


ORLEN GROUP
RESULTS OF THE ORLEN GROUP FOR THE III QUARTER OF 2014
(Translation of a document originally issued in Polish)
Summary of results
Table 1. Key financial data

Q2 2014 *	Q3 2014	Q3 2013 **	change % 4=(2-3)/3	Key financial data, [PLN million]	9 months 2014 *	9 months 2013 **	change % 8=(6-7)/7
1	2	3		5	6	7	
28 651	29 160	30 304	(3.8)	Sales revenues	81 930	85 975	(4.7)
(4 146)	2 117	765	176.7	Operating Profit/(Loss) under LIFO increased by depreciation and amortisation (EBITDA LIFO), including:	(1 076)	2 494	-
(4 380)	1 766	419	321.5	Downstream	(1 793)	1 951	-
357	441	451	(2.2)	Retail	1 032	943	9.4
19	52	(9)	-	Upstream	102	(18)	-
(142)	(142)	(96)	(47.9)	Corporate functions ¹	(417)	(382)	(9.2)
(4 146)	2 117	765	176.7	Operating Profit/(Loss) under LIFO increased by depreciation and amortisation (EBITDA LIFO), including:	(1 076)	2 494	-
411	1 225	457	168.1	PKN ORLEN S.A.	2 081	1 444	44.1
(555)	346	36	861.1	Unipetrol Group	75	215	(65.1)
(4 189)	174	(16)	-	ORLEN Lietuva Group	(4 079)	117	-
187	372	288	29.2	Other	847	718	18.0
(4 293)	1 461	1 127	29.6	Operating Profit/(Loss) increased by depreciation and amortisation (EBITDA)	(2 056)	2 364	-
524	460	526	(12.5)	Depreciation and Amortisation, including:	1 506	1 569	(4.0)
393	310	403	(23.1)	Downstream	1 091	1 216	(10.3)
85	89	90	(1.1)	Retail	264	263	0.4
20	37	1	3 600.0	Upstream	74	2	3 600.0
26	24	32	(25.0)	Corporate functions ¹	77	88	(12.5)
(4 670)	1 657	239	593.3	Operating Profit/(Loss) under LIFO (EBIT LIFO), including:	(2 582)	925	-
(4 773)	1 456	16	9 000.0	Downstream	(2 884)	735	-
272	352	361	(2.5)	Retail	768	680	12.9
(1)	15	(10)	-	Upstream	28	(20)	-
(168)	(166)	(128)	(29.7)	Corporate functions ¹	(494)	(470)	(5.1)
(4 817)	1 001	601	66.6	Operating Profit/(Loss) (EBIT)	(3 562)	795	-
(5 390)	615	652	(5.7)	Net Profit/(Loss)	(4 649)	568	-
(5 197)	538	655	(17.9)	Net Profit/(Loss) attributable to equity owners of the Parent	(4 595)	597	-
50 607	50 984	53 256	(4.3)	Total assets	50 984	53 256	(4.3)
22 195	22 743	28 365	(19.8)	Equity	22 743	28 365	(19.8)
6 336	5 884	4 865	20.9	Net debt	5 884	4 865	20.9
4 055	2 164	1 095	97.6	Net cash - operating activities	2 779	4 052	(31.4)
(1 264)	(940)	(416)	(126.0)	Net cash - investing activities	(3 020)	(1 180)	(155.9)
1 352	880	644	36.6	Investment expenditures (CAPEX)	2 916	1 483	96.6
1.4	2.4	0.1	2.3 p.p.	Return on capital employed (ROACE) [%] ²	2.4	0.1	2.3 p.p.
2.6	6.3	1.6	4.7 p.p.	Return on capital employed under LIFO (ROACE LIFO) [%] ³	6.3	1.6	4.7 p.p.
28.5	25.9	17.2	8.7 p.p.	Net financial leverage [%] ⁴	25.9	17.2	8.7 p.p.
(12.15)	1.26	1.54	(18.2)	Net Profit/(Loss) attributable to equity owners of the Parent per share (EPS) [PLN/share]	(10.74)	1.40	-
(147)	(656)	362	-	Effect of inventory valuation under LIFO, [PLN million]	(980)	(130)	(653.8)
(195)	(520)	230	-	Effect of inventory valuation under LIFO on EBITDA, including:	(844)	(88)	(859.1)
21	(48)	83	-	PKN ORLEN S.A.	(47)	(7)	(571.4)
25	(88)	55	-	Unipetrol Group	(88)	(15)	(486.7)
2	0	(6)	-	ORLEN Lietuva Group	(1)	(20)	95.0

*) Includes impairment allowances of property, plant and equipment recognised in II quarter of 2014 of PLN (-) 5.0 billion: including in ORLEN Lietuva of PLN (-) 4.2 billion, in Unipetrol Group of PLN (-) 0.7 billion and in Anwil Group (Spolana) and Rafineria Jedlicze Group in total of PLN (-) 0.1 billion.

**) Restated data – change in consolidation method for Basell ORLEN Polyolefines Sp. z o.o. and Plocki Park Przystowo-Technologiczny S.A. in accordance with IFRS 11.

1) Includes Corporate Functions of the ORLEN Group companies as well as companies not included in any of the above segments.

2) ROACE = profit from operations for the last four quarters after tax before impairment allowances of non-current assets / average capital employed (equity + net debt) for the last four quarters.

