



ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT

FOR III QUARTER

2014

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	9 MONTHS 2014	9 MONTHS 2013	9 MONTHS 2014	9 MONTHS 2013
Sales revenues	81 930	85 975	19 599	20 567
Profit/(Loss) from operations	(3 562)	795	(852)	190
Profit/(Loss) before tax	(4 832)	654	(1 156)	156
Net profit/(loss) attributable to equity owners of the parent	(4 595)	597	(1 099)	143
Net profit/(loss)	(4 649)	568	(1 112)	136
Total comprehensive income attributable to equity owners of the parent	(4 197)	725	(1 004)	173
Total net comprehensive income	(4 191)	703	(1 003)	168
Net cash provided by operating activities	2 779	4 052	665	969
Net cash (used) in investing activities	(3 020)	(1 180)	(722)	(282)
Net cash provided by/(used in) financing activities	2 530	(2 408)	605	(576)
Net increase in cash and cash equivalents	2 289	464	548	111
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN/EUR per share)	(10.74)	1.40	(2.57)	0.33

	30/09/2014	31/12/2013	30/09/2014	31/12/2013
Non-current assets	24 425	26 907	5 850	6 444
Current assets	26 559	24 445	6 361	5 854
Total assets	50 984	51 352	12 210	12 298
Non-current liabilities	11 912	7 846	2 852	1 879
Current liabilities	16 329	15 955	3 911	3 821
Total equity	22 743	27 551	5 447	6 598
Equity attributable to equity owners of the parent	21 158	25 948	5 067	6 214
Share capital	1 058	1 058	253	253
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	49.47	60.67	11.85	14.53

PKN ORLEN - SELECTED DATA

	PLN million		EUR million	
	9 MONTHS 2014	9 MONTHS 2013	9 MONTHS 2014	9 MONTHS 2013
Sales revenues	59 383	63 900	14 205	15 286
Profit from operations	484	598	116	143
Profit/(Loss) before tax	(3 609)	705	(863)	169
Net profit/(loss)	(3 626)	689	(867)	165
Total net comprehensive income	(3 935)	771	(941)	184
Net cash provided by operating activities	2 199	3 104	526	743
Net cash provided by/(used in) investing activities	(2 182)	114	(522)	27
Net cash provided by/(used in) financing activities	1 736	(2 384)	415	(570)
Net increase in cash	1 753	834	419	200
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	(8.48)	1.61	(2.03)	0.39

	30/09/2014	31/12/2013	30/09/2014	31/12/2013
Non-current assets	20 961	23 355	5 020	5 593
Current assets	19 745	18 708	4 729	4 480
Total assets	40 706	42 063	9 749	10 074
Non-current liabilities	11 053	6 923	2 647	1 658
Current liabilities	11 069	12 005	2 651	2 875
Total equity	18 584	23 135	4 451	5 541
Share capital	1 058	1 058	253	253
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	43.45	54.09	10.41	12.95

The above data for the III quarter of 2014 and 2013 was translated into EUR by the following exchange rates:

- items of statement of profit or loss and other comprehensive income and statement of cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of the month during the reporting period from: 1 January to 30 September 2014 – 4.1803 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 30 September 2014 – 4.1755 EUR/PLN.

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**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE 9 AND 3 MONTHS PERIOD ENDED 30 SEPTEMBER

2014

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

A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
Consolidated statement of profit or loss and other comprehensive income

		9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
	NOTE				
Statement of profit or loss					
Sales revenues	3.1	81 930	29 160	85 975	30 304
Cost of sales	3.2	(76 769)	(26 785)	(81 283)	(28 381)
Gross profit on sales		5 161	2 375	4 692	1 923
Distribution expenses		(2 907)	(1 021)	(2 898)	(998)
Administrative expenses		(1 095)	(383)	(1 060)	(334)
Other operating income	3.5	518	86	349	103
Other operating expenses	3.5	(5 299)	(79)	(322)	(113)
Share in profit from investments accounted for under equity method		60	23	34	20
Profit/(Loss) from operations		(3 562)	1 001	795	601
Finance income	3.6	214	132	282	376
Finance costs	3.6	(1 484)	(389)	(423)	(171)
Net finance income and costs		(1 270)	(257)	(141)	205
Profit/(Loss) before tax		(4 832)	744	654	806
Tax expense	3.7	183	(129)	(86)	(154)
Net profit/(loss)		(4 649)	615	568	652
Items of other comprehensive income:					
which will not be reclassified into profit or loss		-	-	(10)	(1)
<i>Fair value measurement of investment property as at the date of reclassification</i>		-	-	(12)	(1)
<i>Deferred tax</i>		-	-	2	-
which will be reclassified into profit or loss under certain conditions		458	(67)	145	(48)
<i>Hedging instruments</i>		(325)	(100)	102	188
<i>Foreign exchange differences on subsidiaries from consolidation</i>		721	14	62	(201)
<i>Deferred tax</i>		62	19	(19)	(35)
		458	(67)	135	(49)
Total net comprehensive income		(4 191)	548	703	603
Net profit/(loss) attributable to					
<i>equity owners of the parent</i>		(4 649)	615	568	652
<i>non-controlling interest</i>		(4 595)	538	597	655
		(54)	77	(29)	(3)
Total net comprehensive income attributable to		(4 191)	548	703	603
<i>equity owners of the parent</i>		(4 197)	455	725	634
<i>non-controlling interest</i>		6	93	(22)	(31)
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN per share)		(10.74)	1.26	1.40	1.54

The accompanying notes disclosed on pages 8 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of financial position

AS AT	NOTE	30/09/2014 (unaudited)	31/12/2013 (restated data)	01/01/2013 (unaudited) (restated data)
ASSETS				
Non-current assets				
Property, plant and equipment		22 509	24 904	24 331
Investment property		113	121	112
Intangible assets		636	823	1 296
Perpetual usufruct of land		89	95	94
Investments accounted for under equity method		675	615	594
Financial assets available for sale		40	40	41
Deferred tax assets		223	151	285
Other non-current assets		140	158	55
		24 425	26 907	26 808
Current assets				
Inventories		12 770	13 749	14 903
Trade and other receivables		8 439	7 768	7 996
Other financial assets	3.8	339	165	368
Current tax assets		24	59	84
Cash and cash equivalents		4 981	2 689	2 029
Non-current assets classified as held for sale		6	15	65
		26 559	24 445	25 445
Total assets		50 984	51 352	52 253
EQUITY AND LIABILITIES				
EQUITY				
Share capital		1 058	1 058	1 058
Share premium		1 227	1 227	1 227
Hedging reserve		(133)	148	(73)
Revaluation reserve		-	-	7
Foreign exchange differences on subsidiaries from consolidation		478	(201)	80
Retained earnings		18 528	23 716	24 180
Total equity attributable to equity owners of the parent		21 158	25 948	26 479
Non-controlling interest		1 585	1 603	1 828
Total equity		22 743	27 551	28 307
LIABILITIES				
Non-current liabilities				
Loans, borrowings and debt securities	3.9	10 054	6 507	7 523
Provisions	3.10	681	658	660
Deferred tax liabilities		465	538	668
Deferred income		10	10	15
Other non-current liabilities	3.11	702	133	169
		11 912	7 846	9 035
Current liabilities				
Trade and other liabilities		14 668	14 013	12 504
Loans, borrowings and debt securities	3.9	811	850	1 233
Current tax liabilities		55	36	83
Provisions	3.10	497	821	802
Deferred income		190	124	168
Other financial liabilities		108	110	121
Liabilities directly associated with assets classified as held for sale		-	1	-
		16 329	15 955	14 911
Total liabilities		28 241	23 801	23 946
Total equity and liabilities		50 984	51 352	52 253

The accompanying notes disclosed on pages 8 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

Statement of changes in consolidated equity

	Equity attributable to equity owners of the parent						Non-controlling interest	Total equity
	Share capital and share premium	Hedging reserve	Revaluation reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total		
1 January 2014	2 285	148	-	(201)	23 716	25 948	1 603	27 551
Net (loss)	-	-	-	-	(4 595)	(4 595)	(54)	(4 649)
Net investment hedge in a foreign operation	-	-	-	658	-	658	-	658
Items of other comprehensive income	-	(281)	-	21	-	(260)	60	(200)
Total net comprehensive income	-	(281)	-	679	(4 595)	(4 197)	6	(4 191)
Change in the structure of non-controlling interest	-	-	-	-	23	23	(23)	-
Dividends	-	-	-	-	(616)	(616)	(1)	(617)
30 September 2014	2 285	(133)	-	478	18 528	21 158	1 585	22 743
(unaudited)								
1 January 2013	2 285	(73)	7	80	24 180	26 479	1 828	28 307
Net profit/(loss)	-	-	-	-	597	597	(29)	568
Items of other comprehensive income	-	82	(5)	51	-	128	7	135
Total net comprehensive income	-	82	(5)	51	597	725	(22)	703
Change in the structure of non-controlling interest	-	-	-	-	(1)	(1)	(2)	(3)
Dividends	-	-	-	-	(642)	(642)	(1)	(643)
30 September 2013	2 285	9	2	131	24 134	26 561	1 803	28 364
(unaudited)								

The accompanying notes disclosed on pages 8 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of cash flows

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Cash flows - operating activities				
Net profit/(loss)	(4 649)	615	568	652
Adjustments for:				
Share in profit from investments accounted for under equity method	(60)	(23)	(34)	(20)
Depreciation and amortisation	1 506	460	1 569	526
Foreign exchange (profit)/loss	761	(31)	91	(37)
Interest, net	192	63	216	74
Dividends	(2)	-	(2)	-
(Profit)/Loss on investing activities	4 753	(254)	19	110
Tax expense	(183)	129	86	154
Change in provisions	17	64	256	41
Change in working capital	733	1 083	1 502	(294)
<i>inventories</i>	1 072	223	(351)	(1 547)
<i>receivables</i>	(993)	(36)	(728)	(207)
<i>liabilities</i>	654	896	2 581	1 460
Other adjustments	(185)	101	(156)	(71)
Income tax (paid)	(104)	(43)	(63)	(40)
Net cash provided by operating activities	2 779	2 164	4 052	1 095
Cash flows - investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(2 677)	(973)	(1 606)	(622)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	356	15	133	15
Acquisition of shares	(745)	-	(2)	-
Disposal of shares	48	2	-	-
Deposits, net	(28)	(29)	18	1
Dividends received	2	-	22	20
Proceeds from loans granted	5	2	275	242
Other	19	43	(20)	(72)
Net cash (used) in investing activities	(3 020)	(940)	(1 180)	(416)
Cash flows - financing activities				
Proceeds from loans and borrowings received	8 868	502	3 405	367
Debt securities issued	2 350	-	400	-
Repayments of loans and borrowings	(7 849)	(1 354)	(5 322)	(2 233)
Interest paid	(196)	(60)	(220)	(80)
Dividends paid	(617)	(617)	(643)	(643)
Payments of liabilities under finance lease agreements	(24)	(8)	(21)	(7)
Other	(2)	-	(7)	(3)
Net cash provided by/(used in) financing activities	2 530	(1 537)	(2 408)	(2 599)
Net increase/(decrease) in cash and cash equivalents	2 289	(313)	464	(1 920)
Effect of exchange rate changes	3	(1)	(1)	(2)
Cash and cash equivalents, beginning of the period	2 689	5 295	2 029	4 414
Cash and cash equivalents, end of the period	4 981	4 981	2 492	2 492

The accompanying notes disclosed on pages 8 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. Information on principles adopted for the preparation of the interim condensed consolidated financial statements****1.1. Statement of compliance and general principles for preparation**

The foregoing interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non member state (Official Journal no. 33, item 259 with further amendments) ("Regulation") and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 30 September 2014 and 31 December 2013 as well as at 1 January 2013, financial results and cash flows for the period of 9 and 3 months ended 30 September 2014 and 30 September 2013.

