Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 3rd QUARTER 2021

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	9 MONTHS ENDED 30/09/2021	9 MONTHS ENDED 30/09/2020 *	9 MONTHS ENDED 30/09/2021	9 MONTHS ENDED 30/09/2020 *
Sales revenues	90 427	63 005	19 837	14 184
Operating profit increased by depreciation and amortisation (EBITDA)	12 761	6 739	2 799	1 517
Profit from operations (EBIT) incl.:	8 828	3 488	1 937	785
gain on bargain purchase of the ENERGA Group	-	*4 062*	-	*914*
Profit before tax	8 572	2 709	1 880	610
Net profit before net impairment allowances	7 136	3 442	1 565	775
Net profit	**7 044**	**2 800**	**1 545**	**630**
Total net comprehensive income	7 400	2 426	1 623	546
Net profit attributable to equity owners of the parent	6 981	2 757	1 531	621
Total net comprehensive income attributable to equity owners of the parent	7 341	2 388	1 610	538
Net cash from operating activities	13 261	6 071	2 909	1 367
Net cash (used) in investing activities	(8 829)	(6 422)	(1 937)	(1 445)
Net cash (used) in financing activities	(2 763)	(4 704)	(606)	(1060)
Net increase/(decrease) in cash and cash equivalents	1 669	(5 055)	366	(1 138)
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	16.32	6.45	3.58	1.45
	30/09/2021	31/12/2020 *	30/09/2021	31/12/2020 *
Non-current assets	64 372	59 433	13 895	12 879
Current assets	36 896	24 615	7 963	5 334
Total assets	**101 268**	**84 048**	**21 858**	**18 213**
Share capital	1 058	1 058	228	229
Equity attributable to equity owners of the parent	47 457	41 596	10 243	9 014
Total equity	**48 316**	**42 389**	**10 429**	**9 185**
Non-current liabilities	22 920	18 717	4 947	4 057
Current liabilities	30 032	22 942	6 482	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)	110.96	97.25	23.95	21.07

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	9 MONTHS ENDED 30/09/2021	9 MONTHS ENDED 30/09/2020	9 MONTHS ENDED 30/09/2021	9 MONTHS ENDED 30/09/2020
Sales revenues	60 647	43 785	13 304	9 857
Profit from operations increased by depreciation and amortisation (EBITDA)	6 874	1 809	1 508	407
Profit from operations (EBIT)	5 362	382	1 176	86
Profit/(Loss) before tax	5 989	(1 968)	1 314	(443)
Net profit/(loss)	**5 107**	**(2 013)**	**1 120**	**(453)**
Total net comprehensive income	5 013	(2 149)	1 100	(484)
Net cash from operating activities	7 029	2 966	1 542	668
Net cash (used) in investing activities	(4 842)	(4 195)	(1 062)	(944)
Net cash (used) in financing activities	(1 001)	(3 221)	(220)	(725)
Net increase/(decrease) in cash	1 186	(4 450)	260	(1 002)
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	11.94	(4.71)	2.62	(1.06)
	30/09/2021	31/12/2020 *	30/09/2021	31/12/2020 *
Non-current assets	41 674	38 993	8 995	8 449
Current assets	25 498	15 559	5 504	3 372
Total assets	**67 172**	**54 552**	**14 499**	**11 821**
Share capital	1 058	1 058	228	229
Total equity	**35 385**	**31 869**	**7 638**	**6 906**
Non-current liabilities	12 099	9 093	2 612	1 970
Current liabilities	19 688	13 590	4 249	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)	82.73	74.51	17.86	16.15

** restated data*

The above financial data for the 9-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 September 2021 – 4.5585 EUR/PLN and from 1 January to 30 September 2020 – 4.4420 EUR/PLN;

– items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as on 30 September 2021 – 4.6329 EUR/PLN and as at 31 December 2020– 4.6148 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 9 AND 3-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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

ORLEN ORLEN GROUP (in PLN million)

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

Consolidated statement of profit or loss and other comprehensive income

	NOTE	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/09/2020 (unaudited) (restated data)
Sales revenues		90 427	36 442	63 005	23 918
revenues from sales of finished goods and services		*70 419*	*29 004*	*48 502*	*18 071*
revenues from sales of merchandise and raw materials		*20 008*	*7 438*	*14 503*	*5 847*
Cost of sales	5.2	(75 221)	(30 427)	(57 315)	(20 508)
cost of finished goods and services sold		*(57 890)*	*(24 009)*	*(44 377)*	*(15 203)*
cost of merchandise and raw materials sold		*(17 331)*	*(6 418)*	*(12 938)*	*(5 305)*
Gross profit on sales		**15 206**	**6 015**	**5 690**	**3 410**
Distribution expenses		(6 082)	(2 214)	(5 005)	(1 792)
Administrative expenses		(1 927)	(597)	(1 620)	(558)
Other operating income, incl.:	5.5	4 427	1 263	8 318	703
gain on bargain purchase of the ENERGA Group		-	-	*4 062*	-
Other operating expenses	5.5	(3 125)	(721)	(3 951)	(728)
(Loss)/reversal of loss due to impairment of trade receivables		(59)	(21)	(47)	(14)
Share in profit from investments accounted for using the equity method		388	100	103	36
Profit from operations		**8 828**	**3 825**	**3 488**	**1 057**
Finance income	5.6	943	292	675	109
Finance costs	5.6	(1 192)	(557)	(1 452)	(345)
Net finance income and costs		**(249)**	**(265)**	**(777)**	**(236)**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables		(7)	(3)	(2)	1
Profit before tax		**8 572**	**3 557**	**2 709**	**822**
Tax expense		(1 528)	(629)	91	(145)
current tax		*(1 270)*	*(650)*	*(318)*	*(180)*
deferred tax		*(258)*	*21*	*409*	*35*
Net profit		**7 044**	**2 928**	**2 800**	**677**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		**(20)**	**10**	**(26)**	**(7)**
actuarial gains and losses		*(31)*	*10*	*(25)*	*(7)*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income		*7*	*2*	*(7)*	*(2)*
deferred tax		*4*	*(2)*	*6*	*2*
which will be reclassified into profit or loss		**376**	**(42)**	**(348)**	**(303)**
hedging instruments		*(228)*	*(276)*	*(676)*	*(271)*
hedging costs		*39*	*(243)*	*205*	*(49)*
exchange differences on translating foreign operations		*533*	*385*	*33*	*(42)*
deferred tax		*32*	*92*	*90*	*59*
		356	**(32)**	**(374)**	**(310)**
Total net comprehensive income		**7 400**	**2 896**	**2 426**	**367**
Net profit attributable to		**7 044**	**2 928**	**2 800**	**677**
equity owners of the parent		*6 981*	*2 909*	*2 757*	*651*
non-controlling interest		*63*	*19*	*43*	*26*
Total net comprehensive income attributable to		**7 400**	**2 896**	**2 426**	**367**
equity owners of the parent		*7 341*	*2 877*	*2 388*	*343*
non-controlling interest		*59*	*19*	*38*	*24*
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		16.32	6.80	6.45	1,52

The accompanying notes disclosed on pages 9 – 47 are an integral part of this the interim condensed consolidated financial statements.

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of financial position

	NOTE	30/09/2021 (unaudited)	31/12/2020 (restated data)
ASSETS			
Non-current assets			
Property, plant and equipment		52 681	49 625
Intangible assets. incl.:		3 232	2 515
goodwill	5.7	750	136
Right-of-use asset	5.12.1	5 518	5 252
Investments accounted for using the equity method		1 167	758
Deferred tax assets		782	685
Derivatives	5.9	416	179
Long-term lease receivables		1	2
Other assets	5.9	575	417
		64 372	**59 433**
Current assets			
Inventories		16 126	12 279
Trade and other receivables		14 954	9 640
Current tax assets		255	449
Cash and cash equivalents		2 958	1 240
Derivatives	5.9	1 986	440
Short-term lease receivables		4	11
Other assets	5.9	608	530
Non-current assets classified as held for sale		5	26
		36 896	**24 615**
Total assets		**101 268**	**84 048**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(174)	(16)
Revaluation reserve		(31)	(37)
Exchange differences on translating foreign operations		1 878	1 328
Retained earnings		43 499	38 036
Equity attributable to equity owners of the parent		**47 457**	**41 596**
Non-controlling interests		**859**	**793**
Total equity		**48 316**	**42 389**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.8	12 813	9 430
Provisions	5.10	2 171	2 264
Deferred tax liabilities		2 297	2 003
Derivatives	5.9	349	138
Lease liabilities		4 787	4 501
Other liabilities	5.9	493	370
Liabilities from contracts with customers		10	11
		22 920	**18 717**
Current liabilities			
Trade and other liabilities		19 905	14 023
Lease liabilities		680	713
Liabilities from contracts with customers		620	442
Loans, borrowings and bonds	5.8	1 542	4 930
Provisions	5.10	4 443	2 299
Current tax liabilities		164	66
Derivatives	5.9	419	270
Other liabilities	5.9	2 259	199
		30 032	**22 942**
Total liabilities		**52 952**	**41 659**
Total equity and liabilities		**101 268**	**84 048**

The accompanying notes disclosed on pages 9 – 47 are an integral part of this the interim condensed consolidated financial statements.

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings*	Total*	Non-controlling interests *	Total equity*
01/01/2021	2 285	(16)	(37)	1 328	38 036	41 596	793	42 389
Net profit	-	-	-	-	6 981	6 981	63	7 044
Components of other comprehensive income	-	(158)	6	533	(21)	360	(4)	356
Total net comprehensive income	**-**	**(158)**	**6**	**533**	**6 960**	**7 341**	**59**	**7 400**
Liquidation of company	-	-	-	17	-	17	-	17
Acquisition of subsidiary	-	-	-	-	-	-	8	8
Dividends	-	-	-	-	(1 497)	(1 497)	(1)	(1 498)
30/09/2021	**2 285**	**(174)**	**(31)**	**1 878**	**43 499**	**47 457**	**859**	**48 316**
(unaudited)								
01/01/2020	2 285	328	(33)	847	35 169	38 596	11	38 607
Net profit	-	-	-	-	2 757	2 757	43	2 800
Components of other comprehensive income	-	(380)	(6)	33	(16)	(369)	(5)	(374)
Total net comprehensive income	**-**	**(380)**	**(6)**	**33**	**2 741**	**2 388**	**38**	**2 426**
Issuance of shares attributable to non-controlling interest	-	-	-	-	-	-	1 659	1 659
Dividends	-	-	-	-	(428)	(428)	-	(428)
30/09/2020	**2 285**	**(52)**	**(39)**	**880**	**37 482**	**40 556**	**1 708**	**42 264**
(unaudited)								

** restated data for 2020*

The accompanying notes disclosed on pages 9 – 47 are an integral part of this the interim condensed consolidated financial statements.

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of cash flows

	NOTE	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/09/2020 (unaudited) (restated data)
Cash flows from operating activities					
Profit before tax		**8 572**	**3 557**	**2 709**	**822**
Adjustments for:					
Share in profit from investments accounted for using the equity method		(388)	(100)	(103)	(36)
Depreciation and amortisation	5.2	3 933	1 328	3 251	1 188
Foreign exchange (profit)/loss		(40)	160	507	196
Net interest		322	101	284	135
Dividends	5.6	(3)	-	(6)	-
(Profit)/Loss on investing activities, incl,:		(956)	(328)	(4 170)	76
settlement and valuation of derivative financial instruments	5.5, 5.6	*(922)*	*(355)*	*(743)*	*90*
(gain) on bargain purchase of the ENERGA Group		-	-	*(4 062)*	-
Change in provisions		3 893	1 537	1 250	496
Change in working capital		(1 073)	(1 196)	3 137	(583)
inventories, incl.:		*(3 591)*	*(1 155)*	*3 051*	*(174)*
impairment allowances of inventories to net realizable value		*10*	*1*	*612*	*97*
receivables		*(3 412)*	*(1 438)*	*1 640*	*(973)*
Liabilities, incl.:,		*5 930*	*1 397*	*(1 554)*	*564*
limitation period of liabilities towards minority shareholders of ORLEN Unipetrol		*(180)*	*(180)*	-	-
Other adjustments, incl.:		(19)	(358)	(169)	(38)
settlement of grants for property rights		*(1 602)*	*(788)*	*(538)*	*(190)*
security deposits	5.9	*1 475*	*432*	*338*	*221*
change in settlements of settled cash flow hedging instruments		*(39)*	*(16)*	*(10)*	*(37)*
Income tax (paid)		(980)	(415)	(619)	(57)
Net cash from operating activities		**13 261**	**4 286**	**6 071**	**2 199**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(7 562)	(2 023)	(5 209)	(1 988)
Acquisition of shares lowered by cash		(772)	-	(1 609)	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset		68	16	60	19
Short-term deposits		34	-	(137)	(62)
Change in the ownership structure in Baltic Power		(35)	-	-	-
Dividends received		152	-	76	35
Net cash flows from loans		1	1	(34)	-
Settlement of derivatives not designated as hedge accounting	5.5, 5.6	(688)	(173)	437	(347)
Proceeds/(Outflows) related to receivables and liabilities due to settled derivatives		(10)	9	-	-
Other		(17)	(34)	(6)	17
Net cash (used) in investing activities		**(8 829)**	**(2 204)**	**(6 422)**	**(2 326)**
Cash flows from financing activities					
Proceeds from loans and borrowings received		9 394	3 138	3 598	1 280
Bonds issued		3 225	-	-	-
Repayment of loans and borrowings		(10 534)	(3 122)	(6 840)	(2 437)
Redemption of bonds		(2 452)	(200)	(100)	-
Interest paid from loans, borrowings and bonds		(292)	(79)	(283)	(102)
Interest paid on lease		(119)	(27)	(91)	(19)
Dividends paid		(1 498)	(1 497)	(428)	(428)
to equity owners of the parent		*(1 497)*	*(1 497)*	*(428)*	*(428)*
to non-controlling interest		*(1)*	-	-	-
Payments of liabilities under lease agreements		(538)	(165)	(572)	(191)
Grants received		89	49	14	4
Other		(38)	(1)	(2)	1
Net cash (used) in financing activities		**(2 763)**	**(1 904)**	**(4 704)**	**(1 892)**
Net increase/(decrease) in cash and cash equivalents		**1 669**	**178**	**(5 055)**	**(2 019)**
Effect of changes in exchange rates		49	5	7	(39)
Cash and cash equivalents, beginning of the period		1 240	2 775	6 159	3 169
Cash and cash equivalents, end of the period		**2 958**	**2 958**	**1 111**	**1 111**
including restricted cash		*380*	*380*	*188*	*188*

The accompanying notes disclosed on pages 9 – 47 are an integral part of this the interim condensed consolidated financial statements.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity of the ORLEN Group

The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") with its headquarters in Płock, 7 Chemików Street.
The core business of the ORLEN Group is the processing of crude oil and the production of fuel, petrochemical and chemical products as well as their wholesale and retail sale 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, press distribution, insurance and financial services and media activities (newspapers and websites).

