ORLEN Lietuva

Public Company ORLEN Lietuva

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

2019

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ORLEN Lietuva AB

Opinion

We have audited the consolidated financial statements of ORLEN Lietuva and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects of the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Group's annual report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of consolidated financial statements, in our opinion, in all material respects:

- The information given in the Group's annual report for the financial year for which the consolidates financial statements are prepared is consistent with the consolidated financial statements; and
- The Group's annual report has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Lietuva, UAB
Audit Company License No 001275

Saulius Bakas
Lithuanian Certified Auditor
License No. 000604

Vilnius, Republic of Lithuania
16 March 2020

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Consolidated statement of financial position

	Note	31/12/2019		31/12/2018	
		USD	EUR	USD	EUR
ASSETS					
Non-current assets					
Property, plant and equipment	5	306,357	273,802	279,671	244,169
Intangible assets	6	5,341	4,773	3,953	3,451
Right to use assets	14	11,739	10,492	-	-
Investments accounted for under equity method	7	1,570	1,403	1,534	1,340
Deferred tax assets	21.2	11,885	10,622	7,907	6,902
Other assets	8	1,453	1,298	1,492	1,303
Total non-current assets		**338,345**	**302,390**	**294,557**	**257,165**
Current assets					
Inventories	9	366,973	327,976	270,609	236,257
Trade and other receivables	10	297,690	266,056	277,225	242,034
Other assets	11	54,853	49,024	118,538	103,489
Current tax assets		4,921	4,398	5,633	4,918
Cash and cash equivalents		11,384	10,175	14,490	12,651
Non-current assets classified as held for sale		225	201	324	283
Total current assets		**736,046**	**657,830**	**686,819**	**599,632**
Total assets		**1,074,391**	**960,220**	**981,376**	**856,797**
LIABILITIES AND SHAREHOLDERS EQUITY					
EQUITY					
Share capital	12	6,547	5,794	6,547	5,794
Share premium		50,172	132,152	50,172	132,152
Legal reserves		742	644	1,040	887
Hedging reserve		(2,449)	(2,189)	6,900	6,024
Exchange differences on translation of foreign operations		(490)	(81,396)	(1,983)	(93,584)
Retained earnings		533,913	470,900	459,359	404,495
Total equity		**588,435**	**525,905**	**522,035**	**455,768**
LIABILITIES					
Non-current liabilities					
Provisions	13	5,701	5,095	6,186	5,401
Lease liabilities	14	5,939	5,308	-	-
Total non-current liabilities		**11,640**	**10,403**	**6,186**	**5,401**
Current liabilities					
Trade and other liabilities	15	390,650	349,137	373,740	326,296
Lease liabilities	14	8,179	7,310	-	-
Current tax liability		-	-	279	243
Provisions	13	41,008	36,650	42,575	37,169
Other liabilities	16	34,479	30,815	36,560	31,919
Deferred income		-	-	1	1
Total current liabilities		**474,316**	**423,912**	**453,155**	**395,628**
Total liabilities		**485,956**	**434,315**	**459,341**	**401,029**
Total equity and liabilities		**1,074,391**	**960,220**	**981,376**	**856,797**

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.
Consolidated financial statements were approved on 16 March 2020.

Michal Rudnicki
General Director

Marek Golębiewski
Chief Financial Officer

Genutė Barkuvienė
Director of Accounting
and Tax Administration

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Consolidated statement of profit or loss and other comprehensive income

	Note	for the year ended 31/12/2019 USD	for the year ended 31/12/2019 EUR	for the year ended 31/12/2018 USD	for the year ended 31/12/2018 EUR
Statement of profit or loss					
Sales revenues	17	5,122,863	4,577,132	5,531,674	4,704,091
Cost of sales	18	(4,813,827)	(4,301,017)	(5,288,166)	(4,499,517)
Gross profit on sales		**309,036**	**276,115**	**243,508**	**204,574**
Distribution expenses	18	(173,190)	(154,837)	(165,334)	(140,550)
Administrative expenses	18	(46,427)	(41,508)	(46,419)	(39,299)
Other operating income	19.1	32,656	29,276	52,917	43,746
Other operating expenses	19.2	(51,030)	(45,844)	(55,028)	(45,110)
Investments accounted for under equity method	7	71	64	(12)	(7)
(Loss)/Reversal of loss due to impairment of financial instruments		(113)	(102)	169	138
Profit from operations		**71,003**	**63,164**	**29,801**	**23,492**
Finance income	20.1	2,782	2,476	1,905	1,606
Finance costs	20.2	(2,932)	(2,635)	(6,821)	(5,779)
Net finance income/(costs)		**(150)**	**(159)**	**(4,916)**	**(4,173)**
Profit before tax		**70,853**	**63,005**	**24,885**	**19,319**
Income tax expenses	21	4,918	4,417	3,307	3,284
Net profit		**75,771**	**67,422**	**28,192**	**22,603**
Discountinued operation					
Profit from discontinued operation, net of tax	4	274	231	1,314	1,148
Net profit		**76,045**	**67,653**	**29,506**	**23,751**
Other comprehensive income:					
which will not be reclassified into profit or loss:		**167**	**149**	**(24)**	**(21)**
Actuarial (gains) and losses	13	167	149	(27)	(24)
Deferred tax		-	-	3	3
that will be reclassfied to profit or loss:		**(9,508)**	**2,500**	**8,430**	**28,316**
Hedging instruments		(9,349)	(8,213)	9,084	7,854
Exchange differences on translation of foreign operations		(159)	10,713	(654)	20,462
Other comprehensive income		**(9,341)**	**2,649**	**8,406**	**28,295**
Total net comprehensive income		**66,704**	**70,302**	**37,912**	**52,046**

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Michal Rudnicki
General Director

Marek Golębiewski
Chief Financial Officer

Genutė Barkuvienė
Director of Accounting and Tax Administration

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Consolidated statement of cash flows

	Note	for the year ended 31/12/2019 USD	for the year ended 31/12/2019 EUR	for the year ended 31/12/2018 USD	for the year ended 31/12/2018 EUR
Cash flows from operating activities					
Net profit		**76,045**	**67,653**	**29,506**	**23,751**
Adjustments for:					
Share in profit from investments accounted for under equity method	6	(71)	(64)	12	7
Depreciation and amortisation	4.6	39,740	35,561	25,335	21,549
Recognition/(Reversal) of impairment losses on property, plant and equipment, intangible assets and non-current assets classified as held for sale	18.1, 18.2	(85)	(78)	77	64
Foreign exchange (gain)/loss		-	-	1	1
Interest, net		(258)	(232)	(380)	(325)
(Gain)/Loss on investing activities		20,311	18,376	(5,239)	(4,245)
Change in working capital:		**(127,566)**	**(113,170)**	**(118,805)**	**(92,012)**
receivables		*(24,190)*	*(21,661)*	*2,240*	*(1,732)*
inventories		*(96,973)*	*(86,544)*	*32,105*	*36,948*
liabilities		*(6,403)*	*(4,965)*	*(153,150)*	*(127,228)*
Change in provisions		33,820	30,151	24,766	21,251
Tax expenses	20	(4,918)	(4,310)	(3,074)	(3,081)
other movements long term		165	147	-	-
Income tax received/(paid)		1,431	1,323	(7,536)	(6,433)
Change in financial instruments		2,076	1,748	(1,248)	(1,595)
Other adjustments		(164)	(148)	(17)	(227)
Net cash from operating activities		**40,526**	**36,957**	**(56,602)**	**(41,295)**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(76,305)	(68,136)	(82,724)	(69,822)
Disposal of property, plant and equipment and intangible assets		29	26	89	73
Proceeds/repayment of loans granted		8	7	13	11
Increase/(decrease) in derivatives		(13,672)	(12,357)	(6,297)	(5,224)
Increase/(decrease) in deposits		234	210	(241)	(207)
Interest received		1,420	1,269	1,513	1,282
Disposal on finansial asset	5	3,261	2,891		
(Outflows)/proceeds from cash pool		62,044	54,783	131,506	104,842
Net cash (used) in investing activities		**(22,981)**	**(21,307)**	**43,859**	**30,955**
Cash flows from financing activities					
Interest paid		(872)	(777)	(1,107)	(936)
(Outflow)/inflow from cash pool		(12,041)	(10,280)	13,078	10,809
Payments of liabilities under lease agreements		(7,812)	(7,002)	-	-
Net cash (used) in financing activities		**(20,725)**	**(18,059)**	**11,971**	**9,873**
Net (decrease)/increase in cash and cash equivalents		**(3,180)**	**(2,409)**	**(772)**	**(467)**
Effect of exchange rate changes		**74**	**(67)**	**(21)**	**375**
Cash and cash equivalents, beginning of the period		**14,490**	**12,651**	**15,283**	**12,743**
Cash and cash equivalents, end of the period		**11,384**	**10,175**	**14,490**	**12,651**
Restricted cash		-	-	-	-

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Consolidated statement of changes in equity

USD	Equity attributable to equity holders of the Parent Company						
	Share capital	Share premium	Hedging reserve	Legal reserves	Exchange differences on translation of foreign operations	Retained earnings	Total equity
1 January 2019	**6,547**	**50,172**	**6,900**	**1,040**	**(1,983)**	**459,359**	**522,035**
Profit for the year	-	-	-	-	-	76,045	**76,045**
Other comprehensive income	-	-	(9,349)	-	(159)	167	**(9,341)**
Total comprehensive income	**-**	**-**	**(9,349)**	**-**	**(159)**	**76,212**	**66,704**
Transfer to legal reserve	-	-	-	62	-	(62)	**-**
Discountinued operation	-	-	-	(106)	128	(326)	**(304)**
Reorganistion of company (AB Mažeikių Naftos prekybos namai)	-	-	-	(254)	1,524	(1,270)	**-**
Total transactions with owners of the Group	**-**	**-**	**-**	**(298)**	**1,652**	**(1,658)**	**(304)**
31 December 2019	**6,547**	**50,172**	**(2,449)**	**742**	**(490)**	**533,913**	**588,435**
1 January 2018 (recalculated data)	**6,547**	**50,172**	**(2,184)**	**1,013**	**(1,329)**	**430,647**	**484,866**
Impact of IFRS9 adoption	-	-	-	-	-	(701)	**(701)**
1 January 2018 (recalculated data)	**6,547**	**50,172**	**(2,184)**	**1,013**	**(1,329)**	**429,946**	**484,165**
Profit for the year	-	-	-	-	-	29,506	**29,506**
Other comprehensive income	-	-	9,084	-	(654)	(66)	**8,364**
Total comprehensive income	**-**	**-**	**9,084**	**-**	**(654)**	**29,440**	**37,870**
Transfer to legal reserve	-	-	-	27	-	(27)	**-**
Total transactions with owners of the Group	**-**	**-**	**-**	**27**	**-**	**(27)**	**-**
31 December 2018	**6,547**	**50,172**	**6,900**	**1,040**	**(1,983)**	**459,359**	**522,035**

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(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

EUR	Equity attributable to equity holders of the Parent Company						
	Share capital	Share premium	Hedging reserve	Legal reserves	Exchange differences on translation of foreign operations	Retained earnings	Total equity
1 January 2019	**5,794**	**132,152**	**6,024**	**887**	**(93,584)**	**404,495**	**455,768**
Profit for the year	-	-	-	-	-	67,653	**67,653**
Other comprehensive income	-	-	(8,213)	-	10,713	149	**2,649**
Foreign currency translation differences of foreign operations	-	-	-	-	-	119	**119**
Total comprehensive income	**-**	**-**	**(8,213)**	**-**	**10,713**	**67,921**	**70,421**
Transfer to legal reserve	-	-	-	55	-	(55)	**-**
Discountinued operation	-	-	-	(93)	114	(305)	**(284)**
Reorganistion of company (AB Mažeikių Naftos prekybos namai)	-	-	-	(205)	1,361	(1,156)	**-**
Total transactions with owners of the Group	**-**	**-**	**-**	**(243)**	**1,475**	**(1,516)**	**(284)**
31 December 2019	**5,794**	**132,152**	**(2,189)**	**644**	**(81,396)**	**470,900**	**525,905**
1 January 2018	**5,794**	**132,152**	**(1,830)**	**864**	**(114,046)**	**381,358**	**404,292**
Impact of IFRS9 adoption	-	-	-	-	-	**(569)**	**(569)**
1 January 2018 (recalculated data)	**5,794**	**132,152**	**(1,830)**	**864**	**(114,046)**	**380,789**	**403,723**
Profit for the year	-	-	-	-	-	23,751	**23,751**
Other comprehensive income	-	-	7,854	-	20,462	(22)	**28,294**
Total comprehensive income	**-**	**-**	**7,854**	**-**	**20,462**	**23,729**	**52,045**
Transfer to legal reserve	-	-	-	23	-	(23)	-
Total transactions with owners of the Group	**-**	**-**	**-**	**23**	**-**	**(23)**	**-**
31 December 2018	**5,794**	**132,152**	**6,024**	**887**	**(93,584)**	**404,495**	**455,768**

The notes on pages 11 to 63 are an integral part of these consolidated financial statements.
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Accounting principles and other explanatory information

1. Group structure

Public Company ORLEN Lietuva (hereinafter – the Parent company) is incorporated and domiciled in Lithuania. Its registered office is located at the address: Mažeikių St. 75, Juodeikiai village, Mazeikiai District, Republic of Lithuania. Its legal entity code is 166451720. The Parent company comprises an oil refinery enterprise in Mažeikiai, the Būtingė terminal and an oil products pumping station in Biržai. The sole shareholder of the Parent company is PKN ORLEN S.A.

The consolidated financial statements as at 31 December 2019 include the Parent company and subsidiary companies. The Parent company also prepares separate financial statements.

The Consolidated group (hereinafter "the Group") consists of the Parent company and its two subsidiaries. The Group has one associate which is accounted for using the equity method. The subsidiaries and the associate included into the Group's consolidated financial statements are listed below:

Subsidiary/ associated company	Established in	Year of establishment/ acquisition	Share of the Group (%)		Nature of activity
			31/12/2019	31/12/2018	
Subsidiaries					
AB Mažeikių Naftos prekybos namai	Lithuania	2003	-	100	Intermediate holding entity was merged to Parent company by reorganisation process on 9th December of 2019.
SIA ORLEN Latvija	Latvia	2003	100	100	Wholesale of liquid fuels in Latvia. Company became a direct subsidiary of Parent company after reorganization of former shareholder - AB Mažeikių Naftos prekybos namai.
OU ORLEN Eesti	Estonia	2003	100	100	Wholesale of liquid fuels in Estonia. Company became a direct subsidiary of Parent company after reorganization of former shareholder - AB Mažeikių Naftos prekybos namai.
UAB EMAS	Lithuania	2009	-	100	Installation, supervision, repair of electrical equipment and related services, in-door and industrial cleaning services. The entity was sold on 2nd quarter of 2019.
Associated company					
UAB Naftelf	Lithuania	1996	34	34	Trading in aviation fuel and construction of storage facilities thereof.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

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

2.1. Principles of preparation of financial statements

The consolidated financial statements have been prepared with accounting priciples contained in the International Financial Reporting Standards (IFRS), comprising International Accounting stanards (IAS) as well as Interpretations of Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), which were adopted by the European Union (EU) and entered in force by the end of 2019. The Group adopted all applicable IASs and IFRSs in accordance with their effective date.

The consolidated financial statements have been prepared on a historical cost basis, except derivatives measured at fair value through other comprehensive income. The foregoing financial statements have been prepared using the accrual basis of accounting except from the consolidated financial statement of cash flows.

The consolidated financial statements covers the annual reporting period from 1 January to 31 December 2019 and the comparative period from 1 January to 31 December 2018. Presented consolidated financial statements present a true and fair view of the Group's financial position as at 31 December 2019, results of its operations and cash flows for the year ended 31 December 2019.

The consolidated financial statements have been prepared assuming that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of the foregoing consolidated financial statements, there is no evidence indicating that Group will not be able to continue its operations as a going concern. The duration of the Parent Company and the entities comprising Group is unlimited.

2.2. Impact of IFRS amendments and interpretations on consolidated financial statements of the Group

IFRSs and their interpretations, announced and adopted by the European Union, effective for the current reporting period	Possible impact on financial statements
IFRS 16 - Leases	Effective for annual periods beginning on or after 1 January 2019

IFRSs and their interpretations, announced and adopted by the European Union, not yet effective	Possible impact on financial statements
Amendments to IAS 1 -Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	No impact expected
Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures	
Amendments to References to the Conceptual Framework in IFRS Standards	

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Standards adopted by International Accounting Standards Board (IASB), waiting for approval by the European Union	Possible impact on financial statements
IFRS 17 - Insurance Contracts	No impact expected
Amendment to IFRS 3 - Business combinations - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period)	No impact expected
Amendments to IAS 1 - Presentation of financial statements - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022	No impact expected
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded)	No impact expected

The Group expects that the above standards will have no material impact on separate financial statement.