The foregoing interim condensed consolidated financial statements were prepared assuming that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of these interim condensed consolidated financial statements there is no evidence indicating that the Group will not be able to continue its operations as a going concern.

Duration of the Parent Company and the entities comprising the ORLEN Group is unlimited.

The foregoing interim condensed consolidated financial statements, except for the consolidated statement of cash flows, were prepared using the accrual basis of accounting.

1.2. Statement of the Management Board**1.2.1. In respect of the reliability of interim condensed consolidated financial statements**

Under the Regulation, the Management Board of PKN ORLEN hereby declares that to the best of their knowledge the foregoing interim condensed consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Group and present true and fair view on financial position and financial result of the Group.

1.2.2. In respect of the entity authorized to conduct review of interim condensed consolidated financial statements

The Management Board of PKN ORLEN declares that KPMG Audyty Sp. z o.o. as the entity authorized to conduct review of interim condensed consolidated financial statements was selected in compliance with the law.

1.2.3. Applied accounting principles and IFRS amendments

These foregoing interim condensed consolidated financial statements were prepared according to principles described in the Consolidated Financial Statements for the year 2013 in note 3 with new standards taken into consideration, which became effective on 1 January 2014 and are significant for the preparation of these consolidated financial statements: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interest in Other Entities as well as changes in standards: IAS 27 Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures, which are a result of IFRS 10 and IFRS 11 implementation.

In these foregoing interim condensed consolidated financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in note 4 in the Consolidated Financial Statements for the year 2013.

According to IFRS 10 the Group performed evaluation of control over entities in which it invested – analyses performed did not change conclusions as to the Group's control over those entities.

Adopting new IFRS 12 standard by the Group from January 2014 will result in further disclosures required for investments in other entities, which will be presented in Consolidated Financial Statements for the year 2014.

Adopting the above new standards had no impact on consolidated financial results of the Group.

Starting from the 1 January of 2014, joint arrangements for Basell ORLEN Polyolefines Sp. z o.o. Group (BOP) and Płocki Park Przemysłowo-Technologiczny S.A. Group (PPPT) in accordance to new IFRS 11 are accounted for under the equity method instead of proportionate consolidation method applied previously. As a result of change in consolidation method items of statement of financial position and statement of profit or loss and other comprehensive income are presented as investments accounted for under equity method and share in profit from investments accounted for under equity method. Due to consolidation method change restatements of comparative data for the 9 and 3 months period ended 30 September 2013 as well as at 31 December 2013 and as at 1 January 2013 were made. Implementation of the new IFRS 11 had no effect on the consolidated net result of the Group in the above presented periods.

In accordance with IFRS 11 entities belonging to Unipetrol Group – Ceska Rafinerska and Butadien Kralupy were classified as a joint operations and as at 30 September 2014 are accounted based on the share in owned assets, liabilities, generated revenue and incurred costs. Implementation of IFRS 11 in relation to the above entities had no impact on the consolidated net result of the Group.

Impact of new standard IFRS 11 – Joint arrangements – on presented financial data of the ORLEN Group

	published data 9 MONTHS 2013	impact of new standard IFRS 11	data after application of IFRS 11 9 MONTHS 2013
Statement of profit or loss			
Sales revenues	86 175	(200)	85 975
Cost of sales	(81 375)	92	(81 283)
Gross profit on sales	4 800	(108)	4 692
Distribution expenses	(2 939)	41	(2 898)
Administrative expenses	(1 070)	10	(1 060)
Other operating income	351	(2)	349
Other operating expenses	(322)	-	(322)
Share in profit from investments accounted for under equity method	-	34	34
Profit from operations	820	(25)	795
Finance income	293	(11)	282
Finance costs	(440)	17	(423)
Net finance income and costs	(147)	6	(141)
Profit before tax	673	(19)	654
Tax expense	(105)	19	(86)
Net profit	568	-	568

	published data III QUARTER 2013	impact of new standard IFRS 11	data after application of IFRS 11 III QUARTER 2013
Statement of profit or loss			
Sales revenues	30 393	(89)	30 304
Cost of sales	(28 417)	36	(28 381)
Gross profit on sales	1 976	(53)	1 923
Distribution expenses	(1 013)	15	(998)
Administrative expenses	(338)	4	(334)
Other operating income	105	(2)	103
Other operating expenses	(113)	-	(113)
Share in profit from investments accounted for under equity method	-	20	20
Profit from operations	617	(16)	601
Finance income	378	(2)	376
Finance costs	(174)	3	(171)
Net finance income and costs	204	1	205
Profit before tax	821	(15)	806
Tax expense	(169)	15	(154)
Net profit	652	-	652

	published data 31/12/2013	impact of new standard IFRS 11	data after application of IFRS 11 31/12/2013
Non-current assets	26 835	72	26 907
<i>Investments accounted for under equity method</i>	12	603	615
Current assets	24 809	(364)	24 445
Total assets	51 644	(292)	51 352
Total equity	27 551	-	27 551
Non-current liabilities	7 943	(97)	7 846
Current liabilities	16 150	(195)	15 955
Total equity and liabilities	51 644	(292)	51 352

Starting from the 1 January 2014 in the consolidated financial statements "Share in profit from investments accounted for under equity method" is presented within operating activities, as the activity of those entities is connected to the core business of ORLEN Group. As a result, comparative data for the 9 and 3 months period ended 30 September 2013 were restated.

During the I half of 2014 the ORLEN Group implemented changes of operating activities management in order to improve their effectiveness and integration. The organizational structure was adjusted by changes of competences of the particular Management Board members. As a result of the above, presentation of the ORLEN Group's operating segments was updated including merger of refining and petrochemical segment into integrated operating segment: Downstream. As a consequence, the segments' comparative data were adjusted for the 9 and 3 months of 2013 as well as at 31 December 2013. Detailed information is presented in note 2.

In Management's view this change provides better presentation of the results and the understanding of the financial statements.

1.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial data

1.3.1. Functional currency and presentation currency

The functional currency of the Parent Entity and presentation currency of the foregoing interim condensed consolidated financial statements is Polish Zloty (PLN). The data is presented in PLN million (PLN mln) in the consolidated financial statements, unless stated differently.

1.3.2. Methods applied to translation of financial data

Financial statements of foreign entities, for consolidation purposes, are translated into PLN using the following methods:

- particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
- respective items of statement of profit or loss and other comprehensive income and statement of cash flows are translated at the average rate.

Foreign exchange differences resulting from the above recalculations are recognized in equity as foreign exchange differences on subsidiaries from consolidation.

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	9 MONTHS 2014	III QUARTER 2014	9 MONTHS 2013	III QUARTER 2013	30/09/2014	30/09/2013
EUR/PLN	4.1760	4.1758	4.2011	4.2478	4.1755	4.2163
USD/PLN	3.0815	3.1511	3.1897	3.2069	3.2973	3.1227
CZK/PLN	0.1518	0.1512	0.1632	0.1643	0.1518	0.1641
CAD/PLN	2.8164	2.8943	-	-	2.9549	-

In the first three quarters of 2013 no foreign entities preparing financial statements denominated in Canadian Dollars ("CAD") were consolidated.

1.4. Information concerning seasonal or cyclical character of the ORLEN Group's operations in the presented period

The ORLEN Group does not report any material seasonal or cyclical character of its operations.

2. Segment reporting

The ORLEN Group's activities are allocated to:

- the downstream segment, which includes integrated refinery, petrochemical and energy production activity,
 - the retail segment, which includes sales at petrol stations,
 - upstream segment, which includes the activity related to exploration and extraction of mineral resources
- and corporate functions which are reconciling items and include activities related to management and administration and other support functions as well as remaining activities not allocated to separate operating segments.

The allocation of the ORLEN Group's companies to operating segments and corporate functions is presented in the Management Board Report on Operations of the Group in note B2.

**Revenues, expenses and financial result by operating segments
for 9 months ended 30 September 2014**

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		54 284	27 370	214	62	-	81 930
Sales revenues from transactions with other segments		11 878	144	-	176	(12 198)	-
Sales revenues	3.1	66 162	27 514	214	238	(12 198)	81 930
Operating expenses		(65 285)	(26 755)	(182)	(747)	12 198	(80 771)
Other operating income	3.5	363	74	4	77	-	518
Other operating expenses	3.5	(5 165)	(65)	(8)	(61)	-	(5 299)
Share in profit from investments accounted for under equity method		61	-	-	(1)	-	60
Segment profit/(loss) from operations		(3 864)	768	28	(494)	-	(3 562)
Net finance income and costs	3.6						(1 270)
(Loss) before tax							(4 832)
Tax expense	3.7						183
Net (loss)							(4 649)

for 3 months ended 30 September 2014

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		19 273	9 778	91	18	-	29 160
Sales revenues from transactions with other segments		4 292	54	-	62	(4 408)	-
Sales revenues	3.1	23 565	9 832	91	80	(4 408)	29 160
Operating expenses		(22 800)	(9 480)	(77)	(240)	4 408	(28 189)
Other operating income	3.5	63	10	1	12	-	86
Other operating expenses	3.5	(52)	(10)	-	(17)	-	(79)
Share in profit from investments accounted for under equity method		24	-	-	(1)	-	23
Segment profit/(loss) from operations		800	352	15	(166)	-	1 001
Net finance income and costs	3.6						(257)
Profit before tax							744
Tax expense	3.7						(129)
Net profit							615

for 9 months ended 30 September 2013

	NOTE	Downstream Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited) (restated data)	Total (unaudited) (restated data)
Sales revenues from external customers		58 383	27 542	1	49	-	85 975
Sales revenues from transactions with other segments		12 012	121	-	181	(12 314)	-
Sales revenues	3.1	70 395	27 663	1	230	(12 314)	85 975
Operating expenses		(69 787)	(26 971)	(21)	(776)	12 314	(85 241)
Other operating income	3.5	114	66	-	169	-	349
Other operating expenses	3.5	(151)	(78)	-	(93)	-	(322)
Share in profit from investments accounted for under equity method		34	-	-	-	-	34
Segment profit/(loss) from operations		605	680	(20)	(470)	-	795
Net finance income and costs	3.6						(141)
Profit before tax							654
Tax expense	3.7						(86)
Net profit							568

for 3 months ended 30 September 2013

	NOTE	Downstream Segment (unaudited) (restated data)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited) (restated data)	Total (unaudited) (restated data)
Sales revenues from external customers		20 188	10 102	-	14	-	30 304
Sales revenues from transactions with other segments		4 487	45	-	59	(4 591)	-
Sales revenues	3.1	24 675	10 147	-	73	(4 591)	30 304
Operating expenses		(24 269)	(9 774)	(10)	(251)	4 591	(29 713)
Other operating income	3.5	18	9	-	76	-	103
Other operating expenses	3.5	(66)	(21)	-	(26)	-	(113)
Share in profit from investments accounted for under equity method		20	-	-	-	-	20
Segment profit/(loss) from operations		378	361	(10)	(128)	-	601
Net finance income and costs	3.6						205
Profit before tax							806
Tax expense	3.7						(154)
Net profit							652

