



TRANSLATION

**Polski Koncern Naftowy ORLEN**  
**Spółka Akcyjna Group**

**Opinion and Report**  
**of the Independent Auditor**  
**Financial year ended**  
**31 December 2014**

The opinion contains 7 pages  
The supplementary report contains 15 pages  
Opinion of the independent auditor  
and supplementary report on the audit  
of the consolidated financial statements  
for the financial year ended  
31 December 2014



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*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

## OPINION OF THE INDEPENDENT AUDITOR

*To the General Meeting of Polski Koncern Naftowy ORLEN Spółka Akcyjna*

### Opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Polski Koncern Naftowy ORLEN Spółka Akcyjna ("Company") with its registered office in Płock, ul. Chemików 7 ("Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and additional information to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information and notes.

#### *Management's and Supervisory Board's responsibility*

Management of the parent company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with other applicable regulations and preparation of the report on the ORLEN Group activities. Management of the parent company is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the parent company is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management of the parent company either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), Management of the parent company and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the operations of the Group are in compliance with the requirements set forth in the Accounting Act.

Members of the Supervisory Board are responsible for overseeing the Group's financial reporting process.

### *Auditor's Responsibility*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are derived from properly maintained accounting records and are free from material misstatement, whether due to fraud or error, and to issue an auditor's opinion and report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with applicable standards described below will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with applicable standards described below, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the parent company and related disclosures.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting used in the preparation of the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with members of the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide members of the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with members of the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's opinion unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### *Basis for Opinion*

We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing ("applicable standards"). We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("IFAC Code"), and we have fulfilled our other ethical responsibilities in accordance with the IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion, the accompanying consolidated financial statements of Polski Koncern Naftowy ORLEN Spółka Akcyjna Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

#### *Key Audit Matters*

On terms agreed with the Management Board of Polski Koncern Naftowy ORLEN Spółka Akcyjna, our audit work has been undertaken so that we might state to the Company's shareholders key audit matters that we are required to state to them in an auditor's opinion and, in respect of reporting as if International Standard on Auditing 700 (Revised January 2015) applied to this reporting period.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on them.

## 1. Impairment of property, plant and equipment

*The carrying amount of property, plant and equipment as at 31 December 2014: PLN 22,644 million; impairment loss recognised in 2014: PLN 5.462 million; accumulated impairment allowance as at 31 December 2014: PLN 11,669 million.*

*We refer to the consolidated financial statements: Note 3.4.11. „Applied accounting policies – Property, plant and equipment”, Note 3.4.15. “Applied accounting policies – Impairment of non-financial non-current assets”, Note 4.2. „Estimates”, Note 6.2.2. “Other segment data – Recognition and reversal of impairment allowances”, Note 9.2. “Other operating expenses”, Note 12 “Property, plant and equipment”, Note 18 “Impairment of property, plant and equipment and intangible assets”*

### Key audit matter

During 2014, the Group faced a number of challenges in the markets in which its primary business activities are conducted, including:

- increased supply of crude oil and oil derivative products accompanied by reduced consumption dynamics, and
- depressed crude oil and gas prices, especially in the second half of 2014, with an adverse effect on the values of assets engaged in upstream activities.

These factors, which the Group expects to persist in the foreseeable future, resulted in the revision of the Group’s estimates of future operating cash flows, which was reflected in the ORLEN Group’s Strategy for 2014-2017 adopted in 2014. The above represented an indication that certain of Group’s assets may be impaired.

Determining the recoverable amounts of the assets requires a number of significant judgments and estimates, especially in respect of the amount of future cash flows and the applied discount rate. The projected operating cash flows from refining and petrochemical activities are primarily influenced by long-term assumptions concerning fluctuations in refinery and petrochemical margins, while those for upstream activities are influenced by assumptions concerning future oil and gas prices. These projections are exposed to significant variability due to changing market conditions.