3) ROACE LIFO = profit from operations for the last four quarters under LIFO after tax before impairment allowances of non-current assets / average capital employed (equity + net debt) for the last four quarters.

4) Net financial leverage = net debt / equity – calculated at the end of the period.

**Commentary****Financial results**

Operating profit increased by depreciation and amortisation of the ORLEN Capital Group ("ORLEN Group") based on LIFO method of inventories valuation ("EBITDA LIFO") for the III quarter of 2014 amounted to PLN 2,117 million in comparison with PLN 765 million in analogical quarter of 2013.

Positive effect of the macroeconomic factors changes related mainly to the increase of the model downstream margin amounted 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, increase of retail sales on all markets as well as results on extraction activities in Canada.

The positive impact of other factors amounted to PLN 252 million (y/y) and contained mainly effect of crude oil inventories turnover gathered in previous years and accounted for under LIFO method at purchase prices from purchase period which were lower than current purchase prices. Additional information regarding the above-mentioned effect is presented in downstream segment description on page 6.

The negative impact of falling crude oil prices on inventory valuation in the III quarter of 2014 amounted to PLN (-) 656 million.

As a result, EBITDA of the ORLEN Group for the III quarter of 2014 amounted to PLN 1,461 million.

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 LIFO result amounted to PLN 1,225 million and was higher by PLN 768 million (y/y):
 - PLN 796 million (y/y) - higher EBITDA LIFO of downstream segment as a result of improvement of the macroeconomic environment and above-mentioned effect of crude oil inventory turnover 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.

After considering the negative impact of crude oil prices on inventory valuation in the III quarter of 2014 of PLN (-) 520 million EBITDA of PKN ORLEN amounted to PLN 705 million.

- **ORLEN Lietuva Group** – EBITDA LIFO result amounted to PLN 174 million and was higher by PLN 190 million (y/y).
 - PLN 188 million (y/y) - higher EBITDA LIFO 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,
 - PLN (-) 2 million (y/y) - higher costs of corporate functions.

The negative impact of changes in crude oil prices on inventory valuation in the III quarter of 2014 amounted to PLN (-) 88 million and as a result, EBITDA amounted to PLN 86 million.



- **Unipetrol Group** – EBITDA LIFO result amounted to PLN 346 million and was higher by PLN 310 million (y/y).
 - PLN 305 million (y/y) – higher EBITDA LIFO of downstream segment is the effect of positive changes of macroeconomic 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.

The negative impact of crude oil prices on inventory valuation in the III quarter of 2014 amounted to PLN (-) 48 million and as a result EBITDA amounted to PLN 298 million.

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.

Changes in data presentation method

From 1 January 2014, joint arrangements for Basell ORLEN Polyolefines SP. z o.o. (BOP) and Płocki Park Przemysłowo-Technologiczny S.A. (PPPT) Groups in accordance with IFRS 11 are accounted for under the equity method instead of proportionate consolidation method applied previously. As a result of the above change comparative data for the III quarter and 9 months of 2013 and as at 31 December 2013 were restated.

Starting from the I quarter of 2014 in the consolidated financial statements "Share in profit from investments accounted for under the equity method" is presented within profit or loss from operations, as the activity of those entities is connected to the core business of the ORLEN Group. In the opinion of the Management Board of PKN ORLEN this amendment provides a more readable layout of the financial statements.

Detailed commentaries regarding revenues and operating results of individual segments are presented further in this report.

Macroeconomic commentary
Table 2. Macroeconomic parameters

Item	Quarter				change %
	Q1 2014	Q2 2014	Q3 2014	Q3 2013	
1	2	3	4	5	6=(4-5)/5
Brent crude oil (USD/bbl)	108	110	102	110	(7.3)
Brent / URAL differential (USD/bbl)	1.4	2.2	1.8	0.2	800.0
WTI crude oil (USD/bbl)	99	103	98	106	(7.5)
Canadian Light Sweet crude oil (USD/bbl)	91	96	90	101	(10.9)
Henry Hub gas (USD/1000m ³)	183	163	140	125	12.0
Gas NGX AB-NIT (2A) (USD/1000m ³)	170	142	123	88	39.8
Model downstream margin (USD/bbl) ¹	9.5	10.4	12.9	9.5	35.8
Model refining margin (USD/bbl) ²	1.3	2.5	4.8	3.3	45.5
Model petrochemical margin (EUR/t) ³	756	741	782	719	8.8
Model olefin margin (EUR/t) ⁴	477	456	495	448	10.5
Quotation of margins (crack margins)					
Refining products (USD/t)⁵					
Gasoline	145	195	193	176	9.7
Diesel oil	107	91	111	117	(5.1)
Light heating oil	95	78	95	94	1.1
Jet A-1 fuel	153	136	164	155	5.8
Heavy heating oil	(251)	(254)	(215)	(243)	11.5
SN 150	97	149	202	121	66.9
Petrochemical products (EUR/t)⁵					
Polyethylene ⁶	200	195	198	202	(2.0)
Polypropylene ⁶	304	314	331	297	11.4
Ethylene	603	562	604	577	4.7
Propylene	530	545	557	456	22.1
Toluene	218	206	276	195	41.5
Benzene	411	405	479	334	43.4
Butadiene	364	393	381	203	87.7
Paraxylene	420	295	369	473	(22.0)

1) Model downstream margin (MDM) = Revenues (90.7% Products = 22.8% Gasoline + 44.2% Diesel oil + 15.3% HHO + 1.0% SN 150 + 2.9% Ethylene + 2.1% Propylene + 1.2% Benzene + 1.2% PX) – Expenses (100% input = 6.5% Brent crude oil + 91.1% URAL crude oil + 2.4% natural gas).

