CONSOLIDATED FINANCIAL STATEMENTS OF ORLEN LIETUVA GROUP FOR THE YEAR ENDED 31 DECEMBER 2020

2020

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

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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 31 December 2020, 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 31 December 2020, 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

Simonas Rimašauskas
Lithuanian Certified Auditor
License No. 000466

Vilnius, Republic of Lithuania
12 April 2021

(in USD and EUR thous.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	for the year ended 31/12/2020 USD	for the year ended 31/12/2020 EUR	for the year ended 31/12/2019 USD	for the year ended 31/12/2019 EUR
Statement of profit or loss					
Sales revenues	7.1	2,815,314	2,465,667	5,122,863	4,577,132
Cost of sales	7.4	(2,825,846)	(2,479,674)	(4,813,827)	(4,301,017)
Gross profit/(loss) on sales		**(10,532)**	**(14,007)**	**309,036**	**276,115**
Distribution expenses	7.4	(152,119)	(133,182)	(173,190)	(154,837)
Administrative expenses	7.4	(52,754)	(46,183)	(46,427)	(41,508)
Other operating income	7.5	163,003	146,044	32,656	29,276
Other operating expenses	7.6	(154,561)	(135,965)	(51,030)	(45,844)
Share in profit from investments accounted for under equity method	8.3	(204)	(180)	71	64
(Loss)/reversal of loss due to impairment of financial instruments		(143)	(136)	(113)	(102)
Profit/(loss) from operations		**(207,310)**	**(183,609)**	**71,003**	**63,164**
Finance income	7.7.1	502	516	2,782	2,476
Finance costs	7.7.2	(1,957)	(1,709)	(2,932)	(2,635)
Net finance income and costs		**(1,455)**	**(1,193)**	**(150)**	**(159)**
Profit/(loss) before tax		**(208,765)**	**(184,802)**	**70,853**	**63,005**
Tax expense	7.8	42,012	37,153	4,918	4,417
Net profit/(loss)		**(166,753)**	**(147,649)**	**75,771**	**67,422**
Discountinued operation Profit from discontinued operation, net of tax		-	-	274	231
Net profit/(loss)		**(166,753)**	**(147,649)**	**76,045**	**67,653**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss:		**316**	**257**	**167**	**149**
Actuarial gains and losses	8.8.2	316	257	167	149
which will be reclassfied into profit or loss:		**(1,823)**	**(36,379)**	**(9,508)**	**2,500**
Hedging instruments		(2,234)	(1,624)	(9,349)	(8,213)
Exchange differences on translation of foreign operations		411	(34,755)	(159)	10,713
Other comprehensive income		**(1,507)**	**(36,122)**	**(9,341)**	**2,649**
Total net comprehensive income		**(168,260)**	**(183,771)**	**66,704**	**70,302**

Consolidated financial statements were approved on 12 April 2021.

Michal Rudnicki
General Director

Marek Golębiewski
Chief Financial Officer

Genutė Barkuvienė
Director of Accounting and
Tax Administration

(in USD and EUR thous.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31/12/2020		31/12/2019	
		USD	EUR	USD	EUR
ASSETS					
Non-current assets					
Property, plant and equipment	8.1	312,197	254,212	306,357	273,802
Intangible assets	8.2	4,667	3,800	5,341	4,773
Right to use assets	10.1.1	33,372	27,173	11,739	10,492
Investments accounted for using the equity method	8.3	1,503	1,224	1,570	1,403
Deferred tax assets	7.8	55,187	44,937	11,885	10,622
Other assets	8.7	1,082	881	1,453	1,298
Total non-current assets		**408,008**	**332,227**	**338,345**	**302,390**
Current assets					
Inventories	8.5.1	266,441	216,954	366,973	327,976
Trade and other receivables	8.5.2	124,173	101,110	297,690	266,056
Other assets	8.7	13,893	11,313	54,853	49,024
Current tax assets		489	398	4,921	4,398
Cash and cash equivalents		10,933	8,902	11,384	10,175
Non-current assets classified as held for sale		242	197	225	201
Total current assets		**416,171**	**338,874**	**736,046**	**657,830**
Total assets		**824,179**	**671,101**	**1,074,391**	**960,220**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	8.6	6,547	5,794	6,547	5,794
Share premium		50,172	132,152	50,172	132,152
Legal reserves		742	644	742	644
Hedging reserve		(4,683)	(3,813)	(2,449)	(2,189)
Exchange differences on translation of foreign operations		(79)	(116,151)	(490)	(81,396)
Retained earnings		367,476	323,508	533,913	470,900
Total equity		**420,175**	**342,134**	**588,435**	**525,905**
LIABILITIES					
Non-current liabilities					
Provisions	8.8	5,848	4,762	5,701	5,095
Lease liabilities	10.1.2	29,535	24,049	5,939	5,308
Total non-current liabilities		**35,383**	**28,811**	**11,640**	**10,403**
Current liabilities					
Trade and other liabilities	8.5.3	250,973	204,361	390,650	349,137
Lease liabilities	10.1.2	7,769	6,325	8,179	7,310
Provisions	8.8	35,725	29,089	41,008	36,650
Other liabilities	8.7	74,154	60,381	34,479	30,815
Total current liabilities		**368,621**	**300,156**	**474,316**	**423,912**
Total liabilities		**404,004**	**328,967**	**485,956**	**434,315**
Total equity and liabilities		**824,179**	**671,101**	**1,074,391**	**960,220**

Consolidated financial statements were approved on 12 April 2021.

Michal Rudnicki
General Director

Marek Golębiewski
Chief Financial Officer

Genutė Barkuvienė
Director of Accounting and

(in USD and EUR thous.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Equity attributable to equity holders of the Parent Company					
	Share capital and share premium	Hedging reserve	Legal reserves	Exchange differences on translation of foreign operations	Retained earnings	Total equity
1 January 2020	**56,719**	**(2,449)**	**742**	**(490)**	**533,913**	**588,435**
Net profit (loss)	-	-	-	-	(166,753)	**(166,753)**
Components of other comprehensive income	-	(2,234)	-	411	316	**(1,507)**
Total net comprehensive income	**-**	**(2,234)**	**-**	**411**	**(166,437)**	**(168,260)**
31 December 2020	**56,719**	**(4,683)**	**742**	**(79)**	**367,476**	**420,175**
1 January 2019	**56,719**	**6,900**	**1,040**	**(1,983)**	**459,359**	**522,035**
Net profit (loss)	-	-	-	-	76,045	**76,045**
Components of other comprehensive income	-	(9,349)	-	(159)	167	**(9,341)**
Total net 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	**56,719**	**(2,449)**	**742**	**(490)**	**533,913**	**588,435**

EUR	Equity attributable to equity holders of the Parent Company					
	Share capital and share premium	Hedging reserve	Legal reserves	Exchange differences on translation of foreign operations	Retained earnings	Total equity
1 January 2020	**137,946**	**(2,189)**	**644**	**(81,396)**	**470,900**	**525,905**
Net profit (loss)	-	-	-	-	(147,649)	**(147,649)**
Components of other comprehensive income	-	(1,624)	-	(34,755)	257	**(36,122)**
Total net comprehensive income	**-**	**(1,624)**	**-**	**(34,755)**	**(147,392)**	**(183,771)**
31 December 2020	**137,946**	**(3,813)**	**644**	**(116,151)**	**323,508**	**342,134**
1 January 2019	**137,946**	**6,024**	**887**	**(93,584)**	**404,495**	**455,768**
Net profit (loss)	-	-	-	-	67,653	**67,653**
Components of other comprehensive income	-	(8,213)	-	10,713	149	**2,649**
Foreign currency translation differences of foreign operations	-	-	-	-	119	**119**
Total net 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	**137,946**	**(2,189)**	**644**	**(81,396)**	**470,900**	**525,905**

Consolidated financial statements were approved on 12 April 2021.

Michal Rudnicki
General Director

Marek Golębiewski
Chief Financial Officer

Genutė Barkuvienė
Director of Accounting
and Tax Administration

(in USD and EUR thous.)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	for the year ended 31/12/2020 USD	for the year ended 31/12/2020 EUR	for the year ended 31/12/2019 USD	for the year ended 31/12/2019 EUR
Cash flows from operating activities					
Net profit/(loss)		**(166,753)**	**(147,649)**	**76,045**	**67,653**
Adjustments for:					
Share in profit from investments accounted for under equity method	8.3	204	180	(71)	(64)
Depreciation and amortisation	7.4	38,470	33,722	39,740	35,561
Recognition/(Reversal) of impairment losses on property, plant and equipment, intangible assets and non-current assets classified as held for sale	7.5, 7.6	21,958	18,062	(85)	(78)
Foreign exchange (gain)/loss		2,064	1,757	-	-
Interest, net		1,186	1,027	(258)	(232)
(Gain)/Loss on investing activities		(27,727)	(25,478)	20,311	18,376
Change in working capital:		**131,199**	**120,494**	**(127,566)**	**(113,170)**
receivables		*177,626*	158,993	*(24,190)*	*(21,661)*
inventories		*102,379*	93,947	*(96,973)*	*(86,544)*
liabilities		*(148,806)*	(132,446)	*(6,403)*	*(4,965)*
Change in provisions		(1,740)	(1,238)	33,820	30,151
Tax expense	7.8	(42,012)	(37,153)	(4,918)	(4,310)
other movements long term		-	-	165	147
Income tax received/(paid)		3,141	2,878	1,431	1,323
Change in financial instruments		7,016	5,786	2,076	1,748
Other adjustments		(1)	-	(164)	(148)
Net cash from operating activities		**(32,995)**	**(27,612)**	**40,526**	**36,957**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(59,812)	(52,437)	(76,305)	(68,136)
Disposal of property, plant and equipment and intangible assets		21	19	29	26
Proceeds/repayment of loans granted		5	4	8	7
Increase/(decrease) in derivatives		35,774	33,152	(13,672)	(12,357)
Increase/(decrease) in deposits		-	-	234	210
Interest received		(997)	(2,968)	1,420	1,269
Disposal on finansial asset		-	-	3,261	2,891
(Outflows)/proceeds from cash pool		33,751	28,536	62,044	54,783
Net cash (used) in investing activities		**8,742**	**6,306**	**(22,981)**	**(21,307)**
Cash flows from financing activities					
Interest paid		(1,023)	(891)	(872)	(777)
(Outflow)/inflow from cash pool		32,387	28,474	(12,041)	(10,280)
Payments of liabilities under lease agreements		(7,742)	(6,811)	(7,812)	(7,002)
Net cash (used) in financing activities		**23,622**	**20,772**	**(20,725)**	**(18,059)**
Net (decrease)/increase in cash and cash equivalents		**(631)**	**(534)**	**(3,180)**	**(2,409)**
Effect of exchange rate changes		**180**	**(739)**	**74**	**(67)**
Cash and cash equivalents, beginning of the period		**11,384**	**10,175**	**14,490**	**12,651**
Cash and cash equivalents, end of the period		**10,933**	**8,902**	**11,384**	**10,175**

Consolidated financial statements were approved on 12 April 2021.

Michal Rudnicki
General Director

Marek Golębiewski
Chief Financial Officer

Genutė Barkuvienė
Director of Accounting and

BASIC INFORMATION

1. ACTIVITY AND STRUCTURE OF ORLEN LIETUVA GROUP

INFORMATION ABOUT ORLEN LIETUVA	
NAME OF THE PARENT COMPANY	Public Company ORLEN Lietuva
REGISTERED OFFICE	Mažeikių St. 75, Juodeikiai village, Mazeikiai District, Republic of Lithuania LT-89453
ENTITY REGISTRATION NUMBER IN CENTER OF REGISTERS	166451720
VAT payer code	LT1664517219
PRINCIPAL ACTIVITY	– crude oil processing, – production of fuel and petrochemical goods, – wholesale of fuel products, – transportation of fuels and other services.

Public Company ORLEN Lietuva ("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 Polski Koncern Naftowy ORLEN Spolka Akcyjna (PKN ORLEN).

GROUP STRUCTURE

SELECTED ACCOUNTING PRINCIPLES

Basis 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 from 20% to 49% of the voting rights of an entity, unless it can be clearly stated otherwise.

PROFESSIONAL JUDGEMENT

Investments in subsidiaries and associates
The Group, regardless of the nature of its involvement in the entity (the entity in which it invested) defines its status by assessment, whether it controls the entity in which the investment was made, and whether it has a joint control in a joint venture, after consideration of all the facts and circumstances.