### Our response

Our audit procedures included, among others:

- Assessing internal controls designed for identification of impairment indicators;
- Evaluating the appropriateness of the Group’s judgments regarding identification of assets or cash generating units which may be impaired;
- Evaluating the appropriateness of allocation of assets to cash generating units;
- Critically assessing the Group’s assumptions and estimates used to determine the recoverable amount of property, plant and equipment and any impairment losses recognised, using our internal valuations specialists. This included:
  - assessing the reasonableness of key macroeconomic assumptions applied by the Group (including those relating to discount rates, crude oil prices, Ural/Brent differential, model refining and petrochemical margins, exchange rates and levels of fuel consumption) against market data and the results of studies by external experts obtained by the Group;
  - assessing competence and independence of the external experts;
  - testing the Group’s discounted cash flows model, in terms of its compliance with the relevant accounting standards;



### **1. Impairment of property, plant and equipment - continued**

- Evaluating the Group's analysis of the sensitivity of the impairment tests' results, in particular in respect of the assumptions with the greatest potential effect on the test results, e.g. those relating to discount rates and EBITDA;
- Evaluating the adequacy of disclosures in respect of impairment.

### **2. Mandatory reserves**

*The carrying amount of mandatory reserves inventory as at 31 December 2014: PLN 4,024 million; valuation of derivatives used to hedge the repurchase prices of previously sold mandatory reserves: positive valuation of currency forward transactions as at 31 December 2014 presented within Other financial assets: PLN 141 million, negative valuation of commodity swaps presented within Other current and non-current financial liabilities: PLN 1,530 million. Net after tax effect of the above valuations included as part of Hedging reserve in equity: PLN (1,125) million.*

*We refer to the consolidated financial statements: Note 3.4.16. "Applied accounting policies – Inventories", Note 3.4.19.3. "Applied accounting policies – Hedging reserve", Note 3.4.24. "Applied accounting policies – Financial instruments", Note 4.1. "Professional judgment - Financial instruments", Note 19.2. "Mandatory reserves", Note 23.3. "Hedging reserve", Note 32 "Financial instruments", Note 33 "Fair value measurement"*

#### **Key audit matter**

In accordance with the applicable legislation in force, the Group's entities in Poland and Lithuania are required to maintain an adequate inventory of oil and oil derivative products. Non-compliance with the requirements may lead to fines. The Group used the allowed alternative to comply with the requirements by outsourcing the maintenance of mandatory reserves to a third party, whereby it sold portions of its mandatory reserves while ordering the buyer to further hold these inventories for the Group. Since the Group retains certain risks associated with the mandatory reserves sold and also due to the fact that the arrangements include a potential obligation to repurchase these mandatory reserves at a later rate, the accounting for such transactions can be complex and may require significant judgment in particular with respect to revenue recognition.

As the price of the potential inventory repurchase is derived from the USD denominated market price, the Group also enters into commodity swaps and foreign currency forward contracts to hedge the associated price risks. For the purposes of the consolidated financial statements, the above derivatives are fair valued based on a valuation technique categorized within Level 2 of the fair value hierarchy, which is inherently subjective. The Group applies hedge accounting to these derivative contracts. Failure to meet the applicable hedge accounting criteria in respect of the formal designation and documentation of the hedging relationship, and also in respect of its effectiveness, would result in the reclassification of the amounts recognized in equity to profit or loss.

## 2. Mandatory reserves - continued

### Our response

Our procedures included, among others:

- Understanding the Group's process of monitoring compliance with the applicable laws and regulations and assessing compliance through independent recalculation of the required volume of mandatory reserves based on legal requirements;
- Assessing the accuracy of mandatory reserves balances by independently confirming inventory levels at external facilities and, in respect of the reserves stored at own locations, assessing related internal controls by attendance at physical inventory counts;
- Assessing the appropriateness of the Group's accounting policies in respect of transactions to sell mandatory reserves, in particular considering the timing of recognition of related revenues. This specifically included inspecting the agreements concluded in 2014 for key terms, and assessing whether the transactions transfer substantially all risks and rewards of ownership to the buyer;
- Analyzing the valuations of the hedging instruments and the appropriateness of the related accounting treatment, using our own financial instruments specialists, including:
  - considering the completeness of the hedge documentation and its compliance with the relevant accounting standards;
  - assessing the appropriateness of the hedging designation and of the hedge effectiveness tests performed by the Group;
  - independently estimating fair values of the hedging instruments, comparing those estimates to the Group's valuations included in the consolidated financial statements, and to valuations by counterparty banks;
- Considering the adequacy of disclosures in respect of the mandatory reserves and other related transactions.

