	30/06/2021 (unaudited)
Non-current assets	247
Current assets	304
<i>cash</i>	300
<i>other current assets</i>	4
<b>Total assets</b>	<b>551</b>
<b>Total equity</b>	<b>536</b>
Current liabilities, incl.:	15
<i>trade and other liabilities</i>	15
<b>Total liabilities</b>	<b>15</b>
<b>Total equity and liabilities</b>	<b>551</b>
<b>Net debt</b>	<b>(300)</b>
Net assets	536
Group's share in joint ventures (51.42%)	206
Goodwill	70
<b>Joint ventures investments accounted for under equity method</b>	<b>276</b>

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

	31/03/2021 (unaudited)	31/12/2020
Non-current assets	415	311
Current assets	1 391	1 187
cash	433	368
other current assets	958	819
<b>Total assets</b>	<b>1 806</b>	<b>1 498</b>
Non-current liabilities	218	220
Current liabilities, incl.:	1 123	936
<b>Total liabilities</b>	<b>1 341</b>	<b>1 156</b>
<b>Total equity and liabilities</b>	<b>1 806</b>	<b>1 498</b>
Net assets	465	342
Group's share in associates (16,48%)	77	56
Elimination of unrealised profit and loss	-	16
<b>Investments in associates</b>	<b>77</b>	<b>72</b>

### 5.9. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020
Loans	2 353	1 584	718	2 282	3 071	3 866
Borrowings	120	115	21	15	141	130
Bonds	10 449	7 731	675	2 633	11 124	10 364
	<b>12 922</b>	<b>9 430</b>	<b>1 414</b>	<b>4 930</b>	<b>14 336</b>	<b>14 360</b>

In the 1<sup>st</sup> half of 2021, 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 6,256 million and PLN (7,412) million. ORLEN UNIPETROL Group converted short-term loan debt for long-term debt by signing appropriate agreements with banks,
- PKN ORLEN issued corporate bonds of D series in the amount of PLN 1,000 million (which corresponds to cash flow of PLN 995 million less discount) and Eurobonds of A series in the amount of EUR 500 million (which corresponds to cash flow of PLN 2,230 million less discount),
- ORLEN Capital executed the redemption of Eurobonds from 2014 in the amount of EUR 500 million (corresponding to a cash flow of PLN 2,252 million).

In addition, two series of PKN ORLEN retail bonds, series C and series D with a total nominal value of PLN 400 million, maturing in June 2022, were reclassified from long-term to short-term position. Additional information on active bond issues in note [5.15](#).

As at 30 June 2021 and as at 31 December 2020 the maximum possible indebtedness due to loans amounted to PLN 16,884 million and PLN 16,356 million, respectively. As at 30 June 2021 and as at 31 December 2020 PLN 13,875 million and PLN 12,318 million, respectively, remained unused.

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

In the 1<sup>st</sup> half of 2021 PKN ORLEN established the medium term Eurobonds programme ("EMTN Programme"), which enables the Company to issue the Eurobonds. Based on the EMTN Programme the Company will be able from time to time to issue Eurobonds, in many tranches and currencies, with various interest structures and due dates. Within the EMTN Programme the total nominal value of the issued and outstanding Eurobonds, in no time, will not exceed the amount of EUR 5 billion or the equivalent of that amount in other currencies. Funds from the issuance of the Eurobonds will be used by the Company in accordance with the published green/sustainable finance framework (the "Green Finance Framework"). On 27 May 2021, the first Eurobonds issue was completed. Series A with a total nominal value of EUR 500 million was issued for a period of 7 years.

**5.10. Derivatives and other assets and liabilities**
**Derivatives and other assets**

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020 (restated data)	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020 (restated data)
Cash flow hedging instruments	229	109	157	60	386	169
<i>currency forwards</i>	229	109	156	54	385	163
<i>commodity swaps</i>	-	-	1	6	1	6
Derivatives not designated as hedge accounting	102	70	1 497	374	1 599	444
<i>currency forwards</i>	-	-	25	24	25	24
<i>commodity swaps</i>	-	-	19	33	19	33
<i>currency interest rate swaps</i>	62	53	-	-	62	53
<i>commodity forwards (CO2 futures)</i>	21	2	1 451	316	1 472	318
<i>other</i>	19	15	2	1	21	16
Fair value hedging instruments	12	-	17	6	29	6
<i>commodity swaps</i>	12	-	17	6	29	6
<b>Derivatives</b>	<b>343</b>	<b>179</b>	<b>1 671</b>	<b>440</b>	<b>2 014</b>	<b>619</b>
Other financial assets	111	105	501	530	612	635
<i>receivables on settled derivatives</i>	-	-	13	46	13	46
<i>financial assets measured at fair value through other comprehensive income</i>	67	61	-	-	67	61
<i>hedged item adjustment</i>	-	-	-	2	-	2
<i>security deposits</i>	4	4	460	421	464	425
<i>short-term deposits</i>	-	-	27	60	27	60
<i>loans granted</i>	-	-	1	1	1	1
<i>other</i>	40	40	-	-	40	40
Other non-financial assets	416	312	-	-	416	312
<i>investment property</i>	269	265	-	-	269	265
<i>other</i>	147	47	-	-	147	47
<b>Other assets</b>	<b>527</b>	<b>417</b>	<b>501</b>	<b>530</b>	<b>1 028</b>	<b>947</b>

\* As at 30 June 2021 and as at 31 December 2020, the line investment property includes right-of-use asset in the amount of PLN 50 million and PLN 42 million, respectively.

As at 30 June 2021 and 31 December 2020, 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) in the amount of PLN 403 million and PLN 416 million, respectively.

**Open futures contracts for the purchase of CO<sub>2</sub> emission allowances as at 30 June 2021**

Open CO <sub>2</sub> emission allowances contracts	Settlement period	Number of allowances in tonnes	Fair value measurement 30/06/2021	
			Financial assets (unaudited)	Financial liabilities (unaudited)
CO <sub>2</sub> "transaction" portfolio	XII 2021, XII 2022	12 788 000	1 472	-
CO <sub>2</sub> 'own' portfolio	XII 2021, III 2022, XII 2022	1 493 000	not to be valued at the balance sheet date	

The effect of the valuation of CO<sub>2</sub> futures contracts was recognised in Other operating income in position Settlement and valuation of derivative financial instruments (note [5.5](#)).

As at 30 June 2021, the Group had 2,139,868 CO<sub>2</sub> emission allowances recognised as intangible assets.

**Derivatives and other liabilities**

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020 (restated data)	30/06/2021 (unaudited)	31/12/2020 (restated data)	30/06/2021 (unaudited)	31/12/2020 (restated data)
Cash flow hedging instruments	53	79	7	85	60	164
<i>currency forwards</i>	53	79	1	27	54	106
<i>commodity swaps</i>	-	-	6	58	6	58
Derivatives not designated as hedge accounting	19	59	303	184	322	243
<i>currency forwards</i>	-	-	2	17	2	17
<i>commodity swaps</i>	-	-	233	140	233	140
<i>interest rate swaps</i>	1	5	6	6	7	11
<i>currency interest rate swaps</i>	17	54	62	21	79	75
<i>other</i>	1	-	-	-	1	-
Fair value hedging instruments	-	-	-	1	-	1
<i>commodity swaps</i>	-	-	-	1	-	1
<b>Derivatives</b>	<b>72</b>	<b>138</b>	<b>310</b>	<b>270</b>	<b>382</b>	<b>408</b>
Other financial liabilities	175	175	1 185	173	1 360	348
<i>liabilities on settled derivatives</i>	-	-	82	156	82	156
<i>investment liabilities</i>	85	84	-	-	85	84
<i>hedged item adjustment</i>	12	-	17	7	29	7
<i>refund liabilities</i>	-	-	10	6	10	6
<i>security deposits</i>	-	-	1 070	-	1 070	-
<i>other*</i>	78	91	6	4	84	95
Other non-financial liabilities	288	195	944	26	1 232	221
<i>deferred income</i>	288	195	944	26	1 232	221
<b>Other liabilities</b>	<b>463</b>	<b>370</b>	<b>2 129</b>	<b>199</b>	<b>2 592</b>	<b>569</b>

\* As at 30 June 2021 and as at 31 December 2020, the line *other* in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 26 million and PLN 31 million, and a guarantees in the amount of PLN 41 million and PLN 42 million, respectively.

Description of changes of derivatives not designated as hedge accounting is presented in note [5.5](#) and [5.6](#).

Deferred income includes mainly the CO<sub>2</sub> donation due, which remains to be settled as at 30 June 2021 in the amount of PLN 907 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 2021, the balance of a security deposit maintained in USD was positive and amounted to USD 101 million, which as at the balance sheet date represented the value of PLN 383 million and was presented under Other financial assets position. Whereas, the balance of EUR security deposit was negative and amounted to EUR (237) million, which as at the balance sheet date represented the value of PLN (1,070) million and was presented under Other financial liabilities position. The high negative value of the security deposit balance in EUR was influenced by the valuation and volume of all futures contracts for the purchase of CO<sub>2</sub> emission allowances concluded on the ICE stock exchange that were open at 30 June 2021.

**5.11. Provisions**

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020
Environmental	1 059	1 101	47	59	1 106	1 160
Jubilee bonuses and post-employment benefits	1 007	1 003	100	97	1 107	1 100
CO <sub>2</sub> emissions, energy certificates	-	-	2 094	1 460	2 094	1 460
Other	164	160	637	683	801	843
	<b>2 230</b>	<b>2 264</b>	<b>2 878</b>	<b>2 299</b>	<b>5 108</b>	<b>4 563</b>

Detailed information in note [3.2](#).

**5.12. 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 2020 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**

	30/06/2021		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets measured at fair value through other comprehensive income	67	67	27	-	40
Loans granted	1	1	-	1	-
Derivatives	2 014	2 014	-	2 014	-
	<b>2 082</b>	<b>2 082</b>	<b>27</b>	<b>2 015</b>	<b>40</b>
<b>Financial liabilities</b>					
Loans	3 071	3 060	-	3 060	-
Borrowings	141	141	-	141	-
Bonds	11 124	11 468	9 296	2 172	-
Derivatives	382	382	-	382	-
	<b>14 718</b>	<b>15 051</b>	<b>9 296</b>	<b>5 755</b>	<b>-</b>

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.

**5.13. Lease**
**5.13.1. Group as a lessee**
**Change in assets due to right-of-use**

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
<b>Net carrying amount at 01/01/2021</b>					
Gross carrying amount	2 732	2 153	138	1 426	6 449
Accumulated depreciation	(167)	(377)	(38)	(569)	(1 151)
Impairment allowances	(36)	(4)	(2)	(4)	(46)
	<b>2 529</b>	<b>1 772</b>	<b>98</b>	<b>853</b>	<b>5 252</b>
<b>increases/(decreases), net</b>	<b>141</b>	<b>31</b>	<b>(3)</b>	<b>(70)</b>	<b>99</b>
New lease agreements, increase in lease remuneration	198	145	11	175	529
Depreciation	(50)	(92)	(13)	(185)	(340)
Acquisition of subsidiaries	1	1	1	50	53
Sale of subsidiary	-	-	-	(107)	(107)
Other	(8)	(23)	(2)	(3)	(36)
	<b>2 670</b>	<b>1 803</b>	<b>95</b>	<b>783</b>	<b>5 351</b>
<b>Net carrying amount at 30/06/2021 (unaudited)</b>					
Gross carrying amount	2 920	2 272	145	1 471	6 808
Accumulated depreciation	(214)	(465)	(48)	(684)	(1 411)
Impairment allowances	(36)	(4)	(2)	(4)	(46)
	<b>2 670</b>	<b>1 803</b>	<b>95</b>	<b>783</b>	<b>5 351</b>
<b>Net carrying amount at 01/01/2020</b>					
Gross carrying amount	1 795	1 685	125	1 012	4 617
Accumulated depreciation	(81)	(205)	(24)	(322)	(632)
Impairment allowances	(24)	(5)	(2)	(2)	(33)
	<b>1 690</b>	<b>1 475</b>	<b>99</b>	<b>688</b>	<b>3 952</b>
<b>increases/(decreases), net</b>	<b>839</b>	<b>297</b>	<b>(1)</b>	<b>165</b>	<b>1 300</b>
New lease agreements, increase in lease remuneration	204	308	11	529	1 052
Depreciation	(86)	(165)	(20)	(359)	(630)
Net impairment allowances	(12)	1	-	(2)	(13)
Acquisition of subsidiaries	732	92	7	21	852
Other	1	61	1	(24)	39
	<b>2 529</b>	<b>1 772</b>	<b>98</b>	<b>853</b>	<b>5 252</b>

The total value of expenses from lease agreements presented in financing and operating activities in the statement of cash flows in the 6 and 3-month period ended 30 June 2021 and 30 June 2020 amounted to PLN (614) million and PLN (268) million and PLN (484) million and PLN (276) million, respectively.

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

		6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
<b>Costs due to:</b>		<b>(164)</b>	<b>(86)</b>	<b>(122)</b>	<b>(55)</b>
interest on lease	Finance costs	(75)	(36)	(50)	(24)
short-term lease	Cost by nature: External Services	(73)	(40)	(52)	(23)
lease of low-value assets that are not short-term lease	Cost by nature: External Services	(3)	(2)	(3)	(1)
variable lease payments not recognised in valuation of lease liabilities	Cost by nature: External Services	(13)	(8)	(17)	(7)

#### 5.13.2. Group as a lessor

##### Financial lease

At the commencement date, the Group classifies leases as a finance lease or an operating lease.

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

The Group as a lessor in finance lease in accordance with IFRS 16 subleasing agreements in the ORLEN UNIPETROL Group for which the value of lease payments due as at 30 June 2021 and as at 31 December 2020 amounted to PLN 8 million and PLN 13 million, respectively.

##### Operating lease

Assets transferred by the Group to other entities for use under an operating lease agreement are classified as the Group's assets. Lease payments under operating leases are recognised as revenues from the sale of products and services on a straight-line basis over the lease period.

Revenues from operating lease for the 6 and 3-month period ended 30 June of 2021 and 30 June of 2020 amounted to PLN 141 million, PLN 76 million and PLN 120 million, PLN 63 million, respectively.

#### 5.14. Future commitments resulting from signed investment contracts

As at 30 June 2021 and as at 31 December 2020 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 9,259 million and PLN 9,202 million, respectively.

#### 5.15. Issue, redemption and repayment of debt securities

In the 1<sup>st</sup> half of 2021:

a) in PKN ORLEN under:

- the second public bond issue program, A-E Series remains open with a total nominal value of PLN 1,000 million;
- the non-public bond issue on the domestic market (active since 2006) C Series with a nominal value of PLN 1,000 million and series D with a nominal value of PLN 1,000 million was issued;
- the medium-term Eurobonds issue program (EMTN Program) established on 13 May 2021, series A was issued with a nominal value of EUR 500 million;

b) in ORLEN Capital under:

- the issue of Eurobonds maturing on 30 June 2021 with a nominal value of EUR 500 million was redeemed;
- remains open Eurobond issue with a nominal value of EUR 750 million;

c) in ENERGA Group under:

- the bond issue, a series program remains open with a nominal value of EUR 300 million;
- the subscription agreement and the project agreement concluded with the EIB, two series of subordinated bonds remain open with a total nominal value of EUR 250 million.

#### 5.16. Cover Parent Company's net loss for 2020 and the dividend payment in 2021

The Ordinary General Meeting of Shareholders of PKN ORLEN S.A. on 27 May 2021 decided to cover the net loss in the amount of PLN 2,355,671,374.21 from the Parent Company reserve capital and taking into account the implementation of a dividend policy, resulting from the adopted by PKN ORLEN Strategy for 2021-2030 decided to dividend payment in the amount of PLN

1,496,981,713.50 (PLN 3.50 per share) from the Company's reserve capital from the previous year's profit. The dividend date was set at 22 July 2021 and the dividend payment date at 5 August 2021.

#### 5.17. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and 2020, PERN S.A. informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN S.A. as a pipeline system operator. At the same time, PERN indicated another 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 S.A. maintains that the reason for the change in operating stocks is the difference in methodology of calculating the quantity of crude oil REBCO-type delivered by the tank storage in Adamów and crude oil delivered by sea. As at 30 June 2021, according to received confirmation from PERN S.A., PKN ORLEN's operating stock of crude oil REBCO-type amounted to 624.897 net metric tons. The difference in the quantity of stocks increased by 529 net metric tons in comparison to 1<sup>st</sup> quarter of 2021 and amounted to 92.838 net metric tons.

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

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019 and 2020 and in 6-month period of 2021 in the amount of PLN (160) million is also a contingent asset of PKN ORLEN.

#### 5.18. Contingent liabilities

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

##### **I.P.-95 s.r.o. compensation claim against ORLEN Unipetrol RPA s.r.o.**

On 23 May 2012, ORLEN Unipetrol RPA s.r.o. received from the District Court in Ostrava a claim brought by I.P.-95 s.r.o. for compensation related to the filing by ORLEN Unipetrol RPA s.r.o. a motion for bankruptcy of I.P.-95 s.r.o. in November 2009. The total amount of the claim is approximately PLN 317 million, translated using the exchange rate as at 30 June 2021 (representing CZK 1,789 million). ORLEN Unipetrol RPA s.r.o. is one of eight defendants which were jointly and severally claimed. At the request of the I.P.-95 s.r.o proceeding was pending concerning the accession to the claim as plaintiff NESTARMO TRADING LIMITED. The court refused the Company permission to enter to the case. In February 2018, the court dismissed in entirety claim ruling in favour of ORLEN Unipetrol RPA s.r.o. On 3 April 2018, I.P.-95 s.r.o. appealed against the decision of the court of first instance. On 22 May 2018, the District Court in Ostrava obliged I.P. - 95 s.r.o. to pay the appeal fee. On 11 December 2018, the court of second instance dismissed the appeal of I.P.-95 s.r.o. from the judgment of the District Court in Ostrava. The judgment is binding. On 20 March 2019 I.P. - 95 s.r.o. filed a cassation appeal against the judgment of the court of second instance. According to ORLEN Unipetrol RPA s.r.o. the claim is without merit.