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

2.1. Statement of compliance and general principles of preparation

This interim condensed consolidated financial statements ("consolidated financial statement") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information to be published by issuers of securities and conditions of consideration of information required by the law of non-member country's law as equal (Official Journal 2018, item 757) and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 30 September 2021 and as at 31 December 2020, financial results and cash flows for the 9 and 3-month period ended 30 September 2021 and 30 September 2020.

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

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

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

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

2.2.1. Accounting principles

In these interim condensed consolidated financial statements, the significant accounting policies applied by the Group and significant values based on judgments and estimates were the same as described in individual explanatory notes in the Consolidated Financial Statements for 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 15 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 9-month period ended 30 September 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 did not have a significant impact on the comparative data for the 3rd quarter 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 3rd quarter 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 recognised as a decrease of the cost of sales at the time of production of energy. In previous periods those revenues were presented as other operating income. With respect to the presented comparative data for the 3rd quarter 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, in particular under the signed contracts for the sale of property rights these certificates are presented at the time of registration as inventories (merchandise). 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 Quarterly Report for the 3rd quarter of 2020:

- in the 2nd 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 assumed 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 4th 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)
ASSETS, incl.:	**83 827**	**-**	**209**	**12**	**84 048**
Non-current assets, incl.:	**59 212**	**-**	**209**	**12**	**59 433**
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
investment property	*261*	-	-	4	*265*
EQUITY AND LIABILITIES, incl.:	**83 827**	**-**	**209**	**12**	**84 048**
Equity, incl.:	**42 379**	**-**		**10**	**42 389**
Non-controlling interests	783	-	-	10	793
Non-current liabilities, incl.:	**18 524**	**-**	**189**	**4**	**18 717**
Deferred tax liabilities	1 999	-	-	4	2 003
Non-current other liabilities	181	-	189	-	370
Current liabilities, incl.:	**22 924**	**-**	**20**	**(2)**	**22 942**
Trade and other liabilities	14 024	-	-	(1)	14 023
Provisions	2 300	-	-	(1)	2 299
Current other liabilities	179	-	20	-	199

	9 MONTHS ENDED 30/09/2020 (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	9 MONTHS ENDED 30/09/2020 (unaudited) (restated data)
Cost of sales	(57 300)	-	(15)	-	(57 315)
Gross profit on sales	5 705	**-**	**(15)**	**-**	**5 690**
Other operating income, incl.:	7 931	372	15	-	8 318
Gain on bargain purchase of the ENERGA Group	*3 690*	*372*	-	-	*4 062*
Profit from operations	**3 116**	**372**	**-**	**-**	**3 488**
Profit before tax	**2 337**	**372**	**-**	**-**	2 709
Net profit	**2 428**	**372**	**-**	**-**	**2 800**

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

2.3.2. Methods applied to translation of financial data

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

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

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

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	9 MONTHS ENDED 30/09/2021	3 MONTHS ENDED 30/09/2021	9 MONTHS ENDED 30/09/2020	3 MONTHS ENDED 30/09/2020	30/09/2021	31/12/2020
EUR/PLN	4.5478	4.5670	4.4233	4.4418	4.6329	4.6148
USD/PLN	3.8015	3.8740	3.9392	3.7997	3.9925	3.7584
CZK/PLN	0.1767	0.1791	0.1677	0.1678	0.1816	0.1753
CAD/PLN	3.0380	3.0763	2.9091	2.8524	3.1388	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 cyclicality of operations in the other segments of the ORLEN Group.

3. Financial situation and the organization of the ORLEN Group

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

In the 3rd quarter 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 still observe uncertainly about the future course of the pandemic reflected in high volatility in demand as well as in prices of refining and petrochemical products and raw materials, including crude oil, energy prices and CO_2 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 3rd quarter the actual and announced power reduction was 3.1 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 eight refineries with a total potential of 720,000 bd. Global capacity, estimated at 1.5 mbpd, remains to be reduced, of which 1.0 mbpd is allocated to Europe.
The strong increase in demand for crude oil and liquid fuels, related to the ongoing recovery in the global economy observed from the beginning of the 2nd 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 since the 2nd half of 3rd quarter of 2021 was the unexpected demand for liquid fuels from the energy sector due to high gas prices. 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 acceleration of the energy transformation has led to an increase in demand for natural gas and the lack of supply reserves has triggered hyperbolic increases in in the prices of this raw material, which, together with rising emission allowance prices following the publication climate package of the Fit for 55, have led to strong increases in energy prices. In the ORLEN Group opinion, this is a temporary situation which, once gas is recognized as an essential transition fuel in the process of energy transformation in Europe, will lead to an increase in gas-based energy capacity and mitigate price pressures.
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 3rd quarter of 2021. The Group adjusts its operations on an ongoing basis to the changing epidemiological situation.
During the period covered by these interim 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 9-month period ended 30 September 2021 and 30 September 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 (30) million and PLN (61) million, respectively.
In the 3rd quarter 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 September 2021, which payment dates fall in the coming months, will not change significantly. Due to the above, as at 30 September 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 September 2021, on the basis of the analysis performed, apart from the 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. Information on impairment allowances for non-current assets recognised in the 9-month period ended 30 September 2021 is presented in note 5.4.
As at the date of preparation of these interim condensed consolidated financial statements the financial situation of the Group is stable. Working capital increased by PLN (1,073) 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. The Group's results in 3rd quarter of 2021 by operating segments are presented in note 4.
In the Group's opinion, the ongoing coronavirus pandemic did not affect the level of risk in relation to guarantees granted as at 30 September 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 interim condensed consolidated financial statements, the Group estimates, that it has sufficient sources of funding for implementation of all strategic development and investment projects as well as acquisitions as planned.

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

Profit or loss for the 9 months of 2021

Sales revenues of the ORLEN Group for the 9 months of 2021 amounted to PLN 90,427 million and was higher by PLN 27,422 million (y/y). The increase of sales revenues (y/y) resulted mainly from the increase by 65% (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 9-month period of 2021 in comparison to the same period of 2020 the prices of the main products increased, including fuel by 69%, diesel oil by 48%, light heating oil by 49%, aviation fuel by 61%, heavy heating oil by 76%, ethylene by 31% and propylene by 42%.

The operating expenses totally increased by PLN (19,290) million (y/y) to PLN (83,230) 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 35% (y/y) mainly as a result of an increase in crude oil quotation by 27 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 of taxes and charges resulting from the recognition of a provision for estimated costs of CO_2 emissions in connection with the observed increase in market price of allowances.

The result of other operating activities amounted to PLN 1,302 million and was lower by PLN (3,065) million (y/y) mainly due to the lack of the impact of the recognition in the comparable period of the previous year of the profit from the bargain purchase of 80% of ENERGA shares in the amount of (4,062) PLN million compensated by the effect and recognition of impairment losses on property, plant and equipment, intangible assets, right-of-use assets, other non-current assets in the amount of PLN 619 million.

As a result, profit from operations amounted to PLN 8,828 million and was higher by PLN 5,340 million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance expenses in the described period amounted to PLN (249) million and included mainly net interest expenses in the amount of PLN (327) million, net foreign exchange loss in the amount of PLN (56) million and settlement and valuation of derivative financial instruments in the amount of PLN 124 million.

After the deduction of tax charges in the amount of PLN (1,528) million, the net profit of the ORLEN Group for the 9 months of 2021 amounted to PLN 7,044 million and was higher by PLN 4,244 million (y/y).

Profit or loss for the 3rd quarter of 2021

Sales revenues of the ORLEN Group in the 3rd quarter of 2021 amounted to PLN 36,442 million and were higher by PLN 12,524 million (y/y). The increase in sales revenues (y/y) reflects 71% increase in crude oil prices and as a result, also the quotation of major products: fuel by 81%, diesel oil by 69%, light heating oil by 70%, aviation fuel by 87%, heavy heating oil by 65%, ethylene by 48% and propylene by 59%.

Total operating expenses increased by PLN (10,380) million (y/y) to PLN (33,238) million mainly as a result of the higher cost of materials and energy consumption by 64% as a result of rising crude oil prices by 31 USD/bbl (y/y) and natural gas and electricity, as well as an increase in taxes and charges resulting from the higher costs of CO_2 emissions.

The result of other operating activities amounted to PLN 542 million and was higher by PLN 567 million (y/y) mainly as a result of net positions of settlement and valuation of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN 263 million and limitation period of liabilities towards minority shareholders of ORLEN Unipetrol in the amount of PLN 184 million.

As a result, profit from operations amounted to PLN 3,825 million and was higher by PLN 2,768 million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance costs in the described period amounted to PLN (265) million and included mainly net foreign exchange loss in the amount of PLN (311) million, net interest expenses in the amount of PLN (112) million and net positive impact of settlement and valuation of derivative financial instruments in the amount of PLN 119 million.

After the deduction of tax charges in the amount of PLN (629) million, the net profit of the ORLEN Group amounted to PLN 2,928 million and was higher by PLN 2,251 million (y/y).

Statement of financial position

As at 30 September 2021, the total assets of the ORLEN Group amounted to PLN 101,268 million and was higher by PLN 17,220 million in comparison with 31 December 2020.
As at 30 September 2021, the value of non-current assets amounted to PLN 64,372 million and was higher by PLN 4,939 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets by PLN 3,773 million and an increase in the value of investments accounted for using the equity method by PLN 409 million, mainly as a result of the recognition of an investment in the Baltic Power joint venture in the amount of PLN 268 million (additional information in notes 3.4.7) and recognition of a higher share in the results of jointly controlled entities.
The change in balance of property, plant and equipment and intangible assets by PLN 3,773 million (y/y) comprised:

– investment expenditures in the amount of PLN 5,787 million including development of fertilizer production capacities in Anwil, construction of the Glycol installation in ORLEN Południe and Visbreaking Installation in Płock, expenditure of the production capacity of the Olefin installation in Płock, projects in the Energy segment related mainly to the modernization of existing assets and the connection of new customers and modernization of the TG1 turbine generator of power plant in Płock and projects in Retail and Upstream segment;
– depreciation and amortisation in the amount of PLN (3,427) million;
– goodwill recognised on the acquisition of new subsidiaries in the amount of PLN 605 million. Additional information in notes 3.4, 5.7;
– purchase of CO_2 allowances and energy certificates in the amount of PLN 1,447 million;
– amortisation of CO_2 allowances and energy certificates in the amount of PLN (1 745) million;
– effect of recognition of new assets at the date of acquisition of new subsidiaries in the amount of PLN 513 million and
– effect of differences in balance on translating foreign operations in the amount of PLN 570 million.

The value of current assets as at 30 September 2021 increased by PLN 12,281 million in comparison with the end of the previous year, mainly as an increase in inventories by PLN 3,847 million, balance of cash and cash equivalents by PLN 1,718 million, trade and other receivables by PLN 5,314 million and valuation of derivative financial instruments by PLN 1,546 million mainly due to the valuation of CO_2 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 and quantity.

As at 30 September 2021, total equity amounted to PLN 48,316 million and was higher by PLN 5,927 million in comparison with the end of 2020, mainly due to recognition of net profit for the 9 months of 2021 in the amount of PLN 7,044 million, negative impact of the change in hedging reserve in the amount of PLN (158) million, dividends paid to PKN ORLEN's shareholder from previous years' profits in the amount of PLN (1,497) million and the impact of exchange differences on translating foreign operations in the amount of PLN 550 million, resulting mainly from the increase in CZK, USD and CAD exchange rates.

The value of trade and other liabilities increased by PLN 5,882 million compared to the end of 2020 mainly due to increase of trade liabilities by PLN 4,864 million, tax liabilities by PLN 1,929 million related mainly to excise tax and fuel charge as well as value added tax due to higher volume and quantity sales of product and a significant increase in fuel prices in 2021 compared to prices in 2020 by decrease in investment liabilities by PLN (434) million. The increase in trade liabilities results mainly from the higher prices on the markets.