## 3. Litigation and claims

*The carrying amount of provisions for administrative and court proceedings as at 31 December 2014: PLN 145 mln*

*We refer to the consolidated financial statements: Note 3.4.21. "Applied accounting policies – Provisions", Note 2.4.27. "Applied accounting policies – Contingent liabilities", Note 4.2. "Estimates", Note 25.5. "Other provisions", Note 36 "Contingent liabilities", Note 41 "Information on significant court, arbitration and administrative proceedings"*

### Key audit matter

In the normal course of the Group's business, potential exposures may arise from administrative and court proceedings. Whether a liability or contingent liability is recognized or disclosed in the consolidated financial statements is inherently uncertain and is dependent on a number of significant assumptions and judgements. The amounts involved are potentially significant and determining the amount, if any, to be recognised or disclosed in the financial statements, is inherently subjective.

### Our response

Our audit procedures included, among others:

- Reviewing legal expenses incurred during the audited year and sending letters to the attorneys providing legal services to the Group's entities, inquiring about litigations and actual or potential claims and disputes;
- Assessing the responses received to the above inquiries and discussing selected matters with the Group's attorneys, including the dispute with Agrofert Holding (discussed in Note 41.1.1.1.);

### 3. Litigation and claims - continued

#### *Our response - continued*

- Reading minutes of the meetings of the management and supervisory boards of the Group's key entities, and also inspecting correspondence with regulators;
- Monitoring external sources to identify actual and potential non-compliance with laws and regulations, both those specific to the Group's business and those relating to the conduct of business generally;
- Critically assessing the Group's assumptions and estimates in respect of the liabilities recognized or contingent liabilities disclosed in the consolidated financial statements, including management's assessment of the probability of successfully defending litigation and the reliability of estimates of related obligation;
- Assessing whether the Group's disclosures detailing significant legal and regulatory proceedings adequately disclose the potential liabilities of the Group.

### Specific comments on other legal and regulatory requirements

#### *Management Board Report on the Operations of the Group*

As required under the Accounting Act, we report that the Management Board Report on the operations of the Group includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Sp. z o.o.

Registration No. 458

ul. Chłodna 51

00-867 Warsaw

.....  
Zbigniew Libera

Key Certified Auditor

Registration No. 90047

Director

24 March 2015





TRANSLATION

**Polski Koncern Naftowy ORLEN  
Spółka Akcyjna Group**

**Supplementary report  
on the audit of the  
consolidated financial  
statements  
Financial Year ended  
31 December 2014**

**The supplementary report contains 15 pages  
The supplementary report on the audit of the  
consolidated financial statements  
for the financial year ended  
31 December 2014**



**Polski Koncern Naftowy ORLEN Spółka Akcyjna Group**  
*The supplementary report on the audit of the consolidated financial statements  
for the financial year ended 31 December 2014*

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## **1. General**

### **1.1. Identification of the Group**

#### **1.1.1. Name of the Group**

Polski Koncern Naftowy ORLEN Spółka Akcyjna Group ("Group")

#### **1.1.2. Registered office of the parent company of the Group**

ul. Chemików 7  
09-411 Płock

#### **1.1.3. Registration of the parent company in the register of entrepreneurs of the National Court Register**

Registration court: District Court for the Capital City Warsaw in Warsaw,  
XIV Commercial Department of the National Court Register  
Date: 19 July 2001  
Registration number: KRS 0000028860  
Share capital as at the end of  
reporting period: PLN 534,636,326.25

#### **1.1.4. Management of the parent company**

The Management Board is responsible for management of the parent company.

As at 31 December 2014, the Management Board of the parent company was comprised of the following members:

- Dariusz Jacek Krawiec – President of the Management Board, Chief Executive Officer,
- Sławomir Jędrzejczyk – Vice-President of the Management Board, Chief Financial Officer,
- Piotr Chełmiński – Member of the Management Board, Business Development /Power and Heat Generation Officer,
- Krystian Pater – Member of the Management Board, Production,
- Marek Podstawa – Member of the Management Board, Sales.

According to the resolution of the Supervisory Board dated 24 September 2014 Mr. Igor Ostachowicz was appointed for the position of Member of the Management Board.

On 26 September 2014 Mr. Igor Ostachowicz resigned from the position of Member of the Management Board.

### **1.2. Information about companies comprising the ORLEN Group**

#### **1.2.1. Companies included in the consolidated financial statements**

As at 31 December 2014, the following companies were consolidated by the ORLEN Group:

Parent company:

- Polski Koncern Naftowy ORLEN Spółka Akcyjna.

