Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED HALF-YEAR REPORT

FOR THE 1st HALF 2015

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	6 MONTHS 2015	6 MONTHS 2014	6 MONTHS 2015	6 MONTHS 2014
Sales revenues	44 781	52 770	10 832	12 765
Profit/(Loss) from operations increased by depreciation and amortisation (EBITDA)	4 289	(3 517)	1 037	(851)
EBITDA before impairment allowances *	4 744	1 500	1 148	363
Profit/(Loss) from operations (EBIT)	3 373	(4 563)	816	(1 104)
Profit/(Loss) before tax	2 985	(5 576)	722	(1 349)
Net profit/(loss) attributable to equity owners of the parent	2 123	(5 133)	514	(1 242)
Net profit/(loss)	2 417	(5 264)	585	(1 273)
Total net comprehensive income attributable to equity owners of the parent	2 450	(4 652)	593	(1 125)
Total net comprehensive income	2 727	(4 739)	660	(1 146)
Net cash provided by operating activities	3 659	615	886	149
Net cash (used) in investing activities	(1 318)	(2 080)	(320)	(504)
Net cash provided by/(used in) financing activities	(2 143)	4 067	(518)	984
Net increase in cash and cash equivalents	198	2 602	48	629
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN/EUR per share)	4.96	(12.00)	1.20	(2.90)

	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Non-current assets	24 588	24 971	5 862	5 953
Current assets	24 437	21 754	5 826	5 186
Total assets	49 025	46 725	11 688	11 140
Non-current liabilities	9 911	12 305	2 363	2 934
Current liabilities	16 707	14 034	3 983	3 346
Total equity	22 407	20 386	5 342	4 860
Equity attributable to equity owners of the parent	20 515	18 771	4 891	4 475
Share capital	1 058	1 058	252	252
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)	47.96	43.89	11.44	10.46

* Impairment allowances of net non-current assets are: 2015: PLN (455) million mainly: PLN (429) million ORLEN Upstream Group; 2014: PLN (5,017) million mainly: ORLEN Lietuva Group PLN (4,187) million, Unipetrol Group PLN (711) million, Anwil (Spolana) Group PLN (58) million and Rafineria Nafty Jedlicze Group PLN (42) million

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	6 MONTHS 2015	6 MONTHS 2014	6 MONTHS 2015	6 MONTHS 2014
Sales revenues	30 853	38 604	7 463	9 338
Profit from operations increased by depreciation and amortisation (EBITDA)	2 075	532	502	129
Profit from operations (EBIT)	1 532	43	371	10
Profit/(Loss) before tax*	1 508	(3 794)	365	(918)
Net profit/(loss)*	1 224	(3 783)	296	(915)
Total net comprehensive income	1 557	(3 977)	377	(962)
Net cash provided by operating activities	1 000	713	242	172
Net cash provided by/(used in) investing activities	477	(1 030)	115	(249)
Net cash provided by/(used in) financing activities	(2 131)	822	(515)	199
Net increase/(decrease) in cash and cash equivalents	(654)	505	(158)	122
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	2.86	(8.84)	0.69	(2.14)

	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Non-current assets	21 108	21 802	5 032	5 198
Current assets	17 271	16 176	4 118	3 857
Total assets	38 379	37 978	9 150	9 054
Non-current liabilities	8 985	11 379	2 142	2 713
Current liabilities	12 270	10 297	2 925	2 455
Total equity	17 124	16 302	4 083	3 887
Share capital	1 058	1 058	252	252
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	40.04	38.11	9.55	9.09

* Items include impairment allowances of shares: 2015: PLN (417) million ORLEN Upstream; 2014: PLN (4,542) million AB ORLEN Lietuva

The above data for the 6 month period of 2015 and 2014 was translated into EUR using the following exchange rates:
- items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of the last day of the month during the reporting period: from 1 January to 30 June 2015 – 4.1341 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 30 June 2015 – 4.1944 EUR/PLN.