Value of provisions as at 30 September 2021 amounted to PLN 6,614 million and was higher by PLN 2,051 million in comparison to the end of 2020. In the 9-month period of 2021, the Group updated provisions from 2020 and recognised/reversed a provision for CO_2 emissions for the 3rd quarter of 2021 in the total amount of PLN 3,420 million. The increase resulted mainly from increase of average weighted price and market prices, while maintenance of similar amounts of CO_2 emissions. In addition the change of net provisions for CO_2 emissions resulted mainly from redemptions a provision in connection with CO_2 emissions for 2020 in amount of PLN (1,728) million.

Other short-term liabilities were higher by PLN 2,060 million in comparison to the end of 2020 and amounted to PLN 2,259 million, mainly due to the recognition of grants due to CO_2, the value of which to be settled as at 30 September 2021 amounted to PLN 506 million and the negative balance of security deposits on the ICE exchange in the amount of PLN 1,589 million.

As at 30 September 2021, net financial indebtedness of the ORLEN Group amounted to PLN 11,369 million and was lower by PLN (1,691) million in comparison with the end of 2020 mainly due to the net inflows, including inflows and repayments of loans, borrowings and redemption and issue of bonds in the amount of PLN (367) million, an increase in balance of cash and cash equivalents by PLN (1,718) million, short-term deposits in the amount of PLN 32 million 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 362 million.

Statement of cash flows for the 9 months of 2021

Proceeds of net cash from operating activities for the 9-month period of 2021 amounted to PLN 13,261 million and comprised mainly result from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 12,761 million, share in profit from investments accounted for using the equity method in the amount of PLN (388) million, the negative impact of increase in a net working capital by PLN (1,073) 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 (980) million, profit on investing activities in the amount of PLN (956) million mainly related to settlement and valuation of derivative financial instruments in the amount of PLN (922) million, change in provisions in the amount of PLN 3,893 million mainly as a result of an increase in weighted average prices and market prices of CO_2 allowances.

Net cash used in investing activities for the 9-month period of 2021 amounted to PLN (8,829) million and comprised mainly net cash flows for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (7,494) 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 (688) million.

Net cash flows of financing activities for the 9-month period of 2021 amounted to PLN (2,763) million and comprised mainly dividends to PKN ORLEN's shareholder in the amount of PLN (1,497) million, the net outflows included proceeds and repayment of loans in the amount of PLN (1,140) 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 (2,452) million mainly by ORLEN Capital and interest paid in the amount of PLN (411) million and liabilities under lease agreements in the amount of PLN (538) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 9-month period of 2021 increased by PLN 1,718 million and as at 30 September 2021 amounted to PLN 2,958 million.

Statement of cash flows for the 3rd quarter of 2021

In the 3rd quarter of 2021 the net cash from operating activities amounted to PLN 4,286 million and comprised mainly of profit from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 5,153 million and the negative impact of increase in a net working capital by PLN (1,196) million, paid income tax in the amount of PLN (415) million, profit on investing activities in the amount of PLN (328) million and change in provisions in the amount of PLN 1,537 million.

In the 3rd quarter of 2021 the net cash used in investing activities amounted to PLN (2,204) million and comprised mainly of net expenses for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (2,007) million and settlement of derivatives not designated as hedge accounting in the amount of PLN (173) million.

In the 3rd quarter of 2021 net expenses of cash used in financing activities amounted to PLN (1,904) million and comprised mainly of paid dividend to PKN ORLEN's shareholder in the amount of PLN (1,497) million, payments of liabilities under lease agreements in the amount of PLN (165) million, interest paid in the amount of PLN (106) million and redemption of bonds in the amount of PLN (200) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 3rd quarter of 2021 increased by PLN 183 million and as at 30 September 2021 amounted to PLN 2,958 million.

Factors and events which may influence future results

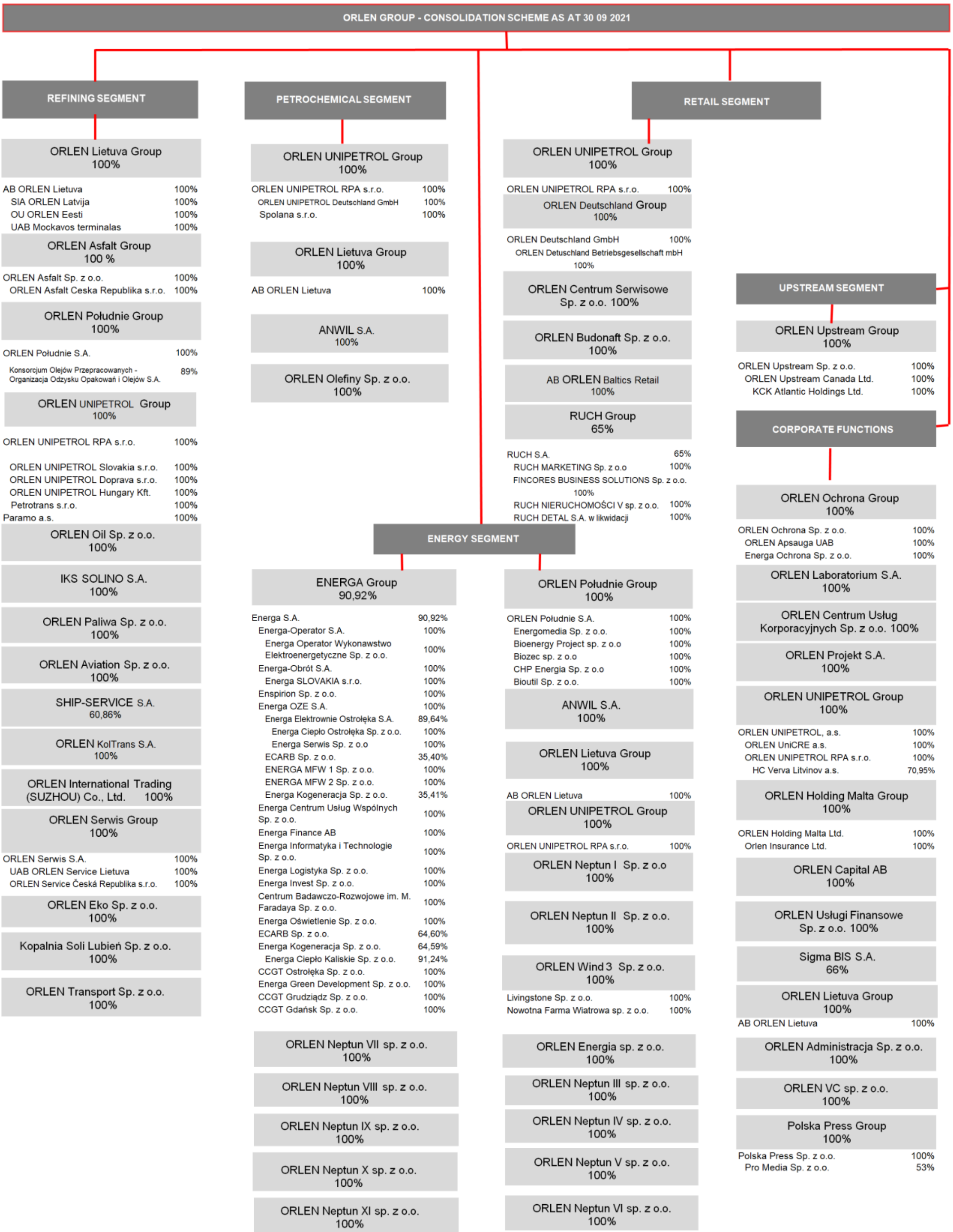
The factors that will affect future financial results of the ORLEN Group include:

- impact of the COVID-19 pandemic on the macroeconomic environment,
- macroeconomic and geopolitical environment - crude oil and other energy resources prices, quotations on refining and petrochemical products, foreign exchange rates (mainly EUR/USD, PLN/USD, PLN/EUR) and economic relations between the USA, China and Iran, relations between the EU and the USA with Russia ,
- EU's climate policy and prices of rights and CO_2 emissions allowances, and consequently the price of electricity,
- significant increase in the volatility of energy resources and energy prices, related to the increase in restrictiveness of climate and environmental regulations and the reluctance to invest in the oil and gas industry, ahead of the possibility of the global demand for renewable energy sources,
- 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. Description of the organization of the ORLEN Group

The ORLEN Group includes PKN ORLEN as the Parent Company and entities located in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, 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. and ENERGA Green Development Spółka z o.o. 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;
  Acquired company is an entity operating on 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 interim 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. 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 million and PLN 93 million. Additional information in note 3.4.7;
- on 26 March 2021, ENERGA OZE SA established two new companies: ENERGA MFW 1 Sp. z o.o. at a startup with its headquarters in Gdańsk and ENERGA MFW 2 Sp. z o.o. at a startup with its headquarters in Gdańsk. 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.
  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. (ORLEN Transport). 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 value of the transaction amounted to PLN 372 million. 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. All new shares, was taken over in full by the current shareholder of the Company, i.e. PKN ORLEN SA, 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 million to increase the share 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 transaction value is EUR 45 million. 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 million;
- 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.;
- 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 11 million was recognised. On the day of approval of these interim 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. 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 million.
  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 million;
- on 27 July 2021, the Extraordinary General Meeting of Energa Operator Wykonastwo Elektroenergetyczne Sp.z o.o. (ENERGA Group) was held on which a resolution on increasing the Company's share capital was adopted;
- on 29 July 2021 the Extraordinary General Meeting of ORLEN Upstream Sp. z o.o. was held on which a resolution on increasing the Company's share capital was adopted;
- on 31 July 2021, ORLEN Ochrona Sp. z o.o. acquired 100% of shares in the share capital of ENERGA OCHRONA Spółka z ograniczoną odpowiedzialnością;
- on 16 August 2021, the Extraordinary Meeting of Shareholders of ORLEN Eko Sp. z o.o. was held on which a resolution on increasing the Company's share capital was adopted;
- on 29 September 2021, an increase in the share capital of CHP Energia Sp. z o.o was registered with the National Court Register;
- on 4 October 2021, the Founding Act of ORLEN EkoUtylalizacja Sp. z o.o., the sole owner of which is ORLEN Eko Sp. z o.o. (100% share in the share capital), took place;
- on 11 October 2021, an increase in the share capital of ORLEN Upstream Sp. z o.o. was registered with the National Court Register.

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 1st 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 2nd 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 the consolidated half-year report for the 1st half of 2021 and in these interim condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities as part of the final settlement of the RUCH acquisition transaction.

ORLEN GROUP (in PLN million)

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 1st 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:

Assets acquired	**A**	**369**
Non-current assets		
Property, plant and equipment		42
Intangible assets		25
Right-of-use asset		37
Deferred tax assets		8
Other assets		11
Current assets		
Inventories		54
Trade and other receivables		58
Cash and cash equivalents		131
Other assets		3
Assumed liabilities	**B**	**296**
Non-current liabilities		
Deferred tax liabilities		4
Lease liabilities		27
Current liabilities		
Trade and other liabilities		149
Lease liabilities		10
Loans, borrowings and bonds		35
Provisions		70
Other liabilities		1
Total net assets	**C = A - B**	**73**
Acquired net assets attributable to the equity owners of the parent	**D**	**73**
Non-controlling interest measured as a proportionate share in the net assets		**25**
% share in the share capital	**E**	64,94%
Value of shares measured as a proportionate share in the net assets	**F = D*E**	46
Fair value of the consideration transferred (Cash paid)	**G**	130
Goodwill	**I = G - F**	**84**

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 September 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 September 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 founds 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 1st 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 2nd 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 the consolidated half-year report for the 1st half of 2021 and in these interim condensed consolidated financial statements, the Group presents the final fair values of the acquired assets and liabilities as part of the final settlement of the Livingstone acquisition.

ORLEN GROUP (in PLN million)

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 1st 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:

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

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 September 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 7,042 million, and sales revenues would be PLN 90,427 million. The share of Livingstone in the sales revenues generated by the ORLEN Group for the 3 quarters of 2021 amounted to PLN 9 million and PLN 2 million, respectively.

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 interim condensed consolidated financial statements, the process of purchase price allocation has not been completed yet. The Group 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. As at the date of these interim condensed consolidated financial statements, the court has not issued a final decision on this matter. 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 15 September 2021, PKN ORLEN was entered into the National Court Register as the sole shareholder of Polska Press.

ORLEN GROUP (in PLN million)

On the basis on its own judgment, on the obtained legal analyses prepared by external law firm, the Group assessed that as at 30 September 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:

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

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 Pro Media, 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 September 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 7,038 million, and sales revenues would be PLN 90,471 million. The share of Polska Press in the sales revenues and result generated by the ORLEN Group for the 3 quarters of 2021 amounted to PLN 175 million and PLN (12) 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 Płock.

ORLEN Transport is one of the largest road transport service providers in Poland.

ORLEN 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 interim consolidated financial statements, the process of purchase price allocation has not been completed yet. The Group plans to complete settlement of the transaction by the end of 2021.

(in PLN million)

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

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

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 September 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 7,046 million, and sales revenues would be PLN 90,432 million.
The share of ORLEN Transport in the sales revenues and result generated by the ORLEN Group for the 3 quarters of 2021 amounted to PLN 65 million and PLN 3 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. 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 interim condensed consolidated financial statements, the process of allocating the purchase price has not been completed. The Group plans to complete settlement of the transaction by the end of 2021.

