ORLEN Unipetrol a.s. Annual Report 2021

Content

1 ORLEN Unipetrol Group profile

The ORLEN Unipetrol refinery and petrochemical group constitutes an important part of the Czech industry. It is the only crude oil processor in the Czech Republic, one of the most important producers of plastics and the owner of the largest network of filling stations Benzina ORLEN. In the field of refinery and petrochemical production, it is also a major player in Central and Eastern Europe. It has been part of the PKN ORLEN refinery and petrochemical group since 2005.

ORLEN Unipetrol a.s., the parent company of ORLEN Unipetrol Group, is a company with a majority shareholder and as such it is a controlled entity. The sole shareholder is Polski Koncern Naftowy ORLEN Spółka Akcyjna ("PKN ORLEN S.A.").

ORLEN Unipetrol Group operates:

- 2 refineries with an annual conversion capacity of 8.7 million tons of crude oil
- 3 polyolefin units - in the year 2021 was the annual capacity 790 000 tons
- a steam cracker unit with an annual capacity of 544 000 tons
- 424 petrol stations in the Czech Republic and 22 petrol stations in Slovakia (numbers as of 31 December 2021)
- a broad range of transport services

Two core business segments:

- downstream (combining refining and petrochemicals)
- retail distribution of fuels

2 Analysis and assessment of the Group's Performance

The Group's performance in the year 2021 measured by Group's profit from operations on EBIT level increased significantly compared to the previous period mainly due to economic recovery after a partial easing of measures to prevent the spread of coronavirus and the resulting increased demand, higher yields and higher margins in the refinery and petrochemical segment. During the whole year 2021, the Group maintained its strong position on its respective market segments.

The ORLEN Unipetrol Group is not required to provide any information according to rules other than accounting rules.

3 Financial standing

Consolidated statement of profit or loss and other comprehensive income

The Group's revenues for the year 2021 amounted to CZK 133 636 million and were 61% higher than in the year 2020. The territorial structure of the Group's revenues remained stable with the majority of sales directed toward EU countries in 2021.

The Group's profit from operations on EBIT level increased from CZK (-) 7 074 million in 2020 by CZK 11 330 million to CZK 4 256 million for 2021, mainly due to economic recovery after a partial easing of measures to prevent the spread of coronavirus and the resulting increased demand, higher yields and higher margins in the refinery and petrochemical segment.

The Group's net profit reached the level of CZK 3 202 million at the end of the year.

Consolidated statement of financial position

As of December 31, 2021, non-current assets of ORLEN Unipetrol Group amounted to CZK 61 917 million. In 2021, the Group acquired tangible and intangible assets worth CZK 8 474 million. Most investments were done in the downstream segment followed by investments in the retail segment.

As of December 31, 2021, total current assets amounted to CZK 43 740 million, an increase of CZK 15 480 million since previous year, mainly due to an increase of the inventories in the amount of CZK 7 185 million and trade and other receivables in the amount of CZK 4 729 million due economic recovery after a partial easing of measures to prevent the spread of coronavirus.

Total equity increased by CZK 3 357 million, to CZK 56 599 million during the year, stemming mainly from the profit of 2021.

As at December 31, 2021, current liabilities increased by CZK 11 799 million from its December 31, 2020 position due to increase in trade and other liabilities by CZK 9 471 million.

Consolidated statement of cash flows

Net cash provided by the Group's operating activities in the year 2021 increased by CZK 15 021 million to the amount of
CZK 14 456 million mainly as a result of increase in Group´s result.

The Group's financial position was stable at the end of 2021 as the net cash amounted to CZK 2 656 million.

4 Significant post financial statements events

After four years, Maciej Libiszewski ended his activities on the Board of Directors of the ORLEN Unipetrol Group on 13 January 2022. Responsibility for accounting and reporting, controlling, taxes, IT and digitisation, and regulatory affairs management was taken over by Adam Jarosz, Member of the Board of Directors of the ORLEN Unipetrol Group.

Maciej Romanów was appointed a member of the Board of Directors with the effect from 1 February 2022.

Zbigniew Leszczyński was appointed a member of the Board of Directors with the effect from 2 February 2022.

Impact of the Russian invasion of Ukraine to the Group´s operations is described in the note 39 of the Consolidated financial statements for the year 2021.

The Group's management is not aware of any other events that have occurred since the end of the reporting period that would have any material impact on or would be required to be included in the Annual report as at 31 December 2021.

5 Expected development for 2022

Refining business

Research and development in refining technologies and products followed two main areas – the production of motor fuels and the processing of residual fractions.

The availability and exploitation of renewable sources in refining operations and motor fuels production is a key factor for each refinery. The legislative regulation of greenhouse gas emissions and the level of renewables share in energetic materials are speeding-up the industrial innovations and new technologies applications. The previous and long-term research, technological and analytical support of ORLEN UniCRE resulted in realization of hydrogenation of used cooking oil in refinery Litvínov at industrial scale. The investigation of potential raw material sources from alternative materials and wastes for motor fuels production purposes also is going to continue in 2022.

The year 2021 was impacted as by pandemic of Covid 19 resulting in lower motor fuel demand. Stricter limit for sulphur content in marine fuels introduced in 2020, impacting the economics of fuel production, despite the impact of this change was mitigated by weak motor fuel demand due to Covid 19. The conversion of residual fractions is an important economical aspect for each refinery. The strategy in this area is focused on decreasing the share of heavy and residual products and their complex processing. The emphasis was put on further increasing the production of light products and optimal processing of residual fractions. Traditionally quite big proportion of activities targeted on the feedstock and quality of pavement bitumens. Except the emphasis on production technologies instrumental analytical methods are being continuously developed at bitumen investigation.

Legislative regulation of reducing greenhouse gas emissions per unit of energy in fuels in 2022 remains at 6%. The implementation of the RED II directive introduces in 2022 the obligation to use advanced biofuels, biofuels of non-food origin. Meeting the share of renewable energy sources in transport causes a significant increase in fuel production costs. According to the RED II directive, further acceleration of the use of renewable energy in transport and further growth of fuel production costs are set for 2025 and further growth for 2030.

Petrochemical business

Petrochemical business

2021 started off on a very strong footing amid high demand and curtailed production. Fundamentals strengthened in February on the back of the polar storm disruption in the US and this, together with increased derivative export demand, kept petrochemical markets elevated through the first half of the year. In the second half of year 2021 coronavirus-linked shipping delays started causing significant disruption to vessel schedules in Asia. Global container freight rates broke records. Moreover, energy markets were on the biggest rollercoaster ride in history. The logistics woes and volatile energy prices will likely persist at least during first half of 2022. Both issues will put more upward pressure on prices and bring less flexibility to respond to changes in demand.

Olefins, aromatics

Europe's ethylene and propylene market players are generally optimistic for 2022, largely on the back of demand forecasts. Producers are indicating that offtakes across all derivative sectors look very healthy.

Of course, there are uncertainties over heightened energy costs, inflationary pressures, and the prospect of further COVID-19-related disruption on global supply chains. Some derivative operating rates will continue to be constrained by the ongoing issues on global supply chains, such as component shortages. But demand in the packaging, construction, and automotive sectors is generally expected to show growth, compared with 2021. However, automotive is likely to remain challenging due to the semiconductor chip shortage.

Imports of US ethylene are expected to grow. Local supply disruption in February and the resulting high prices kept some US spot volumes away from Europe but activity has since resumed, particularly in Q4 2021. Flows from Asia could increase on the back of further new capacity additions in 2022. This region is forecasted to add almost 10million tonnes per year of new ethylene capacity and over 6 million tonnes/year of propylene capacity. If all projected capacities will come on stream the result would be less import demand from this region. Should Europe's olefins´ prices remain the highest on a global basis this year, healthy interest to sell into Europe will persist, although in practice the usual logistical constraints will set back some import opportunities.

While robust demand is indicated, no one anticipates a repeat of the boom-time seen in first half of 2021, barring any further extreme weather events. Some buyers have changed tactics for 2022. They would like to reduce spot exposures to secure more volumes under contractual terms due to persistent spot price premiums appearing in 2021.

Regarding benzene even with crude prices fluctuating, naphtha cracking should continue to support benzene availability into 2022, and refinery output should be sufficient to meet seasonal demand.

Polyolefins

Global PE supply in 2022 is expected to face the impact of new capacities due on stream next year. Indeed, a further 19 new PE units should bring an additional total capacity of almost 8m tonnes/year. Asia is expected to lead this increase with 12 new PE plants, which represents 61% of overall new capacity. Regarding PP more than 7m tonnes of new capacities are planned to come on stream globally in 2022, of which about 65% will be located in China. This significant new capacity may generate attractive import opportunities in Europe, as long as global logistic woes are resolved

European access to import volumes is still constrained. Supply availability in 2022 is expected to improve during second half of the year. It much depends on the logistics situation in any given region. Opinions also differ as to when fresh imports will arrive in volume. U.S. polyethylene and polypropylene stocks are high, but a shortage of trucks and rail cars is limiting the ability of exports. Asian PE and PP remain limited by the container shortages increasing logistics costs on the route Asia - Europe. Middle Eastern supply is also hit by container difficulties and contractual volumes have been arriving in Europe with a little delay.

The overall PE price trend is bearish for the whole of 2022, with some limited recovery in the monomer/polymer spread expected between the third and fourth quarters, linked to PE demand seasonality. All upstream prices are forecast to average higher values year on year in 2022.

However, the average price for HDPE injection is forecasted to be lower in 2022 due to the assumptions of a particularly long PE market next year in response to new global capacities. A significant downward trend in the PP reference price is expected between June and December 2022, as regional propylene supply improves and global logistics issues ease. The latter will allow European PP buyers to take advantage of new global PP capacities coming on stream in 2022, especially in northeast Asia.

Even if the ongoing recovery of the European economy sustains demand during 2022, supply is expected to overtake consumption as soon as fresh volumes from new capacities are made available to European importers.

Retail business

Developments in 2022 will mainly affect the impact of the COVID-19 pandemic on the Eurozone and the Czech Republic. The COVID-19 pandemic has a negative impact on the growth of the Czech economy and the associated increase in demand for fuels on the domestic market.

The petrol and diesel ranges available in 2022 will depend on the conditions defined by the environmental legislation determining the level of binding obligations for reducing fossil fuel CO_2 emissions in terms of the bio-component content with lower carbon footprint. In addition, a further expansion of the range of fossil fuels with additives, alternatives such as CNG or fast charging points for electric cars at petrol stations can be expected. The remaining market space will be occupied by low-cost, self-service petrol stations.

Benzina ORLEN keeps its priorities within the framework focused on increasing the market share of fuel sales, increasing the average throughput per petrol station as well as increasing sales in the non-fuel segment, including the extension and harmonisation of refreshment offers. Benzina ORLEN will also work towards boosting customer confidence.

According to market development, the state of fleet modernisation and new technologies of fuel combustion in cars, Benzina ORLEN petrol stations will continue to improve the range of fuel assortment, premium fuels, CNG and alternative hydrogen fuel and Ad Blue, the environmentally friendly operating fluid.

6 Research and development

In 2021, research and development activities in the ORLEN Unipetrol Group focused on its key pillars: green hydrogen, chemical and mechanical recycling of plastics, biofuel production, decarbonisation, and digitisation. These crucial pillars are an essential part of the company's successful development within the 2030 strategy and in the context of the increasing demand for low-carbon technologies. The assumed cumulative value of R&D synergy by 2030 is EUR 160 million. The company's long-term goal remains to achieve carbon neutrality for a sustainable future. The value of the research infrastructure within the two institutions – ORLEN UniCRE and PIB – exceeds EUR 45 million and includes 127 researchers.

ORLEN UniCRE has developed expertise in advanced biofuels, including analysis of feedstock availability, with a focus on biomass and municipal waste. Research on chemical recycling continued within a broad collaboration across the ORLEN capital group to obtain material/feedstock suitable for processing on the steam cracker. This cooperation will intensively continue, and chemical recycling will be a priority area of research focusing on available technologies. The target is to build a pyrolysis unit for waste plastics in the Czech Republic. Still, the systematic evaluation of external materials will also continue. As part of chemical recycling activities, a pilot unit that processes plastic waste has been commissioned and tested to produce its own material for research of downstream processes.

A significant milestone in 2021 was the implementation of the ISCC Plus certification, which ORLEN Unipetrol received for processing hydrogenated vegetable oil (HVO) at the steam cracker, resulting in the ability to produce bio-based plastics. Two operational tests were conducted as part of the certification; the second test made it possible to produce and offer bio-based plastics to customers.

The ORLEN Unipetrol Group continues developing hydrogen technologies. We see green hydrogen as a suitable alternative for a future emission-free economy and mobility. In 2021, construction of two hydrogen refuelling stations at the BENZINA ORLEN filling stations began, with additional operations expected in Prague and Litvínov in 2022. In terms of own production, a feasibility study was completed to build a 60 MW photovoltaic power plant and a 26 MW electrolyser for green hydrogen production with an annual hydrogen production capacity of 4.75 kta. Basic Design and Engineering Package will be implemented in 2022.

The Polymer Institute Brno (PIB) continues developing the advanced polymer product portfolio, polyethylene and polypropylene. In addition, the PIB addresses legislative requirements to eliminate certain substances in plastics production, such as phthalate and fluorene catalysts. These activities ensure stable product sales. Another vital area is the mechanical recycling of plastics and its application at ORLEN Unipetrol. Chemical and mechanical recycling are important to achieve circular economy targets.

The construction of a new dicyclopentadiene (DCPD) unit with a capacity of 22.4 kta continued in 2021. At the same time, research for DCPD derivatives production continued to expand the product chain with highly desirable products.

As part of its development, ORLEN Unipetrol places great emphasis on energy efficiency and focuses on waste heat recovery technologies in this area. Here it sees great potential for meeting targets and gradually reducing CO_2 emissions.

Digitisation will also contribute to meeting the targets. It is another of ORLEN Unipetrol’s big targets applicable to all activities. In addition, ORLEN Unipetrol focuses on augmented and virtual reality, digital twins, and smart maintenance. These applications will contribute to cost reductions and the high flexibility essential for success.

The ORLEN Unipetrol Group continues focusing on supporting education, including university education. Intensive cooperation with universities and scientific institutions, including those abroad, is being developed. In 2021, cooperation with the Technical University of Košice was concluded. In 2021, the 2nd 4EDU conference, focused on developing education in the Czech Republic, was successfully organised.

7 Key environmental activities

The "Responsible Undertaking in the Field of Chemistry - Responsible Care" Program

The Responsible Care (hereinafter RC) Program is a voluntary chemical industry initiative adopted worldwide, aimed at promoting the industry's sustainable development with responsive enhancements to the safety of facilities and product transportation, along with improvements in the protection of human health and the environment. The program is a reflection of the long-term strategy coordinated by the International Council of Chemical Associations (ICCA) and, in Europe, by the European Chemical Industry Council (CEFIC). The contribution made by the RC Program to sustainable development was recognised by the conferral of a UN Environment Program award at the global summit in Johannesburg.

The national version of the RC Program is the Responsible Business in the Chemical Industry Program, officially announced in October 1994 by the Minister for Industry and Trade and the President of the Czech Chemical Industry Association (SCHP ČR). Since 2008 the program has complied with the conditions of the RC Global Charter.

The right to use the Responsible Care Program logo was again conferred on ORLEN Unipetrol a.s., ORLEN Unipetrol RPA s.r.o., ORLEN Unipetrol DOPRAVA s.r.o. and on SPOLANA, a.s. As PARAMO, a.s. is no longer a member of the Czech Chemical Industry Association; it does not avail itself of the right to use the logo, but continues to adhere to the principles.

8 Employees

ORLEN Unipetrol Group considers human resources to be one of the key drivers of every company. In 2021 ORLEN Unipetrol Group employed 4 817 employees.

The training of ORLEN Unipetrol group employees in 2021 was and is still being influenced by the pandemic associated with COVID-19, which started the great development of digitalization in the field of employee education and other personnel activities. The Company continued to organize corporate training for its employees, which took place mainly in the online environment. The Company also used e-learning forms of education. Employees attended in obligatory training, professional seminars and foreign language courses. The courses organized in person on the place under strict safety measures and rules, which were carefully followed by staff and lecturers. One-day and multi-day seminars were organized for employees. All trainings, workshops and courses were occurred in high quality.

The HR Division continued to increase the efficiency of all personnel processes within the Group and to implement advanced and innovative solutions, taking into account cost optimization.

9 Information on foreign branches

ORLEN Unipetrol a.s. has no foreign branch. The Group structure is presented in the notes to the Consolidated financial statements for the year 2021.

10 Acquisition of own shares

ORLEN Unipetrol a.s. has not acquired any own shares in the year 2021.

11 Risk management

The Group is exposed to financial risks, i. e. mainly foreign currency risk due to the high proportion of sales and purchase in foreign currencies and commodity risk resulting from time mismatch between transactions of seaborne purchase of crude oil and sales of crude oil products and EUAs price volatility. These risks are mitigated by hedging transactions based on Group's hedging strategy.

12 Management report

Despite the ongoing global recession of the refining and petrochemical industry intensified by the coronavirus pandemic the global economy begun showing signs of a moderate recovery at the beginning of the year 2021. Even in this challenging situation, ORLEN Unipetrol started its extensive investment programme for 2021. The construction of a unit for a new product, dicyclopentadiene was lanched in the first quarter. Expansion of the Stop Cafe fast food concept continued also from the Benzina ORLEN filling stations to traditional brick-and-mortar shops in city centres. We opened the first Stop Cafe shop in Prague-Karlin in February 2021. Thanks to extensive hygienic and security measures, we continued supplying fuels and other commodities on the Czech market despite the complicated situation.

In the second quarter, the recovery of the global economy affected by the coronavirus pandemic continued moderately. The testing pyrolysis unit processing plastic waste wass successfully commissioned, which is used use to explore the chemical recycling of plastic materials and methods of its implementation in standard production. By implementing the circular economy principles, we want to contribute to decarbonising the Czech Republic and satisfying the EU's legislative requirements. A new heating plant for the Litvfnov steam cracker was launched in full operation too.

At the beginning of the third quarter, a strategic development plan of the ORLEN Unipetrol Group until 2030 was published, setting ambitious goals in decarbonisation, improved energy efficiency, use of renewable sources, plastic recycling, and advanced biofuels. New fire safety incident ground in the Litvfnov production plant for practical exercises of our employees was opend. In addition the revitalisation of the cooling system of the partial oxidation unit was successfully completed. Also, we continue building a new unit for dicyclopentadiene (DCPD). In the retail segment, we continue investing in expanding the Stop Cafe concept at our Benzina ORLEN petrol stations and building the network in Slovakia.

Despite many global and regional challenges, ORLEN Unipetrol Group reported excellent financial results for 2021. The Group's revenue increased by 61 percent on the year to a record-high of CZK 133 billion. Earnings before taxes, depreciation and amortisation (EBITDA LIFO) rose to CZK 6.3 billion. The Group's net profit jumped to CZK 3.2 billion. ORLEN Unipetrol continued implementing its intensive investment plan with last year's investments of CZK 8.5 billion. In the retail segment, ORLEN Unipetrol successfully continued developing the Benzina ORLEN network in the Czech Republic, developing electromobility, and growing fast in Slovakia.

The volume of processed oil reached 7.1 million tonnes. Sales of refining products totalled 5.7 million tonnes, and sales of petrochemical products stood at 1.9 million tonnes. The total investment of CZK 8.5 billion went primarily to the ongoing modernisation of production technologies in both refineries and development of the retail network of filling stations in the Czech Republic and Slovakia.

In the retail segment, the ORLEN Unipetrol Group continued investing in modernising and developing the Benzina ORLEN network of filling stations in the Czech Republic and Slovakia. The Group runs 424 sites in the Czech Republic. The Stop Cafe concept is available at 336 outlets. With a 25 percent share in the fuel sales market (as of 31 October 2021), Benzina ORLEN is the largest chain in the Czech Republic. The Group also works to expand the electromobility infrastructure. At the end of 2021, it operated 183 electric charging points at 41 stations, making it a top provider among the chains active in the Czech market. In Slovakia, the ORLEN Unipetrol Group is one of the fastest-growing chains. It had 22 stations in its network at the end of 2021.

13 Persons responsible for the Annual Report 2021

Tomasz Wiatrak, Chief Executive Officer and Chairman of the Board of Directors of ORLEN Unipetrol a.s., and Adam Jarosz, Chief Financial Officer and member of the Board of Directors of ORLEN Unipetrol a.s., hereby claim to their best knowledge, that the Annual Report and the Consolidated Annual Report present, in all aspects, a true and fair image of the financial standing, business, and results of the Company and its consolidated Group for the previous accounting period, as well as of the future outlook for the financial standing, business, and results.

Date: 8 March 2022

Tomasz Wiatrak

Chief Executive Officer and
Chairman of the Board of Directors

Date: 8 March 2022

Adam Jarosz

Chief Financial Officer and
Member of the Board of Directors

14 Audit

(in CZK thousand)	2021
Audit and other verification services (main auditor)[1]	7304
Other services and translations fees (main auditor)[1]	-
Audit and other verification services (additional auditors)[1]	415

[1] Without VAT

Auditor for 2021

Name:	Deloitte Audit s.r.o.
License no.:	079
Address:	Churchill I, Italská 2581/67, 120 00, Praha 2 – Vinohrady
Company No.:	49620592

15 Separate Financial Statements

The audit report forms an integral part of this report. It contains the Separate financial statements for the year 2021 in the following extent:

- Separate Profit and Loss Statement for the year 2021
- Separate Balance Sheet as at 31 December 2021
- Statement of Changes in Equity for the year 2021
- Separate Cash Flow Statement for the year 2021
- Explanatory Notes to the Separate Financial Statements for the year 2021

16 Consolidated Financial Statements

The audit report forms an integral part of this report. It contains the Consolidated financial statements for the year 2021 in the following extent:

- Consolidated Profit and Loss Statement for the year 2021
- Consolidated Balance Sheet as at 31 December 2021
- Consolidated of Changes in Equity for the year 2021
- Consolidated Cash Flow Statement for the year 2021
- Explanatory Notes to the Consolidated Financial Statements for the year 2021

17 Report on relation between related parties

The report on relations between the related parties forms an integral part of this report.

Annexes:

1. Auditor’s report to Separate financial statements
2. Separate Financial statements for 2021
3. Auditor’s report to Consolidated financial statements
4. Consolidated Financial statements for 2021
3. Report on relations for 2021

Glossary and abbreviations

Glossary

Atmospheric distillation unit

A unit for atmospheric distillation of crude oil (dividing crude oil into lighter fractions according to their boiling temperature) under slight positive pressure and temperatures up to 350-400 °C.

Azeri Light crude oil

Light, low sulphur crude oil from Azerbaijan.

Brent-Ural differential

The difference between Brent (mix of North Sea crude oils) quoted price and Ural (Russian export crude oil) quoted price.

COCO (Company Owned – Company Operated)

A filling station operating model – filling stations are owned and operated by the same company.

CODO (Company Owned – Dealer Operated)

A filling station operating model – filling stations are owned by the company and are operated by dealers under a contract with the company.

Compressed Natural Gas (CNG)

Natural gas (mainly composed of methane) stored at high pressure. CNG can be used in place of gasoline, diesel fuel or propane.

Conversion capacity

The total amount of crude oil which can be processed in a refinery – usually stated in mt/y (million tons per year).

CPC Blend crude oil

Light crude oil from Western Kazakhstan which consists of several crude oil streams.

D-A-CH region

German speaking countries (Deutschland, Austria, Switzerland).

DOFO (Dealer Owned – Franchise Operated)

A filling station operating model operated under franchise – filling stations are not owned by the company.

Downstream

This sector of the oil and gas industry commonly refers to the refining of petroleum crude oil, and processing and purifying of raw natural gas, as well as to the marketing and distribution of the products derived from crude oil and natural gas.

Ethylene

Also known as **ethene** is a hydrocarbon produced in the petrochemical industry most often by steam cracking of crude oil products (ethane, LPG, naphtha). Ethylene is widely used in the chemical industry.

Fluid Catalytic Cracking (FCC)

Fluid catalytic cracking is one of the most important catalytic conversion processes used in petroleum refineries. It is widely used to convert the high-boiling, high-molecular-weight hydrocarbon fractions from petroleum crude oil (residues from atmospheric distillation, vacuum distillate) to more valuable and demanded products such as gasoline, unsaturated LPG, middle distillates and other products. The FCC process operates at high temperature and moderate pressure, with a fluidised powdered catalyst.

High density polyethylene (HDPE)

It is a polyethylene thermoplastic made from ethylene commonly used in the production of plastic bottles, corrosion-resistant piping, geomembranes and plastic lumber.

Hydrocracking

Hydrocracking is another important catalytic conversion process used in petroleum refineries. It is used for the conversion of high-boiling, high-molecular-weight hydrocarbon fractions from petroleum crude oil (vacuum distillate) to more valuable and demanded products such as diesel, gasoline, unsaturated LPG or synthetic oils by the addition of hydrogen under high pressure and in the presence of a catalyst.

Hydroskimming

It is one of the simplest types of refinery. It is defined as a refinery equipped with atmospheric distillation, naphtha reforming and necessary treating processes.

Ingolstadt-Kralupy-Litvínov pipeline (IKL)

The IKL pipeline is a crude oil pipeline in Central Europe. It allows the transportation of crude oil from Germany to the Czech refineries in Kralupy and Litvínov.

Liquefied Petroleum Gas (LPG)

It is a flammable mixture of hydrocarbon gases, predominantly with three or four carbon atoms in a molecule, used as fuel in heating appliances and vehicles, as well as an aerosol propellant and refrigerant.

Olefin

Also known as **alkene** is an unsaturated hydrocarbon with one double bond between carbon atoms. Alkenes are produced during catalytic or thermal cracking without the presence of hydrogen.

Polyolefin

It is a polymer also known as **polyalkene**, produced from simple olefins. It is used for blown film and heatshrink electrical insulation sleeves, as well as under garments for wetsuits.

Petrochemical olefin margin (Unipetrol model)

Revenues from sold products (100% Products = 40% Ethylene + 20% Propylene + 20% Benzene + 20% Naphtha) minus costs (100% Naphtha). Product prices are according to benchmark quotations in euros per ton.

Petrochemical polyolefin margin (Unipetrol model)

Revenues from sold products (100% Products = 60% Polyethylene/HDPE + 40% Polypropylene) minus costs (100% input = 60% Ethylene + 40% Propylene). Product prices are according to benchmark quotations in euros per ton.

Polypropylene (PP)

Also known as **polypropene**, is a thermoplastic polymer used in a wide variety of applications, including packaging and labelling, plastic parts and reusable containers of various types, laboratory equipment, loudspeakers, automotive components, and polymer banknotes.

POX unit

A unit where the gasification of oil distillates (partial oxidation reaction) takes place. It is commonly used for the liquidation of the hardest unprocessable residues from the refinery and it produces a synthetic gas consisting primarily of hydrogen and carbon monoxide. The yield of hydrogen can be increased in the shift reactor by reaction of CO with steam. Pure hydrogen is used in the refinery and for ammonia production.

Propylene

Also known as **propene** or **methyl ethylene** is an unsaturated organic compound. It is produced as a by-product during the pyrolysis of fossil fuels – mainly petroleum and natural gas.

Pyrolysis

It is a chemical reaction during which organic materials are thermally decomposed without the presence of any oxygen.

Pyrolysis gasoline

It is a high aromatic naphtha product which arises during the pyrolysis of naphtha or hydrocrackates in a steam cracker unit.

Refining margin (Unipetrol model)

Revenues from products sold (96% Products = Gasoline 17%, Naphtha 20%, JET 2%, Diesel 40%, Sulphur Fuel Oils 9%, LPG 3%, Other feedstock 5%) minus costs (100% input = Brent Dated). Product prices are according to benchmark quotations in dollars per barrel.

Steam cracker unit

Steam cracker units are facilities in which a feedstock such as naphtha, HCVD, liquefied petroleum gas (LPG), ethane, propane or butane are thermally cracked through the use of steam in a bank of pyrolysis furnaces to produce lighter hydrocarbons. The products (yield of ethylene, propylene, benzene, aromatics, butadiene) obtained depend on the composition of the feedstock, the hydrocarbon-to-steam ratio, and on the cracking temperature and furnace residence time.

Steam cracking

Steam cracking is a petrochemical process in which saturated hydrocarbons are broken down into smaller, often unsaturated, hydrocarbons. It is the principal industrial method for producing the lighter alkenes (or commonly olefins), including ethene (or ethylene) and propene (or polypropene).

Transalpine pipeline (TAL)

The Transalpine pipeline is a crude oil pipeline which connects Italy, Austria and Germany. It starts from the marine terminal in Trieste, runs through the Alps to Ingolstadt. It is connected with the IKL pipeline in Vohburg.

Vacuum distillation

Leftover from atmospheric distillation of crude oil (long residue) is often distilled in a second – vacuum – distillation under lower pressure conditions (2 – 10 kPa). With lower pressure the boiling point of present compounds is also lower. Therefore it is possible to distillate crude oil (mazut) at temperatures to 360 - 400 °C and to get other fractions without any thermal degradation.

Abbreviations

a.s.

Public limited company (Czech Republic)

AG

Public limited company (Germany)

Bbl

Barrel

BCPP

Prague Stock Exchange

BU

Business unit

CSR

Corporate Social Responsibility

ČAPPO

Czech Association of Petroleum Industry and Trade (Česká asociace petrolejářského průmyslu a obchodu)

ČNB

Czech National Bank

ČOI

Czech Trade Inspection (Česká obchodní inspekce)

EIA

Environmental Impact Assessment

EMS

Environmental Management System

EU

European Union

EU ETS

EU emissions trading scheme (regulating trading with carbon dioxide emission allowances)

GmbH

Limited liability company (Germany)

HR

Human Resources

IČ

Identification number

IFRS

International Financial Reporting Standards

Ltd.

Limited liability company (Great Britain)

MBO

Management by Objectives

NGO

Non-governmental organisation

OECD

Organisation for Economic Co-operation and Development

OPEC

Organisation of the Petroleum Exporting Countries

R&D

Research and development

REACH

Registration, evaluation, authorisation and restriction of chemicals. EU Regulation concerning chemicals.

REBCO/REB

Russian Export Blend Crude Oil

S.A.

Public liability company (Poland)

s.r.o.

Limited liability company (Czech Republic)

Sp. z o.o.

Limited liability company (Poland)

UNEP

United Nations Environment Program

UniCRE

Unipetrol Centre for Research and Education

ÚOHS

Antimonopoly Office in the Czech Republic (Úřad pro ochranu hospodářské soutěže)

Identification and contact information

Name:	ORLEN Unipetrol, a.s.
Registered office:	Milevská 2095/5, 140 00 Praha 4
Company number:	61672190
Tax ID:	CZ61672190
Bank:	Česká spořitelna, a.s.
	Olbrachtova 1929/62, 140 00, Prague 4, Account No. 910952/0800
Date of establishment:	27 December 1994 – established for an indeterminate period of time
Datum of incorporation:	Incorporated on 17 February 1995
Incorporation registration:	Municipal Court in Prague, Section B, File 3020
Tel.:	+420 225 001 425 (Investor Relations Department)
	+420 225 001 407 (Press Department)
Website:	www.unipetrol.cz
E-mail:	info@unipetrol.cz
Auditor:	Deloitte Audit s.r.o.

Law and legal regulation under which the Company was established

Law:	Czech Republic jurisdiction
Legal regulation:	Act No. 104/1990 on Public Limited Companies

The company is a member of the ORLEN Unipetrol Consolidation Group.

The names of Unipetrol Group companies (ORLEN Unipetrol, a.s., ORLEN Unipetrol RPA, s.r.o. BENZINA – registered branch, PARAMO, a.s., ORLEN Unipetrol RPA, s.r.o., SPOLANA s.r.o. and others) appear in this report also in their simplified form (ORLEN Unipetrol, ORLEN Benzina, Paramo, ORLEN Unipetrol RPA, Spolana etc.).

The English language version of ORLEN Unipetrol's Annual Report 2020 is a convenience translation. The version in the Czech language is the definitive version.

ORLEN Unipetrol a.s. Annual Report 2021 was approved for issue by the Board of Directors of ORLEN Unipetrol a.s. on the meeting held on 8 March 2022.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ORLEN Unipetrol a.s.

Having its registered office at: Milevská 2095/5, Krč, 140 00 Praha 4

Opinion

We have audited the accompanying financial statements of ORLEN Unipetrol a.s. (hereinafter also the "Company") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ORLEN Unipetrol a.s. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note [X] in the financial statements describing management's evaluation of the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the entity. Our opinion is not modified in respect of this matter.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board 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.

In Prague on 10 March 2022

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	Martin Tesař registration no. 2030

ORLEN Unipetrol a.s.

SEPARATE FINANCIAL STATEMENTS

Translation from the Czech original

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

FOR THE YEAR 2021

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

Separate statement of profit or loss and other comprehensive income

	Note	2021	2020
Statement of profits or loss			
Revenues	3.	154	147
Cost of sales	4.	(50)	(51)
Gross profit on sales		**104**	**96**
Administrative expenses		(118)	(121)
Other operating income	5.1.	-	-
Other operating expenses	5.2.	(96)	(85)
Profit/(loss) from operations		**(110)**	**(110)**
Finance income	6.1.	402	173
Finance costs	6.2.	(171)	(698)
Net finance income/(costs)		**231**	**(525)**
Profit/(loss) before tax		**121**	**(635)**
Tax expense	7.	(5)	(2)
Net profit/(loss)		**116**	**(637)**
Total net comprehensive income		**116**	**(637)**
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)	14.5.	0.64	(3.51)

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-40.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

Separate statement of financial position

	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Property, plant and equipment	8.	28	28
Investment property	9.	1 130	1 225
Right of use assets	20.	18	21
Shares in related parties	10.	17 724	17 865
		18 900	**19 139**
Current assets			
Trade and other receivables	11.	139	148
Other financial assets	12.	9 319	11 937
Current tax assets		-	5
Cash and cash equivalents	13.	2 184	165
		11 642	**12 255**
Total assets		**30 542**	**31 394**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1.	18 133	18 133
Revaluation reserve	14.2.	503	503
Retained earnings	14.3.	8 777	8 640
Total equity		**27 413**	**27 276**
LIABILITIES			
Non-current liabilities			
Loans, borrowings	15.	1 989	-
Provisions	17.	50	50
Deferred tax liabilities	7.2.	99	117
Other non-current liabilities	16.	12	16
		2 150	**183**
Current liabilities			
Trade and other liabilities	18.	55	248
Loans, borrowings	15.	-	2 848
Other financial liabilities	19.	924	839
		979	**3 935**
Total liabilities		**3 129**	**4 118**
Total equity and liabilities		**30 542**	**31 394**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-40.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

Separate statement of changes in equity

	Share capital	Revaluation reserve	Retained earnings	Total equity
Note	14.1.	14.2.	14.3.	
01/01/2021	18 133	503	8 640	27 276
Net profit	-	-	116	116
Total net comprehensive income	**-**	**-**	**116**	**116**
Derecognition of dividends	-	-	21	21
31/12/2021	**18 133**	**503**	**8 777**	**27 413**
01/01/2020	18 133	503	9 277	27 913
Net loss	-	-	(637)	(637)
Total net comprehensive income	**-**	**-**	**(637)**	**(637)**
31/12/2020	**18 133**	**503**	**8 640**	**27 276**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-40.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

Separate statement of cash flows

	Note	2021	2020
Cash flows from operating activities			
Profit/(loss) before tax		**121**	**(635)**
Adjustments for:			
Depreciation and amortisation	4.2.	6	6
Foreign exchange (gain)/loss		(10)	9
Interest and dividends, net		(367)	(156)
Impairment of financial investment in PARAMO, a.s.	10.	141	686
Profit on investing activities		(34)	(41)
Other adjustments		7	-
Change in working capital		(160)	109
receivables		*10*	*(13)*
liabilities		*(170)*	*122*
Income tax paid	7.3.	(18)	(27)
Net cash used in operating activities		**(314)**	**(49)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		1	(3)
Disposal of property, plant and equipment and intangible assets		-	2
Dividends received	10.	261	45
Interest received		120	120
Proceeds/(outflows) from loans granted		961	(3 000)
Proceeds/(outflows) from cash pool assets		1 615	(3 503)
Other		125	134
Net cash from/used in investing activities		**3 083**	**(6 205)**
Cash flows from financing activities			
Proceeds/(outflows) from loans and borrowings		(809)	2 848
Proceeds/(outflows) from cash pool liabilities		85	(316)
Interest paid		(23)	(6)
Payments of liabilities under lease agreements		(6)	(6)
Dividends paid		(1)	(1)
Other		(6)	(5)
Net cash from/used in financing activities		**(760)**	**2 514**
Net increase/(decrease) in cash and cash equivalents		**2 009**	**(3 740)**
Effect of changes in exchange rates		10	(9)
Cash and cash equivalents, beginning of the year		165	3 914
Cash and cash equivalents, end of the year	13.	**2 184**	**165**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-40.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

DESCRIPTION OF THE COMPANY AND PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Establishment of the Company
ORLEN Unipetrol a.s. (the "Company" or "Unipetrol") is a joint stock company established by the National Property Fund of the Czech Republic by a foundation agreement dated 27 December 1994. The Company was registered in the Register of Companies at the Regional Commercial Court in Prague on 17 February 1995. As at 1 January 2021 the Company changed its business name from UNIPETROL, a.s. to ORLEN Unipetrol a.s.

Identification number of the Company
616 72 190

Registered office of the Company
ORLEN Unipetrol a.s.
Milevská 2095/5
140 00 Praha 4
Czech Republic

Ownership structure
The sole shareholder of the Company is Polski Koncern Naftowy ORLEN Spółka Akcyjna ("PKN Orlen"), with its registered office at Chemików 7, 09-411 Plock, Poland.

Principal activities
The Company operates as a holding company covering and administering a group of companies (the "Group"). The principal businesses of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, paraffins, road and insulation bitumen, special refinery and petrochemical products. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.
In addition to these principal activities, the Group is engaged in other activities that are necessary to support the principal activities, such as production, distribution and sale of heat and electricity, operation of railway tracks and railway transportation, advisory services relating to research and development, environmental protection, software and hardware advisory services and other services.

Statutory and supervisory bodies
Members of the statutory and supervisory bodies of ORLEN Unipetrol a.s. as at 31 December 2021 were as follows:

Position		Name
Board of Directors	Chairman	Tomasz Wiatrak
	Vice-chairman	Maciej Andrzej Libiszewski
	Vice-chairman	Katarzyna Woś
	Member	Tomáš Herink
	Member	Ryszard Pilch
	Member	Adam Jarosz
Supervisory Board	Chairman	Robert Harasimiuk
	Vice-chairman	Janusz Jakub Szurski
	Vice-chairman	Barbara Hajdas
	Member	Aneta Agnieszka Kowalczyk
	Member	Przemysław Humięcki
	Member	Fryderyk Maria Radvan-Bieda
	Member	Wioletta Kandziak
	Member	Iwona Waksmundzka-Olejniczak
	Member	Edyta Wątor

Changes in the Board of Directors in 2021 were as follows:

Position	Name	Change	Date of change
Chairman	Tomasz Wiatrak	Termination of the office	with the effect as of 1 March 2021
Member	Tomasz Wiatrak	Re-elected to the office	with the effect as of 2 March 2021
Member	Tomasz Wiatrak	Elected as Chairman	with the effect as of 2 March 2021
Vice-chairman	Maciej Andrzej Libiszewski	Termination of the office	with the effect as of 14 March 2021
Member	Maciej Andrzej Libiszewski	Re-elected to the office	with the effect as of 15 March 2021
Member	Maciej Andrzej Libiszewski	Elected as Vice-chairman	with the effect as of 16 March 2021
Member	Katarzyna Woś	Termination of the office	with the effect as of 14 March 2021
Member	Katarzyna Woś	Re-elected to the office	with the effect as of 15 March 2021
Member	Katarzyna Woś	Elected as Vice-chairman	with the effect as of 16 March 2021

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

1. Description of the Company (continued)

Changes in the Supervisory Board in 2021 were as follows:

Position	Name	Change	Date of change
Member	Barbara Hajdas	Elected as Vice-chairman	with the effect as of 5 February 2021
Chairman	Robert Harasimiuk	Termination of the office	with the effect as of 28 June 2021
Member	Robert Harasimiuk	Re-elected to the office	with the effect as of 29 June 2021
Member	Robert Harasimiuk	Elected as Chairman	with the effect as of 6 August 2021
Vice-chairman	Janusz Jakub Szurski	Termination of the office	with the effect as of 28 June 2021
Member	Janusz Jakub Szurski	Re-elected to the office	with the effect as of 29 June 2021
Member	Janusz Jakub Szurski	Elected as Vice-chairman	with the effect as of 6 August 2021
Member	Wioletta Kandziak	Termination of the office	with the effect as of 28 June 2021
Member	Wioletta Kandziak	Re-elected to the office	with the effect as of 29 June 2021
Member	Edyta Wątor	Termination of the office	with the effect as of 28 June 2021
Member	Edyta Wątor	Re-elected to the office	with the effect as of 29 June 2021
Vice-chairman	Barbara Hajdas	Termination of the office	with the effect as of 27 November 2021
Member	Barbara Hajdas	Re-elected to the office	with the effect as of 28 November 2021
Member	Barbara Hajdas	Elected as Vice-chairman	with the effect as of 22 December 2021

ORLEN Unipetrol a.s. has not prepared a separate annual report as it included the respective information in a consolidated annual report.

2. PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31 December 2021. The financial statements have been prepared based on historical cost, except for: derivatives, financial instruments at fair value through profit and loss, financial assets available for sale, and investment properties stated at fair value.
The separate financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2021, results of its operations and cash flows for the year ended 31 December 2021.
These separate financial statements have been prepared on a going concern basis. As at the date of approval of the financial statements there is no uncertainty that the Company will not be able to continue as a going concern in the foreseeable future.
The separate financial statements, except for the statement of cash flows, are prepared on the accrual basis of accounting.
Applied accounting policies are listed in note 25.3.

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

3. REVENUES

	2021	2020
Revenue excluded from scope of IFRS 15		
Fees for use of lands	129	124
Revenue from contracts with customers		
Other services	25	23
	154	**147**

Revenues from contracts with customers are based on short-time, fixed price contracts for consultancy.

3.1. Geographical information

All revenues were realized in the Czech Republic.

3.2. Major customers

The Company has 2 customers who accounted for 10% or more of the Company's total revenues.

4. OPERATING EXPENSES

4.1. Cost of sales

	2021	2020
Cost of services sold	(50)	(51)
	(50)	**(51)**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

4.2. Cost by nature

	2021	2020
External services	(54)	(55)
Employee benefits	(83)	(88)
Depreciation and amortisation	(6)	(6)
Taxes and charges	(19)	(19)
Insurance	(2)	(1)
Other	(5)	(88)
Operating expenses	**(169)**	**(257)**
Administrative expenses	118	121
Other operating expenses	1	85
Cost of sales	**(50)**	**(51)**

4.3. Employee benefits costs

	2021	2020
Payroll expenses	(66)	(68)
Social security expenses	(10)	(12)
Other employee benefits expenses	(7)	(8)
	(83)	**(88)**

4.3.1. Employee benefits costs – additional information

2021	Employees	Key Management	Board of Directors	Supervisory Board	Total
Wages and salaries	(10)	(6)	(43)	(7)	(66)
Social and health insurance	(2)	(1)	(6)	(1)	(10)
Social expense	(1)	-	(6)	-	(7)
	(13)	**(7)**	**(55)**	**(8)**	**(83)**
Number of employees average per year					4.67
Number of employees as at balance sheet day					5

2020	Employees	Key Management	Board of Directors	Supervisory Board	Total
Wages and salaries	(13)	(7)	(41)	(7)	(68)
Social and health insurance	(2)	(2)	(7)	(1)	(12)
Social expense	(1)	(1)	(6)	-	(8)
	(16)	**(10)**	**(54)**	**(8)**	**(88)**
Number of employees average per year					10.08
Number of employees as at balance sheet day					11

5. OTHER OPERATING INCOME AND EXPENSES

5.1. Other operating income

	2021	2020
Revaluation of investment properties	-	-
	-	**-**

5.2. Other operating expenses

	2021	2020
Loss on sale of non-current non-financial assets	(1)	-
Revaluation of investment properties	(95)	(84)
Donations	-	(1)
	(96)	**(85)**

6. FINANCE INCOME AND COSTS

6.1. Finance income

	2021	2020
Interest	128	122
Dividends received	261	45
Net foreign exchange gain	6	-
Income from guarantees granted	7	6
	402	**173**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

6.2. Finance costs

	2021	2020
Interest	(23)	(6)
Impairment to financial investment in PARAMO, a.s.*	(141)	(686)
Bank fees	(6)	(6)
Other	(1)	-
	(171)	**(698)**

*Information relating to the recognition of the impairment to financial investment in PARAMO, a.s is presented in the note 10.

7. TAX EXPENSE

	2021	2020
Tax expense in the statement of profit or loss		
Current tax	(23)	(15)
Deferred tax	18	13
	(5)	**(2)**

Domestic tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2021 (2020: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using the tax rate approved for the years 2022 and forward, i.e. 19%.

7.1. Reconciliation of effective tax rate

	2021	2020
Profit/(loss) for the year	116	(637)
Tax expense	(5)	(2)
Profit/(loss) before tax	121	(635)
Tax using domestic income tax rate	(23)	120
Non-deductible expenses	(35)	(132)
Tax exempt income	54	9
Under (over) provided in prior periods	(1)	1
Tax expense	**(5)**	**(2)**
Effective tax rate	**4.13%**	**0.37%**

Effective tax rate in 2021 includes impact of impairment recognition of financial investment in PARAMO, a.s. at the amount of CZK 27 million (2020: CZK 130 million) which belongs to non-deductible expenses.

7.2. Deferred tax

Deferred taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2022 and onward).

	31/12/2020	Deferred tax recognized in the statement of profit or loss	31/12/2021
Deferred tax assets			
Provisions	10	-	10
Employee benefit costs	6	-	6
	16	**-**	**16**
Deferred tax liabilities			
Investment property	(133)	18	(115)
	(133)	**18**	**(115)**
	(117)	**18**	**(99)**

	31/12/2019	Deferred tax recognized in the statement of profit or loss	31/12/2020
Deferred tax assets			
Provisions	10	-	10
Employee benefit costs	6	-	6
	16	**-**	**16**
Deferred tax liabilities			
Investment property	(146)	13	(133)
	(146)	**13**	**(133)**
	(130)	**13**	**(117)**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

7.3. Income tax (paid)

	2021	2020
Tax expense on profit before tax	**(5)**	**(2)**
Change in deferred tax asset and liabilities	(18)	(13)
Change in current tax assets and liabilities	5	(12)
	(18)	**(27)**

8. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment

	Land	Construction in progress	Total
01/01/2021			
Net carrying amount			
Gross carrying amount	25	3	28
Accumulated depreciation, impairment allowances	-	-	-
	25	**3**	**28**
increase/(decrease) net			
Reclassifications	3	(3)	-
31/12/2021			
Net carrying amount	**28**	**-**	**28**
Gross carrying amount	28	-	28
Accumulated depreciation, impairment allowances	-	-	-
	28	**-**	**28**
01/01/2020			
Net carrying amount			
Gross carrying amount	27	-	27
Accumulated depreciation, impairment allowances	-	-	-
	27	**-**	**27**
increase/(decrease) net			
Investment expenditures	-	3	3
Sale	(2)	-	(2)
31/12/2020			
Net carrying amount	**25**	**3**	**28**

9. INVESTMENT PROPERTY

	2021	2020
At the beginning of the year	1 225	1 309
Fair value measurement	(95)	(84)
increase	-	-
decrease	(95)	(84)
	1 130	**1 225**

Rental income amounted to CZK 129 million in 2021 (2020: CZK 124 million). Operating costs related to the investment property in reporting period amounted to CZK 22 million (2020: CZK 22 million).

9.1. Fair value of investment property measurement

Investment property as at 31 December 2021 included the lands owned by the Company and leased to subsidiaries of the Company and third parties, which fair value was estimated by revenue approach.
In the revenue approach the calculation was based on the discounted cash flow method. The discount rate used reflects the relation, as expected by the buyer, between annual revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The investment property valued under the revenue approach is classified to Level 3 as defined by IFRS 7. The discount rate of 7.18% was used for the calculation of the investment property fair value.
In the year ended 31 December 2021 and the comparative period there were no changes in the measurement approach.

9.2. Sensitivity analysis of changes in fair value of investment property classified under Level 3 fair value

Analysis of the influence of potential changes in the fair value of investment property on profit before tax in relation to a hypothetical change in discount rate:

	Level 3			
	Increase by	Total impact	Decrease by	Total impact
Change in discount rate	+1 pp	(75)	-1 pp	75

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

10. SHARES IN RELATED PARTIES

The investments in subsidiaries, jointly controlled entities and associated, not classified as held for sale (and not included in the group of assets classified as held for sale) in accordance with IFRS 5, are accounted at cost less impairment losses. Other investments in equity instruments are accounted in accordance with IFRS 9 at fair value or, if the fair value cannot be determined reliably, at cost less impairment losses.
Shares in related parties as at 31 December 2021 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries consolidated in full method						
ORLEN Unipetrol RPA s.r.o.	Litvínov	17 184	100.00	-	17 184	-
ORLEN UniCRE a.s.	Ústí nad Labem	58	100.00	7	51	-
PARAMO, a.s.	Pardubice	1 252	100.00	966	286	-
Joint operations consolidated based on shares in assets and liabilities						
Butadien Kralupy a.s.	Kralupy nad Vltavou	162	51.00	-	162	261
Other investments						
ORLEN MALTA HOLDING	La Valeta	1	-	-	1	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.0002	-	-	0.0002	-
ORLEN Unipetrol Doprava s.r.o.	Litvínov	2	0.12	-	2	0.1
ORLEN Unipetrol Slovakia s.r.o.	Bratislava	37.9	13.04	-	37.9	-
PETROTRANS, s.r.o.	Praha 4	1	0.63	-	1	-
ORLEN Unipetrol Deutschland GmbH	Langen/Hessen	0.1	0.10	-	0.1	-
Total		**18 697**	**-**	**973**	**17 724**	**261**

Shares in related parties as at 31 December 2020 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries consolidated in full method						
ORLEN Unipetrol RPA s.r.o.	Litvínov	17 184	100.00	-	17 184	-
ORLEN UniCRE a.s.	Ústí nad Labem	58	100.00	7	51	-
PARAMO, a.s.	Pardubice	1 252	100.00	825	427	-
Joint operations consolidated based on shares in assets and liabilities						
Butadien Kralupy a.s.	Kralupy	162	51.00	-	162	45
Other investments						
ORLEN MALTA HOLDING	La Valeta	1	-	-	1	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.0002	-	-	0.0002	-
ORLEN Unipetrol Doprava s.r.o.	Litvínov	2	0.12	-	2	0.1
ORLEN Unipetrol Slovakia s.r.o.	Bratislava	37.9	13.04	-	37.9	-
PETROTRANS, s.r.o.	Praha 4	1	0.63	-	1	-
ORLEN Unipetrol Deutschland GmbH	Langen/Hessen	0.1	0.10	-	0.1	-
Total		**18 697**	**-**	**832**	**17 865**	**45**

The Company had equity investments of CZK 17 724 million as at 31 December 2021 and CZK 17 865 million as at 31 December 2020 which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses.

For the purpose of impairment test of shares, each related party is treated as a separate cash-generating unit.

The Company performed the impairment analysis for its shares in related parties as at 31 December 2021. Valuation was conducted on the basis of net cash flows included in the financial projections for the years 2022-2030 and by determining the residual value discounted to their present value using the base discount rate, before tax, which reflected the current market estimation of time value of money and the specific risk referring to the valued asset. The calculation considered changes in net working capital and value of net debt.

Based on that analysis the impairment charge in the amount of CZK 141 million was recognized to the shares in PARAMO, a.s. as at 31 December 2021 (31 December 2020: CZK 686 million).

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11. TRADE AND OTHER RECEIVABLES

	31/12/2021	31/12/2020
Trade receivables	37	43
Receivables from investment property	92	89
Other	-	3
Financial assets	**129**	**135**
Advances for construction in progress	-	3
Prepayments and deferred costs	10	10
Non-financial assets	**10**	**13**
Receivables, net	**139**	**148**
Expected credit loss	2	2
Receivables, gross	**141**	**150**

Trade receivables result primarily from sales of services. The management considers that the carrying amount of trade receivables approximates their fair value.
The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 21 and detailed information about receivables from related parties is presented in note 23.

12. OTHER FINANCIAL ASSETS

	31/12/2021	31/12/2020
Loans granted to ORLEN Unipetrol RPA s.r.o.	1 989	3 000
Cash pool	7 330	8 937
	9 319	**11 937**

Loans and cash pool granted
The Company provided financing to its subsidiaries: ORLEN Unipetrol RPA s.r.o., PETROTRANS, s.r.o., PARAMO, a.s., ORLEN Unipetrol Slovakia s.r.o., SPOLANA s.r.o., HC VERVA Litvínov, a.s. and ORLEN Unipetrol Hungary Kft.
The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount.
The current loans provided to subsidiaries were not collateralised.
The analysis of current loans by currency of denomination is presented in the note 21.
The Company provides its subsidiaries with short term loans within the Group's cash pool. The loans are not collateralized and their fair value approximates the carrying amount. Further information is presented in note 15.

13. CASH AND CASH EQUIVALENTS

	31/12/2021	31/12/2020
Cash on hand and in bank	2 184	165
	2 184	**165**

The carrying amount of these assets approximates their fair value.

14. SHAREHOLDERS' EQUITY

14.1. Share capital

The issued capital of the Company as at 31 December 2021 amounted to CZK 18 133 million (31 December 2020: CZK 18 133 million). This represents 181 334 764 (2020: 181 334 764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights.

14.2. Revaluation reserve

Revaluation reserve comprises the difference between the net book value and the fair value of the property as at the date of reclassification of the property occupied by the Company and recognized as an investment property.

14.3. Retained earning

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company. The sole shareholder of ORLEN Unipetrol a.s. decided, pursuant to Article 8 (2) (k) of the Articles of Association of ORLEN Unipetrol a.s., to allocate the Company's loss generated on separate basis in 2020 in the amount of CZK 637 million to retained earnings.
The decision regarding appropriation of 2021 profit will be made by the sole shareholder in 2022.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

14.4. Equity management policy

Equity management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.
The Company monitors the equity debt ratio (net financial leverage). As at 31 December 2021 and as at 31 December 2020 Company's financial leverage amounted to -0.71% and 9.8%, respectively.

Net financial leverage = net debt/equity (calculated as at the end of the period) x 100%
Net debt = Non-current loans and borrowings + current loans and borrowings - cash and cash equivalents

14.4.1. Net debt

	31/12/2021	31/12/2020
Cash on hand and in bank	2 184	165
Bank loans and borrowings	1 989	2 848
Bank loans and borrowings non-current	*1 989*	-
Bank loans and borrowings current	-	*2 848*
	195	**(2 683)**

14.4.2. Net working capital

	Receivables	Liabilities	Working capital
31/12/2020	148	248	(100)
31/12/2021	139	55	84
Net working capital change in statement of financial position	**9**	**(193)**	**(184)**
Adjustments:			
Movements in prepayments on account for construction in progress	(3)	-	(3)
Movements in receivables from rental of investment property	4	-	4
Movements in liabilities from investments	-	2	2
Movements in liabilities from dividends	-	21	21
Change in working capital in statement of cash flows	**10**	**(170)**	**(160)**

14.5. Profit per share

	2021	2020
Profit/(loss) for the year	116	(637)
Weighted average number of shares	181 334 764	181 334 764
Profit/(loss) per share (in CZK per share)	**0.64**	**(3.51)**

The Company has no potential dilutive shares. Diluted profit/(loss) per share is the same as basic profit/(loss) per share.

15. LOANS AND BORROWINGS

	Non-current		Current		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Bank loans	1 989	-	-	2 848	1 989	2 848
	1 989	**-**	**-**	**2 848**	**1 989**	**2 848**

by currency/by interest rate

	31/12/2021	31/12/2020
CZK/PRIBOR	-	2 848
EUR/EURIBOR	1 989	
	1 989	**2 848**

Bank loans and cash pool agreements

During the year 2021 the Company had cash pool and loan agreements with the following banks, subsidiaries and related companies:
Banks: ING Bank N.V., organizační složka, Česká spořitelna, a.s., Komerční banka, a.s., Unicredit Bank Czech Republic and Slovakia, a.s. and PKO BP S.A., Czech Branch.
Subsidiaries and related companies: ORLEN Unipetrol RPA s.r.o., ORLEN Unipetrol Doprava s.r.o., SPOLANA s.r.o., ORLEN Unipetrol Hungary Kft., PETROTRANS, s.r.o., ORLEN Service Česká Republika s.r.o. and Orlen Asfalt Česká republika s.r.o.
Cash held at bank accounts of cash pool banks is drawn by the Company and above mentioned subsidiaries. The contracts enable to access bank loans not exceeding CZK 13 489 million from all banks together. Interest income/expense is calculated from the drawn amount and consequently divided among the parties involved.
Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 21 and are presented jointly with other financial instruments.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

16. OTHER NON-CURRENT LIABILITIES

The Company had lease liabilities in the amount of CZK 12 million (31 December 2020: CZK 16 million).

17. PROVISIONS

The Company has a provision in the amount of CZK 50 million for remediation of historical ecological contamination in the Kralupy location. Based on the decision of the Czech inspection of environment the remediation works have to be finalized till 21 years after their start.

18. TRADE AND OTHER LIABILITIES

	31/12/2021	31/12/2020
Trade liabilities	7	17
Investment liabilities	-	3
Prepayments for dividends	-	161
Dividends	-	22
Lease liabilities	4	4
Other	10	9
Financial liabilities	**21**	**216**
Payroll liabilities	7	6
Value added tax	5	5
Other taxation, duties, social security and other benefits	3	1
Accruals	19	20
holiday pay accrual	2	2
wages accrual	17	18
Non-financial liabilities	**34**	**32**
	55	**248**

In 2020 the General meeting of Butadien Kralupy, a.s. decided about payment of returnable prepayment for dividends in the amount od CZK 161 million. The final decision regarding dividends for the year 2020 was taken by the General meeting in the year 2021.
The management considers that the carrying amount of trade and other liabilities and accruals approximate their fair value. The currency structure of financial liabilities is presented in note 21.4.1.

19. OTHER FINANCIAL LIABILITIES

The Company had cash pool liabilities to subsidiaries and related entities in the amount of CZK 924 million as at 31 December 2021 (31 December 2020: CZK 839 million). The description of cash pool agreements is presented in note 15.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

20. LEASE

20.1. The Company as a lessee

Changes in right of use assets

	Buildings and constructions	Vehicles and other	Total
01/01/2021			
Net carrying amount			
Gross carrying amount	26	7	33
Accumulated depreciation, impairment allowances	(8)	(4)	(12)
	18	**3**	**21**
increase/(decrease) net			
New agreements, increase in remuneration	-	2	2
Depreciation	(3)	(2)	(5)
31/12/2021			
Net carrying amount	**15**	**3**	**18**
Gross carrying amount	26	9	35
Accumulated depreciation, impairment allowances	(11)	(6)	(17)
	15	**3**	**18**
01/01/2020			
Net carrying amount			
Gross carrying amount	25	7	32
Accumulated depreciation, impairment allowances	(4)	(2)	(6)
	21	**5**	**26**
increase/(decrease) net			
New agreements, increase in remuneration	1	-	1
Depreciation	(4)	(2)	(6)
31/12/2020			
Net carrying amount	**18**	**3**	**21**

Maturity analysis for lease liabilities

	2021	2020
up to 1 year	4	4
from 1 to 2 years	5	5
from 2 to 3 years	4	4
from 3 to 4 years	4	4
from 4 to 5 years	-	4
above 5 years	-	-
	17	**21**
Discount	(1)	(1)
	16	**20**

Amount of lease contracts recognized in the statement of profit or loss and other comprehensive income

		2021	2020
Costs due to:		**(1)**	**(1)**
interest on lease	Finance costs	-	-
short-term lease	Cost by nature: External Services	(1)	(1)

20.2. The Company as a lessor

Lease payments under operating leases are recognized on a straight-line basis over the lease period as revenues from sale of services.

Maturity analysis for undiscounted lease payments

	2021	2020
up to 1 year	125	120
from 1 to 2 years	125	120
from 2 to 3 years	125	120
from 3 to 4 years	125	120
from 4 to 5 years	125	120
above 5 years	1 197	1 283
	1 822	**1 884**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

21.1. Financial instruments by category and class

Financial assets

31/12/2021		Financial instruments by category	
Financial instruments by class	Note	Financial assets measured at amortized cost	Total
Trade receivables	*11.*	37	37
Loans granted	*12.*	1 989	1 989
Cash pool	*12.*	7 330	7 330
Cash and cash equivalents	*13.*	2 184	2 184
Rental of investment property	*11.*	92	92
		11 632	**11 632**

31/12/2020		Financial instruments by category	
Financial instruments by class	Note	Financial assets measured at amortized cost	Total
Trade receivables	*11.*	43	43
Loans granted	*12.*	3 000	3 000
Cash pool	*12.*	8 937	8 937
Cash and cash equivalents	*13.*	165	165
Rental of investment property	*11.*	89	89
Other financial assets	*11.*	3	3
		12 237	**12 237**

Financial liabilities

31/12/2021		Financial instruments by category		
Financial instruments by class	Note	Financial liabilities measured at amortized cost	Liabilities excluded from the scope of IFRS 9	Total
Trade liabilities	*18.*	7	-	7
Loans	*15.*	1 989	-	1 989
Cash pool	*19.*	924	-	924
Lease liabilities	*16.,18.*	-	16	16
Other financial liabilities	*18.*	10	-	10
		2 930	**16**	**2 946**

31/12/2020		Financial instruments by category		
Financial instruments by class	Note	Financial liabilities measured at amortized cost	Liabilities excluded from the scope of IFRS 9	Total
Trade liabilities	*18.*	17	-	17
Loans	*15.*	2 848	-	2 848
Cash pool	*19.*	839	-	839
Lease liabilities	*16., 18.*	-	20	20
Other financial liabilities	*19.*	195	-	195
		3 899	**20**	**3 919**

21.2. Income, expenses, profit and loss in the separate statement of profit or loss and other comprehensive income

2021	Financial instruments by category		
	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Interest income	128	-	128
Interest costs	-	(23)	(23)
Foreign exchange gain/(loss)	(24)	30	6
Other	7	(7)	-
	111	**-**	**111**
other, excluded from the scope of IFRS 7			
Dividends			261
Impairment allowances of shares in related parties			(141)
			120

2020	Financial instruments by category		
	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Interest income	122	-	122
Interest costs	-	(6)	(6)
Foreign exchange gain/(loss)	(14)	14	-
Other	6	(6)	-
	114	**2**	**116**
other, excluded from the scope of IFRS 7			
Dividends			45
Impairment allowances of shares in related parties			(686)
			(641)

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

21.3. Fair value measurement

	Note	31/12/2021 Fair value	31/12/2021 Carrying amount	31/12/2020 Fair value	31/12/2020 Carrying amount
Financial assets					
Trade receivables	*11.*	37	37	43	43
Loans granted	*12.*	1 989	1 989	3 000	3 000
Cash pool	*12.*	7 330	7 330	8 937	8 937
Cash and cash equivalents	*13.*	2 184	2 184	165	165
Rental of investment property	*11.*	92	92	89	89
Other	*11.*	-	-	3	3
		11 632	**11 632**	**12 237**	**12 237**
Financial liabilities					
Trade liabilities	*18.*	7	7	17	17
Loans	*15.*	1 989	1 989	2 848	2 848
Cash pool	*19.*	924	924	839	839
Lease liabilities	*16., 18.*	16	16	20	20
Other	*18.*	10	10	195	195
		2 946	**2 946**	**3 919**	**3 919**

21.3.1. Methods applied in determining fair value of financial instruments (fair value hierarchy)

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which are not based on observable market data (Level 3).
Financial assets and liabilities carried at fair value by the Company belong to Level 2 as defined by IFRS.
In the year ended 31 December 2021 and the comparative period in the Company were no transfers between Levels 1, 2 and 3.
As at 31 December 2021 the Company held unquoted shares in entities amounting to CZK 17 724 million (31 December 2020: CZK 17 865 million), for which fair value cannot be reliably measured due to the fact that there are no active markets for these entities nor comparable transactions of the same type of instruments. The above mentioned shares were measured at acquisition cost less impairment allowances. As at 31 December 2021 there are no binding decisions relating to the means and dates of disposal of those assets.

21.4. Financial risks identification

The Company's activities are exposed to many different types of risk. Risk management is mainly focused on the unpredictability of financial markets and aims to minimize any potential negative impacts on the Company's financial result.

21.4.1. Currency risk

A currency risk arises most significantly from the exposure of trade liabilities and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade liabilities and receivables is mostly covered by natural hedging of trade liabilities and receivables denominated in the same currencies. Hedging instruments (forwards, currency swaps) also could be used, to cover significant foreign exchange risk exposure of trade liabilities and receivables not covered by natural hedging.

Currency structure of financial instruments denominated in foreign currency

Financial instruments by class	EUR 31/12/2021	EUR 31/12/2020	USD 31/12/2021	USD 31/12/2020	Total after translation to CZK 31/12/2021	Total after translation to CZK 31/12/2020
Financial assets						
Loans granted	80	-	-	-	1 989	-
Cash pool	5	4	-	-	126	105
Cash and cash equivalents	-	1	4	-	100	35
	85	**5**	**4**	**-**	**2 215**	**140**
Financial liabilities						
Loans granted	80	-	-	-	1 989	-
Cash pool	5	5	4	-	225	139
	85	**5**	**4**	**-**	**2 214**	**139**

Sensitivity analysis for currency changes risk
The Company is mainly exposed to the fluctuation of exchange rates of EUR/CZK.
The influence of changes in carrying amount of financial instruments arising from hypothetical changes in exchange rates of relevant currencies (+/-15%) in relation to presentation currency (CZK) on profit before tax is immaterial, bellow CZK 1 million.

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21.4.2. Interest rate risk

The Company is exposed to the risk of volatility of cash flows arising from interest rate loans and cash pool arrangements granted and taken.

Interest rate structure of financial instruments

	PRIBOR		EURIBOR		LIBOR		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial assets								
Loans granted	-	3 000	1 989	-	-	-	1 989	3 000
Cash pool	7 204	8 832	126	105	-	-	7 330	8 937
	7 204	**11 832**	**2 115**	**105**	**-**	**-**	**9 319**	**11 937**
Financial liabilities								
Loans	-	2 848	1 989	-	-	-	1 989	2 848
Cash pool	491	574	130	139	95	-	716	713
	491	**3 422**	**2 119**	**139**	**95**	**-**	**2 705**	**3 561**

Sensitivity analysis for interest rate risk

The influence of financial instruments on profit before tax due to changes in significant interest rates:

	Assumed variation		Influence on profit before tax	
	31/12/2021	31/12/2020	2021	2020
PRIBOR	+0.5 pp	+0.5 pp	34	42
			34	**42**
PRIBOR	-0.5 pp	-0.5 pp	(34)	(42)
			(34)	**(42)**

The Company does not consider in the sensitivity analysis change of EURIBOR and LIBOR due to their insignificant impact. The above interest rates variations were calculated based on observations of interest rates fluctuations in the current and prior year as well as on the basis of available forecasts.
The sensitivity analysis was performed on the basis of instruments held as at 31 December 2021 and as at 31 December 2020. The influence of interest rates changes was presented on annual basis.

21.4.3. Liquidity and credit risk

Liquidity risk

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Maturity analysis of financial liabilities

				31/12/2021			
	Note	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Above 5 years	Total	Carrying amount
Loans – undiscounted value	*15.*	-	1 989	-	-	1 989	1 989
Cash pool - undiscounted value	*19.*	924	-	-	-	924	924
Trade and other liabilities	*18.*	17	-	-	-	17	17
Lease liabilities	*16., 18.*	4	9	4	-	17	16
		945	**1 998**	**4**	**-**	**2 947**	**2 946**

				31/12/2020			
	Note	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Above 5 years	Total	Carrying amount
Loans – undiscounted value	*15.*	2 848	-	-	-	2 848	2 848
Cash pool - undiscounted value	*19.*	839	-	-	-	839	839
Trade and other liabilities	*18.*	212	-	-	-	212	212
Lease liabilities	*16., 18.*	4	9	8	-	21	20
		3 903	**9**	**8**	**-**	**3 920**	**3 919**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate liquid funds, borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.
As at 31 December 2021 and as at 31 December 2020, the maximum available credit facilities relating to bank loans amounted to CZK 13 489 million and CZK 9 800 million respectively. Unused part of the credit facilities amounted to CZK 11 379 million and CZK 6 822 million as at 31 December 2021 and as at 31 December 2020, the drawn is also affected by granted bank guarantees. The description of the loans and guarantees drawn from credit facilities is presented in notes 15 and 28.

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21.4.3. Liquidity and credit risk (continued)

Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans granted (note 12) and receivables (note 11) principally consist of amounts due from subsidiaries and joint operations. The Company does not require collateral in respect of these financial assets. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Based on the analysis of receivables the counterparties were divided into two groups:

Group I – counterparties with a good or very good history of cooperation in the current year,

Group II – other counterparties.

Division of not past due trade and other receivables

	31/12/2021	31/12/2020
Group I	129	135
Group II	-	-
	129	**135**

Changes in expected credit loss of trade receivables

	31/12/2021	31/12/2020
At the beginning of the year	2	3
Usage	-	(1)
	2	**2**

Ageing analysis of trade receivables and expected credit loss as at 31 December 2021

	Trade receivables, gross value	Expected credit loss (in horizon of whole life)	Weighted average rate of expected credit loss	Trade receivables, net value
current	37	-	-	37
more than 90 days past due	2	2	1	-
	39	**2**		**37**

Ageing analysis of trade receivables and expected credit loss as at 31 December 2020

	Trade receivables, gross value	Expected credit loss (in horizon of whole life)	Weighted average rate of expected credit loss	Trade receivables, net value
current	43	-	-	43
more than 90 days past due	2	2	1	-
	45	**2**		**43**

The Company sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

Increases and reversals of impairment allowances in respect of the principal amount of trade and other receivables are included in other operating expense or income and in respect of interest for delayed payments in financial expense or income.

The carrying amount of financial assets represents the maximum credit exposure.

The maximum credit risk in respect of each class of financial assets is equal to the book value.

22. PAST ENVIRONMENTAL LIABILITIES

The Company is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage. Funds up to CZK 10 256 million are provided to cover cost actually incurred in relation to settlement of historic environmental damage.

An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts is provided below:

	Total amount of funds to be provided	Used funds as at 31/12/2021	Unused funds as at 31/12/2021
ORLEN Unipetrol a.s. / premises in Litvínov	6 012	4 393	1 619
ORLEN Unipetrol a.s. / premises in Kralupy nad Vltavou	4 244	65	4 179
	10 256	**4 458**	**5 798**

	Total amount of funds to be provided	Used funds as at 31/12/2020	Unused funds as at 31/12/2020
ORLEN Unipetrol a.s. / premises in Litvínov	6 012	4 365	1 647
ORLEN Unipetrol a.s. / premises in Kralupy nad Vltavou	4 244	64	4 180
	10 256	**4 429**	**5 827**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

23. RELATED PARTY TRANSACTIONS

23.1. Information on material transactions concluded by the Company with related parties on other than market terms

In 2021 and in 2020 there were no transactions concluded by the Company with related parties on other than market terms.

23.2. Transactions with key management personnel

In 2021 and in 2020 the Company did not grant to managing and supervising persons and their relatives any advances, loans, guarantees and commitments or concluded other agreements obliging them to render services to the Company and its related parties. As at 31 December 2021 and as at 31 December 2020 there were no loans granted by the Company to managing and supervising persons and their relatives.

23.3. Transaction with related parties concluded through the key management personnel

In 2021 and in 2020 key management personnel of the Company, based on declarations sent, did not conclude any transaction with related parties.

23.4. Transactions and balances of settlements of the Company with related parties

Parent and ultimate controlling party

As at 31 December 2021 100% (2020: 100%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2021	PKN Orlen	Entities under control or significant influence of ORLEN Unipetrol a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	128	-
Purchases	1	22	-
Finance income, including	-	397	-
dividends	-	*261*	-
Finance costs	2	141	-

31/12/2021	PKN Orlen	Entities under control or significant influence of ORLEN Unipetrol a.s.	Entities under control or significant influence of PKN Orlen
Other financial assets, including granted loans	1	9 318	-
Trade and other receivables	-	95	-
Trade and other liabilities, including loans	1	2	-
Other financial liabilities	-	772	152

2020	PKN Orlen	Entities under control or significant influence of ORLEN Unipetrol a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	123	-
Purchases	8	21	-
Finance income, including	-	171	-
dividends	-	*45*	-
Finance costs	-	687	1

31/12/2020	PKN Orlen	Entities under control or significant influence of ORLEN Unipetrol a.s.	Entities under control or significant influence of PKN Orlen
Other financial assets, including granted loans	-	11 935	2
Trade and other receivables	-	89	-
Trade and other liabilities, including loans	-	167	-
Other financial liabilities	-	729	110

24. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL

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

	31/12/2021	31/12/2020
Short-term employee benefits	70	72
Termination benefits	-	-
	70	**72**

Further detailed information regarding remuneration of key management personnel is included in note 4.3.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

24.1. Bonus system for key executive personnel of the Company

In 2021 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to Management Board, directors directly reporting to Management Boards of entities and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board members for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Company. The goals are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to results generated by the Company.

24.2. The entitlements upon the termination of employment

The entitlements arising from contracts with key management personnel upon the termination of employment contained both a competition and a stabilization clause. The competition and stabilization clause ranges between three and six average monthly earnings or monthly base salary respectively.

25. ACCOUNTING PRINCIPLES

25.1. Impact of IFRS amendments and interpretations on separate financial statements of the Company

25.1.1. Binding amendments to IFRSs and interpretations

Standards and Interpretations adopted by the EU	Impact on financial statements
Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9	no impact
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	no impact
Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions	no impact

25.1.2. IFRSs, amendments and interpretations to IFRSs endorsed by the European Union, not yet effective

New and revised IFRS Standards adopted by the EU in issue but not yet effective	Possible impact on financial statements
Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use	no impact expected
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract	no impact expected
Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework with amendments to IFRS 3	no impact expected
IFRS 17 Insurance Contracts including amendments to IFRS 17	no impact expected
Amendments to various standards due to “Improvements to IFRSs (cycle 2018-2020)”	no impact expected

25.1.3. New and revised IFRS standards, amendments and interpretations adopted by International Accounting Standards Board, waiting for approval of the European Union

Standards and Interpretations waiting for approval of the EU	Possible impact on financial statements
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	no impact expected
Amendments to IFRS 17 Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	no impact expected
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	no impact expected
Amendments to IAS 1 Presentation of Financial Statements and the IASB guidelines on disclosures regarding accounting policies in practice – The requirement to disclosure material information on accounting policies	no impact expected
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	no impact expected
Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	no impact expected

25.2. Functional currency and presentation currency

These separate financial statements are presented in Czech crowns (CZK), which is the Company’s functional and presentation currency. All financial information presented in CZK has been rounded to the nearest million.

25.3. Applied accounting policies

25.3.1. Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The transaction day is the day on which the transaction for the first time qualifies for recognition under IFRS. In particular, when the transfer of significant risks and rewards of ownership of assets (IAS 18) or in the case of financial instruments, the day on which the Company commits to purchase or sell an asset.
At the end of the reporting period:

- foreign currency monetary items including units of currency held by the Company as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement and valuation of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition as finance income or expense in the period in which they arise, except for monetary items which hedge the currency risk, are accounted in accordance with cash flow hedge accounting principles.
Foreign exchange differences are included in the financial result (or in certain circumstances in other comprehensive income) on a net basis, unless they relate to the individually significant transactions.

25.3.2. Revenues

The Company applies the principles of IFRS 15 in a five-step model in relation to the portfolio of contracts (or performance obligations) with similar characteristics, if the entity reasonably expects that the impact of the following principles on the financial statements will not significantly differ from the application of the following principles to individual contracts (or performance obligations).
Requirements to identify a contract with a customer
A contract with a customer meets its definition when all of the following criteria are met: the parties of the contract have approved the contract and are committed to perform their obligations; the Company can identify each party's rights regarding goods or services to be transferred; the Company can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.
Identification of performance obligations
At contract inception the Company assesses the goods or services promised in the contract with a customer and identifies as a performance obligation each promise to transfer to the customer: goods or services (or a bundle of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the customer is of the same nature.
Determination of the transaction price
The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel charges, excise taxes). The consideration promised in the contract with a customer may include fixed amounts, variable amounts or both.
To estimate variable consideration, the Company decided to apply the most probable value method for contracts with one value threshold and the expected value method for contracts with more value thresholds from which a rebate is granted to the customer.
Allocating the transaction price to individual performance obligations
The Company allocates the transaction price to each performance obligation (or distinct good or service) at an amount that reflects the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.
Recognition of revenue when performance obligations are satisfied
The Company recognises revenue when (or as) the Company satisfies performance obligations by transferring a promised good or service (i.e. an asset) to a customer (the customer obtains control of that asset). Revenues are recognised as amounts equal to the transaction price that has been allocated to a given performance obligation.
The Company transfers control of good or service over time and, therefore, satisfies a performance obligation and recognises revenues over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits from performance as the Company performs,
- the asset is created or enhanced as a result of the performance, and the customer controls the asset as it is created or enhanced,
- as a result of the performance of the service, an alternative component for the Company is not created, and the Company has an enforceable right to payment for performance completed to date.

25.3.3. Costs

Costs (relating to operating activity) include costs that relate to core activities, i.e. activities for which the Company was founded, costs are recurring and are not of incidental character.
Costs are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.
The Company recognizes costs in accordance with the principle of proportionality of revenues and costs. In line with matching concept, cost that relate to the earned revenues are:

- costs that may be directly attributed to the revenues of the reporting period,
- costs that are not directly attributable to the revenues, for which there is evidence that they led to the economic benefits received in the reporting period.

Cost of sales comprises costs of finished goods, services, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.
Additional costs of contract inception and costs of performance of the contract
The Company recognizes costs in accordance with matching concept. In line with matching concept, cost that relate to the earned revenues are: Additional costs of contract inception are recognized as costs when they are incurred, if the depreciation period of the asset that would otherwise were recognized by the Company is one year or less.
Distribution expenses include trading expenses, advertising and promotion expenses as well as distribution expenses.
General and administrative expenses include expenses relating to management and administration of the Company as a whole.

25.3.4. Other operating income and expenses

Other operating revenues and expenses indirectly refer to operating activity and are incidental.
Other operating income includes, in particular income from liquidation and sale of non-financial non-current assets, surplus assets, return of court fees, penalties earned, excess of grants received to revenues over the value of costs, assets received free of charge, settlement of grants related to assets, reversal of receivable impairment allowances, non-current assets and intangible assets, right of use assets and some provisions, compensations earned and revaluation gains, valuation and gain on the sale of investment property.
Other operating expenses include in particular loss on liquidation and sale of non-financial non-current assets, assets deficit, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and tangible assets transferred free of charge, settlement of grants related to assets, impairment allowances (except those that are recognized as financial costs and cost of sales), compensation paid, write-off of construction in progress which have not produced the desired economic effect, cost of recovery of receivables and revaluation losses, valuation and loss on sale of investment property.

25.3.5. Finance income and costs

Finance income and costs are related to financial operations, including obtaining financing sources and its servicing.
Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.
Finance costs include, in particular, loss on sale of shares and securities and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest, net foreign exchange losses, interest on own bonds and other securities issued, interest on lease, commissions on bank loans, borrowings and guarantees, interest and other costs of a similar nature accrued on provision created (including actuarial provisions).

25.3.6. Impairment of financial instruments

The losses due to impairment of financial instruments include in particular:

- losses due to impairment of receivables,
- losses due to impairment of interest on receivables,
- reversal of losses due to impairment of receivables,
- reversal of losses due to impairment of interest on receivables,
- losses due to impairment of loans granted,
- reversal of losses due to impairment of loans granted,
- losses due to impairment of other financial instruments,
- reversal of losses due to impairment of other financial instruments.

25.3.7. Tax expense

Income tax expenses 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 for as non-current, are not discounted and are offset in the statement of financial position, if there is a legally enforceable right to offset the recognized amounts.
The transactions settled directly in equity are recognized in equity.

25.3.8. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the net profit or loss for a given period which is attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period. The Company has no potential dilutive shares.

25.3.9. Property, plant and equipment

Property, plant and equipment are assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period (one year or the operating cycle, if longer than one year).
Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).
Property, plant and equipment are initially stated at cost (without including the grants related to assets). The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into use.
The cost of an item of property, plant and equipment also includes estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs.
Property, plant and equipment received for free are initially included in the cost corresponding to the estimated fair value. Income from property, plant and equipment received for free, which does not require the Group to meet any conditions related to its activities, is recognised directly in other operating income at the moment of recognition of the asset in the accounting records. Where there are additional conditions relating to the receipt of an asset for free, such a transaction is treated in the same way as an asset granted and is recorded as described in note 25.3.21 – Government grants.
Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the carrying amount i.e. (cost) after deducting any accumulated depreciation and accumulated impairment losses (without including received grants related to assets).
Borrowing cost directly attributable to the acquisition, construction or production of an item of property, plant and equipment are part of the initial cost.
Land, precious metal and pieces of art are not depreciated. Their value is decreased by the eventual impairment allowances.
Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated useful life, considering the residual value. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their useful lives.
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 straight-line method of depreciation is used. Residual values, estimated useful lives and depreciation methods are reassessed annually. The adjustments to depreciation expense are accounted for in subsequent period (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense when they are incurred.
Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.

25.3.10. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.
Investment property shall be recognized as an asset only when:
- it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and
- the cost of the investment property can be measured reliably.

An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs. For internally constructed investment property the cost is set at the date of construction completion when the asset is brought into use, in accordance with rules set for property, plant and equipment.
After initial recognition investment property shall be measured at fair value applying comparative and income methods depending on the nature of the investments. Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Company determines fair value without any deduction for transaction costs it may incur on sale or other disposal.
If the Company determines that the fair value of an investment property is not reliably determinable on a continuing basis, the Company shall measure that investment property at cost in accordance with rules set for property, plant and equipment.
An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected.