Assets by operating segments

	30/09/2014 (unaudited)	31/12/2013 (restated data)
Downstream Segment	36 129	40 348
Retail Segment	6 025	5 990
Upstream Segment	2 569	1 375
Segment assets	44 723	47 713
Corporate Functions	6 563	3 888
Adjustments	(302)	(249)
	50 984	51 352

Segment data published for the III quarter of 2013

for 9 months ended 30 September 2013

	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	46 653	11 931	27 542	1	48	-	86 175
Sales revenues from transactions with other segments	20 265	2 656	121	-	183	(23 225)	-
Sales revenues	66 918	14 587	27 663	1	231	(23 225)	86 175
Operating expenses	(67 362)	(13 476)	(26 971)	(21)	(779)	23 225	(85 384)
Other operating income	56	60	66	-	169	-	351
Other operating expenses	(64)	(87)	(78)	-	(93)	-	(322)
Segment profit/(loss) from operations	(452)	1 084	680	(20)	(472)	-	820
Net finance income and costs							(147)
Profit before tax							673
Tax expense							(105)
Net profit							568

for 3 months ended 30 September 2013

	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	16 443	3 833	10 102	-	15	-	30 393
Sales revenues from transactions with other segments	7 251	933	45	-	60	(8 289)	-
Sales revenues	23 694	4 766	10 147	-	75	(8 289)	30 393
Operating expenses	(23 545)	(4 475)	(9 774)	(10)	(253)	8 289	(29 768)
Other operating income	14	6	9	-	76	-	105
Other operating expenses	(19)	(47)	(21)	-	(26)	-	(113)
Segment profit/(loss) from operations	144	250	361	(10)	(128)	-	617
Net finance income and costs							204
Profit before tax							821
Tax expense							(169)
Net profit							652

Impact of change in segment division in Group and new standard IFRS 11 – Joint arrangements – on segment data presented in the III quarter of 2013

for 9 months ended 30 September 2013

	Downstream Segment (unaudited)	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	58 383	(46 653)	(11 931)	-	-	1	-	(200)
Sales revenues from transactions with other segments	12 012	(20 265)	(2 656)	-	-	(2)	10 911	-
Sales revenues	70 395	(66 918)	(14 587)	-	-	(1)	10 911	(200)
Operating expenses	(69 787)	67 362	13 476	-	-	3	(10 911)	143
Other operating income	114	(56)	(60)	-	-	-	-	(2)
Other operating expenses	(151)	64	87	-	-	-	-	-
Share in profit from investments accounted for under equity method	34	-	-	-	-	-	-	34
Segment profit/(loss) from operations	605	452	(1 084)	-	-	2	-	(25)
Net finance income and costs								6
(Loss) before tax								(19)
Tax expense								19
Net profit/(loss)								-

for 3 months ended 30 September 2013

	Downstream Segment (unaudited)	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	20 188	(16 443)	(3 833)	-	-	(1)	-	(89)
Sales revenues from transactions with other segments	4 487	(7 251)	(933)	-	-	(1)	3 698	-
Sales revenues	24 675	(23 694)	(4 766)	-	-	(2)	3 698	(89)
Operating expenses	(24 269)	23 545	4 475	-	-	2	(3 698)	55
Other operating income	18	(14)	(6)	-	-	-	-	(2)
Other operating expenses	(66)	19	47	-	-	-	-	-
Share in profit from investments accounted for under equity method	20	-	-	-	-	-	-	20
Segment profit/(loss) from operations	378	(144)	(250)	-	-	-	-	(16)
Net finance income and costs								1
(Loss) before tax								(15)
Tax expense								15
Net profit/(loss)								-

	published data	impact of change in segment division and new standard IFRS 11	data after changing segment division and new standard IFRS 11
	31/12/2013		31/12/2013
Refining Segment	28 229	(28 229)	-
Petrochemical Segment	12 024	(12 024)	-
Downstream Segment	-	40 348	40 348
Retail Segment	5 990	-	5 990
Upstream Segment	1 375	-	1 375
Segment assets	47 618	95	47 713
Corporate Functions	4 286	(398)	3 888
Adjustments	(260)	11	(249)
	51 644	(292)	51 352

3. Other notes

3.1. Sales revenues

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Revenues from sales of finished goods and services, net	61 414	22 619	67 584	24 043
Revenues from sales of merchandise and raw materials, net	20 516	6 541	18 391	6 261
	81 930	29 160	85 975	30 304

3.2. Operating expenses

Cost of sales

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Cost of finished goods and services sold	(57 211)	(20 648)	(63 851)	(22 576)
Cost of merchandise and raw materials sold	(19 558)	(6 137)	(17 432)	(5 805)
	(76 769)	(26 785)	(81 283)	(28 381)

Costs by nature

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Materials and energy	(54 134)	(19 456)	(60 979)	(21 842)
Cost of merchandise and raw materials sold	(19 558)	(6 137)	(17 432)	(5 805)
External services	(3 129)	(1 168)	(3 129)	(1 098)
Employee benefits	(1 536)	(489)	(1 577)	(503)
Depreciation and amortisation	(1 506)	(460)	(1 569)	(526)
Taxes and charges	(470)	(150)	(459)	(145)
Other	(5 635)	(201)	(616)	(210)
	(85 968)	(28 061)	(85 761)	(30 129)
Change in inventories	(274)	(290)	25	228
Cost of products and services for own use	172	83	173	75
Operating expenses	(86 070)	(28 268)	(85 563)	(29 826)
Distribution expenses	2 907	1 021	2 898	998
Administrative expenses	1 095	383	1 060	334
Other operating expenses	5 299	79	322	113
Cost of sales	(76 769)	(26 785)	(81 283)	(28 381)

3.3. Inventories written down to net realizable value

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Increase	(64)	(10)	(201)	(51)
Decrease	118	6	204	38

3.4. Impairment allowances of assets

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Property, plant and equipment				
Recognition	(5 038)	(24)	(62)	(17)
Reversal	33	12	38	6
Intangible assets				
Recognition	(28)	-	(7)	-
Reversal	4	-	1	-
Receivables				
Recognition	(27)	(8)	(44)	(11)
Reversal	34	10	29	7

3.4.1. Impairment allowances of non-current assets

As at 30 September 2014 ORLEN Group did not identify new indicators of impairment of assets. Indicators identified in I half of 2014 remain valid. Additional information in note 3.5

Main indicators for performing impairment tests of assets within the ORLEN Group in the I half related mainly to worsening current macroeconomic situation and lack of prospects for its improvement, especially noticeable in refining activities. Limited fuel consumption due to lasting economic crisis, excess of global capacity increasing products' supply and growing pressure on margins resulting from shale gas revolution in America and economic changes in Russia have led to an update of assumptions of Group's Strategy and Mid-term Plan for years 2014-2017 including optimization of assets potential and an update of investment program.

During development of assumptions to impairment tests, in accordance with IAS 36 – impairment of assets, the possibility of estimation of the fair value and value in use of individual assets of ORLEN Group was considered. The measurement of fair value less cost of disposal is not possible because there is no basis for making a reliable estimate of the price, at which an orderly transaction to sell the asset owned by the Group would be executed. As a result, it was assumed that the best estimate of the recoverable amount of particular Group's assets is its value in use, according to IAS 36.20.

The analysis as at 30 June 2014 were conducted based on the Mid-term Plan for 2014-2017 and after the period of financial projections a constant growth rate of cash flows was adopted estimated separately for each relevant geographic markets at the level of long-term inflation.

While determining the value in use, future cash flows are discounted to their present value with a discount rate before tax that represents current market valuation of time value of money as well as the common risk allocated to the relevant asset. The discount rate is calculated as the weighted average cost of capital of equity and debt. The source for macroeconomic indicators necessary to determine the discount rate was based on publications of prof. Aswath Damodaran (source: <http://pages.stern.nyu.edu>), the official listing of treasury bonds and rating agencies available as at 30 June 2014.

The discount rate structure used in the impairment testing of assets by cash-generating unit of ORLEN Capital Group as at 30 June 2014

	Czech Republic			Germany	Poland				Lithuania		Canada
	Refining	Petrochemical	Retail	Retail	Refining	Petrochemical	Retail	Upstream	Refining	Retail	Upstream
Cost of equity	10.72%	9.10%	9.28%	7.40%	13.10%	11.41%	11.61%	11.85%	13.99%	12.24%	10.20%
Cost of debt after tax	2.58%	2.58%	2.58%	1.65%	4.25%	4.25%	4.25%	4.25%	4.92%	4.92%	2.89%
Capital structure	0.51	0.15	0.74	0.74	0.51	0.15	0.74	0.41	0.51	0.74	1.56
Nominal discount rate	7.99%	8.23%	6.43%	4.95%	10.13%	10.46%	8.47%	9.62%	10.94%	9.12%	5.75%
Long-term rate of inflation	1.96%	1.96%	1.96%	1.40%	2.22%	2.22%	2.22%	2.22%	2.20%	2.20%	2.08%

Cost of equity is determined by the profitability of the government bonds that are considered to be risk-free, with the level of market and operating segment risk premium (beta).

Cost of debt includes the average level of credit margins and expected market value of money for each country.

For the purpose of impairment testing of property, plant and equipment and intangible assets periods of analysis were separately determined for each cash-generating unit (CGU) on the basis of the expected useful life.

Useful life used for analysis by main cash generating units as at 30 June 2014

Usefull life in years	Minimum	Median	Maximum
Refining	12	17	25
Petrochemical	8	16	25
Retail	13	15	16

As at 30 June 2014 impairment testing for each identified CGU was performed. Impairment of assets was carried out on the level of particular CGUs broken down by representing groups of non-current assets and influenced result from operations.

