

# **Annual Report**

for

## **Orlen Capital AB (publ)**

556974-3114

Financial year

2021

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The Board of Directors and the managing director for Orlen Capital AB (publ) hereby submit the annual financial statement for the financial year 2021.

All amounts in the annual report are presented in EUR. Unless otherwise stated, all amounts are posted in EUR. Data in parentheses refer to the previous year.

## Directors' Report

### Information about the operations

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. However, the company shall not conduct such activities that are subject to a permit requirement in accordance with the Banking and Financing Operations Act.

The company has issued bonds with nominal value of EUR 1,250,000,000 in total. On 30 June 2014 the company issued a bond with a nominal value of EUR 500,000,000 with issue price of 99,135%. On 7 June 2016 the company issued a bond with nominal value of EUR 750,000,000 with issue price of 98,727%. The bond is listed on the Irish Stock Exchange (ISE - XS1082660744/XS1429673327) and the bases of the prospectuses were approved by the Central Bank of Ireland. The bond issued in 2016 is also listed on the Warsaw Stock Exchange. The first issued bond matured on 30 June 2021 and was carried with an interest rate of 2,50% as of issuance. Interest was paid annually in arrears with a payment date of 30 June. The second issued bond have a maturity date on 7 June 2023 and is carried with an interest rate of 2,50% as of issuance. Interest is paid annually in arrears with payment on 7 June.

The company's liabilities from issuing of bonds (including the obligation for payment of the nominal value of bonds and interest on the bonds) were initially secured with two guarantees provided by the parent entity Polski Koncern Naftowy ORLEN SA ("PKN ORLEN") to all bondholders. The maximum value of both guarantees was initially EUR 2,100,000,000 and they expire upon the expiry of the repayments towards Orlen Capital AB. Due to the fact that the 2014 bond expired in 2021, the guarantees now amount to EUR 1,100,000,000.

The company's registered office is in Stockholm.

### Significant events during the financial year

#### *Deferred tax liability*

In 2018, the company noted that there was a deferred tax liability as a result of any currency effects in the event of a future disposal of the company's capital assets in the form of a long-term receivable from the parent company. The capital gain was calculated on the basis of the exchange rate on the balance sheet date compared with the exchange rate on the acquisition date of the receivable. The deferred tax liability that would arise from a divestment of the capital asset was calculated at 20.6% of the capital gain and had a negative effect on the company's financial position. The company have used the same process for 2021 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 (issued for another entity) was presented in March 2019, which was not to the company's advantage and even though it was revoked later by Supreme Administrative Court, the approach of Tax Agency is uncertain and still there is a risk of the additional taxation on exchange rates differences. In such circumstances the company has chosen to again for report a deferred tax liability in the balance sheet. During the year 2021, the 2014 bond expired and thus also part of the receivable from the parent company was repaid. Actual repayment of the claim constitutes such a taxable event that actualizes the above taxation. The company will take a position on any taxation in connection with the forthcoming income tax return.

#### *COVID-19*

The COVID-19 pandemic caused disruptions in both the economic and administrative system and contributed to significant changes in the market environment. However, the outbreak of the SARS-Cov-2 coronavirus causing the COVID-19 disease did not affected the Company's financial situation in 2021.

### **Expected future prospects and significant 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.

### **Ownership**

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

<b>Multi-year overview (Teur)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net turnover	0	0	0	0	0
Profit/loss after financial items	1 443	617	2 736	-2 722	512
Balance sheet total	810 465	1 313 569	1 311 047	1 306 273	1 259 869
Equity/assets ratio (%)	3,3	2,2	1,5	1,6	0,3
Return on assets (%)	3,3	2,7	2,8	2,4	2,7
Return on equity (%)	5,3	2,1	13,8	neg	15,7

For definitions of key ratios, see Accounting and Valuation Principles.

### **Proposals for profit allocation**

The Board of Directors recommends that the profit/loss and brought forward profits available for disposition (EUR):

profit carried forward	29 232 788
year's loss	-2 219 694
	<b>27 013 094</b>

be distributed so that they are: carried forward	27 013 094
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### **Corporate Governance Report**

All financial reports prepared by Orlen Capital AB (publ) are quality assured by the Board.

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 AB (publ) limited activity and few transactions, the above control system of the financial reporting is regarded as adequate.

The company is a fully owned subsidiary of Polski Koncern Naftowy 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.