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

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

The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. The request has not been considered yet. The court is currently looking for an expert or institute to issue an opinion also among foreign entities, hence the translation of part of the case documentation into German was commissioned. The parties have agreed to involve the Technical University of Vienna. The court has not decided yet on the engagement of this institution. 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**

On 19 April 2019 ORLEN Projekt filed a claim against POLWAX with the District Court in Rzeszów for payment of the amount of PLN 6.7 million together with due statutory interest for delay in commercial transactions in respect of remuneration for performed and received by POLWAX construction works in connection with the Agreement concluded on 7 April 2017 for "Construction and start-up of the paraffin wax solvent deoiling installation together with auxiliary installations for POLWAX .S.A.". On 23 May 2019 the Court issued a warrant for payment to ORLEN Projekt in a writ of payment proceedings covering the entire amount claimed, thanks to which ORLEN Projekt obtained subsequently a bailiff's security for this amount on the POLWAX bank account. The motion submitted by POLWAX for overturning the warrant of payment was dismissed by the decision of the Court of First Instance. POLWAX appealed against the decision of the Court of First Instance, however on 16 March 2020 the Court of Appeal in Rzeszów issued a decision rejecting POLWAX's complaint. The lawsuit's files were transferred back to the District Court in order to carry on evidence proceeding. On 27 November 2020, the District Court issued a judgment in the case, according to which (i) upheld the payment order of 23 May 2019 for the most part, i.e. in full for the main claim in the amount of PLN 6.7 million and with regard to overdue interest for delay in commercial transactions from 1 October 2019 to the date of payment; (ii) revoked the order for payment issued dated on 23 May 2019 for the payment of overdue interest, i.e. in the amount of PLN 2.9 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; (iii) ordered POLWAX to pay to ORLEN Projekt additional litigation costs. On 22 February 2021 ORLEN Projekt filed an appeal against the judgment, objecting to it in the part in which the Court revoked the payment order as regards the payment of statutory interest for delay in commercial transactions from the amounts: (i) PLN 2.9 million from 11 January 2019 to 1 October 2019 and (ii) PLN 3.7 million from 25 January 2019 to 1 October 2019.

On 31 May 2019 ORLEN Projekt filed another claim against POLWAX with the District Court in Rzeszów for payment of further PLN 6.5 million together with due statutory interest for delay in commercial transactions in respect of further part of remuneration for performed and received by POLWAX construction works. This claim was then extended three times 1) the extension of the claim as at 20 September 2019 by the amount of PLN 13.9 million for groundless reimbursement of a performance guarantee and covering the costs of its execution, and 2) the extension of the claim as at 6 November 2019 by the amount of PLN 25 million for other claims related to withdrawal from the Agreement by ORLEN Projekt due to POLWAX's fault and (3) the extension of the claim as at 19 February 2021 for the amount of PLN 22.5 million for further claims related to termination of the Agreement by ORLEN Projekt due to fault of POLWAX, up to the total amount of PLN 67.8 million. On 26 February 2021, a preparatory hearing was held in the case during which the trial plan was adopted. On 26 May 2021, 31 May 2021, 2 June 2021 and 7 June 2021 and 26 July 2021, hearings were held during which the Court heard almost all witnesses. The hearing was deferred until 15 September 2021 to examine the last witness and the parties.

On 2 March 2020, POLWAX filed a lawsuit against ORLEN Projekt with the District Court in Rzeszów for payment of PLN 132 million plus accrued interest for delay. The total amount investigated by the defendant includes PLN 84 million for damage in the form of actual loss to be incurred by POLWAX and PLN 48 million for lost benefits resulting from improper performance and failure to perform the Agreement by ORLEN Projekt.

In the opinion of ORLEN Projekt, the POLWAX claims pursued by the lawsuit are unfounded, therefore in response to the lawsuit dated 3 September 2020 ORLEN Projekt requested to dismiss the claim in its entirety.

According to the information held by ORLEN Projekt, before filing the lawsuit, POLWAX filed a request to the District Court in Rzeszów for securing the claims it intended to pursue from ORLEN Projekt, however, the Court entirely dismissed the request by the order as at 6 February 2020. The Court dismissed the request in its entirety. Following POLWAX's filing of a letter entitled extension of claim together with a reply to the statement of defence, ORLEN Projekt requested that the extension of claim is declared inadmissible. On 25 February 2021 the District Court in Rzeszów supported ORLEN Projekt's motion and issued a decision declaring the extension of POLWAX's claim by PLN 2 million as inadmissible. On 19 May 2021, a preparatory hearing was held during which the Court suspended the proceedings on the Parties' consensual request.

On 11 March 2020, POLWAX filed a lawsuit against ORLEN Projekt with the District Court in Rzeszów for payment of PLN 9.7 million plus accrued interest for late payment: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) non-contractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. In the opinion of ORLEN Projekt, the POLWAX claims pursued by the above lawsuit are unfounded, hence in response to the lawsuit of 19 June 2020 ORLEN Projekt requested to dismiss the claim in its entirety. The case was suspended at the joint request of the parties. By letter dated 1 March 2021 POLWAX requested that the suspended proceedings be resumed. On 14 June 2021, a preparatory hearing was held in the case during which the Court issued a scheduling order.

On 22 June 2020 a copy of another suit filed by POLWAX with the District Court in Tychy was delivered to ORLEN Projekt. Within the framework of the filed lawsuit POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses transferred to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. On 3 July 2020 the Court extended the deadline for ORLEN Projekt to submit a response to the lawsuit to 24 July 2020. On 24 July 2020 ORLEN Projekt submitted a response to the statement of claim in this case, requesting that the claim be dismissed as unfounded in its entirety. By order of 16 August 2020 the court directed the case to mediation, which both parties agreed to. On 9 April 2021, the mediator prepared a protocol on the conclusion of the mediation, returning the files to the District Court in Tychy for

further proceedings in the case. On 22 July 2021, the first hearing was held, during which the Court heard four witnesses. The hearing was deferred until 20 September 2021.

As a result of the above, the company recognised in the contingent liabilities resulting from the debit notes issued by POLWAX, the amount of potential contractual penalties in the amount of PLN 20.7 million, costs related to the export and development of waste material in the amount of PLN 9.7 million and remuneration for non-contractual use of the property in the amount of PLN 0.2 million. ORLEN Projekt challenges the legitimacy of the above-mentioned notes and the legal grounds for their issuance, emphasizing that they were issued after the company withdrew from the contract due to the Investor's fault and without any legal basis. 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 103 million, translated using the exchange rate as at 30 June 2021 (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 95 million, translated using the exchange rate as at 30 June 2021 (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 8.2 million translated using the exchange rate as at 30 June 2021 (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 8.2 million translated using the exchange rate as at 30 June 2021 (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 130 million translated using the exchange rate of 30 June 2021 (corresponding to EUR 28.8 million). ORLEN Unipetrol RPA s.r.o. will submit its completed position in the case by 6 August 2021.

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

- a. payment of the amount of PLN 96 million, translated using the exchange rate as at 30 June 2021 (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 33 million, translated using the exchange rate as at 30 June 2021 (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 2021 (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. 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 2021, the contingent liabilities of the ENERGA Group recognised in these half-year condensed consolidated financial statement of the ORLEN Group amounted to PLN 249 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 2021, the estimated value of those claims recognised as contingent liabilities amounts to PLN 227 million, while as at 31 December 2020 its value was PLN 248 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

In the 2<sup>nd</sup> quarter of 2021, the obligation related to the subsidy agreement for the project entitled "Construction of a biomass-fired power unit by Energa Kogeneracja Sp. z o.o. in Elbląg" expired. In connection with the completion of the project, the blank bill for up to PLN 40 million including interest issued by Energa Kogeneracja Sp. z o.o. to secure the performance of obligations under the subsidy agreement has been destroyed.

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

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

- 1) consideration of PLN 20.6 million and EUR 7.6 million plus statutory default interest, alleged to be payable under the EPC Contract to Elektrobudowa S.A. or, alternatively, to Citibank if the consideration is found to be payable to Citibank following assignment;



- 2) a fee of PLN 7.8 million and EUR 1.26 million plus statutory default interest accrued since 23 October 2018 for additional and substitute works, alleged to be payable to Elektrobudowa S.A. or Citibank (see above);
- 3) a claim of PLN 62.4 plus statutory default interest accrued since 27 December 2019, alleged to be payable to Elektrobudowa S.A. or Citibank (see above) on top of the lump-sum consideration payable thereto;
- 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 17 April 2020, PKN ORLEN submitted its defence. The Arbitration Tribunal has issued below rulings:

(I) The interim judgement of 7 January 2021, which concerns Elektrobudowa S.A.'s claims for recovery of PLN 0.3 million for the development of the 'Post-overhaul Unit Commissioning and Start-up Manual' (the "Manual") and for recovery of a PLN 0.1 million surcharge for delivery of a stainless steel FA-2202 Nitrogen Treater adsorption unit in place of a carbon steel one (the "Adsorption Unit").

In this judgment, the Arbitral Panel ruled that the claim for payment of remuneration for the execution of the "Instructions for the preparation of the installation after overhaul for operation" was justified in principle and that the claim for payment of additional remuneration for the supply of the Adsorption Unit made of stainless steel instead of carbon steel was justified in principle. The judgement is not dispositive as to whether PKN ORLEN is liable to pay the plaintiff PLN 0.3 million in consideration for the development of the Manual and/or the PLN 0.1 million surcharge for delivery of the Adsorption Unit but establishes, in view of the Panel's findings, that Elektrobudowa S.A. may reasonably expect to be paid by PKN ORLEN for rendering the aforesaid additional and/or substitute performance. The exact amounts of the payments due to Elektrobudowa S.A. from PKN ORLEN for that performance are to be determined at the next stage of the ongoing proceedings. Accordingly, on 18 January 2021 the Arbitration Panel decided to admit expert evidence in order to determine the value of the Manual as developed by Elektrobudowa S.A. and the amount of the surcharge due for delivery of the stainless steel Adsorption Unit in place of a carbon steel one.

(II) The partial judgement of 8 January 2021, which concerns PKN ORLEN's counterclaim for reduction of the consideration due to Elektrobudowa S.A. by a total of PLN 0.01 million and EUR 4.6 million on account of defects found in the K-2302A and K-2302B compressors and in the drinking and utility water pipelines. The Arbitration Tribunal dismissed the PKN ORLEN's counterclaim, made under the implied warranty statute, for reduction by a total of PLN 0.01 million and EUR 4.6 million of the lump-sum consideration due to the plaintiff for delivery of the K-2302A and K-2302B compressors with a shaft power of 11.4 kW and for the construction of the PEHD drinking and utility water pipelines under the 'Engineering, Procurement and Construction (Turnkey) Contract for a Metathesis Unit at Polski Koncern Naftowy ORLEN's Production Plant in Plock' of 1 August 2016, having found the counterclaim to be without merit. The partial judgement is not equivalent to an actual award of PLN 0.01 million and EUR 4.6 million to the plaintiff against PKN ORLEN as the Arbitration Tribunal did not rule on whether the plaintiff had standing to claim payment of those amounts as part of the consideration due under the Contract, nor is it equivalent to a ruling that PKN ORLEN's notice of reduction under the implied warranty statute of the contractual consideration by the same amounts on account of defects in contract deliverables should be deemed ineffective.

(III) The partial judgement (No. 2) of 3 February 2021, the Court awarded PKN ORLEN for Elektrobudowa the amount of PLN 4.3 million (17 invoices) and the amount of PLN 7 million (equivalent to EUR 1.62 million- 5 invoices) for VAT (in total: PLN 11.3 million), together with statutory interest for delay, and determined that the deductions made by the defendant were unjustified for the amount of EUR 0.7 million and the amount of PLN 3.5 million. As regards part of the invoices, the Court stated that they had not been paid without explaining the reasons for their payment. Moreover, the Court stated that the EPC Agreement allowed only deductions to be made to the net value. Therefore, it concluded that VAT, as a public law debt, cannot be set off against a civil law debt and such amounts cannot be retained.

(IV) The partial judgement (No. 3) of 3 February 2021 ordering PKN ORLEN to pay the Bankruptcy trustee the total amount of PLN 1.2 million net for partial payment of contractual remuneration (6 invoices), including statutory interest for delay until the date of payment. The court ruled on 6 invoices which were already examined in the partial judgment (no. 2). The court stated that PKN ORLEN did not indicate why the amounts were not paid. It also stated that the lawsuit was limited and that it does not include the amounts retained as a substitute deposit related to the failure to submit the Performance Guarantee during the guarantee period. However, the Court awarded the trustee the amount of PLN 1.2 million.

(V) The partial judgement (No. 4) of 3 February 2021 ordering the defendant to pay the plaintiff in the total amount of PLN 2.1 million and the amount of EUR 1.4 million for partial payment of contractual remuneration, together with statutory interest for delay until the date of payment and establishing the unjustified deductions made by the defendant for contractual penalties in the amount of EUR 1.9 million. The judgment concerns the amounts deducted by PKN ORLEN in connection with the imposition of contractual penalties for the late performance of the EPC agreement with regard to intermediate deadlines. The court found that:

- contractual penalty for delay in providing the documentation was partially incorrectly charged, and therefore awarded the plaintiff the amounts deducted in connection with the incorrectly calculated penalty;
- contractual penalty for delay in delivery of the OCU reactor is justified and dismissed the claim for payment of remuneration to the extent that it was deducted to cover this contractual penalty;
- contractual penalty for delay in delivery of the Cold Station was calculated incorrectly and awarded Elektrobudowa claims for the remuneration deducted to satisfy this contractual penalty.

(VI) The partial judgement (No. 5) of 12 February 2021 ordering the defendant to pay the plaintiff in the total amount of PLN 1.3 million and the amount of EUR 2.5 million for partial payment of contractual remuneration (part of the net receivables resulting from 6 invoices, the VAT amounts of which were previously ordered in partial judgement No. 2), together with statutory interest for delay until the date.

(VII) Partial Judgment (No. 6) of 16 April 2021 discontinuing proceedings with respect to the amount of PLN 0,2 million due to the claimant's withdrawal of the claim in this scope.

PKN ORLEN is not entitled to any appeal against the abovementioned judgements in the proceedings before the Court of Arbitration.

The principal receivables adjudged by partial judgments No 2, 3 and 4 were paid by PKN ORLEN to the Bankruptcy trustee of Elektrobudowa S.A. on 31 May 2021 and 1 June 2021.

The principal receivables adjudged by the partial judgment No 5 were paid by PKN ORLEN to the Bankruptcy trustee on 15 June 2021 and 17 June 2021.

For the remaining amounts resulting from the preliminary judgment (No. 1) and the partial judgment of 8 January 2021 the provision in the amount of PLN 21 million was recognised.

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

## 5.19. Related parties transactions

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

As at 30 June 2021 and 31 December 2020 and in the 6 and 3-month period ended 30 June 2021 and 30 June 2020 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 2021 on the basis of submitted declarations there were transactions of the member of key executive personnel and members of the other key executive personnel and their relatives of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 1 million and PLN 0.4 million, the main amount was related to the purchase of legal services.

In the 6 and 3-month period ended 30 June 2020 on the basis of submitted declarations there were transactions of the member of key executive personnel and members of the other key executive personnel and their relatives of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 0.3 million in both periods, the main amount was related to the purchase of legal services.

As at 30 June 2021 the trade and other liabilities due to the above transactions amounted to PLN 0.01 million and as at 30 June 2020 the balance was not significant.

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

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
<b>Parent Company</b>				
Short-term employee benefits	25.3	13.1	22.6	11.5
Termination benefits	-	-	1.7	0.4
<b>Subsidiaries</b>				
Short-term employee benefits	144.6	73.3	103.1	61.5
Post-employment benefits	0.2	-	-	-
Other long term employee benefits	0.4	0.2	0.1	-
Termination benefits	3.6	1.6	2.5	1.6
	<b>174.1</b>	<b>88.2</b>	<b>130.0</b>	<b>75.0</b>

### Impact of new entities on the level of remuneration of key personnel in the ORLEN Group

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
<b>Subsidiaries</b>				
Short-term employee benefits	46.3	23.2	14.7	14.7
Post-employment benefits	0.2	-	-	-
Other long term employee benefits	0.4	0.2	0.1	0.1
Termination benefits	2.2	0.7	1.0	1.0
	<b>49.1</b>	<b>24.1</b>	<b>15,8</b>	<b>15,8</b>

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.



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

	Sales				Purchases			
	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
	Jointly-controlled entities	874	160	1 267	533	(155)	(80)	(50)
<i>joint ventures</i>	804	120	1 226	530	(115)	(57)	(23)	(11)
<i>joint operations</i>	70	40	41	3	(40)	(23)	(27)	(4)
	<b>874</b>	<b>160</b>	<b>1 267</b>	<b>533</b>	<b>(155)</b>	<b>(80)</b>	<b>(50)</b>	<b>(15)</b>

	Trade and other receivables		Trade, lease and other liabilities	
	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020
	Jointly-controlled entities	122	394	203
<i>joint ventures</i>	99	383	193	70
<i>joint operations</i>	23	11	10	21
	<b>122</b>	<b>394</b>	<b>203</b>	<b>91</b>

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 2021 and 30 June 2020 there were no related parties transactions within the Group concluded on other than an arm's length basis.

