



ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 4th QUARTER

2023

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2023	12 MONTHS ENDED 31/12/2022 (restated data)	12 MONTHS ENDED 31/12/2023	12 MONTHS ENDED 31/12/2022 (restated data)
Sales revenues	372 640	282 434	82 290	60 242
Operating profit increased by depreciation and amortisation (EBITDA)	49 935	56 062	11 027	11 958
Operating profit increased by depreciation and amortisation (EBITDA) adjusted for the gain on bargain purchase	49 924	40 875	11 025	8 719
EBITDA before net impairment allowances	53 808	62 103	11 882	13 246
Profit from operations (EBIT), incl.:	35 789	48 338	7 903	10 310
<i>gain on bargain purchase</i>	11	15 187	2	3 239
Profit from operations adjusted for the gain on bargain purchase	35 778	33 151	7 901	7 071
Profit before tax	37 825	47 818	8 353	10 199
Profit before tax adjusted for the gain on bargain purchase	37 814	32 631	8 350	6 960
Net profit before net impairment allowances	31 438	45 837	6 942	9 777
Net profit adjusted for the gain on bargain purchase	27 554	24 609	6 085	5 249
Net profit	27 565	39 796	6 087	8 488
Total net comprehensive income	29 109	45 887	6 428	9 788
Net profit attributable to equity owners of the parent	27 553	39 654	6 084	8 458
Total net comprehensive income attributable to equity owners of the parent	29 100	45 741	6 426	9 756
Net cash from operating activities	44 098	31 084	9 738	6 630
Net cash (used) in investing activities	(36 262)	962	(8 008)	206
Net cash (used) in financing activities	(11 982)	(14 570)	(2 646)	(3 108)
Net increase/(decrease) in cash and cash equivalents	(4 146)	17 476	(916)	3 728
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	23.73	34.16	5.24	7.29
	31/12/2023	31/12/2022 (restated data)	31/12/2023	31/12/2022 (restated data)
Non-current assets	184 115	174 394	42 345	37 186
Current assets	95 955	138 795	22 069	29 594
Total assets	280 070	313 189	64 414	66 780
Share capital	1 974	1 974	454	421
Equity attributable to equity owners of the parent	164 763	142 048	37 894	30 288
Total equity	165 825	143 088	38 138	30 510
Non-current liabilities	44 822	47 293	10 309	10 084
Current liabilities	69 423	122 808	15 967	26 186
Number of shares	1 160 942 049	1 160 942 049	1 160 942 049	1 160 942 049
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	141.92	122.36	32.64	26.09



ORLEN – SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2023	12 MONTHS ENDED 31/12/2022 (restated data)	12 MONTHS ENDED 31/12/2023	12 MONTHS ENDED 31/12/2022 (restated data)
Sales revenues	250 921	209 625	55 411	44 712
Profit from operations increased by depreciation and amortisation (EBITDA)	33 741	46 223	7 451	9 859
Operating profit increased by depreciation and amortisation (EBITDA) adjusted for the gain on bargain purchase	33 741	28 413	7 451	6 060
EBITDA before net impairment allowances	36 038	49 690	7 958	10 599
Profit from operations (EBIT), incl.: <i>gain on bargain purchase</i>	28 537	43 404	6 302	9 258
	-	17 810	-	3 799
Profit from operations adjusted for the gain on bargain purchase	28 537	25 594	6 302	5 459
EBIT before net impairment allowances	30 834	46 871	6 809	9 997
Profit before tax	31 457	44 756	6 947	9 546
Profit before tax adjusted for the gain on bargain purchase	31 457	26 946	6 947	5 747
Net profit before net impairment allowances	28 740	42 816	6 347	9 133
Net profit adjusted for the gain on bargain purchase	25 502	21 898	5 632	4 671
Net profit	25 502	39 708	5 632	8 470
Total net comprehensive income	29 765	44 675	6 573	9 529
Net cash from operating activities	32 262	22 344	7 124	4 766
Net cash (used) in investing activities	(31 092)	(152)	(6 866)	(32)
Net cash (used) in financing activities	(6 283)	(15 775)	(1 387)	(3 365)
Net increase/(decrease) in cash	(5 113)	6 417	(1 129)	1 369
Net profit and diluted net profit per share (in PLN/EUR per share)	21.97	34.20	4.85	7.30

	31/12/2023	31/12/2022 (restated data)	31/12/2023	31/12/2022 (restated data)
Non-current assets	146 855	137 764	33 775	29 375
Current assets	71 081	90 155	16 348	19 223
Total assets	217 936	227 919	50 123	48 598
Share capital	1 974	1 974	454	421
Total equity	150 994	127 617	34 727	27 211
Non-current liabilities	19 953	23 476	4 589	5 006
Current liabilities	46 989	76 826	10 807	16 381
Number of shares	1 160 942 049	1 160 942 049	1 160 942 049	1 160 942 049
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	130.06	109.93	29.91	23.44

The above financial data for the 12-month period of 2023 and 2022 was translated into EUR using the following exchange rates:

- items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates quoted by the National Bank of Poland as of the last day of each month during the reporting period: from 1 January to 31 December 2023 – 4.5284 EUR/PLN and from 1 January to 31 December 2022 – 4.6883 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 December 2023 – 4.3480 EUR/PLN and as at 31 December 2022 – 4.6899 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE 12 AND 3-MONTH PERIOD ENDED 31 DECEMBER

2023

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

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

		12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
	NOTE				
Sales revenues	5.1	372 640	98 327	282 434	106 268
Cost of sales	5.2	(312 163)	(82 312)	(224 795)	(83 172)
Gross profit on sales		60 477	16 015	57 639	23 096
Distribution expenses		(15 675)	(4 246)	(11 166)	(3 336)
Administrative expenses		(5 670)	(1 640)	(3 549)	(1 265)
Other operating income	5.6	8 696	2 865	20 538	9 665
Other operating expenses	5.6	(10 276)	(3 457)	(15 099)	(5 636)
(Loss) due to impairment of trade receivables		(208)	(114)	(309)	(271)
Share in profit from investments accounted for using the equity method		(1 555)	(582)	284	4
Profit from operations		35 789	8 841	48 338	22 257
Finance income	5.7	4 322	1 729	2 265	1 073
Finance costs	5.7	(2 236)	(778)	(2 771)	(491)
Net finance income and costs		2 086	951	(506)	582
(Loss) due to impairment of loans, interest on trade receivables and security deposits		(50)	(4)	(14)	(9)
Profit before tax		37 825	9 788	47 818	22 830
Tax expense		(10 260)	(2 519)	(8 022)	(4 313)
<i>current tax</i>		(3 890)	(910)	(8 337)	(4 097)
<i>deferred tax</i>		(6 370)	(1 609)	315	(216)
Net profit		27 565	7 269	39 796	18 517
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		(168)	(166)	65	8
<i>fair value measurement of investment property as at the date of reclassification</i>		1	1	8	8
<i>actuarial gains and losses</i>		(214)	(218)	66	(3)
<i>gains and losses on investments in equity instruments at fair value through other comprehensive income</i>		3	11	9	8
<i>deferred tax</i>		42	40	(18)	(5)
which will be reclassified into profit or loss		1 712	(1 922)	6 026	4 486
<i>cash flow hedging instruments</i>		5 148	557	5 917	6 387
<i>hedging costs</i>		411	(273)	883	503
<i>exchange differences on translating foreign operations</i>		(2 858)	(2 160)	590	(1 021)
<i>share in other comprehensive income of investments accounted for using the equity method</i>		-	-	1	(1)
<i>deferred tax</i>		(989)	(46)	(1 365)	(1 382)
Total net comprehensive income		29 109	5 181	45 887	23 011
Net profit attributable to		27 565	7 269	39 796	18 517
<i>equity owners of the parent</i>		27 553	7 353	39 654	18 593
<i>non-controlling interest</i>		12	(84)	142	(76)
Total net comprehensive income attributable to		29 109	5 181	45 887	23 011
<i>equity owners of the parent</i>		29 100	5 268	45 741	23 088
<i>non-controlling interest</i>		9	(87)	146	(77)
Net profit per share attributable to equity owners of the parent (in PLN per share)					
<i>basic</i>		23.73	6.33	34.16	16.02
<i>diluted</i>		23.73	6.33	34.16	16.02

The accompanying notes disclosed on pages 10 – 65 are an integral part of these the interim condensed consolidated financial statements.

Consolidated statement of financial position

	NOTE	31/12/2023 (unaudited)	31/12/2022 (restated data)
ASSETS			
Non-current assets			
Property, plant and equipment		147 648	136 387
Intangible assets and goodwill		14 415	11 192
Right-of-use asset		13 576	12 438
Investments accounted for using the equity method		2 232	3 390
Deferred tax assets		906	3 548
Derivatives	5.9	1 682	1 572
Other assets	5.9	3 656	5 867
		184 115	174 394
Current assets			
Inventories		32 910	44 304
Trade and other receivables		41 043	37 931
Current tax assets		2 684	1 036
Cash		13 311	21 046
Derivatives	5.9	2 676	3 905
Assets classified as held for sale		241	3
Other assets	5.9	3 090	30 570
		95 955	138 795
Total assets		280 070	313 189
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 974	1 974
Share premium		46 405	46 405
Own shares		(2)	(2)
Hedging reserve		9 575	5 005
Revaluation reserve		(1)	(5)
Exchange differences on translating foreign operations		(156)	2 701
Retained earnings		106 968	85 970
Equity attributable to equity owners of the parent		164 763	142 048
Non-controlling interests		1 062	1 040
Total equity		165 825	143 088
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.8	10 671	11 973
Provisions	5.10	10 158	8 229
Deferred tax liabilities		13 549	9 835
Derivatives	5.9	242	4 681
Lease liabilities		9 342	8 131
Other liabilities	5.9	860	4 444
		44 822	47 293
Current liabilities			
Trade and other liabilities		41 462	40 210
Lease liabilities		1 413	1 405
Liabilities from contracts with customers		1 819	1 671
Loans, borrowings and bonds	5.8	4 496	7 252
Provisions	5.10	11 400	12 846
Current tax liabilities		2 372	14 603
Derivatives	5.9	1 807	13 403
Other liabilities	5.9	4 654	31 418
		69 423	122 808
Total liabilities		114 245	170 101
Total equity and liabilities		280 070	313 189

The accompanying notes disclosed on pages 10 – 65 are an integral part of these the interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent									Total equity
	Share capital	Share premium	Own shares	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	
01/01/2023 (restated data)	1 974	46 405	(2)	5 005	(5)	2 701	85 970	142 048	1 040	143 088
Net profit	-	-	-	-	-	-	27 553	27 553	12	27 565
Components of other comprehensive income	-	-	-	4 570	4	(2 857)	(170)	1 547	(3)	1 544
Total net comprehensive income	-	-	-	4 570	4	(2 857)	27 383	29 100	9	29 109
Acquisition of company	-	-	-	-	-	-	-	-	13	13
Dividends	-	-	-	-	-	-	(6 385)	(6 385)	-	(6 385)
31/12/2023 (unaudited)	1 974	46 405	(2)	9 575	(1)	(156)	106 968	164 763	1 062	165 825
01/01/2022	1 058	1 227	-	(430)	(20)	2 111	47 761	51 707	871	52 578
Net profit	-	-	-	-	-	-	39 654	39 654	142	39 796
Components of other comprehensive income	-	-	-	5 435	15	590	47	6 087	4	6 091
Total net comprehensive income	-	-	-	5 435	15	590	39 701	45 741	146	45 887
Acquisition of company	-	-	-	-	-	-	-	-	28	28
Change in share structure	-	-	-	-	-	-	5	5	(5)	-
Dividends	-	-	-	-	-	-	(1 497)	(1 497)	(3)	(1 500)
Issue of merger shares	916	45 178	(2)	-	-	-	-	46 092	-	46 092
Other	-	-	-	-	-	-	-	-	3	3
31/12/2022 (restated data)	1 974	46 405	(2)	5 005	(5)	2 701	85 970	142 048	1 040	143 088

The accompanying notes disclosed on pages 10 – 65 are an integral part of these the interim condensed consolidated financial statements.

Consolidated statement of cash flows

		12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
	NOTE				
Cash flows from operating activities					
Profit before tax		37 825	9 788	47 818	22 830
Adjustments for:					
Share in profit from investments accounted for using the equity method	5.7	1 555	582	(284)	(4)
Depreciation and amortisation	5.2	14 146	3 557	7 724	3 328
Foreign exchange (profit)/loss		(742)	(451)	(178)	(453)
Net interest		297	104	698	258
(Profit)/Loss on investing activities, incl.: <i>recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets, goodwill and other assets</i>	5.6	3 157	826	(8 916)	(6 924)
Change in provisions		9 708	3 411	9 516	4 165
Change in working capital		9 021	(4 354)	(16 318)	(7 917)
<i>inventories</i>		10 719	2 503	(5 452)	(609)
<i>receivables</i>		(2 215)	(7 123)	(9 570)	(1 604)
<i>liabilities</i>		517	266	(1 296)	(5 704)
Other adjustments, incl.:		(14 305)	(5 754)	(3 905)	2 092
<i>settlement of grants for property rights</i>		(4 241)	(1 133)	(2 931)	(751)
<i>security deposits</i>		8 771	1 724	3 585	5 422
<i>derivatives</i>		(9 822)	(2 981)	(96)	1 635
<i>change in liabilities under contracts with customers</i>		194	(498)	(3 267)	(3 634)
<i>change in assets and liabilities due to contracts valued at the time of settlement of business combination</i>		(8 660)	(2 476)	(1 561)	(1 561)
Income tax (paid)		(16 564)	(1 567)	(5 071)	(3 340)
Net cash from operating activities		44 098	6 142	31 084	14 035
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(36 123)	(9 589)	(20 236)	(8 675)
Proceeds from the sale of shares in connection with the implementation of REMEDIES		340	-	4 579	4 579
Acquisition of financial assets in ORLEN VC		(62)	(39)	(72)	(37)
Disposal of property, plant and equipment, intangible assets and right-of-use asset		1 101	885	103	43
Short-term deposits		(54)	(53)	-	49
(Purchase)/Disposal of bonds		(60)	904	-	-
Acquisition of petrochemical assets less cash		(214)	-	-	-
Recapitalisation in investments in joint ventures		(1 147)	-	-	-
Interest received		190	41	-	-
Dividends received		119	11	451	70
(Outflows) net cash from loans		(1 601)	(992)	27	27
Acquisition of shares lowered by cash		1 177	1 287	(920)	(711)
Cash in the acquired LOTOS Group companies as at the merger date		-	-	4 388	38
Cash in the acquired PGNiG Group companies as at the merger date		-	-	12 267	12 267
Cash as at the date of establishing the joint operation in Rafineria Gdańska		-	-	375	375
Other		72	59	-	(44)
Net cash from/(used in) investing activities		(36 262)	(7 486)	962	7 981
Cash flows from financing activities					
Proceeds from loans and borrowings received		7 771	5 551	11 775	1 857
Bonds issued		2 183	-	-	-
Repayment of loans and borrowings		(9 272)	(2 235)	(22 373)	(12 620)
Redemption of bonds		(4 023)	(24)	(826)	(200)
Interest paid from loans, borrowings and bonds		(678)	(165)	(653)	(262)
Interest paid on lease		(370)	(93)	(211)	(68)
Dividends paid		(6 385)	-	(1 500)	(1 500)
Payments of liabilities under lease agreements		(1 434)	(293)	(893)	(276)
Grants received		399	298	153	95
Other		(173)	(14)	(42)	(2)
Net cash from/(used in) financing activities		(11 982)	3 025	(14 570)	(12 976)
Net increase/(decrease) in cash		(4 146)	1 681	17 476	9 040
Effect of changes in exchange rates		(3 589)	(1 704)	674	551
Cash, beginning of the period		21 046	13 334	2 896	11 455
Cash, end of the period		13 311	13 311	21 046	21 046
<i>including restricted cash</i>		1 452	1 452	1 863	1 863

The accompanying notes disclosed on pages 10 – 65 are an integral part of these 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 ORLEN S.A. Capital Group ("Group", "ORLEN Group") is ORLEN S.A. ("ORLEN", "Company", "Parent Company") with its headquarters in Plock, 7 Chemików Street. Pursuant to the decision of the Ordinary General Meeting of ORLEN S.A. of 21 June 2023, on 3 July 2023, the District Court in Łódź, XX Commercial Department of the National Court Register, registered the change of the Company's from Polski Koncern Naftowy ORLEN S.A. to ORLEN S.A.

The core business of the ORLEN Group is the processing of crude oil and the production of fuel, petrochemical and chemical products as well as their wholesale and retail sale and generates, distributes and trades of electricity and heat, incl. from renewable energy sources. The ORLEN Group also conducts exploration, recognition and extraction of hydrocarbons. Moreover, the operations of the ORLEN Group also include exploration for and production of natural gas, import of natural gas, as well as storage, sale and distribution of gaseous and liquid fuels.

The activity of the ORLEN Group companies is also service-related activity: storage of crude oil and fuels, transportation, maintenance and overhaul services, laboratory, security, design, administrative, courier services, distribution of the press, insurance and financial services as well as media activities (newspapers and websites).

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

2.1. Statement of compliance and general principles of preparation

These interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information to be published by issuers of securities and conditions of consideration of information required by the law of non-member country's law as equal (Official Journal 2018, item 757) and present the ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 December 2023 and as at 31 December 2022, financial results and cash flows for the 12 and 3-month period ended 31 December 2023 and 31 December 2022.

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

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

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

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

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

2.2.1. Accounting principles

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

2.2.2. Restated of comparative data

The following events had an impact on the comparative data presented in the Consolidated Financial Statements for 2022 and in the Consolidated Quarterly Report for the 4th quarter of 2022:

- in the Consolidated half-year Report for the 1st half of 2023, the Group presented the final settlement of the merger transaction with the LOTOS Group. As a result of determining the final fair values of the acquired assets and assumed liabilities as at the acquisition date, which resulted in an adjustment to the provisional values recognised so far, the Group has reviewed the comparative information for the previous periods presented in these interim condensed consolidated financial statements.
- in the interim condensed consolidated financial statements for the 4th quarter of 2023, the Group presented the final settlement of the merger transaction with the PGNIG Group. As a result of determining the final fair values of the acquired assets and assumed liabilities as at the acquisition date, which resulted in an adjustment to the provisional values recognized so far, the Group has reviewed the comparative information for the previous periods presented in these interim condensed consolidated financial statements.
- moreover, the Group has changed the presentation of the valuation and settlement of derivative financial instruments not designated as hedge accounting purposes in Consolidated Financial Statements for 2022 as a result of which inflows and outflows from the settlement of these instruments are presented as part of operating activities.

As a result of the above process, some items of assets and liabilities as at 31 December 2022 changed, which required transformation of these data. Detailed information is presented in tables below and in note [3.4.6](#);

	31/12/2022 (published data)	Adjustments to comparative data due to completion of accounting settlement of merger with the ORLEN Group *	31/12/2022 (restated data)
ASSETS			
Non-current assets			
Property, plant and equipment	118 844	17 543	136 387
Intangible assets and goodwill	10 861	331	11 192
Right-of-use asset	10 262	2 176	12 438
Investments accounted for using the equity method	3 442	(52)	3 390
Deferred tax assets	4 154	(606)	3 548
Derivatives	1 505	67	1 572
Other assets	4 049	1 818	5 867
	153 117	21 277	174 394
Current assets			
Inventories	45 127	(823)	44 304
Trade and other receivables	37 905	26	37 931
Current tax assets	1 036	-	1 036
Cash	21 456	(410)	21 046
Derivatives	3 359	546	3 905
Assets classified as held for sale	17	(14)	3
Other assets	10 310	20 260	30 570
	119 210	19 585	138 795
Total assets	272 327	40 862	313 189
EQUITY AND LIABILITIES			
Total equity, incl.:	136 959	6 129	143 088
Exchange differences on translating foreign operations	2 684	17	2 701
Retained earnings	79 887	6 083	85 970
Non-controlling interests	1 011	29	1 040
Non-current liabilities			
Loans, borrowings and bonds	11 973	-	11 973
Provisions	8 079	150	8 229
Deferred tax liabilities	7 279	2 556	9 835
Derivatives	4 613	68	4 681
Lease liabilities	8 842	(711)	8 131
Other liabilities	745	3 699	4 444
	41 531	5 762	47 293
Current liabilities			
Trade and other liabilities	40 257	(47)	40 210
Lease liabilities	1 422	(17)	1 405
Liabilities from contracts with customers	2 644	(973)	1 671
Loans, borrowings and bonds	7 252	-	7 252
Provisions	12 817	29	12 846
Current tax liabilities	14 604	(1)	14 603
Derivatives	12 839	564	13 403
Other liabilities	2 002	29 416	31 418
	93 837	28 971	122 808
Total equity and liabilities	272 327	40 862	313 189

* adjustments concern mainly the settlement of the merger with the former LOTOS Group and PGNiG Group

	12 MONTHS ENDED 31/12/2022 (published data)	Adjustments to comparative data due to completion of accounting settlement of merger with the ORLEN Group *	12 MONTHS ENDED 31/12/2022 (restated data)
Sales revenues	277 564	4 870	282 434
Cost of sales	(225 168)	373	(224 795)
Gross profit on sales	52 396	5 243	57 639
Distribution expenses	(11 126)	(40)	(11 166)
Administrative expenses	(3 545)	(4)	(3 549)
Other operating income	19 333	1 205	20 538
<i>gain on bargain purchase</i>	14 166	1 021	15 187
Other operating expenses	(15 940)	841	(15 099)
(Loss) due to impairment of trade receivables	(309)	-	(309)
Share in profit from investments accounted for under equity method	284	-	284
Profit from operations	41 093	7 245	48 338
Finance income	2 263	2	2 265
Finance costs	(2 749)	(22)	(2 771)
Net finance income and costs	(486)	(20)	(506)
(Loss) due to impairment of loans and interest on trade receivables	(14)	-	(14)
Profit before tax	40 593	7 225	47 818
Income tax	(6 963)	(1 059)	(8 022)
<i>current tax</i>	(8 338)	1	(8 337)
<i>deferred tax</i>	1 375	(1 060)	315
Net profit	33 630	6 166	39 796
Net profit attributable to	33 630	6 166	39 796
<i>equity owners of the parent</i>	33 488	6 166	39 654
<i>non-controlling interest</i>	142	-	142
Total net comprehensive income attributable to	39 787	6 100	45 887
<i>equity owners of the parent</i>	39 641	6 100	45 741
<i>non-controlling interest</i>	146	-	146
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)	28.85	5.31	34.16

* adjustments concern mainly the settlement of the merger with the former LOTOS Group and PGNiG Group

	3 MONTHS ENDED 31/12/2022 (unaudited)	Adjustments to comparative data due to completion of accounting settlement of merger with the ORLEN Group *	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Sales revenues	101 317	4 951	106 268
Cost of sales	(84 255)	1 083	(83 172)
Gross profit on sales	17 062	6 034	23 096
Distribution expenses	(3 296)	(40)	(3 336)
Administrative expenses	(1 262)	(3)	(1 265)
Other operating income	11 103	(1 438)	9 665
<i>gain on bargain purchase</i>	8 243	(1 602)	6 641
Other operating expenses	(6 476)	840	(5 636)
(Loss) due to impairment of trade receivables	(271)	-	(271)
Share in profit from investments accounted for under equity method	4	-	4
Profit from operations	16 864	5 393	22 257
Finance income	447	626	1 073
Finance costs	159	(650)	(491)
Net finance income and costs	606	(24)	582
(Loss) due to impairment of loans and interest on trade receivables	(9)	-	(9)
Profit before tax	17 461	5 369	22 830
Income tax	(3 108)	(1 205)	(4 313)
<i>current tax</i>	(4 098)	1	(4 097)
<i>deferred tax</i>	990	(1 206)	(216)
Net profit	14 353	4 164	18 517
Net profit attributable to	14 353	4 164	18 517
<i>equity owners of the parent</i>	14 429	4 164	18 593
<i>non-controlling interest</i>	(76)	-	(76)
Total net comprehensive income attributable to	18 913	4 098	23 011
<i>equity owners of the parent</i>	18 990	4 098	23 088
<i>non-controlling interest</i>	(77)	-	(77)
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)	12.43	3.59	16.02

* adjustments concern mainly the settlement of the merger with the former LOTOS Group and PGNiG Group

	12 MONTHS ENDED 31/12/2022 (published data)	Adjustments to comparative data due to completion of accounting settlement of merger with the ORLEN Group *	12 MONTHS ENDED 31/12/2022 (restated data)
Cash flows from operating activities			
Profit before tax	40 593	7 225	47 818
Adjustments for:			
Depreciation and amortisation	6 916	808	7 724
Net interest	700	(2)	698
Loss on investing activities, incl.:	(7 379)	(1 537)	(8 916)
<i>(gain) on bargain purchase</i>	(14 166)	(1 021)	(15 187)
Change in provisions	9 451	65	9 516
Change in working capital	(11 302)	(5 016)	(16 318)
<i>inventories</i>	43	(5 495)	(5 452)
<i>receivables</i>	(9 652)	82	(9 570)
<i>liabilities</i>	(1 693)	397	(1 296)
Other adjustments	(2 428)	(1 477)	(3 905)
Income tax (paid)	(5 077)	6	(5 071)
Net cash from operating activities	30 951	133	31 084
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(20 216)	(20)	(20 236)
Disposal of property, plant and equipment, intangible assets and right-of-use asset	103	-	103
Settlement of derivatives not designated as hedge accounting	-	-	-
Cash in the acquired LOTOS Group and PGNiG Group companies as at the merger date	17 190	(535)	16 655
Net cash from investing activities	1 517	(555)	962
Cash flows from financing activities			
Payments of liabilities under lease agreements	(892)	(1)	(893)
Net cash (used in) financing activities	(14 569)	(1)	(14 570)

* adjustments concern mainly the settlement of the merger with the former LOTOS Group and PGNiG Group

	3 MONTHS ENDED 31/12/2022 (unaudited)	Adjustments to comparative data due to completion of accounting settlement of merger with the ORLEN Group *	Change in the presentation of the measurement and settlement of derivatives not designated for hedge accounting purposes	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Cash flows from operating activities				
Profit before tax	17 461	5 369	-	22 830
Adjustments for:				
Depreciation and amortisation	2 551	777	-	3 328
Net interest	260	(2)	-	258
Loss on investing activities, incl.: (gain) on bargain purchase	(8 046) (8 243)	1 122 1 602	-	(6 924) (6 641)
Change in provisions	4 079	86	-	4 165
Change in working capital	(2 108)	(5 809)	-	(7 917)
inventories	5 538	(6 147)	-	(609)
receivables	(1 595)	(9)	-	(1 604)
liabilities	(6 051)	347	-	(5 704)
Other adjustments	824	(1 416)	2 684	2 092
Income tax (paid)	(3 346)	6	-	(3 340)
Net cash from operating activities	11 218	133	2 684	14 035
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(8 655)	(20)	-	(8 675)
Disposal of property, plant and equipment, intangible assets and right-of-use asset	43	-	-	43
Settlement of derivatives not designated as hedge accounting	2 684	-	(2 684)	-
Cash in the acquired LOTOS Group and PGNiG Group companies as at the merger date	12 840	(535)	-	12 305
Net cash from investing activities	11 220	(555)	(2 684)	7 981
Cash flows from financing activities				
Payments of liabilities under lease agreements	(275)	(1)	-	(276)
Net cash (used in) financing activities	(12 975)	(1)	-	(12 976)

* adjustments concern mainly the settlement of the merger with the former LOTOS Group and PGNiG Group

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

2.3.1. Functional currency and presentation currency

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

2.3.2. Methods applied to translation of financial data

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

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

Foreign exchange differences resulting from the above recalculations are recognised in equity in the line exchange differences on translating foreign operations. Upon disposal of foreign entity, foreign exchange differences accumulated in equity, relating to a given foreign entity, are recognised in the statement of profit and loss as the result on disposal.

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	12 MONTHS ENDED	3 MONTHS ENDED	12 MONTHS ENDED	3 MONTHS ENDED	31/12/2023	31/12/2022
	31/12/2023	31/12/2023	31/12/2022	31/12/2022		
EUR/PLN	4.5428	4.4150	4.6855	4.7286	4.3480	4.6899
USD/PLN	4.2010	4.1044	4.4569	4.6391	3.9350	4.4018
CZK/PLN	0.1893	0.1801	0.1908	0.1939	0.1759	0.1942
CAD/PLN	3.1134	3.0138	3.4233	3.4156	2.9698	3.2486
NOK/PLN	0.3983	0.3791	0.4640	0.4547	0.3867	0.4461

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

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

In the other segments of the ORLEN Group is no significant seasonality or cyclicity of operations.

3. Financial situation and the organization of the ORLEN Group

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

In the Group's opinion, the ongoing conflict in Ukraine will continue to affect the macroeconomic situation in Poland and in the world and will cause volatility in the prices of refining and petrochemical products and raw materials, including oil and gas, energy and CO₂ emission allowances and currency quotations, with the direction of impact on margins currently difficult to define which will translate into the future financial position of the Group, its operating activities, as well as its financial results in the future. This impact on the operating and financial activities of the Group will depend both on the implementation of possible scenarios for the further course of the war in Ukraine, as well as on the actions that will be taken by the governments of other countries, including the maintenance or imposition of new sanctions on Russia, as well as the continuation of restrictions in trade relations with Russia and possibly countries supporting its military operations in Ukraine.

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

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

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

Additionally, the Group is taking intensive steps to increase oil imports to Czech refineries from directions other than Russia. In particular, the Group supports the Czech government, which has taken steps to modernize oil pipelines and expand their capacity, which will make it possible to reduce dependence on oil imports from Russia. Currently, pipelines that deliver Russian oil to the Czech Republic are still exempt from the sanctions due to infrastructural limitations that prevent the full coverage of Czech demand for oil from alternative directions.

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

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

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

Gazprom's suspension of natural gas supplies to Poland in April 2022 accelerated the diversification of imports. The quick and effective reorganization, the Company ensured the safety of Polish recipients of this raw material from various directions. At the end of 2022, the long-term contract for the purchase of natural gas from Gazprom expired, and 2023 was the first full year without natural gas imports from Russia.

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

In connection with the ongoing war in Ukraine, the Group has developed appropriate contingency plans in the event of cyber attacks, the need to introduce immediate changes in the supply chain, and in the event of a threat to the lives of employees of the Group's companies in the event of expansion of military operations to the territories of other countries. Additionally, procedures in the event of emergency situations have been developed to ensure the continuity of the critical infrastructure.

