RESPONSIBILITY

PROGRESS

PEOPLE

ENERGY

DEPENDABILITY

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

CONSOLIDATED ANNUAL REPORT ORLEN CAPITAL GROUP

2014

ANNUAL REPORT OF ORLEN GROUP FOR THE YEAR 2014

1. LETTER OF THE PRESIDENT OF THE BOARD
2. OPINION AND REPORT OF THE INDEPENDENT AUDITOR
3. SELECTED FINANCIAL DATA
4. FINANCIAL STATEMENTS OF ORLEN GROUP
5. MANAGEMENT BOARD REPORT ON THE OPERATIONS OF ORLEN GROUP

SELECTED FINANCIAL DATA OF ORLEN GROUP

	PLN million		EUR million	
	2014	2013	2014	2013
Sales revenues	106 832	113 597	25 501	27 116
Profit/(Loss) from operations (EBIT)	(4 711)	307	(1 125)	73
Operating Profit/(Loss) increased by depreciation and amortisation (EBITDA)	(2 720)	2 418	(649)	577
EBITDA before impairment allowances *	2 640	2 418	630	577
Profit/(Loss) before tax	(6 246)	157	(1 491)	37
Net profit/(loss) attributable to equity owners of the parent	(5 811)	176	(1 387)	42
Net profit/(loss)	(5 828)	90	(1 391)	21
Total comprehensive income attributable to equity owners of the parent	(6 584)	112	(1 572)	27
Total net comprehensive income	(6 499)	(110)	(1 551)	(26)
Net cash provided by operating activities	3 187	5 540	761	1 323
Net cash (used) in investing activities	(4 020)	(2 441)	(960)	(583)
Net cash provided by/(used in) financing activities	2 083	(2 438)	497	(582)
Net increase in cash and cash equivalents	1 250	661	298	158
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN/EUR per share)	(13.59)	0.41	(3.24)	0.10

	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Non-current assets	24 971	26 907	5 859	6 313
Current assets	21 754	24 445	5 104	5 735
Total assets	46 725	51 352	10 962	12 048
Non-current liabilities	12 305	7 846	2 887	1 841
Current liabilities	14 034	15 955	3 292	3 743
Total equity	20 386	27 551	4 783	6 464
Equity attributable to equity owners of the parent	18 771	25 948	4 404	6 088
Share capital	1 058	1 058	248	248
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)	43.89	60.67	10.30	14.23

The above data for 2014 and 2013 was translated into EUR using 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 31 December 2014 – 4.1893 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 December 2014 – 4.2623 EUR/PLN.

* Impairment allowances of non–current assets, net of PLN (5,360) million related mainy to: ORLEN Lietuva Group of PLN (4,187) million, Unipetrol Group of PLN (711) million, Anwil Group (Spolana) of PLN (58) million and Rafineria Nafty Jedlicze Group of PLN (42) million and ORLEN Upstream Group operations in Canada of PLN (311) million.

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY EUROPEAN UNION

TABLE OF CONTENT:

ORLEN GROUP (in PLN million)

Consolidated statement of profit or loss and other comprehensive income

	NOTE	2014	2013 (restated data)
Statement of profit or loss			
Sales revenues	*7*	106 832	113 597
Cost of sales	*8*	(101 010)	(107 853)
Gross profit on sales		**5 822**	**5 744**
Distribution expenses		(3 920)	(3 883)
Administrative expenses		(1 512)	(1 451)
Other operating income	*9.1*	766	571
Other operating expenses	*9.2*	(5 924)	(714)
Share in profit from investments accounted for under equity method	*16*	57	40
Profit/(Loss) from operations		**(4 711)**	**307**
Finance income	*10.1*	354	460
Finance costs	*10.2*	(1 889)	(610)
Net finance income and costs	*10*	**(1 535)**	**(150)**
Profit/(Loss) before tax		**(6 246)**	**157**
Tax expense	*11*	418	(67)
Net profit/(loss)		**(5 828)**	**90**
Items of other comprehensive income:			
which will not be reclassified into profit or loss		**(16)**	**(6)**
Fair value measurement of investment property as at the date of reclassification		*-*	*(12)*
Actuarial gains and losses		*(20)*	*4*
Deferred tax	*11*	*4*	*2*
which will be reclassified into profit or loss under certain conditions		**(655)**	**(194)**
Hedging instruments	*23.3*	*(1 758)*	*260*
Foreign exchange differences on subsidiaries from consolidation	*23.5*	*769*	*(405)*
Deferred tax	*11, 23.3*	*334*	*(49)*
		(671)	**(200)**
Total net comprehensive income		**(6 499)**	**(110)**
Net profit/(loss) attributable to		**(5 828)**	**90**
equity owners of the parent		*(5 811)*	*176*
non-controlling interest		*(17)*	*(86)*
Total net comprehensive income attributable to		**(6 499)**	**(110)**
equity owners of the parent		*(6 584)*	*112*
non-controlling interest		*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

(in PLN million)

Consolidated statement of financial position

	NOTE	31/12/2014	31/12/2013 (restated data)	01/01/2013 (restated data)
ASSETS				
Non-current assets				
Property, plant and equipment	*12*	22 644	24 904	24 331
Investment property	*13*	111	121	112
Intangible assets	*14*	703	823	1 296
Perpetual usufruct of land		89	95	94
Investments accounted for under equity method	*16*	672	615	594
Financial assets available for sale		40	40	41
Deferred tax assets	*11.2*	385	151	285
Other non-current assets	*17*	327	158	55
		24 971	**26 907**	**26 808**
Current assets				
Inventories	*19*	9 829	13 749	14 903
Trade and other receivables	*20*	7 057	7 768	7 996
Other financial assets	*21*	862	165	368
Current tax assets		35	59	84
Cash and cash equivalents	*22*	3 937	2 689	2 029
Non-current assets classified as held for sale		34	15	65
		21 754	**24 445**	**25 445**
Total assets		**46 725**	**51 352**	**52 253**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*23.1*	1 058	1 058	1 058
Share premium	*23.2*	1 227	1 227	1 227
Hedging reserve	*23.3, 32.4.2*	(1 319)	148	(73)
Revaluation reserve	*23.4*	-	-	6
Foreign exchange differences on subsidiaries from consolidation	*23.5*	509	(201)	81
Retained earnings	*23.6*	17 296	23 716	24 180
Total equity attributable to equity owners of the parent		**18 771**	**25 948**	**26 479**
Non-controlling interest	*23.7*	**1 615**	**1 603**	**1 828**
Total equity		**20 386**	**27 551**	**28 307**
LIABILITIES				
Non-current liabilities				
Loans, borrowings and bonds	*24*	9 670	6 507	7 523
Provisions	*25*	709	658	660
Deferred tax liabilities	*11.2*	75	538	668
Deferred income	*28*	8	10	15
Other non-current liabilities	*26*	1 843	133	169
		12 305	**7 846**	**9 035**
Current liabilities				
Trade and other liabilities	*27*	11 215	14 013	12 504
Loans and borrowings	*24*	987	850	1 233
Current tax liabilities		42	36	83
Provisions	*25*	648	821	802
Deferred income	*28*	122	124	168
Other financial liabilities	*29*	1 020	110	121
Liabilities directly associated with assets classified as held for sale		-	1	-
		14 034	**15 955**	**14 911**
Total liabilities		**26 339**	**23 801**	**23 946**
Total equity and liabilities		**46 725**	**51 352**	**52 253**

ORLEN GROUP (in PLN million)

Statement of changes in consolidated equity

	Equity attributable to equity owners of the parent							
	Share capital and share premium	Hedging reserve	Revaluation reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total	Non-controlling interest	Total equity
NOTE	*23.1, 23.2*	*23.3*	*23.4*	*23.5*	*23.6*		*23.7*	
01/01/2014	2 285	148	-	(201)	23 716	25 948	1 603	27 551
Net (loss)	-	-	-	-	(5 811)	(5 811)	(17)	(5 828)
Net investment hedge in a foreign operation	-	-	-	659	-	659	-	659
Items of other comprehensive income	-	(1 467)	-	51	(16)	(1 432)	102	(1 330)
Total net comprehensive income	**-**	**(1 467)**	**-**	**710**	**(5 827)**	**(6 584)**	**85**	**(6 499)**
Change in the structure of non-controlling interest	-	-	-	-	23	23	(72)	(49)
Dividends	-	-	-	-	(616)	(616)	(1)	(617)
31/12/2014	**2 285**	**(1 319)**	**-**	**509**	**17 296**	**18 771**	**1 615**	**20 386**
01/01/2013	2 285	(73)	6	81	24 180	26 479	1 828	28 307
Net profit/(loss)	-	-	-	-	176	176	(86)	90
Items of other comprehensive income	-	221	(6)	(282)	3	(64)	(136)	(200)
Total net comprehensive income	**-**	**221**	**(6)**	**(282)**	**179**	**112**	**(222)**	**(110)**
Change in the structure of non-controlling interest	-	-	-	-	(1)	(1)	(2)	(3)
Dividends	-	-	-	-	(642)	(642)	(1)	(643)
31/12/2013	**2 285**	**148**	**-**	**(201)**	**23 716**	**25 948**	**1 603**	**27 551**

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of cash flows

	NOTE	2014	2013 (restated data)
Cash flows - operating activities			
Net profit/(loss)		**(5 828)**	**90**
Adjustments for:			
Share in profit from investments accounted for under equity method	16	(57)	(40)
Depreciation and amortisation	8.2	1 991	2 111
Foreign exchange loss	31.3	880	64
Interest, net	31.4	241	272
Dividends	10.1	(2)	(2)
Loss on investing activities	31.5	5 015	94
Tax expense	11	(418)	67
Change in provisions	31.1	141	391
Change in working capital		1 752	2 815
inventories	31.1	*4 106*	*974*
receivables	31.1	*924*	*405*
liabilities	31.1	*(3 278)*	*1 436*
Other adjustments	31.2	(360)	(215)
Income tax (paid)	31.6	(168)	(107)
Net cash provided by operating activities		**3 187**	**5 540**
Cash flows - investing activities			
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land		(3 700)	(2 382)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land		400	164
Acquisition of shares		(792)	(536)
Disposal of shares		48	-
Deposits, net		(27)	19
Dividends received		2	22
Proceeds from loans granted		5	272
Other		44	-
Net cash (used) in investing activities		**(4 020)**	**(2 441)**
Cash flows - financing activities			
Proceeds from loans and borrowings received		9 639	3 589
Bonds issued		2 350	700
Repayments of loans and borrowings		(9 023)	(5 433)
Redemption of bonds		-	(304)
Interest paid	31.4	(245)	(310)
Dividends paid		(617)	(642)
Payments of liabilities under finance lease agreements		(30)	(28)
Grants received		10	1
Other		(1)	(11)
Net cash provided by/(used in) financing activities		**2 083**	**(2 438)**
Net increase in cash and cash equivalents		**1 250**	**661**
Effect of exchange rate changes		(2)	(1)
Cash and cash equivalents, beginning of the period		2 689	2 029
Cash and cash equivalents, end of the period	22	**3 937**	**2 689**

ORLEN GROUP (in PLN million)

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY INFORMATION

1. General information

1.1. Principal activity of the ORLEN Group

Polski Koncern Naftowy ORLEN Spółka Akcyjna seated in Płock, 7 Chemików Street ("Company", "PKN ORLEN", "Issuer", "Parent Company") was founded by incorporation of Petrochemia Płock S.A. with Centrala Produktów Naftowych S.A., on 7 September 1999.
PKN ORLEN along with the entities forming the Capital Group of Polski Koncern Naftowy ORLEN S.A. ("ORLEN Group", "ORLEN Capital Group", "Group", "Capital Group") is one of the biggest and most modern fuel and power companies in Central Europe, operating on the Polish, Lithuanian, Czech and German market. The Group also possesses entities located in Malta, Sweden, the Netherlands, Slovakia, Switzerland, Estonia, Latvia and Canada.
The core business of the ORLEN Group is crude oil processing, production of fuel, petrochemical and chemical goods, as well as, retail and wholesale of fuel products. The ORLEN Group conducts also exploration, recognition and extraction of hydrocarbons, and generates, distributes and trades of electricity and heat.
The activity of the ORLEN Group companies is also service-related activity: storage of crude oil and fuels, road and rail transport, maintenance and overhaul services, laboratory, security, design, administrative, insurance and financial services.

PKN ORLEN shares are quoted on the main market of the Warsaw Stock Exchange (WSE) in the continuous trading system. The first quotation of the shares were held on 26 November 1999. According to the WSE classification, PKN ORLEN is classified to the oil and gas sector.
One of the subsidiaries of PKN ORLEN – Unipetrol a.s. is also present on the capital market.The shares are listed on the Stock Exchange in Prague.
As at 31 December 2014, the Parent Company holds directly or indirectly shares in 87 related parties - detailed information is presented in note 5.

1.2. Concessions held

The Group's operations require concessions, due to their importance to the public interest.

31/12/2014	Remaining concessions periods (in years)
Electrical energy: manufacturing,distribution, trade	3-16
Heating energy: manufacturing, transmission, distribution, trade	5-16
Liquid and gaseous fuels: manufacturing, transmission, distribution, trade, storage	1-16
Non-reservuar stroage of crude oil and liquid fuels	15
Rock salt: exploration, recognition and exploitation	1-19
Exploration and recognition of crude oil and natural gas deposits	1-3
Personal and property security services	indefinitely

The Management Board believes that the probability of failure in obtaining required concessions is remote.
As at 31 December 2014 and as at 31 December 2013 the Group had no liabilities related to concession services in scope of IFRIC 12.

1.3. Shareholders' structure

Shareholders holding directly or indirectly via related parties, at least 5% of total votes at the General Shareholders' Meeting of the Parent Company as at 31 December 2014:

	Number of shares / voting rights	Nominal value of shares (in PLN)	Share in share capital
State Treasury	117 710 196	147 137 745	27.52%
ING OFE*	40 000 000	50 000 000	9.35%
Aviva OFE*	30 000 000	37 500 000	7.01%
Other	239 998 865	299 998 581	56.12%
	427 709 061	**534 636 326**	**100.00%**

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

1.4. Composition of the Management Board and the Supervisory Board of the Parent Company

As at 31 December 2014 and the date of preparation of foregoing consolidated financial statements, the composition of the management and supervisory boards of the Parent Company is as follows:

Management Board

Dariusz Jacek Krawiec	– President of the Management Board, General Director
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

ORLEN ORLEN GROUP (in PLN million)

1.4. Composition of the Management Board and the Supervisory Board of the Parent Company continued

Supervisory Board

Angelina Anna Sarota	– Chairman of the Supervisory Board
Leszek Jerzy Pawłowicz	– Deputy Chairman of the Supervisory Board
Adam Ambrozik	– Secretary of the Supervisory Board
Maciej Bałtowski	– Member of the Supervisory Board
Cezary Banasiński	– Member of the Supervisory Board
Grzegorz Borowiec	– Member of the Supervisory Board
Artur Gabor	– Member of the Supervisory Board
Radosław L. Kwaśnicki	– Member of the Supervisory Board
Cezary Możeński	– Member of the Supervisory Board

2. Statements of the Management Board

2.1. In respect of the reliability of preparation of consolidated financial statements

The Management Board of PKN ORLEN herby declares that to the best of their knowledge the foregoing consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the ORLEN Group in force (presented in note 3) and that they reflect true and fair view on financial position and financial result of the ORLEN Group and that the Management Board Report on the Operations presents true overview of business situation of the ORLEN Group, including basic risks and exposures.

2.2. In respect of the entity authorized to conduct audit of financial statements

The Management Board of PKN ORLEN declares that the entity authorized to conduct audit was selected in compliance with the law and that the entity and auditors conducting the audit met the conditions to issue an independent opinion in compliance with relevant regulations.
KPMG Audyt Sp. z o.o. is the entity authorized to conduct audit of separate financial statements of PKN ORLEN and consolidated financial statements of ORLEN Group for the year 2014. Additional information is presented in note 40.

3. Accounting principles

3.1. Principles of preparation of financial statements

The consolidated financial statements have been prepared in accordance with accounting principles contained in the International Financial Reporting Standards (IFRS), comprising International Accounting Standards (IAS) as well as Interpretations of Standing Interpretation Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRIC), which were adopted by the European Union (EU) and were in force as at 31 December 2014. The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments, financial assets available for sale and investment properties, which have been measured at fair value. The scope of consolidated financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent information required by the law of a non-Member state (uniform text Official Journal 2014, item 133) and covers the annual period from 1 January to 31 December 2014 and the comparative period from 1 January to 31 December 2013.
Presented consolidated financial statements present a true and fair view of the ORLEN Group's financial position as at 31 December 2014, results of its operations and cash flows for the year ended 31 December 2014.
The consolidated financial statements have been prepared assuming that the ORLEN Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of these consolidated financial statements, there is no evidence indicating that the ORLEN 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 consolidated financial statements, except consolidated statement of cash flows, have been prepared using the accrual basis of accounting.

The foregoing financial statements have been prepared in accordance with usefulness, relevance and faithfully representation principles contained in chapter 3 of the IFRS conceptual framework.
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3.2. Impact of IFRSs amendments and interpretations on consolidated financial statements of the ORLEN Group

3.2.1. Binding amendments to IFRSs and interpretations

Begining from 1 January 2014, joint arrangements for Basell Orlen Polyolefines Sp. z o.o. (BOP) Group and Płocki Park Przemysłowo-Technologiczny S.A. (PPPT) Group in accordance with the new IFRS 11 'Joint Arrangements' are classified as joint ventures and accounted for under the equity method instead of proportionate consolidation method applied previously.
As a result of changes in the method of recognition, the comparative data for 2013 as well as at 31 December 2013 and 1 January 2013 were restated. The impact of significant changes of method of recognition of joint ventures on selected items of statement of financial position, statement of profit or loss and other comprehensive income is presented in the table below.

ORLEN GROUP (in PLN million)

3.2.1. Binding amendments to IFRSs and interpretations continued

Selected data for 2013 and as at 31/12/2013	published data	impact of new standard IFRS 11	data after application of IFRS 11
Statement of profit or loss			
Sales revenues	113 853	(256)	113 597
Cost of sales	(107 980)	127	(107 853)
Gross profit on sales	**5 873**	**(129)**	**5 744**
Share in profit from investments accounted for under equity method	-	40	40
Profit from operations	**333**	**(26)**	**307**
Net profit	**90**	**-**	**90**
Statement of financial position			
Non-current assets	26 835	*72*	26 907
Investments accounted for under equity method	*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**

In accordance with IFRS 11, entities of the Unipetrol Group - Ceska Rafinerska and Butadiene Kralupy were classified as joint operation and as at 31 December 2014 are accounted based on the share in its assets, liabilities and generated revenues and incurred costs. Application of the new IFRS 11 in relation to the above entities had no impact on the change in consolidated data of the Group.
Begining from 1 January 2014, in the consolidated financial statements "Share in profit from investments accounted for under equity method" is presented as a result of operating activities, as the activity of these units is related to the core business of the Group. As a result, comparative figures for 2013 have been restated.

In the first half of 2014, the ORLEN Group implemented changes of operating activities management, in order to further improvement in their efficiency and integration. The organizational structure was adjusted by changes in the responsibilities of the particular members of the Management Board. As a result, the presentation of operating segments in ORLEN Group was updated - integrated operating segment Downstream consisted of previously, separately treated Refinery and Petrochemical segments.
As a consequence, the segments' comparative data were adjusted for the period of 2013 and as at 31 December 2013.

Impact of new segment division and new standard IFRS 11 – Joint arrangements - on presented segment data in 2013

Revenues, costs, financial results, increase in investment expenditures of operating segment

	Downstream Segment	Refining Segment	Petrochemical Segment	Corporate Functions	Adjustments	Total
Sales revenues from external customers	77 047	(61 466)	(15 837)	-	-	(256)
Sales revenues from transactions with other segments	15 939	(26 983)	(3 565)	(3)	14 612	-
Sales revenues	92 986	(88 449)	(19 402)	(3)	14 612	(256)
Operating expenses	(92 710)	89 437	18 072	6	(14 612)	193
Other operating income	188	(80)	(112)	-	-	(4)
Other operating expenses	(399)	272	128	-	-	1
Share in profit from investments accounted for under equity method	41	-	-	(1)	-	40
Segment profit/(loss) from operations	**106**	**1 180**	**(1 314)**	**2**	**-**	**(26)**
Depreciation and amortisation	**1 633**	**(958)**	**(734)**	**-**	**-**	**(59)**
EBITDA	**1 739**	**222**	**(2 048)**	**2**	**-**	**(85)**
Increases in investment expenditures (including borrowing costs)	**1 596**	**(944)**	**(526)**	**(151)**	**-**	**(25)**

3.2.1. Binding amendments to IFRSs and interpretations continued

Assets by operating segment

	published data 31/12/2013	impact of change in segment division and new standard IFRS 11	data after changing segment division and new standard IFRS 11 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**

3.2.2. IFRSs and their interpretations, announced and adopted by the European Union, not yet effective

The Group intends to adopt listed below new standards and amendments to the standards and interpretations to IFRSs that are published by the International Accounting Standards Board, but not effective as at the date of publication of these financial statements, in accordance with their effective date.

Standards and Interpretations adopted by EU	Possible impact on financial statements
IFRIC Interpretation 21 - Levies	no impact expected
Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions	no impact expected
Improvements to International Financial Reporting Standards 2010-2012; 2011-2013	no impact expected

3.2.3. Standards and Interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU

Standards and Interpretations waiting for approval of EU	Possible impact on financial statements
New standard IFRS 9 - Financial Instruments	impact*
New standard IFRS 14 - Regulatory Deferral Accounts	no impact expected
New standard IFRS 15 - Revenue from Contracts with Customers	impact**
Amendments to IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	no impact expected
Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	no impact expected
Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Agriculture - Bearer Plants	no impact expected
Amendments to IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements	no impact expected
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	no impact expected
Improvements to International Financial Reporting Standards 2012-2014	no impact expected
Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception	no impact expected
Ammendments to IAS 1 - Presentation of Financial Statements: Disclosure initiative	no impact expected

* At the time of the implementation of the new IFRS 9, allocation of the appropriate financial assets to the new categories of financial instruments will be made.
**At the time of implementation, i.e. on 1 January 2017, the impact of the new IFRS 15 will depend on the specific facts and circumstances relating to the contracts with customers, which the Group is a party.

3.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial data for consolidation purposes

3.3.1. Functional currency and presentation currency

The functional currency of the Parent Entity and presentation currency of the foregoing consolidated financial statements is Polish Złoty (PLN). The data in the consolidated financial statements is presented in millions of PLN, unless is stated differently. The accounting policies for transactions in foreign currency is presented in note 3.4.1.

ORLEN GROUP (in PLN million)

3.3.2. Methods applied to translation of data for consolidation purposes

Translation in to PLN of financial statements of foreign entities, for consolidation purposes:
– particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
– items of statement of profit or loss and other comprehensive income and statement of cash flows are translated at the average exchange 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	
	2014	2013	31/12/2014	31/12/2013
EUR/PLN	4.1846	4.1973	4.2623	4.1472
USD/PLN	3.1537	3.1611	3.5072	3.0120
CZK/PLN	0.1520	0.1616	0.1537	0.1513
CAD/PLN	2.8541	2.8655	3.0255	2.8297

Average CAD exchange rate adopted in 2013 was based on the average daily exchange rates of the month of December of 2013, which corresponds to the period of recognition in the consolidated financial statements, the results of the acquired company TriOil Resources Ltd. operating business activity in the upstream segment in Canada.

Accounting policies for foreign currency transactions are presented in note 3.4.1.

3.4. Applied accounting policies

3.4.1. Transactions in foreign currency

The Group recognizes exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition in profit or loss of the period in which they arise, except for the monetary items which hedge the currency risk and are accounted in accordance with the cash flow hedge accounting principles. Additional information is presented in note 3.3.

3.4.2. Principles of consolidation

The consolidated financial statements of the Group include assets, liabilities, equity, income, expenses and cash flows of the Parent Company and its subsidiaries that are presented as those of a single economic entity and are prepared as at the same reporting period as separate financial statements of the Parent Company and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.

The subsidiaries are consolidated using full consolidation method and joint operations by recognition of respective share in assets, liabilities, revenues and cost. The joint ventures as well as investments in associates are accauted for under equity method.

In preparing consolidated financial statements using full consolidation method, an entity combines the assets, liabilities, revenues and cost of the Parent Company and its subsidiaries line by line and then performs adequate consolidation procedures in particular:
- non-controlling interests in the profit or loss of subsidiaries for the reporting period are identified,
- non-controlling interests in the net assets of subsidiaries are identified and presented separately from the Parent Company's equity,
- intra group balances are eliminated,
- intra group revenues and cost and cash flows as well as profits or losses from intra group transactions are eliminated.