TABLE OF CONTENTS

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 AND 3 MONTH PERIOD ENDED 30 JUNE 2015

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

A. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of profit or loss and other comprehensive income

	NOTE	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Statement of profit or loss					
Sales revenues	3.1	44 781	24 776	52 770	28 651
Cost of sales	3.2	(38 403)	(20 880)	(49 984)	(27 163)
Gross profit on sales		**6 378**	**3 896**	**2 786**	**1 488**
Distribution expenses		(1 920)	(986)	(1 886)	(971)
Administrative expenses		(790)	(402)	(712)	(366)
Other operating income	3.5	197	116	432	129
Other operating expenses	3.5	(596)	(534)	(5 220)	(5 118)
Share in profit from investments accounted for under equity method		104	73	37	21
Profit/(Loss) from operations		**3 373**	**2 163**	**(4 563)**	**(4 817)**
Finance income	3.6	159	70	82	34
Finance costs	3.6	(547)	(282)	(1 095)	(947)
Net finance income and costs		**(388)**	**(212)**	**(1 013)**	**(913)**
Profit/(Loss) before tax		**2 985**	**1 951**	**(5 576)**	**(5 730)**
Tax expense	3.7	(568)	(402)	312	340
Net profit/(loss)		**2 417**	**1 549**	**(5 264)**	**(5 390)**
Items of other comprehensive income:					
which will be reclassified into profit or loss under certain conditions					
Hedging instruments		*324*	*28*	*(225)*	*(125)*
Foreign exchange differences on subsidiaries from consolidation		*48*	*188*	*707*	*691*
Deferred tax		*(62)*	*(6)*	*43*	*24*
		310	**210**	**525**	**590**
Total net comprehensive income		**2 727**	**1 759**	**(4 739)**	**(4 800)**
Net profit/(loss) attributable to		**2 417**	**1 549**	**(5 264)**	**(5 390)**
equity owners of the parent		*2 123*	*1 367*	*(5 133)*	*(5 197)*
non-controlling interest		*294*	*182*	*(131)*	*(193)*
Total net comprehensive income attributable to		**2 727**	**1 759**	**(4 739)**	**(4 800)**
equity owners of the parent		*2 450*	*1 521*	*(4 652)*	*(4 597)*
non-controlling interest		*277*	*238*	*(87)*	*(203)*
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN per share)		4.96	3.19	(12.00)	(12.15)

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing the half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

Consolidated statement of financial position

	NOTE	30/06/2015 (unaudited)	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment		22 428	22 644
Investment property		111	111
Intangible assets		606	703
Perpetual usufruct of land		94	89
Investments accounted for under equity method	*3.9*	661	672
Financial assets available for sale		41	40
Deferred tax assets		272	385
Other non-current assets	*3.10*	375	327
		24 588	**24 971**
Current assets			
Inventories		10 721	9 829
Trade and other receivables		9 088	7 057
Other financial assets	*3.11*	455	862
Current tax assets		26	35
Cash and cash equivalents		4 140	3 937
Non-current assets classified as held for sale		7	34
		24 437	**21 754**
Total assets		**49 025**	**46 725**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(1 030)	(1 319)
Foreign exchange differences on subsidiaries from consolidation		547	509
Retained earnings		18 713	17 296
Total equity attributable to equity owners of the parent		**20 515**	**18 771**
Non-controlling interest		**1 892**	**1 615**
Total equity		**22 407**	**20 386**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	*3.12*	8 046	9 670
Provisions	*3.13*	740	709
Deferred tax liabilities		332	75
Deferred income		8	8
Other non-current liabilities	*3.14*	785	1 843
		9 911	**12 305**
Current liabilities			
Trade and other liabilities		13 732	11 215
Loans and borrowings	*3.12*	535	987
Current tax liabilities		118	42
Provisions	*3.13*	475	648
Deferred income		244	122
Other financial liabilities	*3.15*	1 603	1 020
		16 707	**14 034**
Total liabilities		**26 618**	**26 339**
Total equity and liabilities		**49 025**	**46 725**