The Group has sufficient financial resources to enable it to settle its current liabilities and to continue planned investment and acquisition projects.

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

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

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

Despite the ongoing conflict in Ukraine and the related volatility in the markets and macroeconomic situation, in the 4th quarter of 2023 the Group did not observe a significant deterioration in repayment capacity or an increase in the number of bankruptcies or restructuring among its clients. Due to the effective management of trade credit and debt collection, the Group believes that the risk of non-payment of receivables by contractors has not changed significantly, and the repayment of receivables shown in the balance sheet as at 31 December 2023, which are due in the coming months, will remain at a materially unchanged level. In connection with the above, as at 31 December 2023, the Group did not identify any reasons to modify the assumptions adopted to assess the expected credit loss in terms of the potential need to take into account an additional element of risk related to the current economic situation and forecasts for the future.

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

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

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

- prices and supply of raw materials: crude oil, gas, electricity;
- changes in prices of CO₂ emission allowances;
- raw material optimization due to the high price and volatility of supply;
- prices, margins and volumes of refinery and petrochemical products and electricity;
- exchange rates, mainly EUR and USD;
- ratios of the expected rate of return on WACC investments;
- inflation rates and the level of interest rates.

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

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

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

In addition, changes in the prices of raw materials, CO₂ emission allowances, margins on products and fluctuations in exchange rates and interest rates will have a direct impact on the operating profit generated by the Group, including the valuation and settlement of derivatives held by the Group.

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

When making assumptions and estimates as at 31 December 2023, the Group relied on rational and factually supported assumptions reflecting the most appropriate assessment of the Management Board regarding all economic conditions that may occur in the foreseeable future. Nevertheless, due to the fact that the estimates adopted by the Group are subject to high uncertainty, there is a significant risk that the balance sheet values of the assets and liabilities described above, which are most affected by the adopted assumptions, may change significantly in subsequent reporting periods. Since the outbreak of the war in Ukraine, high uncertainty and unpredictability of price changes have persisted in commodity markets. This is due both to the unpredictability of the further course of the war, subsequent sanctions imposed on Russia and their effects, and retaliation from Russia. Under these conditions, many international institutions withheld their forecasts. They were replaced by conditional scenarios, limited to the leading commodity markets, such as oil, and differing in the scale and effectiveness of sanctions on Russian exports of fossil fuels, which, however, due to high uncertainty, cannot be assigned a reasonable level of probability of implementation.

As at 31 December 2023, the Group is in the process of performing impairment tests for non-current assets. Additional information is presented in note [5.4](#).

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

Profit or loss for the 12 months of 2023

Sales revenues of the ORLEN Group for the 12 months of 2023 amounted to PLN 372,640 million and was higher by PLN 90,206 million (y/y).

Higher revenues reflect an 8% (y/y) increase in sales volumes in tonnes (an increase mainly in the refining, upstream, retail segment with a decrease in petrochemical segment). Higher sales of natural gas by 242.3 TWh and CNG gas by 22 million m³ as a result of recognizing the volumes from the entire 2023 (in 2022, the sales of natural gas and CNG from the moment of merger were included).

The increase in sales revenues was partly limited by the decrease in quotations of the main products as a result of lower crude oil prices by (-) 18% (y/y). In the 12-months period of 2023, compared to the corresponding period of 2022, the prices of gasoline decreased by (-) 14%, diesel oil by (-) 21%, aviation fuel by (-) 19%, heavy fuel oil by (-) 7%, ethylene by (-) 15% and propylene by (-) 22%.

The operating expenses totally increased by PLN (93,988) million (y/y) to PLN (333,508) million, mainly as a result of including the costs of the companies of the former LOTOS Group and former PGNiG Group.

The result of other operating activities amounted to PLN (1,580) million and was lower by PLN (7,019) 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 Grupa LOTOS and PGNiG in the amount of PLN (15,187) million, the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN 3,669 million and lower by PLN 3,164 million than in the comparable period of the previous year negative impact of net impairment allowances of property, plant and equipment and intangible assets, other assets and assets held for sale.

Share in profit from investments accounted for using the equity method was lower by PLN (1,839) million (y/y) and amounted to PLN (1,555) million mainly due to the recognition of an impairment loss on the investment in EuRoPol GAZ in the amount of PLN (996) millions as also a share in the result of Baltic Power in the amount of PLN (580) million, mainly in connection with the negative valuation of IRS derivatives hedging the interest rate risk recognized by the company, the conclusion of which resulted from the conditions signed with banks in the Project Finance formula of contracts for financing the construction of an offshore wind farm. Additional information in note [5.5](#).

As a result, profit from operations amounted to PLN 35,789 million and was lower by PLN (12,549) million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance income in the described period amounted to PLN 2,086 million and included mainly net foreign exchange gain in the amount of PLN 1,912 million, net interest income in the amount of PLN 796 million and settlement and valuation of derivative financial instruments in the amount of PLN (532) million.

After the deduction of tax charges in the amount of PLN (10,260) million, the net profit of the ORLEN Group for the 12 months of 2023 amounted to PLN 27,565 million and was lower by PLN (12,231) million (y/y).

Profit or loss for the 4th quarter of 2023

Sales revenues of the ORLEN Group in the 4th quarter of 2023 amounted to PLN 98,327 million and were lower by PLN (7,941) million (y/y).

The decline in revenues reflects lower sales volumes in tonnes by (-) 5% (y/y) (lower volumes mainly in the refining and petrochemical segments, with higher volumes in upstream and retail segment). Increase in sales volumes of natural gas by 25.0 TWh and CNG gas by 2.3 million m³, partially limited by a decrease in LNG sales by 139 thousand tone.

The lower revenues results from the decrease in prices of main products as a result of lower crude oil prices by (-) 5% (y/y). In the 4th quarter of 2023, compared to the corresponding period of 2022, the prices of gasoline decreased by (-) 9%, diesel oil by (-) 19%, aviation fuel by (-) 11%, ethylene by (-) 4% and propylene by (-) 8% by increase of heavy fuel oil by 23 % (y/y).

Operating costs remained at a similar level. In total, they decreased by PLN (425) million (y/y) to the PLN (88,198) million.

The result of other operating activities amounted to PLN (592) million and was lower by PLN (4,621) 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 PGNiG Group in the amount of PLN (6,641) million and the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN (943) million and lower by PLN 2,559 million than in the comparable period of the previous year negative impact of net impairment allowances of property, plant and equipment and intangible assets, other assets and assets held for sale.

As a result, profit from operations amounted to PLN 8,841 million and was lower by PLN (13,416) million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance income in the described period amounted to PLN 951 million and included mainly net foreign exchange gain in the amount of PLN 1,287 million, net interest cost in the amount of PLN (60) million and settlement and valuation of derivative financial instruments in the amount of PLN (240) million.

After the deduction of tax charges in the amount of PLN (2,519) million, the net profit of the ORLEN Group amounted to PLN 7,269 million and was lower by PLN (11,248) million (y/y).

Statement of financial position

As at 31 December 2023, the total assets of the ORLEN Group amounted to PLN 280,070 million and was lower by PLN (33,119) million in comparison with 31 December 2022.

As at 31 December 2023, the value of non-current assets amounted to PLN 184,115 million and was higher by PLN 9,721 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets and right-of-use assets by PLN 15,622 million, decrease in the deferred tax asset by PLN (2,642) million and other assets by PLN (2,211) million, mainly from the settlement of assets due to contracts valued at the time of settlement of business combination.

The change in balance of property, plant and equipment and intangible assets by PLN 14,484 million (y/y) comprised:

- investment expenditures in the amount of PLN 29,334 million including development of fertilizer production capacities in Anwil, construction of the Visbreaking and HVO (Hydrotreated Vegetable Oil) Installation in Płock, construction of the Bioetanol 2nd Gen installation in ORLEN Południe, construction of the Hydrocracking Oil Unit and a marine terminal for transshipment of petroleum products on the Martwa Wisła in Gdańsk, construction of the new hydrocracking in Lithuania, expenditure of the production capacity of the Olefin installation in Płock, projects in the Energy segment related mainly to the modernization of existing assets and the connection of new customers, construction of CCGT Ostrołęka, construction of photovoltaic farms, projects in the gas segment mainly related to construction and modernization of customer connections to the grid - PSG and projects in Retail and Upstream segment;
- depreciation and amortisation in the amount of PLN (12,696) million;
- purchase of CO₂ allowances and energy certificates in the amount of PLN 9,722 million;
- amortisation of CO₂ allowances and energy certificates in the amount of PLN (10,801) million;
- rights received free of charge in the amount of PLN 4,342 million;
- recognition of net impairment allowances on assets mainly in the Upstream segment in the amount of PLN (2,877) million;
- effect of differences in balance on translating foreign operations in the amount of PLN (3,383) million.

The value of current assets as at 31 December 2023 decreased by PLN (42,840) million in comparison with the end of the previous year, mainly as:

- decrease in inventories by PLN (11,394) million, mainly due to decrease in gas prices on the European market,
 - increase in trade and other receivables by PLN 3,112 million,
 - decrease in balance of cash by PLN (7,735) million
 - decrease in other assets by PLN (27,480) million, which mainly related to the decrease in margin deposits by PLN (8,719) million due to hedging transactions traded with financial institutions and on commodity exchanges and settlement of contracts assets valued at the moment of settlement of the business combination in the amount of PLN (18,044) million (detailed information in note [5.9](#)).
- The decrease in the balance of margin deposits results mainly from the settlement of commodity risk hedging transactions concluded by ORLEN (mainly gas commodity swaps).

As at 31 December 2023, total equity amounted to PLN 165,825 and was higher by PLN 22,737 million in comparison with the end of 2022, mainly due to recognition of net profit for the 12 months of 2023 in the amount of PLN 27,565 million, impact of the change in hedging reserve in the amount of PLN 4,570 million, dividends payment from previous years' profits to ORLEN's shareholder in the total amount of PLN (6,385) million and the impact of exchange differences on translating foreign operations in the amount of PLN (2,857) million.

The value of trade and other liabilities increased by PLN 1,252 million in comparison to the end of 2022 mainly due to increase of tax liabilities by PLN 2,656 million and investment liabilities by PLN 1,329 million, by decrease of trade liabilities by PLN (2,885) million. The increase in tax liabilities is mainly due to the termination of the reduced VAT rate on fuels and gas introduced by the provisions of the anti-inflation shield as at 31 December 2023. The decrease in trade liabilities resulted mainly from lower oil and gas prices on the markets.

Value of provisions as at 31 December 2023 amounted to PLN 21,558 million and was higher by PLN 483 million in comparison to the end of 2022. The change resulted mainly from:

- a decrease in the net provisions for estimated CO₂ emissions and energy certificates in the amount of PLN (790) million due to the recognition and updating of the net provision in the amount of PLN 10,397 based on the weighted average price of allowances and certificates held and their use due to redemption of property rights for 2022 in the amount of PLN (10,801) million,
- from the recognition of provisions for onerous contracts in the amount of PLN 1,741 million in EuRoPol GAZ and the settlement of the provisions for onerous contract in the amount of PLN (607) million recognised at the end of 2023 following the entry into force of the Act of 7 October 2022 on special solutions for the protection of electricity consumers.

Derivatives non-current and current as at 31 December 2023 amounted to PLN 2,049 million and were lower by PLN (16,035) million, mainly due to change in valuation about PLN (12,098) million and PLN (3,935) million, respectively, for:

- cash flow hedging instruments from operating activities relating mainly to the sale of a natural gas commodity swap from an European commodity exchange and the purchase of a natural gas commodity swap from an US commodity exchange, due to the decrease in the price of indices and the settlement of part of the transactions;
- derivatives not designated as hedge accounting from operating activities, relating mainly to the sale and purchase of natural gas commodity swaps from an European commodity exchange, due to the decrease in the price of indices.

The valuation of the effective part of the cash flow hedging derivatives is recognised in hedge accounting equity, while instruments not designated for hedge accounting purposes are recognised in other operating income and expenses.

As at 31 December 2023, net financial indebtedness of the ORLEN Group amounted to PLN 1,778 million and was lower by PLN 3,599 million in comparison with the end of 2022 mainly due to the net outflows, including inflows and repayments of loans, and borrowings and redemption of bonds in the amount of PLN (3,341) million, an decrease in balance of cash by PLN 7,735 million, short-term deposits in the amount of PLN (78) million and the net effect of valuation and revaluation of debt due to foreign exchange differences in the total amount of PLN (717) million.

Statement of cash flows for the 12 months of 2023

Proceeds of net cash from operating activities for the 12 months of 2023 amounted to PLN 44,098 million and comprised mainly result from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 49,935 million adjusted by:

- the positive impact of decrease in a net working capital by PLN 9,021 million mainly related to decrease in crude oil prices and prices of products, which translated into the value of inventories and liabilities,
- paid income taxes in the amount of PLN (16,564) million,
- gain on investing activities in the amount of PLN 3,157 million,
- change in provisions in the amount of PLN 9,708 million mainly as a result of creation of provision for CO₂ emission,
- other adjustments in the amount of PLN (14,305) million related mainly to securing the settlement of transactions hedging commodity risk traded with financial institutions and on commodity exchanges in the amount of PLN 8,771 million, settlement and valuation of derivatives in the amount of PLN (9,822) million, settlement of grants for property rights in the amount of PLN (4,241) million and change in assets and liabilities due to contracts valued at the time of settlement of business combination in the amount of PLN (8,660) million.

Net cash used in investing activities for the 12 months of 2023 amounted to PLN (36,262) 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 (35,022) million and increasing capital involvement in joint ventures mainly Baltic Power and ORLEN Synthos Green Energy in the amount of PLN (1,147) million.

Net cash flows used in financing activities for the 12 months of 2023 amounted to PLN (11,982) million and comprised mainly the net repayment of loans and borrowings in the amount of PLN (1,501) million, redemption of Eurobonds issued by ORLEN Capital AB and partial redemption of senior bonds issued by B8 Sp.z o.o. Baltic SKA in the total amount of PLN (4,023) million, issue of bonds in the amount of PLN 2,183 million, dividends paid to ORLEN's shareholder in the amount of PLN (6,385) million, interest paid in the amount of PLN (1,048) million and liabilities under lease agreements in the amount of PLN (1,434) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 12-month period of 2023 decreased by PLN (7,735) million and as at 31 December 2023 amounted to PLN 13,311 million.

Statement of cash flows for the 4th quarter of 2023

In the 4th quarter of 2023 the net cash from operating activities amounted to PLN 6,142 million and comprised mainly of profit from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 12,398 million, the negative impact of increase in a net working capital by PLN (4,354) million paid income tax in the amount of PLN (1,567) million, change in provisions in the amount of PLN 3,411 million other adjustments in the amount of PLN (5,754) million related mainly to settlement and valuation of derivatives in the amount of PLN (2,981) million, settlement of grants for property rights in the amount of PLN (1,133) million and change in assets and liabilities due to contracts valued at the time of settlement of business combination in the amount of PLN (2,476) million.

In the 4th quarter of 2023 the net cash used in investing activities amounted to PLN (7,486) 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 (8,704) million and disposal of bonds in the amount of PLN 904 million.

In the 4th quarter of 2023 net cash inflows from financing activities amounted to PLN 3,025 million and comprised mainly the net inflows of loans and borrowings in the amount of PLN 3,316 million, payments of liabilities under lease agreements in the amount of PLN (293) million, interest paid in the amount of PLN (258) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 4th quarter of 2023 decreased by PLN (23) million and as at 31 December 2023 amounted to PLN 13,311 million.

Factors and events which may influence future results

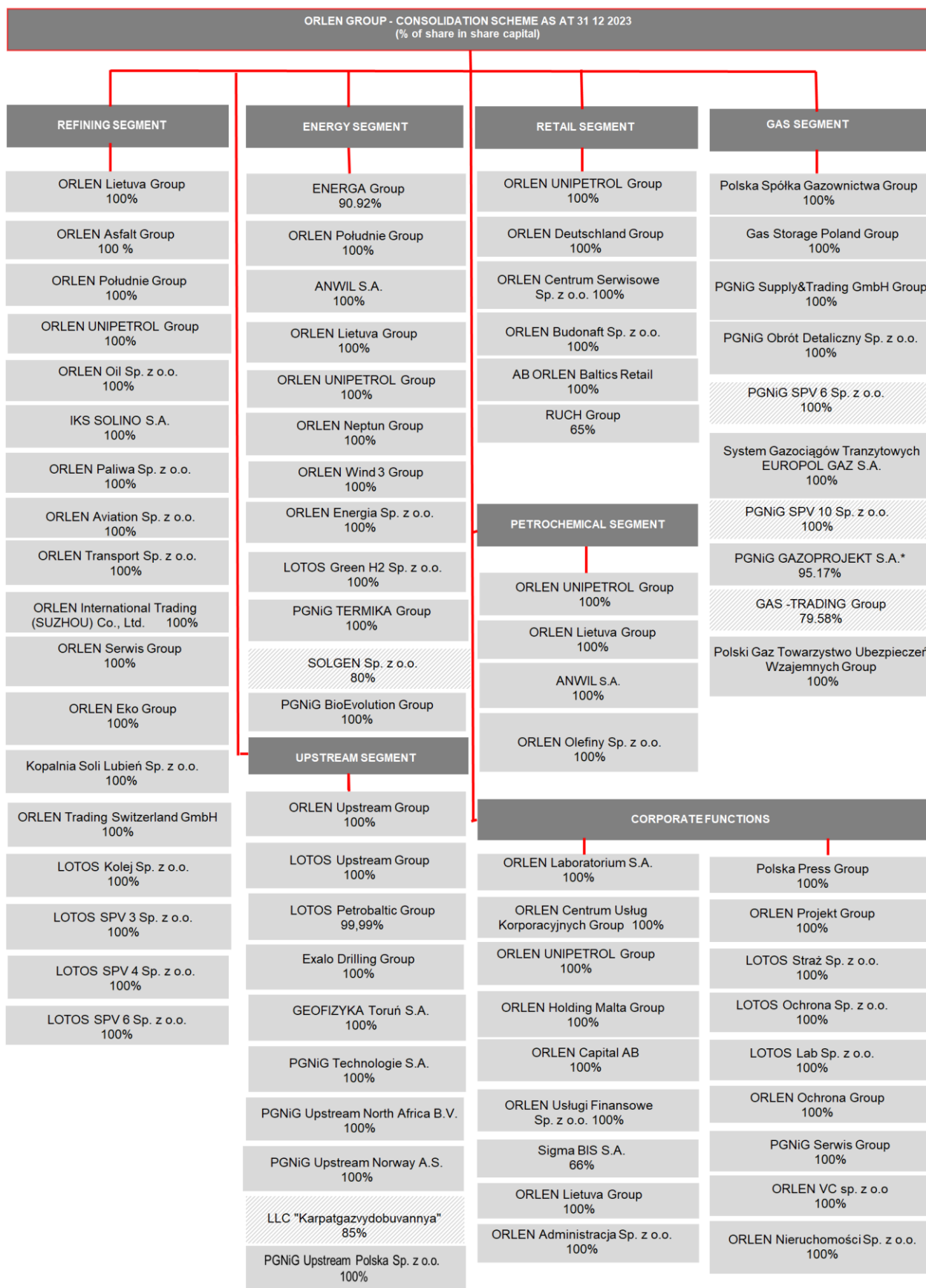
The key factors that will affect future financial results of the ORLEN Group include:

- the impact of the war in Ukraine (sanctions on the crude oil, petroleum products and restrictions on natural gas supplies to Europe) on the deepening of natural gas, diesel oil, crude oil and coal shortages in global markets and their market prices,
- impact of the geopolitical situation on the global economy and energy markets,
- the impact of the risk of escalation of the armed conflict in the Gaza region on oil and fuel prices,
- impact of the COVID-19 pandemic in China on the global economy and energy markets,
- inflation and market interest rates persisting at a high level,
- a significant decrease in the global GDP growth rate and the risk of recession,
- the depth and pace of reduction of the global demand for energy carriers,
- European Union's climate policy and prices of rights and CO₂ emissions allowances,
- administrative interventions on international and domestic fuel markets and electricity (price caps, taxation of windfall profits, tariff policy of the President of the Energy Regulatory Office),
- increase in operating costs and investment financing related to inflation, geopolitical risk and regulatory risk,
- availability of production installations,
- the pace of putting new refinery capacity into operation in the Atlantic basin,
- applicable legal regulations,
- investments in development projects of the ORLEN Group,
- synergies resulting from the Grupa LOTOS and PGNiG acquisition.

3.3. Description of the organization of the ORLEN Group

As at 31 December 2023 the ORLEN Group includes ORLEN as the Parent Company and entities located in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, Slovakia, Hungary, Norway, Cyprus, Estonia, Switzerland, United Kingdom, the Netherlands, Ukraine, Latvia, Canada and China.

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



* 96.53% in number of votes



companies not consolidated using the full method due to their immateriality

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

Name of the Capital Group/Company		Name of the Capital Group/Company	
Refining Segment		Energy Segment	
ORLEN Lietuva Group		ENERGA Group	
AB ORLEN Lietuva	100%	Energa S.A.	90.92%
SIA ORLEN Latvija	100%	Energa-Operator S.A.	100%
OU ORLEN Eesti	100%	Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	100%
UAB ORLEN Mockavos terminalas	100%	Energa-Obrót S.A.	100%
ORLEN UNIPETROL Group		Energa Green Development Sp. z o.o.	100%
ORLEN UNIPETROL RPA s.r.o.	100%	Enspirion Sp. z o.o.	100%
ORLEN UNIPETROL Slovakia s.r.o.	100%	Energa Oświetlenie Sp. z o.o.	100%
ORLEN UNIPETROL Doprava s.r.o.	100%	Energa Wytwarzanie S.A.	100%
ORLEN UNIPETROL Hungary Kft.	100%	Energa Elektrownie Ostrołęka S.A.	89.64%
Petrotrans s.r.o.	100%	Energa Serwis Sp. z o.o.	100%
Paramo a.s.	100%	ECARB Sp. z o.o.	100%
ORLEN Południe Group		ENERGA MFW 1 Sp. z o.o.	100%
ORLEN Południe S.A.	100%	ENERGA MFW 2 Sp. z o.o.	100%
Konsorcjum Olejów Przetworzonych - Organizacja Odzysku Opakowań i Olejów S.A.	90%	Energa Kogeneracja Sp. z o.o.	35.41%
ORLEN Asfalt Group		Energa Wind Service Sp. z o.o.	100%
ORLEN Asfalt Sp. z o.o.	100%	CCGT Grudziądz Sp. z o.o.	100%
ORLEN Asfalt Ceska Republika s.r.o.	100%	CCGT Gdańsk Sp. z o.o.	100%
ORLEN Serwis Group		Energa Finance AB	100%
ORLEN Serwis S.A.	100%	Energa Informatyka i Technologie Sp. z o.o.	100%
UAB ORLEN Service Lietuva	100%	Energa Logistyka Sp. z o.o.	100%
ORLEN Service Česká Republika s.r.o.	100%	Energa Prowis Sp. z o.o.	100%
ORLEN Eko Group		Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	100%
ORLEN Eko Sp. z o.o.	100%	Energa Kogeneracja Sp. z o.o.	64.59%
ORLEN EkoUtylizacja Sp. z o.o.	100%	Energa Ciepło Ostrołęka Sp. z o.o.	100%
Retail Segment		Energa Ciepło Kaliskie Sp. z o.o.	91.24%
ORLEN UNIPETROL Group		CCGT Ostrołęka Sp. z o.o.	100%
ORLEN UNIPETROL RPA s.r.o.	100%	ORLEN Południe Group	
ORLEN HUNGARY Kft	100%	ORLEN Południe S.A.	100%
ORLEN Deutschland Group		Energomedia Sp. z o.o.	100%
ORLEN Deutschland GmbH	100%	PGNiG Bioevolution Group	
ORLEN Detuschland Betriebsgesellschaft mbH	100%	Bioenergy Project Sp. z o.o.	100%
ORLEN Deutschland Süd Betriebsgesellschaft mbH	100%	CHP Energia Sp. z o.o.	100%
RUCH Group		Bioutil Sp. z o.o.	100%
RUCH S.A.	65%	ORLEN Lietuva Group	
FINCORES BUSINESS SOLUTIONS Sp. z o.o.	100%	AB ORLEN Lietuva	100%
Upstream Segment		ORLEN UNIPETROL Group	
ORLEN Upstream Group		ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN Upstream Sp. z o.o.	100%	ORLEN Wind 3 Group	
ORLEN Upstream Canada Ltd.	100%	ORLEN Wind 3 Sp. z o.o.	100%
KCK Atlantic Holdings Ltd.	100%	Livingstone Sp. z o.o.	100%
LOTOS Upstream Group		Nowotna Farma Wiatrowa sp. z o.o.	100%
LOTOS Upstream Sp. z o.o.	100%	Forthewind sp. z o.o.	100%
LOTOS Exploration and Production Norge AS	100%	Copernicus Windpark sp. z o.o.	100%
AB LOTOS Geonafra	100%	Ujazd Sp. z o.o.	100%
UAB Genciu Nafta	100%	EW Dobrzyca Sp. z o.o.	100%
UAB Manifoldas	100%	Wind Field Wielkopolska Sp. z o.o.	100%
LOTOS Petrobaltic Group		ORLEN Neptun Group	
LOTOS Petrobaltic S.A.	99.99%	ORLEN Neptun Sp. z o.o.	100%
Energobaltic Sp. z o.o.	100%	ORLEN Neptun II Sp. z o.o.	100%
B8 Sp. z o.o.	100%	ORLEN Neptun III Sp. z o.o.	100%
B8 Sp. z o.o. BALTIC S.K.A.	100%	ORLEN Neptun IV Sp. z o.o.	100%
Miliana Shipholding Company Ltd.	100%	ORLEN Neptun V Sp. z o.o.	100%
Miliana Shipmanagement Ltd.	100%	ORLEN Neptun VI Sp. z o.o.	100%
Bazalt Navigation Company Ltd.	100%	ORLEN Neptun VII Sp. z o.o.	100%
Granit Navigation Company Ltd.	100%	ORLEN Neptun VIII Sp. z o.o.	100%
Kambr Navigation Company Ltd.	100%	ORLEN Neptun IX Sp. z o.o.	100%
St. Barbara Navigation Company Ltd.	100%	ORLEN Neptun X Sp. z o.o.	100%
Petro Icarus Company Ltd.	100%	ORLEN Neptun XI Sp. z o.o.	100%
Petro Aphrodite Company Ltd.	100%	UAB „ORLEN Neptūnas”	100%
Technical Ship Management Sp. z o.o.	100%	PGNiG TERMIKA Group	
SPV Baltic Sp. z o.o.	100%	PGNiG TERMIKA S.A.	100%
SPV Petro Sp. z o.o.	100%	PGNiG TERMIKA Energetyka Rozproszona sp. z o.o.	100%
Grupa Exalo Drilling		PGNiG TERMIKA Energetyka Przemysł sp. z o.o.	100%
Exalo Drilling S.A.	100%	PGNiG TERMIKA Energetyka Przemysłowa S.A.	100%
Zakład Gospodarki Mieszkaniowej sp. z o.o.	100%	PGNiG TERMIKA Energetyka Przemysłowa - Technika Sp. z o.o.	100%
„EXALO DRILLING UKRAINE” LLC	100%	Petrochemical Segment	
Exalo Diament Sp. z o.o.	100%	ORLEN UNIPETROL Group	
		ORLEN UNIPETROL RPA s.r.o.	100%
		ORLEN UNIPETROL Deutschland GmbH	100%
		Spolana s.r.o.	100%
		REMAQ, s.r.o.	100%

Name of the Capital Group/Company	
Gas Segment	
Polska Spółka Gazownictwa Group	
Polska Spółka Gazownictwa Sp. z o.o.	100%
PSG Inwestycje Sp. z o.o.	100%
Gaz Sp. z o.o.	100%
Gas Storage Poland Group	
Gas Storage Poland Sp. z o.o.	100%
Ośrodek Badawczo-Rozwojowy Górnictwa Surowców Chemicznych CHEMKOP Sp. z o.o.	92,82%
PGNiG Supply & Trading GmbH Group	
PGNiG Supply & Trading GmbH	100%
PGNiG Supply&Trading Polska Sp. z o.o.	100%
PST LNG TRADING LIMITED	100%
PST LNG SHIPPING LIMITED	100%
GAS -TRADING Group	
GAS - TRADING S.A.	79,58%
Gas-Trading Podkarpatie sp. z o.o.	99,04%
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych Group	
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych	100%
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie	100%