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

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

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 electricity from renewable energy sources (RES) and sale contracts for property rights resulting from certificates of origin.
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 September 2021, the Group did not identified 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 7,056 million, and sales revenues would be PLN 90,452 million. The share of Nowotna Farma Wiatrowa in the sales revenues and result generated by the ORLEN Group for the 3 quarters of 2021 amounted to PLN 54 million and PLN 28 million, respectively.

3.4.6. Settlement of acquisition of UAB Mockavos Terminals shares in accordance with IFRS 3 Business Combinations

As at 15 June 2021, AB ORLEN Lietuva acquired 100% of shares in UAB Mockavos Terminalas. The fair value of the payment made amounted to EUR 45 million (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^3, while the reloading capacity is estimated at 1.2 million tonnes of liquid fuels per year. The terminal in Mockava is the only railway transhipment 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).

Full settlement of the transaction

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

In the 3rd 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 settled the transaction related to acquisition of UAB Mockavos Terminalas.

There were no significant changes in relation to other net assets.

With regard to individual balance items, there were no significant differences between final valuation and preliminary valuation presented in the consolidated half-year report for the 1st half of 2021.

ORLEN ORLEN GROUP (in PLN million)

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

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

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 September 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 7,047 million, and sales revenues would be PLN 90,429 million. The share of Mockavos Terminalas in the sales revenues generated by the ORLEN Group for the 3 quarters 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 interim 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 September 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,
- the Upstream segment, which includes activity related to exploration and extraction of mineral resources conducted through the ORLEN Upstream Group,

ORLEN ORLEN GROUP (in PLN million)

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 9 and 3 months of 2021, the Group presents the valuation effect of CO_2 forward contracts divided into individual business segments using the key based on estimated CO_2 emissions.
In previous periods the valuation effect of CO_2 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 9-month period ended 30 September 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	38 014	10 889	11 423	29 280	545	276	-	90 427
Inter-segment revenues		18 869	1 458	2 500	69	-	417	(23 313)	-
Sales revenues		56 883	12 347	13 923	29 349	545	693	(23 313)	90 427
Total operating expenses		(53 318)	(11 134)	(12 494)	(27 636)	(428)	(1 533)	23 313	(83 230)
Other operating income	5.5	2 310	889	975	46	2	205	-	4 427
Other operating expenses	5.5	(2 572)	(45)	(190)	(45)	(151)	(122)	-	(3 125)
(Loss)/reversal of loss due to impairment of financial instruments		(4)	(2)	(52)	(6)	(1)	6	-	(59)
Share in profit from investments accounted for using the equity method		-	266	121	-	-	1	-	388
Profit/(Loss) from operations		**3 299**	**2 321**	**2 283**	**1 708**	**(33)**	**(750)**	**-**	**8 828**
Net finance income and costs	5.6								(249)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(7)
Profit before tax									**8 572**
Tax expense									(1 528)
Net profit									**7 044**
Depreciation and amortisation	5.2	**999**	**723**	**1 173**	**608**	**237**	**193**	**-**	**3 933**
EBITDA		**4 298**	**3 044**	**3 456**	**2 316**	**204**	**(557)**	**-**	**12 761**
Increases in non-current assets		**1 553**	**2 213**	**1 747**	**739**	**213**	**184**	**-**	**6 649**

for the 3-month period ended 30 September 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	16 156	4 458	3 805	11 696	210	117	-	36 442
Inter-segment revenues		8 075	719	898	31	-	141	(9 864)	-
Sales revenues		24 231	5 177	4 703	11 727	210	258	(9 864)	36 442
Total operating expenses		(22 498)	(4 702)	(4 269)	(10 985)	(151)	(497)	9 864	(33 238)
Other operating income	5.5	538	246	269	14	2	194	-	1 263
Other operating expenses	5.5	(584)	(8)	(51)	(11)	(11)	(56)	-	(721)
(Loss)/reversal of loss due to impairment of financial instruments		(3)	(1)	(15)	(2)	-	-	-	(21)
Share in profit from investments accounted for using the equity method		-	90	9	-	-	1	-	100
Profit/(Loss) from operations		**1 684**	**802**	**646**	**743**	**50**	**(100)**	**-**	**3 825**
Net finance income and costs	5.6								(265)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(3)
Profit before tax									**3 557**
Tax expense									(629)
Net profit									**2 928**
Depreciation and amortisation	5.2	**338**	**241**	**398**	**203**	**80**	**68**	**-**	**1 328**
EBITDA		**2 022**	**1 043**	**1 044**	**946**	**130**	**(32)**	**-**	**5 153**
Increases in non-current assets		**682**	**819**	**572**	**271**	**74**	**63**	**-**	**2 481**

ORLEN ORLEN GROUP (in PLN million)

for the 9-month period ended 30 September 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	25 148	7 662	6 311	23 469	356	59	-	63 005
Inter-segment revenues		13 480	1 589	2 462	75	-	358	(17 964)	-
Sales revenues		38 628	9 251	8 773	23 544	356	417	(17 964)	63 005
Total operating expenses		(42 607)	(8 718)	(7 323)	(21 589)	(444)	(1 223)	17 964	(63 940)
Other operating income, incl.:	5.5	3 743	140	4 156	45	170	64	-	8 318
gain on bargain purchase of the ENERGA Group	5.5	-	-	*4 062*	-	-	-	-	*4 062*
Other operating expenses	5.5	(2 938)	(8)	(52)	(70)	(671)	(212)	-	(3 951)
(Loss)/reversal of loss due to impairment of financial instruments		2	1	(18)	(3)	(1)	(28)	-	(47)
Share in profit from investments accounted for using the equity method		-	101	1	-	-	1	-	103
Profit/(Loss) from operations		**(3 172)**	**767**	**5 537**	**1 927**	**(590)**	**(981)**	**-**	**3 488**
Net finance income and costs	5.6								(777)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(2)
Profit before tax									**2 709**
Tax expense									91
Net profit									**2 800**
Depreciation and amortisation	5.2	**855**	**682**	**791**	**527**	**244**	**152**	**-**	**3 251**
EBITDA		**(2 317)**	**1 449**	**6 328**	**2 454**	**(346)**	**(829)**	**-**	**6 739**
Increases in non-current asset		**1 989**	**1 155**	**973**	**856**	**265**	**221**	**-**	**5 459**

for the 3-month period ended 30 September 2020

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited) (restated data)
External revenues	5.1	9 163	2 615	3 452	8 552	117	19	-	23 918
Inter-segment revenues		4 942	529	854	13	-	125	(6 463)	-
Sales revenues		14 105	3 144	4 306	8 565	117	144	(6 463)	23 918
Total operating expenses		(14 472)	(2 956)	(3 675)	(7 707)	(134)	(377)	6 463	(22 858)
Other operating income	5.5	560	59	55	10	18	1	-	703
Other operating expenses	5.5	(576)	(8)	(35)	(10)	(19)	(80)	-	(728)
(Loss)/reversal of loss due to impairment of financial instruments		(1)	1	(8)	(1)	-	(5)	-	(14)
Share in profit from investments accounted for using the equity method		1	34	1	-	-	-	-	36
Profit/(Loss) from operations		**(383)**	**274**	**644**	**857**	**(18)**	**(317)**	**-**	**1 057**
Net finance income and costs	5.6								**(236)**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									1
Profit before tax									**822**
Tax expense									(145)
Net profit									**677**
Depreciation and amortisation	5.2	**285**	**224**	**377**	**176**	**72**	**54**	**-**	**1 188**
EBITDA		**(98)**	**498**	**1 021**	**1 033**	**54**	**(263)**	**-**	**2 245**
Increases in non-current assets		**728**	**344**	**506**	**309**	**51**	**93**	**-**	**2 031**

***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.*

ORLEN ORLEN GROUP (in PLN million)

Assets by operating segments

	30/09/2021 (unaudited)	31/12/2020 (restated data)
Refining Segment	33 360	25 908
Petrochemical Segment	15 935	13 873
Energy Segment	28 208	24 844
Retail Segment	11 412	10 983
Upstream Segment	3 160	3 070
Segment assets	**92 075**	**78 678**
Corporate Functions	9 293	5 589
Adjustments	(100)	(219)
	101 268	**84 048**

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

5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

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.

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Revenues from sales of finished goods and services	70 419	29 004	48 502	18 071
revenues from contracts with customers	*70 194*	*28 920*	*48 314*	*18 003*
excluded from scope of IFRS 15	*225*	*84*	*188*	*68*
Revenues from sales of merchandise and raw materials	20 008	7 438	14 503	5 847
revenues from contracts with customers	*20 008*	*7 438*	*14 502*	*5 847*
excluded from scope of IFRS 15	-	-	*1*	-
Sales revenues, incl.:	**90 427**	**36 442**	**63 005**	**23 918**
revenues from contracts with customers	*90 202*	*36 358*	*62 816*	*23 850*

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

The impact of new subsidiaries acquired in 2020 and 2021 in the 9 and 3 months ended 30 September 2021 and 30 September 2020 on the items of revenues from sales of finished goods, services, merchandise and raw materials amounted to PLN 11,012 million and PLN 3,689 million and PLN 4,965 million, and PLN 3,031 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 subject to 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), where the customer simultaneously receives and consumes benefits from the service. Revenues are recognised on the basis of the output method with respect to the rendered services.
In the Retail segment, the moment of fulfilment of the performance obligation is the moment of transfer of good, except for sales of fuels in the Fleet Program using Fleet Cards.
Revenue recognised over time mainly relate to the sale of electricity and energy distribution services within the Energy segment, fuel sales in the Fleet Programme and subscription sale within Retail segment and the sale of gas and crude oil within the Upstream segment. These revenues are recognised using the output method for the delivered units of goods.

The duration of most contracts within the Group is short-term. Revenues on services for which start and end dates fall in different reporting periods are recognised according to the degree of complete fulfilment of the performance obligation using the input-based method. Contracts that remain unfulfilled in full as at the balance sheet date relate to i.a. construction and installation contracts.
As at 30 September 2021 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations.
The unfulfilled or partially unfulfilled performance obligations as at 30 September 2021 mainly concerned contracts for the sale of electricity and power media and for the supply of newspapers, subscriptions, advertising broadcast, parcel delivery and collection services that will end within 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.

ORLEN ORLEN GROUP (in PLN million)

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 2,852 fuel stations: 2,333 own brand stations and 519 stations operated under franchise agreements and by 1,117 retail outlets/ kiosks managed by the RUCH Group. Additionally, the press is sold in third-party outlets, i.e. large organised networks, including franchised and private shops. As part of the publishing activity of the Polska Press Group, revenues are also generated through own websites.
The Group's direct sales to customers in the Refining Petrochemical and Upstream segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy to customers in the Energy segment are carried out mostly with the use of own distribution infrastructure.

5.1.1. Sales revenues of operating segments according to product type

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Refining Segment				
Revenue from contracts with customers IFRS 15	**38 001**	**16 151**	**25 137**	**9 162**
Light distillates	9 000	4 011	5 302	2 007
Medium distillates	22 841	9 566	15 821	5 478
Heavy fractions	4 081	1 913	2 800	1 223
Other*	2 079	661	1 214	454
Excluded from scope of IFRS 15	**13**	**5**	**11**	**1**
	38 014	**16 156**	**25 148**	**9 163**
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	**10 883**	**4 456**	**7 657**	**2 613**
Monomers	2 288	1 173	2 108	764
Polymers	2 634	978	1 262	470
Aromas	945	320	513	163
Fertilizers	840	331	612	211
Plastics	1 301	590	929	310
PTA	1 178	415	995	305
Other	1 697	649	1 238	390
Excluded from scope of IFRS 15	**6**	**2**	**5**	**2**
	10 889	**4 458**	**7 662**	**2 615**
Energy Segment				
Revenue from contracts with customers IFRS 15	**11 415**	**3 799**	**6 308**	**3 452**
Excluded from scope of IFRS 15	**8**	**6**	**3**	**-**
	11 423	**3 805**	**6 311**	**3 452**
Retail Segment				
Revenue from contracts with customers IFRS 15	**29 100**	**11 632**	**23 318**	**8 494**
Light distillates	11 422	4 761	8 945	3 381
Medium distillates	14 266	5 611	11 610	4 046
Other **	3 412	1 260	2 763	1 067
Excluded from scope of IFRS 15	**180**	**64**	**151**	**58**
	29 280	**11 696**	**23 469**	**8 552**
Upstream Segment				
Revenue from contracts with customers IFRS 15	**544**	**209**	**355**	**116**
NGL ***	271	104	146	51
Crude oil	57	22	76	20
Natural Gas	212	83	129	45
Other	4	-	4	-
Excluded from scope of IFRS 15	**1**	**1**	**1**	**1**
	545	**210**	**356**	**117**
Corporate Functions				
Revenue from contracts with customers IFRS 15	**259**	**111**	**41**	**13**
Excluded from scope of IFRS 15	**17**	**6**	**18**	**6**
	276	**117**	**59**	**19**
	90 427	**36 442**	**63 005**	**23 918**

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

During the 9 and 3-month period ended 30 September 2021 and 30 September 2020 revenues from none of Group customers individually exceeded 10% of the total sales revenues of the ORLEN Group.