As a result of impairment testing carried out during the II quarter of 2014 impairment allowances of assets value in a total amount of PLN (5,002) million were recognised and mainly related to selected Refining CGU assets of the ORLEN Group. After analysis of ability to generate future tax profits the Group recognised deferred tax asset from a part of the above impairment allowances in the Unipetrol Group of PLN 135 million. Detailed information is presented in note 3.5.

Projections of future financial performance are based on a number of assumptions, a part of which concern macroeconomic factors, including: commodity prices, product quotations on global markets, foreign exchange rates or interest rates, remain beyond the control of the Group. Changes in these assumptions can affect impairment tests results of non-current assets and as a result may lead to changes in the financial standing and financial results of the Group.

Sensitivity analysis of value in use

Major elements influencing the amount representing the value in use of assets within the individual cash-generating units are: operating profit before depreciation and amortization (i.e. EBITDA ratio) and the discount rate.

The sensitivity of changes of the above factors on the impairment allowances are presented below

in PLN million		EBITDA		
change		-5%	0%	5%
DISCOUNT RATE	- 0.5 p.p.	<i>increase in allowance</i> (148)	<i>decrease in allowance</i> 64	<i>decrease in allowance</i> 310
	0.0 p.p.	<i>increase in allowance</i> (667)	-	<i>decrease in allowance</i> 239
	+ 0.5 p.p.	<i>increase in allowance</i> (1256)*	<i>increase in allowance</i> (478)	<i>decrease in allowance</i> 158

*change reflects not only an increase of impairment allowances recognised in the II quarter of 2014 but also additional impairment allowance mainly of CGU Refinery of PKN ORLEN and assets of CGU Petrochemistry of Unipetrol Group, which would occur after the changes of assumptions.

3.5. Other operating income and expenses

Other operating income

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (restated data) (unaudited)	III QUARTER 2013 (restated data) (unaudited)
Profit on sale of non-current non-financial assets	36	11	29	9
Gain on bargain purchase	180	-	-	-
Reversal of provisions	47	7	24	6
Reversal of receivables impairment allowances	26	9	21	6
Reversal of impairment allowances of property, plant and equipment and intangible assets	37	12	39	6
Penalties and compensations earned	41	16	121	68
Grants	1	1	1	1
Other	150	30	114	7
	518	86	349	103

Gain on bargain purchase relates to acquisition of Ceska Rafinerska shares representing 16.335% of the share capital that took place during the I quarter of 2014 by Unipetrol Group from Shell Overseas Investments BV ("Shell").

The line "other" in the 9 and 3 months period ended 30 September 2014 includes effect of recognition of property rights, so-called yellow and red energy certificates issued for the period from 30 April to 30 September 2014 amounted to PLN 26 million.

Moreover, the line 'other' in the 9 months period ended 30 September 2014 includes mainly the impact of CO₂ emission rights prices fluctuations on the value of CO₂ emission costs of PLN 30 million and included the effect of revaluation of due CO₂ emission rights of PLN 28 million.

The line "other" in the 9 months period ended 30 September 2013 includes mainly income resulting from the decision of tax authorities on the refund of excise tax paid by PKN ORLEN in previous years for the period May-December 2004 and the liabilities correction resulting from fuel charge from bioester RME for the period May – November 2011 received in the second quarter of 2013, of PLN 47 million.

Other operating expenses

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (restated data) (unaudited)	III QUARTER 2013 (restated data) (unaudited)
Loss on sale of non-current non-financial assets	(43)	(14)	(26)	(10)
Recognition of provisions	(73)	(7)	(76)	(15)
Recognition of receivables impairment allowances	(23)	(8)	(33)	(9)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(5 066)	(24)	(69)	(17)
Costs of losses, breakdowns and compensations	(15)	(6)	(60)	(47)
Other	(79)	(20)	(58)	(15)
	(5 299)	(79)	(322)	(113)

The line 'recognition of impairment allowances of property, plant and equipment and intangible assets' for the period of 9 months of 2014 includes mainly impairment allowances of the ORLEN Lietuva Group's refining assets of PLN (4,187) million, the Unipetrol Group of PLN (711) million, the Rafineria Jedlicze Group of PLN (42) million and petrochemical assets of Spolana from the Anwil Group of PLN (58) million recognised during the II quarter of 2014.

3.6. Finance income and costs

Finance income

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Interest	48	28	86	35
Foreign exchange gain surplus	-	-	19	335
Dividends	2	-	2	-
Settlement and valuation of financial instruments	133	99	164	4
Reversal of receivables impairment allowances	8	1	8	1
Other	23	4	3	1
	214	132	282	376

Finance costs

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Interest	(185)	(59)	(209)	(69)
Foreign exchange loss surplus	(1 190)	(323)	-	-
Settlement and valuation of financial instruments	(71)	-	(179)	(92)
Recognition of receivables impairment allowances	(4)	-	(11)	(2)
Other	(34)	(7)	(24)	(8)
	(1 484)	(389)	(423)	(171)

As of 30 June 2014 the Group ceased using of net investment hedge in a foreign operation (ORLEN Lietuva Group). Hedged item (ORLEN Lietuva Group's equity) decreased as a result of recognition of the impairment allowance of non-current assets in the II quarter of 2014, what caused reclassification accumulated surpluses of negative foreign exchange differences from hedging instrument valuation from equity to the statement of profit or loss. In the period of 9 months ended 30 September 2014 the surplus of negative foreign exchange differences from the abovementioned title amounted to PLN (811) million. Above reclassification has no influence on total equity of the Group.

Borrowing cost capitalized in the 9 and 3 months period ended 30 September 2014 and 30 September 2013 amounted to PLN (36) million, PLN (12) million, PLN (14) million and PLN (6) million, respectively.

3.7. Tax expense

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Current income tax	(158)	(88)	(29)	(46)
Deferred tax	341	(41)	(57)	(108)
	183	(129)	(86)	(154)

3.8. Other financial assets

	30/09/2014 (unaudited)	31/12/2013
Cash flows hedge instruments	285	144
<i>currency forwards</i>	145	66
<i>commodity swaps</i>	140	78
Derivatives not designated as hedge accounting	25	8
<i>currency forwards</i>	10	5
<i>commodity swaps</i>	15	3
Embedded derivatives	1	3
<i>currency swaps</i>	1	3
Deposits	23	4
Loans granted	5	6
	339	165

3.9. Loans, borrowings and debt securities

	Non-current		Current		Total	
	30/09/2014 (unaudited)	31/12/2013 (restated data)	30/09/2014 (unaudited)	31/12/2013 (restated data)	30/09/2014 (unaudited)	31/12/2013 (restated data)
Loans	5 950	4 788	810	850	6 760	5 638
Borrowings	-	1	1	-	1	1
Debt securities	4 104	1 718	-	-	4 104	1 718
	10 054	6 507	811	850	10 865	7 357

In the period covered by the foregoing interim condensed consolidated financial statements as well as after the reporting date there were no cases of violations of loans repayment of principal and interest resulting from indebtedness presented above.

3.10. Provisions

	Non-current		Current		Total	
	30/09/2014 (unaudited)	31/12/2013 (restated data)	30/09/2014 (unaudited)	31/12/2013 (restated data)	30/09/2014 (unaudited)	31/12/2013 (restated data)
Environmental	374	346	11	36	385	382
Jubilee bonuses and post-employment benefits	261	262	40	42	301	304
Business risk	11	13	46	53	57	66
Shield programs	-	-	35	43	35	43
CO ₂ emissions	-	-	214	320	214	320
Other	35	37	151	327	186	364
	681	658	497	821	1 178	1 479

3.11. Other non-current liabilities

	30/09/2014 (unaudited)	31/12/2013 (restated data)
Cash flow hedge instruments	460	29
<i>interest rate swaps</i>	77	-
<i>commodity swaps</i>	309	-
<i>currency interest rate swaps</i>	74	29
Investment liabilities	128	1
Finance lease	86	72
Other	28	31
	702	133

3.12. Methods applied in determining fair values (fair value hierarchy)

The Group measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves for currencies and commodities quoted on active markets.

Fair value of derivatives is based on discounted future flows related to contracted transactions as a difference between term price and transaction price. Forward rates of exchange are not modelled as a separate risk factor, but they are as a result of spot rate and forward interest rate for foreign currency in relation to PLN.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognised in a reporting period profit or loss.

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

Fair value hierarchy

	30/09/2014 (unaudited)		31/12/2013 (restated data)	
	LEVEL 1	LEVEL 2	LEVEL 1	LEVEL 2
Financial assets				
Quoted shares	1	-	1	-
Embedded derivatives, hedging and not designated as hedge accounting	-	420	-	277
	1	420	1	277
Financial liabilities				
Embedded derivatives, hedging and not designated as hedge accounting	-	568	-	139
	-	568	-	139

During the reporting period and comparative period there were no reclassifications in the Group between Level 1 and Level 2 of fair value hierarchy.

3.13. Finance lease payments

As at 30 September 2014 and as at 31 December 2013 the Group possessed as a lessee the finance lease agreements, concerning mainly buildings, technical equipment and machinery and means of transportation.

	30/09/2014 (unaudited)	31/12/2013 (restated data)
Value of future minimum lease payments	136	121
Present value of future minimum lease payments	111	102

3.14. Future liabilities resulting from signed investment contracts

As at 30 September 2014 and 31 December 2013 the value of future liabilities resulting from investment contracts signed until that day amounted to PLN 1,219 million and PLN 1,998 million, respectively.

3.15. Issue, redemption and repayment of debt securities

In the period covered by the foregoing interim condensed consolidated financial statements, as a part of liquidity optimisation in the ORLEN Group, issue of short term bonds in favour of Group companies were performed.

On 2 April 2014 PKN ORLEN issued fifth series of 4-years bonds (E series) of nominal value of PLN 200 million, and on 9 April 2014 sixth series of bonds (F series) of total value of PLN 100 million to the retail investors. On 30 June 2014 ORLEN Capital AB, special purpose vehicle, issued debt securities with 7-year redemption period. The value of the issue amounted to PLN 2,088 million translated using exchange rate as at 30 September 2014 (representing EUR 500 million). Detailed information is presented in note B 3.2.

3.16. Distribution of the Parent Company's profit for 2013

The Ordinary Shareholders' Meeting of PKN ORLEN S.A. on 15 May 2014 decided to distribute the net profit of the Parent Company for the year 2013 of PLN 617,684,481.47 as follows: PLN 615,901,047.84 as dividend payment (PLN 1.44 per 1 share) and PLN 1,783,433.63 as reserve capital of the Company.

The Ordinary Shareholders' Meeting of PKN ORLEN S.A. set 16 June 2014 as a dividend date and 8 July 2014 as a dividend payment date.

