

**Orlen Capital AB (publ)**  
**Corporate Identity Number 556974-3114**

## **Annual report for the financial year 2019**

The Board of Directors presents the following annual report

<b>Contents</b>	<b>Page</b>
- Administration Report	2
- Income Statement	5
- Balance Sheet	6
- Statement of changes in equity	8
- Cash flow statement	9
- Notes to the Accounts	10

Unless otherwise stated all amounts are reported in euro. Information in brackets refers to prior years.

## **Administration Report**

### **Information regarding the operations**

The company was registered on 12 June 2014. The objective of the company is to carry out financial operations, mainly through borrowing of funds by issuing bonds or other financial instruments to private or institutional investors, direct lending of such means to companies within the same group, offer bonds and credits, or carry out other thereby related businesses. No financial services regulated in the Banking and Financing Business act (2004:297) are carried out.

The company has issued senior bonds with nominal value of EUR 1,250,000,000 in total, of which:

- The first issuance of bonds was floated on 30 June 2014 with a nominal value of EUR 500,000,000 and issue price of 99,135%. The bonds have a tenor of 7 years from the date of issuance with maturity due on 30 June 2021 and the interest rate of 2,50%. Interest is paid annually in arrears with payment on 30 June,
- The second issuance of bonds was floated on 7 June 2016 with nominal value of EUR 750,000,000 and issue price of 98,727%. The bonds have a tenor of 7 years from the date of issuance with maturity due on 7 June 2023 and the interest rate of 2,50%. Interest is paid annually in arrears with payment on 7 June.

Both bonds are listed on the Irish Stock Exchange (ISE - XS1082660744/XS1429673327) and the bases of the prospectuses were approved by the Central Bank of Ireland. The second issue of bonds is also listed on the Warsaw Stock Exchange.

The company's liabilities from issuing of bonds (including the obligation for payment of the nominal value of bonds and interest on the bonds) are secured with two guarantees provided by Polski Koncern Naftowy ORLEN SA ("PKN ORLEN") to all bondholders. The maximum value of both guarantees is EUR 2,100,000 and they expire upon the expiry of the repayments towards Orlen Capital AB.

The amounts obtained from issuance of bonds have been granted by Orlen Capital AB in a form of two loans to PKN ORLEN. Interest from both loans is paid annually and arrears in June each year.

### Comparative figures covering several years

The company's financial development in brief.

	2019	2018	2017	2016
Net sales, kEUR	0	0	0	0
Profit/loss after financial items, kEUR	2.736	-2.722	512	494
Total assets, kEUR	1.311.047	1.306.273	1.259.869	1.257.430
Solvency, %	1,5	1,6	0,3	0,2
Return on total equity, %	2,8	2,4	2,7	2,0
Return on equity, %	13,8	neg	15,7	17,2

Definitions of key performance indicator are presenting in note 1.

### Significant events during the financial year

During 2018 the Company has acknowledged that there exists a deferred tax liability due to the possible exchange gain that may arise if the company's financial fixed assets, a long term receivables towards the parent company, is disposed. The capital gain is calculated based on the exchange rate at year end compared to the exchange rate at acquisition date of the receivable. The deferred tax that exists is calculated to 20,6 % of the capital gain and effects the Company's financial statements negative. The company have used the same process for 2019 as previous year.

The Tax Ruling Board determined during 2019 whether there is a discrepancy between Swedish law in relation to accounting for a realization in companies with EUR as functional currency, wherein deductibility for loss of capital debt is not accepted, towards cases whereby SEK is the functional currency wherein full deductibility for loss of realized capital debts are accepted. The decision was presented in March 2019 which was not to the company's advantage, why the company has chosen to report a deferred tax liability in the balance sheet.

### Ownership structure

Orlen Capital AB is a fully owned subsidiary to Polski Koncern Naftowy ORLEN Spółka Akcyjna (reg no KRS 000028860), Ul. Chemikow 7, 09-411 Plock, Poland.

### Basic risks and uncertainties

The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company.

The Board has the overall responsibility for establishing and monitoring the company's risk management.

For further information on the company's financial risk management, see note 1.