The company's earnings and financial position in general are indicated in the following income statement and balance sheet as well as the cash flow analysis with notes.

## Income Statement

	Note	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
<b>Operating revenues</b>			
Other operating income	2	0	-8 512 299
		<b>0</b>	<b>-8 512 299</b>
<b>Operating expenses</b>			
Other external costs	3	-171 317	-150 195
Personnel costs	4, 5	-1 702	-1 445
Other operating expenses	6	0	8 512 299
		<b>-173 019</b>	<b>8 360 659</b>
<b>Operating profit/loss</b>		<b>-173 019</b>	<b>-151 640</b>
<b>Profit/loss from financial items</b>			
Profit/loss from participations in group companies	7	1 576 865	-1 105 141
Other interest income and similar profit/loss items	8	27 263 137	35 562 906
Interest expense and similar profit/loss items	9	-27 223 699	-33 689 314
		<b>1 616 303</b>	<b>768 451</b>
<b>Profit/loss after financial items</b>		<b>1 443 284</b>	<b>616 811</b>
Tax on profit for the financial year	10	-3 662 978	8 844 345
<b>Net profit/loss for the year</b>		<b>-2 219 694</b>	<b>9 461 156</b>

## Balance Sheet

Note

2021-12-31

2020-12-31

### ASSETS

#### Fixed assets

##### *Financial assets*

Receivables from group companies	11, 12	736 896 738	736 493 411
		<b>736 896 738</b>	<b>736 493 411</b>
<b>Total fixed assets</b>		<b>736 896 738</b>	<b>736 493 411</b>

#### Current assets

##### *Current receivables*

Receivables from group companies	11, 12	73 032 282	576 149 541
Other receivables		58 367	51 466
Deferred expenses and accrued income	13	459 536	755 303
		<b>73 550 185</b>	<b>576 956 310</b>

##### *Cash on hand and in bank*

		26 803	119 444
<b>Total current assets</b>		<b>73 576 988</b>	<b>577 075 754</b>

### TOTAL ASSETS

**810 473 727**

**1 313 569 166**

<b>Balance Sheet</b>	<b>Note</b>	<b>2021-12-31</b>	<b>2020-12-31</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted reserves</i>			
Share capital		60 000	60 000
		<b>60 000</b>	<b>60 000</b>
<i>Non-restricted equity</i>			
Retained earnings or losses		29 232 788	19 771 632
Profit/loss for the year		-2 219 694	9 461 156
		<b>27 013 094</b>	<b>29 232 788</b>
<b>Total equity</b>		<b>27 073 094</b>	<b>29 292 788</b>
<b>Provisions</b>			
Deferred tax liability	14	15 275 196	21 052 584
<b>Total provisions</b>		<b>15 275 196</b>	<b>21 052 584</b>
<b>Long-term liabilities</b>			
Liabilities to group companies	12	747 853 496	746 555 862
<b>Total long-term liabilities</b>		<b>747 853 496</b>	<b>746 555 862</b>
<b>Current liabilities</b>			
Accounts payable	15	126	0
Bills payable	12	0	499 581 617
Current tax liabilities		9 548 597	242 461
Other liabilities		195	116
Accrued expenses and deferred income	16	10 723 023	16 843 737
<b>Total current liabilities</b>		<b>20 271 941</b>	<b>516 667 931</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>810 473 727</b>	<b>1 313 569 166</b>

## Statement of changes in equity

	Share capital	Balanced result	Profit/loss this year	Total equity
<b>Opening equity 2020-01-01</b>	<b>60 000</b>	<b>21 370 405</b>	<b>-1 598 773</b>	<b>19 831 632</b>
Profit allocation, AGM decision		-1 598 773	1 598 773	0
Profit/loss for the year			9 461 156	9 461 156
<b>Outgoing equity 2020-12-31</b>	<b>60 000</b>	<b>19 771 632</b>	<b>9 461 156</b>	<b>29 292 788</b>
Profit allocation, AGM decision		9 461 156	-9 461 156	0
Profit/loss for the year			-2 219 694	-2 219 694
<b>Closing equity 2021-12-31</b>	<b>60 000</b>	<b>29 232 788</b>	<b>-2 219 694</b>	<b>27 073 094</b>

Number of shares: 500 000

Quotient value: 0,12 EUR

A statement of comprehensive income has not been prepared as no transactions that requires presentation under the item other comprehensive income has occurred. The comprehensive income corresponds to the net profit of the year.