IFRS 16 Leases

Selected accounting principles

IFRS 16 "Lease" issued on 13 January 2016 was adopted by the European Union on 31 October 2017.
Since 1 January 2019, the Group has applied the new Standard in the recognition, measurement, and presentation of lease agreements. The application of the new Standard was made in accordance with the transitional provisions contained in IFRS 16.

Implementation of IFRS 16 within the Group was carried out using the modified retrospective approach, and therefore, comparative data for the year 2018 was not converted and any cumulative effect of the first application of the new Standard was included as an adjustment to the opening balance of retained earnings on the first day of application.
As at 1 January 2019 the Group has recognised right-of-use asset in the amount of USD 19,917 thousand or EUR 17,389 and lease liability in the amount of USD 14,118 thousand or EUR 12,618 thousand what caused a difference in value to the position of retained earnings in the amount of USD 701 thousand or EUR 569 thousand.

The Group as a lessee

Identifying a lease

The Group applies new guidelines for identifying a lease only for contracts that it has concluded (or amended) on the day of its first application, i.e. 1 January 2019 or after that date. Thereby, for all contracts concluded before 1 January 2019, the Group applied the practical exemption provided for in IFRS 16, according to which the entity is not required to reassess whether the contract is a lease or contains a lease on the date of first application. As at 1 January 2019 the Group applies IFRS 16 to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

At the time of conducting a new contract, the Group assesses whether the contract is a lease or whether it contains a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to assess if an agreement transfers the right to control the use of an identified asset for a given period, the Group shall determine whether throughout the entire period of use the customer enjoys the following rights:

a) the right to obtain substantially all economic benefits from the use of the identified asset and
b) the right to manage the use of the identified asset.

Should the Group have the right to control the use of an identified asset for part of the duration of an agreement only, the agreement contains a lease in respect of this part of the period.
Rights resulting from lease, rental, hire or other agreements which meet the definition of a lease as per IFRS 16 are recognised as right-of-use underlying assets within the framework of non-current assets with a corresponding lease liabilities.

Initial recognition and measurement

The Group recognises the right-of-use asset as well as the lease liability on the date of commencement of the lease.
On the date of commencement the Group measured the right-of-use asset at cost.
The cost of the right-of-use asset is inclusive of the following:

a) the amount of the initial measurement of the lease liability,
b) all lease payments made on or before the date of commencement, less any lease incentives received,
c) all initial costs directly incurred by the lessee, and
d) estimated costs to be incurred by the lessee in connection with the dismantling and removal of underlying assets, the refurbishment of premises within which they were located, or the refurbishment of underlying assets to the condition required by the terms and conditions of the lease, unless these costs are incurred with the aim of creating stocks.

Lease payments included in the evaluation of lease liability include:

- fixed lease payments;
- variable lease payments, which depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts that are expected to be paid by the lessee as part of the guaranteed residual value;
- the call exercise price, should it be assumed with reasonable certainty that the Group shall decide to exercise the call option;
- penalty payments for termination of a lease, unless it can be assumed with reasonable certainty that the Group shall not terminate the lease.

Variable payments, which do not depend on an index or a rate should not be taken into account when calculating lease liability. Such payments are recognised in the profit or loss in the period of the occurrence which renders them payable.
The lease liability on the commencement date shall be calculated on the basis of the current lease payments that are payable by that date and discounted by the marginal interest rates of the lessee. The Group does not discount lease liabilities by the lease interest rate as the calculation of such rates requires information known only to the lessor (the non-guaranteed final value of the leased asset as well as the direct costs incurred by the lessor).

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

a) the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant basic rate for the given currency, as well as

b) the Group's credit risk premium based on the credit margin calculated inclusive of the credit risk segmentation of all companies which have entered into lease agreements.

Subsequent measurement

After the commencement date, the lessee measures the right-of-use asset applying the cost model.
In applying the cost model, the lessee shall measure the cost of the right-of-use asset:

a) less any accumulated depreciation and accumulated impairment losses; and
b) adjusted in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

After the date of commencement the lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability,
b) decreasing the carrying amount to reflect any lease payments made, and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

The Group shall remeasure the lease liability in cases where there is a change in future lease payments as a result of a change in the index or rate used to determine lease payments (e.g. a change in payment associated with the right of perpetual use), in cases where there is a change in the amount expected by the Group to be payable under the residual amount guarantee, or if the Group reassesses the likelihood of the exercise of the call option, or the extension or termination of the lease.
Updating the lease liability also adjusts the value of the right-of-use asset. In a situation where the carrying amount of the right-of-use asset has been reduced to zero, further reductions in the measurement of the lease liability shall be recognised by the Group as profit or loss.

Depreciation

The right-of-use asset is depreciated linearly over the shorter of the following two periods: the period of lease or the useful life of the underlying asset. However in cases where the Group can be reasonably sure that it will regain ownership of the asset prior to the end of the lease term, right-of-use shall be depreciated from the day of commencement of the lease until the end of the useful life of the asset.
The useful life of right-of-use asset is determined in the same manner as for property, plant and equipment.
The Group has leases agreements regarding mainly:

a) Land, including:
   – perpetual usufruct of land for a fixed period of up to 99 years.
b) Buildings and construction, storage tank, office spaces for a fixed period up to 30 years.
c) Vehicles and other, including:
   – railway tank concluded for a specified period of 3 to 10 years,
   – cars for a fixed period up to 3 years.

Impairment

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Exemptions, simplifications and practical solutions in the application of IFRS 16

Exemptions

Agreements not included within the scope of IFRS 16:
- lease for the exploration or use of natural resources,
- licences granted and recognised in accordance with IFRS 15 – "Revenue from Contracts with Customers", and
- lease of intangible assets in accordance with IAS 38 - Intangible Assets.

Simplifications and practical solutions

Short-term lease

The Group applies a practical solution to short-term lease contracts, which are characterised by a maximum possible contract term of up to 12 months, including any options to extend.
Simplifications regarding these contracts involve the settlement of lease payments as costs:
- on a straight-line basis, for the duration of the lease agreement, or
- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

Leases of low-value assets

The Group does not apply the rules concerning recognition, measurement and presentation outlined in IFRS 16 to lease agreements of low-value assets.
Low-value assets are considered to be those which have a value when new not higher than USD 5,000 or the equivalent value in another currency as per the average closing rate of exchange of the European Central Bank at the moment of initial recognition of a contract.
Simplifications in respect of such contracts are due to the settlement of costs on:
- a straight-line basis for the term of the lease contract; or
- another systematic method basis should it be more representative of the time pattern of the user's benefit.

An asset covered by a lease must not be counted as a low-value asset if the asset would typically not be of low value when new. As low-value items, the Group includes for example: gas cylinders, coffee machines, and small items of furniture.
The underlying asset may have a low-value only if:
a) the lessee may benefit from use of the underlying asset itself or in conjunction with other resources which are readily available to him, and
b) the underlying asset is not highly dependent on or related to other assets.

If the lessee transfers asset into subleasing or expects the asset to be transferred to subleasing, then the main lease does not qualify as lease of a low-value asset.

Separating non-lease components

The Group assesses whether the contract contains lease and non-lease components. Non-lease components are removed from contracts containing a lease component, for example service for assets covered by the contract.
However, in cases where a contract includes non-lease components considered by the Group to be immaterial within the context of the contract as a whole, the Group uses simplification which allows lease and non-lease components to be treated a single lease component.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Determining the lease term

In determining the lease term, the Group consider in all important facts and events behind the economic incentives to make use of the option to extend the lease or not to exercise the option of its termination. An assessment of a lease term is carried out on the date of commencement of the lease. A reassessment is made upon the occurrence of either a significant event or a significant change in circumstances, that the lessee controls, that impact such an assessment.

The useful life of right-of-use asset

The estimated useful life of right-of-use asset is determined in the same manner as for property, plant and equipment.

2.3. Functional and presentation currency of financial statements and methods applied to translation of financial data for consolidation purposes

The functional currency of the Parent Company is US dollar (USD) and presentation currency of the foregoing consolidated financial statements is Euro (EUR).

Translation into USD of financial statements of foreign entities, for consolidation purposes and the consolidated financial statements of the Group, prepared in US dollars are translated to the presentation currency EUR by using:
- assets and liabilities – at spot exchange rate as at the end of the reporting period,
- equity – using historical exchange rate,
- items of the statement of profit or loss and other comprehensive income and the statement of cash flows - using monthly average exchange rate of working days of Bank of the Republic of Lithuania during reporting period.

Foreign exchange differences resulting from the above recalculations are recognized in equity in the line of exchange differences on translating foreign operations.
Exchange rates used for calculation of financial data

CURRENCIES	exchange rate at the end of the reporting period	
	31/12/2019	31/12/2018
EUR/USD	1.1189	1.1454

2.4. Description of significant accounting principles

2.4.1. Principles of consolidation

The consolidated financial statements of the Group include assets, liabilities, equity, income, expenses and cash flows of the Parent Company and its subsidiaries that are presented as those of a single economic entity and are prepared as at the same reporting period as separate financial statements of the Parent Company and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.
The subsidiaries are consolidated using full consolidation method. The investments in associates are accounted for under equity method. The Group's share in net profit or loss of the investee is recognized in the Group's profit or loss as other operating activity. For investments in associates - the Group has a significant influence if it holds, directly or indirectly (i.e. through subsidiaries), from 20% to 49% of the voting rights of an entity, unless it can be clearly stated otherwise.

2.4.2. Property, plant and equipment

Property, plant and equipment shall be measured initially at acquisition or production cost and shall be presented in the statement of financial position in its net carrying amount, including grants. Property, plant and equipment are stated in the statement of financial position at the net book value which is the amount at which an asset is initially recognized (cost) less accumulated depreciation and any accumulated impairment losses.
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment.
Fixed assets are depreciated with straight-line method and in justified cases units of production method of depreciation (catalysts).
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over the period reflecting its useful life.

The following standard useful lives are used for property, plant and equipment:

– buildings and constructions 10-40 years
– machinery and equipment 4-35 years
– Vehicles and other 2-20 years

The method of depreciation, residual value and useful life of an asset are reviewed at least at the end of each year. When it is necessary adjustments of depreciation are carried out in subsequent periods (prospectively).

2.4.3. Intangible assets

An intangible asset shall be measured initially at acquisition or production cost and shall be presented in the statement of financial position in its net carrying amount, including grants.
Intangible assets with the finite useful life are amortised using straight-line method. Amortization shall begin when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.
Standard useful lives of intangible assets are from 2 to 10 for software and from 2 to 15 years for concessions, licenses, patents and similar.
The amortization method and useful life of intangible asset item are verified at least at the end of each year.

2.4.3.1. Rights

The emission allowances are subsequently revalued at fair value.
The main item of rights is CO2 emission rights, not amortised, tested for impairment.
Granted emission allowances are presented as intangible assets in correspondence with deferred income at fair value as at the date of registration. Purchased allowances are presented at purchase price. For the estimated CO2 emission during the reporting period, a provision is created (taxes and charges).
Grants are recognized on a systematic basis in each reporting period to ensure proportionality with the relevant costs of the created reserve.
Outgoing of allowances is recognized using FIFO method (First In, First Out).

2.4.4. Impairment of property, plant and equipment and intangible assets

At the end of the reporting period, the Group assesses whether there are indicators that an item of property, plant and equipment, an intangible asset with a finite useful life or cash-generating unit (CGU) may be impaired or any indicators that the previously recognized impairment should be reversed.

Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (CGU). If the Group identifies any impairment indicators, the impairment assessment is performed and the recoverable amount is determined on the CGU level, to which the asset belongs.
Recognition and reversal of impairment allowances of property, plant and equipment and intangible assets is recognized in other operating activity.

2.4.5. Inventories

Inventories, including mandatory reserves comprise products, semi-finished products and work in progress, merchandise and materials.
Finished goods, semi-finished products and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period of finished goods, semi-finished products as well as work in progress and systematic allocation of fixed and variable production overheads estimated for its normal level.
Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost or net realizable value.
Outgoings of finished goods, semi-finished products and work in progress are determined based on the weighted average cost of production.
Merchandise and materials are measured initially at acquisition cost, while as at the end of the reporting period merchandise and raw materials are measured at the lower of cost or net realizable value. Outgoings of merchandise and raw materials are determined based on the weighted average acquisition cost.
The initial value of inventories is adjusted for their profits or losses from settlement of cash flow hedging instruments.
Impairment tests for specific items of inventories are carried out at the end of each month. Write-down to net realizable value concerns inventories that are damaged or obsolete and the selling price has fallen. Raw materials held for use in the production are not written down below acquisition or production cost if the products in which they will be incorporated are expected to be sold at or above cost.
However, when a decline in the price of materials indicates that the cost of the products exceeds net realizable value, the materials are written down to net realizable value.
Recognition and reversal of impairment allowances of inventories is recognized in cost of sales.

2.4.6. Receivables

Receivables, including trade receivables, are recognized initially at a fair value and subsequently, at amortised cost using the effective interest rate including expected credit loss. The Group applies simplified methods of valuation of receivables measured at amortized cost if it does not distort information included in the statement of financial position, in particular when the period until the repayment date is not long.
As default the Group recognises that the customers do not meet obligations after 90 days from maturity of receivables.
For the purpose of estimating the expected credit loss, the Group uses the provision matrix, which was estimated based on historical levels of repayment and recoveries from receivables from customers. The Group includes information on the future in parameters used in the expected loss estimation model, through the management adjustment of the basic default probability rates.
The Group does not monitor changes in the credit risk during life of instrument. From 1 January 2019 the Group estimates the expected credit loss until maturity of instrument.

2.4.7. Equity

2.4.7.1. Share capital

Equity paid by shareholders and stated at nominal value in accordance with the Parent Company's articles of association and the entry in the Centre of Registers.

2.4.7.2. Share premium

Equity created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs.

2.4.7.3. Legal reserve

According to legislations in Lithuania and Estonia an annual transfer of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. The legal reserve can't be distributed as dividends and is formed to cover future losses.

2.4.7.4. Hedging reserve

Hedging rezerve balance includes valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.

2.4.7.5. Exchange differences on translating foreign operations

This balance results mainly from translation of the financial statements of the foreign companies into USD under consolidation procedures and from translation of USD consolidated data into presentation currency EUR.

2.4.7.6. Retained earnings

Include:
- undistributed result for prior periods,
- actuarial gains and losses from post-employment benefits,
- the current reporting period profit/loss.

2.4.8. Liabilities

Liabilities, including trade liabilities, are initially measured at fair value and subsequently, at amortised cost using the effective interest rate method.
The Group applies simplified methods of valuation of liabilities measured at amortized cost if it does not distort information included in the statement of financial position, in particular when the period until settlement of the liability is not long.

2.4.9. Provisions

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.4.10. Sales revenues

Sales revenues of goods and services are recognized at a point in time (or over time) a performance obligations by transferring a promised good or service (i.e. an asset) to a customer

are satisfied. An asset is transferred when the customer obtains control of 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 and value added tax (VAT), excise tax and fuel charges. Revenues are measured at the fair value of the payment received or due.
Revenues from the sale of finished goods, merchandise, raw materials and services are adjusted for profits or losses from settlement of cash flows hedging instruments related to the above mentioned revenues.

2.4.11. Costs

Cost of sales includes costs of finished goods, merchandise, services and raw materials sold and adjustments related to inventories written down to net realizable value.
Costs are adjusted for profits or losses from settlement of cash flow hedging instruments related to the above mentioned costs.
Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses.
Administrative expenses include expenses relating to management and administration of the Group as a whole.

2.4.12. Income tax expenses

Income tax expenses (tax expense) include current tax and deferred tax. Current tax expense is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as a liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due the excess is recognized.
Deferred tax assets and liabilities are accounted as non-current and are not discounted. They are offset on the level of particular financial statements of the Group companies when there is a legally enforceable right to set off the recognized amounts.

2.4.13. Financial instruments

2.4.13.1. Measurement of financial assets and liabilities

At initial recognition, the Group measures financial assets and liabilities not qualified as at fair value through profit or loss (i.e. held for trading) at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The Group does not classify instruments as measured at fair value through profit or loss upon initial recognition, i.e. does not apply the fair value options.
At the end of the reporting period, the Group measures item of financial assets and liabilities at amortised cost using effective interest rate method, except for derivatives, which are measured at fair value.
The Group uses simplified methods of valuation of financial assets and liabilities accounted at amortized cost if it does not distort information included in the statement of financial position, in particular when the period until the repayment of debt or settlement of the liability is not long.
Financial assets accounted at amortized cost, where the Group applies simplifications, are accounted at initial recognition in the amount due, and later, including at the end of the reporting period, in the amount of the payment due less impairment allowances.
Financial liabilities for which the Group applies simplifications are measured at initial recognition and at a later date, including at the end of the reporting period, in the amount of payment due.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Gains and losses resulting from changes in fair value of derivatives, for which hedge accounting is not applicable, are recognized in the current year profit or loss.