25.3.11. Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from the Company and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Company intends to do so, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Company or from other rights and obligations.
Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.
An intangible asset arising from development (or from development phase of an internal project) shall be recognized if, and only if, the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.
If the definition criteria of an intangible asset are not met, the cost incurred to acquire or self develop an asset are recognized in profit or loss when incurred. An intangible asset that is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.
An intangible asset is measured initially at cost (without including the grants related to assets). An intangible asset that is acquired in a business combination, is recognized initially at fair value.
After initial recognition, an intangible asset shall be presented in the financial statements at its net carrying amount, without including grants related to assets.
Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when they become available for use that is when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management over their estimated useful life. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. Excluding particular cases, the residual value of an intangible asset with a finite useful life shall be assumed to be zero.
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions, are part of the initial cost.
The following standard useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years

The straight-line method of amortization is used. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

25.3.12. Right of use assets

At the commencement date, the Company measures the right of use assets at cost.
The cost of the right of use asset comprises:
- the amount of the initial measurement of the lease liability;
- all lease payments paid on or before the date of commencement, less any lease incentives received;
- all initial costs directly incurred by the lessee;
- 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 are 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.

Other variable payments, which do not depend on an index or a rate and do not have a set minimal level, should not be taken into account when calculating lease liability. Such payments are recognized in the profit and loss account in the period of the occurrence which renders them payable.
After the commencement date, the Company measures the right of use asset applying the cost model.
- in applying the cost model, the Company measures the cost of the right of use asset, less any accumulated amortization and any accumulated impairment losses and combined losses on account of loss of value.
- corrected in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

Right of use assets shall be depreciated linearly over the shortest of the following two periods: the period of lease or the period of utilization of the underlying assets. However in cases where the Company 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.
If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right of use asset reflects the fact that the Company will exercise the call option, the lessee shall depreciate the right of use asset from the date of commencement until the end of the useful life of the underlying assets.
Otherwise the Company shall depreciate the right of use asset from the date of commencement of the lease until the end of the useful life of the asset or the lease term, whichever is sooner.

25.3.12. Right of use assets (continued)

In determining the lease term, the Company shall consider all important facts and incidents behind the economic incentives to make use of the option to extend the lease or not to exercise the option of its termination. The useful life of right of use assets is shall be determined in the same manner as for tangible fixed assets.
The Company shall apply IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

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

At the end of the reporting period the Company assesses whether there are indicators that an asset or cash generating unit (CGU) may be impaired or any indicators that the previously recognized impairment should be reversed. If any such indicator exists, the Company shall estimate the recoverable amount of the asset (CGU).
The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use.
Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs to sell.
Value in use is the present value of the future cash flows expected to be derived from an asset or CGU.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Assets that do not generate independent cash flows are grouped at the lowest level at which cash flows, independent from cash flows from other assets, are generated (cash generating units).
To the cash generating unit the following assets are allocated:

- goodwill, if it may be assumed, that the cash generating unit benefited from the synergies associated with a business combination with another entity,
- corporate assets, if they may be allocated on a reasonable and coherent basis.

If there are external or internal indicators that the carrying amount of an asset as at the end of the reporting period may not be recoverable, impairment tests are carried out. The tests are also carried out annually for intangible assets with an indefinite useful life and for goodwill.
When the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the carrying amount is decreased to the recoverable amount by an adequate impairment allowance charged against cost in profit or loss.
The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods.
A reversal of an impairment loss for an asset other than goodwill shall be recognized immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard.

25.3.14. Shares in related parties

The investments in subsidiaries, jointly controlled entities and associated, not classified as held for sale (and not included in the group of assets classified as held for sale) in accordance with IFRS 5, are accounted at cost less impairment losses. Other investments in equity instruments are accounted in accordance with IAS 39 at fair value, if the fair value cannot be determined reliably, at cost less impairment losses.

25.3.15. Trade and other receivables

Receivables, excluding trade receivables, are recognized initially at a fair value and subsequently, at amortized cost using the effective interest rate including expected credit loss. On initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price. After the initial recognition, these receivables, except for the portfolio of receivables transferred to non-recourse factoring within the limit granted to the Group, are valued at amortized cost adjusted for any loss allowance for expected credit loss. Receivables subject to non-recourse factoring are measured at fair value through profit or loss.
The Company applies simplified method of valuation of receivables measured at amortized cost if it does not distort information concluded in the statement of financial position.
Receivables accounted at amortised cost, where the Company 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.
Recognition and reversal of impairment losses of receivables are recognized in other operating activity in relation to the principal amount and in financial activities in relation to interest for delayed payments.
As default the Company considers the event when the customer does not meet obligations after 90 days from maturity of receivables.
For the purpose of estimating the expected credit loss, the Company uses the provision matrix, which was estimated based on historical levels of repayment and recoveries from receivables from customers. The Company includes information on the future in parameters used in the expected loss estimation model, through the management adjustment of the basis default probability rates.
The Company does not monitor changes in the credit risk during life of instrument with respect to trade receivables. From 1 January 2018 the Company estimates the expected credit loss until maturity of the instrument. The expected credit loss is calculated when the receivables are recognised in the statement of financial position and is updated on each subsequent day ending the reporting period.

25.3.16. Cash and cash equivalents

Cash comprises cash on hand and in bank accounts as well as cash in transit. Cash equivalents are short-term, highly liquid investments (of original maturity up to three months) that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

25.3.17. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are simultaneously met:
- the sales were declared by the appropriate level of management;
- the assets are available for an immediate sale in their present condition;
- an active program to locate a buyer has been initiated;
- the sale transaction is highly probable and can be settled within 12 months following the sale decision;
- the selling price is reasonable in relation to its current fair value;
- it is unlikely that significant changes to the sales plan of these assets will be introduced.

The classification of assets into this category is made in the reporting period when the classification criteria are met. If the criteria for classification of a non-current asset as held for sale are met after the reporting period, an entity shall not classify a non-current asset as held for sale in those financial statements when issued.
Immediately, before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (excluding financial assets) are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Company's accounting policies. While a non-current asset is classified as held for sale it shall not be depreciated (or amortized). A gain is recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been previously recognized.
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

If the Company ceases to classify discontinued operations, the results of operations previously included under discontinued operations are reclassified and included in the results from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

25.3.18. Equity

Equity is recorded in the accounting records by type, in accordance with statutory regulations and the Company's articles of association. Equity includes:

25.3.18.1. Share capital

The share capital is paid by shareholders and is stated at nominal value in accordance with the parent company's articles of association and the entry in the Commercial Register.

25.3.18.2. Revaluation reserve

The revaluation reserve includes revaluation of items, which, according to the Company's regulations, relates to the revaluation reserve, including particularly:
- change in the fair value of the available-for-sale financial assets;
- differences between the net book value and the fair value of an investment property at the date of reclassification from the property occupied by the Company to an investment property.

25.3.18.3. Retained earnings

Retained earnings include:
- the amounts arising from profit distribution/loss cover,
- the undistributed result from prior periods,
- the current reporting period profit/loss,
- the corrections (profit/loss) of prior period errors,
- changes in accounting principles,
- reserve capital created from the distribution of profits and used in accordance with the Commercial Group Code,
- other reserve capital as additional payments to equity,
- actuarial gains and losses from retirement benefits.

25.3.19. Trade and other liabilities

Liabilities, including trade liabilities, are initially stated at fair value, increased by, in the case of financial liability not qualified as those measured at fair value through profit or loss, transaction cost and subsequently, at amortized cost using the effective interest rate method.
The Company applies simplified methods of valuation of liabilities measured at amortized cost if it does not distort information included in the statement of financial position.
Accruals are liabilities due for goods received or services provided, but not paid, invoiced or formally agreed with the seller, together with amounts due to employees.
Although it is sometimes necessary to estimate the amount or timing of accruals, the related uncertainty is generally much lower than it is for provisions.

25.3.20. Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.
Provisions are not recognized for future operating losses.

25.3.20.1. Environmental provision

The Company 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. The environmental provision for reclamation is periodically reviewed on the basis of expert assessment.

25.3.20.2. Jubilee bonuses and retirement benefits

Under the Company’s remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid to employees after the elapsing of a defined number of years in service. Retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee’s average remuneration.
The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as retirement defined benefit plans.
The provision for jubilee bonuses, retirement and pension benefits is created in order to allocate costs to relevant periods.
The present value of those liabilities is estimated at the end of each reporting period by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering the demographic and financial assumptions including employee rotation, planned increase of remuneration and relate to the period ended at the last day of the reporting year. Actuarial gains and losses from:

- post employment benefits are recognized in components of other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in the statement of profit and loss.

25.3.20.3. Shield programs

Shield programs provision (restructuring provision) is created when the Company initiates a restructuring plan or announces the main features of a restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the restructuring will be carried out. A restructuring provision shall include only the direct expenditures arising from the restructuring, i.e. connected with the termination of employment (paid leave payments and compensations), termination of lease contracts, dismantling of assets.

25.3.20.4. Other provisions

Other provisions include mainly provisions for legal proceedings and are recognized after consideration of all available information, including opinions of independent experts. If on the basis of such information it is more likely than not that a present obligation exists at the end of the reporting period, the Company recognizes a provision (if the recognition criteria are met).
If it is more probable that no present obligation exists at the end of the reporting period, the Company discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

25.3.21. Government grants

Government grants are transfers of resources to the Company by the government, government agencies and similar bodies whether local, national or international, in return for past or future compliance with certain conditions relating to the activities of the entity.
Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.
Grants related to costs are presented as compensation to the given cost in the period they are incurred. Surplus of the received grant over the value of the given cost is presented as other operating income.
If the government grant relates to assets, excluding investment property, they are recognized as deferred income and disclosed separately as liabilities in the statement of the financial position. A grant is recognized in other operating income on systematic basis over the useful life of the asset.

25.3.22. Separate statement of cash flows

The separate statement of cash flows is prepared using the indirect method.
Cash and cash equivalents included in the separate statement of cash flows and in the separated statement of financial position are identical.
Dividends received are included under investing activities.
Dividends paid are included under financing activities.
Interest received from finance leases, loans granted, short-term securities and the cash pool system are included under cash flows from investing activities. Other interests received are included under cash flows from operating activities.
Interest paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and finance leases are included under cash flows from financing activities. Other interests paid are included under cash flows from operating activities.
Proceeds and outflows due to the settlement of derivatives which are not recognized as hedge position are included under cash flows from investing activities.
Lease payment expenditures in relation to short-term and low-cost leases as well as variable lease payments not included in the valuation of the lease liability are included under cash flows from operating activities.

25.3.23. Financial instruments

25.3.23.1. Measurement of financial assets and liabilities

At initial recognition, the Company 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, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The Company does not classify instruments as measured at fair value through profit or loss upon initial recognition, i.e. does not apply the fair value option.
The Company uses simplified methods of valuation of financial assets and liabilities measured at amortized cost if it does not distort information included in the statement of financial position.
Financial assets measured at amortized cost, where the Company applies simplifications, are accounted at initial recognition in the amount due, and later, including at the end of the reporting period, in the amount of the payment due less impairment allowances.
Financial liabilities for which the Company 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.
The Company classifies financial assets into one of the following categories:
- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Company classifies debt financial assets to the appropriate category depending on the business model of financial assets management and on the characteristics of contractual cash flows for a given financial asset.
The Company as assets measured at amortized cost classifies trade receivables, loans granted, other financial receivables as well as cash and cash equivalents.
The Company classifies to assets measured at fair value through profit or loss derivatives that are not designated for hedge accounting and hedged items that are measured in accordance with hedge accounting principles.
The Company classifies financial liabilities into one of the following categories:
- measured at amortized cost,
- measured at fair value through profit or loss,
- hedging financial instruments.

25.3.23.1. Measurement of financial assets and liabilities (continued)

The Company as liabilities measured at amortized cost classifies trade liabilities, loans, borrowings and bonds. Liabilities on derivatives not designated for hedge accounting are classified by the Company as measured at fair value through profit or loss.

The Company classifies to the category of hedging financial instruments, financial assets and liabilities which constitute derivative hedging cash flows and fair value.

Measurement of financial assets at amortized cost

The Company the effective interest rate method to measure financial assets at amortized cost.

Trade receivables after initial recognition are measured at amortized cost using the effective interest rate method, including impairment allowances, while trade receivables with a maturity of less than 12 months from the date of recognition (i.e. not including the financing component) and not appointed to factoring, are not discounted and are measured at nominal value.

Measurement of financial assets at fair value through other comprehensive income

Gains and losses on a financial asset constituting an equity instrument for which was applied the option of fair value through other comprehensive income is recognized in other comprehensive income, except for revenues from received dividends.

Measurement of financial assets at fair value through profit or loss

Gains or losses on the measurement of a financial asset that is classified as measured at fair value through profit or loss are recognized in profit or loss during the period in which they were recognized. Gains or losses from the valuation of items measured at fair value through profit or loss also include interest and dividend income.

Measurement of hedging financial instruments

Hedging financial instruments are measured in accordance with the principles of hedge accounting.

Impairment of financial assets

The Company recognizes impairment allowances due to expected credit losses on financial assets measured at amortized cost or measured at fair value through other comprehensive income (with the exception of investments in capital assets).

The Company uses the following models for determining impairment allowances:

- general model (basic),
- simplified model.

The general model is applied by the Company 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 Company 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 Company 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 purpose of estimating the expected credit loss, the Company applies default probability levels based on market credit quotes of derivatives for entities with a given rating and from a given sector.

The Company includes information about 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 applied by the Company for trade receivables.

In the simplified model, the Company 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.

In particular, in case of insolvency ("default") event, the Company recognizes that the contractor defaulted after expiration 90 days after the due date of receivables.

For the purpose of estimating the expected credit loss, the Company applies the provision matrix estimated on the basis of historical levels of repayment and recoveries from receivables from contractors.

The Company includes information about the future in the applied parameters in the expected credit loss estimation model, through the management adjustment of the basic insolvency probability parameters.

The expected credit loss is calculated when the receivable is recognized in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of the receivable.

For debt financial instruments measured at fair value through other comprehensive income, losses or gains (reversal of loss) due to impairment, regardless of the stage in which the write-down is calculated, are recognized in profit or loss in correspondence with other comprehensive income (the impairment allowance does not reduce the carrying amount of the financial asset).

The expected credit loss calculated at the moment of initial recognition of the financial asset, and any subsequent increase of the expected credit loss, regardless of the stage in which the write-down is calculated, are recognized in the profit or loss.

The Company discloses in the notes financial assets, for which the terms were renegotiated and which would otherwise be overdue or impaired. For assets measured at amortized cost using effective interest rate, the carrying amount of the asset is recalculated by discounting future cash flows (reassessed) using the initial interest rate of a financial asset. The adjustment is recognized as a revenue or expense for the period, respectively.

25.3.23.2. Transfers

In the Company, there were no particular circumstances for the reclassification of financial instruments measured at fair value through profit or loss.

25.3.24. Fair value measurement

Hedging financial instruments are measured in accordance with the principles of hedge accounting.
The Company 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 Company 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.
Forward exchange rates are not modelled as a separate risk factor, but derive from spot rate and the respective forward interest rate for foreign currency in relation to CZK.

25.3.25. Lease

The Company as a lessee
Rights resulting from lease, rental, hire or other agreements which meet the definition of a lease as per IFRS 16 are recognised as right of use underlying assets within the framework of non-current assets with a corresponding lease liabilities.
Initial recognition and measurement
The Company 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 Company measured the right of use asset at cost.
The cost of the right of use asset is inclusive of the following:
- the amount of the initial measurement of the lease liability,
- all lease payments made on or before the date of commencement, less any lease incentives received,
- all initial costs directly incurred by the lessee, and
- 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 Company shall decide to exercise the call option;
- penalty payments for termination of a lease, unless it can be assumed with reasonable certainty that the Company

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 incremental borrowing rates of the lessee.
The Company 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 incremental borrowing rate
Lessee's incremental borrowing rates were specified as the sum of:
- 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
- the Company'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 Company measures the right of use asset applying the cost model.
In applying the cost model, the Company shall measure the cost of the right of use asset:
- less any accumulated depreciation and accumulated impairment losses; and
- 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 Company shall measure the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability,
- decreasing the carrying amount to reflect any lease payments made, and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

25.3.25. Lease (continued)

The Company 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 Company to be payable under the residual amount guarantee, or if the Company 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 Company 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 Company 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 Company has leases agreements regarding mainly:

a) Land, including:
- perpetual usufruct of land for a fixed period of up to 99 years,
- land for petrol stations and motorway service areas concluded for a specified period up to 30 years and for an indefinite period.

b) Buildings and construction, including petrol stations, 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,
- locomotives for a fixed period up to 3 years.

Impairment

The Company 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

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

The Company does not apply IFRS 16 to lease agreements or similar for intangible assets.

Simplifications and practical solutions

Short-term lease

The Company applies a practical solution for asset classes in relation 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 Company 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 assets which, when are new, have the value up to CZK 100 thousand for each concluded lease agreement.

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 Company includes for example: gas cylinders, coffee machines, and small items of furniture.

The underlying asset may have a low-value only if:
- the Company lessee may benefit from use of the underlying asset itself or in conjunction with other resources which are readily available to him, and
- the underlying asset is not highly dependent on or related to other assets.

If the Company 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: indefinite contracts

When establishing the term for indefinite leases contracts, the Company determines the lease period, in which termination of the contract will not be justified by making makes a professional judgment and taking into account, among others:
- expenditure incurred in connection with the contract or
- potential costs connected with the termination of the lease contract, including the costs involved in obtaining a new lease contracts, such as negotiation costs; reallocation costs, costs of identifying other underlying asset suitable for the lessee's needs; costs of integrating a new asset into the Company's operations; or termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location or
- existing business plans and other existing contracts justifying the use of the leased item in the given period.

25.3.25. Lease (continued)

In cases where the costs connected with the termination of the lease contract are substantial, the lease term adopted is equal to that adopted for the depreciation period of a similar fixed asset with parameters similar to the subject of the lease.
In cases where expenditure incurred in connection with the contract is substantial, the lease term adopted is equal to that of the expected period of economic benefits derived from the incurred expenses.
The value of the incurred expenses represents a separate asset to the right of use asset.
Separating non-lease components
From contracts, that include lease and non-lease components, the Company separates and recognises non-lease components separately for all asset classes e.g. service of assets constituting the subject of the contract and allocates consideration based on the terms of the contract, unless all non-lease items are considered immaterial in the context of the whole contract.
Professional judgement
Determining the lease term
In determining the lease term, the Company considers all important facts and events resulting in existence of the economic incentives to make use of the option to extend the lease or not to exercise the option of its termination.
The Company also makes a professional judgment to determine the period of contract enforceability (lease term in which termination of the contract will not be justified) in the case of contracts concluded for an indefinite period.
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.
Estimations
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.
Determining the lessee's incremental borrowing rate
Due to the fact that the Company does not have information regarding the interest rate for lease contracts, it uses the incremental borrowing rate to measure lease liabilities, that the Company p would have to pay, to borrow, over a similar term and with a similar security, the funds in a given currency necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The Company as a Lessor

When the Company is the lessor, the lease is classified as finance or operating lease at the inception date of the lease.
In order to classify a lease as described above, the Company assesses whether all risks and rewards associated with ownership of the underlying assets are transferred substantially to the lessee. In case of the substantial transfer of all risks and rewards, the leasing is classified as a finance lease. If the substantial transfer of risks and rewards does not take place it is classified as an operations lease.
Determination of whether the risks and rewards are to be transferred is carried out based on an assessment of the content of the economic transaction.
When assessing the classification of leases the Company considers some situations, such as whether ownership of the asset is to be transferred to the lessee before the end of the lease term as well as the relationship between the lease terms and the useful life of the asset in questions, even in cases where the legal title of the asset is not to be transferred.
If a contract contains both lease and non-lease components, the Company shall allocate the consideration in the contract to each lease component in accordance with IFRS 15.
On the date of commencement of the lease the lessor recognizes any assets leased as part of a financial lease in its statement of financial position and includes them as receivables equal to the value of the net investment in the lease.
On the date of commencement of the lease, lease payments included in the measurement of the net investment in the lease comprise of the following payments for the right of use of the underlying assets, which have not yet been received on the date of commencement.

- fixed lease payments, including in-substance fixed payments, les any lease incentives;
- variable lease payments, that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- all guaranteed residual values awarded to the lessor by the lessee, an entity connected to the lessee or an independent third party;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

If the Company conveyed to another entity the right to use an asset under the finance lease, the present value of the minimum lease payments and unguaranteed residual value is recognised in the statement of financial position as receivables with the division into short and long-term part. The minimum lease payments and unguaranteed residual value are discounted using interest rate implicit in the lease, i.e. rate at which the sum present value of the minimum lease payments, unguaranteed residual value and initial direct costs of conclusion of a contract equal the fair value of the leased asset.

- lease payments and
- any unguaranteed residual value is equal to the sum of:
  - (i) the fair value of the leased asset and
  - (ii) any initial direct costs of the lessor.

Assets leased by the Company to other entities for use on the basis of an operational lease are accounted for as Company's assets. Lease payments from operations leases are recognised by the lessor linearly as revenue from the sale of products and services.

25.3.25. Lease (continued)

Subleases

In respect of subleases, the Company operates as both a lessee and lessor in relation to the same underlying assets. Such contracts are classified as operational or finance leases using the same criteria applied by the lessor, however they are considered in relation to right of use as part of the main lease rather than in relation to the underlying assets. If the main lease is a short-term lease, the Company classifies the sublease as an operational lease.

25.3.26. Contingent assets and liabilities

The Company discloses at the end of reporting period information on contingent assets if the inflow of resources embodying economic benefits is probable. If it is practicable the Company estimates the financial impact of contingent assets valuing them according to the principles of valuation provisions.
At the end of reporting period the Company 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 Company, 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 Company is not able to valuate liabilities reliably enough.

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

25.3.27. Events after the reporting period

Subsequent events after the reporting date are those events, favourable and unfavourable that occur between the end of the reporting period and date when the financial statements are authorized for issue. Two types of subsequent events can be identified:

- those that provide evidence of conditions that existed as at the end of the reporting period (events after the reporting period requiring adjustments) and
- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments).

26. APPLICATION OF PROFESSIONAL JUDGEMENT AND ASSUMPTION

The preparation of separate financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, equity, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
In matters of considerable weight, the Company's management bases its estimates on opinions of independent experts.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 8. Tax expense, 10. Investment property, 11. Shares in related parties, 12. Trade and other receivables, 13. Other financial assets, 20. Lease, 22. Financial instruments and financial risks.
The accounting policies described above have been applied consistently to all periods presented in these separate financial statements.

27. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT OR IN FRONT OF PUBLIC ADMINISTRATION BODIES

Purchase of shares of PARAMO, a.s.
In January 2009 ORLEN Unipetrol a.s. effected a squeeze out of PARAMO, a.s. shares and became sole shareholder of PARAMO, a.s.
In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. monetary consideration of CZK 977 per share of PARAMO, a.s.
In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for a review of the adequacy of compensation within the meaning of the Czech Commercial Code. The case is now pending at the Regional Court in Hradec Králové.
On 23 June 2015 the court decided to appoint another expert witness - Expert Group s.r.o. having its registered seat at Radniční 133/1, České Budějovice - to provide a valuation of the PARAMO, a.s. shares.
The Expert Group s.r.o. valuation report regarding of PARAMO, a.s. shares received by ORLEN Unipetrol a.s. on 1 December 2016 provides for PARAMO, a.s. share value as at:

a) 6 January 2009 – CZK 1 853/share;
b) 4 March 2009 – CZK 1 691.53/share.

ORLEN Unipetrol a.s. submitted two independent expert reports to the court – one expert report reviewed conclusions made by the Expert Group s.r.o. report and the other expert report provided valuation of PARAMO, a.s. and comments on methodology applied by Expert Group s.r.o. and reliability of their conclusions. The court expert determined value of PARAMO, a.s. share at CZK 909/share as at 6 January 2009 and CZK 905/share as at 4 March 2009.
On 8 August 2019 the court ruled to dismiss the petition of the minority shareholders in full. During October 2019, all claimants filed an appeal against the first instance court filing.
On 3 August 2021 the High Court in Prague (in its position of appellate court) resolved to annul the decision of the Regional Court in Hradec Králové and returned the case to the Regional Court in Hradec Králové.
On 12 January 2022 the Regional Court in Hradec Králové again resolved to dismiss the petition of the minority shareholders in full.

28. OTHER DISCLOSURES

Support letter issued in favour of PARAMO, a.s.
The Company has confirmed in a letter of support its commitment to provide loan financing to its subsidiary PARAMO, a.s. for at least 12 months from the date of PARAMO, a.s.'s 2021 financial statements.

Guarantees issued
As part of the operational financing of ORLEN Unipetrol a.s., the bank guarantees in the amount of CZK 1 431 million (2020: CZK 1 450 million) were provided for the companies: ORLEN Unipetrol RPA s.r.o. in the amount of CZK 770 million (2020: CZK 770 million), PARAMO, a.s. in the amount of CZK 41 million (2020: CZK 21 million), ORLEN Unipetrol Slovakia s.r.o. in the amount of CZK 499 million (2020: CZK 529 million) and ORLEN Unipetrol Hungary Kft. CZK 121 million (2020: CZK 130 million).
Furthermore, in 2021 ORLEN Unipetrol a.s. issued a guarantee for the company ORLEN Unipetrol RPA s.r.o. to ensure the excise tax in the amount of CZK 3 150 million (2020: CZK 150 million) and in favour 1 customer to ensure the payments in the amount of CZK 40 million.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

29. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

29.1. Group structure

The following table shows subsidiaries and joint operations forming the consolidated Group of ORLEN Unipetrol a.s., and the parent company's interest in the capital of subsidiaries and joint operations held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2021).

Name and place of business	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
ORLEN Unipetrol a.s. Milevská 2095/5, 140 00 Praha 4, Czech Republic			Corporate Functions	www.orlenunipetrol.cz
Subsidiaries consolidated in full method				
HC VERVA Litvínov, a.s. S.K. Neumanna 1598, Litvínov, Czech Republic	--	70.95%	Corporate Functions	www.hokej-litvinov.cz
Nadace ORLEN Unipetrol Záluží 1, 436 01 Litvínov, Czech Republic	--	100.00%	Corporate Functions	www.nadaceorlenunipetrol.cz
PARAMO, a.s. Přerovská 560, Svítkov, 530 06 Pardubice, Czech Republic	100.00%	--	Refining	www.paramo.cz
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Refining	www.petrotrans.cz
SPOLANA s.r.o. ul. Práce 657, 277 11 Neratovice, Czech Republic	--	100.00%	Petrochemical	www.spolana.cz
ORLEN Unipetrol Deutschland GmbH Paul Ehrlich Str. 1/B, 63225 Langen/Hessen, Germany	0.10%	99.90%	Petrochemical	www.orlenunipetrol.de
ORLEN Unipetrol Doprava s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Refining	www.orlenunipetroldoprava.cz
ORLEN Unipetrol RPA s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refining Petrochemical Energy Corporate Functions Retail	www.orlenunipetrolrpa.cz
ORLEN Unipetrol Hungary Kft. 2040 Budaörst, Puskás Tivadar utca 12, Hungary	--	100.00%	Refining	www.orlenunipetrol.hu
ORLEN Unipetrol Slovakia s.r.o. Kalinčiakova 14083/33A, 831 04 Bratislava, Slovak Republic	13.04%	86.96%	Refining Retail	www.orlenunipetrol.sk
ORLEN UniCRE a.s. Revoluční 84/č.p. 1521,Ústí nad Labem, Czech Republic	100.00%	--	Corporate functions	www.unicre.cz
Joint operations consolidated based on shares in assets and liabilities				
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Petrochemical	www.butadien.cz

The Group has a 70.95% interest in HC VERVA Litvínov, a.s., the remaining non-controlling interest in this company is owned by municipality of Litvínov.

30. IMPACT OF CORONAVIRUS PANDEMIC ON COMPANY´S OPERATIONS

Basis of preparation of the financial statements

As part of the assessment of the Company's ability to continue as a going concern, the management analysed the existing risks, and in particular assessed the impact of the COVID-19 pandemic on operations of owned companies in the Business plan 2022. Despite continuous dynamic changes in the economic, legal and regulatory environment related to COVID-19 pandemic based on the analysis performed, the Company's management does not identify the risk of going concern in the foreseeable future.

Impact of coronavirus pandemic on Company's 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 Company's financial situation in 2021.

Since the outbreak of the pandemic the Company 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 among its employees.

Below the Company presented the impact of the coronavirus pandemic on selected areas of the Company's operations.

Actions taken by the Company in connection with COVID-19 pandemic

The Company 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, ensuring realisation of the turnaround and the provision of key services delivered by the companies of the Group. The Group selected a group of super-critical employees to which separate rules connected with dealing with pandemic situation apply.

During 2021 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.

Prosocial activities taken by the ORLEN Unipetrol Group in the fight against coronavirus

During 2021 the Group donated 760 litres of own disinfectants and Stop Café gift packages for paramedics at the Most Hospital as a thank you for the extreme work commitment. The packages were prepared by the employees of the ORLEN Unipetrol Group.

In order to increase safety of customers, the multifunctional air purifiers were installed at retail petrol stations, to eliminate the COVID-19 and other viruses and bacteria by using UVC radiation.

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

<u>Estimation of expected credit loss ECL</u>

As at 31 December 2021 the Company 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 2021, based on performed analysis, the Company did not identify any indicators for modification of assumptions taken for estimation of expected credit loss.

Liquidity situation

In 2021 the Company continued its current policy with respect to liquidity management process. As at the date of preparation of this annual financial statements the financial situation of the Company is stable and in the Company's opinion, the ongoing coronavirus pandemic has not changed the overall level of liquidity risk in the Company. The Company does not identify currently and within the next 12 months problems with liquidity. The Company also does not see risk of default on loans or other financing agreements.

Other accounting estimates

As at the date of preparation of this annual financial statements the Company does not identify any significant risks related to potential breach of the terms of commercial contracts and supply contracts.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

31. EVENTS AFTER THE REPORTING PERIOD

On 13 January 2022 Maciej Libiszewski terminated of the office in the Board of Directors of ORLEN Unipetrol a.s.
Maciej Romanów was appointed a member of the Board of Directors with the effect from 1 February 2022.
Zbigniew Leszczyński was appointed a member of the Board of Directors with the effect from 2 February 2022.

Impact of the Russian invasion of Ukraine
Basis for the preparation of financial statements
As part of the assessment of the Company's ability to continue as a going concern, the management analysed the risks associated with the Russian invasion of Ukraine to the activities of the Company. The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. The Company performed a detailed analysis of sales realized on the Ukrainian and Russian markets. Due to no sales in this territory, the Company did not identify any indicators to adjust the assumptions made to estimate the expected credit loss.
However, the impact on the general economical situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities including long term assets within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.
The longer-term impact may also affect trading volumes, cash flows, costs and pricing of the sold production with related impact on profitability. Nevertheless, at the date of these financial statements the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.
The Company has taken number of measures in connection with the situation in Ukraine, in particular developing emergency action plans to ensure the continuity of critical infrastructure operations, ensure the realization of revenues and provide key services provided by the Company. During 2022, there were no major interruptions in any of the Company's areas of activity, nor were there any threats in the supply chain, both in the area of purchasing raw materials and goods and in the area of internal logistics.

The Company's management is not aware of any other events that have occurred since end of the reporting period that would have any material impact on the financial statements as at 31 December 2021.

32. STATEMENT OF THE BOARD OF DIRECTORS AND APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors of ORLEN Unipetrol a.s. hereby declares that to the best of its knowledge the foregoing separate financial statements and comparative data were prepared in compliance with the accounting principles adopted by the Company in force (disclosed in note 25.3.) and that they reflect a true and fair view on the financial position and financial results, including basic risks and exposures.

These separate financial statements were authorized by the Board of Directors' meeting held on 8 March 2022.

Signature of statutory representatives

Tomasz Wiatrak	Adam Jarosz
Chairman of the Board of Directors	Member of the Board of Directors

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of ORLEN Unipetrol a.s.

Having its registered office at: Milevská 2095/5, Krč, 140 00 Praha 4

Opinion

We have audited the accompanying consolidated financial statements of ORLEN Unipetrol a.s. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2021, 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 and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation 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 Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note [X] in the financial statements describing management's evaluation of the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the entity. Our opinion is not modified in respect of this matter.

Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. 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. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

<u>Auditor's Responsibilities for the Audit of the Consolidated Financial Statements</u>

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 the above law or regulation, we exercise professional judgment and maintain professional skepticism 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 communicate with the Board of Directors and the Supervisory Board 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.

In Prague on 10 March 2022

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	Martin Tesař registration no. 2030

ORLEN Unipetrol a.s.

CONSOLIDATED
FINANCIAL STATEMENTS
Translation from the Czech original

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

FOR THE YEAR 2021

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DESCRIPTION OF THE COMPANY AND PRINCIPLES OF PREPARATON OF THE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

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

Consolidated statement of profit or loss and other comprehensive income

	Note	2021	2020 (restated)*
Statement of profits or loss			
Revenues	3.	133 636	83 121
Cost of sales	4.	(122 348)	(86 504)
Gross profit on sales		**11 288**	**(3 383)**
Distribution expenses	4.2.	(2 581)	(2 293)
Administrative expenses	4.2.	(2 167)	(2 019)
Other operating income	5.1.	6 952	11 872
Other operating expenses	5.2.	(9 220)	(11 237)
Loss allowance for trade receivables	6.	(16)	(14)
Profit/(loss) from operations		**4 256**	**(7 074)**
Finance income	7.1.	615	536
Finance costs	7.2.	(776)	(647)
Net finance costs		**(161)**	**(111)**
Profit/(loss) before tax		**4 095**	**(7 185)**
Tax expense	8.	(893)	1 238
Net profit/(loss)		**3 202**	**(5 947)**
Other comprehensive income			
items which will not be reclassified subsequently into profit or loss		**15**	**1**
Actuarial gains and losses		*18*	*1*
Deferred tax		*(3)*	-
items which will be reclassified into profit or loss under certain conditions		**119**	**(266)**
Hedging instruments		*185*	(346)
Exchange differences on translating foreign operations		*(38)*	17
Deferred tax		*(28)*	62
		134	**(265)**
Total net comprehensive income		**3 336**	**(6 212)**
Net profit/(loss) attributable to		**3 202**	**(5 947)**
equity owners of the parent		*3 202*	*(5 945)*
non-controlling interests		-	(2)
Total net comprehensive income attributable to		**3 336**	**(6 212)**
equity owners of the parent		*3 336*	*(6 210)*
non-controlling interests		-	(2)
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)		17.66	(32.79)

*The details are presented in note 33.

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 9 - 69.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

Consolidated statement of financial position

	Note	31/12/2021	31/12/2020 (restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	10.	52 281	50 319
Investment property	11.	535	517
Intangible assets	12.	4 522	1 677
Right of use assets	27.1.	3 839	3 373
Financial assets available for sale		1	1
Deferred tax assets	8.2.	154	173
Financial derivatives	13.	344	577
Lease receivables	27.2.	6	13
Other non-current assets	13.	235	114
		61 917	**56 764**
Current assets			
Inventories	15.	22 096	14 911
Trade and other receivables	16.	15 480	10 751
Financial derivatives	17.	1 263	773
Lease receivables	27.2.	9	63
Other financial assets	17.	2 221	1 127
Current tax assets	8.	15	40
Cash and cash equivalents	18.	2 656	595
		43 740	**28 260**
Total assets		**105 657**	**85 024**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19.1.	18 133	18 133
Statutory reserves	19.2.	40	37
Hedging reserve	19.3.	764	614
Revaluation reserve	19.4.	10	10
Exchange differences on translating foreign operations	19.5.	(13)	18
Retained earnings	19.6.	37 662	34 427
Equity attributable to equity owners of the parent		**56 596**	**53 239**
Non-controlling interests		**3**	**3**
Total equity		**56 599**	**53 242**
LIABILITIES			
Non-current liabilities			
Loans, borrowings	20.	3 989	-
Provisions	21.	1 012	942
Deferred tax liabilities	8.2.	1 768	1 270
Deferred income	24.	404	435
Lease liabilities	27.	3 422	2 804
Financial derivatives	22.	318	4
Other non-current liabilities	22.	274	255
		11 187	**5 710**
Current liabilities			
Trade and other liabilities	23.	27 399	17 928
Liabilities from contracts with customers	25.	391	334
Loans, borrowings	20.	1	2 848
Current tax liabilities	8.2.	220	13
Provisions	21.	8 577	2 095
Deferred income	24.	7	5
Financial derivatives	22.	382	1 382
Lease liabilities	27.	544	591
Other financial liabilities	22.	350	876
		37 871	**26 072**
Total liabilities		**49 058**	**31 782**
Total equity and liabilities		**105 657**	**85 024**

*The details are presented in note 33.

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 9 – 69.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent								
	Share capital	Statutory reserves	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Note	19.1.	19.2.	19.3.	19.4.	19.5.	19.6.			
01/01/2021	18 133	37	614	10	18	34 427	53 239	3	53 242
Net profit	-	-	-	-	-	3 202	3 202	-	3 202
Items of other comprehensive income	-	-	150	-	(31)	15	134	-	134
Total net comprehensive income	**-**	**-**	**150**	**-**	**(31)**	**3 217**	**3 336**	**-**	**3 336**
Derecognition of dividends	-	-	-	-	-	21	21	-	21
Allocation of profit	-	3	-	-	-	(3)	-	-	-
31/12/2021	**18 133**	**40**	**764**	**10**	**(13)**	**37 662**	**56 596**	**3**	**56 599**
01/01/2020	18 133	33	894	10	4	40 375	59 449	5	59 454
Net loss	-	-	-	-	-	(5 945)	(5 945)	(2)	(5 947)
Items of other comprehensive income	-	-	(280)	-	14	1	(265)	-	(265)
Total net comprehensive income	**-**	**-**	**(280)**	**-**	**14**	**(5 944)**	**(6 210)**	**(2)**	**(6 212)**
Allocation of profit	-	4	-	-	-	(4)	-	-	-
31/12/2020	**18 133**	**37**	**614**	**10**	**18**	**34 427**	**53 239**	**3**	**53 242**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 9 - 69.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

Consolidated statement of cash flows

	Note	2021	2020 (restated)*
Cash flows from operating activities			
Profit/(loss) before tax		**4 095**	**(7 185)**
Adjustments for:			
Depreciation and amortisation	4.2.	5 655	5 077
Foreign exchange (gain)/loss		(60)	13
Interest and dividends, net		107	83
Recognition of impairment allowances of property plant and equipment, intagible assets and right of use assets	14.	174	694
(Profit)/Loss on investing activities		2 142	(1 083)
Change in provisions		8 405	1 903
Other adjustments including:		(3 219)	(1 217)
Change in balances of settled derivatives designated for hedge accounting		*(14)*	*(6)*
Settlement of subsidies including CO_2 allowances		*(3 226)*	*(1 280)*
Movements in liabilities from contracts with customers		*56*	*57*
Change in working capital	19.7.	(2 660)	(8)
inventories, including:		*(7 199)*	*3 559*
change in impairment allowances of inventories to net realisable value		*33*	*(157)*
receivables, including:		*(5 038)*	*2 605*
change in impairment allowances to receivables		*(7)*	*6*
liabilities		*9 577*	*(6 172)*
Income tax received/(paid)		(183)	1 158
Net cash from/used in operating activities		**14 456**	**(565)**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets		(8 561)	(10 603)
Fine received for PE3 project delay		30	558
Disposal of property, plant and equipment and intangible assets		20	9
Settlement of financial derivatives not designated as hedge accounting		(3 525)	1 146
Proceeds/(outflows) from cash pool assets		(1 109)	3 727
Other		122	132
Net cash used in investing activities		**(13 023)**	**(5 031)**
Cash flows from financing activities			
Proceeds from loans and borrowings		1 191	2 835
Proceeds/(outflows) from cash pool liabilities		48	(167)
Interest paid		(128)	(85)
Payments of liabilities under lease agreements		(671)	(716)
Dividends paid		(1)	(1)
Inflow from grants		240	58
Other		(55)	(4)
Net cash from financing activities		**624**	**1 920**
Net increase/(decrease) in cash and cash equivalents		**2 057**	**(3 676)**
Effect of changes in exchange rates		4	(16)
Cash and cash equivalents, beginning of the year		595	4 287
Cash and cash equivalents, end of the year	18.	**2 656**	**595**

*The details are presented in note 33.

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 9 - 69.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

DESCRIPTION OF THE COMPANY AND PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Establishment of the Company
ORLEN Unipetrol a.s. (the "Company", "parent", "parent company") is a joint stock company established by the National Property Fund of the Czech Republic by a foundation agreement dated 27 December 1994. The Company was registered in the Register of Companies at the Regional Commercial Court in Prague on 17 February 1995.

Identification number of the Company
616 72 190

Registered office of the Company
ORLEN Unipetrol a.s.
Milevská 2095/5
140 00 Praha 4
Czech Republic

Ownership structure
The sole shareholder of the Company is Polski Koncern Naftowy ORLEN Spółka Akcyjna ("PKN Orlen"), with its registered office at Chemików 7, 09-411 Plock, Poland.

Principal activities
The Company operates as a holding company covering and administering a group of companies (the "Group"). The principal business activities of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, road and insulation bitumen, special refinery and petrochemical products. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.
In addition to these principal activities, the Group is engaged in other activities that are necessary to support the principal activities, such as production, distribution and sale of heat and electricity, operation of railway tracks and railway transportation, advisory services relating to research and development, environmental protection, software and hardware advisory services and other services.