3.17. Contingent liabilities

In the period covered by the foregoing interim condensed consolidated financial statements there were no significant contingent liabilities, apart from disclosed in the Consolidated Financial Statements for 2013 in note 39.

3.18. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 September 2014 and 31 December 2013 amounted to PLN 1,584 million and PLN 1,652 million, respectively.

3.19. Events after the end of the reporting period

After the end of the reporting period there were no events to be included in the foregoing interim condensed consolidated financial statement.

**OTHER INFORMATION TO
CONSOLIDATED QUARTERLY REPORT**

FOR THE 9 AND 3 MONTHS PERIOD ENDED 30 SEPTEMBER

2014

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

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

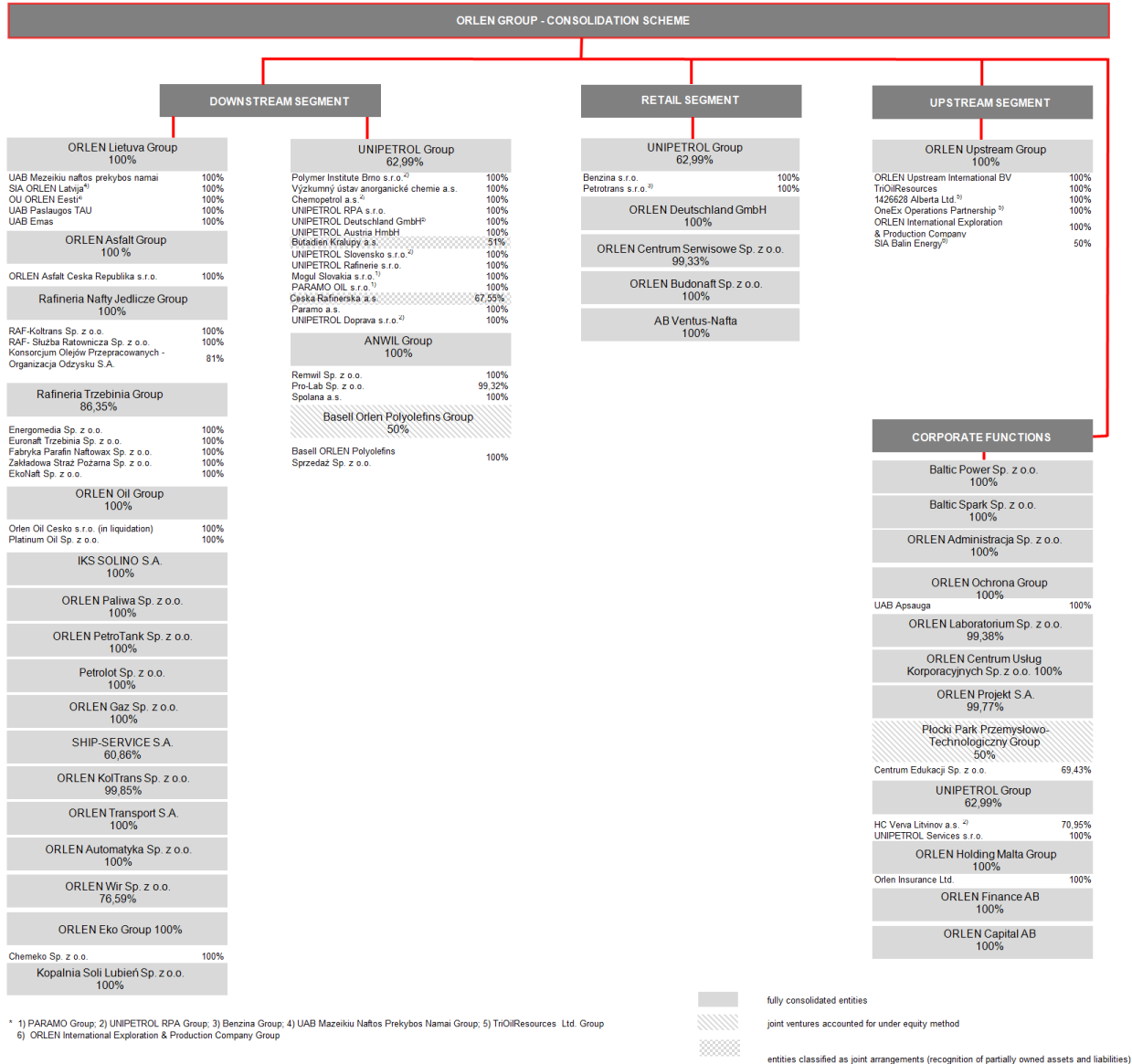
1. Principal activity of ORLEN Group

The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") seated in Plock, 7 Chemików Street.

The principal activity of the Group includes processing of crude oil and manufacturing of wide variety of refinery, petrochemical and chemical products, exploration and extraction of hydrocarbons as well as their transport, wholesale and retail sale.

2. Organization of ORLEN Group

The ORLEN Group includes PKN ORLEN as the Parent Company and entities located mainly in Poland, Germany, Czech Republic, Lithuania, Malta, Sweden, Netherlands, Slovakia, Switzerland, Estonia, Latvia and Canada.



2.1. Changes in the ORLEN Group's structure for 9 months period ended 30 September 2014

2.1.1. Acquisition of shares of Birchill Exploration Limited Partnership

On 5 June 2014 the ORLEN Group acquired 100% of Birchill Exploration Limited Partnership („Birchill”) shares. Shares were acquired as an execution of provisions of agreement dated 7 May 2014 concluded between the ORLEN Group's entity – TriOil Resources Ltd. (“TriOil”) and Bregal – Birchill Investments S.A.R.L. seated in Luxemburg. Acquired shares represent 100% of Birchill's share capital and 100% votes on the company's Shareholders Meeting. 5 June 2014 is assumed as a date of taking control (Polish time).

The core business of Birchill is exploration, prospecting and extraction of crude oil and natural gas in Canada. Concluding of the agreement is consistent with the ORLEN Group's strategy, which plans the development of crude oil and natural gas resource base. The amount paid for shares by TriOil of PLN 707.4 million among others was translated using the exchange rate as at 5 June 2014 (representing CAD 255.6 million).

Fair value of the identifiable assets and liabilities of Birchill as at acquisition date is as follows:

	Carrying amount as at the acquisition day	Adjustments to fair value	Fair value
Exploration and evaluation of mineral resources' assets	4	5	9
Assets related to development and extraction of mineral resources	438	391	829
Trade and other receivables	15	-	15
Assets (A)	457	396	853
Trade and other liabilities	16	-	16
Provision for decommissioning costs of drillings and supporting infrastructure	7	10	17
Provision for deferred income tax	-	113	113
Liabilities (B)	23	123	146
Identifiable net assets at fair value (A-B)			707
Fair value of transferred payment due to acquisition			707

The settlement of executed transaction did not influence the consolidated statement of profit or loss and other comprehensive income. Fair value of net assets recognised in the ORLEN Group is equal to price paid. The settlement was preceded by assessment of completeness and accuracy of identified assets and liabilities acquired in the mentioned transaction and verification of procedures applied to determine fair value of identified assets and liabilities.

Simultaneously, on 5 June 2014 TriOil and Birchill merger took place. The merger took place by transfer of Birchill total assets to TriOil. Taking into account the fact that TriOil possessed 100% shares of Birchill's share capital, the merger took place without an increase of share capital.

2.1.2. Other changes

On 1 June 2014 the Extraordinary Shareholders Meeting of „RAF-KOLTRANS” Sp. z o.o. located in Jedlicze, adopted a resolution regarding the dissolution of „RAF-KOLTRANS” Sp z o.o. on 1 June 2014 and starting of liquidation procedures. The purpose of the „RAF-KOLTRANS” Sp. z o.o. was providing of manoeuvres, loading and unloading services on railway siding of Rafineria Nafty Jedlicze S.A.

As a result of the transaction concluded on 26 June 2014, ORLEN Eko Sp. z o.o. acquired from both ANWIL S.A. and Przedsiębiorstwo Inwestycyjno – Remontowe “RemWil Sp. z o.o.” – subsidiary of ANWIL, a total of 100% shares in the company Chemeko Sp. z o.o. The transfer of ownership of shares took place on 1 July 2014.

On 3 July 2014 Unipetrol, subsidiary of PKN ORLEN, accepted the offer of an Italian ENI regarding the acquisition of Česká Rafinérská shares, representing 32.445% of share capital of the company. The total amount of the transaction is estimated at about PLN 125 million translated using exchange rate as at 30 September 2014 (representing EUR 30 million). Unipetrol, exercising the pre-emptive right, will become the sole owner of Česká Rafinérská. The conclusion of the transaction is dependent on obtaining the antitrust approvals.

On 7 August 2014 the Extraordinary Shareholders Meeting of „RAF-SŁUŻBA RATOWNICZA” Sp. z o.o. located in Jedlicze, adopted a resolution regarding the dissolution of „RAF-SŁUŻBA RATOWNICZA” Sp z o.o. and starting of liquidation procedures on 7 August 2014.

On 19 September 2014 the District Court in Rzeszów issued a decision on removal of RAF-BIT Sp. z o.o. in liquidation in Jedlicze from National Court Register.

3. Financial situation

3.1. ORLEN Group's achievements accompanied by factors having a significant impact on financial results

Operating and financial results

Operating profit increased by depreciation and amortisation of the ORLEN Capital Group (“ORLEN Group”) for the III quarter of 2014 amounted to PLN 1,461 million in comparison with PLN 1,127 million in analogical quarter of 2013.

ORLEN Group values inventories in accordance with International Financial Reporting Standards by the method of weighted average cost or purchase price. This valuation method defers the recognition of an increase or decrease in the purchase price of

crude oil in relation to the prices received from the sale of finished products. The growing trend in crude oil prices has a positive effect, while a diminishing trend has a negative effect on operating results.

The negative impact of crude oil prices change on inventory valuation decreased EBITDA of the ORLEN Group by PLN (-) 728 million (y/y).

Positive effect of the macroeconomic factors changes related mainly to the increase of the model downstream margin to PLN 816 million (y/y).

The positive volume effect of PLN 284 million (y/y) resulted mainly from higher downstream segment sales in Czech Republic higher extraction of crude oil and gas in Canada, as well as higher retail sales in all markets .

Negative impact of other factors amounted to PLN (-) 38 million (y/y).

After consideration of depreciation and amortisation, operating result for the III quarter of 2014 amounted to PLN 1,001 million.

Net financial costs in the III quarter of 2014 amounted to PLN (-) 257 million and consisted primarily of negative foreign exchange differences of PLN (-) 323 million, net interest cost of PLN (-) 31 million and positive impact of the settlement and valuation of financial instruments net of PLN 99 million.

After consideration of tax charges, net profit of the ORLEN Group for the III quarter of 2014 amounted to PLN 615 million.