2.4.13.2. Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in fair value or in the cash flows of a hedged item are accounted for in accordance with fair value or the cash flow hedge accounting.
The Group has two types of hedging relation: cash flow and fair value hedge.
The Group assess effectiveness of cash flow hedge at the inception of the hedge and later, at minimum, at reporting date. In case of cash flow hedge accounting, the Group recognises in other comprehensive income part of profits and losses connected with the effective part of the hedge, whereas profits or losses connected with the ineffective part - under profit or loss.
In addition (in case of currency risk hedge - spot rate risk element), as part of equity in a separate item, the Group recognises a change in the fair value due to the hedge costs.
To assess the effectiveness of hedge the Group uses statistical methods, including in particular, regression analysis and the direct compensation method. The verification of fulfilment of conditions in the scope of binding effectiveness is made on a prospective basis, based on a qualitative analysis. If it is necessary, the Group uses quantitative analysis (linear regression method) to confirm the existence of an economic link between the hedging instrument and the hedged item.
In case of applying fair value hedge accounting, the Group recognises profits or losses resulting from the revaluation of fair value of derivative financial instrument in financial result, and adjusts carrying amount of hedged item by profit or loss related to the hedged item, resulting from the risk being hedged and recognises it in the profit or loss (in the same item in which hedging derivatives are recognized).
If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified to profit or loss of the reporting period in the same period or periods during which the asset acquired, or liability assumed, affects profit or loss.
However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies the amount that is not expected to be recovered to profit or loss.
If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes the associated gains and losses that were recognized in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability when the item appears in the statement of financial position.
If a hedge of a forecast transaction results in the recognition of revenue from sales of products, merchandise, materials or services, the Group removes the associated gains or losses that were recognized in the other comprehensive income and adjusts above revenues.
In case of applying fair value hedge accounting, accumulated adjustment of hedged item valuation for hedged risk is transferred to the financial result at the moment when the realization of hedged item affects the result.
Derivatives are recognized as assets when their valuation is positive and as liabilities in case of negative valuation.

2.4.14. Fair value measurement

The Group maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs to estimate the fair value, i.e. the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.

The Group measures derivatives at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves for currencies and commodities quoted on active markets.
The fair value of derivatives is based on discounted future flows related to contracted transactions as the difference between term price and transaction price.

2.4.15. Contingent assets and contingent liabilities

The Group discloses at the end of reporting period information on contingent assets if the inflow of resources embodying economic benefits is practically probable. If it is practicable the Group estimates the financial impact of contingent assets valuing them according to the principles of valuation provisions.
The Group discloses at the end of reporting period information on contingent liabilities if the outflow of resources embodying economic benefits is probable, unless the possibility of outflow of resources embodying economic benefits is remote.

3. The Management estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRSs as adopted by the EU requires the Management to make judgments, estimates and assumptions that affect the adopted methods and reported amounts of assets, liabilities and equity, revenue and expenses. The estimates and related assumptions are based on historical expertise and other factors regarded as reliable in given circumstances and their effects provide grounds for expert assessment of the carrying amount of assets and liabilities which is not based directly on any other factors.

In the matters of considerable weight, the Management might base its estimates on opinions of independent experts.
The estimates and related assumptions are reviewed on regular basis. Changes in accounting estimates are recognized in the period when they are made only if they refer to that period or in the present and future periods if they concern both the present and future periods.

Actual results may differ from the estimated values.

Judgments, which have a significant impact on carrying amounts recognized in the consolidated financial statements, were disclosed in the following notes:

- Financial instruments classification, methods of fair value measurement concerning financial instruments, nature and extent of risks related to financial instruments (Note 21). The Management classifies the financial instruments depending on the purpose of the purchase and nature of the instrument. The fair value of financial instruments is measured using commonly practiced valuation models. Details of the applied judgments and sensitivity analysis have been presented in the above note.
- Net realizable values of inventories: The inventory impairment allowances required estimation of the net realizable values based on the most recent sales prices in the market at the moment of estimations.

Estimates and assumptions, which have a significant impact on carrying amounts recognized in the consolidated financial statements, were disclosed in the following notes:

- Impairment of property, plant and equipment and intangible assets (Note 5 and Note 6). The Management assesses, if there is an objective indicator for impairment of assets or CGU. If there is an indicator for impairment the Group assesses the recoverable amount of an asset or cash generating units by determining higher of fair value less cost to sell or value in use by applying the proper discount rate.

- Estimated economic useful lives of property, plant and equipment and intangible assets (Note 5 and Note 6). As described in Note 2.4.2 and 2.4.3 the Group verifies economic useful lives of property, plant and equipment and intangible assets at least once a year.
- Provisions. As described in Note 2.4.9, recognition of provisions requires estimate of the probable outflow of economic benefits and defining the best estimate of the expenditure required to settle the present obligation at the end of reporting period. Details of applied estimates and their influence on the foregoing consolidated financial statements are disclosed in Note 13.
- Contingent liabilities (Note 23.3). As described in Note 2.4.5, disclosing of contingent liabilities requires estimate of the probable outflow of economic benefits and defining the best estimate of the expenditure required to settle the present and possible obligation at the end of reporting period.
- Utilization of deductible temporary differences and recognition of deferred tax assets (Note 21). As described in Note 2.4.12, deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences could be utilized.

4. Discontinued operation

In June 2019, The Group sold UAB EMAS, an entity, which provided installation, supervision, repair of electrical equipment and related services, in-door and industrial cleaning services. UAB EMAS was not previously classified as held for sale or as a discontinued operation. The Consolidation statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Results of discontinued operation

	for the year ended 31/12/2019	for the year ended 31/12/2019	for the year ended 31/12/2018	for the year ended 31/12/2018
	USD	EUR	USD	EUR
Statement of profit or loss				
Sales revenues	1,823	1,534	2,141	1,870
Cost of sales	(1,187)	(999)	860	750
Gross profit on sales	**636**	**535**	**3,001**	**2,620**
Distribution expenses	-	-	-	-
Administrative expenses	(298)	(251)	(1,470)	(1,283)
Other operating income	1	1	14	12
Other operating expenses	(1)	(1)	(5)	(4)
Profit/(loss) from operations	**338**	**284**	**1,540**	**1,345**
Finance income	3.0	3.0	7	6
Finance expenses	(4.0)	(3.0)	-	-
Profit/(loss) before tax	**337**	**284**	**1,547**	**1,351**
Income tax expense	63	53	(233)	(203)
Net profit/(loss)	**274**	**231**	**1,314**	**1,148**

As at 31 December 2019 the profit of discontinued operation of USD 274 thousand (EUR 231 thousand) and as at 31 December 2018 USD 1,314 thousand (EUR 1,148 thousand) is attributable entirely to the owners of the Company.

Cash flows used in discontinued operation

	for the year ended 31/12/2019	for the year ended 31/12/2019	for the year ended 31/12/2018	for the year ended 31/12/2018
	USD	EUR	USD	EUR
Net cash used in operating activities	**285**	**257**	**726**	**654**
Net cash used in investing activities	**780**	**703**	**(113)**	**(102)**
Net cash used in financing activities	**(1,250)**	**(1,126)**	**(446)**	**(402)**
Net (decrease)/increase in cash and cash equivalents	**(184)**	**(166)**	**167**	**150**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Effect on disposal on the financial position of the Group

	for the year ended 31/12/2019	for the year ended 31/12/2019
	USD	**EUR**
Property, plant and equipment, inatngible assets and right to use	(1,080)	(908)
Inventories	(103)	(87)
Trade and other receivables	(2,232)	(1,877)
Other fnancial asset	(1,676)	(1,410)
CIT receivables	(20)	(17)
Cash and cash equivalents	(33)	(28)
Long term provisions	377	317
Long term lease liabilities	590	496
Short term provisions	40	34
Trade and other payables	1,677	1,410
Corporate income tax liabilities	249	209
Net assets and liabilities	**(2,211)**	**(1,861)**
Consideration received, satisfied in cash	3,261	2,924
Cash and cash equivalents dispossed of	(33)	(28)
Net cash inflow	**3,228**	**2,896**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

5. Property, plant and equipment

USD	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount						
Gross carrying amount	1	77,206	1,707,156	93,715	43,203	1,921,281
Accumulated depreciation	-	39,215	779,432	40,948	-	859,595
Impairment allowances	1	30,934	707,116	10,171	7,107	755,329
31 December 2019	**-**	**7,057**	**220,608**	**42,596**	**36,096**	**306,357**

USD	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount						
Gross carrying amount	1	75,749	1,640,907	77,967	87,639	1,882,263
Accumulated depreciation	-	38,974	756,593	41,323	-	836,890
Impairment allowances	1	30,922	707,181	10,463	17,135	765,702
31 December 2018	**-**	**5,853**	**177,133**	**26,181**	**70,504**	**279,671**

EUR	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount						
Gross carrying amount	1	69,001	1,525,745	83,757	38,612	1,717,116
Accumulated depreciation	-	35,047	696,606	36,597	-	768,250
Impairment allowances	1	27,647	631,974	9,090	6,352	675,064
31 December 2019	**-**	**6,307**	**197,165**	**38,070**	**32,260**	**273,802**

EUR	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount						
Gross carrying amount	1	66,133	1,432,606	68,071	76,514	1,643,325
Accumulated depreciation	-	34,027	660,549	36,078	-	730,654
Impairment allowances	1	26,997	617,410	9,134	14,960	668,502
31 December 2018	**-**	**5,109**	**154,647**	**22,859**	**61,554**	**244,169**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

USD	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Acquisition costs						
1 January 2019	1	75,749	1,640,907	77,967	87,639	1,882,263
Investment expenditures	-	224	23,072	23,356	10,265	56,917
Acquisitions (discontinued operation)	-	-	17	27	-	44
Reclassifications	-	1,235	44,766	(98)	(44,125)	1,778
Sales and liquidation	-	(2)	(1,050)	(6,231)	(10,576)	(17,859)
Other decreases due to discontinued operation	-	-	(541)	(1,271)	-	(1,812)
Exchange differences on translation of foreign operations	-	-	(15)	(35)	-	(50)
31 December 2019	**1**	**77,206**	**1,707,156**	**93,715**	**43,203**	**1,921,281**
Accumulated depreciation and impairment allowances						
1 January 2019	1	69,896	1,463,774	51,786	17,135	1,602,592
Depreciation	-	243	23,424	6,809	-	30,476
Deprecation from discontinued operation	-	-	10	18	-	28
Impairment allowances, net	**-**	**12**	**(65)**	**(292)**	**(10,028)**	**(10,373)**
recognition	-	-	-	-	549	549
reversal	-	-	-	(43)	-	(43)
reclassifications	-	13	121	(2)	(13)	119
sale and liquidation		(1)	(186)	(247)	(10,564)	(10,998)
Reclassifications	-	-	736	(20)	-	716
Liquidation		(2)	(864)	(5,977)	-	(6,843)
Other decreases due to discontinued operation	-	-	(455)	(1,172)	-	(1,627)
Exchange differences on translation of foreign operations	-	-	(12)	(33)	-	(45)
31 December 2019	**1**	**70,149**	**1,486,548**	**51,119**	**7,107**	**1,614,924**
Acquisition costs						
1 January 2018	1	74,622	1,595,976	79,574	56,648	1,806,821
Investment expenditures	-	168	30,045	2,909	49,035	82,157
Acquisitions (discontinued operation)	-	-	42	62	-	104
Reclassifications	-	961	16,473	468	(18,040)	(138)
Sales and liquidation	-	(2)	(1,605)	(4,964)	(4)	(6,575)
Other decreases due to discontinued operation	-	-	-	(15)	-	(15)
Exchange differences on translation of foreign operations	-	-	(24)	(67)	-	(91)
31 December 2018	**1**	**75,749**	**1,640,907**	**77,967**	**87,639**	**1,882,263**
Accumulated depreciation and impairment allowances						
1 January 2018	1	69,710	1,447,994	47,839	17,120	1,582,664
Depreciation	-	188	17,384	7,197	-	24,769
Deprecation from discontinued operation	-	-	20	48	-	68
Impairment allowances, net	**-**	**(1)**	**(247)**	**(657)**	**15**	**(890)**
recognition	-	-	-	68	59	127
reversal	-	-	-	-	(44)	(44)
sale and liquidation	-	(1)	(247)	(725)	-	(973)
Reclassifications	-	-	-	27	-	27
Liquidation	-	(1)	(1,356)	(2,592)	-	(3,949)
Other decreases due to discontinued operation	-	-	-	(15)	-	(15)
Exchange differences on translation of foreign operations	-	-	(21)	(61)	-	(82)
31 December 2018	**1**	**69,896**	**1,463,774**	**51,786**	**17,135**	**1,602,592**
Carrying amounts						
1 January 2019	**-**	**5,853**	**177,133**	**26,181**	**70,504**	**279,671**
31 December 2019	**-**	**7,057**	**220,608**	**42,596**	**36,096**	**306,357**
1 January 2018	**-**	**4,912**	**147,982**	**31,735**	**39,528**	**224,157**
31 December 2018	**-**	**5,853**	**177,133**	**26,181**	**70,504**	**279,671**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

EUR	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Acquisition costs						
1 January 2019	1	66,133	1,432,606	68,071	76,514	1,643,325
Investment expenditures	-	201	20,701	20,938	9,145	50,985
Acquisitions (discontinued operation)	-	-	15	24	-	39
Reclassifications	-	1,108	39,908	(90)	(39,322)	1,604
Liquidation	-	(2)	(944)	(5,547)	(9,525)	(16,018)
Other decreases due to discontinued operation	-	-	(485)	(1,140)	-	(1,625)
Exchange differences on translation of foreign operations	-	1,561	33,944	1,501	1,800	38,806
31 December 2019	**1**	**69,001**	**1,525,745**	**83,757**	**38,612**	**1,717,116**
Accumulated depreciation and impairment allowances						
1 January 2019	1	61,024	1,277,959	45,212	14,960	1,399,156
Depreciation	-	217	20,937	6,061	-	27,215
Depreciation from discontinued operation	-	-	9	16	-	25
Impairment allowances, net	**-**	**10**	**(58)**	**(261)**	**(9,030)**	**(9,339)**
recognition	-	-	-	-	497	497
reversal	-	-	-	(38)	-	(38)
reclassifications	-	11	109	(1)	(11)	108
sale and liquidation	-	(1)	(167)	(222)	(9,516)	(9,906)
Reclassifications	-	-	663	(17)	-	646
Liquidation	-	(1)	(777)	(5,319)	-	(6,097)
Other decreases due to discontinued operation	-	-	(408)	(1,051)	-	(1,459)
Exchange differences on translation of	-	1,444	30,255	1,046	422	33,167
31 December 2019	**1**	**62,694**	**1,328,580**	**45,687**	**6,352**	**1,443,314**
Acquisition costs						
1 January 2018	1	62,221	1,330,756	66,351	47,234	1,506,563
Investment expenditures	-	147	25,964	2,474	41,163	69,748
Acquisitions (discontinued operation)	-	-	36	51	-	87
Reclassifications	-	826	13,792	387	(15,117)	(112)
Sales	-	-	-	-	(2)	(2)
Liquidation	-	(1)	(1,371)	(4,164)	(1)	(5,537)
Other decreases due to discontinued operation	-	-	-	(13)	-	(13)
Exchange differences on translation of foreign operations	-	2,940	63,429	2,985	3,237	72,591
31 December 2018	**1**	**66,133**	**1,432,606**	**68,071**	**76,514**	**1,643,325**
Accumulated depreciation and impairment allowances						
1 January 2018	1	58,126	1,207,366	39,889	14,275	1,319,657
Depreciation	-	160	14,769	6,139	-	21,068
Depreciation from discontinued operation	-	-	17	41	-	58
Impairment allowances, net	**-**	**-**	**(213)**	**(576)**	**10**	**(779)**
recognition	-	-	-	59	48	107
reversal	-	-	-	-	(38)	(38)
sale and liquidation	-	-	(213)	(635)	-	(848)
Reclassifications	-	-	-	24	-	24
Liquidation	-	(1)	(1,156)	(2,186)	-	(3,343)
Other decreases due to discontinued operation	-	-	-	(13)	-	(13)
Exchange differences on translation of foreign operations	-	2,739	57,176	1,894	675	62,484
31 December 2018	**1**	**61,024**	**1,277,959**	**45,212**	**14,960**	**1,399,156**
Carrying amounts						
1 January 2019	**-**	**5,109**	**154,647**	**22,859**	**61,554**	**244,169**
31 December 2019	**-**	**6,307**	**197,165**	**38,070**	**32,260**	**273,802**
1 January 2018	**-**	**4,095**	**123,390**	**26,462**	**32,959**	**186,906**
31 December 2018	**-**	**5,109**	**154,647**	**22,859**	**61,554**	**244,169**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Other information connected with property, plant and equipment

	31/12/2019 USD	31/12/2019 EUR	31/12/2018 USD	31/12/2018 EUR
The acquisition costs of all fully depreciated property, plant and equipment still in use	99,456	88,887	92,379	80,652
The carrying amounts of idle property, plant and equipment and not clasified as held for sale	23	21	17	15

6. Intangible assets

USD	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Net carrying amount					
Gross carrying amount	23,448	6,086	-	-	29,534
Accumulated depreciation	14,669	5,867	-	-	20,536
Impairment allowances	3,465	192	-	-	3,657
31 December 2019	**5,314**	**27**	**-**	**-**	**5,341**