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing the half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent						
	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total	Non-controlling interest	Total equity
01/01/2015	2 285	(1 319)	509	17 296	18 771	1 615	20 386
Net profit	-	-	-	2 123	2 123	294	2 417
Items of other comprehensive income	-	289	38	-	327	(17)	310
Total net comprehensive income	**-**	**289**	**38**	**2 123**	**2 450**	**277**	**2 727**
Dividends	-	-	-	(706)	(706)	-	(706)
30/06/2015	**2 285**	**(1 030)**	**547**	**18 713**	**20 515**	**1 892**	**22 407**
(unaudited)							
01/01/2014	2 285	148	(201)	23 716	25 948	1 603	27 551
Net (loss)	-	-	-	(5 133)	(5 133)	(131)	(5 264)
Net investment hedge in a foreign operation	-	-	657	-	657	-	657
Items of other comprehensive income	-	(187)	11	-	(176)	44	(132)
Total net comprehensive income	**-**	**(187)**	**668**	**(5 133)**	**(4 652)**	**(87)**	**(4 739)**
Change in the structure of non-controlling interest	-	-	-	23	23	(23)	-
Dividends	-	-	-	(616)	(616)	(1)	(617)
30/06/2014	**2 285**	**(39)**	**467**	**17 990**	**20 703**	**1 492**	**22 195**
(unaudited)							

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing the half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

Consolidated statement of cash flows

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	**2 417**	**1 549**	**(5 264)**	**(5 390)**
Adjustments for:				
Share in profit from investments accounted for under equity method	(104)	(73)	(37)	(21)
Depreciation and amortisation	916	464	1 046	524
Foreign exchange (profit)/loss	(62)	156	792	796
Interest, net	105	51	129	77
Dividends	(2)	(2)	(2)	(2)
Loss on investing activities	601	488	4 827	4 971
Tax expense	568	402	(312)	(340)
Change in provisions	198	142	(47)	(110)
Change in working capital	(790)	(371)	(350)	3 615
inventories	*(771)*	*(437)*	*849*	*3 253*
receivables	*(1 547)*	*(1 215)*	*(957)*	*(177)*
liabilities	*1 528*	*1 281*	*(242)*	*539*
Other adjustments	(83)	(109)	(106)	(61)
Income tax (paid)	(105)	(18)	(61)	(4)
Net cash provided by operating activities	**3 659**	**2 679**	**615**	**4 055**
Cash flows - investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(1 245)	(629)	(1 704)	(943)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	54	11	341	321
Acquisition of shares adjusted for received cash	(35)	(35)	(745)	(683)
Disposal of shares	1	1	46	46
Deposits, net	18	17	1	(2)
Dividends received	3	3	2	2
Proceeds from loans granted	1	-	3	1
Other	(115)	(118)	(24)	(6)
Net cash (used) in investing activities	**(1 318)**	**(750)**	**(2 080)**	**(1 264)**
Cash flows - financing activities				
Proceeds from loans and borrowings received	375	304	8 366	4 965
Bonds issued	-	-	2 350	2 350
Repayments of loans and borrowings	(2 353)	(1 078)	(6 495)	(5 486)
Interest paid	(152)	(98)	(136)	(76)
Payments of liabilities under finance lease agreements	(13)	(6)	(16)	(8)
Other	-	-	(2)	(2)
Net cash provided by/(used in) financing activities	**(2 143)**	**(878)**	**4 067**	**1 743**
Net increase in cash and cash equivalents	**198**	**1 051**	**2 602**	**4 534**
Effect of exchange rate changes	5	(1)	4	3
Cash and cash equivalents, beginning of the period	3 937	3 090	2 689	758
Cash and cash equivalents, end of the period	**4 140**	**4 140**	**5 295**	**5 295**

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing the half-year condensed consolidated financial statements.

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information on principles adopted for the preparation of the half-year condensed consolidated financial statements

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non member state (consolidated text: Official Journal 2014, item 133) ("Regulation") and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 30 June 2015 and as at 31 December 2014, financial results and cash flows for the 6 and 3 month period ended 30 June 2015 and 30 June 2014.