Results of the core entities of the ORLEN Group in the III quarter of 2014

- **PKN ORLEN S.A.** – EBITDA result amounted to PLN 705 million and was higher by PLN 18 million (y/y):
 - PLN 46 million (y/y) - higher EBITDA of downstream segment as a result of improvement of the macroeconomic environment accompanied by lower sales volume (y/y),
 - PLN 14 million (y/y) - higher EBITDA of retail segment mainly results from higher sales volume (y/y) as well as from improved non-fuel margins,
 - PLN 1 million (y/y) – higher EBITDA of upstream segment,
 - PLN (-) 43 million (y/y) - lower EBITDA of corporate functions mainly as a result of lack of positive effects on the other operating activities from the III quarter of 2013 including received compensations.
- **ORLEN Lietuva Group** – EBITDA result amounted to PLN 86 million and was higher by PLN 47 million (y/y).
 - PLN 45 million (y/y) - higher EBITDA of downstream segment as a result of improvement of the macroeconomic factors and optimisation of general and labour costs,
 - PLN 4 million (y/y) - higher EBITDA of retail segment as a result of recognition of profit on sale of AB Ventus-Nafta to PKN ORLEN S.A. in July 2014, the profit was eliminated within the standard consolidation procedures on the level of the consolidated financial statements of the ORLEN Group,
 - PLN (-) 2 million (y/y) - higher costs of corporate functions.
- **Unipetrol Group** – EBITDA result amounted to PLN 298 million and was higher by PLN 179 million (y/y).
 - PLN 174 million (y/y) – higher EBITDA of downstream segment is the effect of positive changes of macroeconomics factors and higher sales volume as a result of increased production capacity after acquisition of shares in Ceska Rafinerska from Shell in the I quarter of 2014,
 - PLN (-) 1 million (y/y) - lower EBITDA of retail segment is mainly the result of market pressure on fuel margins compensated by higher sales volume and optimisation of operating cost of fuel stations,
 - PLN 6 million (y/y) – higher EBITDA of corporate functions.

Net indebtedness and cash flows

As at 30 September 2014, net indebtedness of ORLEN Group amounted to PLN 5,884 million and was higher by PLN 1,216 million as compared to the level at the end of 2013. Change in net indebtedness for 9 months of 2014 comprised mainly proceeds from loans and borrowings net taken of PLN 3,367 million, increase of cash by PLN (-) 2,292 million as well as impact of negative foreign exchange differences from the revaluation of foreign currency loans and indebtedness valuation of PLN 141 million.

In the III quarter of 2014 reduction of net indebtedness amounted to PLN (-) 452 million and comprised repayment of loans and borrowings net of PLN (-) 857 million, decrease of cash by PLN 314 million as well as negative foreign exchange differences from the revaluation of foreign currency loans and indebtedness valuation of PLN 91 million.

Net financial leverage at the end of III quarter of 2014 amounted to 25.9 %

Cash flows from operating activities in the III quarter of 2014 amounted to PLN 2,164 million and mainly comprised net profit increased by depreciation and amortisation in the total amount of PLN 1,075 million, as well as change in net working capital of PLN 1,083 million.

Net cash used in investing activities in the III quarter of 2014 amounted to PLN (-) 940 million and comprised mainly net expenditures for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land of PLN (-) 958 million.

Net cash used in financing activities in the III quarter of 2014 amounted to PLN (-) 1,537 million and comprised mainly of net expenditures due to change in balance of loans and borrowings of PLN (-) 852 million, dividend paid for the 2013 profit of PLN (-) 617 million as well as interest paid of PLN (-) 60 million.

Considering revaluation of cash from foreign exchange differences the cash balance decreased in the III quarter of 2014 by PLN (-) 314 million and as 30 September 2014 amounted to PLN 4,981 million.

Factors and events which may influence future results

Similar factors as described above will have influence on future financial results.

3.2. The most significant events in the period from 1 January 2014 until the date of preparation of the foregoing report

JANUARY 2014

Termination of the agreement for gathering and keeping of crude oil mandatory reserves

PKN ORLEN announced that on 28 January 2014 the agreement for gathering and keeping of crude oil mandatory reserves, concluded on 28 December 2012 between PKN ORLEN and Whirlwind Sp. z o.o., has expired. Therefore, and in accordance with realization of the Act on stocks of crude oil, petroleum products and natural gas, the principles of proceeding in circumstances of a threat to the fuel security of the State and disruption on the petroleum market PKN ORLEN purchased crude oil owned by Whirlwind. The value of transaction was approximately PLN 1,223 million, translated using exchange rate as at 27 January 2014 (representing approximately USD 396 million). The crude oil price was established according to market quotations. On the day of conclusion of the Agreement, PKN ORLEN hedged purchase price of crude oil with futures contract. Through the settlement of the hedging transaction purchase price of crude oil was decreased by approx. PLN 34 million, translated using exchange rate as at 27 January 2014 (representing approx. USD 11 million). As a result of these operations PKN ORLEN recognised in the first quarter of 2014 purchase of crude oil of approx. PLN 1,189 million, translated using exchange rate as at 27 January 2014 (representing approx. USD 385 million). Additionally, within the duration of the contract regarding gathering and maintenance of crude oil reserves, Whirlwind incurred charges to PKN ORLEN for inventory maintenance guarantees.

MARCH 2014

Appointment to the new term of office of the Management Board by the Supervisory Board of PKN ORLEN

On 6 March 2014 the Supervisory Board of PKN ORLEN appointed following persons to the Management Board of PKN ORLEN:

- Dariusz Jacek Krawiec for the position of the President of the Management Board,
- Sławomir Jędrzejczyk for the position of the Vice-President of the Management Board,
- Piotr Chelmiński for the position of the Member of the Management Board,
- Krystian Pater for the position of the Member of the Management Board,
- Marek Podstawa for the position of the Member of the Management Board

for the common three year term of office starting the day after present common term of office of the Management Board of the Company expires, that is after the day of the General Shareholders Meeting of the Company approving the financial statements for 2013.

APRIL 2014

Bonds under public bond issuance program

On 28 March 2013 the Supervisory Board of PKN ORLEN approved the issue of bonds by the Company through a public bond issuance program (the Program).

On the basis of an agreement concluded with UniCredit CAIB Poland S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Pekao S.A., in 2013 PKN ORLEN issued 4 series of mid-term bonds (4-years) of total nominal value of PLN 700 million, dedicated to retail investors. On 2 April 2014 PKN ORLEN issued fifth series of 4-years bonds (E series) of nominal value of PLN 200 million, and on 9 April 2014 sixth series of retail bonds (F series), of total nominal value of PLN 100 million was issued. Sixth series was the last offering, finalizing the Program. Bonds issued under the Program are unsecured, bearer ordinary bonds, registered in the National Depository for Securities listed on the regulated market within the Catalyst platform operated by the Warsaw Stock Exchange.

in PLN million

	Nominal value	Subscription date	Redemption date	Base rate	Margin	Rating
A Series	200	28.05.2013	28.05.2017	6M WIBOR	1.50%	A - (pol)
B Series	200	03.06.2013	03.06.2017	6M WIBOR	1.50%	A - (pol)
C Series	200	06.11.2013	06.11.2017	6M WIBOR	1.40%	A - (pol)
D Series	100	14.11.2013	14.11.2017	6M WIBOR	1.30%	A - (pol)
E Series	200	02.04.2014	02.04.2018	6M WIBOR	1.30%	A - (pol)
F Series	100	09.04.2014	09.04.2020	Fixed interest rate 5%		A - (pol)
Total	1 000					

Resignation from the position of member of the Supervisory Board of PKN ORLEN

On 17 April 2014 Mr Michał Gołębiowski resigned from the position of member of the Supervisory Board of PKN ORLEN, effective on 21 April 2014, due to relevant professional circumstances.

Refinance of main credit line and extension of the period of available financing

On 25 April 2014 in order to refinance its main credit line, PKN ORLEN signed a credit agreement with syndicate of 17 banks. The maximum debt, under the Agreement provisions, amounts to PLN 8,406 million, based on the exchange rate as of 25 April 2014 (representing EUR 2,000 million). The Agreement replaced the credit agreement dated 28 April 2011 with the maximum debt value of EUR 2,625 million, signed with syndicate of 14 banks.

The debt is arranged as a club-deal type, with a group of main relational banks of the ORLEN Group, in which PKN ORLEN set independently with each bank from the consortium, an amount of credit exposure as well as its funding conditions. The Agreement is valid for 5 years with 2 one-year options to extend the contractual period.

According to the Agreement provisions the debt is available in two tranches. The first tranche of approximately PLN 6,305 million based on the exchange rate as of 25 April 2014 (representing EUR 1,500 million) was used for the repayment of debt from the credit agreement dated 28 April 2011. Availability of the second tranche of approximately PLN 2,102 million, based on the exchange rate as of 25 April 2014 (representing EUR 500 million) depends on PKN ORLEN's as well as companies from ORLEN Group needs for financial resources. Provisions of the Agreement state that the Company can withdraw from using of that tranche in 6 months from the day of signing of the Agreement.

The debt can be drawn in EUR, USD, PLN, CZK and CAD. Interest rate of the credit is based on the certain base fee plus margin. Other conditions of credit are also in line with market conditions.

The syndicate of banks, which signed the Agreement is formed by: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Bank Zachodni WBK S.A., BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank, mBank S.A., Nordea Bank Polska S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate & Investment Banking, Bank Handlowy w Warszawie S.A., HSBC Bank plc, Rabobank Polska S.A., The Royal Bank of Scotland plc, Erste Group Bank AG, DNB Bank Polska S.A., Caixabank, S.A. (publ) Branch in Poland.

MAY 2014**Changes in PKN ORLEN Supervisory Board**

The Ordinary Shareholders' Meeting of PKN ORLEN on 15 May 2014 appointed to the Supervisory Board Mr. Adam Ambrozik and dr Radosław L. Kwaśnicki.

Additionally the Ministry of the State Treasury acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association appointed to the Company's Supervisory Board Mr. Maciej Bałowski with effective date of 15 May 2014.

JUNE 2014**Sales of tranche of crude oil mandatory reserves**

Within the process of changing the formula of keeping crude oil mandatory reserves, the Company sold a part of mandatory reserves, through assigning the keeping of the inventories to the third party.

Based on the agreement dated 26 June 2014 PKN ORLEN sold to the company Cranbell crude oil of approximately PLN 2,236 million translated with exchange rate as at 26 June 2014 (representing EUR 736 million). The price was determined based on market quotations.

On the basis of simultaneously concluded agreement for keeping of inventories Cranbell will be providing service of keeping of crude oil mandatory reserves to PKN ORLEN account, whereas PKN ORLEN will guarantee storage of inventories in current location. The agreement for keeping of inventories was concluded for the period to 28 January 2016. The Company takes into account the possibility of its renewal for the next period.