## Cash Flow Analysis

	Note	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
<b>Current activities</b>			
Profit/loss after financial items		1 443 284	616 811
Tax paid		-145 946	-134 075
<b>Cash flow from operating activities before change in working capital</b>		<b>1 297 338</b>	<b>482 736</b>
<b>Cash flow from change in the working capital</b>			
Change in current receivables		501 173 061	-42 198
Change in accounts payable		126	-23 359
Change in current liabilities		-504 392 903	2 059 709
<b>Cash flow from operating activities</b>		<b>-1 922 378</b>	<b>2 476 888</b>
<b>Annual cash flow</b>		<b>-1 922 378</b>	<b>2 476 888</b>
<b>Liquid Assets, opening balance</b>			
Liquid Assets, opening balance		63 435 365	60 958 477
<b>Liquid assets, closing balance</b>		<b>61 512 987</b>	<b>63 435 365</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 having its registered office at Sveavägen 9, 111 57 Stockholm. The objective of the company's business is to conduct financial operations as well as any other business activities related thereto, including issuing bonds as well as loans and deposits to investors.

The parent company of Orlen Capital AB (publ) 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.

#### 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 9

The implementation of IFRS 9 has affected the company's financial reports as long term financial receivables has been revalued to an accrued acquisition value which means that the receivables were subject to impairment. The company monitors changes in the level of credit risk associated with a given financial asset by analyzing changes in debtor's rating, occurrence of serious financial problems of debtor, as well as significant negative changes in the economic or legal 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 has not identified changes such as i) rating compared to the original rating when the loans were granted, ii) repayment delay of more than 30 days, iii) reduction of the borrower's free cash flow, which would classify the loans to PKN Orlen for a higher risk level. This allows for the company to estimate and calculate the expected credit loss on financial assets. As a result of the implementation of IFRS 9 the company has recognized an impairment of the loan amounts granted to PKN Orlen SA by December 31, 2021 of the following amounts (please also refer to note 7).

<i>Financial fixed assets</i>	<b>2021-12-31</b>	<b>2020-12-31</b>
Loan granted 2014 (EUR 495 675 000)	0	1 173 538
Loan granted 2016 (EUR 740 452 500)	3 555 762	3 959 089
	<b>3 555 762</b>	<b>5 132 627</b>

#### IFRIC 23

IFRIC 23, which applies uncertainty regarding income tax management: The interpretative statement deals with how uncertainty regarding amounts for income tax is to be reported. For example, how a current tax claim should be reported when the amount e.g. is appealed, and a discussion is held with the

tax authority. IAS 12 Income Tax deals with the accounting and valuation of tax receivables and tax liabilities, but not how uncertainties regarding amounts are to be taken into account. According to IASB application fr.o.m. January 1, 2019. The EU approved the interpretative statement during the third quarter of 2018.

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

Changes to IFRS to be applied as of January 1, 2021 have not had any significant effect on 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.

##### *Current tax*

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.

##### *Deferred tax*

Deferred tax is reported on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value used in calculating taxable income. Deferred tax is reported according to the so-called balance sheet method. Deferred tax liabilities are reported for in principle all taxable temporary differences, and deferred tax assets are reported in principle for all deductible temporary differences to the extent that it is probable that the amounts can be utilized against future taxable surpluses.

#### **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".

### **Shareholders contribution**

Shareholders contribution received by the company is accounted directly into equity.

### **Contingent liabilities**

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 16.

### **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.

The company's financial assets consist mainly of receivables on Group Companies and bonds.

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.

The company is exposed to the following risks by conducting business activities related to financial instruments:

#### **Market risks**

A market risk can be a change in the market price that affects the company's income or the value of the financial instruments. The company's market risk is mainly related to interest rate risk.

#### *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:

<i>Fixed interest rate</i>	<b>2021-12-31</b>	<b>2020-12-31</b>
Receivables from Group companies	748 442 836	1 249 327 031
Bond loans	760 633 562	1 266 741 781

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

#### *Currency risk*

Currency risk refers to the risk that fair value or future cash flows will fluctuate as a result of changes in exchange rates. Orlen Capital AB (publ) is exposed to a currency risk due to the fact that there is a doubt with respect to a deduction for a realization of a loss on capital debt in a company with EUR as the functional currency. The company reports a deferred tax liability as a result of any currency effects that may arise in the event of a future sale of the company's capital assets. For other financial receivables and liabilities, its currency risk is shown in the following sensitivity analysis.