Subsidiaries consolidated on the full consolidation basis:

- ORLEN Deutschland GmbH,
- ORLEN Gaz Sp. z o.o.,
- ORLEN Asphalt Sp. z o.o. Group
  - ORLEN Asphalt Sp. z o.o. (parent company),
  - ORLEN ASFALT Ceska republika s.r.o. (formerly PARAMO ASFALT s.r.o.) (full consolidation method),
- ORLEN Paliwa Sp. z o.o.,
- ORLEN Oil Sp. z o.o. Group,
  - ORLEN Oil Sp. z o.o. (parent company),
  - ORLEN Oil Cesko s.r.o. (in liquidation) (full consolidation method),
  - Platinum Oil Sp. z o.o. (full consolidation method),
- ORLEN Petrotank Sp. z o.o.,
- Anwil S.A. Group,
  - Anwil S.A. (parent company),
  - Przedsiębiorstwo Inwestycyjno – Remontowe Remwil Sp. z o.o. (full consolidation method),
  - Przedsiębiorstwo Produkcyjno – Handlowo – Usługowe Pro – Lab Sp. z o.o. (full consolidation method),
  - Spolana a.s. (full consolidation method),
- Rafineria Trzebinia S.A. Group,
  - Rafineria Trzebinia S.A. (parent company),
  - Energomedia Sp. z o.o. (full consolidation method),
  - Euronaft Trzebinia Sp. z o.o. (full consolidation method),
  - Fabryka Parafin Naftowax Sp. z o.o. (full consolidation method),
  - EkoNaft Sp. z o.o. (full consolidation method),
  - Zakładowa Straż Pożarna Sp. z o.o. (full consolidation method),
- Rafineria Nafty Jedlicze S.A. Group,
  - Rafineria Nafty Jedlicze S.A. (parent company),
  - RAF- Służba Ratownicza Sp. z o.o. (in liquidation) (full consolidation method),
  - RAF-Koltrans Sp. z o.o. (in liquidation) (full consolidation method),
  - Konsorcjum Olejów Przepracowanych – Organizacja Odzysku S.A. (full consolidation method),
- Inowrocławskie Kopalnie Soli „Solino” S.A.,
- Unipetrol a.s. Group,
  - Unipetrol a.s. (parent company),
  - Vyzkumny ustav anorganicke chemie a.s. (full consolidation method),
  - UNIPETROL RPA s.r.o. Group (full consolidation method),
    - UNIPETROL RPA s.r.o. (parent company),
    - UNIPETROL SLOVENSKO s.r.o. (full consolidation method),
    - UNIPETROL DEUTSCHLAND GmbH (full consolidation method),
    - UNIPETROL DOPRAVA s.r.o. (full consolidation method),



- POLYMER INSTITUTE BRNO s.r.o. (full consolidation method),
- HC VERVA Litvinov a.s. (formerly HC Benzina Litvinov a.s.) (full consolidation method),
- CHEMOPETROL a.s., (full consolidation method),
- BENZINA s.r.o. Group (full consolidation method),
  - BENZINA s.r.o. (parent company),
  - PETROTRANS s.r.o. (full consolidation method),
- PARAMO a.s. Group (full consolidation method),
  - PARAMO a.s. (parent company),
  - PARAMO OIL s.r.o. (full consolidation method),
  - MOGUL SLOVAKIA s.r.o. (full consolidation method),
- CESKA RAFINERSKA a.s. (share in assets and liabilities),
- UNIPETROL SERVICES s.r.o. (full consolidation method),
- BUTADIEN KRALUPY a.s. (share in assets and liabilities),
- UNIFETROL RAFINERIE s.r.o. (full consolidation method),
- UNIPETROL AUSTRIA HmbH (in liquidation) (full consolidation method),
- Ship-Service S.A.,
- Petrolot Sp. z o.o.,
- ORLEN Upstream Sp. z o.o. Group,
  - ORLEN Upstream Sp. z o.o., (parent company)
  - ORLEN UPSTREAM INTERNATIONAL BV (full consolidation method)
  - TriOil Resources Ltd. (parent company)
    - 1426628 Alberta Ltd. (full consolidation method)
    - OneEx Operations Partnership (full consolidation method)
  - ORLEN International Exploration & Production Company BV Group (full consolidation method),
    - ORLEN International Exploration & Production Company BV (parent company),
    - SIA Balin Energy (share in assets and liabilities)
- ORLEN Holding Malta Ltd. Group,
  - ORLEN Holding Malta Ltd. (parent company),
  - ORLEN Insurance Ltd. (full consolidation method),
- AB ORLEN Lietuva Group,
  - AB ORLEN Lietuva (parent company),
  - UAB PASLAUGOS TAU (full consolidation method),
  - UAB EMAS (full consolidation method),
  - UAB Mazeikiu naftos prekybos namai Group,
    - UAB Mazeikiu naftos prekybos namai (parent company),
    - SIA ORLEN Latvija (dawniej SIA Mazeiku Nafta Tirdzniecibas nams) (full consolidation method),
    - OU ORLEN Eesti (dawniej OU Mazeikiu Nafta Trading House) (full consolidation method),
- AB Ventus-Nafta (full consolidation method),