(in PLN million)

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

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Revenue from contracts with customers				
Poland	*49 215*	*19 602*	*34 794*	*13 737*
Germany	*12 455*	*4 907*	*9 615*	*3 326*
Czech Republic	*10 317*	*4 217*	*6 864*	*2 555*
Lithuania, Latvia, Estonia	*5 387*	*2 345*	*4 368*	*1 688*
Other countries	*12 828*	*5 287*	*7 175*	*2 544*
	90 202	**36 358**	**62 816**	**23 850**
excluded from scope of IFRS 15				
Poland	*44*	*19*	*34*	*10*
Germany	*72*	*23*	*65*	*24*
Czech Republic	*107*	*40*	*88*	*32*
Lithuania, Latvia, Estonia	*1*	*1*	*1*	*1*
Other countries	*1*	*1*	*1*	*1*
	225	**84**	**189**	**68**
	90 427	**36 442**	**63 005**	**23 918**

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

5.2. Operating expenses

Cost by nature

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/09/2020 (unaudited) (restated data)
Materials and energy	(51 299)	(21 933)	(38 022)	(13 370)
Cost of merchandise and raw materials sold	(17 331)	(6 418)	(12 938)	(5 305)
External services	(4 504)	(1 624)	(3 732)	(1 514)
Employee benefits	(3 612)	(1 174)	(2 914)	(1 105)
Depreciation and amortisation	(3 933)	(1 328)	(3 251)	(1 188)
Taxes and charges	(4 530)	(1 620)	(2 465)	(780)
Other	(584)	(230)	(554)	(215)
	(85 793)	**(34 327)**	**(63 876)**	**(23 477)**
Change in inventories	2 242	974	(763)	115
Cost of products and services for own use	321	115	699	504
Operating expenses	**(83 230)**	**(33 238)**	**(63 940)**	**(22 858)**
Distribution expenses	6 082	2 214	5 005	1 792
Administrative expenses	1 927	597	1 620	558
Cost of sales	**(75 221)**	**(30 427)**	**(57 315)**	**(20 508)**

The increase in taxes and charges during the 9 and 3-month period ended 30 September 2021 by PLN (2,065) million and PLN (840) million, respectively, resulted mainly from the revaluation of the provision for the estimated costs of CO_2 emissions for 2020 and the recognition/reversal of a provision for the estimated costs of CO_2 emissions for 9 and 3 months of 2021 in the total amount of PLN (3,420) million and PLN (1,368) million, respectively compared to PLN (1,052) million and PLN (403) million in the corresponding period of 2020. The higher costs of creating and updating the provision for 9 and 3 months of 2021 were influenced by both the higher weighted average price of the CO_2 rights held, resulting from the acquisition of 7 million of CO_2 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 items cost by nature in the 9 and 3-month period ended 30 September 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.

ORLEN ORLEN GROUP (in PLN million)

Impact of new entities on cost by nature

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Materials and energy	(679)	(251)	(353)	(216)
Cost of merchandise and raw materials sold	(4 905)	(1 558)	(2 593)	(1 544)
External services	(1 221)	(428)	(529)	(310)
Employee benefits	(1 014)	(342)	(551)	(341)
Depreciation and amortisation	(853)	(285)	(425)	(256)
Taxes and charges	(1 121)	(407)	(241)	(153)
Other	(68)	(24)	(27)	(17)
Operating expenses	**(9 861)**	**(3 295)**	**(4 719)**	**(2 837)**
Distribution expenses	878	283	128	67
Administrative expenses	323	116	147	88
Cost of sales	**(8 660)**	**(2 896)**	**(4 444)**	**(2 682)**

5.3. Impairment allowances of inventories to net realizable value

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Increase	(60)	(16)	(2 448)	(101)
Decrease	71	30	2 492	59

The impairment allowances of inventories to net realizable value during the 9 and 3-month period ended 30 September 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 1st 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 September 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 Invest constituting a separate cash-generating unit ("CGU Energa Invest"), taking into account the result of the internal valuation of the fair value of Energa Invest prepared for the purposes of integration activities carried out within the ORLEN Group.
Based on the results of the test carried out as at 30 September 2021, the need for an impairment loss on the assets of CGU Energa Invest has not been confirmed, setting its new value in use at PLN 70 million with a discount rate of 4.78%. The current value of the tested assets is PLN 54.7 million.

In the 3rd quarter of 2021, in reference to the CGU Ostrołęka B, the provision for reclamation was reduced, which resulted in the reversal of the impairment allowances in the amount of PLN 2 million.

Other assumptions adopted for the construction of the cash flows for Energy segment recognized and disclosed in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2020 remain valid.

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

In the 2nd quarter of 2021, the ENERGA Group were made the impairment allowances on the assets of CGU Ostrołęka B in the amount of PLN (45) million and on the assets of the Company Energa Kogeneracja in the amount of PLN (17) million, which was the subject of disclosures in the Consolidated Semi-Annual Report for the Ist half of 2021 of the ORLEN Group (Note 5.4).

The total effect of the recognized net impairments on the fixed assets of the Energy segment in the 9-month period ended 30 September 2021 amounted to PLN (60) million.

Assets of Refining segment

In the 9-month period ended 30 September 2021, impairment allowances were made on the assets of the Refining segment in the net amount of PLN (24) million, mainly as a result of closing selected investment projects in PKN ORLEN in the net amount of PLN (18) million, net impairment allowances on assets in: ORLEN Lietuva PLN (1) million, the ORLEN Unipetrol Group PLN (3) million, and other PLN (2) million.

Other assets of the ORLEN Group

Other impairment allowances on fixed assets of the ORLEN Group in the 9-month period ended 30 September 2021 amounted to net PLN (8) million and related mainly to the assets of the Retail segment in the following companies: ORLEN Deutschland PLN (5) million, ORLEN Unipetrol Group PLN (1) million, and other PLN (2) million.

ORLEN GROUP (in PLN million)

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

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)
ENERGA Group	(60)	2
PKN ORLEN	(18)	(2)
ORLEN Unipetrol Group	(4)	(1)
ORLEN Lietuva	(1)	1
ORLEN Deutschland	(5)	(2)
Other	(4)	(1)
	(92)	**(3)**

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)
Energy Segment	(60)	2
Refining Segment	(24)	(3)
Retail Segment	(8)	(2)
	(92)	**(3)**

As at 30 September 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 Note 14.4 of 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	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited) (restated data)	3 MONTHS ENDED 30/09/2020 (unaudited) (restated data)
Profit on change in the ownership structure	*3.4.7*	169	13	-	-
Profit on sale of non-current non-financial assets		33	16	17	4
Gain on bargain purchase		-	-	4 062	-
Reversal of provisions		39	12	80	15
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		6	4	75	22
Penalties and compensations		78	24	50	11
Settlement and valuation of derivative financial instruments related to operating exposure		3 423	821	3 749	553
Limitation period of liabilities towards minority shareholders of ORLEN Unipetrol		184	184	-	-
Ineffective part related to valuation and settlement of operating exposure		12	5	20	2
Settlement of hedging costs		213	72	132	43
Other, incl.:		270	112	133	53
repayment of receivables in excess of their valuation as at the acquisition date (ENERGA Group)		*88*	*11*	-	-
energy price compensation for previous years		*74*	*74*	*35*	*35*
		4 427	**1 263**	**8 318**	**703**

According to information published in the Financial Statements of 2019, after first phase of settlement with previous shareholders of ORLEN Unipetrol due to mandatory buy out of shares in this company, the bank Ceska Sporitelna a.s. transferred to PKN ORLEN 90% of unspent amounts due to previous shareholders.
PKN ORLEN was at the same time obliged to systematically supplementation of the provision in the bank for subsequent settlement with calling shareholders, so that to keep a safe level above 5% of the remaining amount due to payment for mandatory buy out of shares of ORLEN Unipetrol.
Due to the above, PKN ORLEN recognised the amount received from bank as a liability.
On 30 September 2021, expired a three year legal period, during which former shareholders of Unipetrol, who had shares called in the mandatory buy out by PKN ORLEN, could call for compensation for sold shares in ORLEN Unipetrol.
Thus, on 30 September 2021, the liability of PKN ORLEN to former shareholders of ORLEN Unipetrol ceased to exist.
Additionally, on 7 October 2021 the bank Ceska Sporitelna a.s. returned PKN ORLEN funds remaining from unused provision.

ORLEN ORLEN GROUP (in PLN million)

In connection with the above, the Group recognised an effect of expiry of liability to former shareholders of ORLEN Unipetrol in financial result, in other operating income in the amount of PLN 184 million which consisted of the sum of liability disclosed in the books in historical values as at 30 September 2021 in the amount of PLN 180 million and the value on receivables from bank Ceska Sporitelna a.s. in the amount of PLN 4 million regarding the unused provision, as well as in finance income in the amount of PLN 15 million resulted from the realization of foreign exchange differences regarding the valuation of liability as at the expiry date.

Other operating expenses

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Loss on sale of non-current non-financial assets	(37)	(13)	(27)	(12)
Recognition of provisions	(102)	(11)	(31)	(13)
Recognition of impairment allowances of property, plant and equipment and intangible assets, right-of-use asset, other non-current assets and classified as held for sale	(98)	(7)	(717)	(14)
Penalties, damages and compensations	(65)	(36)	(30)	(14)
Settlement and valuation of derivative financial instruments related to operating exposure	(2 625)	(585)	(2 869)	(586)
Ineffective part related to valuation and settlement of operating exposure	(31)	(5)	(44)	(4)
Settlement of hedging costs	(1)	-	(4)	(2)
Other, incl.:	(166)	(64)	(229)	(83)
donations	*(88)*	*(56)*	*(192)*	*(69)*
	(3 125)	**(721)**	**(3 951)**	**(728)**

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

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	1 482	431	198	202
commodity forwards (CO_2 futures)	*1 645*	*491*	-	-
commodity swaps	*(163)*	*(60)*	*198*	*202*
Settlement of derivative financial instruments related to operating exposure	(684)	(195)	682	(235)
commodity forwards (CO_2 futures)	*178*	-	-	-
commodity swaps	*(862)*	*(195)*	*682*	*(235)*
	798	**236**	**880**	**(33)**

For the 9 and 3-month period ended 30 September 2021 and 30 September 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_2 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 well as the Upstream Canada transactions hedging oil and gas.

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.

ORLEN ORLEN GROUP (in PLN million)

5.6. Finance income and costs

Finance income

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Interest calculated using the effective interest rate method	33	14	34	10
Other interest	-	-	6	-
Dividends	3	-	6	-
Settlement and valuation of derivative financial instruments	438	167	548	84
Other	469	111	81	15
	943	**292**	**675**	**109**

Finance costs

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited) (restated data)
Interest calculated using the effective interest rate method	(243)	(85)	(216)	(75)
Interest on lease	(115)	(40)	(94)	(44)
Interest on tax liabilities	(2)	(1)	-	-
Net foreign exchange loss	(56)	(311)	(390)	(75)
Settlement and valuation of derivative financial instruments	(314)	(48)	(685)	(141)
Other	(462)	(72)	(67)	(10)
	(1 192)	**(557)**	**(1 452)**	**(345)**

Borrowing costs capitalized in the 9 and 3-month period ended 30 September 2021 and 30 September 2020 amounted to PLN (47) million, PLN (15) million and PLN (29) million, PLN (11) million, respectively.

The main impact on the item Net foreign exchange loss in the 9 and 3-month period ended 30 September 2021 was fluctuation of EUR exchange rates against PLN resulting from the Group's EUR denominated debts in the amount of EUR 1,879 million as at 30 September 2021.

The line other, net presented in the finance income and cost in the 9 and 3-month period ended 30 September 2021 related mainly to transaction differences on the ICE stock exchange in the amount of PLN 37 million and PLN 30 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.

Settlement and valuation of derivative financial instruments

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Valuation of derivative financial instruments related to operating exposure	128	97	34	54
currency forwards	*26*	10	*34*	*4*
other	*102*	87	-	*50*
Settlement of derivative financial instruments related to operating exposure	(4)	22	(171)	(111)
currency forwards	*46*	60	*(124)*	*(79)*
other	*(50)*	(38)	*(47)*	*(32)*
	124	**119**	**(137)**	**(57)**

During the 9 and 3-month period ended 30 September 2021 and 30 September 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 for oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests.
The main impact on the valuation and settlement of derivative financial instruments in the 9 and 3-month period ended 30 September 2021 was fluctuations EUR and USD exchange rates against PLN.

ORLEN GROUP (in PLN million)

5.7. Goodwill

	9 MONTHS ENDED 30/09/2021 (unaudited)	31/12/2020 (restated data)
At the beginning of the period	136	49
New acquisitions	605	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)	11	-
Foreign exchange differences	9	3
	750	**136**

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

5.8. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/09/2021 (unaudited)	31/12/2020	30/09/2021 (unaudited)	31/12/2020	30/09/2021 (unaudited)	31/12/2020
Loans	2 265	1 584	844	2 282	3 109	3 866
Borrowings	115	115	20	15	135	130
Bonds	10 433	7 731	678	2 633	11 111	10 364
	12 813	**9 430**	**1 542**	**4 930**	**14 355**	**14 360**

During the 9-months period 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 9,394 million and PLN (10,534) 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 about discount) and Eurobonds of A series in the amount of EUR 500 million (which corresponds to cash flow of PLN 2,230 million less about discount), and also redeemed retail bonds of A series in the nominal amount of PLN 200 million,
- 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, the change in the balance of loans as at 30 September 2021 was affected by the Group's acquisition of new subsidiaries with debt in the total amount of PLN 362 million.