Name of entity	Headquarters	Share of the Group (%)		Nature of activity	Consolidation method
		31/12/2020	31/12/2019		
Subsidiaries					
SIA ORLEN Latvija	Latvia - Ryga	100	100	Wholesale of liquid fuels in Latvia.	full
OU ORLEN Eesti	Estonia - Talin	100	100	Wholesale of liquid fuels in Estonia.	full
Asociated company					
UAB Naftelf	Lithuania - Vilnius	34	34	Trading in aviation fuel and construction of storage facilities thereof.	equity method

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared with accounting principles contained in the International Financial Reporting Standards (IFRS), comprising International Accounting standards (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). The accounting principles applied by the Group are based on standarts and interpretations adopted by the European Union and applicable to the period beginning on 1 January 2020 or earlier periods.

The consolidated financial statements have been prepared on a historical cost basis, except derivatives measured at fair value through other comprehensive income. The consolidated 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 2020 and the comparative period from 1 January to 31 December 2019. Presented consolidated financial statements present a true and fair view of the Group's financial position as at 31 December 2020, results of its operations and cash flows for the year ended 31 December 2020.
The consolidated financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of this consolidated financial statements, there is no evidence indicating that Group will not be able to continue its operations as a going concern. The Parent company and the entities comprising Group have unlimited period of operations.

3. FUNCTIONAL CURRENCY 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 this 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:

- particular 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 for the reporting period (arithmetic average exchange rates published by European Central Bank of working days in a given 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	
	31/12/2020	31/12/2019
EUR/USD	1.2281	1.1189

4. IMPACT OF CORONAVIRUS PANDEMIC ON GROUPS OPERATIONS

The outbreak of the SARS-Cov-2 coronavirus causing the COVID-19 disease had a huge impact on the global economy and the situation in the country. The COVID-19 pandemic caused disruptions in both the economic and administrative system and contributed to significant changes in the market environment, which affected the Group's financial situation in 2020.
Since the outbreak of the pandemic the Group has taken a number of actions in order to adapt to constantly changing business environment, as well as to prevent the spread of COVID-19 infections within its employees.
Below the Group presented the impact of the coronavirus pandemic on selected areas of the Group's operations.
Actions taken by the Group in connection with COVID-19 pandemic
The Group has taken a number of actions in connection with COVID-19 pandemic, especially it developed emergency action plans to ensure the continuity of operations of critical infrastructure and the provision of key services provided by the Group. Crisis management plans are developed depending on the effects that may be caused by the increasing number of cases.
During 2020 there were no disruptions in any area of operations within the Group and there were no threats to the supply chain, both with respect to purchase of raw materials and goods, as well as in the field of internal logistic.
The Group has taken a number of preventive measures in order to limit the spread of the virus at the premises and protection of employees. The Group adjusts its operations on an ongoing basis to the changing epidemiological situation.
The Group estimates that the total cost incurred in 2020 due to the above actions amounted to approximately USD 1,211 thousand or EUR 1,061 thousand, including USD 600 thousand or EUR 526 thousand of donation recognised by the Group in other operating cost provided as part of prosocial activities in the fight against coronavirus.

Analysis of impact of changes in economic situation on valuation of assets and liabilities of the Group

Estimation of expected credit loss ECL

As at 31 December 2020 the Group performed detailed analysis of changes in macroeconomic environment caused by coronavirus pandemic on expected credit loss calculation in terms of the potential need to modify the assumptions made for estimations and including additional risk factor related to current economic situation and forecasts for the future.

As at 31 December 2020, based on performed analysis, the Group did not identify any indicators for modification of assumptions taken for estimation of expected credit loss.

Impairment of property plant and equipment, intangible assets and right-of-use assets

Situation related to the COVID-19 pandemic, in particular the changes in the conditions for conducting business activity and the destabilization on markets of fuel and crude oil products, resulting in high volatility of prices and fluctuations in demand, which in the medium and long term will affect the domestic and global economic situation, was the indicator to perform impairment tests on assets.

Additional information was included in note 8.4.

Liquidity situation

In 2020 the Group continued its current policy with respect to liquidity management process. The Group does not identify currently and within the next 12 months problems with liquidity. The Group also does not see risk of default on loans or other financing agreements. As at the date of preparation of this set of annual financial statements the financial situation of the Group is stable, but due to ongoing uncertainty related to global pandemic impact on economies ORLEN Lietuva decided to ask its parent company for increasing the international cash pool limit in Q1 2021 to buffer liquidity needs throughout the year.

Other accounting estimates

As at the date of preparation of this set of annual financial statements the Group does not identify any significant risks related to potential breach of the terms of commercial contracts and supply contracts (including crude oil supplies).

5. ACCOUNTING PRINCIPLES

Significant accounting principles and significant values based on judgements and estimates are presented as a part of the specific explanatory notes to the consolidated financial statements. The Group applied the accounting principles consistently to all presented reporting periods.

The preparation of consolidated financial statements in accordance with IFRS requires that the Management make professional judgments, estimates and assumptions that affect the presented amounts. The estimates and related assumptions are based on historical expertise and other factors regarded as reliable in given circumstances and their effects provide grounds of professional judgments 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 judgments and estimates and related assumptions are verified on regular basis.

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. The Consolidation statement of profit or loss and other comprehensive income as at 31 December 2019 has been restated to show the discontinued operation separately from continuing operations.

6. IMPACT OF IFRS CHANGES ON CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

IFRSs and their interpretations, announced and adopted by the European Union, effective for the current reporting period
Amendments to IAS 1 -Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to IFRS 3 - Business combinations
Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures
Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions
Amendments to References to the Conceptual Framework in IFRS Standards

The aforesmentioned amendments to the existing standards did not have significant impact on the Group’s consolidated financial statements for 2020.

IFRSs and their interpretations, announced and adopted by the European Union, not yet effective
Amendments to IFRS 4 "Insurance Contracts" - Extension of the Temporary Exemption from Applying IFRS 9 - the expiry date for the temporary exemption from IFRS 9 was extended to annual periods beginning on or after 1 January 2023
Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2 - effective for annual periods beginning on or after 1 January 2021

Standards adopted by International Accounting Standards Board (IASB), waiting for approval by the European Union
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 2023)
Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use - effective for annual periods beginning on or after 1 January 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract - effective for annual periods beginning on or after 1 January 2022
Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 - effective for annual periods beginning on or after 1 January 2022
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)
IFRS 14 - Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
IFRS 17 - Insurance Contracts - effective for annual periods beginning on or after 1 January 2023
Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. - The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022.

According to Group's estimates, the above-mentioned mew standards and changes to existing standarts would not have a material impact om consolidated financial statements if applied by the Group at the balance sheet date.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. EXPLANATORY NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

7.1. Sales revenues

SELECTED ACCOUNTING PRINCIPLES

Sales revenues

Sales revenues of goods and services are recognized at a point in time (or over time) when a performance obligations are satisfied by transferring a promised good or service (i.e. an asset) to a customer in the amount reflecting the consideration, to which – as the Group expects – it will be entitled in exchange for these goods or services. 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, and services, decreased by the amount of any trade discounts and value added tax (VAT), excise tax and fuel charges. The amount of revenues is determined at the fair value of the payment received or due. Revenues from the sale of finished goods and services are adjusted for profits or losses from settlement of cash flows hedging instruments related to the above mentioned revenues.

	for the year ended		for the year ended	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Sales of finished goods	2,738,986	2,399,028	4,999,375	4,466,944
Sales of services	20,563	18,017	25,996	23,304
Revenues from sales of finished goods and services, net	**2,759,549**	**2,417,045**	**5,025,371**	**4,490,248**
Sales of goods for resale	54,561	47,571	96,477	85,982
Sales of spare parts and other materials	1,204	1,051	1,015	902
Revenues from sales of goods for resale and spare parts, net	**55,765**	**48,622**	**97,492**	**86,884**
Total	**2,815,314**	**2,465,667**	**5,122,863**	**4,577,132**

7.2. Sales revenues in division on assortments

	for the year ended		for the year ended	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Gasoline	764,127	667,374	1,419,852	1,269,200
Diesel fuel	1,393,702	1,221,569	2,511,430	2,243,251
Jet A-1 fuel	79,583	70,324	300,023	268,168
Heavy heating oil	203,323	177,574	462,154	411,935
LPG	73,031	63,818	117,455	104,972
Bitumens	89,209	77,428	124,482	111,397
Propylene	52,539	45,684	41,325	35,633
Other	138,033	122,828	119,131	108,370
Sales of spare parts and other materials	1,204	1,051	1,015	902
Services	20,563	18,017	25,996	23,304
Total	**2,815,314**	**2,465,667**	**5,122,863**	**4,577,132**

In 2020, there were no customers in the Group, whose revenues from sales individually exceeded 10% of total revenues from sale to external customers.

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.

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

	for the year ended		for the year ended	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Lithuania	786,319	689,336	1,215,788	1,087,102
Latvia and Estonia	646,513	564,311	1,207,409	1,079,691
Poland	171,303	154,228	516,222	459,572
Other EU countries	317,104	275,077	177,767	159,707
Other countries, including:	**894,075**	**782,715**	**2,005,677**	**1,791,060**
Switzerland	340,822	298,590	680,684	606,612
Ukraine	276,135	242,195	469,794	420,553
Singapore	236,273	206,448	583,262	520,861
Other countries	40,845	35,482	271,937	243,034
Total	**2,815,314**	**2,465,667**	**5,122,863**	**4,577,132**

7.4. Cost by nature

SELECTED ACCOUNTING PRINCIPLES

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 as well as distribution expenses.

Administrative expenses include expenses relating to management and administration of the Group as a whole.

	Note	for the year ended		for the year ended	
		31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Materials and energy		(2,694,077)	(2,363,505)	(4,629,101)	(4,135,909)
Costs of goods for resale		(50,484)	(43,964)	(97,324)	(86,779)
External services		(175,702)	(154,068)	(189,410)	(169,176)
Employee benefits, including:		(52,998)	(46,388)	(47,446)	(42,378)
payroll expenses		*(48,744)*	*(42,665)*	*(46,399)*	*(41,444)*
social security expenses		*(1,252)*	*(1,089)*	*(1,047)*	*(934)*
Depreciation and amortisation	8.1, 8.2, 10.1	(38,470)	(33,722)	(39,740)	(35,505)
Taxes and charges		(4,362)	(4,196)	(4,227)	(3,776)
Other costs		(14,220)	(12,469)	(12,540)	(11,200)
		(3,030,313)	**(2,658,312)**	**(5,019,788)**	**(4,484,723)**
Change in inventories		(17,262)	(18,055)	(11,562)	(10,327)
Cost of products and services for own use		33	(15)	(1,474)	(1,316)
Write-down of inventories	8.5.1	16,823	17,343	(620)	(996)
Total operating expenses		**(3,030,719)**	**(2,659,039)**	**(5,033,444)**	**(4,497,362)**
Distribution expenses		152,119	133,182	173,190	154,837
Administrative expenses		52,754	46,183	46,427	41,508
Cost of sales		**(2,825,846)**	**(2,479,674)**	**(4,813,827)**	**(4,301,017)**

(in USD and EUR thous.)

7.5. Other operating income

	Note	for the year ended		for the year ended	
		31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Profit from disposal of non-financial fixed assets		19	17	29	26
Reversal of provisions		2,748	2,434	2,932	2,612
Grants		5,852	4,950	-	-
Reversal of impairment allowances of property, plant and equipment, intangible assets, right to use assets and other non curent assets, held for resale		141	125	634	575
Penalties, damages and compensations		303	265	161	142
Settlement and valuation of derivative financial instruments related to operating exposure	9.2	151,819	136,303	11,662	10,502
Ineffective part related to settlement and valuation of operating exposure	9.2	1,977	1,778	4,166	3,675
Other		144	172	13,072	11,744
Total		**163,003**	**146,044**	**32,656**	**29,276**

7.6. Other operating expenses

	Note	for the year ended		for the year ended	
		31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Loss from disposal of non-financial fixed assets		294	242	36	33
Donations		1,393	1,257	1,246	1,108
Recognition of provisions		285	235	6,434	5,719
Recognition of impairment allowances of property, plant and equipment, intangible assets, right to use assets and other non-current assets classified as held for sale		22,099	18,187	549	497
Penalties, damages and compensations		1,230	1,031	130	117
Settlement and valuation of derivative financial instruments related to operating exposure	9.2	123,817	110,091	27,411	24,741
Ineffective part related to settlement and valuation of operating exposure	9.2	5,289	4,780	4,331	3,815
Compensated costs		87	78	10,761	9,695
Other		67	64	132	119
Total		**154,561**	**135,965**	**51,030**	**45,844**

7.7. Finance income and costs

7.7.1. Finance income

	Note	for the year ended		for the year ended	
		31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Interest	9.2	315	284	2,782	2,476
Net foreign exchange gains	9.2	187	232	-	-
Total		**502**	**516**	**2,782**	**2,476**

7.7.2. Finance costs

	Note	for the year ended		for the year ended	
		31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Interest	9.2	1,509	1,316	1,328	1,185
Net foreign exchange loss	9.2	-	-	812	743
Costs of factoring	9.2	392	344	749	669
Other	9.2	56	49	43	38
Total		**1,957**	**1,709**	**2,932**	**2,635**

7.8. Tax expense

SELECTED ACCOUNTING PRINCIPLES

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 as an asset, if the amount of the current and prior periods income tax paid exceeds the amount due.