- ORLEN Finance AB,
- Orlen Administracja Sp. z o.o.,
- Orlen Automatyka Sp. z o.o.,
- ORLEN Projekt S.A.,
- ORLEN Wir Sp. z o.o.,
- ORLEN Eko Sp. z o.o.,
- ORLEN Centrum Usług Korporacyjnych Sp. z o.o. (formerly ORLEN Księgowość Sp. z o.o.),
- ORLEN Ochrona Sp. z o.o. Group,
  - ORLEN Ochrona Sp. z o.o. (parent company),
  - UAB Apsauga (full consolidation method),
- ORLEN Centrum Serwisowe Sp. z o.o.,
- Baltic Spark Sp. z o.o.,
- Baltic Power Sp. z o.o.,
- ORLEN Budonaft Sp. z o.o.,
- ORLEN KolTrans Sp. z o.o.,
- ORLEN Transport S.A.,
- ORLEN Laboratorium Sp. z o.o.,
- ORLEN Capital AB,
- ORLEN Serwis S.A.,
- Kopalnia Soli Lubień Sp. z o.o..

Joint controlled entities accounted for equity method:

- Basell ORLEN Polyolefins Sp. z o.o. Group,
  - Basell ORLEN Polyolefins Sp. z o.o. (parent company),
  - Basell ORLEN Polyolefins Sprzedaż Sp. z o.o. (full consolidation method).
- Płocki Park Przemysłowo-Technologiczny S.A. Group,
  - Płocki Park Przemysłowo-Technologiczny S.A. (parent company),
  - Centrum Edukacji Sp. z o.o. (full consolidation method).

The following subsidiaries were consolidated for the first time during the year ended 31 December 2014, as a result of the parent company acquiring a controlling interest:

- Kopalnia Soli Lubień Sp. z o.o. – subject to consolidation for the period from 11 February 2014 to 31 December 2014,
- ORLEN Capital AB – subject to consolidation for the period from 28 May 2014 to 31 December 2014.
- ORLEN Serwis S.A. – subject to consolidation for the period from 28 October 2014 to 31 December 2014.



The following subsidiaries were consolidated until the date control by the parent ceased:

- ORLEN Medica Sp. z o.o. – subject to consolidation for the period from 1 January 2014 to 9 May 2014.

## **1.2.2. Entities excluded from consolidation**

As at 31 December 2014, all subsidiaries were consolidated.

## **1.3. Key Certified Auditor and Audit Firm Information**

### **1.3.1. Key Certified Auditor information**

Name and surname: Zbigniew Libera  
Registration number: 90047

### **1.3.2. Audit Firm information**

Name: KPMG Audyt Sp. z o.o.  
Address of registered office: ul. Chłodna 51, 00-867 Warsaw  
Registration number: KRS 0000104753  
Registration court: District Court for the Capital City of Warsaw in Warsaw,  
XII Commercial Department of the National Court Register  
Share capital: PLN 125,000  
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 458.

## **1.4. Prior period consolidated financial statements**

The consolidated financial statements as at and for the financial year ended 31 December 2013 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the parent company on 15 May 2014.

The consolidated financial statements were submitted to the Registry Court on 22 May 2014.

