SEPARATE FINANCIAL STATEMENTS OF PUBLIC COMPANY ORLEN LIETUVA FOR THE YEAR ENDED 31 DECEMBER 2022

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

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Independent auditor's report to the shareholder of AB ORLEN Lietuva

To the Shareholder of ORLEN Lietuva AB

Opinion

We have audited the financial statements of ORLEN Lietuva AB (the Company), which comprise of the separate statement of financial position as at 31 December 2022, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 ISAs, 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 management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Lietuva, UAB
Audit Company License No 001275

Simonas Rimašauskas
Lithuanian Certified Auditor
License No. 000466

Vilnius, Republic of Lithuania
24 April 2023

(in USD and EUR thous.)

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	for the year ended		for the year ended	
		31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Statement of profit or loss					
Sales revenues	7.1	7,912,606	7,551,971	5,016,953	4,263,826
Cost of sales	7.4	(7,344,109)	(7,020,912)	(4,721,745)	(4,013,449)
Gross profit on sales		**568,497**	**531,059**	**295,208**	**250,377**
Distribution expenses	7.4	(141,759)	(134,761)	(155,740)	(132,067)
General and administrative expenses	7.4	(59,737)	(58,784)	(57,885)	(49,013)
Other operating income	7.5	155,065	145,694	93,775	79,371
Other operating expenses	7.6	(690,901)	(642,907)	(92,578)	(77,612)
(Loss)/reversal of loss due to impairment of financial instruments		269	230	289	247
Profit/(loss) from operations		**(168,566)**	**(157,469)**	**83,089**	**71,303**
Finance income	7.7	11,506	10,836	11,335	9,590
Finance costs	7.7	(15,829)	(15,387)	(5,707)	(4,845)
Net finance income/(costs)		**(4,323)**	**(4,551)**	**5,628**	**4,745**
Profit/(loss) before tax		**(172,889)**	**(162,020)**	**88,717**	**76,048**
Income tax expense	7.8	(21,800)	(21,225)	(5,178)	(4,584)
Net profit/(loss)		**(194,689)**	**(183,245)**	**83,539**	**71,464**
Other comprehensive income:		**403**	**377**	**510**	**450**
which will not be reclassified subsequently into profit or loss:					
Actuarial gains and losses	8.9.2	403	377	510	450
which will be reclasified into profit or loss:		**(1,337)**	**27,122**	**3,123**	**33,127**
Hedging instruments		(1,337)	(1,340)	3,123	2,437
Exchange differences on translation		-	28,462	-	30,690
Other comprehensive income		**(934)**	**27,499**	**3,633**	**33,577**
Total net comprehensive income		**(195,623)**	**(155,746)**	**87,172**	**105,041**

Separate financial statements were approved on 24 April 2023.

Michal Rudnicki
General Director

Marek Gołębiewski
Chief Financial Officer

Genutė Čiapienė
Director of Accounting and Tax Administration

(in USD and EUR thous.)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	31/12/2022		31/12/2021	
		USD	EUR	USD	EUR
ASSETS					
Non-current assets					
Property, plant and equipment	8.1	163,938	153,702	332,134	293,043
Intangible assets	8.2	86,455	81,058	7,298	6,439
Right to use assets	10.1.1	4,796	4,495	27,497	24,260
Investments into subsidiaries and associates	8.3	56,001	52,504	56,001	49,410
Deferred tax assets	7.6.2	28,209	26,448	50,009	44,123
Other assets	8.7	5,312	4,979	2,972	2,622
Total non-current assets		**344,711**	**323,186**	**475,911**	**419,897**
Current assets					
Inventories	8.5.1	602,420	564,803	431,191	380,441
Trade and other receivables	8.5.2	250,748	235,092	379.189	334,560
Other assets	8.7	22,393	20,996	16,252	14,338
Current tax assets		425	398	452	399
Cash and cash equivalents		6,326	5,931	1,612	1,422
Non-current assets classified as held for sale		62	58	-	-
Total current assets		**882,374**	**827,278**	**828,696**	**731,160**
Total assets		**1,227,085**	**1,150,464**	**1,304,607**	**1,151,057**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	8.6	6,547	5,794	6,547	5,794
Share premium		50.172	132,152	50,172	132,152
Legal reserves		659	580	659	580
Hedging reserve		(2,897)	(2,716)	(1,560)	(1,378)
Exchange differences on translation		-	(56,389)	-	(86,851)
Retained earnings		250,503	206,519	444,789	391,387
Total equity		**304,984**	**285,940**	**500,607**	**441,686**
LIABILITIES					
Non-current liabilities					
Provisions	8.9	5,745	5,386	5,085	4,487
Lease liabilities	10.1.2	15,499	14,532	21,914	19,335
Loans and borrowings	8.8	22,438	21,037	34,429	30,377
Deferred income		175	164	-	-
Total non-current liabilities		**43,857**	**41,119**	**61,428**	**54,199**
Current liabilities					
Trade and other liabilities	8.5.3	396,063	371,332	440,274	388,455
Lease liabilities	10.1.2	6,054	5,676	7,610	6,714
Loans and borrowings	8.8	10,024	9,398	10,618	9,368
Provisions	8.9	150,823	141,405	138,659	122,339
Deferred income		18	15	-	-
Other liabilities	8.7	315,264	295,579	145,411	128,296
Total current liabilities		**878,244**	**823,405**	**742,572**	**655,172**
Total liabilities		**922,101**	**864,524**	**804,000**	**709,371**
Total equity and liabilities		**1,227,085**	**1,150,464**	**1,304,607**	**1,151,057**

Separate financial statements were approved on 24 April 2023.

Michał Rudnicki
General Director

Marek Golębiewski
Chief Financial Officer

Genutė Čiapienė
Director of Accounting and Tax Administration

(in USD and EUR thous.)

SEPARATE STATEMENT OF CHANGES IN EQUITY

USD	Equity attributable to equity holders of the Parent Company				
	Share capital and share premium	Hedging reserve	Legal reserves	Retained earnings	Total equity
1 January 2022	56,719	(1,560)	659	444,789	500,607
Profit for the year	-	-	-	(194,689)	(194,689)
Components of other comprehensive income	-	(1,337)	-	403	(934)
Total net comprehensive income	-	(1,337)	-	(194,286)	(195,623)
31 December 2022	56,719	(2,897)	659	250,503	304,984
1 January 2021	56,719	(4,683)	659	360,740	413,435
Profit for the year	-	-	-	83,539	83,539
Components of other comprehensive income	-	3,123	-	510	3,633
Total net comprehensive income	-	3,123	-	84,049	87,172
31 December 2021	56,719	(1,560)	659	444,789	500,607

EUR	Equity attributable to equity holders of the Parent Company					
	Share capital and share premium	Hedging reserve	Legal reserves	Exchange differences on translation	Retained earnings	Total equity
1 January 2022	137,946	(1,376)	580	(86,851)	391,387	441,686
Profit for the year	-	-	-	-	(183,245)	(183,245)
Components of other comprehensive income	-	(1,340)	-	28,462	377	27,499
Total net comprehensive income	-	(1,340)	-	28,462	(182,868)	(155,746)
31 December 2022	137,946	(2,716)	580	(58,389)	208,519	285,940
1 January 2021	137,946	(3,813)	580	(117,541)	319,473	336,645
Profit for the year	-	-	-	-	71,464	71,464
Components of other comprehensive income	-	2,437	-	30,690	450	33,577
Total net comprehensive income	-	2,437	-	30,690	71,914	105,041
31 December 2021	137,946	(1,376)	580	(86,851)	391,387	441,686

Separate financial statements were approved on 24 April 2023.

Michal Rudnicki
General Director

Marek Gołębiewski
Chief Financial Officer

Genutė Čiapienė
Director of Accounting and Tax Administration

(in USD and EUR thous.)

SEPARATE STATEMENT OF CASH FLOWS

	Note	for the year ended		for the year ended	
		31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Cash flows from operating activities					
Net profit/(loss)		**(194,889)**	**(183,245)**	**83,539**	**71,464**
Adjustments for:					
Depreciation and amortisation	7.4	42,335	40,052	43,544	36,875
Recognization/(Reversal) of impairment losses on property, plant and equipment, intangible assets and non-current assets classified as held for sale	7.5, 7.6	376,162	355,618	(1,324)	(1,186)
Foreign exchange (gain)/loss		(2,959)	(2,662)	(5,775)	(4,906)
Interest and dividend, net		9,591	9,324	2,667	2,310
(Profit)/loss on investing activities		172,233	154,193	9,519	7,503
Change in working capital:		(213,344)	(177,686)	(110,093)	(88,671)
receivables		*37,674*	*45,423*	*(135,019)*	*(110,975)*
inventories		*(174,620)*	*(139,986)*	*(177,259)*	*(144,749)*
liabilities		*(76,398)*	*(83,123)*	*202,185*	*167,053*
Change in provisions		151,712	143,791	23,921	20,549
Tax expense	7.8	21,800	21,225	5,178	4,584
Income tax (paid)/received		27	24	38	32
Change in financial instruments		(4,264)	(4,611)	2,789	2,714
Other adjustments		(114,782)	(107,818)	176	148
Net cash from operating activities		**243,822**	**248,205**	**54,179**	**51,416**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(295,027)	(280,801)	(95,246)	(80,130)
Acquisition of shares	8.3	-	-	(53,956)	(44,500)
Disposal of property, plant and equipment and intangible assets		84,107	77,534	369	325
Proceeds/repayment of loans granted		3	2	9	8
Increase/(decrease) in derivatives		(172,279)	(164,842)	(35,096)	(29,661)
Interest and dividend received		4,687	4,461	3,010	2,510
(Outflows)/proceeds from cash pool		99	87	(1,689)	(1,394)
Net cash (used) in investing activities		**(378,410)**	**(363,559)**	**(182,598)**	**(152,842)**
Cash flows from financing activities					
Proceeds from loans and borrowings		-	-	53,956	44,500
Repayment of loans and borrowings		(11,359)	(10,809)	(5,680)	(4,922)
(Outflows)/proceeds from cash pool		169,836	148,644	84,248	65,026
Interest paid		(13,007)	(12,538)	(4,890)	(4,156)
Payments of liabilities under lease agreements		(6,287)	(5,985)	(7,066)	(5,990)
Grants		120	122	-	-
Other		(1)	(1)	(21)	(18)
Net cash (used) in financing activities		**139,302**	**119,433**	**120,547**	**94,440**
Net (decrease)/increase in cash and cash equivalents		**4,714**	**4,079**	**(7,872)**	**(6,986)**
Effect of exchange rate changes		-	430	-	685
Cash and cash equivalents, beginning of the period		**1,612**	**1,422**	**9,484**	**7,723**
Cash and cash equivalents, end of the period		**6,326**	**5,931**	**1,612**	**1,422**
Restricted cash		-	-	-	-

Separate financial statements were approved on 24 April 2023.

Michal Rudnicki
General Director

Marek Gołębiewski
Chief Financial Officer

Genutė Čiapienė
Director of Accounting and Tax Administration

BASIC INFORMATION

1. ACTIVITY AND STRUCTURE OF THE COMPANY

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

Public Company ORLEN Lietuva ("the Company") comprises an oil refinery enterprise in Mažeikiai, the Būtingė terminal and an oil products pumping station in Biržai.
The sole shareholder of the Company is Polski Koncern Naftowy ORLEN S.A. (PKN ORLEN), code 610188201, address: Chemików 7, 09–411 Płock, Poland.
The company, as the parent company of the ORLEN LIETUVA group, does not prepare a set of consolidated financial statements and a consolidated annual report, based on the exception provided for in Article 6, Part 2 of the Law on Consolidated Reporting of Corporate Groups of the Republic of Lithuania. In order to ensure the efficiency of the reporting process, on 25/01/2023 the management of PKN ORLEN approved in writing the permission to use this exception. The financial statement data of the Company and its subsidiaries are included in the consolidated statements of the PKN ORLEN group.

Structure of the company

The Company has three subsidiaries and one associate which are listed below:

Name of entity	Headquarters	Share of the Group (%)		Nature of activity
		31/12/2022	31/12/2021	
Subsidiaries				
SIA ORLEN Latvija	Latvia - Riga	100	100	Wholesale of refined petroleum products in Latvia
OU ORLEN Eesti	Estonia - Tallinn	100	100	Wholesale of refined petroleum products in Estonia
UAB ORLEN Mockavos terminalas	Lithuania - Zelionka vil.	100	100	Reloading and handling of oil products
Associated company				
UAB Naftelf	Lithuania - Vilnius	34	34	Trading in aviation fuel and construction of storage facilities thereof

As at 15th June 2021, the Company acquired 100% shares in UAB Mockavos Terminalas, which name of entity was changed into UAB ORLEN Mockavos terminalas in 17th February 2022.

2. BASIS OF PREPARATION OF SEPARATE FINANCIAL STATEMENTS

The separate financial statements have been prepared with accounting principles contained in the International Financial Reporting Standards (IFRS), comprising International Accounting standards (IAS) as well as Interpretations of Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), which were adopted by the European Union (EU). The accounting principles applied by the Company are based on standarts and interpretations adopted by the European Union and applicable to the period beginning on 1 January 2022 or earlier periods.
The separate financial statements have been prepared on a historical cost basis, except derivatives measured at fair value through other comprehensive income. The separate financial statements have been prepared using the accrual basis of accounting except from the separate financial statement of cash flows.
The separate financial statements cover the annual reporting period from 1 January to 31 December 2022 and the comparative period from 1 January to 31 December 2021. Presented separate financial statements present a true and fair view of the Company's financial position as at 31 December 2022, results of its operations and cash flows for the year ended 31 December 2022.

The separate financial statements have been prepared on the assumption that the Company will continue to operate as a going concern in the foreseeable future. As at the date of approval of this separate financial statements, there is no evidence indicating that Company will not be able to continue its operations as a going concern. The Company have unlimited period of operations.

3. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY OF FINANCIAL STATEMENTS AND METHODS APPLIED TO TRANSLATION OF FINANCIAL DATA

The functional currency of the Company is US dollar (USD) and presentation currency of this separate financial statements is Euro (EUR).
Separate financial statements of the Company prepared in US dollars are translated to the presentation currency EUR by using:

- particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
- equity – using historical exchange rate,
- items of the statement of profit or loss and other comprehensive income and the statement of cash flows - using monthly average exchange rate for the reporting period (arithmetic average exchange rates published by European Central Bank of working days in a given period).

Foreign exchange differences resulting from the above recalculations are recognized in equity in the line of exchange differences on translation.

Exchange rates used for calculation of assets and liabilities

CURRENCIES	exchange rate at the end of the reporting period	
	31/12/2022	31/12/2021
EUR/USD	1.0666	1.1334

4. IMPACT OF THE MILITARY CONFLICT IN UKRAINE ON COMPANY‘S OPERATING AND FINANCING ACTIVITIES

The outbreak of the war in Ukraine significantly deepened the shortages of natural gas, crude oil and liquid fuels. Subsequent sanctions imposed on the import of hydrocarbons from Russia resulted in the initial period an intensive increase in the prices of crude oil and petroleum products. The prices of gas and electricity also rose. At the same time, in the whole period of 2022, there was a very high volatility in the quotations of CO2 emission allowances.

In the Company's opinion, the ongoing conflict in Ukraine will continue to affect the macroeconomic situation in the world and will cause volatility in the prices of refining and petrochemical products and raw materials, including oil and gas, energy and CO2 emission allowances and currency quotations, with the direction of impact on margins currently difficult to define. On the other hand, the scale and impact of the war in Ukraine on the macroeconomic situation and, consequently, the future financial situation of the Company, its operating activities, as well as its future financial results are currently very difficult to estimate.

So far, there have been no disruptions in the operational processes carried out within the Company, and there were no significant restrictions on the availability of raw materials, including crude oil. The Company believes that it has the necessary stocks of raw materials, including crude oil and fuels to ensure the continuity of production processes, and sufficient financial resources to enable it to settle its current liabilities and to continue planned investment projects.

In 2022, the Company did not incur significant financial losses due to the decrease in sales of petroleum products in Ukraine (the volume of products sold represented about 4% of total sales). Due to the low volume of sales in this country, the Company has not identified a significant increase in the risk of defaults on receivables disclosed at 31 December 2022.

On the basis of the analysis of the potential impact of changes in the macroeconomic situation in Europe and the world caused by the armed conflict in Ukraine and the sanctions imposed on Russia as at 31 December 2022, the Company has not identified any indications that it might not continue as a going concern.