Statutory and supervisory bodies
Members of the statutory and supervisory bodies of ORLEN Unipetrol a.s. as at 31 December 2021 were as follows:

	Position	Name
Board of Directors	Chairman	Tomasz Wiatrak
	Vice-chairman	Maciej Andrzej Libiszewski
	Vice-chairman	Katarzyna Woś
	Member	Tomáš Herink
	Member	Ryszard Pilch
	Member	Adam Jarosz
Supervisory Board	Chairman	Robert Harasimiuk
	Vice-chairman	Janusz Jakub Szurski
	Vice-chairman	Barbara Hajdas
	Member	Aneta Agnieszka Kowalczyk
	Member	Przemysław Humięcki
	Member	Fryderyk Maria Radvan-Bieda
	Member	Wioletta Kandziak
	Member	Iwona Waksmundzka-Olejniczak
	Member	Edyta Wątor

Changes in the Board of Directors in 2021 were as follows:

Position	Name	Change	Date of change
Chairman	Tomasz Wiatrak	Termination of the office	with the effect as of 1 March 2021
Member	Tomasz Wiatrak	Re-elected to the office	with the effect as of 2 March 2021
Member	Tomasz Wiatrak	Elected as Chairman	with the effect as of 2 March 2021
Vice-chairman	Maciej Andrzej Libiszewski	Termination of the office	with the effect as of 14 March 2021
Member	Maciej Andrzej Libiszewski	Re-elected to the office	with the effect as of 15 March 2021
Member	Maciej Andrzej Libiszewski	Elected as Vice-chairman	with the effect as of 16 March 2021
Member	Katarzyna Woś	Termination of the office	with the effect as of 14 March 2021
Member	Katarzyna Woś	Re-elected to the office	with the effect as of 15 March 2021
Member	Katarzyna Woś	Elected as Vice-chairman	with the effect as of 16 March 2021

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

1. DESCRIPTION OF THE COMPANY (CONTINUED)

Changes in the Supervisory Board in 2021 were as follows:

Position	Name	Change	Date of change
Member	Barbara Hajdas	Elected as Vice-chairman	with the effect as of 5 February 2021
Chairman	Robert Harasimiuk	Termination of the office	with the effect as of 28 June 2021
Member	Robert Harasimiuk	Re-elected to the office	with the effect as of 29 June 2021
Member	Robert Harasimiuk	Elected as Chairman	with the effect as of 6 August 2021
Vice-chairman	Janusz Jakub Szurski	Termination of the office	with the effect as of 28 June 2021
Member	Janusz Jakub Szurski	Re-elected to the office	with the effect as of 29 June 2021
Member	Janusz Jakub Szurski	Elected as Vice-chairman	with the effect as of 6 August 2021
Member	Wioletta Kandziak	Termination of the office	with the effect as of 28 June 2021
Member	Wioletta Kandziak	Re-elected to the office	with the effect as of 29 June 2021
Member	Edyta Wątor	Termination of the office	with the effect as of 28 June 2021
Member	Edyta Wątor	Re-elected to the office	with the effect as of 29 June 2021
Vice-chairman	Barbara Hajdas	Termination of the office	with the effect as of 27 November 2021
Member	Barbara Hajdas	Re-elected to the office	with the effect as of 28 November 2021
Member	Barbara Hajdas	Elected as Vice-chairman	with the effect as of 22 December 2021

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with accounting principles contained in the International Financial Reporting Standards (IFRSs), 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 standards and interpretations adopted by the EU and applicable to the period beginning on 1 January 2021 or earlier periods.

The consolidated financial statements have been prepared based on a historical cost basis, except for: derivatives, financial instruments at fair value through profit and loss, financial assets available for sale, and investment properties stated at fair value through other comprehensive income.

The consolidated financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Group's financial position as at 31 December 2021, results of its operations and cash flows for the year ended 31 December 2021.

The consolidated financial statements of the Group for the year ended 31 December 2021 include the Company and its subsidiaries and the Group's interest in jointly controlled entities.

These consolidated financial statements have been prepared on a going concern basis. As at the date of approval of the consolidated financial statements there is no uncertainty that the Group will not be able to continue as a going concern in the foreseeable future.

The consolidated financial statements, except for the statement of cash flows, are prepared on the accrual basis of accounting.

Applied accounting policies are listed in note 34.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3. REVENUES

	2021	2020
Revenues from sales of finished goods and services, net	131 164	80 536
revenue from contract with customers	*130 343*	*79 812*
excluded from scope of IFRS 15	*821*	*724*
Revenues from sales of merchandise and raw materials, net	2 472	2 585
revenue from contract with customers	*2 472*	*2 585*
Sales revenues, incl.:	**133 636**	**83 121**
revenue from contract with customers	*132 815*	*82 397*

Performance obligations

As part of the contractual obligations, the Group commits to deliver to its customers mostly refining, petrochemical products and goods and connected services. Under these agreements, the Group acts as a principal.
Transaction prices in existing contracts with customers are not constrained. There are no contracts in force providing for significant obligations for returns and other similar obligations. There is no significant financing component in contracts with customers.
There are mainly sales with deferred payment in the Group and cash sales in the Retail segment. In contracts with customers, in most cases payment terms not exceeding 30 days are used. Usually payment is due after transferring good or service.
Within the Refinery, Petrochemical and Retail segments, in case of deliveries of goods, where control is transferred to the customer in terms of services satisfied at a point in time, settlements with customers and recognition of revenues take place after each delivery.

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

Except of revenues according to product type and geographical region presented in notes 3.1 and 3.2, the Group analyses revenues based on the type of contract, date of transfer, contract duration and sales channels.
Revenues based on a fixed price constitute the majority of revenues in the Group. According to IFRS 15, the variable component of remuneration is penalties and the customer's right to discounts. The Group recognises revenues in the amount of consideration, to which – in line with expectations – it will be entitled and which will not be reversed in the future. Consequently, the Group adjusts revenues for highly probable discounts and penalties. The variability of consideration in contracts with customers is largely related to volume rebates and concern mainly the Retail segment.
As part of the Refining and Petrochemical segments, with respect to sales of petrochemical and refinery products, the Group recognises revenue from satisfaction of performance obligation, depending on the terms of delivery (Incoterms) used. In case of some deliveries, the Group is obliged to organize transport and/or insurance. When the control of good passes to the customer before transport is performed, the delivery of goods and transport (and possibly insurance) becomes separate performance obligations. The delivery of goods is an obligation satisfied at a point in time, while transport is a continuous obligation (satisfied over time). In case of transport and insurance, the customer simultaneously receives and consumes benefits from the service.
In the Retail segment, the moment of satisfaction of performance obligation is the moment of transfer of good, except for sales of fuels using Fleet Cards.
In case of sales satisfied over time, the Group recognises revenues at least on a monthly basis, where settlements between parties to the contract take place periodically and reflect the amount of consideration that the Group is entitled for transfer of goods and services to the customer. Revenue recognised over time mainly relate to the sale of fuels using and subscription sale within Retail.
The majority of contracts within the Group are short-term.
The Group realizes sales directly to end customers in the Retail segment, managing the network of 424 fuel stations in the Czech Republic and 22 in Slovakia.
The Group’s sales to customers in the Refining and Petrochemical segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks.

3.1. Revenues by assortments

	2021	2020
Revenues from contract with customers	**132 815**	**82 397**
Light distillates	26 902	15 738
Medium distillates	55 395	36 018
Heavy fractions	5 125	3 489
Monomers	2 956	1 925
Polymers	20 894	11 118
Aromas	4 645	2 076
Fertilizers	738	496
Plastics	3 097	1 968
Others	10 044	7 103
Services	3 019	2 466
Excluded from scope of IFRS 15	**821**	**724**
	133 636	**83 121**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

3.2. Revenues by geographical division

	2021	2020
Revenues from contract with customers	**132 815**	**82 397**
Czech Republic	82 948	55 314
Germany	18 120	10 059
Poland	9 671	3 453
Slovakia	7 604	4 956
Hungary	4 740	2 469
Austria	1 543	938
Other countries	8 189	5 208
Excluded from scope of IFRS 15	**821**	**724**
Czech Republic	819	722
Poland	2	2
	133 636	**83 121**

No other country than the Czech Republic and Germany accounted for more than 10% of consolidated revenues.

3.3. Information about major customers

No one of the Group's customers constitute 10% or more of all revenues in 2021 and 2020.

3.4. Revenues from contracts with customers by type of contract

	2021	2020
Based on a fixed price contracts	112 729	71 555
Based on a variable price contracts	20 083	10 839
Based on time and expenditure consumed	3	3
	132 815	**82 397**

The customer has the right to discounts, penalties, which constitute in accordance with IFRS 15 an element of variable consideration. The Group recognizes the revenue in the amount of consideration, to which – in line with expectations – will be entitled and which will not be reversed in the future. Consequently, it does not recognize the revenue, that may change due to granted discounts and penalties imposed.

3.5. Revenues from contracts with customers by date of transfer

	2021	2020
At the a point in time	67 602	54 639
Over time	65 213	27 758
	132 815	**82 397**

3.6. Revenues from contracts with customers by duration of contract

	2021	2020
Current	132 814	82 396
Non-current	1	1
	132 815	**82 397**

The duration of most contracts within the Group is short-term. Revenues on services for which start and end dates fall in different reporting periods (long-term contracts) are recognized based on the stage of service completion, if the result on the transaction can be reliably estimated.
As at 31 December 2021 and as at 31 December 2020 the Group analysed the value of the transaction price allocated to unsatisfied performance obligations at the end of the year.

3.7. Revenues from contracts with customers by sales channel

	2021	2020
Direct sales	17 600	12 719
Other sales	115 215	69 678
	132 815	**82 397**

The Group realizes sales directly to end customers in the Retail segment managing the network nearly 446 fuel stations: 430 own stations and 16 stations operated under franchise agreements.
The Group's sales to customers in the Refining and Petrochemical segment are carried out using a network of complementary infrastructure components: fuel terminals, land transshipment bases, pipeline networks, as well as rail transport and tanker trucks.

4. OPERATING EXPENSES

4.1. Cost of sales

	2021	2020 (restaed)
Cost of finished goods and services sold	(119 946)	(83 851)
Cost of merchandise and raw materials sold	(2 402)	(2 653)
	(122 348)	**(86 504)**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

4.2. Cost by nature

	2021	2020 (restated)
Materials and energy	(106 312)	(68 756)
Cost of merchandise and raw materials sold	(2 402)	(2 653)
External services	(6 347)	(5 833)
Employee benefits	(4 646)	(4 504)
Depreciation and amortization	(5 655)	(5 077)
Taxes and charges	(5 607)	(900)
Other	(10 198)	(12 189)
	(141 167)	**(99 912)**
Change in inventories	4 851	(4 058)
Cost of products and services for own use	-	1 917
Operating expenses	**(136 316)**	**(102 053)**
Distribution expenses	2 581	2 293
Administrative expenses	2 167	2 019
Other operating expenses	9 220	11 237
Cost of sales	**(122 348)**	**(86 504)**

4.3. Employee benefits costs

	2021	2020
Payroll expenses	(3 314)	(3 211)
Future benefits expenses	(8)	(2)
Social security expenses	(1 099)	(1 066)
Other employee benefits expenses	(225)	(225)
	(4 646)	**(4 504)**

2021	Employees	Key Management	Board of Directors	Supervisory Board	Total
Wages and salaries	(3 083)	(181)	(43)	(7)	(3 314)
Social and health insurance	(1 042)	(50)	(6)	(1)	(1 099)
Social expense	(192)	(27)	(6)	-	(225)
Change of employee benefits provision	(8)	-	-	-	(8)
	(4 325)	**(258)**	**(55)**	**(8)**	**(4 646)**
Number of employees average per year*					4 817
Number of employees as at balance sheet day*					4 875

2020	Employees	Key Management	Board of Directors	Supervisory Board	Total
Wages and salaries	(2 974)	(189)	(41)	(7)	(3 211)
Social and health insurance	(1 005)	(52)	(8)	(1)	(1 066)
Social expense	(192)	(28)	(5)	-	(225)
Change of employee benefits provision	(2)	-	-	-	(2)
	(4 173)	**(269)**	**(54)**	**(8)**	**(4 504)**
Number of employees average per year*					4 843
Number of employees as at balance sheet day*					4 920

* In case of joint operations the relevant share is used.

5. OTHER OPERATING INCOME AND EXPENSES

5.1. Other operating income

	2021	2020 (restated)
Penalties and compensations	73	116
Reversal of impairment allowances of property, plant and equipment, intangible assets and right of use assets	129	81
Profit on sale of non-current non-financial assets	24	6
Revaluation of investment properties	18	23
Reversal of provisions	147	2
Settlement and valuation of financial instruments (operation risk)	5 855	11 324
Ineffective part of hedging	25	9
Settlement of hedging costs	413	189
Subsidies	169	52
Other	99	70
	6 952	**11 872**

The information relating to the impairment reversal is presented in note 14.

Increase of subsidies includes compensation for indirect costs received from Ministry of Trade and Industry in amount of CZK 119 million in 2021.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

5.2. Other operating expenses

	2021	2020
Penalties, damages and compensations	(33)	(1)
Recognition of provisions	(452)	(166)
Recognition of impairment allowances of property, plant and equipment, intangible assets and right of use assets	(303)	(775)
Revaluation of investment properties	(8)	(21)
Loss on sale of non-current non-financial assets	(32)	(30)
Donations	(9)	(13)
Settlement and valuation of financial instruments (operation risk)	(8 335)	(10 099)
Ineffective part of hedging	(24)	(76)
Settlement of hedging costs	(1)	(10)
Other	(23)	(46)
	(9 220)	**(11 237)**

The information relating to the impairment recognition is presented in note 14.

For 2021 and 2020 the net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) amounted to CZK (2 480) million and CZK 1 225 million respectively, and mainly related to commodity swaps hedging time mismatch on crude oil purchases and future sales of products, including fixed prices.

The change in valuation and settlement of derivative financial instruments in 2021 and 2020 was affected by the prices of crude oil and refinery products as well as exchange rates.

In 2021 and 2020 the net positions of ineffective part relating to operating exposure amount to CZK 1 million and CZK (67) million, respectively and mainly related to commodity swaps hedging abnormal operating stocks, physical sales of products and foreign currency forwards hedging operating exposure.

6. (LOSS ALLOWANCE)/REVERSAL OF LOSS ALLOWANCE FOR TRADE RECEIVABLES

Loss relates to impairment of trade receivables at the amount of CZK 16 million was recognized based on the expected credit loss model (2020: CZK 14 million).

7. FINANCE INCOME AND COSTS

7.1. Finance income

	2021	2020
Settlement and valuation of financial instruments	580	372
Net foreign exchange gain	-	134
Interest	35	29
Other	-	1
	615	**536**

7.2. Finance costs

	2021	2020
Settlement and valuation of financial instruments	(307)	(543)
Net foreign exchange loss	(284)	-
Interest	(124)	(85)
Other	(61)	(19)
	(776)	**(647)**

In 2021 and 2020 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) amounted to CZK 273 million and CZK (171) million, respectively and related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices in foreign currency and the currency hedge for liquidity transactions.
The main impact on the change in valuation and settlement of derivative financial instruments in 2021 and 2020 was affected by changes in exchange rates (the difference between the exchange rate as the transaction date and the exchange rate as at the transaction settlement date or transaction valuation).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

8. TAX EXPENSE

	2021	2020
Tax credit/(expense) in the statement of profit or loss		
Current tax	(414)	(25)
Deferred tax	(479)	1 263
	(893)	**1 238**
Deferred tax recognized in other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	(35)	62
Actuarial gains or losses	(3)	-
	(38)	**62**
	(931)	**1 301**

Domestic tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2021 (2020: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using the tax rate approved for the years 2022 and forward i.e. 19%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8.1. The reconciliation of effective tax rate

	2021	2020
Profit/(loss) for the year	3 202	(5 947)
Tax credit (expense)	(893)	1 238
Profit/(loss) before tax	4 095	(7 185)
Income tax using domestic income tax rate	(778)	1 365
Effect of tax rates in foreign jurisdictions	18	8
Non-deductible expenses	(117)	(169)
Tax exempt income	4	96
Tax relief	-	21
Change in not recognized deferred tax	(28)	(126)
Utilization of unused tax losses	63	-
Impact of prior periods	-	3
Other	(55)	40
Tax credit (expense)	**(893)**	**1 238**
Effective tax rate	**(21.82%)**	**(17.23%)**

8.2. Deferred tax

Deferred taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2022 and onward).
The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) recognized by the Group during the year is as follows:

	31/12/2020	Deferred tax recognized in the statement of profit or loss	Deferred tax recognized in other comprehensive income	31/12/2021
Deferred tax assets				
Provisions	538	1 161	-	1 699
Unused tax losses carried forward	1 253	(1 106)	-	147
Inventories	53	(3)	-	50
Lease	530	12	-	542
Other	86	(7)	-	79
	2 460	**57**	**-**	**2 517**
Deferred tax liabilities				
Property, plant and equipment	(3 396)	(545)	-	(3 941)
Provision	-	-	(3)	(3)
Hedging instruments	(144)	-	(35)	(179)
Other	(17)	9	-	(8)
	(3 557)	**(536)**	**(38)**	**(4 131)**
	(1 097)	**(479)**	**(38)**	**(1 614)**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

8.2. Deferred tax (continued)

	31/12/2019	Change	Deferred tax recognized in the statement of profit or loss	Deferred tax recognized in other comprehensive income	Other	31/12/2020
Deferred tax assets						
Provisions	459	2	77	-	-	538
Unused tax losses carried forward	84	-	1 169	-	-	1 253
Inventories	83	(1)	(29)	-	-	53
Lease	456	100	(26)	-	-	530
Other	128	(36)	(6)	-	-	86
	1 210	**65**	**1 185**	**-**	**-**	**2 460**
Deferred tax liabilities						
Property, plant and equipment	(3 428)	(60)	92	-	-	(3 396)
Hedging instruments	(210)	-	-	62	4	(144)
Other	2	(5)	(14)	-	-	(17)
	(3 636)	**(65)**	**78**	**62**	**4**	**(3 557)**
	(2 426)	**-**	**1 263**	**62**	**4**	**(1 097)**

The above positions of deferred tax assets and liabilities are netted of on the level of particular financial statements of the Groups companies for presentation purposes in the consolidated financial statement of ORLEN Unipetrol a.s. As at 31 December 2021 deferred tax assets and liabilities amounted to CZK 154 million (31 December 2020: CZK 173 million) and CZK 1 768 million (31 December 2020: CZK 1 270 million).
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.
Deferred tax assets are recognized for tax losses and deductible temporary differences carried forward to the extent that realization of the related tax benefit through the future taxable profit is probable based on financial projections for years 2022 – 2026.

8.3. Income tax (paid)/received

	2021	2020
Tax expense on profit before tax	**(893)**	**1 238**
Change in deferred tax assets and liabilities	517	(1 330)
Change in current tax assets and liabilities	232	1 187
Deferred tax recognized in other comprehensive income	(38)	62
	(182)	**1 158**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

9. NON-CURRENT ASSETS BY GEOGRAPHICAL LOCATION

	31/12/2021	31/12/2020 (restated)
Czech Republic	59 499	54 527
Slovakia	1 672	1 355
Germany	5	3
Hungary	1	1
	61 177	**55 886**

Non-current assets by geographical location include of property, plant and equipment, intangible assets, investment property and right of use assets.

No other country than the Czech Republic accounted for more than 10% of consolidated assets.

10. PROPERTY, PLANT AND EQUIPMENT

10.1. Changes in property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount at 01/01/2021						
Gross carrying value	1 561	35 330	67 734	4 212	7 104	**115 941**
Accumulated depreciation and impairment allowances	(143)	(20 130)	(42 646)	(2 607)	(96)	**(65 622)**
	1 418	**15 199**	**25 088**	**1 606**	**7 008**	**50 319**
increase/(decrease) net						
Investment expenditures	-	1	-	1	6 874	**6 876**
Depreciation	-	(1 051)	(3 367)	(355)	-	**(4 773)**
Borrowing costs	-	-	-	-	22	**22**
Impairment allowances	-	16	38	(1)	(14)	**39**
Reclassifications	5	1 711	2 846	307	(4 916)	**(47)**
Sale	(1)	(1)	-	(1)	-	**(3)**
Liquidation	-	(26)	(88)	(2)	-	**(116)**
Other decreases	-	(3)	-	-	(26)	**(29)**
Foreign exchange differences	-	(3)	(1)	-	(3)	**(7)**
Net carrying amount at 31/12/2021	**1 422**	**15 843**	**24 516**	**1 555**	**8 945**	**52 281**
Gross carrying value	1 565	37 001	69 383	4 424	9 055	**121 428**
Accumulated depreciation and impairment allowances	(143)	(21 158)	(44 867)	(2 869)	(110)	**(69 147)**
	1 422	**15 843**	**24 516**	**1 555**	**8 945**	**52 281**
Net carrying amount at 01/01/2020						
Gross carrying value	1 557	33 479	56 021	3 789	13 973	**108 819**
Accumulated depreciation and impairment allowances	(143)	(18 598)	(40 533)	(2 490)	(464)	**(62 228)**
	1 414	**14 881**	**15 488**	**1 299**	**13 509**	**46 591**
increase/(decrease) net						
Investment expenditures	-	6	1	37	8 631	**8 675**
Depreciation	-	(962)	(3 000)	(315)	-	**(4 277)**
Impairment allowances	-	(573)	(399)	(13)	361	**(624)**
Reclassifications	6	1 854	13 039	602	(15 493)	**8**
Sale	(2)	-	-	(1)	-	**(3)**
Liquidation	-	(6)	(41)	(3)	-	**(50)**
Other decreases	-	(1)	-	-	-	**(1)**
Net carrying amount at 31/12/2020	**1 418**	**15 199**	**25 088**	**1 606**	**7 008**	**50 319**

Material additions

The major additions in 2021 to non-current assets were capitalized maintenance costs in amount of CZK 644 million, construction of new DCPD unit in the amount of CZK 585 million, capitalized spare parts of CZK 416 million, implementation of Stop Café of CZK 402 million, capitalized shut down costs in the amount of CZK 387 million, expansion of pyrolytic section in amount of CZK 337 million, expansion of storage forces in amount of CZK 322 million and construction of boiler room in the amount of CZK 246 million.

The major additions in 2020 to non-current assets were capitalized shut down costs in the amount of CZK 2 236 million, capitalized maintenance costs in amount of CZK 760 million, implementation of Stop Café of CZK 645 million, capitalized spare parts of CZK 613 million, construction new unit PE3 in the amount of CZK 550 million, construction of boiler room in the amount of CZK 325 million, catalysts in the amount of CZK 259 million and revitalization of POX unit of CZK 223 million.

Borrowing costs

According to IAS 23, the Group capitalizes those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. Borrowing costs capitalized in the year ended 31 December 2021 amounted to CZK 22 million (31 December 2020: less than CZK 1 million).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

10.2. Changes in impairment allowances of property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
01/01/2021	143	2 425	2 414	43	96	5 121
Recognition	-	102	66	-	34	202
Reversal	-	(90)	(30)	-	-	(120)
Disposal	-	(12)	(80)	-	-	(92)
Reclassifications	-	(15)	6	1	(20)	(28)
Other decreases	-	(1)	-	-	-	(1)
	143	**2 409**	**2 376**	**44**	**110**	**5 082**
increase/(decrease) net*	-	(16)	(38)	1	14	(39)
01/01/2020	143	1 852	2 015	30	464	4 505
Recognition	-	517	211	9	1	738
Reversal	-	(71)	(10)	-	-	(81)
Disposal	-	(2)	(27)	-	-	(29)
Reclassifications	-	129	225	4	(362)	(4)
Other decreases	-	-	-	-	(7)	(7)
	143	**2 425**	**2 414**	**43**	**96**	**5 121**
increase/(decrease) net*	-	573	399	13	(361)	624

*Increase/(decrease) net includes recognition, reversal, usage and reclasifications. Foreign exchange differences are recognized in Foreign exchange differences on subsidiaries from consolidation.

Detailed information related to impairment recognized in 2021 and 2020 is presented in note 14.

The Group reviews useful lives of property, plant and equipment and introduces adjustments to depreciation charges prospectively according to its accounting policy. Should the depreciation policy from the previous year be applied, the depreciation expense for 2021 would be higher by CZK 188 million.

10.3. Other information on property, plant and equipment

	31/12/2021	31/12/2020
The gross carrying amount of all fully depreciated property, plant and equipment still in use	9 379	9 772

11. INVESTMENT PROPERTY

	2021	2020
At the beginning of the year	517	536
Reclassification to property, plant and equipment	(1)	(30)
Transfer from property, plant and equipment	9	9
Fair value measurement	10	2
increase	20	22
decrease	(10)	(20)
	535	**517**

Rental income amounted to CZK 56 million in 2021 (2020: CZK 53 million). Operating costs related to investment property amounted to CZK 5 million in 2021 (2020: CZK 4 million).

11.1. Fair value of investment property measurement

Investment property as at 31 December 2021 included the land and buildings owned by the Group and leased to third parties, which fair value was estimated depending on the characteristics based on comparison or revenue approach.

The comparison approach was applied assuming, that the value of the assessed property was equal to the market price of similar property (such assets belong to Level 2 as defined by IFRS 7).

In the revenue approach the calculation was based on the discounted cash flow method. 10 year period forecasts were applied in the analysis. The discount rate used reflects the relation, as expected by the buyer, between annual revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes (investment property valued under the revenue approach belong to Level 3 as defined by IFRS 7). The discount rate of 7.18% was used for the calculation of the investment property fair value.

In the year ended 31 December 2021 and the comparative period there were no changes in measurement approach.

			Fair value hierarchy	
	Carrying amount	Fair value	Level 2	Level 3
31/12/2021	535	535	118	417
31/12/2020	517	517	116	401

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11.2. Sensitivity analysis of changes in fair value of investment property classified under Level 3 fair value

Analysis of the influence of potential changes in the fair value of investment property on profit before tax in relation to a hypothetical change in discount rate:

	Level 3			
	Increase by	Total impact	Decrease by	Total impact
Change in discount rate	+1 pp	(21)	-1 pp	21

12. INTANGIBLE ASSETS

12.1. Changes in intangible assets

	Software	Licences, patents and trade marks	Assets under development	CO_2 emission allowance	Other intangible assets	Other internally generated asseets	Total
Net carrying amount at 01/01/2021							
Gross carrying value	2 129	2 070	339	120	316	88	**5 062**
Accumulated amortization and impairment allowances	(1 458)	(1 591)	(8)	-	(251)	(77)	**(3 385)**
	671	**479**	**331**	**120**	**65**	**11**	**1 677**
increase/(decrease) net							
Investment expenditures	109	1	-		85	-	**195**
Amortization	(123)	(37)	-	-	(12)	(3)	**(175)**
Impairment allowances	1	-	7	-	(34)	-	**(26)**
Reclassifications	-	-	(338)	-	349	-	**11**
Other increases/(decreases)	(1)	-	-	2 840	2	-	**2 841**
Net carrying amount at 31/12/2021	**657**	**443**	**-**	**2 960**	**454**	**8**	**4 522**
Gross carrying value	2 211	2 048	-	2 960	753	88	**8 060**
Accumulated amortization and impairment allowances	(1 554)	(1 605)	-	-	(299)	(80)	**(3 538)**
	657	**443**	**-**	**2 960**	**454**	**8**	**4 522**
Net carrying amount at 01/01/2020							
Gross carrying value	1 672	2 069	613	24	307	96	**4 781**
Accumulated amortization and impairment allowances	(1 345)	(1 544)	(8)	-	(245)	(81)	**(3 223)**
	327	**525**	**605**	**24**	**62**	**15**	**1 558**
increase/(decrease) net							
Investment expenditures	-	-	197	-	-	-	**197**
Amortization	(114)	(37)	-	-	(11)	(4)	**(166)**
Impairment allowances	(4)	(10)	1	-	-	-	**(13)**
Reclassifications	464	1	(466)	-	14	-	**13**
Liquidation	(2)	-	(5)	-	-	-	**(7)**
Other increases/(decreases)	-	-	(1)	96	-	-	**95**
Net carrying amount at 31/12/2020	**671**	**479**	**331**	**120**	**65**	**11**	**1 677**

12.2. Changes in impairment allowances of intangible assets

	Software	Licences, patents and trade marks	Assets under development	CO_2 emission allowance	Other intangible assets	Other internally generated asseets	Total
01/01/2021	23	19	7	-	-	-	49
Recognition	-	-	-	-	27	-	27
Reversal	(1)	-	-	-	-	-	(1)
Reclassifications	-	-	(7)	-	7	-	-
	22	**19**	**-**	**-**	**34**	**-**	**75**
increase/(decrease) net*	(1)	-	(7)	-	34	-	26
01/01/2020	19	9	8	-	-	-	36
Recognition	2	10	-	-	-	-	12
Disposal	(2)	-	(1)	-	-	-	(3)
Reclassifications	4	-	-	-	-	-	4
	23	**19**	**7**	**-**	**-**	**-**	**49**
increase/(decrease) net*	4	10	(1)	-	-	-	13

*Increase/(decrease) net includes recognition, reversal, usage and reclasifications. Foreign exchange differences are recognized in Foreign exchange differences on subsidiaries from consolidation.

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities. Detailed information related to impairment recognized in 2021 and 2020 is presented in note 14.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

12.3. Other information on intangible assets

	31/12/2021	31/12/2020
The gross carrying amount of all fully depreciated intangible assets still in use	822	1 026
The net carrying amount of intangible assets with indefinite useful life	27	26

The major addition to intangible assets in 2021 was software solutions CODO in the amount of CZK 48 million, new secure connectivity concept in the amount of CZK 17 million and CRM in the amount of CZK 13 million. The major addition in 2020 was new PE3 licences in the amount of CZK 25 million.

The Group reviews useful lives of intangible assets and introduces an adjustment to amortization charges prospectively according to its accounting policy. Should the amortization rates from the previous year be applied, the amortization expense for 2021 would be higher by CZK 10 million.

12.4. CO_2 emission allowances

Based on the Czech National Allocation Scheme for the years 2021-2030 the Group was to obtain CO_2 emission allowances free of charge. During the year ended 31 December 2021 the Group obtained CO_2 emission allowances in the amount of 1 698 166 tons (2020: 2 061 115 tons).

	Value	Quantity (in tonnes)
Net carrying amount at 01/01/2021	29	48 168
Granted free of charge for 2021	2 955	1 698 166
Settlement for 2020	(1 833)	(3 760 096)
Purchase	1 810	3 720 009
	2 960	**1 706 247**
Estimated annual consumption	8 302	4 370 340

The market value of owned EUA allowances exceeds their total carrying amount, therefore the Group does not identify impairment indicators.

As at 31 December 2021 the market value of one EUA allowance (European Union Emission Allowance) amounted to EUR 80.65 (31 December 2020: EUR 32.54).

CO_2 emission allowances acquired and sold by the Group are included in the statement of consolidated cash flows, under investing activities in Acquisition of property, plant and equipment and intangible assets and Proceeds from disposals of property, plant and equipment and intangible assets, respectively.

12.5. Upstream emission rights (UER)

The Company uses a new UER instrument to achieve a GHG emission reduction in the transport fuel supply chain. Upstream emissions are defined as all GHG emissions taking place before the raw material for the fuel enters a refinery plant. Projects reducing upstream emissions in any country in - or outside the European Union can generate UERs. The subsequent UER certificates may then be sold to fuel suppliers, to be counted towards their six percent reduction target.

	Value	Quantity (in tonnes)
Net carrying amount at 01/01/2021	91	40 369
Settlement for 2020	(99)	(59 730)
Purchase	8	19 361
	-	-

13. FINANCIAL DERIVATIVES AND OTHER NON-CURRENT ASSETS

	31/12/2021	31/12/2020
Financial derivatives		
Cash flow hedging instruments	344	577
currency forwards	*344*	*577*
	344	**577**

The information related to cash flow hedging instruments and derivatives not designed as hedge accounting is presented in note 28.4.

	31/12/2021	31/12/2020
Other non-current assets		
Other non-current receivables	13	20
Financial assets	**13**	**20**
Prepayments	222	94
Non-financial assets	**222**	**94**
	235	**114**

The non-current prepayments relate to the deposit for the purchase of natural gas in the amount of CZK 187 million as at 31 December 2021 (31 December 2020: CZK 67 million).

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14. IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT, INTANGIBLE ASSETS, RIGHT OF USE ASSETS

Financial projections and assumptions for years 2022-2030 for purposes of impairment analysis as at 31 December 2021

As at 31 December 2021 in accordance with International Accounting Standard 36 "Impairment of assets" the ORLEN Unipetrol Group has verified the existence of impairment indicators in relation to Cash Generating Units (CGUs) i.e. the smallest identifiable group of assets that generate cash inflows largely independent from other assets. In the ORLEN Unipetrol group CGUs are established at the level of operating activities: refining, petrochemical and retail.
As at 31 December 2021 the tests were carried out for all CGUs based on the most recent available financial projections for the years 2022-2030.

Impairment analysis on ORLEN Unipetrol group assets' as at 31 December 2021 was based on following financial data:

- non-audited financial statements as at 31 December 2021,
- financial projections for 2022 included in Business Plan 2022 and projections for the years 2023-2030 based on macroeconomic assumptions derived from PKN Orlen's strategy adjusted by the macro indicators observed at the end of 2021 year,
- necessary adjustments mainly relating to capital expenditures and effectiveness activities for years 2023-2030, corresponding with IAS 36 requirement of basing the analysis on projections excluding impact of development and restructuring (IAS 36.33 b) and maintenance of shareholding structure in the group as at 31 December 2021.

Key financial assumptions used in the analysis

During development of assumptions to impairment tests the possibility of estimation of the fair value and value in use of individual assets was considered. Lack of market transactions for similar assets to those held by the Group which would allow to reliably estimate their fair value makes fair value method of valuation not possible to implement. As a result, it was concluded that the best estimate of the actual values of individual assets of the Group will be its value in use ("VIU").

The recoverable amounts of CGUs were estimated based on their value in use. The analyses were performed based on available projections for the years 2022-2030 adjusted to exclude the impact of planned capital expenditures enhancing the assets' performance.

The assets used in analyses: i.e. fixed assets (excluding lands and CO_2 allowances), right of use and net working capital were derived from non-audited financial statements as at 31 December 2021.

For determining the value in use as at given balance sheet date forecasted cash flows are discounted using the discount rates after taxation reflecting the risk levels specific for particular sectors to which the CGU belongs.

The discount rate is calculated as the weighted average cost of capital. The sources of macroeconomic indicators necessary to determine the discount rate were the publications of prof. Aswath Damodoran (source: http://pages.stern.nyu.edu) and publicly available as at 31 December 2021 listings of government bonds.

The structure of the discount rates and long term inflation rate applied in the testing for impairment of assets of individual operating CGUs as at 31 December 2021

	Refinery CGU	Petchem CGU	Retail CGU
Cost of capital	9.41%	8.30%	7.76%
Cost of debt after tax	3.25%	3.25%	3.25%
Capital structure	67.48%	73.42%	68.91%
Nominal discount rate	**7.41%**	**6.96%**	**6.36%**
Long-term inflation rate	2.00%	2.00%	2.00%

Cost of equity is determined by the profitability of the government bonds that are considered to be risk-free, with the level of market and operating segment risk premium (beta).
Cost of debt includes the average level of credit margins and expected market value of money for the Czech Republic.
The period of analysis was established on the basis of remaining useful life of the essential assets for the particular CGU.

The results of impairment analysis as at 31 December 2021

Based on result of the impairment analysis no impairment allowances were recognized for the Refinery and Petchem CGU, however the Group performed the impairment analysis on assets in PARAMO, a.s. allocated to the Refinery CGU. Based on the test result the Group recognized an impairment charge in the amount of CZK 44 million.

The impairment allowance in the amount of CZK 267 million was recognized and CZK 140 million was reversed in the Retail CGU, where the impairment test was performed on the level of each petrol station.

The Group's future financial performance is based on a number of factors and assumptions in respect of macroeconomics development, such as foreign exchange rates, commodity prices, interest rates outside the Company's control. The change of these factors and assumptions might influence the Group's financial position, including the results of the impairment test of non-current assets, and consequently might lead to changes in the financial position and performance of the Group.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

14. IMPAIRMENT TO NON-CURRENT ASSETS (CONTINUED)

Sensitivity analysis of the value in use as at 31 December 2021

The crucial elements influencing the value in use of assets within individual units responsible for generating cash flows are: operating profit plus depreciation and amortization (known as EBITDA) and the discount rate.

		Refinery CGU EBITDA			Petchem CGU EBITDA		
	Change	-5%	0%	5%	-5%	0%	5%
Discout rate	-0.5 p.p.	-	-	-	-	-	-
	0.0 p.p.	(1 747)	-	-	-	-	-
	+0.5 p.p.	(3 094)	(1 379)	-	-	-	-

Decrease in Refinery CGU EBITDA by 5% in case of discount rate constant or increase by 0.5 p.p. would result in impairment recognition in relation to Refinery CGU assets in the amounts disclosed in the above table.

The results of impairment analysis as at 31 December 2020

Based on result of the impairment analysis no impairment allowances were recognized for the Refinery and Petchem CGU, however the Group performed the impairment analysis on assets in PARAMO, a.s. allocated to the Refinery CGU. Based on the test result the Group recognized an impairment charge in the amount of CZK 588 million.

The impairment allowance in the amount of CZK 175 million was recognized and CZK 84 million was reversed in the Retail CGU, where the impairment test was performed on the level of each petrol station.

15. INVENTORIES

	31/12/2021	31/12/2020
Raw materials	9 716	7 463
Work in progress	2 778	1 801
Finished goods	7 584	3 768
Merchandise	117	96
Spare parts	1 901	1 783
Inventories, net	**22 096**	**14 911**
Impairment allowances of inventories to net realizable value	423	390
Inventories, gross	**22 519**	**15 301**

15.1. Changes in impairment allowances of inventories to net realizable value

	2021	2020
At the beginning of the year	390	548
Recognition	246	3 757
Usage	(209)	(3 900)
Reversal	(4)	(15)
	423	**390**

Changes in the net realizable value allowances for inventories amount to CZK 242 million and are included in cost of sales (2020: CZK 3 742 million) presented in note 4.

16. TRADE AND OTHER RECEIVABLES

	31/12/2021	31/12/2020
Trade receivables	14 359	9 448
Rental of investment property	27	30
Other	234	279
Financial assets	**14 620**	**9 757**
Excise tax and fuel charge receivables	13	13
Other taxation, duty, social security receivables	15	19
Advances for construction in progress	45	248
Prepayments and deferred costs	787	714
Non-financial assets	**860**	**994**
Receivables, net	**15 480**	**10 751**
Expected credit loss	453	460
Receivables, gross	**15 933**	**11 211**

Trade receivables result primarily from sales of finished goods and sales of merchandise. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of goods is 32 days. Trade receivables overdue bear an interest based on terms agreed in the selling contracts.

The Group exposure to credit and currency risk related to trade and other receivables is disclosed in note 28.5. and detailed information about receivables from related parties is presented in note 31.1.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

17. FINANCIAL DERIVATIVES AND OTHER FINANCIAL ASSETS

	31/12/2021	31/12/2020
Financial derivatives		
Cash flow hedging instruments	848	314
currency forwards	*848*	*291*
commodity swaps	*-*	*23*
Derivatives not designated as hedge accounting	415	459
commodity swaps	*415*	*459*
	1 263	**773**

Information regarding cash flow hedging instruments and derivatives not designed as hedge accounting is presented in note 28.4.

	31/12/2021	31/12/2020
Other financial assets		
Cash pool	1 549	445
Receivables on settled cash flow hedging instruments	672	682
	2 221	**1 127**

The Group had assets in the PKN group's cash pool system in the amount of CZK 1 549 million as at 31 December 2021 (31 December 2020: CZK 445 million). The interest rates were based on appropriate inter-bank rates and the fair value of the assets approximates their carrying amount.

The Group verified the conditions for presentation of cash pool assets as cash equivalents as present in IAS 7 Statement of cash flows and is in opinion that the criteria for such presentation are not met.

18. CASH AND CASH EQUIVALENTS

	31/12/2021	31/12/2020
Cash on hand and in bank	2 656	595
	2 656	**595**

19. SHAREHOLDERS' EQUITY

19.1. Share capital

The issued capital of the Company as at 31 December 2021 amounted to CZK 18 133 million (31 December 2020: CZK 18 133 million). This represents 181 334 764 (31 December 2020: 181 334 764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights.

Shareholders' structure

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	181 334 764	18 133 476 400	100%
	181 334 764	**18 133 476 400**	**100%**

19.2. Statutory reserves

The Group established a reserve fund for possible future losses. The balance of the Statutory reserve fund as at 31 December 2021 amounted to CZK 40 million (31 December 2020: CZK 37 million).

19.3. Hedging reserve

The amount of the hedging reserve of CZK 764 million as at 31 December 2021 resulted from the valuation of derivatives meeting the requirements of cash flow hedge accounting (31 December 2020: CZK 614 million).

19.4. Revaluation reserve

Revaluation reserve comprises the difference between the net book value and the fair value of the property as at the date of reclassification of the property occupied by the Group and recognized as an investment property.

19.5. Foreign exchange differences on subsidiaries from consolidation

The amount of reserve is adjusted by foreign exchange differences resulting from translation of the financial statements of foreign entities belonging to the Group from foreign currencies into CZK. The balance of this reserve as at 31 December 2021 amounted to CZK (13) million (31 December 2020: CZK 18 million).

19.6. Retained earnings

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company. The sole shareholder of ORLEN Unipetrol a.s. decided on 20 May 2021, pursuant to Article 8 (2) (k) of the Articles of Association of ORLEN Unipetrol a.s., to allocate the Company's loss generated on separate basis in 2020 in the amount of CZK 637 million to retained earnings.

The decision regarding appropriation of 2021 profit will be made by the sole shareholder in 2022.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

19.7. Equity management policy

Equity management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.

The Group monitors the equity debt ratio (net financial leverage). As at 31 December 2021 and as at 31 December 2020 Group's financial leverage amounted to 2.36% and 4.23%, respectively.