#### *Division of receivables and debts between currencies*

	<b>EUR</b>	<b>SEK</b>	<b>Total in EUR</b>
Financial receivables with related companies	736 896 738	-	736 896 738
Short term receivables with related companies	61 486 184	-	61 486 184
Accrued interest receivables	11 546 098	-	11 546 098

Other accrued costs	459 536	-	459 536
Other receivables	-	509 249	49 681
Cash and bank	-	274 743	26 803
	<b>810 388 556</b>	<b>783 992</b>	<b>810 465 041</b>

	EUR	SEK	Total in EUR
Bond loans	747 853 496	-	747 853 496
Accrued interest	10 633 562	-	10 633 562
Other accrued expenses	-	1 109 402	108 231
Other	81 096	-	81 096
	<b>758 568 154</b>	<b>1 109 402</b>	<b>758 676 385</b>

*Sensitivity analysis to changes in currency rates*

	Assumed variation 2021-12-31	Effect on P&L 2021
SEK/EUR	15%	4 141

Given the intangible nature of the 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 exposure by only granting intercompany loans. The total value of financial assets represents the maximum credit risk exposure.

The maximum credit risk exposure by the end of the period was as follows:

	2021-12-31	2020-12-31
Receivables Group Companies	748 442 836	1 249 327 031
Other short term receivables	61 486 184	63 315 921
Cash and bank	26 803	119 444
	<b>809 955 824</b>	<b>1 312 762 396</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. Liquidity risk can be the risk that a company encounter difficulty in raising liquid funds to meet cash payment obligations arising from its financial liabilities. The main objective for the company in meeting the liquidity risk exposure is to maintain financial stability by matching maturity and due dates for receivables and liabilities. The Group of companies that the company is part of have a cash-pool system in place to mitigate the risks and handle liquidity and financial costs.

*Financial debts due for payments:*

2021	Within 1 year	Within 5 years	Total
Bonds	-	747 853 496	747 853 496
Accrued interest	11 546 098	-	11 546 098

Current tax liabilities	-667 691	-	-667 691
Other	81 096	-	81 096
	<b>10 959 502</b>	<b>747 853 496</b>	<b>758 812 998</b>

<b>2020</b>	<b>Within 1 year</b>	<b>Within 5 years</b>	<b>Total</b>
Bonds	499 581 617	746 555 862	1 246 137 479
Accrued interest	18 332 157	-	18 332 157
Current tax liabilities	242 461	-	242 461
Other	102 073	-	102 073
	<b>518 258 308</b>	<b>746 555 862</b>	<b>1 264 814 170</b>

There are no liabilities with a maturity date over five years.

Orlen Capital AB (publ) obligations towards its bond holders consist of annual interest payments and final repayment on the maturity date.

The bond is warranted by the parent entity Polski Koncern Naftowy Orlen SA, mitigating any liquidity risks.

The financing risk is the risk that the company cannot raise enough funds at a reasonable cost. There are no conditions in the loan agreements that can cause a significantly earlier redemption date than what is stipulated in note 14 regarding Maturity Date.

### **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>2021-12-31</b>	<b>2020-12-31</b>
Debt as bonds	760 633 562	1 266 741 781
Decreased by cash equivalents	-61 512 987	-63 435 366
<b>Net debt</b>	<b>699 120 575</b>	<b>1 203 306 415</b>
Total equity	27 073 094	29 292 788

<b>Total equity &amp; liabilities</b>	<b>726 193 669</b>	<b>1 232 599 203</b>
Debt/equity ratio	96,3%	97,6 %

### **Definition of Key Business Ratios**

Equity/assets ratio (%)

Adjusted equity (equity and untaxed reserves with deductions for deferred tax) as a percent of the balance sheet total.

Return on assets (%)

Operating profit plus financial revenues as a percent of the balance sheet total.

Return on equity (%)

Profits after financial items as a percent of adjusted equity (equity and untaxed reserves with deductions for deferred taxes).

### **Note 2 Other operating income**

	<b>2021</b>	<b>2020</b>
Operating income from group company	0	-8 512 299
	<b>0</b>	<b>-8 512 299</b>

The previous year refers to a crediting of an invoice issued to the parent company in 2018.