5. ACCOUNTING PRINCIPLES

Significant accounting principles and significant values based on judgements and estimates are presented as a part of the specific explanatory notes to the separate financial statements. The Company applied the accounting principles consistently to all presented reporting periods.
The preparation of separate financial statements in accordance with IFRS requires that the Management make professional judgments, estimates and assumptions that affect the presented amounts. The estimates and related assumptions are based on historical expertise and other factors regarded as reliable in given circumstances and their effects provide grounds of professional judgments of the carrying amount of assets and liabilities which is not based directly on any other factors.
In the matters of considerable weight, the Management might base its estimates on opinions of independent experts.The judgments and estimates and related assumptions are verified on regular basis.

6. IMPACT OF IFRS CHANGES ON SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

IFRSs and their interpretations, announced and adopted by the European Union, effective for the current reporting period
Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use
Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRS 3 “Business Combinations” - Reference to the Conceptual Framework with amendments to IFRS 3
Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording

The aforesmentioned amendments to the existing standards did not have significant impact on the Company’s financial statements for 2022.

IFRSs and their interpretations, announced and adopted by the European Union, not yet effective
Amendments to IFRS 17 "Insurance Contracts" - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023)
IFRS 17 "Insurance Contracts" including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023)
Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Acounting Policies (applicable for annual periods beginning on or after 1 January 2023)
Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023)
Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

Standards adopted by International Accounting Standards Board (IASB), waiting for approval by the European Unic
Amendments to IAS 1 - Presentation of financial statements - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023)
Amendments to IAS 1 - Presentation of financial statements - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024)
Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024)
IFRS 14 - Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded)

According to Company’s estimates, the above-mentioned new standards and changes to existing standarts would not have a material impact on financial statements if applied by the Company at the balance sheet date.

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

7.1. Sales revenues

SELECTED ACCOUNTING PRINCIPLES

Sales revenues

Sales revenues of goods and services are recognized at a point in time (or over time) when a performance obligations are satisfied by transferring a promised good or service (i.e. an asset) to a customer in the amount reflecting the consideration, to which – as the Company expects – it will be entitled in exchange for these goods or services. An asset is transferred when the customer obtains control of that asset. The following circumstances indicate the transfer of control in accordance with IFRS 15: the current right of the seller to consideration for an asset, the legal ownership of the asset by the customer, physical possession of the asset, transfer of risks and rewards and acceptance of the asset by the customer. Revenues include received and due payments for delivered finished goods, merchandise, and services, decreased by the amount of any trade discounts and value added tax (VAT), excise tax and fuel charges. The amount of revenues is determined at the fair value of the payment received or due. Revenues from the sale of finished goods and services are adjusted for profits or losses from settlement of cash flows hedging instruments related to the above mentioned revenues. There is no significant financing component in the Company‘s contracts with customers.

	for the year ended		for the year ended	
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Sales of finished goods	7,557,881	7,211,936	4,854,556	4,126,432
Sales of services	38,382	36,739	19,056	16,162
Revenues from sales of finished goods and services, net	**7,596,263**	**7,248,675**	**4,873,612**	**4,142,594**
Sales of goods for resale	315,097	302,115	141,513	119,689
Sales of spare parts and other materials	1,246	1,181	1,828	1,543
Revenues from sales of goods for resale and spare parts, net	**316,343**	**303,296**	**143,341**	**121,232**
Total	**7,912,606**	**7,551,971**	**5,016,953**	**4,263,826**

Except of revenues according to product type and geographical region presented in notes 7.2 and 7.3, the Company analyses revenues based on the type of contract, date of transfer, contract duration and sales channels.

Contracts with customers in exchange for goods/services provided are based on a fixed price, thus the revenues already recognized will not change. With respect to sales of goods, the Company recognizes revenue from fulfilment of the performance obligation, depending on the terms of delivery applied (Incoterms DAP, FOB, FCA, CIF and others). The duration of contracts within the Company is short-term. Direct sales to customers in the Company are carried out using a network of complementary infrastructure components: own or third-party fuel terminals, from which products are transported by ships, rail transport and tankers.

7.2. Sales revenues in division on assortments

	for the year ended		for the year ended	
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Diesel fuel	4,457,323	4,261,637	2,333,041	1,981,874
Gasoline	1,997,640	1,901,285	1,569,973	1,334,548
Heavy heating oil	469,435	440,383	414,561	353,318
Jet A-1 fuel	251,461	240,221	135,933	116,106
LPG	111,487	105,893	127,836	108,590
Bitumens	145,533	140,747	122,773	103,995
Propylene	79,749	74,778	96,180	81,643
Other	360,350	349,107	195,772	166,047
Services	38,382	36,739	19,056	16,162
Sales of spare parts and other materials	1,246	1,181	1,828	1,543
Total	**7,912,606**	**7,551,971**	**5,016,953**	**4,263,826**

In 2022, there were two major customers in the Company, whose revenues from sales amounted to USD 1,699,142 thousand or EUR 1,606,754 thousand and individually exceeded 10% of total revenues from sale to external customers.

In 2021, there was one major customer in the Company, whose revenues from sales amounted to USD 745,969 thousand or EUR 659,846 thousand and individually exceeded 10% of total revenues from sale to external customers.

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

	for the year ended		for the year ended	
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Lithuania	1,616,327	1,547,882	923,582	783,962
Latvia and Estonia	2,148,740	2,058,447	999,395	848,328
Poland	661,250	625,452	316,560	272,315
Other EU countries	1,147,613	1,099,564	657,158	557,307
Other countries, including:	2,338,676	2,220,626	2,120,258	1,801,914
Switzerland	*1,005,771*	*956,248*	*926,690*	*787,814*
Total	**7,912,606**	**7,551,971**	**5,016,953**	**4,263,826**

Position Other countries mainly comprises sales to customers from Ukraine, United Kingdom and Singapore.

7.4. Cost by nature

SELECTED ACCOUNTING PRINCIPLES

Costs

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

	Note	for the year ended		for the year ended	
		31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Usage of materials and energy		(6,958,043)	(6,649,933)	(4,574,190)	(3,885,743)
Costs of goods for resale		(311,885)	(298,592)	(134,498)	(113,736)
External services		(164,841)	(156,735)	(182,617)	(154,770)
Employee benefits, including:		(57,261)	(54,362)	(53,476)	(45,274)
payroll expenses		*(52,995)*	*(50,312)*	*(49,466)*	*(41,870)*
social security expenses		*(982)*	*(932)*	*(775)*	*(659)*
Depreciation and amortization	8.1, 8.2, 10.1	(42,335)	(40,052)	(43,544)	(36,875)
Taxes and charges		(43,880)	(42,768)	(30,109)	(25,757)
Other costs		(16,692)	(15,795)	(14,972)	(12,668)
		(7,594,937)	**(7,258,237)**	**(5,033,406)**	**(4,274,823)**
Change in finished goods and work in progress		50,223	46,100	98,502	80,404
Cost of products and services for own use		(70)	(66)	(478)	(420)
Write-down of inventories	8.5.1	(821)	(254)	32	310
Total operating expenses		**(7,545,605)**	**(7,212,457)**	**(4,935,350)**	**(4,194,529)**
Distribution expenses		141,759	134,761	155,740	132,067
General and administrative expenses		59,737	56,784	57,865	49,013
Cost of sales		**(7,344,109)**	**(7,020,912)**	**(4,721,745)**	**(4,013,449)**

(in USD and EUR thous.)

7.5. Other operating income

	Note	for the year ended		for the year ended	
		31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Profit from disposal of non-financial fixed assets		259	254	369	325
Reversal of provisions		40	35	49	42
Subsidies		4,419	4,340	4,587	3,895
Reversal of impairment allowances of property, plant and equipment, intangible assets, right to use assets and other non curent assets, held for resale		276	251	1,834	1,609
Penalties, damages and compensations		240	221	5,237	4,521
Settlement and valuation of derivative financial instruments related to operational exposure	9.2	137,071	127,793	79,400	67,024
Ineffective part related to settlement and valuation of operating exposure	9.2	12,695	12,739	2,180	1,852
Other		65	61	119	103
Total		**155,065**	**145,694**	**93,775**	**79,371**

7.6. Other operating expenses

	Note	for the year ended		for the year ended	
		31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Loss from disposal of non-financial fixed assets		(4,280)	(3,985)	(267)	(225)
Donations		(776)	(731)	(579)	(487)
Recognition of provisions		(40)	(38)	(57)	(50)
Recognition of impairment allowances of property, plant and equipment, intangible assets, right to use assets and other non-current assets classified as held for sale		(376,438)	(355,869)	(510)	(423)
Penalties, damages and compensations		(13)	(12)	(60)	(50)
Settlement and valuation of derivative financial instruments related to operational exposure	9.2	(305,302)	(278,272)	(89,021)	(74,627)
Ineffective part related to settlement and valuation of operating exposure	9.2	(4,047)	(3,995)	(2,077)	(1,745)
Other		(5)	(5)	(7)	(5)
Total		**(690,901)**	**(642,907)**	**(92,578)**	**(77,612)**

7.7. Finance income and costs

	Note	for the year ended		for the year ended	
		31/12/2022	31/12/2022	31/12/2021	31/12/2021
Finance income		USD	EUR	USD	EUR
Dividends income	9.2	4,671	4,446	2,970	2,476
Interest	9.2	213	201	134	116
Net foreign exchange gains	9.2	6,710	6,178	8,189	6,964
Granted guarantee	9.2	12	11	41	34
Total finance income		**11,606**	**10,836**	**11,334**	**9,590**
Finance costs					
Interest	9.2	(14,308)	(13,813)	(5,686)	(4,827)
Granted guarantee	9.2	-	-	(21)	(18)
Costs of factoring	9.2	(1,621)	(1,574)	-	-
Total finance costs		**(15,929)**	**(15,387)**	**(5,707)**	**(4,845)**
Net finance income/(costs)		**(4,323)**	**(4,551)**	**5,627**	**4,745**

7.8. Tax expense

SELECTED ACCOUNTING PRINCIPLES

Income tax expenses

Income tax expenses (tax expense) include current tax and deferred tax. Current tax expense is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as a liability, in the amount which has not been paid or as an asset, if the amount of the current and prior periods income tax paid exceeds the amount due.

Deferred tax assets and liabilities are accounted as non-current and are not discounted. They are offset on the level of particular financial statements of the Company when there is a legally enforceable right to set off the recognized amounts.

	for the year ended		for the year ended	
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Deferred tax expense	21,800	21,225	5,178	4,584
Tax recognized in profit or loss	**21,800**	**21,225**	**5,178**	**4,584**

7.8.1. Reconciliation of effective tax rate

	for the year ended		for the year ended	
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Profit (loss) for the period before tax	(172,889)	(162,020)	88,717	76,048
Profit tax applying 15 % tax rate	(25,933)	(24,303)	13,308	11,407
Non-taxable income	(995)	(941)	(3,461)	(2,924)
Expenses not deductible for tax purposes	67,332	63,671	(5,864)	(4,954)
Fixed assets investment relief utilization/ (recognition)	(20,096)	(19,003)	3,302	2,790
Tax loss utilization (recognition)	2,451	2,318	(1,557)	(1,315)
Valuation of derivative financial instruments	(724)	(685)	(385)	(325)
Other	(235)	(222)	(165)	(139)
Exchange differences on translation	-	390	-	44
Tax expense	**21,800**	**21,225**	**5,178**	**4,584**

7.8.2. Deferred tax

	31/12/2021		Deferred tax recognized in statement of profit or loss		Foreign exchange differences	31/12/2022	
Deferred tax assets / (liabilities)	**USD**	**EUR**	**USD**	**EUR**	**EUR**	**USD**	**EUR**
Impairment allowances	118,240	104,323	56,229	53,172	6,080	174,469	163,575
Provisions and accruals	4,999	4,411	(4,701)	(4,445)	313	298	279
Unrealized foreign exchange differences	(4,443)	(3,920)	1,448	1,369	(257)	(2,995)	(2,808)
Difference between carrying amount and tax base of property, plant and equipment	(58,304)	(51,442)	(5,296)	(5,008)	(3,179)	(63,600)	(59,629)
Tax loss carried forward	43,765	38,614	(27,278)	(26,406)	3,250	16,487	15,458
Valuation of derivative financial instruments	(261)	(230)	724	685	(21)	463	434
Investment relief	1,507	1,329	9,455	8,941	8	10,962	10,278
Other	699	617	(78)	(74)	39	621	582
Total deferred tax assets / (liabilities)	**106,202**	**93,702**	**30,503**	**28,234**	**6,233**	**136,705**	**128,169**
Deferred tax asset / (liabilities) not recognised	**(56,193)**	**(49,579)**	**(52,303)**	**(49,459)**	**(2,683)**	**(108,496)**	**(101,721)**
Deferred tax, net	**50,009**	**44,123**	**(21,800)**	**(21,225)**	**3,550**	**28,209**	**26,448**

(in USD and EUR thous.)

	31/12/2020		Deferred tax recognized in statement of profit or loss		Foreign exchange differences	31/12/2021	
Deferred tax assets / (liabilities)	**USD**	**EUR**	**USD**	**EUR**	**EUR**	**USD**	**EUR**
Impairment allowances	118,976	96,878	(736)	(622)	8,067	118,240	104,323
Provisions and accruals	9,136	7,439	(4,137)	(3,495)	467	4,999	4,411
Unrealized foreign exchange differences	6,935	5,647	(11,378)	(9,612)	45	(4,443)	(3,920)
Difference between carrying amount and tax base of property, plant and equipment	(53,772)	(43,785)	(4,532)	(3,829)	(3,828)	(58,304)	(51,442)
Tax loss carried forward	48,409	39,418	(4,644)	(4,133)	3,329	43,765	38,614
Valuation of derivative financial instruments	(647)	(527)	386	326	(29)	(261)	(230)
Investment relief	1,112	905	395	334	90	1,507	1,329
Other	801	653	(102)	(86)	50	699	617
Total deferred tax assets / (liabilities)	**130,950**	**106,628**	**(24,748)**	**(21,117)**	**8,191**	**106,202**	**93,702**
Deferred tax asset / (liabilities) not recognised	**(75,763)**	**(61,691)**	**19,570**	**16,533**	**(4,421)**	**(56,193)**	**(49,579)**
Deferred tax, net	**55,187**	**44,937**	**(5,178)**	**(4,584)**	**3,770**	**50,009**	**44,123**

8. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1. Property, plant and equipment

SELECTED ACCOUNTING PRINCIPLES

Property, plant and equipment

Property, plant and equipment shall be measured initially at acquisition or production cost and shall be presented in the statement of financial position in its net carrying amount. Property, plant and equipment are presented in the statement of financial position at the net book value which is the amount at which an asset is initially recognized (cost) less accumulated depreciation and any accumulated impairment losses.

The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment.

Fixed assets are depreciated with straight-line method and in justified cases units of production method of depreciation (catalysts).

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over the period reflecting its useful life.

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

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

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

PROFESSIONAL JUDGEMENT AND ESTIMATES

Useful lives of property, plant and equipment

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

The impact of verification of useful lives in 2022 resulted in a decrease of depreciation costs by USD 278 thousands or EUR 263 thousands compared to depreciation costs that were recognised based on useful lives applied in 2021.

(in USD and EUR thous.)