Additionally, during the 6-month period ended 30 June 2021, 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-month period ended 30 June 2021 and as at 30 June 2021, the Group identified the following transactions:

- sale and purchase amounted to PLN 0.4 million and PLN (1.5) million, respectively;
- balance of receivables amounted to PLN 0.08 million;
- balance of liabilities amounted to PLN 1.5 million.

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

**5.19.4. Transactions with entities related to the State Treasury**

As at 30 June 2021 and 31 December 2020, the State Treasury owns 27.52% of the Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.

The Group identified transactions with related parties with the State Treasury on the basis of "Companies with State Treasury share" from the website of the Prime Minister's Office.

During the 6 and 3-month period ended 30 June 2021 and 30 June 2020 and as at 30 June 2021 and 31 December 2020, the Group identified the following transactions:

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Sales	1 763	949	1 088	596
Purchases	(3 147)	(1 656)	(2 137)	(753)

	30/06/2021 (unaudited)	31/12/2020
Trade and other receivables	635	653
Trade, lease and other liabilities	1 041	592

Above transactions were concluded on an arm's length basis, were related to the ORLEN Group current operating activities and concerned mainly fuel sales, purchase and sales of natural gas, energy, transport and storage services.

Additionally, there were also financial transactions (loans, guarantees, bank fees, commission) with Bank PKO BP, Bank Pekao S.A. and Bank Gospodarstwa Krajowego (bank fees, commissions) and Alior Bank.

**5.20. Excise tax guarantees**

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2021 and as at 31 December 2020 amounted to PLN 3,021 million and PLN 2,483 million, respectively.

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

The guarantees and sureties granted in the Group on behalf of related parties as at 30 June 2021 and as at 31 December 2020 amounted to PLN 13,965 million and PLN 16,833 million, respectively. They were mainly related to secure of ORLEN Capital and Energa Finance future liabilities due to these transactions of Eurobonds issuance and securing the implementation of the CCGT Ostrołęka gas project in the amount of PLN 1,542 million as well as timely payment of liabilities by related parties.

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

- PKN ORLEN - guarantee up to 7 June 2023
- ENERGA - guarantee up to 31 December 2033

	Nominal value		Subscription date	Expiration date	Interest rate	Rating	Value of guarantee issued	
	EUR	PLN					EUR	PLN
Eurobonds	750	3 318 *	7.06.2016	7.06.2023	2.5%	BBB-, Baa2	1 100	4 973
Eurobonds	300	1 251 **	07.03.2017	07.03.2027	2.125%	BBB-, Baa2	1 250	5 651
	<b>1 050</b>	<b>4 569</b>					<b>2 350</b>	<b>10 624</b>

\* 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 2021

On 30 June 2021, together with the redemption by ORLEN Capital of Eurobonds with a nominal value of EUR 500 million, the guarantee issued by PKN ORLEN with a value of EUR 1 billion expired.

In addition, the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 30 June 2021 and as at 31 December 2020 amounted to PLN 465 million and PLN 418 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.

### 5.22. Events after the end of the reporting period

On 23 July 2021 the ENERGA, PGE Polska Grupa Energetyczna S.A. ("PGE"), ENEA S.A., TAURON Polska Energia S.A. (jointly as "Energy Companies") and the State Treasury (jointly as "Parties") signed a cooperation agreement on the spin-off of coal assets and their integration within the National Energy Security Agency ("Narodowa Agencja Bezpieczeństwa Energetycznego") ("Agreement").

The document entitled "*The Transformation of the power sector in Poland. Spin-off of coal assets from companies partly owned by the State Treasury*" ("Transformation"), prepared by the Ministry of State Assets and then subject to public consultation, presents a concept of the spin-off of assets related to power generation in conventional coal-fired units ("Coal Assets") from the capital groups of particular Energy Companies. The Transformation is expected to consist in the integration of the spin off Coal Assets in a single entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. - a subsidiary of PGE, which will ultimately operate as National Energy Security Agency ("NABE").

Considering the above, the Parties to the Agreement recognize the need to coordinate their cooperation regarding the spin-off of the Coal Assets and their integration within the NABE. Under the Agreement the Parties declare their intention to mutually exchange the necessary information, including information about their organizational structures, implemented processes and assumptions for the direction of the Transformation, to the extent that any such disclosures are legal. The Agreement will enable effective and efficient execution of the NABE establishment process.

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

2021

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

**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 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Sales revenues	5.1	35 189	19 336	28 101	10 863
<i>revenues from sales of finished goods and services</i>		20 013	10 903	17 171	6 829
<i>revenues from sales of merchandise and raw materials</i>		15 176	8 433	10 930	4 034
Cost of sales	5.2	(30 306)	(16 663)	(25 883)	(9 112)
<i>Cost of finished goods and services sold</i>		(15 849)	(8 573)	(15 461)	(5 317)
<i>Cost of merchandise and raw materials sold</i>		(14 457)	(8 090)	(10 422)	(3 795)
<b>Gross profit on sales</b>		<b>4 883</b>	<b>2 673</b>	<b>2 218</b>	<b>1 751</b>
Distribution expenses		(2 331)	(1 168)	(2 227)	(1 080)
Administrative expenses		(615)	(293)	(546)	(263)
Other operating income	5.4	1 853	921	1 340	120
Other operating expenses	5.4	(784)	(261)	(1 096)	(273)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	(2)	(16)	(27)
<b>Profit/(Loss) from operations</b>		<b>3 005</b>	<b>1 870</b>	<b>(327)</b>	<b>228</b>
Finance income	5.5	1 570	1 109	873	602
Finance costs	5.5	(743)	(217)	(3 027)	(131)
<b>Net finance income and costs</b>		<b>827</b>	<b>892</b>	<b>(2 154)</b>	<b>471</b>
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables		(4)	(1)	(16)	8
<b>Profit/(Loss) before tax</b>		<b>3 828</b>	<b>2 761</b>	<b>(2 497)</b>	<b>707</b>
Tax expense		(532)	(429)	57	(125)
<i>current tax</i>		(306)	(254)	-	93
<i>deferred tax</i>		(226)	(175)	57	(218)
<b>Net profit/(loss)</b>		<b>3 296</b>	<b>2 332</b>	<b>(2 440)</b>	<b>582</b>
<b>Other comprehensive income:</b>					
<b>which will not be reclassified subsequently into profit or loss</b>		<b>3</b>	<b>-</b>	<b>(1)</b>	<b>5</b>
<i>gains/(losses) on investments in equity instruments at fair value through other comprehensive income</i>		4	-	(1)	6
<i>deferred tax</i>		(1)	-	-	(1)
<b>which will be reclassified into profit or loss</b>		<b>107</b>	<b>250</b>	<b>(17)</b>	<b>151</b>
<i>hedging instruments</i>		(134)	354	(121)	141
<i>hedging costs</i>		266	(45)	100	46
<i>deferred tax</i>		(25)	(59)	4	(36)
<b>Total net comprehensive income</b>		<b>3 406</b>	<b>2 582</b>	<b>(2 458)</b>	<b>738</b>
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)		7.71	5.46	(5.70)	1.36

The accompanying notes disclosed on pages 55 – 77 are an integral part of these half-year condensed separate financial statements.

**Separate statement of financial position**

		30/06/2021 (unaudited)	31/12/2020 (restated data)
	NOTE		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		17 016	16 500
Intangible assets		557	905
Right-of-use asset	5.10.1	2 398	2 343
Shares in subsidiaries and jointly controlled entities		17 897	17 064
Derivatives	5.7	270	116
Long-term lease receivables		21	21
Other assets	5.7	2 607	2 044
		<b>40 766</b>	<b>38 993</b>
<b>Current assets</b>			
Inventories		8 996	7 751
Trade and other receivables		8 715	4 886
Current tax assets		349	396
Cash		1 429	586
Derivatives	5.7	1 766	677
Short-term lease receivables		1	1
Other assets	5.7	2 139	1 243
Non-current assets classified as held for sale		10	19
		<b>23 405</b>	<b>15 559</b>
<b>Total assets</b>		<b>64 171</b>	<b>54 552</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		33	(74)
Revaluation reserve		(5)	(8)
Retained earnings		31 465	29 666
<b>Total equity</b>		<b>33 778</b>	<b>31 869</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings and bonds	5.6	7 982	5 215
Provisions	5.8	630	671
Deferred tax liabilities		968	718
Derivatives	5.7	247	237
Lease liabilities		2 099	2 059
Other liabilities	5.7	198	193
		<b>12 124</b>	<b>9 093</b>
<b>Current liabilities</b>			
Trade and other liabilities		12 408	7 561
Lease liabilities		351	354
Liabilities from contracts with customers		267	223
Borrowings and bonds	5.6	676	2 576
Provisions	5.8	813	681
Derivatives	5.7	324	347
Other liabilities	5.7	3 430	1 848
		<b>18 269</b>	<b>13 590</b>
<b>Total liabilities</b>		<b>30 393</b>	<b>22 683</b>
<b>Total equity and liabilities</b>		<b>64 171</b>	<b>54 552</b>

The accompanying notes disclosed on pages 55 – 77 are an integral part of these half-year condensed separate financial statements.

**Separate statement of changes in equity**

	Share capital and share premium	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
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
<b>Total net comprehensive income</b>	-	<b>107</b>	<b>3</b>	<b>3 296</b>	<b>3 406</b>
Dividends	-	-	-	(1 497)	(1 497)
<b>30/06/2021</b>	<b>2 285</b>	<b>33</b>	<b>(5)</b>	<b>31 465</b>	<b>33 778</b>
(unaudited)					
01/01/2020	2 285	186	(6)	32 459	34 924
Net (loss)	-	-	-	(2 440)	(2 440)
Items of other comprehensive income	-	(17)	(1)	-	(18)
<b>Total net comprehensive income</b>	-	<b>(17)</b>	<b>(1)</b>	<b>(2 440)</b>	<b>(2 458)</b>
Dividends	-	-	-	(428)	(428)
<b>30/06/2020</b>	<b>2 285</b>	<b>169</b>	<b>(7)</b>	<b>29 591</b>	<b>32 038</b>
(unaudited)					

The accompanying notes disclosed on pages 55 – 77 are an integral part of these half-year condensed separate financial statements.

**Separate statement of cash flows**

	NOTE	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
<b>Cash flows from operating activities</b>					
<b>Profit/(Loss) before tax</b>		<b>3 828</b>	<b>2 761</b>	<b>(2 497)</b>	<b>707</b>
Adjustments for:					
Depreciation and amortisation	5.2	998	497	946	479
Foreign exchange (profit)/loss		(123)	(114)	376	(166)
Net interest		87	45	73	48
Dividends	5.5	(718)	(718)	(305)	(305)
(Profit)/Loss on investing activities, incl.:		(1 003)	(619)	1 847	1
<i>settlement and valuation of derivative financial instruments</i>	5.4, 5.5	(1 077)	(663)	(209)	15
Change in provisions		954	408	333	128
Change in working capital		(255)	(781)	1 946	1 329
<i>inventories</i>		(1 245)	(127)	1 979	454
<i>receivables</i>		(2 575)	(1 980)	1 928	63
<i>liabilities</i>		3 565	1 326	(1 961)	812
Other adjustments, incl.:		659	475	(176)	(712)
<i>settlement of grants for property rights</i>		(422)	(278)	(163)	(77)
<i>security deposits</i>	5.7	1 044	747	29	(452)
Income tax (paid)		(259)	(166)	(363)	(210)
<b>Net cash from operating activities</b>		<b>4 168</b>	<b>1 788</b>	<b>2 180</b>	<b>1 299</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(2 618)	(846)	(804)	(400)
Acquisition of shares		(366)	(56)	(2 766)	(2 766)
Outflows from additional payments to equity		(485)	(380)	-	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset		507	501	115	109
Interest received		35	20	28	24
Dividends received		489	489	88	88
Expenses from non-current loans granted		(677)	(254)	(302)	(194)
Proceeds from non-current loans granted		3	2	6	4
Expenses from current loans granted		(841)	(841)	(35)	(35)
Proceeds/(Outflows) from cash-pool facility		(74)	187	238	222
Settlement of derivatives not designated as hedge accounting	5.4, 5.5	(93)	(87)	231	161
Proceeds/(Outflows) related to receivables and liabilities due to settled derivatives	5.7	12	13	(10)	89
Other		-	-	(2)	(1)
<b>Net cash (used) in investing activities</b>		<b>(4 108)</b>	<b>(1 252)</b>	<b>(3 213)</b>	<b>(2 699)</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans and borrowings received		4 656	700	1 815	1 815
Bonds issued		3 225	2 231	-	-
Repayments of loans and borrowings		(6 853)	(2 936)	(2 943)	(2 943)
Redemption of bonds		-	-	(100)	(100)
Interest paid from loans, borrowings, bonds and cash pool		(170)	(157)	(151)	(134)
Interest paid on lease		(51)	(10)	(52)	(12)
Proceeds/(Outflows) from cash pool facility		175	15	(1)	504
Payments of liabilities under lease agreements		(184)	(88)	(186)	(86)
Other		(14)	(14)	-	(37)
<b>Net cash from/(used in) financing activities</b>		<b>784</b>	<b>(259)</b>	<b>(1 618)</b>	<b>(993)</b>
<b>Net increase/(decrease) in cash</b>		<b>844</b>	<b>277</b>	<b>(2 651)</b>	<b>(2 393)</b>
Effect of changes in exchange rates		(1)	(1)	10	(32)
Cash, beginning of the period		586	1 153	5 056	4 840
<b>Cash, end of the period</b>		<b>1 429</b>	<b>1 429</b>	<b>2 415</b>	<b>2 415</b>
<i>including restricted cash</i>		<i>87</i>	<i>87</i>	<i>46</i>	<i>46</i>

The accompanying notes disclosed on pages 55 – 77 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 2021 and as at 31 December 2020, financial results and cash flows for the 6 and 3-month period ended 30 June 2021 and 30 June 2020.

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.

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 2020, except for below changes, in force from 1 January 2021, which were implemented as a result of the ongoing integration process with ENERGA Group and work on harmonization of the applied accounting principles throughout the ORLEN Group:

- changing the method of presentation of grants related to assets,
- changing the method of settlement of granted owned rights ("white"),
- changing the presentation of recognised interest and other similar costs, as well as exchange rate differences related to the provisions created,
- changing in the method of presentation of green energy certificates of origin received free of charge.

So far, the Company has recognised grants related to assets as a reduction of the carrying amount of an assets and, as a result, as a reduction of depreciation expense over the useful life of the assets. Starting from 1 January 2021, the Company decided to change the method of presentation of grants related to assets, which are currently recognised as deferred income and recognised in other operating income on a systematic basis over the useful life of the assets. Retrospective application of this change in relation to data for 2020 resulted in an increase in the total assets and liabilities presented in the statement of financial position by PLN 95 million (by increasing the item of property, plant and equipment and deferred income presented under other non-current and current liabilities by the value of unsettled grants as at 31 December 2020) as well as an increase in depreciation expense and other operating income in the separate statement of profit or loss and other comprehensive income by PLN 4 million, representing the value of settled grants during the year.

The table below shows the impact of the above changes on the positions of the separate statement of financial position as at 31 December 2020:

	31/12/2020	Change in the presentation of received grants related to assets	31/12/2020 (restated data)
<b>ASSETS, incl.:</b>	<b>54 457</b>	<b>95</b>	<b>54 552</b>
<b>Non-current assets, incl.:</b>	<b>38 898</b>	<b>95</b>	<b>38 993</b>
Property, plant and equipment	16 405	95	16 500
<b>EQUITY AND LIABILITIES, incl.:</b>	<b>54 457</b>	<b>95</b>	<b>54 552</b>
<b>Non-current liabilities, incl.:</b>	<b>8 998</b>	<b>95</b>	<b>9 093</b>
Non-current other liabilities	98	95	193

Additionally, with respect to the granted owned rights ("white"), the Company changed the method of settlement of grants, which from 1 January 2021 are recognised in other operating income on the systematic basis during the depreciation period of the non-current asset, in connection with which these rights were obtained. Until the end of 2020, granted owned rights were recognised on a one-off basis in other operating income. The currently introduced change would not have a significant impact on the comparative data for the 1<sup>st</sup> half of 2020.

The Company also decided to change the presentation of recognised interest and other similar costs, as well as exchange rate differences related to the provisions created, which were previously recognised in the same position of the financial statements in which the principal amount of provision was presented. From 1 January 2021, these costs are presented in financial costs. With respect to the presented comparative data for the 1<sup>st</sup> half of 2020, the above change did not have a significant impact.

Moreover, the Company made a change in accounting policy in accordance to presentation of green energy certificates of origin received free of charge. As from the 1 January 2021 revenue from green energy certificates of origin received free of charge are presented as a decrease of the cost of sales. In previous periods those revenues were presented as other operating income. With respect to the presented comparative data for the 1<sup>st</sup> half of 2020, the above change did not have a significant impact.

Due to the fact that the introduced changes related mainly to presentation and/or did not have a significant impact on the presented data for the previous reporting period, the Company did not restate the comparative data.

In the Company's opinion, the introduction of the above-mentioned changes to the accounting principles will provide more relevant data and information, which are also the basis for decisions made by the Management Board of PKN ORLEN as part of the implemented plan to create an integrated multi-energy concern, in particular, ongoing analyses of effectiveness measures of conducted activity by the Company, such as EBITDA ratio. Moreover, the harmonization of the accounting principles as part of the integration processes in the ORLEN Group enables the Company to carry out internal control and risk management activities in the process of drawing up financial statements in the Group as indicated under the applicable corporate governance more effectively.