Name of the Capital Group/Company	
Corporate Functions	
ORLEN Ochrona Group	
ORLEN Ochrona Sp. z o.o.	100%
ORLEN Apsauga UAB	100%
PGNiG Serwis Group	
PGNiG Serwis Sp. z o.o.	100%
Polskie Centrum Brokerskie sp. z o.o.	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL, a.s.	100%
ORLEN UniCRE a.s.	100%
ORLEN UNIPETROL RPA s.r.o.	100%
HC Verva Litvinov a.s.	70,95%
ORLEN Projekt Česká republika s.r.o.	40,09%
ORLEN Holding Malta Group	
ORLEN Holding Malta Ltd.	100%
Orlen Insurance Ltd.	100%
Polska Press Group	
Polska Press Sp. z o.o.	100%
Pro Media Sp. z o.o.	53%
PL24 Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
ORLEN Projekt Group	
ORLEN Projekt S.A.	100%
ORLEN Projekt Česká republika s.r.o.	59,91%
Energa Invest Sp. z o.o.	100%
ENERGOP Sp. z o.o.	74,11%

companies not consolidated using the full method due to their immateriality

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

- on 2 January 2023 ORLEN Unipetrol RPA s.r.o. acquired 100% of shares in REMAQ s.r.o. (REMAQ) with its headquarters in Otrokovice, Czech Republic. REMAQ is a leading company in the region of Central and Eastern Europe, focusing its core activity on chemical and mechanical recycling activities. Additional information in note [3.4.2](#).
- on 1 March 2023, a change in the name of PGNiG SPV 7 sp. z o.o. was registered with the National Court Register on PGNiG BioEvolution sp. z o.o.;
- on 22 March 2023, the Extraordinary General Meeting of ORLEN S.A. adopted a resolution on the merger of the Company with LOTOS SPV 5 and consent to the merger plan agreed on 7 February 2023. Registration of the merger of the Company with LOTOS SPV 5 Sp. z o.o. took place on 1 June 2023.
- on 5 April 2023, ORLEN Unipetrol RPA s.r.o. and ORLEN Projekt S.A. act of establishing a new entity ORLEN Projekt Česká republika s.r.o.
- on 7 April 2023, a change in the name of ORLEN Neptun I sp. z o.o. was registered in the National Court Register on ORLEN Neptun sp. z o.o.
- on 27 April 2023 ORLEN Neptun sp. z o.o. signed the Articles of Association and Agreement of a new company established in Lithuania under the name UAB "ORLEN Neptūnas, which was registered on 10 May 2023;
- on 1 June 2023, ORLEN Deutschland acquired 100% of shares in Avanti Deutschland GmbH from the Austrian oil company OMV. On the same day, the name of the company was changed to ORLEN Deutschland Süd Betriebsgesellschaft mbH. The company operates in the retail sale of fuels at 17 unmanned stations.
The Group assessed that the assets and related liabilities taken over by the Group as part of this transaction do not constitute a business as defined in IFRS 3, therefore the Group allocated the purchase price to individual identifiable assets and liabilities and, consequently, did not recognize settlement of goodwill or bargain purchase transactions;
- on 12 June 2023, a new company Energa Prowis Sp. z o. o. in the Energy Group. The company was registered in the National Court Register on 28 June 2023;
- on 3 July 2023, the merger of LOTOS Kolej Sp. z o. o. with ORLEN KolTrans S.A. by transferring all assets of ORLEN KolTrans S.A. to LOTOS Kolej Sp. z o.o.;
- on 3 July 2023, the merger of LOTOS Oil Sp. z o. o. (acquired) and ORLEN OIL Sp. z o. o. (poignant). As part of the merger, the share capital was increased and the registered office of ORLEN Oil Sp. z o.o.;
- on 3 July 2023, the merger of the following companies was registered: ORLEN Centrum Usług Korporacyjny Sp. z o. o. (the acquiring company of ORLEN CUK) and ENERGA Centrum Usług Wspólnych Sp. z o. o. (the acquired company of ENERGA CUW) by transferring all assets of ENERGA CUW to ORLEN CUK in a simplified procedure. According to Art. 516 pairs 6 of the Commercial Companies Code (the acquiring company is the sole shareholder of the acquired company) based on the resolution of the Extraordinary General Meeting of ENERGA CUW No. 3/2023 of 29 May 2023;
- on 28 July 2023, a change in the name of PGNiG SPV 9 sp. z o.o. was registered with the National Court Register. on ORLEN Nieruchomości sp. z o.o.;
- on 31 July 2023, ENERGA S.A. and ORLEN Projekt S.A. signed a contract of sale by ENERGA S.A. 100% of shares in Energa Invest Sp. z o. o. for ORLEN Projekt S.A.;

- on 8 August 2023, there was a change in the capital share of ORLEN S.A. in SOLGEN sp. z o. o. ORLEN purchased 125 shares of SOLGEN Sp. z o. o. o. As a result of this transaction, from 8 August 2023, ORLEN holds a total of 500 shares (80%) in the share capital of SOLGEN sp. z o. o.;
- on 25 August 2023, the merger of RUCH S.A. was registered in the National Court Register. ("Acquiring Company") with the companies RUCH Nieruchomości V sp. z o.o. and RUCH Marketing sp. z o. o. ("Acquired Companies"). The merger was carried out in a simplified manner by transferring all assets of the Acquired Companies to RUCH S.A. Thus, the structure within the RUCH S.A. Group was simplified, which currently includes only Fincores Business Solution Sp. z o. o.;
- on 2 October 2023, the merger of ORLEN VC sp. z o.o. was registered in the National Court Register. and PGNiG Ventures sp. z o. o. by transferring all assets of PGNiG Ventures sp. z o.o. to ORLEN VC sp. z o.o. Additional information in note [3.4.3](#);
- on 12 October 2023, ORLEN Wind 3 sp. z o.o. acquired shares from EDP Renewables in three companies with wind assets. Thus, the ORLEN Wind 3 Capital Group increased by 3 companies, i.e. Ujazd Sp. z o. o.; EW Dobrzyca Sp. z o. o.; Wind Field Wielkopolska Sp. z o. o.;
- On 13 October 2023, as a result of a transaction with the Industrial Development Agency, ORLEN Project acquired 74,11% of the shares of ENERGOP Sp. z o.o., an experienced manufacturer of industrial pipelines, specializing in installations for the refining, petrochemical and chemical sectors as well as produces steel structures, tanks and elements accompanying pipeline installations. The remaining shares are owned by the State Treasury. The fair value of the consideration transferred amounted to PLN 27 million. The surplus between the estimated provisional fair value of the acquired net assets and the sum of the paid cash transferred as payment and non-controlling interests valued in proportion to the share in the net assets was immaterial and was recognized in other operating income as a gain on a bargain purchase.
- on 8 November 2023, the division of ORLEN Paliwa Spółka z ograniczoną odpowiedzialnością with its registered office in Widelka ("Divided Company") was registered in the National Court Register by way of transfer to ORLEN Transport Spółka z ograniczoną odpowiedzialnością with its registered office in Płock, ("Acquiring Company") part of the assets of the Divided Company in the form of an organized part of the enterprise operating as a branch of the Divided Company under the business name ORLEN Paliwa spółka z ograniczoną odpowiedzialnością, Oddział Transportu Drogowego w Płocku;
- on 1 December 2023, the merger of ORLEN Serwis S.A. was registered in the National Court Register. and LOTOS Serwis Sp. z o. o.;
- on 12 December 2023, ORLEN Wind 3 sp. z o.o. acquired 2 new companies: Forthewind sp. z o.o. and Copernicus Windpark sp. z o.o. Additional information in note [3.4.4](#);
- on 2 January 2024, ORLEN finalized the transaction of purchasing 100% of shares in Doppler Energie from the Doppler Group. Additional information in note [5.20](#);
- on 3 January 2024, the merger of ORLEN Ochrona Sp. was registered in the National Court Register. z o. o. and LOTOS Ochrona sp. z o. o.
- on 3 January 2024, the merger of ORLEN Projekt and ENERGGA Invest was registered in the National Court Register.
- on 5 January 2024, PGNiG Upstream Norway AS acquired 100% of shares in ORLEN Upstream Norway 2 AS. Additional information in note [5.20](#);
- on 25 January 2024, it was transferred to Powszechny Zakład Ubezpieczeń S.A., the legal title to 100% of the shares in the share capital of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych.

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

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

3.4.1. Acquisition of part of petrochemical assets

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

The acquired production capacity is 100 thousand tonnes per year, which means that ORLEN, as Poland's only producer of LDPE, will single-handedly cover about 1/3rd of the country's overall demand for the plastic.

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

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

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

Full settlement of the transaction

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

As at the date of preparation of these interim condensed consolidated financial statements the Group finally completed the process of identification and fair value measurement of individual assets acquired and liabilities assumed as part of the purchase of part of the petrochemical assets.

Therefore, in these interim condensed consolidated financial statements the Group presents the final fair values of the acquired assets and liabilities and makes the final settlement of the purchase transaction of part of the petrochemical assets.

The fair values of the identifiable principal items of acquired assets and liabilities at the acquisition date are summarised below:

		01/01/2023
Assets acquired	A	263
Non-current assets		127
Property, plant and equipment		112
Intangible assets		3
Right-of-use asset		3
Deferred tax assets		9
Current assets		136
Inventories		62
Trade and other receivables		1
Cash		73
Assumed liabilities	B	2
Non-current and current liabilities		2
Trade and other liabilities		2
Fair value of net assets	C = A - B	261
Fair value of the consideration transferred (Cash paid)	D	287
The value of pre-existing connections	E	71
Goodwill	F = D - C + E	97

The net cash outflow related to the acquisition of the business related to the production and sale of LDPE, being the difference between the net cash acquired (recognised as cash flows from investing activities) and the paid cash transferred as consideration, amounted to PLN 214 million.

The final fair values of the acquired net assets presented above have not changed significantly in relation to the provisional values presented in the Consolidated Financial Statements for 2022 and the Quarterly Report for the 3rd quarter of 2023.

The goodwill recognised as part of the final merger settlement represents the value of assets that could not be recognised separately in accordance with the requirements of IAS 38 - Intangible Assets, including in particular:

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

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

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

Full settlement of the transaction

Acquisition of REMAQ shares is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations. The Group completed the process of identification and fair value measurement of individual assets acquired and liabilities carried out by independent experts. In individual balance sheet items, the final valuation did not differ significantly from the provisional valuation presented in the Quarterly Report for the 3rd quarter of 2023.

The fair value of the identifiable principal items of acquired assets and liabilities in connection with the merger as at the acquisition date is as follows:

		02/01/2023
Assets acquired	A	118
Non-current assets		31
Property, plant and equipment		11
Right-of-use asset		18
Other assets		2
Current assets		87
Inventories		27
Trade and other receivables		22
Other financial assets		2
Cash		36
Assumed liabilities	B	43
Non-current liabilities		24
Loans		5
Deferred tax liabilities		2
Lease liabilities		17
Current liabilities		19
Trade and other liabilities		15
Loans		1
Other liabilities		3
Fair value of net assets	C=A-B	75
Acquired net assets attributable to the equity owners of the parent	D	75
% share in the share capital	E	100
Value of shares measured as a proportionate share in the net assets	F=D*E	75
Fair value of the consideration transferred (Cash paid)	G	293
Goodwill	I=G-F	218

The net cash outflow related to the acquisition of REMAQ, being the difference between the net cash acquired (recognised as cash flows from investing activities) and the paid cash transferred as payment, amounted to PLN 257 million.

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

REMAQ's share in the revenues and the result generated by the ORLEN Group for the 12 and 3 months ended 31 December 2023 amounted to PLN 161 million, PLN 15 million and PLN 33 million, PLN (2) million, respectively.

3.4.3. The acquisition of the Ujazd, Dobrzyca oraz Dominowo wind farms

On 12 October 2023 ORLEN Group completed a transaction to acquire EDP Renewables Polska wind farms by acquiring 100% of shares in: Ujazd Sp. z o.o., EW Dobrzyca Sp. z o.o. and Wind Field Wielkopolska Sp. z o.o..

The transaction included the purchase of three wind farms located in the Wielkopolska region, near Dobrzyca (49.9 MW), Ujazd (30 MW), and Dominowo (62.4 MW). The purchased wind farms, whose total capacity is 142 MW, can be additionally expanded with photovoltaic installations with a total capacity of approximately 160 MW, using the existing network connection (cable pooling). ORLEN Wind 3 became the direct owner of the farms.

The fair value of the consideration transferred was PLN 2,231 million and included the purchase price of the shares, as well as the repayment of loans granted to the wind farms by the former shareholder, which was a necessary condition for taking control of the farms.

As a result of the acquisition of the wind farms, the Group enhanced generation capacity of the concern by increasing the capacity installed in onshore wind farms. The transaction is the result of the implementation of the Group's strategy aimed at providing low-emission and attractively priced energy and strengthens the Group's position as one of the leading contributor to Poland's energy transition.

Provisional settlement of the transaction

The acquisition of the wind farms is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations.

As at the date of preparation of these interim condensed consolidated financial statement, the accounting settlement of the acquisition has not been completed, and the process of measuring the acquired net assets to fair value, in which the Group engaged external experts, is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which correspond to their book values as at 31 December 2023. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

The provisional value of identifiable major items of acquired assets and liabilities as at the acquisition date is as follows:

		12/10/2023
Assets acquired	A	949
Non-current assets		899
Property, plant and equipment		807
Right-of-use asset		30
Deferred tax assets		62
Current assets		50
Trade and other receivables		27
Current tax assets		1
Cash		16
Prepayments		6
Assumed liabilities	B	50
Non-current and current liabilities		50
Lease liabilities		30
Trade and other liabilities		2
Current tax liabilities		12
Provisions		5
Other liabilities		1
Total provisional net assets	C = A - B	899
Acquired net assets attributable to the equity owners of the parent	D	899
% share in the share capital	E	100
Value of shares measured as a proportionate share in the net assets	F = D*E	899
Fair value of the consideration transferred (Cash paid)	G	2 231
Provisional goodwill	I = G-F	1 332

The net cash outflow related to the acquisition of the wind farms, being the difference between the net cash acquired (recognized as cash flows from investing activities) and the paid cash transferred as payment, amounted to PLN 2,215 million.

The Group expects that as a result of the purchase price settlement process, the provisionally determined goodwill in the amount of PLN 1,332 million will decrease, as a significant part of it will be allocated to other assets as a result of the fair value valuation process of non-current assets conducted by independent appraisers.

If the acquisition of the wind farms took place at the beginning of the period, the sales revenue and net profit of the Group for the 12-month period ended 31 December 2023 would amount to PLN 372,888 million and PLN 27,684 million, respectively.

The share of wind farms in the ORLEN Group's revenues and result for 2023 was immaterial.

3.4.4. Purchase transaction of wind farms in Wielkopolska and Western Pomerania

On 12 December 2023 ORLEN Wind 3, the company belonging to the ORLEN Group, signed an agreement to acquire wind farms from a UK company Octopus Renewables Infrastructure Trust PLC, through acquisition of 100% of shares in Forthewind sp. z o.o. and Copernicus Windpark sp. z o.o. The transaction comprises installations located in Wielkopolska in Kuślin, near Nowy Tomyśl and in Western Pomerania in Krzęcin, near Choszczno, with a total capacity of approx. 60 MW.

The fair value of the consideration transferred amounted to PLN 344 million.

The completed transaction is another step within the framework of the ongoing strategy of the ORLEN Group to increase generation capacity from renewable energy sources and to engage in green investments aimed at providing Poles with access to inexpensive, safe and clean energy, as well as enabling Poland's effective energy transition.

Provisional settlement of the transaction

The acquisition of wind farms is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

At the date of these interim condensed consolidated financial statements, the accounting settlement of the acquisition has not been completed and the process of valuation to fair value of the net assets acquired, in which the Group has engaged external advisors, is at a very early stage. Accordingly, the Group has presented provisional values of identifiable assets and liabilities that correspond to their book values as at 31 December 2023. The Group plans to make a final settlement of the acquisition within 12 months from the merger date.

The provisional value of the identifiable main items of assets and liabilities acquired at the date of acquisition is as follows

		12/12/2023
Assets acquired	A	477
Non-current assets		420
Property, plant and equipment		420
Current assets		57
Trade and other receivables		13
Cash		44
Assumed liabilities	B	425
Non-current and current liabilities		425
Trade and other liabilities		6
Loans and borrowings		413
Deferred tax liabilities		6
Total provisional net assets	C = A - B	52
Acquired net assets attributable to the equity owners of the parent	D	52
% share in the share capital	E	100
Value of shares measured as a proportionate share in the net assets	F = D * E	52
Fair value of the consideration transferred (Cash paid)	G	344
Provisional goodwill	I = G - F	292

The net cash outflow associated with the acquisition of the wind farms, being the difference between the net cash acquired (recognised as cash flow from investing activities) and the cash paid as consideration, amounted to PLN 300 million.

The Group expects that, as a result of the purchase price settlement process, provisionally determined goodwill of PLN 292 million will be reduced, as a significant part of it will be allocated to other assets as a result of the valuation process carried out by independent valuers to the fair value of the fixed assets.

If the acquisition of the wind farms had taken place at the beginning of the period, the Group's sales revenue and net profit for the 12 months ended 31 December 2023 would have been as follows: PLN 372,727 million and PLN 27,533 million.

The contribution of wind farms to the ORLEN Group's revenue and result for 2023 was immaterial.

3.4.5. Transaction of taking control over the company of Transit Gas Pipeline System EuRoPol Gaz S.A

On 10 October 2023 the Minister of Economic Development and Technology ("Minister") issued a decision on taking over 100% the shares entitled to PAO Gazprom in company Transit Gas Pipeline System EuRoPol Gaz S.A. with its seat in Warsaw ("EuRoPol Gaz"), ("Decision") under Art. 6b section 5 of the Act of 13 April 2022 on special solutions for counteracting support for aggression against Ukraine and for protecting national security ("Decision"; "Sanctions Act").

As part of the decision the Minister determined the amount of compensation for the takeover of shares of PAO Gazprom in the amount of PLN 787 million, corresponding to the market value of these shares determined based on a valuation prepared by an independent external entity.

By Resolution on 13 October 2023, the Minister made the decision immediately enforceable ("Resolution").

Delivery of the Decision and the Resolution to all parties to the administrative proceedings conducted by the Minister resulted in taking over by EuRoPol Gaz 100% of shares previously owned by PAO Gazprom as of 1 November 2023.

Therefore, as of 1 November 2023 ORLEN took exclusive control over EuRoPol Gaz.

The capital structure before the date of taking control was as follows: PAO Gazprom 48% of shares, ORLEN S.A. 48% of shares, GAS TRADING S.A. 4% of shares.

Capital structure of EuRoPol Gaz as at the date of taking control looked as follows: EuRoPol Gaz S.A. 48% of shares (own shares, non-voting), ORLEN S.A. 48% of shares, GAS-TRADING S.A. 4% of shares.

According to applicable laws and regulations ORLEN earlier notified the Chairman of the Office of Competition and Consumer Protection of the intention to concentrate in the form of taking over exclusive control over EuRoPol Gaz.

On 9 October 2023, the Chairman of the Office of Competition and Consumer Protection, after conducting antitrust proceedings, issued a decision nr DKK -236/2023 consenting to the above-mentioned concentration.

Provisional settlement of the transaction

The transaction of taking control over EuRoPol GAZ is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations.

As at the date of preparation of these interim condensed consolidated financial statements, the accounting settlement of the merger has not been completed, and the process of measuring the acquired net assets to fair value, in which the Group plans to engage external experts, is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which apart from the items of non-current assets and provisions described below, correspond to their book values as at the merger date. The Group plans to make the final settlement of the merger transaction within 12 months from the merger date.

The provisional value of identifiable major items of acquired assets and liabilities as at the acquisition date is as follows:

		01/11/2023
Assets acquired	A	3 473
Current assets		3 473
Inventories		44
Trade and other receivables		102
Deferred tax liabilities		133
Cash		3 194
Assumed liabilities	B	2 621
Non-current liabilities		1 751
Provision		1 751
Current liabilities		870
Provision		16
Trade and other liabilities		826
Deferred revenues		28
Total provisional net assets	C = A - B	852
Acquired net assets attributable to the equity owners of the parent	D	852
% share in the share capital	E	100
Value of shares measured as a proportionate share in the net assets	F = D*E	852
Fair value of the shares on the acquisition date	G	852
	I = G - F	-

EuRoPol GAZ is an owner of Polish part of gas pipeline Yamal-Europe, which is about 684 km long – gas infrastructure element, 5 gas compressor stations and connection points with the National Transmission System, i.e. physical entry points in Włocławek, Lwówek and Mallnow.

In April 2022, Gazprom halted gas supplies under the Yamal contract. Moreover, in May 2022, Gazprom announced that due to sanctions, it would not use the pipeline to export gas to European customers in the future. As a result of the above actions, the Yamal gas pipeline does not transmit gas in the primary direction and does not use any of the five gas compressor stations. Gas is transmitted in reverse from Germany to Poland via the Mallnow point.

On 29 August 2022, the President of the Energy Regulatory Office, in accordance with the Energy Law, issued a decision establishing the contents of the next agreement between EuRoPol Gaz and Gaz-System S.A., as the transmission system operator on SGT section, to entrust the duties of the operator on the Polish section of the Yamal-Western Europe Transit Gas Pipeline System ("SGT") for a period from 1 January 2023 to 6 December 2068.

As a result, under the Entrustment Agreement, SGT's infrastructure was separated from the assets of EuRoPol Gaz and included in the scope of entrustment, which includes the gas pipeline, the physical entry point Mallnow and the physical exit points Mallnow (transit), Lwówek and Włocławek (to the Polish transmission system) ("SGT's Assets"). The remaining assets not covered by the entrustment agreement, including in particular the 5 gas compressor stations, are currently not used.

Based on Article. 9h section 5c of the Energy Law, EuRoPol Gaz is obliged to cover the costs incurred by Gaz-System in connection with the performance of operator duties using the SGT's Assets, to the extent that they were not covered by revenues from the services provided by Gaz-System using the SGT's Assets.

Based on the information available at the time of preparation of these interim condensed consolidated financial statements, the Group assessed that the current entrustment agreement is onerous and, as part of the provisional settlement of the merger, it recognised an estimated provision in the amount of PLN 1,741 million. Moreover, in connection with the above, the Group assumed that the provisional values of the acquired property, plant and equipment and intangible assets are zero.

The estimated value of the provision, the amount of which depends on the volume of transmission carried out by Gaz-System in connection with the performance of operator duties using the SGT's Assets, as well as the provisional values adopted in relation to the components of fixed assets, will be updated in subsequent periods as a result of the purchase price allocation process, for which the Group also plans to engage an external expert who will measure all identifiable assets acquired and liabilities assumed, including contingent liabilities, to fair values.

Before taking control, the ORLEN Group held 52% of shares in EuRoPol Gaz and classified the investment in EuRoPol Gaz as a joint venture measured using the equity method.

In the 3rd quarter of 2023, the Group recognised a write-down on its investment in EuRoPol Gaz to the fair value corresponding to the shares in this company held by ORLEN Group. The determined fair value was PLN 852 million.

In the Group's opinion, this value also reflected the fair value of the shares held by the Group in EuRoPol Gaz as at the acquisition date, therefore the Group did not recognise any additional result on revaluation to fair value before the business combination.

Taking into account that the acquisition of control over EuRoPol Gaz took place without transfer of payment (as a result of EuRoPol Gaz acquiring shares of PAO Gazprom), in accordance with IFRS 3, in order to settle the merger, the Group replaced the fair value of the payment transferred with the fair value of the shares held by the Group in EuRoPol Gaz as at the acquisition date.

If the acquisition of EuRoPol GAZ shares took place at the beginning of the period, the sales revenues and net profit of the Group for the 12-month period ended 31 December 2023 would amount to PLN 372,796 million and PLN 27,638 million, respectively.

The share of EuRoPol Gaz in the ORLEN Group's revenues and result for 2023 was immaterial.

On 29 December 2023, the General Meeting of EuRoPol GAZ adopted resolutions, among others, consenting to the sale of GAS-TRADING S.A. shares, purchasing of GAS – TRADING S.A. shares for the purpose of redemption, as well as consent to the redemption of a total of 416,000 own shares (i.e. 384,000 of PAO Gazprom shares and 32,000 of GAS – TRADING S.A. shares) and the reductions related to the above the company's share capital by amending the Company's Articles of Association in accordance with Art. 455 § 1 of the Commercial Companies Code.

GAS-TRADING S.A. remained shareholder of EuRoPol Gaz until deletion from the register of shareholders, i.e. by 16 January 2024.

The above decisions of the General Meeting from 29 December 2023, in accordance with the provisions of law, require registration in the National Court Register.

As of the date of preparation of these condensed interim consolidated financial statements, the changes requested by the company have not been registered in the National Court Register.

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

Full settlement of merger with Grupa LOTOS S.A.

On 1 August 2022 the register of the merger of ORLEN with Grupa LOTOS S.A. ("Grupa LOTOS") took place. Details of this transaction are disclosed in Note 7.3.1 to the Consolidated Financial Statements for 2022.

The merger transaction with Grupa LOTOS is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. The transaction was made through an exchange of equity interests, where ORLEN increased the share capital by issuing shares, which were then allocated to the shareholders of Grupa LOTOS. Based on its professional judgment, taking into account the facts and circumstances of the transaction, ORLEN assessed that it is the acquirer which obtained control over Grupa LOTOS S.A. through the merger transaction on 1 August 2022.

In the Consolidated half-year Report for the 1st half of 2023, the Group finally completed the process of identifying and measuring to fair value of the acquired assets and assumed liabilities carried out by independent experts, including potential contingent liabilities assumed in connection with the merger with LOTOS Group, resulting from regulatory, legal, environmental and other risks.

The following final summarises the fair values of the identifiable major items of assets acquired and liabilities assumed in connection with the merger with LOTOS Group on the day of acquisition:

01/08/2022		Provisional values presented in consolidated financial statements for 2022	Impact of finalizing the recognition and fair value measurement process	Final fair values
Assets acquired	A	35 452	3 822	39 274
Non-current assets		6 380	1 747	8 127
Property, plant and equipment		4 086	1 403	5 489
Intangible assets		57	308	365
Right-of-use asset		839	62	901
Deferred tax assets		118	(74)	44
Derivatives		158	-	158
Other assets		1 122	48	1 170
Current assets		29 072	2 075	31 147
Inventories		7 901	1 684	9 585
Trade and other receivables		5 662	84	5 746
Current tax assets		6	-	6
Cash		4 369	(47)	4 322
Assets classified as held for sale		7 170	175	7 345
Derivatives		90	-	90
Other assets		3 874	179	4 053
Assumed liabilities	B	14 504	1 191	15 695
Non-current liabilities		3 801	835	4 636
Loans, borrowings and bonds		525	-	525
Provisions		1 466	447	1 913
Deferred tax liabilities		1 081	452	1 533
Lease liabilities		637	-	637
Other liabilities		92	(64)	28
Current liabilities		10 703	356	11 059
Trade and other liabilities		5 815	(22)	5 793
Lease liabilities		203	-	203
Liabilities from contracts with customers		7	-	7
Loans, borrowings and bonds		474	-	474
Provisions		184	28	212
Current tax liabilities		1 833	-	1 833
Other liabilities		196	(1)	195
Derivatives		434	-	434
Security deposits		106	-	106
Liabilities directly associated with assets classified as held for sale		1 451	351	1 802
Total net assets	C = A - B	20 948	2 631	23 579
The fair value of the payment *	D	15 124	-	15 124
The value of pre-existing connections	E	91	-	91
Gain on bargain purchase of Lotos Group	F = C - D + E	5 915	2 631	8 546

* The fair value of the payment made for the takeover in the amount of PLN 15,124 million is the sum of the nominal value of the issued Merger Shares in the amount of PLN 248 million, which increased the share capital and the surplus of the issue over nominal value in the amount of PLN 14,876 million, determined based on the market price of one share according to the closing price on the day of the merger in the amount of PLN 76.10.

In relation to data presented as part of the interim settlement of the merger with LOTOS Group in the consolidated financial statements for 2022, as a result of the final completion of the process of identification and fair value measurement of the acquired assets and liabilities as at the merger date, the following net asset items changed significantly:

- property, plant and equipment which fair value as part of the final settlement increased to PLN 5,489 million (the provisional value amounted to PLN 4,086 million), mainly as a result of the revaluation of assets for the development and extraction of mineral resources in LOTOS Petrobaltic Group and in LOTOS Upstream Group in relation to deposits located in Norway.
- intangible assets which fair value as part of the final settlement amounted to PLN 365 million (the provisional value amounted to PLN 57 million), mainly as a result of identification and recognition of the fair value of assets under relationships and contracts with customers and LOTOS trademark not previously recognised in LOTOS Group.
- inventories which fair value as part of the final settlement increased to PLN 9,585 million (the provisional value amounted to PLN 7,901 million) and resulted mainly from the revaluation to fair value of acquired finished and semi-finished products and work in progress of the former Grupa LOTOS S.A..
- assets held for sale and liabilities directly related to assets classified as held for sale, which fair value as part of the final settlement amounted to PLN 7,345 million and PLN 1,802 million, respectively (provisional values amounted to PLN 7,170 million and PLN 1,451 million, respectively). In these items, the Group presented all assets and liabilities of Rafineria Gdańska related to bitumen and refining activities. The final fair value of these groups of assets and related liabilities was determined based on: (i) the sale price of the bitumen business to Unimot Investments and the sale price of 30% of shares in Rafineria Gdańska to Aramco, agreed between the parties to individual agreements, and (ii) fair value measurement of 70% of individual assets and liabilities of the refining business, which, after the sale of 30% of shares in Rafineria Gdańska to Aramco, is recognised by the Group as a joint arrangement constituting a joint operation.

5. trade receivables and other receivables, which fair value as part of the final settlement amounted to PLN 5,746 million and increased by PLN 84 million compared to the provisional value, mainly as a result of the recognition of receivables from the sale of oil extracted on the Norwegian Continental Shelf made before the transaction date.
6. other assets in the part of current assets, within which the Group presented investments in companies covered by the Remedies, classified as financial assets at fair value through profit or loss, which value in the final settlement increased by PLN 179 million compared to the provisional settlement, to the value of PLN 3,822 million, mainly as a result of the process of determining the final sale prices between the parties of particular agreements, as well as a result of determining the final fair value of the separated part of the retail business of LOTOS Paliwa not covered by Remedial Measures.
7. long-term and short-term provisions, which fair value as part of the final settlement increased by PLN 475 million to PLN 2,125 million, mainly due to the recognition of a provision for onerous contracts as a result of the analysis of contracts concluded by the Company in order to implement the Remedies specified in decision of the European Commission, as well as revaluation of provisions for the costs of reclamation and removal of pollution with respect to LOTOS Upstream Group (fields located in Norway) and LOTOS Petrobaltic Group.

Other adjustments resulted mainly from the completed work of property appraisers related to the valuation of fixed assets (including perpetual usufruct rights of land), write-off of balances of accrued income related to subsidies recognised before the merger date, which did not meet the definition of liabilities assumed, as well as presentation adjustments adjusting the recognition of balance sheet items to the accounting principles used in the ORLEN Group.

As a result of the above changes related to the fair value measurement, there was also a significant change in the amount of the deferred tax asset and deferred tax liability, which value as part of the final settlement was set at PLN 44 million and PLN 1,533 million, respectively (temporary values amounted to PLN 118 million and PLN 1,081 million, respectively). There were no significant changes to other net assets.

After the merger date of ORLEN and Grupa LOTOS, the Energy Regulatory Office initiated two proceedings against ORLEN S.A., as the legal successor of Group LOTOS, to verify the implementation by LOTOS Group of the National Indicative Target for 2020 and 2021, respectively.

Both proceedings are related to standard, routine activities of the President of the Energy Regulatory Office, resulting from Art. 28j of the Act on biocomponents and liquid biofuels and consist in verifying the NIT reports submitted by LOTOS Group, which were similarly carried out for 2020 and previous years in relation to ORLEN S.A. itself.

As a result of examining the reports on the implementation by the Grupa LOTOS S.A. of the NIT obligation for 2020 and 2021, the Company was requested by the President of the Energy Regulatory Office to make up the substitution fee in the amount of PLN 1 million in 2020, which it paid in June 2023 and approximately PLN 2.8 million for 2021, which the company paid on 26 January 2024.