USD	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Net carrying amount					
Gross carrying amount	21,337	8,133	-	201	29,671
Accumulated depreciation	13,998	5,862	-	-	19,860
Impairment allowances	3,465	2,192	-	201	5,858
31 December 2018	**3,874**	**79**	**-**	**-**	**3,953**

EUR	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Net carrying amount					
Gross carrying amount	20,957	5,438	-	-	26,395
Accumulated depreciation	13,111	5,242	-	-	18,353
Impairment allowances	3,097	172	-	-	3,269
31 December 2019	**4,749**	**24**	**-**	**-**	**4,773**

EUR	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Net carrying amount					
Gross carrying amount	18,628	7,100	-	176	25,904
Accumulated depreciation	12,221	5,117	-	-	17,338
Impairment allowances	3,025	1,914	-	176	5,115
31 December 2018	**3,382**	**69**	**-**	**-**	**3,451**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

USD	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Acquisition costs					
1 January 2019	21,337	8,133	-	201	29,671
Investment expenditures	2,108	269	-	-	2,377
Purchases	-	-	2,860	-	2,860
Received free of charge	-	-	32,414	-	32,414
Reclassifications	25	(316)	-	-	(291)
Liquidation	-	(2,000)	-	(201)	(2,201)
Other decreases due to discontinued operation	(19)	-	-	-	(19)
Emission settlement	-	-	(35,274)	-	(35,274)
Exchange differences on translation of foreign operations	(3)	-	-	-	(3)
31 December 2019	**23,448**	**6,086**	**-**	**-**	**29,534**
Accumulated amortisation and impairment allowances					
1 January 2019	17,463	8,054	-	201	25,718
Amortisation	693	5	-	-	698
Impairment allowances, net	**-**	**(2,000)**	**-**	**(201)**	**(2,201)**
sale and liquidation		(2,000)		(201)	(2,201)
Other decreases due to discontinued operation	(19)	-	-	-	(19)
Exchange differences on translation of foreign operations	(3)	-	-	-	(3)
31 December 2019	**18,134**	**6,059**	**-**	**-**	**24,193**
Acquisition costs					
1 January 2018	19,551	8,063	-	201	27,815
Investment expenditures	1,812	70	-	-	1,882
Purchases	-	-	3,035	-	3,035
Received free of charge	-	-	15,913	-	15,913
Reclassifications	143	-	-	-	143
Liquidation	(161)	-	-	-	(161)
Emission settlement	-	-	(18,948)	-	(18,948)
Exchange differences on translation of foreign operations	(8)	-	-	-	(8)
31 December 2018	**21,337**	**8,133**	**-**	**201**	**29,671**
Accumulated amortisation and impairment allowances					
1 January 2018	17,133	8,054	-	201	25,388
Amortisation	498	-	-	-	498
Liquidation	(161)	-	-	-	(161)
Exchange differences on translation of foreign operations	(7)	-	-	-	(7)
31 December 2018	**17,463**	**8,054**	**-**	**201**	**25,718**
Carrying amounts					
1 January 2019	**3,874**	**79**	**-**	**-**	**3,953**
31 December 2019	**5,314**	**27**	**-**	**-**	**5,341**
1 January 2018	**2,418**	**9**	**-**	**-**	**2,427**
31 December 2018	**3,874**	**79**	**-**	**-**	**3,953**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

EUR	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Acquisition costs					
1 January 2019	18,628	7,100	-	176	25,904
Investment expenditures	1,889	240	-	-	2,129
Purchases	-	-	2,544	-	2,544
Received free of charge	-	-	28,645	-	28,645
Reclassifications	24	(283)	-	-	(259)
Liquidation	-	(1,802)	-	(181)	(1,983)
Emission settlement	-	-	(31,383)	-	(31,383)
Other decreases due to discontinued operation	(17)	-	-	-	(17)
Exchange differences on translation of foreign operations	433	183	194	5	815
31 December 2019	**20,957**	**5,438**	**-**	**-**	**26,395**
Accumulated amortisation and impairment allowances					
1 January 2019	15,246	7,031	-	176	22,453
Amortisation	620	4	-	-	624
Impairment allowances, net	**-**	**(1,802)**	**-**	**(181)**	**(1,983)**
sale and liquidation		(1,802)		(181)	(1,983)
Other decreases due to discontinued operation	(17)	-	-	-	(17)
Exchange differences on translation of foreign operations	359	181	-	5	545
31 December 2019	**16,208**	**5,414**	**-**	**-**	**21,622**
Acquisition costs					
1 January 2018	16,302	6,723	-	168	23,193
Investment expenditures	1,554	59	-	-	1,613
Purchases	-	-	2,470	-	2,470
Received free of charge	-	-	12,905	-	12,905
Reclassifications	115	-	-	-	115
Liquidation	(139)	-	-	-	(139)
Emission settlement	-	-	(15,419)	-	(15,419)
Exchange differences on translation of foreign operations	796	318	44	8	1,166
31 December 2018	**18,628**	**7,100**	**-**	**176**	**25,904**
Accumulated amortisation and impairment allowances					
1 January 2018	14,286	6,716	-	168	21,170
Amortisation	423	-	-	-	423
Liquidation	(139)	-	-	-	(139)
Exchange differences on translation of foreign operations	676	315	-	8	999
31 December 2018	**15,246**	**7,031**	**-**	**176**	**22,453**
Carrying amounts					
1 January 2019	**3,382**	**69**	**-**	**-**	**3,451**
31 December 2019	**4,749**	**24**	**-**	**-**	**4,773**
1 January 2018	**2,016**	**7**	**-**	**-**	**2,023**
31 December 2018	**3,382**	**69**	**-**	**-**	**3,451**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Other information regarding intangible assets

	31/12/2019 USD	31/12/2019 EUR	31/12/2018 USD	31/12/2018 EUR
The acquisition costs of all fully amortized intangible assets still in use	10,998	9,829	11,818	10,318

Rights

Change in CO_2 emission rights (EUA) in 2019:

	Quantity (in tonnes)	USD	EUR
As at 1 January 2019	-	-	-
Received free of charge	1,280,122	32,414	28,645
Settled emission for 2018 (audited)	(1,680,865)	(35,274)	(31,383)
Purchase	400,743	2,860	2,544
Exchange differences on translation of foreign operations		-	194
As at 31 December 2019	-	-	-
Emission in 2019 (not audited)	1,595,700	36,782	32,873
Shortage	**(1,595,700)**	**(36,782)**	**(32,873)**

The quantity of CO2 emission rights as at 31 December 2019 is not audited. The Parent company will receive emission allowances for 2020 in quantity of 1.3 million tonnes. The missing part will be purchased.

Change in CO_2 emission rights (EUA) in 2018:

	Quantity (in tonnes)	USD	EUR
As at 1 January 2018	-	-	-
Received free of charge	1,306,788	15,913	12,905
Settled emission for 2017 (audited)	(1,709,530)	(18,948)	(15,419)
Purchase	402,742	3,035	2,470
Exchange differences on translation of foreign operations		-	44
As at 31 December 2018	-	-	-
Emission in 2018 (not audited)	1,676,695	39,036	34,080
Shortage	**(1,676,695)**	**(39,036)**	**(34,080)**

As at 31 December 2019 and 31 December 2018 the market value of one EUA amounted to 27.39 USD or 24.48 EUR and amounted 28.22 USD or 24.64 EUR, respectively.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

7. Investments accounted for under equity method

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
1 January	**1,534**	**1,340**	**1,616**	**1,347**
Share of net profit /(loss)	71	64	(12)	(7)
Exchange differences on translation of foreign operations	(35)	(1)	(70)	-
As at 31 December	**1,570**	**1,403**	**1,534**	**1,340**

Represent an investment of a 34% interest in Naftelf UAB, incorporated in Lithuania. In 2019 and 2018 dividends were not paid.

Condensed financial data comprising total assets and liabilities as at 31 December 2019 and 31 December 2018, revenues, financial costs and profit for 2019 and 2018 in Naftelf UAB are disclosed below.

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Non-current assets	766	685	556	485
Current assets	4,729	4,226	4,584	4,002
Equity	4,619	4,128	4,513	3,940
Current liabilities	876	783	627	547

	for the year ended		for the year ended	
	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Sales revenues	31,131	27,577	29,662	26,276
Profit/(loss) from operations	209	185	38	34
Profit/(loss) before tax	218	193	12	11
Tax expense	(10)	(9)	(1)	(1)
Net profit/(loss)	208	184	11	10

8. Other assets

	Note	31/12/2019	31/12/2019	31/12/2018	31/12/2018
		USD	EUR	USD	EUR
Loans granted	22	11	10	18	16
Other non-current receivables	22	589	526	441	385
Financial assets		**600**	**536**	**459**	**401**
Non-current prepayment		853	762	1,033	902
Total non-financial assets		**853**	**762**	**1,033**	**902**
As at 31 December		**1,453**	**1,298**	**1,492**	**1,303**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

9. Inventory

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Raw materials	193,216	172,684	97,345	84,988
Work in progress	34,355	30,703	25,606	22,356
Finished goods	113,288	101,250	127,470	111,288
Goods for resale	6,869	6,139	1,641	1,433
Spare parts	19,245	17,200	18,547	16,192
Inventories, net	**366,973**	**327,976**	**270,609**	**236,257**
Write-down of inventories to the net realizable value	32,419	29,093	38,106	33,269
Inventories, gross	**399,392**	**357,069**	**308,715**	**269,526**

Change in write-down of inventories to net realizable value

	Note	for the year ended		for the year ended	
		31/12/2019	31/12/2019	31/12/2018	31/12/2018
		USD	EUR	USD	EUR
January 1		**38,106**	**33,269**	**14,985**	**12,497**
Recognition	18	18,394	16,568	23,086	20,228
Utilization		(6,290)	(5,545)	-	-
Reversal	18	(18,169)	(15,918)	-	-
Exchange differences on translation of foreign operations		(17)	55	18	(56)
Write-down of inventories excluding spare parts		**(6,082)**	**(4,840)**	**23,104**	**20,172**
Recognition	18	707	629	1,054	857
Reversal	18	(312)	(283)	(1,037)	(888)
Exchange differences on translation of foreign operations		-	318	-	631
Write-down of spare parts for obsolescence		**395**	**664**	**17**	**600**
As at 31 December		**32,419**	**29,093**	**38,106**	**33,269**

As at 31 December 2019 the Group inventory includes state fuel reserve of USD 144,911 thousand or EUR 129,512 thousand (as at 31 December 2018: USD 120,605 thousand or EUR 105,295 thousand).

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

10. Trade and other receivables

	Note	31/12/2019	31/12/2019	31/12/2018	31/12/2018
		USD	EUR	USD	EUR
Trade receivables		282,095	252,118	257,368	224,697
Other		3,237	2,894	6,119	5,342
Financial assets	**22**	**285,332**	**255,012**	**263,487**	**230,039**
Other taxation, duty, social security receivables and other benefits		42	37	303	265
Deferred insurance costs		11,482	10,262	9,066	7,915
Accrued income and deferred charges		806	720	578	505
Prepayments for delivery		28	25	3,791	3,310
Non-financial assets		**12,358**	**11,044**	**13,738**	**11,995**
Receivables, net		**297,690**	**266,056**	**277,225**	**242,034**
Receivables impairment allowance		4,784	4,276	6,899	6,023
Receivables, gross		**302,474**	**270,332**	**284,124**	**248,057**

As at 31 December 2019 and 31 December 2018 trade and other receivables denominated in functional currencies amounted to USD 104,999 thousand or EUR 93,841 thousand and USD 145,158 thousand or EUR 126,732 thousand, respectively.

Detailed information about receivables from related parties is disclosed in Note 23.4.

Detailed information of financial assets denominated in foreign currencies is presented in Note 23.5.3.2.

Change in expected credit loss of trade and other receivables

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
1 January	531	443	957	798
Reversal	(4)	(3)	(170)	(144)
Discontinued operation	-	-	(13)	(11)
Exchange differences on translation of foreign operations	-	-	(11)	(10)
As at 31 December	**527**	**440**	**763**	**633**

Change in impairment allowances of trade and other receivables

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
1 January	6,136	5,390	7,420	6,188
Recognition	2,005	1,720	101	87
Utilisation	-	-	(1,690)	(1,450)
Reversal	(1,892)	(1,616)	(113)	(92)
Other increases/decreases	(1,880)	(1,614)	708	574
Exchange differences on translation of foreign operations	(112)	(44)	(290)	83
As at 31 December	**4,257**	**3,836**	**6,136**	**5,390**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

11. Other financial assets

	Note	31/12/2019 USD	31/12/2019 EUR	31/12/2018 USD	31/12/2018 EUR
Cash flow hedge instruments - commodity swaps	22	1,241	1,109	9,282	8,103
Derivatives not designated for hedge accounting - commodity swaps	22	2,782	2,486	-	-
Deposits	22	-	-	241	210
Loans granted	22	4	4	5	4
Receivables from cash pool	22	42,995	38,426	98,737	86,203
Receivables on settled cash flow hedge instruments	22	5,094	4,553	10,273	8,969
Receivables on settled derivatives not designated for hedge accounting	22	2,737	2,446	-	-
As at 31 December		**54,853**	**49,024**	**118,538**	**103,489**

As at 31 December 2018 the Group had short term deposits of USD 241 thousand or EUR 210 thousand. The use of these funds was restricted by banks as collateral for the proper performance of contract or legal obligations. As at 31 December 2019 the Group did not have short term deposits.

12. Share capital

Share capital of the Parent Company is EUR 5,793,562. Nominal value of one share is 1 EUR.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Parent company.

The sole shareholder of the Parent company is PKN ORLEN S.A., controlling 100 % shares. In 2018 and in 2019 Parent company did not pay dividends.

13. Provisions

	Non-current		Current		Total	
USD	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Environmental	1,896	1,864	594	1,149	2,490	3,013
Post employment benefits	3,805	4,322	470	439	4,275	4,761
Business risk	-	-	3,162	1,951	3,162	1,951
CO2 emissions	-	-	36,782	39,036	36,782	39,036
As at 31 December	**5,701**	**6,186**	**41,008**	**42,575**	**46,709**	**48,761**

	Non-current		Current		Total	
EUR	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Environmental	1,694	1,628	531	1,003	2,225	2,631
Post employment benefits	3,401	3,773	420	383	3,821	4,156
Business risk	-	-	2,826	1,703	2,826	1,703
CO2 emissions	-	-	32,873	34,080	32,873	34,080
As at 31 December	**5,095**	**5,401**	**36,650**	**37,169**	**41,745**	**42,570**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Change in provisions in 2019

USD	Environ-mental	Post employment benefits	Business risk	Provision for CO2	Total
1 January 2019	**3,013**	**4,761**	**1,951**	**39,036**	**48,761**
Recognition	465	479	6,434	36,814	**44,192**
Usage	(878)	(267)	(2,217)	(35,274)	**(38,636)**
Reversal	(79)	-	(2,853)	-	**(2,932)**
Correction of previous years	-	-	-	(3,794)	**(3,794)**
Accounted from equity	-	(167)	-	-	**(167)**
Discontinued operations		(419)		-	**(419)**
Exchange differences on translation of foreign operations	(31)	(112)	(153)	-	**(296)**
As at 31 December 2019	**2,490**	**4,275**	**3,162**	**36,782**	**46,709**

EUR	Environ-mental	Post employment benefits	Business risk	Provision for CO2	Total
1 January 2019	**2,631**	**4,156**	**1,703**	**34,080**	**42,570**
Recognition	416	430	5,719	32,770	**39,335**
Usage	(787)	(241)	(1,974)	(31,383)	**(34,385)**
Reversal	(71)	-	(2,541)	28	**(2,584)**
Correction of previous years	-	-	-	(2,622)	**(2,622)**
Accounted from equity	-	(149)	-	-	**(149)**
Discontinued operations		(370)		-	**(370)**
translation of foreign operations	36	(5)	(81)	-	**(50)**
As at 31 December 2019	**2,225**	**3,821**	**2,826**	**32,873**	**41,745**

Change in provisions in 2018

USD	Environ-mental	Post employment benefits	Business risk	Provision for CO2	Total
1 January 2018	**4,184**	**4,559**	**18,524**	**15,673**	**42,940**
Recognition	312	386	242	42,311	**43,251**
Usage	(1,177)	(8)	(12,184)	(18,948)	**(32,317)**
Reversal	(125)	-	(2,812)	-	**(2,937)**
Accounted from equity	-	27	-	-	**27**
Exchange differences on translation of foreign operations	(181)	(203)	(1,819)	-	**(2,203)**
As at 31 December 2018	**3,013**	**4,761**	**1,951**	**39,036**	**48,761**

EUR	Environ-mental	Post employment benefits	Business risk	Provision for CO2	Total
1 January 2018	**3,488**	**3,802**	**15,445**	**13,069**	**35,804**
Recognition	267	339	213	36,026	**36,845**
Usage	(1,010)	(7)	(10,226)	(15,419)	**(26,662)**
Reversal	(110)	-	(2,410)	-	**(2,520)**
Accounted from equity	-	24	-	-	**24**
translation of foreign operations	(4)	(2)	(1,319)	404	**(921)**
As at 31 December 2018	**2,631**	**4,156**	**1,703**	**34,080**	**42,570**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

13.1. Environmental provision

The Parent company has legal obligation to clean contaminated land-water environment in the area of production plant in Mažeikiai.