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.

	for the year ended		for the year ended	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Tax expense in the statement of profit or loss	**(42,012)**	**(37,153)**	**(4,918)**	**(4,417)**
Current tax expense	1,290	1,170	(810)	(722)
Deferred tax expense	(43,302)	(38,323)	(4,108)	(3,695)
Total	**(42,012)**	**(37,153)**	**(4,918)**	**(4,417)**

7.8.1. Reconsiliation of effective tax rate

	for the year ended		for the year ended	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Profit (loss) before tax	(208,765)	(184,802)	70,853	63,005
Tax expense by the valid tax rate in Lithuania (15%)	(31,315)	(27,720)	10,628	9,451
Effect of different tax rates in other countries	730	640	267	239
Non-taxable income	(8,063)	(7,067)	(5,813)	(5,195)
Expenses not deductible for tax purposes	(7,534)	(6,604)	1,433	1,281
Fixed asset investment relief utilization/ (recognition)	4,536	3,976	(1,191)	(1,064)
Tax loss utilization/ (recognition)	-	-	(7,718)	(6,898)
Change in estimates related to prior years	(1,013)	(888)	(2,152)	(1,923)
Valuation of derivative financial instruments	647	567	-	-
Other	-	-	(372)	(332)
Exchange differences on translation	-	(57)	-	24
Tax expense	**(42,012)**	**(37,153)**	**(4,918)**	**(4,417)**

7.8.2. Deferred tax

	31/12/2019		Deferred tax recognized in statement of profit or loss		Foreign exchange differences	31/12/2020	
Deferred tax assets / (liabilities)	**USD**	**EUR**	**USD**	**EUR**	**EUR**	**USD**	**EUR**
Impairment allowances	107,901	96,435	11,075	9,708	(9,265)	118,976	96,878
Provisions and accruals	10,565	9,443	(1,429)	(1,253)	(751)	9,136	7,439
Unrealized foreign exchange differences	(4,804)	(4,294)	11,739	10,290	(349)	6,935	5,647
Difference between carrying amount and tax base of property, plant and equipment	(48,228)	(43,103)	(5,544)	(4,859)	4,177	(53,772)	(43,785)
Tax loss carried forward	6,237	5,574	42,172	37,331	(3,487)	48,409	39,418
Valuation of derivative financial instruments	-	-	(647)	(567)	40	(647)	(527)
Investment relief	5,648	5,048	(4,536)	(3,976)	(167)	1,112	905
Other	718	642	83	73	(62)	801	653
Total deferred tax assets / (liabilities)	**78,037**	**69,745**	**52,913**	**46,747**	**(9,864)**	**130,950**	**106,628**
Deferred tax asset / (liabilities) not recognised	**(66,152)**	**(59,123)**	**(9,611)**	**(8,424)**	**5,856**	**(75,763)**	**(61,691)**
Deferred tax, net	**11,885**	**10,622**	**43,302**	**38,323**	**(4,008)**	**55,187**	**44,937**

	31/12/2018		Deferred tax recognized in statement of profit or loss		Foreign exchange differences	31/12/2019	
Deferred tax assets / (liabilities)	**USD**	**EUR**	**USD**	**EUR**	**EUR**	**USD**	**EUR**
Impairment allowances	121,438	106,022	(13,537)	(12,091)	2,504	107,901	96,435
Provisions and accruals	2,675	2,335	7,890	7,047	61	10,565	9,443
Unrealized foreign exchange differences	(4,290)	(3,745)	(514)	(459)	(90)	(4,804)	(4,294)
Difference between carrying amount and tax base of property, plant and equipment	(41,561)	(36,285)	(6,667)	(5,955)	(863)	(48,228)	(43,103)
Tax loss carried forward	1,880	1,641	4,357	4,033	(100)	6,237	5,574
Investment relief	5,897	5,148	(249)	(222)	122	5,648	5,048
Other	695	607	23	21	14	718	642
Total deferred tax assets / (liabilities)	**86,734**	**75,723**	**(8,697)**	**(7,626)**	**1,648**	**78,037**	**69,745**
Deferred tax asset / (liabilities) not recognised	**(78,827)**	**(68,821)**	**12,675**	**11,321**	**(1,623)**	**(66,152)**	**(59,123)**
Deferred tax, net	**7,907**	**6,902**	**3,978**	**3,695**	**25**	**11,885**	**10,622**

8. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1. Property, plant and equipment

SELECTED ACCOUNTING PRINCIPLES

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 presented 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).

PROFESSIONAL JUDGEMENT AND ESTIMATES

Useful lives of property, plant and equipment

The Group verifies economic useful lives of property, plant and equipment at least once a year.

The impact of verification of useful lives in 2020 resulted in a decrease of depreciation costs by USD 380 EUR 333 thousands compared to depreciation costs that were recognised based on useful lives applied in 2019.

(in USD and EUR thous.)

USD	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount at 01/01/2020						
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)
	-	**7,057**	**220,608**	**42,596**	**36,096**	**306,357**
Increases/(decreases), net						
Investment expenditures	-	833	19,095	6,432	31,641	58,001
Depreciation	-	(459)	(26,208)	(3,407)	-	(30,074)
Impairment allowances, net	**-**	**(153,259)**	**135,422**	**(678)**	**(2,915)**	**(21,430)**
Recognition	-	(3,400)	(14,530)	(696)	(3,119)	(21,745)
Reversal	-	-	-	8	115	123
Reclassifications	-	(149,859)	149,770	9	89	9
Other	-	-	182	1	-	183
Reclassifications	-	190,057	(171,959)	(120)	(18,155)	(177)
Foreign exchange differences	-	-	-	3	-	3
Other	-	-	(480)	(3)	-	(483)
	-	**44,229**	**176,478**	**44,823**	**46,667**	**312,197**
Net carrying amount at 31/12/2020						
Gross carrying amount	1	433,609	1,387,022	99,836	56,690	1,977,158
Accumulated depreciation	-	(205,188)	(638,850)	(44,164)	-	(888,202)
Impairment allowances	(1)	(184,192)	(571,694)	(10,849)	(10,023)	(776,759)
	-	**44,229**	**176,478**	**44,823**	**46,667**	**312,197**
Net carrying amount at 01/01/2019						
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)
	-	**5,853**	**177,133**	**26,181**	**70,504**	**279,671**
Increases/(decreases), net						
Investment expenditures	-	224	23,072	23,356	10,265	56,917
Acquisitions (discontinued operation)	-	-	17	27	-	44
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)
Other	-	1	186	247	10,564	10,998
Reclassifications	-	1,235	44,030	(78)	(44,125)	1,062
Foreign exchange differences	-	-	(3)	(2)	-	(5)
Other	-	-	(186)	(254)	(10,576)	(11,016)
Other decreases due to discontinued operation	-	-	(86)	(99)	-	(185)
Net carrying amount at 31/12/2019	**-**	**7,057**	**220,608**	**42,596**	**36,096**	**306,357**

(in USD and EUR thous.)

EUR	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount at 01/01/2020						
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)
	-	**6,307**	**197,165**	**38,070**	**32,260**	**273,802**
Increases/(decreases), net						
Investment expenditures	-	695	16,222	5,852	27,569	50,338
Depreciation	-	(392)	(23,001)	(2,988)	-	(26,381)
Impairment allowances, net	**-**	**(126,081)**	**111,402**	**(560)**	**(2,388)**	**(17,627)**
Recognition	-	(2,796)	(11,953)	(576)	(2,571)	(17,896)
Reversal	-	-	-	6	102	108
Reclassifications	-	(123,285)	123,204	8	81	8
Other	-	-	151	2	-	153
Reclassifications	-	156,393	(140,254)	(97)	(16,202)	(160)
Foreign exchange differences, incl.:	-	(907)	(17,437)	(3,777)	(3,240)	(25,361)
foreign exchange differences of impairment allowances	-	3,747	55,061	816	579	60,203
Other	-	-	(397)	(2)	-	(399)
	-	**36,015**	**143,700**	**36,498**	**37,999**	**254,212**
Net carrying amount at 31/12/2020						
Gross carrying amount	1	353,073	1,129,405	81,293	46,160	1,609,932
Accumulated depreciation	-	(167,077)	(520,193)	(35,961)	-	(723,231)
Impairment allowances	(1)	(149,981)	(465,512)	(8,834)	(8,161)	(632,489)
	-	**36,015**	**143,700**	**36,498**	**37,999**	**254,212**
Net carrying amount at 01/01/2019						
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)
	-	**5,109**	**154,647**	**22,859**	**61,554**	**244,169**
Increases/(decreases), net						
Investment expenditures	-	201	20,701	20,938	9,145	50,985
Acquisitions (discontinued operation)	-	-	15	24	-	39
Depreciation	-	(217)	(20,937)	(6,061)	-	(27,215)
Deprecation 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)
Other	-	1	167	222	9,516	9,906
Reclassifications	-	1,108	39,245	(73)	(39,322)	958
Foreign exchange differences, incl.:	-	117	3,689	455	1,378	5,639
foreign exchange differences of impairment allowances	-	(639)	(14,623)	(217)	(421)	(15,900)
Other	-	(1)	(167)	(228)	(9,525)	(9,921)
Other decreases due to discontinued operation	-	-	(77)	(89)	-	(166)
Net carrying amount at 31/12/2019	**-**	**6,307**	**197,165**	**38,070**	**32,260**	**273,802**

Other information connected with property, plant and equipment

	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
The acquisition costs of all fully depreciated property, plant and equipment still in use	123,060	100,204	99,456	88,887
The carrying amounts of idle property, plant and equipment and not clasified as held for sale	5	4	23	21

8.2. Intangible assets

SELECTED ACCOUNTING PRINCIPLES

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.

Rights

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. The Group recognises costs flows of CO2 emission allowances at weighted average method.

ESTIMATES

Useful lives of intangible assets

The Group verifies useful lives of intangible assets once at year end with effect from the beginning of next year. The impact of verification of useful lives in 2020 resulted in decrease of depreciation costs by USD 11 EUR 10 thousands compared to depreciation costs that were recognised based on useful lives applied in 2019.

(in USD and EUR thous.)

USD	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Net carrying amount at 01/01/2020					
Gross carrying amount	23,448	6,086	-	-	29,534
Accumulated depreciation	(14,669)	(5,867)	-	-	(20,536)
Impairment allowances	(3,465)	(192)	-	-	(3,657)
	5,314	**27**	**-**	**-**	**5,341**
Increases/(decreases), net					
Investment expenditures	976	8	-	-	984
Purchases	-	-	3,079	-	3,079
Received free of charge	-	-	32,390	-	32,390
Depreciation	(1,370)	(28)	-	-	(1,398)
Impairment allowances, net	**(354)**	**26**	**-**	**-**	**(328)**
Recognition	(354)	-	-	-	(354)
Other	-	26	-	-	26
Reclassifications	(24)	-	-	-	(24)
Emission settlement	-	-	(35,469)	-	(35,469)
Foreign exchange differences	-	1	-	-	1
Other	-	91	-	-	91
	4,542	**125**	**-**	**-**	**4,667**
Net carrying amount at 31/12/2020					
Gross carrying amount	24,411	6,173	-	-	30,584
Accumulated depreciation	(16,051)	(5,881)	-	-	(21,932)
Impairment allowances	(3,818)	(167)	-	-	(3,985)
	4,542	**125**	**-**	**-**	**4,667**
Net carrying amount at 01/01/2019					
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)
	3,874	**79**	**-**	**-**	**3,953**
Increases/(decreases), net					
Investment expenditures	2,108	269	-	-	2,377
Purchases	-	-	2,860	-	2,860
Received free of charge	-	-	32,414	-	32,414
Depreciation	(693)	(5)	-	-	(698)
Impairment allowances, net	**-**	**2,000**	**-**	**201**	**2,201**
Other	-	2,000	-	201	2,201
Reclassifications	25	(316)	-	-	(291)
Emission settlement	-	-	(35,274)	-	(35,274)
Other	-	(2,000)	-	(201)	(2,201)
Net carrying amount at 31/12/2019	**5,314**	**27**	**-**	**-**	**5,341**

(in USD and EUR thous.)