## **1.5. Audit scope and responsibilities**

This report was prepared for the General Meeting of Polski Koncern Naftowy ORLEN Spółka Akcyjna with its registered office in Płock, ul. Chemików 7 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows for the year then ended, the consolidated statement of changes in equity and additional information to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information and notes.



The consolidated financial statements were audited in accordance with the contract dated 23 April 2013, concluded on the basis of the resolution of the Supervisory Board dated 30 August 2012 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors, and International Standards on Auditing.

We audited the consolidated financial statements at the Group entities during the period from 1 December 2014 to 11 December 2014 and from 15 January 2015 to 24 March 2015. The audit was proceeded by the quarterly reviews.

Management of the parent company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Management Report on the Operations of the Group.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the financial statements.

The Management Board of the parent company submitted a statement, dated as at the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the parent company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

## **1.6. Information on audits of the financial statements of the consolidated companies**

### **1.6.1. Parent company**

The separate financial statements of the parent company for the year ended 31 December 2014 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

## 1.6.2. Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
ORLEN Deutschland GmbH	KPMG AG Wirtschaftsprüfungsgesellschaft	31 December 2014	Unqualified opinion
ORLEN Gaz Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Asfalt Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Paliwa Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Oil Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Platinum Oil Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Petrotank Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Anwil S.A. Group	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Rafineria Trzebinia S.A.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Energomedia Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Euronaft Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Fabryka Parafin Naftowax Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Ekonaft Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Zakładowa Straż Pożarna Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Rafineria Nafty Jedlicze S.A.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Raf-Służba Ratownicza Sp. z o.o. in liquidation	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Konsorcjum Olejów Przepracowanych – Organizacja Odzysku S.A.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Inowrocławskie Kopalnie Soli „Solino” S.A.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Unipetrol a.s. Group	KPMG Ceska Republika Audyt s.r.o.	31 December 2014	Unqualified opinion
Ship-Service S.A.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Petrolot Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Upstream Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
Grupa Kapitałowa TriOil Resources Ltd.	PricewaterhouseCoopers LLP	31 December 2014	Unqualified opinion
ORLEN Holding Malta Ltd.	KPMG Ltd.	31 December 2014	Unqualified opinion
ORLEN Insurance Ltd.	KPMG Ltd.	31 December 2014	Unqualified opinion
AB ORLEN Lietuva Group	UAB KPMG Baltics	31 December 2014	Unqualified opinion
ORLEN Finance AB	KPMG AB	31 December 2014	Unqualified opinion
ORLEN Automatyka Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Projekt Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Wir Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Administracja Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Eko Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Audit in progress
ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Ochrona Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Centrum Serwisowe Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
Baltic Spark	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
Baltic Power	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Budonaft Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN KolTrans Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Transport S.A.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
ORLEN Laboratorium Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2014	Unqualified opinion
Kopalnia Soli Lubień Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2014	Unqualified opinion
AB Ventus Nafta	UAB KPMG Baltics	31 December 2014	Unqualified opinion
ORLEN Capital AB	KPMG AB	31 December 2014	Unqualified opinion



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Financial statements of ORLEN ASFALT Ceska Republika s.r.o., ORLEN International Exploration & Production Company BV, SIA Balin Energy, UAB Apsauga, ORLEN UPSTREAM INTERNATIONAL BV, RAF-Koltrans Sp. z o.o. (in liquidation), ORLEN Oil Cesko s.r.o., and ORLEN Serwis S.A. were not subject to an obligatory audit.