The operation of the refinery causes pollution. A provision was recognized for the costs to be incurred for handling of waste. The amount of the provision is the best estimate of the Management based on evaluation of the remaining quantities and average level of costs necessary to remove contamination and waste. The potential future changes in regulation and common practice regarding environmental protection may influence the value of this provision in the future periods.

13.2. Provision for post-employment benefits

The Parent company conducts the program of paying out the post-employment benefits, which includes retirement and pension benefits in line with local law as well as other post-employment benefits. Provisions for post-employment benefits are calculated individually for each entitled individual. The base for the calculation of provision for an employee is expected benefit which the Parent company is obliged to pay in accordance with Labour Code of the country and Collective Agreement. The retirement (pension) benefits are paid once at retirement (pension). The amount of retirement and pension benefits depends on the employee's remuneration. The present value of these obligations is estimated at the end of each reporting year by an independent actuary. The provision amount equals discounted future payments, considering employee rotation and relate to the period ended at the last day of the reporting year.

The Parent company implements employee benefit payments from current resources. There are no financing programs, or contributions to fund obligations.
On the basis of existing legislation, the Parent company is obliged to pay contributions to the national pension insurance. These expenses are recognized as employee benefit costs. The Parent company has no other obligations in this respect.

Change in post-employment benefits in 2019

	Note	2019		2018	
		USD	EUR	USD	EUR
1 January		**4,761**	**4,156**	**4,559**	**3,802**
Current service costs		191	172	214	188
Interest expense		41	37	34	30
Actuarial gains and losses recognized in Other Comprehensive Income net		**(167)**	**(149)**	**27**	**24**
demographic assumptions		82	74	(54)	(47)
financial assumptions		288	259	125	110
experience adjustment		(537)	(482)	(44)	(39)
Change of share structure		(420)	(375)	-	-
Payments under program		(101)	(91)	(8)	(7)
Recognized past service cost		79	72	137	121
Exchange differences		(109)	(1)	(202)	(2)
As at 31 December		**4,275**	**3,821**	**4,761**	**4,156**

The carrying amount of employment benefits liabilities is identical to their present value as at 31 December 2019 and 31 December 2018.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Analysis of sensitivity to change in actuarial assumptions

For the Group entities, in order to update the provision for employee benefits as at 31 December 2019, the Group used the following actuarial assumptions: discount rate of 0.3 %; inflation rate 2.2% in 2020 and 2.0% in following years and the remuneration increase rate 4% in 2020 and 3 % in the following years.
The Group analysed the impact of the financial and demographic assumptions and calculated that the changes of ratios: remuneration ratio by +/- 0.5 p.p., the discount rate by +/- 0.5 p.p. and the rate of turnover by +/- 0.5 p.p. in Lithuania is not higher than USD 388 thousand. Therefore, the Parent company does not present any detailed information.
The Parent company carries out the employee benefit payments from current resources. As at 31 December 2019 there were no funding plans and Parent company paid no contributions to fund liabilities.
Employee benefits are calculated for active employees.

Analysis of liabilities and payment terms for employee benefits as at 31 December 2019

	31/12/2019		31/12/2018	
	USD	EUR	USD	EUR
up to 1 year	469	420	439	383
from 1 to 3 years	289	258	361	315
from 3 to 5 years	252	225	338	295
above 5 years	3,265	2,918	3,623	3,163
	4,275	**3,821**	**4,761**	**4,156**

The weighted average duration of liabilities in Lithuania for post-employment benefits as at 31 December 2019 were 13 years and as at 31 December 2018 were 12 years.

Not discounted future cash flow of employee benefits payments

	31/12/2019		31/12/2018	
	USD	EUR	USD	EUR
up to 1 year	474	424	446	389
from 1 to 3 years	309	276	396	346
from 3 to 5 years	300	268	411	359
above 5 years	8,912	7,965	10,403	9,082
Total	**9,995**	**8,933**	**11,656**	**10,176**

Should the prior year assumptions be used, the provision for the employee benefits would be lower by USD 269 thousand or EUR 240 thousand (2018: lower by USD 72 thousand or EUR 62 thousand).

13.3. Business risk provision

Business risk is described in more detail in Note 23.2 concerning significant legal proceedings.

13.4. Provision for CO_2 emission

The cost of recognized provision in the consolidated statement of profit or loss is compensated with settlement of deferred income on CO2 emission allowances granted free of charge and additional CO2 emission allowances acquired from the market/parent company (if any).

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

14. Lease

Change is assets due to right of use

USD	Land	Buildings and constructions	Vehicles and other	Total
01/01/2019				
Gross carrying amount	5,229	218	13,541	**18,988**
Gross carrying amount from discontinued operations	-	887	42	**929**
	5,229	**1,105**	**13,583**	**19,917**
increases/(decreases), net				
Depreciation	(61)	(115)	(8,390)	**(8,566)**
Accumulated depreciation from discontinued operations	-	(94)	(6)	**(100)**
Other	(713)	254	1,776	**1,317**
Discontinued operations	-	(771)	(35)	**(806)**
Exchange differences on translation of foreign operations	-	(21)	(2)	**(23)**
	4,455	**358**	**6,926**	**11,739**
31/12/2019				
Gross carrying amount	4,516	454	14,645	**19,615**
Accumulated depreciation	(61)	(96)	(7,719)	**(7,876)**
	4,455	**358**	**6,926**	**11,739**

EUR	Land	Buildings and constructions	Vehicles and other	Total
01/01/2019 - Impact of IFRS 16 adoption				
Gross carrying amount	4,565	190	11,823	**16,578**
Gross carrying amount from discontinued operations	-	775	36	**811**
	4,565	**965**	**11,859**	**17,389**
increases/(decreases), net				
Depreciation	(54)	(102)	(7,505)	**(7,661)**
Accumulated depreciation from discontinued operations	-	(84)	(5)	**(89)**
Other	(646)	229	1,593	**1,176**
Discontinued operations	-	(692)	(31)	**(723)**
Exchange differences on translation of foreign operations	117	4	279	**400**
	3,982	**320**	**6,190**	**10,492**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Maturity analysis for lease liabilities

	USD 31/12/2019	EUR 31/12/2019
up to 1 year	8,179	7,310
from 1 to 2 years	689	616
from 2 to 3 years	564	504
from 3 to 4 years	565	505
from 4 to 5 years	462	413
above 5 years	12,769	11,412
Discount	(9,110)	(8,142)
Total	**14,118**	**12,618**

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

	USD 2019	EUR 2019
Costs due to:		
interest on lease	315	282
short-term lease	1,324	1,183
Total	**1,639**	**1,465**

Reconciliation of future minimum lease payments disclosed as at 31 December 2018 with lease liabilities recognized in the statement of financial position as at 1 January 2019

	USD	EUR
Value of future minimum lease payments under operating lease	31,186	27,227
Contractual lease liabilities as at 31/12/2018	**31,186**	**27,227**
Discount	(11,269)	(9,838)
Present value of lease liabilities as at 01/01/2019	**19,917**	**17,389**
Value of contractual lease liabilities – impact of IFRS 16 adoption as at 01/01/2019	**19,917**	**17,389**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

15. Trade and other liabilities

	Note	31/12/2019	31/12/2019	31/12/2018	31/12/2018
		USD	EUR	USD	EUR
Trade liabilities		210,157	187,824	248,359	216,832
Investment liabilities		11,542	10,316	26,356	23,010
Uninvoiced services		60,829	54,366	18,980	16,570
Financial liabilities	**22**	**282,528**	**252,506**	**293,695**	**256,412**
Payroll liabilities		2,121	1,895	189	165
Excise tax and fuel charge		36,801	32,892	22,858	19,956
Value added tax		53,532	47,843	42,966	37,512
Other taxation, duties, social security and other benefits		4,391	3,924	3,925	3,426
Acruals		6,117	5,467	6,199	5,413
Holiday pay accrual		3,772	3,371	3,995	3,488
Other accruals		2,345	2,096	2,204	1,925
Advance payments and prepayments		3,698	3,304	2,767	2,416
Other liabilities		1,462	1,306	1,141	996
Non-financial liabilities		**108,122**	**96,631**	**80,045**	**69,884**
Total		**390,650**	**349,137**	**373,740**	**326,296**

Trade and other liabilities denominated in functional currency amounted to USD 198,482 thousand or EUR 177,390 thousand as at 31 December 2019 and USD 210,533 thousand or EUR 183,808 thousand as at 31 December 2018.

Detailed information of financial liabilities denominated in foreign currencies is presented in Note 22.5.3.2.

16. Other liabilities

	Note	31/12/2019	31/12/2019	31/12/2018	31/12/2018
		USD	EUR	USD	EUR
Cash flow hedge instruments - commodity swaps	22	3,710	3,316	1,592	1,390
Derivatives not designated for hedge accounting - commodity swaps	22	4,859	4,343	-	-
Liabilities from cash pool	22	15,069	13,468	27,241	23,783
Liabilities on settled derivatives not designated for hedge accounting	22	8,362	7,473	-	-
Liabilities on settled cash flow hedge instruments	22	2,479	2,215	7,727	6,746
		34,479	**30,815**	**36,560**	**31,919**

The Parent Company, ORLEN Eesti and ORLEN Latvia are the members of the international cash pool managed by PKN ORLEN S.A. The internal cross-currency credit limit granted to ORLEN Latvia is 20 million EUR (or 22 million USD), to ORLEN Eesti - 10 million EUR (or 11 million USD) and to the Parent Company - 149 million EUR (or 167 million USD). The date of full repayment of the internal cross-currency credit limit is 30 June 2020.

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17. Sales revenues

	for the year ended		for the year ended	
	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Sales of finished goods	4,999,375	4,466,944	5,454,334	4,639,031
Sales of services	25,996	23,304	25,089	21,195
Revenues from sales of finished goods and services, net	**5,025,371**	**4,490,248**	**5,479,423**	**4,660,226**
Sales of goods for resale	96,477	85,982	51,057	42,855
Sales of spare parts and other materials	1,015	902	1,194	1,010
Revenues from sales of goods for resale and spare parts, net	**97,492**	**86,884**	**52,251**	**43,865**
Total	**5,122,863**	**4,577,132**	**5,531,674**	**4,704,091**

Sales revenues by assortments

	for the year ended		for the year ended	
	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Gasoline	1,419,852	1,269,200	1,636,715	1,390,756
Diesel fuel	2,511,430	2,243,251	2,723,362	2,315,171
Jet A-1 fuel	300,023	268,168	264,443	224,875
Heavy heating oil	462,154	411,935	603,275	513,959
LPG	117,455	104,972	143,003	121,677
Bitumens	124,482	111,397	105,807	90,856
Other	160,456	144,003	28,786	24,592
Sales of spare parts and other materials	1,015	902	1,194	1,010
Services	25,996	23,304	25,089	21,195
Total	**5,122,863**	**4,577,132**	**5,531,674**	**4,704,091**

In 2019, there were two major customers in the Group, whose revenues from sales amounted to USD 1,102,062 thousand or EUR 992,652 thousand and individually exceeded 10% of total revenues from sale to external customers.

In 2018 there was one major customer in the Group, whose revenues from sales amounted to USD 1,334,132 thousand or EUR 1,129,080 thousand and individually exceeded 10% of total revenues from sale to external customers.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Sales revenues geographical division – disclosed by customer's premises countries

	for the year ended		for the year ended	
	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Lithuania	1,215,788	1,087,102	1,226,445	1,042,465
Other Baltic countries	1,207,409	1,079,691	1,205,368	1,024,871
Poland	516,222	459,572	566,110	482,800
Other EU countries	177,767	159,707	73,702	61,986
Other countries, including:	**2,005,677**	**1,791,060**	**2,460,049**	**2,091,969**
Switzerland	680,684	606,612	1,206,795	1,027,041
Ukraine	469,794	420,553	435,852	372,260
Singapore	583,262	520,861	805,233	682,437
Other countries	271,937	243,034	12,169	10,231
Total	**5,122,863**	**4,577,132**	**5,531,674**	**4,704,091**

18. Operating expenses

Cost of sales

	for the year ended		for the year ended	
	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Cost of finished goods and services sold	4,717,938	4,215,571	5,236,388	4,455,970
Cost of goods for resale and spare parts sold	95,889	85,446	51,778	43,547
Total	**4,813,827**	**4,301,017**	**5,288,166**	**4,499,517**

Cost by kind

	Note	for the year ended		for the year ended	
		31/12/2019	31/12/2019	31/12/2018	31/12/2018
		USD	EUR	USD	EUR
Usage of materials and energy		4,629,101	4,135,909	5,136,287	4,366,925
External services		189,410	169,176	183,923	156,151
Employee benefits, including:		47,446	42,378	48,947	41,299
payroll expenses		46,399	41,444	38,041	32,105
social security expenses		1,047	934	10,906	9,194
Depreciation and amortisation	5,6, 14	39,740	35,505	25,267	21,489
Taxes and charges		4,227	3,776	27,028	23,155
Other costs		12,540	11,200	11,639	9,875
		4,922,464	**4,397,944**	**5,433,091**	**4,618,894**
Costs of goods for resale		97,324	86,779	56,239	47,398
Change in finished goods and work in progress		11,562	10,327	(14,851)	(9,253)
Cost of products and services for own use		1,474	1,316	2,337	2,130
Write-down of inventories	9	620	996	23,103	20,197
Total operating expenses		**5,033,444**	**4,497,362**	**5,499,919**	**4,679,366**
Distribution expenses		173,190	154,837	165,334	140,550
Administrative expenses		46,427	41,508	46,419	39,299
Cost of sales		4,813,827	4,301,017	5,288,166	4,499,517
Total operating expenses		**5,033,444**	**4,497,362**	**5,499,919**	**4,679,366**

(all tabular amounts are in USD’000 and EUR’000 unless otherwise stated)

19. Other operating income and expenses

19.1. Other operating income

	Note	for the year ended 31/12/2019	for the year ended 31/12/2019	for the year ended 31/12/2018	for the year ended 31/12/2018
		USD	EUR	USD	EUR
Profit from disposal of non-financial fixed assets		29	26	80	66
Reversal of provisions		2,932	2,612	2,937	2,520
Decreases of impairment allowances of property, plant and equipment and intangible assets		634	575	50	43
Penalties and compensations earned		161	142	225	188
Settlement and valuation of derivative financial instruments related to operational exposure	22.2	11,662	10,502	36,140	29,629
Ineffective part related to operational exposure	22.2	4,166	3,675	9,721	7,996
Stocktaking discrepancies		2,282	2,051	3,733	3,277
Compensated income		10,761	9,695	-	-
Other		29	(2)	31	27
Total		**32,656**	**29,276**	**52,917**	**43,746**

19.2. Other operating expenses

	Note	for the year ended 31/12/2019	for the year ended 31/12/2019	for the year ended 31/12/2018	for the year ended 31/12/2018
		USD	EUR	USD	EUR
Loss from disposal of non-financial fixed assets		36	33	1,658	1,350
Donations		1,246	1,108	1,705	1,423
Recognition of provisions		6,434	5,719	242	213
Recognition of impairment allowances of property, plant and equipment, intangible assets and non-current assets classified as held for sale		549	497	127	107
Penalties and compensations		130	117	274	227
Revaluation of CO2 granted		-	-	3,264	2,670
Settlement and valuation of derivative financial instruments related to operational exposure	22.2	27,411	24,741	34,956	28,653
Ineffective part related to operational exposure	22.2	4,331	3,815	12,757	10,428
Compensated costs		10,761	9,695	-	-
Other		132	119	45	39
Total		**51,030**	**45,844**	**55,028**	**45,110**

Beginning from 1 January 2019 the Group presents settlement and valuation of derivatives not designated as hedge accounting and the ineffective part of hedged derivatives related to hedging exposures to risk related to operating activities, in other operating income and expenses. In the previous period, the Group presented the above transactions within financing activities. Comparative data was not restated due to their immaterial impact. As a result of changes in the presentation, the Group recognizes both changes in the value of the hedged item and the effects of hedging transactions within the result from operating activities.