EUR	Software	Licenses, patents and similar assets	Emission rights	Research and development	Total
Net carrying amount at 01/01/2020					
Gross carrying amount	20,957	5,438	-	-	26,395
Accumulated depreciation	(13,111)	(5,242)	-	-	(18,353)
Impairment allowances	(3,097)	(172)	-	-	(3,269)
	4,749	**24**	**-**	**-**	**4,773**
Increases/(decreases), net					
Investment expenditures	829	6	-	-	835
Purchases	-	-	2,834	-	2,834
Received free of charge	-	-	29,692	-	29,692
Depreciation	(1,202)	(24)	-	-	(1,226)
Impairment allowances, net	**(291)**	**24**	**-**	**-**	**(267)**
Recognition	(291)	-	-	-	(291)
Other	-	24	-	-	24
Reclassifications	(22)	-	-	-	(22)
Emission settlement	-	-	(32,643)	-	(32,643)
Foreign exchange differences, incl.:	(365)	(12)	117	-	(260)
foreign exchange differences of impairment allowances	278	13	-	-	291
Other	-	84	-	-	84
	3,698	**102**	**-**	**-**	**3,800**
Net carrying amount at 31/12/2020					
Gross carrying amount	19,877	5,027	-	-	24,904
Accumulated depreciation	(13,070)	(4,789)	-	-	(17,859)
Impairment allowances	(3,109)	(136)	-	-	(3,245)
	3,698	**102**	**-**	**-**	**3,800**
Net carrying amount at 01/01/2019					
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)
	3,382	**69**	**-**	**-**	**3,451**
Increases/(decreases), net					
Investment expenditures	1,889	240	-	-	2,129
Purchases	-	-	2,544	-	2,544
Received free of charge	-	-	28,645	-	28,645
Depreciation	(620)	(4)	-	-	(624)
Impairment allowances, net	**-**	**1,802**	**-**	**181**	**1,983**
Other	-	1,802	-	181	1,983
Reclassifications	24	(283)	-	-	(259)
Emission settlement	-	-	(31,383)	-	(31,383)
Foreign exchange differences, incl.:	74	2	194	-	270
foreign exchange differences of impairment allowances	(72)	(59)	-	(6)	(137)
Other	-	(1,802)	-	(181)	(1,983)
Net carrying amount at 31/12/2019	**4,749**	**24**	**-**	**-**	**4,773**

Other information regarding intangible assets

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
The acquisition costs of all fully amortized intangible assets still in use	10,020	8,159	10,998	9,829

8.2.1. Rights

Changes in owned CO_2 emission rights for 2020

	Quantity (in tonnes)	USD	EUR
As at 1 January 2020	**-**	**-**	**-**
Received free of charge	1,253,382	32,390	29,692
Settled emission for 2019 (audited)	(1,599,384)	(35,469)	(32,643)
Purchase	346,002	3,079	2,834
Exchange differences on translation		-	117
As at 31 December 2020	**-**	**-**	**-**
Emission in 2020 (audited)	1,478,463	34,113	27,777
Shortage	**(1,478,463)**	**(34,113)**	**(27,777)**

The quantity of CO2 emission rights as at 31 December 2020 is audited. The shortage will be purchased. As at 31 December 2020 and 31 December 2019 the market value of one EUA amounted to 39.96 USD or 32.54 EUR and amounted 27.39 USD or 24.48 EUR, respectively.

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		-	194
As at 31 December 2019	**-**	**-**	**-**

8.3. Investments accounted for under equity method

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
As at 1 January	**1,570**	**1,403**	**1,534**	**1,340**
Share of net profit /(loss)	(204)	(180)	71	64
Exchange differences on translation	137	1	(35)	(1)
As at 31 December	**1,503**	**1,224**	**1,570**	**1,403**

In 2020 and 2019 dividends were not paid.
Condensed financial data of Naftelf, UAB for 2020 and 2019 are disclosed below.

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Non-current assets	774	630	766	685
Current assets	3,759	3,061	4,729	4,226
Equity	4,420	3,599	4,619	4,128
Current liabilities	113	92	876	783

	for the year ended		for the year ended	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Sales revenues	9,470	8,301	31,131	27,577
Profit/(loss) from operations	(500)	(438)	209	185
Profit/(loss) before tax	(605)	(530)	218	193
Tax expense	(1)	(1)	(10)	(9)
Net profit/(loss)	(606)	(531)	208	184

8.4. Impairment of property, plant and equipment, intangible assets and right-of-use assets

SELECTED ACCOUNTING PRINCIPLES

Impairment of property, plant and equipment, intangible assets and right-of-use assets

At the end of the reporting period, the Group assesses whether there are indicators that an asset or cash-generating unit (CGU) may be impaired or any indicators that the previously recognised 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 such case occurs, 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, intangible assets and right-of-use assets is recognised in other operating activity.

ESTIMATES AND JUDGMENTS

Impairment of property, plant and equipment, intangible assets

The Management assesses whether there is any indicator for impairment of an assets or cash generating unit. As part of the analysis of indications, both external factors - including primarily the macroeconomic environment as well as internal environment are analyzed - including strategic decisions, financial projections and operational plans. If there is any indicator for impairment, the estimation of recoverable amount of an asset is made.

The ORLEN Group conducted impairment tests for companies in the Refinery and Petrochemical segments based on the Financial Plan for 2021, for the following years, calculated using the macroeconomic assumptions of the ORLEN Group Strategy until 2030.

The source of long-term macroeconomic forecasts for refining assets is IHS Markit, for petrochemical assets Nexant taking into account the following assumptions:

- The COVID19 pandemic will leave a long-term mark on the global economy and thus the energy market.
- The COVID19 vaccine will be available in mid-2021, but will be widely available worldwide in early 2022.
- The years 2021-2022 will be a period of rebound in global GDP (+ 3.7% / year). From 2023, there will be a return to a stable level of approximately 2.8% / year.
- The projected downstream margin based on the macroeconomic assumptions of the Strategy for 2021 at the level of approx. $ 9 / bbl, well below historical levels. Maintaining low margins, also expected in the next three years, only from 2024 the margin returns to its historical average levels. After 2024, a more dynamic rebound of MMD due to forecasted higher margins of petrochemical and refining products.
- Crude oil will still remain the main source of energy and its maximum global consumption will take place around 2035. For Brent DTD crude oil, an average annual price growth dynamics of 8% was adopted for the entire forecast period. It is assumed that the situation on the global market will stabilize and the price will gradually increase - in nominal terms, from $ 48 / bbl in 2021 to $ 86 / bbl in 2030.
- Crack Gasoline margins are projected to increase from $ 101 / t in 2021 to $ 179 / t in 2030 following sharp declines in 2020 due to the COVID-19 pandemic. Forecasted demand for gasoline in the world will grow - increase in transport, slower rotation of the car fleet towards electric cars. Also, the prediction of gasoline demand in Europe assumes an increase of approx. 2% in the period 2019-2030. In the coming years, it is assumed that the low margins in 2020, caused by the reduced demand for refining products caused by the pandemic, will be overcome. IHS forecasts show that margins for gasoline will continue to grow until 2030.
- According to IHS predictions, the demand for diesel oil in the world will grow - increase in transport, slower rotation of the car fleet towards electric cars. IHS forecasts indicate that the margins on diesel fuel will continue to grow until 2039.
- In the next two years (2021-2022), the market is expected to maintain the pressure on lower spread levels vs. kerosene, which results from the global situation related to COVID-19. In the long term, higher margins are assumed on the markets of products for which an increase in demand is expected.

In order to reflect the risks resulting from the current economic and pandemic situation as much as possible, the ORLEN Group decided to perform impairment tests for major production assets based on a scenario analysis. Three scenarios were defined: baseline, pessimistic and optimistic.

The baseline scenario was developed based on long-term forecasts for the refining segment from IHS Markit and for the petrochemical segment from Nexant. Two supplementary scenarios: pessimistic and optimistic, were built on one standard deviation of the historical downstream margin for the period 2012-2020, so as to best reflect the full cycle of the ORLEN Group's production assets, including the full impact of the COVID pandemic.

On this basis, the prices of the main refining products were estimated for the pessimistic and optimistic scenarios. For each of the scenarios, probability weights were established based on the normal distribution and expert judgment, in each case assigning a higher probability of the negative scenario materializing than the positive one, in order to maintain a conservative approach.

Asset impairment tests based on the aforementioned revisions showed the necessity to write down the production assets of the ORLEN Lietuva Group in the amount of USD 21,992 thousand, using a discount (WACC) rate of 6.22%.

8.5. Net working capital

Net working capital
The Group defines net working capital as: inventories and trade and other receivables decreased by trade and other liabilities

8.5.1. Inventories

SELECTED ACCOUNTING PRINCIPLES

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.
Cost flows 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. Cost flows 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.

ESTIMATES

Net realizable values from sale of inventories
The Group determines the inventory impairment allowances based on estimation of the net realizable values considering the most recent sales prices at the moment of estimations.

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Raw materials	121,929	99,283	193,216	172,684
Semi-finished products	36,100	29,395	34,355	30,703
Finished goods	88,092	71,730	113,288	101,250
Goods for resale	603	491	6,869	6,139
Spare parts	19,717	16,055	19,245	17,200
Inventories, net	**266,441**	**216,954**	**366,973**	**327,976**
Write-down of inventories to the net realizable value	15,468	12,595	32,419	29,093
Inventories, gross	**281,909**	**229,549**	**399,392**	**357,069**

The main item of inventories, which turnover period is longer than 12 months after the end of the reporting period are mandatory reserves. As at 31 December 2020 and as at 31 December 2019 the value of mandatory reserves presented in consolidated financial statements amounted to USD 121,358 thousand or EUR 98,817 thousand and USD 144,911 thousand or EUR 129,512 thousand, respectively.

Change in impairment allowances of inventories to net realizable value

	Note	for the year ended 31/12/2020		for the year ended 31/12/2019	
		31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
As at 1 January		**32,419**	**29,093**	**38,106**	**33,269**
Recognition	7.4	161,424	145,078	18,394	16,568
Utilization		-	-	(6,290)	(5,545)
Reversal	7.4	(178,312)	(162,503)	(18,169)	(15,918)
Exchange differences on translation		(134)	2,093	(17)	55
Write-down of inventories excluding spare parts		**(17,022)**	**(15,332)**	**(6,082)**	**(4,840)**
Recognition	7.4	805	714	707	629
Reversal	7.4	(734)	(631)	(312)	(283)
Exchange differences on translation		-	(1,249)	-	318
Write-down of spare parts for obsolescence		**71**	**(1,166)**	**395**	**664**
As at 31 December		**15,468**	**12,595**	**32,419**	**29,093**

8.5.2. Trade and other receivables

SELECTED ACCOUNTING PRINCIPLES

Receivables

Receivables, excluding trade receivables, are recognised initially at a fair value and subsequently, at amortised cost using the effective interest rate including expected credit loss. On initial recognition, the Group measures trade receivables that do not have a significant financing component at their transaction price.

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.

Receivables accounted at amortised cost, where the Group applies simplifications, are accounted at the 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.

ESTIMATES

Impairment of trade and other receivables

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 2018 the Group estimates the expected credit loss until maturity of instrument. The expected credit loss is calculated when the receivable are recognised in the statement of financial position and is updated on each subsequent day ending the reporting period.

(in USD and EUR thous.)