## 2. Financial analysis of the ORLEN Group

### 2.1. Summary analysis of the consolidated financial statements

#### 2.1.1. Consolidated statement of financial position

ASSETS	31.12.2014 PLN million	% of total assts	31.12.2013 PLN million *	% of total assts
<b>Non-current assets</b>				
Property, plant and equipment	22,644	48.5	24,904	48.5
Investment property	111	0.2	121	0.2
Intangible assets	703	1.5	823	1.6
Perpetual usufruct of land	89	0.2	95	0.2
Investment accounted for under equity method	672	1.4	615	1.2
Financial assets available for sale	40	0.1	40	0.1
Deferred tax assets	385	0.8	151	0.3
Other non-current assets	327	0.7	158	0.3
<b>Total non-current assets</b>	<b>24,971</b>	<b>53.4</b>	<b>26,907</b>	<b>52.4</b>
<b>Current assets</b>				
Inventories	9,829	21.0	13,749	26.8
Trade and other receivables	7,057	15.1	7,768	15.1
Other financial assets	862	1.8	165	0.3
Current tax assets	35	0.1	59	0.1
Cash and cash equivalents	3,937	8.4	2,689	5.2
Non-current assets classified as held for sale	34	0.1	15	-
<b>Total current assets</b>	<b>21,754</b>	<b>46.6</b>	<b>24,445</b>	<b>47.6</b>
<b>TOTAL ASSETS</b>	<b>46,725</b>	<b>100.0</b>	<b>51,352</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
	31.12.2014 PLN million	% of total assts	31.12.2013 PLN million *	% of total assts
<b>Equity</b>				
Share capital	1,058	2.3	1,058	2.1
Share premium	1,227	2.6	1,227	2.4
Hedging reserve	(1,319)	(2.8)	148	0.3
Foreign exchange differences on subsidiaries from consolidation	509	1.1	(201)	(0.3)
Retained earnings	17,296	37.0	23,716	46.2
<b>Total equity attributable to equity owners of the parent</b>	<b>18,771</b>	<b>40.2</b>	<b>25,948</b>	<b>50.5</b>
<b>Non-controlling interest</b>	<b>1,615</b>	<b>3.5</b>	<b>1,603</b>	<b>3.1</b>
<b>Total equity</b>	<b>20,386</b>	<b>43.6</b>	<b>27,551</b>	<b>53.7</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans, borrowings and bonds	9,670	20.7	6,507	12.7
Provisions	709	1.5	658	1.3
Deferred tax liabilities	75	0.2	538	1.0
Deferred income	8	-	10	-
Other non-current liabilities	1,843	3.9	133	0.3
<b>Total non-current liabilities</b>	<b>12,305</b>	<b>26.3</b>	<b>7,846</b>	<b>15.3</b>
<b>Current liabilities</b>				
Trade and other liabilities	11,215	24.0	14,013	27.3
Loans and borrowings	987	2.1	850	1.7
Current tax liability	42	0.1	36	0.1
Provisions	648	1.4	821	1.6
Deferred income	122	0.3	124	0.2
Other financial liabilities	1,020	2.2	110	0.2
Liabilities directly associated with assets classified as held for sale	-	-	1	-
<b>Total short-term liabilities</b>	<b>14,034</b>	<b>30.0</b>	<b>15,955</b>	<b>31.1</b>
<b>Total liabilities</b>	<b>26,339</b>	<b>56.4</b>	<b>23,801</b>	<b>46.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>46,725</b>	<b>100.0</b>	<b>51,352</b>	<b>100.0</b>

\* restated data



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## 2.1.2. Consolidated statement of profit or loss and other comprehensive income

	1.01.2014 - 31.12.2014 PLN million	% of total sales	1.01.2013 - 31.12.2013 PLN million *	% of total sales
<b>Statement of profit or loss</b>				
Sales revenues	106,832	100.0	113,597	100.0
Cost of sales	(101,010)	(94.6)	(107,853)	(94.9)
<b>Gross profit on sales</b>	<b>5,822</b>	<b>5.4</b>	<b>5,744</b>	<b>5.1</b>
Distribution expenses	(3,920)	(3.7)	(3,883)	(3.5)
Administrative expenses	(1,512)	(1.4)	(1,451)	(1.3)
Other operating income	766	0.7	571	0.5
Other operating expenses	(5,924)	(5.5)	(714)	(0.6)
Share in profit from investments accounted for under equity method	57	0.1	40	-
<b>Profit/(Loss) from operations</b>	<b>(4,711)</b>	<b>(4.4)</b>	<b>307</b>	<b>0.2</b>
Finance income	354	0.3	460	0.4
Finance costs	(1,889)	(1.8)	(610)	(0.5)
<b>Net financial income and costs</b>	<b>(1,535)</b>	<b>(1.4)</b>	<b>(150)</b>	<b>(0.1)</b>
<b>Profit/(Loss) before tax</b>	<b>(6,246)</b>	<b>(5.8)</b>	<b>157</b>	<b>0.1</b>
Tax expense	418	0.3	(67)	-
<b>Net profit/(loss)</b>	<b>(5,828)</b>	<b>(5.5)</b>	<b>90</b>	<b>0.1</b>
<b>Items of other comprehensive income which will be not reclassified into profit or loss</b>				
	(16)	-	(6)	-
<i>Fair value measurement of investment property as at the date of reclassification</i>	-	-	(12)	-
<i>Actuarial gains and losses</i>	(20)	-	4	-
<i>Deferred tax</i>	4	-	2	-
<b>which will be reclassified into profit or loss under certain conditions</b>	<b>(655)</b>	<b>(0.6)</b>	<b>(194)</b>	<b>(0.2)</b>
<i>Hedging instruments</i>	(1,758)	(1.6)	260	0.2
<i>Foreign exchange differences on consolidation from consolidation</i>	769	0.7	(405)	(0.4)
<i>Deferred tax</i>	334	0.3	(49)	-
	(671)	(0.6)	(200)	(0.2)
<b>Total net comprehensive income</b>	<b>(6,499)</b>	<b>(6.1)</b>	<b>(110)</b>	<b>(0.1)</b>
<b>Net profit/(loss) attributable to equity owners of the parent</b>	<b>(5,828)</b>		<b>90</b>	
non-controlling interest	(5,811)		176	
	(17)		(86)	
<b>Total net comprehensive income attributable to equity owners of the parent</b>	<b>(6,499)</b>		<b>(110)</b>	
non-controlling interest	(6,584)		112	
	85		(222)	
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN per share)	(13.59)		0.41	