Net financial leverage = net debt/equity (calculated as at the end of the period) x 100%
Net debt =non-current loans and borrowings + current loans and borrowings - cash and cash equivalents

19.7.1. Net debt

	31/12/2021	31/12/2020
Cash on hand and in bank	**2 656**	**595**
Loans and borrowings	**(3 990)**	**(2 848)**
Loans and borrowings non-current	(3 989)	-
Loans and borrowings current	(1)	(2 848)
	(1 334)	**(2 253)**

19.7.2. Changes in net debt

	Note	31/12/2021	31/12/2020
At the beginning of the year		**(2 253)**	**4 274**
Cash changes in net debt			
Cash and cash equivalents	*18.*	2 061	(3 692)
Loans and borrowings	*20.*	(1 142)	(2 835)
		(1 334)	**(2 253)**

19.7.3. Net working capital

	Inventories	Receivables	Liabilities	Working capital
31/12/2020	14 911	10 751	17 928	7 734
31/12/2021	22 096	15 480	27 399	10 177
Net working capital change in Statement of financial position	**(7 185)**	**(4 729)**	**9 471**	**(2 443)**
Adjustments				
Movements in prepayments for construction in progress	-	(204)	-	(204)
Movements in receivables from rental of investment property	-	(2)	-	(2)
Movements in investing liabilities	-	-	(119)	(119)
Reclassification btw provisions and liabilities	-	-	99	99
Movements in dividends liabilities	-	-	22	22
Foreign exchange differences	(14)	(103)	104	(13)
Change in working capital in Cash flow statement	**(7 199)**	**(5 038)**	**9 577**	**(2 660)**

19.8. Profit per share

	2021	2020
Profit/(loss) for the year attributable to equity owners	3 202	(5 947)
Weighted average number of shares	181 334 764	181 334 764
Profit/(loss) per share (in CZK per share)	**17.66**	**(32.79)**

20. LOANS AND BORROWINGS

	Non-current		Current		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Bank loans	3 989	-	1	2 848	3 990	2 848
	3 989	**-**	**1**	**2 848**	**3 990**	**2 848**

20.1. Bank loans

by currency (translated into CZK)/by interest rate

	31/12/2021	31/12/2020
CZK/PRIBOR	2 001	2 848
EUR/EURIBOR	1 989	-
	3 990	**2 848**

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 28 and are presented together with other financial instruments.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

21. PROVISIONS

	Non-current		Current		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Environmental provision	777	778	138	82	915	860
Jubilee bonuses and retirement benefits provision	111	120	16	15	127	135
Shield programs provision	-	-	38	-	38	-
Provision for CO_2 emission allowances	-	-	8 302	1 964	8 302	1 964
Other provision	124	44	83	34	207	78
	1 012	**942**	**8 577**	**2 095**	**9 589**	**3 037**

Changes in provisions in 2021

	Environmental provision	Jubilee bonuses and retirement benefits provision	Shield programs provision	Provision for CO_2 emission allowances	Other provision	Total
01/01/2021	860	135	-	1 964	78	3 037
Recognition	171	6	65	8 302	217	8 761
Reclassification	29	-	-	-	(30)	(1)
Discounting	6	-	-	-	-	6
Usage	(41)	(8)	(9)	(1 964)	(38)	(2 060)
Reversal	(110)	(7)	(18)	-	(20)	(155)
Interest	-	1	-	-	-	1
	915	**127**	**38**	**8 302**	**207**	**9 589**

Changes in provisions in 2020

	Environmental provision	Jubilee bonuses and retirement benefits provision	Shield programs provision	Provision for CO_2 emission allowances	Other provision	Total
01/01/2020	793	134	-	1 926	19	2 872
Recognition	105	10	-	1 876	61	2 052
Reclassification	6	-	-	-	-	6
Discounting	7	-	-	-	-	7
Usage	(51)	(9)	-	(1 838)	-	(1 898)
Reversal	-	-	-	-	(2)	(2)
	860	**135**	-	**1 964**	**78**	**3 037**

21.1. Environmental provision

As at 31 December 2021 the Group had under environmental provisions mainly:

- provision for land restoration created as a result of the legal obligation to restore the fly-ash dump in Litvínov after it is discontinued, which is expected after 2043. The provision amounted to CZK 306 million (31 December 2020: CZK 309 million),
- provision for liquidation and restoration of production area in Kolín amounted to CZK 200 million (31 December 2020: CZK 30 million),
- provision in the amount of CZK 167 million in respect of remediation of historical ecological contamination in the Kralupy location recognized following the decision of the Czech Environmental Inspectorate (31 December 2020: CZK 167 million),
- provision for liquidation and restoration of an electrolysis facility which is expected to occur after the termination of the operation in the current amalgam electrolysis facility in 2021 in the amount of CZK 45 million (31 December 2020: CZK 78 million),
- provision for land restoration created as a result of the legal obligation to restore the fly-ash deposits and toxic waste dump in Neratovice after it is discontinued, which is expected after 2021 in case of fly-ash deposits and after 2024 in case of toxic waste dump. The provision amounted to CZK 113 million (31 December 2020: CZK 113 million),
- provision for liquidation and restoration of power plant in Neratovice which was shut down in 2020, was released in 2021 (31 December 2020: CZK 110 million),
- provision for the compensation of damages to Lesy České republiky, s.p. (Forests of the Czech Republic) in the amount of CZK 33 million (31 December 2020: CZK 33 million).

21.2. Provision for jubilee bonuses and retirement benefits

The companies of the Group realize the program of paying out retirement benefits and jubilee bonuses in line with remuneration policies in force. The jubilee bonuses are paid to employees after the elapse of a defined number of years in service. Retirement benefits are paid as a one-time payment at retirement. The amount of retirement benefits as well as jubilee bonuses depends on the number of years of service. The base for the calculation of the provision for an employee is the expected benefit which the Group is obliged to pay in accordance with internal regulations.
The present value of these obligations is estimated at the end of each reporting year and adjusted if there are any material indications impacting the value of the obligations. The accrued liabilities equal discounted future payments, considering employee rotation.
Employment benefit provisions for retirement and anniversary benefits received by employees were created using discount rates in the range 2.7% p.a. in 2021 (2020: 1.1%), assumptions used were based on the Collective Agreement.
Should the prior year's assumptions be used, the provision for the jubilee bonuses and retirement benefits would be higher by CZK 20 million.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

21.2.1. Changes in employee benefits obligations

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
At the beginning of the year	32	33	103	101	135	134
Current service costs	3	2	4	5	7	7
Interest expenses	-	-	1	1	1	1
Actuarial gains and losses arising from changes	(2)	2	(18)	-	(20)	2
demographic assumptions	*-*	*-*	*(3)*	*-*	*(3)*	*-*
financial assumptions	*(4)*	*1*	*(13)*	*3*	*(17)*	*4*
other	*2*	*1*	*(2)*	*(3)*	*-*	*(2)*
Past employment costs	9	-	3	-	12	-
Payments under program	(4)	(5)	(4)	(4)	(8)	(9)
	38	**32**	**89**	**103**	**127**	**135**

The carrying amount of employee benefits liabilities is identical to their present value as at 31 December 2021 and as at 31 December 2020.

21.2.2. Division of employee benefits liabilities by employees

	Active employees		Pensioners		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Czech Republic	127	135	-	-	127	135
					127	**135**

21.2.3. Geographical division of employee benefits liabilities

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Czech Republic	38	32	89	103	127	135
					127	**135**

21.2.4. Sensitivity analysis to changes in actuarial assumptions

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. are no higher than CZK 4 million. Therefore the Group does not present any detailed information.

21.2.5. Employee benefits maturity

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Less than one year	5	4	11	11	16	15
Between one and three years	7	6	10	11	17	17
Between three and five years	7	5	10	10	17	15
Later than five years	19	18	58	70	77	88
	38	**33**	**89**	**102**	**127**	**135**
Weighted average duration of liability (years)			10	10	10	10

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21.2.6. Total employee benefits expenses recognized in the statement of profit or loss and other comprehensive income

	31/12/2021	31/12/2020
In profit and loss		
Current service costs	(7)	(7)
Interest expenses	(1)	(1)
Actuarial gains and losses arising from changes	2	(2)
demographic assumptions	-	-
financial assumptions	*4*	*(1)*
other	*(2)*	*(1)*
Past employment costs	(12)	-
Payments under program	8	9
	(10)	**(1)**
In components of other comprehensive income		
Gains and losses arising from changes	18	-
demographic assumptions	*3*	-
financial assumptions	*13*	*(3)*
other	*2*	*3*
	18	**-**
	8	**(1)**

Provisions for employee benefits recognized in profit or loss were allocated as follows:

	31/12/2021	31/12/2020
Cost of sales	(20)	(1)
Distribution expenses	(1)	-
Administrative expenses	12	-
Interest of provisions	(1)	
	(10)	**(1)**

Based on current legislation, the Group is obliged to pay contributions to the national pension insurance. These costs are recognized as expenses for social security and health insurance. The Group does not have any other commitments in this respect. Additional information about the retirement benefits is in note 34.3.21.

21.3. Provision for CO_2 emission allowances

The provision for CO_2 emission allowances is created for estimated CO_2 emission allowances consumption in the reporting period. Further information regarding CO_2 emission allowances is presented in note 12.4.

21.4. Other provision

The Group created other provisions in respect of future liabilities related to dismantling costs connected with liquidation of unused assets and in respect of expected future outflows arising from legal disputes with third parties where the Group is the defendant.

22. FINANCIAL DERIVATIVES AND OTHER NON-CURRENT LIABILITIES

	31/12/2021	31/12/2020
Financial derivatives		
Cash flow hedging instruments	318	4
currency forwards	*318*	*4*
	318	**4**

Information about cash flow hedging instruments is presented in note 28.4.

	31/12/2021	31/12/2020
Other non-current liabilities		
Investment liabilities	-	10
Guarantee payment received	272	241
Other	-	1
Financial liabilities	**272**	**252**
Other	2	3
Non-financial liabilities	**2**	**3**
	274	**255**

The Group has cash advances from business partners presented as guarantee payments received in connection with operation of fuel stations.

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23. TRADE AND OTHER LIABILITIES

	31/12/2021	31/12/2020
Trade liabilities	16 187	8 059
Investment liabilities	2 004	1 786
Dividends	-	22
Other	217	197
Financial liabilities	**18 408**	**10 064**
Payroll liabilities	422	460
Excise tax and fuel charge	6 212	5 722
Value added tax	1 980	1 178
Other taxation, duties, social security and other benefits	172	159
Accruals	205	345
holiday pay accrual	*18*	*23*
wages accrual	*176*	*174*
other	*11*	*148*
Non-financial liabilities	**8 991**	**7 864**
	27 399	**17 928**

Management considers that the carrying amount of trade and other liabilities and accruals approximate their fair value.

24. DEFERRED INCOME

	31/12/2021	31/12/2020
Non-current	**404**	**435**
Grants received	404	435
Current	**7**	**5**
Grants received	6	5
Other	1	-
	411	**440**

24.1. Government grants

	31/12/2021	31/12/2020
Grants for assets	404	435
Other	6	5
	410	**440**

The Group obtained in 2010 a support grant from the European Regional Development Fund (ERDF) and the Czech national budget for the new research and education centre UniCRE construction for CZK 584 million. The resources provided were used mainly for restoration of research laboratories, conference and education areas and the purchase of modern equipment and laboratory equipment. The carrying amount of the part of grant used for financing of fixed assets was CZK 229 million as at 31 December 2021 (as at 31 December 2020: CZK 264 million, as at 1 January 2020: CZK 315 million).

25. LIABILITIES FROM CONTRACTS WITH CUSTOMERS

	31/12/2021	31/12/2020
Prepayments for deliveries	391	334
	391	**334**

26. FINANCIAL DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	31/12/2021	31/12/2020
Financial derivatives		
Cash flow hedging instruments	-	156
commodity swaps	*-*	*156*
Derivatives not designated as hedge accounting	382	1 226
currency forwards	*81*	*22*
commodity swaps	*301*	*1 204*
	382	**1 382**

Information about cash flow hedging instruments and derivatives not designed as hedge accounting is presented in note 28.4.

	31/12/2021	31/12/2020
Other financial liabilities		
Cash pool	152	110
Liabilities on settled cash flow hedging instruments	198	766
	350	**876**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

27. LEASE

27.1. The Group as a lessee

Changes in right of use assets

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
01/01/2021					
Net carrying amount					
Gross carrying amount	779	1 951	536	1 312	**4 578**
Accumulated depreciation and impairment allowances	(138)	(203)	(121)	(743)	**(1 205)**
	641	**1 748**	**415**	**569**	**3 373**
increase/(decrease), net					
New lease agreements, increase in leasing remuneration	288	550	5	540	**1 383**
Depreciation	(65)	(133)	(63)	(446)	**(707)**
Net impairment allowances	(7)	(52)	-	(7)	**(67)**
Recognition	*(15)*	*(52)*	-	*(7)*	***(74)***
Reversal	*8*	-	-	-	***7***
Other	(59)	(72)	-	(13)	**(143)**
31/12/2021					
Net carrying amount	**798**	**2 041**	**357**	**643**	**3 839**
Gross carrying amount	997	2 412	545	1 325	**5 279**
Accumulated depreciation and impairment allowances	(199)	(371)	(188)	(682)	**(1 440)**
	798	**2 041**	**357**	**643**	**3 839**
01/01/2020					
Net carrying amount					
Gross carrying amount	647	1 408	535	928	**3 518**
Accumulated depreciation and impairment allowances	(62)	(82)	(60)	(344)	**(548)**
	585	**1 326**	**475**	**584**	**2 970**
increase/(decrease), net					
New lease agreements, increase in leasing remuneration	138	619	1	406	**1 164**
Depreciation	(59)	(121)	(61)	(391)	**(632)**
Net impairment allowances	(17)	-	-	(8)	**(25)**
Recognition	*(17)*	-	-	*(8)*	***(25)***
Other	(6)	(76)	-	(22)	**(104)**
31/12/2020					
Net carrying amount	**641**	**1 748**	**415**	**569**	**3 373**

Lease liabilities

	Non-current		Current		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Lease liabilities	3 422	2 804	544	591	3 966	3 395
Financial liabilities	**3 422**	**2 804**	**544**	**591**	**3 966**	**3 395**

Maturity analysis lease liabilities

	2021	2020
up to 1 year	545	592
from 1 to 2 years	526	444
from 2 to 3 years	433	343
from 3 to 4 years	351	300
from 4 to 5 years	280	273
above 5 years	2 986	2 397
	5 121	**4 349**
Discount	(1 155)	(954)
	3 966	**3 395**

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

		2021	2020
Costs due to:		**(331)**	**(263)**
interest on lease	Finance costs	(97)	(81)
short-term lease	Cost by nature: External services	(227)	(173)
lease of low value assets that are not short-term lease	Cost by nature: External services	(7)	(9)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

27.2. The Group as a lessor

Lease receivables

	Non-current		Current		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Lease receivables	6	13	9	63	15	76
Financial assets	**6**	**13**	**9**	**63**	**15**	**76**

Operating leases relate to the investment property owned by the Group with lease terms for indefinite period usually. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental income earned by the Group from its investment property and direct operating expenses arising on the investment property for the year are set out in note 11.

Maturity analysis for undiscounted lease payments

	2021	2020
up to 1 year	53	102
from 1 to 2 years	53	48
from 2 to 3 years	53	48
from 3 to 4 years	53	42
from 4 to 5 years	53	42
above 5 years	569	429
	834	**710**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

EXPLANATORY NOTES TO FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

28. FINANCIAL INSTRUMENTS

28.1. Financial instruments by category and class

Financial assets

31/12/2021

Financial instruments by class	Note	Financial instruments by category					
		Financial assets at fair value through profit of loss	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Hedging financial instruments	Receivables excluded from the scope of IFRS 9	Total
Unquoted shares		-	-	1	-	-	1
Trade receivables	*16.*	-	14 359	-	-	-	14 359
Cash pool	*17.*	-	1 549	-	-	-	1 549
Financial derivatives	*13.,17.*	415	-	-	1 192	-	1 607
Cash and cash equivalents	*18.*	-	2 656	-	-	-	2 656
Receivables on settled cash flow hedging instruments	*17.*	-	672	-	-	-	672
Lease receivables	*27.*	-	-	-	-	15	15
Other	*13., 16.*	-	274	-	-	-	274
		415	**19 510**	**1**	**1 192**	**15**	**21 133**

31/12/2020

Financial instruments by class	Note	Financial instruments by category					
		Financial assets at fair value through profit of loss	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Hedging financial instruments	Receivables excluded from the scope of IFRS 9	Total
Unquoted shares		-	-	1	-	-	1
Trade receivables	*16.*	-	9 448	-	-	-	9 448
Cash pool	*17.*	-	445	-	-	-	445
Financial derivatives	*13.,17.*	459	-	-	891	-	1 350
Cash and cash equivalents	*18.*	-	595	-	-	-	595
Receivables on settled cash flow hedging instruments	*17.*	-	682	-	-	-	682
Lease receivables	*27.*	-	-	-	-	76	76
Other	*13., 16.*	-	329	-	-	-	329
		459	**11 499**	**1**	**891**	**76**	**12 926**

Financial liabilities

31/12/2021

Financial instruments by class	Note	Financial instruments by category				
		Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortized cost	Hedging financial instruments	Liabilities excluded from the scope of IFRS 9	Total
Loans	*20.*	-	3 990	-	-	3 990
Trade liabilities	*23.*	-	16 187	-	-	16 187
Investment liabilities	*23.*	-	2 004	-	-	2 004
Cash pool	*26.*	-	152	-	-	152
Financial derivatives	*26.*	382	-	318	-	700
Liabilities on settled cash flow hedging instruments	*26.*	-	198	-	-	198
Lease liabilities	*27.*	-	-	-	3 966	3 966
Other	*23.,26.*	-	489	-	-	489
		382	**23 020**	**318**	**3 966**	**27 686**

31/12/2020

Financial instruments by class	Note	Financial instruments by category				
		Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortized cost	Hedging financial instruments	Liabilities excluded from the scope of IFRS 9	Total
Loans	*20.*	-	2 848	-	-	2 848
Trade liabilities	*23.*	-	8 059	-	-	8 059
Investment liabilities	*23.*	-	1 796	-	-	1 796
Cash pool	*26.*	-	110	-	-	110
Financial derivatives	*26.*	1 226	-	160	-	1 386
Liabilities on settled cash flow hedging instruments	*26.*	-	766	-	-	766
Lease liabilities	*27.*	-	-	-	3 395	3 395
Other	*23., 26.*	-	461	-	-	461
		1 226	**14 040**	**160**	**3 395**	**18 821**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

28.2. Income, costs, gain and loss in the consolidated statement of profit or loss and other comprehensive income

2021

	Financial instruments by category				
	Financial assets and liabilities at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Liabilities excluded from the scope of IFRS 9	Total
Interest income	-	35	-	-	35
Interest costs	-	-	(27)	(97)	(124)
Foreign exchange gain/(loss)	-	(215)	(69)	-	(284)
Settlement and valuation of financial instruments	273	-	-	-	273
Loss allowance for trade receivables	-	(16)	-	-	(16)
Other	-	-	(53)	-	(53)
	273	**(196)**	**(149)**	**(97)**	**(169)**
other, excluded from the scope of IFRS 7					
Provisions discounting					(8)
					(8)

2020

	Financial instruments by category				
	Financial assets and liabilities at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Liabilities excluded from the scope of IFRS 9	Total
Interest income	-	29	-	-	29
Interest costs	-	-	(5)	(80)	(85)
Foreign exchange gain/(loss)	-	362	(228)	-	134
Settlement and valuation of financial instruments	(171)	-	-	-	(171)
Loss allowance for trade receivables	-	(14)	-	-	(14)
Other	-	1	(12)	-	(11)
	(171)	**378**	**(245)**	**(80)**	**(118)**
other, excluded from the scope of IFRS 7					
Provisions discounting					(7)
					(7)

28.3. Fair value measurement

31/12/2021

	Note	Carrying amount	Fair value	Fair value hierarchy	
				Level 1	Level 2
Financial assets					
Financial derivatives	*13.,17.*	1 607	1 607	-	1 607
Lease receivables	*27.*	15	15		15
		1 622	**1 622**	**-**	**1 622**
Financial liabilities					
Loans	*20.*	3 990	3 990	-	3 990
Financial derivatives	*22., 26.*	700	700		700
Lease liabilities	*27.*	3 966	3 966		3 966
		8 656	**8 656**	**-**	**8 656**

31/12/2020

	Note	Carrying amount	Fair value	Fair value hierarchy	
				Level 1	Level 2
Financial assets					
Financial derivatives	*13.,17.*	1 350	1 350	-	1 350
Lease receivables	*27.*	76	76	-	76
		1 426	**1 426**	**-**	**1 426**
Financial liabilities					
Loans	*20.*	2 848	2 848	-	2 848
Financial derivatives	*22., 26.*	1 386	1 386	-	1 386
Lease liabilities	*27.*	3 395	3 395	-	3 395
		7 629	**7 629**	**-**	**7 629**

For other classes (except for unquoted shares) of financial assets and liabilities presented in note 28.1. fair value approximates their carrying amount.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

28.3.1. Methods applied in determining fair value of financial instruments (fair value hierarchy)

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which are not based on observable market data (Level 3).

The Group measures derivative instruments 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. As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.

The fair value of derivative instruments is based on discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction. Forward exchange rate is not modelled as a separate risk factor, but is derived from the relevant spot rate and forward interest rate for foreign currencies in relation to CZK.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in the fair value of derivative instruments, for which hedge accounting is not applicable, are recognized in the current year statement of profit or loss. In the year ended 31 December 2021 and the comparative period there were no transfers between Levels 1, 2 and 3 in the Group.

28.4. Hedge accounting

The Group hedges its cash flows resulting from the future transactions from sale of petrochemical and refinery products as well as operating expenses due to purchases of crude oil against changes in exchange rates (EUR/CZK for sale and USD/CZK for purchases and sale) and commodity prices risks. Foreign exchange forwards are used as hedging instruments.

The Group has derivative financial instruments, which serve as a hedging instrument pursuant to the Group's risk management strategy. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and their fair value changes are reported in profit or loss.

The fair value of derivative instruments are designated as hedging instruments according to the hedging cash flow planned realization date and the planned date of the influence on the result of the hedged cash flow as well as the net fair value which will be recognized in the profit or loss at the realization date:

Cash flows hedging instruments	31/12/2021	31/12/2020	Hedging strategies
currency forwards	874	864	operating and investing activity; sales of products and purchase of crude oil operational inventories; refining margin, time mismatch occurring on purchases of crude oil by sea, risk of crude oil prices on arbitrage transactions cash & carry, offering customers the goods for which price
commodity swaps	-	(133)	formulas are based on fixed price
	874	**731**	

Planned period of the influence on the result of the hedged cash flow:

Planned realization date of hedged cash flows	31/12/2021	31/12/2020
Currency operating exposure		
2021	-	291
2022	848	339
2023	317	177
2024	(71)	57
2025	(220)	-
Commodity risk exposure		
2021	-	(133)
2022	-	-
	874	**731**

Maturity structure
31/12/2021

Risk type/type of instrument	Unit of measure	Up to 1 year	From 1 to 3 years	From 3 to 5 years
Cash flow hedge				
Foreign exchange risk				
Currency forwards -short position hedge (sell)				
Nominal value		480 000 000	930 000 000	455 000 000
Average exchange rate EUR/CZK	EUR	27.27	27.29	27.26

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

28.4. Hedge accounting (continued)

31/12/2020

Risk type/type of instrument	Unit of measure	Up to 1 year	From 1 to 3 years	From 3 to 5 years
Cash flow hedge				
Foreign exchange risk				
Currency forwards -short position hedge (sell)				
Nominal value		430 000 000	945 000 000	353 000 000
Average exchange rate EUR/CZK	EUR	27.02	27.26	27.39
Commodity risk				
Commodity swaps - future revenues hedge (sell)				
Diesel				
Volume	MT	6 250	-	-
Average price		349.66	-	-
Crude Oil				
Volume	BBL	553 000	-	-
Average price		38.06	-	-
Commodity swaps - future manufacturing costs hedge (buy)				
Crude Oil				
Volume	BBL	144 000	-	-
Average price		43.86	-	-

Hedge accounting effects on financial situation and results

31/12/2021

Risk type/type of instrument	Buy (B)/ Sell (S)	Hedging strategies within the cash flow hedge	Unit of measure	Nominal value/volume 31/12/2021	Assets 31/12/2021	Liabilities 31/12/2021	Changes in fair value (as basis for determining an ineffective part in a given period)
Cash flow hedge							
Foreign exchange risk							
FX_EUR.CZK	S	sales of goods denominated in foreign currencies/indexed to foreign currencies	EUR	1 865 000 000	1 192	318	10
					1 192	**318**	**10**
Commodity risk							
Diesel	S	oversize inventories hedge	MT	-	-	-	1
Crude Oil	S	oversize inventories hedge	BBL	-	-	-	155
Crude Oil	B	oversize inventories hedge	BBL	-	-	-	(23)
					-	**-**	**133**
					1 192	**318**	**143**

31/12/2020

Risk type/type of instrument	Buy (B)/ Sell (S)	Hedging strategies within the cash flow hedge	Unit of measure	Nominal value/volume 31/12/2020	Assets 31/12/2020	Liabilities 31/12/2020	Changes in fair value (as basis for determining an ineffective part in a given period)
Cash flow hedge							
Foreign exchange risk							
FX_EUR.CZK	S	sales of goods denominated in foreign currencies/indexed to foreign currencies	EUR	1 728 000 000	868	4	(205)
					868	**4**	**(205)**
Commodity risk							
Diesel	S	oversize inventories hedge	MT	6 250	-	1	22
Crude Oil	S	oversize inventories hedge	BBL	553 000	-	155	(155)
Crude Oil	B	oversize inventories hedge	BBL	144 000	23	-	23
					23	**156**	**(110)**
					891	**160**	**(315)**

Cash flow hedge

31/12/2021

Risk type/type of instrument	Changes in fair value of the hedged item (as basis for determining an ineffective part in a given period)	Hedging reserve (gross value) for relationships remains in hedge accounting
Cash flow hedge		
Foreign exchange risk (EUR)		
Future sales revenues	2 237	1 889
Commodity risk		
Future sales revenues	(154)	-
Future manufacturing costs	24	-

31/12/2020

Risk type/type of instrument	Changes in fair value of the hedged item (as basis for determining an ineffective part in a given period)	Hedging reserve (gross value) for relationships remains in hedge accounting
Cash flow hedge		
Foreign exchange risk (EUR)		
Future sales revenues	(1 086)	156
Commodity risk		
Future sales revenues	130	(149)
Future manufacturing costs	(24)	23

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

28.4. Hedge accounting (continued)

Impact of cash flow hedge accounting on the statement of profit or loss and other comprehensive income

31/12/2021

Risk type/ type of instrument	Profits of losses from hedge for the reporting period recognised in other comprehensive income	Ineffectiveness of hedge recognized in profit or loss in the period	Item in the statement, where ineffectiveness of hedge was recognised	Amount reclassified from other comprehensive income to profit or loss as adjustment due to reclassification, because: Implementation of hedged item in the period (continued relationship)	Item in profit or loss, that includes reclassification adjustment
Foreign exchange risk EUR/CZK					
currency forwards	1 734	-		117	Sales revenues
currency forwards	-	-		8	Manufacturing costs (operations)
currency forwards	(1 725)	1	Other operating income and costs	413	Other operating income/expenses
	9	**1**		**538**	
Commodity risk					
commodity swaps	(23)	-		124	Inventories
commodity swaps	149	-		(339)	Sales revenues
commodity swaps	-	7	Other operating income and costs	-	Other operating income/expenses
	126	**7**		**(215)**	
	135	**8**		**323**	

31/12/2020

Risk type/ type of instrument	Profits of losses from hedge for the reporting period recognised in other comprehensive income	Ineffectiveness of hedge recognized in profit or loss in the period	Item in the statement, where ineffectiveness of hedge was recognised	Amount reclassified from other comprehensive income to profit or loss as adjustment due to reclassification, because: Implementation of hedged item in the period (continued relationship)	Item in profit or loss, that includes reclassification adjustment
Foreign exchange risk EUR/CZK					
currency forwards	(205)	-		17	Sales revenues
currency forwards	-	-		(15)	Manufacturing costs (operations)
currency forwards	-	-		179	Other operating income/expenses
	(205)	**-**		**180**	
Commodity risk					
commodity swaps	23	-		(268)	Inventories
commodity swaps	(164)	(7)		931	Sales revenues
	(141)	**(7)**		**663**	
	(346)	**(7)**		**843**	

Reconciliation of equity from hedge accounting

	Hedging reserve by: Effective part of change in fair value	Effective part due to settlement of instruments	Cost of hedging related to occurrence of transaction	Total
Foreign exchange risk				
01/01/2021	156	6	723	885
Cash flow hedge	**1 734**	**14**	**(1 690)**	**58**
Impact of valuation of hedging transactions (effective part)	1 853	-	(1 328)	525
Reclassification to profit or loss in connection with realization of hedged item, incl.:	(119)	(6)	(413)	(538)
reclassification of instruments from the previous year – no hedged item	-	(6)	(15)	(21)
Instruments for settlement	-	20	51	71
31/12/2021	**1 890**	**20**	**(967)**	**943**
Commodity risk				
01/01/2021	(126)	-	-	(126)
Cash flow hedge	**126**	**-**	**-**	**126**
Impact of valuation of hedging transactions (effective part)	(96)	-	-	(96)
Reclassification to profit or loss in connection with realization of hedged item	215	-	-	215
Settlement of ineffective part	7			7
31/12/2021	**-**	**-**	**-**	**-**
Hedging reserve, gross 01/01/2021	**30**	**6**	**723**	**758**
Deferred tax from hedging instruments settlement and valuation	(6)	(1)	(137)	(144)
Hedging reserve, net 01/01/2021	**24**	**5**	**585**	**614**
Hedging reserve, gross 31/12/2021	**1 890**	**20**	**(967)**	**943**
Deferred tax from hedging instruments settlement and valuation	(359)	(4)	184	(179)
Hedging reserve, net 31/01/2021	**1 531**	**16**	**(783)**	**764**

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28.4. Hedge accounting (continued)

	Hedging reserve by			
	Effective part of change in fair value	Effective part due to settlement of instruments	Cost of hedging related to occurrence of transaction	Total
Foreign exchange risk				
01/01/2020	902	23	202	1 126
Cash flow hedge	**(746)**	**(17)**	**521**	**(241)**
Impact of valuation of hedging transactions (effective part)	(454)	-	693	240
Reclassification to profit or loss in connection with realization of hedged item, incl.:	(292)	(23)	(172)	(487)
reclassification of instruments from the previous year - no hedged item	-	(23)	-	(23)
Instruments for settlement	-	6	-	6
31/12/2020	**156**	**6**	**723**	**884**
Commodity risk				
01/01/2020	(22)	-	-	(22)
Cash flow hedge	**(104)**	**-**	**-**	**(104)**
Impact of valuation of hedging transactions (effective part)	(126)	-	-	(126)
Reclassification to profit or loss in connection with realization of hedged item	22	-	-	22
31/12/2020	**(126)**	**-**	**-**	**(126)**
Hedging reserve, gross 01/01/2020	**879**	**23**	**202**	**1 103**
Deferred tax from hedging instruments settlement and valuation	(167)	(4)	(38)	(210)
Hedging reserve, net 01/01/2020	**712**	**18**	**163**	**894**
Hedging reserve, gross 31/12/2020	**30**	**6**	**723**	**758**
Deferred tax from hedging instruments settlement and valuation	(6)	(1)	(137)	(144)
Hedging reserve, net 31/01/2020	**24**	**5**	**585**	**614**

28.5. Financial risks management

The Group's activities are exposed to many different types of risk. Risk management is mainly focused on the unpredictability of financial markets and aims to minimize any potential negative impacts on the Group's financial results. The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including commodity risk, foreign currency risk, interest rate risk and other market price risk), credit risk and liquidity risk. The Group seeks to minimize the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

28.5.1. Commodity risks

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

- risk of changes in refining and petrochemical 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 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 allowances prices – hedged on regular basis through periodic verification of numbers of owned and required rights to CO_2 emission with determining the method of balancing of the future shortages or surpluses. In 2021 and in 2020, the Group concluded forward and spot transactions for purchase of rights which in the future will be amortized as a settlement of CO_2 emissions. Valuations of these transactions are no subject to recognition in the financial statements, as purchased emission rights will be used for own purposes.

Sensitivity analysis for commodity risk

Analysis of the influence of potential changes in the book values of financial instruments on the hedging reserve in relation to a hypothetical change in prices of crude oil:

31/12/2021

	Influence on hedging reserve			
	Increase of price by	Total influence, EUR	Decrease of price by	Total influence, EUR
Crude oil USD/Mt	31%	-	(31%)	-
		-		**-**

	Influence on profit before tax			
	Increase of price by	Total influence, USD	Decrease of price by	Total influence, USD
Crude oil USD/bbl	31%	(84 213 360)	(31%)	84 213 360
		(84 213 360)		**84 213 360**

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28.5.1. Commodity risks (continued)

31/12/2020

	Influence on hedging reserve			
	Increase of price by	Total influence, EUR	Decrease of price by	Total influence, EUR
Diesel oil USD/Mt	6%	(133 398)	(6%)	133 398
		(133 398)		**133 398**

	Influence on profit before tax			
	Increase of price by	Total influence, USD	Decrease of price by	Total influence, USD
Crude oil USD/bbl	6%	(12 779 687)	(6%)	12 779 687
		(12 779 687)		**12 779 687**

28.5.2. The risk of exchange rates changes

A currency risk arises most significantly from the exposure of trade receivables and liabilities denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade receivables and receivables is mostly covered by natural hedging of trade and receivables and liabilities denominated in the same currencies. Hedging instruments (forwards, currency swaps) also could be used, to cover significant foreign exchange risk exposure of trade receivables and liabilities not covered by natural hedging.

Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2021

Financial instruments by class	EUR	USD	Total after translation to CZK
Financial assets			
Trade receivables	273	37	7 580
Cash pool	2	68	1 548
Financial derivatives	48	19	1 607
Receivables on settled cash flow hedging instruments	-	31	672
Cash and cash equivalents	6	7	310
Other	2	-	47
	331	**162**	**11 764**
Financial liabilities			
Loans	80	-	1 989
Lease liabilities	59	-	1 463
Trade liabilities	110	364	10 732
Investment liabilities	9	1	240
Financial derivatives	16	14	700
Liabilities on settled cash flow hedging instruments	-	9	198
Other	1	-	41
	275	**388**	**15 363**

Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2020

Financial instruments by class	EUR	USD	Total after translation to CZK
Financial assets			
Trade receivables	155	19	4 485
Cash pool	17	-	443
Financial derivatives	33	22	1 350
Receivables on settled cash flow hedging instruments	-	32	682
Cash and cash equivalents	6	3	225
Other	-	-	6
	211	**76**	**7 191**
Financial liabilities			
Lease liabilities	41	-	1 093
Trade liabilities	62	127	4 347
Investment liabilities	8	2	254
Financial derivatives	-	64	1 386
Liabilities on settled cash flow hedging instruments	-	36	766
Other	1	-	16
	112	**229**	**7 862**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

28.5.2. The risk of exchange rates changes (continued)

Sensitivity analysis for exchange rate changes risk

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2021 and as at 31 December 2020 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax and hedging reserve:

	EUR/CZK		USD/CZK		Total	
	2021	2020	2021	2020	2021	2020
	variation of exchange rates +15%					
Influence on profit before tax	(7 330)	(6 541)	(744)	(489)	(8 074)	(7 030)
Influence on hedging reserve	7 534	6 929	-	-	7 534	6 929
Total influence	**204**	**388**	**(744)**	**(489)**	**(540)**	**(101)**

In case of decrease of currency rates by 15%, sensitivity analysis assumes the same value as in the table above only with the opposite sign.

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

Sensitivity of financial instruments for currency risk was calculated as the 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 the case of derivative instruments, the influence of currency rate variations on fair value was examined at a constant level of interest rates. The fair value of foreign currency forward contracts is determined based on the discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction price.

28.5.3. The risk of interest rates changes

The Group is exposed to the risk of volatility of cash flows arising from interest rate loans, bank loans and cash pool based on floating interest rates.

Interest rate structure of financial instruments:

	PRIBOR		EURIBOR		LIBOR		Total	
Financial instruments by class	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial assets								
Cash pool	1	2	58	443	1 490	-	1 549	445
	1	**2**	**58**	**443**	**1 490**	**-**	**1 549**	**445**
Financial liabilities								
Loans	2 001	2 848	1 989	-	-	-	3 990	2 848
Cash pool	152	110	-	-	-	-	152	110
	2 153	**2 958**	**1 989**	**-**	**-**	**-**	**4 142**	**2 958**

Sensitivity analysis for interest rate risk

The influence of financial instruments on profit before tax due to changes in significant interest rates:

	Assumed variation		Influence on profit before tax	
Interest rate	31/12/2021	31/12/2020	2021	2020
PRIBOR	+0.5pp	+0.5pp	(11)	(15)
EURIBOR	+0.5pp	+0.5pp	(10)	2
LIBOR	+0.5pp	+0.5pp	7	-
			(14)	**(13)**
PRIBOR	-0.5pp	-0.5pp	11	15
EURIBOR	-0.5pp	-0.5pp	10	(2)
LIBOR	-0.5pp	-0.5pp	(7)	-
			14	**13**

The above interest rate variations were calculated based on observations of interest rate fluctuations in the current and prior year as well as on the basis of available forecasts.

The sensitivity analysis was performed on the basis of instruments held as at 31 December 2021 and as at 31 December 2020. The influence of interest rate changes was presented on annual basis.

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28.5.4. Liquidity and credit risk

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Maturity analysis of financial liabilities

		31/12/2021					
	Note	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Above 5 years	Total	Carrying amount
Loans - undiscounted value	20.	1	3 989	-	-	3 990	3 990
Cash pool - undiscounted value	26.	152	-	-	-	152	152
Trade liabilities	23.	16 187	-	-	-	16 187	16 187
Investment liabilities	23.	2 004	-	-	-	2 004	2 004
Financial derivatives	22., 26.	382	318	-	-	700	700
Liabilities on settled cash flow hedging instruments	26.	198	-	-	-	198	198
Lease liabilities	27.	544	959	631	2 987	5 121	3 966
Other	23.,26.	217	-	-	272	489	489
		19 685	**5 266**	**631**	**3 259**	**28 841**	**27 686**

		31/12/2020					
	Note	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Above 5 years	Total	Carrying amount
Loans - undiscounted value	20.	2 848	-	-	-	2 848	2 848
Cash pool - undiscounted value	26.	110	-	-	-	110	110
Trade liabilities	23.	8 059	-	-	-	8 059	8 059
Investment liabilities	23.	1 786	10	-	-	1 796	1 796
Financial derivatives	22., 26.	1 382	4	-	-	1 386	1 386
Liabilities on settled cash flow hedging instruments	26.	766	-	-	-	766	766
Lease liabilities	27.	591	788	573	2 397	4 349	3 395
Other	23.,26.	219	1	-	241	461	461
		15 761	**803**	**573**	**2 638**	**19 775**	**18 821**

A financial liquidity risk is the loss of ability to settle current liabilities on time. The Group is exposed to liquidity risk resulting from the relation between current assets and current liabilities. As 31 December 2021 and 31 December 2020, the current liquidity indicator amounted to 1.15 and 1.1 respectively.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate liquid funds, borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group concluded agreements with banks, based on which may draw loans. As at 31 December 2021 and as at 31 December 2020 the maximum available credit facilities amounted to CZK 15 938 million and CZK 10 265 million respectively. Unused part of the credit facilities for bank loans amounted to CZK 11 744 million as at 31 December 2021 and CZK 7 198 million as at 31 December 2020 respectively, the drawn is also affected by granted guarantees. The description of the loans and guarantees drawn from credit facilities is presented in notes 20 and 30.

Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of impairment losses, estimated by the Group's management based on prior experience and their assessment of the credit status of its customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. Before accepting any new customer, the Group uses its own or an external credit scoring system to assess a potential customer's credit quality and defines credit limits by customer. As at 31 December 2021, the Group had one customer with balance of the trade receivables that represented more than 10% of the total balance of the consolidated trade receivables.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and, where appropriate, credit guarantee insurance cover is purchased or sufficient collateral on debtor's assets obtained.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

28.5.4. Liquidity and credit risk (continued)

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Based on the analysis of receivables the counterparties were divided into two groups:

- Group I – counterparties with a good or very good history of cooperation in the current year,
- Group II – other counterparties.

The division of not past due trade and other receivables

	31/12/2021	31/12/2020
Group I	14 207	9 501
Group II	-	-
	14 207	**9 501**

Changes in expected credit loss of trade receivables

	31/12/2021	31/12/2020
At the beginning of the year	460	455
Recognition	21	22
Reversal	(5)	(8)
Usage	(22)	(8)
Foreign exchange differences	(1)	(1)
	453	**460**

Ageing analysis of trade receivables and expected credit loss as at 31 December 2021

	Trade receivables, gross value	Expected credit loss (in horizon of whole life)	Weighted average rate of expected credit loss	Trade receivables, net value
current	13 939	6	0.0004	13 933
from 1 to 30 days	379	-	0.0009	379
from 31 to 60 days	17	-	0.0123	17
from 61 to 90 days	2	-	0.2581	2
more than 90 days past due	475	447	0.9394	28
	14 812	**453**		**14 359**

Ageing analysis of trade receivables and expected credit loss as at 31 December 2020

	Trade receivables, gross value	Expected credit loss (in horizon of whole life)	Weighted average rate of expected credit loss	Trade receivables, net value
current	9 175	4	0.0004	9 171
from 1 to 30 days	250	-	0.0049	250
from 31 to 60 days	13	1	0,0083	12
from 61 to 90 days	3	-	0.0782	3
more than 90 days past due	467	455	0.9727	12
	9 908	**460**		**9 448**

Group management believes that the risk of impaired financial assets is reflected by recognition of an impairment. Information about impairment allowances of particular classes of assets is disclosed in note 7.