Above Agreements were concluded after receiving by PKN ORLEN the approval of Material Reserves Agency for the transaction concluded.

Cranbell is a SPV, owned in 19% by RBS Investments Netherlands B.V. and in 81% by Dutch company Cranbell B.V. Cranbell in its statutory activities includes turnover of crude oil.

Eurobonds issue within the ORLEN Group

On 30 June 2014 the special purpose vehicle ORLEN Capital AB issued debt securities with 7-year redemption period. The value of the issue was PLN 2,080 million translated using exchange rate as at 30 June 2014 (representing EUR 500 million). PKN ORLEN, being an underwriter, owns 100% of shares in ORLEN Capital AB. The funds acquired from the issue will be used for further diversification of the ORLEN Group's sources of financing.

JULY 2014**PKN ORLEN Strategy for 2014 - 2017**

On 22 July 2014 Supervisory Board of PKN ORLEN approved "PKN ORLEN Strategy for 2014-2017". Approved strategy reflects the present macroeconomic conditions, while its pillars remain unchanged. The Group focuses on strengthen the position on large and growing markets, strong customer-oriented approach, operational excellence, strengthening the value chain and sustainable development of its oil and gas extraction. Implementation of growth-oriented projects in the most profitable areas will be possible thanks to Group's financial strength and modern management culture. Detailed information on PKN ORLEN Strategy for 2014-2017 are presented in the PKN ORLEN website:

<http://www.orklen.pl/EN/InvestorRelations/Presentations/Pages/default.aspx>

SEPTEMBER 2014**Changes in Management Board**

On 24 September 2014, the Supervisory Board of PKN ORLEN S.A. appointed Mr Igor Ostachowicz to the position of the Member of PKN ORLEN Management Board for the common three year term of office ending on the day of the Ordinary Shareholders Meeting that will approve financial statement for 2016. On 26 September 2014 Mr Igor Ostachowicz resigned from the position of Management Board Member.

4. Related party transactions**4.1. Transactions with members of the Management Board and Supervisory Board of the Parent Company, their spouses, siblings, descendants, ascendants and their other relatives**

In the 9 and 3 months period ended 30 September 2014 and 30 September 2013 the Group companies did not grant any advances, borrowings, loans, guarantees and sureties to managing and supervising persons and their relatives nor concluded other agreements obliging to render services to PKN ORLEN and its related parties.

As at 30 September 2014 and as at 31 December 2013 there are no loans granted by the Group companies to managing and supervising persons and their relatives.

4.2. Transactions with related parties concluded by the key executive personnel of the Parent Company and key executive personnel of the Group companies

As at 30 September 2014, as at 31 December 2013 and in the 9 and 3 months period ended 30 September 2014 and 30 September 2013 key executive personnel of the Parent Company and the Group companies did not conclude any transactions with related parties that could significantly influence the consolidated financial statements.

	Entities classified as joint arrangements			
	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Sales	2 477	764	2 636	870
Purchases	(380)	(132)	(320)	(105)

	Associates			
	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Sales	45	14	48	21
Purchases	(33)	(9)	(31)	(13)

	Total			
	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Sales	2 522	778	2 684	891
Purchases	(413)	(141)	(351)	(118)

As a part of entities classified as joint arrangements, joint operation and joint venture is being classified:

	joint venture			
	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Sales	2 191	663	2 367	785
Purchases	(21)	(7)	(21)	(7)

	joint operation			
	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited) (restated data)	III QUARTER 2013 (unaudited) (restated data)
Sales	286	101	269	85
Purchases	(359)	(125)	(299)	(98)

	Entities classified as joint arrangements		Associates		Total	
	30/09/2014 (unaudited)	31/12/2013 (restated data)	30/09/2014 (unaudited)	31/12/2013 (restated data)	30/09/2014 (unaudited)	31/12/2013 (restated data)
Trade and other receivables	491	653	19	19	510	672
Trade and other liabilities	216	233	7	11	223	244

including:

	Entities classified as joint arrangements				Total	
	joint venture		joint operation		30/09/2014 (unaudited)	31/12/2013 (restated data)
	30/09/2014 (unaudited)	31/12/2013 (restated data)	30/09/2014 (unaudited)	31/12/2013 (restated data)		
Trade and other receivables	436	590	55	63	491	653
Trade and other liabilities	3	4	213	229	216	233

In the 9 and 3 months period ended 30 September 2014 and 30 September 2013 there were no related party transactions concluded within the Group on other than market terms.

5. Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies

Detailed information concerning the below-mentioned proceedings was presented in the Consolidated Financial Statements for 2013 in note 44. Changes in their status in the current period and information regarding new proceedings were presented below.

5.1. Proceedings in which the ORLEN Group entities act as a defendant

5.1.1. Proceedings with the total value exceeding 10% of the Issuer's equity

5.1.1.1. Risk connected with the disposal of assets and liabilities related to purchase of Unipetrol shares

The claim regards the payment of a compensation for losses related among others to alleged unfair competition of PKN ORLEN included in Agrofert Holding a.s. (Agrofert) claim and alleged illegal violation of reputation of Agrofert in relation to purchase by PKN ORLEN of UNIPETROL a.s. shares. On 21 October 2010 the Court of Arbitration in Prague overruled the entire claim of Agrofert against PKN ORLEN regarding the payment of PLN 2,955 million translated using exchange rate as at 30 September 2014 (representing CZK 19,464 million) with interest and obliged Agrofert to cover the cost of proceedings born by PKN ORLEN. On 3 October 2011 PKN ORLEN received from the common court in Prague (Czech Republic) claim for overruling the sentence of the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic in Prague issued on 21 October 2010. The complaint was dismissed by the court in Prague with the ruling of 24 January 2014. On 7 April 2014 Agrofert appealed from the above sentence. In the opinion of PKN ORLEN the decision included in the judgment of the Arbitration Court dated 21 October 2010 and in the judgment of the court in Prague dated 24 January 2014 are correct and will take all necessary means to remain the judgment in force.

5.1.2. Other significant proceedings with the total value not exceeding 10% of the Issuer's equity

5.1.2.1. Tax proceedings in Rafineria Trzebinia S.A.

The proceeding of the excise tax liability for September 2004 was closed by the decision of the Supreme Administrative Court of 7 October 2013 which sustained the decision of the Head of the Customs Office in Cracow determining the excise tax liability of PLN 38 million. Rafineria Trzebinia S.A. settled entire liability including interest in a total amount of PLN 72 million.

On 14 May 2014 and 20 May 2014 the company received the decisions of the Head of the Customs Office in Cracow determining excise tax liabilities for the period: May, June, July and August 2004. The excise tax liability according to those decisions is PLN 132 million. The company filled an annulment against the decision to Head of the Customs Office in Cracow. On 5 June 2014 Rafineria Trzebinia paid entire liability with interests in a total amount of PLN 191 million. At the same time provisions previously recognised for this purpose were used. Rafineria Trzebinia S.A. appealed to the Voivodship Administrative Court in Cracow against decisions on tax liability for the period May – August 2004.

5.1.2.2. Power transfer fee in settlements with ENERGA – OPERATOR S.A. (legal successor of Zakład Energetyczny Plock S.A.)

As at the date of preparation of the foregoing consolidated financial statements PKN ORLEN participates in court proceeding concerning the settlement of system fee with ENERGA – OPERATOR S.A. for the period from 5 July 2001 to 30 June 2002. ENERGA – OPERATOR claims from PKN ORLEN payment of PLN 46 million increased by the statutory interest. During the retrial, an opinion was prepared by an expert witness for the variant damages calculation. The court set the date of next hearing on 27 October 2014.

5.1.2.3. I.P.-95 s.r.o compensation claim against UNIPETROL RPA s.r.o.

On 23 May 2012, UNIPETROL RPA s.r.o. received from the District Court in Ostrava a claim brought by I.P.-95 s.r.o. for compensation related to the filing by UNIPETROL RPA s.r.o. motion for bankruptcy of I.P.-95 s.r.o. in November 2009. Total amount of the claim is approximately PLN 272 million, translated using the exchange rate as at 30 September 2014 (representing CZK 1,789 million). UNIPETROL RPA s.r.o. is one of the 8 defendants against which the claim was brought. According to the UNIPETROL RPA s.r.o. the claim is unjustified and groundless. The proceedings were suspended due to bankruptcy of I.P.-95 s.r.o. The trustee in bankruptcy of I.P.-95 s.r.o. agreed to continue the proceedings despite the company's bankruptcy. The court has approved the continuation of the proceedings. The proceeding concerning the choice determination of the local court is ongoing.

5.2. Court proceedings in which entities of the ORLEN Group act as plaintiff

5.2.1. Compensations due to damages suffered by Rafineria Trzebinia S.A.

Rafineria Trzebinia S.A. acts as an auxiliary prosecutor in the proceedings started in 2010 held by District Court in Cracow concerning abuses associated with the realization of investment in installation for the esterification of biodiesel oil, on which Rafineria Trzebinia S.A. claims to incur a loss of approximately PLN 79 million. The Company issued a motion to the court

requesting to oblige the defendants to compensate the incurred damages. The proceeding is pending in the District Court in Chrzanów. In order to confirm the circumstances of estimation of incurred loss by Rafineria Trzebinia S.A., an expert opinion will be allowed. By the order from 26 August 2014, certain acts from the accusation were partially remitted. The criminal proceedings concerning the accused who acted against the company's interest are ongoing. The hearing date is expected to be determined.

5.2.2. Proceeding of Orlen Lietuva for compensation in respect of accident at Terminal in Butingė

AB Orlen Lietuva is a plaintiff in the court proceeding against RESORT MARITIME S.A., The London Steamship Owners' Mutual Insurance Association Limited, Sigma Tankers Inc., Cardiff Maritime Inc., Heidenreich Marine, Heidenreich Maritime Inc. and Heidmar Inc. regarding compensation payment for damage caused by the hit of tanker ship into terminal buoy in Butinge Terminal on 29 December 2005. The total compensation claim amounts to approximately PLN 73 million translating using the exchange rate as at 30 September 2014 (representing approximately LTL 60 million). The proceeding is held in the first instance in front of District Court in Klajpeda. The court did not set a date of next hearing at the date of publication of the foregoing report.