2) Model refining margin = revenues (Products (93.5%) = 36% Gasoline + 43% Diesel oil + 14.5% HHO) minus expenses (100% input: Brent crude and other raw materials valued at Brent crude); product prices based on USD/bbl quotations.

3) Model petrochemical margin (contr.) = revenues (98% Products = 44% HDPE, 7% LDPE, 35% PP homo, 12% PP copo) – products prices based on contract quotations minus expenses (100% input = 75% Naphtha + 25% LS VGO) – products prices based on spot quotations.

4) Model petrochemical margin of olefins (contr.) = revenues (100% Products = 50% Ethylene, 30% Propylene, 10% Benzene, 10% Toluene) minus expenses (100% input = 75% Naphtha + 25% LS VGO); products prices based on quotations.

5) Margins (crack) for refining and petrochemical products (excluding polymers) calculated as difference between a quotation of given product and a quotation of Brent DTD crude oil.

6) Margin (crack) for polymers calculated as difference between quotations of polymers and monomers.

Table 3. Exchange rates

Currency	Average exchange rates ¹⁾				change %	Period end exchange rates ¹⁾				change %
	Q1 2014	Q2 2014	Q3 2014	Q3 2013		Q1 2014	Q2 2014	Q3 2014	Q3 2013	
1	2	3	4	5	6=(4-5)/5	7	8	9	10	11=(9-10)/10
USD/PLN	3.06	3.04	3.15	3.21	(1.9)	3.03	3.05	3.30	3.12	5.8
EUR/PLN	4.19	4.17	4.18	4.25	(1.6)	4.17	4.16	4.18	4.22	(0.9)
CZK/PLN	0.15	0.15	0.15	0.16	(6.3)	0.15	0.15	0.15	0.16	(6.3)
CAD/PLN	2.77	2.79	2.89	3.09	(6.5)	2.74	2.85	2.95	3.03	(2.6)
CAD/USD	0.91	0.92	0.92	0.96	(4.2)	0.90	0.93	0.89	0.97	(8.2)
USD/LTL	2.52	2.52	2.60	2.61	(0.4)	2.51	2.53	2.72	2.56	6.3
EUR/LTL	3.45	3.45	3.45	3.45	0.0	3.45	3.45	3.45	3.45	0.0
USD/CZK	20.0	20.0	20.8	19.5	6.7	19.9	20.1	21.9	19.1	14.7
EUR/CZK	27.4	27.4	27.6	25.9	6.6	27.4	27.5	27.5	25.7	7.0

1) Based on exchange rates published by NBP, Czech Republic National Bank and Bank of Lithuania.

Table 4. Fuel consumption ¹

Countries, ('000 tonnes)	Q1 2014	Q2 2014	Q3 2014	Q3 2013	change %
1	2	3	4	5	6=(4-5)/5
Poland	3 310	3 642	3 865	3 986	(3.0)
Gasoline	800	931	954	986	(3.2)
Diesel Oil	2 510	2 711	2 911	3 000	(3.0)
Lithuania	303	372	401	381	5.2
Gasoline	46	50	55	57	(3.5)
Diesel Oil	257	322	346	324	6.8
Czech Republic	1 311	1 493	1 487	1 519	(2.1)
Gasoline	350	411	408	413	(1.2)
Diesel Oil	961	1 082	1 079	1 106	2.4
Germany	12 716	13 536	13 851	14 075	(1.6)
Gasoline	4 357	4 684	4 809	4 891	(1.7)
Diesel Oil	8 359	8 852	9 042	9 184	(1.5)

1) Estimates prepared based on data of Agencja Rynku Energii S.A., Lithuanian Statistical Office, Czech Statistical Office and Association of the German Petroleum Industry.

Segment commentary – Downstream

Table 5.

Q1 2014	Q2 2014 *	Q3 2014	Q3 2013	change %	Item, PLN million	9 months 2014 *	9 months 2013	change %
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
19 273	23 324	23 565	24 675	(4.5)	Segment revenues, including:	66 162	70 395	(6.0)
15 718	19 293	19 273	20 188	(4.5)	Sales revenues from external customers	54 284	58 383	(7.0)
3 555	4 031	4 292	4 487	(4.3)	Sales revenues from transactions with other segments	11 878	12 012	(1.1)
(19 218)	(23 267)	(22 800)	(24 269)	(6.1)	Segment expenses	(65 285)	(69 787)	(6.5)
185	(4 998)	11	(48)	-	Other operating income/expenses, net	(4 802)	(37)	12 878.4
16	21	24	20	20.0	Share in profit from investments accounted for under equity method	61	34	79.4
821	(4 380)	1 766	419	321.5	Operating profit/(loss) under LIFO increased by depreciation and amortisation (EBITDA LIFO)	(1 793)	1 951	-
644	(4 527)	1 110	781	42.1	Operating profit/(loss) increased by depreciation and amortisation (EBITDA)	(2 773)	1 821	-
433	(4 773)	1 456	16	9 000.0	Profit/(Loss) from operations under LIFO	(2 884)	735	-
256	(4 920)	800	378	111.6	Profit/(Loss) from operations	(3 864)	605	-
476	1 104	597	457	30.6	CAPEX	2 177	991	119.7
6 152	6 642	7 616	7 472	1.9	Sales of products (thousand tonnes)	20 410	21 175	(3.6)

*) includes impairment allowances of property, plant and equipment recognised in the II quarter 2014 of PLN (-) 5.0 billion.