USD	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount at 01/01/2022						
Gross carrying amount	1	445,156	1,401,004	95,205	60,218	2,001,584
Accumulated depreciation	-	(207,673)	(650,053)	(40,846)	-	(898,572)
Impairment allowances	(1)	(184,490)	(567,335)	(10,599)	(8,453)	(770,878)
	-	**52,993**	**183,616**	**43,760**	**51,765**	**332,134**
Increases/(decreases), net						
Investment expenditures	-	2,170	65,746	8,239	145,728	221,883
Depreciation	-	(2,675)	(26,508)	(5,766)	-	(34,949)
Reclassifications	-	510	16,914	(2,817)	(15,476)	(869)
Other	-	(445)	(1,642)	(113)	-	(2,200)
Impairment allowances, net	**-**	**(35,850)**	**(178,177)**	**(9,737)**	**(128,297)**	**(352,061)**
Recognition	-	(36,241)	(176,984)	(10,119)	(131,179)	(354,523)
Reversal	-	-	-	251	16	267
Reclassifications	-	(54)	(2,758)	19	3,450	657
Other	-	445	1,565	112	(584)	1,538
	-	**16,703**	**59,949**	**33,566**	**53,720**	**163,938**
Net carrying amount at 31/12/2022						
Gross carrying amount	1	442,431	1,459,610	96,589	190,469	2,189,100
Accumulated depreciation	-	(205,388)	(654,148)	(42,687)	-	(902,223)
Impairment allowances	(1)	(220,340)	(745,513)	(20,336)	(136,749)	(1,122,939)
	-	**16,703**	**59,949**	**33,566**	**53,720**	**163,938**
Net carrying amount at 01/01/2021						
Gross carrying amount	1	433,609	1,387,022	99,679	56,690	1,977,001
Accumulated depreciation	-	(205,188)	(638,850)	(44,046)	-	(888,084)
Impairment allowances	(1)	(184,192)	(571,694)	(10,849)	(10,023)	(776,759)
	-	**44,229**	**176,478**	**44,784**	**46,667**	**312,158**
Increases/(decreases), net						
Investment expenditures	-	6,404	14,059	8,329	29,674	58,466
Depreciation	-	(2,596)	(26,730)	(5,557)	-	(34,883)
Reclassifications	-	5,548	20,159	(124)	(26,030)	(447)
Other	-	(294)	(4,709)	(3,922)	(116)	(9,041)
Impairment allowances, net	**-**	**(298)**	**4,359**	**250**	**1,570**	**5,881**
Recognition	-	(109)	(325)	-	(76)	(510)
Reversal	-	9	1,465	2	355	1,831
Reclassifications	-	(348)	(1,445)	121	1,283	(389)
Other	-	150	4,664	127	8	4,949
Net carrying amount at 31/12/2021	**-**	**52,993**	**183,616**	**43,760**	**51,765**	**332,134**

(in USD and EUR thous.)

EUR	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount at 01/01/2022						
Gross carrying amount	1	392,762	1,236,108	83,999	53,130	1,766,000
Accumulated depreciation	-	(183,230)	(573,542)	(36,039)	-	(792,811)
Impairment allowances	(1)	(162,776)	(500,561)	(9,350)	(7,458)	(680,146)
	-	**46,756**	**162,005**	**38,610**	**45,672**	**293,043**
Increases/(decreases), net						
Investment expenditures	-	2,134	65,484	7,860	136,207	211,685
Depreciation	-	(2,530)	(25,067)	(5,477)	-	(33,074)
Reclassifications	-	458	15,891	(2,766)	(14,405)	(822)
Other	-	(421)	(1,612)	(108)	-	(2,141)
Impairment allowances, net	**-**	**(33,903)**	**(169,336)**	**(9,250)**	**(120,272)**	**(332,761)**
Recognition	-	(34,275)	(168,193)	(9,606)	(123,079)	(335,153)
Reversal	-	-	-	228	15	243
Reclassifications	-	(49)	(2,679)	21	3,330	623
Other	-	421	1,536	107	(538)	1,526
Foreign exchange differences, incl.:	-	3,166	8,840	2,602	3,164	17,772
foreign exchange differences of impairment allowances	-	(9,904)	(29,066)	(464)	(479)	(39,913)
	-	**15,660**	**56,205**	**31,471**	**50,366**	**153,702**
Net carrying amount at 31/12/2022						
Gross carrying amount	1	414,806	1,368,469	90,557	178,576	2,052,409
Accumulated depreciation	-	(192,564)	(613,302)	(40,021)	-	(845,887)
Impairment allowances	(1)	(206,582)	(698,962)	(19,065)	(128,210)	(1,052,820)
	-	**15,660**	**56,205**	**31,471**	**50,366**	**153,702**
Net carrying amount at 01/01/2021						
Gross carrying amount	1	353,073	1,129,405	81,165	46,160	1,609,804
Accumulated depreciation	-	(167,077)	(520,193)	(35,865)	-	(723,135)
Impairment allowances	(1)	(149,981)	(465,512)	(8,834)	(8,161)	(632,489)
	-	**36,015**	**143,700**	**36,466**	**37,999**	**254,180**
Increases/(decreases), net						
Investment expenditures	-	5,633	12,091	6,916	25,017	49,657
Depreciation	-	(2,196)	(22,644)	(4,713)	-	(29,553)
Reclassifications	-	4,768	17,173	(107)	(22,170)	(336)
Other	-	(253)	(3,996)	(3,464)	(96)	(7,809)
Impairment allowances, net	**-**	**(253)**	**3,747**	**209**	**1,329**	**5,032**
Recognition	-	(91)	(269)	-	(63)	(423)
Reversal	-	8	1,294	2	302	1,606
Reclassifications	-	(300)	(1,236)	100	1,083	(353)
Other	-	130	3,958	107	7	4,202
Foreign exchange differences, incl.:	-	3,042	11,934	3,303	3,593	21,872
foreign exchange differences of impairment allowances	-	(12,542)	(38,795)	(727)	(626)	(52,690)
Net carrying amount at 31/12/2021	**-**	**46,756**	**162,005**	**38,610**	**45,672**	**293,043**

(in USD and EUR thous.)

Other information connected with property, plant and equipment

	31/12/2022 USD	31/12/2022 EUR	31/12/2021 USD	31/12/2021 EUR
The acquisition costs of all fully depreciated property, plant and equipment still in use	145,461	136,378	105,335	92,938
The carrying amounts of idle property, plant and equipment and not clasified as held for sale	24	23	1	1

Should the methodology applied in 2021 be used, the acquisition costs of fully depreciated property, plant and equipment still in use be USD 46 308 thousand or EUR 49 392 thousand as at 31 December 2022 and USD 48 283 thousand or EUR 42 600 thousand as at 31 December 2021.

8.2. Intangible assets

SELECTED ACCOUNTING PRINCIPLES

Intangible assets

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

Rights

The main item of rights is CO2 emission rights, not amortised, tested for impairment.
Granted emission allowances are presented as intangible assets in correspondence with deferred income at fair value as at the date of registration. If the allowances in a given year are not registered on the account under the date resulting from regulations, they are presented as receivable on 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.
Purchased allowances are presented at purchase price. For the estimated CO2 emission during the reporting period, a provision is created (taxes and charges).
Grants are recognized on a systematic basis in each reporting period to ensure proportionality with the relevant costs of the created reserve. The Company recognises costs flows of CO2 emission allowances at weighted average method.

ESTIMATES

Useful lives of intangible assets

The Company verifies useful lives of intangible assets once at year end with effect from the beginning of next year. Useful lives of intangible assets after the verification remained unchanged in 2022.

(in USD and EUR thous.)

USD	Software	Licenses, patents and similar assets	Emission rights	Total
Net carrying amount at 01/01/2022				
Gross carrying amount	25,188	8,438	-	33,626
Accumulated amortisation	(16,406)	(5,896)	-	(22,302)
Impairment allowances	(3,859)	(167)	-	(4,026)
	4,923	**2,375**	**-**	**7,298**
Increases/(decreases), net				
Investment expenditures	1,188	56	-	1,244
Purchases	-	-	84,460	84,460
Received free of charge	-	-	226,490	226,490
Sales	-	-	(87,618)	(87,618)
Amortisation	(1,422)	(3)	-	(1,425)
Reclassifications	175	-	-	175
Emission settlement	-	-	(138,484)	(138,484)
Other	(4)	(1)	-	(5)
Impairment allowances, net	**(3,601)**	**(2,079)**	**-**	**(5,680)**
Recognition	(3,589)	(2,043)	-	(5,632)
Other	4	-	-	4
Reclassifications	(16)	(36)	-	(52)
	1,259	**348**	**84,848**	**86,455**
Net carrying amount at 31/12/2022				
Gross carrying amount	26,361	8,494	84,848	119,703
Accumulated amortisation	(17,642)	(5,900)	-	(23,542)
Impairment allowances	(7,460)	(2,246)	-	(9,706)
	1,259	**348**	**84,848**	**86,455**
Net carrying amount at 01/01/2021				
Gross carrying amount	24,279	6,135	-	30,414
Accumulated amortisation	(15,919)	(5,865)	-	(21,784)
Impairment allowances	(3,818)	(167)	-	(3,985)
	4,542	**103**	**-**	**4,645**
Increases/(decreases), net				
Investment expenditures	1,038	2,314	-	3,352
Purchases	-	-	33,478	33,478
Amortisation	(1,514)	(31)	-	(1,545)
Reclassifications	11	(11)	-	-
Emission settlement	-	-	(33,478)	(33,478)
Other	886	-	-	886
Impairment allowances, net	**(40)**	**-**	**-**	**(40)**
Other	(40)	-	-	(40)
Net carrying amount at 31/12/2021	**4,923**	**2,375**	**-**	**7,298**

(in USD and EUR thous.)

EUR	Software	Licenses, patents and similar assets	Emission rights	Total
Net carrying amount at 01/01/2022				
Gross carrying amount	22,224	7,445	-	29,669
Accumulated amortisation	(14,475)	(5,203)	-	(19,678)
Impairment allowances	(3,405)	(147)	-	(3,552)
	4,344	**2,095**	**-**	**6,439**
Increases/(decreases), net				
Investment expenditures	1,124	54	-	1,178
Purchases	-	-	79,868	79,868
Received free of charge	-	-	202,152	202,152
Sales	-	-	(80,755)	(80,755)
Amortisation	(1,346)	(3)	-	(1,349)
Reclassifications	165	-	-	165
Emission settlement	-	-	(127,638)	(127,638)
Other	(3)	-	-	(3)
Impairment allowances, net	**(3,405)**	**(1,965)**	**-**	**(5,370)**
Recognition	(3,394)	(1,930)	-	(5,324)
Reversal	-	-	-	-
Other	3	-	-	3
Reclassifications	(14)	(35)	-	(49)
Foreign exchange differences, incl.:	302	146	5,923	6,371
foreign exchange differences of impairment allowances	(185)	7	-	(178)
	1,181	**327**	**79,550**	**81,058**
Net carrying amount at 31/12/2022				
Gross carrying amount	24,715	7,964	79,550	112,229
Accumulated amortisation	(16,540)	(5,532)	-	(22,072)
Impairment allowances	(6,994)	(2,105)	-	(9,099)
	1,181	**327**	**79,550**	**81,058**
Net carrying amount at 01/01/2021				
Gross carrying amount	19,769	4,996	-	24,765
Accumulated amortisation	(12,962)	(4,776)	-	(17,738)
Impairment allowances	(3,109)	(136)	-	(3,245)
	3,698	**84**	**-**	**3,782**
Increases/(decreases), net				
Investment expenditures	894	1,920	-	2,814
Purchases	-	-	28,013	28,013
Amortisation	(1,280)	(27)	-	(1,307)
Reclassifications	9	(9)	-	-
Emission settlement	-	-	(28,013)	(28,013)
Other	735	-	-	735
Impairment allowances, net	**(34)**	**-**	**-**	**(34)**
Other	(34)	-	-	(34)
Foreign exchange differences, incl.:	322	127	-	449
foreign exchange differences of impairment allowances	(261)	(11)	-	(272)
Net carrying amount at 31/12/2021	**4,344**	**2,095**	**-**	**6,439**

Other information regarding intangible assets

	31/12/2022 USD	31/12/2022 EUR	31/12/2021 USD	31/12/2021 EUR
The acquisition costs of all fully amortized intangible assets still in use	11,287	10,582	10,282	9,072

Should the methodology applied in 2021 be used, the acquisition costs of fully amortized intangible assets still in use be USD 7 339 thousand or EUR 7 828 thousand as at 31 December 2022 and USD 7 506 thousand or EUR 6 623 thousand as at 31 December 2021.

8.2.1. Rights

Changes in owned CO_2 emission rights (EUA) for 2022

	Quantity (in tonnes)	USD	EUR
1 January 2022	**-**	**-**	**-**
Received free of charge	2,455,728	226,490	202,152
Sales/ repurchase*	-	(3,158)	(887)
Settled emission for 2021 (audited)	(1,501,524)	(138,484)	(127,638)
Exchange differences on translation	-	-	5,923
31 December 2022	**954,204**	**84,848**	**79,550**
Emission in 2022 (not audited)	1,668,830	149,373	140,046
Shortage	**(714,626)**	**(64,525)**	**(60,496)**

The Company received granted emission allowances for 2021 in quantity of 1.2 million tonnes in February 2022, granted emission allowances for 2022 in quantity of 1.2 million tonnes in March 2022 and received granted emission allowances for 2023 in quantity of 1.2 million tonnes in February 2023. The balance of received emission allowances for 2022 and 2023 will be sufficient for the settlement of CO2 emission for 2022.
As at 31 December 2022 and 31 December 2021 the market price of one EUA amounted to 89.56 USD/t or 83.97 EUR/t and 91.41 USD/t or 80.65 EUR/t, respectively.
* Sales/repurchase amount is related to the net effect of sales and repurchase of 950,000 tonnes of CO2 emission rights to/from sole shareholder PKN Orlen.

Changes in owned CO_2 emission rights (EUA) for 2021

	Quantity (in tonnes)	USD	EUR
1 January 2021	**-**	**-**	**-**
Purchase	1,478,463	33,478	28,013
Settled emission for 2020 (audited)	(1,478,463)	(33,478)	(28,013)
31 December 2021	**-**	**-**	**-**

8.3. Investments into subsidiaries and associates

SELECTED ACCOUNTING PRINCIPLES

Investment in subsidiaries and associate is measured at acquisition cost less impairment allowances.
Non repayable additional payments to equity with non-confirmed repayment date are presented in shares in the transferring payment entity and shall be treated as an investment. Repayable additional payments to equity are initialy recognized at fair value in the current or non-current receivables depending on the date of return, i.e. up to 12 months – current receivables or more than 12 months as non-current receivables.
Recognition and reversal of impairment allowances of shares are presented in financing activities.

PROFESSIONAL JUDGEMENT

Investments in subsidiaries and associates
The Company, 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.

	2022	2022	2021	2021
	USD	EUR	USD	EUR
1 January	**56,001**	**49,410**	**2,045**	**1,665**
Acquisition of subsidiary	-	-	53,956	44,500
Exchange differences on translation	-	3,094	-	3,245
As at 31 December	**56,001**	**52,504**	**56,001**	**49,410**

As at 31 December 2022 the Company had investments in subsidiaries SIA ORLEN Latvija, OU ORLEN Eesti and UAB ORLEN Mockavos terminalas.

UAB Naftelf and UAB ORLEN Mockavos terminalas did not pay dividends in 2022. UAB Naftelf did not pay dividends in 2021 as well.

USD	Acquisition costs	Book value	Equity	Acquisition costs	Book value	Equity
	31/12/2022			31/12/2021		
Subsidiaries						
UAB ORLEN Mockavos terminalas	53,956	53,956	9,376	53,956	53,956	9,767
SIA ORLEN Latvija	316	316	7,233	316	316	3,644
OU ORLEN Eesti	709	709	5,788	709	709	3,188
Total	**54,981**	**54,981**	**22,397**	**54,981**	**54,981**	**16,599**
Associated company						
UAB Naftelf	1,020	1,020	5,221	1,020	1,020	4,546
Total	**1,020**	**1,020**	**5,221**	**1,020**	**1,020**	**4,546**
Total	**56,001**	**56,001**	**27,618**	**56,001**	**56,001**	**21,145**

EUR	Acquisition costs	Book value	Equity	Acquisition costs	Book value	Equity
	31/12/2022			31/12/2021		
Subsidiaries						
UAB Mockavos terminalas	50,587	50,587	8,791	47,605	47,605	8,617
SIA ORLEN Latvija	296	296	6,781	279	279	3,215
OU ORLEN Eesti	665	665	5,426	626	626	2,813
Total	**51,548**	**51,548**	**20,998**	**48,510**	**48,510**	**14,645**
Associated company						
UAB Naftelf	956	956	4,895	900	900	4,011
Total	**956**	**956**	**4,895**	**900**	**900**	**4,011**
Total	**52,504**	**52,504**	**25,893**	**49,410**	**49,410**	**18,656**

Impairment test for investments in UAB ORLEN Mockavos terminalas was performed according IAS 36. The value of shares is determined on a basis of the cash flows generated according to approved Financial Plan for 2023, updated long-term assumptions and projections made for later years. The calculation includes change of net working capital and net debt. The discount rate used for the impairment testing was as follows:

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Discount rate	%	10.75	10.15	9.73	9.75	9.81	9.00	9.00	9.00	9.00	9.00	9.00

As at 31 December 2022 the Company did not identify any impairment indications for investments in UAB ORLEN Mockavos terminalas.

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

SELECTED ACCOUNTING PRINCIPLES

Impairment of property, plant and equipment, intangible assets and right to 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 recognised impairment should be reversed.

Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (CGU). If such case occurs, the recoverable amount is determined on the CGU level, to which the asset belongs.