No other purchases or sales have taken place with other companies within the same group during the financial year or the previous year.

### **Note 3 Remuneration to Auditors**

Audit assignment refers to inspection of the annual report and the accounting as well as the reports of the Board of Directors and the CEO, other tasks fulfilled by the company auditor as well as counselling or other assistance deriving from observations made in the course of the inspection or fulfilment of such other tasks.

	<b>2021</b>	<b>2020</b>
<b>Deloitte AB</b>		
Audit engagement	13 942	7 105
	<b>13 942</b>	<b>7 105</b>



**Note 4 Employees and Personnel Costs**

	<b>2021</b>	<b>2020</b>
<b>Average number of employees</b>		
Women	1	1
	<b>1</b>	<b>1</b>
<b>Salaries and other remunerations</b>		
Other employees	1 279	1 145
	<b>1 279</b>	<b>1 145</b>
<b>Social security expenses</b>		
Other social security expenses pursuant to law and contracts	423	299
	<b>423</b>	<b>299</b>
<b>Total salaries, remunerations, social security expenses and pension costs</b>	<b>1 702</b>	<b>1 444</b>
<b>Gender breakdown of senior management</b>		
Proportion of women in the board of directors	33 %	33 %
Proportion of men in the board of directors	67 %	67 %

**Note 5 Employees and Personnel Costs distributed per Country**

	<b>2021</b>	<b>2020</b>
<b>Average number of employees distributed per country</b>		
Sweden	1 (1)	1 (1)
	<b>1 (1)</b>	<b>1 (1)</b>
The average number of women is indicated in parenthesis		
<b>Salaries and other remunerations</b>		
Other employees	1 702	1 445
	<b>1 702</b>	<b>1 445</b>

**Note 6 Other operating expense**

	<b>2021</b>	<b>2020</b>
Reversal of Polish withholding tax expensed in 2018, see also Note 2	0	8 512 299
	<b>0</b>	<b>8 512 299</b>

**Note 7 Write-downs of financial fixed assets and short-term investments and their reversal.**

	2021	2020
Write-downs	-1 576 865	0
Reversal of write-downs	0	1 105 141
	<b>-1 576 865</b>	<b>1 105 141</b>

**Note 8 Other Interest Income and Similar Profit/Loss Items**

	2021	2020
Interest revenues from Group companies	27 263 137	35 562 905
	<b>27 263 137</b>	<b>35 562 905</b>

**Note 9 Other interest expenses and similar profit/loss items**

	2021	2020
Interest expenses to group companies	25 141 781	31 562 683
Other interest expenses	0	80
Exchange differences	22 662	4 863
Accrual of set-up costs	290 936	280 587
Accrual of discount provided on bond loans	1 768 320	1 841 101
	<b>27 223 699</b>	<b>33 689 314</b>

**Note 10 Current and deferred tax**

	2021	2020
<b>Tax on profit for the financial year</b>		
Current tax	0	-379 125
Deferred tax	-3 662 978	9 223 470
<b>Total tax expense</b>	<b>-3 662 978</b>	<b>8 844 345</b>

**Reconciliation of effective tax**

	2021		2020	
	Percent	Amounts	Percent	Amounts
Reported profit before tax		1 443 284		616 811
Tax at applicable tax rate	20,60	-297 317	21,40	-131 998
Non-deductible expenses		-500		-129
Tax effect of taxable income that is not booked		-14 017		-10 498
Tax effect of non-taxable reversal of impairment		324 834		-236 500
Tax effect on loss carryforwards		-13 000		0
Change deferred tax		-3 662 978		9 223 470
<b>Reported effective tax</b>		<b>-3 662 978</b>		<b>8 844 345</b>

**Note 11 Receivables from group companies**

	<b>2021-12-31</b>	<b>2020-12-31</b>
Provided loans, incl set up expenses	736 896 738	1 230 994 874
Accrued interest income	11 546 098	18 332 157
<b>Accumulated acquisition value, closing balance</b>	<b>748 442 836</b>	<b>1 249 327 031</b>
Credit on account included in a cash pool structure	61 486 184	63 315 921
<b>Accumulated write-down losses, closing balance</b>	<b>61 486 184</b>	<b>63 315 921</b>
<b>Book value, closing balance</b>	<b>809 929 020</b>	<b>1 312 642 952</b>