In view of the above, and based on the specific guidelines contained in IFRS 3 regarding the recognition of contingent liabilities existing as at the acquisition date, the Group did not recognise any additional provision in this respect as part of the full settlement of the merger, as well as at the balance sheet date.

As part of the transaction, the previously existing links between the ORLEN Group and the former LOTOS Group were settled at the estimated fair value of PLN 91 million, which corresponded to the net value of mutual receivables and liabilities between the companies from both capital groups, resulting mainly from ongoing contracts as at 1 August 2022 as well as receivables and liabilities between ORLEN and Grupa LOTOS S.A., which expired by the power of law as a result of registration of the merger.

The final fair value of the purchased trade receivables and other receivables amounted to PLN 5,746 million as at the acquisition date, with the gross value of these receivables resulting from the concluded agreements amounting to PLN 5,825 million as at that date. According to the best estimate, the Group considers the repayment of the reported trade receivables and other receivables in the amount of PLN 5,746 million as probable.

As at the acquisition date, the fair value of identifiable assets and liabilities, taking into account the value of pre-existing relationships, exceeds the fair value of the consideration transferred by PLN 8,546 million, which was recognised in the consolidated statement of profit or loss and other comprehensive income for the period of 12 months of 2022 as a gain on a bargain purchase under other operating income. As a result of changes in the fair value of LOTOS Group net assets described above, the gain on a bargain purchase as part of the final settlement of the transaction increased by PLN 2,631 million compared to the provisional value of PLN 5,915 million presented in the consolidated financial statements for 2022.

Taking into account the specific requirements of IFRS 3 Business Combinations with regard to the possibility of recognising a possible gain on a bargain purchase, the Group reviewed the procedures for identifying and measuring all items affecting the calculation of the result on the transaction before recognising the final settlement of the transaction and considered the recognition of a bargain purchase gain justified.

The interchange parity under the merger plan has been established based on various generally accepted valuation methods. For the purposes of the valuation, it was assumed that both entities operate as independent companies, and the unit valuations do not take into account the expected remedies required by the European Commission or potential synergies. The valuation analysis included, among others, valuation based on market multipliers and valuation based on the sum of the parts method, historical stocks of both merging companies, including volume-weighted average prices and target prices estimated by independent stock market analysts. The established share exchange parity was approved by the shareholders of both merging entities under the merger resolutions. In the Group's opinion, to the occurrence of a profit on a bargain purchase was mainly from the recently observed underestimation of the market value of the shares ORLEN and Grupa LOTOS (in the case of both companies, the book value of consolidated net assets as at

the merger date significantly exceeded their capitalization). These valuations were mainly influenced by the macroeconomic situation and high market volatility caused by the Russian invasion in Ukraine. Moreover, the excess of the value of the acquired net assets over the estimated fair value of the consideration transferred was caused by the fact that in order to establish the exchange parity the effect of remedial measures was not taken into account as a one-off event, that will materialize after the merger of the two companies.

The impact of the merger with LOTOS Group on the Group's revenues and net results for the 2022 amounted to PLN 28,082 million and PLN 991 million, respectively. If the merger had taken place at the beginning of 2022, the Group's sales revenues would have amounted to PLN 301,954 million and net profit (decreased by the bargain purchase of the LOTOS Group) would have been PLN 32,232 million.

The costs related to the issue of the Merger Shares as part of the merger with LOTOS Group amounted to PLN 25 million and were recognised as a decrease in equity under Share premium.

Full settlement of the merger with PGNiG S.A.

On 2 November 2022, the merger of ORLEN with Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") was registered. Details of this transaction are disclosed in Note 7.3.2 to the Consolidated Financial Statements for 2022.

The merger transaction with PGNiG Group is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

The transaction took place through an exchange of equity shares, where ORLEN carried out an increase in share capital through the issue of shares, which were then allotted to shareholders of PGNiG Group, therefore ORLEN assessed the facts and circumstances of the transaction to determine which of the merging companies is the acquirer.

On the basis of professional assessment, ORLEN assessed, that it is an acquiring entity, which by means of merger transaction, on 2 November 2022 gained control over PGNiG company.

As at the date of these interim condensed consolidated financial statements, the Group had finally completed the process of identification and fair value measurement of the individual assets acquired and liabilities assumed, carried out by independent experts, which also included the valuation of assets and liabilities under contracts in force at the time of the merger.

Accordingly, in these interim condensed consolidated financial statements, the Group presents the final fair values of the assets and liabilities acquired and makes the final settlement of the merger transaction with the PGNiG Group.

The following summarises the fair values of the identifiable major items of assets acquired and liabilities assumed in connection with the merger with PGNiG Group on the day of acquisition:

02/11/2022		Provisional values presented in the consolidated financial statements for year 2022	Impact of finalising the recognition and fair value measurement process	Final fair values
Assets acquired	A	126 735	38 812	165 547
Non-current assets		65 007	23 431	88 438
Property, plant and equipment		49 679	16 560	66 239
Intangible assets		1 567	301	1 868
Right-of-use asset		2 918	2 000	4 918
Deferred tax assets		4 952	1 585	6 537
Derivatives		2 465	(1 445)	1 020
Other assets		3 426	4 430	7 856
Current assets		61 728	15 381	77 109
Inventories		18 136	(8 003)	10 133
Trade and other receivables		8 414	753	9 167
Current tax assets		655	-	655
Cash		12 685	(1 252)	11 433
Assets classified as held for sale		20	(13)	7
Derivatives		9 404	(1 504)	7 900
Assets from contracts measured at the time of settlement of the business combination		-	23 498	23 498
Other assets		12 414	1 902	14 316
Assumed liabilities	B	91 060	33 157	124 217
Non-current liabilities		21 880	9 572	31 452
Loans, borrowings and bonds		164	-	164
Provisions		3 999	(121)	3 878
Deferred tax liabilities		5 648	3 132	8 780
Lease liabilities		2 238	(526)	1 712
Liabilities for contracts measured at the time of settlement of the business combination		-	7 868	7 868
Other liabilities		9 831	(781)	9 050
Current liabilities		69 180	23 585	92 765
Trade and other liabilities		16 459	(5 176)	11 283
Lease liabilities		614	(257)	357
Liabilities from contracts with customers		3 772	(974)	2 798
Loans, borrowings and bonds		13 825	(2)	13 823
Provisions		2 467	67	2 534
Current tax liabilities		8 754	-	8 754
Liabilities for contracts measured at the time of settlement of the business combination		-	31 977	31 977
Other liabilities		23 289	(2 050)	21 239
Fair value of net assets	C = A - B	35 675	5 655	41 330
The fair value of the payment *	D	31 022	-	31 022
The value of pre-existing connections	E	(3 598)	7 237	3 639
Value of non-controlling interests	F	-	28	28
Gain on bargain purchase of PGNiG Group	G = C - D - E - F	8 251	(1 610)	6 641

* The fair value of the payment for the acquisition in the amount of PLN 31,022 million is the sum of the nominal value of the issued Merger Shares in the amount of PLN 668 million, which increased the share capital and the surplus of the issue over nominal value in the amount of PLN 30,354 million, determined based on the market price of one share according to the closing price on the day of the merger in the amount PLN 58.04.

In relation to the data presented in the interim settlement of the merger with the PGNiG Group in the 2022 consolidated financial statements, as a result of the final completion of the process of identifying and measuring at fair value the individual assets acquired and liabilities assumed at the date of the merger, the following net asset items changed:

- 1) Property, plant and equipment, whose fair value in the final settlement has increased to PLN 66,239 million (temporary value was PLN 49,679 million), mainly as a result of revaluation of civil engineering facilities and buildings and premises in the former company PGNiG S.A. and mineral development and mining assets in the company PGNiG Upstream Norway AS with regard to deposits located in Norway;
- 2) intangible assets whose fair value in the final settlement has increased to PLN 1,868 million (temporary value was PLN 1,567 million), mainly as a result of the revaluation of computer licences and software at the former company PGNiG S.A.;
- 3) right-of-use assets whose fair value in the final settlement has increased to PLN 4,918 million (temporary value was PLN 2,918 million), mainly as a result of the revaluation of perpetual usufruct rights in the former PGNiG S.A. company and in PGNiG Obrót Detaliczny Sp. z o.o., as well as, the revaluation of perpetual usufruct rights and strip placements in the company's Polska Spółka Gazownictwa sp. z o.o.;
- 4) derivative assets (presented in non-current and current assets) whose fair value has fallen to PLN 8,920 million (temporary value was PLN 11,869 million), mainly as a result of the revaluation of derivatives to fair value using market prices at the date of the merger and the presentation adjustments made;
- 5) assets and liabilities from contracts for the purchase and sale of gas, electricity and CO₂ emission allowances recognised and measured at fair value at the time of settlement of the merger, which are presented as separate items in the summary above; Forward contracts for the purchase or sale of non-financial assets, which are entered into and held with the intention of settling these transactions through the physical delivery of the assets for use for internal purposes, are excluded from the scope of IFRS 9, i.e.

they are not subject to measurement at the balance sheet date and can only be recognised off-balance sheet until delivery under the contract is made.

Thus, any such contracts entered into by companies from the former PGNiG Capital Group and in force at the date of the merger were not reflected in the book values of assets and liabilities presented in the provisional settlement.

As part of the merger settlement, in accordance with IFRS 3 rules, these contracts were measured at fair value.

The contract assets and liabilities recognised in the final settlement of the merger reflect the fair value of the difference between the contract price and the market price at the date of the merger;

- 6) inventories, whose fair value in the final settlement has fallen to PLN 10,133 million (temporary value was PLN 18,136 million), mainly due to remeasurement to fair value of PGNiG's gas inventory acquired;
- 7) trade and other receivables whose fair value in final settlement has increased to PLN 9,167 million (temporary value was PLN 8,414 million), mainly as a result of the finalisation of the process of identifying and clearing pre-existing links between the ORLEN Group and PGNiG Group, and identified presentation adjustments as a result of adjusting accounting policies of PGNiG Group to policies of ORLEN Group;
- 8) cash whose fair value in the final settlement was PLN 11,433 million (temporary value was PLN 12,685 million) and changed due to a change in the presentation of security deposits and their reclassification to Other short-term assets;
- 9) long- and short-term provisions whose fair value in the final settlement has decreased by PLN 54 million to value PLN 6,412 million, mainly due to the valuation as at the merger date of provisions for pensions and similar benefits, the revaluation of the reclamation provision and presentation adjustments made;
- 10) trade payables, the fair value of which, in the final settlement, has fallen to PLN 11,283 million (temporary value was PLN 16,459 million) mainly in connection with the finalisation of the process of identifying and clearing pre-existing links between the ORLEN Group and PGNiG Group; (ii) the introduction of presentation adjustments as a result of adjusting accounting policies of PGNiG Group to policies of ORLEN Group;
- 11) lease liabilities, whose fair value in final settlement has fallen to PLN 2,069 million (temporary value was PLN 2,852 million), mainly due to the valuation of the lease liability at discount rates current at the merger date;
- 12) liabilities from contracts with customers whose fair value in the final settlement amounted to PLN 2,798 million (temporary value was PLN 3,772 million) and changed mainly as a result of a presentation adjustment made at the merger date to the amount of gas price compensation received for sensitive customers that will be reimbursed to the Settlement Manager;

As a result of the aforementioned changes related to the fair value measurement, the amount of deferred tax assets and deferred tax liabilities were also materially changed, with the value in the final settlement set at respectively PLN 6,537 million and PLN 8,780 million (temporary values were PLN 4,952 million and PLN 5,648 million respectively). There were no significant changes to other net assets.

As part of the transaction, there was a settlement of pre-existing relationships between ORLEN Group and former PGNiG Group in estimated fair value of PLN 3,639 million, which corresponded to the net value of the outstanding mutual receivables and payables items between the companies of the two groups as at 2 November 2022, resulting mainly from ongoing commercial contracts, as well as, receivables and payables between ORLEN and PGNiG Group, which expired by operation of law as a result of the registration of the merger, and the estimated fair value of the merger-settled unrecognised existing gas supply contracts between PGNiG and ORLEN in amount of PLN 152 million, which was recognised within other operating income.

The final fair value of the acquired trade and other receivables at the date of acquisition was PLN 9,167 million whereby the gross value of these receivables under the contracts concluded amounted to PLN 9,462 million on this day.

As best estimated, the Group recognises the repayment of reported trade and other receivables in the amount of PLN 9,167 million as probable.

In addition, the fair value of the loans acquired, mainly granted to the company Elektrociepłownia Stalowa Wola S.A., presented under other long-term and short-term assets amounted to PLN 423 million, whereby the gross value of receivables from these loans amounted to PLN 979 million.

As a best estimate, the Group recognises the repayment of the reported loan receivables of PLN 423 million as probable.

At the acquisition date, the net fair value of the identifiable assets acquired and liabilities assumed, after accounting for the settlement of pre-existing relationships, exceeds the fair value of the consideration transferred by an amount of PLN 6,641 million, which has been recognised in the consolidated statement of profit or loss and other comprehensive income for the 12-month period 2022 as a bargain purchase gain within other operating income.

As a result of changes in the fair value of net assets of PGNiG Group described above, the value of the bargain purchase gain in the final settlement of the transaction was reduced by the amount of PLN 1,544 million relative to the provisional value presented in the 2022 consolidated financial statements temporary value of PLN 8,251 million.

Taking into account the specific requirements of IFRS 3 Business Combinations regarding the possibility of recognising a possible bargain purchase gain, the Group reviewed the identification and measurement procedures performed for all items affecting the calculation of the result on the transaction before recognising the final settlement of the transaction and considered the recognition of a bargain purchase gain to be justified.

The exchange parity under the merger plan was determined based on various commonly accepted valuation methods.

When parity was established, the merger of ORLEN and LOTOS Group was still pending and precise impact of this merger on ORLEN's stock price quotations was not known.

For valuation purposes, it was assumed that the combined ORLEN Group together with LOTOS Group is sum of the two companies and that the potential future synergies accompanying the merger outweigh the costs associated with the implementation of the remedies, and that the remedies will be implemented as planned and agreed with the European Commission.

Analysis of the valuation prepared to determine the exchange parity in the merger with PGNiG included, inter alia, market-based valuation methods: historical share prices of both merging companies, including volume-weighted average prices and target prices estimated by independent stock analysts, and a valuation based on an analysis of comparable companies relevant to the operating segments of the merging companies.

The agreed share exchange parity was approved by the shareholders of both merging entities as part of the merger resolutions.

In the Group's opinion, the occurrence of a gain on a bargain purchase was mainly influenced by the fact that the market value of the shares of Polish oil & gas companies was undervalued in the period immediately preceding the merger.

For companies in this sector, the book value of the consolidated net assets during the period in which the merger took place significantly exceeded their capitalisation (market value).

The low market valuations of Polish oil & gas companies were mainly influenced by the significant outflow of capital from the capital markets of Central Europe, caused, inter alia, by Russia's invasion of Ukraine and investors' concerns about the deterioration of the macroeconomic situation.

The impact of merger with PGNiG Group on generated by the Group's revenue and net result for 2022 amounted to PLN 46,832 million and PLN 40,317 million respectively. If the merger had taken place at the beginning of the period, sales revenue would have amounted to PLN 388,929 million and the Group's net profit (less the gain from the bargain purchase of PGNiG Group) would be at 37,473 million.

The costs associated with the issue of the Merger Shares in the merger with the PGNiG Group were PLN 27 million and were recognised as a deduction from equity under the item Capital from share premium.

As described in the note 7.3.2 of Consolidated Financial Statements for 2022, in connection with the merger of PGNiG with ORLEN was obliged to comply with the requirements set out in the conditional positive Decision of the Chairman of Polish Office of Competition and Consumer Protection (UOKiK) on the concentration and implementation of the remedy issued on 16 March 2022.

The condition required to be fulfilled in connection with the Merger, as indicated in the decision of the Chairman of the UOKiK, was the implementation of the remedy of divesting or causing to be divested permanently and irreversibly control of the company Gas Storage Poland Sp. z o.o. ("GSP"), gas storage system operator, to an independent investor.

The above remedy was to be implemented within 12 months of the ORLEN and PGNiG merger date.

The Company's obligations under the decision of the Chairman of the UOKiK also included the obligation to conclude an agreement entrusting GSP or its legal successor, the obligations of a gas storage system operator for a period of at least 10 years.

Sale of GSP could only be made to an entity that guarantees, that the activities of the storage system operator for gaseous fuels will be carried out with respect to national energy security.

On 8 November 2023, the Chairman of UOKiK by its decision, extended until 2 May 2024 the deadline for the implementation of the condition relating to the disposal of shares in GSP for the benefit of an independent investor.

By the letter of 6 December 2023, the Chairman of UOKiK accepted Investor notified by ORLEN, as potential acquirer of GSP, that meets the requirements set out for the Independent Investor in the Decision.

On 18 December 2023 a new Trust Agreement was signed with GSP - Storage System Operator.

In addition, on 6 February 2024 Extraordinary General Meeting of ORLEN approved the disposal of 100% of the shares in the company held by the company Gas Storage Poland Sp. z o.o., with its seat in Dębogórze.

As at the date of preparation of these condensed interim financial statements, the company's Conditional Sale Agreement (SPA Agreement) has not yet been signed.

The agreement in question will be signed after the Investor obtains corporate approvals.

Consent to take up shares in GSP by Investor issued by the Chairman of the UOKiK in antitrust proceedings is also required to finalize the transaction.

The Group expects that the sale of shares in GSP will take place in accordance with the amended decision of the Chairman of the UOKiK.

Full settlement of the acquisition of Normbenz shares

On 1st December 2022, ORLEN Unipetrol RPA s.r.o. concluded agreements with MOL Hungarian Oil and Gas Public Limited Company, as a result of which ORLEN Unipetrol acquired 100% of shares in Normbenz Magyarorság Kft with its registered office in Budapest ("Normbenz"). Details of this transaction are disclosed in Note 7.3.3 to the Consolidated Financial Statements for 2022.

As of the date of these condensed interim consolidated financial statements, the Group has finally completed the process of identifying and measuring at fair value the various assets acquired and liabilities assumed in the Normbenz share purchase.

Accordingly, in these condensed interim consolidated financial statements, the Group presents the final fair values of the assets and liabilities acquired and makes a final settlement of the Normbenz purchase transaction.

The fair values of the identifiable main items of assets and liabilities acquired at the date of acquisition are summarised below:

		01/12/2022
Assets acquired	A	253
Non-current assets		222
Property, plant and equipment		182
Intangible assets		10
Right-of-use asset		16
Deferred tax assets		14
Current assets		31
Inventories		14
Trade and other receivables		12
Cash		6
Assumed liabilities	B	84
Non-current liabilities		15
Lease liabilities		15
Current liabilities		69
Trade and other liabilities		49
Lease liabilities		1
Loans		19
Total net assets	C = A - B	169
Acquired net assets attributable to the equity owners of the parent	D	169
% share in the share capital	E	100
Value of shares measured as a proportionate share in the net assets	F = D*E	169
Fair value of the consideration transferred (Cash paid)	G	479
Goodwill	I = G - F	310

The final fair values of the net assets acquired presented above have not materially changed from the provisional values presented in the 2022 Consolidated Financial Statements and the Quarterly Report for the 3rd quarter of 2023. In May 2023, as a result of the process of determining the final sale price between the parties to the agreement, the fair value of the consideration transferred increased by PLN 14 million and finally amounted to PLN 479 million. Accordingly, compared to the figures presented in the Consolidated Financial Statements for 2022, the determined goodwill also changed, which in the final settlement amounted to PLN 310 million.

Goodwill recognised as part of the settlement of the merger represents the value of assets that could not be recognised separately in accordance with the requirements of IAS 38 - Intangible assets, including in particular the expected benefits and synergies in the Group as part of the implemented strategy assuming the expansion of the sales network and an increase in the share of foreign stations.

4. Segment's data

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

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

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

**Revenues, costs, financial results, increases in non-current assets
for the 12-month period ended 31 December 2023**

NOTE	Refining Segment	Petrochemical Segment	Energy Segment	Retail Segment	Upstream Segment	Gas Segment	Corporate Functions	Adjustments	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
External revenues	5.1	111 346	14 663	40 790	56 929	6 296	141 704	912	372 640
Inter-segment revenues		44 708	4 188	7 622	188	13 649	17 348	1 042	(88 745)
Sales revenues		156 054	18 851	48 412	57 117	19 945	159 052	1 954	(88 745)
Total operating expenses		(148 271)	(20 899)	(46 018)	(56 065)	(23 217)	(123 952)	(3 828)	88 742
Other operating income	5.6	1 327	694	500	189	229	5 681	78	(2)
Other operating expenses	5.6	(1 070)	(343)	(346)	(130)	(3 074)	(5 015)	(300)	2
(Loss)/reversal of loss due to impairment of trade receivables		1	(6)	(129)	(2)	(127)	61	(6)	-
Share in profit from investments accounted for using the equity method		28	(9)	(580)	-	9	(1 006)	3	-
Profit/(Loss) from operations		8 069	(1 712)	1 839	1 109	(6 235)	34 821	(2 099)	(3)
Net finance income and costs	5.7								
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									
Profit before tax									37 825
Tax expense									(10 260)
Net profit									27 565
Depreciation and amortisation	5.2	1 493	1 156	2 326	1 011	5 609	2 181	370	-
EBITDA		9 562	(556)	4 165	2 120	(626)	37 002	(1 729)	(3)
Increases in non-current assets		7 419	5 860	6 024	1 989	5 552	5 162	435	-

for the 3-month period ended 31 December 2023

NOTE	Refining Segment	Petrochemical Segment	Energy Segment	Retail Segment	Upstream Segment	Gas Segment	Corporate Functions	Adjustments	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
External revenues	5.1	28 681	3 020	10 340	15 011	1 408	39 516	351	98 327
Inter-segment revenues		10 778	734	1 539	49	3 469	5 136	290	(21 995)
Sales revenues		39 459	3 754	11 879	15 060	4 877	44 652	641	(21 995)
Total operating expenses		(39 860)	(4 326)	(12 449)	(14 730)	(5 529)	(32 190)	(1 120)	22 006
Other operating income	5.6	230	158	31	101	34	2 281	31	(1)
Other operating expenses	5.6	(278)	(224)	(211)	(68)	(555)	(1 995)	(127)	1
(Loss)/reversal of loss due to impairment of trade receivables		(1)	(1)	(63)	(2)	(45)	(12)	10	-
Share in profit from investments accounted for using the equity method		7	(15)	(579)	-	7	(2)	-	-
Profit/(Loss) from operations		(443)	(654)	(1 392)	361	(1 211)	12 734	(565)	11
Net finance income and costs	5.7								
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									
Profit before tax									9 788
Tax expense									(2 519)
Net profit									7 269
Depreciation and amortisation	5.2	378	288	585	270	1 315	617	104	-
EBITDA		(65)	(366)	(807)	631	104	13 351	(461)	11
Increases in non-current assets		3 079	1 826	2 174	654	1 624	2 480	171	-

for the 12-month period ended 31 December 2022

	NOTE	Refining Segment (restated data)	Petrochemical Segment	Energy Segment	Retail Segment	Upstream Segment (restated data)	Gas Segment (restated data)	Corporate Functions (restated data)	Adjustments (restated data)	Total (restated data)
External revenues	5.1	131 477	24 475	26 991	65 329	2 637	30 891	634	-	282 434
Inter-segment revenues		55 951	5 699	7 757	175	5 751	3 764	819	(79 916)	-
Sales revenues		187 428	30 174	34 748	65 504	8 388	34 655	1 453	(79 916)	282 434
Total operating expenses		(161 089)	(27 910)	(33 007)	(63 548)	(1 999)	(28 878)	(2 984)	79 905	(239 510)
Other operating income	5.6	1 014	631	1 385	102	264	1 709	15 433	-	20 538
gain on bargain purchase of the LOTOS Group and of the PGNiG Group	5.6	-	-	-	-	-	-	15 187	-	15 187
Other operating expenses	5.6	(10 106)	(934)	(1 371)	(164)	(594)	(1 530)	(400)	-	(15 099)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	(4)	(140)	(6)	(21)	(148)	11	-	(309)
Share in profit from investments accounted for using the equity method		10	219	64	-	1	(10)	-	-	284
Profit/(Loss) from operations		17 256	2 176	1 679	1 888	6 039	5 798	13 513	(11)	48 338
Net finance income and costs	5.7									(506)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables										(14)
Profit before tax										47 818
Tax expense										(8 022)
Net profit										39 796
Depreciation and amortisation	5.2	1 490	1 104	1 807	869	1 710	418	326	-	7 724
EBITDA		18 746	3 280	3 486	2 757	7 749	6 216	13 839	(11)	56 062
Increases in non-current assets		4 333	5 065	4 368	1 409	2 180	1 789	485	-	19 629

for the 3-month period ended 31 December 2022

	NOTE	Refining Segment (unaudited) (restated data)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited) (restated data)	Gas Segment (unaudited) (restated data)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited) (restated data)	Total (unaudited) (restated data)
External revenues	5.1	43 668	5 116	8 660	16 630	1 078	30 891	225	-	106 268
Inter-segment revenues		14 116	1 317	2 040	57	5 745	3 764	264	(27 303)	-
Sales revenues		57 784	6 433	10 700	16 687	6 823	34 655	489	(27 303)	106 268
Total operating expenses		(49 531)	(6 311)	(11 709)	(16 265)	(1 405)	(28 878)	(971)	27 297	(87 773)
Other operating income	5.6	271	176	361	68	239	1 709	6 841	-	9 665
gain on bargain purchase of the PGNiG Group	5.6	-	-	-	-	-	-	6 641	-	6 641
Other operating expenses	5.6	(3 141)	(110)	(105)	(101)	(425)	(1 530)	(224)	-	(5 636)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	(4)	(98)	(4)	(21)	(148)	5	-	(271)
Share in profit from investments accounted for using the equity method		4	5	5	-	-	(10)	-	-	4
Profit/(Loss) from operations		5 386	189	(846)	385	5 211	5 798	6 140	(6)	22 257
Net finance income and costs	5.7									582
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables										(9)
Profit before tax										22 830
Tax expense										(4 313)
Net profit										18 517
Depreciation and amortisation	5.2	393	288	567	239	1 331	418	92	-	3 328
EBITDA		5 779	477	(279)	624	6 542	6 216	6 232	(6)	25 585
Increases in non-current assets		1 594	1 246	1 729	615	1 737	1 789	207	-	8 917

EBITDA – profit/(loss) from operations increased by depreciation and amortisation

Increase in non-current assets (CAPEX) includes increase of property, plant and equipment, intangible assets, investment property and right-of-use asset together with the capitalisation of borrowing costs and a decrease in received/due penalties for the improper execution of a contract

Assets by operating segments

	31/12/2023 (unaudited)	31/12/2022 (restated data)
Refining Segment	70 153	56 284
Petrochemical Segment	26 654	23 809
Energy Segment	57 601	47 606
Retail Segment	14 654	14 722
Upstream Segment	42 724	49 222
Gas Segment	124 598	88 227
Segment assets	336 384	279 870
Corporate Functions	30 136	47 148
Adjustments	(86 450)	(13 829)
	280 070	313 189

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 on the basis of a key based on revenues generated by individual operating segments.

5. Other notes
5.1. Sales revenues
PROFESSIONAL JUDGMENT

Sales revenues of goods and services are recognised at a point in time (or over time) when a performance obligations are satisfied by transferring a promised good or service (i.e. an asset) to a customer in the amount reflecting the consideration, to which - as the Group expects - it will be entitled in exchange for these goods or services.

This principle the Group also applies to consideration, which includes a variable amount and recognises revenue by the amount of expected consideration that is likely not to be reversed in the future.

The Group considers that the transfer of an asset takes place when the client gains control over that asset.

The following circumstances indicate the transfer of control in accordance with IFRS 15: the current right of the seller to consideration for an asset, the legal ownership of the asset by the customer, physical possession of the asset, transfer of risks and rewards and acceptance of the asset by the customer.

Revenues include received and due payments for delivered finished goods, merchandise, raw materials and services, decreased by the amount of any trade discounts, penalties and value added tax (VAT), excise tax and fuel charges. Revenues from the sale of finished goods and services are adjusted for profits or losses from settlement of cash flows hedging instruments related to the above mentioned revenues.

For sales transferred over time, the revenues are recognised based on the extent to which the performance obligation is completely fulfilled ie the transfer of control of goods or services promised to the customer. The Group uses both the outcome method and the input-based method to measure the degree of fulfilment of the performance obligation. The Group excludes the impact of those expenditures that do not reflect the service provided by the Group which involves the transfer of control of goods or services to the customer. Applying the outcome method the Group uses mostly the practical expedient whereby it recognises revenue that it is entitled to invoice in an amount that corresponds directly to the value to which the Group is entitled for the goods and services already provided to the customer.

There is no significant financing component in the Group's contracts with customers.

If the Group is subject to laws guaranteeing compensation to sales prices, and the fact of granting compensation does not modify the contract concluded with the customer, the received compensation is classified as revenue from contracts with customers, in accordance with IFRS 15. These compensations are treated as performance of the contract concluded with the customer, the remuneration for which will be obtained partly from the customer and partly from the state institution (where part of the sales revenue from contracts concluded with customers is covered under the compensation program, not by customers who are parties to the contract but by a government institution, e.g. the Settlement Manager). Thus, the revenue from the contract with the customer, in the part to which it will be covered under the compensation scheme, is recognised when, in the Group's opinion, obtaining compensation from the state institution is probable.

In the case of sales of crude oil extracted on the Norwegian Continental Shelf, where the Group has a joint interest in individual licenses with other shareholders, revenue from crude oil sales is recognized based on the volumes of the product extracted and sold to customers. The volume of crude oil sold to customers may differ from the volume of the product held by the Group as a license shareholder in a given period. If the production volume exceeds the sales volume, an asset (underlift) is recognized in the consolidated financial statement, and if the volume of crude oil sold exceeds the production volume attributable to the Group in a given reporting period, a liability is recognized (overlift).