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

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

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

1.2. Statements of the Management Board

1.2.1. In respect of the reliability of the half-year condensed consolidated financial statements

Under the Regulation, the Management Board of PKN ORLEN hereby declares that to the best of its knowledge the foregoing half-year condensed consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Group and present a true and fair view on financial position and financial result of the Group.
In addition, the Management Board of PKN ORLEN declares that the foregoing Management Board Report on the Operations of the Group for the 6 month period ended 30 June 2015 presents true overview of the development, achievements and business situation of the Group, including its basic exposures and risks.

1.2.2. In respect of the entity authorized to conduct review of the half-year condensed consolidated financial statements

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

1.2.3. Applied accounting principles and amendments to International Financial Reporting Standards (IFRS)

In the foregoing half-year condensed consolidated financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in note 4 in the Consolidated Financial Statements for the year 2014.
The Group intends to adopt IFRS amendments, published but not effective as at the date of publication of the foregoing half-year condensed consolidated financial statements, in accordance with their effective date. An estimate of the impact of changes and new IFRS on future consolidated financial statements was presented in the Consolidated Financial Statements for 2014 in note 3.2.

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

1.3.1. Functional currency and presentation currency

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

1.3.2. Methods applied to translation of financial data

Translation into 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 the statement of profit or loss and other comprehensive income and the statement of cash flows are translated at the average exchange rate for the reporting period.

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	
	6 MONTHS 2015	3 MONTHS 2015	6 MONTHS 2014	3 MONTHS 2014	30/06/2015	31/12/2014
EUR/PLN	4.1420	4.0888	4.1762	4.1667	4.1944	4.2623
USD/PLN	3.7132	3.7015	3.0467	3.0382	3.7645	3.5072
CZK/PLN	0.1506	0.1494	0.1522	0.1518	0.1538	0.1537
CAD/PLN	3.0067	3.0103	2.7774	2.7862	3.0361	3.0255

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

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

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

2. Segment reporting

The 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, support functions and remaining activities not allocated to separate operating segments.
The allocation of the ORLEN Group's companies to operating segments and corporate functions was presented in the Management Board Report on the Operations of the Group in note C2.

Revenues, expenses, financial result by operating segments

for the 6 month period ended 30 June 2015

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		29 444	15 182	113	42	-	44 781
Sales revenues from transactions with other segments		6 360	34	-	97	(6 491)	-
Sales revenues	3.1	35 804	15 216	113	139	(6 491)	44 781
Operating expenses		(32 206)	(14 769)	(159)	(470)	6 491	(41 113)
Other operating income	3.5	143	23	-	31	-	197
Other operating expenses	3.5	(93)	(25)	(429)	(49)	-	(596)
Share in profit from investments accounted for under equity method		104	-	-	-	-	104
Segment profit/(loss) from operations		**3 752**	**445**	**(475)**	**(349)**	**-**	**3 373**
Net finance income and costs	3.6						(388)
Profit before tax							**2 985**
Tax expense	3.7						(568)
Net profit							**2 417**
Depreciation and amortisation		**624**	**181**	**73**	**38**	**-**	**916**
EBITDA		**4 376**	**626**	**(402)**	**(311)**	**-**	**4 289**

for the 3 month period ended 30 June 2015

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		16 564	8 132	61	19	-	24 776
Sales revenues from transactions with other segments		3 544	19	-	53	(3 616)	-
Sales revenues	3.1	20 108	8 151	61	72	(3 616)	24 776
Operating expenses		(17 652)	(7 894)	(87)	(251)	3 616	(22 268)
Other operating income	3.5	83	9	-	24	-	116
Other operating expenses	3.5	(54)	(13)	(429)	(38)	-	(534)
Share in profit from investments accounted for under equity method		73	-	-	-	-	73
Segment profit/(loss) from operations		**2 558**	**253**	**(455)**	**(193)**	**-**	**2 163**
Net finance income and costs	3.6						(212)
Profit before tax							**1 951**
Tax expense	3.7						(402)
Net profit							**1 549**
Depreciation and amortisation		**314**	**90**	**39**	**21**	**-**	**464**
EBITDA		**2 872**	**343**	**(416)**	**(172)**	**-**	**2 627**