\* restated data



## 2.2. Selected financial ratios

	2014	2013	2012
<b>1. Return on sales</b>			
$\frac{\text{net result} \times 100\%}{\text{sales revenues}}$	negative value	0.1%	1.8%
<b>2. Return on equity</b>			
$\frac{\text{net result} \times 100\%}{\text{equity} - \text{net result}}$	negative value	0.3%	8.3%
<b>3. Debtors' days</b>			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{sales revenues}}$	23 days	23 days	21 days
<b>4. Debt ratio</b>			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	56.4%	46.3%	46.2%
<b>5. Current ratio</b>			
$\frac{\text{current assets}}{\text{current liabilities}}$	1.6	1.5	1.7

- Sales revenues includes revenue from sales of finished products, merchandise, raw materials and services.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.



### **3. Detailed report**

#### **3.1. Accounting principles**

The parent company maintains current documentation describing the accounting principles applied by the ORLEN Group and adopted by the Management Board of the parent company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

The entities being part of the ORLEN Group apply common accounting principles consistent with the accounting principles applied by the parent company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the parent company.

#### **3.2. Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the ORLEN Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327).

#### **3.3. Method of consolidation**

The method of consolidation is described in note 3.4.2 of the notes to the consolidated financial statements.

#### **3.4. Goodwill arising on consolidation**

The method of calculating goodwill arising on consolidation is described in note 3.4.14.1 of the notes to the consolidated financial statements.

#### **3.5. Consolidation of equity and calculation of non-controlling interest**

The share capital of the Group is equal to the share capital of the parent company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the parent company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the parent company.

Only equity of subsidiaries arising after the parent company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

### **3.6. Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Polski Koncern Naftowy ORLEN Spółka Akcyjna or its subsidiaries and agreed with information received from the subsidiaries.

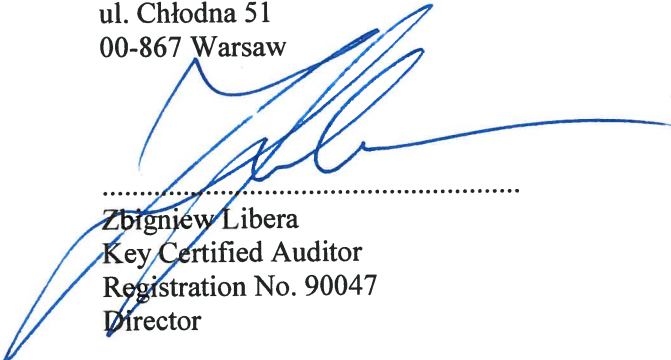
### **3.7. Notes to the consolidated financial statements**

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

### **3.8. Management Board Report of the Operations of ORLEN Group**

The Management Board Report on the Operations of ORLEN Group includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Sp. z o.o.  
Registration No. 458  
ul. Chłodna 51  
00-867 Warsaw



.....  
Zbigniew Libera  
Key Certified Auditor  
Registration No. 90047  
Director

24 March 2015