In addition, three series of PKN ORLEN retail bonds, series C and series D, with a total nominal value of PLN 400 million, maturing in June 2022, and series E with a nominal value of PLN 200 million, maturing in July 2022, were reclassified from the long-term to the short-term part. Additional information on active bond issues in note 5.14.

As at 30 September 2021 and as at 31 December 2020 the maximum possible indebtedness due to loans amounted to PLN 17,307 million and PLN 16,356 million, respectively. As at 30 September 2021 and as at 31 December 2020 PLN 14,022 million and PLN 12,318 million, respectively, remained unused.

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

In the 1st 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.

(in PLN million)

5.9. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	30/09/2021 (unaudited)	31/12/2020 (restated data)	30/09/2021 (unaudited)	31/12/2020	30/09/2021 (unaudited)	31/12/2020 (restated data)
Cash flow hedging instruments	78	109	135	60	213	169
currency forwards	*78*	*109*	*130*	*54*	*208*	*163*
commodity swaps	*-*	*-*	*5*	*6*	*5*	*6*
Derivatives not designated as hedge accounting	323	70	1 842	374	2 165	444
currency forwards	*-*	*-*	*34*	*24*	*34*	*24*
commodity swaps	*-*	*-*	*11*	*33*	*11*	*33*
currency interest rate swaps	*137*	*53*	*-*	*-*	*137*	*53*
commodity forwards (CO_2 futures)	*167*	*2*	*1 796*	*316*	*1 963*	*318*
other	*19*	*15*	*1*	*1*	*20*	*16*
Fair value hedging instruments	15	-	9	6	24	6
commodity swaps	*15*	*-*	*9*	*6*	*24*	*6*
Derivatives	**416**	**179**	**1 986**	**440**	**2 402**	**619**
Other financial assets	127	105	608	530	735	635
receivables on settled derivatives	*-*	*-*	*32*	*46*	*32*	*46*
financial assets measured at fair value through other comprehensive income	*84*	*61*	*-*	*-*	*84*	*61*
hedged item adjustment	*-*	*-*	*-*	*2*	*-*	*2*
security deposits	*4*	*4*	*547*	*421*	*551*	*425*
short-term deposits	*-*	*-*	*28*	*60*	*28*	*60*
loans granted	*-*	*-*	*1*	*1*	*1*	*1*
other	*39*	*40*	*-*	*-*	*39*	*40*
Other non-financial assets	448	312	-	-	448	312
*investment property**	*263*	*265*	*-*	*-*	*263*	*265*
other	*185*	*47*	*-*	*-*	*185*	*47*
Other assets	**575**	**417**	**608**	**530**	**1 183**	**947**

** As at 30 September 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 September 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 527 million and PLN 416 million, respectively.

Open futures contracts for the purchase of CO_2 emission allowances as at 30 September 2021

Open CO_2 emission allowances contracts	Settlement period	Number of allowances in tonnes	Fair value measurement 30/09/2021	
			Financial assets (unaudited)	Financial liabilities (unaudited)
CO_2 "transaction" portfolio	XII 2021, XII 2022, XII 2023	17 584 000	1 963	-
CO_2 'own' portfolio	XII 2021, III 2022, XII 2022	2 140 000	not to be valuated at the balance sheet date	-

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

As at 30 September 2021, the Group had 3,052,243 CO_2 emission allowances recognised as intangible assets.

(in PLN million)

Derivatives and other liabilities

	Non-current		Current		Total	
	30/09/2021 (unaudited)	31/12/2020 (restated data)	30/09/2021 (unaudited)	31/12/2020 (restated data)	30/09/2021 (unaudited)	31/12/2020 (restated data)
Cash flow hedging instruments	332	79	72	85	404	164
currency forwards	*332*	*79*	*22*	*27*	*354*	*106*
commodity swaps	*-*	*-*	*50*	*58*	*50*	*58*
Derivatives not designated as hedge accounting	17	59	347	184	364	243
currency forwards	*-*	*-*	*1*	*17*	*1*	*17*
commodity swaps	*1*	*-*	*289*	*140*	*290*	*140*
interest rate swaps	*-*	*5*	*4*	*6*	*4*	*11*
currency interest rate swaps	*15*	*54*	*53*	*21*	*68*	*75*
*other **	*1*	*-*	*-*	*-*	*1*	*-*
Fair value hedging instruments	-	-	-	1	-	1
commodity swaps	*-*	*-*	*-*	*1*	*-*	*1*
Derivatives	**349**	**138**	**419**	**270**	**768**	**408**
Other financial liabilities	185	175	1 708	173	1 893	348
liabilities on settled derivatives	*-*	*-*	*95*	*156*	*95*	*156*
investment liabilities	*84*	*84*	*-*	*-*	*84*	*84*
hedged item adjustment	*15*	*-*	*9*	*7*	*24*	*7*
refund liabilities	*-*	*-*	*10*	*6*	*10*	*6*
security deposits	*-*	*-*	*1 589*	*-*	*1 589*	*-*
*other **	*86*	*91*	*5*	*4*	*91*	*95*
Other non-financial liabilities	308	195	551	26	859	221
deferred income	*308*	*195*	*551*	*26*	*859*	*221*
Other liabilities	**493**	**370**	**2 259**	**199**	**2 752**	**569**

* *As at 30 September 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 24 million and PLN 31 million, and a guarantees in the amount of PLN 46 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_2 donation due, which remains to be settled as at 30 September 2021 in the amount of PLN 506 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 September 2021, the balance of a security deposit maintained in USD was positive and amounted to USD 131 million, which as at the balance sheet date represented the value of PLN 521 million and was presented under Other financial assets position. Whereas, the balance of EUR security deposit was negative and amounted to EUR (343) million, which as at the balance sheet date represented the value of PLN (1,589) 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_2 emission allowances concluded on the ICE stock exchange that were open at 30 September 2021.

5.10. Provisions

	Non-current		Current		Total	
	30/09/2021 (unaudited)	31/12/2020	30/09/2021 (unaudited)	31/12/2020	30/09/2021 (unaudited)	31/12/2020
Environmental	1 010	1 101	43	59	1 053	1 160
Jubilee bonuses and post-employment benefits	988	1 003	97	97	1 085	1 100
CO_2 emissions, energy certificates	-	-	3 678	1 460	3 678	1 460
Other	173	160	625	683	798	843
	2 171	**2 264**	**4 443**	**2 299**	**6 614**	**4 563**

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

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

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

ORLEN ORLEN GROUP (in PLN million)

Fair value hierarchy

	30/09/2021		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through other comprehensive income	84	84	31	-	53
Loans granted	1	1	-	1	-
Derivatives	2 402	2 402	-	2 402	-
	2 487	**2 487**	**31**	**2 403**	**53**
Financial liabilities					
Loans	3 109	3 092	-	3 092	-
Borrowings	135	135	-	135	-
Bonds	11 111	11 434	9 273	2 161	-
Derivatives	768	768	-	768	-
	15 123	**15 429**	**9 273**	**6 156**	**-**

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

5.12. Lease

5.12.1. Group as a lessee

Change in assets due to right-of-use

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
Net carrying amount at 01/01/2021					
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)**
	2 529	**1 772**	**98**	**853**	**5 252**
increases/(decreases), net	**186**	**63**	**(9)**	**26**	**266**
New lease agreements, increase in lease remuneration	265	199	11	381	856
Depreciation	(76)	(137)	(20)	(273)	(506)
Acquisition of subsidiaries	1	1	1	50	53
Sale of subsidiary	-	-	-	(106)	(106)
Other	(4)	-	(1)	(26)	(31)
	2 715	**1 835**	**89**	**879**	**5 518**
Net carrying amount at 30/09/2021 (unaudited)					
Gross carrying amount	2 991	2 350	144	1 609	7 094
Accumulated depreciation	(240)	(511)	(53)	(726)	(1 530)
Impairment allowances	(36)	(4)	(2)	(4)	(46)
	2 715	**1 835**	**89**	**879**	**5 518**
Net carrying amount at 01/01/2020					
Gross carrying amount	1 795	1 685	125	1 012	**4 617**
Accumulated depreciation	(81)	(205)	(24)	(322)	**(632)**
Impairment allowances	(24)	(5)	(2)	(2)	**(33)**
	1 690	**1 475**	**99**	**688**	**3 952**
increases/(decreases), net	**839**	**297**	**(1)**	**165**	**1 300**
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
Net carrying amount at 31/12/2020	**2 529**	**1 772**	**98**	**853**	**5 252**

ORLEN ORLEN GROUP (in PLN million)

The total value of expenses from lease agreements presented in financing and operating activities in the statement of cash flows in the 9 and 3-month period ended 30 September 2021 and 30 September 2020 amounted to PLN (774) million and PLN (236) million and PLN (663) million and PLN (210) million, respectively.

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

		9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Costs due to:		**(260)**	**(96)**	**(199)**	**(77)**
interest on lease	Finance costs	(115)	(40)	(94)	(44)
short-term lease	Cost by nature: External Services	(116)	(43)	(78)	(26)
lease of low-value assets that are not short-term lease	Cost by nature: External Services	(4)	(1)	(5)	(2)
variable lease payments not recognised in valuation of lease liabilities	Cost by nature: External Services	(25)	(12)	(22)	(5)

5.12.2. Group as a lessor

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

Financial 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 September 2021 and as at 31 December 2020 amounted to PLN 5 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 9 and 3-month period ended 30 September 2021 and 30 September 2020 amounted to PLN 225 million, PLN 84 million and PLN 188 million and PLN 68 million, respectively.

5.13. Future commitments resulting from signed investment contracts

As at 30 September 2021 and as at 31 December 2020 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 9,195 million and PLN 9,202 million, respectively.

5.14. Issue, redemption and repayment of debt securities

In the 9 month period of 2021:

a) in PKN ORLEN under:
- the second public bond issue program, B-E Series remains open with a total nominal value of PLN 800 million, moreover, A series with a nominal value of PLN 200 million was redeemed on 19 September 2021;
- the non-public bond issue on the domestic market (active since 2006) C Series with a nominal value of PLN 1,000 million and D series also with a nominal value of PLN 1,000 million, remains open;
- the medium-term Eurobonds issue program (EMTN Program) established on 13 May 2021, series A with a nominal value of EUR 500 million remains open;

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.

5.15. 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.

5.16. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and 2020 and for the 1st and the 2nd quarter of 2021, 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 September 2021, according to received confirmation from PERN S.A., PKN ORLEN's operating stock of crude oil REBCO-type amounted to 390,546 net metric tons. The difference in the quantity of stocks decreased by 2,145 net metric tons in comparison to 2nd quarter of 2021 and amounted to 90,693 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 9-month period of 2021 in the amount of PLN (156) million is also a contingent asset of PKN ORLEN.

5.17. 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 325 million, translated using the exchange rate as at 30 September 2021 (representing CZK 1,789 million). ORLEN Unipetrol RPA s.r.o. was 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. The cassation appeal of I.P. - 95 s.r.o. was dismissed. The case has been legally closed.

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

On 5 September 2014, OBR S.A. (currently: Warter Fuels S.A.) filled an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights. The amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of approximately PLN 84 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of approximately PLN 247 million. So far, several hearings have been held, 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 has found an expert to issue an opinion also among foreign entities. The opinion in the case will be provided by the University of Technology and Economics. On 21 September 2021 WARTER FUELS paid an upfront payment for that expert. A full assessment of the risk of an unsuccessful decision may be made at a later stage of the proceedings, taking into account the arguments of PKN ORLEN. In the opinion of PKN ORLEN the claims of Warter Fuels S.A. are without merit.

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

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

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

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

In the case, ORLEN Projekt claims from POLWAX the payment of a total amount of PLN 67.8 million together with overdue interest for delay consists of: (i) remuneration for completed construction works and deliveries, (ii) unjustifiably executed performance guarantee, and (iii) costs related to ORLEN Projekt's withdrawal from the contract. The court has already heard all the witnesses and parties in the case, the hearing has been postponed to 22 November 2021.

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

The claim submitted by POLWAX against ORLEN Projekt includes PLN 84 million for material damage and PLN 48 million for lost profits that were supposed to arise in connection with improper performance and non-performance of the contract by ORLEN Projekt. The proceedings have been suspended at the joint request of the parties.

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

POLWAX claims from ORLEN Projekt the payment of PLN 9.7 million together with overdue interest for delay consists of: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) non-contractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. The case has been scheduled for hearings on 25 and 27 October 2021, and 3 November 2021.

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

POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses submitted to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. So far, two hearings have been held in the case; the next hearing is scheduled for 27 October 2021.