In the III quarter of 2014 EBITDA LIFO of the downstream segment of the ORLEN Group amounted to PLN 1,766 million and was higher by PLN 1,347 million (y/y).

The observed improvement of macroeconomic parameters of core ORLEN Groups' refinery and petrochemical products having an impact on the growth of model downstream margin by USD/bbl 3.4 (y/y), affected the growth of segment's EBITDA LIFO by PLN 816 million (y/y).

Positive impact of higher sales volume amounted to PLN 176 million (y/y) and related mainly to increased sales of petrochemical products.

The observed decrease of refinery volumes on Baltic markets and in Poland caused by continuing unfavourable market situation was mostly compensated by higher sale on Czech Republic market due to higher installation availability and increased production capacity after the acquisition of 16.3 % of shares in Ceska Rafinerska a.s. from Shell in the I quarter of 2014.

Higher sales of fertilizers by Anwil Group and the increased sales of petrochemical products on Czech Republic market was partially limited by lower sales on the Polish market due to cyclical maintenance shutdown of the Olefin Installation in PKN ORLEN S.A. in September 2014.

Higher sales of petrochemical products on the Czech Republic market resulted from improvement of market situation as well as lack of negative effect of production installations standstills in Litvinov from the III quarter of 2013.

Higher sales of fertilizers is driven primarily by lack of negative effects from the III quarter of 2013 including emergency shutdown of ammonia installation in Anwil S.A. and production shutdown in Spolana after the flood in June 2013.

Positive impact of other factors of PLN 355 million (y/y) concerned mainly the turnover and lower balance of crude oil inventories purchased in previous years at lower prices as well as change in other operating activities.

Considering sale of 1.5 million tonnes of crude oil mandatory reserves in the previous quarters, the crude oil inventories accounted under LIFO method at purchase prices from previous periods lower the current quotations. Due to optimisation of inventories level in the III quarter of 2014, the crude oil throughput in a part from inventories gathered in previous years, as described above, increased segment's EBITDA LIFO by PLN 290 million (y/y).

Positive impact of change in other operating activities of PLN 59 million (y/y) resulted mainly from the recognition in the III quarter of 2014 colour energy rights, so called yellow and red certificates of PLN 26 million as well as



lack of negative effects from the III quarter of 2013 related to costs of removal of damages caused by flood in Czech Republic in Spolana, member of Anwil Group.

The impact of crude oil price changes on inventory valuation in the III quarter of 2014 amounted to PLN (-) 656 million.

As a result, for the III quarter of 2014, the ORLEN Group's downstream segment EBITDA amounted to PLN 1,110 million.

In the III quarter of 2014 segments' capital expenditures of PLN 597 million mainly comprised:

- in PKN ORLEN S.A: CCGT power plant in Włocławek, Installation of Catalytic Denitification and Dedusting as well as Fuel Gas Desulphurization, pipelines replacement on Hydrocracking Installation, increase of safety level on technological furnaces on Reforming V installation as well as modernization of 5 Fuel Terminals,
- in Unipetrol Group: construction of education and research center,
- in Anwil Group: projects related with construction of gas and steam plant in Włocławek, modernisation of freon - cooling systems and revitalisation of the power supply system of electrolysis hall.

Segment commentary – Retail

Table 6.

Q1 2014	Q2 2014	Q3 2014	Q3 2013	change %	Item, PLN million	9 months 2014	9 months 2013	change %
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
8 362	9 320	9 832	10 147	(3.1)	Segment revenues, including:	27 514	27 663	(0.5)
8 320	9 272	9 778	10 102	(3.2)	Sales revenues from external customers	27 370	27 542	(0.6)
42	48	54	45	20.0	Sales revenues from transactions with other segments	144	121	19.0
(8 229)	(9 046)	(9 480)	(9 774)	(3.0)	Segment expenses	(26 755)	(26 971)	(0.8)
11	(2)	0	(12)	-	Other operating income/expenses, net	9	(12)	-
234	357	441	451	(2.2)	Operating profit/(loss) increased by depreciation and amortisation (EBITDA)	1 032	943	9.4
144	272	352	361	(2.5)	Profit/(Loss) from operations	768	680	12.9
28	85	83	110	(24.5)	CAPEX	196	214	(8.4)
1 763	1 957	2 088	2 052	1.8	Sales of products (thousand tonnes)	5 808	5 643	2.9

In the III quarter of 2014 EBITDA of the retail segment of ORLEN Group amounted to PLN 441 million and was lower by PLN (-) 10 million (y/y).

Positive effects of volume sales (y/y) on all markets increased the segment's EBITDA by PLN 17 million (y/y).

Negative impact of lower fuel margins on the German and Czech markets decreased the segment's EBITDA by PLN (-) 46 million (y/y).

Positive impact of other factors amounted to PLN 19 million (y/y) and comprised mainly of improved results on the sale of non-fuel products and services and a positive balance of other operating activities of PLN 12 million (y/y) along with higher fuel station operating costs associated mainly with a 1.8% (y/y) volume increase.