Recognition and reversal of impairment allowances of property, plant and equipment, intangible assets and right to use assets is recognised in other operating activity.

ESTIMATES AND JUDGMENTS

Impairment of property, plant and equipment, intangible assets

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

Main assumptions adopted in asset impairment tests as at 31 December 2022

Asset impairment tests carried out based on future expected net cash flows, developed on the basis of:

(i) macroeconomic assumptions and financial performance projections included in the Financial Plan of PKN ORLEN Group and ORLEN Lietuva for 2023,
(ii) updated long-term assumptions: oil prices, quotations of main refinery products - based on IHS Markit, gas prices - based on forward curves for Polish Power Exchange (POLPX) and Trading Hub Europe (THE) and IHS Markit projections, electricity prices, CO2 emission rights - based on National Centre for Emissions Management (KOBiZE) data,
(iii) consideration of major climate factors and energy transition policies.

Net cash flows were discounted to their present value using discount rates reflecting current market estimates of the time value of money and risks typical of the assets being valued.

Net cash flows planned for assets of ORLEN Lietuva

ORLEN Lietuva performed impairment tests on assets using the method of discounted future cash flows from operating activities (value in use).

The source of long-term macroeconomic forecasts for Company cash generating unit (CGU) assets is IHS Markit and other supporting sources (forward curves, banks' predictions, analyses of government agencies) as well as analyses and opinions of experts in PKN ORLEN Group taking into account the following assumptions:

- According to IHS forecasts, crude oil will continue to be the main source of energy, with maximum consumption in 2030. Similarly, for refinery products, demand will peak in 2030. This will be driven by the ongoing energy transition (alternative fuels, change in vehicle powertrains, technological innovations).
- In the medium term, supply in the crude oil market is expected to gradually decline, with crude prices supported by persistent natural gas shortages.
- New refining capacity will be developed mainly in Asia and the Middle East, to a smaller extent in Latin America and Africa.
- Steadily increasing forecasts of Brent dtd quotations have been driven by the European Union's bans on imports of Russian crude oil and petroleum products, as well as by other international sanctions against Russia over its invasion of Ukraine. In the longer term, the increase in oil demand is mainly driven by demand for chemicals, as energy efficiency and the substitution of electric vehicles may lead to a reduction in road transport consumption.
- According to the IHS forecast, Brent dtd will reach 94.9 USD/bbl in 2023. In 2024-2025, the price of Brent dtd oil will settle at 88.0 USD/bbl. For subsequent years, it is expected to rise to 103.9 USD/bbl in 2033.
- The margin for gasoline (the difference between the quotation of the product and the price of Brent dtd crude oil) will reach 228.7 USD/t in 2023 due to anticipated lower imports of the product mainly from the East. It will drop to 182.6 USD/t in 2025, and gradually increase in subsequent years to reach 205.1 USD/t in 2033.
- The projected high level of 223.8 USD/t for the diesel fuel margin in 2023 is due to a projected decrease in the availability of imported product from Russia due to sanctions. The diesel fuel margin is expected to be 112.2 USD/t in 2024 and is projected to fall to 97.6 USD/t in 2025. Since 2026, the margin is expected to increase gradually up to 118.3 USD/t in 2033, with the main reason of increased demand in the Asia-Pacific region.
- The projected price of CO2 emission rights for 2023 is at 70.0 EUR/t. In the following years, the forecasts increase to the level of 147.0 EUR/t in 2033. The formation of CO2 emission rights price forecasts was mostly affected by legislative work related to the EU ETS reform under the Fit for 55 package.
- Financial flows for impairment testing include a gradual plan to reduce CO2 emissions to -25% in 2030 in comparison to 2022 and for upcoming years keep the targets set in ORLEN Group Decarbonization Strategy.
- The entry of the European Commission's regulation on the operation of a border carbon tax, the so-called CBAM (carbon border adjustment mechanism), is assumed.
- Limited availability of crude oil from the Russian direction is taken into account.
- Capital expenditures of a replacement nature at a level that ensures the maintenance of the production capacity of existing fixed assets. In addition, due to the significant level of completion, development project of Bottom of the Barrel in progress was also included.
- Working capital assumptions taken in to test were to keep stable turnover ratios based on approved Budget 2023 and assumed fluctuation of Crude oil and product prices in the World market.

Main macro assumptions

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Exchange rates	USD/EUR	1.05	1.12	1.15	1.18	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Inflation rates	%	9.1	3.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Brent crude oil	USD/bbl	94.9	88.5	88.0	91.0	93.4	94.4	96.0	97.9	99.9	101.9	103.9
Crack Gasoline	USD/t	228.7	184.4	182.6	188.0	193.9	200.2	205.4	204.5	204.8	204.7	205.1
Crack Diesel fuel	USD/t	223.8	112.2	97.6	104.9	109.1	114.6	118.6	117.0	116.5	117.1	118.3
CO2 allowances	EUR/t	70.0	99.0	107.0	112.0	117.0	122.0	127.0	132.0	137.0	142.0	147.0
CO2 allowances	USD/t	73.5	110.9	123.1	132.2	140.4	146.4	152.4	158.4	164.4	170.4	176.4
Discount rate	%	11.44	10.84	10.42	10.45	10.50	9.70	9.70	9.70	9.70	9.70	9.70

Company carried out impairment tests on CGU assets based on scenario analysis. Three scenarios were defined: baseline, pessimistic and optimistic. The baseline scenario is based directly on the main macroeconomic assumptions from the Financial Plan 2023 and the update of macroeconomic forecasts for 2024-2033 taking into account the assumptions described above. The pessimistic and optimistic scenarios were built on one standard deviation of the historical Downstream Margin for 2012-2021 and on the estimated probability of the impact of CO2 emission rights prices on revenues from sales of oil products.
For each of the scenarios, probability weights were established based on the normal distribution and expert assessment, in each case assigning a higher probability of a negative scenario occurring than a positive scenario, in order to maintain a conservative approach.
The test performed as of December 31, 2022, identified impairment of ORLEN Lietuva assets in the amount of USD 257.5 million (EUR 243.5 million), additionally to the recognized impairment as of June 30, 2022 in the amount of USD 118.7 million (EUR 112.1 million). The main factors negatively affecting the valuation of assets were increases in discount rates, impact of unstable global geopolitical situation, unpredictable crude oil market, and the impact of sanctions to Russia and Belarus due to the war in Ukraine.
In addition sensitivity analysis was performed simulating main elements of impairment assessment: discount rate and EBITDA. Major impact on reduction in impairment allowance by USD 260 million have reduction of discount rate by 1 p.p. and improved EBITDA by 5% and increase in impairment allowance by USD 246 million if discount rate increasing by 1 p.p. and deterioration of EBITDA by 5%. Details of sensitivity analysis are presenting in table below.

Sensitivity analysis of impairment of value in use of ORLEN Lietuva under tests performed as of December 31, 2022

USD million		EBITDA		
	Change	**-5%**	**0%**	**5%**
DISCOUNT RATE	**- 1 p.p.**	*reduction in impairment allowance* 8	*reduction in impairment allowance* 134	*reduction in impairment allowance* 260
	0,0 p.p.	*increase in impairment allowance* (116)	-	*reduction in impairment allowance* 116
	+ 1 p.p.	*increase in impairment allowance* (246)	*increase in impairment allowance* (138)	*increase in impairment allowance* (30)

8.5. Net working capital

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

8.5.1. Inventories

SELECTED ACCOUNTING PRINCIPLES

Inventories, including mandatory reserves comprise products, semi-finished products and work in progress, merchandise and materials.

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

ESTIMATES

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

	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	**EUR**	**USD**	**EUR**
Raw materials	321,178	301,123	196,730	173,575
Semi-finished products	76,127	71,374	48,901	43,146
Finished goods	180,946	169,647	157,989	139,394
Spare parts	24,169	22,659	27,571	24,326
Inventories, net	**602,420**	**564,803**	**431,191**	**380,441**
Write-down of inventories to net realizable value	16,297	15,280	16,020	14,135
Inventories, gross	**618,717**	**580,083**	**447,211**	**394,576**

The main item of inventories, which turnover period is longer than 12 months after the end of the reporting period are mandatory reserves. As at 31 December 2022 and as at 31 December 2021 the value of mandatory reserves presented in separate financial statements amounted to USD 194,302 thousand or EUR 182,170 thousand and USD 187,336 thousand or EUR 165,287 thousand, respectively.

Change in impairment allowances of inventories to net realizable value

	Note	2022		2021	
		USD	**EUR**	**USD**	**EUR**
As at January 1		**16,020**	**14,135**	**15,468**	**12,595**
Recognition	7.5	40	38	-	-
Reclassification		(584)	(538)	584	495
Exchange differences on translation		-	23	-	19
Write-down of inventories excluding spare parts		**(544)**	**(477)**	**584**	**514**
Recognition	7.4	1,080	1,020	887	736
Reversal	7.4	(259)	(252)	(919)	(767)
Exchange differences on translation		-	854	-	1,057
Write-down of spare parts for obsolescence		**821**	**1,622**	**(32)**	**1,026**
As at 31 December		**16,297**	**15,280**	**16,020**	**14,135**

8.5.2. Trade and other receivables

SELECTED ACCOUNTING PRINCIPLES

Receivables

Receivables, excluding trade receivables, are recognised initially at a fair value and subsequently, at amortised cost using the effective interest rate including expected credit loss. On initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price.
The Company applies simplified methods of valuation of receivables measured at amortized cost if it does not distort information included in the statement of financial position, in particular when the period until the repayment date is not long.
Receivables accounted at amortised cost, where the 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.
CO2 emmision allowances are presented as receivables on the reporting date in correspondence with deferred income (as separate items) in the fair value of allowances due at the reporting date if the allowances in a given year were not registered on the account under the date resulting from regulations. The receivable should be settled at the moment of allowances registration in the subsequent period by the disclosure of intangible assets.

ESTIMATES

Impairment of trade and other receivables

As default the Company recognises that the customers do not meet obligations after 90 days from maturity of receivables.
For the purpose of estimating the expected credit loss, the 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 basic default probability rates.
The Company does not monitor changes in the credit risk during life of instrument. From 1 January 2018 the Company estimates the expected credit loss until maturity of instrument. The expected credit loss is calculated when the receivable are recognised in the statement of financial position and is updated on each subsequent day ending the reporting period.

	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Trade receivables	198,653	186,249	249,940	220,522
Other	13,447	12,608	1,113	982
Financial assets (Note 9.1)	**212,100**	**198,857**	**251,053**	**221,504**
CO2 allowances receivables	-	-	112,237	99,027
Deferred insurance costs	14,828	13,902	13,617	12,015
Accrued income and deferred costs	972	912	1,244	1,098
Prepayments for delivery	22,762	21,340	1,036	914
Other	86	81	2	2
Non-financial assets, net	**38,648**	**36,235**	**128,136**	**113,056**
Receivables, net	**250,748**	**235,092**	**379,189**	**334,560**
Receivables impairment allowance	4,139	3,880	4,261	3,758
Expected credit loss	6	6	406	359
Receivables, gross	**254,893**	**238,978**	**383,856**	**338,677**

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

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

	2022	2022	2021	2021
	USD	EUR	USD	EUR
1 January	**406**	**359**	**686**	**559**
Recognition	17	16	372	313
Reversal	(417)	(376)	(652)	(556)
Exchange differences on translation	-	7	-	43
As at 31 December	**6**	**6**	**406**	**359**

The Company defines trade receivables covered by the simplified ECL model as deliveries and services under contracts with customers and other.

8.5.2.2. Change in impairment allowances of trade and other receivables

	2022	2022	2021	2021
	USD	EUR	USD	EUR
1 January	**4,261**	**3,758**	**4,656**	**3,791**
Recognition	138	128	-	-
Utilisation	(2)	(1)	(29)	(26)
Reversal	(7)	(5)	(8)	(7)
Exchange differences on translation	(251)	-	(358)	-
As at 31 December	**4,139**	**3,880**	**4,261**	**3,758**

Detailed information about credit risk is presented in note 9.5.4.

8.5.3. Trade and other liabilities

SELECTED ACCOUNTING PRINCIPLES

Liabilities
Liabilities, including trade liabilities, are initially measured at fair value and subsequently, at amortised cost using the effective interest rate method.
The 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, in particular when the period until settlement of the liability is not long.

	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Trade and other liabilities	220,945	207,149	339,883	299,879
Investment liabilities	47,832	44,845	16,095	14,201
Uninvoiced services	11,138	10,442	6,796	5,996
Financial liabilities (Note 9.1)	**279,915**	**262,436**	**362,774**	**320,076**
Payroll liabilities	2,152	2,018	2,127	1,876
Excise tax and fuel charge	16,530	15,498	22,456	19,813
Value added tax	58,061	54,436	37,927	33,463
Other taxation, duties, social security and other benefits	6,656	6,239	5,659	4,994
Advance payments and prepayments	24,266	22,751	2,053	1,812
Accruals	8,482	7,953	7,278	6,421
Non-financial liabilities	**116,148**	**108,896**	**77,500**	**68,379**
Total	**396,063**	**371,332**	**440,274**	**388,455**

Division of financial liabilities denominated in foreign currencies is presented in Note 9.5.2. Division of liabilities from related parties is presented in note 10.5.2.
As at 31 December 2022 and as at 31 December 2021 in the Company there were no material overdue liabilities.
The Company expects that the payment of trade liabilities to contractors will take place no later than twelve months after the end of the reporting period.

8.6. Equity

SELECTED ACCOUNTING PRINCIPLES

Share capital
Equity paid by shareholders and presented at nominal value in accordance with the Company's articles of association and the entry in the Centre of Registers.
Share premium
Equity created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs.

Legal reserve
According to legislations in Lithuania, an annual transfer of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. The legal reserve can't be distributed as dividends and is formed to cover future losses.
Hedging reserve
Equity including valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.
Exchange differences on translating
Result is from translation of the financial statements of USD data into presentation currency EUR.
Retained earnings
Include:
- actuarial gains and losses from post-employment benefits,
- the current reporting period profit/loss.

8.6.1. Share capital

Share capital of the Company is EUR 5,793,562. Nominal value of one share is 1 EUR.
The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.
The sole shareholder of the Company is PKN ORLEN, controlling 100 % shares. In 2022 and in 2021 the Company did not pay dividends.

8.7. Derivatives and other assets and liabilities

Other non-current assets

	Note	31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Other non-current receivables	9.1	103	96	295	261
Financial assets		**103**	**96**	**295**	**261**
Non-current prepayment		5,209	4,883	2,677	2,361
Total non-financial assets		**5,209**	**4,883**	**2,677**	**2,361**
Total		**5,312**	**4,979**	**2,972**	**2,622**

Derivatives and other financial assets

	Note	31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Receivables from cash pool	9.1	1,592	1,493	1,689	1,490
Loans granted	9.1	-	-	3	2
Derivatives not designated for hedge accounting - commodity swaps	9.1	6,344	5,948	9,422	8,313
Receivables on settled derivatives not designated for hedge accounting	9.1	14,457	13,555	5,138	4,533
Total		**22,393**	**20,996**	**16,252**	**14,338**

Derivatives and other liabilities

	Note	31/12/2022	31/12/2022	31/12/2021	31/12/2021
		USD	EUR	USD	EUR
Liabilities from cash pool	9.1	302,689	283,788	132,082	116,536
Cash flow hedge instruments - commodity swaps	9.1	2,983	2,797	1,935	1,707
Derivatives not designated for hedge accounting - commodity swaps	9.1	5,903	5,535	4,559	4,023
Liabilities on settled cash flow hedge instruments	9.1	2,840	2,663	6,835	6,030
Liabilities on settled derivatives not designated for hedge accounting	9.1	849	796	-	-
Total		**315,264**	**295,579**	**145,411**	**128,296**

The Company is the member of the international cash pool managed by PKN ORLEN. The internal cross-currency maximum credit limit as at 31 December 2022 granted to the Company was EUR 600 million (or USD 639 million). The credit limit of internal cash pool is variable as the Company adjusts its size according to needs. The date of full repayment of the internal cross-currency credit limit is 31 December 2023.

8.8. Loans and borrowings

SELECTED ACCOUNTING PRINCIPLES

Loans and Borrowings
At initial recognition, all loans and borrowings are recognised at fair value, less transaction costs and discounts or premiums. After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.