	Note	31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Trade receivables		109,885	89,475	282,095	252,118
Other		646	526	3,237	2,894
Financial assets	**9.1**	**110,531**	**90,001**	**285,332**	**255,012**
Other taxation, duty, social security receivables and other benefits		75	61	42	37
Deferred insurance costs		12,335	10,044	11,482	10,262
Accrued income and deferred charges		970	790	806	720
Prepayments for delivery		262	214	28	25
Non-financial assets		**13,642**	**11,109**	**12,358**	**11,044**
Receivables, net		**124,173**	**101,110**	**297,690**	**266,056**
Receivables impairment allowance		4,656	3,791	4,257	3,836
Expected credit loss		686	559	527	440
Receivables, gross		**129,515**	**105,460**	**302,474**	**270,332**

Division of financial assets denominated in foreign currencies is presented in note 9.5.2. Division of receivables from related parties is presented in note 10.5.2.
The Group expects that the trade and other receivables by contractors will be realized no later than twelve months after the end of the reporting period.

8.5.2.1. Change in expected credit loss of trade and other receivables

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
As at 1 January	**527**	**440**	**531**	**443**
Recognition	267	240	-	-
Reversal	(108)	(90)	(4)	(3)
Exchange differences on translation	-	(31)	-	-
As at 31 December	**686**	**559**	**527**	**440**

8.5.2.2. Change in impairment allowances of trade and other receivables

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
As at 1 January	**4,257**	**3,836**	**6,136**	**5,390**
Recognition	-	-	2,005	1,720
Reversal	(16)	(14)	(1,892)	(1,616)
Other increases/decreases	-	-	(1,880)	(1,614)
Exchange differences on translation	415	(31)	(112)	(44)
As at 31 December	**4,656**	**3,791**	**4,257**	**3,836**

8.5.3. Trade and other liabilities

SELECTED ACCOUNTING PRINCIPLES

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.

(in USD and EUR thous.)

	Note	31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Trade liabilities		162,539	132,351	210,157	187,824
Investment liabilities		14,225	11,583	11,542	10,316
Uninvoiced services		7,415	6,038	60,829	54,366
Financial liabilities	**9.1**	**184,179**	**149,972**	**282,528**	**252,506**
Payroll liabilities		2,381	1,939	2,121	1,895
Excise tax and fuel charge		22,775	18,545	36,801	32,892
Value added tax		27,174	22,127	53,532	47,843
Other taxation, duties, social security and other benefits		4,615	3,758	4,391	3,924
Acruals		7,582	6,174	6,117	5,467
Holiday pay accrual		4,852	3,951	3,772	3,371
Other accruals		2,730	2,223	2,345	2,096
Advance payments and prepayments		1,182	963	3,698	3,304
Other liabilities		1,085	883	1,462	1,306
Non-financial liabilities		**66,794**	**54,389**	**108,122**	**96,631**
Total		**250,973**	**204,361**	**390,650**	**349,137**

Division of financial liabilities denominated in foreign currencies is presented in Note 9.5.2. Division of liabilities from related parties is presented in note 10.5.2.
As at 31 December 2020 and as at 31 December 2019 in the Group there were no material overdue liabilities.
The Group expects that the payment of trade liabilities to contractors will take place no later than twelve months after the end of the reporting period.

8.6. Equity

SELECTED ACCOUNTING PRINCIPLES

Share capital
Equity paid by shareholders and presented at nominal value in accordance with the Parent Company's articles of association and the entry in the Centre of Registers.
Share premium
Equity created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs.
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.
Hedging reserve
Equity including valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.
Exchange differences on translating foreign operations
Result 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.
Retained earnings
Include:
- actuarial gains and losses from post-employment benefits,
- the current reporting period profit/loss.

8.6.1. 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 2019 and in 2020 Parent company did not pay dividends.

(in USD and EUR thous.)

8.7. Derivatives and other assets and liabilities

Other non-current assets

	Note	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
Loans granted	9.1	5	4	11	10
Other non-current receivables	9.1	427	348	589	526
Financial assets		**432**	**352**	**600**	**536**
Non-current prepayment		650	529	853	762
Total non-financial assets		**650**	**529**	**853**	**762**
As at 31 December		**1,082**	**881**	**1,453**	**1,298**

Derivatives and other financial assets

	Note	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
Cash flow hedge instruments - commodity swaps	9.1	-	-	1,241	1,109
Derivatives not designated for hedge accounting - commodity swaps	9.1	1,940	1,579	2,782	2,486
Loans granted	9.1	7	6	4	4
Receivables from cash pool	9.1	11,940	9,723	42,995	38,426
Receivables on settled cash flow hedge instruments	9.1	6	5	5,094	4,553
Receivables on settled derivatives not designated for hedge accounting	9.1	-	-	2,737	2,446
As at 31 December		**13,893**	**11,313**	**54,853**	**49,024**

As at 31 December 2020 and 31 December 2019 the Group did not have short term deposits.

Derivatives and other liabilities

	Note	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
Cash flow hedge instruments - commodity swaps	9.1	4,800	3,909	3,710	3,316
Derivatives not designated for hedge accounting - commodity swaps	9.1	1,940	1,580	4,859	4,343
Liabilities from cash pool	9.1	47,631	38,784	15,069	13,468
Liabilities on settled derivatives not designated for hedge accounting	9.1	15,473	12,599	8,362	7,473
Liabilities on settled cash flow hedge instruments	9.1	4,310	3,509	2,479	2,215
		74,154	**60,381**	**34,479**	**30,815**

The Parent Company, ORLEN Eesti and ORLEN Latvia are the members of the international cash pool managed by PKN ORLEN. The internal cross-currency credit limit as at 31 December 2020 granted to ORLEN Latvia was EUR 20 million (or USD 25 million), to ORLEN Eesti - EUR 10 million (or USD 12 million) and to the Parent Company – EUR 149 million (or USD 183 million). The date of full repayment of the internal cross-currency credit limit is 30 June 2021.

8.8. Provisions

SELECTED ACCOUNTING PRINCIPLES

Environmental provision

The Group creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. Environmental provision for reclamation is periodically reviewed on the basis of the degree of contamination. Changes of provision increase or decrease the value of asset causing the obligation of reclamation in the current period. In case decrease of provision is higher than carrying amount of the asset, the amount of that excess is recognised in profit or loss.

CO2 emissions

The Group recognises the estimated, CO2 emissions costs during the reporting period in operating activity costs (taxes and charges). Provision is recognised based on the value of allowances taking into account the weighted average method. In case of a shortage of allowances, the provision is created based on the purchase price of allowance concluded in forward contracts or market quotations of allowances at the reporting date.

Other provisions

Other provisions include mainly provisions for on-going legal proceedings and are recognised after consideration of available information, including the opinions of independent experts.

ESTIMATES

Recognition of provisions requires estimates of the probable outflow of resources embodying economic benefits and making the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognised when the probability of outflow of resources embodying economic benefits is higher than 50%.

USD	Non-current		Current		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Environmental	2,135	1,896	914	594	3,049	2,490
Post employment benefits	3,713	3,805	698	470	4,411	4,275
Other provisions	-	-	-	3,162	-	3,162
CO2 emissions	-	-	34,113	36,782	34,113	36,782
As at 31 December	**5,848**	**5,701**	**35,725**	**41,008**	**41,573**	**46,709**

EUR	Non-current		Current		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Environmental	1,738	1,694	744	531	2,482	2,225
Post employment benefits	3,024	3,401	568	420	3,592	3,821
Other provisions	-	-	-	2,826	-	2,826
CO2 emissions	-	-	27,777	32,873	27,777	32,873
As at 31 December	**4,762**	**5,095**	**29,089**	**36,650**	**33,851**	**41,745**

Change in provisions in 2020

USD	Environmental	Post employment benefits	Other provisions	CO2 emisions	Total
1 January 2020	**2,490**	**4,275**	**3,162**	**36,782**	**46,709**
Recognition	653	204	-	34,113	**34,970**
Usage	(346)	(169)	(416)	(35,469)	**(36,400)**
Reversal	-	-	(2,748)	-	**(2,748)**
Correction of previous years	-	-	-	(557)	**(557)**
Accounted from equity	-	(316)	-	-	**(316)**
Exchange differences on translation	252	417	2	(756)	**(85)**
As at 31 December 2020	**3,049**	**4,411**	**-**	**34,113**	**41,573**

EUR	Environmental	Post employment benefits	Other provisions	CO2 emisions	Total
1 January 2020	**2,225**	**3,821**	**2,826**	**32,873**	**41,745**
Recognition	554	166	-	27,777	**28,497**
Usage	(297)	(138)	(363)	(32,643)	**(33,441)**
Reversal	-	-	(2,434)	-	**(2,434)**
Correction of previous years	-	-	-	(511)	**(511)**
Accounted from equity	-	(257)	-	-	**(257)**
Exchange differences on translation	-	-	(29)	281	**252**
As at 31 December 2020	**2,482**	**3,592**	**-**	**27,777**	**33,851**

Change in provisions in 2019

USD	Environmental	Post employment benefits	Other provisions	CO2 emisions	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	(31)	(112)	(153)	-	**(296)**
As at 31 December 2019	**2,490**	**4,275**	**3,162**	**36,782**	**46,709**

EUR	Environmental	Post employment benefits	Other provisions	CO2 emisions	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)**
Exchange differences on translation	36	(5)	(81)	-	**(50)**
As at 31 December 2019	**2,225**	**3,821**	**2,826**	**32,873**	**41,745**

8.8.1. Environmental provision

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

The group estimates a provision for environmental risk related to removal of pollution based on own analysis taking into account the expected costs of remediation. The potential future changes in regulation and common practice regarding environmental protection may influence the value of this provision in the future periods.

8.8.2. Provision for post-employment benefits

The Parent company employees under Collective Agreement and Lithuanian labour code are entitled to retirement benefit, paid once at retirement. The amount of above benefits depends on the number of years in service and an employee’s remuneration. Retirement benefits are classified as post-employment defined benefit plans.
Provisions are determined by an independent actuary and revalued if there are any indications impacting their value, taking into account the staff turnover and planned change in wages.
Actuarial gains and losses from post-employment benefits are recognised in components of other comprehensive income.

Change in post-employment benefits obligation

	2020		2019	
	USD	EUR	USD	EUR
As at 1 January	**4,275**	**3,821**	**4,761**	**4,156**
Current service costs	190	155	191	172
Interest expenses	14	11	41	37
Actuarial gains and losses recognized in Other Comprehensive Income net	**(316)**	**(257)**	**(167)**	**(149)**
demographic assumptions	(286)	(232)	82	74
financial assumptions	21	17	288	259
experience adjustment	(51)	(42)	(537)	(482)
Change of share structure	-	-	(420)	(375)
Payments under programme	(169)	(138)	(101)	(91)
Past service cost	-	-	79	72
Exchange differences on translation	417	-	(109)	(1)
As at 31 December	**4,411**	**3,592**	**4,275**	**3,821**

The carrying amount of employee benefits liabilities is equal to their present value as at 31 December 2020 and 31 December 2019.

Sensitivity analysis to changes in actuarial assumptions

As at 31 December 2020, the Group used the following actuarial assumptions that had an impact on the level of actuarial provisions: discount rate of 0,2 %; expected inflation 2.2% in 2021 and 2.0% in subsequent years, the remuneration increase rate 2.5% in 2021 and in the subsequent 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. is not higher than USD 232 thousand. Therefore, the Group does not present any detailed information.
The Group carries out the employee benefit payments from current resources
Post-employment benefits are calculated for active employees.

Maturity of employee benefits analysis

	31/12/2020		31/12/2019	
	USD	EUR	USD	EUR
up to 1 year	697	568	469	420
from 1 to 3 years	359	292	289	258
from 3 to 5 years	330	269	252	225
above 5 years	3,025	2,463	3,265	2,918
Total	**4,411**	**3,592**	**4,275**	**3,821**

The weighted average duration of liabilities in Lithuania for post-employment benefits as at 31 December 2020 were 10.9 years and as at 31 December 2019 were 13 years.

Not discounted future cash flow of employee benefits payments

	31/12/2020		31/12/2019	
	USD	EUR	USD	EUR
up to 1 year	719	585	474	424
from 1 to 3 years	387	315	309	276
from 3 to 5 years	382	311	300	268
above 5 years	5,556	4,524	8,912	7,965
	7,044	**5,735**	**9,995**	**8,933**

In 2020 the amount of provision for employee benefits changed as the result of update of assumptions, mainly in relation to discount rate, projected inflation and expected remuneration increase ratio. Should the 2019 assumptions be used, the provision for the employee benefits would be lower by USD 265 thousand or EUR 216 thousand.

9. EXPLANATORY NOTES TO THE FINANCIAL INSTRUMENTS AND FINANCIAL RISK

SELECTED ACCOUNTING PRINCIPLES

Financial instruments

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 measured 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 expected credit loss 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 less expected credit loss impairment allowances.
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.