### 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 cyclicity 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 coronavirus pandemic on PKN ORLEN operations

In the 1<sup>st</sup> half of 2021, the COVID-19 pandemic continued to impact the global economy and the situation in the country, causing disruptions in the economic and administrative system. With respect to the market environment, the Company continued to observe high volatility in demand as well as prices of refining and petrochemical products and raw materials, including crude oil, energy prices and CO<sub>2</sub> emission allowances, which affected sales prices and the level of margin achieved in all operating segments.

Since the outbreak of the COVID-19 pandemic in the European Union, efforts to stop unfavourable climate change have significantly accelerated. The acceleration of the energy transformation has had an impact on the outlook for global demand for fossil fuels, including crude oil and liquid fuels. Currently, it is expected that in 2050 the demand will be by 7 mbpd lower than it was predicted before the pandemic. The deep, though short-lived, global recession caused by the pandemic and the acceleration of the energy transformation had a strong impact on the global refining industry, which processing capacity turned out to be significantly higher than the current and expected demand and requires reduction. To enforce reduction, refining margins have fallen deeply below the processing profitability thresholds and will remain under pressure until the refining potential

is appropriately adjusted. From the surplus assessed at 4.5 mbpd in the period 2020-2025, by the end of the 2<sup>nd</sup> quarter the actual and announced power reduction was 3.0 mbpd. The largest part of the shutdowns took place in North America and improved the refining foundations in that region compared to the rest of the world. In Europe, the actual and announced power reduction concerned seven refineries with a total potential of 635,000 bpd. Global capacity, estimated at 1.5 mbpd, remains to be reduced, of which 1.1 mbpd is allocated to Europe.

The strong increase in demand for crude oil and liquid fuels, observed from the beginning of the 2<sup>nd</sup> quarter of 2021, combined with the seasonal effect, improved refining margins, temporarily easing the pressure on reducing refining capacity. The improvement in margins was, however, limited by the unexpected, dynamic increase in crude oil prices to nearly 80 USD/bbl. The reason for the strong increase in prices was the change in the OPEC + price policy, aiming at restraining the increase in oil exploration, so that it would not keep up with the dynamically growing demand until oil prices reached the level desired by OPEC +. The petrochemical industry turned out to be the beneficiary of the pandemic, as the demand for its products increased significantly and, consequently, the petrochemical margins increased. The record levels of margins were caused by one-off events on the supply side and will most likely be very difficult to maintain in the long term, once the temporary supply constraints have subsided.

The acceleration of the energy transformation has led to an increase in the demand for CO<sub>2</sub> emission allowances. Their prices in the short term increased to the level of EUR 50-55 per tonne.

The Company's results in the 1<sup>st</sup> half of 2021 and the 2<sup>nd</sup> quarter 2021 by operating segments are presented in note 4.

Since the outbreak of the pandemic PKN ORLEN has taken a number of actions in order to adapt to constantly changing business environment, as well as to prevent the spread of COVID-19 infections, both within its own employees and to support the government's fight against coronavirus, which were continued in the 1<sup>st</sup> half of 2021. The Company adjusts its operations on an ongoing basis to the changing epidemiological situation.

During the period covered by these half-year condensed separate financial statements as well as presently all ORLEN petrol stations remain open, there are no disruptions in any area of operations within the concern. In Company's opinion currently there are no threats to the supply chain, both with respect to purchase of raw materials and goods, as well as in the field of internal logistic processes (among others supply of liquid fuels from the production plant to fuel terminals and then to petrol stations).

The total cost incurred in the 6-month period ended 30 June 2021 and 30 June 2020 due the preventive measures taken by the Company in order to limit the spread of the virus at the premises and protection of employees and customers amounted to PLN (17) million and PLN (20) million, respectively.

In the 1<sup>st</sup> half of 2021 the Company has not observed any significant deterioration in repayment ratio nor an increase in bankruptcies or restructuring among its clients. Due to effective management of trade credit and debt recovery the Company assess that despite the protracted coronavirus pandemic, the risk of unsettled receivables by customers did not change significantly, and the level of repayment of receivables presented in the balance sheet as at 30 June 2021, which payment dates fall in the coming months, will not change significantly. Due to the above, as at 30 June 2021, the Company did not identify any indicators for modification of assumptions taken for estimation of expected credit loss in terms of the potential need to include additional risk factor related to current economic situation and forecasts for the future.

The Company analyses on the current basis the situation on the markets and incoming signals from contractors which could indicate deterioration of financial situation and if there is a need, the Company will update adopted estimates for ECL calculation in following reporting periods.

Taking into account the situation related to the COVID-19 pandemic, which in the medium and long term will affect the domestic and global economic situation, at the end of 2020 the Company performed impairment tests on assets. As at 30 June 2021, on the basis of the analysis performed, the Company has not identified any indications, which would require the Company to conduct impairment tests with respect to non-current assets.

As at the date of preparation of these half-year condensed separate financial statements the financial situation of the Company is stable. Working capital increased by PLN (255) million compared to the end of 2020, which was mainly related to growth in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities.

In the Company's opinion, the ongoing coronavirus pandemic did not affect the level of risk in relation to guarantees granted as at 30 June 2021 and the probability of activation of these guarantees remains low.

The Company does not identify currently and within the next 12 months problems with liquidity. The Company also does not see risk of default on loans or other financing agreements. The Company assumes maintaining a safe level of net debt and financial covenants included in the financing agreements.

As at the date of preparation of these half-year condensed separate financial statements, the Company estimates, that it has sufficient sources of funding for implementation of all strategic development and investment projects as well as acquisitions as planned.

### 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 2021 amounted to PLN 35,189 million and was higher by PLN 7,088 million (y/y). The increase of sales revenues (y/y), partially limited by (4)% (y/y) decrease in sales volumes in refining and petrochemical segments resulted mainly from the increase by 62% (y/y) of crude oil prices and, as a result, also quotations of major products. In the 6-month period of 2021 in comparison to the same period of 2020 the prices of the main products increased, including fuel by 62%, diesel oil by 39%, aviation fuel by 49%, heavy heating oil by 83%, ethylene by 23% and propylene by 33%.

The operating expenses increased by PLN (4,596) million (y/y) to the amount of PLN (33,252) million mainly due to higher by 39% (y/y) value of goods and raw materials sold including mainly crude oil sold to ORLEN Group companies. The increase in the value of crude oil sold resulted mainly from the increase in crude oil prices by 25 USD/bbl (y/y) and the lack of processing limitations related to maintenance shutdowns of the ORLEN UNIPETROL Group in the 1<sup>st</sup> half of 2020.

An additional negative impact on the level of costs was the increase in the value of materials and energy consumption, resulting from a higher share of more expensive low-sulfur crude oil in the processing structure as well as taxes and fees, including mainly CO<sub>2</sub> emission costs.

Result of other operating activities amounted to PLN 1,069 million and was higher by PLN 825 million (y/y) and included mainly a change in the valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the total amount of PLN 770 million mainly due to settlement and valuation of CO<sub>2</sub> forward contracts as a part of "transaction" portfolio. Additional information in note [5.4](#).

As a result the operating result for the 6 months of 2021 amounted to PLN 3,005 million and was higher by PLN 3,332 million (y/y).

Net finance income in the described period amounted to PLN 827 million and included mainly dividend income in the amount of PLN 718 million, foreign exchange gain in the amount of PLN 221 million and net interest expenses in the amount of PLN (93) million.

After the deduction of tax charges in the amount of PLN (532) million, the net result of PKN ORLEN for the 6 months of 2021 amounted to PLN 3,296 million and was higher by PLN 5,736 million (y/y).

#### Statement of financial position

As at 30 June 2021 the total assets of PKN ORLEN amounted to PLN 64,171 million and was higher by PLN 9,619 million in comparison with 31 December 2020.

As at 30 June 2021, the value of non-current assets amounted to PLN 40,766 million and was higher by PLN 1,773 million in comparison with the end of the previous year, mainly due to increase in shares in related parties by PLN 833 million as a result of acquisition of Polska Press and ORLEN Transport shares in the total amount of PLN 328 million and additional payments to ORLEN Wind 3 equity in the amount of PLN 485 million, increase in property, plant and equipment and intangible assets by PLN 168 million and an increase in intra-group loans granted to ORLEN Group companies by PLN 559 million (additional information in note [5.7](#)).

The value of current assets increased by PLN 7,846 million, mainly due to increase of trade and other receivables by PLN 3,829 million, balance of cash by PLN 843 million, inventories by PLN 1,245 million, loans granted to ORLEN Group companies by PLN 976 million and valuation of derivative financial instruments by PLN 1,089 million mainly due to the valuation of CO<sub>2</sub> forward contracts (additional information in note [5.4](#)). 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 2021, total equity amounted to PLN 33,778 million and was higher by PLN 1,909 million in comparison with the end of 2020, mainly as a result of net result for the 6 months of 2021 in the amount of PLN 3,296 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 4,847 million compared to the end of 2020 mainly due to increase in trade liabilities in the amount of PLN 2,836 million, tax liabilities in the amount of PLN 915 million and PKN ORLEN's shareholder dividend liabilities in the amount of PLN 1,497 million. The increase in trade liabilities resulted mainly from the greater amount of crude oil purchased for resale to ORLEN Group companies and the higher price on the markets.

As at 30 June 2021 net financial indebtedness of PKN ORLEN amounted to PLN 7,229 million and was higher by PLN 24 million in comparison with the end of 2020. Change of net financial indebtedness included decrease of cash balance by PLN (843) million the net impact of positive exchange differences from revaluation and indebtedness valuation and interests in total amount of PLN (161) million and net inflows included proceeds and repayment of loans, borrowings and bonds in the amount of PLN 1,028 million.

**Statement of cash flows**

Proceeds of net cash from operating activities for the 6-month period of 2021 amounted to PLN 4,168 million and comprised mainly result from operations increased by depreciation and amortisation in the amount of PLN 4,003 million, the negative impact of increase in a net working capital by PLN (255) million, profit on investing activities in the amount of PLN (1,003) million mainly related to settlement and valuation of derivative financial instruments in the amount of PLN (1,077) million, change in provisions in the amount of PLN 954 million mainly due to an increase in the weighted average price of CO<sub>2</sub> allowances and other adjustments in the amount of PLN 659 million related mainly to security deposits for the settlement of transactions with the ICE and IRGIT exchange in the amount of PLN 1,044 million and settlement of grants for property rights in the amount of PLN (422) million.

Net cash used in investing activities for the 6-month period of 2021 amounted to PLN (4,108) 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 (2,111) million, for acquisition of shares of subsidiaries in the amount of PLN (366) million (mainly for Polska Press and ORLEN Transport) and payments to equity for ORLEN Wind 3 in the amount of PLN (485) million, net flows on loans granted in the amount of PLN (1,515) million and dividends received in the amount of PLN 489 million.

Net cash flows of financing activities for the 6-months of 2021 amounted to PLN 784 million and comprised mainly the net outflows included proceeds and repayment of loans in the amount of PLN (2,197) million, including mainly repayment of a loan received from ORLEN Capital, bond issue in the amount of PLN 3,225 million mainly due to the issue of D series of PKN ORLEN's corporate bonds and A series Eurobonds and interest paid in the amount of PLN (221) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 6-months of 2021 increased by PLN 843 million and as at 30 June 2021 amounted to PLN 1,429 million.

**Factors and events which may influence future results**

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

- further impact of the COVID-19 pandemic on the macroeconomic environment,
- macroeconomic and geopolitical environment - crude oil and other energy resources prices, quotations on refinery and petrochemical products, foreign exchange rates (mainly EUR/USD, PLN/USD, PLN/EUR) and economic relations between the US, China and Iran, relations between the EU and the US with Russia,
- EU's climate policy and prices of rights and CO<sub>2</sub> emissions allowances, and consequently the price of electricity,
- situation on the financial market, in particular the possibility of obtaining debt financing,
- economic situation - GDP level, fuel and other products of the Company consumption on the markets of its operations and the situation on the labour market,
- availability of production instances,
- refining overcapacity on a global scale and in Europe in relation to the expected demand,
- applicable legal regulations,
- renewable electricity generation technology development,
- tariff policy of the Energy Regulatory Office in the face of the dynamic increase in energy prices on the market.

**3.3. Changes of shares of PKN ORLEN from 1 January 2021 up to the date of preparation of this report**

- on 1 March 2021, PKN ORLEN acquired 100% of the Polska Press Sp. z o.o. shares with its headquarters in Warsaw, i.e. 12,000 shares with a nominal value of PLN 3,500 each, with a total nominal value of PLN 42 million. As part of the final settlement of the price, after an adjustment by PLN 13 million, which was affected by the change in working capital and net debt, the final purchase price for 100% of shares in Polska Press Sp. z o.o. amounted to PLN 226 million.
- on 31 March 2021, PKN ORLEN acquired 454,546 shares of ORLEN Transport Sp. z o.o. (before OTP Sp. z o.o.) with its headquarters in Plock, which constitutes 100% of the share capital, thus PKN ORLEN became the sole owner of the company. The final purchase price amounted to PLN 102 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.



In the period of 6 and 3-months of 2021, PKN ORLEN presents the valuation effect of CO<sub>2</sub> forward contracts divided into individual business segments using the key based on estimated CO<sub>2</sub> emissions.

In previous periods the valuation effect of CO<sub>2</sub> forward contracts was presented in the Corporate Functions segment.

**Revenues, costs, financial results, increases in non-current assets**
**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	5.4	830	606	393	13	11	-	1 853
Other operating expenses	5.4	(686)	(30)	-	(12)	(56)	-	(784)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	-	-	(3)	3	-	(1)
<b>Profit/(Loss) from operations</b>		<b>1 688</b>	<b>632</b>	<b>502</b>	<b>743</b>	<b>(560)</b>	<b>-</b>	<b>3 005</b>
Net finance income and costs	5.5							827
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								(4)
<b>Profit before tax</b>								<b>3 828</b>
Tax expense								(532)
<b>Net profit</b>								<b>3 296</b>
<b>Depreciation and amortisation</b>	5.2	<b>342</b>	<b>197</b>	<b>150</b>	<b>222</b>	<b>87</b>	<b>-</b>	<b>998</b>
<b>EBITDA</b>		<b>2 030</b>	<b>829</b>	<b>652</b>	<b>965</b>	<b>(473)</b>	<b>-</b>	<b>4 003</b>
<b>Increases in non-current assets</b>		<b>475</b>	<b>805</b>	<b>70</b>	<b>229</b>	<b>78</b>	<b>-</b>	<b>1 657</b>

**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	5.4	342	342	225	5	7	-	921
Other operating expenses	5.4	(216)	(7)	-	(6)	(32)	-	(261)
(Loss)/reversal of loss due to impairment of financial instruments		-	-	-	(3)	1	-	(2)
<b>Profit/(Loss) from operations</b>		<b>1 033</b>	<b>320</b>	<b>311</b>	<b>468</b>	<b>(262)</b>	<b>-</b>	<b>1 870</b>
Net finance income and costs	5.5							892
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								(1)
<b>Profit before tax</b>								<b>2 761</b>
Tax expense								(429)
<b>Net profit</b>								<b>2 332</b>
<b>Depreciation and amortisation</b>	5.2	<b>178</b>	<b>90</b>	<b>75</b>	<b>109</b>	<b>45</b>	<b>-</b>	<b>497</b>
<b>EBITDA</b>		<b>1 211</b>	<b>410</b>	<b>386</b>	<b>577</b>	<b>(217)</b>	<b>-</b>	<b>2 367</b>
<b>Increases in non-current assets</b>		<b>269</b>	<b>492</b>	<b>21</b>	<b>96</b>	<b>50</b>	<b>-</b>	<b>928</b>

**for the 6-month period ended 30 June 2020**

	NOTE	Refining Segment	Petrochemical Segment	Energy Segment	Retail Segment	Corporate Functions	Adjustments	Total
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
External revenues	5.1	16 159	2 524	1 037	8 335	46	-	28 101
Inter-segment revenues		7 104	715	1 034	-	49	(8 902)	-
Sales revenues		23 263	3 239	2 071	8 335	95	(8 902)	28 101
Operating expenses		(25 145)	(2 843)	(1 418)	(7 540)	(612)	8 902	(28 656)
Other operating income	5.4	1 218	68	3	28	23	-	1 340
Other operating expenses	5.4	(926)	(1)	(3)	(41)	(125)	-	(1 096)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	-	-	-	(15)	-	(16)
<b>Profit/(Loss) from operations</b>		<b>(1 591)</b>	<b>463</b>	<b>653</b>	<b>782</b>	<b>(634)</b>	-	<b>(327)</b>
Net finance income and costs	5.5							(2 154)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								(16)
<b>(Loss) before tax</b>								<b>(2 497)</b>
Tax expense								57
<b>Net (loss)</b>								<b>(2 440)</b>
<b>Depreciation and amortisation</b>	5.2	<b>289</b>	<b>217</b>	<b>167</b>	<b>201</b>	<b>72</b>	-	<b>946</b>
<b>EBITDA</b>		<b>(1 302)</b>	<b>680</b>	<b>820</b>	<b>983</b>	<b>(562)</b>	-	<b>619</b>
<b>Increases in non-current assets</b>		<b>469</b>	<b>133</b>	<b>33</b>	<b>279</b>	<b>107</b>	-	<b>1 021</b>

**for the 3-month period ended 30 June 2020**

	NOTE	Refining Segment	Petrochemical Segment	Energy Segment	Retail Segment	Corporate Functions	Adjustments	Total
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
External revenues	5.1	5 863	995	489	3 487	29	-	10 863
Inter-segment revenues		2 654	280	485	-	27	(3 446)	-
Sales revenues		8 517	1 275	974	3 487	56	(3 446)	10 863
Operating expenses		(8 708)	(1 145)	(624)	(3 124)	(300)	3 446	(10 455)
Other operating income	5.4	54	35	2	22	7	-	120
Other operating expenses	5.4	(146)	-	(3)	(26)	(98)	-	(273)
(Loss)/reversal of loss due to impairment of financial instruments		(1)	-	-	-	(26)	-	(27)
<b>Profit/(Loss) from operations</b>		<b>(284)</b>	<b>165</b>	<b>349</b>	<b>359</b>	<b>(361)</b>	-	<b>228</b>
Net finance income and costs	5.5							471
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables								8
<b>Profit before tax</b>								<b>707</b>
Tax expense								(125)
<b>Net profit</b>								<b>582</b>
<b>Depreciation and amortisation</b>	5.2	<b>147</b>	<b>108</b>	<b>84</b>	<b>104</b>	<b>36</b>	-	<b>479</b>
<b>EBITDA</b>		<b>(137)</b>	<b>273</b>	<b>433</b>	<b>463</b>	<b>(325)</b>	-	<b>707</b>
<b>Increases in non-current assets</b>		<b>323</b>	<b>94</b>	<b>21</b>	<b>137</b>	<b>74</b>	-	<b>649</b>

*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**

	30/06/2021 (unaudited)	31/12/2020 (restated data)
Refining Segment	20 564	16 163
Petrochemical Segment	5 373	4 896
Energy Segment	4 039	4 184
Retail Segment	5 868	5 692
<b>Segment assets</b>	<b>35 844</b>	<b>30 935</b>
Corporate Functions	28 327	23 617
	<b>64 171</b>	<b>54 552</b>



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 other transactions, including sales of crude oil to the ORLEN Group subsidiaries, the Company acts as a principal.