At the end of the III quarter of 2014 the ORLEN Group operated 2,681 fuel stations, representing a decrease by (-) 5 (by (-) 9 on the Polish market, with an increase of 2 on the German market and an increase of 2 on the Czech market) compared to the end of the III quarter of 2013. On the Lithuanian market, the number of stations has not changed.

The number of own stations decreased by (-) 14 and increased by 9 in the franchise system.

At the end of the III quarter of 2014 the number of catering points such as Stop Café and Stop Café Bistro in Poland amounted to 1,200 and was higher by 236 (y/y). On the Czech and Lithuanian market the amount of Stop Café and Stop Café Bistro catering points did not change (y/y) and amounted to 92 and 23, respectively.

Segment's capital expenditures in the III quarter of 2014 amounted to PLN 83 million and comprised mainly of the costs associated with the construction of 6 fuel stations in the CODO system (4 on the German market and 1 each on the Polish and Czech market) and modernization of 26 fuel stations in Poland.

Segment commentary – Upstream

Table 7.

Q1 2014	Q2 2014	Q3 2014	Q3 2013	change %	Item, PLN million	9 months 2014	9 months 2013	change %
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
55	68	91	0	-	Segment revenues, including:	214	1	21 300.0
55	68	91	0	-	Sales revenues from external customers	214	1	21 300.0
0	0	0	0	-	Sales revenues from transactions with other segments	0	0	-
(43)	(62)	(77)	(10)	670.0	Segment expenses	(182)	(21)	766.7
2	(7)	1	0	-	Other operating income/expenses, net	(4)	0	-
31	19	52	(9)	-	Profit/(Loss) from operations increased by depreciation and amortisation (EBITDA)	102	(18)	-
14	(1)	15	(10)	-	Profit/(Loss) from operations	28	(20)	-
127	54	178	58	206.9	CAPEX	359	218	64.7
41	50	80	0	-	Sales of products (thousand tonnes)	171	0	-

In the III quarter of 2014, EBITDA of upstream segment amounted to PLN 52 million and was higher by PLN 61 million (y/y).

Unconventional projects in Poland

At the end of the III quarter of 2014, 10 drillings were completed, including 7 vertical and 3 horizontal.

In the III quarter of 2014, under the Lublin Shale project a hydraulic fracturing treatment was conducted on the Wodynie-Łuków concession, as well as works began for another horizontal drilling on the Wierzbica concession. Additionally, acquisition and processing of 2D seismic data were carried out on the Wołomin concession. Simultaneously, preparatory works for the vertical drilling on the Wołomin concession were conducted along with data analysis obtained during the current operations.

Under the Mid-Poland Unconventionals and Hrubieszów Shale projects, works are continued on update of the geological model and on defining the perspectives of the areas of the concession.

Total capital expenditures concerning unconventional projects in the III quarter of 2014 amounted to PLN 38 million.

Conventional projects in Poland

At the end of the III quarter of 2014, 2 prospecting drillings were completed under the Sieraków project and 1 exploration drilling under the Karbon project within the territory of Poland.

In the III quarter of 2014 analyses of data obtained during previous operations were performed under Sieraków project in order to verify potential of the area and update working schedule.

In the III quarter of 2014, under the Karbon project, exploration drilling under Lublin concession as well as interpretation of new 2D seismic data under Lublin unit were performed.

Total capital expenditures concerning conventional projects in the III quarter of 2014 amounted to PLN 19 million.

Activities in Canada

Improved weather and outdoor conditions near the end of the II quarter of 2014 allowed the resumption of work in all areas of operating activities.



In the III quarter of 2014, drillings began on 20 new extraction points (11 net¹), 10 hydraulic fracturing treatments were conducted (6.6 net) and enabled 4 extracting holes (2.3 net¹).

In total, at the end of the III quarter of 2014, extractions were carried out from 125.3 holes net¹.

The average daily production of hydrocarbon's in the III quarter of 2014 amounted to approximately boe²/d 7.1 thousand and was higher by boe² 2.6 (q/q), mainly due to the recognition of operating results of Birchill company acquired in June 2014.

During the III quarter of 2014, the total capital expenditures amounted to PLN 121 million and comprised mainly of expenses associated with the works described above and the expansion of extraction infrastructure.

¹ Adjusted for the share of other partners

² Barrels of oil equivalent per day

Segment commentary – Corporate Functions

Table 8.

Q1 2014	Q2 2014	Q3 2014	Q3 2013	change %	Item, PLN million	9 months 2014	9 months 2013	change %
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
81	77	80	73	9.6	Segment revenues, including:	238	230	3.5
26	18	18	14	28.6	Sales revenue from external customers	62	49	26.5
55	59	62	59	5.1	Sales revenue from transactions with other segments	176	181	(2.8)
(244)	(263)	(240)	(251)	(4.4)	Segment expenses	(747)	(776)	(3.7)
3	18	(5)	50	-	Other operating income/expenses, net	16	76	(78.9)
0	0	(1)	0	-	Share in profit from investments accounted for under equity method	(1)	0	-
(133)	(142)	(142)	(96)	(47.9)	Operating profit/(loss) increased by depreciation and amortisation (EBITDA)	(417)	(382)	(9.2)
(160)	(168)	(166)	(128)	(29.7)	Profit/(Loss) from operations	(494)	(470)	(5.1)
53	109	22	19	15.8	CAPEX	184	60	206.7

In the III quarter of 2014 EBITDA of corporate functions was lower by PLN (-) 46 million (y/y) mainly due to the lack of positive effects on other operating activities from the III quarter of 2013 which covered obtained by PKN ORLEN S.A. compensation for the gross profit loss from the insurance policies. The compensation included a reimbursement for the losses resulting from the restrictions of obtaining ethylene after the 2010 Anwil breakdown.