The Group sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

Increases and reversals of impairment allowances in respect of the principal amount of trade and other receivables are included in other operating expense or income and in respect of interest for delayed payments in finance costs or income.

28.5.5. Emission allowances risk

The Group monitors the emission allowances granted to the Group under the National Allocation Plan and CO_2 emissions planned. The Group might enter into transactions on the emission allowances market in order to cover shortages or utilize any excess of emission allowances over the required amount.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

OTHER EXPLANATORY NOTES

29. INVESTMENT EXPENDITURES INCURRED AND FUTURE COMMITMENTS RESULTING FROM SIGNED INVESTMENT CONTRACTS

The total value of investment expenditures including borrowing costs amounted to CZK 8 474 million as at 31 December 2021 and CZK 10 000 million as at 31 December 2020, including environmental expenditures in the amount of CZK 320 million and CZK 481 million, respectively and additions to right of use assets CZK 1 383 million (31 December 2020: CZK 1 164 million).

As at 31 December 2021 the value of future commitments resulting from contracts signed to this date amounted to CZK 3 319 million (31 December 2020: CZK 2 896 million). As at 31 December 2021 the major item related to the expansion of warehouse forces for PP – implementation in the amount of CZK 326 million (31 December 2020: the construction of DCPD production unit in Litvínov in the amount of CZK 653 million).

30. GUARANTEES AND SECURITIES

Guarantees

Based on the Group's request the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total balance of guarantees related to excise tax amounted to CZK 1 477 million as at 31 December 2021 (31 December 2020: CZK 1 513 million) and to other purposes amounted to CZK 57 million (31 December 2020: CZK 47 million).

The Group is the beneficiary of guarantees in the amount of CZK 489 million as at 31 December 2021 (31 December 2020: CZK 517 million).

Past environmental liabilities

The Group is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage. Funds up to CZK 22 886 million are provided to cover cost actually incurred in relation to settlement of historic environmental damage.

An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts is provided below:

2021	Total amount of funds to be provided	Used funds as at 31/12/2021	Unused funds as at 31/12/2021
ORLEN Unipetrol a.s. / premises in Litvínov	6 012	4 393	1 619
ORLEN Unipetrol a.s. / premises in Kralupy nad Vltavou	4 244	65	4 179
ORLEN Unipetrol RPA s.r.o. - BENZINA odštěpný závod	1 323	786*	537
PARAMO, a.s. / premises in Pardubice	1 241	993	248
PARAMO, a.s. / premises in Kolín	1 907	1 903	4
SPOLANA s.r.o.	8 159	5 660	2 499
	22 886	**13 800**	**9 086**

2020	Total amount of funds to be provided	Used funds as at 31/12/2020	Unused funds as at 31/12/2020
ORLEN Unipetrol a.s. / premises in Litvínov	6 012	4 365	1 647
ORLEN Unipetrol a.s. / premises in Kralupy nad Vltavou	4 244	64	4 180
ORLEN Unipetrol RPA s.r.o. - BENZINA odštěpný závod	1 323	699*	624
PARAMO, a.s. / premises in Pardubice	1 241	957	284
PARAMO, a.s. / premises in Kolín	1 907	1 901	6
SPOLANA a.s.	8 159	5 642	2 517
	22 886	**13 628**	**9 258**

* Without the costs of the already completed rehabilitation of the petrol stations network of the former K-Petrol 1995-1999 of CZK 40 million and clean-up costs spent before 1997 in the amount of approximately of CZK 500 million.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

31. RELATED PARTY TRANSACTIONS

31.1. Material transactions concluded by the Group companies with related parties

In 2021 and in 2020 there were no transactions concluded by the Group with related parties on other than arm's length terms.

31.2. Transactions with key management personnel

In 2021 and in 2020 the Group companies did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties. As at 31 December 2021 and as at 31 December 2020 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

31.3. Transactions with related parties concluded by key management personnel of the Group companies

As at 31 December 2021 and as at 31 December 2020 members of the key management personnel of the parent company and the Group companies submitted statements that they have not concluded any transaction with related parties.

31.4. Transactions and balances of settlements of the Group companies with related parties

Parent and ultimate controlling party
As at 31 December 2021 100% (2020: 100%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2021	PKN Orlen	Joint operations*	Entities under control or significant influence of PKN Orlen
Sales	6 119	962	12 593
Purchases	83 101	561	3 542
Finance income	580	128	-
Finance costs	309	-	-
Other operating expenses	5 882	-	-
Other operating costs	8 360	-	-

31/12/2021	PKN Orlen	Joint operations*	Entities under control or significant influence of PKN Orlen
Intangible assets	1 810	-	-
Long term receivables	344	-	13
Other financial assets	3 483	-	-
Trade and other receivables	499	63	1 019
Trade and other liabilities	7 924	106	1 156
Other financial liabilities	581	-	152

2020	PKN Orlen	Joint operations*	Entities under control or significant influence of PKN Orlen
Sales	2 631	554	7 404
Purchases	49 012	345	1 559
Finance income	375	22	-
Finance costs	543	-	1
Other operating expenses	11 340	-	-
Other operating costs	10 185	-	-

31/12/2020	PKN Orlen	Joint operations*	Entities under control or significant influence of PKN Orlen
Long term receivables	577	-	-
Other financial assets	1 729	-	2
Trade and other receivables	197	63	624
Trade and other liabilities	1 964	119	840
Other financial liabilities	2 147	-	110

*as the Joint operation are present uneliminated transactions with Butadien Kralupy a.s.

32. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL OF THE PARENT COMPANY AND THE GROUP COMPANIES

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

32.1. Key management personnel and statutory bodies' members' compensation

	2021	2020
Parent Company		
Short-term employee benefits	70	72
Termination benefits	-	-
Subsidiaries		
Short-term employee benefits	273	267
Termination benefits	3	1
	346	**340**

Further detailed information regarding remuneration of key management personnel is included in note 4.3.

32.2. Bonus system for key executive personnel of the Group

In 2021 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to the Management Board (members of Board of Directors and Executives), directors directly reporting to the Management Boards of entities and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period by the Supervisory Board for the Management Board Members and by the Management Board members for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Group. The goals so-said are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to the achieved results generated by the Group.

32.3. The entitlements upon the termination of employment

The entitlements arising from contracts with key management personnel upon the termination of employment contained both a competition and a stabilization clause. The competition and stabilization clause ranges between three and six average monthly earnings or monthly base salary respectively.

33. CHANGES IN DISCLOSURE IN COMPARATIVE PERIOD

From 1 January 2021 the Group changed the method of presentation of grants related to fixed assets.
So far, the Group had recognised grants related to assets as a reduction of the carrying amount of an asset and, as a result, as a reduction of depreciation expense over the useful life of the asset. Starting from 1 January 2021, the Group decided to change the method of presentation of grants related to assets, which are currently recognised as deferred income and recognised in other operating income on a systematic basis over the useful life of the asset. Retrospective application of this change in relation to data for 2020 resulted in an increase in the total assets and liabilities presented in the statement of financial position (by increasing the item of property, plant and equipment, intangible assets and deferred income presented under other non-current and current liabilities by the value of unsettled grants as at 31 December 2020) as well as an increase in depreciation expense and other operating income in the statement of profit or loss and other comprehensive income, representing the value of settled grants during the year.
In the Group's opinion, the introduction of the above-mentioned change to the accounting principles will provide more relevant data and information, which are also the basis for decisions made by the Management Board of PKN ORLEN as part of the implemented plan to create an integrated multi-energy concern, in particular, ongoing analyses of effectiveness measures of conducted activity by the Group, such as EBITDA ratio. Moreover, the harmonization of the accounting principles as part of the integration processes in the ORLEN Group enables the Group to carry out internal control and risk management activities in the process of drawing up financial statements in the Group as indicated under the applicable corporate governance more effectively.
The Group disclosures in respect with this change the overview of selected data in comparative period in statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. The changes are presented in following tables:

Changes in the statement of profit or loss and other comprehensive income for 2020

	Previously reported	Changes	Changed presentation
Statement of profits or loss			
Revenues	83 121	-	83 121
Cost of sales	(86 498)	(6)	(86 504)
Gross profit on sales	**(3 377)**	**(6)**	**(3 383)**
Distribution expenses	(2 293)	-	(2 293)
Administrative expenses	(1 973)	(46)	(2 019)
Other operating income	11 820	52	11 872
Other operating expenses	(11 237)	-	(11 237)
Loss allowance for trade receivables	(14)	-	(14)
Loss from operations	**(7 074)**	**-**	**(7 074)**

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33. CHANGES IN DISCLOSURE IN COMPARATIVE PERIOD (CONTINUED)

Changes in the statement of financial position as at 31 December 2020

	Previously reported	Changes	Changed presentation
ASSETS			
Non-current assets			
Property, plant and equipment	49 893	426	50 319
Investment property	517	-	517
Intangible assets	1 668	9	1 677
Right of use assets	3 373	-	3 373
Financial assets available for sale	1	-	1
Deferred tax assets	173	-	173
Financial derivatives	577	-	577
Lease receivables	13	-	13
Other non-current assets	114	-	114
	56 329	**435**	**56 764**
Current assets			
Inventories	14 911	-	14 911
Trade and other receivables	10 751	-	10 751
Financial derivatives	773	-	773
Lease receivables	63	-	63
Other financial assets	1 127	-	1 127
Current tax assets	40	-	40
Cash and cash equivalents	595	-	595
	28 260	**-**	**28 260**
Total assets	**84 589**	**435**	**85 024**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18 133	-	18 133
Statutory reserves	37	-	37
Hedging reserve	614	-	614
Revaluation reserve	10	-	10
Exchange differences on translating foreign operations	18	-	18
Retained earnings	34 427	-	34 427
Equity attributable to equity owners of the parent	**53 239**	**-**	**53 239**
Non-controlling interests	**3**	**-**	**3**
Total equity	**53 242**	**-**	**53 242**
LIABILITIES			
Non-current liabilities			
Provisions	942	-	942
Deferred tax liabilities	1 270	-	1 270
Deferred income	-	435	435
Lease liabilities	2 804	-	2 804
Financial derivatives	4	-	4
Other non-current liabilities	255	-	255
	5 275	**435**	**5 710**
Current liabilities			
Trade and other liabilities	17 928	-	17 928
Liabilities from contracts with customers	334	-	334
Loans, borrowings	2 848	-	2 848
Current tax liabilities	13	-	13
Provisions	2 095	-	2 095
Deferred income	5	-	5
Financial derivatives	1 382	-	1 382
Lease liabilities	591	-	591
Other financial liabilities	876	-	876
	26 072	**-**	**26 072**
Total liabilities	**31 347**	**435**	**31 782**
Total equity and liabilities	**84 589**	**435**	**85 024**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

33. CHANGES IN DISCLOSURE IN COMPARATIVE PERIOD (CONTINUED)

Changes in the statement of cash flows for 2020

	Previsously reported	Changes	Changed presentation
Cash flows from operating activities			
Loss before tax	**(7 185)**	**-**	**(7 185)**
Adjustments for:			
Depreciation and amortisation	5 025	52	5 077
Foreign exchange loss	13	-	13
Interest and dividends, net	83	-	83
Recognition of impairment allowances of property plant and equipment, intangible assets	694	-	694
Profit on investing activities	(1 083)	-	(1 083)
Change in provisions	1 903	-	1 903
Other adjustments including:	(1 165)	(52)	(1 217)
CO_2 allowances received free of charge	*(1 228)*	*(52)*	*(1 280)*
Change in balances of settled derivatives designated for hedge accounting	*(6)*	-	*(6)*
Movements in liabilities from contracts with customers	*57*	-	*57*
Change in working capital	(8)	-	(8)
inventories, including:	*3 559*	-	*3 559*
change in impairment allowances of inventories to net realisable value	*(157)*	-	*(157)*
receivables, including:	*2 605*	-	*2 605*
change in impairment allowances to receivables	*6*	-	*6*
liabilities	*(6 172)*	-	*(6 172)*
Income tax received	1 158	-	1 158
Net cash used in operating activities	**(565)**	**-**	**(565)**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets	(10 545)	(58)	(10 603)
Fine received for PE3 project delay	558	-	558
Disposal of property, plant and equipment and intangible assets	9	-	9
Settlement of financial derivatives not designated as hedge accounting	1 146	-	1 146
Proceeds from cash pool assets	3 727	-	3 727
Other	132	-	132
Net cash used in investing activities	**(4 973)**	**(58)**	**(5 031)**
Cash flows from financing activities			
Repayments of loans and borrowings	(2 199)	-	(2 199)
Outflows from cash pool liabilities	(167)	-	(167)
Interest paid	(85)	-	(85)
Payments of liabilities under lease agreements	(716)	-	(716)
Dividends paid	(1)	-	(1)
Inflow from subsidies	-	58	58
Other	(4)	-	(4)
Net cash from financing activities	**1 862**	**58**	**1 920**
Net decrease in cash and cash equivalents	**(3 676)**	**-**	**(3 676)**
Effect of changes in exchange rates	(16)	-	(16)
Cash and cash equivalents, beginning of the year	4 287	-	4 287
Cash and cash equivalents, end of the year	**595**	**-**	**595**

Due to the fact that the introduced change related mainly to presentation and did not have a significant impact on the presented data for the previous reporting period, the Group did not restate the comparative data. If the data should be reclassified, the opening balances as at 1 January 2020 would be following: property, plant and equipment CZK 46 591 million, intangible assets CZK 1 558 million and defferred income CZK 420 million.

34. ACCOUNTING PRINCIPLES

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

34.1.1. Binding amendments to IFRSs and interpretations

Standards and Interpretations adopted by the EU	Impact on financial statements
Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9	no impact
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2	no impact
Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions	no impact

34.1.2. IFRSs, amendments and interpretations to IFRSs endorsed by the European Union, not yet effective

New and revised IFRS Standards adopted by the EU in issue but not yet effective	Possible impact on financial statements
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use	no impact expected
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	no impact expected
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework with amendments to IFRS 3	no impact expected
IFRS 17 Insurance Contracts including amendments to IFRS 17	no impact expected
Amendments to various standards due to “Improvements to IFRSs (cycle 2018-2020)”	no impact expected

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

34.1.3. New and revised IFRS standards, amendments and interpretations adopted by International Accounting Standards Board, waiting for approval of the European Union

Standards and Interpretations adopted by the EU, waiting for approval	Possible impact on financial statements
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	no impact expected
Amendments to IFRS 17 Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	no impact expected
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	no impact expected
Amendments to IAS 1 Presentation of Financial Statements and the IASB guidelines on disclosures regarding accounting policies in practice – The requirement to disclosure material information on accounting policies	no impact expected
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	no impact expected
Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	no impact expected

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

These consolidated financial statements are presented in Czech crowns (CZK), which is the Group's presentation and Company's functional currency. All financial information presented in CZK has been rounded to the nearest million.
Financial statements of foreign entities, for consolidation purposes, are translated into CZK using the following methods:
- assets and liabilities of each presented statement of financial position are translated at the closing rate published by the Czech National Bank (CNB) at the end of the reporting period;
- respective items in the statement of profit or loss and other comprehensive income and statement of cash flows are translated at average exchange rates published by the CNB.

Foreign exchange differences resulting from the above calculations are recognized in equity as exchange differences on translating foreign operations.

Currency	Average exchange rate for the reporting period 2021	2020	Exchange rate as at the end of reporting period 2021	2020
CZK/EUR	25.645	26.444	24.86	26.245
CZK/USD	21.682	23.196	21.951	21.387
CZK/100 HUF	7.156	7.534	6.734	7.211

34.3. Applied accounting policies

34.3.1. Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The transaction day is the day on which the transaction for the first time qualifies for recognition under IFRS. In particular, when the transfer of significant risks and rewards of ownership of assets (IAS 18) or in the case of financial instruments, the day on which the Group commits to purchase or sell an asset.
At the end of the reporting period:
- foreign currency monetary items including units of currency held by the Group as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot rate as at the end of the reporting period,
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement and valuation of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition as finance income or expense in the period in which they arise, except for monetary items which hedge the currency risk, are accounted in accordance with cash flow hedge accounting principles. Foreign exchange differences are included in the financial result (or in certain circumstances in other comprehensive income) on a net basis, unless they relate to the individually significant transactions. Additional information is presented in note 34.2.

34.3.2. Principles of consolidation

The consolidated financial statements of the Group include financial statements of a group in which assets, liabilities, equity, income, expenses and cash flows of the parent company and its subsidiaries and joint arrangements (jointly controlled entities) 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 and using uniform accounting principles in relation to similar transactions and other events in similar circumstances. Data of subsidiaries and jointly controlled entities (joint ventures) that together do not significantly impact the financial statements of the Group may not be consolidated. In such a case shares are accounted using equity method.
The subsidiaries are consolidated using the full consolidation method and joint operations by recognition of respective share in assets, liabilities, revenues and cost. The joint ventures as well as investments in associates are accounted for under the equity method.
In preparing consolidated financial statements using the full consolidation method, the Group combines the assets, liabilities, revenue and cost of the parent company and its subsidiaries line by line and then performs adequate consolidation procedures, in particular:

- non-controlling interests in the net financial result of subsidiaries for the reporting period are identified;
- non-controlling interests in the net assets of subsidiaries are identified and presented separately from the parent's ownership interests in them;
- intra group balances are eliminated;
- intra group revenues, expenses and cash flow as well as any profits or losses are eliminated

A joint operator recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenues from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost and the carrying amount is increased or decreased in order to recognize the Group's share in the financial result of the investee from the date of acquisition. The Group's share in the financial result of the investee is recognized in the Group's financial result as other operating activity.

34.3.2.1. Investments in subsidiaries

Subsidiaries are entities under the parent's control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.
Non-controlling interests are included in the consolidated statement of financial position within equity attributable to non-controlling interests, separately from the equity of the owners of the parent.
If a parent loses control of a subsidiary, it:
derecognizes:

- the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them);

recognises:

- the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; and
- if the transaction that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution;
- any investment retained in the former subsidiary at its fair value at the date when control is lost;

reclassifies to financial result, or transfers directly to retained earnings if required in accordance with other IFRSs,
the amount included in other comprehensive income related to former subsidiary; and recognises any resulting difference as a gain or loss in financial result attributable to the parent.
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

34.3.2.2. Investments in joint arrangements (jointly controlled entities)

A joint arrangement (jointly controlled entity) is a joint venture or a joint operation, in which the contractually agreed sharing of control of an arrangement, which exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.
An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement, for this reason it is distinguished between parties that have joint control of a joint arrangement (joint operators or joint ventures) and parties that participate in, but do not have joint control of, a joint arrangement.
A joint arrangement is a contract within which 2 or more parties exercise joint control.
A joint arrangement is an arrangement of which two or more parties have joint control. A joint venture requires the establishment of a legal person, partnership or other entity in which each venture has participated.
Such an entity operates on the same basis as other entities, except that the contractual arrangements between the operators of the arrangement establish joint control over the economic activity of the entity.
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

34.3.2.3. Investments in associates

Investments in associates relate to entities over which the Group has significant influence and that are neither controlled nor jointly controlled.
Significant influence is the ability to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
If the Group holds directly or indirectly (e.g. through subsidiaries), 20% or more of the voting rights of the investee, it is presumed that the investor has significant influence, unless it can be clearly stated otherwise.

34.3.3. Business combinations

Business combinations under common control, including the acquisition of an organized part of the enterprise are recognized by summarizing separate assets and liabilities and revenues and costs of mergers as at the acquisition date. The effect of business combinations under common control has no impact on the consolidated financial data. In the separate financial statements the difference (positive / negative) between the price paid and the carrying amount of the acquired venture/company is included in the item Joint venture equity (retained earnings).
The financial statements of the company to which the assets of the combined companies or the assets of the newly-formed company are transferred, prepared as at the end of the reporting period in which combination took place, include comparative data for the prior financial year determined in such a manner as if the combination took place as at the end of the prior financial year but different equity components at the end of the prior year should be disclosed as the sum of the different equity components.
Other business combinations are accounted for by applying the acquisition method. Applying the acquisition method requires:
- identifying the acquirer,
- determining the acquisition date,
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire, and
- recognising and measuring goodwill or a gain from a bargain purchase.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs may include; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. The acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

34.3.4. Operating segments

An operating segment is a component of the Group:
- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

The operating activities of the Group are divided into the following segments:
- the Refining Segment, which includes refinery production and wholesale, oil production and sale as well as supporting production,
- the Petrochemical Segment, which includes the production and wholesale of petrochemicals and production, sale of chemicals and supporting production,
- the Energy Segment, which includes the generation, distribution and sale of electricity and heat, and the marketing of electricity,
- the Retail Segment, which comprises sales at petrol stations,

and Corporate Functions, which are reconciling items and include activities related to management, administration and other support functions as well as any remaining activities not allocated to separate operating segments.
Segment revenues are revenues from sales to external customers and revenues from transactions with other operating segments, which are directly attributable to the segment. The Group assigns revenues from external customers according to the entity’s country of domicile.
Segment expenses are expenses relating to sales to external customers and expenses relating to transactions with other operating segments, which result from the operating activities of a segment that are directly attributable to the segment and the relevant portion of the Group’s expenses that can be allocated on a reasonable basis to the segment.
Segment expenses do not include: income tax expense, interest, including interest incurred on advances or loans from other segments, unless the segment’s operations are primarily of a financial nature, losses on sales of investments or losses on extinguishment of debt unless the segment’s operations are primarily of a financial nature, general and administrative expenses and other expenses arising at the level of the Group as a whole, unless they are directly attributable to the segment and can be allocated to the segment on a reasonable basis. The segment result is determined at the level of operating result.
Segment assets are those operating assets that are employed by that segment in operating activity and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.
The revenues, result, assets of a given segment are defined before inter-segment adjustments are made, after adjustments within a given segment.
Sales prices used in transactions between segments reflect market prices.
Other expenses which cannot be reasonably allocated to the segments are included as unallocated expenses of the Group, as adjusting entry between the sum of segments results and operating result.

34.3.4. Operating segments (continued)

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environment in which it operates. To give effect to this principle, the Group discloses the following for each period for which a statement of profit or loss is presented:

- factors used to identify the entity's reportable segments, including the basis of organisation and types of products and services from which each reportable segment derives its revenues,
- information about reported segment profit or loss, including specified revenues and expenses included in reported segment profit or loss, segment assets and the basis of measurement,

reconciliation of the totals of segment revenues, reported segment profit or loss, segment assets and other material segment items to corresponding entity amounts for each period for which a statement of financial position is presented.

The Group reports a measure of profit or loss for each reportable segment. The Group reports a measure of total liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. The Group also discloses the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:

- revenues from external customers;
- revenues from transactions with other operating segments of the same entity;
- depreciation and amortisation;
- important revenue and cost items,
- the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
- income tax expense or income; and
- material non-cash items other than depreciation and amortisation.

The Group discloses the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment assets:

- the amount of investment in associates and joint ventures accounted for by the equity method, and
- the amounts of additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

34.3.5. Revenues

The Group applies the principles of IFRS 15 in a five-step model in relation to the portfolio of contracts (or performance obligations) with similar characteristics, if the entity reasonably expects that the impact of the following principles on the financial statements will not significantly differ from the application of the following principles to individual contracts (or performance obligations).

Requirements to identify a contract with a customer

A contract with a customer meets its definition when all of the following criteria are met: the parties of the contract have approved the contract and are committed to perform their obligations; the Group can identify each party‘s rights regarding goods or services to be transferred; the Group can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Identification of performance obligations

At contract inception the Group assesses the goods or services promised in the contract with a customer and identifies as a performance obligation each promise to transfer to the customer: goods or services (or a bundle of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the customer is of the same nature.

Determination of the transaction price

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel charges, excise taxes). The consideration promised in the contract with a customer may include fixed amounts, variable amounts or both.

To estimate variable consideration, the Group decided to apply the most probable value method for contracts with one value threshold and the expected value method for contracts with more value thresholds from which a rebate is granted to the customer.

Allocating the transaction price to individual performance obligations

The Group allocates the transaction price to each performance obligation (or distinct good or service) at an amount that reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Recognition of revenue when performance obligations are satisfied

The Group recognises revenue when (or as) the Group satisfies performance obligations by transferring a promised good or service (i.e. an asset) to a customer (the customer obtains control of that asset). Revenues are recognised as amounts equal to the transaction price that has been allocated to a given performance obligation.

The Group transfers control of good or service over time and, therefore, satisfies a performance obligation and recognises revenues over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits from performance as the Group performs,
- the asset is created or enhanced as a result of the performance, and the customer controls the asset as it is created or enhanced,
- as a result of the performance of the service, an alternative component for the Group is not created, and the Group has an enforceable right to payment for performance completed to date.

34.3.6. Costs

Costs (relating to operating activity) include costs that relate to core activities, i.e. activities for which the Group was founded, costs are recurring and are not of incidental character.
Costs are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.
The Group recognizes costs in accordance with the principle of proportionality of revenues and costs. In line with matching concept, cost that relate to the earned revenues are:
- costs that may be directly attributed to the revenues of the reporting period,
- costs that are not directly attributable to the revenues, for which there is evidence that they led to the economic benefits received in the reporting period.

Cost of sales comprises costs of finished goods, services, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.
Additional costs of contract inception and costs of performance of the contract
The Group recognizes costs in accordance with matching concept. In line with matching concept, cost that relate to the earned revenues are: Additional costs of contract inception are recognized as costs when they are incurred, if the depreciation period of the asset that would otherwise were recognized by the Group is one year or less.
Distribution expenses include trading expenses, advertising and promotion expenses as well as distribution expenses.
General and administrative expenses include expenses relating to management and administration of the Group as a whole.

34.3.7. Other operating income and expenses

Other operating revenues and expenses indirectly refer to operating activity and are incidental.
Other operating income includes, in particular income from liquidation and sale of non-financial non-current assets, surplus assets, return of court fees, penalties earned, excess of grants received to revenues over the value of costs, assets received free of charge, settlement of grants related to assets, reversal of receivable impairment allowances, non-current assets and intangible assets, right of use assets and some provisions, compensations earned and revaluation gains, valuation and gain on the sale of investment property, settlement and valuation of derivative financial instruments (in scope of exposure to risk related to operating activity).
Other operating expenses include in particular loss on liquidation and sale of non-financial non-current assets, assets deficit, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and tangible assets transferred free of charge, settlement of grants related to assets, impairment allowances (except those that are recognized as financial costs and cost of sales), compensation paid, write-off of construction in progress which have not produced the desired economic effect, cost of recovery of receivables and revaluation losses, valuation and loss on sale of investment property, settlement and valuation of derivative financial instruments (in scope of exposure to risk related to operating activity).

34.3.8. Finance income and costs

Finance income and costs are related to financial operations, including obtaining financing sources and its servicing.
Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains, settlement and valuation of derivative financial instruments (in terms of exposure to risk related to financial activity). Dividend income from investments is recognized when the shareholders’ rights to receive payment have been established.
Finance costs include, in particular, loss on sale of shares and securities and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest, net foreign exchange losses, interest on own bonds and other securities issued, interest on lease, commissions on bank loans, borrowings and guarantees, interest and other costs of a similar nature accrued on provisions created (including actuarial provisions), settlement and valuation of derivative financial instruments (in terms of exposure to risk related to financial activity).

34.3.9. Impairment of financial instruments

The losses due to impairment of financial instruments include in particular:
- losses due to impairment of receivables,
- losses due to impairment of interest on receivables,
- reversal of losses due to impairment of receivables,
- reversal of losses due to impairment of interest on receivables,
- losses due to impairment of loans granted,
- reversal of losses due to impairment of loans granted,
- losses due to impairment of other financial instruments,
- reversal of losses due to impairment of other financial instruments.

34.3.10. Tax expense

Income tax expenses 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 for as non-current, are not discounted and are offset in the statement of financial position, if there is a legally enforceable right to offset the recognized amounts.
The transactions settled directly in equity are recognized in equity.

34.3.11. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the net profit or loss for a given period which is attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period. The Group has no potential dilutive shares.

34.3.12. Property, plan and equipment

Property, plant and equipment are assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period (one year or the operating cycle, if longer than one year).
Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).
Property, plant and equipment are initially stated at cost (without including the grants related to assets). The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into use.
The cost of an item of property, plant and equipment also includes estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs.
Property, plant and equipment received for free are initially included in the cost corresponding to the estimated fair value. Income from property, plant and equipment received for free, which does not require the Group to meet any conditions related to its activities, is recognised directly in other operating income at the moment of recognition of the asset in the accounting records. Where there are additional conditions relating to the receipt of an asset for free, such a transaction is treated in the same way as an asset granted and is recorded as described in note 34.3.24 – Government grants.
Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the carrying amount i.e. (cost) after deducting any accumulated depreciation and accumulated impairment losses (without including received grants related to assets).
Borrowing cost directly attributable to the acquisition, construction or production of an item of property, plant and equipment are part of the initial cost.
Land, precious metal and pieces of art are not depreciated. Their value is decreased by the eventual impairment allowances.
Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated useful life, considering the residual value. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their useful lives.
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 straight-line method of depreciation is used. Residual values, estimated useful lives and depreciation methods are reassessed annually. The adjustments to depreciation expense are accounted for in subsequent period (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense when they are incurred.
Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.

34.3.13. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.
Investment property shall be recognized as an asset only when:
- it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and
- the cost of the investment property can be measured reliably.

An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs. For internally constructed investment property the cost is set at the date of construction completion when the asset is brought into use, in accordance with rules set for property, plant and equipment.
After initial recognition investment property shall be measured at fair value applying comparative and income methods depending on the nature of the investments. Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Group determines fair value without any deduction for transaction costs it may incur on sale or other disposal.
If the Group determines that the fair value of an investment property is not reliably determinable on a continuing basis, the Group shall measure that investment property at cost in accordance with rules set for property, plant and equipment.
An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected.

34.3.14. Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Group intends to do so, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the asset can be measured reliably.

An intangible asset arising from development (or from development phase of an internal project) shall be recognized if, and only if, the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the Group can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If the definition criteria of an intangible asset are not met, the cost incurred to acquire or self develop an asset are recognized in profit or loss when incurred. An intangible asset that is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.

An intangible asset is measured initially at cost (without including the grants related to assets). An intangible asset that is acquired in a business combination, is recognized initially at fair value.

After initial recognition, an intangible asset shall be presented in the financial statements at its net carrying amount, without including grants related to assets.

Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when they become available for use that is when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management over their estimated useful life. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. Excluding particular cases, the residual value of an intangible asset with a finite useful life shall be assumed to be zero.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions, are part of the initial cost.

The following standard useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years

The straight-line method of amortization is used. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

34.3.14.1. Carbon dioxide emission allowances

CO_2 emission rights are initially recognized as intangible assets, which are not amortized (assuming the high residual value), and tested for impairment.

Granted emission allowances should be recognised and included as separate items as intangible assets in correspondence with deferred income at fair value as on the date of registration (grant in scope of IAS 20). Purchased allowances should be recognized as intangible assets at purchase price.

If the allowances in a given year were not registered on the account under the date resulting from regulations, they should be recognized as receivable at the reporting date in correspondence with deferred income (as separate items) in the fair value of allowances due at the reporting date. The receivable is settled at the moment of allowances registration in the subsequent period by the disclosure of intangible assets in the amount determined in accordance with point Deferred income should also be re-evaluated.

For the estimated CO_2 emission during the reporting period, a provision is created in costs of operating activity (taxes and charges).

Grants should be settled on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate. Consequently, the cost of recognition of the provision in the statement of profit or loss and other comprehensive income is compensated by a decrease of deferred income (grants) and takes into consideration the proportion of the estimated quantity of emission (accumulated) to the quantity of evaluated annual emission.

Granted/purchased CO_2 emission allowances are amortized against the book value of provision, as its settlement. Outgoing of allowances is recognized using the average weighted method.

34.3.15. Right of use assets

At the commencement date, the Group measures the right of use assets at cost.
The cost of the right of use asset comprises:
- the amount of the initial measurement of the lease liability;
- all lease payments paid on or before the date of commencement, less any lease incentives received;
- all initial costs directly incurred by the lessee;
- 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 are 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.

Other variable payments, which do not depend on an index or a rate and do not have a set minimal level, should not be taken into account when calculating lease liability. Such payments are recognized in the profit and loss account in the period of the occurrence which renders them payable.
After the commencement date, the Group measures the right of use asset applying the cost model.
- in applying the cost model, the Group measures the cost of the right of use asset, less any accumulated amortization and any accumulated impairment losses and combined losses on account of loss of value.
- corrected in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

Right of use assets shall be depreciated linearly over the shortest of the following two periods: the period of lease or the period of utilization of the underlying assets. 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.
If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right of use asset reflects the fact that the Group will exercise the call option, the lessee shall depreciate the right of use asset from the date of commencement until the end of the useful life of the underlying assets. Otherwise the Group shall depreciate the right of use asset from the date of commencement of the lease until the end of the useful life of the asset or the lease term, whichever is sooner.
In determining the lease term, the Group shall consider all important facts and incidents behind the economic incentives to make use of the option to extend the lease or not to exercise the option of its termination. The useful life of right of use assets is shall be determined in the same manner as for tangible fixed assets.
The Group shall apply IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

34.3.16. 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 recognized impairment should be reversed. If any such indicator exists, the Group shall estimate the recoverable amount of the asset (CGU).
The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use.
Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs to sell.
Value in use is the present value of the future cash flows expected to be derived from an asset or CGU.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Assets that do not generate independent cash flows are grouped at the lowest level at which cash flows, independent from cash flows from other assets, are generated (cash generating units).
To the cash generating unit the following assets are allocated:
- goodwill, if it may be assumed, that the cash generating unit benefited from the synergies associated with a business combination with another entity,
- corporate assets, if they may be allocated on a reasonable and coherent basis.

If there are external or internal indicators that the carrying amount of an asset as at the end of the reporting period may not be recoverable, impairment tests are carried out. The tests are also carried out annually for intangible assets with an indefinite useful life and for goodwill.
When the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the carrying amount is decreased to the recoverable amount by an adequate impairment allowance charged against cost in profit or loss.
The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods.
A reversal of an impairment loss for an asset other than goodwill shall be recognized immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard.

34.3.17. Inventories

Inventories are assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services.
Inventories 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. Costs of production also include a systematic allocation of fixed and variable production overheads estimated for normal production 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, after deducting any impairment losses.
Disposals of finished goods, semi-finished products and work in progress are determined based on the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items produced during the reporting period.
Merchandise and materials are measured initially at acquisition cost.
As at the end of the reporting period merchandise and raw materials are measured at the lower of cost or net realizable value, considering any impairment allowances. Disposals of merchandise and raw materials are determined based on the weighted average acquisition cost or production cost formula except for inventories which, due to technical parameters and/or the specifics of the production process, are issued from the warehouse according to the order in which they are received (e.g. materials/electricity goods, printing materials) –outgoing according to FIFO method. Impairment tests for specific items of inventories are carried out on a current basis during an annual reporting period. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.
Raw materials held for use in the production of inventories are not written down below cost if the finished 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 finished 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.

34.3.18. Trade and other receivables

Receivables, excluding trade receivables, are recognized initially at a fair value and subsequently, at amortized 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. After the initial recognition, these receivables, except for the portfolio of receivables transferred to non-recourse factoring within the limit granted to the Group, are valued at amortized cost adjusted for any loss allowance for expected credit loss. Receivables subject to non-recourse factoring are measured at fair value throuht profit or loss.
The Group applies simplified method of valuation of receivables measured at amortized cost if it does not distort information concluded in the statement of financial position.
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.
Recognition and reversal of impairment losses of receivables are recognized in other operating activity in relation to the principal amount and in financial activities in relation to interest for delayed payments.
As default the Group considers the event when the customer does 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 basis 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 the instrument. The expected credit loss is calculated when the receivables are recognised in the statement of financial position and is updated on each subsequent day ending the reporting period.

34.3.19. Cash and cash equivalents

Cash comprises cash on hand and in bank accounts as well as cash in transit. Cash equivalents are short-term, highly liquid investments (of original maturity up to three months) that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

34.3.20. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are simultaneously met:
- the sales were declared by the appropriate level of management;
- the assets are available for an immediate sale in their present condition;
- an active program to locate a buyer has been initiated;
- the sale transaction is highly probable and can be settled within 12 months following the sale decision;
- the selling price is reasonable in relation to its current fair value;
- it is unlikely that significant changes to the sales plan of these assets will be introduced.

The classification of assets into this category is made in the reporting period when the classification criteria are met. If the criteria for classification of a non-current asset as held for sale are met after the reporting period, an entity shall not classify a non-current asset as held for sale in those financial statements when issued.
Immediately, before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (excluding financial assets) are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Group's accounting policies. While a non-current asset is classified as held for sale it shall not be depreciated (or amortized). A gain is recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been previously recognized.
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The Group re-presents the disclosures presented with reference to the discontinued operations for prior periods included in the consolidated financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.
If the Group ceases to classify discontinued operations, the results of operations previously included under discontinued operations are reclassified and included in the results from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

34.3.21. Equity

Equity is recorded in the accounting records by type, in accordance with statutory regulations and the parent company's articles of association. Equity includes:

34.3.21.1. Share capital

The share capital is paid by shareholders and is stated at nominal value in accordance with the parent company's articles of association and the entry in the Commercial Register.

34.3.21.2. Hedging reserve

The hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Group applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship, are recognized in the statement of profit or loss.

34.3.21.3. Revaluation reserve

The revaluation reserve includes revaluation of items, which, according to the Group's regulations, relates to the revaluation reserve, including particularly:
- change in the fair value of the available-for-sale financial assets;
- differences between the net book value and the fair value of an investment property at the date of reclassification from the property occupied by the Group to an investment property.

34.3.21.4. Exchange differences on translating foreign operations

Exchange differences on translating foreign operations result mainly from translation of financial statements of subsidiaries into the presentation currency of the Group.

34.3.21.5. Retained earnings

Retained earnings include:
- the amounts arising from profit distribution/loss cover,
- the undistributed result from prior periods,
- the current reporting period profit/loss,
- the corrections (profit/loss) of prior period errors,
- changes in accounting principles,
- reserve capital created from the distribution of profits and used in accordance with the Commercial Group Code
- other reserve capital as additional payments to equity,
- actuarial gains and losses from retirement benefits.

34.3.22. Trade and other liabilities

Liabilities, including trade liabilities, are initially stated at fair value, increased by, in the case of financial liability not qualified as those measured at fair value through profit or loss, transaction cost and subsequently, at amortized 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.
Accruals are liabilities due for goods received or services provided, but not paid, invoiced or formally agreed with the seller, together with amounts due to employees.
Although it is sometimes necessary to estimate the amount or timing of accruals, the related uncertainty is generally much lower than it is for provisions.

34.3.23. Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.
Provisions are not recognized for future operating losses.

34.3.23.1. 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. The environmental provision for reclamation is periodically reviewed on the basis of expert assessment.

34.3.23.2. Jubilee bonuses and retirement benefits

Under the Group’s remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid to employees after the elapsing of a defined number of years in service. Retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee’s average remuneration.
The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as retirement defined benefit plans.
The provision for jubilee bonuses, retirement and pension benefits is created in order to allocate costs to relevant periods. The present value of those liabilities is estimated at the end of each reporting period by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering the demographic and financial assumptions including employee rotation, planned increase of remuneration and relate to the period ended at the last day of the reporting year. Actuarial gains and losses from:

- post employment benefits are recognized in components of other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in the statement of profit and loss.

34.3.23.3. Shield programs

Shield programs provision (restructuring provision) is created when the Group initiates a restructuring plan or announces the main features of a restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the restructuring will be carried out. A restructuring provision shall include only the direct expenditures arising from the restructuring, i.e. connected with the termination of employment (paid leave payments and compensations), termination of lease contracts, dismantling of assets.

34.3.23.4. CO_2 emissions costs

The Group creates a provision for the estimated CO_2 emissions during the reporting period in operating activity costs (taxes and charges). Provision is recognized 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 in forward contracts concluded by the Group for own-use for the purpose of fulfilment of the redemption obligation by Parent company and Group entities (or purchase prices from other binding purchase agreements) or market quotations of allowances at the reporting date.

34.3.23.5. Other provisions

Other provisions include mainly provisions for legal proceedings and are recognized after consideration of all available information, including opinions of independent experts. If on the basis of such information it is more likely than not that a present obligation exists at the end of the reporting period, the Group recognizes a provision (if the recognition criteria are met).
If it is more probable that no present obligation exists at the end of the reporting period, the Group discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

34.3.24. Government grant

Government grants are transfers of resources to the Group by the government, government agencies and similar bodies whether local, national or international, in return for past or future compliance with certain conditions relating to the activities of the entity.
Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it.
Grants related to costs are presented as compensation to the given cost in the period they are incurred. Surplus of the received grant over the value of the given cost is presented as other operating income.
If the government grant relates to assets, excluding investment property, they are recognized as deferred income and disclosed separately as liabilities in the statement of the financial position. A grant is recognized in other operating income on systematic basis over the useful life of the asset. The treatment regarding CO_2 emission allowances granted is described in note 34.3.23.4.