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Revenues from sales of finished goods and services	319 636	86 225	236 456	91 536
revenues from contracts with customers	319 217	86 119	236 106	91 442
excluded from scope of IFRS 15	419	106	350	94
Revenues from sales of merchandise and raw materials	53 004	12 102	45 978	14 732
revenues from contracts with customers	53 004	12 102	45 978	14 732
Sales revenues, incl.:	372 640	98 327	282 434	106 268
revenues from contracts with customers	372 221	98 221	282 084	106 174

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

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

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)
Revenues from sales of finished goods and services	170 242	46 984
<i>revenues from contracts with customers</i>	169 570	46 354
<i>excluded from scope of IFRS 15</i>	672	630
Revenues from sales of merchandise and raw materials	11 880	3 167
<i>revenues from contracts with customers</i>	11 880	3 167
Sales revenues, incl.:	182 122	50 151
<i>revenues from contracts with customers</i>	181 450	49 521

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 and gas transmission services, geophysical and geological services, connection services and press supply and subscription, as well as courier distribution services. Under these agreements, the Group acts as a principal.

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

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

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

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

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

Within the Energy and Gas segment, revenue for energy and gaseous fuel delivered in the period and energy distribution, as well as energy distribution, transmission and distribution of heat and distribution and transmission of gaseous fuel are recognised on a decadal or monthly and are determined on the basis of billed price and volumes as well as additional estimations. The estimates of revenues for energy are made on the basis of reports from billing systems as well as forecasts of customers' energy needs and prices for the estimated days of energy consumption, as well as a result of reconciliations of the energy balance.

The value of uninvoiced gas delivered to individual customers is estimated on the basis of the current consumption characteristics in comparable reporting periods. The value of estimated gas sales is determined as the product of the quantities assigned to individual tariff groups and the rates specified in the applicable tariff.

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

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

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

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

The Group classifies as revenues from contracts based on a variable price, when the consideration is a variable fee on turnover, customers have the rights to trade discounts and bonuses, a part of revenues related to penalties and where the selling price of services is determined based on the costs incurred. Revenue from contracts with a variable amount is presented mainly in the Refining, Petrochemical, Energy and Corporate Functions segments.

As part of the Refining, Petrochemical, Upstream and Gas segments, with respect to sales of petrochemical refinery and gas products, the Group recognises revenue from the fulfilment of the performance obligation, depending on the terms of delivery applied (Incoterms CFR, CIF, CPT, DAP, DDP, EXW, FCA). In case of some deliveries, the Group as a seller is obliged to organize transport. When the control of good transferred to the customer before the transport service is completed, the delivery of goods and transport becomes separate performance obligations. The delivery of goods is an obligation satisfied at a point in time, while transport is a continuous obligation (satisfied over time), where the customer simultaneously receives and consumes benefits from the service.

In the Retail segment, the moment of fulfilment of the performance obligation is the moment of transfer of good, except for sales of fuels in the Fleet Program using Fleet Cards. Revenues recognised over the time in the Refining, Petrochemical and Energy segment relate mainly to sales of crude oil, petrochemical products, energy and heat.

In the Gas segment, revenues from gas sales on exchanges are realised at a point in time.

Revenues generated by the Group over time are recognised using the output method and the time and effort used.

Revenues recognised over time recognised using the output method for the delivered units of goods relate mainly to the sale and distribution of electricity and gas to business and institutional customers, as well as the sale, transmission and distribution of heat within the Energy and Gas segment, fuel sales in the Fleet Programme and subscription sale within Retail segment and the sale of gas and crude oil within the Upstream segment.

Contracts accounted for on the basis of time and effort consumed include long-term contracts, among them construction and IT contracts.

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

As at 31 December 2023 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations.

The unfulfilled or partially unfulfilled performance obligations as at 31 December 2023 mainly concerned contracts for the sale of electricity, gas and power media and for the supply of newspapers, subscriptions, advertising broadcast, parcel delivery and collection services that will end within 12 months or are concluded for an indefinite period with a notice period of up to 12 months.

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

The Group mostly realises revenue from direct sales to end customers based on its own, leased or based on the franchise agreement system sales channels in the Retail segment. The Group manages the network of 3,170 fuel stations: 2,608 own brand stations and 562 stations operated under franchise agreements and carries out sales through 565 retail outlets/ kiosks managed by the RUCH Group. Additionally, the press is sold in third-party outlets, i.e. large organised networks, including franchised and private shops. As part of the publishing activity of the Polska Press Group, revenues are also generated through own websites.

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

Compensation for electricity and gas prices

Regulations regulating energy prices

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

As at 31 December 2023, the following acts were in force:

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

Based on the applicable regulations, the Group in the of 12 and 3-months period ended 31 December 2023 presented PLN 3,992 million and PLN 786 million of revenues from compensations due to electricity trading companies as a result of the use of frozen electricity prices in settlements with eligible customers. Due to the fact that the fact of granting the above compensations

did not modify the contracts concluded with customers, but only changes the method of obtaining remuneration by the Group (partially the remuneration will be received from the Settlement Manager), the Group classified the received compensations as revenue from contracts with customers, in accordance with IFRS 15.

Regulations regulating gas prices

In order to protect certain gas consumers against rising gas prices, the regulator introduced the Act of 15 December 2022 on special protection of certain gas fuel consumers in 2023. The act resulted in freezing the price of gaseous fuel at PLN 200.17/MWh (price excluding VAT and excise tax) and freezing the rates for the distribution service at the level of tariffs applicable in 2022. At the same time, the legislator introduced a compensation mechanism for energy companies selling gaseous fuels and providing distribution services, which are to cover the difference between the frozen price and the price specified in the tariff approved by the President of the Energy Regulatory Office. Within the Group, PGNiG Obrót Detaliczny Sp. z o. o. (seller of gaseous fuels) and Polska Spółka Gazownictwa Sp. z o. o. (providing distribution services) are entitled to receive compensation under the above act. Based on the applicable regulations, in the period of 12 and 3 months ended 31 December 2023, the Group presented PLN 17,365 million and PLN 5,369 million of revenues from compensation due to the freezing of gas fuel prices and the freezing of rates for the distribution service. Due to the fact that granting the above compensations does not modify the contracts concluded with customers, but only changes the method of obtaining remuneration by the Group (partially the remuneration will be received from the Settlement Manager), the Group classified the received compensations as revenue from contracts with customers, in accordance with IFRS 15.

5.1.1. Sales revenues of operating segments according to product type

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Refining Segment				
Revenue from contracts with customers IFRS 15	111 328	28 677	131 458	43 663
Light distillates	22 206	5 040	24 560	7 851
Medium distillates	68 137	18 355	91 490	30 524
Heavy fractions	10 786	2 781	10 817	2 851
Other*	10 176	2 071	6 224	2 747
Effect of the settlement of cash flow hedge accounting	23	430	(1 633)	(310)
Excluded from scope of IFRS 15	18	4	19	5
	111 346	28 681	131 477	43 668
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	14 655	3 018	24 466	5 113
Monomers	2 943	513	5 187	1 042
Polymers	3 387	780	4 505	946
Aromas	1 339	308	1 901	343
Fertilizers	1 445	375	2 668	617
Plastics	1 188	141	2 873	442
PTA	1 519	354	2 667	573
Other**	2 834	547	4 665	1 150
Excluded from scope of IFRS 15	8	2	9	3
	14 663	3 020	24 475	5 116
Energy Segment				
Revenue from contracts with customers IFRS 15	40 738	10 327	26 953	8 651
Excluded from scope of IFRS 15	52	13	38	9
	40 790	10 340	26 991	8 660
Retail Segment				
Revenue from contracts with customers IFRS 15	56 655	14 940	65 077	16 564
Light distillates	21 764	5 485	24 493	5 855
Medium distillates	28 951	7 983	35 328	9 314
Other***	5 940	1 472	5 256	1 395
Excluded from scope of IFRS 15	274	71	252	66
	56 929	15 011	65 329	16 630
Upstream Segment				
Revenue from contracts with customers IFRS 15	6 295	1 408	2 636	1 077
NGL ****	902	227	608	206
Crude oil	2 945	576	458	234
Natural Gas	1 539	390	1 344	431
LNG *****	60	14	28	28
Helium	325	82	36	36
Mining services	509	115	161	141
Other	15	4	1	1
Excluded from scope of IFRS 15	1	-	1	1
	6 296	1 408	2 637	1 078
Gas Segment				
Revenue from contracts with customers IFRS 15	141 673	39 509	30 891	30 891
Natural Gas	133 400	36 560	24 117	24 117
LNG *****	569	180	154	154
CNG *****	155	39	29	29
Electricity	1 078	889	1 104	1 104
Other *****	6 471	1 841	5 487	5 487
Excluded from scope of IFRS 15	31	7	-	-
	141 704	39 516	30 891	30 891
Corporate Functions				
Revenue from contracts with customers IFRS 15	877	342	603	215
Excluded from scope of IFRS 15	35	9	31	10
	912	351	634	225
	372 640	98 327	282 434	106 268

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

** Other includes mainly: ammonia, butadiene, soda lye, caprolactam

*** Other mainly includes the sale of non-fuel merchandise

**** NGL (Natural Gas Liquids) a gas composed of heavier molecules than methane: ethane, propane, butane, isobutane

***** LNG Liquefied Natural Gas

***** CNG Compressed Natural Gas

***** Other includes mainly gas distribution services

During the 12 and 3-month period ended 31 December 2023 and 31 December 2022 revenues from none of Group leading customers individually exceeded 10% of the total sales revenues of the ORLEN Group.

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

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2023 (restated data) (unaudited)
Revenue from contracts customers				
<i>Poland</i>	269 891	73 356	168 137	72 727
<i>Germany</i>	23 316	4 780	25 067	5 773
<i>Czech Republic</i>	20 989	5 141	29 962	7 480
<i>Lithuania, Latvia, Estonia</i>	13 775	3 634	17 447	4 948
<i>Other countries, incl.:</i>	44 250	11 310	41 471	15 246
<i>Switzerland</i>	7 316	1 493	7 741	2 370
<i>Ireland</i>	1 809	252	7 528	3 003
<i>Ukraine</i>	4 741	1 126	4 441	1 393
<i>United Kingdom</i>	6 155	1 347	4 890	2 301
<i>Netherlands</i>	7 989	2 577	3 502	2 054
<i>Slovakia</i>	2 002	517	2 806	721
<i>Singapore</i>	1 621	1 595	2 791	804
<i>Hungary</i>	2 278	625	1 506	387
	372 221	98 221	282 084	106 174
excluded from scope of IFRS 15				
<i>Poland</i>	146	36	93	28
<i>Germany</i>	94	28	91	23
<i>Czech Republic</i>	178	42	164	43
<i>Lithuania, Latvia, Estonia</i>	1	-	1	-
	419	106	350	94
	372 640	98 327	282 434	106 268

5.2. Operating expenses

Cost by nature

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (restated data) (unaudited)
Materials and energy	(176 508)	(48 360)	(153 491)	(49 393)
Gas costs	(43 892)	(11 070)	(10 266)	(10 266)
Cost of merchandise and raw materials sold	(46 843)	(11 616)	(41 472)	(14 213)
External services	(10 914)	(2 912)	(8 180)	(2 412)
Employee benefits	(12 238)	(3 619)	(6 956)	(2 603)
Depreciation and amortisation	(14 146)	(3 557)	(7 724)	(3 328)
Taxes and charges, incl.:	(27 212)	(7 007)	(9 450)	(3 590)
write-off for the Fund for the Payment of Price Differences	(15 494)	(4 064)	-	-
Other	(1 894)	(495)	(1 269)	(597)
	(333 647)	(88 636)	(238 808)	(86 402)
Change in inventories	(1 616)	(204)	2 982	(518)
Cost of products and services for own use and other	1 755	642	(3 684)	(853)
Operating expenses	(333 508)	(88 198)	(239 510)	(87 773)
Distribution expenses	15 675	4 246	11 166	3 336
Administrative expenses	5 670	1 640	3 549	1 265
Cost of sales	(312 163)	(82 312)	(224 795)	(83 172)

The operating expenses totally increased in comparison to the previous year mainly as a result of including the costs of the former LOTOS Group and former PGNiG Group.

The increase in the line taxes and charges in the of 12 and 3-months period ended 31 December 2023 by PLN (17,762) million and PLN (3,417) million, resulted mainly from write-off for the Fund for the Payment of Price Differences in the amount of PLN (15,494) million and PLN (4,064) million, which energy producers and sellers as well as gas extraction companies were obliged to transfer in connection with a package of laws that protect consumers against excessive increases in energy and gas prices in 2023. In addition, the increase was also influenced by the revaluation of the provision for the estimated costs of CO₂ emissions for 2022 and the recognition of a provision for the estimated costs of CO₂ emissions for 12 and 3-months of 2023 taking into account the settlement of the grant for entitlements received free of charge for the year in the total amount of PLN (5,465) million and PLN (1,468) million, respectively.

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

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)
Materials and energy	(77 062)	(19 593)
Gas costs	(43 892)	(11 070)
Cost of merchandise and raw materials sold	(11 659)	(3 748)
External services	(1 438)	(241)
Employee benefits	(5 280)	(1 586)
Depreciation and amortisation	(8 525)	(2 078)
Taxes and charges, incl.:	(17 559)	(4 468)
write-off for the Fund for the Payment of Price Differences	(13 302)	(3 233)
Other	(588)	(91)
	(166 003)	(42 875)
Change in inventories	(1 108)	69
Cost of products and services for own use and other	16 475	4 617
Operating expenses	(150 636)	(38 189)
Distribution expenses	1 835	552
Administrative expenses	1 515	489
Cost of sales	(147 286)	(37 148)

5.3. Impairment allowances of inventories to net realizable value

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (restated data)
Increase	(1 016)	(432)	(343)	(150)
Decrease	673	320	239	120

Increase in impairment losses of inventories to net realizable value in the 12 and 3 months ended 31 December 2023 was higher than in the corresponding period of the previous year, mainly due to recognition of impairment allowances as a result of a drop in prices of crude oil, gas and petroleum products.

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

The ORLEN Group is in the process of verifying the impairment of assets as at 31 December 2023, taking into account the assumptions of the Financial Plan of ORLEN S.A. and the ORLEN Group for 2024 adopted on 11 January 2024 and the assumptions adopted for the updated Long-Term Financial Plan until 2033. Therefore, the data presented below may change. Any changes will be disclosed in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2023.

The presented information concerns the impairment of the ORLEN Group's assets identified and disclosed in the interim reports of individual quarters of 2023, which were updated in connection with the finalization of the fair value valuation of the acquired assets as at the acquisition date, determined as part of the final settlement of the merger of the ORLEN Group with Grupa LOTOS and the PGNiG Group.

Production assets of the Refining segment

In the period of 12 and 3 months ended 31 December 2023, the total impact of recognized net impairment losses on the fixed assets of the ORLEN Group in the Refinery segment amounted to PLN (57) million and PLN (40) million, respectively.

As at 31 December 2023, the ORLEN Group is in the process of verifying of the impairment of the assets of the Refinery segment.

In the 4th quarter of 2023, the impairment loss in the amount of PLN (40) million relates mainly to ORLEN Unipetrol and fixed assets under construction of ORLEN S.A.

In the 3rd quarter of 2023, the impairment loss in the amount of PLN (17) million concerned mainly the impairment of fixed assets under construction at the HOG installation at ORLEN.

In the 2nd quarter of 2023, indications were identified and impairment tests were performed for the assets of the Refinery segment in ORLEN Unipetrol, taking into account the estimated impact of changes in oil prices in connection with the decrease of the Brent-Rebco differential (the difference between the price of Brent crude oil and the price of Rebco crude oil). The tests carried out did not confirm the impairment of the assets of the Refinery segment in ORLEN Unipetrol. Assumptions for the valuation were presented in the Condensed Consolidated Financial Statements of the ORLEN Group for the first half of 2023 (note 5.4).

Production assets of the Petrochemical segment

In the period of 12 and 3 months ended 31 December 2023, the total impact of recognized net impairment losses on the fixed assets of the ORLEN Group in the Petrochemical segment amounted to PLN (9) million and PLN (6) million, respectively.

As at 31 December 2023, the ORLEN Group is in the process of verifying the impairment of the assets of the Petrochemical segment.

In the 2nd quarter of 2023, indications were identified and impairment tests were performed for the assets of the Petrochemical segment, taking into account the update of the construction schedule and increase in planned capital expenditures on the Olefins III installation at ORLEN and the estimated impact of changes in macroeconomic assumptions, including quotations of the main petrochemical products and sales volumes at ORLEN, ORLEN Unipetrol and Anwil. The tests carried out did not confirm impairment of the assets of the Petrochemical segment in the analysed companies. Assumptions for valuations were presented in the Condensed Consolidated Financial Statements of the ORLEN Group for the 1st half of 2023 (note 5.4).

Assets of the Upstream segment

In the period of 12 and 3 months ended 31 December 2023, the total impact of recognized net impairment losses on the fixed assets of the ORLEN Group in the Upstream segment amounted to PLN (2 757) million and PLN (474) million, respectively.

As at 31 December 2023, the ORLEN Group is in the process of verifying the impairment of the assets of the Upstream segment.

In the 4th quarter of 2023, the net impairment loss amounting to PLN (474) million concerned mainly ORLEN Upstream Polska PLN (265) million (including PLN (185) million related to capitalized expenditures on failed exploratory wells and PLN (80) million due to decommissioning of a well on the Karpaty project), Lotos Petrobaltic PLN (48) million (impairment of the Łeba license), PGNiG Upstream Norway PLN (115) million (impairment for expenditure on the exploration license), Exalo Drilling Group PLN (23) million (due to decommissioned equipment) and ORLEN PLN (23) million.

The impairment loss in the amount of PLN (578) million presented by the Group in the Quarterly Report for the 3rd quarter of 2023 (including PLN (555) million related to ORLEN S.A.) was increased by PLN (1 704) million as a result of finalization of the process of settling the merger of ORLEN with PGNiG, in which the values of assets of the Upstream segment in ORLEN S.A. were changed.

Assets of the Gas segment

In the period of 12 and 3 months ended 31 December 2023, the total impact of recognized net impairment losses on the fixed assets of the ORLEN Group in the Gas segment amounted to PLN (27) million and PLN (9) million, respectively.

As at 31 December 2023, the ORLEN Group is in the process of verifying the impairment of the Gas segment assets.

The net impairment assets in 2023 concerned mainly the PSG company and was mainly related to the abandonment or suspension of investment projects.

Assets of the Energy segment

In the period of 12 and 3 months ended 31 December 2023, the total impact of recognized net impairment losses on the fixed assets of the ORLEN Group in the Energy segment amounted to PLN (16) million and PLN (8) million, respectively.

As at 31 December 2023, the ORLEN Group is in the process of verifying the impairment of the assets of the Energy segment.

Assets of the Retail segment

In the period of 12 and 3 months ended 31 December 2023, the total impact of recognized net impairment losses on the fixed assets of the ORLEN Group in the Retail segment amounted to PLN (8) million and PLN (2) million, respectively.

As at 31 December 2023, the ORLEN Group is in the process of verifying the impairment of the Retail segment assets.

Other impairment losses of net assets in the ORLEN Group in the period of 12 and 3 months ended 31 December 2023 in the amount of PLN (3) million and PLN (3) million, respectively, concerned Corporate Functions segment.

Accordingly, the reversal and recognition of impairment losses on property, plant and equipment, intangible assets, goodwill and right-of-use assets were recognized in other operating income and other operating expenses (note [5.6](#)).

In the period of 12 and 3 months ended 31 December 2023, the total impact of recognized net impairment losses on the ORLEN Group's fixed assets amounts to PLN (2 877) million and PLN (542) million, respectively.

Net impairment losses of property, plant and equipment, intangible assets, goodwill and rights-of-use of the ORLEN Group in the period of 12 and 3 months ended 31 December 2023 and 31 December 2022, by companies/capital groups:

Company/Group (PLN million)	12 MONTHS ENDED 31/12/2023	3 MONTHS ENDED 31/12/2023	31/12/2022 (restated data)
ORLEN	(2 297)**	(39)	(3 466)*
ORLEN Lietuva	-	-	(1 840)
ORLEN Upstream Group	(265)	(265)	122
ENERGA Group	(12)	(6)	(20)
ORLEN Deutschland	(0)	6	(9)
ORLEN Unipetrol	(35)	(31)	(705)
LOTOS Upstream Group	-	-	0*
LOTOS Petrobaltic	(92)	(48)	-
PGNiG Upstream Norway AS	(118)	(115)	-
Exalo Drilling Group	(23)	(23)	(43)*
PSG Group	(22)	(10)	(42)
Other	(13)	(12)	(38)
Total	(2 877)	(542)	(6 041)

Net impairment losses on property, plant and equipment, intangible assets, goodwill and rights-of-use assets of the ORLEN Group in the period of 12 and 3 months ended 31 December 2023 and 31 December 2022, by segment:

Segment (PLN million)	12 MONTHS ENDED 31/12/2023	3 MONTHS ENDED 31/12/2023	31/12/2022 (restated data)
Refining	(57)	(40)	(5 656)*
Petrochemical	(9)	(6)	(91)
Energy	(16)	(8)	(48)
Retail	(8)	(2)	(14)
Upstream	(2 757)**	(474)	(179)*
Gas	(27)	(9)	(45)
Corporate Functions	(3)	(3)	(8)
Total	(2 877)	(542)	(6 041)

* In connection with determining the final fair values of the acquired assets as at the takeover date as part of the final settlement of the mergers of ORLEN with LOTOS Group, and ORLEN with PGNiG, ORLEN Group verified comparative information for the previous periods, including comparing the changed book values of assets as at 31 December 2022 with the determined recoverable amount as part of the impairment tests carried out at the end of the last year. As a result of this process, the Group made changes to the impairment losses recognized as at 31 December 2022. The value of net impairment losses of property, plant and equipment, intangible assets, goodwill and right-of-use assets decreased by PLN 289 million, mainly due to the recognition of an additional net impairment loss in the ORLEN company in the Refinery segment in the amount of PLN (590) million and the reversal of the recognized impairment loss in the LOTOS Group Upstream in the Upstream segment (related to the YME lode at LOTOS E&P Norge) in the amount of PLN 245 million, reversal of the recognized impairment loss of ORLEN S.A. in the Upstream segment of PLN 333 million, reversal of the recognized impairment loss in the Exalo Drilling Group of PLN 301 million.

** As a result of the finalization of the merger ORLEN with PGNiG, the Group verified the information presented for previous periods, in particular compared the changed book values of assets with the determined recoverable value as part of the impairment tests carried out at the end of the first quarter of 2023 in the Upstream segment. As a result, the impairment loss in the amount of PLN (578) million related to the Upstream segment (including PLN (555) million related to ORLEN S.A.) presented by the Group in the Quarterly Report for the third quarter of 2023 was increased by PLN (1,704) million. More information in note [3.4.6](#).

5.5. Impairment of investments valued using the equity method

As described in more detail in the note [3.4.5](#), as at 10 October 2023 Minister of Economic Development and Technology (MRiT in polish) issued a decision on taking over ownership of 100% of the shares of PAO Gazprom in EuRoPol Gaz to the company, determining the compensation in the amount of PLN 787 million. The amount of compensation was determined based on the market value of the shares of EuRoPol Gaz determined on the basis of a valuation prepared by an independent external entity.

Due to the above, in the 3rd quarter of 2023, the Group made an impairment loss on the investment in EuRoPol Gaz, which at that time was classified as a joint venture valued using the equity method to the determined fair value corresponding to the shares held by the Group in this company. The fair value at the end of the 3rd quarter of 2023 amounted to PLN 852 million. The value of the impairment loss is included in the line Share in profit from investments accounted for using the equity method and amounted to PLN (996) million which was allocated to Gas segment.

5.6. Other operating income and expenses

Other operating income

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Profit on sale of non-current non-financial assets	63	24	21	5
Gain on bargain purchase of the LOTOS Group and of the PGNiG Group	11	11	15 187	6 641
Reversal of provisions	274	133	227	131
Reversal of impairment allowances of property, plant and equipment and intangible assets and other assets	97	55	222	216
Penalties and compensations	399	99	289	105
Grants	136	67	89	34
Derivatives, incl.:	6 995	2 369	4 092	2 227
<i>not designated for hedge accounting purposes - settlement and valuation</i>	5 540	1 569	3 371	1 851
<i>hedging cash flows - ineffective part concerning measurement and settlement</i>	904	671	329	264
<i>fair value hedges - valuation of hedging instruments and items</i>	4	-	-	-
<i>hedging cash flows - settlement of hedging costs</i>	547	129	392	112
Other, incl.:	721	107	411	306
	8 696	2 865	20 538	9 665

Other operating expenses

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Sale of 30% of shares in Rafineria Gdańska	-	-	(119)	(119)
Loss on sale of non-current non-financial assets	(395)	(312)	(65)	(33)
Recognition of provisions	(422)	(332)	(320)	(245)
Recognition of impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets	(2 974)	(597)	(6 263)	(3 317)
Penalties, damages and compensations	(131)	(48)	(209)	(38)
Derivatives, incl.:	(5 619)	(1 928)	(7 537)	(1 513)
<i>not designated for hedge accounting purposes - settlement and valuation</i>	(5 367)	(1 910)	(6 867)	(1 249)
<i>hedging cash flows - ineffective part concerning measurement and settlement</i>	(166)	-	(663)	(258)
<i>fair value hedges - valuation of hedging instruments and items</i>	(2)	-	(4)	(4)
<i>hedging cash flows - settlement of hedging costs</i>	(84)	(18)	(3)	(2)
Other, incl.:	(735)	(240)	(586)	(371)
<i>donations</i>	(203)	(85)	(314)	(180)
	(10 276)	(3 457)	(15 099)	(5 636)

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

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Valuation of derivative financial instruments	(724)	(447)	(707)	340
<i>commodity futures, incl.:</i>	(366)	(127)	20	1 004
<i>CO2 emission allowances</i>	(149)	3	(752)	232
<i>electricity</i>	3	1	256	256
<i>natural gas</i>	(220)	(131)	516	516
<i>commodity forwards, incl.:</i>	(42)	(18)	(615)	(718)
<i>CO2 emission allowances</i>	-	-	-	-
<i>electricity</i>	(276)	(140)	(132)	(235)
<i>natural gas</i>	234	122	(483)	(483)
<i>commodity swaps</i>	(314)	(304)	(31)	133
<i>other</i>	(2)	2	(81)	(79)
Settlement of derivative financial instruments	897	106	(2 789)	262
<i>commodity futures, incl.:</i>	298	(6)	(645)	225
<i>CO2 emission allowances</i>	275	(6)	(646)	161
<i>diesel oil</i>	23	-	1	64
<i>commodity forwards, incl.:</i>	88	69	120	102
<i>electricity</i>	88	69	120	102
<i>commodity swaps</i>	509	44	(2 302)	(105)
<i>foreign currency swap</i>	-	-	(3)	(3)
<i>other</i>	2	(1)	41	43
	173	(341)	(3 496)	602

For the 12 and 3-month period ended 31 December 2023 and 31 December 2022 the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) mainly related to the valuation and settlement of commodity swaps hedging the refining margin, purchase and sale of natural gas, valuation and settlement of CO₂ forward contracts and electricity. Moreover this line recognised the ineffective part in terms of hedge accounting of valuation and settlement of commodity swaps for hedging of timing mismatches on crude oil purchases, natural gas purchases and sales, oversized stocks and bitumen hedging and securing the physical sale of finished products purchased by sea. 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 inventories (cost of natural gas in warehouses calculated on the basis of weighted average purchase prices) and revenue from sales of refining products as well as revenue from the sale of natural gas. Therefore, the result on the settlement of derivative financial instruments relating to the operational exposure should always be considered together with the profit/(loss) generated by the Group on the sale of a physical position.

The Group applies hedge accounting in relation to the hedging of time mismatches resulting from the purchase of crude oil by sea and the sale of refining products, the purchase and sale of natural gas, oversize inventories and hedging bitumens, and hedging the physical sale of finished products purchased by sea, as well as to hedge currency risk on operational. In connection with the above, the measurement and settlement of commodity swaps in the effective part are recognized as part of the hedge

accounting reserve, and when the hedged item is realised, they are charged to sales revenue, manufacturing cost or inventories, respectively.

The Group also applies hedge accounting for purchases to hedge risk of change of market prices of CO₂ allowances. In connection with the above, the effective part of change in fair value of hedging instrument is related to statement of financial situation in position revaluation reserve due to the application of hedge accounting, whereas the non-effective part of change in fair value of hedging instrument is related to profit and loss statement into other operating income or other operating expenses. Accumulated gains or losses related to the hedging instrument recognized in the revaluation reserve, accumulated until the date of termination of the hedging relationship, are reclassified in the period of recognition of the hedged item to intangible assets or assets held for sale, respectively.

5.7. Finance income and costs

Finance income

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Interest calculated using the effective interest rate method	1 823	344	501	317
Other interest	2	1	1	2
Net foreign exchange gain	1 912	1 287	-	537
Dividends	-	-	61	-
Derivatives not designated as hedge accounting - settlement and valuation	300	52	1 475	112
Other	285	45	227	105
	4 322	1 729	2 265	1 073

The value of the surplus of net foreign exchange gains is mainly the result of the strengthening of PLN against EUR and USD in the analysed period.

Finance costs

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Interest calculated using the effective interest rate method	(484)	(265)	(737)	(350)
Interest on lease	(493)	(132)	(238)	(98)
Interest on tax liabilities	(52)	(8)	(19)	(16)
Net foreign exchange loss	-	-	(643)	-
Derivatives not designated as hedge accounting - settlement and valuation	(832)	(292)	(962)	-
Other	(375)	(81)	(172)	(27)
	(2 236)	(778)	(2 771)	(491)

Borrowing costs capitalized in the 12 and 3-month period ended 31 December 2023 and 31 December 2022 amounted to PLN (478) million and PLN (84) million and PLN (149) million and PLN (77) million, respectively.

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

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)
Valuation of derivative financial instruments	(222)	(12)	456	237
<i>currency forwards</i>	(17)	22	53	(26)
<i>other, incl.:</i>	(205)	(34)	403	263
<i>currency interest rate swaps</i>	(187)	(25)	55	(137)
<i>interest rate swaps</i>	(9)	(5)	(1)	(3)
<i>currency swap</i>	-	-	342	392
<i>Polimex-Mostostal option</i>	(9)	(4)	7	14
Settlement of derivative financial instruments	(310)	(228)	57	(125)
<i>currency forwards</i>	(215)	(168)	149	(107)
<i>other, incl.:</i>	(95)	(60)	(92)	(18)
<i>currency interest rate swaps</i>	(98)	(60)	(98)	(24)
<i>interest rate swaps</i>	3	-	6	2
	(532)	(240)	513	112

During the 12 and 3-month period ended 31 December 2023 and 31 December 2022 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices for crude oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests. The main impact on the valuation and settlement of derivative financial instruments was the development of PLN against EUR and USD currency.