### **Proposed appropriation of profits**

The following profits are at the disposal of the Annual

Proposed appropriation of profits	21.370.405
Net profit/loss for the year	<u>-1.598.773</u>
	<u>19.771.632</u>

The board proposes that

to be carried forward	<u>19.771.632</u>
	<u>19.771.632</u>

### **Corporate Governance Report**

The Board assures quality of all financial statements prepared by Orlen Capital AB.

Reports to be published - Annual Report constituted according to the Annual Accounts Act and so called legally restricted IFRS - examined in addition to the elected auditors.

In the Board's apprehension and in light of Orlen Capital limited activity and few transactions, the above control system of the financial reporting are regarded as adequate.

Orlen Capital AB (publ) is a fully owned subsidiary of PKN Orlen SA, which represent all shares in the company and there is no limitation regarding the number of shares the shareholders may submit at a general meeting. As the company is a public, unlisted company, there is no authorization for the board to decide that the company should issue new or acquire own shares. Furthermore, there are no specific provisions about appointment and resignation of the board member in the Article of Association. There is neither any specific provision in the Articles of Association regarding amendment of the Articles of Association.

<b>Income Statement</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Other operating income	2	0	8.513.799
<b>Operating expenses</b>			
Other external expenses	3	-171.842	-151.276
Personnel costs	4, 5	-1.559	-1.536
Other operating expenses		0	<u>-8.512.299</u>
<b>Total operating expenses</b>		-173.401	-8.665.111
<b>Operating profit/loss</b>		-173.401	-151.312
<b>Profit/loss from financial items</b>			
Impairment of financial fixed assets and reversal of the same	6	2.171.134	-3.286.355
Other interest income and similar profit/loss items	7	34.583.798	34.601.443
Interest expenses and similar profit/loss items	8	<u>-33.845.434</u>	<u>-33.885.905</u>
<b>Total profit/loss from financial items</b>		2.909.498	-2.570.817
<b>Profit/loss after financial items</b>		2.736.097	-2.722.129
Deferred tax	9	-4.200.795	-26.075.259
Tax on profit for the year	9,10	<u>-134.075</u>	<u>-127.714</u>
<b>Net profit/loss for the year</b>		<u>-1.598.773</u>	<u>-28.925.102</u>

The statement of comprehensive income has not been prepared as there hasn't occurred any other transactions to be included in the comprehensive income. The comprehensive income is in accordance with the net profit of the year.

<b>Balance Sheet</b>	<b>Note</b>	<b>2019-12-31</b>	<b>2018-12-31</b>
<b>Assets</b>			
<b>Fixed assets</b>			
<u>Financial fixed assets</u>			
Receivables from Group companies	6, 11, 12	<u>1.232.100.014</u>	<u>1.229.928.880</u>
<b>Total fixed assets</b>		<u>1.232.100.014</u>	<u>1.229.928.880</u>
<b>Current assets</b>			
<u>Current receivables</u>			
Short term receivables from Group companies	12	60.851.493	58.533.873
Other current receivables		38.287	41.921
Prepaid expenses and accrued income	13	<u>17.950.492</u>	<u>17.729.956</u>
		<u>78.840.272</u>	<u>76.305.750</u>
<u>Cash and bank balances</u>			
Total current assets		<u>106.984</u>	<u>37.952</u>
<b>Total assets</b>		<u>78.947.256</u>	<u>76.343.702</u>
		<u>1.311.047.270</u>	<u>1.306.272.582</u>

## Equity and liabilities

### Equity

#### Restricted equity

Share Capital (500 000 shares)		<u>60.000</u>	<u>60.000</u>
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#### Non-restricted equity

Retained earnings		21.370.405	50.295.507
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Net result for the year		<u>-1.598.773</u>	<u>-28.925.102</u>
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		<u>19.771.632</u>	<u>21.370.405</u>
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<b>Total equity</b>		<u>19.831.632</u>	<u>21.430.405</u>
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#### **Appropriations**

Deferred tax liability	9	<u>30.276.054</u>	<u>26.075.259</u>
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<b>Total Appropriations</b>		<u>30.276.054</u>	<u>26.075.259</u>
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#### **Non-current liabilities**

Bond loans	11, 12, 14	<u>1.244.413.125</u>	<u>1.242.431.339</u>
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<b>Total non-current liabilities</b>		<u>1.244.413.125</u>	<u>1.242.431.339</u>
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#### **Current liabilities**