A joint operator recognizes: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenues from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

Under the equity method, at initial recognition, the investment in an associate or a joint venture is recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in profit or loss of the investee after the date of acquisition. The Group's share in profit or loss of the investee is recognized in the Group's profit or loss as other operating activity.

3.4.2.1. Investment in subsidiares

Subsidiaries are entities under the Parent Company's control. It is assumed that the Parent Company controls another entity, in which the investment was made if it is exposed to, or has rights to variable returns from involvement with the entity, and has the ability to affect those returns through its power over the investee.

Non-controlling interests shall be presented in the consolidated statement of financial position as non-controlling interest, separately from the equity of the owners of the Parent Company.

3.4.2.2. Investments in jointly controlled entities

A jointly controlled entity is a joint venture or a joint operation, in which the share of control thought contractual arrangement, exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement. Such an entity operates on the same basis as other entities, except that the contractual arrangements between the operators establish joint control on the economic activity of the entity. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

3.4.2.3. Investment in associates

Investments in associates relate to the entities over which the Group has significant influence and that are neither controlled nor jointly controlled.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group has a significant influence if it holds, directly or indirectly (i.e. through subsidiaries), 20% or more of the voting rights of an entity, unless it can be clearly stated differently.

3.4.3. Business combinations

Business combinations under common control, including the acquisition of an organized part of the enterprise is settled by adding together, the particular items of assets and liabilities, revenues and cost of the combined companies, as at the date of the merger.
The effect of business combinations under common control has no effect on the consolidated financial data. Other business combinations are accounted for applying the acquisition method. Applying the acquisition method requires:

- identifying the acquirer,
- determining the acquisition date,
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree and
- recognizing and measuring goodwill or a gain from a bargin purchase.

3.4.4. Operating segments

The operations of the Group were divided into the following segments:

- the Downstream segment, which includes integrated areas of refining and petrochemical production and sales and operations in the energy production activity,
- the Retail segment, which includes sales at the petrol stations,
- the 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 and remaining activities not allocated to separate operating segments.
Segment revenues are revenues from sales to external customers or revenues from transactions with other segments that are directly attributable to a segment.
Segment expenses are expenses resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion of the Group's expenses that can be allocated on a reasonable basis to a segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments.
Segment result is calculated on the level of operating result.
Segment assets are those that are employed by the segment in operating activity and can be directly or on reasonable basis allocated to the segment.

3.4.5. Sales revenues

Sales revenues (from operating activity) comprise revenues that relate to core activity, i.e. activity for which the Group was founded, revenues are recurring and are not of incidental character.
Revenues from sales are recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from the sale of goods and services are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
Revenues include received or due payments for delivered goods and services, decreased by the amount of any trade discounts, value added tax (VAT), excise tax and fuel charges.
Revenues are measured at fair value of the received or due payments. Revenues from sale are adjusted for profit or loss from settlement of cash flows hedging instruments related to above mentioned revenues.
Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenues and costs can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of completion can be measured reliably.
If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which are expected to be recovered by the Group.

3.4.6. Costs

Costs (relating to operating activity) comprise costs that relate to core activity, i.e. activity for which the Group was founded, costs are recurring and are not of incidental character.
Cost of sales comprises costs of finished goods, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.
Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.
Administrative expenses include expenses relating to management and administration of the Group as a whole.

3.4.7. Other operating income and expenses

Other operating income and expenses are related indirectly to operating activities and are incidental.

3.4.8. Finance income and costs

Finance income and costs relate to financial operations, including the funding sources acquisition and their service.

3.4.9. Income tax expenses

Income tax expenses comprise of current tax and deferred tax.
Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due the excess is recognized.
Deferred tax assets and liabilities are accounted for as non-current and are not discounted as well as are offset in the statement of financial position, if there is legally enforceable right to set off the recognized amounts.
The transactions settled directly in equity are recognized in equity.

3.4.10. Profit/(loss) per share

Profit/(loss) per share is calculated by dividing the net profit or loss for a given period which is attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.
The Group has no potential dilutive shares.

3.4.11. Property, plant and equipment

Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).
Property, plant and equipment are initially measured at cost, including grants related to assets (IAS 20). The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into use.
The cost of an item of property, plant and equipment includes also the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment.
Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the net book value ie. the amount at which an asset is initially recognized (cost) less accumulated depreciation and any accumulated impairment losses, as well as received grants for assets.
Depreciation of an item of property, plant and equipment begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, over the period reflecting its estimated useful life, considering the residual value. Fixed assets are depreciated with straight-line method and in justified cases units of production method of depreciation (catalysts, assets arising from development and extraction of mineral resources).
The depreciable amount of an asset is determined after deduction oh the residual value from the initial value.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over the period reflecting its useful life.
The following standard useful lives are used for property, plant and equipment:

Buildings and constructions	10-40 years
Machinery and equipment	4-35 years
Vehicles and other	2-20 years

The method of depreciation, residual value and useful life of an asset are reviewed at least at the end of each year. When it is necessary adjustments of depreciation are carried out in subsequent periods (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are changed profit or loss in the period in which they are incurred.
Property, plant and equipment is tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.
Recognition and reversal of impairment loss of property, plant and equipment is recognized in other operating activities.

3.4.12. Exploration and extraction of mineral resources

Within the framework of exploration and extraction of mineral resources, the following classification of stage was made:

Stage of exploration and assessment of mineral resources include:

- Acquisition of rights to explore and extract, exploration and recognition of resources are recognized according to the successful efforts method.
- expenditures for exploratory and recognition drillings and other expenditures (including acquisition of seismic data, their processing, interpretation of geological and geophysical data),
- other costs which are directly attributable to the phase of exploration and recognition and are subject for capitalization. If the direct attribution is not possible, other costs are recognized in profit or loss when incurred.

The Group shall review annually expenditures incurred in the stage of exploration and recognition of mineral resources in order to confirm the intention of further work. If the work of the exploration and recognition is unsuccessful, the cost previously recognized as an asset are recognized as cost of a current period.
Expenditure incurred in the exploration and recognition of resources (including unsuccessful drillings) are transferred from assets related to exploration and evaluation of mineral resources and are recognized as assets related to planning and extraction of mineral resources within property, plant and equipment at the moment of the conclusion of their technical feasibility and economic viability of mining.

Stage of site planning and of extraction of mineral resources:

Expenditures incurred for mineral resource sites planning and extraction of resources are capitalized and amortised in line with general principles for property, plant and equipment and borrowing costs.
Depreciation of assets related to exploration and extraction of mineral resources recognized by applying unit of production method that means proportionally to the forecast amount of extraction of mineral resources. Similarly, property, plant and equipment included in the extractive infrastructure are depreciated by unit of production method based on recognition as cost the depreciation amount per unit of extracted mineral resources.
In case of significant change in estimated mineral resources, at the reporting date potential impairment allowances are recognized or reversed.
The Group creates provisions for the cost of removal of drillings and supporting infrastructure, which are recognized and valued in line with general principles for provisions. The amount of created provisions is verified at the end of each reporting period.
In case of performance of exploratory drillings on already extracted resource, the Group analyzes, if costs incurred enable rising new boreholes – expenditures are recognized in non-current assets at the date of put into use. If despite the expenditures, new boreholes do not rise, expenditures are recognized in costs of the current period.

3.4.13. Investment property

Investment property is measured initially at cost.
After initial recognition, the Group shall measure investment property at fair value using the comparison and revenue method depending on the nature of the investment.
Comparison approach is applied, assuming that the value of assessed property is equal to the price that can be obtained for a similar property in the market. In the revenue approach the calculations are based on discounted cash flows method. 5-year and 10-year forecast period was applied in the analysis for the most significant items. The following discount rate is used:

- reflecting relation between annual revenue from an investment property and expenditures to be incurred for the purchase, of investment property, and
- reflecting the level of risk associated with cash flows from the investment property in relation to other alternative investments on the capital market.

Forecasts of discounted cash flows relating to the valuated assets, consider conditions included in all rental agreements and external data such as current market rent charges for similar assets, being in the similar location, technical conditions, standard and designed for similar purposes.

3.4.14. Intangible assets

An intangible asset shall be measured initially at acquisition or production cost and shall be presented in the financial statements in its net carrying amount, including grants related to assets (IAS 20).
Intangible assets with the finite useful life are amortised using straight-line method. Amortization shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The asset shall be amortised over the period reflecting its estimated useful life.
Standard useful lives of intangible assets are from 2 to 15 years for concessions, licenses, patents and similar and from 2 to 10 years for software.
The amortization method and useful life of intangible asset item are verified at least at the end of each year. When necessary, the adjustments to amortization expense are accounted for in the future periods (prospectively).
Intangible assets with an indefinite useful life shall not be amortised. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.
Recognition and reversal of impairment allowances on intangible assets is recognized in other operating activities.

3.4.14.1. Goodwill

Goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, (CGU), that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.
The acquirer shall recognise goodwill as of the acquisition date measured as: the excess of a) over b) where:
The value of a) corresponds to the aggregate of:

- the consideration transferred, which generally requires acquisition-date fair value,
- the amount of any non-controlling interest in the acquire, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

The value of b) corresponds to:

- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount in point (b) exceeds the aggregate of the amounts specified in point (a). If that excess remains, after reassessment of correct identification of all acquired assets and liabilities, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date as other operating profit for the period. The acquirer shall measure goodwill in the amount recognised at the acquisition date less any accumulated impairment allowances.
A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

3.4.14.2. Rights

Carbon dioxide emission rights (CO_2)

By the virtue of The Kyoto Protocol, the countries, which decided to ratify the Protocol, obliged themselves to reduce emissions of greenhouse gases, i.e. carbon dioxide (CO_2).
In the European Union countries, the plants and companies, which reach productivity exceeding 20 MW and some other industrial plants were obliged to participate in emissions trading system. All of them acquire emission rights to CO_2 or they are partially granted free of charge in a specified quantity under the derogations provided in article 10a and 10c of the EU Directive 2009/29/EC and are obliged to redeem them in a number corresponding to the size of emission realized in a given year.
CO_2 emission rights are initially recognized as intangible assets, which are not amortised (assuming the high residual value), but tested for impairment.
Granted emission allowances should be presented as intangible assets in correspondence with deferred income at fair value as at the date of registration (grant in scope of IAS 20). Purchased allowances should be presented as intangible assets at purchase price.
For the estimated CO_2 emission during the reporting period, a provision should be created (taxes and charges).
Grants should be recognized on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate.
Outgoing of allowances is recognized using FIFO method (First In, First Out) within the individual types of rights (EUA, ERU, CER).

3.4.15. Impairment of non-current non-financial assets

At the end of the reporting period, the Group assesses whether there are any indicators that an asset or cash-generating unit (CGU) may be impaired or any indicators that the previously recognized impairment should be reversed.
If any indicator exists, the Group estimates the recoverable amount of such asset or CGU by determining the greater of its fair value less costs of disposal or value in use by applying the proper discount rate.
Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (CGU). If such case occurs, the recoverable amount is determined on the CGU level, to which the asset belongs.
In the estimation of value in use, the expected cash flows resulted from the most recent and approved financial plan, and thereafter the Group assumed constant rate of cash flow growth, estimated at the level of long-term inflation. Expected cash flows were discounted to their present value using a discount rate calculated as a weighted average cost of engaged equity and debt, before tax, which reflected the current market estimation of time value of money in and the risk specific to the asset.

3.4.16. Inventories

Inventories, including mandatory reserves comprise products, semi-finished products and work in progress, merchandise and materials.
Finished goods, semi-finished products and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period. Costs of production include also a systematic allocation of fixed and variable production overheads estimated for normal production level.
Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost and net realizable value, after deducting any impairment losses.
Outgoings of finished goods, semi-finished products and work in progress is determined based on the weighted average cost of production. Merchandise and materials are measured initially at acquisition cost, while as at the end of the reporting period merchandise and raw materials are measured at the lower of cost and net realizable value, considering any impairment allowances. Outgoings of merchandise and raw materials is determined based on the weighted average acquisition cost or production cost formula.
Impairment tests for specific items of inventories are carried out on a current basis during a reporting period. Write-down to net realizable value concerns inventories that are damaged or obsolete and the selling price have fallen. Raw materials held for use in the production are not written down below acquisition or production cost if the products in which they will be incorporated are expected to be sold at or above cost.
However, when a decline in the price of materials indicates that the cost of the products exceeds net realizable value, the materials are written down to net realizable value.
Recognition and reversal of impairment loss of inventories is recognized in cost of sales.

3.4.17. Receivables

Receivables, including trade receivables, are recognized initially at fair value increased by transaction costs and subsequently at amortised cost using the effective interest method less impairment allowances.
Impairment allowances of receivables are based on the individual analysis on the value of held collaterals, and based on the possible compensation of debts, allowances.
Recognition and reversal of impairment losses on receivables are recognized in other operating activity in relation principal amount and in financial activities in relation to interest for delay payments.

3.4.18. Cash and cash equivalents

Cash comprises cash on hand and in a bank accounts. Cash equivalents are short-term highly liquid investments (of initial maturity up to three months), that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.
Valuation and outflows of cash and cash equivalents in foreign currencies are based on FIFO (First In First Out) method.

3.4.19. Equity

3.4.19.1. Share capital

The share capital is an equity paid by shareholders and is stated at nominal value in accordance with the Parent Company's of association and the entry in the Commercial Register.
Share capital as at 31 December 1996, in accordance with IAS 29, § 24 and 25, was revalued based on monthly price indices of consumer goods and services.

3.4.19.2. Share premium

Share premium is created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs. Capital from issue of shares above their nominal value as at 31 December 1996, in accordance with IAS 29, § 24 and 25, was revalued based on monthly price indices of consumer goods and services.

3.4.19.3. Hedging reserve

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Group applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship, are recognized in statement of profit or loss.

3.4.19.4. Retained earnings

Retained earnings include:

- reserve capital created and used in accordance with the Commercial Companies Code,
- actuarial gains and losses from post-employment benefits,
- the current reporting period profit/loss,
- other capitals created and used according to the rules prescribed by law.

3.4.20. Liabilities
Liabilities, including trade liabilities, are initially measured at fair value, increased by, in case of financial liability not qualified as those measured at fair value through profit or loss, transaction cost and subsequently, at amortised cost using the effective interest rate method.

3.4.21. Provisions
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.
The provisions are reviewed on a regular basis during reporting period and adjusted to reflect the current best estimate.
Provisions are not recognized for the future operating losses.

3.4.21.1. Environmental provision
The Group creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. Environmental provision for reclamation is periodically reviewed on the basis of contaminated assessment.

3.4.21.2. Jubilee bonuses and post employment benefits
Under the remuneration plans employees of the Group are entitled to jubilee bonuses, paid to employees after elapse of a defined number of years in service as well as retirement and pension benefits, paid once at retirement or pension. The amount of retirement and pension benefits as well as jubilee bonuses depends on the number of years in service and an employee's average remuneration.
The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as post-employment defined benefit plans.
Provisions are determined by an independent actuary and revalued if there are any indications impacting their value, taking into account the staff turnover and planned growth of wages.
Actuarial gains and losses from post-employment benefits are recognized in components of other comprehensive income and from other employment benefits, including jubilee awards, are recognized in the statement of profit or loss.

3.4.21.3. Shield programs
Shield programs provision (restructuring provision) is created when the Group started to implement the restructuring plan or announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the restructuring will be carried out. A restructuring provision shall include only the direct expenditures arising from the restructuring, i.e. connected with the termination of employment (paid leave payments and compensations), termination of lease contracts, dismantling of assets.

3.4.21.4. CO_2 emissions costs
The Group recognizes provision for the estimated CO_2 emission during the reporting period in operating activity costs (taxes and charges). Provision is recognizes based on the value of allowances recognized in the statement of financial position, taking into account the principle of FIFO (first in, first out). If there is a shortage of allowances, the provision is created based on the purchase price of allowance concluded in forward contracts and market quotations at the reporting date.

3.4.21.5. Other provisions
Other provisions include mainly provisions for legal proceedings and are recognized after consideration of all available information, including the opinions of independent experts. The Group recognizes a provision if the existence of the obligation at the end of the reporting period, based on evidence is more likely than not.
If it is more likely that no obligation exists at the end of the reporting period, the Group discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

3.4.22. Government grants
Government grants are transfers of resources to the Group by government, government agencies and similar bodies in return for past or future compliance with certain conditions.
Government grants are recognized if there is reasonable assurance that the grants will be received and the entity will comply with the conditions attaching to them.
Grants for cost position (e.g. the cost of CO_2 emissions) are recognized as a reduction of costs as they are incurred. Surplus of received grants over the value of the relevant costs are recognized in other operating income.
Government grants related to assets are recognized as a decrease of a carrying amount of an asset and as a revenue over the useful life of the amortised asset through the decreased depreciation and amortisation charges.

3.4.23. Consolidated statement of cash flows
The Group has chosen the presentation within the statement of cash flows and applies the following rules:
- cash flows from operating activities using the indirect method,
- the components of cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position are the same,
- dividends received are presented in cash flows from investing activities,
- dividends paid to shareholders of the parent company and non-controlling interest are presented in cash flows from financing activities,
- interest and commissions paid on bank loans and borrowings received, debt securities issued, finance leases are presented in cash flows from financing activities, other interest paid is presented in cash flows from operating activities,
- inflows and outflows from the settlement of derivative financial instruments, which are not recognized as a hedging position are presented in investing activities.

3.4.24. Financial instruments

3.4.24.1. Measurement of financial assets and liabilities

At initial recognition, the Group measures financial assets and liabilities at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
At the end of the reporting period the Group measures loans and receivables including trade receivables at amortised cost using effective interest rate method. Effective interest is the rate which discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and in justified situations in shorter period, up to net book value of financial asset or liability.
At the end of the reporting period the Group measures its financial liabilities at amortised cost using the effective interest rate method.

3.4.24.2. Transfers

In the Group there were no particular circumstances for the reclassification of the financial instruments measured at fair value through profit or loss.

3.4.24.3. Hedge accounting

Derivatives designated as hedging instruments whose cash flows are expected to offset changes in the cash flows of a hedged item are accounted for in accordance with the cash flow hedge accounting.
The Group assess effectiveness at the inception of the hedge and later, at minimum, at each reporting date. The Group assess hedge as effective, for external reporting purposes only if the actual results of the hedge are within a range of 80% - 125%.
The Group uses statistical methods, in particular regression analysis, to assess effectiveness of the hedge. The Group uses simplified analytical methods, when a hedged item and a hedging instruments are of the same nature i.e. maturity dates, amounts, changes affecting fair value risk or cash flow changes.
If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.
However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.
If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes the associated gains and losses that were recognized in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.
If a hedge of a forecast transaction results in the recognition of revenue from sales of products, merchandise, materials or services, the Group removes the associated gains or losses that were recognized in the other comprehensive income and adjusts these revenues.

3.4.25. Fair value measurement

The Group maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs to meet the the objective of fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.
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 modeled as a separate risk factor, but they are calculated 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 current year profit or loss.
As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.

3.4.26. Lease

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Particularly leases are the agreements defined in the Polish Civil Code as well as rent and tenancy agreements concluded for a definite time.
Assets used under the operating lease, that is under the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognised as assets of the lessor. Determining whether the transfer of risks and rewards exists depends on the assessment of essence of the economic substance of the transaction.

3.4.27. Contingent liabilities

Contingent liabilities are not recognized in the statement of financial position, but are disclosed in the financial statements, unless the possibility of outflow of economic benefits is remote.

4. Significant values based on professional judgement and estimates

The preparation of consolidated financial statements in accordance with IFRSs requires that the Management Board makes expert estimates and assumptions that affect the applied methods and presented amounts of assets, liabilities and equity, revenues and expenses. The estimates and related assumptions are based on historical expertise and other factors regarded as reliable in given circumstances and their effects provide grounds for professional judgment of the carrying amount of assets and liabilities which is not based directly on any other factors.
In the matters of considerable weight, the Management Board might base its judgments, estimates or assumptions on opinions of independent experts. The judgments, estimates and related assumptions are verified on a regular basis.

4.1. Professional judgement

Expenditures for exploration and evaluation of mineral resources
Application of the Group's accounting policy for expenditures for exploration and evaluation of mineral resources requires an assessment, whether future economic benefits resulting from extraction or sale are possible or if indications allowing to estimate the resources does not yet exist. When estimating the resources, the Group assesses future events and circumstances, including the assessment whether the extraction will be economically feasible. Additional information is presented in note 12.4.

Financial instruments
The Management Board assesses the classification of financial instruments, nature and extent of risks related to financial instruments and application of the cash flow hedge accounting. The financial instruments are classified into different categories depending on the purpose of the purchase and nature of acquired asset. Additional information is presented in note 32.

Investments in subsidiaries and jointly controled entities
The Group, regardless of the nature of its involvement in the entity (the entity in which it investet) defines its status by assessment, whether it controls the entity in which the investment was made, and assess whether it has a joint control in a joint venture, after consideration of all the facts and circumstances.
Additional information is presented in notes 5 and 15.

4.2. Estimates

Exploration and evaluation of mineral resources
The Group estimates resources based on interpretation of available geological data and verifies then on a the current basis, based on further exploration and recognition wells, trial exploitation, actual extraction (production) and economic factors such as: hydrocarbons' prices, contractual terms or investment plans.
At the end of each reporting period the Group analyzes cost of removal of wells and supporting infrastructure.

Estimated useful lives of property, plant and equipment and intangible assets
As described in note 3.4.11 and 3.4.14 the Group verifies useful lives of property, plant and equipment and intangible assets at least once at year end. Additional information is presented in note 12 and 14.

Valuation of investment property
The fair value estimation reflects market conditions at the end of the reporting period. Additional information is presented in note 13.

Impairment of property, plant nad equipment and intangible assets
The Management Board assesses whether there is any indicator for impairment of an asset or cash generating unit. If there is an impairment, the estimation of recoverable amount of an asset is made. Additional information, including the sensitivity analysis of value in use and description of assumptions used, is presented in notes 12.2, 14.3, 18.
The impairment test of exploration and evaluation of mineral resources assets is performed, when variables such as: long-term forecasts of crude oil prices (taking into account historical prices, price trends and other market events), discount rates, operating costs, provisions or liquidation quantity of available mineral resources and planned extraction based on estimated resources should be estimated. Additional information is presented in note 18.

Impairment of inventories
If there is an impairment of inventory, estimation of the net realizable value of inventories is required.
Additional information is presented in note 19.1.

Impairment of trade and other receivables
The Management Board assesses whether there is any indicator for impairment of trade and other receivables taking into account the adopted internal procedures as individual assessed of each customer with regard to credit risk. Additional information is presented in notes 20.1 and 32.5.2.

Provisions
Recognition of provisions requires estimates of the probability of outflow of economic benefits and defining the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The most significant values apply to environmental provision regarding remediation of contaminated land-water environment in the area of production plants, petrol stations, fuel terminals and fuel warehouses, jubilee and post-employment benefits provision and CO_2 emissions provision.

ORLEN GROUP (in PLN million)

5. ORLEN Group structure

PKN ORLEN as Parent Company is a multi-segment entity, appropriately allocated to all operating segments and corporate functions.