	Non-current		Current		Total	
USD	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Loans and borrowings	22,438	34,429	10,024	10,618	32,462	45,047
Total	**22,438**	**34,429**	**10,024**	**10,618**	**32,462**	**45,047**

	Non-current		Current		Total	
EUR	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Loans and borrowings	21,037	30,377	9,398	9,368	30,435	39,745
Total	**21,037**	**30,377**	**9,398**	**9,368**	**30,435**	**39,745**

Loans and borrowings are related with borrowing received from PKN ORLEN in the amount of EUR 44,500 thousand for the acquisition of shares of UAB ORLEN Mockavos terminalas in 2021.
Fair value of borrowings is disclosed in Note 9.3.

8.8.1. Maturity analysis for loans and borowings

	31/12/2022		31/12/2021	
	USD	**EUR**	**USD**	**EUR**
up to 1 year	11,337	10,629	11,646	10,275
from 1 to 3 years	21,272	19,944	22,498	19,850
from 3 to 5 years	2,527	2,369	13,521	11,930
Total	**35,136**	**32,942**	**47,665**	**42,055**
Carrying amounts	**32,462**	**30,435**	**45,047**	**39,745**

In the period covered by the foregoing financial statements, as well as after the reporting date, there were no instances of principal or interest non repayment nor loan/ borrowing covenant violations.

8.9. Provisions

SELECTED ACCOUNTING PRINCIPLES

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. Environmental provision for reclamation is periodically reviewed on the basis of the degree of contamination. Changes of provision increase or decrease the value of asset causing the obligation of reclamation in the current period. In case decrease of provision is higher than carrying amount of the asset, the amount of that excess is recognised in profit or loss.
CO2 emissions
The Company recognises the estimated, CO2 emissions costs during the reporting period in operating activity costs (taxes and charges). Provision is recognised based on the value of allowances taking into account the weighted average method. In case of a shortage of allowances, the provision is created based on the purchase price of allowance concluded in forward contracts or market quotations of allowances at the reporting date.
Other provisions
Other provisions include mainly provisions for on-going legal proceedings and are recognised after consideration of available information, including the opinions of independent experts.

ESTIMATES

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

USD	Non-current		Current		Total	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Environmental	2,954	1,912	775	652	3,729	2,564
Post employment benefits	2,791	3,173	675	684	3,466	3,857
Other provisions	-	-	-	57	-	57
CO2 emissions	-	-	149,373	137,266	149,373	137,266
As at 31 December	**5,745**	**5,085**	**150,823**	**138,659**	**156,568**	**143,744**

EUR	Non-current		Current		Total	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Environmental	2,769	1,687	726	575	3,495	2,262
Post employment benefits	2,617	2,800	633	604	3,250	3,404
Other provisions	-	-	-	50	-	50
CO2 emissions	-	-	140,046	121,110	140,046	121,110
As at 31 December	**5,386**	**4,487**	**141,405**	**122,339**	**146,791**	**126,826**

Change in provisions in 2022

USD	Environmental	Post employment benefits	Other provisions	CO2 emissions	Total
1 January 2022	**2,564**	**3,857**	**57**	**137,266**	**143,744**
Recognition	1,867	432	-	148,852	**151,151**
Usage	(523)	(214)	(17)	(138,484)	**(139,238)**
Interest	-	22	-	-	**22**
Reversal	-	-	(40)	-	**(40)**
Correction of previous years	-	-	-	1,219	**1,219**
Accounted from equity	-	(403)	-	-	**(403)**
Exchange differences on translation	(179)	(228)	-	520	**113**
As at 31 December 2022	**3,729**	**3,466**	**-**	**149,373**	**156,568**

EUR	Environmental	Post employment benefits	Other provisions	CO2 emissions	Total
1 January 2022	**2,262**	**3,404**	**50**	**121,110**	**126,826**
Recognition	1,767	404	-	141,571	**143,742**
Usage	(517)	(201)	(15)	(127,638)	**(128,371)**
Interest	-	20	-	-	**20**
Reversal	-	-	(35)	-	**(35)**
Correction of previous years	-	-	-	607	**607**
Accounted from equity	-	(377)	-	-	**(377)**
Exchange differences on translation	(17)	-	-	4,396	**4,379**
As at 31 December 2022	**3,495**	**3,250**	**-**	**140,046**	**146,791**

Change in provisions in 2021

USD	Environmental	Post employment benefits	Other provisions	CO2 emissions	Total
1 January 2021	**3,049**	**4,411**	**-**	**34,113**	**41,573**
Recognition	448	509	57	137,266	**138,280**
Usage	(665)	(221)	-	(33,478)	**(34,364)**
Interest	-	8	-	-	**8**
Reversal	(49)	-	-	-	**(49)**
Correction of previous years	-	-	-	4	**4**
Accounted from equity	-	(510)	-	-	**(510)**
Exchange differences on translation	(219)	(340)	-	(639)	**(1,198)**
As at 31 December 2021	**2,564**	**3,857**	**57**	**137,266**	**143,744**

EUR	Environmental	Post employment benefits	Other provisions	CO2 emissions	Total
1 January 2021	**2,482**	**3,592**	**-**	**27,777**	**33,851**
Recognition	375	450	50	121,110	**121,985**
Usage	(559)	(195)	-	(28,013)	**(28,767)**
Interest	-	7	-	-	**7**
Reversal	(42)	-	-	-	**(42)**
Correction of previous years	-	-	-	3	**3**
Accounted from equity	-	(450)	-	-	**(450)**
Exchange differences on translation	6	-	-	233	**239**
As at 31 December 2021	**2,262**	**3,404**	**50**	**121,110**	**126,826**

8.9.1. Environmental provision

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

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

8.9.2. Provision for post-employment benefits

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

Change in post-employment benefits obligation

	2022		2021	
	USD	EUR	USD	EUR
1 January	**3,857**	**3,404**	**4,411**	**3,592**
Current service cost	149	140	172	152
Interest expense	22	20	8	7
Actuarial gains and losses arrising from changes in assumptions	**(403)**	**(377)**	**(510)**	**(450)**
demographic assumptions	(78)	(73)	14	13
financial assumptions	(534)	(500)	(554)	(489)
experience adjustment	209	196	30	26
Payments under program	(214)	(201)	(221)	(195)
Recognized past service cost	283	264	337	298
Exchange differences on translation	(228)	-	(340)	-
As at 31 December	**3,466**	**3,250**	**3,857**	**3,404**

The carrying amount of employee benefits liabilities is equal to their present value as at 31 December 2022 and 31 December 2021.

Sensitivity analysis to changes in actuarial assumptions
As at 31 December 2022, the Company used the following actuarial assumptions that had an impact on the level of actuarial provisions: discount rate of 3.7%; expected inflation 8.4% in 2023 and 2.0% in subsequent years, the remuneration increase rate 10% in 2023, 2.1% in 2024 and 1% in the subsequent years.
The Company 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., the rate of turnover by +/- 0.5 p.p. and and the mortlity rate +/-10 p.p. is not higher than USD 118 thousand. Therefore, the Company does not present any detailed information.
The Company carries out the employee benefit payments from current resource.
Post-employment benefits are calculated for active employees.

Maturity of employee benefits analysis

	31/12/2022		31/12/2021	
	USD	EUR	USD	EUR
up to 1 year	675	633	684	604
from 1 to 3 years	564	529	433	382
from 3 to 5 years	543	509	337	297
above 5 years	1,684	1,579	2,403	2,121
	3,466	**3,250**	**3,857**	**3,404**

The weighted average duration of liabilities in Lithuania for post-employment benefits as at 31 December 2022 were 6.9 years and as at 31 December 2021 were 9.3 years.

Not discounted future cash flow of employee benefits payments

	31/12/2022		31/12/2021	
	USD	EUR	USD	EUR
up to 1 year	682	639	708	625
from 1 to 3 years	658	617	471	416
from 3 to 5 years	765	717	396	349
above 5 years	4,712	4,418	4,488	3,960
	6,817	**6,391**	**6,063**	**5,350**

In 2022 the amount of provision for employee benefits changed as the result of update of assumptions, mainly in relation to discount rate, projected inflation and expected remuneration increase ratio. Should the 2021 assumptions be used, the provision for the employee benefits would be higher by USD 612 thousand or EUR 574 thousand.

9. EXPLANATORY NOTES TO THE FINANCIAL INSTRUMENTS AND FINANCIAL RISK

SELECTED ACCOUNTING PRINCIPLES

Financial instruments

Measurement of financial assets and liabilities

At initial recognition, the 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 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 options.
At the end of the reporting period, the Company measures item of financial assets and liabilities at amortised cost using effective interest rate method, except for derivatives, which are measured at fair value.
The Company uses simplified methods of valuation of financial assets and liabilities accounted at amortized cost if it does not distort information included in the statement of financial position, in particular when the period until the repayment of debt or settlement of the liability is not long.
Financial assets measured at amortized cost, where the 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 expected credit loss 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.

Impairment of financial assets

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

The general model is used 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 purposes of estimating the expected credit loss, the Company uses 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 on the future in the parameters of the expected loss estimation model by calculating the probability parameters of insolvency based on current market quotes.
The simplified model is used by the 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.

Hedge accounting

Derivatives designated as hedging instruments whose cash flows are expected to offset changes in the cash flows of a hedged item are accounted for in accordance with the cash flow hedge accounting.
The Company has cash flow of hedging relation.
The Company assess effectiveness of cash flow hedge at the inception of the hedge and later, at minimum, at reporting date. In case of cash flow hedge accounting, the Company recognises in other comprehensive income part of profits and losses connected with the effective part of the hedge, whereas profits or losses connected with the ineffective part - under profit or loss.
To assess the effectiveness of hedge the Company 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 Company 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 Company recognises profits or losses resulting from the revaluation of fair value of derivative financial instrument in financial result, and adjusts carrying amount of hedged item by profit or loss related to the hedged item, resulting from the risk being hedged and recognises it in the profit or loss (in the same item in which hedging derivatives are recognized).
If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified to profit or loss of the reporting period in the same period or periods during which the asset acquired, or liability assumed, affects profit or loss.
However, if the Company expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies the amount that is not expected to be recovered to profit or loss.
If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes the associated gains and losses that were recognized in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability when the item appears in the statement of financial position.
If a hedge of a forecast transaction results in the recognition of revenue from sales of finished products, merchandise or services, the Company removes the associated gains or losses that were recognized in the other comprehensive income and adjusts above revenues.
In case of applying fair value hedge accounting, accumulated adjustment of hedged item valuation for hedged risk is transferred to the financial result at the moment when the realization of hedged item affects the result.
Derivatives are recognized as assets when their valuation is positive and as liabilities in case of negative valuation.

Fair value measurement

The 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.

PROFESSIONAL JUDGEMENTS

Financial instruments

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

9.1. Financial instruments by category and class

	Financial instruments by category	Note	31/12/2022		31/12/2021	
			USD	EUR	USD	EUR
ASSETS						
Derivatives not designated as hedge accounting	At fair value through profit or loss	8.7	6,344	5,948	9,422	8,313
Trade and other receivables	Measured at amortized cost	8.5.2	212,100	198,857	251,053	221,504
Receivables from cash pool	Measured at amortized cost	8.7	1,592	1,493	1,689	1,490
Cash and cash equivalents	Measured at amortized cost		6,326	5,931	1,612	1,422
Receivables on settled derivatives not designated as hedge accounting	Measured at amortized cost	8.7	14,457	13,555	5,138	4,533
Loans granted	Measured at amortized cost	8.7	-	-	3	2
Other non-current receivables	Measured at amortized cost	8.7	103	96	295	261
Total			**240,922**	**225,880**	**269,212**	**237,525**
LIABILITIES						
Cash flow hedge instruments	Hedging financial instruments	8.7	2,983	2,797	1,935	1,707
Derivatives not designated as hedge accounting	At fair value through profit or loss	8.7	5,903	5,535	4,559	4,023
Lease liabilities	*Excluded from the clasification and measurement of IFRS 9*	10.1.2	21,553	20,208	29,524	26,049
Loans and borrowings	Measured at amortized cost	8.8	32,462	30,435	45,047	39,745
Trade and other liabilities	Measured at amortized cost	8.5.3	279,915	262,436	362,775	320,076
Liabilities from cash pool	Measured at amortized cost	8.7	302,689	283,788	132,082	116,536
Liabilities on settled cash flow hedge instruments	Measured at amortized cost	8.7	2,840	2,663	6,835	6,030
Liabilities on settled derivatives not designated as hedge accounting	Measured at amortized cost	8.7	849	796	-	-
Total			**649,194**	**608,658**	**582,757**	**514,166**

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

	Financial instruments by category	Note	31/12/2022		31/12/2021	
			USD	EUR	USD	EUR
Interest income	Measured at amortized cost	7.7	213	201	134	116
Interest costs		7.7	(14,308)	(13,813)	(5,686)	(4,827)
from financial instruments measured at amortised costs	Measured at amortized cost		*(13,867)*	*(13,392)*	*(5,046)*	*(4,286)*
from lease	*Excluded from the clasification and measurement of IFRS 9*	10.1.2	*(441)*	*(421)*	*(640)*	*(541)*
Foreign exchange gain/(loss)	Measured at amortized cost	7.7	6,710	6,178	8,189	6,964
(Loss)/reversal of loss due to impairment of financial instruments	Measured at amortized cost		269	230	289	247
Ineffective part related to settlement and valuation of operating exposure	Hedging financial instruments (ineffective part)	7.5, 7.6	8,648	8,744	103	107
Settlement and valuation of financial instruments related to operational exposure	At fair value through profit or loss	7.5, 7.6	(168,231)	(150,479)	(9,621)	(7,603)
Costs of factoring	Measured at amortized cost	7.7	(1,621)	(1,574)	-	-
Other	Measured at amortized cost	7.7	12	11	20	16
Total			**(168,308)**	**(150,502)**	**(6,572)**	**(4,980)**
other, excluded from the scope of IFRS 7						
Dividends			4,671	4,446	2,970	2,476

9.3. Fair value measurement

Fair value for loans and borrowings as at 31 December 2022 and 31 December 2021 is equal to USD 32,486 thousand or EUR 30,457 thousand and USD 45,130 thousand or EUR 39,818 thousand, respectively. Financial liabilities due to liabilities for borrowings are measured at fair value using discounted cash flow method.
As at 31 December 2022 and as at 31 December 2021 fair value for other classes of financial assets and financial liabilities are equal or similar to carrying amount due to their short term nature.

9.4. Hedge accounting

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

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

	Note	31/12/2022 USD	31/12/2022 EUR	31/12/2021 USD	31/12/2021 EUR
Cash flows hedge instruments					
Commodity swap	8.7	(2,983)	(2,797)	(1,935)	(1,707)
Total		**(2,983)**	**(2,797)**	**(1,935)**	**(1,707)**

Cash flows hedge recognized in financial statements

	31/12/2022 USD	31/12/2022 EUR	31/12/2021 USD	31/12/2021 EUR
Sales revenues	(36,033)	(33,575)	(20,859)	(17,589)
Cost of sales	2,176	2,298	4,333	3,684

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

	31/12/2022	31/12/2021
Commodity risk exposure	January-September 2023	January-December 2022

9.5. Risk identification

9.5.1. Commodity risks

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

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

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

Type of hedged raw material/product	Unit of measure	31/12/2022	31/12/2021
Crude oil	bbl	2,213,000	1,950,000
Margin	bbl	2,100,000	5,415,000
Diesel oil	Mt	70,000	70,000

Sensitivity analysis for changes in prices of products and raw materials

As at 31 December 2022

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

Type of hedged raw material/product	Increase of prices	Total influence		Decrease of prices	Total influence	
		USD	EUR		USD	EUR
Crude oil USD/bbl	+47%	(40,987)	(38,428)	-47%	40,987	38,428
Diesel oil USD/Mt	+56%	(37,009)	(34,698)	-56%	37,009	34,698
Margin USD/bbl	+52%	(51,528)	(48,311)	-52%	51,528	48,311
		(129,524)	**(121,437)**		**129,524**	**121,437**

As at 31 December 2021

Type of hedged raw material/product	Increase of prices	Total influence		Decrease of prices	Total influence	
		USD	EUR		USD	EUR
Crude oil USD/bbl	+31%	(15,564)	(13,732)	-31%	15,564	13,732
Diesel oil USD/Mt	+31%	(14,530)	(12,820)	-31%	14,530	12,820
Margin USD/bbl	+30%	(10,465)	(9,233)	-30%	10,465	9,233
		(40,559)	**(35,785)**		**40,559**	**35,785**

Applied for the sensitivity analysis of commodity risk hedging instruments variations of crude oil and products prices were calculated based on volatility for 2022 and 2021 and available analysts' forecasts.