5.8. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2023 (unaudited)	31/12/2022	31/12/2023 (unaudited)	31/12/2022	31/12/2023 (unaudited)	31/12/2022
Loans *	2 451	5 443	4 233	2 806	6 684	8 249
Borrowings	122	161	50	120	172	281
Bonds	8 098	6 369	213	4 326	8 311	10 695
	10 671	11 973	4 496	7 252	15 167	19 225

* at 31 December 2023 and as at 31 December 2022, the line Loans includes loans in the Project Finance formula (financing obtained by special purpose companies for the implementation of investments): PLN 438 million and PLN 223 million in the non-current part and PLN 3 million and PLN 18 million in the current part, respectively.

During the 12-month period of 2023, as a part of cash flows from financing activities the Group has made drawings and repayments of borrowings and loans from available credit lines in the total amount of PLN 7,771 million and PLN (9,272) million.

As at 31 December 2023 the decrease in debt level of the Group results mainly from net repayments of ORLEN loans in the amount of PLN (1,125) million and changes in the Group's bond balance in the total net cash flow of PLN (1,840) million.

Details of the Group's bond changes:

- redemption of Eurobonds issued by ORLEN Capital AB with the nominal value of EUR (750) million, partial redemption of senior bonds issued by B8 Sp.z o.o. Baltic SKA with the nominal value of USD (23) million and redemption of subordinated bonds issued by ENERGA with the nominal value of EUR (125) million, which corresponds to the total amount of PLN (4,023) million,
- issue of Eurobonds B series by ORLEN with the nominal value of EUR 500 million, which corresponds to cash flow of PLN 2,183 million less the discount.

Eurobonds of B series dated 13 July 2023 were issued under the euro medium term note programme up to the amount of EUR 5 billion and were admitted to trading on the regulated market operated by Euronext Dublin.

Additional information on active bond issues is presented in note [5.13](#).

As at 31 December 2023 and as at 31 December 2022 the maximum possible indebtedness due to loans and borrowings amounted to PLN 32,829 million and PLN 51,860 million, respectively. As at 31 December 2023 and as at 31 December 2022 PLN 25,698 million and PLN 43,314 million, respectively, remained unused. Decrease in the value of the Group maximum possible indebtedness and open credit lines are mainly due to changes in ORLEN credit agreements during 2023, which as at 31 December 2023 include in particular the termination of funding:

- at Bank Pekao S.A. in the amount of PLN 9,600 million, guaranteed by the State Treasury, the financing was designed to secure the continuity of supply of gaseous fuel to customers,
- at BGK in the amount of PLN 4,800 million, guaranteed by the State Treasury, the financing was designed to secure the continuity of supply of gaseous fuel to customers,
- syndicated loans in the amount of EUR 335 million and USD 220 million, which as at 31 December 2023 corresponds to the total amount of PLN 2,323 million,
- SMBC loans in the total amount of EUR 470 million which as at 31 December 2023 corresponds to the amount of PLN 2,044 million,
- ICBC loan in the amount of EUR 120 million which as at 31 December 2023 corresponds to the amount of PLN 522 million.

In the period covered by these interim condensed consolidated financial statements as well as after the reporting date, there were no defaults on repayment of principal or interest of loans nor defaults on other terms of the loans agreements.

5.9. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	31/12/2023 (unaudited)	31/12/2022 (restated data)	31/12/2023 (unaudited)	31/12/2022 (restated data)	31/12/2023 (unaudited)	31/12/2022 (restated data)
Cash flow hedging instruments	1 500	1 124	1 509	1 452	3 009	2 576
<i>currency forwards</i>	1 493	787	429	568	1 922	1 355
<i>commodity swaps</i>	6	291	694	856	700	1 147
<i>commodity futures</i>	1	3	258	17	259	20
<i>foreign currency swaps</i>	-	43	128	11	128	54
Derivatives not designated as hedge accounting	180	448	1 158	2 425	1 338	2 873
<i>currency forwards</i>	-	2	12	12	12	14
<i>commodity swaps</i>	-	-	-	85	-	85
<i>currency interest rate swaps</i>	7	156	58	97	65	253
<i>interest rate swaps</i>	-	-	-	4	-	4
<i>currency swaps</i>	-	-	-	78	-	78
<i>commodity futures, incl.:</i>	83	210	552	663	635	873
<i>CO2 emission allowances</i>	-	94	-	59	-	153
<i>electricity</i>	33	-	105	146	138	146
<i>natural gas</i>	50	116	447	458	497	574
<i>commodity forwards, incl.:</i>	74	48	525	1 482	599	1 530
<i>electricity</i>	26	-	174	366	200	366
<i>natural gas</i>	48	48	351	1 116	399	1 164
<i>other</i>	16	32	11	4	27	36
Fair value hedging instruments	2	-	9	28	11	28
<i>commodity swaps</i>	2	-	9	28	11	28
Derivatives	1 682	1 572	2 676	3 905	4 358	5 477
Other financial assets	2 693	2 733	1 290	10 726	3 983	13 459
<i>receivables on settled derivatives</i>	-	-	234	1 024	234	1 024
<i>financial assets measured at fair value through other comprehensive income</i>	326	324	-	-	326	324
<i>financial assets measured at fair value through profit or loss</i>	149	94	-	267	149	361
<i>hedged item adjustment</i>	1	-	5	8	6	8
<i>security deposits</i>	-	-	471	9 190	471	9 190
<i>short-term deposits</i>	-	-	78	27	78	27
<i>loans granted</i>	1 128	524	125	129	1 253	653
<i>purchased securities</i>	369	336	8	8	377	344
<i>including restricted cash</i>	312	1 069	310	41	622	1 110
<i>other</i>	408	386	59	32	467	418
Other non-financial assets	963	3 134	1 800	19 844	2 763	22 978
<i>investment property</i>	593	619	-	-	593	619
<i>assets due to contracts valued at the time of settlement of business combination</i>	-	1 703	1 800	19 844	1 800	21 547
<i>shares and stocks of consolidated subsidiaries</i>	12	94	-	-	12	94
<i>other*</i>	358	718	-	-	358	718
Other assets	3 656	5 867	3 090	30 570	6 746	36 437

* The line Other include mainly advances for non-current assets. They concern the projects related to the construction of gas and steam power plants in ENERGA Group

As at 31 December 2023 and as at 31 December 2022, the Group has security deposits that do not meet the definition of cash equivalents concerning mainly securing the settlement of transactions hedging commodity risk traded with financial institutions and on commodity exchanges, in the total amount of PLN 471 million and PLN 9,157 million respectively. The amount of security deposits depends on the valuation of the portfolio of outstanding transactions and is subject to ongoing revisions. The change of PLN (8,686) million results mainly from the settlement of instruments concluded by ORLEN to hedge the sale and purchase of natural gas on the European and American index and from the changes in the market price of gas for the current portfolio of transactions as well as due to a decrease in the volume of refining margin hedging transactions.

As at 31 December 2023, the position loans granted constitutes mainly the borrowings for Baltic Power, consolidated using the equity method, in the amount of PLN 609 million, borrowings for Grupa Azoty Polyolefins S,A, in the amount of PLN 282 million and for other non-consolidated companies in the amount of PLN 359 million.

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

Derivatives and other liabilities

	Non-current		Current		Total	
	31/12/2023 (unaudited)	31/12/2022 (restated data)	31/12/2023 (unaudited)	31/12/2022 (restated data)	31/12/2023 (unaudited)	31/12/2022 (restated data)
Cash flow hedging instruments	87	4 491	700	8 394	787	12 885
<i>currency forwards</i>	9	298	24	80	33	378
<i>commodity swaps</i>	78	4 190	676	8 274	754	12 464
<i>commodity futures</i>	-	3	-	39	-	42
<i>foreign currency swaps</i>	-	-	-	1	-	1
Derivatives not designated as hedge accounting	154	190	1 102	5 001	1 256	5 191
<i>currency forwards</i>	1	2	57	71	58	73
<i>commodity swaps</i>	-	-	-	3 090	-	3 090
<i>interest rate swaps</i>	4	-	-	-	4	-
<i>foreign currency swaps</i>	-	-	-	74	-	74
<i>commodity futures, incl.:</i>	90	114	623	479	713	593
<i>CO2 emission allowances</i>	-	1	-	3	-	4
<i>electricity</i>	7	-	30	40	37	40
<i>natural gas</i>	83	113	593	436	676	549
<i>commodity forwards, incl.:</i>	59	74	422	1 287	481	1 361
<i>electricity</i>	46	27	229	144	275	171
<i>natural gas</i>	13	47	193	1 143	206	1 190
Fair value hedging instruments	1	-	5	8	6	8
<i>commodity swaps</i>	1	-	5	8	6	8
Derivatives	242	4 681	1 807	13 403	2 049	18 084
Other financial liabilities	289	259	487	2 555	776	2 814
<i>liabilities on settled derivatives</i>	-	-	352	1 419	352	1 419
<i>investment liabilities</i>	69	84	-	-	69	84
<i>hedged item adjustment</i>	2	-	9	28	11	28
<i>refund liabilities</i>	-	-	32	1 070	32	1 070
<i>security deposits</i>	-	-	79	28	79	28
<i>other *</i>	218	175	15	10	233	185
Other non-financial liabilities	571	4 185	4 167	28 863	4 738	33 048
<i>liabilities from contracts with customers</i>	37	30	-	-	37	30
<i>deferred income</i>	491	393	549	557	1 040	950
<i>liabilities due to contracts valued at the time of settlement of business combination</i>	43	3 762	3 618	28 306	3 661	32 068
Other liabilities	860	4 444	4 654	31 418	5 514	35 862

* As at 31 December 2023 and as at 31 December 2022, the line other in other financial liabilities in the non-current part mainly concerns received security deposits, liabilities under concessions and mining usufruct, as well as unpaid benefits.

Description of changes of derivatives not designated as hedge accounting is presented in note [5.6](#) and [5.7](#).

The line receivables/liabilities due to settled derivatives and liabilities due to settled derivatives refer to derivatives with a maturity date at the end of the reporting period or earlier, however the payment date falls after the balance sheet date. As at 31 December 2023, these line include the value of matured commodity swaps hedging mainly the refining margin, time mismatch on crude oil purchases, excess inventories and natural gas.

The line of assets and liabilities due to contracts valued at the time of settlement of business combination includes futures contracts existing at the moment of merger, measured at fair value, relating mainly to the purchase and sale of gas, electricity and CO₂ emission allowances of the former PGNiG Group. Both assets and liabilities due to contracts valued at the time of settlement of business reflect their fair value determined as the difference between the contract price and the market price at the date of merger and are not subject to measurement at fair value in subsequent reporting periods. At the time of actual execution of a given futures contract, the Group settles the appropriate value of the asset or liability relating to the relevant contract in correspondence with the same item in the income statement or balance sheet that presents the impact of the execution of the underlying contract. As at 31 December 2023 and as at 31 December 2022, the position of assets and liabilities due to contracts valued at the time of settlement of business amounted to PLN 1,800 million and PLN 3,661 million and PLN 21,547 million and PLN 32,068 million, respectively. Additional information in note [3.4.6](#).

5.10. Provisions

	Non-current		Current		Total	
	31/12/2023 (unaudited)	31/12/2022 (restated data)	31/12/2023 (unaudited)	31/12/2022 (restated data)	31/12/2023 (unaudited)	31/12/2022 (restated data)
For decommissioning and environmental costs	5 817	5 951	180	209	5 997	6 160
Jubilee bonuses and post-employment benefits	1 950	1 566	296	262	2 246	1 828
CO ₂ emissions, energy certificates	-	-	9 168	9 958	9 168	9 958
Other	2 391	712	1 756	2 417	4 147	3 129
	10 158	8 229	11 400	12 846	21 558	21 075

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 with the exception of the valuation of CO₂ futures contracts, where, as at 31 December 2023, the fair value was determined directly based on market quotations for these instruments (Level 1).

Methods applied in determining the fair value were described in the Consolidated Financial Statements for 2022 in note 16.3.1.

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

Fair value hierarchy

	31/12/2023		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through other comprehensive income	326	326	56	-	270
Financial assets measured at fair value through profit or loss	149	149	-	-	149
Loans granted	1 253	1 284	-	1 284	-
Derivatives	4 358	4 358	259	4 099	-
Purchased securities	377	494	95	399	-
	6 463	6 611	410	5 782	419
Financial liabilities					
Loans	6 684	6 736	-	6 736	-
Borrowings	172	172	-	172	-
Bonds	8 311	8 125	6 462	1 663	-
Derivatives	2 049	2 049	-	2 049	-
	17 216	17 082	6 462	10 620	-

The fair value for other classes of financial assets and liabilities corresponds to their book value.

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. Future commitments resulting from signed investment contracts

As at 31 December 2023 and as at 31 December 2022 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 27,600 million and PLN 27,246 million, respectively.

5.13. Issue and redemption of debt securities

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

a) in ORLEN under:

- the non-public bond issue on the domestic market C Series and D series with a total nominal value of PLN 2,000 million, remains open;
- the medium-term Eurobonds issue program on the international market, series A and B with a nominal value of EUR 1,000 million remains open;

b) in ENERGA Group under:

- the Eurobond issue program, a series with a nominal value of EUR 300 million, remains open;
 - the subscription agreement and the project agreement concluded with the European Investment Bank, one series of subordinated bonds remain open with a total nominal value of EUR 125 million,
- c) LOTOS Petrobaltic Group as part of:
- the senior bond issue program of B8 Sp. z o.o. Baltic S.K.A. six series of issues with a total nominal value of USD 26 million (the value of outstanding bonds) remain open.

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

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

5.14. Distribution of the Parent Company's profit for 2022 and the dividend payment in 2023

The Ordinary General Meeting of Shareholders of ORLEN on 21 June 2023 decided to distribute the net profit of ORLEN for the year 2022 in the amount of PLN 27,261,937,353.96 PLN as follows: the amount of PLN 6,385,181,269.50 allocate as a dividend payment (PLN 5.50 per 1 share) and the remaining amount of PLN 20,876,756,084.46 as reserve capital. The Management Board of ORLEN proposes 10 August of 2023 as the dividend date and 31 August of 2023 as the dividend payment date.

5.15. Contingent assets

In accordance with the information published in the Financial Statements of ORLEN and ORLEN Group for previous reporting periods, at the beginning of 2020 PERN S.A. (PERN) informed ORLEN for the first time about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN as a pipeline system operator. Additionally, as at 31 December 2021, PERN indicated shortage in the amount of 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 maintained that the reason for the change in operating stocks was 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.

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

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

On 1 October 2021 PERN initiated court proceedings in which it demanded ORLEN to be ordered to pay PLN 156 million with interest and a lump-sum compensation for recovery costs, which ORLEN previously deducted from PERN's remuneration, thus questioning the effectiveness of the deductions made by ORLEN.

Due to the loss by PERN of further (in relation to the loss covered by the debit note of 24 July 2020) 1,334 net metric tons of REBCO crude oil owned by ORLEN, which PERN was obliged to store and not confirmed in the balance according to the records as at 31 December 2021, on 21 January 2022 ORLEN issued the debit note and requested PERN for compensation in the amount of PLN 2.6 million. PERN has not made the payment within deadline indicated in request. Therefore, on 8 February 2022 ORLEN set off a claim for compensation for another loss in the amount of PLN 2.6 million against PERN's claims for invoices issued for the transport of the raw material.

By letter of 24 December 2022, PERN pointed out the need for another one-sided adjustment in minus the inventory records of crude oil belonging to ORLEN by 1,921 tons net.

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

Previously, in March 2020 PERN informed GRUPA LOTOS that as a result of alleged measurement differences arising from the methodology of crude oil volume settlements using GOST and ASTM standards, the level of operating stocks of REBCO crude oil belonging to GRUPA LOTOS (currently ORLEN) decreased, causing a decrease in REBCO's operating stocks. The loss indicated by PERN as of 20 November 2019 was to amount to 18,270 net metric tons of REBCO.

On 29 December 2022, ORLEN as the legal successor of GRUPA LOTOS issued a debit note and called PERN for PLN 31.5 million for compensation for the loss by PERN of 18,270 net metric tons of REBCO belonging to previous GRUPA LOTOS, which PERN was obliged to store. PERN has not made the payment within deadline indicated in request. Therefore the amount PLN 31.5 million was set-off from PERN's receivables for remuneration for services provided by PERN to ORLEN on the basis of statements on set-off submitted on 7 February 2023, 16 February 2023, 27 February 2023 and 3 March 2023.

ORLEN and PERN made an attempt to amicably end the dispute, stating the above circumstances, through mediation before mediators of the Arbitration Court at the General Prosecutor's Office of the Republic of Poland ("Mediators").

On 11 September 2023 ORLEN entered with PERN into settlement before the Mediators ("Settlement") in order to finally and fully end and resolve the dispute arising between them.

The settlement entered into force on the date it was approved in its entirety by the District Court in Łódź, X Commercial Division, in a decision of 22 September 2023, which became final on 13 October 2023.

Consequently, in the 3rd quarter of 2023, the Group realised income resulting from the contingent asset described above and recognised in other operating income of PLN 139 million due to the concluded Settlement.

5.16. Contingent liabilities

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

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

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

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

I. Case filed by ORLEN Projekt against POLWAX for the payment of PLN 6.7 million. considered by the Court of Appeal in Rzeszów case file I AGa 20/21 (previously considered by 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. On 10 November 2022, the Court of Appeal announced its verdict, according to which it upheld the payment order issued by the District Court in its entirety and awarded POLWAX to ORLEN Projekt with the costs of the lawsuit. The judgment of the court of second instance is final. On 9 February 2023, POLWAX filed a cassation complaint against the judgment of the Court of Appeal in Rzeszów of 10 November 2022. On 10 March 2023, POLWAX also filed a cassation complaint against the supplementary judgment of the Court of Appeal regarding a formal issue in the petition of the decision, i.e. lack of the expression "dismissing the appeal of POLWAX". ORLEN Projekt responded to both complaints. Currently, cassation appeals are waiting for a decision on whether they will be accepted for consideration.

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

In the case, ORLEN Projekt claims from POLWAX the payment of a total amount of PLN 67.8 million together with overdue interest for delay consists of: (i) remuneration for completed construction works and deliveries, (ii) unjustifiably executed performance guarantee, and (iii) costs related to ORLEN Projekt's withdrawal from the contract. The court has already heard all the witnesses and parties in the case. The proceedings have been suspended until the case heard by the Court of Appeal in Rzeszów under file no, act I AGa 20/21. In connection with the issuance by the Court of Appeal in Rzeszów on 10 November 2022 of the judgment in the case under reference number I AGa 20/21, on 22 November 2022, the ORLEN Projekt filed a motion for the District Court to resume the suspended proceedings. The Regional Court in Rzeszów issued a decision to resume the proceedings. At the hearing on 18 October 2023 the court ignored POLWAX's requests to take evidence from the opinions of four court experts and gave the floor to the parties. By judgment of 17 November 2023, the District Court in Rzeszów ordered POLWAX for the benefit of ORLEN Projekt amount of PLN 28,885,486.39 together with interest due and amount of PLN 78,592.55 as reimbursement of the costs of legal representation together with interest for delay from the date the judgment becomes final. The court dismissed the remaining claims of ORLEN Projekt i.e. for payment for the completed design documentation and for the work carried out by employees of ORLEN Projekt, regarding equipment delivered to the construction site, excluding the value of the compressor and claims for reimbursement

of the value of equipment in warehouses, as well as, the costs of delivery of machinery and equipment covered by the third extension of the claim. The parties requested the preparation of a justification for the judgment and delivery of the judgment together with the justification. Waiting for the court to deliver its justification.

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

The claim submitted by POLWAX against ORLEN Projekt includes PLN 84 million for material damage and PLN 48 million for lost profits that were supposed to arise in connection with improper performance and non-performance of the contract by ORLEN Projekt. The proceedings have been suspended at the joint request of the parties. On 21 October 2021 the court, on the application of POLWAX, made an order to resume the suspended proceedings. On 20 April 2022, the proceedings were suspended until the case: (i) considered by the Court of Appeal in Rzeszów under file no. act I AGa 20/21; (ii) heard by the Regional Court in Rzeszów, file no. VI GC 201/19. On 22 November 2022, the Court of Appeal in Rzeszów allowed ORLEN Projekt complaint against the decision of the District Court to suspend the proceedings and issued a decision by which it overturned the challenged decision of the District Court. On June 19, 2023, a preparatory meeting was held in this case. On 11 October 2023 the District Court in Rzeszów issued a judgment dismissing the claim of POLWAX against ORLEN Projekt for the payment of PLN 132 million with interest in full and ordered POLWAX to pay ORLEN Projekt the amount of PLN 37,5 thousand as reimbursement of the costs of legal representation together with interest for delay from the date the judgment became final. Both parties requested that the justification for the judgment be prepared and that the judgment and its justification be delivered. Waiting for the court to deliver its justification.

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

POLWAX claims from ORLEN Projekt the payment of PLN 9.9 million together with overdue interest for delay consists of: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) non-contractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. So far, nine hearings have been held in the case. The next meeting was held on 6 February 2023, at which ORLEN submitted a copy of POLWAX S.A.'s notification of the possibility of committing a crime, requesting the suspension of civil proceedings until the criminal case is resolved. The court dismissed POLWAX's motion to suspend the proceedings. On 30 June 2023 evidence from an expert opinion in the field of environmental protection was admitted. The expert submitted his opinion to the case file. After delivery of the opinion, any objections will be submitted to the Parties.

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

POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses submitted to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. So far, six hearings have been held in the case. At the hearing on 23 June 2022, the Court heard the defendant, admitted evidence from an expert witness and adjourned the hearing without a time limit. A court expert prepared an opinion which was delivered to both parties. On 13 February 2023 ORLEN Projekt raised objections to the expert's opinion, POLWAX did not raise any objections to the expert's opinion, indicating that the opinion only confirms the claimant's position in this proceeding. The expert prepared a supplementary opinion to which ORLEN Projekt will raise objections. On 18 September 2023 a hearing was held in the case during which the Court issued decisions regarding the parties' evidentiary requests. The court also obliged the parties to submit pleadings containing their final position in the case. On 21 December 2023 the District Court in Tychy issued a judgment upholding the claim of POLWAX and ordered ORLEN Projekt restoring the lawful state by removing from belonging to POLWAX real estate devices non-owned by POLWAX. The court also ordered from ORLEN Projekt for the benefit of POLWAX an amount of PLN 4 thousand as the costs of the proceedings together with the interest due from the date the judgment becomes final until the date of payment. He also ordered to collect from ORLEN Projekt for the benefit of the State Treasury an amount of PLN 14,7 thousand for unpaid court costs temporarily incurred by the State Treasury (due to the supplementary opinion prepared and the costs of witness appearances). The parties requested the preparation of a justification for the judgment and delivery of the judgment together with the justification. Waiting for the court to deliver its justification.

VI. Case filed by ORLEN Projekt against POLWAX for the payment of PLN 1.1 million, pending before the District Court in Rzeszów, case file VI GC 73/23.

ORLEN Projekt claims from POLWAX the payment of the total amount of PLN 1,1 million together with due statutory interest for delays in storage and transport of equipment purchased by ORLEN Projekt towards the implementation of the Investment. On 16 January 2023, the District Court in Rzeszów issued a payment order in writ proceedings. As a result of an objection to the payment order in writ proceedings filed by POLWAX on 1 February 2023, the proceedings are currently pending before the District Court in Rzeszów case file VI GC 73/23. On 15 June 2023 a preparatory meeting was held during which a trial plan was prepared. Waiting for a hearing date to be set in the case.

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

Contingent liabilities related to the ENERGA Group

As at 31 December 2023, the contingent liabilities of the ENERGA Group recognised in these interim condensed consolidated financial statement of the ORLEN Group amounted to PLN 236 million.

The largest item of contingent liabilities of the ENERGA Group consists of legal claims relating to the power infrastructure of Energa-Operator S.A. located on private land. The Group recognises provisions for filed legal claims. If there is uncertainty as to the validity of the amount of the claim or legal title to land, the Group recognises contingent liabilities. As at 31 December 2023, the estimated value of those claims recognised as contingent liabilities amounts to PLN 219 million, while as at 31 December 2022 its value amounted to PLN 218 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

Arbitration procedure brought by Elektrobudowa S.A. against ORLEN

Elektrobudowa S.A. filed an action against 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 ORLEN and Elektrobudowa for the construction of a metathesis unit. The amount in dispute includes:

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

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

According to information published in Consolidated Financial Statements for the year 2021, as a result of the Arbitration Tribunal's rulings, against which ORLEN was not entitled to appeal, the Company has paid the Bankruptcy Trustee a total of PLN 10.01 million and EUR 5.52 million so far, plus statutory interest for delay in payment. These amounts related mainly to partial payments of the contractual remuneration, as well as remuneration for additional works. The amounts from the partial judgments no. 13 - no. 15 indicated below were paid in full together with statutory interest for delay.

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

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

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

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

The total value of provisions recognised as at 31 December 2023 in connection with the pending proceedings with Elektrobudowa amounted to PLN 68 million.

AGR Subsea Ltd. and LOTOS Petrobaltic S.A. dispute

In March 2013, LOTOS Petrobaltic S.A. received a call for payment from AGR Subsea Ltd. ("AGR") for approximately GBP 6.5 million as the contract sum payable to AGR for dredging the Baltic Beta rig's legs. In response, LOTOS Petrobaltic S.A. challenged the amount claimed by AGR and proposed the payment to AGR in the amount of PLN 16 million (corresponding to GBP 3.2 million translated using the average exchange rate of the National Bank of Poland as at 31 December 2012). The dispute between the parties concerns the nature of the contract, reasons for its execution after the due date and incomplete, as well as validity of its termination by LOTOS Petrobaltic S.A., and the demand for reimbursement of costs incurred to employ the alternative contractor engaged by LOTOS Petrobaltic S.A. to complete the work (counterclaim against AGR for payment in the amount of GBP 5.6 million). AGR Subsea Ltd. took its claim to court. On 11 December 2020, the Court issued a judgement awarding the full claimed amount to AGR, i.e. GBP 6.5 million together with overdue interest, reimbursement of court expenses and legal representation costs, and dismissed LOTOS Petrobaltic S.A.'s claim.

In view of the fact that the notice, stating the date of the Court's closing hearing and announcement of the judgement, was not effectively delivered to LOTOS Petrobaltic S.A.'s attorney, the attorney, without his fault, did not participate in the closing hearing held on 27 November 2020. The attorney did not know the date of publication of the judgement issued on 11 December 2020, did not attend the date of publication, nor learn its contents.

In a view of the information obtained by LOTOS Petrobaltic S.A. during the Court hearing held in March 2021, the objections were presented to the Court regarding AGR's judicial and procedural capacity, its legal standing and proper authorisation of its attorneys. These doubts arose, following the knowledge in March 2021, about the announcement on 25 May 2015 of a Winding-up procedure with respect to AGR and appointment of a Liquidator to administer the affairs and represent AGR.

On 2 April 2021, LOTOS Petrobaltic S.A. lodged a complaint for the resumption of proceedings in the case. On 18 May 2021, LOTOS Petrobaltic S.A. applied to the Regional Prosecutor's Office in Gdańsk with a request to bring an action for the resumption of proceedings in the cases No IX GC 811/13 and No IX GC 12/15. The complaint of the Regional Prosecutor's Office in Gdańsk for the resumption of proceedings in the combined cases was filed with the Court on 12 August 2021.

On 9 December 2021, AGR applied for enforcement of the judgement. By a decision of 13 December 2021 issued in case IX GC 696/21 (request for resumption of proceedings – complaint of the Regional Prosecutor's Office), the Regional Court in Gdańsk suspended the enforceability of the judgement of 11 December 2020 covered by the enforcement motion, AGR's enforcement motion was dismissed by the Court ordered on 15 December 2021.

Proceedings are currently underway in the context of:

- LOTOS Petrobaltic S.A. complaint for the resumption of proceedings (IX GC 1031/21), and
- the Regional Prosecutor's Office in Gdańsk complaint for the resumption of proceedings (IX GC 696/21).

The above dispute ended with the conclusion of a settlement on 23 August 2023 between the Parties. Lotos Petrobaltic S.A. will pay GBP 2.7 million to AGR, which will exhaust all claims of the Parties. On 28 August 2023 payment of the settlement amount was ordered from LPB; in accordance with the settlement, debiting the bank account of Lotos Petrobaltic S.A. is tantamount to payment of the amount due to AGR. On 4 September 2023 all obligations of Lotos Petrobaltic S.A. have been fulfilled resulting from the settlement. From this date, Lotos Petrobaltic S.A. AGR may be charged with fulfillment of the benefit/extinguishment of the payment obligation. An application to discontinue the proceedings was submitted, but it has not been discontinued so far. The prosecutor upheld the complaint submitted to the Court of Appeal in Gdańsk - only its resolution will allow the Court of Appeal in Gdańsk to decide on the issue of discontinuing the proceedings.

The former Grupa LOTOS S.A. tax settlements

Following the merger ORLEN with Grupa LOTOS S.A. on 1 August 2022, ORLEN as a legal successor of Grupa LOTOS S.A. became a party to the following tax proceedings.

The subject of the audit are VAT settlements for the relevant periods from January 2014 to June 2016. The correctness of tax settlements was questioned by the tax authorities. ORLEN appealed against the unfavorable decisions to the authorities of the second instance. The company will also have the option of lodging complaints with the Provincial Administrative Court, and in the event of an unfavorable court decision, it will be possible to file a cassation complaint with the Supreme Administrative Court.

As at 31 December 2023, the Group disclosed a provision for tax risk in the amount of PLN 34.3 million.

LOTOS Exploration and Production Norge AS tax settlements

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

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

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

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

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

At the same time, on 31 March 2023, the Company appealed against Tax Office decision for 2015-2016. If the appeal is unsuccessful the Company is considering judicial arbitration. On the same day the Company submitted a written response and reaction to the draft decision on thin capitalisation for 2017-2019.

On 1 May 2023, based on the Business Purchase Agreement - the purchase of an organized part of the enterprise - the Norwegian company of the ORLEN Group, PGNiG Upstream Norway AS (PUN) purchased from LOTOS Exploration and Production Norge AS (LEPN) all assets and related liabilities with the employees of the Company. The effective transaction date for tax settlements is 1 January 2023. Therefore, the tax settlement for 2022 remained in hands of LOTOS Norge, in turn all revenues and expenses of LOTOS Norge for 2023 passed to the tax settlement of PUN. Liabilities towards the Tax Office due to thin capitalization in cases still open with the transaction were also transferred from LEPN to PUN.