The Company has a VITAY loyalty program for retail clients. The loyalty program VITAY liability, arises at the time of sales of goods and services at own and franchise petrol stations for each single sale transaction and in case of purchase by the 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 realisation, based on empirical data of points used compared to those issued to the customer in the last 36 months.

The Company assessed, which marketing services provided to suppliers are inseparably linked to the purchase of these merchandise, hence revenues from service reduce costs related to their purchase and release for sale.

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Revenues from sales of finished goods and services, net	20 013	10 903	17 171	6 829
<i>revenue from contracts with customers</i>	19 985	10 889	17 147	6 818
<i>excluded from scope of IFRS 15</i>	28	14	24	11
Revenues from sales of merchandise and raw materials, net	15 176	8 433	10 930	4 034
<i>revenue from contracts with customers</i>	15 176	8 433	10 929	4 034
<i>excluded from scope of IFRS 15</i>	-	-	1	-
<b>Sales revenues, incl.:</b>	<b>35 189</b>	<b>19 336</b>	<b>28 101</b>	<b>10 863</b>
<i>revenue from contracts with customers</i>	35 161	19 322	28 076	10 852

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

#### 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 case of contracts where the remuneration includes a variable amount, the Company recognises revenues in the amount of remuneration to which - in line with expectations - will be entitled and for which there is highly probable that it will not be reversed in the future.

Consequently, the Company does not recognise revenues, until the uncertainty of receipt the remuneration ceases, in particular in relation to discount rights held by customers and penalties imposed.

The Company also classifies to the category of revenues based on a variable price, revenues resulting from contracts where the remuneration is a variable fee on turnover.

As part of the Refining and Petrochemical segment, with respect to sales of petrochemical and refinery 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 2021 the Company analysed the value of the transaction price allocated to unfulfilled performance obligations at the end of the year.

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 2021 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 1,803 fuel stations: 1,379 own stations and 424 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 transshipment 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 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
<b>Refining Segment</b>				
<b>Revenue from contracts with customers IFRS 15</b>	<b>22 280</b>	<b>12 594</b>	<b>16 153</b>	<b>5 860</b>
Crude oil	11 425	6 578	8 002	2 746
Medium distillates	7 079	3 886	5 840	2 141
Light distillates	1 917	1 172	1 287	519
Heavy fractions	1 059	673	870	364
Other	800	285	154	90
<b>Excluded from scope of IFRS 15</b>	<b>7</b>	<b>3</b>	<b>6</b>	<b>3</b>
	<b>22 287</b>	<b>12 597</b>	<b>16 159</b>	<b>5 863</b>
<b>Petrochemical Segment</b>				
<b>Revenue from contracts with customers IFRS 15</b>	<b>2 170</b>	<b>789</b>	<b>2 524</b>	<b>995</b>
Monomers	892	141	1 351	568
PTA	763	412	691	289
Aromas	231	120	192	48
Other	284	116	290	90
	<b>2 170</b>	<b>789</b>	<b>2 524</b>	<b>995</b>
<b>Energy Segment</b>				
<b>Revenue from contracts with customers IFRS 15</b>	<b>1 036</b>	<b>513</b>	<b>1 036</b>	<b>489</b>
<b>Excluded from scope of IFRS 15</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
	<b>1 036</b>	<b>513</b>	<b>1 037</b>	<b>489</b>
<b>Retail Segment</b>				
<b>Revenue from contracts with customers IFRS 15</b>	<b>9 636</b>	<b>5 403</b>	<b>8 323</b>	<b>3 482</b>
Medium distillates	4 895	2 709	4 210	1 667
Light distillates	3 189	1 841	2 534	1 025
Other	1 552	853	1 579	790
<b>Excluded from scope of IFRS 15</b>	<b>14</b>	<b>7</b>	<b>12</b>	<b>5</b>
	<b>9 650</b>	<b>5 410</b>	<b>8 335</b>	<b>3 487</b>
<b>Corporate Functions</b>				
<b>Revenue from contracts with customers IFRS 15</b>	<b>39</b>	<b>23</b>	<b>40</b>	<b>26</b>
<b>Excluded from scope of IFRS 15</b>	<b>7</b>	<b>4</b>	<b>6</b>	<b>3</b>
	<b>46</b>	<b>27</b>	<b>46</b>	<b>29</b>
	<b>35 189</b>	<b>19 336</b>	<b>28 101</b>	<b>10 863</b>

During the 6-month period ended 30 June 2021 and 30 June 2020 the Company generated sales revenues from three customers of finished goods and merchandise mainly of Refining, Petrochemical and Energy segment in the total amount of PLN 20,035 million and PLN 15,760 million respectively, which individually exceeded 10% of total revenues from sale. These customers were entities from the ORLEN Group.

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

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Poland	21 603	11 680	18 502	7 600
Germany	638	403	400	157
Czech Republic	5 747	3 286	3 932	1 288
Lithuania, Latvia, Estonia	6 100	3 589	4 415	1 629
Other countries	1 073	364	827	178
	<b>35 161</b>	<b>19 322</b>	<b>28 076</b>	<b>10 852</b>
excluded from scope of IFRS15 - Poland	28	14	25	11
	<b>35 189</b>	<b>19 336</b>	<b>28 101</b>	<b>10 863</b>

Position Other countries comprises mainly sales to customers from Switzerland and the Netherlands.

## 5.2. Operating expenses

### Cost by nature

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Materials and energy	(14 422)	(7 874)	(13 907)	(5 157)
Cost of merchandise and raw materials sold	(14 457)	(8 090)	(10 422)	(3 795)
External services	(1 424)	(723)	(1 380)	(683)
Employee benefits	(571)	(268)	(521)	(256)
Depreciation and amortisation	(998)	(497)	(946)	(479)
Taxes and charges	(1 690)	(705)	(1 232)	(534)
Other	(184)	(102)	(193)	(78)
	<b>(33 746)</b>	<b>(18 259)</b>	<b>(28 601)</b>	<b>(10 982)</b>
Change in inventories	388	61	(183)	94
Cost of products and services for own use	106	74	128	433
<b>Operating expenses</b>	<b>(33 252)</b>	<b>(18 124)</b>	<b>(28 656)</b>	<b>(10 455)</b>
Distribution expenses	2 331	1 168	2 227	1 080
Administrative expenses	615	293	546	263
<b>Cost of sales</b>	<b>(30 306)</b>	<b>(16 663)</b>	<b>(25 883)</b>	<b>(9 112)</b>

The increase in taxes and charges during the 6 and 3-month period ended 30 June 2021 resulted mainly from the revaluation of the provision for the estimated costs of CO<sub>2</sub> emissions for 2020 and the creation of a provision for the estimated costs of CO<sub>2</sub> emissions for the 1<sup>st</sup> half of 2021. The higher costs of creating and updating the provision in the 1<sup>st</sup> half of 2021 were influenced by both the higher weighted average price of the CO<sub>2</sub> rights held, resulting from the acquisition of 7 million of CO<sub>2</sub> rights under the term contracts held by the Group in March 2021, 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.

Additional information describing changes in operating expenses items is included in note [3.2](#).

## 5.3. Impairment allowances of inventories to net realizable value

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Increase	(10)	(5)	(1 163)	(158)
Decrease	17	7	1 150	1 147

The impairment allowances of inventories to net realizable value during the 6 and 3-month period ended 30 June 2021 were lower compared to the corresponding period of the previous year mainly due to the lack of impact of usage of inventory impairment allowances to net realizable value recognised mainly in the 1<sup>st</sup> quarter of 2020 due to a decrease in crude oil and petroleum product prices.

## 5.4. Other operating income and expenses

### Other operating income

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Profit on sale of non-current non-financial assets	2	1	4	1
Reversal of provisions	18	7	15	-
Reversal of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset and classified as held for sale	2	1	18	18
Penalties and compensations	13	10	27	4
Settlement and valuation of derivative financial instruments related to operating exposure	1 697	840	1 188	49
Ineffective part related to valuation and settlement of operating exposure	3	1	5	2
Settlement of hedging costs	104	54	67	34
Other	14	7	16	12
	<b>1 853</b>	<b>921</b>	<b>1 340</b>	<b>120</b>

**Other operating expenses**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Loss on sale of non-current non-financial assets	(40)	(35)	(27)	(20)
Recognition of provisions	(25)	(1)	(2)	(1)
Recognition of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset and classified as held for sale	(19)	(16)	(37)	(29)
Penalties, damages and compensations	(6)	(3)	(6)	(3)
Settlement and valuation of derivative financial instruments related to operating exposure	(632)	(180)	(893)	(129)
Ineffective part related to valuation and settlement of operating exposure	(20)	(17)	(7)	(5)
Other, incl.:	(42)	(9)	(124)	(86)
<i>donations</i>	(21)	-	(111)	(86)
	<b>(784)</b>	<b>(261)</b>	<b>(1 096)</b>	<b>(273)</b>

**Settlement and valuation of derivative financial instruments related to operating exposure**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	1 143	692	4	(298)
<i>commodity forwards CO<sub>2</sub></i>	1 154	764	-	-
<i>commodity swaps (timing mismatch between crude oil supplies and asphalts hedging)</i>	(11)	(72)	4	(298)
Settlement of derivative financial instruments related to operating exposure	(78)	(32)	291	218
<i>commodity forwards CO<sub>2</sub></i>	178	-	-	-
<i>commodity swaps (timing mismatch between crude oil supplies and asphalts hedging)</i>	(256)	(32)	291	218
	<b>1 065</b>	<b>660</b>	<b>295</b>	<b>(80)</b>

During the 6 and 3-month period ended 30 June 2021 and 30 June 2020 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<sub>2</sub> forward contracts as a part of "transaction" portfolio. Moreover this line also includes the effect of commodity swaps hedging time mismatch on crude oil purchases and bitumen hedging.

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 Group 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 Group 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 Group with forward transactions is reflected in the profit/(loss) on sales under manufacturing costs (cost of crude oil used to manufacture refining products based on weighted average acquisition prices) and revenue from sales of refining products. Therefore, the result on the settlement of derivative financial instruments relating to the operational exposure should always be considered together with the profit/(loss) generated by the Group on the sale of a physical position.

The change in the net position of valuations and settlements of derivative financial instruments related to operating exposure with respect to valuations and settlements of commodity swaps results from discontinuation of hedge accounting for transactions hedging exposure resulting from timing mismatches on crude oil purchases. Additionally the change in the valuation of transaction results from the increase in crude oil price quotations related to the coronavirus crisis on the market as well as the strengthening of PLN against USD.

**5.5. Finance income and costs**
**Finance income**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Interest calculated using the effective interest rate method	38	21	40	21
Other interest	-	-	6	3
Net foreign exchange gain	221	241	-	101
Dividends	718	718	305	305
Settlement and valuation of derivative financial instruments	232	59	431	105
Reversal on impairment allowances of shares in subsidiaries	5	5	43	43
Other	356	65	48	24
	<b>1 570</b>	<b>1 109</b>	<b>873</b>	<b>602</b>

**Finance costs**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Interest calculated using the effective interest rate method	(94)	(52)	(74)	(51)
Interest on lease	(36)	(18)	(28)	(11)
Interest on tax liabilities	(1)	(1)	(1)	-
Net foreign exchange loss	-	-	(313)	-
Settlement and valuation of derivative financial instruments	(220)	(56)	(517)	(40)
Recognition of impairment allowances of shares in subsidiaries	(21)	-	(2 043)	-
Other	(371)	(90)	(51)	(29)
	<b>(743)</b>	<b>(217)</b>	<b>(3 027)</b>	<b>(131)</b>

Borrowing costs capitalized during the 6 and 3-month period ended 30 June 2021 and 30 June 2020 amounted to PLN (17) million and PLN (9) million, PLN (9) million and PLN (4) million, respectively.

**Settlement and valuation of derivative financial instruments**

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	27	58	(26)	122
<i>currency forwards</i>	6	27	13	98
<i>other</i>	21	31	(39)	24
Settlement of derivative financial instruments related to operating exposure	(15)	(55)	(60)	(57)
<i>currency forwards</i>	(20)	(59)	(57)	(57)
<i>other</i>	5	4	(3)	-
	<b>12</b>	<b>3</b>	<b>(86)</b>	<b>65</b>

During the 6 and 3-month period ended 30 June 2021 and 30 June 2020 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 crude oil invoices in foreign currencies, currency hedging for liquidity transactions, currency hedging for borrowing repayments and hedging of interest rates and payments of bond interest.

The main impact on the change in valuation and settlement of derivative financial instruments in the 6-month period ended 30 June 2021 was due to the movement of EUR and USD exchange rates against PLN.

The line other presented in finance income and cost in the 6 and 3-month period ended 30 June 2021 related mainly to transaction differences on the ICE stock exchange in the amount of PLN 7 million and PLN (11) million, which are related to the settlement pattern of transactions concluded with the exchange and their early closure - as a result of which differences arise between the exchange rates and the quotations of the index that is the basis for the settlement of both transactions. Early closure on the ICE stock exchange results in the simultaneous generation of income and costs due to transaction differences. The amount of recognised income and costs depends on the moment of early closure in relation to the original contractual maturity of a given

transaction and the number of closings performed. As a result, the value of these differences can fluctuate widely between reporting periods.

## 5.6. Borrowings and bonds

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020
Borrowings	3 348	3 417	63	2 372	3 411	5 789
Bonds	4 634	1 798	613	204	5 247	2 002
	<b>7 982</b>	<b>5 215</b>	<b>676</b>	<b>2 576</b>	<b>8 658</b>	<b>7 791</b>

As at 30 June 2021, debt under borrowings and bonds amounted to PLN 8,658 and was higher by PLN 867 million compared to 31 December 2020 mainly due to:

- the issuance of corporate bonds series D in the amount of PLN 1,000 million (corresponding to cash flow of PLN 995 million less discount),
- the issuance of Eurobonds of A series in the amount of EUR 500 million (which corresponds to cash flow of PLN 2,230 million less discount),
- repayment of EUR 496 million of the borrowing received from ORLEN Capital (which corresponds to cash flow of PLN 2,235 million).

In addition, two series of retail bonds, series C and series D with a total nominal value of PLN 400 million, maturing in June 2022, were reclassified from long-term to short-term position. Detailed information on issue/redemption of bonds are presented in the note [5.12](#).

As at 30 June 2021 and as at 31 December 2020 the maximum possible indebtedness due to loans and borrowings amounted to PLN 12,142 million and PLN 14,380 million, respectively. As at 30 June 2021 and as at 31 December 2020 PLN 8,737 million and PLN 8,676 million, respectively, remained unused.

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.

In the 1<sup>st</sup> half of 2021 PKN ORLEN established the medium term Eurobonds programme (“EMTN Programme”), which enables the Company to issue the Eurobonds. Based on the EMTN Programme the Company will be able from time to time to issue Eurobonds, in many tranches and currencies, with various interest structures and due dates. Within the EMTN Programme the total nominal value of the issued and outstanding Eurobonds, in no time, will not exceed the amount of EUR 5 billion or the equivalent of that amount in other currencies. Funds from the issuance of the Eurobonds will be used by the Company in accordance with the published green/sustainable finance framework (the “Green Finance Framework”). On 27 May 2021, the first Eurobonds issue was completed. Series A with a total nominal value of EUR 500 million was issued for a period of 7 years.