Accounts payable - trade		23.359	35.609
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Other current liabilities		59	147
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Accrued expenses and deferred income	15	<u>16.503.041</u>	<u>16.299.823</u>
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<b>Total current liabilities</b>		<u>16.526.459</u>	<u>16.335.579</u>
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<b>Total equity and liabilities</b>		<u>1.311.047.270</u>	<u>1.306.272.582</u>
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### Statement of change in equity

	Share capital	Other non-restricted equity	Received shareholder contribution	Total equity
<b>Equity 2018-01-01</b>	<b>60.000</b>	<b>1.907.773</b>	<b>1.300.000</b>	<b>3.267.773</b>
Conditional shareholder contribution	-	-940.000	50.940.000	50.000.000
Adjustment in previous years retained earnings	-	-2.912.266	-	-2.912.266
Net profit/loss for the year	-	-28.925.102	-	-28.925.102
<b>Equity 2018-12-31</b>	<b>60.000</b>	<b>-30.869.595</b>	<b>52.240.000</b>	<b>21.430.405</b>
Net profit/loss for the year	=	<u>-1.598.773</u>	=	<u>-1.598.773</u>
<b>Equity 2019-12-31</b>	<b>60.000</b>	<b>-32.468.368</b>	<b>52.240.000</b>	<b>19.831.632</b>

500 000 shares  
0,12 EUR quota value

The statement of comprehensive income has not been prepared as there hasn't occurred any other transactions to be included in the comprehensive income. The comprehensive income is in accordance with the net profit of the year.



<b>Cash flow statement</b>	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Operating profit before financial items	-173.401	-151.312
<i>Adjustment for noncash items;</i>		
Impairment	34.600.987	34.601.443
Interest received	-33.862.623	-33.885.905
Interest paid	<u>-134.075</u>	<u>-145.213</u>
	430.888	419.013
Increase/decrease in other current receivables	-216.902	-193.345
Increase/decrease in accounts payables	-12.250	-16.278
Increase/decrease in other current liabilities	203.130	219.317
Increase/decrease in long term borrowings	<u>1.981.786</u>	<u>1.980.400</u>
<b>Cash flow from operating activities</b>	<b>2.386.652</b>	<b>1.990.093</b>
<b>Investing operations</b>		
<b>Cash flow from investing operations</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>		
Received shareholder contribution	<u>50.000.000</u>	<u>0</u>
<b>Cash flow from financing activities</b>	<b>50.000.000</b>	<b>0</b>
<b>Cash flow of the year</b>	<b>52.386.652</b>	<b>2.409.107</b>
<b>Cash at the beginning of the year</b>	<b><u>8.571.825</u></b>	<b><u>6.162.719</u></b>
<b>Cash at the end of the year</b>	<b><u>60.958.477</u></b>	<b><u>8.571.826</u></b>

## Notes

### Note 1 Accounting and valuation principles

#### General information

Orlen Capital AB (publ), with corporate identity number 556974-3114, is a limited liability company registered in Sweden with its registered office in Stockholm. The office address is Sveavägen 9, 111 57 Stockholm, Sweden. The objective of the company's business is to conduct financial activities and to conduct any other activities related thereto, including issuing bonds and deposits and loans to investors.

The parent company of the largest group which Orlen Capital AB (publ) is a subsidiary of is Polski Koncern Naftowy Orlen SA, corporate identity number KRS 0000028860, Ul. Chemikow 7, 09-411 Plock, Poland. The consolidated report of Polski Koncern Naftowy ORLEN Spolka Akcyjna is available at the following address: Polski Koncern Naftowy ORLEN Spolka Akcyjna, ul. Chemikow 7, 09 - 411 Plock, e-mail address [ir@orlen.pl](mailto:ir@orlen.pl).

#### Accounting and valuation principles

The annual report of Orlen Capital AB (publ) has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that the company as far as possible applies all EU-approved International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee (IFRIC) as part of the Annual Accounts Act and Security Act, and considered the relationship between accounting and taxation. In the report, valuations of items are at cost. The following describes the principal accounting policies adopted.

#### IFRS

The implementation of IFRS 9 has effected the company's financial reports as long term financial receivables has been revalued to an accrued acquisition value which means that the receivables where subject to impairment.