34.3.25. Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method.
Cash and cash equivalents included in the consolidated statement of cash flowsand in the consolidated statement of financial position are identical.
Dividends received are included under investing activities.
Dividends paid are included under financing activities.
Interest received from finance leases, loans granted, short-term securities and the cash pool system are included under cash flows from investing activities. Other interests received are presented in cash flows from operating activities.
Interest paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and leases are included under cash flows from financing activities. Other interests paid are included under cash flows from operating activities.
Proceeds and outflows due to the settlement of derivatives which are not recognized as hedge position are included under cash flows from investing activities.
Lease payment expenditures in relation to short-term and low-cost leases as well as variable lease payments not included in the valuation of the lease liability are included under cash flows from operating activities.

34.3.26. Financial instruments

34.3.26.1. Measurement of financial assets and liabilities

At initial recognition, the Group measures financial assets and liabilities not qualified as at fair value through profit or loss (i.e. held for trading) at their fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, 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 option.
The Group uses simplified methods of valuation of financial assets and liabilities measured at amortized cost if it does not distort information included in the statement of financial position.
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 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.
The Group classifies financial assets into one of the following categories:
- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Group classifies debt financial assets to the appropriate category depending on the business model of financial assets management and on the characteristics of contractual cash flows for a given financial asset.
The Group as assets measured at amortized cost classifies trade receivables, loans granted, other financial receivables as well as cash and cash equivalents.
The Group classifies to assets measured at fair value through profit or loss derivatives that are not designated for hedge accounting and hedged items that are measured in accordance with hedge accounting principles.
The Group classifies financial liabilities into one of the following categories:
- measured at amortized cost,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Group as liabilities measured at amortized cost classifies trade liabilities, loans, borrowings and bonds. Liabilities on derivatives not designated for hedge accounting are classified by the Group as measured at fair value through profit or loss.
The Group classifies to the category of hedging financial instruments, financial assets and liabilities which constitute derivative hedging cash flows and fair value.

34.3.26. Financial instruments (continued)

Measurement of financial assets at amortized cost
The Group applies the effective interest rate method to measure financial assets at amortized cost.
Trade receivables after initial recognition are measured at amortized cost using the effective interest rate method, including impairment allowances, while trade receivables with a maturity of less than 12 months from the date of recognition (i.e. not including the financing component) and not appointed to factoring, are not discounted and are measured at nominal value.

Measurement of financial assets at fair value through other comprehensive income
Gains and losses on a financial asset constituting an equity instrument for which was applied the option of fair value through other comprehensive income is recognized in other comprehensive income, except for revenues from received dividends.

Measurement of financial assets at fair value through profit or loss
Gains or losses on the measurement of a financial asset that is classified as measured at fair value through profit or loss are recognized in profit or loss during the period in which they were recognized. Gains or losses from the valuation of items measured at fair value through profit or loss also include interest and dividend income.

Measurement of hedging financial instruments
Hedging financial instruments are measured in accordance with the principles of hedge accounting.

Impairment of financial assets
The Group recognizes impairment allowances due to expected credit losses on financial assets measured at amortized cost or measured at fair value through other comprehensive income (with the exception of investments in capital assets).
The Group uses the following models for determining impairment allowances:
- general model (basic),
- simplified model.

The general model is applied 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 purpose of estimating the expected credit loss, the Group applies 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 about 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 applied 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.
In particular, in case of insolvency ("default") event, the Group recognizes that the contractor defaulted after expiration 90 days after the due date of receivables.
For the purpose of estimating the expected credit loss, the Group applies the provision matrix estimated on the basis of historical levels of repayment and recoveries from receivables from contractors.
The Group includes information about the future in the applied parameters in the expected credit loss estimation model, through the management adjustment of the basic insolvency probability parameters.
The expected credit loss is calculated when the receivable is recognized in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of the receivable.
For debt financial instruments measured at fair value through other comprehensive income, losses or gains (reversal of loss) due to impairment, regardless of the stage in which the write-down is calculated, are recognized in profit or loss in correspondence with other comprehensive income (the impairment allowance does not reduce the carrying amount of the financial asset).
The expected credit loss calculated at the moment of initial recognition of the financial asset, and any subsequent increase of the expected credit loss, regardless of the stage in which the write-down is calculated, are recognized in the profit or loss.
The Group discloses in the notes financial assets, for which the terms were renegotiated and which would otherwise be overdue or impaired. For assets measured at amortized cost using effective interest rate, the carrying amount of the asset is recalculated by discounting future cash flows (reassessed) using the initial interest rate of a financial asset. The adjustment is recognized as a revenue or expense for the period, respectively.

34.3.26.2. Transfers

In the Group, there were no particular circumstances for the reclassification of financial instruments measured at fair value through profit or loss.

34.3.26.3. Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in fair value or in the cash flows of a hedged item are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:
- at the inception of the hedge, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship,
- a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately impact profit or loss,
- the hedging relationship meets all of the following requirements for hedge effectiveness:
  - there is an economic relationship between the hedging instrument and the hedged item;
  - the credit risk effect is not dominant in the change of the hedging instrument and the hedged item;
  - the hedge ratio illustrates the actual size of the hedging instrument and the hedged item that the Company secures (the determination of the hedge ratio is not a deliberate attempt to generate an accounting effect that is not consistent with the hedge accounting objective),
- the effectiveness of the hedge can be reliably measured on the basis of the reliably determined fair value of the hedged item or related cash flows and the fair value or cash flows of the hedging instrument,
- the hedge is assessed on an ongoing basis and actually determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group has two types of hedging relation: cash flow and fair value hedge.
The Group assesses effectiveness of cash flow hedge at the inception of the hedge and later, at minimum, at each reporting date. In case of cash flow hedge accounting, the Group recognizes in other comprehensive income part of profits and losses connected with the effective part of the hedge, whereas profits or losses connected with the ineffective part-under profit or loss.
In addition (in case of currency risk hedge-sport rate risk element), as part of equity in a separate item, the Group recognizes a change in the fair value due to the hedge costs.
To assess the effectiveness of hedge the Group uses statistical methods, including in particular 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 recognizes profits or losses resulting from the revaluation of fair value of derivative financial instrument in financial result, and adjust carrying amount of hedged item by profit or loss related to the hedged item, resulting from the risk being hedged and recognizes 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 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 , 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.
If a hedge of a forecast transaction results in recognition of revenues from sales of products, merchandise, materials and services, the Group removes the associated gains and losses that were recognized in other comprehensive income and adjusts these revenues.
In case of applying fair value hedge accounting, cumulated 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.

34.3.27. Fair value measurement

Hedging financial instruments are measured in accordance with the principles of hedge accounting.
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.
Forward exchange rates are not modelled as a separate risk factor, but derive from spot rate and the respective forward interest rate for foreign currency in relation to CZK.

34.3.28. Lease

The Group as a lessee

Rights resulting from lease, rental, hire or other agreements which meet the definition of a lease as per IFRS 16 are recognised as right of use underlying assets within the framework of non-current assets with a corresponding lease liabilities.

Initial recognition and measurement

The Group recognises the right of use asset as well as the lease liability on the date of commencement of the lease.

On the date of commencement the Group measured the right of use asset at cost.

The cost of the right of use asset is inclusive of the following:

- the amount of the initial measurement of the lease liability,
- all lease payments made on or before the date of commencement, less any lease incentives received,
- all initial costs directly incurred by the lessee, and
- 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 incremental borrowing 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 incremental borrowing rate

Lessee’s incremental borrowing rates were specified as the sum of:

- 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
- 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 Group measures the right of use asset applying the cost model.

In applying the cost model, the Group shall measure the cost of the right of use asset:

- less any accumulated depreciation and accumulated impairment losses; and
- 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 Group shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- decreasing the carrying amount to reflect any lease payments made, and
- 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.

34.3.28 Lease (continued)

The Group has leases agreements regarding mainly:
Land, including:
- perpetual usufruct of land for a fixed period of up to 99 years,
- land for petrol stations and motorway service areas concluded for a specified period up to 30 years and for an indefinite period.

Buildings and construction, including petrol stations, storage tank, office spaces for a fixed period up to 30 years.
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,
- locomotives 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
Following agreements within the Group are not included within the scope of IFRS 16:
- lease for the exploration or use of natural resources,
- licences granted and recognised in accordance with IFRS 15 – "Revenue from Contracts with Customers", and
- lease of intangible assets in accordance with IAS 38 - Intangible Assets.

The Group does not apply IFRS 16 to lease agreements or similar for intangible assets.
Simplifications and practical solutions
Short-term lease
The Group applies a practical solution for asset classes in relation 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 assets which, when are new, have the value up to CZK 100 thousand for each concluded lease agreement.
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:
- the Group lessee may benefit from use of the underlying asset itself or in conjunction with other resources which are readily available to him, and
- the underlying asset is not highly dependent on or related to other assets.

If the Group 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: indefinite contracts
When establishing the term for indefinite leases contracts, the Group determines the lease period, in which termination of the contract will not be justified by making makes a professional judgment and taking into account, among others:
- expenditure incurred in connection with the contract or
- potential costs connected with the termination of the lease contract, including the costs involved in obtaining a new lease contracts, such as negotiation costs; reallocation costs, costs of identifying other underlying asset suitable for the lessee's needs; costs of integrating a new asset into the Group's operations; or termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location or
- existing business plans and other existing contracts justifying the use of the leased item in the given period.

In cases where the costs connected with the termination of the lease contract are substantial, the lease term adopted is equal to that adopted for the depreciation period of a similar fixed asset with parameters similar to the subject of the lease.
In cases where expenditure incurred in connection with the contract is substantial, the lease term adopted is equal to that of the expected period of economic benefits derived from the incurred expenses.
The value of the incurred expenses represents a separate asset to the right of use asset.
Separating non-lease components
From contracts, that include lease and non-lease components, the Group separates and recognises non-lease components separately for all asset classes e.g. service of assets constituting the subject of the contract and allocates consideration based on the terms of the contract, unless all non-lease items are considered immaterial in the context of the whole contract.

34.3.28 Lease (continued)

Professional judgement
Determining the lease term
In determining the lease term, the Group considers all important facts and events resulting in existence of the economic incentives to make use of the option to extend the lease or not to exercise the option of its termination.
The Group also makes a professional judgment to determine the period of contract enforceability (lease term in which termination of the contract will not be justified) in the case of contracts concluded for an indefinite period.
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.
Estimations
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.
Determining the lessee's incremental borrowing rate
Due to the fact that the Group does not have information regarding the interest rate for lease contracts, it uses the incremental borrowing rate to measure lease liabilities, that the Group would have to pay, to borrow, over a similar term and with a similar security, the funds in a given currency necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The Group as a Lessor
When the Group is the lessor, the lease is classified as finance or operating lease at the inception date of the lease.
In order to classify a lease as described above, the Group assesses whether all risks and rewards associated with ownership of the underlying assets are transferred substantially to the lessee. In case of the substantial transfer of all risks and rewards, the leasing is classified as a finance lease. If the substantial transfer of risks and rewards does not take place it is classified as an operations lease.
Determination of whether the risks and rewards are to be transferred is carried out based on an assessment of the content of the economic transaction.
When assessing the classification of leases the Group considers some situations, such as whether ownership of the asset is to be transferred to the lessee before the end of the lease term as well as the relationship between the lease terms and the useful life of the asset in questions, even in cases where the legal title of the asset is not to be transferred.
If a contract contains both lease and non-lease components, the Group shall allocate the consideration in the contract to each lease component in accordance with IFRS 15.
On the date of commencement of the lease the lessor recognizes any assets leased as part of a financial lease in its statement of financial position and includes them as receivables equal to the value of the net investment in the lease.
On the date of commencement of the lease, lease payments included in the measurement of the net investment in the lease comprise of the following payments for the right of use of the underlying assets, which have not yet been received on the date of commencement.
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments, that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- all guaranteed residual values awarded to the lessor by the lessee, an entity connected to the lessee or an independent third party;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

If the Group conveyed to another entity the right to use an asset under the finance lease, the present value of the minimum lease payments and unguaranteed residual value is recognised in the statement of financial position as receivables with the division into short and long-term part. The minimum lease payments and unguaranteed residual value are discounted using interest rate implicit in the lease, i.e. rate at which the sum present value of the minimum lease payments, unguaranteed residual value and initial direct costs of conclusion of a contract equal the fair value of the leased asset.
Lease payments and any unguaranteed residual value is equal to the sum of:

i) the fair value of the leased asset and

ii) any initial direct costs of the lessor.

Assets leased by the Group to other entities for use on the basis of an operational lease are accounted for as Group's assets. Lease payments from operations leases are recognised by the lessor linearly as revenue from the sale of products and services.

Subleases
In respect of subleases, the Group operates as both a lessee and lessor in relation to the same underlying assets. Such contracts are classified as operational or finance leases using the same criteria applied by the lessor, however they are considered in relation to right of use as part of the main lease rather than in relation to the underlying assets. If the main lease is a short-term lease, the Group classifies the sublease as an operational lease.

34.3.29. 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 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.

34.3.30. Events after the reporting period

Subsequent events after the reporting date are those events, favourable and unfavourable that occur between the end of the reporting period and date when the financial statements are authorized for issue. Two types of subsequent events can be identified:
- those that provide evidence of conditions that existed as at the end of the reporting period (events after the reporting period requiring adjustments) and
- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments).

35. APPLICATION OF PROFESSIONAL JUDGEMENT AND ASSUMPTION

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, equity, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In matters of considerable weight, the Group's management bases its estimates on opinions of independent experts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes:

8. Tax expense – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used,

10. Property, plant and equipment – assessment of remaining useful lives of the property plant and equipment,

11. Investment property – estimation of periods for the assets will be rented,

12. Intangible assets – assessment of remaining useful lives of the intangible assets,

14. Impairment of property, plant and equipment and 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 analysed - 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,

15.1. Changes in impairment allowances of inventories to net realizable value – estimation of the net realizable value based on the most recent sales prices at the moment of estimations,

16. Impairment of trade and other receivables - the Group does not monitor changes in the credit risk during life of instrument and estimates the expected credit loss until maturity of instrument. 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.
Expected credit loss is calculated at the moment of recognition of receivables in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of a given receivable.
Recognition and reversal of the expected impairment allowances for main receivables is recognized under other operating income/expenses in the line (loss)/reversal of loss due to impairment of financial instruments and for interest on late payment under finance income/costs in the line (loss)/reversal of loss due to impairment of financial instruments.

35. APPLICATION OF PROFESSIONAL JUDGEMENT AND ASSUMPTION (CONTINUED)

21. Provisions – recognition of provisions requires estimates of the probable outflow of resources embodying economic benefits and defining the best estimate the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognized when the probability of outflow of resources embodying economic benefits is higher than 50%,

27. Lease – in the field of contracts in which the Group is a lessee, when the assessment or the contract contains a lease is not clear, the Group makes a professional judgment whether the definition of lease in accordance with IFRS 16 is fulfilled.

In the field of contracts in which the Group is a lessor, the Group makes a judgment classified lease contracts as finance lease or operating lease based on the analysis of the economic content of the transaction.

28. Financial instruments – 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,

37. The parent company and structure of the consolidated Group – 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.

The accounting policies described above have been applied consistently to all periods presented in these consolidated financial statements.

36. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT OR IN FRONT OF PUBLIC ADMINISTRATION BODIES

As at 31 December 2021 the Group entities were parties in the following significant proceedings in front of court or in front of public administration bodies:

36.1. Proceedings in which the Group entities acts as a plaintiff

Tax proceeding

ORLEN Unipetrol RPA s.r.o., acting as legal successor of CHEMOPETROL, a.s., is a party in a tax proceeding related to the validity of investment tax relief for 2005. ORLEN Unipetrol RPA s.r.o. claims the return of income tax paid in 2006 for the fiscal year 2005 by CHEMOPETROL, a.s. The claim concerns unused investment relief attributable to CHEMOPETROL, a.s. The total value of the claim amounts to approximately CZK 325 million.

On 14 October 2015, the Czech Supreme Administrative Court annulled the Regional Court in Ústí nad Labem judgment and decided to return the case back to the Regional Court in Ústí nad Labem for re-examination. The Supreme Administrative Court commented that the Regional Court did not correctly deal with the legitimate expectations objection raised by ORLEN Unipetrol RPA s.r.o. On 30 November 2016 the Regional Court in Ústí nad Labem resolved to annul the Appellate Financial Directorate decision dated 27 October 2010.

On 22 November 2018, the Appellate Financial Directorate resolved to dismiss the ORLEN Unipetrol RPA s.r.o. appeal and confirmed the Tax Office in Litvínov decision of 27 May 2010 on the corporate income tax obligation of ORLEN Unipetrol RPA s.r.o. of approximately CZK 325 million. On 25 January 2019 ORLEN Unipetrol RPA s.r.o. filed a complaint for a court review of the decision of the Appellate Financial Directorate.

Claim for unjustified enrichment against ČEZ Distribuce, a.s.

On 31 August 2015 ORLEN Unipetrol RPA s.r.o., as petitioner, submitted its action to the District Court in Děčín requesting issuance of a payment order ordering ČEZ Distribuce, a.s., as respondent, to pay an unjustified enrichment to ORLEN Unipetrol RPA s.r.o. in the amount of CZK 303 million including interest and legal fees. The unjustified enrichment of ČEZ Distribuce, a.s. results from ČEZ Distribuce, a.s., during the period from 1 January 2013 until 30 September 2013, charging ORLEN Unipetrol RPA s.r.o. a monthly fee for renewable sources of energy and combined heat and power production with respect to the electricity produced and distributed by ORLEN Unipetrol RPA s.r.o. itself. The Group is of the opinion that ČEZ Distribuce, a.s., as distribution system provider, is not entitled to charge a fee to its customers with respect to electricity which was produced and consumed by the customers themselves, i.e. for electricity for which no distribution service was provided.

On 25 November 2016 ORLEN Unipetrol RPA s.r.o. filed action, same as the one filed against ČEZ Distribuce, a.s., against OTE, a.s. (Czech operator of energy market responsible for, among others collecting (POZE) fees from energy distributors including ČEZ Distribuce, a.s.) The action was filed as a precaution.

On 18 July 2017 the District Court in Děčín resolved to dismiss ORLEN Unipetrol's petition against ČEZ Distribuce, a.s. On 2 November 2017 ORLEN Unipetrol a.s. filed an appeal against the district court's decision. By a notice dated 13 February 2019, the Regional Court in Ústí nad Labem informed ORLEN Unipetrol a.s. that the case was suspend and the Supreme Court was requested to establish whether the jurisdiction in this case is with the courts or Energetický regulační úřad (Energy Regulatory Authority).

The Czech Supreme Court ruled that Energetický regulační úřad (Energy Regulatory Office) has jurisdiction over this case (and therefore there is no jurisdiction of neither District Court in Děčín nor Regional Court in Ústí nad Labem to resolve in this case).

Based on this resolution of Czech Supreme Court ORLEN Unipetrol RPA s.r.o. applied for recovery court fees paid. Both courts ruled that ORLEN Unipetrol RPA s.r.o. is entitled for full recovery of the court fees.

The case was transferred to Energetický regulační úřad (Energy Regulatory Office).

On 26 August 2019 the Supreme Court of the Czech Republic issued a ruling in a similar case held by another customer of ČEZ Distribuce – E.ON a.s. The Supreme Court formulated its opinion that, in simple terms, even though the wording of the Act No. 165/2012 Coll., on supported sources of energy, as amended did not expressly state a right of ČEZ Distribuce to collect (POZE) fees also from electricity which was produced and consumed by the producer itself (in our case ORLEN Unipetrol RPA s.r.o.) – so called "own consumption" – intention of the legislator was to collect (POZE) fees also from this own consumption. In the context of our case, this Supreme Court ruling may preclude and determine decision of Energetický regulační úřad (*Energy Regulatory Office*) in our case.

On 6 November 2020 Energetický regulační úřad *(Energy Regulatory Office)* dismissed ORLEN Unipetrol RPA s.r.o. claim in full. ORLEN Unipetrol RPA s.r.o. appealed the decision – Board of Energetický regulační úřad *(Energy Regulatory Authority)* shall decide about the appeal.

36.2. Proceedings in which the Group entities acts as the defendant

Purchase of shares of PARAMO, a.s.

In January 2009 ORLEN Unipetrol a.s. effected a squeeze out of PARAMO, a.s. shares and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. monetary consideration of CZK 977 per share of PARAMO, a.s.

In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for a review of the adequacy of compensation within the meaning of the Czech Commercial Code. The case is now pending at the Regional Court in Hradec Králové.

On 23 June 2015 the court decided to appoint another expert witness – Expert Group s.r.o. having its registered seat at Radniční 133/1, České Budějovice – to provide a valuation of the PARAMO, a.s. shares.

The Expert Group s.r.o. valuation report regarding of PARAMO, a.s. shares received by ORLEN Unipetrol a.s. on 1 December 2016 provides for PARAMO, a.s. share value as at:

a) 6 January 2009 – CZK 1 853/share;
b) 4 March 2009 – CZK 1 691.53/share.

ORLEN Unipetrol a.s. submitted two independent expert reports to the court – one expert report reviewed conclusions made by the Expert Group s.r.o. report and the other expert report provided valuation of PARAMO, a.s. and comments on methodology applied by Expert Group s.r.o. and reliability of their conclusions. The court expert determined value of PARAMO, a.s. share at CZK 909/share as at 6 January 2009 and CZK 905/share as at 4 March 2009.

On 8 August 2019 the court ruled to dismiss the petition of the minority shareholders in full. During October 2019, all claimants filed an appeal against the first instance court filing.

On 3 August 2021 the High Court in Prague (in its position of appellate court) resolved to annul the decision of the Regional Court in Hradec Králové and returned the case to the Regional Court in Hradec Králové.

On 12 January 2022 the Regional Court in Hradec Králové again resolved to dismiss the petition of the minority shareholders in full.

Claims on compensation of damages filed by "I.P.-95, s.r.o." against ORLEN Unipetrol RPA s.r.o.

On 23 May 2012 ORLEN Unipetrol RPA s.r.o., the subsidiary of ORLEN Unipetrol a.s., received a petition from the District Court Ostrava, by which the claimant – "I.P.-95, s.r.o." is claiming compensation of damages totalling CZK 1 789 million. "I.P.-95, s.r.o." claims that it incurred damages as a result of an unjustified insolvency filing against "I.P.-95, s.r.o." made by ORLEN Unipetrol RPA s.r.o. on 24 November 2009. "I.P.-95, s.r.o." assigned part of the receivable of CZK 1 742 million, to NESTARMO TRADING LIMITED, Cyprus; following the assignment, "I.P.-95, s.r.o." filed a motion regarding NESTARMO TRADING LIMITED joining the proceedings as a claimant. ORLEN Unipetrol RPA s.r.o. is one of eight respondents against whom the petition was filed.

On 9 February 2018, the District Court in Ostrava dismissed the "I.P.-95, s.r.o." claim in full and the Regional court confirmed this decision on 11 December 2018.

On 3 April 2018 "I.P.-95, s.r.o." filed an appeal against the ruling of the District Court in Ostrava (on 22 May 2018 the District Court in Ostrava ruled to relieve "I.P.-95, s.r.o." of obligation to pay court fee for the appeal). On 11 December 2018, the Regional Court in Ostrava resolved to dismiss the "I.P.-95, s.r.o." appeal against the ruling of the District Court in Ostrava.

On 20 March 2019 "I.P.-95, s.r.o." filed a cassation appeal against the ruling of the Regional Court in Ostrava.

On 30 June 2021 the Czech Supreme Court resolved not to hear the "I.P.-95, s.r.o." appeal in cassation.

Claim of KOOPERATIVA pojišťovna, a.s., Vienna Insurance Group

On 21 November 2018 ORLEN Unipetrol RPA s.r.o. received from the District Court Most a petition (request for issue of a payment order) filed by KOOPERATIVA pojišťovna, a.s., Vienna Insurance Group for CZK 134 million plus appurtenances.

The claim is based on the insurer recourse claims and it relates to insurance proceeds paid by KOOPERATIVA pojišťovna, a.s., Vienna Insurance Group to Butadien Kralupy a.s. and SPOLANA s.r.o. KOOPERATIVA pojišťovna, a.s., Vienna Insurance Group provided insurance coverage to Butadien Kralupy a.s. and SPOLANA s.r.o. for their business interruption relating to ORLEN Unipetrol RPA s.r.o. failure to supply feedstock due to the 2015 Steam Cracker accident.

ORLEN Unipetrol RPA s.r.o. does not recognize the claim and considers the claim as unjustified and unfounded. ORLEN Unipetrol RPA s.r.o. will take all legal actions to defend itself against this claim.

This case is pending with the first instance court and it was stayed based on request of the parties.

Claim of Česká pojišťovna, a.s.

On 14 January 2019 ORLEN Unipetrol RPA s.r.o. received from the District Court Most a petition filed by Česká pojišťovna, a.s., for CZK 88 million plus appurtenances and payment order issued by the court for payment of the same amount.

The claim is based on the insurer recourse claim and it relates to insurance proceeds paid by Česká pojišťovna, a.s., to DEZA a.s. Česká pojišťovna, a.s. provided insurance coverage to Deza a.s. for its business interruption relating to ORLEN Unipetrol RPA s.r.o. failure to supply feedstock due to the 2015 Steam Cracker accident.

36.2. Proceeding in which the Group entities acts as a defendant (continued)

On 18 April 2019 the District Court in Most resolved to discontinue the proceedings reflecting an arbitration clause objection raised by ORLEN Unipetrol RPA s.r.o.

On 22 May 2019 Česká pojišťovna, a.s. filed a complaint for CZK 47 million plus appurtenances with Arbitration Court attached to Czech Chamber of Commerce and Agricultural Chamber of the Czech Republic.

On 2 March 2021 the arbitration panel issued a resolution and presented their preliminary opinion on merit of the case:

a) Česká pojišťovna, a.s. damages claim is justified: The arbitration panel refers to decisions of relevant Labour Inspectorate Authorities in which the authorities conclude that ORLEN Unipetrol RPA s.r.o. committed a number of administrative offences in the labour health and safety area, more or less related to the 2015 steam cracker incident. Consequently, the arbitration panel states that ORLEN Unipetrol RPA s.r.o. breached its obligation and caused the other party (DEZA, a.s.) to incur damages.
b) The arbitration panel preliminary believe there are circumstances which lead to the damages that justify reduction of quantum of damages awarded to Česká pojišťovna, a.s.

ORLEN Unipetrol RPA s.r.o. responded by a motion to stay the arbitration proceedings until final resolution on an administrative complaint filed by ORLEN Unipetrol RPA s.r.o. against the decisions of the Labour Inspectorate Authorities.

On 25 March 2021 the arbitration panel resolved to dismiss ORLEN Unipetrol RPA s.r.o. motion to stay the arbitration proceedings.

On 8 April 2021 the arbitration panel issued an arbitration award:

a) ordering ORLEN Unipetrol RPA s.r.o. to pay Česká pojišťovna a.s. CZK 28 391 400 plus interest on late payment of 8.05% per annum on this principal amount;
b) dismissing part of Česká pojišťovna a.s. claim amounting to CZK 18 927 600.

ORLEN Unipetrol RPA s.r.o. paid the amounts awarded to Česká pojišťovna a.s.

On 23 July 2021 ORLEN Unipetrol RPA s.r.o. filed a request to annul the arbitration court award and requested the court to stay the court proceedings until Regional Court in Ústí nad Labem decides on ORLEN Unipetrol RPA s.r.o. administrative complaint against the decisions of District Labour Inspectorate and State Labour Inspectorate Authority.

On 23 September 2021 the Regional Court in Ústí nad Labem resolved to annul the State Labour Inspectorate Authority's decision. The Regional Court in Ústí nad Labem returned the matter back to the State Labour Inspectorate Authority.

Arbitration with Technip Italy S.p.A.

Technip Italy S.p.A. ("Technip") was a contractor under an EPC Contract with ORLEN Unipetrol RPA s.r.o. ("Company") for construction of a major Polyethylene Plant located in Litvínov.

Technip was obliged to achieve issuance of Provisional Acceptance Certificate for the Polyethylene Plant by 26 February 2019 at latest. Technip did not deliver the Plant with a status of Provisional Acceptance by this date. There has been a delay to the achievement of Provisional Acceptance of almost 13 months. Technip remains liable for the maximum delay penalties appertaining to the delayed achievement of Provisional Acceptance for the Polyethylene Plant of EUR 23 257 thousand.

Technip did not pay the contractual penalties for delay to ORLEN Unipetrol RPA s.r.o. and consequently, ORLEN Unipetrol RPA s.r.o. drew down Performance Security (a bank guarantee securing Technip´s financial obligations towards the Company) and collected EUR 21 302 thousand. Amount of EUR 1 955 thousand representing a balance between the contractual penalties for delay and the amount of the Performance Security was a debt owing from Technip to ORLEN Unipetrol RPA s.r.o. In November 2020 the Company off-set the remaining contractual penalty amount with Technip´s invoice for the remaining part of the Final Payment of the Contract Price; thus the outstanding amount of the contractual penalty for delay is EUR 1 771 thousand.

In the Request for Arbitration, subject to subsequent amendment, Technip seeks:

a) payment of EUR 21 302 thousand representing amount of unjust enrichment that was reached by unjustified withdrawal of Performance Security by the Company;
b) payment of EUR 10 535 thousand representing the Technip additional claims based on various circumstances and legal grounds mainly relating additional activities, works and services carried out by Technip within the Polyethylene Plant construction project;
c) payment of EUR 184 thousand representing Technip invoice for the remaining part of the Final Payment of the Contract Price (which was off-set by the Company in November 2020);
d) payment of legal interest from all due and payable amounts;
e) dismissing of ORLEN Unipetrol RPA s.r.o. counterclaims.

On 30 November 2020 ORLEN Unipetrol RPA s.r.o. submitted a response to the Request for Arbitration and a counterclaim for the outstanding amount of the contractual penalty for delay is EUR 1 771 thousand.

End of January 2021 the partiers and the arbitration panel discussed, agreed and signed the key procedural documents, in particular the Terms of Reference and Procedural.

In line with the Procedural Timetable, on 31 March 2021 Technip submitted their full Statement of Claim. Pursuant to the timetable, ORLEN Unipetrol RPA s.r.o. submitted a Full Statement of Defence on 20 August 2021. Further replications were submitted by both, Technip and ORLEN Unipetrol RPA. Hearing took place on 22 and 23 February 2022.

Management of the Group does not recognize the claim and considers the claim as unjustified and unfounded. ORLEN Unipetrol RPA s.r.o. will take all legal actions to defend itself against this claim.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

37. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

37.1. Group structure

The following table shows subsidiaries and joint operations forming the consolidated group of ORLEN Unipetrol a.s., and the parent company's interest in the capital of subsidiaries and joint operations held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (as of 31 December 2021).

Name and place of business	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
ORLEN Unipetrol a.s. Milevská 2095/5, 140 00 Praha 4, Czech Republic			Corporate Functions	www.orlenunipetrol.cz
Subsidiaries consolidated in full method				
HC VERVA Litvínov, a.s. Litvínov, S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate Functions	www.hokej-litvinov.cz
Nadace ORLEN Unipetrol Záluží 1, 436 01 Litvínov, Czech Republic	--	100.00%	Corporate Functions	www.nadaceorlenunipetrol.cz
PARAMO, a.s. Přerovská 560, Svítkov, 530 06 Pardubice, Czech Republic	100.00%	--	Refining	www.paramo.cz
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Refining	www.petrotrans.cz
SPOLANA s.r.o. ul. Práce 657, 277 11 Neratovice, Czech Republic	--	100.00%	Petrochemical	www.spolana.cz
ORLEN Unipetrol Deutschland GmbH Paul Ehrlich Str. 1/B, 63225 Langen/Hessen, Germany	0.10%	99.90%	Petrochemical	www.orlenunipetrol.de
ORLEN Unipetrol Doprava s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Refining	www.orlenunipetroldoprava.cz
ORLEN Unipetrol RPA s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refining Petrochemical Energy Corporate Functions Retail	www.orlenunipetrolrpa.cz
ORLEN Unipetrol Hungary Kft. 2040 Budaörs, Puskás Tivadar utca 12, Hungary	--	100.00%	Refining	www.orlenunipetrol.hu
ORLEN Unipetrol Slovakia s.r.o. Kalinčiakova 14083/33A, 831 04 Bratislava, Slovak Republic	13.04%	86.96%	Refining Retail	www.orlenunipetrol.sk
ORLEN Unicre a.s. Revoluční 1521/84, 400 01 Ústí nad Labem, Czech Republic	100.00%	--	Corporate functions	www.unicre.cz
Joint operations consolidated based on shares in assets and liabilities				
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Petrochemical	www.butadien.cz

The Group has a 70.95% interest in HC VERVA Litvínov, a.s., the remaining non-controlling interest in this company is owned by municipality of Litvínov.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

37.2. Joint operations

	Place of business	Ownership interest of the parent company in share capital	Principal activities	Method of consolidation
Butadien Kralupy a.s.	Czech Republic	51.00%	Production of butadiene	Share in assets and liabilities

The Group in accordance with IFRS 11 classified Butadien Kralupy a.s. in as joint operations. Based on Article of association of Butadien Kralupy a.s., the Group has the right to proportionate share of the income and bears a proportionate share in the costs of joint operations.

38. IMPACT OF CORONAVIRUS PANDEMIC ON GROUP'S OPERATIONS

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

As part of the assessment of the Group's ability to continue as a going concern, the Management analysed the existing risks, and in particular assessed the impact of the COVID-19 pandemic on the Group's operations in the Business plan 2022 and inputs to the impairment model, which is described in more detail in Note 14. Despite continuous dynamic changes in the economic, legal and regulatory environment related to COVID-19 pandemic based on the analysis performed, the Group's Management does not identify the risk of going concern in the foreseeable future.

Impact of coronavirus pandemic on Group's 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 2021.

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 among 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, ensuring realisation of the turnaround and the provision of key services delivered by the Group. The Group selected a group of super-critical employees to which separate rules connected with dealing with pandemic situation apply.

During 2021 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.

Prosocial activities taken by the Group in the fight against coronavirus

During 2021 the Group donated 760 litres of own disinfectants and Stop Café gift packages for paramedics at the Most Hospital as a thank you for the extreme work commitment. The packages were prepared by the employees of the ORLEN Unipetrol Group.

In order to increase safety of customers, the multifunctional air purifiers were installed at retail petrol stations, to eliminate the COVID-19 and other viruses and bacteria by using UV radiation.

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

<u>Estimation of expected credit loss ECL</u>

As at 31 December 2021 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 2021, based on performed analysis, the Group did not identify any indicators for modification of assumptions taken for estimation of expected credit loss.

<u>Impairment of property plant and equipment, intangible assets and right-of-use assets</u>

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 were included in note 14.

Liquidity situation

In 2021 the Group continued its current policy with respect to liquidity management process. As at the date of preparation of this annual financial statements the financial situation of the Group is stable and in the Group's opinion, the ongoing coronavirus pandemic has not changed the overall level of liquidity risk in the Group. 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.

Other accounting estimates

As at the date of preparation of this 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).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021 (in CZK million)

39. EVENTS AFTER THE REPORTING PERIOD

On 13 January 2022 Maciej Libiszewski terminated of the office in the Board of Directors of ORLEN Unipetrol a.s.
Maciej Romanów was appointed a member of the Board of Directors with the effect from 1 February 2022.
Zbigniew Leszczyński was appointed a member of the Board of Directors with the effect from 2 February 2022.

Impact of the Russian invasion of Ukraine

Basis for the preparation of financial statements

As part of the assessment of the Group's ability to continue as a going concern, management analysed the risks associated with the Russian invasion of Ukraine to the activities of its companies. The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The Group does not have any significant direct exposure to Ukraine, Russia or Belarus. The Group performed a detailed analysis of sales realized on the Ukrainian and Russian markets. Due to low sales volumes in this territory, the Group did not identify any indicators to adjust the assumptions made to estimate the expected credit loss.

However, the impact on the general economical situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities including long term assets within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

The longer-term impact may also affect trading volumes, cash flows, costs and pricing of the sold production with related impact on profitability. Nevertheless, at the date of these financial statements the Group continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

The Group has taken number of measures in connection with the situation in Ukraine, in particular developing emergency action plans to ensure the continuity of critical infrastructure operations, ensure the realization of revenues and provide key services provided by the Group. During 2022, there were no major interruptions in any of the Group's areas of activity, nor were there any threats in the supply chain, both in the area of purchasing raw materials and goods and in the area of internal logistics.

The Group's management is not aware of any other events that have occurred since the end of the reporting period that would have any material impact on or would be required to be included in the financial statements as at 31 December 2021.

40. STATEMENT OF THE BOARD OF DIRECTORS AND APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors of ORLEN Unipetrol a.s. hereby declares that to the best of its knowledge the consolidated financial statements and comparative data were prepared in compliance with the applicable accounting principles adopted by in the Group (disclosed in note 34.3.) and that they reflect true and fair view on the financial position and financial result of the Group, including basic risks and exposures.

The consolidated financial statements were authorized by the Board of Directors meeting held on 8 March 2022.

Signature of statutory representatives

Tomasz Wiatrak	Adam Jarosz
Chairman of the Board of Directors	Member of the Board of Directors

REPORT ON RELATIONS BETWEEN THE CONTROLLING PERSON AND THE CONTROLLED PERSON

AND

BETWEEN THE CONTROLLED PERSON AND OTHER PERSONS CONTROLLED BY THE SAME CONTROLLING PERSON

in 2021

in accordance with article 82 of the Act No. 90/2012 Coll., on Business Companies and Cooperatives (on Business Corporations), as amended (hereinafter the „Act on Business Corporations“)

Financial period from 1.1.2021 to 31.12.2021 is the vesting period for this Report on relations between the controlling person and the controlled person and between the controlled person and other persons controlled by the same controlling person (hereinafter the „Report on Relations").

The structure of relations between the entities

Controlled Person

ORLEN Unipetrol a.s., with registered office at Milievská 2095/5, 140 00 Praha 4, Corporate ID: 616 72 190, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Enclosure 3020 (hereinafter „ORLEN Unipetrol a.s.").

Controlling Persons

Polski Koncern Naftowy Spólka Akcyjna with registered office at Chemików 7, PŁOCK, Poland (hereinafter „Polski Koncern Naftowy Spólka Akcyjna") is the majority shareholder (associate) of ORLEN Unipetrol a.s.

Other Controlled Persons

The entities controlled by the Controlling Person – Polski Koncern Naftowy Spólka Akcyjna are members of business group „PKN ORLEN S.A.", whose scheme is shown in Appendix No. 2.

The entities controlled by ORLEN Unipetrol a.s. are members of PKN ORLEN S.A. business group and are also members of „ORLEN Unipetrol" business group, whose scheme is shown in Appendix No. 1.

The role of the Controlled Person

- strategic management of the development of the group of directly or indirectly controlled companies,
- coordination and facilitation of matters of common interest of the group of directly or indirectly controlled companies,
- arranging of financing and development of financing systems in the companies within the concern,
- development of human resources and a system of human resource management in the companies within the concern,
- administration, acquisition of and disposal with ownership interests and other assets of the Company, in particular:
  - (i) establishing of business corporations, participation in their foundation and other acquisitions of ownership interests in business of other legal entities,
  - (ii) exercising of shareholder´s and similar rights within directly or indirectly controlled companies,
  - (iii) renting of real estate and provision of basic services for due functioning of real estate.

The method and means of controlling

Polski Koncern Naftowy Spólka Akcyjna is the sole shareholder (associate) of ORLEN Unipetrol a.s. and has direct influence in ORLEN Unipetrol a.s.

The list of actions undertaken in the last financial period made on instigation or in the interest of the Controlling Person or entities controlled by such entity, on condition such actions concern assets exceeding 10% of the controlled entity's equity capital identified in the last financial statements

In the vesting period there were no actions carried out in accordance with article 82 (2d) of the Act on Business Corporations.

The list of mutual agreements between the Controlled Person and the Controlling Person or between the Controlled Persons

The mutual agreements between ORLEN Unipetrol a.s. and Polski Koncern Naftowy Spólka Akcyjna and Other Controlled Persons were concluded on the standard terms, while agreed and provided performances or counter-performances were based on the standard terms of business relations.

The list of mutual agreements with the details is enclosed in Appendix No. 3.

The conclusion

The Board of Directors of ORLEN Unipetrol a.s. based on available information declares that ORLEN Unipetrol a.s. incurred no detriment, special advantage or disadvantage in accordance with the arcticle 82 (4) of the Act of Business Corporations as a result of any contracts, acts or measures taken between entities in business group. No risks arise from the relations between entities in business group to ORLEN Unipetrol a.s. except those arising from standard participation in international business group.

The company's Board of Directors prepared the Report on Relations based on information available on the date of the Report on Relations.

The Report on Relations is to be read in conjuction with the Appendix No. 1, 2 and 3.

Prague, 8 March 2022

On behalf of the Board of Directors of ORLEN Unipetrol a.s.