Capital expenditures of corporate functions in the III quarter of 2014 comprised mainly of expenses related to transformation of perpetual usufruct of land into real estate ownership of a part of production plant in Płock, as well as IT projects.

Interim condensed consolidated financial statements
Table 9. Consolidated statement of profit or loss and other comprehensive income

Q1 2014	Q2 2014	Q3 2014	Q3 2013 *	change %	Item, PLN million	9 months 2014	9 months 2013 *	change %
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
Statement of profit or loss								
24 119	28 651	29 160	30 304	(3.8)	Sales revenues	81 930	85 975	(4.7)
(22 821)	(27 163)	(26 785)	(28 381)	(5.6)	Cost of sales	(76 769)	(81 283)	(5.6)
1 298	1 488	2 375	1 923	23.5	Gross profit on sales	5 161	4 692	10.0
(915)	(971)	(1 021)	(998)	2.3	Distribution expenses	(2 907)	(2 898)	0.3
(346)	(366)	(383)	(334)	14.7	Administrative expenses	(1 095)	(1 060)	3.3
303	129	86	103	(16.5)	Other operating income	518	349	48.4
(102)	(5 118)	(79)	(113)	(30.1)	Other operating expenses	(5 299)	(322)	1 545.7
16	21	23	20	15.0	Share in profit from investments accounted for under equity method	60	34	76.5
254	(4 817)	1 001	601	66.6	Profit/(Loss) from operations	(3 562)	795	-
48	34	132	376	(64.9)	Finance income	214	282	(24.1)
(148)	(947)	(389)	(171)	127.5	Finance costs	(1 484)	(423)	250.8
(100)	(913)	(257)	205	-	Net finance income and costs	(1 270)	(141)	800.7
154	(5 730)	744	806	(7.7)	Profit/(Loss) before tax	(4 832)	654	-
(28)	340	(129)	(154)	(16.2)	Tax expense	183	(86)	-
126	(5 390)	615	652	(5.7)	Net profit/(loss)	(4 649)	568	-
Items of other comprehensive income								
0	0	0	(1)	-	which will not be reclassified into profit or loss	0	(10)	-
0	0	0	(1)	-	Fair value measurement of investment property as at the date of reclassification	0	(12)	-
0	0	0	0	-	Deferred tax	0	2	-
(65)	590	(67)	(48)	39.6	which will be reclassified into profit or loss under certain conditions	458	145	215.9
(100)	(125)	(100)	188	-	Hedging instruments	(325)	102	-
16	691	14	(201)	-	Foreign exchange differences on subsidiaries from consolidation	721	62	1 062.9
19	24	19	(35)	-	Deferred tax	62	(19)	-
(65)	590	(67)	(49)	36.7	Total items of other comprehensive income	458	135	239.3
61	(4 800)	548	603	(9.1)	Total net comprehensive income	(4 191)	703	-
126	(5 390)	615	652	(5.7)	Net profit/(loss) attributable to equity owners of the parent	(4 649)	568	-
64	(5 197)	538	655	(17.9)	equity owners of the parent	(4 595)	597	-
62	(193)	77	(3)	-	non-controlling interest	(54)	(29)	86.2
61	(4 800)	548	603	(9.1)	Total net comprehensive income attributable to equity owners of the parent	(4 191)	703	-
(55)	(4 597)	455	634	(28.2)	equity owners of the parent	(4 197)	725	-
116	(203)	93	(31)	-	non-controlling interest	6	(22)	-
0.15	(12.15)	1.26	1.54	(18.2)	Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN per share)	(10.74)	1.40	-

*) Restated data – change in consolidation method for Basell ORLEN Polyolefines Sp. z o.o. and Plocki Park Przemysłowo-Technologiczny S.A. in accordance with IFRS 11.