The new standard 9 for financial instruments handles classification, valuation and accounting of financial assets and liabilities was effective from financial year's starter 2018-01-01. The changes that can be applicable in the company is that financial instruments should be recognized as its acquisition value and the net realized value of receivables should be reported as current assets that shall be calculated in accordance with the principles of impairment testing and loss risk reserve. In addition, interest income and interest expenses shall be reported in accordance with the effective interest rate method and the company should disclose the principles to apply for hedging.

The general approach which is applied by the Company for financial assets valued at amortized cost - other than trade receivables (for which a simplified approach is applied) and for assets measured at fair value through other comprehensive income, e.g. acquired bonds,

granted loans, refundable capital contributions.

In the general approach, the Company monitors 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, 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 is estimated within 12-month horizon (stage 1) or in the life horizon of the instrument (stage 2 and stage 3).

At each reporting date, the Company analyses the occurrence of conditions leading to the classification of financial assets to particular stages of determining impairment write-offs, such as changes in debtor's rating, serious financial problems of debtor, occurrence of a significant negative change in its economic, legal or market environment.

For the purpose of estimating the expected credit loss, the Company applies default probability levels, implied from market credit quotes of derivatives, for entities with a given rating and from a given sector. The Company includes information about the future in the parameters of the expected loss estimation model by calculating the default probability parameters based on current market quotes.

As a result of the implementation of IFRS 9 the company has recognized an impairment of the following amounts;

	2019-12-31	2018-12-31
<i>Financial fixed assets</i>		
Loan granted 2014 (EUR 495 675 000)	1 615 226	2 485 968
Loan granted 2016 (EUR 740 452 500)	2 412 260	3 712 652
	<b>4 027 486</b>	<b>6 198 620</b>

#### **New and changed standards and interpretations not yet has taken effect**

The standard IFRS 16 is to be applied as of January 1, 2019. The standard aims to obtain a more qualitative accounting for leasing that is economically similar to purchases. Leases that are similar to purchases shall be reported in the consolidated balance sheet. The standard will not affect the company's accounting.

#### **Foreign currency**

The company's reporting currency and the functional currency is euro. Receivables and liabilities in foreign currencies are converted according to the rate of exchange on the closing date rate. Exchange differences are recognized in the income statement.

#### **Income taxes**

The tax expense represents the sum of current and deferred tax.

#### *Tax on profit for the year*

The current tax is calculated on the taxable profit for the period. The taxable profit differs from the reported results in the income statement when it is adjusted for non-taxable income

and non-deductible expenses and income and expenses that are taxable or deductible in other periods. The company's current tax is calculated using tax rates that have been determined or announced at the balance sheet date.

#### **Loan receivables and debts**

For accounting of financial instruments, the company applies a method based on cost according to the Annual Accounts Act. Capital discount and direct issuing costs in raising loans are accrued, but not later than the time until the debt becomes due.

Loan debts are reported initially to the received amount after transaction costs have been deducted. If the reported amount differs from the amount to be repaid at the due date the difference is accrued as interest cost or interest income over the term of the loan. Loan debts are no longer reported when the loans have been settled through repayment or when they have been waived.

Loan receivables from group companies and bonds are reported in accordance with the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts and payments during the fixed interest rate period to equal the carrying amount of the receivable. The Company's bond loans are measured at amortized cost, which means that the difference between the discounted value and the loan's respective bond loan's face value is amortized over the respective loan. The amortizations are recognized as interest expense and interest income. Accrued transaction costs related to loans are amortized over the term of the loan and reported net as interest income / expense.

At each reporting date, the Company assesses whether there is fair evidence that the loans are impaired. Objective evidence consists of observable events that have occurred and have a negative impact on the ability to recover the cost. If fair evidence exists for this, expected future cash flows are discounted, using the original effective interest rate. If the presented value is lower than the carrying amount, the impairment loss is recognized.

#### **Fixed assets**

Fixed assets and long term-liabilities are expected to be regained or repaid after more than twelve months from the balance sheet date. Current assets short term liabilities are expected to be regained or repaid within twelve months from the balance sheet date.

#### **Current assets**

Current assets are reported at the lower of acquisition cost and the lower of cost and net realizable value. Acquisition cost is defined as expenditures for the asset plus costs directly attributable to the acquisition. Net realizable value is defined as the sales value less estimated selling expenses.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash and bank deposits and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value. To be classified as cash and cash equivalents duration may not exceed three

months from the date of acquisition. The company's cash balance at the cash pool account is presented as "other current investments".