**5.7. Derivatives and other assets and liabilities**
**Derivatives and other assets**

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020
Cash flow hedging instruments	50	4	26	4	76	8
<i>currency forwards</i>	50	4	26	2	76	6
<i>commodity swaps</i>	-	-	-	2	-	2
Derivatives not designated as hedge accounting	24	2	1 481	359	1 505	361
<i>currency forwards</i>	3	-	12	24	15	24
<i>commodity swaps</i>	-	-	18	19	18	19
<i>commodity forwards (CO<sub>2</sub> futures)</i>	21	2	1 451	316	1 472	318
Derivatives under centralization	185	110	242	308	427	418
<i>commodity swaps</i>	-	-	122	279	122	279
<i>currency forwards</i>	185	110	120	29	305	139
Fair value hedging instruments	11	-	17	6	28	6
<i>commodity swaps</i>	11	-	17	6	28	6
<b>Derivatives</b>	<b>270</b>	<b>116</b>	<b>1 766</b>	<b>677</b>	<b>2 036</b>	<b>793</b>
Other financial assets	2 520	1 957	2 139	1 243	4 659	3 200
<i>loans granted</i>	2 459	1 900	1 074	98	3 533	1 998
<i>cash pool</i>	-	-	565	511	565	511
<i>receivables on settled derivatives</i>	-	-	12	46	12	46
<i>receivables on settled derivatives under centralization</i>	-	-	85	209	85	209
<i>financial assets measured at fair value through other comprehensive income</i>	61	57	-	-	61	57
<i>hedged item adjustment</i>	-	-	-	2	-	2
<i>security deposits</i>	-	-	403	377	403	377
Other non-financial assets	87	87	-	-	87	87
<i>investment property</i>	87	87	-	-	87	87
<b>Other assets</b>	<b>2 607</b>	<b>2 044</b>	<b>2 139</b>	<b>1 243</b>	<b>4 746</b>	<b>3 287</b>

\* As at 30 June 2021 and as at 31 December 2020, the line investment property includes right-of-use asset in the same amount of PLN 30 million and PLN 30 million, respectively.

As at 30 June 2021 and as at 31 December 2020, 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) in the amount of PLN 403 million and PLN 377 million.

As at 30 June 2021 and 31 December 2020, the position loans granted amounted to PLN 3,533 million and PLN 1,998 million, respectively, and related mainly to intra-group loans granted to ORLEN Group companies in the amount of PLN 3,532 million and PLN 1,997 million, respectively. The loans were granted for corporate-wide and investment purposes. Other loans are granted under the employee loan programme. The change in the balance of loans granted compared to the previous year amounted to PLN 1,535 million resulting from the disbursement of subsequent tranches of investment loans and launch of new loans to ORLEN Group companies.

**Open futures contracts for the purchase of CO<sub>2</sub> emission allowances as at 30 June 2021**

Open CO <sub>2</sub> emission allowances contracts	Settlement period	Volume of allowances in tons	Fair value measurement	
			30/06/2021	
			Financial assets (unaudited)	Financial liabilities (unaudited)
CO <sub>2</sub> "transaction" portfolio	XII.2021, XII.2022	12 788 000	1 472	-
CO <sub>2</sub> "own" portfolio	XII.2021, III 2022, XII.2022	1 032 000	not to be valued at the balance sheet date	

The effect of the valuation of CO<sub>2</sub> futures contracts was recognised in Other operating income in position Settlement and valuation of derivative financial instruments (note 5.4).

As at 30 June 2021, the Company had 1,574,139 CO<sub>2</sub> emission allowances recognised as intangible assets.

**Derivatives and other liabilities**

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020 (restated data)	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020 (restated data)
Cash flow hedging instruments	37	63	1	37	38	100
<i>commodity swaps</i>	-	-	-	13	-	13
<i>currency forwards</i>	37	63	1	24	38	87
Derivatives not designated as hedge accounting	25	64	111	98	136	162
<i>currency interest rate swaps</i>	17	54	30	15	47	69
<i>currency forwards</i>	8	10	1	13	9	23
<i>commodity swaps</i>	-	-	80	70	80	70
Derivatives under centralization	185	110	212	211	397	321
<i>commodity swaps</i>	-	-	92	182	92	182
<i>currency forwards</i>	185	110	120	29	305	139
Fair value hedging instruments	-	-	-	1	-	1
<i>commodity swaps</i>	-	-	-	1	-	1
<b>Derivatives</b>	<b>247</b>	<b>237</b>	<b>324</b>	<b>347</b>	<b>571</b>	<b>584</b>
Other financial liabilities	106	98	2 925	1 847	3 031	1 945
<i>liabilities on settled derivatives</i>	-	-	39	85	39	85
<i>liabilities on settled derivatives under centralization</i>	-	-	69	189	69	189
<i>investment liabilities</i>	83	83	-	-	83	83
<i>cash pool</i>	-	-	1 723	1 561	1 723	1 561
<i>hedged item adjustment</i>	12	-	17	7	29	7
<i>security deposits</i>	-	-	1 070	-	1 070	-
<i>other</i>	11	15	7	5	18	20
Other non-financial liabilities	92	95	505	1	597	96
<i>deferred income</i>	92	95	505	1	597	96
<b>Other liabilities</b>	<b>198</b>	<b>193</b>	<b>3 430</b>	<b>1 848</b>	<b>3 628</b>	<b>2 041</b>

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.

Within the commodity and currency exposures, PKN ORLEN acts as an intermediary in this type of transactions. The result of intermediation is presented in the position revenues from sales of services.

Moreover, within the framework of commodity exposure PKN ORLEN concludes transactions with the ORLEN Group company, which the valuation and settlement are presented in other operating activities.

Description of changes of derivatives not designated as hedge accounting is presented in notes [5.4](#) i [5.5](#).

Deferred income includes mainly the CO<sub>2</sub> donation due, which remains to be settled as at 30 June 2021 in the amount of PLN 498 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 2021, the balance of a security deposit maintained in USD was positive and amounted to USD 101 million, which as at the balance sheet date represented the value of PLN 383 million and was presented under Other financial assets position. Whereas, the balance of EUR security deposit was negative and amounted to EUR (237) million, which as at the balance sheet date represented the value of PLN (1,070) million and was presented under Other financial liabilities position. The high negative value of the security deposit balance in EUR was influenced by the valuation and volume of all futures contracts for the purchase of CO<sub>2</sub> emission allowances concluded on the ICE stock exchange that were open at 30 June 2021.

**5.8. Provisions**

	Non-current		Current		Total	
	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020	30/06/2021 (unaudited)	31/12/2020
Environmental	488	529	28	37	516	566
Jubilee bonuses and post-employment benefits	142	142	29	29	171	171
CO <sub>2</sub> emissions, energy certificates	-	-	680	514	680	514
Other	-	-	76	101	76	101
	<b>630</b>	<b>671</b>	<b>813</b>	<b>681</b>	<b>1 443</b>	<b>1 352</b>

**5.9. 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 2020 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.

**Fair value hierarchy**

	30/06/2021		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets measured at fair value through other comprehensive income	61	61	21	-	40
Loans granted	3 533	3 559	-	3 559	-
Derivatives, incl.:	2 036	2 036	-	2 036	-
<i>Derivatives under centralization</i>	427	427	-	427	-
	<b>5 630</b>	<b>5 656</b>	<b>21</b>	<b>5 595</b>	<b>40</b>
<b>Financial liabilities</b>					
Borrowings	3 411	3 410	-	3 410	-
Bonds	5 247	5 318	4 310	1 008	-
Derivatives, incl.:	571	571	-	571	-
<i>Derivatives under centralization</i>	397	397	-	397	-
	<b>9 229</b>	<b>9 299</b>	<b>4 310</b>	<b>4 989</b>	<b>-</b>

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.

## 5.10. Lease

### 5.10.1. Company as a lessee

#### Change in assets due to right-of-use

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
<b>Net carrying amount at 01/01/2021</b>					
Gross carrying amount	1 574	726	18	756	3 074
Accumulated amortization	(118)	(200)	(10)	(366)	(694)
Impairment allowances	(32)	(5)	-	-	(37)
	<b>1 424</b>	<b>521</b>	<b>8</b>	<b>390</b>	<b>2 343</b>
<b>increases/(decreases), net</b>					
New lease agreements	41	85	-	105	231
Depreciation	(28)	(43)	(1)	(99)	(171)
Impairment allowances	-	1	-	-	1
Other	(1)	(3)	(1)	(1)	(6)
	<b>1 436</b>	<b>561</b>	<b>6</b>	<b>395</b>	<b>2 398</b>
<b>Net carrying amount at 30/06/2021 (unaudited)</b>					
Gross carrying amount	1 613	808	14	813	3 248
Accumulated depreciation	(145)	(243)	(8)	(418)	(814)
Impairment allowances	(32)	(4)	-	-	(36)
	<b>1 436</b>	<b>561</b>	<b>6</b>	<b>395</b>	<b>2 398</b>
<b>Net carrying amount at 01/01/2020</b>					
Gross carrying amount	1 514	577	27	630	2 748
Accumulated depreciation	(66)	(124)	(13)	(181)	(384)
Impairment allowances	(21)	(7)	-	-	(28)
	<b>1 427</b>	<b>446</b>	<b>14</b>	<b>449</b>	<b>2 336</b>
<b>increases/(decreases), net</b>					
New lease agreements	60	157	-	146	363
Depreciation	(53)	(76)	(3)	(198)	(330)
Impairment allowances	(11)	2	-	-	(9)
recognition	(18)	(1)	-	-	(19)
reversal	10	3	-	-	13
Other	1	(8)	(3)	(7)	(17)
	<b>1 424</b>	<b>521</b>	<b>8</b>	<b>390</b>	<b>2 343</b>

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

		6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
<b>Costs due to:</b>		<b>(60)</b>	<b>(32)</b>	<b>(51)</b>	<b>(20)</b>
interest on lease	Finance costs	(36)	(18)	(28)	(11)
short-term lease	Cost by nature: External Services	(11)	(6)	(6)	(3)
variable lease payments not recognised in valuation of lease liabilities	Cost by nature: External Services	(13)	(8)	(17)	(6)

### 5.10.2. Company as a lessor

#### Financial lease

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

#### Operating lease

Assets transferred by the Company to other entities for use under an operating lease agreement are classified in the Company's assets. Lease payments under operating leases are recognised on a straight-line basis over the lease period as revenues from the sale of products and services.

Operating lease mainly concerns properties owned by the Company, covered by the lease agreements.

Revenues from operating lease for the 6 and 3-month period ended 30 June of 2021 and 30 June 2020 amounted to PLN 28 million, PLN 14 million and PLN 24 million, PLN 11 million, respectively.

#### **5.11. Future commitments resulting from signed investment contracts**

As at 30 June 2021 and as at 31 December 2020 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 3,122 million and PLN 2,326 million, respectively.

#### **5.12. Issue, redemption and repayment of debt securities**

In the 1<sup>st</sup> half of 2021 as part of:

- the second public bond issue program, A-E Series remains open with a total nominal value of PLN 1,000 million;
- the non-public bond issue on the domestic market (active since 2006) C Series with a nominal value of PLN 1,000 million remains open and series D with a nominal value of PLN 1,000 million was issued;
- the medium-term Eurobonds issue program (EMTN Program) established on 13 May 2021, series A was issued with a nominal value of EUR 500 million.

#### **5.13. Cover Company's net loss for 2020 and the dividend payment in 2021**

The Ordinary General Meeting of Shareholders of PKN ORLEN on 27 May 2021 decided to cover the net loss in the amount of PLN 2,355,671,374.21 from the Parent Company reserve capital and taking into account the implementation of a dividend policy, resulting from the adopted by PKN ORLEN Strategy for 2021-2030, decided to dividend payment in the amount of PLN 1,496,981,713.50 (PLN 3.50 per share) from the Company's reserve capital from the previous year's profit. The dividend date was set at 22 July 2021 and the dividend payment date at 5 August 2021.

#### **5.14. Contingent assets**

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and 2020, PERN S.A. informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN S.A. as a pipeline system operator. At the same time, PERN indicated another 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 S.A. maintains that the reason for the change in operating stocks is the difference in methodology of calculating the quantity of crude oil REBCO-type delivered by the tank storage in Adamów and crude oil delivered by sea. As at 30 June 2021, according to received confirmation from PERN S.A., PKN ORLEN's operating stock of crude oil REBCO-type amounted to 624.897 net metric tons. The difference in the quantity of stocks increased by 529 net metric tons in comparison to the 1<sup>st</sup> quarter of 2021 and amounted to 92.838 net metric tons.

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

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019 and 2020 and in 6-month period of 2021 in the amount of PLN (160) million is also a contingent asset of PKN ORLEN.

#### **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.) filed an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights. The amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of approximately PLN 84 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of approximately PLN 247 million. So far, several hearings have been held, during which witnesses submitted by the parties were heard by the court. On 19 December 2018, a hearing took place, during which the Court heard the

parties' position in the scope of the grounds for any repeal of the freezing order. By a decision of 2 January 2019 the Regional Court set aside the order granting security for claims. Warter Fuels S.A. submitted a complaint against this decision on 5 February 2019. PKN ORLEN submitted a response to the complaint. The matter of complaint consideration is at the stage of secondary proceedings, i.e. before the Court of Appeal in Łódź. The freezing order has been legally repealed.

The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. The request has not been considered yet. The court is currently looking for an expert or institute to issue an opinion also among foreign entities, hence the translation of part of the case documentation into German was commissioned. The parties have agreed to involve the Technical University of Vienna. The court has not decided yet on the engagement of this institution. 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 S.A. and Elektrobudowa S.A. for the construction of a metathesis unit. The amount in dispute includes:

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

On 17 April 2020, PKN ORLEN submitted its defence. The Arbitration Tribunal has issued below rulings:

(I) The interim judgement of 7 January 2021, which concerns Elektrobudowa S.A.'s claims for recovery of PLN 0.3 million for the development of the 'Post-overhaul Unit Commissioning and Start-up Manual' (the "Manual") and for recovery of a PLN 0.1 million surcharge for delivery of a stainless steel FA-2202 Nitrogen Treater adsorption unit in place of a carbon steel one (the "Adsorption Unit").

In this judgment, the Arbitral Panel ruled that the claim for payment of remuneration for the execution of the "Instructions for the preparation of the installation after overhaul for operation" was justified in principle and that the claim for payment of additional remuneration for the supply of the Adsorption Unit made of stainless steel instead of carbon steel was justified in principle. The judgement is not dispositive as to whether PKN ORLEN is liable to pay the plaintiff PLN 0.3 million in consideration for the development of the Manual and/or the PLN 0.1 million surcharge for delivery of the Adsorption Unit but establishes, in view of the Panel's findings, that Elektrobudowa S.A. may reasonably expect to be paid by PKN ORLEN for rendering the aforesaid additional and/or substitute performance.

The exact amounts of the payments due to Elektrobudowa S.A. from PKN ORLEN for that performance are to be determined at the next stage of the ongoing proceedings. Accordingly, on 18 January 2021 the Arbitration Panel decided to admit expert evidence in order to determine the value of the Manual as developed by Elektrobudowa S.A. and the amount of the surcharge due for delivery of the stainless steel Adsorption Unit in place of a carbon steel one.

(II) The partial judgement of 8 January 2021, which concerns PKN ORLEN's counterclaim for reduction of the consideration due to Elektrobudowa S.A. by a total of PLN 0.01 million and EUR 4.6 million on account of defects found in the K-2302A and K-2302B compressors and in the drinking and utility water pipelines. The Arbitration Tribunal dismissed the PKN ORLEN's counterclaim, made under the implied warranty statute, for reduction by a total of PLN 0.01 million and EUR 4.6 million of the lump-sum consideration due to the plaintiff for delivery of the K-2302A and K-2302B compressors with a shaft power of 11.4 kW and for the construction of the PEHD drinking and utility water pipelines under the 'Engineering, Procurement and Construction (Turnkey) Contract for a Metathesis Unit at Polski Koncern Naftowy ORLEN's Production Plant in Płock' of 1 August 2016, having found the counterclaim to be without merit. The partial judgement is not equivalent to an actual award of PLN 0.01 million and EUR 4.6 million to the plaintiff against PKN ORLEN as the Arbitration Tribunal did not rule on whether the plaintiff had standing to claim payment of those amounts as part of the consideration due under the Contract, nor is it equivalent to a ruling that PKN ORLEN's notice of reduction under the implied warranty statute of the contractual consideration by the same amounts on account of defects in contract deliverables should be deemed ineffective.

(III) The partial judgement (No. 2) of 3 February 2021, the Court awarded PKN ORLEN for Elektrobudowa the amount of PLN 4.3 million (17 invoices) and the amount of PLN 7 million (equivalent to EUR 1.62 million- 5 invoices) for VAT (in total: PLN 11.3 million), together with statutory interest for delay, and determined that the deductions made by the defendant were unjustified for the amount of EUR 0.7 million and the amount of PLN 3.5 million. As regards part of the invoices, the Court stated that they had not been paid without explaining the reasons for their payment. Moreover, the Court stated that the EPC Agreement allowed only deductions to be



made to the net value. Therefore, it concluded that VAT, as a public law debt, cannot be set off against a civil law debt and such amounts cannot be retained.

(IV) The partial judgement (No. 3) of 3 February 2021 ordering PKN ORLEN to pay the Bankruptcy trustee the total amount of PLN 1.2 million net for partial payment of contractual remuneration (6 invoices), including statutory interest for delay until the date of payment. The court ruled on 6 invoices which were already examined in the partial judgment (no. 2). The court stated that PKN ORLEN did not indicate why the amounts were not paid. It also stated that the lawsuit was limited and that it does not include the amounts retained as a substitute deposit related to the failure to submit the Performance Guarantee during the guarantee period. However, the Court awarded the trustee the amount of PLN 1.2 million.

(V) The partial judgement (No. 4) of 3 February 2021 ordering the defendant to pay the plaintiff in the total amount of PLN 2.1 million and the amount of EUR 1.4 million for partial payment of contractual remuneration, together with statutory interest for delay until the date of payment and establishing the unjustified deductions made by the defendant for contractual penalties in the amount of EUR 1.9 million. The judgment concerns the amounts deducted by PKN ORLEN in connection with the imposition of contractual penalties for the late performance of the EPC agreement with regard to intermediate deadlines. The court found that:

- contractual penalty for delay in providing the documentation was partially incorrectly charged, and therefore awarded the plaintiff the amounts deducted in connection with the incorrectly calculated penalty;
- contractual penalty for delay in delivery of the OCU reactor is justified and dismissed the claim for payment of remuneration to the extent that it was deducted to cover this contractual penalty;
- contractual penalty for delay in delivery of the Cold Station was calculated incorrectly and awarded Elektrobudowa claims for the remuneration deducted to satisfy this contractual penalty.