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

for the 6 month period ended 30 June 2014

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		35 011	17 592	123	44	-	52 770
Sales revenues from transactions with other segments		7 586	90	-	114	(7 790)	-
Sales revenues	3.1	42 597	17 682	123	158	(7 790)	52 770
Operating expenses		(42 485)	(17 275)	(105)	(507)	7 790	(52 582)
Other operating income	3.5	300	64	3	65	-	432
Other operating expenses	3.5	(5 113)	(55)	(8)	(44)	-	(5 220)
Share in profit from investments accounted for under equity method		37	-	-	-	-	37
Segment profit/(loss) from operations		**(4 664)**	**416**	**13**	**(328)**	**-**	**(4 563)**
Net finance income and costs	3.6						(1 013)
(Loss) before tax							**(5 576)**
Tax expense	3.7						312
Net (loss)							**(5 264)**
Depreciation and amortisation		**781**	**175**	**37**	**53**	**-**	**1 046**
EBITDA		**(3 883)**	**591**	**50**	**(275)**	**-**	**(3 517)**

for the 3 month period ended 30 June 2014

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		19 293	9 272	68	18	-	28 651
Sales revenues from transactions with other segments		4 031	48	-	59	(4 138)	-
Sales revenues	3.1	23 324	9 320	68	77	(4 138)	28 651
Operating expenses		(23 267)	(9 046)	(62)	(263)	4 138	(28 500)
Other operating income	3.5	45	29	-	55	-	129
Other operating expenses	3.5	(5 043)	(31)	(7)	(37)	-	(5 118)
Share in profit from investments accounted for under equity method		21	-	-	-	-	21
Segment profit/(loss) from operations		**(4 920)**	**272**	**(1)**	**(168)**	**-**	**(4 817)**
Net finance income and costs	3.6						(913)
(Loss) before tax							**(5 730)**
Tax expense	3.7						340
Net (loss)							**(5 390)**
Depreciation and amortisation		**393**	**85**	**20**	**26**	**-**	**524**
EBITDA		**(4 527)**	**357**	**19**	**(142)**	**-**	**(4 293)**

Assets by operating segments

	30/06/2015 (unaudited)	31/12/2014
Downstream Segment	35 307	32 298
Retail Segment	5 910	5 787
Upstream Segment	1 964	2 422
Segment assets	**43 181**	**40 507**
Corporate Functions	6 161	6 425
Adjustments	(317)	(207)
	49 025	**46 725**

3. Other notes

3.1. Sales revenues

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Revenues from sales of finished goods and services, net	35 263	20 025	38 795	20 071
Revenues from sales of merchandise and raw materials, net	9 518	4 751	13 975	8 580
	44 781	**24 776**	**52 770**	**28 651**

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

3.2. Operating expenses

Cost of sales

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Cost of finished goods and services sold	(29 468)	(16 407)	(36 563)	(18 851)
Cost of merchandise and raw materials sold	(8 935)	(4 473)	(13 421)	(8 312)
	(38 403)	**(20 880)**	**(49 984)**	**(27 163)**

Cost by nature

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Materials and energy	(27 691)	(15 724)	(34 678)	(17 698)
Cost of merchandise and raw materials sold	(8 935)	(4 473)	(13 421)	(8 312)
External services	(2 142)	(1 089)	(1 961)	(1 000)
Employee benefits	(1 070)	(536)	(1 047)	(520)
Depreciation and amortisation	(916)	(464)	(1 046)	(524)
Taxes and charges	(572)	(289)	(320)	(159)
Other	(801)	(650)	(5 434)	(5 243)
	(42 127)	**(23 225)**	**(57 907)**	**(33 456)**
Change in inventories	294	395	16	(228)
Cost of products and services for own use	124	28	89	66
Operating expenses	**(41 709)**	**(22 802)**	**(57 802)**	**(33 618)**
Distribution expenses	1 920	986	1 886	971
Administrative expenses	790	402	712	366
Other operating expenses	596	534	5 220	5 118
Cost of sales	**(38 403)**	**(20 880)**	**(49 984)**	**(27 163)**