9.5.2. The risk of exchange rates changes

Currency risk

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

Currency structure of financial instruments as at 31 December 2022:

Financial instruments by class	Note	EUR	USD	Other	Total after conversion to USD	Total after conversion to EUR
Financial assets						
Other non-current receivables	8.7	96	-	-	103	96
Trade and other receivables	8.5.2	27,385	182,891	-	212,100	198,857
Receivables from cash pool	8.7	1,493	-	-	1,592	1,493
Derivatives not designated as hedge accounting	8.7	-	6,344	-	6,344	5,948
Receivables on settled derivatives not designated for hedge accounting	8.7	-	14,457	-	14,457	13,555
Cash and cash equivalents		5,429	534	-	6,326	5,931
Total		**34,403**	**204,226**	**-**	**240,922**	**225,880**
Financial liabilities						
Trade and other liabilities	8.5.3	74,892	199,568	1,915	279,915	262,436
Loans and borrowings	8.8	30,435	-	-	32,462	30,435
Lease liabilities	10.1.2	20,208	-	-	21,553	20,208
Cash flow hedge instruments	8.7	-	2,983	-	2,983	2,797
Derivatives not designated for hedge accounting	8.7	-	5,903	-	5,903	5,535
Liabilities on settled cash flow hedge instruments	8.7	-	2,840	-	2,840	2,663
Liabilities on settled derivatives not designated for hedge accounting	8.7	-	849	-	849	796
Liabilities from cash pool	8.7	3,895	298,535	-	302,689	283,788
Total		**129,430**	**510,678**	**1,915**	**649,194**	**608,658**
Total, net		**(95,027)**	**(306,452)**	**(1,915)**	**(408,272)**	**(382,778)**

Sensitivity analysis for currency risk

Increase/decrease in exchange rate means appreciation/depreciation of the relevant currencies against the functional currency of the Company (USD). The influence of potential changes in carrying amounts of financial instruments (as at 31 December 2022) arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency (USD) on profit before tax would be:

Financial instruments by class	Influence of financial instruments on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/USD	+15%	(15,203)	-15%	15,203
		(15,203)		**15,203**

Currency structure of financial instruments as at 31 December 2021:

Financial instruments by class	Note	EUR	USD	Other	Total after conversion to USD	Total after conversion to EUR
Financial assets						
Other non-current receivables	8.7	261	-	-	295	261
Trade and other receivables	8.5.2	71,433	170,091	-	251,053	221,504
Receivables from cash pool	8.7	1,490	-	-	1,689	1,490
Loans granted	8.7	2	-	-	3	2
Derivatives not designated as hedge accounting	8.7	-	9,422	-	9,422	8,313
Receivables on settled derivatives not designated as hedge accounting	8.7	-	5,138	-	5,138	4,533
Cash and cash equivalents		1,356	76	-	1,612	1,422
Total		**74,542**	**184,727**	**-**	**269,212**	**237,525**
Financial liabilities						
Trade and other liabilities	8.5.3	68,970	284,048	1,714	362,774	320,076
Loans and borrowings	8.8	39,745	-	-	45,047	39,745
Lease liabilities	10.1.2	26,044	-	-	29,524	26,049
Cash flow hedge instruments	8.7	-	1,935	-	1,935	1,707
Derivatives not designated as hedge accounting	8.7	-	4,559	-	4,559	4,023
Liabilities on settled cash flow hedge instruments	8.7	-	6,835	-	6,835	6,030
Liabilities from cash pool	8.7	2,682	129,042	-	132,082	116,536
Total		**137,441**	**426,419**	**1,714**	**582,756**	**514,166**
Total, net		**(62,899)**	**(241,692)**	**(1,714)**	**(313,544)**	**(276,641)**

Sensitivity analysis for currency risk

Increase/decrease in exchange rate means appreciation/depreciation of the relevant currencies against the functional currency of the Company (USD). The influence of potential changes in carrying amounts of financial instruments (as at 31 December 2021) arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency (USD) on profit before tax would be:

Financial instruments by class	Influence of financial instruments on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/USD	+15%	(10,693)	-15%	10,693
		(10,693)		**10,693**

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

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

(in USD and EUR thous.)

9.5.3. The risk of interest rates changes

Structure of financial instruments subject to risk of interest rates changes

		31/12/2022		31/12/2021	
		EURIBOR		EURIBOR	
Financial instruments by class	**Note**	**USD**	**EUR**	**USD**	**EUR**
Financial liabilities					
Loans and borrowings	8.8	32,475	30,447	45,127	39,816
Total		**32,475**	**30,447**	**45,127**	**39,816**

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

Sensitivity analysis for the interest rate changes

	31/12/2022			31/12/2021		
Interest rate	**Assumed variation**	**Influence on result before tax**		**Assumed variation**	**Influence on result before tax**	
		USD	**EUR**		**USD**	**EUR**
EURIBOR	+0.5 p.p.	(162)	(152)	+0.5 p.p.	(226)	(199)
Total		**(162)**	**(152)**		**(226)**	**(199)**

At variation of interest rates by (-) 0.5 p.p. the sensitivity analysis presents variations of the same value as in above table but with opposite sign. However, decrease of interest rates are higly doubtfull due to interest rates in the market, which have an increasing trend.

9.5.4. Liquidity, credit and market risk

Financial risk management
The Company is exposed particularly to the following financial risks:
- credit risk;
- liquidity risk;
- market risks (including currency risk, interest rate risk, risk of changes in commodity prices, risk of changes in CO2 emission allowances prices). Market risk management process is centralized in PKN ORLEN group and is regulated by Cooperation Agreement on the Treasury Area Centralisation in the ORLEN Group concluded on 23 November 2017 between PKN ORLEN and the Company.

Liquidity risk
The goal of the Company is to maintain the balance between continuity and flexibility of financing. To achieve this goal, the Company uses, first of all, financing on the ORLEN group level (cash pool).
The Company maintains the ratio of current assets to current liabilities (current ratio) on a safe level. As at 31 December 2022 and as at 31 December 2021, the ratio amounted to 1.00 and 1.12 respectively.
Financing available for the year 2022 under the credit/cash pool agreements to cover net current liabilities with the maturity of 31 December 2022 (EUR 600 million or USD 639 million) was covering the expected liquidity needs for 2022.

Maturity analysis for financial liabilities:

	Note	**31/12/2022 up to 1 year**		**Carrying amounts**	
		USD	**EUR**	**USD**	**EUR**
Trade and other liabilities	8.5.3	279,915	262,436	279,915	262,436
Liabilities from cash pool	8.7	302,689	283,788	302,689	283,788
Derivatives not designated for hedge accounting - commodity swaps	8.7	5,903	5,535	5,903	5,535
Cash flow hedge instruments - commodity swaps	8.7	2,983	2,797	2,983	2,797
Liabilities on settled derivatives	8.7	3,689	3,459	3,689	3,459
Total		**595,179**	**558,015**	**595,179**	**558,015**

(in USD and EUR thous.)

	Note	31/12/2021 up to 1 year		Carrying amounts	
		USD	EUR	USD	EUR
Trade and other liabilities	8.5.3	362,775	320,076	362,775	320,076
Liabilities from cash pool	8.7	132,082	116,536	132,082	116,536
Derivatives not designated for hedge accounting - commodity swaps	8.7	4,559	4,023	4,559	4,023
Cash flow hedge instruments - commodity swaps	8.7	1,935	1,707	1,935	1,707
Liabilities on settled derivatives	8.7	6,835	6,030	6,835	6,030
Total		**508,186**	**448,372**	**508,186**	**448,372**

Maturity analysis for loans and borrowings is provided in Note 8.8.1 and maturity analysis for lease liabilities is provided in Note 10.1.2.

Credit risk

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

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

	Current trade receivables			
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Overdue:				
Up to 30 days	353	331	554	489
31-60 days	76	71	72	63
61-90 days	111	104	8	7
3-6 months	84	79	10	9
6-12 months	82	77	3	2
Above 1 year	63	59	7	7
Total	**769**	**721**	**654**	**577**

Market risks

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

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

Market risk management is conducted using hedging strategies based on derivatives. Derivatives are used solely to reduce the risk of changes in fair value and risk of changes in cash flows. The Company applies only those instruments which can be measured independently, using standard valuation models for each instrument.

As far as market valuation of the instruments is concerned, the Company relies on information obtained from market leading banks, brokers and information services. Transactions are concluded only with reliable partners, authorized to participate in transactions through the application of appropriate procedures and signing the relevant documentation.

10. OTHER EXPLANATORY NOTES

10.1. Leases

SELECTED ACCOUNTING PRINCIPLES

The Company as a lessee

Identifying a lease
The Company applies new guidelines for identifying a lease only for contracts that it has concluded (or amended) on the day of its first application, i.e. 1 January 2019 or after that date. Thereby, for all contracts concluded before 1 January 2019, the Company applied the practical exemption provided for in IFRS 16, according to which the entity is not required to reassess whether the contract is a lease or contains a lease on the date of first application. As at 1 January 2019 the Company applies IFRS 16 to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4.
At the time of conducting a new contract, the Company assesses whether the contract is a lease or whether it contains a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to assess if an agreement transfers the right to control the use of an identified asset for a given period, the Company shall determine whether throughout the entire period of use the customer enjoys the following rights:

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

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

Initial recognition and measurement
The Company recognises the right to 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 to use asset at cost.
The cost of the right to use asset is inclusive of the following:

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

Lease payments included in the evaluation of lease liability include:

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

Variable payments, which do not depend on an index or a rate should not be taken into account when calculating lease liability. Such payments are recognised in the profit or loss in the period of the occurrence which renders them payable.
The lease liability on the commencement date shall be calculated on the basis of the current lease payments that are payable by that date and discounted by the marginal interest rates of the lessee.
The 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 marginal interest rate
Lessee‘s marginal interest rates were specified as the sum of:

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

b) the 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 lessee measures the right to use asset applying the cost model.
In applying the cost model, the lessee shall measure the cost of the right to use asset:
a) less any accumulated depreciation and accumulated impairment losses; and
b) adjusted in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

After the date of commencement the lessee shall measure the lease liability by:
a) increasing the carrying amount to reflect interest on the lease liability,
b) decreasing the carrying amount to reflect any lease payments made, and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

The 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 to use asset. In a situation where the carrying amount of the right to 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 to 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 to 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 to 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.
b) Buildings and construction, storage tank, office spaces for a fixed period up to 30 years.
c) Vehicles and other, including:
   – railway tank concluded for a specified period of 3 to 10 years,
   – cars for a fixed period up to 3 years.

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

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

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

Simplifications and practical solutions

Short-term lease
The Company applies a practical solution to short-term lease contracts, which are characterised by a maximum possible contract term of up to 12 months, including any options to extend.

Simplifications regarding these contracts involve the settlement of lease payments as costs:
- on a straight-line basis, for the duration of the lease agreement, or
- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

Leases of low-value assets
The 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 to be those which have a value when new not higher than USD 5,000 or the equivalent value in another currency as per the average closing rate of exchange of the European Central Bank at the moment of initial recognition of a contract.
Simplifications in respect of such contracts are due to the settlement of costs on:

- a straight-line basis for the term of the lease contract; or
- another systematic method basis should it be more representative of the time pattern of the user's benefit.

An asset covered by a lease must not be counted as a low-value asset if the asset would typically not be of low value when new. As low-value items, the Company includes for example: gas cylinders, coffee machines, and small items of furniture.
The underlying asset may have a low-value only if:

a) the lessee may benefit from use of the underlying asset itself or in conjunction with other resources which are readily available to him, and
b) the underlying asset is not highly dependent on or related to other assets.

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

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

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

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

10.1.1. Change is assets due to right of use

USD	Land	Buildings and constructions	Vehicles and other	Total
Net carrying amount at 01/01/2022				
Gross carrying amount	4,523	487	31,476	**36,486**
Accumulated depreciation	(183)	(82)	(8,724)	**(8,989)**
	4,340	**405**	**22,752**	**27,497**
Increases/(decreases), net				
Increase according new contracts, modification and other	-	10	21	**31**
Depreciation	(52)	(85)	(5,824)	**(5,961)**
Impairment allowances	(3,249)	(255)	(12,779)	**(16,283)**
Other	-	-	(488)	**(488)**
	1,039	**75**	**3,682**	**4,796**
Net carrying amount at 31/12/2022				
Gross carrying amount	4,523	497	26,239	**31,259**
Accumulated depreciation	(235)	(167)	(9,778)	**(10,180)**
Impairment allowances	(3,249)	(255)	(12,779)	**(16,283)**
	1,039	**75**	**3,682**	**4,796**
Net carrying amount at 01/01/2021				
Gross carrying amount	4,523	179	31,074	**35,776**
Accumulated depreciation	(122)	(165)	(2,367)	**(2,654)**
	4,401	**14**	**28,707**	**33,122**
Increases/(decreases), net				
Increase according new contracts, modification and other	-	487	1,105	**1,592**
Depreciation	(61)	(96)	(6,959)	**(7,116)**
Other	-	-	(101)	**(101)**
Net carrying amount at 31/12/2021	**4,340**	**405**	**22,752**	**27,497**

(in USD and EUR thous.)

EUR	Land	Buildings and constructions	Vehicles and other	Total
Net carrying amount at 01/01/2022				
Gross carrying amount	3,991	429	27,772	**32,192**
Accumulated depreciation	(162)	(72)	(7,698)	**(7,932)**
	3,829	**357**	**20,074**	**24,260**
Increases/(decreases), net				
Increase according new contracts, modification and other	-	9	20	**29**
Depreciation	(49)	(80)	(5,499)	**(5,628)**
Impairment allowances	(3,071)	(242)	(12,079)	**(15,392)**
Other	-	-	(461)	**(461)**
Exchange differences on translation	265	25	1,397	**1,687**
	974	**69**	**3,452**	**4,495**
Net carrying amount at 31/12/2022				
Gross carrying amount	4,241	465	24,600	**29,306**
Accumulated depreciation	(221)	(156)	(9,167)	**(9,544)**
Impairment allowances	(3,046)	(240)	(11,981)	**(15,267)**
	974	**69**	**3,452**	**4,495**
Net carrying amount at 01/01/2021				
Gross carrying amount	3,683	146	25,303	**29,132**
Accumulated depreciation	(99)	(134)	(1,928)	**(2,161)**
	3,584	**12**	**23,375**	**26,971**
Increases/(decreases), net				
Increase according new contracts, modification and other	-	408	921	**1,329**
Depreciation	(52)	(81)	(5,882)	**(6,015)**
Other	-	-	(86)	**(86)**
Exchange differences on translation	297	18	1,746	**2,061**
Net carrying amount at 31/12/2021	**3,829**	**357**	**20,074**	**24,260**

10.1.2. Maturity analysis for lease liabilities

	31/12/2022		31/12/2021	
	USD	**EUR**	**USD**	**EUR**
up to 1 year	6,054	5,676	7,610	6,714
from 1 to 2 years	4,714	4,420	5,543	4,891
from 2 to 3 years	4,270	4,003	5,212	4,599
from 3 to 4 years	3,545	3,324	4,535	4,001
from 4 to 5 years	173	162	3,766	3,323
above 5 years	11,323	10,616	12,438	10,973
Discount	(8,526)	(7,993)	(9,580)	(8,452)
Total	**21,553**	**20,208**	**29,524**	**26,049**

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

	31/12/2022		31/12/2021	
	USD	**EUR**	**USD**	**EUR**
Costs due to:				
interest on lease	(441)	(421)	(640)	(541)
short-term lease	(97)	(91)	(54)	(48)
lease of low-value assets that are not short-term lease	(147)	(139)	(165)	(146)
Total	**(685)**	**(651)**	**(859)**	**(735)**

10.2. Future commitments resulting from signed investment contracts

As at 31 December 2022 and as at 31 December 2021 the value of future commitments resulting from contracts signed until this date amounted to USD 547,571 thousand or EUR 513,380 thousand and USD 728,379 thousand or EUR 642,650 thousand, respectively.
The main decrease of future commitments is related with performed turnaround in 2022. Remaining part is mainly related with investment into building of the „Bottom of the Barrel“ unit in production plant of the Company in Mažeikiai.

10.3. Contingent assets and liabilities

SELECTED ACCOUNTING PRINCIPLES

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 practically 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.

ESTIMATES

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

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

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

10.4. Excise tax guarantees

Excise tax guarantees of the Company as at 31 December 2022 and as at 31 December 2021 amounted to USD 480 thousand or EUR 450 thousand and USD 510 thousand or EUR 450 thousand, respectively.