Impairment of financial assets

The Group recognizes a write-off due to expected credit losses on financial assets measured at amortized cost.
The Group uses the following models for determining impairment allowances:
- general model (basic),
- simplified model.

The general model is used by the Group for financial assets measured at amortized cost - other than trade receivables and for debt instruments measured at fair value through other comprehensive income.
In the general model, the Group monitors the changes in the level of credit risk associated with a given financial asset and classifies financial assets to one of the three stages of impairment allowances based on the observation of the change in the credit risk level in relation to the initial recognition of the instrument.
Depending on the classification to particular stages, the impairment allowance is estimated in the 12-month horizon (stage 1) or in the life horizon of the instrument (stage 2 and stage 3).
On each day ending the reporting period, the Group considers the indications resulting in the classification of financial assets to particular stages of determining impairment allowances. Indications may include changes in the debtor's rating, serious financial problems of the debtor, a significant unfavourable change in its economic, legal or market environment.
For the purposes of estimating the expected credit loss, the Group uses default probability levels based on market credit quotes of derivatives for entities with a given rating and from a given sector.
The Group includes information on the future in the parameters of the expected loss estimation model by calculating the probability parameters of insolvency based on current market quotes.
The simplified model is used by the Group for trade receivables.
In the simplified model, the Group does not monitor changes in the credit risk level during the life and estimates the expected credit loss in the horizon up to maturity of the instrument.

Hedge accounting

Derivatives designated as hedging instruments whose cash flows are expected to offset changes in the cash flows of a hedged item are accounted for in accordance with the cash flow hedge accounting.
The Group has cash flow of hedging relation.
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.
To assess the effectiveness of hedge the Group uses statistical methods, including in particular 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 finished products, merchandise 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.

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.

PROFESSIONAL JUDGEMENTS

Financial instruments

The Management assesses the classification of financial instruments, nature and extent of risk related to financial instruments and application of the cash flow hedge accounting. The financial instruments are classified into different categories depending on the purpose of the purchase and nature of acquired assets.

9.1. Financial instruments by category and class

	Financial instruments by category	Note	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
ASSETS						
Cash flow hedge instruments	Hedging financial instruments	8.7	-	-	1,241	1,109
Derivatives not designated as hedge accounting	At fair value through profit or loss	8.7	1,940	1,579	2,782	2,486
Trade and other receivables	Measured at amortized cost	8.5.2	110,531	90,001	285,332	255,012
Receivables from cash pool	Measured at amortized cost	8.7	11,940	9,723	42,995	38,426
Cash and cash equivalents	Measured at amortized cost		10,933	8,902	11,384	10,175
Receivables on settled cash flow hedge instruments	Measured at amortized cost	8.7	6	5	5,094	4,553
Receivables on settled derivatives not designated as hedge accounting	Measured at amortized cost	8.7	-	-	2,737	2,446
Loans granted	Measured at amortized cost	8.7	12	10	15	14
Other non-current receivables	Measured at amortized cost	8.7	427	348	589	526
Total			**135,789**	**110,568**	**352,169**	**314,747**
LIABILITIES						
Cash flow hedge instruments	Hedging financial instruments	8.7	4,800	3,909	3,710	3,316
Derivatives not designated as hedge accounting	At fair value through profit or loss	8.7	1,940	1,580	4,859	4,343
Lease liabilities	*Excluded from the clasification and measurement of IFRS 9*	10.1.2	37,304	30,374	14,118	12,618
Trade and other liabilities	Measured at amortized cost	8.5.3	184,179	149,972	282,528	252,506
Liabilities from cash pool	Measured at amortized cost	8.7	47,631	38,784	15,069	13,468
Liabilities on settled cash flow hedge instruments	Measured at amortized cost	8.7	4,310	3,509	2,479	2,215
Liabilities on settled derivatives not designated as hedge accounting	Measured at amortized cost	8.7	15,473	12,599	8,362	7,473
Total			**295,637**	**240,727**	**331,125**	**295,939**

9.2. Income, expenses, profit and loss and other comprehensive income

	Financial instruments by category	Note	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
Interest income	Measured at amortized cost	7.7	315	284	2,782	2,476
Interest costs		7.7	(1,509)	(1,316)	(1,328)	(1,185)
from financial instruments measured at amortised costs	Measured at amortized cost		*(1,311)*	*(1,143)*	*(1,013)*	*(903)*
from lease	*Excluded from the clasification and measurement of IFRS 9*	10.1.2	*(198)*	*(173)*	*(315)*	*(282)*
Foreign exchange gain/(loss)	Measured at amortized cost	7.7	187	232	(812)	(743)
(Loss)/reversal of loss due to impairment of financial instruments	Measured at amortized cost		(143)	(136)	(113)	(102)
Ineffective part related to settlement and valuation of operating exposure	Hedging financial instruments (ineffective part)	7.5, 7.6	(3,312)	(3,002)	(165)	(140)
Settlement and valuation of derivative financial instruments related to operating exposure	At fair value through profit or loss	7.5, 7.6	28,002	26,212	(15,749)	(14,239)
Costs of factoring	Measured at amortized cost	7.7	(392)	(344)	(749)	(669)
Other	Measured at amortized cost	7.7	(56)	(49)	(43)	(38)
Total			**23,092**	**21,881**	**(16,177)**	**(14,640)**

9.3. Fair value measurement

As at 31 December 2020 and as at 31 December 2019 fair value of financial assets and financial liabilities are equal or similar to carrying amount due to their short term nature.

9.4. 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	31/12/2020	31/12/2020	31/12/2019	31/12/2019
		USD	EUR	USD	EUR
Cash flows hedge instruments					
Commodity swap	8.7	(4,800)	(3,909)	(2,469)	(2,207)
Total		**(4,800)**	**(3,909)**	**(2,469)**	**(2,207)**

Cash flows hedge recognized in financial statements

	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	USD	EUR	USD	EUR
Inventories	(6)	(5)	(1,548)	(1,383)
Sales revenues	50,795	47,086	(3,722)	(3,352)
Cost of sales	(32,768)	(28,722)	6,124	5,473

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

	31/12/2020	31/12/2019
Commodity risk exposure	January-May 2021	2020

9.5. Risk identification

9.5.1. 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 CO_2 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	31/12/2020	31/12/2019
Crude oil	bbl	3,010,000	3,621,000
Diesel oil	Mt	64,000	111,601
Gasoline	Mt	12,000	9,000
Fuel Jet	Mt	-	4,000
Heating oil	Mt	4,000	-

Sensitivity analysis for changes in prices of products and raw materials

As at 31 December 2020

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:

(in USD and EUR thous.)

Type of hedged raw material/product	Increase of prices	Total influence		Decrease of prices	Total influence	
		USD	EUR		USD	EUR
Crude oil USD/bbl	+6%	5	4	-6%	(5)	(4)
Diesel oil USD/Mt	+6%	(1,652)	(1,345)	-6%	1,652	1,345
Gasoline USD/Mt	+3%	(175)	(142)	-3%	175	142
Heating oil USD/Mt	+18%	(207)	(169)	-18%	207	169
		(2,029)	**(1,652)**		**2,029**	**1,652**

As at 31 December 2019

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**

Applied for the sensitivity analysis of commodity risk hedging instruments variations of crude oil and products prices were calculated based on volatility for 2020 and 2019 and available analysts' forecasts.

9.5.2. The risk of exchange rates changes

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 2020:

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	8.7	348	-	-	-	427	348
Trade and other receivables	8.5.2	58,985	38,078	-	12	110,531	90,001
Receivables from cash pool	8.7	9,723	-	-	-	11,940	9,723
Loans granted	8.7	10	-	-	-	12	10
Derivatives not designated as hedge accounting	8.7	-	1,940	-	-	1,940	1,579
Receivables on settled cash flow hedge instruments	8.7	-	6	-	-	6	5
Cash and cash equivalents		7,957	1,159	-	-	10,933	8,902
Total		**77,023**	**41,183**	**-**	**12**	**135,789**	**110,568**
Financial liabilities							
Trade and other liabilities	8.5.3	40,440	134,336	362	60	184,179	149,972
Lease liabilities	10.1.2	30,374	-	-	-	37,304	30,374
Cash flow hedge instruments	8.7	-	4,800	-	-	4,800	3,909
Derivatives not designated as hedge accounting	8.7	-	1,940	-	-	1,940	1,580
Liabilities on settled cash flow hedge instruments	8.7	-	19,783	-	-	19,783	16,108
Liabilities from cash pool	8.7	2,248	44,871	-	-	47,631	38,784
Total		**73,062**	**205,730**	**362**	**60**	**295,637**	**240,727**
Total, net		**3,961**	**(164,547)**	**(362)**	**(48)**	**(159,848)**	**(130,159)**

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 2020) 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%	730	-15%	(730)
		730		**(730)**

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	8.7	525	-	-	-	589	526
Trade and other receivables	8.5.2	161,157	104,999	-	(35)	285,332	255,012
Receivables from cash pool	8.7	9,558	32,301	-	-	42,995	38,426
Loans granted	8.7	14	-	-	-	15	14
Cash flow hedge instruments	8.7	-	1,241	-	-	1,241	1,109
Derivatives not designated as hedge accounting	8.7	-	2,782	-	-	2,782	2,486
Receivables on settled cash flow hedge instruments	8.7	-	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 liabilities	8.5.3	74,836	198,482	627	85	282,528	252,506
Lease liabilities	10.1.2	12,618	-	-	-	14,118	12,618
Cash flow hedge instruments	8.7	-	3,710	-	-	3,710	3,316
Derivatives not designated as hedge accounting	8.7	-	4,859	-	-	4,859	4,343
Liabilities on settled cash flow hedge instruments	8.7	-	10,840	-	-	10,841	9,688
Liabilities from cash pool	8.7	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)**

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.

9.5.3. 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.

9.5.4. Liquidity, credit and market risk

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). Market risk management process is centralized in PKN ORLEN group and is regulated by Cooperation Agreement on the Treasury Area Centralisation in the ORLEN Capital Group concluded on 23 November 2017 between PKN ORLEN S.A. and the Company.

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 2020 and as at 31 December 2019, the ratio amounted to 1.13 and 1.55 respectively.
The Group had no loans in 2019 or 2020.
Financing available for the year 2020 under the credit/cash pool agreements to cover net current liabilities with the maturity of 30 June 2021 (EUR 179 million or USD 220 million) was covering the expected liquidity needs for 2020 with reserve.

Maturity analysis for financial liabilities:

USD	Note	31/12/2020 up to 1 year	Carrying amounts
Trade and other liabilities	8.5.3	184,179	184,179
Derivatives not designated for hedge accounting - commodity swaps	8.7	1,940	1,940
Cash flow hedge instruments - commodity swaps	8.7	4,800	4,800
Liabilities on settled derivatives	8.7	19,783	19,783
Liabilities from cash pool	8.7	47,631	47,631
Total		**258,333**	**258,333**

EUR	Note	31/12/2020 up to 1 year	Carrying amounts
Trade and other liabilities	8.5.3	149,972	149,972
Derivatives not designated for hedge accounting - commodity swaps	8.7	1,580	1,580
Cash flow hedge instruments - commodity swaps	8.7	3,909	3,909
Liabilities on settled derivatives	8.7	16,108	16,108
Liabilities from cash pool	8.7	38,784	38,784
Total		**210,353**	**210,353**

USD	Note	31/12/2019 up to 1 year	Carrying amounts
Trade and other liabilities	8.5.3	282,528	282,528
Derivatives not designated for hedge accounting - commodity swaps	8.7	4,859	4,859
Cash flow hedge instruments - commodity swaps	8.7	3,710	3,710
Liabilities on settled derivatives	8.7	10,841	10,841
Liabilities from cash pool	8.7	15,069	15,069
Total		**317,007**	**317,007**

EUR	Note	31/12/2019 up to 1 year	Carrying amounts
Trade and other liabilities	8.5.3	252,506	252,506
Derivatives not designated for hedge accounting - commodity swaps	8.7	4,343	4,343
Cash flow hedge instruments - commodity swaps	8.7	3,316	3,316
Liabilities on settled derivatives	8.7	9,688	9,688
Liabilities from cash pool	8.7	13,468	13,468
Total		**283,321**	**283,321**

Maturity analysis for lease liabilities is provided in Note 10.1.2.