Name of the entity	Parent company	Share in total voting rights 31/12/2014	Share in total voting rights 31/12/2013	Consolidation method/Valuation method	Website
Downstream Segment					
Production and trading					
AB ORLEN Lietuva (ORLEN Lietuva)	PKN ORLEN S.A.	100%	100%	full	www.orlenlietuva.lt
Anwil S.A.	PKN ORLEN S.A.	100%	100%	full	www.anwil.pl
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	Basell ORLEN Polyolefins Sp. z.o.o.	100%	100%	equity method	
Chemopetrol a.s.	UNIPETROL RPA s.r.o.	100%	100%	full	
Fabryka Parafin Naftowax Sp. z o.o. [1]	RAFINERIA TRZEBINIA S.A. [1]	100%	100%	full	www.naftowax.pl
Inowrocławskie Kopalnie Soli "Solino" S.A.	PKN ORLEN S.A.	100%	100%	full	www.solino.pl
Kopalnia Soli Lubień Sp. z o.o.	PKN ORLEN S.A.	100%	-	full	-
Mogul Slowakia s.r.o.	PARAMO A.S.	100%	100%	full	
ORLEN Asfalt Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlen-asfalt.pl
ORLEN Gaz Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlengaz.pl
Orlen Oil Cesko s.r.o. [3]	ORLEN OIL Sp. z o.o.	100%	100%	full	www.orlenoil.cz
ORLEN Oil Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenoil.pl
ORLEN Paliwa Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenpaliwa.com.pl
ORLEN Petrotank Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenpetrotank.pl
OU ORLEN Eesti (previously OU Mazeikiu Nafta Trading House)	UAB Mezeikiu naftos prekybos namai	100%	100%	full	
Paramo a.s.	UNIPETROL A.S.	100%	100%	full	www.paramo.cz
ORLEN Asfalt Ceska Republika s.r.o.	ORLEN ASFALT Sp. z o.o.	100%	100%	full	www.paramoasfalt.cz
Paramo Oil s.r.o.	PARAMO A.S.	100%	100%	full	
Platinum Oil Sp. z o.o.	ORLEN OIL Sp. z o.o.	100%	100%	full	www.platinumoil.pl
Rafineria Nafty Jedlicze S.A. [1]	PKN ORLEN S.A.	100%	100%	full	www.rnjsa.com.pl
Spolana a.s.	ANWIL S.A.	100%	100%	full	www.spolana.cz
SIA ORLEN Latvija (previously SIA Mazeikiu Nafta Tirdzniecibas nams)	UAB Mezeikiu naftos prekybos namai	100%	100%	full	
UAB Mezeikiu naftos prekybos namai	AB ORLEN Lietuva	100%	100%	full	
UNIPETROL Austria HmbH (in liquidation)	UNIPETROL A.S.	100%	100%	full	
UNIPETROL Deutschland GmbH	UNIPETROL RPA s.r.o.	100%	100%	full	www.unipetrol.de
UNIPETROL RPA s.r.o.	UNIPETROL A.S.	100%	100%	full	www.unipetrolrpa.cz
UNIPETROL Rafinerie s.r.o	UNIPETROL A.S.	100%	100%	full	
UNIPETROL Slovensko s.r.o.	UNIPETROL RPA s.r.o.	100%	100%	full	www.unipetrol.sk
Rafineria Trzebinia S.A. [1]	PKN ORLEN S.A.	99.46%	86.35%	full	www.rafineria-trzebinia.pl
Ceska Rafinerska a.s.	UNIPETROL A.S.	67.56%	51,22%	share in assets and liabilities	www.ceskarafinerska.cz
Ship-Service S.A.	PKN ORLEN S.A.	60.86%	60,86%	full	www.ship-service.pl
Butadien Kralupy a.s.	UNIPETROL A.S.	51%	51%	share in assets and liabilities	
Basell ORLEN Polyolefins Sp. z o.o.	PKN ORLEN S.A.	50%	50%	equity method	www.basellorlen.pl
Services					
EkoNaft Sp. z o.o.	RAFINERIA TRZEBINIA S.A. [1]	100%	100%	full	www.ekonaft.pl
Energomedia Sp. z o.o.	RAFINERIA TRZEBINIA S.A. [1]	100%	100%	full	www.energomedia.pl
Euronaft Trzebinia Sp. z o.o.	RAFINERIA TRZEBINIA S.A. [1]	100%	100%	full	www.euronaft-trzebinia.pl
ORLEN Automatyka Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenautomatyka.pl
ORLEN Eko Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orleneko.pl
ORLEN Transport S.A.	PKN ORLEN S.A.	100%	100%	full	www.orlentransport.pl
Petrolot Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.petrolot.pl
Polymer Institute Brno s.r.o.	UNIPETROL RPA s.r.o.	100%	100%	full	
Przedsiebiorstwo Inwestycyjno-Remontowe RemWil Sp. z o.o.	ANWIL S.A.	100%	100%	full	www.remwil.pl
Przedsiębiorstwo Usług Specjalistycznych i Projektowych Chemeko Sp. z o.o.	ANWIL S.A.	-	100%	full	www.chemeko.pl
RAF- Służba Ratownicza Sp. z o.o. (in liquidation)	RAFINERIA NAFTY JEDLICZE S.A. [1]	100%	100%	full	-
RAF-Koltrans Sp. z o.o. (in liquidation)	RAFINERIA NAFTY JEDLICZE S.A. [1]	100%	100%	full	-
UAB Emas	AB ORLEN Lietuva	100%	100%	full	
UAB Paslaugos TAU	AB ORLEN Lietuva	100%	100%	full	
UNIPETROL Doprava s.r.o.	UNIPETROL RPA s.r.o.	100%	100%	full	

ORLEN GROUP (in PLN million)

Name of the entity	Parent company	Share in total voting rights 31/12/2014	Share in total voting rights 31/12/2013	Consolidation method/Valuation method	Website
Downstream Segment					
Services					
Vyzkumny Ustav Anorganicke Chemie a.s.	UNIPETROL A.S.	100%	100%	full	
Zakładowa Straż Pożarna Sp. z o.o. [1]	RAFINERIA TRZEBINIA S.A. [1]	100%	100%	full	
ORLEN KolTrans Sp. z o.o.	PKN ORLEN S.A.	99.85%	99.85%	full	www.orlenkoltrans.pl
Przedsiebiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o.	ANWIL S.A.	99.32%	99.32%	full	www.prolab.pl
Konsorcjum Olejów Przepracowanych - Organizacja Odzysku S.A.	RAFINERIA NAFTY JEDLICZE S.A. [1]	81%	81%	full	www.konsorcjum.jedlicze.com.pl
ORLEN Wir Sp. z o.o.	PKN ORLEN S.A.	76.59%	76.59%	full	www.orlenwir.pl
Power Engineering					
Baltic Power Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.balticpower.eu
Baltic Spark Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	
Retail Segment					
Trading					
AB Ventus-Nafta	AB ORLEN Lietuva	-	100%	full	
AB Ventus-Nafta	PKN ORLEN S.A.	100%	-	full	
Benzina s.r.o.	UNIPETROL A.S.	100%	100%	full	
ORLEN Deutschland GmbH	PKN ORLEN S.A.	100%	100%	full	www.orlen-deutschland.de
Services					
ORLEN Budonaft Sp .z o.o.	PKN ORLEN S.A.	100%	100%	full	www.budonaft.com.pl
Petrotans s.r.o.	BENZINA s.r.o.	100%	100%	full	www.petrotrans.cz
ORLEN Centrum Serwisowe Sp. z o.o.	PKN ORLEN S.A.	99.33%	99.33%	full	www.orlencs.pl
Upstream Segment					
Exploration and extraction					
ORLEN Upstream Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenupstream.pl
ORLEN International Exploration & Production Company BV	ORLEN UPSTREAM Sp. z o.o.	100%	-	full	
ORLEN International Exploration & Production Company BV	PKN ORLEN S.A.	-	100%	full	
ORLEN Upstream International BV	ORLEN UPSTREAM Sp. z o.o.	100%	100%	full	
TriOilResources Ltd. [2]	ORLEN Upstream International BV	100%	100%	full	www.trioilresources.com
1426628 Alberta Ltd.	TriOilResources Ltd. [2]	100%	100%	full	
OneEx Operations Partnership	TriOilResources Ltd. [2]	100%	100%	full	
SIA Balin Energy (in liquidation)	OIEP Co BV	50%	50%	share in assets and liabilities	
Corporate Functions					
Services					
AB ORLEN Lietuva (ORLEN Lietuva)	PKN ORLEN S.A.	100%	100%	full	www.orlenlietuva.lt
ORLEN Administracja Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenadministracja.pl
ORLEN Capital AB	PKN ORLEN S.A.	100%	-	full	-
ORLEN Centrum Usług Korporacyjnych Sp. z o.o. (until 31 December 2013 Orlen Księgowość Sp. z o.o.)	PKN ORLEN S.A.	100%	100%	full	www.orlencuk.pl
ORLEN Finance AB	PKN ORLEN S.A.	100%	100%	full	
ORLEN Holding Malta Ltd.	PKN ORLEN S.A.	100%	100%	full	
Orlen Insurance Ltd.	ORLEN HOLDING MALTA Ltd.	100%	100%	full	
ORLEN Ochrona Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenochrona.pl
ORLEN Serwis S.A.	PKN ORLEN S.A.	100%	-	full	-
UAB Apsauga	ORLEN OCHRONA Sp. z o.o.	100%	100%	full	www.orlenapsauga.lt
UNIPETROL RPA s.r.o.	UNIPETROL A.S.	100%	100%	full	www.unipetrolrpa.cz
UNIPETROL Services s.r.o.	UNIPETROL A.S.	100%	100%	full	
ORLEN Projekt S.A.	PKN ORLEN S.A.	99.77%	99.77%	full	www.orlenprojekt.pl
ORLEN Laboratorium Sp. z o.o.	PKN ORLEN S.A.	99.38%	99.38%	full	www.orlenlaboratorium.pl
HC Verva Litvinov a.s.	UNIPETROL RPA s.r.o.	70.95%	70.95%	full	
Centrum Edukacji Sp. z o.o.	PPPT S.A.	69.43%	69.43%	equity method	www.centrumedukacji.pl
UNIPETROL A.S.	PKN ORLEN S.A.	62.99%	62,99%	full	www.unipetrol.cz
Płocki Park Przemysłowo-Technologiczny S.A.	PKN ORLEN S.A.	50%	50%	equity method	www.pppt.pl
ORLEN Medica Sp. z o.o.	PKN ORLEN S.A.	-	100%	full	www.orlenmedica.pl
Sanatorium Uzdrowiskowe Krystynka Sp. z o.o.	ORLEN MEDICA Sp. z o.o.	-	98.58%	full	www.sanatoriumkrystynka.pl

1) from 05.01.2015 ORLEN Południe S.A.
2) from 10.03.2015 ORLEN Upstream Canada Ltd.
3) as of 14.02.2015 Orlen Oil Cesko s.r.o was removed from the Trade Register
Share in total voting rights is equal to share in equity

ORLEN GROUP (in PLN million)

5. ORLEN Group structure continued

ACTIVITY OF CORE COMPANIES BELONGING TO ORLEN GROUP

NAME OF THE ENTITY	HEADQUARTERS	PRINCIPAL ACTIVITY
UNIPETROL a.s. (including its own Capital Group)	Czech Republic - Prague	crude oil processing as well as manufacture and distribution of refinery, petrochemical and chemical products
AB ORLEN Lietuva (including its own Capital Group)	Lithuania - Juodeikiai	crude oil processing, production of refining products and wholesale
Anwil S.A.	Poland - Wloclawek	production of nitrogen fertilizers, plastic and chemicals
ORLEN Upstream Sp. z o.o. (including its own Capital Group)	Poland – Warsaw	exploration and prospecting of hydrocarbon deposits, extraction of crude oil and natural gas
ORLEN Oil Sp. z o.o.	Poland – Cracow	production, distribution and sale of grease oils, maintenance liquids
ORLEN Gaz Sp. z o.o.	Poland - Plock	wholesale of liquid gas, distribution of gas in cylinders
ORLEN Asfalt Sp. z o.o.	Poland - Plock	manufacture and sale of road bitumens and specific bitumen products
Rafineria Trzebinia S.A. [1]	Poland – Trzebinia	crude oil processing, production and sale of biofuels, oils
ORLEN Paliwa Sp. z o.o.	Poland - Plock	liquid fuels trade
Inowrocławskie Kopalnie Soli "SOLINO" S.A.	Poland – Inowroclaw	storage of crude oil, fuels and gases, extraction and supply of brine
ORLEN Transport S.A.	Poland - Plock	transport services
ORLEN KolTrans Sp. z o.o.	Poland - Plock	rail services

1) from 05.01.2015 ORLEN Południe S.A.

STRUCTURED ENTITIES

ORLEN CAPITAL AB
The company's business is to conduct financial activities aimed to raising funds through the issuance of bonds and other financial instruments for institutional and private investors. ORLEN Capital AB specializes in granting borrowings or loans to group companies and conduct any other activities related to the financial instruments.
On 30 June 2014 ORLEN Capital AB and PKN ORLEN issued eurobonds with 7-year redemption of approximately of PLN 2,080 million translated using exchange rate as at 30 June 2014 (representing EUR 500 million).The funds obtained by ORLEN Capital through the issue were transferred to PKN ORLEN under the borrowing agreement. PKN ORLEN is the guarantor of the issued bonds by an irrevocable and unconditional guarantee issued to the bondholders of PLN 4,262 million translated using exchange rate as at 31 December 2014 (equivalent of EUR 1 billion). The guarantee was granted for the time of the eurobond issue, until 30 June 2021.

ORLEN FINANCE AB
The company's business is to conduct financial services trough transactions within the ORLEN Group, including intercompany borrowings and loans, as well as any other financial instruments.
As at 31 December 2014 the Group has issued the guarantee to ORLEN Finance for related parties of PLN 940 million and to the third parties of PLN 852 million.

5.1. Changes in the ORLEN Group's structure from 1 January 2014 up to date of preparation of these report

5.1.1. Acquisitions under common control not affecting the financial data of the Group

2014
As a part of the centralization of environmental services within the ORLEN Group, 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 of Chemeko Sp. z o.o. The transfer of ownership of shares took place on 1 July 2014. As at 31 October 2014, ORLEN Eko merged with the Chemeko company.

On 31 July 2014, PKN ORLEN acquired 100% of shares of AB Ventus Nafta from ORLEN Lietuva.

On 29 December 2014, a share capital of AB ORLEN Lietuva was increased through the issue of 10,379,678 new ordinary registered shares, a nominal value of LTL 1 each.
The value of the issue amounted to USD 300 million, i.e. LTL 847 million (calculated at the rate from 29 December 2014). The issue price of one share was USD 28.90 which represents approximately LTL 81.62.
The shares from the issue were acquired by PKN ORLEN. The stake of PKN ORLEN in the share capital remained unchanged and amounted to 100%.
Funds from this issue were used to repay debt to the ORLEN Group by AB ORLEN Lietuva.

2015
- On 5 January 2015, a merger between Rafineria Trzebinia S.A. and the acquired companies: Rafineria Nafty Jedlicze S.A., Fabryka Parafin Naftowax Sp. z o.o. and Zakładowa Straż Pożarna Sp. z o.o. The company operates under the new name ORLEN Południe S.A. since 5 January 2015;
- On 5 January 2015, a merger between ORLEN OIL Sp. z o.o and Platinum OIL Sp. z o.o. as the acquired company took place;
- On 22 January 2015 PKN ORLEN acquistition from Anwil S.A. shares of Przedsiębiorsto Inwestycyjno-Remontowe "RemWil" Sp. z o.o, headquarter in Wloclawek;
- On 20 February 2015 the merger of ORLEN Serwice S.A. with ORLEN Automatyka Sp. z o.o. and Przedsiębiorstwo Inwestycyjno-Remontowe RemWil Sp. z o.o. as an acquired companies;
- On 19 March 2015 the merger of Baltic Power and Baltic Spark as acquired company.

ORLEN GROUP (in PLN million)

5.1.2. Changes in shareholder structure affecting the financial data of the Group

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 represented 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 aiming at the development of crude oil and natural gas resource base.
The amount paid for shares by TriOil of PLN 707.4 million 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 the 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 deffered 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 due to fair value of net assets recognized in the ORLEN Group was equal to price paid. As a part of the settlement an assessment of completeness and accuracy of identified assets and liabilities acquired in the mentioned transaction as well as to determine fair value of identified assets and liabilities were conducted.
Simultaneously, on 5 June 2014 TriOil and Birchill merger took place. The merger took place by transfer of Birchill's 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.

Other changes affecting the financial data of the Group

In the I quarter 2014, Unipetrol a.s acquired from Shell Overases Investments BV (Shell) 152,701 shares representating 16.335% of Česká Rafinérská share capital. The Group recognized a gain on bargain purchase in other operating income of PLN 180 million, calculated as the difference between the acquired share in equity of Ceska Rafinerska of PLN 263 million, and the purchase price of PLN 82 million. As a result of this transaction, Unipetrol share in the capital of Česká Rafinérská increased to 67.56 %

In May 2014 the ORLEN Group sold to PZU Group shares in ORLEN Medica and in Sanatorium Uzdrowiskowe „Krystynka" as well as in the PROF-MED from ANWIL Group
As a result of this transaction, the Group recognized a gain on these sales of PLN 33 million, in other operating income.

In 2014, PKN ORLEN made a repurchase of non-controlling interests and became the owner of 100 % of shares in: Rafineria Trzebinia – squeezed out of the remaining 13.65% of the shares attributable to the non-controlling interest, ORLEN OIL – acquisition of shares from Rafineria Jedlicze and Rafineria Trzebinia; ORLEN Asfalt - acquisition of shares from Rafineria Trzebinia.
As a result of these transactions, the Group recognized a decrease in equity attributable to non-controlling interest of PLN (72) million and increase of retained earnings by PLN 23 million.

On 3 July 2014 Unipetrol a.s. subsidiary of PKN ORLEN, accepted the offer of an Italian ENI Holding regarding the acquisition of Česká Rafinérská shares, representing 32.445% of share capital of the company. The completion of transaction will have a positive impact on development of Downstream sector.
The total amount of the transaction is estimated for approximately PLN 128 million translated using exchange rate as at 31 December 2014 (representing EUR 30 million). Unipetrol, exercising the pre-emption right, will become the sole owner of Česká Rafinérská. On 19 December 2014, Unipetrol received approval from the Czech Antimonopoly Office for the execution of the above transaction, however on 5 January 2015 an organization, among other of the united independent fuel station operators on the Czech market – SCS - Unie nezávislých petrolejářů, z.s. filed a compliment to this decision. The effect of above transaction will be recognized after the legally binding decision of Czech Antimonopoly Office.

Changes in the Group structure are part of the ORLEN Group strategy, assuming the focus on the core activities and allocating the released capital for development of the Group in the most prospective areas - upstream and energy sector.

ORLEN ORLEN GROUP (in PLN million)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EXPLANATORY NOTES TO OPERATING SEGMENTS

6. Operating segments

Accounting principles used in operating segments are in line with the accounting principles of the Group, described in note 3.4.4
The Management Board of PKN ORLEN and management boards of Group companies assess the segment financial results and decide about allocation of resources based on segment profit from operations plus depreciation and amortisation (EBITDA).
Revenues from transactions with external customers and transactions with other segments are carried out at arm's length.

6.1. Revenues, costs, financial results, increase in investment expenditures by operating segments

2014

	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Sales revenues from external customers		70 549	35 913	298	72	-	106 832
Sales revenues from transactions with other segments		15 392	191	-	239	(15 822)	-
Sales revenues	7	85 941	36 104	298	311	(15 822)	106 832
Operating expenses		(85 971)	(35 015)	(271)	(1 007)	15 822	(106 442)
Other operating income	9.1	468	182	4	112	-	766
Other operating expenses	9.2	(5 329)	(186)	(323)	(86)	-	(5 924)
Share in profit from investments accounted for under equity method	16	58	-	-	(1)	-	57
Segment profit/(loss) from operations		**(4 833)**	**1 085**	**(292)**	**(671)**	**-**	**(4 711)**
Net finance income and costs	10						(1 535)
(Loss) before tax							**(6 246)**
Tax expense	11						418
Net (loss)							**(5 828)**
Depreciation and amortisation	8.2	**1 408**	**355**	**122**	**106**	**-**	**1 991**
EBITDA		**(3 425)**	**1 440**	**(170)**	**(565)**	**-**	**(2 720)**
Increases in investment expenditures (including borrowing costs)		**2 714**	**345**	**499**	**230**	**-**	**3 788**

2013

	NOTE	Downstream Segment (restated data)	Retail Segment	Upstream Segment	Corporate Functions (restated data)	Adjustments (restated data)	Total (restated data)
Sales revenues from external customers		77 047	36 462	17	71	-	113 597
Sales revenues from transactions with other segments		15 939	162	-	243	(16 344)	-
Sales revenues	7	92 986	36 624	17	314	(16 344)	113 597
Operating expenses		(92 710)	(35 695)	(48)	(1 078)	16 344	(113 187)
Other operating income	9.1	188	90	83	210	-	571
Other operating expenses	9.2	(399)	(102)	(90)	(123)	-	(714)
Share in profit from investments accounted for under equity method	16	41	-	-	(1)	-	40
Segment profit/(loss) from operations		**106**	**917**	**(38)**	**(678)**	**-**	**307**
Net finance income and costs	10						(150)
Profit before tax							**157**
Tax expense	11						(67)
Net profit							**90**
Depreciation and amortisation	8.2	**1 633**	**351**	**6**	**121**	**-**	**2 111**
EBITDA		**1 739**	**1 268**	**(32)**	**(557)**	**-**	**2 418**
Increases in investment expenditures (including borrowing costs)		**1 596**	**467**	**304**	**117**	**-**	**2 484**

ORLEN GROUP (in PLN million)

6.2. Other segment data

6.2.1. Assets by operating segments

	31/12/2014	31/12/2013 (restated data)
Downstream Segment	32 298	40 348
Retail Segment	5 787	5 990
Upstream Segment	2 422	1 375
Segment assets	**40 507**	**47 713**
Corporate Functions	6 425	3 888
Adjustments	(207)	(249)
	46 725	**51 352**

including:

	NOTE	Non - current assets classified as held for sale 31/12/2014	Non - current assets classified as held for sale 31/12/2013 (restated data)	Investments accounted for under equity method 31/12/2014	Investments accounted for under equity method 31/12/2013 (restated data)
Downstream Segment		34	9	641	583
Corporate Functions		-	6	31	32
	16	**34**	**15**	**672**	**615**

As at 31 December 2014, non-current assets as held for sale in Downstream segment mainly relate to obtained for free of charge yellow energy rights and acquired red and green energy rights.
Operating segments include all assets except for financial assets (disclosed in notes 17, 21, 22) and tax assets (note 11.2). Assets used jointly by different operating segments are allocated based on revenues generated by particular operating segments.

6.2.2. Recognition and reversal of impairment allowances

	NOTE	Recognition		Reversal	
		2014	2013 (restated data)	2014	2013 (restated data)
Downstream Segment		(5 982)	(385)	108	96
Retail Segment		(100)	(47)	119	42
Upstream Segment		(322)	(89)	-	-
Impairment allowances by segments		**(6 404)**	**(521)**	**227**	**138**
Corporate Functions		(29)	(43)	26	24
Impairment allowances in operating activities	*19.1, 9.1,9.2*	**(6 433)**	**(564)**	**253**	**162**
Impairment allowances in financing activities	*10.1,10.2*	**(4)**	**(14)**	**9**	**10**
		(6 437)	**(578)**	**262**	**172**

including:

Impairment allowances of property, plant and equipment and intangible assets

	NOTE	Recognition		Reversal	
		2014	2013 (restated data)	2014	2013 (restated data)
Downstream Segment		(5 074)	(101)	14	9
Retail Segment		(93)	(42)	116	38
Upstream Segment		(322)	(89)	-	-
Impairment allowances by segments		**(5 489)**	**(232)**	**130**	**47**
Corporate Functions		(3)	(6)	2	6
	9.1,9.2,18	**(5 492)**	**(238)**	**132**	**53**

ORLEN GROUP (in PLN million)

6.2.3. Geographical information

Revenues from sale are disclosed in geographical information by customer's premises countries

	NOTE	2014	2013 (restated data)	% share 2014	% share 2013
Poland		45 095	47 065	42.2%	41.4%
Germany		19 310	18 745	18.1%	16.5%
Czech Republic		12 669	11 193	11.9%	9.9%
Lithuania, Latvia, Estonia		8 802	11 091	8.2%	9.8%
Other countries		20 956	25 503	19.6%	22.4%
	7	**106 832**	**113 597**	**100.0%**	**100.0%**

"Other countries" entry comprises of sales to customers from Switzerland, Ukraine, Denmark, Slovakia, Great Britain and Austria.

Geographical allocation of non-current assets

	31/12/2014	31/12/2013 (restated data)	% share 2014	% share 2013
Poland	17 181	15 637	73.0%	60.3%
Germany	889	862	3.8%	3.3%
Czech Republic	3 219	3 806	13.7%	14.7%
Lithuania, Latvia, Estonia	546	4 829	2.3%	18.6%
Canada	1 712	809	7.2%	3.1%
	23 547	**25 943**	**100.0%**	**100.0%**

Non-current assets by geographical allocation include non-current assets, intangible assets, investment property and perpetual usufruct of land.