(VI) The partial judgement (No. 5) of 12 February 2021 ordering the defendant to pay the plaintiff in the total amount of PLN 1.3 million and the amount of EUR 2.5 million for partial payment of contractual remuneration (part of the net receivables resulting from 6 invoices, the VAT amounts of which were previously ordered in partial judgement No. 2), together with statutory interest for delay until the payment date.

(VII) Partial Judgment (No. 6) of 16 April 2021 discontinuing proceedings with respect to the amount of PLN 0.2 million due to the claimant's withdrawal of the claim in this scope.

PKN ORLEN is not entitled to any appeal against the abovementioned judgements in the proceedings before the Court of Arbitration.

The principal receivables adjudged by partial judgments No. 2, 3 and 4 were paid by PKN ORLEN to the Bankruptcy trustee of Elektrobudowa S.A. on 31 May 2021 and 1 June 2021.

The principal receivables adjudged by the partial judgment No. 5 were paid by PKN ORLEN to the Bankruptcy trustee on 15 June 2021 and 17 June 2021.

For the remaining amounts resulting from the preliminary judgment (No. 1) and the partial judgment of 8 January 2021 the provision in the amount of PLN 21 million was recognised.

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 2021 and 31 December 2020 and in the 6 and 3-month period ended 30 June 2021 and 30 June 2020 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.

### 5.16.2. Remuneration of key executive personnel of the Company

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Short-term employee benefits	25.3	13.1	22.6	11.5
Termination benefits	-	-	1.7	0.4
	<b>25.3</b>	<b>13.1</b>	<b>24.3</b>	<b>11.9</b>

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	3 MONTHS ENDED	6 MONTHS ENDED	3 MONTHS ENDED	6 MONTHS ENDED	3 MONTHS ENDED
	30/06/2021 (unaudited)	30/06/2021 (unaudited)	30/06/2021 (unaudited)	30/06/2021 (unaudited)	30/06/2021 (unaudited)	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
<i>Dividends</i>	566	566	149	149	715	715
Finance costs (mainly interest)	(71)	(35)	-	-	(71)	(35)

	Subsidiaries		Jointly- controlled entities		Total	
	6 MONTHS ENDED	3 MONTHS ENDED	6 MONTHS ENDED	3 MONTHS ENDED	6 MONTHS ENDED	3 MONTHS ENDED
	30/06/2020 (unaudited)	30/06/2020 (unaudited)	30/06/2020 (unaudited)	30/06/2020 (unaudited)	30/06/2020 (unaudited)	30/06/2020 (unaudited)
Sales	13 438	5 024	1 219	525	14 657	5 549
Revenues under centralization of derivative financial instruments	1 931	437	-	-	1 931	437
Purchases	(5 795)	(2 442)	(13)	(5)	(5 808)	(2 447)
Costs under centralization of derivative financial instruments	(2 676)	(349)	-	-	(2 676)	(349)
Finance income, incl.:	261	244	69	69	330	313
<i>Dividends</i>	229	229	69	69	298	298
Finance costs (mainly interest)	(47)	(37)	-	-	(47)	(37)

	Subsidiaries		Jointly- controlled entities		Total	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020	30/06/2021	31/12/2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Trade and other receivables	4 259	2 100	91	373	4 350	2 473
Other assets	4 180	2 717	-	-	4 180	2 717
<i>Loans granted</i>	3 532	1 997	-	-	3 532	1 997
<i>Cash pool</i>	565	511	-	-	565	511
<i>Receivables on settled derivatives under centralization</i>	83	209	-	-	83	209
Lease receivables	22	22	-	-	22	22
Derivatives under centralization	128	278	-	-	128	278
Trade and other liabilities	881	605	1	5	882	610
Borrowings	3 411	5 789	-	-	3 411	5 789
Other liabilities, incl.:	1 751	1 682	-	-	1 751	1 682
<i>Cash pool</i>	1 723	1 561	-	-	1 723	1 561
<i>Liabilities on settled derivatives under centralization</i>	26	120	-	-	26	120
Lease liabilities	250	123	-	-	250	123
Derivatives under centralization	313	218	-	-	313	218

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 2021 and 30 June 2020, there were no related parties transaction in the Company concluded on other than as arm's length basis.

Additionally, during the 6-month period ended 30 June 2021, 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-month period ended 30 June 2021 and as at 30 June 2021, the Group identified the following transactions:

- sale and purchase amounted to PLN 0.4 million and PLN (1.5) million, respectively;
- balance of receivables amounted to PLN 0.08 million;
- balance of liabilities amounted to PLN 1.5 million.

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

**5.16.4. Transactions with entities related to the State Treasury**

As at 30 June 2021 and 31 December 2020, the State Treasury owns 27.52% of PKN ORLEN shares and has ability to exert a significant influence on it.

The Company identified transactions with related parties with the State Treasury on the basis of "Companies with State Treasury share" from the website of the Prime Minister's Office.

During the 6 and 3-month period ended 30 June 2021 and 30 June 2020, the Company identified the following transactions:

	6 MONTHS ENDED 30/06/2021 (unaudited)	3 MONTHS ENDED 30/06/2021 (unaudited)	6 MONTHS ENDED 30/06/2020 (unaudited)	3 MONTHS ENDED 30/06/2020 (unaudited)
Sales	623	324	593	189
Purchases	(1 714)	(909)	(1 600)	(412)

	30/06/2021 (unaudited)	31/12/2020
Trade and other receivables	308	257
Trade, lease and other liabilities	846	438

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, guarantees, bank fees, commission) with Bank PKO BP, Bank Pekao S.A. (bank fees, commissions) and Bank Gospodarstwa Krajowego

**5.17. Excise tax guarantees**

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2021 and as at 31 December 2020 amounted to PLN 2,629 million and PLN 2,109 million, respectively.

**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 2021 and as at 31 December 2020 amounted to PLN 7,982 million and PLN 10,680 million, respectively. They were mainly related to secure of ORLEN Capital future liabilities due to Eurobonds issuance and securing the implementation of the CCGT Ostrołęka gas project in the amount of PLN 1,542 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 2021 and as at 31 December 2020 amounted to PLN 369 million and PLN 324 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**

On 13 July 2021, the Management Board of PKN ORLEN adopted a Resolution granting consent to make a cash contribution to ORLEN UPSTREAM Sp.z o.o. in the amount of PLN 120 million. The funds in the company will be allocated to the implementation of exploration and production projects in Poland.

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 1<sup>st</sup> HALF 2021



## 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) in the 1<sup>st</sup> half of 2021 amounted to PLN 7,608 million by PLN 4,494 million in comparison period of 2020. The result for the 1<sup>st</sup> half of 2020 included PLN 4,062 million of profit on the bargain purchase of ENERGA shares. After eliminating the impact of the acquisition, EBITDA in the 1<sup>st</sup> half of 2020 amounted to PLN 432 million.

In the 1<sup>st</sup> half of 2021 the net impairment allowances of property, plant and equipment and intangible assets amounted to PLN (89) million and mainly related to energy assets in the ENERGA Group. On the other hand, in the 1<sup>st</sup> half of 2020 the impact of the impairment allowances amounted to PLN (650) million and mainly related to the Upstream segment assets in Canada and Poland in connection with the update of hydrocarbon prices and resignation from selected upstream projects.

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 1<sup>st</sup> half of 2021 on the valuation of inventories recognised in the EBITDA result amounted to PLN 2,105 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) impairment allowances of assets as well as the impact of the bargain purchase of ENERGA shares amounted to PLN 5,592 million and was higher by PLN 1,972 million (y/y).

Changes of macroeconomic factors reduced the ORLEN Group results by PLN (645) million (y/y) and included mainly decrease in margins on light and medium distillates, higher costs of own consumption as a result of an increase in crude oil prices by USD 25/bbl and the effect of a stronger increase in gas prices compared to electricity prices in the Energy segment. The effect of hedging transactions (y/y) recognised in other operating activities amounted to PLN (1,627) million (y/y) resulted mainly from a significant decrease in crude oil and product prices in the 1<sup>st</sup> half of 2020, which has a positive effect of hedging transactions as well as an increase in prices and a negative impact of hedging transactions in the 1<sup>st</sup> half of 2021.

The negative impact of above macroeconomic factors was partially compensated by the positive impact of a higher Ural / Brent differential by USD (0.4)/bbl, an increase in margins on light distillates, olefins, polyolefins, PTA, PVC and fertilizers, and the valuation and settlement of CO<sub>2</sub> future contracts as a part of transaction portfolio in the amount of PLN 1,332 million (y/y).

In the 2<sup>nd</sup> quarter of 2021, the sales volume of the ORLEN Group was higher by 9% (y/y). The increase in sales was visible in the refining and retail segments with a decrease in volumes in the petrochemical segment due to the maintenance shutdown of the Olefin II installation. The lack of a significant impact of the COVID-19 pandemic on sales in the 1<sup>st</sup> quarter of 2020, with the continuing market restrictions in the 1<sup>st</sup> quarter of 2021, affected to a decrease in the total volume sales of the ORLEN Group in the 1<sup>st</sup> half of 2021 by (1)% (y/y) to the 17 656 thousand tons. The above changes in sales trends resulted in a negative volume effect in the 1<sup>st</sup> half of 2021 in the amount of PLN (729) million (y/y).

The impact of the other factors amounted to PLN 3,346 million (y/y) and included mainly:

- PLN 609 million (y/y) – positive impact of revaluation of inventories to net realisable value. Impact of revaluation of inventories in the 1<sup>st</sup> half of 2021 was positive and amounted to PLN 207 million, by PLN (402) million in comparison period of 2020,
- PLN 1,651 million (y/y) - positive impact of the use of historical inventory layers in connection with the maintenance shutdowns of installations,
- PLN 1,327 million (y/y) –higher result of the ENERGA Group, mainly due to incomparable recognition periods in the ORLEN Group consolidation.
- PLN (241) million (y/y) - other elements, including mainly updating provision for CO<sub>2</sub> emissions, higher labour costs partially compensated by higher (y/y) trade margins.

## 1.2. The most significant events in the period from 1 January 2021 up to the date of preparation of this report

### JANUARY 2021

#### **Signing a joint venture agreement with NP BALTIC WIND B.V. as a branch investor to the realization of off-shore wind power plants by Baltic Power Sp. z o.o.**

PKN ORLEN announced that on 29 January 2021 between PKN ORLEN, Baltic Power Sp. z o.o. („Baltic Power”) and NP BALTIC WIND B.V. headquartered in Amsterdam, the Netherlands (“NP BALTIC WIND B.V.”), a company from the Northland Power Inc capital group, there has been signed a joint venture agreement to gain a branch investor to the realization of the common investment (“Agreement”). The subject matter of the Agreement is to prepare, build and operate by Baltic Power an offshore wind farm located in the Polish Exclusive Economic Zone on the Baltic Sea with a maximum power up to 1200 MW. Start of construction of the offshore wind farm is planned for 2023 and commercial operations is planned for 2026. The Agreement has been signed for 35 years period, after that it is transformed into an agreement for indefinite period.

According to the Agreement’s provisions NP BALTIC WIND B.V. will ultimately acquire 49% of shares in Baltic Power, the remaining 51% of shares in Baltic Power will stay in possession of PKN ORLEN. As a part of the contributions in cash to cover Baltic Power shares that are to be acquired by NP BALTIC WIND B.V., NP BALTIC WIND B.V. plans to invest approximately PLN 290 million in 2021 for Baltic Power development.

The Agreement has been approved by the Baltic Power Shareholders Meeting. The Agreement has been concluded under the condition that changes to the Baltic Power Act of Association will be registered in the Polish National Court Register and under the condition that the approvals of relevant antitrust authorities will be obtained.

### FEBRUARY 2021

#### **Share purchase agreement for 100% of shares in Nowotna Farma Wiatrowa Sp. z o.o.**

PKN ORLEN announced that on 26 February 2021 ORLEN Wind 3 Sp. z o.o. („ORLEN Wind 3”) has signed with investment funds: Taiga Inversiones Eolicas SCR SA and Santander Energias Renovables SCRA SA, headquartered in Madrid, Spain, a share purchase agreement for 100% of shares in Nowotna Farma Wiatrowa Sp. z o.o., owner of the onshore wind farms Kobylnica, Subkowy, Nowotna (“Agreement”). The total power of wind farms that are to be purchased amounts to 89.4 MW. The value of the Agreement amounts to approximately PLN 380 million. The Agreement has been signed under the condition that the approval of relevant antitrust authorities will be obtained.

PKN ORLEN holds 100% of the shares in ORLEN Wind 3, which has been set to realize the development of the PKN ORLEN activity in the area of renewable energy what comes from the current ORLEN Group strategy. The Company will inform in regulatory announcements about the next significant transactions within that activity.

### MARCH 2021

#### **Approval of terms and conditions of bearer bonds issue of series D**

PKN ORLEN announced that the Company’s Management Board on 17 March 2021 has decided to issue unsecured, bearer bonds of series D with the total nominal value not higher than PLN 1,000,000,000 (“Bonds”) within the Bond Issue Programme with a limit of PLN 4,000,000,000 or other currencies equivalents of that amount on the base of Agreement for a Bond Issue Programme, signed in Warsaw on 27 November 2006 (with subsequent annexes).

The Bonds will be issued with the following terms and conditions:

- Maximum number of Bonds proposed to be acquired: 10,000;
- Nominal value of one Bond: PLN 100,000;
- Issue price of one Bond: PLN 99,432;
- Maximum total nominal value of Bonds: up to PLN 1,000,000,000;
- Bond issue date: 25 March 2021;
- Redemption date: 25 March 2031;
- Bonds are not secured;
- On the issue day the Bonds will be registered in the records kept by the issue agent within the meaning of Art. 7a par. 1 of Act on Trading in Financial Instruments dated 29 July 2005, whose function will be performed by the entity indicated in the Bonds issue terms and conditions, and then registered in the deposit conducted by the Central Securities Depository of Poland;
- Bonds may be introduced to the alternative trading system on the Warsaw Stock Exchange;
- Bonds will be offered for purchase according to art. 33 point 1 of the Polish Act on Bonds as of 15 January 2015 (unified text Journal of Laws 2020 No 1208), in the way that will not require to prepare a prospectus or information memorandum;
- Bonds will be of fixed interest rate, indicated in bonds issue terms and conditions. The level of interest rate will depend on rating of ESG agency, i.e. MSCI ESG Research (UK) Limited or another entity that will replace it, which measure the Company’s resilience to material environmental, social and governance (ESG) risks and how well it manage those risks, or alternative ESG rating (“ESG Rating”). The interest rate for the first interest period will amount to 2.875% per annum and in the next interest periods will stay at the same level or it is possible to change it by 0.1% or 0.2% per annum, respectively, depending on the level of ESG rating admitted according to the Bond issue terms and conditions.

The Company plans to use the financial resources from the Bonds issue for the general corporate purposes, including realization of ESG target, i.e. maintaining by the Company of the ESG rating admitted by the MSCI ESG Research (UK) Limited at the level as of the day of the Bonds issue or achieving of higher rating.

#### **Bearer bonds issue of series D**

PKN ORLEN announced that on 25 March 2021 it has issued 10 000 unsecured, bearer bonds of series D with the total nominal value of PLN 1,000,000,000 (“Bonds”) within the Bond Issue Programme on the base of Agreement for a Bond



Issue Programme, signed in Warsaw on 27 November 2006 (with subsequent annexes).

The Bonds has been registered in the records kept by the issue agent within the meaning of Art. 7a par. 1 of Act on Trading in Financial Instruments dated 29 July 2005, whose function performs Bank Polska Kasa Opieki S.A. and according to the regulations will be registered in the deposit conducted by the Central Securities Depository of Poland. The Company may decide to introduce the Bonds to the alternative trading system on the Warsaw Stock Exchange.

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**APRIL 2021****The Polish Office of Competition and Consumer Protection consent to establish CCGT Ostrołęka Sp. z o.o. together with PGNiG S.A. and ENERGA**

PKN ORLEN announced that on 14 April 2021 it received decision regarding the consent given by the Chairman of the Polish Office of Competition and Consumer Protection to establish by PKN ORLEN, ENERGA and Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG S.A.”) joint company, i.e. CCGT Ostrołęka Sp. z o.o. headquartered in Ostrołęka. Consequently one of the conditions of investment agreement on directional principles of cooperation in construction of gas power plant in Ostrołęka C Power Plant signed on 22 December 2020 between PKN ORLEN, ENERGA and PGNiG S.A. has been fulfilled.

**Initiation of works aimed at establishing the EMTN Programme and an issuance of Eurobonds**

PKN ORLEN announced that on 29 April 2021 the Company's Supervisory Board, preceded by approval of the Company's Management Board, gave its consent to establish the medium term Eurobonds programme (“Eurobonds”) (“EMTN Programme”). Based on the EMTN Programme the Company will be able from time to time to issue Eurobonds, in many tranches and currencies, with various interest structures and due dates. Within the EMTN Programme the total nominal value of the issued and outstanding Eurobonds, in any time, will not exceed the amount of EUR 5 000 000 000 or the equivalent of that amount in other currencies. Eurobonds issued under the EMTN Programme will be offered and sold outside the territory of the United States of America to, or for the account or benefit of, non-U.S. persons in accordance with Regulation S issued on the basis of the U.S. Securities Act of 1933, on the basis of the prospectus, which will be prepared by the Company.

The Eurobonds may be issued as so called green or sustainable bonds; will be registered in the international system of securities registration maintained by Euroclear Bank SA/NV or Clearstream Banking SA. The Company can apply for the admission of a particular series of Eurobonds to trading on the regulated market maintained by the Irish Stock Exchange plc trading as Euronext Dublin, the Warsaw Stock Exchange or any other entity operating a regulated market.