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 Commercial Credit and Advance payables Management Procedure. 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 trade receivables past due, but not impaired as at the end of the reporting period:

	Current receivables			
	31/12/2020		31/12/2019	
	USD	EUR	USD	EUR
Overdue:				
Up to 30 days	3,691	3,005	2,875	2,570
31-60 days	44	36	165	147
61-90 days	8	7	226	202
3-6 months	61	50	193	173
6-12 months	7	6	118	105
Above 1 year	-	-	2,846	2,544
	3,811	**3,104**	**6,423**	**5,741**

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

10. OTHER EXPLANATORY NOTES

10.1. Leases

SELECTED ACCOUNTING PRINCIPLES

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.
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 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
Lessee‘s 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.

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,
– licenses 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.
As 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.

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.

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.

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.

10.1.1. Change is assets due to right of use

USD	Land	Buildings and constructions	Vehicles and other	Total
Net carrying amount at 01/01/2020				
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**
Increases/(decreases), net				
Increase according new contracts, modification and other	7	3	28,936	**28,946**
Depreciation	(61)	(127)	(6,810)	**(6,998)**
Other	-	-	(338)	**(338)**
Exchange differences on translation	-	22	1	**23**
	4,401	**256**	**28,715**	**33,372**
Net carrying amount at 31/12/2020				
Gross carrying amount	4,523	483	31,099	**36,105**
Accumulated depreciation	(122)	(227)	(2,384)	**(2,733)**
	4,401	**256**	**28,715**	**33,372**
Net carrying amount at 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	-	(21)	(2)	**(23)**
Net carrying amount at 31/12/2019	**4,455**	**358**	**6,926**	**11,739**

EUR	Land	Buildings and constructions	Vehicles and other	Total
Net carrying amount at 01/01/2020				
Gross carrying amount	4,036	406	13,089	**17,531**
Accumulated depreciation	(54)	(86)	(6,899)	**(7,039)**
	3,982	**320**	**6,190**	**10,492**
Increases/(decreases), net				
Increase according new contracts, modification and other	6	2	24,622	**24,630**
Depreciation	(54)	(111)	(5,950)	**(6,115)**
Other	-	-	(310)	**(310)**
Exchange differences on translation	(350)	(3)	(1,171)	**(1,524)**
	3,584	**208**	**23,381**	**27,173**
Net carrying amount at 31/12/2020				
Gross carrying amount	3,683	393	25,323	**29,399**
Accumulated depreciation	(99)	(185)	(1,942)	**(2,226)**
	3,584	**208**	**23,381**	**27,173**
Net carrying amount at 01/01/2019				
Gross carrying amount	4,565	190	11,823	**16,578**
Gross carrying amount from discontinued operations	0	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	117	4	279	**400**
Net carrying amount at 31/12/2019	**3,982**	**320**	**6,190**	**10,492**

10.1.2. Maturity analysis for lease liabilities

	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
up to 1 year	7,769	6,325	8,179	7,310
from 1 to 2 years	7,096	5,778	689	616
from 2 to 3 years	5,583	4,547	564	504
from 3 to 4 years	5,410	4,405	565	505
from 4 to 5 years	4,861	3,958	462	413
above 5 years	17,629	14,355	12,769	11,412
Discount	(11,044)	(8,994)	(9,110)	(8,142)
Total	**37,304**	**30,374**	**14,118**	**12,618**

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

	31/12/2020 USD	31/12/2020 EUR	31/12/2019 USD	31/12/2019 EUR
Costs due to:				
interest on lease	198	173	315	282
short-term lease	108	99	1,324	1,183
lease of low-value assets that are not short-term lease	167	146	-	-
Total	**473**	**418**	**1,639**	**1,465**

10.2. Future commitments resulting from signed investment contracts

As at 31 December 2020 and as at 31 December 2019 the value of future commitments resulting from contracts signed until this date amounted to USD 49,185 thousand or EUR 40,050 thousand and USD 23,630 thousand or EUR 19,241 thousand, respectively.

10.3. Contingent assets and liabilities

SELECTED ACCOUNTING PRINCIPLES

Contingent assets and 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.
At the end of reporting period the Group discloses information on contingent liabilities if:

- it has a possible obligation, which arose as a result of past events, the existence of which will be confirmed only when one or more uncertain future events occur that are not fully controlled by the Group, or
- it has a current obligation, which arose as a result of past events, but an outflow of funds have economic benefits in it, is not probable or the Group is not able to valuate liabilities reliably enough.

The Group does not disclose the contingent liability when the probability of outflow of funds included economic benefits is remote.

ESTIMATES

Contingent assets
The Group makes estimations with respect to financial effects of disclosed contingent assets based on the value of previously recognized related costs that the Group expects to recover (e.g. under insurance contracts signed) or the value of subjects to proceedings in which the Group entities act as plaintiff.

Contingent liabilities
The Group estimates possible future liabilities constituting contingent liabilities based on the value of claims under ongoing proceedings in which the Group entities act as the defendant.

The Group is not involved in significant court proceedings and arbitration. In the opinion of the Management, the outcome insignificant claims will not have a material adverse effect on the Group’s operations.

10.4. Excise tax guarantees

Excise tax guarantees of the Group as at 31 December 2020 and as at 31 December 2019 amounted to USD 6,079 thousand or EUR 4,950 thousand and USD 3,804 thousand or EUR 3,400, respectively.

10.5. Related party transactions

In 2020 and 2019 and as at 31 December 2020 and as at 31 December 2019 the based on submitted declarations, there were no transactions of related parties of the Group with the Members of the Management Board or other key executive personnel of the Group.
In 2020 and 2019 on the basis of submitted declarations there were no transactions of close relatives with the other key executive personnel of the Parent Company and key executive personnel of the Group companies with related parties.

10.5.1. 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.

(in USD and EUR thous.)

	for the year ended 31/12/2020		for the year ended 31/12/2019	
	USD	EUR	USD	EUR
Short term employee benefits	**4,655**	**4,080**	**3,664**	**3,107**
- Board of Directors	445	390	494	419
- other key executive personnel	4,210	3,690	3,170	2,688
Termination benefits (severance pay and other remuneration)	**218**	**191**	**148**	**125**
- Board of Directors	47	41	-	-
- other key executive personnel	171	150	148	125

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

Bonus systems for key executive personnel of the Group

The Bonus Systems applicable to the Members of the Board of Directors of the Parent company, directors directly reporting to the Members of the Board of Directors as well as other key positions of the Group have common objective to support the value growth strategy of the ORLEN Group.
The persons subject to the Bonus Systems are remunerated for the accomplishment of specific objectives and bonus tasks set at the beginning of the bonus period by the Board of Directors for Members of the Board of Directors and Deputy General Directors of Parent Company, and by General Director for the key personnel of the Parent company. The Bonus Systems in subsidiaries are applied for the Members of the Board with the tasks and bonus amount set and approved by the Supervisory Council.
The Bonus Systems are structured in a way to promote the cooperation between individual employees seeking to achieve the best possible results for the Group. The bonus tasks are qualitative as well as quantitative and are settled after the end of the year for which they were set.

10.5.2. Transactions and balance of settlement of the Group with related parties

for the year ended 31 December 2020

USD	Shareholder of the Group	Related parties	Associates	Total
Sales	146,695	56,296	8,005	**210,996**
Purchases	2,419,006	29,387	-	**2,448,393**
Other operating income	153,880	3	-	**153,883**
Other operating expenses	129,106	-	-	**129,106**
Finance income	159	-	-	**159**
Finance expenses	1,203	-	-	**1,203**
Trade and other receivables	1,565	1,972	-	**3,537**
Other financial assets	13,886	-	-	**13,886**
Trade and other liabilities	110,157	14,538	-	**124,695**
Other financial liabilities	71,437	2,717	-	**74,154**

EUR	Shareholder of the Group	Related parties	Associates	Total
Sales	132,643	49,315	7,096	**189,054**
Purchases	2,119,578	25,008	-	**2,144,586**
Other operating income	138,157	3	-	**138,160**
Other operating expenses	114,871	-	-	**114,871**
Finance income	145	-	-	**145**
Finance expenses	1,048	-	-	**1,048**
Trade and other receivables	1,274	1,605	-	**2,879**
Other financial assets	11,307	-	-	**11,307**
Trade and other liabilities	89,697	11,838	-	**101,535**
Other financial liabilities	58,169	2,212	-	**60,381**

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**

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.

10.6. Remuneration arising from the agreement with the entity authorized conduct audit

	for the year ended 31/12/2020		for the year ended 31/12/2019	
	USD	EUR	USD	EUR
Fees payable to auditors in respect of the Parent Company	**159**	**139**	**141**	**127**
audit and reviews of the financial statements	152	133	141	127
additional services	7	6	-	-
Fees payable to auditors in respect of subsidiaries belonging to the Group	**35**	**29**	**28**	**25**
audit and reviews of the financial statements	35	29	28	25
	194	**168**	**169**	**152**

Following the concluded agreements for the year 2020, Deloitte Lietuva, UAB performs audit of financial statements of the subsidiaries.
In the period covered by this consolidated financial statements the entity authorized to conduct audit of the Company's financial statements was Deloitte Lietuva, UAB. Deloitte Lietuva, UAB was selected to conduct audit separate financial statements of ORLEN Lietuva and consolidated financial statements of the Group for the years 2019 – 2021.

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.
Moreover, the Parent Company increased internal cross-currency credit limit up to EUR 300 million (or equivalent in US dollars) to satisfy the Parent Company's essential needs.
After the end of the reporting period, no other events occurred than disclosed in this consolidated financial statements, which would require recognition or disclosure.

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

CONSOLIDATED ANNUAL REPORT OF ORLEN LIETUVA GROUP FOR THE YEAR 2020

Market volatility, dramatic changes in oil prices, fluctuating petroleum product demand, and COVID-19 pandemics have created a number of challenges faced in 2020 by the refining industry throughout the world. The effect of such tense microeconomic environment have become visible in the financial performance results of AB ORLEN Lietuva and its subsidiaries (hereinafter – the Group). The Group thus moved in the search for the solutions to keep up, in a flexible manner, with the rebalancing needs of the refining industry and markets. In 2020, the Group focused on finding the solutions to improve its financial situation while going through a very difficult and tense period, and concentrated on implementation of such solutions trying to take full advantage of every business opportunity offered under the competitive pressure.

Operating Results

Oil price collapse has shaken the entire crude oil refining business in Europe. The industry went under severe competitive pressure resulting from depressed demand and excess production capacities. Therefore, with the fall in demand, AB ORLEN Lietuva (hereinafter – the Parent Company) had to adjust its processing capacities. In 2020, the feedstock processing volume amounted to 8.2 million tons only, i.e. was by 1.7 million tons (17%) lower than in the previous year, when the processing volume was 9.9 million tons of feedstock. Lower processing volume led to the impairment of the operational efficiency indicators, i.e. impairment of operational availability index as well as internal fuel and losses.

Processing volume decrease has correspondingly adjusted the volume of product sales resulting in 18% drop: 7.6 million tons of petroleum products were sold by the Group in 2020, whereas the volume of products sold in 2019 was 9.4 million tons. Declining sales volumes and the drop of the global oil and petroleum product prices had an effect on the sales revenue decrease, reducing nearly by half over 2020, and comprising USD 2.8 billion (EUR 2.5 billion) in comparison with USD 5.1 billion (EUR 4.6 billion).

Sales in the Baltic countries at the beginning of the year 2020 were successful notwithstanding the new requirements imposed in relation to mandatory blending of biocomponents (gasoline must contain 10% bio component as of 1 January 2020), with significant consumption growth notable in Lithuania and Latvia. Nevertheless, the global COVID-19 pandemics in March had an adverse effect on the Baltic fuel markets with 10% fall in diesel sales and as much as 20% in gasoline sales. Jet fuel consumption faced an exceptionally severe contraction, with decrease of its sales by approx. 60-70% in most markets and no changes in this relation until the very end of 2020.

Sales in the Baltic countries during the year 2020 decreased by 8.1 percent from 4.0 million tons in 2019 to 3.6 million tons in 2020, thus reflecting the drop of jet fuel, gasoline and diesel sales strongly affected by COVID-19 pandemics and associated lockdowns as well as international flight restrictions. Nevertheless, the market share of the Group on the Baltic markets remained stable.

Sales of the Group to Ukraine in 2020 went down by 7.3% in comparison with 2019, and were 0.9 million tons. Such drop was effected by economic and political situation in Ukraine, growing competition on the market as well as COVID-19 pandemics. Despite the drop of gasoline and jet fuel sales, diesel fuel has faced an increase in sales.