6.3. Sales revenues

	NOTA	2014	2013 (restated data)	% share 2014	% share 2013
Downstream Segment*					
Light distillates		13 270	16 236	12.4%	14.3%
Medium distillates		28 976	32 270	27.1%	28.4%
Heavy fractions		7 701	9 130	7.2%	8.0%
Monomers		3 447	3 513	3.2%	3.1%
Polymers		2 953	2 541	2.8%	2.2%
Aromas		1 662	1 528	1.6%	1.3%
Fertilizers		1 065	1 004	1.0%	0.9%
Plastics		1 424	1 464	1.3%	1.3%
PTA		1 767	2 048	1.7%	1.8%
Other		8 284	7 313	7.6%	6.5%
		70 549	**77 047**	**65.9%**	**67.8%**
Retail Segment					
Light distillates		13 951	14 229	13.1%	12.5%
Medium distillates		18 659	19 079	17.5%	16.8%
Other		3 303	3 154	3.1%	2.8%
		35 913	**36 462**	**33.7%**	**32.1%**
Upstream Segment		**298**	**17**	**0.3%**	**-**
Corporate Functions		72	71	0.1%	0.1%
	7	**106 832**	**113 597**	**100.0%**	**100.0%**

*Additional information concerning restatement of revenues by operating segments in relation to changes in operating segments and implemented new IFRS 11 – Joint Agreements is presented in note 3.2.1.

6.4. Information about major customers

In 2014 and 2013 no leading customers were identified in the Group, for which turnover would exceeded 10% of total revenues from sale of the ORLEN Group.

ORLEN GROUP (in PLN million)

EXPLANATORY NOTES TO PROFIT OR LOSS STATEMENT

7. Sales revenues

	2014	2013 (restated data)	% share 2014	% share 2013
Sales of finished goods	79 270	87 681	74.2%	77.2%
Sales of services	1 566	1 638	1.5%	1.4%
Revenues from sales of finished goods and services	**80 836**	**89 319**	**75.7%**	**78.6%**
Sales of merchandise	23 556	22 974	22.0%	20.2%
Sales of raw materials	2 440	1 304	2.3%	1.2%
Revenues from sales of merchandise and raw materials	**25 996**	**24 278**	**24.3%**	**21.4%**
	106 832	**113 597**	**100.0%**	**100.0%**

8. Operating expenses

8.1. Cost of sales

	2014	2013 (restated data)	% share 2014	% share 2013
Cost of finished goods and services sold	(76 211)	(84 809)	75.4%	78.6%
Cost of merchandise and raw materials sold	(24 799)	(23 044)	24.6%	21.4%
	(101 010)	**(107 853)**	**100.0%**	**100.0%**

8.2. Cost by nature

	2014	2013 (restated data)	% share 2014	% share 2013
Materials and energy	(70 586)	(81 023)	69.9%	75.1%
Cost of merchandise and raw materials sold	(24 799)	(23 044)	24.6%	21.4%
External services	(4 316)	(4 164)	4.3%	3.9%
Employee benefits	(2 059)	(2 099)	2.0%	1.9%
Depreciation and amortisation	(1 991)	(2 111)	2.0%	2.0%
Taxes and charges	(653)	(611)	0.6%	0.6%
Other	(6 383)	(1 148)	6.3%	0.9%
	(110 787)	**(114 200)**		
Change in inventories	(1 783)	43	1.8%	-
Cost of products and services for own use	204	256	-0.2%	-0.2%
Operating expenses	**(1 579)**	**299**		
Distribution expenses	3 920	3 883	-3.9%	-3.6%
Administrative expenses	1 512	1 451	-1.5%	-1.3%
Other operating expenses	5 924	714	-5.9%	-0.7%
Cost of sales	**(101 010)**	**(107 853)**	**100.0%**	**100.0%**

In 2014 and in 2013 external services included research and development expenditures of PLN (14) million and PLN (13) million, respectively

8.3. Employee benefits costs

	2014	2013 (restated data)
Payroll expenses	(1 667)	(1 660)
Future benefits expenses	40	5
Social security expenses	(347)	(356)
Other employee benefits expenses	(85)	(88)
	(2 059)	**(2 099)**

Future employee benefits include change in balances of provision for jubilee bonuses and post-employment benefits recognized in profit or loss.

ORLEN GROUP (in PLN million)

9. Other operating income and expenses

9.1. Other operating income

	NOTE	2014	2013 (restated data)
Profit on sale of non-current non-financial assets		61	41
Gain on bargain purchase	5.1.2	180	83
Reversal of provisions		63	38
Reversal of receivables impairment allowances	6.2.2, 20.1	38	30
Reversal of impairment allowances of property, plant and equipment and intangible assets	6.2.2, 12.2 14.1, 14.3, 18	132	53
Penalties and compensations earned		91	175
Other		201	151
		766	**571**

“Gain on bargain purchase” for 2014 relates to the acquisition of 16.335% of shares of the Ceska Rafinerska that took place in the I quarter of 2014 by Unipetrol Group from Shell Overseas Investments BV (Shell).
In 2013, this position related to the settlement of the acquisition of TriOil shares realized in the IV quarter by the ORLEN Upstream Group.
The line ‘other’ in 2014 includes mainly the effect of recognition of property rights, so-called yellow and red energy certificates for the period from 30 April to 31 December 2014 of PLN 48 million, the impact of CO_2 emission rights prices fluctuation on the value of CO_2 emission cost of PLN 24 million and the revaluation effect of due CO_2 emission rights of PLN 28 million.
In 2013, this line consisted mainly income resulting from the tax authority’s decision concerning the refund of excise tax paid by PKN ORLEN in previous years, and liabilities correction due to fuel charge from RME of PLN 65 million as well as the effect or rights recognized and changes in CO_2 emission allowance prices.

9.2. Other operating expenses

	NOTE	2014	2013 (restated data)
Loss on sale of non-current non-financial assets		(55)	(38)
Recognition of provisions		(173)	(226)
Recognition of receivables impairment allowances	6.2.2, 20.1	(69)	(57)
Recognition of impairment allowances of property, plant and equipment and intangible assets	6.2.2, 12.2 14.1, 14.3, 18	(5 492)	(238)
Costs of fines, losses and compensations		(22)	(78)
Other		(113)	(77)
		(5 924)	**(714)**

Additional information regarding the change in provisions is presented in note 25.
The line ‘recognition of impairment allowances of property, plant and equipment and intangible assets’ in 2014 mainly includes an impairment allowances recognized in the II quarter of 2014 of refining assets of ORLEN Lietuva Group of PLN (4,187) million, Unipetrol Group of PLN (711) million, Rafineria Jedlicze Group of PLN (42) million, and petrochemical assets of Spolana from Anwil Group of PLN (58) million and those recognized in IV quarter of 2014 regarding upstream assets of the ORLEN Upstream Group of PLN (311) million, petrol stations in PKN ORLEN of PLN (63) million and refinery assets in Unipetrol Group approximately of PLN (22) million.
In 2013 this line relates mainly to recognized impairment allowances of Upstream segment assets concerning Kambr project on the Baltic Sea due to negative results of data analysis from the wells and so-called energy certificates resulted from changes in energy law and lack of opportunities to use them in the future.
Additional information on impairment of property, plant and equipment and intangible assets is presented in note 18.

10. Finance income and costs, net

	2014	2013 (restated data)
Interest	(167)	(227)
Foreign exchange (loss)/gain surplus	(1 459)	121
Dividends	2	2
Settlement and valuation of derivative financial instruments	97	(14)
Reversal/recognition of receivables impairment allowances	5	(4)
Other	(13)	(28)
	(1 535)	**(150)**

ORLEN GROUP (in PLN million)

10.1. Finance income

	NOTE	2014	2013 (restated data)
Interest		75	113
Foreign exchange gain surplus		-	121
Dividends		2	2
Settlement and valuation of derivative financial instruments		235	207
Reversal of receivables impairment allowances	6.2.2, 20.1	9	10
Other		33	7
		354	**460**

10.2. Finance costs

	NOTE	2014	2013 (restated data)
Interest		(242)	(340)
Foreign exchange loss surplus		(1 459)	-
Settlement and valuation of derivative financial instruments		(138)	(221)
Recognition of receivables impairment allowances	6.2.2, 20.1	(4)	(14)
Other		(46)	(35)
		(1 889)	**(610)**

On 30 June 2014, the Group ceased using of net investment hedge in foreign operations (ORLEN Lietuva Group). The hedged item (equity of ORLEN Lietuva Group) decreased as a result of the recognition of the impairment allowance of non-current assets in the II quarter of 2014, which caused a reclassification of accumulated surplus of negative foreign exchange differences from hedging instruments valuation from equity to profit or loss of PLN (811) million. Additional information is presented in note 32.4.2

11. Tax expense

	2014	2013 (restated data)
Tax expense in the statement of profit or loss		
Current tax expense	(196)	(86)
Deferred tax	614	19
	418	**(67)**
Deferred tax recognized in other comprehensive income		
Hedging instruments	334	(49)
Fair value measurement of investment property as at the date of reclassification	-	3
Actuarial gains and losses	4	(1)
	338	**(47)**
	756	**(114)**

11.1. The differences between tax expense recognized in profit or loss and the amount calculated based on the rate from profit/(loss) before tax

	2014	2013 (restated data)
Profit/(Loss) before tax	**(6 246)**	**157**
Corporate tax expense for 2014 and 2013 by the valid tax rate (19% in Poland)	1 187	(30)
Differences between tax rates	(182)	(34)
Lithuania (15%)	*(184)*	*(20)*
Germany (29%)	*(13)*	*(14)*
Canada (25%)	*15*	*-*
Impairment allowances of non-current assets	(896)	-
Effect of changes in tax losses for which no deferred tax asset was recognised	250	(63)
Valuation of entities accounted for under equity method	11	8
Other	48	52
Tax expense	**418**	**(67)**
Effective tax rate	**7%**	**43%**

ORLEN ORLEN GROUP (in PLN million)

11.1 The differences between tax expense recognized in profit or loss and the amount calculated based on the rate from profit/(loss) before tax continued

In 2014 the Group did not recognize the deferred tax asset on an impairment allowances recognized on assets of companies from ORLEN Lietuva Group, the Unipetrol Group and the Anwil Group due to the lack of certainly of their realization.
As at 31 December 2014 and as at 31 December 2013, the Group had unsettled tax losses mainly relating to the ORLEN Lietuva Group, the Unipetrol Group and the Anwil Group of PLN 2,095 million and PLN 601 million respectively, for which no deferred tax asset was recognized due to to the lack of certainty regarding the possibility of their realization in the future.

11.2. Deferred tax

	31/12/2013 (restated data)	Deferred tax recognized in statement of profit or loss	Deferred tax recognized in other comprehensive income	Acquisition of subsidiary	Foreign exchange differences on subsidiaries from consolidation recognized in other comprehensive income	31/12/2014
Deferred tax assets						
Impairment allowances	279	79	-	-	1	359
Provisions and accruals	318	(25)	-	4	1	298
Unrealized foreign exchange differences	29	182	-	-	(155)	56
Difference between carrying amount and tax base of non-current assets	42	(20)	-	-	-	22
Tax loss	362	74	-	-	2	438
Valuation of financial instruments	-	(10)	307	-	-	297
Other	47	(11)	4	-	2	42
	1 077	**269**	**311**	**4**	**(149)**	**1 512**
Deferred tax liabilities						
Investment relief	70	(3)	-	-	(14)	53
Difference between carrying amount and tax base of non-current assets	1 278	(337)	-	121	6	1 068
Surplus of contribution in kind over the values of shares	43	-	-	-	-	43
Valuation of financial instruments	32	(5)	(27)	-	-	-
Other	41	-	-	-	(3)	38
	1 464	**(345)**	**(27)**	**121**	**(11)**	**1 202**
	(387)	**614**	**338**	**(117)**	**(138)**	**310**

The above positions of deferred tax assets and liabilities are netted on the level of particular financial statements of the Group companies for presentation purposes in the consolidated financial statement of the ORLEN Group. As at 31 December 2014 deferred tax assets and liabilities amounted to PLN 385 million and PLN 75 million, respectively.

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

12. Property, plant and equipment

	31/12/2014	31/12/2013 (restated data)
Land	1 061	891
Buildings and constructions	9 154	9 854
Machinery and equipment	6 924	10 880
Vehicles and other	729	759
Construction in progress	2 193	1 222
Exploration and evaluation of mineral resources assets	790	619
Assets related to development and extraction of mineral resources	1 793	679
	22 644	**24 904**

ORLEN ORLEN GROUP (in PLN million)

12.1. Changes in property, plant and equipment by class

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Exploration and evaluation of mineral resources assets	Assets related to development and extraction of mineral resources	Total
01/01/2014								
Net carrying amount								
Gross carrying amount	941	18 514	30 455	2 073	1 353	704	685	**54 725**
Accumulated depreciation and impairment allowances	(50)	(8 642)	(19 547)	(1 311)	(108)	(85)	(6)	**(29 749)**
Government grants	-	(18)	(28)	(3)	(23)	-	-	**(72)**
	891	**9 854**	**10 880**	**759**	**1 222**	**619**	**679**	**24 904**
increases/(decreases), net								
Investment expenditures	-	35	114	45	2 981	171	328	3 674
Depreciation	(1)	(570)	(1 056)	(154)	-	-	(132)	(1 913)
Borrowing costs	-	2	7	-	27	12	-	48
Acquisition of subsidiary	-	138	224	7	8	9	829	1 215
Impairment allowances	-	(711)	(4 346)	(81)	(36)	(5)	(309)	(5 488)
Reclassifications	162	395	1 088	192	(1 989)	(20)	271	99
Sale	(4)	(1)	-	(8)	-	-	-	(13)
Liquidation	-	(21)	(52)	(45)	(17)	(8)	-	(143)
Government grants - received, settled	-	(5)	(43)	1	(2)	-	-	(49)
Other increases/(decreases)	-	(7)	(10)	1	(3)	(1)	-	(20)
Foreing exchange differences	13	45	118	12	2	13	127	330
31/12/2014 Net carrying amount	**1 061**	**9 154**	**6 924**	**729**	**2 193**	**790**	**1 793**	**22 644**
Gross carrying amount	1 113	19 159	33 435	2 153	2 376	883	2 363	**61 482**
Accumulated depreciation and impairment allowances	(52)	(9 982)	(26 440)	(1 422)	(158)	(93)	(570)	**(38 717)**
Government grants	-	(23)	(71)	(2)	(25)	-	-	**(121)**
	1 061	**9 154**	**6 924**	**729**	**2 193**	**790**	**1 793**	**22 644**
01/01/2013								
Net carrying amount								
Gross carrying amount	970	18 446	30 615	2 175	973	162	22	**53 363**
Accumulated depreciation and impairment allowances	(63)	(8 299)	(19 153)	(1 343)	(129)	-	-	**(28 987)**
Government grants	-	(13)	(24)	(3)	(5)	-	-	**(45)**
	907	**10 134**	**11 438**	**829**	**839**	**162**	**22**	**24 331**
increases/(decreases), net								
Investment expenditures	-	29	118	42	1 905	279	10	2 383
Depreciation	(1)	(607)	(1 239)	(176)	-	-	(6)	(2 029)
Borrowing costs	-	4	9	-	7	2	-	22
Acquisition of subsidiary	-	1	-	1	-	165	661	828
Impairment allowances	10	(2)	(20)	-	16	(86)	-	(82)
Reclassifications	(4)	464	851	116	(1 479)	101	11	60
Sale	-	(20)	(1)	(4)	-	-	-	(25)
Liquidation	-	(18)	(33)	(35)	(23)	-	-	(109)
Government grants - received, settled	-	(5)	(4)	-	(18)	-	-	(27)
Other increases/(decreases)	-	(12)	(8)	(3)	(3)	-	-	(26)
Foreing exchange differences	(21)	(114)	(231)	(11)	(22)	(4)	(19)	(422)
31/12/2013 Net carrying amount	**891**	**9 854**	**10 880**	**759**	**1 222**	**619**	**679**	**24 904**

In 2014 and 2013 the capitalization rate used to calculate borrowing costs amounted to 1.95% and 2.51%, respectively.

12.2. Changes in impairment allowances of property, plant and equipment

	NOTE	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Exploration and evaluation of mineral resources assets	Assets related to development and extraction of mineral resources	Total
01/01/2014		42	1 350	3 456	65	108	85	-	5 106
Recognition	*9.2*	1	738	4 211	84	106	13	309	5 462
Reversal	*9.1*	(1)	(107)	(13)	(1)	(5)	-	-	(127)
Usage		-	(6)	(21)	(1)	-	(8)	-	(36)
Reclassifications		-	7	42	(1)	(66)	-	-	(18)
Acquisition of subsidiary		-	79	127	-	1	-	-	207
Foreign exchange differences		-	105	937	11	13	3	6	1 075
		42	**2 166**	**8 739**	**157**	**157**	**93**	**315**	**11 669**
*increases, net**		*-*	*711*	*4 346*	*81*	*36*	*5*	*309*	*5 488*
01/01/2013		54	1 402	3 575	67	129	-	-	5 227
Recognition	*9.2*	7	40	28	3	23	86	-	187
Reversal	*9.1*	-	(38)	(10)	(1)	(2)	-	-	(51)
Usage		-	(2)	(14)	(3)	(21)	-	-	(40)
Reclassifications		(17)	2	16	1	(16)	-	-	(14)
Foreign exchange differences		(2)	(54)	(139)	(2)	(5)	(1)	-	(203)
		42	**1 350**	**3 456**	**65**	**108**	**85**	**-**	**5 106**
*increases/(decreases), net**		*(10)*	*2*	*20*	*-*	*(16)*	*86*	*-*	*82*

* Increases/(decreases) net includes recognition, reversal, usage, reclassifications and acquisition of subsidiary.

ORLEN GROUP (in PLN million)

12.3. Other information regarding property, plant and equipment

	NOTE	31/12/2014	31/12/2013 (restated data)
The gross carrying amount of all fully depreciated property, plant and equipment still in use		3 586	3 438
The net carrying amount of temporarilly unused property, plant and equipment		8	12
The net carrying amount of withdrawn from use property, plant and equipment and not classified as held for sale		18	19
Impairment of property, plant and equipment withdrawn		(68)	(56)
The net carrying amount of property, plant and equipment in finance lease	34.1	157	154

Should the economic useful lives of property, plant and equipment from 2013 be applied in 2014, the depreciation expense would be higher by PLN 46 million.
The Group received grants for the financing of investment projects directed at increasing energy efficiency, construction of research laboratories as well as CO_2 granted free of charge for the electricity sector (i.e. derogations for the electricity).
Information regarding property, plant and equipment that were pledged for liabilities of the Group are presented in note 30.

12.4. Amounts recognized in the financial statements, resulting from exploration and evaluation of mineral resources

	2014	2013
The costs incurred in the exploration stage and evaluation of mineral resources	(43)	(122)
preliminary analysis and other costs associated with mineral exploration recognized in the financial result	*(38)*	*(36)*
impairment allowances	*(5)*	*(86)*
Assets (as at the end of the period)	790	619
Investment expenditures	171	279
Cash flows - operating activities	14	(9)
Cash flows - investing activities	(195)	(289)

13. Investment property

As at 31 December 2014 and as at December 2013, the Group possesses investment property, which are measured at fair value (Level 2 and Level 3) of PLN 111 million and PLN 121 million, respectively. In 2014 there were no significant changes in investment property, therefore the Group does not disclose any detailed information.
Additional information regarding the valuation of investment properties are presented in note 3.4.13 and 4.2.

	Carrying amount	Fair value	Fair value hierarchy Level 2	Level 3
31/12/2014	111	111	11	100
31/12/2013 (restated data)	121	121	46	75

14. Intangible assets

	NOTE	31/12/2014	31/12/2013 (restated data)
Internally generated intangible assets	14.1	12	20
Other		*12*	*20*
Other intangible assets	14.2	691	803
Patents, trade marks and licenses		*302*	*353*
Goodwill		*38*	*34*
Rights	14.5	*189*	*270*
Other		*162*	*146*
		703	**823**

14.1. The changes in internally generated intangible assets

As at 31 December 2014 and as at 31 December 2013, there were no significant changes in internally generated intangible assets. As at 31 December 2014, impairment allowances on internally generated intangible assets amounted to PLN 8 million. For the year 2014, recognition and reversal of impairment allowances amounted to PLN (6) million and PLN 1 million, respectively.

ORLEN ORLEN GROUP (in PLN million)

14.2. The changes in other intangible assets

	Patents, trade marks and licenses	Goodwill	Rights	Other	Total
01/01/2014					
Net carrying amount					
Gross carrying amount	1 195	371	382	160	**2 108**
Accumulated depreciation and impairment allowances	(842)	(337)	(112)	(14)	**(1 305)**
	353	**34**	**270**	**146**	**803**
increases/(decreases), net					
Investment expenditures	28	-	-	38	66
Amortisation	(73)	-	-	-	(73)
Acquisition of subsidiary	3	-	-	-	3
Impairment allowances*	(19)	-	46	(2)	25
Reclassifications	14	-	-	-	14
Sale	-	-	(301)	-	(301)
Government grants - received	(3)	-	-	-	(3)
Other increases/(decreases)	(4)	(2)	172	(19)	147
Foreing exchange differences	3	6	2	(1)	10
31/12/2014 Net carrying amount	**302**	**38**	**189**	**162**	**691**
Gross carrying amount	1 250	374	256	179	**2 059**
Accumulated depreciation and impairment allowances	(945)	(336)	(67)	(17)	**(1 365)**
Government grants	(3)	-	-	-	**(3)**
	302	**38**	**189**	**162**	**691**
01/01/2013					
Net carrying amount					
Gross carrying amount	1 229	374	786	78	**2 467**
Accumulated depreciation and impairment allowances	(789)	(337)	(99)	(24)	**(1 249)**
	440	**37**	**687**	**54**	**1 218**
increases/(decreases), net					
Investment expenditures	12	-	-	60	72
Amortisation	(75)	-	-	-	(75)
Impairment allowances*	(9)	(3)	(15)	5	(22)
Reclassifications	(2)	-	10	135	143
Sale	-	-	(40)	-	(40)
Other increases/(decreases)	3	(2)	(367)	(106)	(472)
Foreing exchange differences	(16)	2	(5)	(2)	(21)
31/12/2013 Net carrying amount	**353**	**34**	**270**	**146**	**803**

Other increases/(decreases) of property rights in the net book value consist mainly of purchases, acquisitions free of charge and settlement of rights for 2014 and 2013. Additional information in note 14.5.
* Impairment allowances include recognition, reversal, usage and reclassification and acquisition of subsidiary.

14.3. Changes in impairment allowances of other intangible asset

As at 31 December 2014 and as at 31 December 2013, they were no significant changes in impairment allowances of other intangible assets. Therefore the Group do not disclose any detailed information.
For 2014 and 2013 recognition of impairment allowances amounted to PLN (24) million and PLN (51) million, respectively and reversal of impairment allowances amounted to PLN 4 million and PLN 2 million, respectively.

14.4. Other information on intangible assets

	31/12/2014	31/12/2013 (restated data)
The gross carrying amount of all fully amortised intangible assets still in use	489	488
The net carrying amount of intangible assets with indefinite useful life	11	11
The net carrying amount of intangible assets of withdrawn from use and not classified as held for sale	1	1

Should the economic useful lives of intangible assets from 2013 be applied in 2014, amotisation expense would be higher by PLN 4 million.
The net book value of intangible assets with indefinite useful life includes expenses related to registration of produced or imported chemicals, so called REACH (*Registration, Evaluation, Authorization and Restriction of Chemicals)* and goodwill.

ORLEN GROUP (in PLN million)

14.5. Rights

14.5.1. CO_2 emission rights

Change in owned CO_2 emission rights in 2014

	Quantitiy (in thous. tonnes)	Value
01/01/2014	9 715	258
Granted free of charge for 2013 and 2014	16 994	397
Settlement for 2013	(13 147)	(365)
Purchase/(Sale), net	(5 976)	(161)
Impairment allowances	-	46
Foreign exchange differences	-	2
	7 586	**177**
CO_2 emission in 2014	12 756	334

In connection with the forecasted shortage of allowances for the years 2013-2020, the Group entered into transactions to hedge future purchase price of allowances. The concluded transactions cover a substantial part of the expected shortage for the period. As at 31 December 2014 the market value of one EUA amounted to PLN 30.86 (representing EUR 7.24 at exchange rate as at 31 December 2014) (source*:* www.theice.com).

Additionally, as at 31 December 2014 the Group recognized the rights to so called colorfull energy of PLN 12 million.