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20. Finance income and costs

20.1.Finance income

	Note	for the year ended 31/12/2019	31/12/2019	for the year ended 31/12/2018	31/12/2018
		USD	EUR	USD	EUR
Interest	22.2	2,782	2,476	1,706	1,445
Other	22.2	-	-	199	161
Total		**2,782**	**2,476**	**1,905**	**1,606**

20.2.Finance costs

	Note	for the year ended 31/12/2019	31/12/2019	for the year ended 31/12/2018	31/12/2018
		USD	EUR	USD	EUR
Interest	22.2	1,328	1,185	1,370	1,160
Foreign exchange loss	22.2	812	743	4,617	3,913
Costs of factoring	22.2	749	669	758	641
Other	22.2	43	38	76	65
Total		**2,932**	**2,635**	**6,821**	**5,779**

21. Income tax expenses

	for the year ended 31/12/2019	31/12/2019	for the year ended 31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Tax expense in the statement of profit or loss	**(4,918)**	**(4,417)**	**(3,307)**	**(3,284)**
Current tax expense	(810)	(722)	235	(61)
Deferred tax expense	(4,108)	(3,695)	(3,542)	(3,223)
Deferred tax recognized in other comprehensive income	**-**	**-**	**(3)**	**(3)**
Actuarial gains and losses from post-employment benefits	-	-	(3)	(3)
Total	**(4,918)**	**(4,417)**	**(3,310)**	**(3,287)**

21.1.The differences between income tax expense recognized in profit or loss and the amount calculated based on profit before tax

	for the year ended 31/12/2019	31/12/2019	for the year ended 31/12/2018	31/12/2018
	USD	EUR	USD	EUR
Profit (loss) for the period before tax	70,853	63,005	24,885	19,319
Profit tax applying 15 % tax rate	10,628	9,451	3,733	2,898
Effect of different tax rates in other countries	267	239	-	-
Non-taxable income	(5,813)	(5,195)	(2,139)	(1,810)
Expenses not deductible for tax purposes	1,433	1,281	2,448	2,072
Fixed asset investment relief utilization	(1,191)	(1,064)	(6,480)	(5,483)
Tax loss utilization	(7,718)	(6,898)	(362)	(306)
Change in estimates related to prior years	(2,152)	(1,923)	(908)	(768)
Other	(372)	(332)	401	339
Exchange differences on translation of foreign operations	-	24	-	(226)
Tax expense	**(4,918)**	**(4,417)**	**(3,307)**	**(3,284)**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

21.2. Deferred tax

	31/12/2018		Deferred tax recognized in statement of profit or loss		31/12/2019	
Deferred tax assets / (liabilities)	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**
Impairment allowances	121,438	106,022	(13,537)	(9,587)	107,901	96,435
Provisions and accruals (included actuarial loss)	2,675	2,335	7,890	7,108	10,565	9,443
Unrealized Exchange differences on translation foreign operations	(4,290)	(3,745)	(514)	(549)	(4,804)	(4,294)
Difference between carrying amount and tax base of property, plant and equipment	(41,561)	(36,285)	(6,667)	(6,818)	(48,228)	(43,103)
Tax loss	1,880	1,641	4,357	3,933	6,237	5,574
Investment relief	5,897	5,148	(249)	(100)	5,648	5,048
Other	695	607	23	35	718	642
Total deferred tax assets / (liabilities)	**86,734**	**75,723**	**(8,697)**	**(5,978)**	**78,037**	**69,745**
Deferred tax asset / (liabilities) not recognised	**(78,827)**	**(68,821)**	**12,675**	**9,698**	**(66,152)**	**(59,123)**
Deferred tax, net	**7,907**	**6,902**	**3,978**	**3,720**	**11,885**	**10,622**

	31/12/2017		Deferred tax recognized in statement of profit or		Deferred tax recognized in other comprehensive		31/12/2018	
Deferred tax assets / (liabilities)	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**
Impairment allowances	116,639	97,256	4,799	8,766	-	-	121,438	106,022
Provisions and accruals (included actuarial loss)	3,418	2,850	(746)	(518)	3	3	2,675	2,335
Unrealized foreign exchange differences	1,100	917	(5,390)	(4,662)	-	-	(4,290)	(3,745)
Difference between carrying amount and tax base of property, plant and equipment	(34,675)	(28,913)	(6,886)	(7,372)	-	-	(41,561)	(36,285)
Tax loss	4,239	3,535	(2,359)	(1,894)	-	-	1,880	1,641
Financial instruments valuation	2,060	1,718	(2,060)	(1,718)	-	-	-	-
Investment relief	4,625	3,856	1,272	1,292	-	-	5,897	5,148
Other	759	633	(64)	(26)	-	-	695	607
Total deferred tax assets / (liabilities)	**98,165**	**81,852**	**(11,434)**	**(6,132)**	**3**	**3**	**86,734**	**75,723**
Deferred tax asset / (liabilities) not recognised	**(93,858)**	**(78,259)**	**15,031**	**9,438**	**-**	**-**	**(78,827)**	**(68,821)**
Deferred tax, net	**4,307**	**3,593**	**3,597**	**3,306**	**3**	**3**	**7,907**	**6,902**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

22. Financial instruments and financial risks

22.1. Financial instruments by category and class

Financial assets

as at 31 December 2019

USD		Financial instruments by category			
		Measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Other non-current receivables	8	589	-	-	589
Trade and other receivables	10	285,332	-	-	285,332
Receivables from cash pool	11	42,995	-	-	42,995
Loans granted	8,11	15	-	-	15
Cash flow hedge instruments	11	-	1,241	-	1,241
Derivatives not designated as hedge accounting	11	-	-	2,782	2,782
Receivables on settled cash flow hedge instruments	11	5,094	-	-	5,094
Receivables on settled derivatives not designated as hedge accounting	11	2,737	-	-	2,737
Cash and cash equivalents		11,384	-	-	11,384
Total		**348,146**	**1,241**	**2,782**	**352,169**

EUR		Financial instruments by category			
		Measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Other non-current receivables	8	526	-	-	526
Trade and other receivables	10	255,012	-	-	255,012
Receivables from cash pool	11	38,426	-	-	38,426
Loans granted	8,11	14	-	-	14
Cash flow hedge instruments	11	-	1,109	-	1,109
Derivatives not designated as hedge accounting	11	-	-	2,486	2,486
Receivables on settled cash flow hedge instruments	11	4,553	-	-	4,553
Receivables on settled derivatives not designated as hedge accounting	11	2,446	-	-	2,446
Cash and cash equivalents		10,175	-	-	10,175
Total		**311,152**	**1,109**	**2,486**	**314,747**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

as at 31 December 2018

USD		Financial instruments by category			
		Measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Other non-current receivables	8	441	-	-	441
Deposits	11	-	-	-	241
Trade and other receivables	10	263,487	-	-	263,487
Receivables from cash pool	11	98,737	-	-	98,737
Loans granted	8,11	23	-	-	23
Cash flow hedge instruments	11	-	9,282	-	9,282
Receivables on settled cash flow hedge instruments	11	10,273	-	-	10,273
Cash and cash equivalents		14,490	-	-	14,490
Total		**387,451**	**9,282**	**-**	**396,974**

EUR		Financial instruments by category			
		Measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Other non-current receivables	8	385	-	-	385
Deposits	11	-	-	-	210
Trade and other receivables	10	230,039	-	-	230,039
Receivables from cash pool	11	86,203	-	-	86,203
Loans granted	8,11	20	-	-	20
Cash flow hedge instruments	11	-	8,103	-	8,103
Receivables on settled cash flow	11	8,969	-	-	8,969
Cash and cash equivalents		12,651	-	-	12,651
Total		**338,267**	**8,103**	**-**	**346,580**

Financial liabilities

as at 31 December 2019

USD		Financial instruments by category			
		Financial liabilities measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Trade and other liabilities	15	282,528	-	-	282,528
Lease liabilities	14	14,118	-	-	14,118
Liabilities from cash pool	16	15,069	-	-	15,069
Cash flow hedge instruments	16	-	3,710	-	3,710
Derivatives not designated as hedge accounting	16	-	-	4,859	4,859
Liabilities on settled cash flow hedge instruments	16	2,479	-	-	2,479
Liabilities on settled derivatives not designated as hedge accounting	16	8,362	-	-	8,362
Total		**322,556**	**3,710**	**4,859**	**331,125**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

EUR		Financial instruments by category			
		Financial liabilities measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Trade and other liabilities	15	252,506	-	-	252,506
Lease liabilities	14	12,618	-	-	12,618
Liabilities from cash pool	16	13,468	-	-	13,468
Cash flow hedge instruments	16	-	3,316	-	3,316
Derivatives not designated as hedge accounting	16	-	-	4,343	4,343
Liabilities on settled cash flow hedge instruments	16	2,215	-	-	2,215
Liabilities on settled derivatives not designated as hedge accounting	16	7,473	-	-	7,473
Total		**288,280**	**3,316**	**4,343**	**295,939**

as at 31 December 2018

USD		Financial instruments by category			
		Financial liabilities measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Trade and other liabilities	15	293,695	-	-	293,695
Liabilities from cash pool	16	27,241	-	-	27,241
Cash flow hedge instruments	16	-	1,592	-	1,592
Liabilities on settled cash flow hedge instruments	16	7,727	-	-	7,727
Total		**328,663**	**1,592**	**-**	**330,255**

EUR		Financial instruments by category			
		Financial liabilities measured at amortized cost	Hedging financial instruments	At fair value through profit or loss	Total
Financial instruments by class	**Note**				
Trade and other liabilities	15	256,412	-	-	256,412
Liabilities from cash pool	16	23,783	-	-	23,783
Cash flow hedge instruments	16	-	1,390	-	1,390
Liabilities on settled cash flow hedge instruments	16	6,746	-	-	6,746
Total		**286,941**	**1,390**	**-**	**288,331**

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22.2. Income and expense, profit and loss in the consolidated statement of profit or loss and other comprehensive income

As at 31 December 2019

USD		Financial instruments by category: Measured at amortized cost	At fair value through prifit or loss	Hedging financial instruments (ineffective part)	Total
Financial instruments by class	**Note**				
Interest income	20.1	2,782	-	-	2,782
Interest costs	20.2	(1,328)	-	-	(1,328)
Foreign exchange gain/(loss)	20.2	(812)	-	-	(812)
(Loss)/Reversal of loss due to impairment of financial instruments		(113)	-	-	(113)
Settlement and valuation of financial instruments related to operational exposure	19.1,19.2	-	(15,749)	(165)	(15,914)
Costs of factoring	20.2	(749)	-	-	(749)
Other	20.1, 20.2	(43)	-	-	(43)
Total		**(263)**	**(15,749)**	**(165)**	**(16,177)**

EUR		Financial instruments by category: Measured at amortized cost	At fair value through prifit or loss	Hedging financial instruments (ineffective part)	Total
Financial instruments by class	**Note**				
Interest income	20.1	2,476	-	-	2,476
Interest costs	20.2	(1,185)	-	-	(1,185)
Foreign exchange gain/(loss)	20.2	(743)	-	-	(743)
(Loss)/Reversal of loss due to impairment of financial instruments		(102)	-	-	(102)
Settlement and valuation of financial instruments related to operational exposure	19.1,19.2	-	(14,239)	(140)	(14,379)
Costs of factoring	20.2	(669)	-	-	(669)
Other	20.1, 20.2	(38)	-	-	(38)
Total		**(261)**	**(14,239)**	**(140)**	**(14,640)**

As at 31 December 2018

USD		Financial instruments by category: Measured at amortized cost	At fair value through prifit or loss	Hedging financial instruments (ineffective part)	Total
Financial instruments by class	**Note**				
Interest income	20.1	1,706	-	-	1,706
Interest costs	20.2	(1,370)	-	-	(1,370)
Foreign exchange gain/(loss)	20.2	(4,617)	-	-	(4,617)
Recognition/reversal of receivables impairment allowances recognized in other operating income/expenses, net		169	-	-	169
Settlement and valuation of financial instruments	19.1,19.2	-	1,184	(3,036)	(1,852)
Costs of factoring	20.2	(758)	-	-	(758)
Other	20.1, 20.2	123	-	-	123
Total		**(4,747)**	**1,184**	**(3,036)**	**(6,599)**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

EUR		Financial instruments by category			
		Measured at amortized cost	At fair value through prifit or loss	Hedging financial instruments (ineffective part)	Total
Financial instruments by class	**Note**				
Interest income	20.1	1,445	-	-	1,445
Interest costs	20.2	(1,160)	-	-	(1,160)
Foreign exchange gain/(loss)	20.2	(3,913)	-	-	(3,913)
Recognition/reversal of receivables impairment allowances recognized in other operating income/expenses, net		138	-	-	138
Settlement and valuation of financial instruments	19.1,19.2	-	976	(2,432)	(1,456)
Costs of factoring	20.2	(641)	-	-	(641)
Other	20.1, 20.2	96	-	-	96
Total		**(4,035)**	**976**	**(2,432)**	**(5,491)**

22.3. Fair value measurement

As at 31 December 2019 and as at 31 December 2018 fair value of financial assets and financial liabilities are equal or similar to carrying amount due to their short term nature.

22.4. Hedge accounting

As a part of hedging strategy the Parent Company hedges its cash flows from sales of products and purchase of crude oil using commodity swaps.

Net result of cash flows hedge instruments accounted in financial assets and financial liabilities:

	Note	31/12/2019 USD	31/12/2019 EUR	31/12/2018 USD	31/12/2018 EUR
Cash flows hedge instruments					
Commodity swap	11,16	(2,469)	(2,207)	7,690	6,713
Total		**(2,469)**	**(2,207)**	**7,690**	**6,713**

Cash flows hedge recognized in financial statements

	31/12/2019 USD	31/12/2019 EUR	31/12/2018 USD	31/12/2018 EUR
Inventories	(1,548)	(1,383)	3,710	3,239
Sales revenues	(3,722)	(3,352)	(81,609)	(71,728)
Cost of sales	6,124	5,473	55,249	47,744

Planned realization date of hedged cash flows which will be recognized in the profit or loss

	31/12/2019	31/12/2018
Commodity risk exposure	January-March 2020	2019

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22.5. Financial risk management

The Company is exposed particularly to the following financial risks:
- credit risk;
- liquidity risk;
- market risks (including currency risk, interest rate risk, risk of changes in commodity prices, risk of changes in CO2 emission allowances prices).

22.5.1. Credit risk

Within its trading activity the Group sells products and services with deferred payment term, which may result in the risk that customers will not pay for the Group's receivables from sales of products and services. In order to minimize credit risk and working capital the Group manages the risk by credit limit policies governing granting of credit limits to customers and establishment of pledges collaterals of appropriate different types. The established average payment term of receivables connected with the ordinary course of sales is 12 to 15 days. Each non-cash customer with deferred payment is individually assessed with regard to credit risk. A portion of trade receivables is insured within an organized trade credit insurance program. In the event of occurrence of overdue receivables, sale is withheld and debt recovery procedures are implemented as described in the binding procedures. In order to reduce the risk of recoverability of trade receivables the Group receives securities from its customers' such as bank guarantees, stand-by letters of credit, mortgages and third-party guarantees.

The ageing analysis of current receivables past due, but not impaired as at the end of the reporting period:

	Current receivables			
	31/12/2019		31/12/2018	
	USD	EUR	USD	EUR
Overdue:				
Up to 30 days	2,875	2,570	21,887	19,109
31-60 days	165	147	204	178
61-90 days	226	202	22	19
3-6 months	193	173	79	69
6-12 months	118	105	5	4
Above 1 year	2,846	2,544	4,699	4,103
Total	**6,423**	**5,741**	**26,896**	**23,482**

22.5.2. Liquidity risk

The goal of the Group is to maintain the balance between continuity and flexibility of financing. To achieve this goal, the Group uses, first of all, financing on the PKN ORLEN Group level (cash pool).

The Group maintains the ratio of current assets to current liabilities (current ratio) on a safe level. As at 31 December 2019 and as at 31 December 2018, the ratio amounted to 1.55 and 1.55 respectively.

The Group had no loans in 2018 or 2019.

Financing available for the year 2019 under the credit/cash pool agreements to cover net current liabilities with the maturity of 30 June 2020 (EUR 179 million or USD 200 million) is covering the expected liquidity needs for 2019 with reserve.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Maturity analysis for financial liabilities:

USD	Note	31/12/2019 up to 1 year	Carrying amount
Trade and other liabilities	15	282,528	282,528
Liabilities on settled cash flow hedge instruments	16	10,841	10,841
Cash flow hedge instruments	16	8,569	8,569
Liabilities from cash pool	16	15,069	15,069
Total		**317,007**	**317,007**

EUR	Note	31/12/2019 up to 1 year	Carrying amount
Trade and other liabilities	15	252,506	252,506
Liabilities on settled cash flow hedge instruments	16	9,688	9,688
Cash flow hedge instruments	16	7,659	7,659
Liabilities from cash pool	16	13,468	13,468
Total		**283,321**	**283,321**

USD	Note	31/12/2018 up to 1 year	Carrying amount
Trade and other liabilities	15	293,695	293,695
Liabilities on settled cash flow hedge instruments	16	7,727	7,727
Cash flow hedge instruments	16	1,592	1,592
Liabilities from cash pool	16	27,241	27,241
Total		**330,255**	**330,255**

EUR	Note	31/12/2018 up to 1 year	Carrying amount
Trade and other liabilities	15	256,412	256,412
Liabilities on settled cash flow hedge instruments	16	6,746	6,746
Cash flow hedge instruments	16	1,390	1,390
Liabilities from cash pool	16	23,783	23,783
Total		**288,331**	**288,331**

Maturity analysis for lease liabilities is provided in Note 14.

22.5.3. Market risks

The Group is exposed to currency risks, interest rate risks and risks of changes in commodity prices and CO_2 emission allowance prices.