As at 31 December 2023 the value of the created provision in the books of PUN due to pending proceedings of LOTOS Norge with interest amounts to NOK 112.9 million, that is approximately PLN 45.2 million. Due to the tax settlement for the entire year 2022, in November 2023, LOTOS Norge settled the liability for NOK 22 million (PLN 8.5 million). From May to December 2023, the Company generates revenues exclusively from interest on the loan, the forecast tax for the current year is NOK 69 million (PLN 26.7 million).

Settlements for natural gas supplied under the Yamal Contract and suspension of natural gas supplies by Gazprom

On 31 March 2021 Decree of the President of the Russian Federation No. 172 "On a special procedure for the performance of obligations of foreign buyers towards Russian natural gas suppliers" (the "Decree") was published, following which Gazprom requested PGNiG to amend the terms and conditions of the Yamal Contract, among others by introducing settlements in Russian rubles.

On 12 April 2022, the Management Board of PGNiG S.A. decided to continue settling PGNiG's liabilities for gas supplied by Gazprom under the Yamal Contract, in accordance with its applicable terms, and not to consent to PGNiG's performance of its settlement obligations for natural gas supplied by Gazprom under the Yamal Contract, in accordance with the provisions of the Decree.

From 27 April 2022, from 8:00 am CET Gazprom completely suspended natural gas deliveries under the Yamal Contract, citing the Decree's prohibition on delivering natural gas to foreign buyers from countries "unfriendly to the Russian Federation" (including Poland). If payments for natural gas supplied to such countries starting from 1 April 2022, will be made contrary to the terms of the Decree.

In response, PGNiG took steps to protect the Company's interests under its contractual rights, including: call for deliveries and compliance with settlement conditions, etc. terms of the agreement binding the parties until the end of 2022.

By 31 December 2022, natural gas supplies had not been resumed by Gazprom, the supplier refused to make settlements based on the applicable contractual conditions. Pursuant to PGNiG's declaration of intent of 15 November 2019, the Yamal Contract expired at the end of 2022. Disputes arising during the term of the Yamal Contract are pending.

Claim by B. J. Noskiewicz against Exalo Drilling S.A. (hereinafter: Exalo) for payment of rent and damages

On 9 February 2015, B.J. Noskiewicz filed an action against Exalo seeking payment of a total of PLN 130 million. The demand of the claim includes an adjudication for a fee for the use of a property owned by the plaintiffs (occupied by the Company for the purpose of drilling a geothermal water well) and compensation for lost income. The plaintiffs claim that the property was not properly returned to them upon completion of the works. Exalo has filed a response to the claim. Exalo argues (based on expert opinions) that it completed the use of the property within the contractual deadline, removed all equipment and movable property, the site was cleaned up and rehabilitated, and therefore properly offered and released the property to the owners in 2012, so that the claim for both any fees for the period after that date and damages is completely unjustified. The proceedings are currently suspended. The procedural initiative will be resumed after the proceedings are resumed and will depend on the outcome of the related criminal case. A full assessment of the risk of an unsuccessful outcome can be made at a later stage of the proceedings taking into account Exalo's arguments. In Exalo's opinion, the claim is without merit.

As a result of the analysis of new circumstances in this case, it was estimated that the risk of losing the case has become negligible at the current stage of the proceedings and, as a consequence, the Company's probable obligation to pay becomes negligible, therefore the provision in the amount of approximately PLN 35 million has been released.

Veolia Energia Warsaw's claim against PGNiG TERMIKA S.A.

On 21 February 2018, PGNiG TERMIKA received a claim for payment in respect of the execution of the agreement for services for the development of the heat market in Warsaw. brought by Veolia Energia Warszawa S.A. to the District Court in Warsaw. On 29 June 2018, PGNiG TERMIKA filed a response to the lawsuit. where it addressed the plaintiff's claims. Veolia Energia Warszawa S.A. originally claimed PLN 5.7 million as payment under the agreement, and later extended the claim by PLN 66.6 million, i.e. to PLN 72.3 million and then to the amount of PLN 93.6 million, representing further tranches of remuneration under the agreement. Further pleadings are being exchanged in the case, In the opinion of PGNiG TERMIKA, the agreement for the provision of services for the development of the heat market in Warsaw is invalid, as it violated mandatory provisions of law. Due to the release on 20 and 22 December 2023, by the District Court in Warsaw two unfavourable for PGNiG TERMIKA judgments in cases similar in terms of factual and legal status, the risk of an unfavourable outcome in the case in question is high.

As at 31 December 2023 the total value of created reserves along with statutory interest recognised in connection with the pending proceedings due to lawsuits from Veolia Energia Warszawa S.A. against PGNiG TERMIKA amounted to PLN 132.6 million.

PBG SA (currently under restructuring in liquidation) claim against PGNiG S.A. (currently ORLEN S.A.)

Counterclaim dated 1 April 2019 was filed by PBG SA against PGNiG S.A. for payment of the amount of PLN 118 million, in the case pending before the Regional Court of Warsaw from a PGNiG S.A. claim against PBG SA. in Wysogotowo. TCM in Paris and Technimont in Milan (value of the object of that dispute is PLN 147 million). The cases relate to mutual settlements in the performance of contracts for the upgrade of PMG (the underground gas storage) Wierzchowice. The basis of the claims in the counterclaim is a challenge by PBG SA to the statements of set-off of mutual receivables and liabilities made by PGNiG SA in the course of settling the contracts for the execution of upgrading PMG Wierzchowice. The stage of the proceedings for the counterclaim is identical to that of the main claim, i.e. the evidentiary proceedings are ongoing, the court has heard all witnesses and admitted expert evidence. The court excluded the selected expert from the case. The court obliged ORLEN to name another entity that could prepare an appropriate opinion on the matter. The Company submitted an application for the Warsaw University of Technology to prepare an opinion.

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

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

As at 31 December 2023 and as at 31 December 2022 and in the 12 and 3-month period ended 31 December 2023 and 31 December 2022, on the basis of submitted declarations there were no transactions of related parties of the ORLEN Group with the Members of the Management Board and the Supervisory Board of the Parent Company and their relatives.

In the 12 and 3-month period ended 31 December 2023 and 31 December 2022, on the basis of submitted declarations, there were mainly sales transactions of the relatives of key executive personnel of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 1.8 million, PLN 0.4 million and PLN 1.7 million, PLN 0.6 million, respectively. The largest amounts in the above periods were related to the sale of legal services.

As at 31 December 2023 and as at 31 December 2022 the balance of the trade and other liabilities due to the above transactions amounted to PLN 0.1 million.

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

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (unaudited) (restated data)
Parent Company				
Short-term employee benefits	92.1	23.0	58.4	18.2
Post-employment benefits	0.3	0.2	0.3	0.3
Other long term employee benefits	0.1	0.1	(0.2)	(0.2)
Termination benefits	2.0	0.7	0.8	0.2
Subsidiaries				
Short-term employee benefits	463.7	124.4	364.1	106.8
Post-employment benefits	1.1	0.9	1.0	0.6
Other long term employee benefits	1.4	0.2	1.9	0.6
Termination benefits	5.7	1.4	7.5	2.5
	566.4	150.9	433.8	129.0

The impact of the merger with LOTOS Group and PGNiG Group on the level of remuneration of key personnel in the ORLEN Group

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)
Subsidiaries		
Short-term employee benefits	78.1	16.3
Post-employment benefits	-	0.2
Other long term employee benefits	0.5	-
Termination benefits	0.9	-
	79.5	16.5

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

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

	Sales				Purchases			
	12 MONTHS ENDED 31/12/2023	3 MONTHS ENDED 31/12/2023	12 MONTHS ENDED 31/12/2022	3 MONTHS ENDED 31/12/2022	12 MONTHS ENDED 31/12/2023	3 MONTHS ENDED 31/12/2023	12 MONTHS ENDED 31/12/2022	3 MONTHS ENDED 31/12/2022
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	(unaudited)		(unaudited)
Jointly-controlled entities	4 246	803	5 204	1 459	(1 587)	(318)	(865)	(327)
<i>joint ventures</i>	3 448	587	4 883	1 336	(647)	(81)	(588)	(162)
<i>joint operations</i>	798	216	321	123	(940)	(237)	(277)	(165)
Other related parties	142	8	37	37	(1 476)	(40)	(56)	(56)
	4 388	811	5 241	1 496	(3 063)	(358)	(921)	(383)

	Trade receivables, other receivables and loans granted		Trade, lease and other liabilities	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	(unaudited)		(unaudited)	(unaudited)
Jointly-controlled entities	1 631	1 398	169	389
<i>joint ventures</i>	1 526	1 291	80	167
<i>joint operations</i>	105	107	89	222
Other related parties	79	138	38	21
	1 710	1 536	207	410

The above transactions with related parties include mainly sales and purchases of refining and petrochemicals products and services. Additionally, during the 12 and 3-month period ended 31 December 2023, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives of the other key management personnel of the Parent Company and entities of the ORLEN Group.

In the 12 and 3-month period ended 31 December 2023 and as at 31 December 2023, the Group identified the following transactions:

- sales amounted to PLN 10 million and PLN 1 million, respectively;
- purchase amounted to PLN (12) million and PLN (3) million, respectively;
- balance of receivables amounted to PLN 2 million;
- balance of liabilities amounted to PLN 2 million.

The above transactions concerned mainly the purchase and sale of fuels, fuel additives, diesel oil, film and LDPE raw material.

Additionally, in the 12-month period ended 31 December 2023, on the basis of a declaration submitted by the managing person, a link was indicated in terms of shares held in a related party, demonstrated by a relative of a key personnel member of the ORLEN Group. The number of shares shown as at 31 December 2023 and as at 31 December 2022 amounted to 8,000 shares with a nominal value of PLN 0.8 million, respectively.

During the 12 and 3-month period ended 31 December 2023 and 31 December 2022 there were no related parties transactions within the Group which would not be arm's length.

5.17.4. Transactions with entities related to the State Treasury

The Ultimate Parent Company preparing the consolidated financial statements is ORLEN S.A., in which as at 31 December 2023 and 31 December 2022 the largest shareholder is the State Treasury with 49.49% of shares.

The Group identified transactions with related parties, which are also parties related to the State Treasury, based on the "List of companies with State Treasury share" provided by the Prime Minister's Office.

During the 12 and 3-month period ended 31 December 2023 and 31 December 2022 and as at 31 December 2023 and as at 31 December 2022 the Group identified the following transactions:

	12 MONTHS ENDED 31/12/2023	3 MONTHS ENDED 31/12/2023	12 MONTHS ENDED 31/12/2022	3 MONTHS ENDED 31/12/2022
	(unaudited)	(unaudited)	(restated data)	(restated data)
Sales	9 608	2 875	9 274	2 602
Purchases	(10 277)	(3 079)	(21 454)	(3 126)

	31/12/2023 (unaudited)	31/12/2022 (restated data)
Trade receivables, other receivables	1 462	1 421
Trade, lease and other liabilities	775	1 474

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

Additionally, there were also financial transactions (loans, bank fees, commission) with Bank Gospodarstwa Krajowego and transaction fees on the Polish Power Exchange.

5.18. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure are part of off-balance sheet liabilities and as at 31 December 2023 and as at 31 December 2022 amounted to PLN 2,950 million and PLN 4,040 million, respectively. As at 31 December the Group assesses the materialisation of this type of liability as very low.

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

The guarantees and sureties granted within the Group to third parties as at 31 December 2023 and as at 31 December 2022 amounted to PLN 19,526 million and PLN 31,632 million, respectively. As at 31 December 2023 they related mainly to security of:

- future liabilities arising from bonds issuances of Group's subsidiaries in total amount of PLN 5,795 million,
- liabilities of PGNiG Supply&Trading GmbH, PGNiG Upstream Norway AS, ORLEN Trading Switzerland GmbH, PST LNG SHIPPING LIMITED arising from operational activities in the total amount of PLN 9,124 million,
- financial liabilities arising from credit agreements of Group's subsidiaries in total amount of PLN 1,018 million
- realisation of investment projects of subsidiaries: CCGT Ostrołęka and CCGT Grudziądz in total amount of PLN 444 million, as well as the timely payment of liabilities by subsidiaries.

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

Future liabilities arising from bonds issuances are secured by the irrevocable and unconditional guarantees issued in favour of the bondholders by:

- ORLEN - guarantee until 31 March 2025 for issuer of senior bonds, B8 Sp.z o.o. Baltic SKA.
- ENERGA - guarantee until 31 December 2033 for issuer of Eurobonds, Energa Finance.

	Nominal value		Subscription date	Expiration date	Rating	Value of guarantee issued	
		PLN					PLN
Eurobonds	300 EUR	1 304	7.03.2017	7.03.2027	BBB+, Baa2	1 250 EUR	5 435
Senior bonds	26 USD	102	from 01.03.2017 till 31.01.2022	till 31.12.2024	n/a	91,5 USD	360
		1 406					5 795

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

In addition, the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 December 2023 and as at 31 December 2022 amounted to PLN 5,007 million and PLN 780 million, respectively. Guarantees concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.

5.20. Events after the end of the reporting period

1. Finalization of acquisition of service stations in Austria

On 2 January 2024, ORLEN finalized the transaction of purchasing 100% of shares in Doppler Energie from the Doppler Group. Doppler Energie manages 267 gas stations in Austria under the Turmöl brand, being one of the top three players in the Austrian fuel market, boasting a retail market share of approximately 10%.

As a result of the transaction the ORLEN network additionally expanded by 110 electric car charging points in Austria (across 34 locations), operating under the Turmstrom brand.

Almost half of the acquired service stations are self-service facilities, aligning with the preferences of Austrian consumers who appreciate the ease of purchasing and paying for fuel directly at the pump. Additionally, 40 locations are equipped with solar PV panels.

The transaction also included the acquisition of Austrocard, a fuel card provider serving both private and business customers, accepted at over 500 locations throughout Austria.

At the same time, ORLEN took over a significant part of the wholesale fuel market, which will allow to optimize logistics and guarantee the stability of supplies to the stations.

The transaction is the result of the ORLEN Group's strategy to expand the gas station network on the markets of Central and Eastern Europe, which also assumes increasing the share of foreign stations in the entire network. The acquired company Doppler Energie, will be subsequently renamed ORLEN Austria.

Provisional settlement of the transaction

The acquisition of shares in Doppler Energie is settled applying the acquisition method in accordance with IFRS 3 Business Combinations.

As at the date of preparation of these interim condensed consolidated financial statement, the accounting settlement of the merger has not been completed, and the process of measuring the acquired net assets to fair value, in which the Group engaged external experts, is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which correspond to their book values as at 31 December 2023. The Group plans to finalize purchase price allocation process within 12 months from the acquisition date.

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

		02/01/2024
Assets acquired	A	1 098
Non-current assets		480
Property, plant and equipment		202
Intangible assets		50
Right-of-use asset		210
Other assets		18
Current assets		618
Inventories		33
Trade and other receivables		483
Cash		102
Assumed liabilities	B	993
Non-current liabilities		205
Deferred tax liabilities		2
Long term provisions		25
Leasing liabilities		178
Current liabilities		788
Trade and other liabilities		639
Lease liabilities		32
Other liabilities		117
Provisional total net assets	C = A - B	106
Acquired net assets attributable to the equity owners of the parent	D	106
% share in the share capital	E	100
Value of shares measured as a proportionate share in the net assets	F = D*E	106
Wartość godziwa przekazanej zapłaty z tytułu przejęcia (Środki pieniężne zapłacone)	G	654
Provisional total net assets	I = G-F	548

The net cash outflow related to the acquisition of shares in Doppler Energie, being the difference between the net cash acquired (recognised as cash flows from investing activities) and the paid cash transferred as consideration, amounted to PLN 552 million.

Temporary goodwill recognised as part of the settlement of the merger relates to the expected benefits and synergies in the Group resulting from the development of fuel networks on foreign markets and optimization of logistics costs due to the presence and ownership of production assets on many markets in the region, including the proximity of Czech refineries belonging to the ORLEN Group.

2. KUFPEC Norway AS company acquisition transaction

On 5 January 2024 PGNiG Upstream Norway from the ORLEN Group finalised acquisition transaction of KUFPEC Norway mining company and took control of its operations

The acquired business includes, among others: shares in five deposits, in which the ORLEN Group already operates, as well as Eirin gas field, which is planned to be developed using the existing production infrastructure. All producing deposits and, in the future, also Eirin, have a connection to the infrastructure for pumping the extracted gas through the Baltic Pipe pipeline to Poland. As a result of the transaction, The ORLEN Group's natural gas production in Norway will increase by one third and exceed 4 billion cubic meters annually.

The fair value of the payment transferred was PLN 1,835 million.

Purchase of shares in KUFPEC Norway was financed from funds generated by PGNiG Upstream Norway from operational activities on the Norwegian Continental Shelf. The acquisition of KUFPEC Norway will translate into an increase in controlled extractable resources of PGNiG Upstream Norway up to almost 400 million boe. Over 80 % of the acquired resources are natural gas. Additionally, as a result of the acquisition of shares in KUFPEC Norway, the production of PGNiG Upstream Norway will increase to over 100 thousand barrels of oil equivalent (boe) per day.

The transaction is the result of the Group's strategy to maximise gas production to supply the Polish market and other countries in the region.

Provisional settlement of transaction

The acquisition of KUFPEC Norway is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. As at the date of these interim condensed consolidated financial statements, the accounting settlement of the acquisition has not been completed and the process of measuring to fair value the net assets acquired is at an early stage. Accordingly, the Group has presented provisional values of identifiable assets and liabilities that correspond to their book values

as at 5 January 2024. The Group plans to make a final settlement of the acquisition in the period of 12 months from the date of the merger.

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

		05/01/2024
Acquired assets	A	2 973
Non-current assets		1 858
Property, plant and equipment		1 834
Other assets		23
Current assets		1 116
Trade and other receivables		237
Inventories		36
Cash		842
Acquired liabilities	B	1 979
Non-current and current liabilities		1 979
Trade and other liabilities		159
Current tax liabilities		355
Deferred tax liabilities		640
Provisions for infrastructure decommissioning		818
Other liabilities		7
Provisional total net assets	C = A - B	994
Acquired net assets attributable to the equity owners of the parent	D	994
% share in the share capital	E	100
Value of shares measured as a proportionate share in the net assets	F = D * E	994
Fair value of the consideration transferred (Cash paid)	G	1 835
Provisional goodwill	I = G - F	841

The net cash outflow related to the acquisition of KUFPEC Norway, being the difference between the net cash taken over (recognised as cash flows from investing activities) and the paid cash transferred as consideration, amounted to PLN 992 million. The Group expects that, as a result of the purchase price settlement process, provisionally determined goodwill of PLN 841 million will be reduced, as a significant part of it will be allocated to other assets as a result of the fair value measurement process for property, plant and equipment.

The remaining part of the goodwill relates to the expected benefits and synergies in the Group as part of the implemented strategy, which includes strengthening the development potential in Norway through the integration of acquired assets, optimization of operating costs and - through a rapid increase in the scale of operations - access to attractive financing for further investments.

3. Disposal of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych

On 25 January 2024 (due to the fulfillment of the conditions of the sales agreement), the legal title to 100% of the shares in the share capital of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych was transferred to Powszechny Zakład Ubezpieczeń S.A.

Therefore, from 25 January 2024, ORLEN is not a shareholder of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych and an indirect shareholder of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie.

Polski Gaz TUW has been providing insurance services to the gas and energy industries since 2016. It was founded by Polskie Górnictwo Naftowe i Gazownictwo, which has been part of the ORLEN Group since 2 November 2022. The Society offers, among others: property insurance, motor insurance, third party liability insurance and legal protection for companies in the gas and mining industries, as well as personal safety products for individual clients. Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie has been operating since December 2019. It was established by PG TUW in order to conclude group life insurance contracts with an insurance capital fund in the form of an employee pension program for companies from the ORLEN Group.

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

**OTHER INFORMATION TO CONSOLIDATED QUARTERLY
REPORT**

FOR THE 12 AND 3-MONTH PERIOD ENDED 31 DECEMBER

2023



B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT**1. Major factors having impact on EBITDA and EBITDA LIFO****Statement of profit or loss for the 12 months of 2023**

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 12 months of 2023 amounted to PLN 49,935 million, compared to PLN 56,062 million in the same period of 2022.

The EBITDA for the 12 months of 2023 presented above includes the net impact of impairment allowances on property, plant and equipment, intangible assets and other assets in the amount of PLN (2,877 million). The impairment allowances were mainly related to production assets used in natural gas and oil production in Poland and Pakistan, as well as fixed assets under construction at ORLEN and expenditures incurred for an exploration well at LOTOS Petrobaltic. Additionally, based on a valuation prepared by an independent external entity, ORLEN Group recognized a write-down on its investment in EuRoPol Gaz to the fair value corresponding to the shares in this company held by ORLEN Group in the amount of PLN (996) million. In comparison, in 12 months of 2022, net impairment allowances amounted to PLN (6,041) million and were mainly related to refinery assets of the ORLEN S.A., Unipetrol Group and ORLEN Lietuva.

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 changes in crude oil prices on the valuation of inventories in the 12 months of 2023 recognized in the EBITDA result amounted to PLN (906) million, with a positive impact of PLN 1,097 million in the same period last year.

As a result, profit from operations increased by depreciation and amortisation after elimination of the impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and the above-described impairment allowances of assets amounted to PLN 54,714 million and was lower by PLN (6,292) million (y/y).

Due to incomparability of the consolidation periods of the former LOTOS and PGNIG Group's during the 12 months of 2023 and 2022, the following business effects have been calculated on the comparable (y/y) organizational structure of the ORLEN Group. LOTOS Group has been participating in the consolidation of ORLEN Group results since August 2022 and PGNIG Group since November 2022. Therefore, the impact of the change in both capital groups' results is presented in other operating factors.

Positive impact of macroeconomic factors amounted to PLN 1,449 million (y/y) and included mainly lack of the negative impact of the hedging transactions from the 12 months of 2022 in the amount of PLN 3,831 million (y/y) valuation and settlement of the CO₂ futures contract in the amount of PLN 1,577 million and higher margins on heavy fuel oil. The above positive effects were limited by the adverse impact of differentials of processed oil grades, weakening of margins on light and medium distillates, olefins, polyolefins, fertilizers, PVC and PTA areas and negative impact of strengthening of PLN against USD.

Effect of volume change in product sales as well as change in structure of crude processed in ORLEN Group amounted to PLN (10,353) million (y/y). Higher sales volume by 8% (y/y), i.e. to 49,556 thousand tonnes, were achieved mainly due to the recognition in the 12 months of 2023 volumes of former LOTOS Group in the refining segment of 9,147 thousand tonnes and the former LOTOS and PGNIG Group's volumes of 1,440 thousand tonnes in the upstream and gas segments. Whereas, for the 12 months of 2022, the former LOTOS Group volume sales in the refining segment amounted to 5,392 thousand tonnes and 381 thousand tonnes in the former LOTOS and PGNIG Group in the upstream and gas segments.

After the elimination of volumes of the acquired groups, total volume sales were down by (3)%, i.e. by (1,109) thousand tonnes.

The negative volume effect in the refining segment amounted to PLN (7,937) million (y/y). Volume sales of the segment including volumes of the former LOTOS Group amounted to 32,941 thousand tonnes and was higher by 8% (y/y). After the elimination of volumes of the former LOTOS Group, sales decreased by (5)% (y/y) to 23,794 thousand tonnes. The decrease in comparable segment sales (y/y) is due to high fuel purchases in 2022 realized after the outbreak of war in Ukraine as well as ongoing maintenance shutdowns of production facilities at ORLEN S.A. including i.a: DRW III, Hydrocracking, FKK II and HOG. Maintenance shutdowns of production facilities in 2023 led to an increase in the share of heavy fractions in the sales structure, negatively impacting the segment's results. Additionally, the change in the structure of processed oils, related to the restriction of Rebco oil processing by 24 pp. (y/y) and its replacement with more expensive types of oil, had a negative impact on the segment's results amounting to PLN (7,372) million (y/y).

In the petrochemical segment, the total sales amounted to 4,379 thousand tons, decreasing by (13)% in all operational markets, i.e., by (12)% in Poland, (13)% in the Czech market (y/y), and (33)% in Lithuania (y/y).

The total fuel volumes in the retail segment reached 10,205 thousand tons, increasing by 9% (y/y) due to higher sales in the Czech market by 55% (y/y) and in the Polish market by 6% (y/y), with lower fuel sales in the Lithuanian market by (5)% (y/y) and comparable sales in the German market (y/y).

The volume of the upstream segment increased by 124% (y/y) due to the recognition in the consolidation of the volumes of LOTOS Upstream Group, LOTOS Petrobaltic Group and former PGNiG Group (Upstream Norway and the former PGNiG S.A).

Volume sales of the gas segment reached 150 thousand tonnes and included sales volumes of the former PGNiG Group.

The impact of other factors amounted to PLN 2,612 million (y/y) and mainly included:

- higher results of the former PGNiG Group by PLN 23,783 million (y/y) after eliminating the gain on the bargain purchase of the PGNiG Group in November 2022 and recognizing the final fair values of assets and liabilities on the acquisition date,
- the effect of recognizing the final fair values of assets and liabilities on the acquisition date in the amount of PLN 2,863 million (y/y),
- lack of gain on the bargain purchase of the PGNiG Group from November 2022, amounting to PLN (6,641) million and from the bargain purchase of the LOTOS Group in August 2022 in the amount of PLN (8,546) million,
- lower results of the former LOTOS Group by PLN (529) million (y/y) after eliminating the gain from the bargain purchase of this Group in August 2022,
- PLN (8,318) million (y/y) impact of other effects, including lower retail and wholesale margins, increased fixed and labour costs, and the negative impact of using historical inventory layers and revaluation of inventory values to achievable prices.

Statement of profit or loss for the 4th quarter of 2023

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 4th quarter of 2023 amounted to PLN 12,398 million, compared to PLN 25,585 million in the same period of 2022.

The presented above EBITDA for the 4th quarter of 2023 includes the net impact of impairment allowances on property, plant and equipment, intangible assets and other assets in the amount of PLN (542) million involving mainly the upstream assets of the ORLEN Upstream Group and the former PGNiG Group.

In 4th quarter of 2022, net impairment allowances amounted to PLN (3,101) million and were mainly related to refinery assets of the ORLEN S.A., Unipetrol Group and ORLEN Lietuva.

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 changes in crude oil prices on the valuation of inventories in the 4th quarter of 2023 recognized in the EBITDA result amounted to PLN (634) million, at PLN (1,845) million in the 4th quarter of 2022.

As a result, profit from operations increased by depreciation and amortisation after elimination of the impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of assets amounted to PLN 13,574 million and was lower by PLN (16,957) million (y/y).

Due to incomparable consolidation periods of the former PGNiG Group in both quarters of 2023 and 2022 (consolidation within the ORLEN Group since November 2022) and to maintain comparability of business effects on a cumulative basis for 12 months, the impact of changes in the results of the former LOTOS and PGNiG Groups has been presented below in other operational factors.

The negative impact of macroeconomic parameters amounted to PLN (2,833) million (y/y) and mainly included a reduction in margins on light and middle distillates, olefins, polyolefins, PCW, and PTA, as well as an unfavorable effect of differentials on the structure of processed oils in the ORLEN Unipetrol Group due to a significant increase in Ural oil prices. Additionally, results were adversely affected by the absence of a positive impact from the valuation of CO₂ futures contracts from the fourth quarter of 2022, amounting to PLN (199) million (y/y), and the negative impact of the strengthening of PLN against USD (y/y). The above negative effects were partially offset by the impact of hedging transactions in the amount of PLN 357 million (y/y), higher margins on heavy fuel oil, and lower CO₂ emission costs.

The effect of volume change in product sales and changes in the structure of processed oils in the ORLEN Group amounted to PLN (2,708) million PLN (y/y). The total volume sales of the ORLEN Group were lower by (5)% (y/y) and amounted to 12,941 thousand tons. The volumes of the former LOTOS Group in the refinery segment were 2,328 thousand tons, and for the former LOTOS and PGNiG Groups in the upstream and gas segments, it was 322 thousand tons. In the 4th quarter of 2022, the volume sales of the former LOTOS Group in the refinery segment were 3,194 thousand tons and 316 thousand tons for the former LOTOS and PGNiG Groups in the upstream and gas segments.

After eliminating the volumes of acquired capital groups, the total volume sales were higher by 2% (y/y), i.e., by 205 thousand tons.

In the refinery segment, the negative volume effect amounted to PLN (2,491) million (y/y). The volume sales of the segment reached 8,702 thousand tons, decreasing by (10)% (y/y). After eliminating the volumes of the former LOTOS Group, the sales decreased by (2)% (y/y) to a level of 6,373 thousand tons. The reduction in comparable sales of the segment (y/y) was mainly due to the continuation of the Hydrocracking unit shutdown at ORLEN (until November 7, 2023), shutdowns of the Hydrocracking, HON, and Visbreaking units at the Litvinov Refinery, and maintenance work carried out in October 2023 at the

Lietuva Refinery. The aforementioned shutdowns of production facilities led to an increase in the share of heavy fractions in the sales structure, thus negatively impacting the volumetric effect of the segment. Additionally, the change in the structure of processed oils associated with the limitation of Rebco oil processing by 17 pp. (y/y) and its replacement with more expensive types of oil had a negative volumetric impact on the refinery segment amounting to PLN (1,518) million (y/y).

In the petrochemical segment, the total sales amounted to 977 thousand tons, decreasing by (14)% and including lower sales in Poland by (16)%, in the Czech market by (10)% (y/y), with higher sales in Lithuania by 9% (y/y).

The total volumes of fuels in the retail segment reached 2,781 thousand tons, increasing by 21% (y/y) due to higher sales in the Czech market by 49% (y/y), in the Polish market by 22% (y/y), and in the German market by 8% (y/y), with lower fuel sales in the Lithuanian market by (33)% (y/y).

The volume of the upstream segment increased by 57% (y/y) due to the consolidation of volumes from the LOTOS Upstream Group, LOTOS Petrobaltic Group, and the former PGNiG Group (PGNiG Upstream Norway and the former PGNiG S.A.).

The volume sales of the gas segment reached 52 thousand tons, including the sales volumes of the former PGNiG Group.