15. Investments in jointly controlled entities

	NOTE	Place of business	Principal activity	Valuation method
joint ventures				
Bassel ORLEN Polyolefines Sp. z.o.o. (BOP)	*16.2*	Plock	production, distribution and sales of poliolefins	equity method
Płocki Park Przemysłowo-Technologiczny (PPPT)	*16.2*	Plock	renting real estate	equity method
joint operations				
Ceska Rafinerska a.s.		Litvínov	processing of crude oil, manufacturing of oil products	share in assets and liabilities
Butadien Kralupy a.s.		Kralupy nad Vltavou	manufacturing of butadien	share in assets and liabilities

In accordance with IFRS 11 „Joint Arrangements" the ORLEN Group classified Unipetrol's jointly controlled entities: Ceska Rafinerska, a.s. and Butadiene Kralupy, a.s. as joint operations. Additional information is presented in note 3.2.1.
Additionally, ORLEN Upstream has participated in the following joint operations:

- participation in a holding founded by ORLEN Upstream, Polskie Górnictwo Naftowe i Gazownictwo (PGNIG), LOTOS Petrobaltic as business parties and as scientific parties University of Science and Technology (Akademia Górniczo-Hutnicza), Institue of Oil and Gas (Instytut Nafty i Gazu), Gdansk University of Technology, Warsaw University of Technology (Blue Gas – Polish Shale Gas program). The program aims to manufacture and commercialize the technology and gain knowledge for the extraction of shale gas in Poland. The Company participated in 6 projects carried out in 2013-2016. ORLEN Upstream's total contribution to the implementation of these projects amounts to PLN 26 million. Untill the end of 2014, the company donated to the Blue Gas program a cash contribution of PLN 2.5 million. In 2014, there were no costs incurred within the holding.
- exploration – extraction project carried out together with PGNiG (the search area „Sieraków"). The agreement provides the conduct of joint operations and activities in the field of exploration and extraction of crude oil and natural gas, including the production, intensification of extraction, treatment and processing of hydrocarbons. ORLEN Upstream's share in the joint operation is 49% with 51% share of PGNiG. Sierków search area has been explored and partially recognized with seismic and boreholes. Currenrtly, work is underway covering the implementation of the initial part of the development concept along with geological-investment documentation. ORLEN Upstream has the right to proportionate share of the income and bears a proportionate share in the costs of joint operations.

16. Investments accounted for under equity method

Shares in entities accounted for under equity method

	31/12/2014	31/12/2013
Associates	13	12
Joint ventures	659	603
	672	**615**

ORLEN GROUP (in PLN million)

16. Investmnets accounted for under equity method continued

Share in profit from investments accounted for under equity method

	31/12/2014	31/12/2013
Associates	2	-
Joint ventures	55	40
	57	**40**

16.1. Investments in associates

In the ORLEN Group a significant influence over associates is exerted on the basis of the voting rights corresponding to the proportion of held ownership shares.

	Place of business	Carrying amount as at		Group's share in share capital/voting rights as at		Principal activity
		31/12/2014	31/12/2013	31/12/2014	31/12/2013	
Naftelf	Vilnius	6	6	34%	34%	distribution of aviation fuels and construction of storage warehouses
Wircom	Wloclawek	7	6	49.02%	49.02%	power equipment repair services for chemical, food, energy industry
		13	**12**			

16.1.1. Condensed finacial data of associates

The Group does not present any of selected financial data of associates due to their immateriality.

16.2. Investments in joint ventures

16.2.1. The nature of investment in joint ventures

	Carrying amount as at		Group's share in share capital/voting rights as at	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
BOP	629	571	50%	50%
PPPT	30	32	50%	50%
	659	**603**		

16.2.2. Condensed financial information of joint ventures

Selected data from the statement of financial position

	NOTE	BOP		PPPT		Total	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Non-current assets		960	1 024	81	35	1 041	1 059
Current assets		1 255	1 321	23	39	1 278	1 360
Cash		*233*	*372*	*18*	*36*	*251*	*408*
Other current assets		*1 022*	*949*	*5*	*3*	*1 027*	*952*
Total assets		**2 215**	**2 345**	**104**	**74**	**2 319**	**2 419**
Non-current liabilities		20	204	40	-	60	204
Loans		*-*	*192*	*40*	*-*	*40*	*192*
Provisions		*1*	*1*	*-*	*-*	*1*	*1*
Other non-current liabilities		*19*	*11*	*-*	*-*	*19*	*11*
Current liabilities		908	969	4	10	912	979
Trade and other liabilities		*845*	*843*	*2*	*9*	*847*	*852*
Loans		*50*	*123*	*-*	*-*	*50*	*123*
Provisions		*10*	*1*	*1*	*1*	*11*	*2*
Other current liabilities		*3*	*2*	*1*	*-*	*4*	*2*
Total liabilities		**928**	**1 173**	**44**	**10**	**972**	**1 183**
Net debt		**(183)**	**(57)**	**22**	**(36)**	**(161)**	**(93)**
Net assets		1 287	1 172	60	64	*1 347*	*1 236*
Group's share in joint ventures (50%)		644	586	30	32	*674*	*618*
Consolidation adjustments		(15)	(15)	-	-	*(15)*	*(15)*
Investments accounted for under equity method	16.2.1	**629**	**571**	**30**	**32**	**659**	**603**

ORLEN GROUP (in PLN million)

16.2.2. Condensed financial information of joint ventures continued

Selected data from the statement of profit and loss and other comprehensive income and the statement of cash flows

	NOTE	BOP 2014	BOP 2013	PPPT 2014	PPPT 2013	Total 2014	Total 2013
Sales revenues		3 477	3 621	8	6	3 485	3 627
Cost of sales		(3 205)	(3 378)	(7)	(4)	(3 212)	(3 382)
depreciation and amortisation		*(98)*	*(119)*	*(1)*	*(1)*	*(99)*	*(120)*
Gross profit on sales		**272**	**243**	**1**	**2**	**273**	**245**
Distribution expenses		(94)	(103)	-	-	(94)	(103)
Administrative expenses		(23)	(22)	(5)	(5)	(28)	(27)
Net other operating income and expenses		(7)	4	-	1	(7)	5
Profit/(Loss) from operations		**148**	**122**	**(4)**	**(2)**	**144**	**120**
Finance income		18	28	1	1	19	29
interests		*5*	*4*	*1*	-	*6*	*4*
Finance costs		(21)	(39)	(1)	-	(22)	(39)
interests		*(12)*	*(14)*	-	-	*(12)*	*(14)*
Profit/ (Loss) before tax		**145**	**111**	**(4)**	**(1)**	**141**	**110**
Tax expense		(31)	(39)	-	-	(31)	(39)
Net profit/(loss)		**114**	**72**	**(4)**	**(1)**	**110**	**71**
Items of other comprehensive income		**2**	**2**	**-**	**-**	**2**	**2**
Total net comprehensive income		**116**	**74**	**(4)**	**(1)**	**112**	**73**
Net cash provided by/(used in) operating activities		182	248	(5)	(2)	**177**	**246**
Net cash (used) in investing activities		(34)	(20)	(53)	(3)	**(87)**	**(23)**
Net cash provided by/(used in) financing activities		(287)	(181)	40	-	**(247)**	**(181)**
Dividends received from joint ventures		-	40	-	-	**-**	**40**
Net profit/(loss)		114	72	(4)	(1)	110	71
Group's share in joint ventures (50%)		57	36	(2)	(1)	55	*35*
Consolidation adjustments		-	5	-	-	-	*5*
Group's share in result of joint ventures accounted for under equity method	*16*	**57**	**41**	**(2)**	**(1)**	**55**	**40**

16.3. Significant restrictions

In 2014 and 2013, there were no significant restrictions in associates and joint ventures resulting from loans agreements, regulatory requirements and other contractual agreements that would restrict access to assets and settlement of liabilities of the Group.

17. Other non-current assets

	NOTE	31/12/2014	31/12/2013 (restated data)
Cash flow hedge instruments		302	122
currency forwards		*16*	-
commodity swaps		*286*	*94*
currency interest rate swaps		-	*16*
interest rate swaps		-	*12*
Receivables due to sale of non-current non-financial assets	*32.5.2*	-	8
Loans granted		2	5
Other	*32.5.2*	23	17
Financial assets		**327**	**152**
Advances for construction in progress		-	6
Non-financial assets		**-**	**6**
		327	**158**

As at 31 December 2014 and as at 31 December 2013, the impairment allowances of other long-term assets amounted to PLN 7 million.

18. Impairment of property, plant and equipment and intangible assets

The observed in the II half of 2014 decline in crude oil prices on the global markets affects the result of the Upstream segment within the ORLEN Group operations in Canada. As a result, an impairment tests were carried out as at 31 December 2014, in accordance with IAS 36 – impairment of assets, an impairment allowances of evaluation and extraction of mineral resources assets in the Canadian TriOil, belonging to the ORLEN Upstream Group of PLN (311) million was recognized.
As at 31 December 2014 the fair value of evaluation and extraction of mineral resources assets in Canada was determined based on the projected crude oil prices and reserves evaluation developed by an independent company in accordance with professional standards for the Canadian market
Projected net cash flows used for the estimation of fair value of the assets were discounted to their present value using a discount rate that reflects the current market value of money and the specific risks to the assets on the Canadian market, which amounted to 9%.

Sensitivity analysis of the ORLEN Upstream Group assets value in use within an impairment test performed as at 31 December 2014

in PLN million

DISCOUNT RATE	EBITDA			
	change	-5%	0%	5%
	- 0.5 p.p.	*increase in allowance* (19)	*decrease in allowance* 32	*decrease in allowance* 84
	0.0 p.p.	*increase in allowance* (50)	-	*decrease in allowance* 50
	+ 0.5 p.p.	*increase in allowance* (80)	*increase in allowance* (31)	*decrease in allowance* 18

As at 31 December 2014 the ORLEN Group did not identify any new impairment indicators of other assets within the ORLEN Group.

The Group's results for the 12 months of 2014 include the impairment allowances recognized as a result of the impairment tests carried out as at 30 June 2014 in accordance with IAS 36 – impairment of assets.
As at 30 June 2014, an impairment indicators were identified in the ORLEN Group and resulted from the deterioration of the macroeconomic situation and the lack of prospects for its improvement, particularly in the refinery area. 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.

During development of assumptions to impairment tests, in accordance with IAS 36 – impairment of assets, the legitimacy and the possibility of estimation of the fair value and value in use of individual assets of the 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.

As at 30 June 2014, the analysis 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 were 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 tests of assets by cash-generating unit of ORLEN Group as at 30 June 2014

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

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. The analysis in periods were separately determined for each cash-generating unit on the basis of the expected useful life.

18. Impairment of non-current assets continued

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 CGU was performed.

As a result of the impairment tests performed an impairment allowances of assets of PLN (5,002) million were recognized and mainly related to selected CGU Refining assets of the ORLEN Group. Additinal information is presented in note 9.2.
After analysis of ability to generate future tax profits the Group recognized deferred tax asset from a part of the above impairment allowances in the Unipetrol Group of PLN 135 million.

Future financial performance is 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 ORLEN Group's assets value in use within an impairment test performed as at 30 June 2014

The major elements that influence the amount of the value in use of assets within the individual cash-generating unit are: operating profit before depreciation and amortisation (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

DISCOUNT RATE change	-5%	0%	5%
- 0.5 p.p.	*increase in allowance* (148)	*decrease in allowance* 64	*decrease in allowance* 310
0.0 p.p.	*increase in allowance* (667)	-	*decrease in allowance* 239
+ 0.5 p.p.	*increase in allowance* (1256)*	*increase in allowance* (478)	*decrease in allowance* 158

*change reflects not only an increase of impairment allowances recognized in half year of 2014 but also additional impairment allowance of assests mainly of CGU Rafininery of PKN ORLEN and CGU Petrochemistry of Unipetrol Group, which would occur after the change of assumptions.

Impact of impairment allowances of non-current assets on consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2014

	NOTE	Recognition	Reversal	Total
Land		(1)	1	-
Buildings and constructions		(738)	107	(631)
Machinery and equipment		(4 211)	13	(4 198)
Vehicles and other		(84)	1	(83)
Construction in progress		(106)	5	(101)
Assets related to development and extraction of mineral resources		(309)	-	(309)
Exploration and evaluation of mineral resources assets		*(13)*	-	*(13)*
Patents, trade marks and licenses		(19)	4	(15)
Other		(11)	1	(10)
	9.1 ,9.2, 12.2, 14.1, 14.3	**(5 492)**	**132**	**(5 360)**

In 2013 net impairment allowances of PLN (185) million were recognized mainly in the Upstream segment and related to Orlen International Exploration & Production Company BV
Based on an analysis of the KAMBR project stating the lack of hydrocarbon saturation an impairment allowance of PLN (89) million including PLN (3) million on goodwill was recognized.
Moreover, impairment allowances of property, plant and equipment of PLN (54) million and energy rights of PLN (42) million were recognized, due to changes in legal regulations and lack of opportunities to use them in the future.
Information regarding impairment loss increase and decrease in respect to each class of non-current assets are presented in notes 12, 14.

ORLEN GROUP (in PLN million)

19. Inventories

	NOTE	31/12/2014	31/12/2013 (restated data)
Raw materials		3 636	5 615
Work in progress		958	1 121
Finished goods		4 219	5 540
Merchandise		559	1 021
Spare parts		457	452
Inventories, net		**9 829**	**13 749**
Impairment allowances of inventories to net realisable value	19.1	949	202
Inventories, gross		**10 778**	**13 951**

19.1. Change in impairment allowances of inventories to net realizable value

	2014	2013 (restated data)
At the beginning of the period	202	194
Recognition	872	269
Reversal	(83)	(79)
Usage	(69)	(175)
Acquisition of subsidiary	7	-
Foreign exchange differences	20	(7)
	949	**202**

Additional information regarding inventories, which were used as pledge for the Group's liabilities is presented in note 30.

19.2. Mandatory reserves

Obligation to maintain of mandatory reserves of crude oil and oilderivative products in European Union (EU) is defined by Council Directive 2009/119/WE of 14 September 2009, which requires Member States to hold the minimum level of mandatory reserves.
In Poland and in Lithuania regulations regarding mandatory reserves require an obligation to held the mandatory reserves between entities producing or importing the crude oil and fuels and the specialized state agencies. In the Czech Republic maintaining and gathering mandatory reserves obligation is carried out only by the Government.
The ORLEN Group uses solutions developed in the previous years, that include sale of the part of the mandatory reserves to the third party and outsourcing keeping the mandatory reserves in favour of PKN ORLEN while ensuring the possibility of storing them in the current locations. These transactions each time obtained the approval from The Material Reserves Agency. The selling prices and the repurchase prices of reserves are determined basing on the market quotations. PKN ORLEN concluded transactions hedging future prices of crude oil in case of repurchase of mandatory reserves – detailed information is presented in note 32.4.
Hedging crude oil price expressed in USD, the ORLEN Group uses commodity swaps and currency forwards. As at 31 December 2014 positive valuation of currency forwards was recognized in other financial assets of PLN 141 million (note 21), whereas negative value of commodity swaps was recognized in other financial liabilities, both long- and short-term (note 26 and 29) of PLN (1,530) million. Net effect of PLN (1,125) million of the above mentioned valuations after consideration of deferred tax impact was recognized in equity in the position: hedging reserve (note 23.3).
As at 31 December 2013 the Group recognized in other financial assets, both short- and long-term (note 17 and 21) positive valuation of commodity swaps of PLN 169 million, whereas the negative value of currency forward was recognized in other financial liabilities (note 29) of PLN (12) million. Net effect of the above mentioned valuations after consideration of deferred tax impact of PLN 127 million in equity in the position: hedging reserve (note 23.3).
In the period from 1 January 2013 till the publication of the foregoing consolidated financial statements, the following contracts of sale/repurchase of mandatory reserves were concluded:

No.	transaction date	parties of the transaction		value of the transaction	
		seller	buyer	million USD	million PLN*
1	28 March 2013	Ashby	PKN	**404**	**1 318**
				including hedging transaction settlement	
				38	*124*
2	27 June 2013	PKN	Neon	**314**	**1 045**
3	28 January 2014	Whirlwind	PKN	**385**	**1 189**
				including hedging transaction settlement	
				(11)	*(34)*
4	26 June 2014	PKN	Cranbell	**736**	**2 236**
5	29 January 2015	Neon	PKN	**257**	**959**
				including hedging transaction settlement	
				112	*419*

* data translated with average exchange rate of the National Bank of Poland as at the transaction date

As at 31 December 2014 and as at 31 December 2013 the value of mandatory reserves presented in consolidated financial statement amounted to PLN 4,024 million and PLN 7,219 million, respectively.

ORLEN GROUP (in PLN million)

20. Trade and other receivables

	NOTE	31/12/2014	31/12/2013 (restated data)
Trade receivables		5 938	6 372
Receivables in court proceedings		-	72
Other		18	82
Financial assets	*32.5.2*	**5 956**	**6 526**
Excise tax and fuel charge receivables		182	184
Other taxation, duty and social security receivables		367	400
Advances for non-current non-financial assets		378	290
Energy rights		14	164
Prepayments for deliveries		26	19
Prepayments		134	185
Non-financial assets		**1 101**	**1 242**
Receivables, net		**7 057**	**7 768**
Receivables impairment allowance	*20.1*	509	496
Receivables, gross		**7 566**	8 264

As at 31 December 2014 and as at 31 December 2013 trade and other receivables denominated in foreign currencies amounted to PLN 3,669 million and PLN 3,523 million. Breakdown of receivables from related parties is presented in note 38.4. Breakdown of financial assets denominated in foreign currencies was presented in note 32.5.1.2.1.

20.1. Change in impairment allowances of trade and other receivables

	NOTE	2014	2013 (restated data)
At the beginning of the period		496	514
Recognition	*9.2, 10.2*	73	71
Reversal	*9.1, 10.1*	(47)	(40)
Usage		(19)	(40)
Foreign exchange differences		6	(9)
		509	**496**

21. Other financial assets

	31/12/2014	31/12/2013 (restated data)
Cash flows hedge instruments	692	144
currency forwards	*180*	*66*
commodity swaps	*512*	*78*
Derivatives not designated as hedge accounting	43	8
currency forwards	*8*	*5*
currency swaps	*-*	*-*
commodity swaps	*35*	*3*
Embedded derivatives	1	3
foreign currency swap	*1*	*3*
Deposits	24	4
Loans granted	1	6
Receivables on settled cash flows hedge instruments	101	-
	862	**165**

Additional information regarding blocked deposits on bank accounts due to guarantees granted for proper contract execution is presented in note 30.

22. Cash and cash equivalents

	31/12/2014	31/12/2013 (restated data)
Cash on hand and in bank (including cash in transit)	3 858	2 569
Other cash	79	120
	3 937	**2 689**
incl. restricted cash	37	47

Other cash as at 31 December 2014 and, as at 31 December 2013 includes other monetary assets with maturity of less than three months.
Restricted cash refers mainly to blocked funds on bank accounts which secure the liabilities settlement as well as due to guarantees granted.

ORLEN GROUP (in PLN million)

23. Shareholders' equity

23.1. Share capital

In accordance with the Polish Commercial Register, the share capital of Polski Koncern Naftowy ORLEN S.A. as at 31 December 2014 and as at 31 December 2013 amounted to PLN 535 million and is divided into 427,709,061 ordinary shares with nominal value of PLN 1.25 each.

As at 31 December 2014 and 31 December 2013, the number of shares issued and the number of shares approved for issuance is equal.
The share capital as at 31 December 2014 and as at 31 December 2013 consisted of the following series of shares:

Number of shares issued				
A Series	B Series	C Series	D Series	Total
336 000 000	6 971 496	77 205 641	7 531 924	**427 709 061**

In Poland, each new issue of shares is labelled as a new series of shares. All of the above series have the exact same rights.

	31/12/2014	31/12/2013 (restated data)
Share capital	535	535
Share capital revaluation adjustment	523	523
	1 058	**1 058**

23.2. Share premium

Share premium is the surplus of the issuance value over the nominal value of shares belonging to series B, C and D.

	31/12/2014	31/12/2013
Nominal share premium	1 058	1 058
Share premium revaluation adjustment	169	169
	1 227	**1 227**

23.3. Hedging reserve

Changes in hedging reserve

	2014	2013 (restated data)
At the beginning of the period	**148**	**(73)**
gross value	*182*	*(88)*
deferred tax	*(34)*	*15*
Settlement of hedge instruments	**24**	**47**
sales revenues	*(139)*	*(58)*
foreign exchange differences	*(48)*	*(61)*
interest	*4*	*43*
construction in progress	*1*	*(1)*
inventories	*206*	*124*
Valuation of hedge instruments	**(1 782)**	**213**
Non-controlling interest share in valuation	**(43)**	**10**
Deferred tax from settlement and valuation of hedge instruments	**334**	**(49)**
	(1 319)	**148**
gross value	*(1 619)*	*182*
deferred tax	*300*	*(34)*

Additional information is presented in note 3.4.24.3 and 32.4.1

ORLEN GROUP (in PLN million)

23.4. Revaluation reserve

Revaluation reserve includes the valuation of the item in accordance with accepted principles of the Group, in particular:
- changes in the fair value of financial assets available-for-sale and
- the positive difference between the net book value and the fair value of investment property at the date of reclassification of the property, plant and equipment to an investment property and their subsequent reductions.

23.5. Foreign exchange differences on subsidiaries from consolidation

As at 31 December 2014, foreign exchange differences on subsidiaries from consolidation include the effect of the translation of the financial statements of the foreign Group companies into PLN under consolidation procedures. Additionally, this position as at 31 December 2013 consisted of the translation of bank loans denominated in USD accounted for as net investment hedge in a foreign operation (ORLEN Lietuva Group), which was ceased by the Group on 30 June 2014.
Additional information regarding net investment hedge in foreign operation is presented in note 32.4.2.

23.6. Retained earnings

	31/12/2014	31/12/2013 (restated data)
Reserve capital	22 236	22 653
Other capital	884	884
Actuarial gains and losses	(13)	3
Net profit/(loss) for the period attributable to equity owners of the parent	(5 811)	176
	17 296	**23 716**

23.7. Equity attrituable to non-controlling interest

	31/12/2014	31/12/2013 (restated data)
Unipetrol Group	1 598	1 547
Rafineria Trzebinia Group	2	41
Ship Service S.A.	15	15
	1 615	**1 603**

23.7.1. Change in non-controlling interest

	NOTE	31/12/2014	31/12/2013
At the beginning of the period		1 603	1 828
Share in profit/(loss), net	*23.7.2*	(17)	(86)
Share in components of other comprehensive income		102	(136)
hedging reserve		43	(10)
foreign exchange differences on subsidiaries from consolidation		59	(126)
Adjustments concerning the buy-out of non-controlling interest	*5.1.2*	(72)	(2)
Paid and declared dividends		(1)	(1)
		1 615	**1 603**

23.7.2. Net profit/(loss) attrituable to non-controlling interest

	31/12/2014	31/12/2013
Unipetrol Group	(27)	(71)
Rafineria Trzebinia Group	10	(14)
Other	-	(1)
	(17)	**(86)**

ORLEN GROUP (in PLN million)

23.7.2.1. Condensed finacial inforamtion of aubsidiaries with significant non-controlling interest

UNIPETROL GROUP

Selected data from the statement of financial position

	31/12/2014	31/12/2013
Non-current assets	3 387	3 845
Current assets	4 050	3 673
Cash	*259*	*169*
Other current assets	*3 791*	*3 504*
Total assets	**7 437**	**7 518**
Total equity	**4 336**	**4 198**
Non-controlling interest	*(10)*	*(10)*
Non-current liabilities	763	461
Loans	*615*	*303*
Provisions	*70*	*65*
Other non-current liabilities	*78*	*93*
Current liabilities	2 338	2 859
Trade and other liabilities	*2 087*	*2 623*
Loans	*54*	*77*
Provisions	*120*	*82*
Other current liabilities	*77*	*77*
Total liabilities	**3 101**	**3 320**
Total equity and liabilities	**7 437**	**7 518**
Net debt	**410**	**211**

Selected data from the statement of profit or loss and other comprehensive income

	2014	2013
Sales revenues	18 873	16 062
Cost of sales	(17 965)	(15 689)
Gross profit on sales	**908**	**373**
Distribution expenses	(307)	(307)
Administrative expenses	(194)	(192)
Net other operating income and expenses	(542)	(10)
(Loss) from operations	**(135)**	**(136)**
Finance income	197	178
interests	*7*	*7*
Finance costs	(252)	(229)
interests	*(18)*	*(18)*
(Loss) before tax	**(190)**	**(187)**
Tax expense	118	(14)
Net (loss)	**(72)**	**(201)**
Items of other comprehensive income		
which will not be reclassified into profit or loss	**(2)**	**(10)**
Fair value measurement of investment property as at the date of reclassification	-	*(10)*
Actuarial gains and losses	*(2)*	-
which will be reclassified into profit or loss under certain conditions	**173**	**(356)**
Hedging instruments	*136*	*(34)*
Foreign exchange differences on subsidiaries from consolidation	*63*	*(328)*
Deferred tax	*(26)*	*6*
	171	**(366)**
Total net comprehensive income	**99**	**(567)**

23.7.2.2. Impact of changes of ownership interests in a subsidiary that do or do not result in a loss of control

In 2014, there were no changes in ownership interests in subsidiaries that would result in a loss of control. The impact of changes in the structure of non-controlling interest, presented in the statement of changes in consolidated equity, is a result of the purchase of non-controlling shares in Rafineria Trzebinia, ORLEN OIL and ORLEN Asfalt. Additional information is presented in note 5.1.