The issuance of each series of the Eurobonds within the EMTN Programme will be approved by the Company's Management Board. In line with PKN ORLEN's Management and the Supervisory Boards decisions, the Company will take any actions required for the establishment of the EMTN Programme and issuance of Eurobonds.

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**MAY 2021****Signing a letter of intent between ORLEN Południe S.A. and PGNiG S.A. concerning analysis of possibilities of realization of common investments regarding production, trading and use of biomethane**

PKN ORLEN announced that on 5 May 2021 ORLEN Południe S.A. and PGNiG (“Parties”) S.A. has signed a letter of intent (“Letter of intent”), in which the Parties declared the will to start the common talks and actions to analyse possibilities of common investments regarding production, trading and use of biomethane (“Investment”). The Investment will be realised through the joint venture between the Parties, in particular by using special purpose vehicle (“SPV”), where ORLEN Południe S.A. will act as a parent entity in the company.

The intention of the Parties is that the core business of SPV shall be in particular acquisition and construction of biomethane plants, development of biomethane production technologies, as well as production, trading and use of biomethane in different fields of the Parties business activity.

The condition to set up the SPV is to obtain an approval of relevant antitrust authorities for the concentration.

The Letter of intent signed is a result of analytical and development works on biomethane production with a target to create a technological, science, law and economic base to create a biomethane plants network with the production capacity of approximately 4 million m<sup>3</sup>/ year each plant.

**PKN ORLEN submitted to the Chairman of the Polish Office of Competition and Consumer Protection a notification for initiate proceedings regarding concentration in connection with the planned taking control over PGNiG S.A. by PKN ORLEN**

PKN ORLEN announced that on 10 May 2021 it submitted to the Chairman of the Polish Office of Competition and Consumer Protection a notification for initiate proceedings regarding concentration (“Notification”) in connection with the planned taking control over Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG”) by PKN ORLEN (“Transaction”).

Notification, submitted by the Company, initiates the formal proceedings regarding control of concentration.

Notification includes, apart from the description of the parties and Transaction assumptions, description of parties activity on the certain markets and presents arguments on the influence of the Transaction on the competition on that markets.

**An agreement on cooperation between PKN ORLEN, LOTOS S.A. Group, PGNiG S.A. and the State Treasury concerning taking control over LOTOS S.A. Group and PGNiG S.A. by PKN ORLEN**

PKN ORLEN announced that on 12 May 2021 an agreement on cooperation between PKN ORLEN, LOTOS S.A. Group (“LOTOS Group”), PGNiG S.A. (“PGNiG”) and the State Treasury (“Parties”) concerning taking control over LOTOS Group and PGNiG by PKN ORLEN (“Agreement”) was signed.

According to the Agreement's provisions the Parties of the Agreement confirmed that on the day of the signing of the Agreement the approved scenario of taking control over LOTOS Group and PGNiG by PKN ORLEN is a merger

between PKN ORLEN, LOTOS Group and PGNiG by acquisition pursuant to Article 492.1.1 of the Code of Commercial Companies, in such a way that all the assets of LOTOS Group and PGNiG (the acquired companies) would be transferred to PKN ORLEN (the acquiring company) for shares which would be granted by PKN ORLEN to LOTOS Group and PGNiG shareholders, within one or two separate processes of a merger ("Merger" or "Mergers", respectively). The State Treasury and PKN ORLEN will be cooperating on the development of analysis, which aim will be the final confirmation of this scenario as optimal from the point of view of the State Treasury.

As a result of the Merger or the Mergers respectively, shareholders of LOTOS Group and PGNiG in exchange for the shares held in the share capitals of LOTOS Group and PGNiG will acquire new shares in increased PKN ORLEN share capital and as of the day of the Merger or the Mergers, respectively, will become PKN ORLEN shareholders.

As a result of the Merger or the Mergers, respectively, including, in particular, acquisition of the assets of LOTOS Group and PGNiG PKN ORLEN, subject to the exceptions resulting from law, will take over rights and liabilities of LOTOS Group and PGNiG respectively through the universal succession.

According to provisions of the Agreement PKN ORLEN will have the leading role at carrying out of the Merger or the Mergers, respectively, as the acquiring company and the Merger or the Mergers, respectively will be conducted in close cooperation of the Parties on the principles set out in the Agreement.

#### **Establishing the medium term Eurobonds programme**

PKN ORLEN announced that on 13 May 2021 the Company established the medium term Eurobonds programme ("EMTN Programme"), which enables the Company to issue the Eurobonds ("Eurobonds"). On the same day the Central Bank of Ireland approved the EMTN Programme prospectus. Based on the EMTN Programme the Company will be able from time to time to issue Eurobonds, in many tranches and currencies, with various interest structures and due dates. Within the EMTN Programme the total nominal value of the issued and outstanding Eurobonds, in no time, will not exceed the amount of EUR 5,000,000,000 or the equivalent of that amount in other currencies. The EMTN Programme received following ratings: Baa2 from Moody's Investors Service and BBB- from Fitch Ratings.

In order to enable to issue the Eurobonds as so called green or sustainable bonds the Company prepared and will publish on its website the Green Finance Framework. In the Green Finance Framework the Company set goals of green financing, for which cash from issue of the Eurobonds will be allocated.

The Green Finance Framework, which will be published by the Company, has been revised by Vigeo Eiris, Moody's Corporation affiliate which assesses the issuers' ESG performance. On the basis of the assessment Vigeo Eiris provided Second Party Opinion, which confirms the compliance of the Green Finance Framework published by the Company with Green Bond Principles and Climate Transition Finance Handbook international standards.

#### **Agreement between PKN ORLEN and ENERGA S.A. on cooperation in construction of CCGT Power Plant in Ostrołęka**

PKN ORLEN announced that on 18 May 2021 it concluded with ENERGA an agreement regarding the principles and scope of cooperation between PKN ORLEN and ENERGA ("Parties"), ("Agreement") in execution of the investment agreement as of 22 December 2020 signed by PKN ORLEN, ENERGA and PGNiG S.A. on directional principles of cooperation in construction of gas power plant in Ostrołęka C Power Plant ("Investment agreement").

According to the Investment agreement signed on 22 December 2020 the Ostrołęka C Power Plant construction will be realized by setting up a new company, i.e. CCGT Ostrołęka Sp. z o.o. headquartered in Ostrołęka (currently wholly owned by ENERGA), in the share capital of which PKN ORLEN and ENERGA will acquire jointly 51% of shares ("Pool of shares") and PGNiG S.A. will acquire the remaining 49% of the shares.

In the Agreement concluded PKN ORLEN and ENERGA agreed that from the Pool of shares ENERGA will acquire 50% plus 1 share of CCGT Ostrołęka Sp. z o.o. and PKN ORLEN will acquire the remaining shares from the Pool of shares attributable to the both companies.

According to the Investment agreement joining CCGT Ostrołęka Sp. z o.o. by PGNiG S.A. depends on fulfilling of the conditions included in the Investment agreement. In case PGNiG S.A. doesn't join the company CCGT Ostrołęka Sp. z o.o., in particular if the conditions included in the Investment agreement will not be fulfilled, 49% of CCGT Ostrołęka Sp. z o.o. shares attributable to PGNiG S.A., will be acquired by PKN ORLEN.

Moreover according to the Agreement in case there is a risk that ENERGA would breach the requirements of contracts for financing, PKN ORLEN will provide financing to ENERGA in the amount not higher than PLN 1.55 billion, necessary to finance the project.

ENERGA will supervise the CCGT Ostrołęka Sp. z o.o. as a subsidiary and a member of the ENERGA capital group, including the administrative tasks, substantial and organizational supervision as well as all reconciliations with PGNiG S.A. excluding the reconciliations regarding financing of the project.

#### **Development of Olefins complex investment in the Production Plant in Płock**

PKN ORLEN announced that on 24 May 2021 the Company's Supervisory Board gave consent for realization of the development of Olefins complex investment in the Production Plant in Płock ("Project"). The Project is a part of Petrochemical segment development program, announced by the Company on 12 June 2018.

Within the Project realization process it is assumed to receive State aid to reach the acceptable economic efficiency level for the project. There are also works in progress to obtain financing for the Project in project finance formula.

Total cost of the investment is estimated at the level of approximately PLN 13.5 billion. Closing of the building phase of the investment is planned for the 1<sup>st</sup> quarter of 2024 and start of production at the Olefins III Complex for the beginning of 2025. The Company estimates that realization of the investment would increase EBITDA by approximately PLN 1 billion annually.

In connection with the Project there has been set up a company ORLEN Olefiny Sp. z o.o. within which the Project realization is planned.

Realization of the project has been accepted by the PKN ORLEN Management Board on 18 May 2021.

**Summary of PKN ORLEN Series A Eurobonds issue**

On 27 May 2021, PKN ORLEN completed the issuance of Eurobonds Series A ("Eurobonds") with the total nominal value of EUR 500,000,000 issued under the medium-term Eurobonds Programme up to the amount of EUR 5,000,000,000 (the "EMTN Programme") established on 13 May 2021.

The Bonds were issued on the following terms and conditions:

- The total nominal value of Eurobonds: EUR 500,000,000;
- Issue of 5,000 Series A of Eurobonds in registered form;
- Nominal value of one Eurobond: EUR 100,000;
- Issue price of one Eurobond: EUR 99,426;
- Redemption date: 7 years after the Eurobond issue date;
- The Eurobonds bear fixed rate interest of 1.125% per annum;
- The Eurobonds are not secured;
- The Eurobonds have been registered in the international system of securities registration maintained by Euroclear Bank SA/NV or Clearstream Banking SA;
- The Eurobonds have been admitted to trading on the regulated market of Euronext Dublin and the Warsaw Stock Exchange.

BNP Paribas, ING Bank N.V., Bank Pekao S.A. and UniCredit Bank AG participated in the preparation of the transaction as Joint Global Coordinators and Joint Bookrunners, with CaixaBank S.A. and SMBC Nikko Capital Markets Europe GmbH as Joint Bookrunners.

Funds from the issuance of the Eurobonds will be used by the Company in accordance with the published green/sustainable finance framework (the "Green Finance Framework"), which has been reviewed by Vigeo Eiris, an affiliate of Moody's Corporation, which assesses issuers' ESG performance. On the basis of the assessment, Vigeo Eiris issued an opinion (the "Second Party Opinion") for the Company, which confirms the compliance of the Green Finance Framework published by the Company with international standards of Green Bond Principles and the Climate Transition Finance Handbook.

The Eurobonds have been certified by the Climate Bonds Initiative as "Green Bonds".

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**JUNE 2021****Changes in Supervisory Board of PKN ORLEN**

PKN ORLEN announced that on 2 June 2021 Mr Dominik Kaczmarek submit a resignation with the effect from the end of 6 June 2021 from the position of PKN ORLEN Supervisory Board Member.

**Admission of series A Eurobonds to exchange trading**

PKN ORLEN announced that on 18 June 2021 the Management Board of the Warsaw Stock Exchange ("WSE") has adopted a resolution regarding admission of 5,000 series A Eurobonds (ISIN code: XS2346125573) ("Eurobonds") to exchange trading on the Catalyst parallel market, operated by the WSE.

The Eurobonds were issued by PKN ORLEN S.A. on 27 May 2021 within the medium term Eurobonds programme up to the amount of EUR 5,000,000,000 ("EMTN Programme"), established on 13 May 2021.

**Agreement for building of olefins unit complex in the Production Plant in Plock**

PKN ORLEN announced that on 22 June 2021 it signed the agreement for building of Olefins III unit complex ("Investment") in EPCC formula (Engineering, Procurement, Construction and Commissioning) for ISBL with the companies: Hyundai Engineering Co., Ltd. headquartered in Seoul and Técnicas Reunidas S.A. headquartered in Madrid.

The Investment is a part of Petrochemical segment development program, announced by the Company on 12 June 2018. Total cost of the Investment is estimated at the level of approximately PLN 13,5 billion. Closing of the building phase of the investment is planned for the 1<sup>st</sup> quarter of 2024 and start of production at the Olefins III Complex for the beginning of 2025. The Company estimates that realization of the investment would increase EBITDA by approximately PLN 1 billion annually.

**Registration of PKN ORLEN series A Eurobonds in Central Securities Depository of Poland**

PKN ORLEN announced that on 22 June 2021 the Central Securities Depository of Poland ("KDPW") has issued a statement on conclusion of the agreement with PKN ORLEN regarding registration in a securities depository up to 5,000 series A Eurobonds. Start of registration of the Eurobonds in KDPW will begin by 23 June 2021, the day which is deadline for registration appointed in KDPW statement.

**Introduction of PKN ORLEN series A Eurobonds into trading and summary of issue costs**

PKN ORLEN announced that on 24 June 2021 the Management Board of the Warsaw Stock Exchange has adopted a resolution regarding introduction of 5,000 Eurobonds of series A with a nominal value of EUR 100,000 each Eurobond into stock exchange trading on the parallel market starting from 28 June 2021 ("Eurobonds").

Moreover PKN ORLEN announced about the costs of the medium term Eurobonds programme up to the amount of EUR 5,000,000,000 established on 13 May 2021 and costs of 5 000 series A Eurobonds issued within the EMTN Programme.

The costs of the EMTN Programme incurred so far, including series A Eurobonds issue, are estimated at the level of ca. PLN 7,875 thousand.

The above mentioned amount includes the following:

- costs of preparing and conducting of the series A Eurobonds offer – PLN 4,268 thousand,
- costs of preparing of the EMTN Programme and prospectus including consulting costs – PLN 3,607 thousand,
- costs of promoting of the series A Eurobonds offer – PLN 0.

The average cost of the offers per one offered Eurobond will be calculated and published after completion of the EMTN Programme.

The Company did not incur the costs of underwriters fees, due to the fact that no underwriting agreement was signed by PKN ORLEN in connection with the offer of the Eurobonds.

The costs of the EMTN Programme and costs of series A issue (excluding costs of promoting of the bonds offers) were included as prepayments and systematically charges the financial result from the day of Series A Eurobonds issue (27 May 2021) to the day of maturity (27 May 2028). As far as taxes are concerned the transaction costs constitute tax deductible costs and are charged as of the dates of their enter into books.

### 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 2020 in note 16.5 and in point 4.4 of the Management Board Report on the Operations of the Group for 2020.

<http://www.orient.pl/EN/InvestorRelations/FinancialData/Pages/FinancialResults.aspx>

### 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

		30/06/2021 (unaudited)	31/12/2020
<b>Type of instrument / type of risk</b>	<b>Hedging strategies within the cash flows hedge related to exposure to:</b>		
currency forwards / risk of exchange rates changes	<i>operating and investing activities, sales of finished goods and purchase of crude oil</i>	331	57
commodity swaps / commodity risk	<i>time mismatch occurring on purchases of crude oil, refinery margin volatility and prices of raw materials or finished goods constituting oversized operating inventories</i>	(5)	(52)
		<b>326</b>	<b>5</b>

#### Net carrying amount of instruments hedging fair value

		30/06/2021 (unaudited)	31/12/2020
<b>Type of instrument / type of risk</b>	<b>Hedging strategies within the cash flows hedge related to exposure to:</b>		
commodity swaps / commodity risk	<i>offers for which pricing formulas are based on fixed price</i>	29	5
		<b>29</b>	<b>5</b>

## 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 on 30 November 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 strategy until 2030 sets the course for the Group's transformation into a multi-utility group and a leader of the energy transition 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. The new strategy 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 ORLEN Group achieving carbon neutrality by 2050.

In response to trends and challenges facing the energy sector, the ORLEN Group is set to become 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.

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 of approximately PLN 140 billion
- total CAPEX on sustainable development of over PLN 30 billion
- reduction of CO<sub>2</sub> emissions by 20% on current refining and petrochemical assets
- over 2,5 GW in installed RES capacity
- more than 3,500 fuel stations and over 1,000 EV fast chargers.

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.orken.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 2020, the implementation of strategic goals in 2020 was described:

<https://www.orken.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 half-year condensed consolidated financial statements, 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
Zbigniew Leszczyński	– Member of the Management Board, Development
Michał Róg	– Member of the Management Board, Wholesale and International Trades
Jan Szewczak	– Member of the Management Board, Chief Financial Officer
Józef Węgrecki	– Member of the Management Board, Operations

##### Supervisory Board

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



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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date			Number of shares as at submission date		
	foregoing quarterly report*	change p.p.	previous quarterly report**	foregoing quarterly report*	change	previous quarterly report**
State Treasury	27.52%	-	27.52%	117 710 196	-	117 710 196
Nationale-Nederlanden OFE	7.54%	0.20%	7.34%	32 260 505	869 208	31 391 297
Aviva OFE	6.43%	0.14%	6.29%	27 500 000	602 000	26 898 000
Other	58.51%	(0.34)%	58.85%	250 238 360	(1 471 208)	251 709 568
	<b>100.00%</b>	<b>-</b>	<b>100.00%</b>	<b>427 709 061</b>	<b>-</b>	<b>427 709 061</b>

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

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

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

As at the date of preparation of these half-year condensed consolidated financial statements, 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.



**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 this 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 hereby 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 28 July 2021.

signed digitally on the Polish original

.....  
Daniel Obajtek  
President of the Board

signed digitally on the Polish original

.....  
Armen Artwich  
Member of the Board

signed digitally on the Polish original

.....  
Adam Burak  
Member of the Board

signed digitally on the Polish original

.....  
Patrycja Klarecka  
Member of the Board

signed digitally on the Polish original

.....  
Zbigniew Leszczyński  
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

.....  
Józef Węgrecki  
Member of the Board