10.5. Related party transactions

In 2022 and 2021 and as at 31 December 2022 and as at 31 December 2021 the based on submitted declarations, there were no transactions of related parties of the Company with the Members of the Management Board or other key executive personnel of the Company.
In 2022 and 2021 on the basis of submitted declarations there were no transactions of close relatives with the other key executive personnel of the Company and key executive personnel of the Company with related parties.

10.5.1. Remuneration paid and due or potentially due to the members of Management Board and other members of key executive personnel of the Company

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

(in USD and EUR thous.)

	for the year ended 31/12/2022		for the year ended 31/12/2021	
	USD	EUR	USD	EUR
Short term employee benefits	**4,466**	**4,236**	**4,795**	**4,051**
- Board of Directors	94	89	75	64
- other key executive personnel	4,372	4,147	4,720	3,987
Termination benefits (severance pay and other remuneration)	**117**	**111**	**191**	**162**
- other key executive personnel	117	111	191	162

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

Bonus systems for key executive personnel of the Company

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

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

for the year ended 31 December 2022

USD	Shareholder of the Group	Related parties	Subsidiaries	Associates	Total
Sales	639,411	97,819	2,107,510	39,522	**2,884,262**
Purchases	6,309,462	34,457	6,605	-	**6,350,524**
Other operating income	149,767	2	1	-	**149,770**
Other operating expenses	313,085	-	-	-	**313,085**
Finance income	-	5	4,683	-	**4,688**
Finance expenses	13,829	8	3	-	**13,840**
Trade and other receivables	36,417	5,814	58,363	740	**101,334**
Other financial assets	20,802	1,592	-	-	**22,394**
Trade and other liabilities	171,525	17,311	2,451	-	**191,287**
Other financial liabilities	311,314	2,968	983	-	**315,265**
Loans and borrowings	32,462	-	-	-	**32,462**
Guarantees issued	-	-	1,067	-	**1,067**

EUR	Shareholder of the Group	Related parties	Subsidiaries	Associates	Total
Sales	604,978	92,998	2,018,991	37,783	**2,754,750**
Purchases	6,005,899	32,707	6,288	-	**6,044,894**
Other operating income	140,532	2	1	-	**140,535**
Other operating expenses	285,711	-	-	-	**285,711**
Finance income	-	5	4,457	-	**4,462**
Finance expenses	13,356	7	3	-	**13,366**
Trade and other receivables	34,143	5,451	54,718	694	**95,006**
Other financial assets	19,503	1,493	-	-	**20,996**
Trade and other liabilities	160,814	16,230	2,297	-	**179,341**
Other financial liabilities	291,875	2,783	921	-	**295,579**
Loans and borrowings	30,435	-	-	-	**30,435**
Guarantees issued	-	-	1,000	-	**1,000**

for the year ended 31 December 2021

USD	Shareholder of the Group	Related parties	Subsidiaries	Associates	Total
Sales	276,746	89,608	983,853	15,308	**1,365,515**
Purchases	4,233,381	30,303	1,470	-	**4,265,154**
Other operating income	81,580	3	-	-	**81,583**
Other operating expenses	91,098	52	-	-	**91,150**
Finance income	-	-	3,010	-	**3,010**
Finance expenses	5,037	-	-	-	**5,037**
Trade and other receivables	34,768	6,022	61,041	303	**102,134**
Other financial assets	14,560	1,689	-	-	**16,249**
Trade and other liabilities	268,013	15,968	341	-	**284,322**
Other financial liabilities	142,471	2,600	339	-	**145,410**
Loans and borrowings	45,047	-	-	-	**45,047**
Guarantees issued	-	-	2,267	-	**2,267**

EUR	Shareholder of the Group	Related parties	Subsidiaries	Associates	Total
Sales	238,455	76,047	835,215	13,072	**1,162,789**
Purchases	3,595,155	26,167	1,267	-	**3,622,589**
Other operating income	68,876	2	-	-	**68,878**
Other operating expenses	76,371	44	-	-	**76,415**
Finance income	-	-	2,510	-	**2,510**
Finance expenses	4,279	-	-	-	**4,279**
Trade and other receivables	30,676	5,313	53,856	267	**90,112**
Other financial assets	12,846	1,490	-	-	**14,336**
Trade and other liabilities	236,468	14,089	301	-	**250,858**
Other financial liabilities	125,703	2,294	299	-	**128,296**
Loans and borrowings	39,745	-	-	-	**39,745**
Guarantees issued	-	-	2,000	-	**2,000**

The above transactions with related parties include mainly sales and purchases of refinery products and sales and purchases of services.
Sale and purchase transactions with related parties were made at market conditions.

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

	for the year ended		for the year ended	
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	USD	EUR	USD	EUR
Fees payable to auditors in respect of the Company				
audit and reviews of the financial statements	161	153	145	123
additional services	8	7	16	14
Total	**169**	**160**	**161**	**137**

In the period covered by this separate financial statements the entity authorized to conduct audit of the Company's financial statements was Deloitte Lietuva, UAB. Deloitte Lietuva, UAB was selected to conduct audit for the years 2019 – 2024.

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the reporting period, no other events occurred than disclosed in these financial statements, which would require recognition or disclosure.

Michal Rudnicki General Director	Marek Gołębiewski Chief Financial Officer	Genutė Čiapienė Director of Accounting and Tax Administration

ANNUAL REPORT OF PUBLIC COMPANY ORLEN LIETUVA FOR THE YEAR 2022

The impact of the war that broke out in Ukraine in February 2022 has been felt around the world, including the oil refining industry. And AB ORLEN Lietuva (hereinafter – the Company) with the only crude oil refinery in the Baltic States is no exception. In the beginning of 2022, the Company made a shift by shunning imports of the Russian crude oil without waiting for sanctions to enter into force and making changes in the logistics chain of the product shipments to Ukraine. In this process, the Company's employees have demonstrated their resilience and proved once again that they are able to adapt to environment changes and respond to volatile market dynamics.

Despite the constantly changing and sometimes challenging global macroeconomic environment, ORLEN Group has strengthened its position in the oil market and made considerable investments in its development. In August 2022, the Company's crude oil refinery held a groundbreaking ceremony to mark the beginning of construction of a new residue conversion unit. This project, which is crucial for the economy and energy security of the region, is also the largest Polish capital investment in Lithuania. The project will allow increasing the yield of high-margin products, improving the Company's profits and enhancing its stability.

In 2022, the Company focused on finding the solutions to improve its financial situation while going through a very difficult and tense period, and concentrated on implementation of such solutions trying to take full advantage of every business opportunity offered under the competitive pressure. The Company managed to make its business profitable (excluding impairment charge during 2022) in a challenging year, thus making a considerable input in the national economy and contributing to its competitiveness as well as energy security.

Operating results

The effects of such tense geopolitical situation have become visible in the financial performance results of the Company. The Company had to search for solutions that would allow it to adapt to the changing market conditions in the refining sector.

With the outbreak of the war in Ukraine, the Company decided to give up Russian crude oil and to replace it with crude oil of a different quality. The last Russian crude oil cargo arrived in March 2022, and since April the Company has been refining crude produced in the North Sea, USA, Saudi Arabia and other regions (but not Russian Federation).

Despite the large turnaround of the refinery in 2022, the feedstock processing volume amounted to 8.9 million tons, i.e. was by 0.3 million tons (4%) higher than in the previous year, when the processing volume was 8.5 million tons of feedstock. The favorable macroeconomic environment has contributed to increased processing volumes and better capacity utilization. Higher processing volumes in 2022 led to the improvement of the operational efficiency indicators, i.e. annual capacity utilization factor, light product yield as well as energy intensity index.

Higher processing volumes have correspondingly adjusted the volume of product sales resulting in 4.5 % growth: 8.5 million tons of petroleum products were sold by the Company in 2022, whereas the volume of products sold in 2021 was 8.1 million tons. Increasing sales volumes and rise in the global oil and petroleum product prices had a considerable effect on the sales revenue growth, reaching USD 7.9 billion (EUR 7.6 billion) for 2022, whereas the revenue of the Company in 2021 amounted to USD 5.0 billion (EUR 4.3 billion).

Company's sales in the Baltic countries during the year 2022 increased by 14.6 percent from 3.7 million tons in 2021 to 4.2 million tons in 2022. This achievement represents the effect of growing fuel consumption combined with the Company's stable market share in Lithuania, where gasoline and diesel sales increased by 7.3 % to 1.9 million tons in 2022. Sales of jet fuel in the Baltic countries increased by nearly 51 % from 146 thousand tons in 2021 to 220 thousand tons in 2022, with such growth being strongly affected by the recovery of the aviation sector and increased number of international flights.

Sales of the Company to Ukraine in 2022 went down by 65.6% in comparison with 2021, and were 373 thousand tons. This resulted from the ban on the transit of products through Belarus and the Russian invasion of Ukraine. Despite this, the Company's Sales Division has endeavored to take advantage of all market opportunities to ensure that sales to Ukraine remain uninterrupted. The sales continued through the Company's subsidiary ORLEN Mockava Terminal located near the Lithuanian-Polish border.

Inland sales to Poland in 2022 went up by 5.1 percent from 429 thousand tons in 2021 to 451 thousand tons last year, representing the effect of increased consumption on Polish market and, accordingly, growing demand for gasoline and its components.

In 2022, the volume of propylene production and sales dropped down by almost 30 % and amounted to 55 thousand tons compared to 78 thousand tons sold in 2021. The main reason for the decrease in propylene sales was that the production of petrochemicals in Europe exceeded the actual demand for these products.

Higher processing volumes in 2022 led to the increased seaborne sales with growth of 18.2 percent, amounting to 3.3 million tons, compared to 2.8 million tons sold in 2021.

Financial results

The geopolitical situation and dynamic changes in the macro environment have also effected the financial results of the Company. The net loss for 2022 under the International Financial Reporting Standards (IFRS) was USD 194.7 million (EUR 183.2 million), in comparison to the net profit of USD 83.5 million (EUR 71.5 million) posted for the year 2021. Operating loss (EBIT) for the year 2022 amounted to USD 168.6 million (EUR 157.5 million), whereas the operating profit for 2021 was USD 83.1 million (EUR 71.3 million). Operating profit (EBIT) excluding impairment of non-current assets for the year 2022 amounted to USD 207.6 million (EUR 198.2 million).

Calculated impairment loss also contributed to the lower financial results of the Company. The impairment test showed that assets' recoverable amount was less than their carrying amount. Following the impairment test performed as of June 30, 2022, the Company recognized an impairment loss of USD 118.7 million (EUR 112.1 million) for its fixed assets and additionally test carried out as of December 31, 2022, identified impairment of the Company's assets in the amount of USD 257.5 million (EUR 243.5 million). Such impairment resulted from unstable global geopolitical situation and unpredictable crude oil market. Impairment test was conducted on the basis of future macroeconomic assumptions provided by PKN ORLEN S.A. Detailed information of impairment recognition is available in Note 8.4 of the Set of Annual Financial Statements.

Nevertheless, the positive results (excluding impairment charge during 2022) of the Company allowed maintaining the sufficient level of its financial indicators[1]. Net profit margin of the Company for the year 2022 was 2.3 % (in comparison with negative 1.6 percent for 2021). Other indicators experienced the following changes: the net debt to equity ratio was 0.48 (0.35 in 2021), the current ratio was 1.00 (1.12 in 2021), and the asset turnover ratio was 4.94 (3.85 in 2021).

Information on financial risk management of the Company is available in Note 9.5 of the Set of Annual Financial Statements. The information includes data on financial risk management trends, used insurance instruments to which the accounting of insurance transactions is applicable as well as on pricing risk, credit risk, liquidity risk, and cash flow risk.

Modernization, mandatory and other Projects

The total amount of investments by the Company made in the property plant and equipment as well as tangible assets (excl. purchase of deficient CO2 emission allowances and accounting for asset leases under IFRS 16) during the year 2022 was USD 223.1 million in comparison to USD 61.8 million in 2021.

The main investments by the Company in 2022 were for the bottom of the barrel project and amounted to USD 110.1 million. The approved budget of the entire project to be completed in 2025 is approx. USD 736.7 million. The expected impact of this project on the annual margin is approx. USD 98.5 million (depending on the fuel market situation).

In 2022, the Company also carried out the works of replacement of LK-2 gasoline reforming heater KR-203 at a cost of USD 12.5 million. The budget of the entire project to be completed in 2023 is approx. USD 23.6 million. The expected impact of this project on reduction of variable costs is approx. USD 2.6 to 4.8 million per year (depending on the market prices and the refinery capacities).

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

In 2022, the Company performed the turnaround of its refinery for the total cost of USD 45.3 million. Large-scale turnaround is conducted every 4–5 years. This allows to ensure smooth and efficient operation, functionality and required capacity of process units.

To ensure uninterrupted supply of crude oil for the refinery, the Company completed the major overhaul of the Būtingė Terminal spare SPM buoy in 2022. The project costs in 2022 amounted to USD 3.4 million.

The Company also invested in other projects to ensure the safety of the plant and the continuity of the refining process, including USD 11.9 million for the LPG tank farm flare system upgrade project and USD 12 million for the catalyst replacement project.

Apart from the said projects, the activities for refurbishment of other process units of the Company's refinery were also implemented in 2022.

HR policy, staff structure and work compensation

The Company's HR policy focuses on:

- building an engaging work environment and adapting to the needs and expectations of different generations of employees, ensuring the effective use of staff knowledge and experience, fostering positive work-related experiences;
- image-building, focusing on creating an attractive employer brand among both potential and current employees;
- strengthening organizational culture, developing skilled employees, encouraging leadership and commitment, retaining talents, and managing employee diversity;
- improving labor efficiency to meet the objectives set by the shareholders.

The number of active employees in the Company as of 31 December 2022 (including the Company's Representative Office in Ukraine) was 1427 (1416 as of 31 December 2021).

	Managers[2]	Specialists and office employees	Workers
Headcount by HR categories	193	435	799

Education statistics: higher education – 44.5 %, post-secondary and vocational education – 40.3 %, secondary education – 14.8 %, and lower than secondary education – 0.4 %. The Company employs 72.3 % male and 27.7 % female employees, with major effect on such distribution made by specifics of the Company's activities. Staff turnover in 2022 was 6.9 %.

The Company conducted an engagement and satisfaction survey in September 2022, with 75 % of its employees taking part in it. The survey shows the improvement of certain work organization aspects such as work and life balance, diversity management, flexibility and opportunities for development.

Seeking to improve efficiency of its internal processes, implementation of organizational changes continued in 2022 as well. Seeking to ensure the efficient management of the processes handled by the Company's Investment and Technology Departments, the Technology and Investment Division was established in November 2022, with the main objective of focusing on investment and technological development activities.

The remuneration system applied by the Company is based on job levels. The Company participated in the salary surveys conducted in 2022. In consideration of the results of the surveys, the Company aims to pay its employees a competitive salary and applies additional incentive measures. The remuneration system of the Company comprises of the following elements: base salary (monthly salary or hourly wage); monthly, quarterly, or annual bonus; reward for the initiatives submitted, implemented, and recognized as rewardable; management discretion bonuses for exceptional performance; annual bonus for the Company's performance results. Information on bonus systems applicable to the key management of the Company is available in Note 10.5.1. of the Set of Annual Financial Statements.

[2] Managers of the Company include the following positions: General Director, Directors, managers of organizational units, Project Managers, Shift Supervisors, etc.

The Company offers packages of additional benefits under the Collective Agreement effective in the Company:

Payments:

Increased annual holiday pay

Severance pay in case of an employment contract termination by an employee of retirement age

Additional allowance when an employment contract is terminated with an employee who, under the relevant conclusions by the Disability and Working Capacity Assessment Office, is unable to continue in his/her previous position or if the working capacity of the employee is determined as less than 55 %

Partial compensation of tuition fees and other costs for employees studying in university-type institutions

Payment of a 3 times higher rate for employees asked to come to work during national holidays if they are notified less than 48 hours before arrival to work

Increased sickness benefit for the first two days of sick leave

Social Needs Fund resources that can be allocated for: Christmas gifts or Christmas events for the children of the Company employees, sponsoring summer time activities (camps) for the children of the Company employees, support to Company employees in case of accident or other misfortune

Vacation/rest days:

Additional paid leave days for uninterrupted period of service

Additional paid leave days in case of death of immediate or close family members

Additional day of rest for the Company's veterans

Paid study leave

Additional day of rest for employees in certain professions due to the nature of work

Insurance:

Life insurance, which includes benefits for family members

Medical Insurance

Payments to the 3rd pillar pension funds

Other benefits:

Free transportation of the Company employees working in Juodeikiai and Stačkūnai from/to Mažeikiai and Biržai

Fuel discounts granted in ORLEN filling stations

Support for sports events and equipment

Day of Veterans for the Company employees

Tick-borne encephalitis and fever vaccinations for the Company employees

7 sightseeing tours per year for staff teams or groups

Summer festivals for the employees and their family members

Internal and external training

In 2022, additional allowances were granted to the employees on special occasions and to mitigate the effects of inflation, the employees worked shorter hours on Christmas Eve and Family Day, etc.