#### **Provisions**

Provisions are recognized when the company has an existing obligation (legal or informal), as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The sum represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the expenditures expected to be required to settle the obligation, the carrying value is equal to the present value of these payments

#### **Shareholders contribution**

Shareholders contribution given by an owner is accounted for as an increase in the entities accounted value. Shareholders contribution received by an owner is accounted for directly into equity.

#### **Contingent**

A contingent liability is a possible obligation arising from past events and whose existence will only be confirmed by one or more uncertain future events not wholly within the control of the company that may occur or does not occur, or a present obligation arising from past events, but not recognized as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the obligation cannot be measured with sufficient reliability. Contingent liabilities are presented in note 14.

#### **Cash flow statement**

The cash flow statement shows the company's changes in the company's cash and cash equivalents during the financial year. The cash flow statement has been prepared using the indirect method. The reported cash flow shows only transactions which have resulted in in- and outgoing payments.

#### **Financial instruments**

A financial asset or financial liability is recognized in the balance sheet when the Company becomes a party to the instrument's contractual terms. A receivable is recognized when the company has performed and a contractual obligation exists for the counterparty to pay, even if the invoice has not been sent. Liabilities are recognized when the counterparty has performed and there is contractual obligation to pay, even if the invoice has not been received. Accounts payable are recognized when an invoice is received. A financial asset is derecognized when the contractual rights are realized, expire or the company loses controller over them. A financial liability is derecognized from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished.

Loans and bonds are recognized at amortized cost using the effective interest method and interest income and expenses are recognized using the effective interest method. The effective interest rate is the rate that discounts estimated future payments during a financial instrument's expected duration of the financial asset or liability's net value. The calculation includes all paid or received fees by contractors, such as transaction costs and all premiums and discounts.

At each reporting date the Company assesses based on objective evidence whether there is a need to test the loan for recoverability. Objective evidence consists of observable circumstances that have occurred and have a negative impact on the ability to recover the acquisition cost. If objective evidence exists, expected future cash flows are discounted using the original effective interest rate. If the present value of cash flows related to financial instrument is lower than its carrying amount, the impairment charge is presented in profit/loss for the year.

### **Financial risk management**

The Company's business activities are exposed to various types of financial risks, including market, liquidity and credit risks. Market risks primarily consist of interest rate risk. The Company's Board of Directors is ultimately responsible for exposure management and monitoring of the company's financial risks.

#### **Market risk**

A market risk can be a change in the market price that affects the company's income or the value of the financial instruments.

#### *Interest rate risk*

Interest rate risk refers to the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates.

The company's interest rate risk profile of the interest-bearing financial instruments was:

	<b>2019-12-31</b>	<b>2018-12-31</b>
<u>Fixed interest rate</u>		
Receivables from Group companies	1 249 011 749	1 246 306 012
Bond loans	1 266 429 098	1 266 212 768
	<b>2 515 440 846</b>	<b>2 512 518 780</b>

The company has minimized the interest rate risk by matching the loan obligations with the obligations of the bond.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows will fluctuate due to changes in exchange rates. Orlen Capital AB is exposed to a currency risk due to the possible exchange gain that may arise if the company's financial fixed assets, a long term receivables

towards the parent company, is disposed. Due to the possible currency risk exposure Orlen Capital AB has accounted a deferred tax liability.

*Division of receivables and debts between currencies*

	EUR	SEK	Total in EUR
Financial receivables with related copmanies	1 232 100 014		- 1 232 100 014
Short term receivables with related copmanies	60 851 493		- 60 851 493
Accrued interest receivables	16 911 734		- 16 911 734
Other receivables	904 922	1 666 872	1 077 046
Cash and Bank	-	1 117 641	106 984
	<b>1 310 768 163</b>	<b>2 784 513</b>	<b>1 311 047 271</b>

	EUR	SEK	
Bond loans	1 244 413 125		- 1 244 413 125
Accrued interest	16 429 098		- 16 429 098
Accounts payables	23 359		- 23 359
Other	74 002		- 74 002
	<b>1 260 939 584</b>		<b>0 1 260 939 584</b>

*Sensitivity analysis to changes in currency rates*

	Assumed variation Effect on P&L	
	2019-12-31	2019
SEK/EUR	+15%	-34 766
		<b>-32 747</b>

Given the limited effect of changes in currency risk no additional analysis is presented.