The objective of market risk management process is to reduce the unfavourable effects of changes in market risk factors on the cash flow and financial results in the short and medium term.

Market risk management is conducted using hedging strategies based on derivatives. Derivatives are used solely to reduce the risk of changes in fair value and risk of changes in cash flows. The Group applies only those instruments which can be measured independently, using standard valuation models for each instrument. As far as market valuation of the instruments is concerned, the Group relies on information obtained from market leading banks, brokers and information services. Transactions are concluded only with reliable partners, authorized to participate in

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transactions through the application of appropriate procedures and signing the relevant documentation.

22.5.3.1. Commodity risks

As part of its operating activity the Parent Company is exposed mainly to the following commodity risks:

- risk of changes in refining margins on the sale of products and Ural/Brent differential fluctuations- hedges on an irregular basis as a part of hedging strategies;
- risk of changes in crude oil and products prices related to the time mismatch between the date of the crude oil purchase and the date of its processing and sale of products, oversize periodic stock of operational crude oil and/or products, as well as future sales transactions - identified and hedged in a systematic and regular manner;
- risk of changes in CO2 emission rights prices;
- risk of changes in crude oil and refinery product prices related to the obligation to maintain mandatory reserves of crude oil and fuels - is not hedged on purpose due to the permanent exposure and non-cash impact on the Parent Company results.

The impact of commodity hedging instruments on the Group's financial statements

Type of hedged raw material/product	Unit of measure	31/12/2019	31/12/2018
Crude oil	bbl	3,621,000	1,905,000
Diesel oil	Mt	111,601	27,100
Gasoline	Mt	9,000	-
Fuel Jet	Mt	4,000	-
Heating oil	Mt	-	-

Sensitivity analysis for changes in prices of products and raw materials

As at 31 December 2019

Analysis of the influence of changes in the carrying amount of financial instruments on result before tax and hedging reserve to a hypothetical change in prices of products and raw materials:

Type of hedged raw material/product	Increase of prices	Total influence		Decrease of prices	Total influence	
		USD	EUR		USD	EUR
Crude oil USD/bbl	+32%	(33,997)	(30,384)	-32%	33,997	30,384
Diesel oil USD/Mt	+26%	(10,199)	(9,115)	-26%	10,199	9,115
Gasoline USD/Mt	+27%	(1,643)	(1,468)	-27%	1,643	1,468
Fuel Jet USD/Mt	+25%	(651)	(582)	-25%	651	582
		(46,490)	**(41,549)**		**46,490**	**41,549**

As at 31 December 2018

Type of hedged raw material/product	Increase of prices	Total influence		Decrease of prices	Total influence	
		USD	EUR		USD	EUR
Crude oil USD/bbl	+29%	(11,287)	(9,412)	-29%	11,287	9,412
Diesel oil USD/Mt	+24%	(3,299)	(2,750)	-24%	3,299	2,750
		(14,586)	**(12,162)**		**14,586**	**12,162**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Applied for the sensitivity analysis of commodity risk hedging instruments variations of crude oil and products prices were calculated based on volatility for 2019 and 2018 and available analysts' forecasts.

22.5.3.2. Currency risk

Currency risk - The Group's functional currency is US dollar. The Group is exposed to currency risk resulting from current receivables and short-term liabilities, cash and cash equivalents, investment expenditures as well as from future planned cash flows from sales and purchases of refinery products.

Currency structure of financial instruments as at 31 December 2019:

Financial instruments by class	Note	EUR	USD	PLN	Other	Total after conversion to USD	Total after conversion to EUR
Financial assets							
Other non-current receivables	8	525	-	-	-	589	526
Trade and other receivables	10	161,157	104,999	-	(35)	285,332	255,012
Receivables from cash pool	11	9,558	32,301	-	-	42,995	38,426
Loans granted	8,11	14	-	-	-	15	14
Cash flow hedge instruments	11	-	1,241	-	-	1,241	1,109
Derivatives not designated as hedge accounting	11	-	2,782	-	-	2,782	2,486
Receivables on settled cash flow hedge instruments	11	-	7,831	-	-	7,831	6,999
Cash and cash equivalents		9,640	596	-	-	11,384	10,175
Total		**180,894**	**149,750**	**-**	**(35)**	**352,169**	**314,747**
Financial liabilities							
Trade and other liabilities	15	74,836	198,482	627	85	282,528	252,506
Lease liabilities	14	12,618	-	-	-	14,118	12,618
Cash flow hedge instruments	16	-	3,710	-	-	3,710	3,316
Derivatives not designated as hedge accounting	16	-	4,859	-	-	4,859	4,343
Liabilities on settled cash flow hedge instruments	16	-	10,840	-	-	10,841	9,688
Liabilities from cash pool	16	13,459	10	-	-	15,069	13,468
Total		**100,913**	**217,901**	**627**	**85**	**331,125**	**295,939**
Total, net		**79,981**	**(68,151)**	**(627)**	**(120)**	**21,044**	**18,808**

Sensitivity analysis for currency risk

Increase/decrease in exchange rate means appreciation/depreciation of the relevant currencies against the functional currency of the Group (USD). The influence of potential changes in carrying amounts of financial instruments (as at 31 December 2019) arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency (USD) on profit before tax would be:

Financial instruments by class	Influence of financial instruments on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/USD	+15%	13,424	-15%	(13,424)
		13,424		**(13,424)**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Currency structure of financial instruments as at 31 December 2018:

Financial instruments by class	Note	EUR	USD	PLN	Other	Total after conversion to USD	Total after conversion to EUR
Financial assets							
Other non-current receivables	8	385	-	-	-	441	385
Deposits	11	210	-	-	-	241	210
Trade and other receivables	10	103,296	145,158	-	14	263,487	230,039
Receivables from cash pool	11	-	98,737	-	-	98,737	86,203
Loans granted	8,11	20	-	-	-	23	20
Cash flow hedge instruments	11	-	9,282	-	-	9,282	8,103
Receivables on settled cash flow hedge instruments	11	-	10,273	-	-	10,273	8,969
Cash and cash equivalents		11,297	1,548	-	-	14,490	12,651
Total		**115,208**	**264,998**	**-**	**14**	**396,974**	**346,580**
Financial liabilities							
Trade liabilities	15	72,007	210,533	1,834	138	293,695	256,412
Cash flow hedge instruments	16	-	1,592	-	-	1,592	1,390
Liabilities on settled cash flow hedge instruments	16	-	7,727	-	-	7,727	6,746
Liabilities from cash pool	16	23,783	-	-	-	27,241	23,783
Total		**95,790**	**219,852**	**1,834**	**138**	**330,255**	**288,331**
Total, net		**19,418**	**45,146**	**(1,834)**	**(124)**	**66,719**	**58,249**

Sensitivity analysis for currency risk

Increase/decrease in exchange rate means appreciation/depreciation of the relevant currencies against the functional currency of the Group (USD). The influence of potential changes in carrying amounts of financial instruments (as at 31 December 2018) arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency (USD) on profit before tax would be:

Financial instruments by class	Influence of financial instruments on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/USD	+15%	3,336	-15%	(3,336)
		3,336		**(3,336)**

Variations of currency rates described above were calculated based on historical volatility of particular currency rates and analysts' forecasts.

Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential carrying amount calculated using assumed increases/(decreases) in currency rates. In case of derivative instruments, the influence of currency rate variations on fair value was examined at constant level of interest rates. The fair value of foreign currency forward contracts is determined based on discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction price.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

22.5.3.3. The risk of interest rates changes

The Group is exposed to the risk of volatility of cash flows arising from interest rates resulting from cash pool facility on floating interest rates.

23. Other explanatory notes

23.1. Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	31/12/2019		31/12/2018	
	USD	EUR	USD	EUR
Property, plant and equipment	23,630	21,119	32,863	28,691

23.2. Contingenct liabilities

23.2.1. Court proceedings in which the Parent company acts as a claimant

VIAP cases / administrative proceedings

Parent Company is a claimant in 7 administrative proceedings (starting from 2013) and is contesting the legality of PSO – Public Service Obligation. All cases were suspended due to the process at EUCJ, except the case for 2014 as 2014 administrative case is the one for this ECJ has given preliminary ruling in the case C706/17
The Court has essentially reiterated the Company's position that the major portion of the PSO is the state support which had to be harmonized with the EC. That position was likewise long supported by the Lithuanian institutions. By initiating legal proceedings at the EU and national institutions, the Company is seeking to ensure that collection of huge amounts for the PSO is fair and reasonable.
No decision from the Supreme Administrative Court of Lithuania yet.
The Company is the largest electricity consumer in Lithuania and, accordingly, the largest payer of the PSO charges. The Company, during the period in question starting the year 2011, has already paid more than USD 55 million of PSO charge, accordingly, the co-called debt represents only a small part of the amount already paid by the Company. The Company withholds only payments of the producer' PSO charges. These are the charges for electricity generated and consumed by the Company itself. It should also be noted that irrespective of the fact that the Company is paying the larger portion of the PSO, the entire PSO scheme is disputed in courts and by the European Commission.

These cases are related with Claim regarding unpaid VIAP / PSO.

23.2.2. Court proceedings in which Parent company acts as a defendant

Claim regarding compensation of damages caused by allegedly unlawful actions of the Parent Company in respect of Druzhba pipeline

On September 2017 Parent Company has received a claim brought by the by Belorussian company Polocktransfet Druzhba (operator of the Belarus section of the Druzhba pipeline) for payment of compensation for crude oil (so-called "technological oil") Which from 1992 was located in Lithuanian section of the Druzhba pipeline and used by Parent company after operation of this section was stopped in 2006. Polocktransfet Druzhba believes that this oil was its property. The value of the claim is approximately USD 72 million (EUR 64 million at exchange rate as at 31 December 2019). The claim also includes a request for procedural interest and litigation cost. ORLEN Lietuva responded to the claim. On 15 March 2018 a hearing took place. On 29 March 2018, the court dismissed the plaintiff's claim. Polocktransfet Druzhba appealed against the judgment dismissing the claim. ORLEN Lietuva responded to the appeal. The appeal court decision will be rendered on 9 March 2020. According to Parent company, the above claim is without merit.

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

Claim regarding unpaid VIAP / PSO

In addition to above administrative proceedings mentioned above, VIAP administrators (currently - UAB Baltpool, previously - AB Litgrid) are requesting in civil proceedings from Parent Company unpaid amounts of PSO. The case brought by Litgrid on April 2013 at the 1st instance court is suspended until the administrative court renders its decision. The claim is around EUR 106 thousand (USD 119 thousand at exchange rate as at 31 December 2019).
On May 2019 Baltpool has submitted additional claim against Parent Company for EUR 12 million (USD 13 million at exchange rate as at 31 December 2019) for the debt of PSO during the period 02.2013 – 03.2019 (except 05.2017) and EUR 109 thousand interest (USD 122 thousand at exchange rate as at 31 December 2019).
Parent Company does not consider this as a debt and is contesting the legality of PSO and these cases are related with the administrative cases mentioned above and are suspended until these cases are decided.

Other litigations and claims

The Parent Company is involved in other litigation, not described above, where claims have been lodged against it in relation the matters arising in the ordinary course of business. In the opinion of the management, the outcome of these claims will not have a material adverse effect on the Parent Company's operations.

23.3. Guarantees

Excise tax guarantees of the Group as at 31 December 2019 and as at 31 December 2018 amounted to USD 3,804 thousand or EUR 3,400 thousand and USD 5,040 thousand or EUR 4,400 thousand, respectively.

As at 31 December 2019 and as at 31 December 2018 the value of other guarantees concerning liabilities of Group towards third parties issued in the course of day-to-day operations amounted to USD 24,735 thousand or EUR 22,106 thousand and USD 4,672 thousand or EUR 4,079 thousand, respectively.

As at 31 December 2019 and as at 31 December 2018 the Group received guarantees of USD 473,162 thousand or EUR 422,881 thousand and USD 445,986 thousand or EUR 389,372 thousand, respectively.

23.4. Related party transactions

As at 31 December 2019 and as at 31 December 2018 and in 2019 and in 2018 there were no material transactions with related parties:
- Members of the Management Board and the Supervisory Board of the Parent Company and their relatives,

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

- Key executive personnel of the Parent Company and the Group companies (Note 23.5).

Transactions and balance of settlement of the Group with related parties

for the year ended 31 December 2019

USD	Shareholder of the Group	Related parties	Associates	Total
Sales	458,300	135,392	28,527	**622,219**
Purchases	4,534,155	23,860	-	**4,558,015**
Other operating income	26,589	2	-	**26,591**
Other operating expenses	31,742	3	-	**31,745**
Finance income	1,325	-	-	**1,325**
Finance expenses	893	2	-	**895**
Trade and other receivables	26,929	7,975	693	**35,597**
Other financial assets	54,849	-	-	**54,849**
Trade and other liabilities	194,625	2,207	-	**196,832**
Other financial liabilities	24,515	9,965	-	**34,480**

EUR	Shareholder of the Group	Related parties	Associates	Total
Sales	387,170	115,019	25,508	**527,697**
Purchases	3,851,304	21,069	-	**3,872,373**
Other operating income	23,196	1	-	**23,197**
Other operating expenses	27,801	2	-	**27,803**
Finance income	1,127	-	-	**1,127**
Finance expenses	754	2	-	**756**
Trade and other receivables	24,067	7,128	619	**31,814**
Other financial assets	49,020	-	-	**49,020**
Trade and other liabilities	173,943	1,972	-	**175,915**
Other financial liabilities	21,909	8,906	-	**30,815**

for the year ended 31 December 2018

USD	Shareholder of the Group	Related parties	Associates	Total
Sales	502,175	137,713	28,839	**668,727**
Purchases	4,940,780	18,000	-	**4,958,780**
Other operating income	44,669	-	-	**44,669**
Other operating expenses	46,652	-	-	**46,652**
Finance income	1,495	-	-	**1,495**
Finance expenses	1,191	-	-	**1,191**
Trade and other receivables	18,662	4,961	484	**24,107**
Other financial assets	118,251	-	-	**118,251**
Trade and other liabilities	208,222	775	-	**208,997**
Other financial liabilities	36,155	-	-	**36,155**

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

EUR	Shareholder of the Group	Related parties	Associates	Total
Sales	428,389	116,896	24,511	**569,796**
Purchases	4,195,143	15,558	-	**4,210,701**
Other operating income	36,344	-	-	**36,344**
Other operating expenses	37,892	-	-	**37,892**
Finance income	1,280	-	-	**1,280**
Finance expenses	1,034	-	-	**1,034**
Trade and other receivables	16,293	4,331	423	**21,047**
Other financial assets	103,239	-	-	**103,239**
Trade and other liabilities	181,790	676	-	**182,466**
Other financial liabilities	31,565	-	-	**31,565**

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

Sale and purchase transactions with related parties were made at market conditions.

23.5. Remuneration paid and due or potentially due to the members of Management Board and other members of key executive personnel of Parent company and the Group companies

The Management Board's and other key executive personnel's remuneration includes short-term employee benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

	for the year ended 31/12/2019		for the year ended 31/12/2018	
	USD	EUR	USD	EUR
Short term employee benefits	**3,664**	**3,107**	**4,293**	**3,633**
- Board of Directors	494	419	350	296
- other key executive personnel	3,170	2,688	3,943	3,337
Termination benefits (severance pay and other remuneration)	**148**	**125**	**274**	**232**
- other key executive personnel	148	125	274	232

There are no other liabilities or accounts receivables from key executive personnel.

Bonus systems for key executive personnel of the Group

Since 2007 the Group's key executive personnel is participating in the annual Bonus system. The persons subject to the Bonus system are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Board for the Members of the Board of Directors and Deputy General Directors and by the General Director of the Parent Company for the key personnel members. Bonus system in subsidiaries is applied only for the manager of the entity, the goals and bonus amount are set and approved by the Board.

The Bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Group. The goals are qualitative, dedicated to increase Group's management quality and process efficiency, and quantitative, which are related with operational and financial indicators in managed area. Goals are accounted for following the end of the year for which they were set, on the appropriate rules.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

23.6. Remuneration arising from the agreement with the entity authorized conduct audit of the financial statements

	for the year ended 31/12/2019		for the year ended 31/12/2018	
	USD	EUR	USD	EUR
Fees payable to auditors in respect of the Parent Company	**141**	**127**	**127**	**108**
audit and reviews of the financial statements	141	127	127	108
Fees payable to auditors in respect of subsidiaries belonging to the Group	**28**	**25**	**40**	**34**
audit and reviews of the financial statements	28	25	40	34
	169	**152**	**167**	**142**

In 2019 and 2018 Group auditors were Deloitte Lietuva, UAB.

In the period covered by this consolidated financial statement the entity authorized to conduct audit of the Group's financial statements is Deloitte Lietuva, UAB. According to the agreement concluded on 5 July 2017 with the Parent Company for the years 2018 and 2019, Deloitte Lietuva, UAB, performs the interim reviews agreed upon procedures and audits of separate and consolidated financial statements in years 2017-2018, in 11 November 2019 agreement was renewed for further years 2019-2021.