Starting from the year 2014, the election of the Best Employees has become an annual event in the Company being another important element of the Company's motivation system. The title of the Best Employee is an honorable appreciation awarded for high professional and social achievements as well as exemplary and ethical behavior demonstrated both within and outside the Company in line with the Company's Core Values and Code of Ethics. In 2022, to encourage employee engagement and cooperation between organizational units as well as in consideration of the opinion of employees, the nominations were changed and all the employees of the Company were granted the right to vote in the election. Last year, 105 candidates were nominated by managers and employees of the Company, with 1 employee awarded in the category 'Breakthrough of the Year', 8 employees awarded in the category 'Professional of the Year' and 2 employees awarded in the category 'Experience of the Year'.

Development of employees and social projects

Development of employees remains the priority for the Department of Human Resources. In 2022, in view of the requirements of applicable legislation as well as job descriptions and the results of occupational risk assessments, employees of the Company attended the trainings in the areas of fire safety and civil protection, first aid and hygiene, information security, as well as trainings under the programs for energy employees, formal safety programs and programs for execution of specialized works. All trainings were conducted free of charge during the working hours. Furthermore, over 800 employees of the Company attended the trainings and conferences to improve their professional knowledge, leadership, environmental skills, etc.

In 2022, the Company further proceeded with the project of internal trainings *'Expert Club. Refined Knowledge'* intended for experience and knowledge exchange. Specialists and managers of the Company acting as the experts prepared and presented various projects and information, including management news, changes in the global crude market, etc., to 1725 employees of the Company.

In 2022, the Company completed the project launched in 2018 for the improvement of its employees' competencies under the Measure No 09.4.3-ESFA-T-846-01-0074 *'Training for Employees of Foreign Investors'* of the Operational Programme for the European Union Funds' Investment in Priority Axis 9 *'Educating the Society and Strengthening the Potential of Human Resources*'. 634 employees were enrolled in the project sessions, but taking into account that some staff members attended more than one session, the total number of participants is 999. The project covered 41 topics, including refining technologies, economic optimization of refining operations, project management, process risk assessment, maintenance and operational control improvement, IT and English language, etc.

The Company has defined clear and consistent actions for age management to reduce the generation gap, ensure the transfer of knowledge and skills and the elimination of skill gaps, with a backup personnel recruitment project being successfully implemented. In order to achieve the faster and more efficient integration of new employees, the Company organizes Newcomer Days and implements adaptation programs.

The Company managers hold annual performance appraisal interviews with employees in order to promote their engagement and innovative approach based on mutual dialogue and responsive feedback culture, to strengthen employee potential, monitor the qualitative growth of competencies, analyze and identify training needs and future performance objectives.

The Company actively cooperates with educational institutions to attract new workforce. 55 students from Kaunas University of Technology (KTU), Vytautas Magnus University, Vilnius University, Vilnius Gediminas Technical University, Vilnius, Šiauliai and Klaipėda Universities of Applied Sciences, Mažeikiai Polytechnic School, etc. took traineeship in the Company in 2022. The Company representatives attended KTU CTF Partner Days and WANTed Career Days, the Open Day event in Mažeikiai Polytechnic School, and the People-to-People event organized by Mažeikiai Association of Entrepreneurs for Ukrainians currently residing in Mažeikiai. The Company experts gave lecturers to the KTU chemical engineering students. The Company provides the representatives of educational institutions with an opportunity to familiarize with the Company, get a closer look at its production processes. Akmenė District gymnasium students, KTU students, geography and chemistry teachers from Klaipėda high schools, lecturers from Šiauliai University of Applied Sciences, teachers and students from Mažeikiai Polytechnic School took part in the refinery tours and meetings with the representatives of the Human Resources, Technology and Production Departments as well as the Laboratory. A meeting was held between KTU graduates working in the Company and the managers of KTU Alumni Association. KTU ambassador was elected in Company.

In 2022, the Company employees took part in the 'Race for Freedom' launched on the Day of Restoration of the State of Lithuania, also participated in the national tree-planting project, blood donation campaign, Eco-Vacations' contest, exhibition of paintings of the staff members, traditional Summer Fest, flower planting campaign and other social and sports events. The Company employees joined the initiative of Mažeikiai District Municipality inviting to support the Ukrainian people affected by the war.

In 2022, the Company continued to devote a considerable attention to supporting the Lithuanian culture, heritage, education, and sports projects as this is important for the development of an attractive employer image, the enhancing of the organizational culture, and the improvement of employee engagement.

In 2022, the Company maintained the leading position in terms of communication and mentions in the mass media compared to other strategic companies of the country, and in terms of the results of traditional media (TV, radio, printed media, national broadcaster, online media, etc.). The Company's image and visibility on social media (Facebook, Instagram, LinkedIn and other profiles) is also positive and relevant.

Social dialogue

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

More than 30 meetings between the representatives of the Trade Union and the employer took place in 2022. The Collective Agreement for 2022-2023 was signed with the Naftininkų Trade Union.

Environmental protection

The Company is a socially responsible entity with a strong focus on environmental protection. The Company ensures the safety of the operated facilities and introduces effective solutions recognized in the market. The Refinery, Būtingė Oil Terminal and Biržai Transshipment Station employ modern production techniques, continuously implement emission and waste reducing measures and properly maintain their equipment.

The Company aims to prevent or mitigate the negative effects on the environment and to enhance the beneficial effects on the environment, as environmental impact management is part of the organization's business processes, strategic orientation and decision-making.

The long-term objectives of the Company in terms of sustainable development are prevention or minimization of negative environmental impact, effectiveness of environmental protection measures and saving of natural resources.

In 2022, the Company was operating in line with the statutory environmental requirements, introducing the changes necessary for proper implementation of the provisions set forth by the current and evolving requirements. Environmental requirements applicable to the Company are set out in the Integrated Pollution Prevention and Control (IPPC) Permit, with the environmental objectives established in line with the National Air Pollution Reduction Plan. Operations of the Company are subject to the integrated management system in compliance with the requirements of international quality management (ISO 9001), environmental management (ISO 14001), occupational health and safety management (ISO 45001), and information security management (ISO 27001) standards.

To meet the requirements of BAT and assess emissions to air, the Company applied the aggregated sulfur dioxide (SO2) and nitrogen oxide (NOx) values, with continuous emission monitoring systems introduced in the Company to ensure assessment and estimation of SO2 and NOx as well as carbon dioxide (CO2) and particulate concentrations. The systems contribute to more efficient management of production processes and reduction of emissions into the environment.

In 2022, emissions of SO2 and NOx did not exceed the ceilings set in the IPPC permit: SO2 emissions amounted to 7.3 thousand tons (10.6 thousand tons set in IPPC permit), whereas NOx emissions were 1.3 thousand tons (1.9 thousand tons set in IPPC permit).

The Company has also fulfilled its commitment to reduce particulate emissions from the refinery installations. The emissions in 2022 amounted to 0.02 thousand tons. The concentration of solid emissions were already reduced in 2019 (0.09 thousand tons) after installing an electrostatic precipitator in the Fluid Catalytic Cracking Unit.

Pursuant to the Regulations for Environmental Monitoring of Business Entities, the Company performs the monitoring of emissions from stationary air pollution sources and the ambient air quality in accordance with its monitoring program agreed with the environmental protection authority.

For implementation of BAT 6 and BAT 18 provisions, the Company continued monitoring of diffuse volatile organic compound (VOC) emissions. Approx. 15000 emission points were measured for the refinery units in 2022, with implementation of the program contributing to the reduction of VOC emissions. VOC emissions reached 7.5 thousand tons in 2022 and were lower by 2 thousand tons compared to 2020. This reduction was mainly due to the application of instrumental measurement techniques to determine the actual level of NMVOC emissions.

In 2022, the Company implemented the project under the Lithuanian Environmental Investment Fund (LEIF) Programme 2021 Axis 3.2.2 (Protection of Atmosphere) 'Projects for implementation of measures reducing emissions of non-methane volatile organic compounds (NMVOCs) in business activities'. The Company upgraded 25 storage tanks in the refinery, by replacing the breathing equipment and relief valves. New pressure/vacuum relief valves (PVRV) and emergency pressure-vacuum relief valves (EPVRV) meeting the latest standards were acquired as part of this project. New PVRV and EPVRV were installed in the place of the old breather valves. The project is expected to reduce the emissions from the 25 tanks by 290.2 tons per year.

To meet the requirements of BAT 4, the Company monitored nickel and vanadium emissions into the environment, and emissions of polychlorinated dibenzo-p-dioxins (PCDDs) and polychlorinated dibenzofurans (PCDFs) from catalytic reforming processes.

Based on the reports developed and the application submitted by the Company, 6,139,320 free emission allowances have been pre-allocated to the Company for the period of 2021-2025. The number of emission allowances have been allocated on the basis of the Report on Lifecycle Greenhouse Gas (GHG) Emissions from Fuels and Energy that was audited and approved by an independent evaluator issuing a GHG emission verification certificate.

The Company continuously invests in measures to ensure energy efficiency and, at the same time, reduce emissions of CO2 and other pollutants into the environment. Energy efficiency improvement projects implemented by the Company in 2022 will contribute to the reduction of CO_2 emissions by approximately 15,521 thousand tons per year.

Furthermore, groundwater monitoring, monitoring of underground oil-contaminated sites and their decontamination in the territory of the refinery as well as pollution prevention performance were continued. The results of the monitoring measures evidence that the thickness of free oil product in the sites is decreasing; therefore, the amount of the extracted oil products declines year after year (29.74 tons of oil products extracted during 2021 and 4.69 tons during 2022). Nevertheless, the works will be continued in 2023.

Occupational health and safety

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

Employee engagement is demonstrated by the use of the Hazard Reporting System implemented in the Company. The employees actively use the system each year to report the existing hazards. The number of reported hazards in 2022 was 1184, of which 1378 hazards were successfully eliminated. Since the start of the program in 2012, 12,954 hazard reports were submitted by the employees, with 10,221 hazards removed to date.

The Company occupational health and safety management system complies with the ISO 45001:2018 standard.

The Company has introduced and successfully implemented 15 PKN ORLEN OHS standards regulating organization of hazardous work, accident investigation, emergency response, contractor management, in-depth analysis of industrial accidents, routine safety activities, etc. The standards have been developed on the basis of the best worldwide practices and set the extremely strict occupational health and safety requirements.

In 2022, the Company also introduced and successfully implemented 6 PKN ORLEN OHS standards for logistic activities.

Last year, the Company introduced a computer program for issuing electronic work permits, which allows the Company to organize, manage and control maintenance work in a much more efficient and effective way, while at the same time ensuring the health and safety of the employees.

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

To reduce the risk of accidents and failures, the preventive measures were implemented by the Company in 2022, including development/update of 5 process safety and civil protection procedures, preparation of the hazardous establishment form and submission to the Fire and Rescue Department, successful implementation of Hazard and Operability (HAZOP) Studies for the process units with 15 HAZOP studies completed in 2022 during which 848 improvement opportunities were identified, performance of 280 change risk assessments and updating of explosion risk assessments for 4 process units. The Company has investigated all the incidents, identified their causes and put in place the required corrective and preventive measures.

In 2022, the Company had zero accidents involving its employees and one accident involving a contractor working in the Company. The total recordable rate per 1 million man-hours worked by the Company and contractor employees is 0.21 for the year 2022 (this rate was 0.64 in 2021 and 0.95 in 2020).

Ownership structure

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

In 2022, the Company did not acquire or transfer any of its own shares.

Subsidiaries

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

Research and development activities

The Company had no research and development activities in 2022.

Events after the end of the reporting period

Events after the end of the reporting period is available in Note 11 of the Set of Annual Financial Statements.

Managerial positions of the Head and Members of the Board of the Company

Position in Public Company ORLEN Lietuva 2022-12-31	Other managerial positions 2022-12-31
Michał Rudnicki Chairman of the Board of Directors, General Director of Public Company ORLEN Lietuva	Chairman of the Board of Directors, General Director of ORLEN Baltics Retail, AB, code 166920025, address: J. Jasinskio 16B, LT-03163, Vilnius, Lithuania
Marek Paweł Gołebiewski Executive Member of the Board of Directors, Chief Financial Officer of Public Company ORLEN Lietuva	- Chairman of the Supervisory Council, ORLEN Latvija, SIA, code 40003637994, address: Miera iela 2–3, LV-1001 Riga, Latvia - Chairman of the Supervisory Council, ORLEN Eesti, OÜ, code 10960209, address: Pärnu mnt. 22, 10141 Tallinn, Estonia - Non-executive Member of the Board of Directors of ORLEN Service Lietuva, UAB, code 302310627, address: Mažeikių st. 75, Juodeikiai village, LT- 89467 Mažeikiai District, Lithuania
Radosław Misztalewski Executive Member of the Board of Directors, Deputy General Director for Commercial Sales and Logistics of Public Company ORLEN Lietuva	- Member of the Supervisory Board, ORLEN Oil Sp. z o. o., code 0000102722, address: Opolska 114, 31– 323 Cracow, Poland

(in USD and EUR thous.)

Robert Antoni Pijus Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Director of Plock Petrochemical Plant, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Chemików 7, 09–411 Płock, Poland - Member of the Board, Stowarzyszenie Płockich Naftowców, code 610991725, address: Kazimierza Wielkiego 41, 09–400 Płock, Poland
Renata Agnieszka Rosiak Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Project Manager, Office of ORLEN Capital Group, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Chemików 7, 09–411 Płock, Poland - Member of the Supervisory Board, ORLEN Serwis S.A., code 360180821, address: Chemików 7, 09–411 Płock, Poland - Member of the Supervisory Board, ORLEN Aviation Sp. z o.o., code 0000022177, address: J. Gordona Bennetta 2, 02– 159 Warsaw, Poland - Non-executive Member of the Board of Directors of ORLEN Service Lietuva, AB, code 302310627, address: Mažeikių st. 75, Juodeikiai village, LT- 89467 Mažeikiai District, Lithuania
Andrzej Mieczysław Stegenta Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Director of Operations Planning Office, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Chemików 7, 09–411 Płock, Poland
Filip Wojtas Non-executive Member of the Board of Directors of Public Company ORLEN Lietuva	- Executive Director for Refining Wholesale, Polski Koncern Naftowy ORLEN S.A., code 610188201, address: Bielańska 12, 00–085 Warsaw, Poland - Chairman of the Supervisory Board, ORLEN Oil Sp. z o. o., code 0000102722, address: Opolska 114, 31– 323 Cracow, Poland - Chairman of the Supervisory Board, ORLEN Asfalt Sp. z o. o., code 0000044178, address: Łukasiewicza 39, 09-400 Płock, Poland - Chairman of the Supervisory Board, ORLEN Paliwa Sp. z o. o., code 0000126258, address: Widełka 869, 36–145 Widełka, Poland - Executive Director, ORLEN Trading Switzerland GMBH, code CHE-309.405.086, address: Neuhofstrasse 8, 6340 Baar, Zug, Switzerland

2023 as the year of continued focus on updated ORLEN 2030 Strategy implementation

In 2023, the Company will continue its activities by coherently implementing the objectives set out in the updated ORLEN2030 Strategy, focusing on reduction of carbon dioxide emissions, energy security improvement, value creation in view of the latest environmental trends and consumption patterns as well as financial stability.

The forecasted throughput of the Refinery in 2023 is about 9.5 million tons of feedstock. In the context of the ongoing energy crisis, aggravated by Russia's invasion of Ukraine, the Company will concentrate its efforts on realization of the key investment projects, capacity utilization increase and reduction of energy consumption as well as on securing the stability of its performance, increasing sales to inland markets and reducing costs.

To give a long term perspective of growth to Public Company ORLEN Lietuva as well as the entire ORLEN Capital Group in the context of the increasingly competitive and continuously changing macroeconomic environment, the management of the Company will continue in 2023 its intensive efforts for implementation of advanced management solutions aimed at the operational efficiency increase and process optimization, with the special focus on sustainability of its business.

General Director / Michal Rudnicki