In 2019, the Parent Company launched the production of propylene and, starting April, has sold 47 thous. tons of propylene. In 2020, the volume of its production and sales increased by 52.8% reaching 72 thous. tons of propylene, 28.9% of which were exported via Polish border by rail, and the remaining volume sold for seaborne export to the countries of Western Europe.

Lower processing volume in 2020 led to the drop in the seaborne sales with reduction of the volume by 25.5 percent, amounting to 2.6 million tons, compared to 3.5 million tons sold in 2019.

Financial Results

Tense macro environment and global COVID-19 pandemics have also effected the financial results of the Group. Negative financial indicators of the Group are the reflection of strong decline in the refining industry. The net loss of the Group for 2020 under the International Financial Reporting Standards, as adopted by the EU (IFRS) was USD 166.8 million (EUR 147.6 million), in comparison to the net profit of USD 76.0 million (EUR 67.7 million) posted for the year 2019. Operating loss for the year 2020 amounted to USD 207.3 million (EUR 183.6 million), whereas the operating profit for 2019 was USD 71.0 million (EUR 63.2 million).

Negative results of the Group have also contributed to its financial indicators[1]. The impairment testing identified that the recoverable value of assets is lower than the carrying value. After impairment tests the Group has reported the impairment losses in the amount of USD 22 million (EUR 18.1 million).

Operating loss of the Group for the year 2020, prior to the impairment amounted to USD 185.3 million (EUR 165.5 million).

Negative results of the Group have also contributed to its financial indicators. Net profit margin of the Group for the year 2020 was negative and comprised minus 5.9% (1.5% in 2019). Other indicators experienced the following changes: the net debt to equity ratio was 0.06 (-0.07 in 2019), the current ratio was 1.13 (1.55 in 2019), and the asset turnover ratio was 3.42 (4.77 in 2019).

Information on financial risk management of the Group is available in Note 9.5 of the Set 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 59.0 million in comparison to USD 59.3 million in 2019.

In 2020, the Parent Company commenced the activities under the first phase of Alkylation Unit construction project (License and Basic Design Engineering Package procurement). Preliminary budget of the entire project to be completed in 2025 reaches approx. USD 139.5 million. The expected impact of this project on the annual margin is approx. USD 43.5 million (depending on the fuel market situation).

Special focus of the Parent Company last year was given for the construction bidding process exercised within the scope of the Bottom of the Barrel Upgrade Project. The expected impact of this project on the annual margin is approx. USD 85 million (depending on the fuel market situation).

In 2020, the Parent Company also started the works for modernization of Reactor Block in FCC Unit being one of the key installations of the refinery. Preliminary budget of the entire project to be completed in 2022 reaches approx. USD 23.6 million.

To ensure uninterrupted supply of crude oil for the refinery, major overhaul of Būtingė Terminal spare SPM buoy was commenced in 2020. Preliminary budget of the entire project to be completed in 2022 reaches approx. USD 6.7 million.

In 2020, the investments of the Parent Company in the projects and measures to ensure safety of employees and installations amounted to USD 8.6 million, including USD 2.6 million for the implementation of measures to ensure safety in railway loading racks as well as USD 1.3 million for the initial works within the scope of modernization of the main administrative building.

Apart from the said projects, the activities for refurbishment of other process units of the Company's refinery were also implemented in 2020.

Employees' Development and Work Compensation Policy

Development of employees remains the priority for the human resource management. Last year, in view of the existing demand, employees of the Group attended the trainings in the areas of fire safety and civil protection, first aid and hygiene, information security, as well as trainings 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. 545 employees completed the trainings in this relation during the year 2020. Furthermore, over 380 employees of the Group attended the trainings and conferences to improve their professional knowledge, human resources management and managerial skills, trade knowledge, etc.

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

In 2020, 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 198 employees of the Group.

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'*. In 2020, more than 300 employees were enrolled in the Project sessions and improved their knowledge of the refining technologies, IT, welding, safe driving techniques, and English language. The Project will continue in 2021.

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 2020, employees of the Parent Company were involved in the health insurance coverage; the Parent Company pays contributions for the employees to the pension funds. Information on bonus systems applicable to the key management of the Group is available in Note 10.5.1. of the Set of Annual Financial Statements.

Starting the year 2014, the election of the Best Employees has become an annual event in the Parent Company being another important element of the motivation system. The title of the Best Employee is an honorable appreciation awarded for high professional and social achievements as well as exemplary and ethical behavior demonstrated both within and outside the Parent Company in line with its Core Values and Standards of Conduct. Last year, 83 candidates were nominated by managers, employees of the Company, and the Trade Union, and the best five in each of the two categories *For Exemplary Professional Activities* and *For Outstanding Performance*, and the best six in the category *For Active Cooperation* were elected.

Organizational Changes and Restructuring
Performance optimization and labor efficiency increase in the Group continues to be one of the key factors for achieving the objectives set by the shareholder.
Seeking to improve efficiency of the Group' internal processes, implementation of organizational changes continued in 2020 as well. The work organization associated changes and introduction of advanced technical and organizational solutions resulted in the improvement of the performance results.
Management structure of the Group was not subject to any changes last year, and the number of active employees in the Group at the end of 2020 (including the Parent Company's Representative Office in Ukraine) was 1'433.

Social Dialogue

Naftininkų Trade Union formed in the Parent Company is recognized as the equal social partner. Bipartite committees and commissions of the Parent Company with their members, acting on a parity basis, being the administrative officials and employees delegated by the Trade Union bring benefits to both the employer and employees. Such form of the cooperation is one of the ways to exercise the right of the employees' representatives to information and consultation as well as encourage the contribution of the staff members to the efficient management of human resources.

Currently, the following bipartite committees and commissions work in the Parent Company: Occupational Safety and Health Committee, Employee Affairs Committee, Job Evaluation Commission, and Social Needs Fund Committee.

Agreement with Naftininkų Trade Union was signed in October 2020 for the extension of the 2019 Collective Agreement up to 31 December 2021.

Environmental Protection

During 2020, the Parent Company was operating in line with the statutory environmental requirements, introducing the changes necessary for proper implementation of the provisions set forth by the existing and evolving requirements. Environmental requirements applicable to the Parent Company are set out in the Integrated Pollution Prevention and Control (IPPC) Permit, with the environmental objectives established in line with the National Air Pollution Reduction Plan. Operations of the Parent Company are subject to the integrated management system in compliance with the requirements of international quality management (ISO 9001), environmental management (ISO 14001), occupational health and safety management (ISO 45001), and information security management (ISO 27001) standards.

The Parent Company has completed a comparative assessment of its compliance to the requirements of the Commission Implementing Decision No 2014/738/EU of 9 October 2014 establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions, for the refining of mineral oil and gas.

To meet the requirements of BAT and assess emissions to air, the Parent Company applied the aggregated sulfur dioxide (SO_2) and nitrogen oxide (NO_x) values, with continuous emission monitoring systems introduced in the Parent Company to ensure assessment and estimation of SO_2 and NO_x as well as carbon dioxide (CO_2) and particulate concentrations. The systems contribute to more efficient management of production processes and reduction of emissions into the environment.

In 2020, emissions of SO_2 and NO_x did not exceed the ceilings set in the IPPC permit: SO_2 emissions amounted to 7.6 thous. tons (1 thous. tons in IPPC permit), whereas NO_x emissions were 1.2 thous. tons (3.0 thous. tons set in IPPC permit). The Parent Company has also fulfilled its commitment to reduce particulate emissions from the refinery installations: particulate emissions in 2020 decreased by 36 tons or 31% in comparison to the year 2019.

Last year, in coordination with the Environment Protection Agency, the Environmental Monitoring Program of the Parent Company was adjusted in view of the atmospheric dispersion modeling results and findings of the sanitary protection zone report.

For implementation of BAT 6 and BAT 18 provisions, the Parent Company continued monitoring of diffuse volatile organic compound (VOC) emissions. Approx. 15'000 emission points were measured for the Refinery units in 2020, with implementation of the program contributing to the reduction of VOC emissions. Another development in this context was monitoring of nickel and vanadium emissions into the environment, and emissions of polychlorinated dibenzo-p-dioxins (PCDDs) and polychlorinated dibenzofurans (PCDFs) from catalytic reforming processes.

Based on the reports developed and the application submitted by the Parent Company, 6'038'840 free emission allowances have been pre-allocated to the Parent Company for the period of 2021-2025. The number of emission allowances have been allocated on the basis of the Report on Lifecycle Greenhouse Gas (GHG) Emissions from Fuels and Energy that was audited and approved by an independent evaluator issuing a GHG emission verification certificate. In line with the recommendations provided by the independent evaluator, the Parent Company has updated its GHG Monitoring Plan, which was approved by the Environmental Protection Agency on 7 October 2020, and prepared the GHG monitoring improvement report.

The Parent Company continuously invests in measures to ensure energy efficiency and, at the same time, reduce emissions of CO_2 and other pollutants into the environment. Energy efficiency improvement projects implemented by the Parent Company in 2020 will contribute to the reduction of CO2 emissions by approx. 12.9 thous. tons per year.

In 2020, to comply with the requirements of the applicable legislation, drinking water resources were approved, the project of establishment of protection zones for groundwater bodies developed, and the authorization for use of underground resources (except hydrocarbons) and deep geological cavities was obtained from the Lithuanian Geological Survey.

Furthermore, groundwater monitoring, monitoring of underground oil-contaminated sites and their decontamination in the territory of the refinery as well as pollution prevention performance were continued. The results of the monitoring measures evidence that the thickness of free oil product in the sites is decreasing; therefore, the amount of the extracted oil products declines year after year (5 tons of oil products extracted during 2020). Nevertheless, the works will be continued in 2021-2023.

In 2020, the Parent Company made the decision on terminating the operation of the area for regeneration of oil-contaminated soil in the territory of Biržai Oil Transshipment Station, with detailed ecogeological survey completed and site remediation plan developed in this relation.

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 Parent Company. 'Safety First' is the Parent Company's mission and message rather than its title only, which reflects the overall approach of the Parent Company and its employees to OHS.
On 4 February 2020, the Parent Company was re-certified under ISO 45001:2018 standard proving compliance of the occupational health and safety management system of the Parent Company.

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 2020, 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.

The Parent Company has 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.

To reduce the risk of accidents and failures, the preventive measures were implemented by the Parent Company in 2020, including development/update of 7 process safety and civil protection procedures, preparation of the Refinery Safety Report, further successful implementation of Hazard and Operability Studies (HAZOP) for the process units of the Parent Company's Refinery with 12 HAZOP studies completed in 2020. 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 Parent Company has its hazard reporting system dedicated for sending notifications about any dangerous places noticed. In 2020, the number of hazard reports amounted to 2732, with 2320 of the reported hazards eliminated.

The number of accidents in the Parent Company during the year 2020 was 4, whereas the total recordable rate per 1 million man hours was 0.95 (no accidents in 2019).

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 2020, 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.

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

Position in Public Company ORLEN Lietuva as of 31 December 2020	Other managerial positions as of 31 December 2020
Michał Rudnicki Chairman of the Board of Directors, General Director of Public Company ORLEN Lietuva	

Marek Paweł Gołębiewski 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: Pärnu mnt. 22, 10141 Tallinn, Estonia
Przemysław Cezar Hartliński Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Executive Director for Refinery Production, 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
Piotr Tadeusz Matczak Executive Member of the Board of Directors, Deputy General Director for Commercial Sales and Logistics of Public Company ORLEN Lietuva	
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 ORLEN Baltics Retail, AB, code 166920025, address: J. Jasinskio 16B, LT-03163, Vilnius, Lithuania - Non-executive Member of the Board of Directors of ORLEN Service Lietuva, AB, code 302310627, address: Mažeikių st. 75, Juodeikiai village, LT- 89467 Mažeikiai District, Lithuania
Andrzej Mieczysław Stegenta Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Director of Operations Planning Office, Acting Executive Director for Supply Chain Management, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Chemików 7, 09–411 Płock, Poland

2021 as the Year of ORLEN 2030 Strategy Launch

In 2021, the Group will continue its activities by coherently implementing the objectives set out in ORLEN2030 Strategy, focusing on reduction of carbon dioxide emissions, value creation in view of the latest environmental trends and consumption patterns, as well as financial stability.

The forecasted throughput of the Refinery in 2021 is about 9.5 million tons of feedstock. The Company 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 2021 its intensive efforts for implementation of advanced management solutions aimed at the operational efficiency increase and process optimization.

General Director Michal Rudnicki