23.7.2.3. Significant restrictions

In 2014 and 2013, there were no significant restrictions in entities with significant non-controlling interest resulting from credit agreements, regulatory requirements and other contractual arrangements that restrict access to assets and settlement of liabilities of the Group.

ORLEN GROUP (in PLN million)

23.8. Suggested distribution of the Parent Company's loss for 2014 and the recommendation regarding dividened payment in 2015

Improved financial situation of the ORLEN Group achieved in the recent years enabled to implement, within the ORLEN Group's Strategy for years 2014-2017, the dividend policy which assumes a gradual increase in the level of dividend per share by taking into account the implementation of strategic financial indicators and forecasts of the macroeconomic situation. This method does not relate the dividend to net profit, which in the ORLEN Group's area of operations is the subject to high fluctuations and can include non-cash items, such as the revaluation of assets, inventories or loans, and as a result does not fully reflect the Group's current financial position.
Taking the above into account, the Management Board of PKN ORLEN proposes to cover the net loss for 2014 in the amount of PLN 4,671,826,145.06 from the reserve capital of the Parent Company.
Simultaneously, The Management Board of PKN ORLEN, after considering the liquidity situation of the Group, recommends to distribute the amount of PLN 705,719,950.65 (PLN 1.65 per share). The dividend will be paid from the reserve capital, which includes net profits from previous years.
The Management Board recommend the date of 16 June 2015 as a date of setting the right to dividend and 8 July 2015 as a payday. This recommendation will be presented to the General Shareholders` Meeting of PKN ORLEN, which makes a conclusive decision in this matter.

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

Pursuant to article 395 § 2 point 2 of the Commercial Code and § 7 sec. 7 point 3 of the Parent Company's Articles of Association, the Ordinary General Shareholders' Meeting of PKN ORLEN S.A. on 15 May 2014, having analyzed the motion of the Management Board, decided to distribute the total net profit for 2013 of PLN 617,684,481.47 as follows: PLN 615,901,047.84 as dividend payment (PLN 1.44 per 1 share) and the remaining amount of PLN 1,783,433.63 as reserve capital of the Parent Company.

23.10. Equity management policy

Equity management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.

The Management Board monitors the following ratios:

- net financial leverage of the Group. As at 31 December 2014 and as at 31 December 2013 net financial leverage amounted to 33.0% and 16.9%, respectively;
- dividend per ordinary shares – depends on current financial position of the Group. In 2014 and in 2013 the dividend of PLN 615,901,047.84 was paid, i.e. PLN 1.44 per share and PLN 641,563,591.50 was paid i.e. PLN 1.50 per share, respectively.

Net financial leverage: net debt/equity (calculated as at the end of the period) x 100%
Net debt: non-current loans, borrowings and bonds + current loans and borrowings – cash and cash equivalents

24. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)
Loans	5 506	4 788	985	850	6 491	5 638
Borrowings	3	1	2	-	5	1
Bonds	4 161	1 718	-	-	4 161	1 718
	9 670	**6 507**	**987**	**850**	**10 657**	**7 357**

The ORLEN Group bases its financing mainly on floating interest rates, wherein hedges that change the variable to a fixed rate are used. Depending on the currency of financing these are WIBOR, LIBOR, EURIBOR, PRIBOR and VILIBOR increased by margin. The margin reflects risk connected to financing of the Group and in case of long-term contracts depends on net debt to EBITDA ratio.

24.1. Bank loans

- by currency (translated into PLN)/ by interest rate

	31/12/2014	31/12/2013 (restated data)
PLN / WIBOR	471	114
EUR / EURIBOR	4 183	2 279
USD / LIBOR USD	547	2 542
CZK / PRIBOR	846	534
CAD / LIBOR CAD	443	168
LTL / VILIBOR	1	1
	6 491	**5 638**

ORLEN GROUP (in PLN million)

24.1. Bank loans continued

As at 31 December 2014 unused credit lines increased by trade and other receivables (note 20) and cash and cash equivalents (note 22) exceeded trade and other liabilities (note 27) by PLN 6,929 million.
The Group hedges cash flows related to interest payments regarding external financing in EUR and USD, by using interest rate swaps (IRS).
Information regarding loans that were hedged with the Group's assets is presented note 30.
In the period covered by the foregoing consolidated financial statements as well as after the reporting date there were no cases of violations of loans or interests repayment.

24.2. Bonds

- by currency (translated into PLN)

	31/12/2014	31/12/2013
PLN	2 020	1 718
EUR	2 141	-
	4 161	**1 718**

- by currency by interest rate
-

	Fixed rate bonds		Floating rate bonds		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Nominal value	2 231	-	1 900	1 700	4 131	1 700
Carrying amount	2 242	-	1 919	1 718	4 161	1 718

PKN ORLEN's Supervisory Board at its meeting on 28 March 2013 approved the issuance of bonds by PKN ORLEN through a public bond issue program (Program).

Acting on the basis of an agreement concluded with UniCredit CAIB Poland S.A., and Powszechna Kasa Oszczędnosci Bank Polski S.A. and Bank Pekao S.A, PKN ORLEN issued four series of medium-term bonds (4 year) in 2013 with a total nominal value of PLN 700 million, aimed at retail investors. On 2 April 2014, PKN ORLEN issued the fifth series of the 4-year bonds (Series E) with a nominal value of PLN 200 million, and on 9 April 2014 the sixth series of bonds (Series F) with a nominal value of PLN 100 million.
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.
As a part of non-public bond issue Program, operating on the basis of the agreement concluded with the syndicate of Polish banks in November 2006, with the maximum indebtedness of PLN 2,000 million, the Group issued 7-years coupon bonds with the nominal value of PLN 1,000 million in February 2012 and within granted limit short-term bonds to the Group's entities are issued in order to optimize liquidity within the ORLEN Group.

	Nominal value	Subscription date	Expiration 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)
	1 000					
Corporate bonds	1 000	27.02.2012	27.02.2019	6M WIBOR	1.60%	-
	2 000					

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).

31/12/2014	Nominal value	Subscription date	Expiration date	Base rate	Margin	Rating
Eurobonds	2 131	30.06.2014	30.06.2021	Fixed interest rate 2.5%		BBB-, Baa3
	2 131					

ORLEN GROUP (in PLN million)

25. Provisions

	Non-current		Current		Total	
	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)
Environmental	414	346	37	36	451	382
Jubilee bonuses and post-employment benefits	251	262	33	42	284	304
Shield programs	-	-	38	43	38	43
CO_2 emissions	-	-	334	320	334	320
Other	44	50	206	380	250	430
	709	**658**	**648**	**821**	**1 357**	**1 479**

Change in provisions in 2014

	Environmental provision	Jubilee bonuses and post-employment benefits provision	Shield programs provisions	Provision for CO_2 emissions	Other provisions	Total
01/01/2014	382	304	43	320	430	1 479
Recognition	79	7	21	333	136	576
Acquisition of subsidiary	18	-	-	3	-	21
Usage	(29)	(28)	(23)	(319)	(247)	(646)
Reversal	(7)	-	(3)	(9)	(70)	(89)
Foreign exchange differences	8	1	-	6	1	16
	451	**284**	**38**	**334**	**250**	**1 357**

Change in provisions in 2013

(restated data)	Environmental provision	Jubilee bonuses and post-employment benefits provision	Shield programs provisions	Provision for CO_2 emissions	Other provisions	Total
01/01/2013	374	313	42	378	355	1 462
Recognition	13	27	15	307	302	664
Acquisition of subsidiary	39	-	-	-	1	40
Usage	(34)	(36)	(8)	(357)	(160)	(595)
Reversal	(5)	-	(6)	(2)	(68)	(81)
Foreign exchange differences	(5)	-	-	(6)	-	(11)
	382	**304**	**43**	**320**	**430**	**1 479**

25.1. Environmental provision

The Group has legal obligation to clean contaminated land – water environment in the area of production plants, fuel stations, fuel terminals and warehouses.
The Management Board estimated the provision for environmental risks regarding the removal of contaminants based on analyzes provided by independent experts or based on own analysis. The amount of the provision is the best estimate of future expenses based on the average level of costs incurred for the reclamation in relation to individual objects.
As the Czech Republic is concerned, the Government of the Czech Republic is responsible for liabilities arising from contamination of land-water environment before date of entity's privatization (so called Old Ecological Burdens). In case of new contamination that arose after date of the entity's privatization the Group is responsible for those liabilities.
In 2014, the value of environmental provisions has increased mainly due to the „frequency" of the remediation processes occurrence and higher unit costs of cleaning in the fuel stations segment. Should 2013 assumptions were used, the environmental provision would have been lower by PLN (52) million.
Additional information regarding estimation of provision for environmental risk is presented in note 3.4.21.1.

ORLEN GROUP (in PLN million)

25.2. Provision for jubilee bonuses and post-employment benefits

25.2.1. Change in employee benefits obligations

	NOTE	Provision for jubilee bonuses	Post-employment benefits	Total
01/01/2014		161	143	304
Current service costs		7	5	12
Interest expenses		7	6	13
Actuarial gains and losses arising from changes in		*30*	*20*	50
demographic assumptions		*1*	*1*	*2*
financial assumptions		*23*	*19*	*42*
other		*6*	-	*6*
Past employment costs		(7)	(23)	(30)
Change in share structure		(1)	1	-
Payments under program		(25)	(6)	(31)
Other		(9)	(25)	(34)
	25	**163**	**121**	**284**

	NOTE	Provision for jubilee bonuses	Post-employment benefits (restated data)	Total
01/01/2013		179	134	313
Current service costs		8	4	12
Interest expenses		7	5	12
Actuarial gains and losses arising from changes in		(8)	(4)	(12)
demographic assumptions		*1*	*11*	*12*
financial assumptions		*(6)*	*(15)*	*(21)*
other		*(3)*	-	*(3)*
Past employment costs		(3)	4	1
Payments under program		(23)	(10)	(33)
Other		1	10	11
	25	**161**	**143**	**304**

The carrying amount of employee benefits liabilities is identical to their present value as at 31 December 2014 and 31 December 2013.

25.2.2. Employee benefits liabilities divided into active and retired employees

	Active employees		Pensioners		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)
Poland	226	215	37	42	263	257
Czech Republic	13	10	-	-	13	10
Lithuania, Latvia, Estonia	8	37	-	-	8	37
	247	**262**	**37**	**42**	**284**	**304**

25.2.3. Employee benefits liabilities divided into geographical structure

	Provision for jubilee bonuses		Post-employment benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)
Poland	161	151	102	106	263	257
Czech Republic	2	2	11	8	13	10
Lithuania, Latvia, Estonia	-	8	8	29	8	37
	163	**161**	**121**	**143**	**284**	**304**

ORLEN GROUP (in PLN million)

25.2.4. Sensitivity analysis to changes in actuarial assumptions

The Group analysed the impact of the financial and demographic assumptions and calculated that the change of remuneration ratio by +/- 1.0 percentage points, the discount rate by +/- 0.5 percentage points and the rate of turnover by +/- 0.5 percentage point is no higher than PLN 6 million. Therefore, the Group does not present any detailed information.
As at 31 December 2014, the Group used the following actuarial assumptions that had an impact on the level of actuarial provisions for the Polish entities: discount rate 2.6%, expected inflation 2.5%, the remuneration increase rate: 0% in years 2015-2017 and 2.5% in subsequent years. In the Group's foreign entities the main impact had: discount rate: from 0.62% to 1.84% and termination of collective agreement in AB ORLEN Lietuva in 2014 resulted in provision reversal.
The Group carries out the employee benefit payments from current resources. As at 31 December 2014 there were no funded plans and the Group paid no contributions to fund liabilities.

25.2.5. Employee benefits maturity and payments of liabilities analysis

25.2.5.1. Maturity of employee benefits analysis

	Provision for jubilee bonuses		Post-employment benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)
up to 1 year	15	21	18	21	33	42
from 1 to 5 years	49	51	15	26	64	77
above 5 years	99	89	88	96	187	185
	163	**161**	**121**	**143**	**284**	**304**

25.2.5.2. The weighted average duration of liabilities for post-employment benefits (in years)

	31/12/2014	31/12/2013 (restated data)
Poland	10	10
Czech Republic	10	9
Lithuania, Latvia, Estonia	11	11

25.2.5.3. Ageing of employee benefits payments analysis

	Provision for jubilee bonuses		Post-employment benefits		Total	
	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2014	31/12/2014	31/12/2013 (restated data)
up to 1 year	15	22	18	22	33	44
from 1 to 5 years	66	71	17	31	83	102
above 5 years	406	431	594	896	1 000	1 327
	487	**524**	**629**	**949**	**1 116**	**1 473**

25.2.6. Total employee benefits expenses recognized in the statement of profit or loss and other comprehensive income

The total employee benefit expenses for 2014 and 2013 amounted to PLN (11) million and PLN (24) million, respectively and are recognized: in profit or loss statement of PLN 9 million and PLN (28) million, respectively and in other comprehensive income of PLN (20) million and PLN 4 million, respectively.
Provisions for employee benefits recognized in profit or loss accounted as follows**:**

	2014	2013
Cost of sales	(3)	(5)
Administrative expenses	14	(21)
Distribution expenses	(2)	(2)
	9	**(28)**

In 2014 the amount of provision for employee benefits changed as the result of update of assumptions, mainly in relation to discount rate, projected inflation and expected remuneration increase ratio. Should the 2013 assumptions be used, the provision for the employee benefits would be lower by PLN (40) million.
Additional information regarding the payment of jubilee bonuses and post-employment benefits is presented in note 3.4.21.2.

ORLEN ORLEN GROUP (in PLN million)

25.3. Shield programs provision

Employee shield programs were launched to support the restructuring processes conducted in the Group. Depending on particular situation the programs provide i.e. additional severances, training packages for employees with whom the employment agreement was or would be dissolved and relocation packages for the employees, who agreed to change the workplace.
In 2014 the assumptions used in calculation of shield programs provision did not change in comparison to those used in prior year.

25.4. Provision for CO_2 emissions

The Group recognizes provision for estimated CO_2 emissions in the reporting period. The cost of recognized provision is compensated with settlement of deferred income on CO_2 emission rights granted free of charge. The description of the accounting principles applied is presented in note 3.4.21.4.

25.5. Other provisions

As at 31 December 2014 and as at 31 December 2013 other provisions comprise mainly: provisions for tax liabilities of previous years of PLN 28 million and PLN 216 million, respectively and provisions for the risk of unfavorable decisions of pending administrative or court proceedings of PLN 145 million and PLN 116 million, respectively.

26. Other non-current liabilities

	31/12/2014	31/12/2013 (restated data)
Cash flow hedge instruments	1 599	29
interest rate swaps	*93*	-
commodity swaps	*1 395*	-
currency interest rate swaps	*111*	*29*
Investment liabilities	125	1
Finance lease	90	72
Other	29	31
	1 843	**133**

The above positions of liabilities are financial liabilities.

27. Trade and other liabilities

	31/12/2014	31/12/2013 (restated data)
Trade liabilities	7 049	9 889
Investment liabilities	923	871
Finance lease	26	30
Other	108	93
Financial liabilities	**8 106**	**10 883**
Payroll liabilities	245	221
Environmental liabilities	19	18
Special funds	18	13
Excise tax and fuel charge	1 756	1 617
Value added tax	735	919
Other taxation, duties, social security and other benefits	89	95
Accruals	200	233
holiday pay accrual	*60*	*58*
liabilities due to reimbursement of excise tax cost to suppliers providing tax warehouse services	*140*	*175*
Prepayments for deliveries	45	14
Other	2	-
Non-financial liabilities	**3 109**	**3 130**
	11 215	**14 013**

Trade and other liabilities denominated in foreign currencies as at 31 December 2014 and 31 December 2013 amounted to PLN 7,424 million and PLN 9,959 million, respectively.
The currency structure of financial liabilities is presented in note 32.5.1.2.1.
Information regarding trade and other liabilities that were hedged with the Group's assets is presented in note 30.

ORLEN GROUP (in PLN million)

28. Deferred income

	31/12/2014	31/12/2013
Non-current	**8**	**10**
Government grants	8	9
Other	-	1
Short-term	**122**	**124**
Government grants	11	19
VITAY loyalty program	88	84
Other	23	21
	130	**134**

VITAY is a loyalty program created for individual customers, operating on the Polish market since 2001. Purchases made by customers under the program are granted with VITAY points that can be subsequently exchanged for gifts or selected products discounts, including fuels (source: http://www.vitay.pl).

29. Other financial liabilities

	31/12/2014	31/12/2013 (restated data)
Cash flow hedge instruments	990	64
currency forwards	*31*	*58*
interest rate swaps	*-*	*6*
commodity swaps	*959*	*-*
Derivatives not designated as hedge accounting	29	46
currency forwards	*-*	*2*
commodity swaps	*29*	*44*
Embedded derivatives	1	-
currency swaps	*1*	*-*
	1 020	**110**

30. Information on established collaterals

	31/12/2014		31/12/2013 (restated data)	
	Assets pledged as collateral for liabilities	Liabilities secured by assets	Assets pledged as collateral for liabilities	Liabilities secured by assets
Loans	**1 230**	**451**	**837**	**204**
pledge on property, plant and equipment	1 210	444	802	181
pledge on inventories	-	-	35	23
cash in bank pledged as collateral	20	7	-	-
Other	**75**	**178**	**60**	**166**

In 2014 and 2013 position other regarded property, plant and equipment and deposits which are recognized as collateral of trade payables.
As at 31 December 2014 and as at 31 December 2013 property, plant and equipment in the net carrying amount of PLN 10 million and PLN 94 million, respectively, were pledged as collateral for liabilities, which value was zero.
The above mentioned collaterals concern mainly bank loans of the Group entities and can be overtaken by the lender in case of absence of timely repayments of capital and interest. So far, such situation has not occurred and no risk was identified that such situation may occur in the foreseeable future.

ORLEN GROUP (in PLN million)

EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

31. Explanatory notes to the statement of cash flows

31.1. Explanation of differences between changes in the statement of financial position captions and changes presented in the statement of cash flows

	2014	2013 (restated data)
Change in other non-current assets and trade and other receivables presented in the statement of financial position	**542**	**125**
Change in investment receivables from:	(73)	340
advances for non-current non-financial assets	*88*	*173*
sale of non-current non-financial assets	*(8)*	*8*
granted non-current loans	*(3)*	*(4)*
rights granted free of charge	*(150)*	*163*
Change in non-current cash flows hedge instruments	180	94
Change in prepayments regarding bank commissions	(11)	(9)
Acquisition of subsidiary	22	33
Other	-	2
Foreign exchange differences	264	(180)
Change in receivables in the statement of cash flows	**924**	**405**
Change in inventories presented in the statement of financial position	**3 920**	**1 154**
Reclassification of inventories from/to property, plant and equipment and non-current assets classified as held for sale	(46)	(21)
Foreign exchange differences	232	(159)
Change in inventories in the statement of cash flows	**4 106**	**974**
Change in other non-current liabilities, trade and other liabilities presented in the statement of financial position	**(1 088)**	**1 473**
Change in investment liabilities from investment expenditures	(176)	(235)
Change in non-current cash flows hedge instruments	(1 570)	42
Change in financial liabilities from finance lease	(14)	-
Acquisition of subsidiary	(24)	(40)
Other	-	9
Foreign exchange differences	(406)	187
Change in liabilities in the statement of cash flows	**(3 278)**	**1 436**
Change in provisions presented in the statement on finacial position	**(122)**	**17**
Usage of prior year CO_2 emission provision	319	382
Usage of prior year energy rights provision	16	15
Actuarial gains and losses	(20)	4
Acquisition of subsidiary	(20)	(41)
Foreign exchange differences	(32)	14
Change in provisions in the statement of cash flows	**141**	**391**

31.2. Other adjustments in cash flows from operating activities

	2014	2013 (restated data)
CO_2 emission rights granted free of charge	(186)	(165)
Energy rights granted free of charge	(72)	6
Change in deferred income	(4)	(50)
Receivables on settled cash flows hedge instruments	(101)	-
Other	3	(6)
	(360)	**(215)**

ORLEN GROUP (in PLN million)

31.3. Foreign exchange loss

	NOTE	2014	2013 (restated data)
Foreign exchange (loss)/gain surplus presented in statement of profit or loss and other comprehensive income	*10*	**(1 459)**	**121**
Adjustments to net profit/(loss) of foreign exchange differences presented in statement of cash flows:		**880**	**64**
realized foreign exchange differences concerning financing activities		*267*	*25*
realized foreign exchange differences concerning investing activities		*(182)*	*-*
unrealized foreign exchange differences concerning investing and financing activities		*(19)*	*41*
unrealized foreign exchange differences on subsidiaries from consolidation		*1*	*(2)*
hedge accounting of net investment hedge in foreign operation		*811*	*-*
foreign exchange differences on cash		*2*	*-*
Foreign exchange differences concerning operating activities not correcting net profit/(loss)		**(579)**	**185**

31.4. Interest, net

	NOTE	2014	2013 (restated data)
Finance income and costs of net interest presented in statement of profit or loss and other comprehensive income	*10*	**(167)**	**(227)**
Adjustments to net profit/(loss) of net interest presented in statement of cash flows:		**241**	**272**
interest paid concerning financing activities		*245*	*310*
accrued interest concerning investing and financing activities		*(4)*	*(38)*
Net interest concerning operating activities not correcting net profit/(loss)		**(74)**	**(45)**

31.5. Loss on investing activities

	NOTE	2014	2013 (restated data)
Adjustments to net profit/(loss) of loss on investing activities			
(Profit) on sale of non-current non-financial assets	*9.1, 9.2*	(6)	(3)
(Gain) on bargain purchase	*9.1*	(180)	(83)
Recognition/reversal of impairment allowances of property, plant and equipment and intangible assets	*9.1, 9.2*	5 360	185
Embedded derivatives and hedging instruments		(112)	19
Other		(47)	(24)
		5 015	**94**

31.6. Income tax (paid)

	NOTE	2014	2013 (restated data)
Tax expense on profit/(loss) before tax	*11*	**418**	**(67)**
Change in deferred tax asset		(234)	134
Change in deferred tax liabilities		(463)	(130)
Change in current tax receivables		24	25
Change in current tax liabilities		6	(47)
Deferred tax recognized in other comprehensive income	*11.2*	338	(47)
Acquisition of subsidiary	*11.2*	(117)	40
Foreign exchange differences		(140)	(15)
		(168)	**(107)**

ORLEN GROUP (in PLN million)

EXPLANATORY NOTES TO FINANCIAL INSTRUMENTS

32. Financial instruments

32.1. Financial instruments by category and class

Financial assets

31/12/2014

Financial instruments by class	NOTE	Financial instruments by category: Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares		-	-	40	-	40
Deposits	21	-	24	-	-	24
Trade receivables	20	-	5 938	-	-	5 938
Loans granted	17,21	-	3	-	-	3
Embedded derivatives and hedging instruments	17,21	44	-	-	994	1 038
Cash and cash equivalents	22	-	3 937	-	-	3 937
Other	17,20,21	-	142	-	-	142
		44	**10 044**	**40**	**994**	**11 122**

31/12/2013

Financial instruments by class (restated data)	NOTE	Financial instruments by category: Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares		-	-	40	-	40
Deposits	21	-	4	-	-	4
Trade receivables	20	-	6 372	-	-	6 372
Sale of non-financial non-current assets	17	-	8	-	-	8
Loans granted	17,21	-	11	-	-	11
Embedded derivatives and hedging instruments	17,21	11	-	-	266	277
Cash and cash equivalents	22	-	2 689	-	-	2 689
Other	17,20	-	171	-	-	171
		11	**9 255**	**40**	**266**	**9 572**

Financial liabilities

31/12/2014

Financial instruments by class	NOTE	Financial instruments by category: Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Bonds	24	-	4 161	-	-	4 161
Loans	24	-	6 491	-	-	6 491
Borrowings	24	-	5	-	-	5
Finance lease	26,27	-	-	-	116	116
Trade liabilities	27	-	7 049	-	-	7 049
Investment liabilities	26,27	-	1 048	-	-	1 048
Embedded derivatives and hedging instruments	26,29	30	-	2 589	-	2 619
Other	26,27	-	137	-	-	137
		30	**18 891**	**2 589**	**116**	**21 626**

ORLEN GROUP (in PLN million)

32.1. Financial instruments by category and class continued

31/12/2013

Financial instruments by class (restated data)	NOTE	Financial instruments by category: Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Bonds	24	-	1 718	-	-	1 718
Loans	24	-	5 638	-	-	5 638
Borrowings	24	-	1	-	-	1
Finance lease	26,27	-	-	-	102	102
Trade liabilities	27	-	9 889	-	-	9 889
Investment liabilities	26,27	-	872	-	-	872
Hedging instruments	26,29	46	-	93	-	139
Other	26,27	-	124	-	-	124
		46	**18 242**	**93**	**102**	**18 483**

32.2. Income, expense, profit and loss in the consolidated statement of profit or loss and other comprehensive income

2014

	NOTE	Financial instruments by category: Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Interest income	10.1	-	75	-	-	-	-	75
Interest costs	10.2	-	-	-	(236)	-	(6)	(242)
Foreign exchange (losses)	10	-	(200)	-	(1 259)	-	-	(1 459)
Recognition/reversal of receivables impairment allowances recognized in:								
- other operating income/expenses	9.1,9.2	-	(36)	-	-	-	-	(36)
- finance income/costs	10	-	5	-	-	-	-	5
Settlement and valuation of financial derivatives, net	10	102	-	-	-	(5)	-	97
Dividends	10	-	-	2	-	-	-	2
Income/costs on fees and commissions	10	-	18	-	(29)	-	-	(11)
		102	**(138)**	**2**	**(1 524)**	**(5)**	**(6)**	**(1 569)**
other, excluded from the scope of IFRS 7								
Provisions discounting	10							(2)
Recognition/reversal of allowance for impairment of receivables recognised in								
other operating income/expenses	9.1,9.2							5
								3

2013

(restated data)	NOTE	Financial instruments by category: Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Interest income	10.1	-	113	-	-	-	-	113
Interest costs	10.2	-	-	-	(262)	-	(6)	(268)
Foreign exchange gains/(losses)	10	-	(102)	-	223	-	-	121
Recognition/reversal of receivables impairment allowances recognized in:								
- other operating income/expenses	9.1,9.2	-	(18)	-	-	-	-	(18)
- finance income/costs	10	-	(4)	-	-	-	-	(4)
Settlement and valuation of financial derivatives, net	10	(16)	-	-	-	2	-	(14)
Dividends	10	-	-	2	-	-	-	2
Income/costs on fees and commissions	10	-	(2)	-	(24)	-	-	(26)
		(16)	**(13)**	**2**	**(63)**	**2**	**(6)**	**(94)**
other, excluded from the scope of IFRS 7								
Provisions discounting	10							(2)
Interest costs	10.2							(72)
Recognition/reversal of allowance for impairment of receivables recognised in								
other operating income/expenses	9.1,9.2							(9)
								(83)

ORLEN GROUP (in PLN million)

32.3. Financial assets pledged as collateral for liabilities or contingent liabilities

Information about the collaterals is presented in note 30.