Tomasz Wiatrak

Chairman of the Board of Directors

Adam Jarosz

Member of the Board of Directors

Appendix No. 1
CAPITAL GROUP OF ORLEN Unipetrol a.s. – CONTROLLED COMPANIES
1 January – 31 December 2021

Company controlled by ORLEN Unipetrol a.s.	Residence	Shares in directly and indirectly controlled company in %		Note
		as at 1.1.2021	as at 31.12.2021	
Companies with direct share of ORLEN Unipetrol a.s.				Since 1.1.2021 change of the business name from UNIPETROL, a.s. to ORLEN Unipetrol a.s.
Companies with indirect share of ORLEN Unipetrol a.s.				
1. ORLEN Unipetrol RPA s.r.o., IČ 275 97 075	Litvínov, Záluží 1, Czech Republic	100.00	100.00	From 1.2.2021 change of the business name from UNIPETROL RPA, s.r.o.
1.1 HC VERVA Litvínov, a.s. IČ 640 48 098	Litvínov, S.K. Neumanna 1598, Česká republika	70.95	70.95	
1.2 ORLEN Unipetrol Doprava s.r.o., IČ 640 49 701	Litvínov, Růžodol 4, Czech Republic	99.88	99.88	0.12% of share owned by ORLEN Unipetrol a.s. From 1.2.2021 change of the business name from UNIPETROL DOPRAVA, s.r.o.
1.3 ORLEN Unipetrol Deutschland GmbH, IČ HRB 34346	Langen, Paul-Ehrlich-Strasse 1B, Germany	99.90	99.90	0.10% of share owned by ORLEN Unipetrol a.s. From 1.2.2021 change of the business name from UNIPETROL Deutschland GmbH
1.4 ORLEN Unipetrol Slovakia s.r.o., IČ 357 77 087	Bratislava, Kalinčiakova 14083/33A, Slovakia	86.96	86.96	13.04% of share owned by ORLEN Unipetrol a.s. From 1.2.2021 change of the business name from UNIPETROL Slovensko s.r.o.
1.5 ORLEN Unipetrol Hungary Kft., IČ 13-09-181774	2040 Budaörs, Puskás Tivadar utca 12, Hungary	100.00	100.00	From 1.2.2021 change of the business name from UNIPETROL RPA Hungary Kft.
1.6 SPOLANA s.r.o., IČ 451 47 787	Neratovice, ul. Práce 657, Czech Republic	100.00	100.00	
1.7 Nadace ORLEN Unipetrol, IČ 056 61 544	Litvínov, Záluží 1, Czech Republic	100.00	100.00	From 1.2.2021 change of the name from Nadace Unipetrol
1.8 PETROTRANS, s.r.o., IČ 251 23 041	Praha 8, Libeň, Střelničná 2221/50, Czech Republic	99.37	99.37	0.63% of share owned by ORLEN UNIPETROL a.s.
2. ORLEN UniCRE a.s., IČ 622 43 136	Ústí nad Labem, Revoluční 1521/ 84, Czech Republic	100.00	100.00	From 1.1.2021 change of the business name from Unipetrol výzkumně vzdělávací centrum, a.s.
3. PARAMO, a.s., IČ 481 73 355	Pardubice, Svítkov, Přerovská 560, Czech Republic	100.00	100.00	
4. Butadien Kralupy a.s., IČ 278 93 995	Kralupy nad Vltavou, O. Wichterleho 810, Czech Republic	51.00	51.00	49.00% of shares owned by SYNTHOS Kralupy a.s.
Other companies with share of ORLEN Unipetrol a.s.				
1. UNIVERSAL BANKA, a.s, IČ 482 64 865	Praha 1, Senovážné náměstí 1588/4, Czech Republic	16.45	16.45	12.24% of shares owned by ORLEN Unipetrol RPA s.r.o.
2. ORLEN HOLDING MALTA LIMITED, IČ C 39945	Level 3, Triq ir-Rampa ta' San Giljan, Balluta Bay, St Julians, STJ1062, Malta	0.50	0.50	99.50% of share owned by PKN ORLEN S.A.

Appendix No. 2
CAPITAL GROUP OF PKN ORLEN S.A. - CONTROLLED COMPANIES
1 January – 31 December 2021

Company controlled by PKN ORLEN S.A.	Residence	Shares in directly and undirectly controlled company in %		Note
		as at 1.1.2021	as at 31.12.2021	
1. ORLEN Unipetrol a.s.	**Prague**	**100.00%**	**100.00%**	**From 01.01.2021 change of the business name to ORLEN Unipetrol a.s.**
2. AB ORLEN Lietuva	**Juodeikiai**	**100.00%**	**100.00%**	
2.1 SIA ORLEN Latvija	Riga, Latvia	100.00%	100.00%	
2.2 ORLEN Eesti OU	Tallin, Estonia	100.00%	100.00%	
2.3 UAB Mockavos terminalas	Lazdijų r. sav	-	100.00%	On 15.06.2021 purchased 100% shares by AB ORLEN Lietuva
3. AB ORLEN Baltics Retail (previosly AB Ventus Nafta)	**Vilnius**	**100.00%**	**100.00%**	
4. ANWIL S.A.	**Włocławek**	**100.00%**	**100.00%**	
5. Inowrocławskie Kopalnie Soli "SOLINO" S.A.	**Inowrocław**	**100.00%**	**100.00%**	
6. Kopalnia Soli Lubień sp. z o.o.	**Warszawa**	**100.00%**	**100.00%**	
7. ORLEN Administracja Sp. z o.o.	**Płock**	**100.00%**	**100.00%**	
8. ORLEN Asfalt sp. z o.o.	**Płock**	**100.00%**	**100.00%**	
8.1 ORLEN Asfalt Česká republika s.r.o.	Pardubice	100.00%	100.00%	
9. ORLEN Serwis S.A.	**Płock**	**100.00%**	**100.00%**	
9.1 ORLEN Service Česká republika s.r.o.	Litvinov	100.00%	100.00%	
9.2 UAB ORLEN Service Lietuva (previosly UAB EMAS)	Juodeikiai	100.00%	100.00%	
10. ORLEN Budonaft Sp. z o.o.	**Limanowa**	**100.00%**	**100.00%**	
11. ORLEN Centrum Serwisowe Sp. z o.o.	**Opole**	**100.00%**	**100.00%**	
12. ORLEN Deutschland GmbH	**Elmshorn**	**100.00%**	**100.00%**	
12.1 ORLEN Detuschland Betriebsgesellschaft mbH	Hamburg	100.00%	100.00%	
13. ORLEN EKO Sp. z o.o.	**Płock**	**100.00%**	**100.00%**	
13.1 ORLEN EkoUtylizacja Sp. z o.o.	Płock	-	100.00%	On 04.10.2021 setting up a new company with 100% shares interest by ORLEN Eko Sp. z o.o. On 28.12.2021 change of company name (from ORLEN EkoUtylizacja Sp. z o.o. w organizacji).
14. Orlen Holding Malta Limited	**St. Julians, Malta**	**100.00%**	**100.00%**	**99.5% owned by PKN ORLEN S.A., remaining part by ORLEN Unipetrol a.s.**
14.1 Orlen Insurance Ltd.	St. Julians, Malta	100.00%	100.00%	99.99% owned by Orlen Holding Malta, remaining part by PKN ORLEN S.A.
15. ORLEN KolTrans S.A.	**Płock**	**100.00%**	**100.00%**	
16. ORLEN Centrum Usług Korporacyjnych sp. z o.o.	**Płock**	**100.00%**	**100.00%**	
16.1 Energa Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	-	100.00%	On 22.12.2021 purchased 100% shares by ORLEN Centrum Usług Korporacyjnych sp. z o.o.
17. Orlen Laboratorium S.A.	**Płock**	**100.00%**	**100.00%**	
18. ORLEN Ochrona Sp. z o.o.	**Płock**	**100.00%**	**100.00%**	
18.1 ORLEN Apsauga UAB	Juodeikiai	100.00%	100.00%	
18.2 Energa Ochrona Sp. z o.o.	Gdańsk	-	100.00%	On 31.07.2021 purchased 100% shares by ORLEN Ochrona sp. z o.o.
19. ORLEN OIL Sp. z o.o.	**Kraków**	**100.00%**	**100.00%**	
20. ORLEN Paliwa Sp. z o.o.	**Widełka**	**100.00%**	**100.00%**	
21. ORLEN Projekt S.A.	**Płock**	**100.00%**	**100.00%**	
22. ORLEN Upstream Sp. z o.o.	**Warszawa**	**100.00%**	**100.00%**	
22.1. Orlen Upstream Canada Ltd	Calgary	100.00%	100.00%	
22.2 KCK Atlantic Holdings Ltd.	Calgary	100.00%	100.00%	
23. ORLEN Aviation Sp. z o.o.	**Warszawa**	**100.00%**	**100.00%**	
24. ORLEN Południe S.A.	**Trzebinia**	**100.00%**	**100.00%**	
24.1 KONSORCJUM OLEJÓW PRZEPRACOWANYCH - ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW S.A.	Jedlicze	89.00%	89.00%	
25. Ship - Service S.A. w likwidacji	**Warszawa**	**60.86%**	**60.86%**	**On 29.10.2021 change of company name (from Ship-Service S.A.)**
26. ORLEN Capital AB	**Stockholm**	**100.00%**	**100.00%**	

27. Baltic Power Sp. z o.o.	**Warszawa**	**100.00%**	**51.41%**	**On 20.05.2021 joining to the company second shareholder NP Baltic Wind B.V. which purchased 48.56% shares of Baltic Power Sp. z o.o. On 25.11.2021 NP Baltic Wind B.V. purchased 0.02% shares of Baltic Power Sp. z o.o.**
28. Basell Orlen Polyolefins Sp. z o.o.	**Płock**	**50.00%**	**50.00%**	
28.1 Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	Płock	100.00%	100.00%	
29. Płocki Park Przemysłowo-Technologiczny S.A.	**Płock**	**50.00%**	**50.00%**	
29.1 Centrum Edukacji Sp. z o.o.	Płock	69.43%	69.43%	
30. ORLEN Usługi Finansowe	**Warszawa**	**100.00%**	**100.00%**	
31. Sigma BIS S.A.	**Warszawa**	**66.00%**	**66.00%**	
32. ORLEN Neptun I Sp. z o.o.	**Warszawa**	**100.00%**	**100.00%**	**On 15.03.2021 change of company name (from Wind 1 Sp. z o.o. w organizacji). On 30.04.2021 change of company name (from ORLEN Wind 1 Sp. z o.o.)**
33. ORLEN Neptun II Sp. z o.o.	**Warszawa**	**100.00%**	**100.00%**	**On 18.03.2021 change of company name (from Wind 2 Sp. z o.o. w organizacji). On 28.04.2021 change of company name (from ORLEN Wind 2 Sp. z o.o.)**
34. ORLEN Wind 3 Sp. z o.o.	**Warszawa**	**100.00%**	**100.00%**	**On 10.03.2021 change of company name (from Wind 3 Sp. z o.o. w organizacji)**
34.1 Livingstone Sp. z o.o.	Warszawa	-	100.00%	On 11.02.2021 purchased 100% shares by ORLEN Wind 3 Sp. z o.o.
34.2 Nowotna Farma Wiatrowa sp. z o.o.	Gdańsk	-	100.00%	On 14.04.2021 purchased 100% shares by ORLEN Wind 3 Sp. z o.o.
35. ORLEN INTERNATIONAL TRADING (SUZHOU) Co., Ltd.	**Suzhou**	**100.00%**	**100.00%**	
36. ORLEN VC sp. z o.o.	**Warszawa**	**100.00%**	**100.00%**	**On 02.03.2021 change of company name (from ORLEN VC sp. z o.o. w organizacji)**
37. ENERGA S.A.	**Gdańsk**	**90.92%**	**90.92%**	
37.1 Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	100.00%	100.00%	
37.2 Energa Invest Sp. z o.o.	Gdańsk	100.00%	100.00%	
37.3 Energa Logistyka Sp. z o.o.	Płock	100.00%	100.00%	
37.4 Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	Gdańsk	100.00%	100.00%	
37.5 Energa Finance AB	Stockholm	100.00%	100.00%	
37.6 ECARB Sp. z o.o.	Gdańsk	64.60%	64.60%	
37.7 ENERGA-OBRÓT S.A.	Gdańsk	100.00%	100.00%	
37.7.1 ENERGA SLOVAKIA s.r.o.	Bratislava	100.00%	100.00%	
37.8 Enspirion Sp. z o.o.	Gdańsk	100.00%	100.00%	
37.9 ENERGA Oświetlenie Sp. z o.o.	Sopot	100.00%	100.00%	
37.10 ENERGA-OPERATOR SA	Gdańsk	100.00%	100.00%	
37.10.1 ENERGA-OPERATOR Wykonawstwo Elektroenergetyczne Sp. z o.o.	Słupsk	100.00%	100.00%	
37.11 Energa OZE S.A.	Gdańsk	100.00%	100.00%	
37.12.1 Energa Elektrownie Ostrołęka S.A.	Ostrołęka	89.64%	89.64%	
37.12.1.1 Energa Ciepło Ostrołęka Sp. z o.o.	Ostrołęka	100.00%	100.00%	
37.12.1.2 Energa Serwis Sp. z o.o.	Ostrołęka	64.18%	64.18%	
37.12.2 ENERGA MFW 1 Sp. z o.o.	Gdańsk	-	100.00%	On 26.03.2021 setting up a new company with 100% shares interest of Energa OZE S.A. On 01.07.2021 change of company name (from ENERGA MFW 1 Sp. z o.o. w organizacji).
37.12.3 ENERGA MFW 2 Sp. z o.o.	Gdańsk	-	100.00%	On 26.03.2021 setting up a new company with 100% shares interest of Energa OZE S.A. On 17.06.2021 change of company name (from ENERGA MFW 2 Sp. z o.o. w organizacji).
37.13 Energa Kogeneracja Sp. z o.o.	Elbląg	64.59%	64.59%	
37.13.1 Energa Ciepło Kaliskie Sp. z o.o.	Kalisz	91.24%	91.24%	
37.14 CCGT Gdańsk Sp. z o.o.	Gdańsk	100.00%	100.00%	
37.16 CCGT Grudziądz Sp. z o.o.	Grudziądz	100.00%	100.00%	
37.17 CCGT Ostrołęka Sp. z o.o.	Ostrołęka	-	100.00%	On 11.01.2021 setting up a new company with 100% shares interest of ENERGA S.A.

37.18 Energa Green Development Sp. z o.o.	Gdańsk	-	100.00%	On 20.01.2021 setting up a new company with 100% shares interest of ENERGA S.A.
37.19 Elektrownia Ostrołęka Sp. z o.o.	Ostrołęka	50.00%	50.00%	
38. RUCH S.A.	**Warszawa**	**64.94%**	**64.94%**	
38.1 Ruch Marketing Sp. z o.o.	Warszawa	100.00%	100.00%	
38.2 Ruch Nieruchomosci V Sp. z o.o.	Warszawa	100.00%	100.00%	
38.3 Fincores Business Solutions Sp. z o. o.	Warszawa	100.00%	100.00%	
39. ORLEN Neptun III sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 13.05.2021 change of company name (from Neptun III Sp. z o.o. w organizacji).**
40. ORLEN Neptun IV sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 14.05.2021 change of company name (from Neptun IV Sp. z o.o. w organizacji).**
41. ORLEN Neptun V sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 17.05.2021 change of company name (from Neptun V Sp. z o.o. w organizacji).**
42. ORLEN Neptun VI sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 12.05.2021 change of company name (from Neptun VI Sp. z o.o. w organizacji).**
43. ORLEN Neptun VII sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 21.05.2021 change of company name (from Neptun VII Sp. z o.o. w organizacji).**
44. ORLEN Neptun VIII sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 21.05.2021 change of company name (from Neptun VIII Sp. z o.o. w organizacji).**
45. ORLEN Neptun IX sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 25.05.2021 change of company name (from Neptun IX Sp. z o.o. w organizacji).**
46. ORLEN Neptun X sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 27.05.2021 change of company name (from Neptun X Sp. z o.o. w organizacji).**
47. ORLEN Neptun XI sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 14.05.2021 change of company name (from Neptun XI Sp. z o.o. w organizacji).**
48. ORLEN Energia sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 30.03.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 28.04.2021 change of company name (from ORLEN Energia Sp. z o.o. w organizacji).**
49. ORLEN Olefiny sp. z o.o.	**Płock**	**-**	**100.00%**	**On 14.05.2021 setting up a new company with 100% shares interest of PKN ORLEN S.A. On 18.06.2021 change of company name (from ORLEN Olefiny Sp. z o.o. w organizacji).**
50. Polska Press Sp. z o.o.	**Warszawa**	**-**	**100.00%**	**On 01.03.2021 purchased 100% shares by PKN ORLEN S.A.**
50.1 Pro Media Sp. z o.o.	Opole	-	53.00%	
51. ORLEN Transport Sp. z o.o. (previosly OTP Sp. z o.o.)	**Płock**	**-**	**100.00%**	**On 31.03.2021 purchased 100% shares by PKN ORLEN S.A. On 22.06.2021 change of company name (from OTP Sp. z o.o.)**

Appendix no. 3

Contract/amendment number	Subject of the document	Company	Valid from	Valid til	Contract conclusion date
42-2010	Conctract on securing of development und usage of joint IT environmnet for monitoring of Unipetrol Group surroundings, as amended	**Butadien Kralupy a.s.**	01.05.2010	indefinite	21.04.2010
179-2008	Credit contract, as amended	**Butadien Kralupy a.s.**	15.05.2008	indefinite	15.05.2008
0045 - 2021	Contract no. 0045-2021 on insurance and its governance - insurance of damages - 1. layer	**Butadien Kralupy a.s.**	01.05.2021	30.04.2022	
0033 - 2019	Framework agreement on securing of certain information and access to IT systems	**Butadien Kralupy a.s.**	01.01.2019	indefinite	
0057-2020	On transmission of trade secrets	**Butadien Kralupy a.s.**	01.11.2020	31.10.2023	10.11.2020
0060-2020	On transmission of trade secrets	**ORLEN Unipetrol Slovakia s. r. o.**	01.11.2020	10/31/2023	
0036 - 2019	Framework agreement on securing of certain information and access to IT systems	**ORLEN Unipetrol Slovakia s. r. o.**			
2-2011	Contract on usage of trademarks, logos and other brand names	**ORLEN Unipetrol Slovakia s. r. o.**	01.01.2010	indefinite	08.03.2011
0115 - 2015	Credit contract no 160-2009	**ORLEN Unipetrol Slovakia s. r. o.**	09.12.2009	indefinite	09.12.2009
0054 - 2015	Conctract on securing of development und usage of joint IT environmnet for monitoring of Unipetrol Group surroundings, as amended	**ORLEN Unipetrol Slovakia s. r. o.**	01.07.2014	indefinite	
406-2008	Contract on provision of complex services	**ORLEN Unipetrol Slovakia s. r. o.**	01.01.2008	indefinite	
0053-2020	On transmission of trade secrets	**PARAMO, a.s.**	01.10.2020	9/30/2023	
0047-2020	Contract no. 0047-2020 on insurance and its governance - insurance of damages - 1. layer	**PARAMO, a.s.**	01.05.2021	4/30/2022	
0032 - 2019	Framework agreement on securing of certain information and access to IT systems	**PARAMO, a.s.**	01.01.2019	indefinite	
30-2008	Conctract on securing of development und usage of joint IT environmnet for monitoring of Unipetrol Group surroundings, as amended	**PARAMO, a.s.**	01.01.2008	indefinite	28.04.2008
404-2008	CLA Agreement, as amended	**PARAMO, a.s.**	01.01.2008	indefinite	01.01.2008
196-2007	Framework agreement on reassining invoiced charges	**PARAMO, a.s.**	06.12.2007	indefinite	06.12.2007
139-2007	Credit agreement	**PARAMO, a.s.**	23.07.2007	indefinite	23.07.2007
243-2008	Credit agreement	**PARAMO, a.s.**	16.06.2008	indefinite	16.06.2008
137-2015	CLA Agreement, internal audit	**PARAMO, a.s.**	01.01.2016	indefinite	01.03.2016
0052-2020	On transmission of trade secrets	**PETROTRANS, s.r.o.**	01.10.2020	9/30/2023	
0097 - 2016	Cash pool B	**PETROTRANS, s.r.o.**	25.11.2016	indefinite	03.01.2017
	Insurance for statutory bodies	**PETROTRANS, s.r.o.**			29.01.2020
	Cooperation in the group	**PETROTRANS, s.r.o.**			05.10.2009
	on the assignment of the contract	**PETROTRANS, s.r.o.**			01.05.2019
0096 - 2016	Cash pool A	**PETROTRANS, s.r.o.**	25.11.2016	indefinite	03.01.2017
0136-2015	Provision of services (CLA), internal audit	**PETROTRANS, s.r.o.**	01.01.2016	indefinite	29.02.2016
133-2007	Credit agreement	**PETROTRANS, s.r.o.**	13.08.2007	indefinite	13.08.2007
0058-2020	On transmission of trade secrets	**ORLEN Unipetrol Doprava s.r.o.**	01.11.2020	10/31/2023	
204-2007	Credit agreement - usage of cashpool	**ORLEN Unipetrol Doprava s.r.o.**	16.04.2007	indefinite	16.04.2007
143-2007	Credit agreement no. S200/127/07	**ORLEN Unipetrol Doprava s.r.o.**	10.08.2007	indefinite	10.08.2007
203-2007	Credit agreement no. S200/087/07	**ORLEN Unipetrol Doprava s.r.o.**	16.07.2007	indefinite	16.07.2007
0133-2015	CLA	**ORLEN Unipetrol Doprava s.r.o.**	01.01.2016	indefinite	14.03.2016
15-2010	Agreement on usage of goodwill of Unipetrol, as amended	**ORLEN Unipetrol Doprava s.r.o.**	01.01.2009	indefinite	11.02.2010
0031-2019	Framework agreement on securing of certain information and access to IT systems	**ORLEN Unipetrol Doprava s.r.o.**	01.01.2019	indefinite	
	Agreement on cooperation in HSEQ	**ORLEN Unipetrol Doprava s.r.o.**	05.10.2009	indefinite	05.10.2009
	Agreement on cooperation in HSE	**ORLEN Unipetrol Doprava s.r.o.**	23.10.2009	indefinite	23.10.2009
	Agreement on cooperation aimed at improvement of commercial results	**ORLEN Unipetrol Doprava s.r.o.**	02.11.2009	indefinite	02.11.2009
	Agreement on usage of Framework agreement with DELL no. S400/082/00	**ORLEN Unipetrol Doprava s.r.o.**	30.03.2000	indefinite	30.03.2000
	Insurance agreement - insurance of non technology assets No. 0016-2021	**ORLEN Unipetrol Doprava s.r.o.**	01.01.2021	12/31/2021	29.04.2021
	Insurance agreement - liability insurance of statutory organs no 0011-2021	**ORLEN Unipetrol Doprava s.r.o.**	01.11.2021	10/30/2021	29.04.2021
0659 - 2021 rev. 0 dod. 0	Agreement No. 0050-2021 on Insurance and Administration Thereof - insurance of liability for damage – 1st layer	**ORLEN Unipetrol RPA, s.r.o.**	02.04.2021	30.04.2022	27.07.2021
0247 - 2021 rev. 0 dod. 0	Contract No. 0015-2021 - insurance and its support - insurance of nontechnology assets	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2021	31.12.2021	26.03.2021
0224 - 2021 rev. 0 dod. 0	Contract for insurance and its administration No. 0008-2021 - directors and officers liability insurance.	**ORLEN Unipetrol RPA, s.r.o.**	01.11.2020	31.10.2021	26.03.2021
1068 - 2020 rev. 0 dod. 0	Agreement on assignment of lease agreement_Mrs Ziobroń	**ORLEN Unipetrol RPA, s.r.o.**	15.07.2020	09.06.2022	15.07.2020
0695 - 2020 rev. 0 dod. 0	Agreement No. 0042-2020 on Insurance and Administration Thereof - insurance of liability for damage – 1st layer	**ORLEN Unipetrol RPA, s.r.o.**	01.05.2020	30.04.2021	12.11.2020
0827 - 2019 rev. 0 dod. 0	Contract to establish an easement	**ORLEN Unipetrol RPA, s.r.o.**	01.03.2020	indefinite	07.04.2020
0645 - 2019 rev. 0 dod. 0	Personal data protection agreement	**ORLEN Unipetrol RPA, s.r.o.**	01.08.2019	indefinite	23.09.2019
0079 - 2019 rev. 0 dod. 0	Contract on easement	**ORLEN Unipetrol RPA, s.r.o.**	31.10.2019	indefinite	06.09.2019
0078 - 2019 rev. 0 dod. 0	Contract on easement	**ORLEN Unipetrol RPA, s.r.o.**	31.10.2019	indefinite	06.09.2019
0032 - 2019 rev. 0 dod. 0	Contract for termination and estabilish of the easement	**ORLEN Unipetrol RPA, s.r.o.**	31.10.2019	indefinite	06.09.2019
0841 - 2018 rev. 0 dod. 0	The Framework Contract on ensuring provision of certain information and access to information systems	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2018	indefinite	03.12.2018
0841 - 2018 rev. 0 dod. 4	Supplement no. 4 to the Framework Contract on ensuring provision of certain information and access to information systems	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2021	31.12.2021	26.10.2021
0668 - 2018 rev. 0 dod. 0	Contract on easement	**ORLEN Unipetrol RPA, s.r.o.**	08.10.2012	indefinite	08.10.2012
0487 - 2018 rev. 0 dod. 0	Easement contract - Chvatěruby	**ORLEN Unipetrol RPA, s.r.o.**	31.12.2008	indefinite	
0458 - 2018 rev. 0 dod. 0	Contract for termination and estabilish of the easement - Chvatěruby, Veltrusy	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2008	indefinite	
0457 - 2018 rev. 0 dod. 0	Easement contract - Dolní Jiřetín, Záluží u Litvínova	**ORLEN Unipetrol RPA, s.r.o.**	11.04.2000	indefinite	
0456 - 2018 rev. 0 dod. 0	Easement contract - Easement contract	**ORLEN Unipetrol RPA, s.r.o.**	11.04.2000	indefinite	
0117 - 2018 rev. 0 dod. 0	Assignment of contract to UNIPETROL RPA	**ORLEN Unipetrol RPA, s.r.o.**	01.05.2016	until fully provided	21.06.2016
0497 - 2017 rev. 0 dod. 0	agreement on the assignment of a service contract	**ORLEN Unipetrol RPA, s.r.o.**	30.05.2017	indefinite	19.06.2017
0388 - 2017 rev. 0 dod. 0	Contract on easement	**ORLEN Unipetrol RPA, s.r.o.**	10.04.2017	indefinite	18.07.2017

Contract/amendment number	Subject of the document	Company	Valid from	Valid til	Contract conclusion date
0724 - 2016 rev. 0 dod. 0	Provision of internal audit services	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2016	indefinite	15.07.2016
0679 - 2016 rev. 0 dod. 0	Contract on facilitation of construction	**ORLEN Unipetrol RPA, s.r.o.**	10.08.2016	indefinite	05.09.2016
0578 - 2016 rev. 0 dod. 0	Premises lease agreement (provision of premises for firefighters for the purposes of on-call time, compliance with the requirements of Act No. 262/2006 Coll., Labor Code, related to the on-call time of HZSP Unipetrol RPA employees)	**ORLEN Unipetrol RPA, s.r.o.**	01.08.2016	indefinite	01.08.2016
0133 - 2016 rev. 0 dod. 0	Contract for the provision of comprehensive services	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2016	indefinite	15.03.2016
0016 - 2016 rev. 0 dod. 1	Service level agreement - Amendment no. 1	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2017	indefinite	23.08.2017
0016 - 2016 rev. 0 dod. 2	Service level agreement - Amendment no. 2 (SLA)_UNI AS	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2018	indefinite	15.05.2018
0016 - 2016 rev. 0 dod. 3	Service level agreement - Amendment no. 3 (SLA)_UNI AS	**ORLEN Unipetrol RPA, s.r.o.**	01.06.2018	indefinite	17.07.2018
0016 - 2016 rev. 0 dod. 4	Service level agreement - Amendment no. 4 (SLA)_UNI AS	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2019	indefinite	29.01.2019
0016 - 2016 rev. 0 dod. 5	Service level agreement - Amendment no. 5 (SLA)_UNI AS	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2020	indefinite	25.05.2020
0016 - 2016 rev. 0 dod. 6	Service level agreement - Amendment no. 6 (SLA)_UNI AS	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2021	indefinite	19.04.2021
0016 - 2016 rev. 0 dod. 0	Contract on supply of services	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2016	indefinite	23.02.2016
0558 - 2015 rev. 0 dod. 6	Price Supplement for 2021	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2021	indefinite	27.01.2021
0558 - 2015 rev. 0 dod. 0	Contract on supply of energy services	**ORLEN Unipetrol RPA, s.r.o.**	01.08.2015	indefinite	23.10.2016
165-2011 rev. 0 dod. 0	Contract on use of goodwill UNIPETROL, a.s.	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2009	indefinite	11.02.2010
165-2011 rev. 0 dod. 1	Amendment No. 1 to the Agreement on Use of Goodwill UNIPETROL, a.s.	**ORLEN Unipetrol RPA, s.r.o.**	16.03.2011	indefinite	13.04.2011
516-2010 rev. 0 dod. 0	Contract on easement	**ORLEN Unipetrol RPA, s.r.o.**	27.08.2010	indefinite	11.11.2010
154-2010 rev. 0 dod. 0	Contract on termination and creation of easements	**ORLEN Unipetrol RPA, s.r.o.**	10.01.2001	indefinite	10.01.2001
153-2010 rev. 0 dod. 0	Contract on the establishment of easement	**ORLEN Unipetrol RPA, s.r.o.**	27.12.1999	indefinite	27.12.1999
627-2009 rev. 0 dod. 0	SAP licensing	**ORLEN Unipetrol RPA, s.r.o.**	01.05.2009	indefinite	30.06.2009
627-2009 rev. 0 dod. 1	Appendix No. 1 - price increase	**ORLEN Unipetrol RPA, s.r.o.**	01.10.2009	indefinite	05.11.2009
627-2009 rev. 0 dod. 2	Appendix 2 - SAP Licensing	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2010	indefinite	20.05.2010
424-2009 rev. 0 dod. 0	Contract on property management no. S400/250/99	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2000	indefinite	01.01.2000
424-2009 rev. 0 dod. 1	Amendment 1 - Contract on property management no. S400/250/99	**ORLEN Unipetrol RPA, s.r.o.**	18.08.2003	indefinite	18.08.2003
424-2009 rev. 0 dod. 2	Amendment 2 - Contract on property management no. S400/250/99	**ORLEN Unipetrol RPA, s.r.o.**	11.10.2004	indefinite	11.10.2004
424-2009 rev. 0 dod. 3	Amendment 3 - Contract on property management no. S400/250/99	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2009	indefinite	04.03.2009
1032-2008 rev. 0 dod. 0	Corporate Level Agreement	**ORLEN Unipetrol RPA, s.r.o.**	18.12.2008	indefinite	19.12.2008
1032 - 2008 rev. 0 dod. 2	Amendment 1 - Corporate Level Agreement	**ORLEN Unipetrol RPA, s.r.o.**	10.12.2015	indefinite	10.11.2015
1017-2008 rev. 0 dod. 0	Contract on termination and establishment of an easement	**ORLEN Unipetrol RPA, s.r.o.**	12.05.2008	indefinite	26.08.2008
763-2008 rev. 0 dod. 0	Credit agreement - CZK 9.75 billion	**ORLEN Unipetrol RPA, s.r.o.**	25.06.2008	indefinite	25.06.2008
763-2008 rev. 0 dod. 1	Amendment 1 - Credit agreement - increasing the limit to CZK 12 billion	**ORLEN Unipetrol RPA, s.r.o.**	01.12.2008	indefinite	18.12.2008
763-2008 rev. 0 dod. 2	Amendment 2 - Credit agreement - increasing the limit to CZK 14 billion	**ORLEN Unipetrol RPA, s.r.o.**	11.01.2012	indefinite	11.01.2012
763-2008 rev. 0 dod. 3	Amendment 3 - Credit agreement - increasing the limit to CZK 17 billion	**ORLEN Unipetrol RPA, s.r.o.**	17.12.2013	indefinite	17.12.2013
548-2008 rev. 0 dod. 0	Contract on lease and provision of services (lease of premises in building no. 2838)	**ORLEN Unipetrol RPA, s.r.o.**	01.03.2008	indefinite	06.03.2008
548-2008 rev. 0 dod. 1	Contract on lease and provision of services (change in the subject of the lease - the tenant was moved from building no. 2838 to building no. 2846)	**ORLEN Unipetrol RPA, s.r.o.**	01.06.2010	indefinite	15.10.2010
471-2008 rev. 0 dod. 0	Contract on termination and establishment of an easement	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2008	indefinite	11.07.2008
895-2006 rev. 0 dod. 0	Contract on termination of an easement and on establishment of an easement	**ORLEN Unipetrol RPA, s.r.o.**	01.12.2006	indefinite	20.12.2006
402-2006 rev. 0 dod. 0	Contract on termination and establishment of an easement (exchange with Dopravní podnik)	**ORLEN Unipetrol RPA, s.r.o.**	01.04.2006	indefinite	30.03.2006
Č. 01656 / 2004	Contract on termination and establishment of an easement	**ORLEN Unipetrol RPA, s.r.o.**	08.12.2004	indefinite	08.12.2004
S 400/020/03	Establishment of an easement and termination of an easement	**ORLEN Unipetrol RPA, s.r.o.**	11.03.2003	indefinite	11.03.2003
5303-2003 rev. 0 dod. 1	Agreement on easement contracts (Unification of land use for individual UNIPETROL, a.s. companies - ČESKÁ RAFINÉRSKÁ, a.s. - CHEMOPETROL, a.s. -KAUČUK, a.s.)	**ORLEN Unipetrol RPA, s.r.o.**	01.02.2007	indefinite	15.05.2007
0119 - 2015 rev. 0 dod. 0	Agreement on Ensuring the Development and Use of the Common Information Environment for Monitoring the Unipetrol Group Environment + Appendices 1-6	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2008	indefinite	21.04.2008
0293 - 2014 rev. 0 dod. 0	Unipetrol - FA for use of PKB	**ORLEN Unipetrol RPA, s.r.o.**	20.11.2014	1.4.2015	02.12.2014
0293 - 2014 rev. 0 dod. 1	Open Drive Card - UNIPETROL	**ORLEN Unipetrol RPA, s.r.o.**	20.11.2014	indefinite	12.12.2014
0221 - 2014 rev. 0 dod. 0	Cooperation Level Agreement (CLA)	**ORLEN Unipetrol RPA, s.r.o.**	25.11.2008	indefinite	25.11.2008
0221 - 2014 rev. 0 dod. 1	Amendment 1 -Cooperation Level Agreement (CLA)	**ORLEN Unipetrol RPA, s.r.o.**	06.09.2012	indefinite	06.09.2012
0221 - 2014 rev. 0 dod. 2	Amendment 2 - Agreement (CLA)	**ORLEN Unipetrol RPA, s.r.o.**	25.11.2008	indefinite	02.10.2014
0004 - 2019 rev. 0 dod. 0	CONTRACT on provision of licences (sublicences) for use of SAP Software and provision of SAP support, as amended	**ORLEN Unipetrol RPA, s.r.o.**	01.03.2019	indefinite	
81-2009	Agreement on licensing (sublicence) on usage of SAP software and support provision	**ORLEN Unipetrol RPA, s.r.o.**	15.05.2009	indefinite	
76-2008	Framework agreement on devolopment and usage of common information environment for monitoring of Unipetrol Group	**ORLEN Unipetrol RPA, s.r.o.**	01.01.2008	indefinite	
98-2011	Agreement on provision of loans (contocorent)	**ORLEN Unipetrol RPA, s.r.o.**	01.10.2021	indefinite	
97-2011	Agreement on provision of loans	**ORLEN Unipetrol RPA, s.r.o.**	01.10.2021	indefinite	
0067-2020	On transmission of trade secrets	**ORLEN Unipetrol RPA Hungary Korlátolt Felelősségű Társaság, Kft.**	01.11.2020	31.10.2023	
0035 - 2019 rev. 0 dod. 0	Framework agreement on securing of certain information and access to IT systems	**ORLEN Unipetrol RPA Hungary Korlátolt Felelősségű Társaság, Kft.**	01.01.2019	indefinite	
0062 - 2017	Conctract on securing of development und usage of joint IT environmnet for monitoring of Unipetrol Group surroundings, as amended	**ORLEN Unipetrol RPA Hungary Korlátolt Felelősségű Társaság, Kft.**	01.01.2017	indefinite	
0068-2020	On transmission of trade secrets	**ORLEN Unipetrol Deutschland GmbH**	01.11.2020	31.10.2023	
0034 - 2019 rev. 0 dod. 0	Framework agreement on securing of certain information and access to IT systems	**ORLEN Unipetrol Deutschland GmbH**	01.01.2019	indefinite	
0022-2018	Conctract on securing of development und usage of joint IT environmnet for monitoring of Unipetrol Group surroundings, as amended	**ORLEN Unipetrol Deutschland GmbH**	01.01.2018	indefinite	
0048-2021	Contract no. 0048-2021 on insurance and its governance - insurance of damages - 1. layer	**ORLEN UniCRE a.s.**	01.05.2021	4/30/2022	

Contract/amendment number	Subject of the document	Company	Valid from	Valid til	Contract conclusion date
0046-2021	Contract no. 0046-2021 on insurance and its governance - insurance of damages - 1. layer	**ORLEN Asfalt Česká republika s.r.o.**	01.05.2021	4/30/2022	
0006-2016	Credit agreement A	**ORLEN Asfalt Česká republika s.r.o.**	01.02.2016	indefinite	12.04.2016
0007-2016	Credit agreement B	**ORLEN Asfalt Česká republika s.r.o.**	01.02.2016	indefinite	12.04.2016
57-2012	ACCESSION AGREEMENT, as amended	**ORLEN FINANCE AB**	30.06.2012	indefinite	30.06.2012
0129 - 2015	ACCESSION AGREEMENT regarding the Internal Agreement on Group Accounts System dated 12 April 2010 as amended, supplemented or restated from time to time	**ORLEN FINANCE AB**	31.12.2015	indefinite	20.11.2015
100-2010	Contract on provision of health care services	**ORLEN Medica, Sp. z o.o.**	01.02.2010	indefinite	01.02.2010
0024-2020	Information provision on important transactions	**Polski Koncern Naftowy ORLEN S.A.**	31.03.2020	indefinite	
0058 - 2018 rev. 0 dod. 0	Auditing services provision PKN Orlen to UNIPETROL a.s.	**Polski Koncern Naftowy ORLEN S.A.**	25.10.2018	indefinite	
0053-2021	Agreement to issue guarantees	**Polski Koncern Naftowy ORLEN S.A.**	31.08.2014	indefinite	
0003 - 2015 rev. 0 dod. 0	Agreement on cooperation and expences sharing	**Polski Koncern Naftowy ORLEN S.A.**	01.06.2014	indefinite	01.01.2009
0002 - 2015 rev. 0 dod. 0	Agreement on mutual cooperation	**Polski Koncern Naftowy ORLEN S.A.**	01.06.2014	indefinite	
112-2011	Agreement on mutual provision of personell	**Polski Koncern Naftowy ORLEN S.A.**	01.01.2011	indefinite	01.01.2011
61-2013	Internal audit cooperation agreement	**Polski Koncern Naftowy ORLEN S.A.**	01.07.2013	indefinite	01.07.2013
13-2010	Cooperation agreement	**Polski Koncern Naftowy ORLEN S.A.**	01.02.2010	indefinite	01.02.2010
0171-2014	AGREEMENT on cooperation in the area of centralized purchases and joint access to business and market information within the ORLEN Group	**Polski Koncern Naftowy ORLEN S.A., ANWIL S.A.**	24.10.2014	indefinite	24.10.2014
40-2016	Contracts on cooperation and trade secret preservation	**Polski Koncern Naftowy ORLEN S.A.**	31.08.2014	indefinite	31.08.2014
0060-2018	Framework agreement on securing of certain information and access to IT systems	**SPOLANA s.r.o.**	01.01.2018	indefinite	19.11.2018
0061-2017	Conctract on securing of development und usage of joint IT environmnet for monitoring of Unipetrol Group surroundings	**SPOLANA s.r.o.**	01.01.2017	indefinite	08.08.2017
0077 - 2016	Credit agreement B	**SPOLANA s.r.o.**	11.07.2016	indefinite	
0076 - 2016	Credit agreement A	**SPOLANA s.r.o.**	11.07.2016	indefinite	
0056-2020	On transmission of trade secrets	**SPOLANA s.r.o.**	01.10.2020	9/30/2023	
0090 - 2016 rev. 0 dod. 0	Corporate Level Agreement - IA services	**SPOLANA s.r.o.**	01.11.2016	indefinite	
0089 - 2016 rev. 0 dod. 0	Corporate Level Agreement - IA services	**SPOLANA s.r.o.**	01.11.2016	indefinite	
0049-2020	Contract no. 0049-2021 on insurance and its governance - insurance of damages - 1. layer	**SPOLANA s.r.o.**	01.05.2021	30.04.2022	
0160 - 2020 rev. 0 dod. 0	Contract no. 0043-2020 on insurance and its governance - insurance of damages - 1. layer	**SPOLANA s.r.o.**	5/1/2020	4/30/2023	11/10/2020
047 - 2021 rev. 0 dod. 0	Contract no. 0007-2021 on insurance and its governance - insurance for members of statutory bodies	**SPOLANA s.r.o.**	11/1/2020	10/31/2021	4/29/2021
0059-2020	Trade secrets contract	**HC VERVA Litvínov, a.s.**	03.12.2020	02.12.2023	03.12.2020
0091-2020	PoA for lead pool in connection to agreement on provision of cash pool with Česká spořitelna, a.s.	**HC VERVA Litvínov, a.s.**	24.10.2014	indefinite	
	Insurance agreement	**HC VERVA Litvínov, a.s.**	01.09.2020	31.12.2021	
0080-2020	Credit agreement B	**HC VERVA Litvínov, a.s.**	01.01.2021	indefinite	
0079-2020	Credit agreement A	**HC VERVA Litvínov, a.s.**	01.01.2021	indefinite	