Table 10. Consolidated statement of financial position

31.03.2014	30.06.2014	30.09.2014	change %	ITEM, PLN million	31.12.2013 *	change %
1	2	3	4=(3-2)/2	5	6	7=(3-6)/6
ASSETS						
25 234	22 021	22 509	2.2	Property, plant and equipment	24 904	(9.6)
120	113	113	0.0	Investment property	121	(6.6)
1 059	615	636	3.4	Intangible assets	823	(22.7)
94	88	89	1.1	Perpetual usufruct of land	95	(6.3)
632	652	675	3.5	Investments accounted for under equity method	615	9.8
40	41	40	(2.4)	Financial assets available for sale	40	0.0
154	237	223	(5.9)	Deferred tax assets	151	47.7
35	41	140	241.5	Other non-current assets	158	(11.4)
27 368	23 808	24 425	2.6	Non-current assets	26 907	(9.2)
16 208	12 894	12 770	(1.0)	Inventories	13 749	(7.1)
8 406	8 362	8 439	0.9	Trade and other receivables	7 768	8.6
176	203	339	67.0	Other financial assets	165	105.5
66	32	24	(25.0)	Current tax assets	59	(59.3)
758	5 295	4 981	(5.9)	Cash and cash equivalents	2 689	85.2
24	13	6	(53.8)	Non-current assets classified as held for sale	15	(60.0)
25 638	26 799	26 559	(0.9)	Current assets	24 445	8.6
53 006	50 607	50 984	0.7	Total assets	51 352	(0.7)
EQUITY AND LIABILITIES						
EQUITY						
1 058	1 058	1 058	0.0	Share capital	1 058	0.0
1 227	1 227	1 227	0.0	Share premium	1 227	0.0
59	(39)	(133)	241.0	Hedging reserve	148	-
0	0	0	-	Revaluation reserve	0	-
(231)	467	478	2.4	Foreign exchange differences on subsidiaries from consolidation	(201)	-
23 803	17 990	18 528	3.0	Retained earnings	23 716	(21.9)
25 916	20 703	21 158	2.2	Total equity attributable to equity owners of the parent	25 948	(18.5)
1 696	1 492	1 585	6.2	Non-controlling interest	1 603	(1.1)
27 612	22 195	22 743	2.5	Total equity	27 551	(17.5)
LIABILITIES						
7 734	10 123	10 054	(0.7)	Loans, borrowings and debt securities	6 507	54.5
657	676	681	0.7	Provisions	658	3.5
482	458	465	1.5	Deferred tax liabilities	538	(13.6)
10	9	10	11.1	Deferred income	10	0.0
219	468	702	50.0	Other non-current liabilities	133	427.8
9 102	11 734	11 912	1.5	Non-current liabilities	7 846	51.8
12 985	14 392	14 668	1.9	Trade and other liabilities	14 013	4.7
2 040	1 508	811	(46.2)	Loans, borrowings and debt securities	850	(4.6)
46	19	55	189.5	Current tax liabilities	36	52.8
874	424	497	17.2	Provisions	821	(39.5)
279	239	190	(20.5)	Deferred income	124	53.2
64	96	108	12.5	Other financial liabilities	110	(1.8)
4	0	0	-	Liabilities directly associated with assets classified as held for sale	1	-
16 292	16 678	16 329	(2.1)	Current liabilities	15 955	2.3
25 394	28 412	28 241	(0.6)	Total liabilities	23 801	18.7
53 006	50 607	50 984	0.7	Total equity and liabilities	51 352	(0.7)

*) Restated data – change in consolidation method for Basell ORLEN Polyolefines Sp. z o.o. and Plocki Park Przemysłowo-Technologiczny S.A. in accordance with IFRS 11.

Table 11. Consolidated statement of cash flows

Q1 2014	Q2 2014	Q3 2014	Q3 2013 *	change %	Item, PLN million	9 months 2014	9 months 2013 *	change %
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
Cash flows – operating activities								
126	(5 390)	615	652	(5.7)	Net profit/(loss)	(4 649)	568	-
					Adjustments for:			
(16)	(21)	(23)	(20)	15.0	Share in profit from investments accounted for under equity method	(60)	(34)	76.5
522	524	460	526	(12.5)	Depreciation and amortisation	1 506	1 569	(4.0)
(4)	796	(31)	(37)	(16.2)	Foreign exchange (gain)/loss	761	91	736.3
52	77	63	74	(14.9)	Interest, net	192	216	(11.1)
0	(2)	0	0	-	Dividends	(2)	(2)	0.0
36	4 971	(254)	110	-	(Profit)/Loss on investing activities	4 753	19	24 915.8
28	(340)	129	154	(16.2)	Tax expense	(183)	86	-
63	(110)	64	41	56.1	Change in provisions	17	256	(93.4)
(3 965)	3 615	1 083	(294)	-	Change in working capital	733	1 502	(51.2)
(2 404)	3 253	223	(1 547)	-	inventories	1 072	(351)	-
(780)	(177)	(36)	(207)	(82.6)	receivables	(993)	(728)	36.4
(781)	539	896	1 460	(38.6)	liabilities	654	2 581	(74.7)
(225)	(61)	101	(71)	-	Other adjustments	(185)	(156)	18.6
(57)	(4)	(43)	(40)	7.5	Income tax (paid)	(104)	(63)	65.1
(3 440)	4 055	2 164	1 095	97.6	Net cash provided by operating activities	2 779	4 052	(31.4)
Cash flows – investing activities								
(761)	(943)	(973)	(622)	56.4	Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(2 677)	(1 606)	66.7
20	321	15	15	0.0	Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	356	133	167.7
(62)	(683)	0	0	-	Acquisition of shares	(745)	(2)	37 150.0
0	46	2	0	-	Disposal of shares	48	0	-
3	(2)	(29)	1	-	Deposits, net	(28)	18	-
0	2	0	20	-	Dividends received	2	22	(90.9)
2	1	2	242	(99.2)	Proceeds from borrowings granted	5	275	(98.2)
(18)	(6)	43	(72)	-	Other	19	(20)	-
(816)	(1 264)	(940)	(416)	126.0	Net cash (used) in investing activities	(3 020)	(1 180)	155.9
Przepływy pieniężne z działalności finansowej								
3 401	4 965	502	367	36.8	Proceeds from loans and borrowings received	8 868	3 405	160.4
0	2 350	0	0	-	Debt securities issued	2 350	400	487.5
(1 009)	(5 486)	(1 354)	(2 233)	(39.4)	Repayment of loans and borrowings	(7 849)	(5 322)	47.5
(60)	(76)	(60)	(80)	(25.0)	Interest paid	(196)	(220)	(10.9)
0	0	(617)	(643)	(4.0)	Dividend paid	(617)	(643)	(4.0)
(8)	(8)	(8)	(7)	14.3	Payments of liabilities under finance lease agreements	(24)	(21)	14.3
0	(2)	0	(3)	-	Other	(2)	(7)	(71.4)
2 324	1 743	(1 537)	(2 599)	(40.9)	Net cash provided by/(used in) financing activities	2 530	(2 408)	-
(1 932)	4 534	(313)	(1 920)	(83.7)	Net increase/(decrease) in cash and cash equivalents	2 289	464	393.3
1	3	(1)	(2)	(50.0)	Effect of exchange rate changes	3	(1)	-
2 689	758	5 295	4 414	20.0	Cash and cash equivalents, beginning of the period	2 689	2 029	32.5
758	5 295	4 981	2 492	99.9	Cash and cash equivalents, end of the period	4 981	2 492	99.9