**Note 12 Reported value**

	<b>2021-12-31</b>	<b>2021-12-31</b>	<b>2020-12-31</b>	<b>2020-12-31</b>
	<b>Receivables</b>	<b>Fair Value*</b>	<b>Receivables</b>	<b>Fair Value*</b>
			1 230 994 87	1 230 994 87
Loan Receivables	736 896 738	736 896 738	4	4
Accrued interest revenues	11 546 098	11 546 098	18 332 157	18 332 157
Other current investments	61 486 184	61 486 184	63 315 921	63 315 921
Cash and bank balances	26 803	26 803	119 444	119 444
			<b>1 312 762 39</b>	<b>1 312 762 39</b>
<b>Total</b>	<b>809 955 823</b>	<b>809 955 823</b>	<b>6</b>	<b>6</b>
	<b>2021-12-31</b>	<b>2021-12-31</b>	<b>2020-12-31</b>	<b>2020-12-31</b>
	<b>Debts</b>	<b>Fair Value**</b>	<b>Debts</b>	<b>Fair Value**</b>
			1 246 137 47	1 286 917 50
Bond loans	747 853 496	775 395 000	9	0
Accrued interest costs	10 633 562	10 633 562	16 741 781	16 741 781
Accounts payable - trade	0	0	0	0
			<b>1 262 879 26</b>	<b>1 303 659 28</b>
<b>Total</b>	<b>758 487 058</b>	<b>786 028 562</b>	<b>0</b>	<b>1</b>

\* Level 2 of the fair value hierarchy.

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

**Note 13 Deferred expenses and Accrued Income**

	<b>2021-12-31</b>	<b>2020-12-31</b>
Other prepaid Expenses	459 536	755 303
	<b>459 536</b>	<b>755 303</b>

**Note 14 Deferred tax liability**

	<b>2021-12-31</b>	<b>2020-12-31</b>
Balance at beginning of year	21 052 584	30 276 054
Provisions for the year	3 662 978	0
Transferred realized tax liability	-9 440 366	0
Reversed amount during the year	0	-9 223 470
<b>Balance at the end of the year</b>	<b>15 275 196</b>	<b>21 052 584</b>

**Note 15 Liabilities related to several records**

The company's bond loans have previously been reported under the following items in the balance sheet.

The bonds issued by the company are guaranteed by the parent company Polski Group Naftowy Orlen SA. The bonds run at 2.5% interest. The interest is paid annually in arrears during the month of June.

	<b>2021-12-31</b>	<b>2020-12-31</b>
<b>Long-term liabilities</b>		
Bond liabilities	747 853 496	746 555 862
	<b>747 853 496</b>	<b>746 555 862</b>

No part of the liability has a maturity time exceeding 5 years.

<b>Current liabilities</b>		
Bond liabilities	0	499 581 617
	<b>0</b>	<b>499 581 617</b>

**Note 16 Accrued expenses and deferred income**

	<b>2021-12-31</b>	<b>2020-12-31</b>
Accrued audit fees	14 634	12 333
Accrued interest bond	10 633 562	16 741 781
Accrued vacation salaries	111	0
Other items	74 717	89 624
	<b>10 723 024</b>	<b>16 843 738</b>

**Note 17 Pledged Assets and Contingent liabilities**

The company does not have any pledged assets or contingent liabilities.

**Note 18 Significant events after the financial year**

Regarding COVID-19, the group has taken several measures to adapt to ever-changing business environments and to prevent the spread of COVID-19 infections both among its employees and the outside world. The Group will continuously analyze the situation in the markets and incoming signals from entrepreneurs that may indicate a deterioration in the financial situation and, if necessary, update assumed estimates for ECL calculation during future reporting periods. The group currently does not identify, and not within the next 12 months, any liquidity problem. The group also does not see a risk of default on loans and other financing agreements. The group takes optimization measures and assumes to maintain a secure level of net debt and financial terms included in the financing agreements.

In light of Russia's invasion of Ukraine, there is uncertainty about future political decisions, people and companies behavior and what it will have for future impact on the business

Nor have any other significant events occurred after the end of the financial year.

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Stockholm 2022- -

Michal Perlik  
Chairman

Iren Carlsson

Krzysztof Berlinski

Managing Director

Our audit report was submitted 2022- -

Deloitte AB

Pernilla Rehnberg  
Authorized Public Accountant