**Credit and counterpart risk**

Credit risk refers to the risk that the counterparty to a transaction causes the company a loss by not fulfilling their contractual obligations. Orlen Capital AB (public) limits their risk by only leave intercompany loans.

The total value of financial assets represents the maximum credit risk exposure:

	2019-12-31	2018-12-31
Receivables from Group companies	1 249 011 748	1 246 306 012
Other current investments	60 851 493	8 533 873
Cash and bank balances	106 984	37 952
	<b>1 309 970 225</b>	<b>1 254 877 837</b>

The credit risk involves short term investments and cash and bank.

**Liquidity and finance risk**

Liquidity risk can be the risk that a company will encounter difficulty in meeting obligations

arising from its financial liabilities.

	2019			
	within one year	within five years	after 5 years	Total
<i>Financial debts that are due for payments</i>				
Bond loans	1 981 786	1 246 394 911	-	1 248 376 697
Accrued interest	16 429 098	-	-	16 429 098
Accounts payables	23 359	-	-	23 359
Other	74 002	-	-	74 002
	<b>18 508 245</b>	<b>1 246 394 911</b>	<b>-</b>	<b>1 264 903 156</b>
	2018			
	within one year	within five years	after 5 years	Total
<i>Financial debts that are due for payments</i>				
Bond loans	1 981 784	1 240 449 555	-	1 242 431 339
Accrued interest	16 212 768	-	-	16 212 768
Accounts payables	35 609	-	-	35 609
Other	87 202	-	-	87 202
	<b>18 317 363</b>	<b>1 240 449 555</b>	<b>-</b>	<b>1 258 766 918</b>

The financing risk is the risk that the company cannot raise sufficient funds at a reasonable cost. Maturity Distribution of contractual payment obligations related to the Company's financial liabilities are presented in note 14. Interest payments are determined based on the conditions prevailing at the balance sheet date.

The company's loan agreements contain no terms that could cause actual payment date to be substantially earlier than indicated by note 14.

### **Operational risk**

Operational risk can be the risk of direct or indirect loss arising from a variety of occasions associated with a company's processes, personnel, and infrastructure and from external factors other than credit, market and liquidity risks such as those derived from regulations and generally accepted customs. Operational risks arise from all of a company's activities.

Orlen Capital AB (publ) was formed with the purpose to engage in the activities described in the previous paragraph on the company's operations.

The operational risk of the company is reduced by the boards continuous monitoring of the company's financial statements and general and continuous business knowledge.

### *Capital risk management*

The company's objectives for managing capital are to safeguard the company's ability to continue its operations to generate reasonable returns for shareholders and benefits for other stakeholders.

The Company monitors its capital structure on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as liabilities to credit



institutions less cash. Total capital consists of total equity and net debt.

At the end of the financial year the debt/equity ratio is::

	<b>2019-12-31</b>	<b>2018-12-31</b>
Debt as bonds	1 266 429 098	1 266 212 768
Decreased by cash equivalents	-60 958 477	-8 571 825
<b>Net debt</b>	<b>1 205 470 621</b>	<b>1 257 640 943</b>
<b>Total equity</b>	<b>19 831 632</b>	<b>21 430 405</b>
<b>Total equity &amp; liabilities</b>	<b>1 225 302 253</b>	<b>1 279 071 348</b>
<b>Debt/equity ratio</b>	<b>98,4%</b>	<b>98,3%</b>

### **Definitions of key performance indicator**

#### Solvency

Equity and untaxed reserves (with deferred tax allowance) in relative proportion to total assets.

#### Return on equity,

Profit/loss before deduction of financial income and expenses in relative proportion to total assets.

#### Return on equity,

Profit/loss after financial income and expenses in relative proportion to equity and untaxed reserves (with deferred tax allowance).

### **Note 2 Other operating incomes**

	<u>2019</u>	<u>2018</u>
Income from recharged costs	0	1.500
Operating income from related companies	<u>0</u>	<u>8.512.299</u>
<b>Total</b>	<u>0</u>	<u>8.513.799</u>

**Note 3 Auditor fee**

	<u>2019</u>	<u>2018</u>
Auditor assignment	15.690	14.023
Audit activities outside the audit assignment	0	0
Tax audit	0	0
Other assignments	<u>0</u>	<u>0</u>
Total	<u>15,690</u>	<u>14,023</u>

During the comparison year the auditor was KPMG AB.