5.2.3. Tax proceedings UNIPETROL RPA

UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s. claims the return of tax expense paid in 2006 for the year 2005 by CHEMOPETROL a.s.. The claim concerns unused investment relief attributable to CHEMOPETROL a.s.. Value of claim amounts to approximately PLN 49 million translated using the exchange rate as at 30 September 2014 (representing approximately CZK 325 million). On 11 December 2013, the Court in Usti by the Elbe River (Czech Republic) issued a sentence in which it dismissed the decisions of the tax authorities regarding tax liability due to tax expense of UNIPETROL RPA s.r.o. of approximately CZK 325 million. UNIPETROL RPA s.r.o. submitted an annulment claim against the sentence of the Court in Usti by the Elbe River seeking to dismiss of the tax authorities decision and to state that they are invalid and non-existent, as such statement would improve the company's position against the tax authorities in this particular case. On 19 March 2014 the Czech Supreme Administrative Court overruled an annulment claim of UNIPETROL RPA, s.r.o and dismissed the Court in Usti by the Elbe River judgment and decided to revoke them to reexamination. UNIPETROL RPA s.r.o. submitted an application to the Czech Constitutional Court for a declaration that the judgment of the Administrative Court of the Czech Republic violated the right to a fair trial. As a consequence, the Court in Usti by the Elbe River suspended the proceeding on UNIPETROL RPA's s.r.o annulment claim regarding dismiss of the decisions of the tax authorities.

5.2.4. Arbitration proceedings against Basell Europe Holdings B.V.

On 20 December 2012 PKN ORLEN sent an arbitration call to Basell Europe Holdings B.V. regarding ad hoc proceeding relating to Joint Venture Agreement signed in 2002 between PKN ORLEN and Basell Europe Holdings B.V. The claims follow from the use by Basell Sales & Marketing Company so-called Cash Discounts which effectively led to a lower product price payable to Basell Orlen Polyolefins Sp. z o.o. On 27 February 2014 PKN ORLEN submitted its statement on this case, according to which claimed amounts were updated in the way that PKN ORLEN requests from Basell Europe Holdings B.V. to Basell Orlen Polyolefins Sp. z o.o. the amount of PLN 125 million translated using exchange rate as of 30 September 2014 (representing approximately EUR 30 million) plus interest, or alternatively, from Basell Europe Holdings B.V. to PKN ORLEN the amount of approximately PLN 57 million, provided that the amounts may be adjusted during arbitration proceedings. On 10 April 2014 PKN ORLEN submitted an application for suspension of the arbitration proceedings until 1 November 2014. Basell Europe Holdings B.V. accepted this request. On 23 April 2014 the parties received the Tribunal's decision regarding the suspension of the proceeding until 1 November 2014.

5.2.5. Proceedings against Aon UK Limited

In 2012 AB Orlen Lietuva acted as a plaintiff in the proceeding against Aon UK Limited, in which requests a compensation for damages incurred due to improper performance of brokerage services as a consequence of which AB Orlen Lietuva did not receive full compensation for the loss resulting from the refinery fire in 2006. Value of AB Orlen Lietuva compensation claim amounts to approximately from PLN 119 million to PLN 412 million translated using the exchange rate as at 30 September 2014 (representing approximately from USD 36 million to approximately USD 125 million) depending on the adopted methods of calculation, which will be examined in court proceedings. Proceeding is held in the first instance in front of court in Great Britain. The parties have submitted declarations containing witness statements and expert reports. The trial began on 6 October 2014. The final verbal statements by the parties' proxies are schedules on 9-11 November 2014.

6. Other information

6.1. Shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting as at the submission date of the report

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at the submission date	Number of shares as at the submission date
State Treasury	27.52%	117 710 196
ING OFE*	9.35%	40 000 000
Aviva OFE*	7.01%	30 000 000
Others	56.12%	239 998 865
	100.00%	427 709 061

* According to the information from the Ordinary Shareholders Meeting of PKN ORLEN of 15 May 2014

Percentage share in the share capital of the Parent Company of the above mentioned shareholders is equal to the percentage share in total votes at the General Shareholders' Meeting.

6.2. Changes in the number of the Company's shares held by the Management Board and Supervisory Board Members

	Number of shares, stock options as at the submission date of the III quarterly report*
Supervisory Board	3 300
Grzegorz Borowiec	100
Artur Gabor	3 200

* According to the received confirmations as at 16 October 2014

In the period covered by the foregoing interim condensed consolidated financial statements there were no changes in the ownership of shares held by members of the Management Board and the Supervisory Board.

6.3. Information on loan sureties and guarantees of at least 10% of the Company's equity granted by the Parent Company or its subsidiaries to one entity or its subsidiary

As at 30 September 2014 and 31 December 2013 PKN ORLEN and its subsidiaries did not grant any loan sureties or guarantees to one entity or its subsidiary, where the value of sureties and guarantees constituted at least 10% of the Parent Company's equity.

6.4. Statement of the Management Board regarding the possibility to realize previously published forecasts of the current year results

The ORLEN Group has not published forecasts of the results.

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR III QUARTER

2014





C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN

Separate statement of profit or loss and other comprehensive income

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited)	III QUARTER 2013 (unaudited)
Statement of profit or loss				
Sales revenues	59 383	20 779	63 900	22 986
Cost of sales	(56 742)	(19 581)	(61 296)	(21 886)
Gross profit on sales	2 641	1 198	2 604	1 100
Distribution expenses	(1 603)	(544)	(1 547)	(518)
Administrative expenses	(568)	(217)	(543)	(182)
Other operating income	172	45	265	73
Other operating expenses	(158)	(41)	(181)	(42)
Profit from operations	484	441	598	431
Finance income	1 146	41	349	537
Finance costs	(5 239)	(297)	(242)	(73)
Net finance income and costs	(4 093)	(256)	107	464
Profit/(loss) before tax	(3 609)	185	705	895
Tax expense	(17)	(28)	(16)	(173)
Net profit/(loss)	(3 626)	157	689	722
Items of other comprehensive income which will be reclassified into profit or loss under certain conditions				
<i>Hedging instruments</i>	(382)	(143)	101	180
<i>Deferred tax</i>	73	28	(19)	(34)
	(309)	(115)	82	146
Total net comprehensive income	(3 935)	42	771	868
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	(8.48)	0.37	1.61	1.69



Separate statement of financial position

AS AT	30/09/2014 (unaudited)	31/12/2013
ASSETS		
Non-current assets		
Property, plant and equipment	13 275	12 097
Intangible assets	284	439
Perpetual usufruct of land	91	98
Shares in related parties	6 063	9 646
Financial assets available for sale	40	40
Other non-current assets	1 208	1 035
	20 961	23 355
Current assets		
Inventories	8 610	9 383
Trade and other receivables	5 835	6 248
Other financial assets	1 466	974
Current tax assets	7	31
Cash	3 826	2 072
Non-current assets classified as held for sale	1	-
	19 745	18 708
Total assets	40 706	42 063
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	(141)	168
Retained earnings	16 440	20 682
Total equity	18 584	23 135
LIABILITIES		
Non-current liabilities		
Loans, borrowings and debt securities	9 710	6 096
Provisions	324	324
Deferred tax liabilities	346	404
Other non-current liabilities	673	99
	11 053	6 923
Current liabilities		
Trade and other liabilities	9 935	9 836
Loans, borrowings and debt securities	380	1 314
Provisions	243	348
Deferred income	126	94
Other financial liabilities	385	413
	11 069	12 005
Total liabilities	22 122	18 928
Total equity and liabilities	40 706	42 063



Statement of changes in separate equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2014	2 285	168	20 682	23 135
Net (loss)	-	-	(3 626)	(3 626)
Items of other comprehensive income	-	(309)	-	(309)
Total net comprehensive income	-	(309)	(3 626)	(3 935)
Dividends	-	-	(616)	(616)
30 September 2014	2 285	(141)	16 440	18 584
(unaudited)				
1 January 2013	2 285	(69)	20 704	22 920
Net profit	-	-	689	689
Items of other comprehensive income	-	82	-	82
Total net comprehensive income	-	82	689	771
Dividends	-	-	(642)	(642)
30 September 2013	2 285	13	20 751	23 049
(unaudited)				



Separate statement of cash flows

	9 MONTHS 2014 (unaudited)	III QUARTER 2014 (unaudited)	9 MONTHS 2013 (unaudited)	III QUARTER 2013 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	(3 626)	157	689	722
Adjustments for:				
Depreciation and amortisation	753	264	758	256
Foreign exchange (profit)/loss	(7)	3	95	(243)
Interest, net	166	43	196	65
Dividends	(1 020)	-	(220)	-
(Profit)/Loss on investing activities	4 730	10	(50)	1
Tax expense	17	28	16	173
Change in provisions	60	28	91	8
Change in working capital	1 159	990	1 496	(336)
<i>inventories</i>	724	(242)	(140)	(969)
<i>receivables</i>	237	215	(448)	(375)
<i>liabilities</i>	198	1 017	2 084	1 008
Other adjustments	(54)	(36)	(86)	(39)
Income tax (paid)/received	21	(1)	119	2
Net cash provided by operating activities	2 199	1 486	3 104	609
Cash flows - investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(1 857)	(643)	(825)	(289)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	323	1	158	53
Acquisition of shares	(206)	(61)	(1)	-
Disposal of shares	69	2	-	-
Acquisition of current securities	(100)	-	-	-
Sale of current securities	5	5	-	-
Interest received	29	9	22	4
Dividends received	987	127	197	170
Outflows from additional repayable payments to subsidiaries' equity	(802)	-	(107)	(107)
Proceeds from additional repayable payments to subsidiaries' equity	38	-	-	-
Outflows from non-current loans granted	(336)	(23)	-	-
Proceeds/(Outflows) from current loans granted	(433)	(570)	800	498
Proceeds/(Outflows) from cash pool facility	110	3	(119)	35
Other	(9)	(2)	(11)	(1)
Net cash provided by/(used in) investing activities	(2 182)	(1 152)	114	363
Cash flows - financing activities				
Proceeds from loans and borrowings received	9 296	2 198	2 766	-
Debt securities issued	5 838	577	8 582	3 925
Repayments of loans and borrowings	(6 223)	(610)	(4 859)	(2 062)
Redemption of debt securities	(6 330)	(676)	(8 120)	(3 910)
Interest paid	(199)	(57)	(240)	(85)
Dividends paid	(616)	(616)	(642)	(642)
Payments of liabilities under finance lease agreements	(13)	(5)	(10)	(3)
Proceeds/(Outflows) from cash pool facility	(16)	103	142	27
Other	(1)	-	(3)	(1)
Net cash provided by/(used in) financing activities	1 736	914	(2 384)	(2 751)
Net increase/(decrease) in cash	1 753	1 248	834	(1 779)
Effect of exchange rate changes	1	(2)	-	(2)
Cash, beginning of the period	2 072	2 580	972	3 587
Cash, end of the period	3 826	3 826	1 806	1 806

The foregoing quarterly report was authorized by the Management Board of the Parent Company on 21 October 2014.

.....
Dariusz Krawiec
President of the Board

.....
Sławomir Jędrzejczyk
Vice-President of the
Board

.....
Piotr Chelmiński
Member of the Board

.....
Krystian Pater
Member of the Board

.....
Marek Podstawa
Member of the Board

Signature of the person responsible
for keeping accounting books

.....
Rafał Warpechowski
Executive Director
Planning and Reporting