Following the concluded agreements for the year 2019, Deloitte Lietuva, UAB performs the interim review and audit of financial statements of the subsidiaries (except for UAB Mažeikių Naftos prekybos namai).

24. Events after the end of the reporting period

As at the date of approval of these consolidated financial statements, the Group is in the process of analysing the potential effects of Coronavirus COVID-19. The Group has implemented appropriate internal procedures to ensure continuity of operating activities. Currently, the Group observes a decrease in global demand for crude oil, including a decrease in demand for jet fuel, diesel oil and gasoline. The Group also expects a slowdown in the global economy and monitors the situation on the financial markets on an ongoing basis. The Group is in the process of estimating the qualitative and quantitative impact of a pandemic on the financial position and future financial results of the Group.

Michal Rudnicki General Director	Marek Golębiewski Chief Financial Officer	Genutė Barkuvienė Director of Accounting and Tax Administration

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

CONSOLIDATED ANNUAL REPORT OF PUBLIC COMPANY ORLEN LIETUVA FOR THE YEAR 2019

Public Company ORLEN Lietuva and its subsidiaries (hereinafter jointly – the Group) post the profit at the year end, with its performance indicators being directly impacted by the production and sales achievements. Measures have been introduced by Public Company ORLEN Lietuva (hereinafter – the Parent Company) to improve the operational efficiency, promote sales, optimize performance and implement the value creating initiatives as well as increase the labor efficiency for maintaining the competitive presence on the market in case of its downturn. Record-breaking safety indicators, i.e. the entire year of the Parent Company operations with zero accidents, have also played an important role in the achievement of positive results.

As in the previous years, the flexibility and operational efficiency were among the key targets for the Group in the year 2019. The Group has benefited from the favorable market conditions and business opportunities to establish a sustainable position in a highly competitive environment.

Operating Results

In 2019, the feedstock processing volume amounted to 9.8 million tons, i.e. was by 0.1 million tons (1.3%) lower than in the previous year, when the processing volume was 9.9 million tons of feedstock. Regardless of the lower processing volume, the year 2019 was marked by improvement of the operational efficiency indicators such as reduction of internal fuel and losses, and improvement of energy intensity index.

Despite of the processing volume decrease, the volume of sales remained on the same level, i.e. 9.4 million tons of petroleum products sold both in 2018 as well as 2019. Notwithstanding the same level of the sales volume, decrease of the global oil and petroleum product prices had an effect on the reduced sales revenue of the Group, reaching USD 5.1 billion (EUR 4.6 billion) in 2019, whereas the revenue of the Group in 2018 amounted to USD 5.5 billion (EUR 4.7 billion).

Group' sales in the Baltic countries during the year 2019 increased by 5.6 percent from 3.7 million tons in 2018 to 4.0 million tons in 2019. This achievement represents the effect of the fuel consumption increase combined with the growth of market share of the Group in Lithuania with the increase of gasoline and diesel sales in 2019 by 7.3% to 1.6 million tons.

Despite the reduced volume (by approx. 14.9%) of bitumen sales in the Baltic market, the Group has benefited from the favorable situation in other European countries and worldwide, increasing the export of bitumen outside the Baltic markets by 186% reaching the volume of 235 thous. tons.

Furthermore, regardless of the economic and political situation in Ukraine, which is still complicated, sales to Ukraine in 2019 increased by 15.8% in comparison to the previous year, reaching almost 1.0 million tons.

In 2019, the Group launched the production of propylene and, starting April, has sold 49 thous. tons of propylene, 63% of which were exported to Polish market, and the remaining volume sold to the European countries.

Higher volume of inland sales and lower processing volume in 2019 led to the drop in the seaborne sales with reduction of the volume by 16.7% amounting to 3.5 million tons in 2019, compared to 4.2 million tons sold in 2018.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Financial Results

The net profit of the Group for 2019 under the International Financial Reporting Standards (IFRS) was USD 76.0 million (EUR 67.7 million), in comparison to the net profit of USD 29.5 million (EUR 23.8 million) posted for the year 2018. Operating profit for the year 2019 amounted to USD 71.0 million (EUR 63.2 million), whereas the operating profit for 2018 was USD 29.8 million (EUR 23.5 million). Financial result of the Company was positively affected by increase of its inland sales, launching of the new product, i.e. propylene, production and implementation of *Better Done* Program aimed at improvement of the main business areas.

Positive results of the Group allowed maintaining the sufficient level of its[1] financial indicators. Net profit margin of the Group for the year 2019 was 1.5% (0.5% in 2018). Other indicators experienced the following changes: the net debt to equity ratio was -0.06 (-0.15 in 2018), the current ratio was 1.55 (1.52 in 2018), and the asset turnover ratio was 4.77 (5.63 in 2018).

Information on financial risk management of the Group is available in Note 22 of Consolidated Financial Statements. The information includes data on financial risk management trends, used insurance instruments to which the accounting of insurance transactions is applicable as well as on pricing risk, credit risk, liquidity risk, and cash flow risk.

Modernization, Mandatory and Other Projects

The total amount of investments by the Group made in the property plant and equipment as well as tangible assets (excl. purchase of deficient CO_2 emission allowances and accounting for asset leases under IFRS 16) during the year 2020 was USD 59.3 million, i.e. 30% lower than in 2019 (USD 84.1 million).

In spring of 2019, the Group completed implementation of the project for Propane-Propylene Fraction Splitter addition to the Refinery's technological scheme, with its impact on the annual margin reaching USD 11.9 to USD 21.4 million (depending on the fuel market situation).

In 2019, the activities under the first phase of the Bottom of the Barrel Improvement Project (License and Basic Design Engineering Package procurement) were finished. Preliminary budget of the entire project to be completed in 2023 reaches approx. USD 385.3 million. The expected impact of this project on the annual margin is approx. USD 133 million (depending on the fuel market situation). Bottom of the Barrel project is obligatory for fulfilling environmental requirements and in addition is essential to sustain ORLEN Lietuva competitiveness in the market as new residue conversion unit will let to increase the depth of crude oil processing.

In 2019, the Parent Company purchased 405 rail tank cars intended for the light petroleum product carriages to replace the currently leased tank cars and improve product deliveries to the clients.

Furthermore, the Parent Company continued implementation of mandatory projects required in the face of increasing environmental constraints. In 2019, the electrostatic precipitator was put into operation to reduce the emissions of solids.

Apart from the said projects, the activities for refurbishment of the process units and catalyst replacement works were also implemented in 2019.

[1] Equations used: Net Profit Margin = Net Profit (Loss) / Revenue; Net Debt to Equity Ratio = Total Debt / Total Equity; Current Ratio = Current Assets / Current Liabilities; Asset Turnover Ratio = Sales / Total Assets.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Employees' Development and Work Compensation Policy

Development of employees remains the priority for the human resource management. In 2019, as required by the applicable legislation and internal procedures, 3689 employees of the Group received certificates in the areas of fire safety and civil protection, first aid and hygiene, information security, as well as under the programs for energy employees, formal safety programs, and programs for execution of specialized works.

For ensuring ability of its operational staff to service the process installations and modernized units, the Parent Company aims at continuously improving qualifications of its workers. 1216 employees completed the trainings in this relation during the year 2019. Furthermore, over 750 employees of the Group attended the trainings and conferences on mechanical engineering, process engineering, accounting, human resources management, sales, environmental protection, occupational safety, safe driving, process safety, English language, etc.

In 2019, the Group further proceeded with the project of internal trainings *'Expert Club. Refined Knowledge'* intended for experience and knowledge exchange. Information prepared by specialists and managers of the Parent Company acting as the experts was presented and various projects introduced to 610 employees of the Group.

In 2019, '*Social Awareness and Relationship Management*' program based on the DiSC® methodology was finalized, involving 174 employees of the Group enrolled in the sessions on cooperation and increasing awareness of others as well as relationship management.

In 2018, the Parent Company launched the project for the improvement of its employees' competencies under the Measure No 09.4.3-ESFA-T-846-01-0074 *'Training for Employees of Foreign Investors'* of the Operational Programme for the European Union Funds' Investment in Priority Axis 9 *'Educating the Society and Strengthening the Potential of Human Resources*'. 384 employees enrolled in the Project sessions improved their knowledge of the refining technologies, oil industry operations and law, operational control process of electrical equipment, mechanical engineering, IT, English language. The Project will continue until 2021, with the intended involvement of over 400 employees.

The remuneration system of the Parent Company is aimed at encouraging its employees to pursue achievement of the best possible results. The remuneration system of the Parent Company comprises of the following elements: base salary (monthly salary or hourly wage); monthly, quarterly, or annual bonus; reward for the initiatives submitted, implemented, and recognized as rewardable; management discretion bonuses for exceptional performance; annual bonus for the Company's performance results; and packages of additional benefits under the Collective Agreements effective in the Group or other internal acts. In 2019, employees of the Parent Company were involved in the health insurance coverage; the Parent Company pays contributions for the employees to the pension funds.

Organizational Changes and Restructuring

Performance optimization and labor efficiency increase continues to be one of the key factors for achieving the objectives set by the shareholder.

Seeking to improve efficiency of internal processes, implementation of organizational changes in the Parent Company continued in 2019 as well. The work organization associated changes and introduction of advanced technical and organizational solutions resulted in the improvement of the performance results.

Agreement with Naftininkų Trade Union was signed by the Parent Company at the end of the year for extension of the 2019 Collective Agreement up to 31 December 2020.

To optimize activities of the entire ORLEN Capital Group, UAB EMAS shares were sold by the Parent Company to ORLEN Serwis Group on 3 June 2019.

On 9 December 2019, the Parent Company assumed all rights and obligations of Public Limited Liability Company Mažeikių Nafta Trading House and thus assumed the direct control over subsidiaries ORLEN Latvija SIA and ORLEN Eesti OÜ holding 100 percent of their shares.

The number of active employees in the Group at the end of 2019 (including the Parent Company's Representative Office in Ukraine) was 1,419.

Environmental Protection

The year 2019, in terms of the environmental performance, was exceptional in that the Parent Company has ensured compliance of its Refinery to the requirements of the Commission Implementing Decision No 2014/738/EU of 9 October 2014 establishing best available techniques (BAT) conclusions for the refining of mineral oil and gas. Higher emission performance standards for air pollutants and pollutants discharged to surface waters started to apply from 1 January 2019, with more stringent requirements of monitoring the emissions.

For implementation of BAT 6 of the Commission Implementing Decision No 2014/738/EU, monitoring of diffuse volatile organic compound (VOC) emissions started in 2019. Approx. 19000 emission points were measured for the Refinery units, with more notable leaks defined for 34 points only.

Another development in this context is that commencing the 1 January 2019, to ensure compliance with BAT requirements and assess emissions, the aggregated sulfur dioxide value from 10 emission sources and aggregated nitrogen oxide value from 8 emission sources started to apply, with no standard values, i.e. average monthly value, exceeded in 2019.

Total emissions to the atmosphere in 2019 were by 596 tons lower in comparison with the year 2018. Following installation in the 4th quarter of 2019 of the electrostatic precipitator in Fluid Catalyst Cracking Unit of the refinery, the emissions of solids have fallen by approx. 50 tons merely during the said period.

The amount of wastewater in 2019 and, accordingly, pollutants in wastewater was almost half the volumes of 2018, and the permissible pollution levels were not exceeded; therefore, the water pollution taxes paid for the year were less than in 2018.

The waste generated by the Parent Company during 2019 reached 15906 tons and was by 40% higher than in 2018. Slightly less than half of the said amount was hazardous waste. Volume of secondary raw materials collected and sold or transferred for further recycling amounted to 994 tons, most of which, as every year, being metal scrap. Continuing the regeneration and treatment of soil contaminated with oil products, 11350 tons of soil were treated last year.

In 2019, Technical Regulation on Waste Recovery and Disposal, and Waste Management Activity Termination Plan were updated, new guarantee for implementation of the measures defined in the Waste Management License Termination Plan agreed with the Environmental Protection Agency and issued, and the Parent Company data amended in the State Register of Waste Management Companies. The Parent Company became a member of Public Enterprise *Elektronikos gamintojų ir importuotojų organizacija* being a non-commercial licensed organization of producers and importers of electrical and electronic equipment, and concluded the agreement for management of waste electrical and electronic equipment.

Notwithstanding the same level of the feedstock processing volume, the amount of environmental taxes, due to the lower volume of emissions and discharges, in 2019 was lower in comparison with the previous year.

Occupational Health and Safety

Occupational health and safety (OHS) as well as process safety is one of the priority areas in the Group. *Safety First* Program introduced in 2012 ensures the highest level of OHS in the Group. *Safety First* is the Group's mission and message rather than its title only, which reflects the overall approach of the Group and its employees to OHS.

Furthermore, the Parent Company has implemented the occupational health and safety standards developed for the entire ORLEN Capital Group. The standards have been developed on the basis of the best worldwide practices, and set the extremely strict occupational health and safety requirements. By the end of 2019, the Parent Company has introduced and successfully implemented 13 standards regulating organization of hazardous works, accident investigation, emergency response, contractor management, in-depth analysis of industrial accidents, routine safety activities, etc.

OHS management system implemented in the Parent Company complies with the requirements of OHSAS 18001 standard.

The Parent Company has also implemented the process safety system aimed at ensuring prevention of crude oil, gas and other substance releases and spills, reducing the likelihood of major industrial accidents, ensuring proper level of technical protection, establishing of preventive measures to avoid possible emergency situations or reduce their likelihood, and, in the event of their occurrence, to minimize damage to people, Parent Company business, assets and the environment.

Last year, in the context of process safety development, the Crude Oil Refinery Hazard Identification and Emergency Risk Assessment Study was developed, Safety Report of the Refinery was prepared and submitted to Fire and Rescue Department of the Republic of Lithuania, Hazard and Operability Studies (HAZOP) successfully continued with 8 HAZOP studies completed. The Parent Company performs continuous assessment of internal changes, conducts analysis of process safety incidents and equipment failures, identifies corrective actions and ensures safety of its employees working under hazardous conditions providing them with personal protective equipment.

The year 2019 was the first year in the history of the Group operation with zero accidents. This is the outcome of consistent and targeted efforts in the area of occupational health and safety.

Ownership Structure

Shares of the Parent Company are owned by the sole shareholder Polski Koncern Naftowy Orlen S.A. entitled to 100% of the shares.

In 2019, the Group did not acquire or transfer any of its own shares.

Branches

The Parent Company has no branches established; it has Public Company ORLEN Lietuva Representative Office in Ukraine.

(all tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Managerial Positions of the Head and Members of the Board of the Parent Company

Position in Public Company ORLEN Lietuva December 31, 2019	Other managerial positions December 31, 2019
Michał Rudnicki Chairman of the Board of Directors, General Director of Public Company ORLEN Lietuva	
Marek Paweł Gołebiewski Executive Member of the Board of Directors, Chief Financial Officer of Public Company ORLEN Lietuva	- Chairman of the Supervisory Council, ORLEN Latvija, SIA, code 40003637994, address: Bauskas iela 58A, Zemgales priekšpilsēta, 1004 Riga, Latvia - Chairman of the Supervisory Council, ORLEN Eesti, OÜ, code 10960209, address: Ahtri 6A, 10151 Tallinn, Estonia
Robert Antoni Pijus Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Director of Plock Petrochemical Plant, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Chemików 7, 09–411 Płock, Poland - Member of the Board, Stowarzyszenie Plockich Naftowców , code 610991725, address: Kazimierza Wielkiego 41, 09–400 Płock, Poland
Renata Agnieszka Rosiak Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Project Manager, Office of ORLEN Capital Group, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Chemików 7, 09–411 Płock, Poland - Member of the Supervisory Board, ORLEN Serwis S.A., code 360160621, address: Chemików 7, 09–411 Płock, Poland - Non-executive Member of the Board of Directors of Akcinė bendrovė ORLEN Baltics Retail, code 166920025, address: J. Jasinskio 16B, LT-03163, Vilnius, Lithuania
Andrzej Mieczysław Stegenta Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Director of Operations Planning Office, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Chemików 7, 09–411 Płock, Poland
Jarosław Roman Szaliński Executive Member of the Board of Directors, Deputy General Director for Commercial Sales and Logistics of Public Company ORLEN Lietuva	

2020 as the Year of Continued Focus on the Strategy Implementation

In 2020, the Group will continue consistent implementation of the objectives defined in ORLEN Capital Group Mid-Term Plan for 2019–2022 with a particular focus on the value creation, people and financial strength.

The forecasted throughput of the Refinery in 2020 is about 10 million tons of feedstock. The Group will concentrate its efforts on realization of the key investment projects, capacity utilization increase and reduction of energy consumption as well as on securing the stability of its performance, increasing sales to inland markets and reducing costs.

To give a long term perspective of sustainable growth to Public Company ORLEN Lietuva and its subsidiaries as well as the entire ORLEN Capital Group in the context of the increasingly competitive and continuously changing macroeconomic environment, the management of the Group will continue in 2020 its intensive efforts for implementation of advanced management solutions aimed at the operational efficiency increase and process optimization.

General Director Michal Rudnicki