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 107 million, translated using the exchange rate as at 30 September 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 97 million, translated using the exchange rate as at 30 September 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 8.3 million translated using the exchange rate as at 30 September 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 8.3 million translated using the exchange rate as at 30 September 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 133 million translated using the exchange rate of 30 September 2021 (corresponding to EUR 28.8 million).
Technip, by filing for arbitration taking into account the submitted amendment, intends to obtain:

a. payment of the amount of PLN 99 million, translated using the exchange rate as at 30 September 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 34 million, translated using the exchange rate as at 30 September 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 September 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. ORLEN Unipetrol RPA s.r.o. submitted its full position in the case on 6 August 2021. 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 September 2021, the contingent liabilities of the ENERGA Group recognised in these interim condensed consolidated financial statement of the ORLEN Group amounted to PLN 247 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 September 2021, the estimated value of those claims recognised as contingent liabilities amounts to PLN 229 million, while as at 31 December 2020 its value amounted to PLN 248 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

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

Elektrobudowa S.A. filed an action against PKN ORLEN with the Arbitration Tribunal of the Polish Consulting Engineers and Experts Association (SIDIR) of Warsaw (case No. P/SA/5/2019), seeking payment of a total of PLN 104 million and EUR 11.5 million. The case concerns performance of the EPC contract between PKN ORLEN 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 million plus statutory default interest since 27 December 2019 as remuneration by reference to which the lump-sum should be increased in favour of Elektrobudowa, or Citibank as above;
4) compensation of PLN 13.2 million and EUR 2.6 million plus statutory default interest accrued since 25 October 2019, alleged to be payable to Elektrobudowa S.A. for the harm it suffered as a result of wrongful drawdown of funds by PKN ORLEN under bank guarantees.

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

(I) The interim judgement (No.1) 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").

(II) The partial judgement (No.1) 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 to reduce the claimant's contractual lump-sum remuneration by a total of PLN 0.01 million and EUR 4.6 million.

(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.

(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.

(V) The partial judgement (No. 4) of 3 February 2021 ordering the defendant to pay the claimant 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.

(VI) The partial judgement (No. 5) of 12 February 2021 ordering the defendant to pay the claimant 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) The 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.

(VIII) The interim judgement (No.2) of 5 July 2021 regarding Elektrobudowa's claims for compensation of PLN 0.40 million and EUR 0.04 million in respect of remuneration for delivery of heater E-2213 and apparatus E-2308, in which the Adjudicating Team ruled that these claims are justified on principle. The interim judgement does not constitute an obligation on the part of PKN ORLEN to pay to the claimant the aforementioned amounts, but is a recognition of the Adjudicating Team to find Elektrobudowa as entitled to expect payment from PKN ORLEN for the aforementioned provided material services as additional and/or replaceable.

(IX) The partial judgement (No.7) of 3 September 2021 ordering the defendant to pay to the claimant the total amount of PLN 0.4 million with statutory interest for delay up to the date of payment of VAT amount from 3 invoices and part of the net amount due from 1 invoice.

(X) The partial judgement (No.8) of 3 September 2021 ordering the defendant to pay to the claimant the total amount of PLN 0.7 million as part of the net amount due from 1 invoice with statutory overdue interest until the date of payment.

(XI) The interim judgement (No.3) of 3 September 2021 regarding Elektrobudowa's claims for compensation of PLN 0.02 million and EUR 0.8 million for delivery of ON/OFF valves with changed parameters and ESD valve additional delivery, in which the Adjudicating Team ruled that these claims are justified on principle. The interim judgement does not constitute an obligation on the part of PKN ORLEN to pay to the claimant the aforementioned amounts, but is a recognition of the Adjudicating Team to find Elektrobudowa as entitled to expect payment from PKN ORLEN for the aforementioned provided material services, as additional and/or replaceable.

On 13 September 2021 the Bankruptcy Trustee extended the claim by PLN 13.2 million and EUR 2.6 million constituting a claim for return of the amounts retained as a Guarantee Deposit with statutory overdue interest from 24 March 2021 to the date of payment.
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 judgements 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 judgement No 5 were paid by PKN ORLEN to the Bankruptcy Trustee on 15 June 2021 and 17 June 2021. The Interest on the principal amounts paid under the partial judgements No. 2,3,4,5, was paid on 2 August 2021.
For the remaining amounts resulting from the interim judgements (No. 1,2,3) and the partial judgement (No.1) of 8 January 2021 the provision in the amount of PLN 26 million was recognised of which PLN 4.3 million in the 3rd quarter of 2021 PLN.

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

5.18. Related parties transactions

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

As at 30 September 2021 and as at 31 December 2020 and in the 9 and 3-month period ended 30 September 2021 and 30 September 2020, on the basis of submitted declarations, there were no transactions of related parties of the ORLEN Group with the Members of the Management Board and the Supervisory Board of the Parent Company and their relatives.

In the 9 and 3-month period ended 30 September 2021, on the basis of submitted declarations, there were mainly sales transactions of logistic services of the member of key executive personnel and their relatives with related parties of the ORLEN Group in the amount of PLN 4,2 million and PLN 3.2 million, the main amount was related to sale of shares in the ORLEN Group company by a shareholder who is a member of the key personnel.

In the 9 and 3-month period ended 30 September 2020, on the basis of submitted declarations there were mainly sale transactions of the member of key executive personnel and their relatives with related parties of the ORLEN Group in the amount of PLN 0.4 million and PLN 0.5 million, The largest amount in both periods were related to the sale of legal services.

As at 30 September 2021 balances of the trade and other liabilities due to the above transactions was not significant and as at 31 December 2020 balances of the trade and other liabilities due to the above transactions amounted to PLN 0.03 million.

ORLEN ORLEN GROUP (in PLN million)

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

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Parent Company				
Short-term employee benefits	37.6	12.3	34.2	11.6
Termination benefits	-	-	1.9	0.2
Subsidiaries				
Short-term employee benefits	217.1	72.5	165.5	65.4
Post-employment benefits	0.2	-	-	-
Other long term employee benefits	0.8	0.4	0.1	-
Termination benefits	5.3	1.7	6.4	3.9
	261.0	**86.9**	**211.1**	**81.1**

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.

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

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Subsidiaries				
Short-term employee benefits	70.3	24.0	32.8	18,0
Post-employment benefits	0.2	-	-	-
Other long term employee benefits	0.8	0.3	0.1	-
Termination benefits	3.3	1.1	4.1	3,1
	74.6	**25.4**	**37,0**	**21.1**

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

	Sales				Purchases			
	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Jointly-controlled entities	**1 920**	**1 046**	**1 942**	**675**	**(236)**	**(81)**	**(109)**	**(59)**
joint ventures	*1 806*	*1 002*	*1 876*	*650*	*(173)*	*(58)*	*(68)*	*(45)*
joint operations	*114*	*44*	*66*	*25*	*(63)*	*(23)*	*(41)*	*(14)*
	1 920	**1 046**	**1 942**	**675**	**(236)**	**(81)**	**(109)**	**(59)**

	Trade and other receivables		Trade, lease and other liabilities	
	30/09/2021 (unaudited)	31/12/2020	30/09/2021 (unaudited)	31/12/2020
Jointly-controlled entities	**679**	**394**	**139**	**91**
joint ventures	*660*	*383*	*129*	*70*
joint operations	*19*	*11*	*10*	*21*
	679	**394**	**139**	**91**

The above transactions with related parties include mainly sales and purchases of refining and petrochemicals products and services.
During the 9 and 3-month period ended 30 September 2021 and 30 September 2020 there were no related parties transactions within the Group concluded on other than an arm's length basis.

Additionally, during the 9-month period ended 30 September 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 9 and 3-month period ended 30 September 2021 and as at 30 September 2021, the Group identified the following transactions:
- sale and purchase amounted to PLN 0.7 million and PLN (4.5) million, respectively;
- balance of receivables amounted to PLN 0.1 million;
- balance of liabilities amounted to PLN 2.4 million

The above transactions concerned mainly the purchases and sales of fuels and diesel oil as well as construction and assembly work.

ORLEN ORLEN GROUP (in PLN million)

5.18.4. Transactions with entities related to the State Treasury

As at 30 September 2021 and as at 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 9 and 3-month period ended 30 September 2021 and 30 September 2020 and as at 30 September 2021 and as at 31 December 2020, the Group identified the following transactions:

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Sales	2 769	1 006	1 728	640
Purchases	(5 578)	(2 431)	(3 568)	(1 431)

	30/09/2021 (unaudited)	31/12/2020
Trade and other receivables	650	653
Trade, lease and other liabilities	1 465	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.

5.19. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 September 2021 and as at 31 December 2020 amounted to PLN 2,628 million and PLN 2,483 million, respectively.

5.20. 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 September 2021 and as at 31 December 2020 amounted to PLN 14,067 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 equivalent of PLN 1,497 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						Value of guarantee issued	
	EUR	PLN	Subscription date	Expiration date	Interest rate	Rating	EUR	PLN
Eurobonds	750	3 318 *	7.06.2016	7.06.2023	2.5%	BBB-, Baa2	1 100	5 096
Eurobonds	300	1 251 **	07.03.2017	07.03.2027	2.125%	BBB-, Baa2	1 250	5 791
	1 050	**4 569**					**2 350**	**10 887**

* 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 September 2021

On 30 September 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 September 2021 and as at 31 December 2020 amounted to PLN 456 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.

5.21. Events after the end of the reporting period

PKN ORLEN announced that on 8 October 2021 it gave consent, as the sole AB ORLEN Lietuva ("ORLEN Lietuva") shareholder, for realization by ORLEN Lietuva of the investment – building of the "Bottom of Barrel" unit in the ORLEN Lietuva Production Plant in Mazeikiu ("Project").
Moreover PKN ORLEN signed with ORLEN Lietuva an agreement ("Agreement") on arrangements of directional method of financing of the Project. PKN ORLEN declared to finance up to 100% of the Project realization CAPEX, but not higher than approximately EUR 633 million, under the condition that ORLEN Lietuva will complete the major milestones of the Project according to the Project realization schedule and will not exceed the Project budged which amounts to approximately EUR 641 million. According to the Agreement financing of the Project CAPEX will take place through the transfer of funds to ORLEN Lietuva equity or liabilities. Details regarding terms and conditions of financing will be agreed by PKN ORLEN and ORLEN Lietuva in the separate agreement.
Signing of the Agreement has been preceded by the Company's Supervisory Board consent.
The completion of the Project is planned by the end of 2024. It is estimated that realization of the Project would increase ORLEN Lietuva EBITDA by approximately EUR 68 million annually.

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

OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

FOR THE 9 AND 3-MONTH PERIOD ENDED 30 SEPTEMBER 2021

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Major factors having impact on EBITDA and EBITDA LIFO

Profit or loss for the 9 months of 2021
Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 9 months of 2021 amounted to PLN 12,761 million by PLN 6,739 million (y/y) in comparison period of 2020.

The above-mentioned EBITDA includes net impact of impairment allowances of property, plant and equipment and intangible assets in the amount of PLN (92) million and mainly related to energy assets in the ENERGA Group. On the other hand, in comparison period of 2020 the impact of the impairment allowances amounted to PLN (642) 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 for the 9 months of 2021 on the valuation of inventories recognised in the EBITDA result amounted to PLN 2,995 million.

As a result, profit from operations increased by depreciation and amortisation before consideration of impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of assets amounted to PLN 9,858 million and was higher by PLN 206 million (y/y).

Changes of macroeconomic factors increased the ORLEN Group results by PLN 1,057 million (y/y) and included mainly impact of a higher Ural/Brent differential by (1.1) USD/bbl, an increase in margins on light distillates, olefins, polyolefins, PTA, PVC and fertilizers, and the valuation and settlement of CO_2 future contracts as a part of transaction portfolio in the amount of PLN 1,823 million (y/y). Results were negatively affected by decrease in margins on medium distillates, higher costs of own consumption as a result of an increase in crude oil prices by 27 USD/bbl and the effect of a stronger increase in gas prices compared to electricity prices in the Energy segment. Additionally, the effect of hedging transactions (y/y) recognised in other operating activities amounted to PLN (1,816) million (y/y). During 2020 there was a significant decrease in crude oil and product prices, which has a positive effect of hedging transactions while an increase in prices in 2021 resulted in a negative impact of above-mentioned transactions.

For 9 months of 2021, the sales volume of the ORLEN Group amounted to 28,359 thousand tons and reached a similar level (y/y). The biggest decrease in sales (y/y) was recorded in the 1st quarter of 2021. The lack of a significant impact of the COVID-19 pandemic on sales in the 1st quarter of 2020, with the continuing market restrictions in the 1st quarter of 2021 resulted in a negative volume effect in a 9-month period (y/y). It should be noted that the impact of the higher (y/y) sales volumes in the 2nd and 3rd quarter of 2021 was positive, but did not compensate for the negative effect of lower volumes in the 1st quarter of 2021. The above changes in sales volumes reduced the ORLEN Group results by PLN (683) million (y/y).

The impact of the other factors amounted to PLN (168) million (y/y) and included mainly:
- PLN 1,965 million (y/y) - positive impact of the use of historical inventory layers in connection with the maintenance shutdowns of installations.
- PLN 1,558 million (y/y) - higher result of the ENERGA Group, mainly due to incomparable recognition periods in the ORLEN Group consolidation.
- PLN 678 million (y/y) - positive impact of revaluation of inventories to net realisable value. Impact of revaluation of inventories for the 9 months of 2021 was positive and amounted to PLN 210 million, by PLN (468) million in comparison period of 2020.
- PLN 184 million (y/y) - limitation of liabilities towards minority shareholders of ORLEN Unipetrol
- PLN 156 million (y/y) - positive effect of change in the ownership in Baltic Power.
- PLN (4,062) million (y/y) - no profit on the bargain purchase of ENERGA shares as of 2020.
- PLN (647) million (y/y) - other elements, including mainly updating provision for CO_2 emissions, higher general and labour costs partially compensated by higher (y/y) wholesale margins.