32.4. Hedge accounting

32.4.1. Cash flow hedge accounting

As a part of hedging strategy the ORLEN Group hedges its cash flows:
- from operating activities using non-deliverable sales/purchase forwards,
- from sales of the Group's products and purchase of crude oil using commodity swaps,
- from periodic changes in the operating inventory level using commodity swaps,
- from interest payments concerning external financing using interest rate swaps (IRS),
- from investment projects using foreign exchange forwards,
- from repurchase of previously sold mandatory reserves tranches of crude oil using commodity swaps and currency forwards.

As at 31 December 2014 the net negative valuation of instruments in hedge accounting presented in notes 17, 21, 26, 29 of these financial statements amounted to PLN (1,595) million and concerned mainly valuation of commodity swaps hedging future price of repurchase of mandatory crude oil reserves planned for January 2015 and 2016 – additional information on the above transactions in note 19.2. As at 31 December 2014 the valuation results mainly from decrease in crude oil prices on global markets observed especially in the II half of 2014 and the beginning of 2015.
Hedging transactions, which settlement and fair value measurement influence the foregoing consolidated financial statements were concluded in the years 2012 – 2014.

– net fair value which will be recognized in the profit or loss at the realization date

	31/12/2014	31/12/2013
Planned realization date of hedged cash flows		
Currency operating exposure		
2014	-	56
2015	133	-
Finance currency exposure		
2014	-	(47)
2015	16	-
2016	16	-
Interest rate exposure		
2014 - 2020	-	(8)
2015 - 2017	(15)	-
2015 - 2018	(6)	-
2015 - 2019	(90)	-
2015 - 2020	(93)	-
Commodity risk exposure		
2014	-	78
2015	(432)	94
2016	(1 086)	-
2017	(33)	-
2018	(5)	-
	(1 595)	**173**

In 2014 and 2013 the cash flow hedges that meet the criteria for hedge accounting, an ineffective part was recognized in profit or loss of PLN (5) million and PLN 2 million, respectively.

32.4.2. Net investment hedge in a foreign operation

From 2008 to 30 June 2014 the Group had been using net investement hedge in a foreign operation. Net investment hedge hedged currency risk of the portion of net investment in AB ORLEN Lietuva that uses USD as its functional currency. Financial liabilities denominated in USD were designated as an instrument hedging share in net assets of ORLEN Lietuva Group. As at 31 December 2013, negative foreign exchange differences resulting from translation of the above liabilities into PLN amounted to PLN (659) million (including the impact of income tax) and were recognized in equity in the line "Foreign exchange differences on subsidiaries from consolidation".
As at 30 June 2014 this reclassification to the consolidated statement of profit or loss and other comprehensive income was made and thereby the Group ceased using of net investment hedge in a foreign operation, due to decrease in hedged position as a result of a recognition of the impairment allowance of non-current assets in ORLEN Lietuva Group. The reclassification had no influence on total equity of the Group.

ORLEN GROUP (in PLN million)

32.5. Financial risk management

The ORLEN Group's operations are exposed to the following risks:
- market risk, including:
  - *commodity risk*
  - *foreign currency risk and*
  - *interest rate risk*
- liquidity and credit risk
- other, disclosed in details in the Management Board Report on the operations of ORLEN Capital Group in point 5.4.

The ORLEN Group applies a consistent financial risk hedging policy based on market risk management policy supported and supervised by the Financial Risk Committee, Management Board and Supervisory Board.

32.5.1. Market risks

Market risk is a possible negative impact on the Group's results due to changes of commodities prices, currency exchange rates and interest rates.
The objective of market risk management is to reduce the unfavorable effects of changes in market risk factors on the cash flows and financial results.
The above mentioned risks are managed on the basis of market risk management policy and hedging strategies, which define the principles of measurement of individual exposure parameters and the time horizon of risk hedging and hedging instruments.
Market risk management is conducted using derivative instruments which are used solely to reduce the risk of changes in fair value and risk of changes in cash flows.
As far as market valuation of the instruments is concerned, the Group uses its own records and valuation for derivatives as well as relies on information obtained from market leading banks, brokers and information services. Transactions are concluded only with reliable partners, authorized to participate in transactions through the application of appropriate procedures and signing the relevant documentation.

32.5.1.1. Commodity risks

As part of its operating activity the ORLEN Group is exposed mainly to the following commodity risks:

- risk of changes in refining and petrochemical margins on the sale of products and Ural/Brent differential fluctuations- hedges on an irregular basis as a part of hedging strategies.
- risk of changes in crude oil and products prices related to the time mismatch between the date of the crude oil purchase and the date of its processing and sale of products, oversize periodic stock of operational crude oil and/or products, as well as future sales transactions - identified and hedged in a systematic and regular manner,
- risk of changes in CO_2 emission rights prices - hedged on a regular basis through periodic verification of numbers of owned and required rights to CO_2 emission with determining the method of balancing of the future shortages or surpluses. In 2014 and 2013, the Group concluded forward and spot transactions for purchase of rights which in the future will be amortized as a settlement of CO_2 emissions. Valuations of these transactions are not subject to recognition in the consolidated financial statement, as purchased emission rights will be used for own purposes,
- risk of changes in crude oil and refinery product prices related to the obligation to maintain mandatory reserves of crude oil and fuels - is not hedged on purpose due to the permanent exposure and non-cash impact on the Group's results.

32.5.1.1.1. The impact of commodity hedging instruments on the Group's financial statements

Type of hedged raw material/product	Unit of measure	31/12/2014	31/12/2013
Crude oil	bbl	24 839 704	11 964 386
Diesel oil	Mt	1 428 580	130 515
Gasoline	Mt	370 814	51 477
Heating oil	Mt	769 694	26 095

Sensitivity analysis of commodity risk

Analysis of the influence of changes in the carrying amount of financial instruments on result before tax and hedging reserve to a hypothetical change in prices of products and raw materials:

31/12/2014

	Increase of prices	Total influence	Decrease of prices	Total influence
Crude oil USD/bbl; CAD/bbl	+19%	591	-19%	(591)
Diesel oil USD/Mt	+17%	(120)	-17%	120
Gasoline USD/Mt	+21%	(74)	-21%	74
Heating oil USD/Mt	+20%	22	-20%	(22)
		419		**(419)**

ORLEN GROUP (in PLN million)

35.5.1.1.1. The impact of commodity hedging instruments on the Group's financial statements continued

including:

Influence on result before tax				
	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl; CAD/bbl	+19%	219	-19%	(219)
Diesel oil USD/Mt	+17%	(106)	-17%	106
Gasoline USD/Mt	+21%	(70)	-21%	70
Heating oil USD/Mt	+20%	(26)	-20%	26
		17		**(17)**

Influence on hedging reserve				
	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl; CAD/bbl	+19%	372	-19%	(372)
Heating oil USD/Mt	+17%	(14)	-17%	14
Gasoline USD/Mt	+21%	(4)	-21%	4
Heating oil USD/Mt	+20%	48	-20%	(48)
		402		**(402)**

31/12/2013

	Increase of prices	Total influence	Decrease of prices	Total influence
Crude oil USD/bbl; CAD/bbl	+17%	178	-17%	(178)
Diesel oil USD/Mt	+17%	(63)	-17%	63
Gasoline USD/Mt	+17%	(14)	-17%	14
Heating oil USD/Mt	+14%	5	-14%	(5)
		106		**(106)**

including:

Influence on result before tax				
	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl; CAD/bbl	+17%	(166)	-17%	166
Diesel oil USD/Mt	+17%	(63)	-17%	63
Gasoline USD/Mt	+17%	(13)	-17%	13
		(242)		**242**

Influence on hedging reserve				
	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl; CAD/bbl	+17%	344	-17%	(344)
Heating oil USD/Mt	+14%	5	-14%	(5)
Gasoline USD/Mt	+17%	(1)	-17%	1
		348		**(348)**

Applied for the sensitivity analysis of commodity risk hedging instruments variations of crude oil and products prices were calculated based on volatility for 2014 and 2013 and available analysts' forecasts.
The influence of changes of prices was presented on annual basis.
Fair value of commodity swaps is calculated based on discounted future cash flows of executed transactions, calculated as a difference between term and transaction price.
In case of derivatives, the influence of crude oil, and products prices variations on fair value were examined at constant level of currency rates.
The net carrying amount of hedging instruments for commodity risk as at 31 December 2014 and as at 31 December 2013 amounted to PLN (1,550) million and PLN 131 million, respectively.

32.5.1.2. Currency risk

As part of its business activities the ORLEN Group is exposed to the following risks from foreign currency:
- economic currency exposure over the next 12 months that results from reduced by indexed of denominated in other that functional currency expense - regularly and actively hedged using purchase or sales currency forwards,
- balance sheet exposure resulting from denominated in foreign currency assets and liabilities – hedged on an irregular basis in selected elements of exposure,
- currency risk related to investments expenditures - regularly hedged by forward currency purchase transactions of foreign currencies in which the expenses are incurred,
- currency risk related to economic currency exposure and to concluded future transactions of sales or purchase - regularly and actively hedged using purchase or sales currency forwards.

ORLEN GROUP (in PLN million)

32.5.1.2.1. The impact of currency changes on the Group's financial statements

Currency structure of financial instruments as at 31 December 2014

Financial instruments by category	EUR	USD	CZK	CAD	LTL	Other currencies after translation to PLN	Total after translation to PLN
Financial assets							
Deposits	2	-	-	-	13	-	24
Trade receivables	408	95	6 424	-	101	76	3 259
Loans granted	-	-	12	-	-	-	3
Embedded derivatives and hedging instruments	2	251	911	-	-	10	1 038
Cash and cash equivalents	52	47	1 406	-	9	-	617
Other	5	-	484	2	23		129
	469	**393**	**9 237**	**2**	**146**	**86**	**5 070**
Financial liabilities							
Bonds	502	-	-		-	-	2 141
Loans	981	156	5 504	147	1	-	6 020
Finance lease	-	-	1		-	-	-
Trade liabilities	207	1 210	3 797	-	86	28	5 845
Investment liabilities	47	14	358	-	4	98	407
Embedded derivatives and hedging instruments	50	676	224	-	-	-	2 618
Other	4	1	195	-	-	-	48
	1 791	**2 057**	**10 080**	**147**	**91**	**126**	**17 079**

Sensitivity analysis for currency changes risk

The influence of changes in carrying amounts of financial instruments arising from hypothetical changes in exchange rates of relevant currencies in relation to presentation currency (PLN) on profit before tax (A), hedging reserve (B) and foreign exchange differences on subsidiaries from consolidation (C):

31/12/2014

	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/PLN	+15%	(706)	-15%	706
USD/PLN	+15%	(1 058)	-15%	1 058
CZK/PLN	+15%	(42)	-15%	42
CAD/PLN	+15%	(66)	-15%	66
LTL/PLN	+15%	16	-15%	(16)
		(1 856)		**1 856**

including:

Influence on result before tax (A)				
	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	128	-15%	(128)
USD/PLN	+15%	(779)	-15%	779
CAD/PLN	+15%	(66)	-15%	66
		(717)		**717**

Influence on hedging reserve (B)				
	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	(683)	-15%	683
USD/PLN	+15%	(58)	-15%	58
		(741)		**741**

ORLEN ORLEN GROUP (in PLN million)

32.5.1.2.1. The impact of currency changes on the Group's financial statements continued

Influence of foreign operations on foreign exchange differences on subsidiaries from consolidation (C)				
	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	(151)	-15%	151
USD/PLN	+15%	(221)	-15%	221
CZK/PLN	+15%	(42)	-15%	42
LTL/PLN	+15%	16	-15%	(16)
		(398)		**398**

The influence of changes in relevant currencies in relation to presentation currency (PLN) on equity due to foreign exchange differences on translation of total net assets in a foreign operation (including sensitivity of financial instruments of foreign entities on foreign exchange differences on subsidiaries from consolidation) as at 31 December 2014:

Sensitivity of a net investment in a foreign operations including hedging reserve (D)				
	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	71	-15%	(71)
USD/PLN	+15%	56	-15%	(56)
CZK/PLN	+15%	650	-15%	(650)
CAD/PLN	+15%	178	-15%	(178)
		955		**(955)**

Total influence of changes in exchange rates of significant currencies in relation to presentation currency (PLN) on equity including foreign exchange differences on translation of net assets in foreign operation as at 31 December 2014:

Total influence on profit or loss and other comprehensive income (A+B+D)				
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/PLN	+15%	(484)	-15%	484
USD/PLN	+15%	(781)	-15%	781
CZK/PLN	+15%	650	-15%	(650)
CAD/PLN	+15%	112	-15%	(112)
		(503)		**503**

Currency structure of financial instruments as at 31 December 2013

Financial instruments by category (restated data)	EUR	USD	CZK	CAD	LTL	JPY	Other currencies after translation to PLN	Total after translation to PLN
Financial assets								
Deposits	-	1	-	-	-	-	-	4
Trade receivables	380	160	6 157	-	144	-	39	3 202
Loans granted	-	1	37	-	-	-	-	9
Embedded derivatives and hedging instruments	18	60	11	-	1	-	-	257
Cash and cash equivalents	87	56	826	-	14	-	44	716
Other	-	33	46	-	-	-	-	108
	485	**311**	**7 077**	**-**	**159**	**-**	**83**	**4 296**
Financial liabilities								
Loans	550	844	3 529	59	1	-	-	5 524
Trade liabilities	344	2 048	4 967	-	118	-	31	8 518
Investment liabilities	41	3	608	-	12	139	38	326
Hedging instruments	1	20	250	-	-	-	-	110
Other	3	5	17	-	10	-	-	42
	939	**2 920**	**9 371**	**59**	**141**	**139**	**69**	**14 520**

ORLEN GROUP (in PLN million)

32.5.1.2.1. The impact of currency changes on the Group's financial statements continued

Sensitivity analysis for currency changes risk

The influence of changes in carrying amounts of financial instruments arising from hypothetical changes in exchange rates of relevant currencies in relation to presentation currency (PLN) on profit before tax (A), hedging reserve (B) and foreign exchange differences on subsidiaries from consolidation (C):

31/12/2013

(restated data)	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/PLN	+15%	(846)	-15%	846
USD/PLN	+15%	(909)	-15%	909
CZK/PLN	+15%	(58)	-15%	58
CAD/PLN	+15%	(25)	-15%	25
LTL/PLN	+15%	4	-15%	(4)
JPY/PLN	+15%	(1)	-15%	1
		(1 835)		**1 835**

including:

Influence on result before tax (A)				
(restated data)	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	(312)	-15%	312
USD/PLN	+15%	(688)	-15%	688
CAD/PLN	+15%	(25)	-15%	25
JPY/PLN	+15%	(1)	-15%	1
		(1 026)		**1 026**

Influence on hedging reserve (B)				
	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	(552)	-15%	552
USD/PLN	+15%	255	-15%	(255)
		(297)		**297**

Influence of foreign operations on foreign exchange differences on subsidiaries from consolidation including net investment hedge in foreign operations (C)				
	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	18	-15%	(18)
USD/PLN	+15%	(476)	-15%	476
CZK/PLN	+15%	(58)	-15%	58
LTL/PLN	+15%	4	-15%	(4)
		(512)		**512**

The influence of changes in relevant currencies in relation to presentation currency (PLN) on equity due to foreign exchange differences on translation of net assets in a foreign operation (including sensitivity of financial instruments of foreign entities on foreign exchange differences on subsidiaries from consolidation) as at 31 December 2013:

Sensitivity of a net investment in a foreign operations including hedging reserve (D)				
	Increase of exchange rate	Influence	Decrease of exchange rate	Influence
EUR/PLN	+15%	82	-15%	(82)
USD/PLN	+15%	292	-15%	(292)
CZK/PLN	+15%	635	-15%	(635)
CAD/PLN	+15%	89	-15%	(89)
		1 098		**(1 098)**

Total influence of changes in exchange rates of significant currencies in relation to presentation currency (PLN) on equity including foreign exchange differences on translation of a net assets in a foreign operation as at 31 December 2013:

ORLEN GROUP (in PLN million)

32.5.1.2.1. The impact of currency changes on the Group's financial statements continued

	Total influence on profit or loss and other comprehensive income (A+B+D)			
(restated data)	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/PLN	+15%	(782)	-15%	782
USD/PLN	+15%	(141)	-15%	141
CZK/PLN	+15%	635	-15%	(635)
CAD/PLN	+15%	64	-15%	(64)
JPY/PLN	+15%	(1)	-15%	1
		(225)		**225**

Variations of currency rates described above were calculated based on average volatility of particular currency rates in 2014 and 2013.
Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential amount calculated using assumed changes in currency rates. In case of derivative instruments the influence of currency rate variations on fair value was examined at constant level of interest rates. Fair value of currency forwards and foreign exchange swaps is calculated based on discounted future cash flows of concluded transactions as a difference between forward price and transaction price.

32.5.1.3. Interest rate risk

The ORLEN Group is exposed to the risk of volatility of cash flows due to changes in interest rates resulting from owned assets and liabilities for which interest gains or losses are dependent on the floating interest rates.
The ORLEN Group hedges the consolidated exposure to the variability of cash flows due to changes in interest rates. The key indicator of the Group's exposure to interest rate risk is the net positions for which interest costs are dependent on floating interest rates to total debt ratio. The objective of interest rate risk management is to maintain the above ratio at a certain level in a defined period of time. For this purpose interest rate swaps and currency interest rate swaps are being used.

32.5.1.3.1. The impact of interest rate on the Group's financial statements

Structure of financial instruments subject to interest rate risk

31/12/2014

Financial instruments by class	NOTE	WIBOR	EURIBOR	LIBOR USD	PRIBOR	LIBOR CAD	VILIBOR	Total
Financial assets								
Deposits	21	-	9	-	-	-	15	24
Loans granted	17,21	-	-	-	3	-	-	3
		-	**9**	**-**	**3**	**-**	**15**	**27**
Financial liabilities								
Bonds	24.2	1 919	-	-	-	-	-	1 919
Loans	24.1	471	4 183	547	846	443	1	6 491
Borrowings	24	5	-	-	-	-	-	5
Embedded derivatives and hedging instruments	26	111*	193*	11	-	-	-	204**
		2 506	**4 376**	**558**	**846**	**443**	**1**	**8 619****

*In the position financial liabilities - embedded derivatives and hedging instruments, the Group recognized cross interest rate swaps (CIRS) of PLN 111 million, which are sensitive to both WIBOR and EURIBOR interest rates.
**Total includes CIRS valuation of PLN 111 million.

The sensitivity analysis for interest rate risk includes interest rate swaps and cross interest rate swaps. The currency forwards and commodity swaps are not presented in the above table due to its transitory sensitivity for interest rate change. The sensitivity analysis for commodity risk and currency risk for those instruments is presented in notes 32.5.1.1.1 and 32.5.1.2.1.

ORLEN GROUP (in PLN million)

32.5.1.3.1. The impact of interest rate on the Group's financial statements continued

31/12/2013

Financial instruments by class (restated data)	NOTE	WIBOR	EURIBOR	LIBOR USD	PRIBOR	LIBOR CAD	VILIBOR	Total
Financial assets								
Deposits	21	-	4	-	-	-	-	4
Loans granted	17,21	1	4	-	6	-	-	11
Embedded derivatives and hedging instruments	17	16	7	5	-	-	-	28
		17	**15**	**5**	**6**	**-**	**-**	**43**
Financial liabilities								
Bonds	24.2	1 718	-	-	-	-	-	1 718
Loans	24.1	114	2 279	2 542	534	168	1	5 638
Borrowings	24	1	-	-	-	-	-	1
Hedging instruments	26,29	29	4	2	-	-	-	35
		1 862	**2 283**	**2 544**	**534**	**168**	**1**	**7 392**

Sensitivity analysis for interest rate risk

Interest rate	Assumed variation		Influence on result before tax		Influence on hedging reserve		Total	
	31/12/2014	31/12/2013	2014	2013 (restated data)	2014	2013	2014	2013 (restated data)
WIBOR	+0.5p.p.	+0,5p.p.	(12)	(9)	(3)	(3)	(15)	(12)
LIBOR USD	+0.5p.p.	+0,5p.p.	(3)	(13)	14	14	11	1
EURIBOR	+0.5p.p.	+0,5p.p.	(21)	(11)	70	75	49	64
			(36)	**(33)**	**81**	**86**	**45**	**53**
WIBOR	-0.5p.p.	-0,5p.p.	12	9	3	4	15	13
			12	**9**	**3**	**4**	**15**	**13**

The above interest rates variations were calculated based on observations of average interest rates fluctuations in 2014 and 2013. Low interest rates of EURIBOR and LIBORUSD at the end of 2014 and 2013 and market forecasts for further periods caused that the Group did not take the further decrease in the sensitivity analysis into consideration. The Group does not consider in the sensitivity analysis change of PRIBOR and VILIBOR due to their insignificant impact.

The sensitivity analysis was performed on the basis of instruments held as at 31 December 2014 and as at 31 December 2013, the influence of interest rates changes was presented on annual basis.

The sensitivity of financial instruments for the risk of interest rate changes was calculated as arithmetic product of the balance of items, sensitive to interest rates changes (excluding derivatives) multiplied by adequate variation of interest rate.
For derivatives in sensitivity analysis for the risk of interest rate changes interest rate curve displacement due to potential reference rate change was used, provided that other risk factors remain constant.