Auditing means the statutory audit of annual accounts, book-keeping, the board and the managing director's administration of the company as well as auditing and other review conducted in accordance with the agreement or contract. This includes other duties that are incumbent on the company's auditor as well as advice or other assistance resulting from observations during such examination or performance of such tasks.

**Note 4 Remuneration by country**

	<u>2019</u>	<u>2018</u>
Remuneration by country amount to <u>Sweden</u>		
Salaries and remunerations to other employees	<u>1.559</u>	<u>1.536</u>
Total	<u>1.559</u>	<u>1.536</u>

**Note 5 Remuneration, social costs and pension**

	<u>2019</u>	<u>2018</u>
<b>Average number of employees</b>		
Women	1	1
Men	<u>0</u>	<u>0</u>
Total	1	1
<b>Board members and leading executives</b>		
Women	2	2
Men	<u>1</u>	<u>1</u>
Total	3	3
<b>Remuneration, social costs and pension</b>		
Salaries and remunerations to other employees	<u>1.192</u>	<u>1.168</u>
Total	1.192	1.168
Social costs according to law and contract	<u>366</u>	<u>367</u>
Total	<u>1.559</u>	<u>1.536</u>

**Note 6 Write-downs of financial fixed assets and current investments**

	<u>2019</u>	<u>2018</u>
Impairment of financial fixed assets	0	-2.912.265
Reversal of impairment of financial fixed assets	<u>2.171.134</u>	<u>-3.286.355</u>
<b>Total</b>	<u>1.232.100.014</u>	<u>1.229.928.880</u>

**Note 7 Other interest income and similar profit/loss items**

	<u>2019</u>	<u>2018</u>
Interest revenue from Group company	34.583.798	34.569.231
Exchange rate differences	<u>17.189</u>	<u>32.212</u>
Total	<u>34.600.987</u>	<u>34.601.443</u>

**Note 8 Interest expenses and similar profit/loss items**

	<u>2019</u>	<u>2018</u>
Interest expenses bond loans	31.466.330	31.460.951
Exchange rate differences	26.800	41.340
Accrual of transaction costs	387.707	401.704
Accrual of bond discount	<u>1.981.786</u>	<u>1.981.910</u>
Total	<u>33.862.623</u>	<u>33.885.905</u>

**Note 9 Appropriations**

	<u>2019</u>	<u>2018</u>
Deferred tax	<u>30.276.054</u>	<u>26.075.259</u>
Total	<u>30.276.054</u>	<u>26.075.259</u>

The capital gain is calculated based on the exchange rate at year end compared to the exchange rate at acquisition date of the receivable. The deferred tax that exists is calculated to 20,6 % of the capital gain and effects the Company's financial statements negative.

**Note 10 Tax on profit for the year**

	<u>2019</u>	<u>2018</u>
Current tax	-134.075	-127.714
Deferred tax	<u>-4.200.795</u>	<u>-26.075.259</u>
Tax on profit for the year	<u>-4.334.870</u>	<u>-26.202.973</u>
Profit before tax	2.736.097	-2.722.129
Tax according to current tax rate 21,4 % (22 %)	-585.525	598.868
Tax effect of non-deductible expenses	-6.740	-728.120
Tax effect of non-taxable income	1.496	1.538
Tax effect of taxable income which is not accounted	-6.150	0
Tax effect of non-deductible impairment	464.623	0
Currency adjustment due to tax in SEK	-1.779	0
Change in deferred tax	-4.200.795	-26.075.259
Reported effective tax	<u>-4.334.870</u>	<u>-26.202.973</u>

**Note 11 Reported value**

	Receivables	Liabilities	Fair value
Loan receivables	1 232 100 014		1 232 100 014 *
Accrued interest revenues	16 911 734		16 911 734
Other current investments	60 851 493		60 851 493
Cash and bank balances	106 984		106 984
<b>Total</b>	<b>1 309 970 225</b>		<b>1 309 970 225</b>
Bond loans		1 244 413 125	1 321 002 500 **
Accrued interest costs		16 429 098	16 429 098
Accounts payable - trade		23 359	23 359
<b>Total</b>		<b>1 260 865 582</b>	<b>1 337 454 957</b>

\* Level 2 of the fair value hierarchy.