Profit or loss for the 3rd quarter of 2021

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 3rd quarter of 2021 amounted to PLN 5,153 million by PLN 2,245 million (y/y) in comparison period of 2020.

The impact of impairment allowances of property, plant and equipment and intangible assets in the 3rd quarter of 2021 and 2020 was not significant and amounted to PLN (3) million and PLN 8 million, respectively.

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 3rd quarter of 2021 on the valuation of inventories recognised in the EBITDA result amounted to PLN 890 million by PLN 267 million in the 3rd quarter of 2020.
As a result, profit from operations increased by depreciation and amortisation before consideration of impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of assets amounted to PLN 4,266 million and was higher by PLN 2,296 million (y/y).

Changes of macroeconomic factors increased the ORLEN Group results by PLN 1,989 million (y/y) and included mainly impact of a higher Ural/Brent differential by (2.4) USD/bbl, an increase in margins on light and medium distillates, olefins, polyolefins, PTA and PVC, and the valuation and settlement of CO_2 future contracts as a part of transaction portfolio in the amount of PLN 491 million (y/y). Results were negatively affected by decrease in margins on heavy refining fractions, higher costs of own consumption as a result of an increase in crude oil prices by 31 USD/bbl and the effect of unfavourable price relations between electricity and natural gas quotations. Additionally, the effect of hedging transactions (y/y) recognised in other operating activities amounted to PLN (189) million (y/y) and resulted mainly from the observed increase in crude oil and product prices during the 3rd quarter of 2021.

In the 3rd quarter of 2021, the sales volume of the ORLEN Group increased by 2% (y/y) to 10,703 thousand tons mainly as a result of 5% (y/y) higher volumes in the Refining segment. Petrochemical sales decreased by (2)% (y/y) as a result of lower volumes in Poland and Lithuania, with higher sales in the Czech market. Sales of fuels in the Retail segment decreased by (1)% (y/y), mainly in Poland and Lithuania, with comparable sales in Germany and higher sales in the Czech Republic. Sales of hydrocarbons in the Upstream segment decreased by (6)% (y/y) as the result of unplanned shutdown of infrastructure at an external hydrocarbon recipient in Canada. The above changes in sales trends resulted in a positive volume effect in the amount of PLN 82 million (y/y).

The impact of the other factors amounted to PLN 225 million (y/y) and included mainly:

- PLN 223 million (y/y) - positive impact of the use of historical inventory layers of crude oil and products.
- PLN 69 million (y/y) - impact of revaluation of inventories to net realisable value.
- PLN 184 million (y/y) - limitation of liabilities towards minority shareholders of ORLEN Unipetrol
- PLN (251) million (y/y) - other elements, including mainly updating provision for CO_2 emissions, higher general and labour costs partially compensated by higher (y/y) wholesale margins.

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.

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.

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 m3/ 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 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 Ostrołeka 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 1st 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".

JUNE 2021

Changes in Supervisory Board of PKN ORLEN

PKN ORLEN announced that on 2 June 2021 Mr Dominik Kaczmarski 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 1st 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 incurred 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.

(in PLN million)

AUGUST 2021

Agreement between PKN ORLEN and ENERGA on cooperation in construction of CCGT Power Plant in Grudziądz

PKN ORLEN announced that on 31 August 2021 it concluded with ENERGA an agreement regarding financing ("Agreement") of building of gas power plant in Grudziądz ("Project"). In the event of an investment decision regarding the Project, PKN ORLEN declared in the Agreement to finance up to 100% of the Project CAPEX, but not higher than PLN 1.8 billion, under the condition that CCGT Grudziądz Sp. z o.o. (special purpose vehicle company that realizes the Project) will sign the capacity agreement. Covering of indicated CAPEX will take place through the provision of cash to ENERGA or the company CCGT Grudziądz Sp. z o.o. for equity or foreign capital. The Agreement specifies also the principles of supervision over the company CCGT Grudziądz Sp. z o.o. and managing of the Project.

SEPTEMBER 2021

Building of HVO unit in the Production Plant in Płock

PKN ORLEN announced that on 30 September 2021 the Company's Supervisory Board gave consent for realization of the investment – building of HVO (Hydrotreated Vegetable Oils) unit in the Production Plant in Płock ("Investment"). The annual production capacity of the unit will amount to 300 thousand tonnes of biodiesel or aviation biofuel. Total cost of the Investment is estimated at the level of approximately PLN 600 million. The completion of the Investment and start of the production is planned for the mid-2024.

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

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

Management Board

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

Supervisory Board

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

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
Nationale-Nederlanden OFE*	7.54%	32 260 505
Aviva OFE*	6.43%	27 500 000
Other	58.51%	250 238 360
	100.00%	**427 709 061**

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

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

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

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

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

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN S.A.

FOR THE 3rd QUARTER 2021

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

(in PLN million)

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN

Separate statement of profit or loss and other comprehensive income

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Sales revenues	60 647	25 458	43 785	15 684
revenues from sales of finished goods and services	*34 892*	*14 879*	*26 577*	*9 406*
revenues from sales of merchandise and raw materials	*25 755*	*10 579*	*17 208*	*6 278*
Cost of sales	(52 375)	(22 069)	(39 371)	(13 488)
Cost of finished goods and services sold	*(27 748)*	*(11 899)*	*(23 002)*	*(7 541)*
Cost of merchandise and raw materials sold	*(24 627)*	*(10 170)*	*(16 369)*	*(5 947)*
Gross profit on sales	**8 272**	**3 389**	**4 414**	**2 196**
Distribution expenses	(3 664)	(1 333)	(3 432)	(1 205)
Administrative expenses	(848)	(233)	(785)	(239)
Other operating income	2 832	979	1 651	311
Other operating expenses	(1 226)	(442)	(1 444)	(348)
(Loss)/reversal of loss due to impairment of trade receivables	(4)	(3)	(22)	(6)
Profit from operations	**5 362**	**2 357**	**382**	**709**
Finance income	1 589	213	964	91
Finance costs	(959)	(410)	(3 302)	(275)
Net finance income and costs	**630**	**(197)**	**(2 338)**	**(184)**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables	(3)	1	(12)	4
Profit/(Loss) before tax	**5 989**	**2 161**	**(1 968)**	**529**
Tax expense	(882)	(350)	(45)	(102)
current tax	*(724)*	*(418)*	*(98)*	*(98)*
deferred tax	*(158)*	*68*	*53*	*(4)*
Net profit/(loss)	**5 107**	**1 811**	**(2 013)**	**427**
Other comprehensive income:				
which will not be reclassified subsequently into profit or loss	**16**	**13**	**(3)**	**(2)**
actuarial gains and losses	*11*	*11*	*-*	*-*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income	*9*	*5*	*(4)*	*(3)*
deferred tax	*(4)*	*(3)*	*1*	*1*
which will be reclassified into profit or loss	**(110)**	**(217)**	**(133)**	**(116)**
hedging instruments	*(302)*	*(168)*	*(239)*	*(118)*
hedging costs	*166*	*(100)*	*75*	*(25)*
deferred tax	*26*	*51*	*31*	*27*
	(94)	**(204)**	**(136)**	**(118)**
Total net comprehensive income	**5 013**	**1 607**	**(2 149)**	**309**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	11.94	4.23	(4.71)	0.99

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of financial position

	30/09/2021 (unaudited)	31/12/2020 (restated data)
ASSETS		
Non-current assets		
Property, plant and equipment	17 576	16 500
Intangible assets	659	905
Right-of-use asset	2 418	2 343
Shares in subsidiaries and jointly controlled entities	18 023	17 064
Derivatives	348	116
Long-term lease receivables	20	21
Other assets	2 630	2 044
	41 674	**38 993**
Current assets		
Inventories	9 613	7 751
Trade and other receivables	9 316	4 886
Current tax assets	221	396
Cash	1 773	586
Derivatives	2 156	677
Short-term lease receivables	1	1
Other assets	2 404	1 243
Non-current assets classified as held for sale	14	19
	25 498	**15 559**
Total assets	**67 172**	**54 552**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	(184)	(74)
Revaluation reserve	(1)	(8)
Retained earnings	33 285	29 666
Total equity	**35 385**	**31 869**
LIABILITIES		
Non-current liabilities		
Borrowings and bonds	7 922	5 215
Provisions	573	671
Deferred tax liabilities	852	718
Derivatives	423	237
Lease liabilities	2 130	2 059
Other liabilities	199	193
	12 099	**9 093**
Current liabilities		
Trade and other liabilities	12 519	7 561
Lease liabilities	366	354
Liabilities from contracts with customers	265	223
Loans, borrowings and bonds	727	2 576
Provisions	1 506	681
Derivatives	497	347
Other liabilities	3 808	1 848
	19 688	**13 590**
Total liabilities	**31 787**	**22 683**
Total equity and liabilities	**67 172**	**54 552**

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

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	-	-	-	5 107	5 107
Items of other comprehensive income	-	(110)	7	9	(94)
Total net comprehensive income	**-**	**(110)**	**7**	**5 116**	**5 013**
Dividends	-	-	-	(1 497)	(1 497)
30/09/2021	**2 285**	**(184)**	**(1)**	**33 285**	**35 385**
(unaudited)					
01/01/2020	2 285	186	(6)	32 459	34 924
Net (loss)	-	-	-	(2 013)	(2 013)
Items of other comprehensive income	-	(133)	(3)	-	(136)
Total net comprehensive income	**-**	**(133)**	**(3)**	**(2 013)**	**(2 149)**
Dividends	-	-	-	(428)	(428)
30/09/2020	**2 285**	**53**	**(9)**	**30 018**	**32 347**
(unaudited)					

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of cash flows

	9 MONTHS ENDED 30/09/2021 (unaudited)	3 MONTHS ENDED 30/09/2021 (unaudited)	9 MONTHS ENDED 30/09/2020 (unaudited)	3 MONTHS ENDED 30/09/2020 (unaudited)
Cash flows from operating activities				
Profit/(Loss) before tax	**5 989**	**2 161**	**(1 968)**	**529**
Adjustments for:				
Depreciation and amortisation	1 512	514	1 427	481
Foreign exchange (profit)/loss	(43)	80	488	112
Net interest	118	31	133	60
Dividends	(718)	-	(305)	-
(Profit)/Loss on investing activities, incl.:	(1 330)	(327)	1 935	88
settlement and valuation of derivative financial instruments	*(1 397)*	*(320)*	*(120)*	*89*
Change in provisions	1 639	685	452	119
Change in working capital	(359)	(104)	1 467	(479)
inventories	*(1 862)*	*(617)*	*1 763*	*(216)*
receivables	*(3 392)*	*(817)*	*1 284*	*(644)*
liabilities, incl.:	*4 895*	*1 330*	*(1 580)*	*381*
limitation period of liabilities towards minority shareholders of ORLEN Unipetrol	*(180)*	*(180)*	*-*	*-*
Other adjustments, incl.:	770	111	(78)	98
settlement of grants for property rights	*(805)*	*(383)*	*(236)*	*(73)*
security deposits	*1 442*	*398*	*213*	*184*
Income tax (paid)	(549)	(290)	(585)	(222)
Net cash from operating activities	**7 029**	**2 861**	**2 966**	**786**
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(3 360)	(742)	(1 523)	(719)
Acquisition of shares	(492)	(126)	(2 766)	-
Outflows from additional payments to equity	(485)	-	(47)	(47)
Disposal of property, plant and equipment, intangible assets and right-of-use asset	533	26	128	13
Interest received	57	22	41	13
Dividends received	687	198	299	211
Expenses from non-current loans granted	(726)	(49)	(390)	(88)
Proceeds from non-current loans granted	6	3	25	19
Proceeds/(Expenses) from current loans granted	(430)	411	(38)	(3)
(Outflows) from cash-pool facility	(528)	(454)	(4)	(242)
Settlement of derivatives not designated as hedge accounting	(142)	(49)	77	(154)
Proceeds related to receivables and liabilities due to settled derivatives	40	28	5	15
Other	(2)	(2)	(2)	-
Net cash (used) in investing activities	**(4 842)**	**(734)**	**(4 195)**	**(982)**
Cash flows from financing activities				
Proceeds from loans and borrowings received	7 521	2 865	1 816	1
Bonds issued	3 225	-	-	-
Repayments of loans and borrowings	(9 689)	(2 836)	(4 024)	(1 081)
Redemption of bonds	(200)	(200)	(100)	-
Interest paid from loans, borrowings, bonds and cash pool	(188)	(18)	(188)	(37)
Interest paid on lease	(62)	(11)	(63)	(11)
Dividends paid to equity owners of the parent	(1 497)	(1 497)	(428)	(428)
Proceeds from cash pool facility	183	8	44	45
Payments of liabilities under lease agreements	(274)	(90)	(278)	(92)
Other	(20)	(6)	-	-
Net cash (used) in financing activities	**(1 001)**	**(1 785)**	**(3 221)**	**(1 603)**
Net increase/(decrease) in cash	**1 186**	**342**	**(4 450)**	**(1 799)**
Effect of changes in exchange rates	1	2	-	(10)
Cash, beginning of the period	586	1 429	5 056	2 415
Cash, end of the period	**1 773**	**1 773**	**606**	**606**
including restricted cash	*119*	*119*	*41*	*41*

This consolidated quarterly report was approved by the Management Board of the Parent Company on 27 October 2021.

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

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

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

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

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

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

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

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