32.5.2. Credit and liquidity risk

Liquidity risk is the risk that the Group may be unable to settle its current liabilities on time.
The ORLEN Group is exposed to liquidity risk arising from the ratio of current assets to current liabilities. As at 31 December 2014 and 31 December 2013, the ratio of current assets to current liabilities (current ratio) amounted to 1.6 and 1.5, respectively.
The objective of liquidity risk management is to ensure the financial security and stability of the Group and the basic tool reducing above risk is the ongoing review of assets and liabilities maturity. Additionally, the ORLEN Group carries out a policy of its funding sources diversification and uses a range of tools for effective liquidity management.
Banking sector has the majority share in Group's financing and provides financing in the form of syndicated loans (representing the core bank funding source) and bilateral loans (overdrafts, multi-purpose credit lines, investment loans) of diversed maturity structure.
The Group additionally takes advantage of two programs of PLN bonds and EUR bonds, that enable to use of resources outside the bank sector.
Bonds issued under the Program realized since 2007 can be purchased by financial institutions and companies. The above mentioned program is also used in the ORLEN Group's working capital management.
In 2013 a public bond issue program was launched, aimed at retail investors that ended by the last issuance tranche in 2014.
On 30 June 2014, PKN ORLEN's subsidiary - ORLEN Capital AB issued eurobonds. Additional information is presented in note 5 and 24.

As at 31 December 2014 and as at 31 December 2013 the maximum possible indebtedness due to loans amounted to PLN 14,752 million and PLN 17,995 million, respectively. As at 31 December 2014 and as at 31 December 2013 PLN 7,150 million and PLN 11,232 million, respectively, remained unused.
Additional information regarding loans, borrowings and debt securities is presented in note 24.

ORLEN GROUP (in PLN million)

32.5.2. Credit and liquidity risk continued

The ORLEN Group also uses cash pool systems to optimize financial costs and effective management of current liquidity within the Group.
In 2014 operated: PLN cash pool facility systems comprising 35 entities of the ORLEN Group as at 31 December 2014 and cross border cash pool facility system denominated in EUR, USD and PLN, comprised PKN ORLEN and foreign subsidiaries of the ORLEN Group (ORLEN Finance AB, ORLEN Lietuva Group, ORLEN Deutschland, Unipetrol Group).

The Group is exposed to credit risk associated with granted guarantees to contractors. The value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 December 2014 and as at 31 December 2013 amounted to PLN 592 million and PLN 508 million, respectively. These concern mainly: contract performance guarantees, customs and deposits guarantees, payment guarantees. Based on analysis and forecasts as at the end of the reporting period, the Group recognized the probability of payment of the above amounts as low.

Credit risk associated with cash and bank deposits is assessed by the Group as low due to domestic banks and branches of foreign banks in which cash is deposited have the highest short-term credit rating (57% of deposited cash) or good rating (43% of deposited cash).

Credit risk associated to assets resulting from the positive valuation of derivative instruments is assesses by the Group as low, due to the fact that all transactions are concluded with banks having high credit rating - one of the factors for bank choice is short-term and long-term investment rating on the level not lower than A.

The measure of credit risk is the maximum credit risk for each class of financial instruments, which is equal to their carrying amount.
In order to minimize the risk the Group as at 31 December 2014 and as at 31 December 2013 received bank and issurance guarantees of PLN 3,143 million and PLN 2,218 million, respectively. Additionally the Group receives from its customers securities such as blockade of cash on bank accounts, semi deposits, mortgage and bills of exchange.

Credit risk is also related to the credit credibility of customers with whom sales transactions are concluded. Granting credit limit is subject to risk associated with unsettled receivables for the delivered products and services by the customers.
Above risk in the Group is partly reduced through a wide range of customers dispersed in various sectors of domestic and foreign economy.
In order to minimize the above risk, detailed procedures are used regarding granting credit limits to the customers. Each time of customers' financial situation is assessed and their credibility and solvency are verified and also ongoing monitoring of debtors turnover and their aging structure. The Group implements various legal forms of legal pledges (mortgages, guarantees, warranties, blockade of cash on bank accounts, security deposits, bills of exchange). For the customers to whom credit limits are granted, prepayment or cash is the valid form of payment in the initial period of cooperation.

In order to reduce the risk of customers' insolvency, the Group also insures portion of its receivables within the organized trade credit insurance programs.
Based on the analysis of receivables the customers were divided into two groups:
- I group – customers with good or very good history of cooperation in the current year;
- II group – other customers.

The division of not past due receivables

	NOTE	31/12/2014	31/12/2013 (restated data)
Group I		4 558	5 021
Group II		937	1 061
	17,20	**5 495**	**6 082**

The ageing analysis of current receivables past due, but not impaired as at the end of the reporting period

	NOTE	31/12/2014	31/12/2013 (restated data)
up to 1 month		407	419
from 1 to 3 months		35	25
from 3 to 6 months		6	9
from 6 to 12 months		22	4
above 1 year		14	12
	17,20	**484**	**469**

ORLEN GROUP (in PLN million)

32.5.2. Credit and liquidity risk continued

Maturity analysis for financial liabilities

31/12/2014

	NOTE	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Bonds	24.2	76	842	1 268	2 244	4 430	4 161
floating-rate bonds - undiscounted value		*71*	*832*	*1 258*	-	*2 161*	*1 919*
fixed rate bonds - undiscounted value		*5*	*10*	*10*	*2 244*	*2 269*	*2 242*
Loans - undiscounted value	24	1 055	825	4 645	302	6 827	6 491
Borrowings - undiscounted value	24	2	3	-	-	5	5
Finance lease	26,27	26	36	16	38	116	116
Trade liabilities	27	7 049	-	-	-	7 049	7 049
Investment liabilities	26,27	923	14	110	1	1 048	1 048
Embedded derivatives and hedging instruments- undiscounted value	26,29	1 027	1 454	39	5	2 525	2 619
gross exchange amounts		*(10)*	*(2)*	*17*	-	*5*	*112*
currency swaps	29	*1*	-	-	-	*1*	*1*
currency interest rate swaps	26	*(11)*	*(2)*	*17*	-	*4*	*111*
net exchange amounts		*1 037*	*1 456*	*22*	*5*	*2 520*	*2 507*
currency forwards	29	*31*	-	-	-	*31*	*31*
interest rate swaps	26	*25*	*41*	*22*	*5*	*93*	*93*
commodity swaps	26,29	*981*	*1 415*	-	-	*2 396*	*2 383*
Other	26,27	108	29	-	-	137	137
		10 266	**3 203**	**6 078**	**2 590**	**22 137**	**21 626**

31/12/2013

(restated data)	NOTE	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Bonds	24.2	74	145	807	1 022	2 048	1 718
floating-rate bonds - undiscounted value		*74*	*145*	*807*	*1 022*	*2 048*	*1 718*
Loans - undiscounted value	24	917	4 882	1	-	5 800	5 638
Borrowings - undiscounted value	24	-	1	-	-	1	1
Finance lease	26,27	30	32	13	27	102	102
Trade liabilities	27	9 889	-	-	-	9 889	9 889
Investment liabilities	26,27	871	1	-	-	872	872
Hedging instruments - undiscounted value	26,29	105	(15)	(37)	(26)	27	139
gross exchange amounts		*(4)*	*(17)*	*(36)*	*(24)*	*(81)*	*29*
currency interest rate swaps	26	*(4)*	*(17)*	*(36)*	*(24)*	*(81)*	*29*
net exchange amounts		*109*	*2*	*(1)*	*(2)*	*108*	*110*
interest rate swaps	29	*5*	*2*	*(1)*	*(2)*	*4*	*6*
currency forwards	29	*60*	-	-	-	*60*	*60*
commodity swaps	29	*44*	-	-	-	*44*	*44*
Other	26,27	93	31	-	-	124	124
		11 979	**5 077**	**784**	**1 023**	**18 863**	**18 483**

For currency interest rate swaps the level of discount rates cause that undiscounted value is a financial asset and discounted value is a financial liability.

ORLEN GROUP (in PLN million)

OTHER EXPLANATORY NOTES

33. Fair value measurement

31/12/2014

	NOTE	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2
Financial assets					
Loans granted	*17,21*	3	3	-	3
Embedded derivatives and hedging instruments	*17,21*	1 038	1 038		1 038
		1 041	**1 041**	**-**	**1 041**
Financial liabilities					
Bonds	*24*	4 161	4 138	4 138	-
Loans	*24*	6 491	6 492	-	6 492
Borrowings	*24*	5	5	-	5
Finance lease	*26,27*	116	120	-	120
Embedded derivatives and hedging instruments	*26,29*	2 619	2 619	-	2 619
		13 392	**13 374**	**4 138**	**9 236**

31/12/2013

(restated data)	NOTE	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2
Financial assets					
Loans granted	*17,21*	11	11	-	11
Embedded derivatives and hedging instruments	*17,21*	277	277	-	277
		288	**288**	**-**	**288**
Financial liabilities					
Bonds	*24*	1 718	1 730	1 730	-
Loans	*24*	5 638	5 639	-	5 639
Borrowings	*24*	1	1	-	1
Finance lease	*26,27*	102	104	-	104
Hedging instruments	*26,29*	139	139	-	139
		7 598	**7 613**	**1 730**	**5 883**

For other classes of financial assets and liabilities presented in note 32.1 fair value represents their carring amount.

33.1. Methods applied in determining fair value (fair value hierarchy)

Financial liabilities due to loans, bonds, finance lease and liabilities and receivables for borrowings are measured at fair value using discounted cash flows method. Discount factors are calculated based on market interest rates according to quotations of 1- month, 3-months and 6-months interest rates increased by proper margins for particular financial instruments. For the majority as at 31 December 2014 and as at 31 December 2013 1-month interest rate quotations were applied.

	31/12/2014	31/12/2013
WIBOR	2.0800%	2.6100%
EURIBOR	0.0180%	0.2160%
LIBOR USD	0.1713%	0.1677%
PRIBOR	0.2500%	0.2900%
LIBOR CAD	1.1500%	1.2217%
VILIBOR	0.1200%	0.2800%

As at 31 December 2014 and as at 31 December 2013 the Group held unquoted shares in entities, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments were noted. The value of shares of this entities was recognized in the consolidated statement of financial position for 2014 and 2013 of PLN 40 million at acquisition cost less impairment allowances.
During the reporting period and comparative period there were no reclassifications of financial instruments in Group between Level 1 and 2 of fair value hierarchy.

ORLEN GROUP (in PLN million)

34. Lease

34.1. Group as lessee

Operating lease

As at 31 December 2014 and as at 31 December 2013 the Group possessed non-cancellable operating lease agreements as a lessee (tenancy, rent), regard mainly the lease of tanks, petrol stations, means of transportation and computer equipment. Agreements include clauses concerning contingent rent payables and in most cases they can be extended.
The total lease payments, resulting from non-cancellable operating lease agreements recognized as expenses in 2014 and in 2013 amounted to PLN (83) million and PLN (86) million, respectively.

Future minimum lease payments under non-cancellable operating lease agreements:

	31/12/2014	31/12/2013
up to 1 year	76	78
from 1 to 5 years	254	256
above 5 years	488	554
	818	**888**

Finance lease

The Group as at 31 December 2014 and as at 31 December 2013 possessed the finance lease agreements as a lessee.
In concluded lease agreements, the general conditions of finance lease are effective, they do not contain any clauses concerning contingent rent payables, give the possibility to purchase the leased equipment and eventually can be extended.

	NOTE	Present value of future minimum lease payments		Value of future minimum lease payments	
		31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)
up to 1 year		27	30	32	34
from 1 to 5 years		51	45	63	54
above 5 years		38	27	47	33
	26, 27	**116**	**102**	**142**	**121**

The difference between total value of future minimum lease payments and their present value results from discounting of lease payments by the interest rate implicit in the proper agreement.

Nat carrying amount of each class of property, plant and equipment in finance lease:

	31/12/2014	31/12/2013 (restated data)
Property, plant and equipment	**157**	**154**
Buildings and constructions	49	37
Machinery and equipment	62	58
Vehicles	45	58
Other	1	1

Disclosures required by IFRS 7 relating to finance lease are captured in note 32.1.

34.2. Group as lessor

As at 31 December 2014 and as at 31 December 2013 the Group did not posses any significant non-cancellable operating lease agreements as a lessor as well as any finance lease agreements as a lessor.

35. Investment expenditures incurred and future commitments resulting from signed investment contracts

Total amount of investment expenditures together with borrowing costs incurred in 2014 and in 2013 amounted to PLN 3,788 million and PLN 2,484 million, respectively, including PLN 521 million and PLN 258 million of investments relating to environmental protection.

As at 31 December 2014 and as at 31 December 2013 the value of future liabilities resulting from contracts signed until this date amounted to PLN 2,461 million and PLN 1,998 million, respectively.

ORLEN GROUP (in PLN million)

36. Contingent liabilities

Spolana a.s. currently produces chlorine using the mercury electrolysis. In case of production ceases, the company is required to present a reclamation program after it stops to use its fixed assets. On 9 September 2013, as a result of administrative proceedings, Spolana a.s. received a consent of Mid-Czech Regional Body to extend the integrated pollution prevention and control license from the end of 2014 until 30 June 2017. At the same time, the company is obliged to submit an action plan aiming to cease the production of chlorine using the mercury electrolysis until 31 March 2017.
In 2014 there were no other significant contingent liabilities than disclosed above.

37. Other disclosures

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 December 2014 and as at 31 December 2013 amounted to PLN 1,637 million and PLN 1,652 million, respectively.

38. Related party transactions

38.1. Information on material transactions concluded by the companies or subsidiaries with related parties on other than market terms

In 2014 and in 2013 there were no material related party transactions in the Group concluded on other than market terms.

38.2. Transactions with members of the Management Board, Supervisory Board of the Parent Company, their spouses, siblings, ascendants, descendants and their other relatives

In 2014 and in 2013 the Group companies did not grant to managing and supervising persons and their relatives any advances, borrowings, loans, guarantees and commitments, or concluded other agreements obliging to render services to the Parent Company and its related parties.
As at 31 December 2014 and as at 31 December 2013 there were no loans granted by the Group companies to neither the managing and supervising persons nor their relatives.
In 2014 and in 2013 there were no material transactions with members of the Management Board and the Supervisory Board of the Parent Company, or their spouses, siblings, ascendants, descendants or other relatives.

38.3. Transactions with related parties concluded by the key management personel of the Parent Company and the ORLEN Group companies

As at 31 December 2014 and as at 31 December 2013, the key management personnel of the Parent Company and the Group companies did not present in the submitted statements any balances regarding receivables or liabilities with related parties. Sale and purchase transactions are not presented due to no significant impact on consolidated financial statements.

38.4. ORLEN Group companies' transactions and balances of settlements with related parties

	Sales		Purchases	
	2014	2013 (restated data)	2014	2013 (restated data)
Jointly- controlled entities	**3 295**	**3 443**	**(507)**	**(419)**
joint ventures	*2 927*	*3 088*	*(30)*	*(31)*
joint operations	*368*	*355*	*(477)*	*(388)*
Associates	**60**	**66**	**(47)**	**(49)**
	3 355	**3 509**	**(554)**	**(468)**

	Trade and other receivables		Trade and other liabilities	
	31/12/2014	31/12/2013 (restated data)	31/12/2014	31/12/2013 (restated data)
Jointly- controlled entities	**620**	**653**	**225**	**233**
joint ventures	*575*	*590*	*4*	*4*
joint operations	*45*	*63*	*221*	*229*
Associates	**17**	**19**	**9**	**11**
	637	**672**	**234**	**244**

The above transactions with related parties include mainly sale and purchase of petrochemicals and refinery products and sale and purchase of repair, transportation and other services. Related party sale and purchase transactions were concluded on market terms.

Guarantees and sureties granted in the Group on behalf of related parties as at 31 December 2014 and as at 31 December 2013 amounted to PLN 6,667 million and PLN 2,403 million, respectively. They are mainly related to secure of ORLEN Capital future liabilities due to eurobonds issuance and timely payment of liabilities by related parties.

ORLEN GROUP (in PLN million)

39. Remuneration together with profit-sharing paid and due or potentially due to the Management Board, the Supervisory Board and other members of key executive personel of the Parent Company and the ORLEN Group companies

The Management Board's, the Supervisory Board's and other key executive personnel's remuneration includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

	2014	2013 (restated data)
Remuneration of the Management Board Members of the Parent Company	**12**	**12**
Remuneration and other benefits	7	6
Bonus paid for the previous year	5	6
Bonus potentially due to the Management Board Members, of the Parent Company to be paid in the next year [2]	**6**	**5**
Remuneration paid to the Management Board Members of the Parent Company performing the function in the previous years	**1**	**1**
Remuneration and other benefits [1]	1	-
Remuneration due to Management Board Member, to be paid in the next year	**-**	1
Remuneration and other benefits of the key executive personnel	**175**	**173**
Other key executive personnel of the Parent Company	35	34
Key executive personnel of the subsidiaries belonging to the ORLEN Group	140	139
Remuneration of the Supervisory Board Members of the Parent Company	**1**	**1**

1) paid remuneration due to severance pay and paid bonus for 2011
2) bonus for 2014 estimated assuming, full realization of bonus goals by the Management Board Members and for 2013 on the basis of forecast goals realization

39.1. Bonus systems for key executive personel of the ORLEN Group

In 2014 there has been an amendment to the Bonus Regulations for Councillor Concern and directors that are directly reporting to the Management Board of PKN ORLEN and other key positions of ORLEN Group aiming to the higher level of standardization and improvement of bonuses motivating characteristics.
The regulations applicable to PKN ORLEN Management Board, directors directly reporting to the Management Board of PKN ORLEN entities and other key positions of ORLEN Group have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board for the key executive personnel. The Bonus Systems are consistent with the Concern's Values, so as to promote the cooperation between individual employees in view to achieve the best possible results for the ORLEN Group. The goals so-said are qualitative or quantitative and are accounted for the end of the year for which they were set. Regulation gives the possibility to promote employees, who significantly contribute to the achieved results.

39.2. Remuneration regarding non-competition clause and dissolution of the contract because of dismissal from the position held

According to agreements, Members of the PKN ORLEN Management Board are obliged to obey a non-competition clause for 6 or 12 months, starting from the date of termination or expiration of the contract. In the period, they are entitled to receive remuneration in the amount of six or twelve basic monthly remuneration, payable in equal monthly installments. In addition, agreements include remuneration payments in case of dissolution of the contract because of dismissal from the position held. Remuneration in such a case is six or twelve basic monthly remuneration.
As far as other companies of ORLEN Group are concerned, Management Board members are typically obliged to obey a non-competition clause for 6 months, starting from the date of termination or expiration of the contract. In the period, they receive remuneration in the amount of 50% of six months base salary remuneration, payable in 6 equal monthly installments. Furthermore, severance pay for dismissal from the position held amounts to three or six times basic monthly remuneration.

40. Remuneration arising from the agreement with the entity authorized to conduct audit of the financial statements

	2014	2013 (restated data)
Remuneration of KPMG Audyt Sp. z.o.o. in respect of the Parent Company	**4**	**4**
Audit of the annual financial statements: PKN ORLEN and ORLEN Group	1	1
Reviews of financial statements	1	1
Related services	2	2
Remuneration of KPMG member firms in respect of subsidiaries belonging to the Capital Group	**3**	**3**
Audit of the annual financial statements	2	2
Verification procedueres	1	1
	7	**7**

41. Information on significant court, arbitration and administrative proceedings

As at 31 December 2014 the ORLEN Group entities were parties in the following significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

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

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

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

The claim regarding 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 2,992 million translated using exchange rate as at 31 December 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 which overruled 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 common court in Prague dated 24 January 2014 are correct and will take all necessary means to retain the judgment in force. On 24 March 2015, the hearing of the court of appeals was held in which the date of the next hearing was set on 7 April 2015.

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

41.1.2.1. Tax proceedings in ORLEN Południe S.A. (previously Rafineria Trzebinia S.A.)

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. The annulment was overruled. On 5 June 2014 Rafineria Trzebinia paid entire liability with interests. At the same time provisions recognized for this purpose in prior years were used. Rafineria Trzebnia S.A. appealed to the Voivodship Administrative Court (VAC) in Cracow against decisions on tax liability for the period May – August 2004. On 12 February 2015 court hearing was held before VAC in Cracow. On 26 February 2015 the Court announced judgment dismissing company's claim. After receiving written reasons for the judgment the company will consider further steps in this case.

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

PKN ORLEN participates in court proceeding concerning the settlement of disputed system fee with ENERGA – OPERATOR S.A. for the period from 5 July 2001 to 30 June 2002. ENERGA – OPERATOR S.A. 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 District Court in Warsaw (as a first instance authority) by its judgment from 27 October 2014 ordered PKN ORLEN to pay to ENERGA - OPERATOR S.A. the amount of PLN 46 million, together with statutory interest from 30 June 2004 to the date of payment. The judgment is not binding. PKN ORLEN filed an appeal against the judgment.

41.1.2.3. 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 275 million, translated using the exchange rate as at 31 December 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. Based on the Supreme Court decision on the jurisdiction of the court proceedings will be continued before the District Court in Ostrava.

41.1.2.4. Claim of OBR S.A. for compensation

On 5 September 2014, the company OBR S.A. filed an action against PKN ORLEN to the District Court in Lodz with the claim for payment in respect of the alleged breach by PKN ORLEN of patent rights: 'The technique of the separation of hydrodesulfurization products of heavy residue after extractive distillation of crude oil'. The amount of the claim in the lawsuit has been estimated by the OBR S.A. of approximately PLN 83 million. The claim covers the adjudge sum of money from PKN ORLEN for the OBR S.A. in the amount corresponding to the market value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014, PKN ORLEN responded for the lawsuit. The value of the dispute was referred to by the plaintiff in the procedural document from 11 December 2014 in the amount of PLN 247 million. In the opinion of PKN ORLEN the claim of patent infringement is griundless.

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

41.2.1. Compensations due to damages suffered by Rafineria Trzebinia S.A. (currently ORLEN Południe S.A.)

ORLEN Południe S.A. (previously Rafineria Trzebinia S.A.) acts as an auxiliary prosecutor in the proceedings started in 2010 concerning abuses associated with the realization of investment - installation for the esterification of biodiesel oils, on which Rafineria Trzebinia S.A. (currently: ORLEN Południe S.A.) claims to incur a loss of approximately PLN 79 million. The company issued a motion requesting to oblige the defendants to compensate the incurred damages. The proceeding is pending in the District Court in Chrzanów. 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. Several hearings were held, so far during which accused filed an explanations.

41.2.2. 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 74 million translating using the exchange rate as at 31 December 2014 (representing approximately LTL 60 million). The parties agreed to relocate the case to the jurisdiction of English courts.

41.2.3. Tax proceedings in 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.. The value of claim amounts to approximately PLN 50 million translated using the exchange rate as at 31 December 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, 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. At a hearing on 25 February 2015 the Court in Usti by the Elbe River rejected of an annulment claim of UNIPETROL RPA s.r.o regarding dismisal of the tax authorities decision. UNIPETROL RPA s.r.o. will consider bringing a cassation appeal against this decision after receiving written reasons.

41.2.4. 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 in front of the Court of Arbitration in London 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 payments from Basell Europe Holdings B.V. to Basell Orlen Polyolefins Sp. z o.o. the amount of PLN 128 million translated using exchange rate as of 31 December 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. On 1 November 2014, the arbitration proceedings were resumed. On 24 March 2015, the seating of the Tribunal which was planned on 24-27 March 2015 began.

41.2.5. The dispute between ORLEN Lietuva and Lietuvos Geležinkeliai

On 31 December 2014, ORLEN Lietuva filed in a court of arbitration in Vilnius a motion for arbitration against the company Lietuvos Gelezinkeliai (LG). In this proceeding ORLEN Lietuva will strive for a compensation in the amount of approximately PLN 68 million converted with exchange rate from 31 December 2014 (equivalent of EUR 15.9 million) due to breach of contract of rail transport by LG by the use of excessive rates. The proceeding is in progress.
Simultaneously two court proceedings are held in which Lietuvos Gelezinkeliai demands from ORLEN Lietuva a payment of approximetly PLN 36 million converted with exchange rate from 31 December 2014 (representing of approximately LTL 29 million) from fees for rail transport.

42. Events after the end of the reporting period

After the reporting period there were no events to be included or disclosed in the foregoing consolidated financial statements.

43. Approval of the financial statements

The foregoing consolidated financial statements were approved by the Management Board of the Parent Company on 24 March 2015.

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Dariusz Krawiec
President of the Board

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Sławomir Jędrzejczyk
Vice-President of the Board

……………………………
Piotr Chełmiński
Member of the Board

……………………………
Krystian Pater
Member of the Board

……………………
Marek Podstawa
Member of the Board

Signature of a person responsible for
keeping accounting books

………………………………………..……

Rafał Warpechowski

Executive Director
Planning and Reporting