*) Restated data – change in consolidation method for Basell ORLEN Polyolefines Sp. z o.o. and Plocki Park Przemysłowo-Technologiczny S.A. in accordance with IFRS 11.

Operating data
Table 12. Production volume

Production ('000 tonnes)	Q3 2014	Q3 2013*	change %	Q3 2014	share %	Q3 2014	share %	Q3 2014	share %	Q3 2014	share %
1	2	3	4=(2-3)/3	5	6=5/ total segment	7	8= 7/ total segment	9	10= 9/ total segment	11	12= 11/ total segment
Downstream Segment	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		ORLEN Lietuva		Anwil Group	
Crude oil throughput	7 385	7 461	(1.0)	3 931	-	1 372	-	1 986	-	-	-
Light distillates [gasoline, LPG]	1 639	1 659	(1.2)	728	18.6	295	18.9	633	31.2	-	-
Medium distillates [diesel oil, light heating oil, JET A-1 fuel]	3 459	3 498	(1.1)	1 842	47.1	659	42.2	951	46.9	-	-
Heavy fractions [heavy heating oil, asphalt, oils]	1 362	1 363	(0.1)	443	11.3	133	8.4	397	19.6	-	-
Monomers [ethylene, propylene]	182	198	(8.1)	181	4.6	45	2.9	-	-	-	-
Polymers [polyethylene, polypropylene]	153	111	37.8	-	-	153	9.8	-	-	-	-
Aromas [benzene, toluene, paraxylene, ortoxylene]	107	87	23.0	49	1.3	58	3.7	-	-	-	-
Fertilizers [CANWIL, ammonium nitrate, ammonium sulphate, other]	295	170	73.5	-	-	-	-	-	-	295	61.5
Plastics [PVC, PVC processing]	106	105	1.0	-	-	-	-	-	-	109	22.7
PTA	160	150	6.7	160	4.1	-	-	-	-	-	-
Other	564	618	(8.7)	505	13.0	220	14.1	47	2.3	76	15.8
Total production	8 027	7 959	0.9	3 908	-	1 563	-	2 028	-	480	-

*) Restated data – change in consolidation method for Basell ORLEN Polyolefines Sp. z o.o. and Plocki Park Przemysłowo-Technologiczny S.A. in accordance with IFRS 11.

**ORLEN GROUP****RESULTS OF THE ORLEN GROUP FOR THE III QUARTER OF 2014***(Translation of a document originally issued in Polish)*

Table 13. Sales volume

Q1 2014	Q2 2014	Q3 2014	Q3 2013 *	change %	Sales (‘000 tonnes)	9 months 2014	9 months 2013*	change %
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
6 152	6 642	7 616	7 472	1.9	Downstream Segment	20 410	21 175	(3.6)
928	1 128	1 316	1 333	(1.3)	Light distillates [gasoline, LPG]	3 372	3 913	(13.8)
2 175	2 490	2 742	2 746	(0.1)	Medium distillates [diesel oil, light heating oil, JET A-1 fuel]	7 407	7 631	(2.9)
884	1 081	1 345	1 351	(0.4)	Heavy fractions [heavy heating oil, asphalt, oils]	3 310	3 624	(8.7)
218	205	190	212	(10.4)	Monomers [ethylene, propylene]	613	636	(3.6)
141	146	151	118	28.0	Polymers [polyethylene, polypropylene]	438	374	17.1
107	94	107	87	23.0	Aromas [benzene, toluene, paraxylene, ortoxylene]	308	276	11.6
313	174	366	244	50.0	Fertilizers [CANWIL, ammonium nitrate, ammonium sulphate, other]	853	732	16.5
116	114	103	99	4.0	Plastics [PCV, PCV granulates]	332	322	3.1
145	106	160	146	9.6	PTA	411	416	(1.2)
1 125	1 104	1 136	1 136	0.0	Other	3 366	3 251	3.5
1 763	1 957	2 088	2 052	1.8	Retail Segment	5 808	5 643	2.9
655	742	783	768	2.0	Light distillates [gasoline, LPG]	2 180	2 125	2.6
1 108	1 215	1 305	1 284	1.6	Medium distillates [diesel oil, light heating oil]	3 628	3 518	3.1
41	50	80	0	-	Upstream Segment	171	0	-
7 956	8 649	9 784	9 524	2.7	ORLEN Group - total	26 389	26 818	(1.6)

*) Restated data – change in consolidation method for Basell ORLEN Polyolefines Sp. z o.o. and Plocki Park Przemysłowo-Technologiczny S.A. in accordance to IFRS 11.