\*\* The noted price as of December 31st (Level 1 of the fair value hierarchy).

**Note 12 Transactions with related parties**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Receivables on related parties		
Loan granted	1.232.100.014	1.229.928.880
Transaction costs	3.598.000	3.598.000
Accrual of transaction costs	<u>-2.614.492</u>	<u>-2.326.636</u>
Total	<u>1.233.083.522</u>	<u>1.231.200.244</u>
Non-current liabilities		
Bond loans	1.250.000.000	1.250.000.000
Transaction costs	3.598.000	3.598.000
Accrual of transaction costs	-2.614.492	-2.326.636
Discount loan	-13.872.500	-13.872.500
Accrued discount	<u>8.285.625</u>	<u>6.303.839</u>
Total	<u>1.245.396.633</u>	<u>1.243.702.703</u>
Operating income from related companies	<u>0</u>	<u>8.512.299</u>
Total	<u>0</u>	<u>8.512.299</u>

Orlen Capital AB is a fully owned subsidiary to Polski Koncern Naftowy ORLEN Spółka Akcyjna (reg no KRS 0000028860), Ul. Chemikow 7, 09-411 Plock, Poland.

The bond which are issued by the copmany is guaranteed by the parent company Polski Koncern Naftowy Orlen SA. The bond bears 2,5 % interest. The interest is paid annually in arrears in the month of June.

No other transactions with related parties during the financial or the previous year.

**Note 13 Prepaid expenses and accrued income**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Accrued interest income from loan to parent company	16.911.734	16.377.132
Other prepaid costs	<u>1.038.759</u>	<u>1.352.824</u>
Total	<u>17.950.493</u>	<u>17.729.956</u>

**Note 14 Non-current liabilities**

	<u>2019</u>	<u>2018</u>
Non-current liabilities due for payment:		
Within one year	1.981.786	1.981.784
Within five years	1.246.394.911	1.240.449.555
After five years	<u>0</u>	<u>0</u>
Total	<u>1.244.413.125</u>	<u>1.242.431.339</u>

**Note 15 Accrued expenses and deferred income**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Accrual audit fee	19.611	10.970
Accrued interest	16.429.098	16.212.768
Accrued vacation pay	34	48
Other posts	<u>54.298</u>	<u>76.037</u>
Total	<u>16.503.041</u>	<u>16.299.823</u>

### Note 16 Pledged assets and contingent liabilities

The company does not have any pledged assets or contingent liabilities

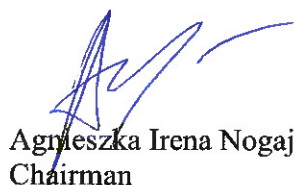
### Note 17 Significant events after the end of the financial year

The Covid-19 epidemic which is currently prevailing around the world, is a new and very dynamic phenomenon, difficult to predict. The company has implemented internal procedures to ensure continuity of operational activities. We are currently observing a decline in global demand for crude oil, including a decrease in demand for aviation fuel, diesel and gasoline. We also expect a slowdown in the global economy growth and monitor the situation on the financial markets on an ongoing basis, including the listing on the WSE. We are in the process of assessing the qualitative and quantitative impact of a pandemic on the financial position and future financial results of the Group.

Stockholm 2020 - 05 - 14

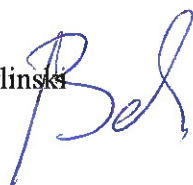


Iren Falsafi  
Managing director

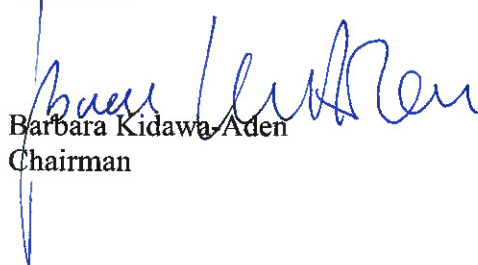


Agnieszka Irena Nogajczyk-Simeonow  
Chairman

Krzysztof Berlinski  
Chairman



Barbara Kidawa-Aden  
Chairman



Our auditors report has been given \_\_\_\_\_ - \_\_\_\_ - \_\_\_\_.

Deloitte AB

Anders Linné  
Authorized public accountant