The impact of other factors amounted to PLN (11,416) million (y/y) and mainly included:

- lack of gain on the bargain purchase of the PGNiG Group from November 2022, amounting to PLN (6,641) million,
- the effect of recognizing the final fair values of assets and liabilities on the acquisition date, amounting to PLN (5,371) million (y/y),
- higher results of the former PGNiG Group by PLN 7,841 million (y/y) after eliminating the above one-off events, i.e., gain on the bargain purchase of this Group in November 2022, and recognizing the final fair values of assets and liabilities on the acquisition date,
- lower results of the former LOTOS Group by PLN (3,043) million (y/y), mainly resulting from the deteriorating macroeconomic situation in the refinery segment and changes in consolidation within the ORLEN Group (the assets acquired in August 2022 by the LOTOS Group remained unchanged in scope and structure until November 30, 2022),
- PLN (4,202) million (y/y) impact of other effects, including lower wholesale margins, positive impact of use of historical inventory layers and an increase in labour costs.

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

JANUARY 2023

Change in the Supervisory Board

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

FEBRUARY 2023

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

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

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

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

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

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

1. Merger Plan with attachments 1-5;
2. Financial statements of the Company and the Company's Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
3. Financial statement of SPV5 and SPV5 Management Board report for the entire period of operation until the end of 2021.
- and will be continuously available (in electronic version, printable) on the PKN ORLEN's website under the following address: www.orlen.pl/en/investor-relations/Merger-with-LOTOS-SPV5 by the day of closing of the Company's general meeting and the shareholders meeting of SPV5 concluding the Merger resolutions.

MARCH 2023**Summary of costs related to the issue of shares issued under the public offering in connection with merger of PKN ORLEN and Grupa LOTOS, and merger of PKN ORLEN and PGNiG**

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

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

- costs of preparing and conducting of the public offer of Series E shares: approximately PLN 22.57 million;
- costs of preparing of the document for a prospectus exemption, including consulting costs: approximately PLN 1.97 million;
- costs of promoting of the public offer of Series E shares: PLN 0.00.

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

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

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

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

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

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

APRIL 2023**Completion of the implementation of the remedies required in connection with the conditional approval of the European Commission to the acquisition of control over Grupa LOTOS by PKN ORLEN**

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

In order to implement the Remedies related to the fuel logistics and bitumen markets, on 7 April 2023, a transfer agreement was concluded between PKN ORLEN and Unimot Investments Sp. z o.o. ("Unimot Investments") pursuant to which PKN ORLEN sold and transferred to Unimot Investments 100% of the shares in LOTOS Terminale S.A., with its registered office in Czechowice Dziedzice ("LOTOS Terminale"), to which PKN ORLEN had previously transferred 100% of the shares in Uni-Bitumen Sp. z o.o. (to which its bitumen business unit had previously been transferred after being spun off from Rafineria Gdańska Sp. z o.o.) and four fuel terminals located in Gdańsk, Szczecin, Gutków and Bolesławiec. Thus, the following agreements signed on 12 January 2022 will enter into force:

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

JUNE 2023**Dismissal of the statement of claim for annulment of the resolution of Extraordinary General Meeting of Grupa LOTOS S.A.**

PKN ORLEN announced that the District Court in Łódź, X Commercial Division, has dismissed in whole the statement of claim filed by the Shareholders of the former Grupa LOTOS for annulment of Resolution No. 3 of the Extraordinary General Meeting of Grupa LOTOS as of July 20, 2022 on the merger of the Company with Grupa LOTOS, an increase in the share capital of PKN ORLEN and consent to the proposed amendments to the Articles of Association of PKN ORLEN, together with a claim for potential repealing this resolution.

The verdict is not final.

Development of the petrochemical segment within ORLEN Group

PKN ORLEN announced that on 29 June 2023 the Company's Supervisory Board and Management Board have taken the necessary decisions to facilitate the conclusion of the Settlement ("Settlement") modifying the Engineering, Procurement, Construction and Commissioning (EPC) Contract for the Olefin III Complex with Hyundai Engineering Poland Spółka z o.o. Técnicas Reunidas S.A. Spółka jawna, based in Plock, the contractor for the Olefin III Complex ("Investment") in the ISBL scope, as well as the conclusion of contracts for the implementation of the basic infrastructure (OSBL) required for the launch of the Investment and the preparation of infrastructure for subsequent stages of petrochemical development.

The need to enter into a Settlement with the Investment's contractors arises from the revision of the investment assumptions, primarily influenced by the war in Ukraine and the resulting sanctions and thus the increasing cost of materials, disrupted supply chains and limited availability of execution resources. In addition, within the Olefins III Project the core infrastructure at the Production Plant in Plock is being modernized, while also being prepared for future development projects, including decarbonisation projects. The potential for these projects is increasing due to recent market changes and tightening of regulations. PKN ORLEN, through the increased scale of production of petrochemicals and chemicals, aims to leverage its market potential not only in Poland, but also across the entire region, taking advantage of its reliability, convenient location and the scale and availability of its assets. Based on current estimates, the total cost of construction of the Olefins III Complex will amount to approximately PLN 25 billion, and its completion is scheduled for the first half of 2027. The realisation of the

Investment is expected to contribute over PLN 1 billion annually to the EBITDA of the ORLEN Group

The construction of the Olefins III Complex is of utmost importance and is a necessary step towards transforming the Company's existing refining and petrochemical assets in Plock and Gdansk it will enable the integration of petrochemical processes within the ORLEN Group and unlock operational synergies, including those with Rafineria Gdańska Sp. z o.o. The investment will support the continued development of the ORLEN Group through organic and inorganic activities. The implementation of these activities would strengthen the Company's position as one of the leading players in the transformation of refining and petrochemical assets in Europe.

Investment in new renewable energy sources

On 30 June 2023, Energa Wytwarzanie SA signed a preliminary agreement for the purchase of shares in SPVs developing a portfolio of renewable energy projects with a target total capacity of 59 MW from Greenvolt Group companies. The executed preliminary share purchase agreements provide for several conditions precedent; once these are met, the Group will proceed with the closing and settlement of the transaction. The execution of the final agreement and the purchase of the shares in the SPVs is scheduled for 2024.

The transaction involves two portfolios of RES projects carried out in the Wielkopolska province. One is the Opalenica portfolio, involving photovoltaic farm projects with a total capacity of 22 MW. The other one is the Sompolno hybrid project, combining 26 MW of wind turbines and a 10 MW photovoltaic installation. The Opalenica project is expected to become fully operational in December 2023, and the Sompolno project in June 2024.

JULY 2023

Company's name changed to ORLEN S.A. - registration of changes of the Company's Articles of Association

ORLEN announced that on the basis of the Central Information Office of the National Court Register data it has been informed that on 3 July 2023 changes to the Articles of Association of ORLEN, approved by the Company Ordinary General Meeting on 21 June 2023 ("OGM"), were registered by the District Court in Łódź, XX Commercial Department of the National Court Register. Thereby on 3 July 2023 the Company's name has been changed from Polski Koncern Naftowy ORLEN S.A. to ORLEN S.A.

Registered changes were approved by the resolution no 58 dated 21 June 2023 of the OGM.

Setting the key terms and conditions of Eurobonds issue

ORLEN announced that on 7 July 2023 the Company's Management Board decided to issue and set the key terms and conditions of the issue of series B of Eurobonds („Eurobonds”) with the total nominal value of EUR 500,000,000, which will be issued under the medium-term Eurobonds programme established on 13 May 2021.

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

- The total nominal value of Eurobonds: EUR 500,000,000;
- Issue of 5,000 series B Eurobonds in registered form;
- Nominal value of one Eurobond: EUR 100,000;
- Issue price of one Eurobond: EUR 98,353;
- Maturity date: 7 years after the Eurobonds issue date;
- The Eurobonds will bear fixed rate interest of 4.750% per annum;
- The Eurobonds are not secured;
- The Eurobonds will be registered in the international system of securities registration maintained by Euroclear Bank SA/NV and/or Clearstream Banking SA;
- The Company will apply for the admission of the Eurobonds to trading on the regulated market of Euronext Dublin and the Warsaw Stock Exchange.

The detailed terms and conditions of the Eurobonds will be specified in the Final Terms of the Eurobonds.

Funds from the issuance of the Eurobonds will be used for financing of the day-to-day business of the Company.

Eurobonds B series issuance

On 13 July 2023 ORLEN issued 5,000 series B Eurobonds with the total nominal value of EUR 500 million, under the existing euro medium term note programme up to the amount of EUR 5 billion. The Eurobonds were issued with a maturity of 7 years counting from the date of issuance and were admitted to trading on the regulated market operated by Euronext Dublin.

The statement of claim for repealing the resolution of Extraordinary General Meeting of PGNiG

ORLEN announced that on 11 July 2023 the Company received information about next statement of claim for repealing of the resolution No. 3/2022 adopted at the Extraordinary General Meeting of PGNiG on 10 October 2022 on the merger of the Company with PGNiG and consent to the proposed amendments to the Articles of Association of ORLEN.

In the Company's opinion the statement of claim is groundless.

AUGUST 2023

Conditional investment decision on launch of construction stage of Offshore Wind Farm

ORLEN announced that on 10 August 2023 the Company's Supervisory Board adopted resolution on the conditional investment decision regarding the launch of a project for construction of an Offshore Wind Farm located in the Polish Exclusive Economic Zone on the Baltic Sea with a maximum capacity up to 1200 MW ("Project"). The Project will be carried out by Baltic Power sp. z o.o. (Baltic Power) based on a joint venture agreement implemented by ORLEN, Baltic Power and NP BALTIC WIND B.V., a company from the Northland Power Inc. capital group, based in Amsterdam, Netherlands. ORLEN holds over 51% of the shares in Baltic Power.

The total finance plan for the Project is estimated at ca. EUR 4.73 billion and covers capital expenditures and contingency (in the amount of EUR 4.05 billion), as well as financing costs and additional reserve. Start of construction of the offshore wind farm is planned for 2023 and commercial operations are planned for 2026.

Stakeholders of the Project assume that financing of the Project will be realised in the Project Finance formula, i.e. a model

where the repayment of the loans and letters of credit granted to Baltic Power by banks and other Polish and foreign financial institutions will be based on future cash flows generated by the Project. Project Finance formula is particularly beneficial for investments that require significant CAPEX and time to reach its full capacity, like construction and operation of offshore wind farms.

The decision will finally come into force after certain conditions are fulfilled, i.e. among others the process of financing is finalized and required construction permits are completed.

SEPTEMBER 2023**Summary of the cost of issuing series B Eurobonds**

ORLEN announced about the costs of issuance of 5 000 series B Eurobonds ("Eurobonds") with the total nominal value of EUR 500 000 000, issued within the medium term Eurobonds programme up to the amount of EUR 5,000,000,000 ("EMTN Programme").

The costs of series B Eurobonds issue is estimated at the level of ca. PLN 8,463 th.

The above mentioned amount includes the following:

- costs of preparing and conducting of the series B Eurobonds offer – PLN 6,699 th.,
- costs of preparing/updating of prospectus including consulting costs – PLN 1,764 th.,
- costs of promoting of the series B Eurobonds offer – PLN 0.

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

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

The costs of series B issue were included as prepayments and will be systematically charged the financial result. 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.

Signing of credit agreements for Offshore Wind Farm Project financing

ORLEN announced that Baltic Power sp. z o.o. ("Baltic Power") signed a credit agreements for the financing of the Offshore Wind Farm project located in the Polish Exclusive Economic Zone on the Baltic Sea with a maximum capacity up to 1200 MW ("Agreements"), ("Project"). The Agreements were signed with a consortium consisting of 25 Polish and foreign financial institutions ("Consortium").

Pursuant to the Agreements, the Consortium will grant Baltic Power an investment loans in the total amount of EUR 3.6 billion for a period of 23 years. Moreover according to the Agreements Baltic Power will have a possibility to use additional and a standby loans in the amount of PLN 1 billion and EUR 0.6 billion respectively.

According to the Agreements, the repayment of the loan granted to Baltic Power will be based on future financial surpluses generated by the Project. The loan will be disbursed after fulfilment of the conditions precedent specified in the Agreements.

The Project is carried out by Baltic Power based on a joint venture agreement implemented by ORLEN, Baltic Power and NP BALTIC WIND B.V., a subsidiary of Northland Power Inc., based in Amsterdam, the Netherlands. ORLEN holds over 51% of the shares in Baltic Power.

The total Project budget is estimated at ca. EUR 4.73 billion and covers capital expenditures and contingency (in the amount of EUR 4.05 billion), as well as financing costs and additional reserve. Start of the Offshore Wind Farm construction is planned for 2023 and commercial operations are planned for 2026.

It is estimated that upon completion of the Project, in the first 5 years of Project operation, Baltic Power may generate additional free cash flow of approximately EUR 140 million annual average (with ORLEN share in the amount of 51%), and Baltic Power's EBITDA may reach approximately EUR 400 million annual average (with ORLEN share in the amount of 51%).

Signing of a mutual consent to terminate the agreement with auditor

ORLEN announced that the Company and Deloitte Audit sp. z o.o. sp.k. headquartered in Warsaw ("Auditor") signed on 25 September 2023 a mutual consent to terminate the agreement for auditing and reviewing financial statements ("Agreement") concluded on 17 April 2019.

The Agreement was entered into for the duration of the Auditor's performance of work covered by the subject matter of the Agreement, initially for the years 2019, 2020 and 2021, and after the selection of the Auditor by the Supervisory Board as the entity authorized to audit financial statements for subsequent periods, for the years 2022-2023 and conditionally for 2024.

On the base of the Agreement, the Auditor, among others, audited and reviewed following financial statements prepared in accordance with the International Financial Reporting Standards approved by the European Union and other applicable laws:

- the annual separate financial statements of the Company and the annual consolidated financial statements of ORLEN Capital Group ("ORLEN Group") for the years: 2019, 2020, 2021, 2022, 2023 and 2024;
- interim separate financial statements of the Company and interim consolidated financial statements of ORLEN Group for the first and the third quarter and first half of 2019, 2020, 2021, 2022, 2023 and 2024.

The decision to terminate the Agreement was made by both parties of the Agreement. The Agreement has been terminated due to the Auditor's inability to perform the Agreement for reasons attributable to the Auditor, which resulted from the decision of the Polish Agency for Audit Oversight, imposing on the Auditor a temporary prohibition of the provision of services covered by national professional standards.

In addition, the Company informs that there were no instances of expressing in the reports on the audit of financial statements or consolidated financial statements, either opinions with disclaimer, nor negative opinions, nor refusal to express opinions. There were also no cases of expressing in the reports on the review of condensed financial statements or condensed consolidated financial statements, either conclusions with disclaimer, nor subject to negative conclusions, nor refusal to express conclusions.

In the case of the Company, the Supervisory Board decided to terminate the Agreement by mutual consent of the parties, entrusting the execution of the resolution on this subject to the Company's Management Board.

During the term of the Agreement, there were no discrepancies regarding the interpretation and application of the law or the

provisions of the Company's Articles of Association regarding the subject matter and scope of the audit, review or other services between the Company's Management Board and the Auditor who performed the audit, review or other services regarding the Company's financial statements or Group's consolidated financial statements.

OCTOBER 2023**Changes in Supervisory Board**

ORLEN announced that on 20 October 2023 Mr Michał Klimaszewski submitted a resignation with the effect from the end of 31 October 2023 from the position of ORLEN Supervisory Board Member.

DECEMBER 2023**Changes in Supervisory Board**

ORLEN announced that on 13 December 2023 the Minister of the State Assets, acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association removed Ms Janina Goss from the Supervisory Board of ORLEN.

JANUARY 2024**Changes in Supervisory Board**

ORLEN announced that on 25 January 2024 the Minister of the State Assets, acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association appointed Mr Wojciech Popiolek to the ORLEN S.A. Supervisory Board.

Changes in Management Board

ORLEN announced that the Company's Supervisory Board, after reviewing the letter of the President of ORLEN's Management Board, Mr Daniel Obajtek, where he declared that "he placed himself at the disposal of the Company's Supervisory Board in the scope of the performed function", decided to dismiss Mr Daniel Obajtek from the ORLEN's Management Board with effect from the end of the day, 5 February 2024.

FEBRUARY 2024**Changes in Management Board**

ORLEN announced that on 2 February 2024 Mr Michał Róg submitted a resignation with the effect from the end of 5 February 2024 from the position of ORLEN Management Board Member.

ORLEN announced that on 5 February 2024 Ms Patrycja Klarecka and Mr Armen Artwich submitted resignations from the positions of ORLEN Management Board Members with the effect from the end of 5 February 2024.

ORLEN announced that on 5 February 2024 Mr Jan Szewczak submitted resignation from the position of ORLEN Management Board Member with the effect from the end of 5 February 2024.

Changes in Supervisory Board

ORLEN announced that on 6 February 2024 the Minister of the State Assets, acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association removed effective from today Mr Wojciech Popiolek from the Supervisory Board of ORLEN S.A. of the current term of office.

Changes in Management Board

ORLEN announced that on 6 February 2024 the Minister of the State Assets, acting on behalf of the shareholder the State Treasury, according to § 9 item 1 point 3 of the Company's Articles of Association appointed effective today Mr Witold Literacki to the ORLEN Management Board. At the same time the Company's Supervisory Board on today meeting appointed Mr Witold Literacki with effect from 6 February 2024 as acting President of the Company's Management Board.

Moreover the Company's Supervisory Board dismissed following persons from the Management Board:

- Mr Adam Burak,
- Mr Krzysztof Nowicki,
- Mr Robert Perkowski,
- Mr Piotr Sabat,
- Ms Iwona Waksmundzka-Olejniczak.

At the same meeting the Company's Supervisory Board decided to delegate with effect from 7 February 2024 the following members of the Company's Supervisory Board for temporary acting as members of the Company's Management Board, by the time of appointment of the Management Board members for that positions, providing that no longer than for three months:

- Mr Kazimierz Mordaszewski,
- Mr Tomasz Sójka,
- Mr Tomasz Zieliński.

Changes in Supervisory Board

ORLEN announced that on 9 February 2024 Mr Tomasz Sójka submitted resignation from the position of ORLEN Management Board Member with the effect on 16 February 2024.

Changes in Management Board

ORLEN announced that on 16 February 2024 the Company's Supervisory Board decided to delegate with effect from February, 17th 2024 Mr Ireneusz Sitarski, member of the Company's Supervisory Board for temporary acting as a member of ORLEN's Management Board, by the time of appointment of the Management Board member for that position, providing that no longer than for three months.

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

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

Management Board

Witold Literacki	– Acting President of the Company's Management Board
Józef Węgrecki	– Member of the Management Board, Investment and Procurement
Kazimierz Mordaszewski	– Company's Supervisory Board member delegated for temporary acting as member of the Company's Management Board
Ireneusz Sitarski	– Company's Supervisory Board member delegated for temporary acting as member of the Company's Management Board
Tomasz Zieliński	– Company's Supervisory Board member delegated for temporary acting as member of the Company's Management Board

Supervisory Board

Wojciech Popiołek	– Chairman of the Supervisory Board, Independent Member of the Supervisory Board
Michał Gajdus	– Vice-Chairman of the Supervisory Board, Independent Member of the Supervisory Board
Katarzyna Łobos	– Secretary of the Supervisory Board, Independent Member of the Supervisory Board
Ewa Gąsiorek	– Independent Member of the Supervisory Board
Kazimierz Mordaszewski	– Independent Member of the Supervisory Board
Mikołaj Pietrzak	– Independent Member of the Supervisory Board
Ireneusz Sitarski	– Independent Member of the Supervisory Board
Tomasz Zieliński	– Member of the Supervisory Board

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury *	49.90%	579 310 079
Nationale-Nederlanden OFE	5.76%	66 877 387
Other	44.34%	514 754 583
	100.00%	1 160 942 049

* according to information from the Extraordinary General Meeting of ORLEN from 6 February 2023

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

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

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

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

	Number of shares, options as at the date of the previous quarterly report*	Acquisition	Disposal	Change number of shares due to changes in Supervisory Board of ORLEN	Number of shares, options as at the date of the foregoing quarterly report**
Supervisory Board	925	-	-	(925)	0
Roman Kusz	925	-	-	(925)	0

* According to the confirmations received as at 24 October 2023

** According to the confirmations received as at 15 February 2024

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.

QUARTERLY FINANCIAL INFORMATION
ORLEN S.A.

FOR THE 4th QUARTER

2023

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



C. QUARTERLY FINANCIAL INFORMATION OF ORLEN

Separate statement of profit or loss and other comprehensive income

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (restated data)
Sales revenues	250 921	64 487	209 625	81 356
Cost of sales	(209 460)	(53 789)	(169 322)	(61 120)
Gross profit on sales	41 461	10 698	40 303	20 236
Distribution expenses	(8 903)	(2 441)	(6 662)	(2 072)
Administrative expenses	(2 322)	(661)	(1 518)	(505)
Other operating income, incl.:	10 595	3 168	22 325	10 399
<i>gain on bargain purchase</i>	-	-	17 810	7 688
Other operating expenses	(12 157)	(3 090)	(11 017)	(3 611)
(Loss)/reversal of loss due to impairment of trade receivables	(137)	(47)	(27)	(32)
Profit from operations	28 537	7 627	43 404	24 415
Finance income	5 983	1 896	4 642	1 361
Finance costs	(2 266)	(262)	(3 141)	(50)
Net finance income and costs	3 717	1 634	1 501	1 311
(Loss)/reversal of loss due to impairment of financial assets other than trade receivables	(797)	(846)	(149)	(106)
Profit before tax	31 457	8 415	44 756	25 620
Tax expense	(5 955)	(1 808)	(5 048)	(3 386)
<i>current tax</i>	(369)	(396)	(4 387)	(1 939)
<i>deferred tax</i>	(5 586)	(1 412)	(661)	(1 447)
Net profit	25 502	6 607	39 708	22 234
Other comprehensive income:				
which will not be reclassified subsequently into profit or loss	(59)	(58)	5	(1)
<i>actuarial gains and losses</i>	(79)	(79)	8	(5)
<i>gains/(losses) on investments in equity instruments at fair value through other comprehensive income</i>	6	7	(1)	5
<i>deferred tax</i>	14	14	(2)	(1)
which will be reclassified into profit or loss	4 322	150	4 962	5 244
<i>hedging instruments</i>	4 925	455	5 652	6 245
<i>hedging costs</i>	406	(274)	474	229
<i>deferred tax</i>	(1 009)	(31)	(1 164)	(1 230)
	4 263	92	4 967	5 243
Total net comprehensive income	29 765	6 699	44 675	27 477
Net profit and diluted net profit per share (in PLN per share)	21.97	5.69	34.20	19.15



Separate statement of financial position

	31/12/2023 (unaudited)	31/12/2022 (restated data)
ASSETS		
Non-current assets		
Property, plant and equipment	55 728	50 469
Intangible assets	5 195	3 552
Right-of-use asset	4 785	4 206
Shares in subsidiaries and jointly controlled entities	66 954	62 666
Deferred tax assets	-	2 592
Derivatives	1 505	1 252
Long-term lease receivables	19	20
Other assets, incl.:	12 669	13 007
<i>loans granted</i>	11 271	11 767
	146 855	137 764
Current assets		
Inventories	23 726	33 086
Trade and other receivables	18 663	22 588
Current tax assets	1 157	455
Cash	2 854	7 939
Derivatives	1 594	2 094
Other assets, incl.:	19 161	22 775
<i>security deposits</i>	206	8 651
<i>loans granted</i>	4 637	3 329
<i>assets due to contracts valued at the time of settlement of business combination</i>	296	5 050
Non-current assets classified as held for sale	3 926	1 218
	71 081	90 155
Total assets	217 936	227 919
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 974	1 974
Share premium	46 405	46 405
Own shares	(2)	(2)
Hedging reserve	8 861	4 539
Revaluation reserve	15	10
Retained earnings	93 741	74 691
Total equity	150 994	127 617
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	9 337	10 088
Provisions	2 871	2 857
Deferred tax liabilities	4 027	-
Liabilities from contracts with customers	6	-
Derivatives	629	5 091
Lease liabilities	2 899	2 465
Other liabilities, incl.:	184	2 975
<i>liabilities due to contracts valued at the time of settlement of business combination</i>	-	2 757
	19 953	23 476
Current liabilities		
Trade and other liabilities	26 296	25 500
Lease liabilities	482	353
Liabilities from contracts with customers	431	341
Loans, borrowings and bonds	3 319	5 513
Provisions	4 428	4 374
Current tax liabilities	8	4 165
Derivatives	1 030	11 969
Other liabilities, incl.:	10 995	24 611
<i>intercompany cash pool</i>	7 732	4 093
<i>liabilities due to contracts valued at the time of settlement of business combination</i>	2 757	18 822
	46 989	76 826
Total liabilities	66 942	100 302
Total equity and liabilities	217 936	227 919



Separate statement of changes in equity

	Share capital	Share premium	Own shares	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2023 (restated data)	1 974	46 405	(2)	4 539	10	74 691	127 617
Net profit	-	-	-	-	-	25 502	25 502
Items of other comprehensive income	-	-	-	4 322	5	(64)	4 263
Total net comprehensive income	-	-	-	4 322	5	25 438	29 765
Equity resulting from merger under common control	-	-	-	-	-	(3)	(3)
Dividends	-	-	-	-	-	(6 385)	(6 385)
31/12/2023	1 974	46 405	(2)	8 861	15	93 741	150 994
(unaudited)							
01/01/2022	1 058	1 227	-	(423)	11	36 582	38 455
Net profit	-	-	-	-	-	39 708	39 708
Items of other comprehensive income	-	-	-	4 962	(1)	6	4 967
Total net comprehensive income	-	-	-	4 962	(1)	39 714	44 675
Equity resulting from merger under common control	-	-	-	-	-	(108)	(108)
Dividends	-	-	-	-	-	(1 497)	(1 497)
Issue of merger shares	916	45 178	(2)	-	-	-	46 092
31/12/2022	1 974	46 405	(2)	4 539	10	74 691	127 617

(restated data)



Separate statement of cash flows

	12 MONTHS ENDED 31/12/2023 (unaudited)	3 MONTHS ENDED 31/12/2023 (unaudited)	12 MONTHS ENDED 31/12/2022 (restated data)	3 MONTHS ENDED 31/12/2022 (restated data)
Cash flows from operating activities				
Profit before tax	31 457	8 415	44 756	25 620
Adjustments for:				
Depreciation and amortisation	5 204	1 266	2 819	1 242
Foreign exchange (profit)	(415)	(323)	(119)	(272)
Net interest	(1 518)	(371)	16	(37)
Dividends	(1 235)	(12)	(1 070)	(70)
(Profit)/Loss on investing activities, incl.: (gain) on bargain purchase	4 332	1 052	(14 139)	(6 478)
Change in provisions	-	-	(17 810)	(7 688)
Change in working capital	3 872	980	3 458	1 014
inventories	1 904	(178)	(12 103)	(7 288)
receivables	9 423	1 729	(4 289)	(1 716)
liabilities	8 739	3 072	(2 204)	3 690
Other adjustments, incl.:	(16 258)	(4 979)	(5 610)	(9 262)
settlement of grants for property rights	(6 118)	(2 206)	690	2 135
security deposits	(2 181)	(569)	(1 388)	(350)
derivatives	8 446	1 686	3 724	5 548
Income tax (paid)	(9 566)	(2 408)	(62)	(1 212)
Income tax (paid)	(5 221)	(417)	(1 964)	(1 175)
Net cash from operating activities	32 262	8 206	22 344	14 691
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(19 979)	(4 124)	(10 483)	(4 421)
Acquisition of shares	(2)	-	(142)	(45)
Acquisition of bonds	(3 978)	-	-	-
Recapitalisation of subsidiaries	(4 103)	(2 941)	(1 320)	(1 047)
Recapitalisation in investments in joint ventures	(1 523)	-	(795)	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset	2 887	1 644	2 144	478
Proceeds from the sale of shares in connection with the implementation of REMEDIES	340	-	4 579	4 579
Cash in the Grupa LOTOS S.A. as at the merger date	-	-	3 235	-
Cash in the PGNiG S.A. as at the merger date	-	-	4 222	4 222
Cash as at the date of establishing the joint operation in Rafineria Gdańska	-	-	375	375
Interest received	1 813	385	304	141
Dividends received	1 253	604	1 199	70
Sale of bonds	3 978	923	-	-
Acquisition of petrochemical assets less cash	(212)	-	-	-
Expenses from loans granted	(16 005)	(3 089)	(5 057)	(2 986)
Proceeds from loans granted	14 313	873	2 385	393
Net flows within cash-pool system	(9 415)	(6 941)	(798)	991
Other	(459)	(208)	-	(1)
Net cash from/(used in) investing activities	(31 092)	(12 874)	(152)	2 749
Cash flows from financing activities				
Proceeds from loans and borrowings received	4 825	4 802	9 815	1 978
Bonds issued	2 183	-	-	-
Repayments of loans and borrowings	(9 301)	(2 409)	(19 996)	(11 734)
Redemption of bonds	-	-	(800)	(200)
Interest paid from loans, borrowings, bonds and cash pool	(801)	(191)	(576)	(307)
Interest paid on lease	(145)	(29)	(80)	(16)
Dividends paid to equity owners of the parent	(6 385)	-	(1 497)	(1 497)
Net flows within cash-pool system	3 705	128	(2 270)	(3 665)
Payments of liabilities under lease agreements	(368)	(88)	(345)	(87)
Other	4	127	(26)	15
Net cash from/(used in) financing activities	(6 283)	2 340	(15 775)	(15 513)
Net increase/(decrease) in cash	(5 113)	(2 328)	6 417	1 927
Effect of changes in exchange rates	28	1	1	7
Cash, beginning of the period	7 939	5 181	1 521	6 005
Cash, end of the period	2 854	2 854	7 939	7 939
<i>including restricted cash</i>	<i>188</i>	<i>188</i>	<i>766</i>	<i>766</i>

This consolidated quarterly report was approved by the Management Board of the Parent Company on 21 February 2024.

signed digitally on the Polish original

.....

Witold Literacki
Acting President of the
Company's Management Board

signed digitally on the Polish original

.....

Kazimierz Mordaszewski
Company's Supervisory Board member delegated
for temporary acting as member of the Company's
Management Board

signed digitally on the Polish original

.....

Ireneusz Sitarski
Company's Supervisory Board member delegated
for temporary acting as member of the Company's
Management Board

signed digitally on the Polish original

.....

Józef Węgrecki
Member of the Management Board

signed digitally on the Polish original

.....

Tomasz Zieliński
Company's Supervisory Board member delegated
for temporary acting as member of the Company's
Management Board