3.3. Impairment allowances of inventories to net realizable value

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Increase	(56)	(21)	(54)	(31)
Decrease	850	35	112	92

During the 6 month period ended 30 June 2015 the item decrease includes first of all usage in the 1st quarter of 2015 of impairment allowances made mainly in the 4th quarter of 2014 due to decrease in crude oil and petroleum products' prices.

3.4. Impairment allowances of assets

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Property, plant and equipment				
Recognition	(463)	(445)	(5 014)	(4 996)
Reversal	8	1	21	18
Intangible assets				
Recognition	-	-	(28)	(28)
Reversal	-	-	4	4
Receivables				
Recognition	(25)	(16)	(19)	(8)
Reversal	11	4	24	11

3.4.1. Impairment allowances of non-current assets

As part of the Upstream segment ORLEN Upstream Group has determined, based on the gathered data of previous work, the most promising areas for further exploration of hydrocarbon in Poland. Narrowing the search area influenced the partial impairment of assets related to exploration and recognition of mineral resources in the amount of PLN (429) million.
The fair value of assets due to exploration and evaluation of mineral resources has been established in accordance with IAS 36 - Impairment of assets and results from the analysis of future cash flows, which take into account the current and forecasted hydrocarbon prices, expected changes in the regulatory environment, probability of success/failure and long-term production forecasts. Net cash flow projections used for the purposes of estimating the fair value of the assets were discounted to their present value using a discount rate at 8.99%, which reflects current market assessment of the time value of money and the risks specific to the respective assets on the Polish market.

Sensitivity analysis of the ORLEN Upstream assets value in use within an impairment test performed as at 30 June 2015

in PLN million — HYDROCARBONS PRICES

DISCOUNT RATE change	-5% *	0%	5%
- 0.5 p.p.	*increase in allowance* (25)	*decrease in allowance* 12	*decrease in allowance* 51
0.0 p.p.	*increase in allowance* (25)	-	*decrease in allowance* 37
+ 0.5 p.p.	*increase in allowance* (25)	*increase in allowance* (11)	*decrease in allowance* 24

* while lowering prices by 5% the entire value of the tested assets is impaired, with each of the analyzed discount rates

As at 30 June 2015 the ORLEN Group did not identify other impairment indications of assets.

3.5. Other operating income and expenses

Other operating income

	NOTE	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Profit on sale of non-current non-financial assets		11	6	25	17
Gain on bargain purchase of shares	*3.8*	63	63	180	-
Reversal of provisions		6	3	40	10
Reversal of receivables impairment allowances		9	3	17	7
Reversal of impairment allowances of property, plant and equipment and intangible assets		8	1	25	22
Penalties and compensation		24	13	25	15
Other		76	27	120	58
		197	**116**	**432**	**129**

Other operating expenses

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Loss on sale of non-current non-financial assets	(12)	(5)	(29)	(11)
Recognition of provisions	(37)	(32)	(66)	(53)
Recognition of receivables impairment allowances	(23)	(15)	(15)	(7)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(463)	(445)	(5 042)	(5 024)
Penalties, damages and compensation	(15)	(7)	(9)	(4)
Other	(46)	(30)	(59)	(19)
	(596)	**(534)**	**(5 220)**	**(5 118)**

In the 6 and 3 month period ended 30 June 2015 the line recognition of impairment allowances of property, plant and equipment and intangible assets includes mainly impairment allowances of ORLEN Upstream Group's exploration assets in Poland. Additional information is presented in note 3.4.1.
In the 6 and 3 month period ended 30 June 2014 this line includes mainly recognized in the 2nd quarter of 2014 impairment allowances of the ORLEN Lietuva Group's refining assets of PLN (4,187) million, the Unipetrol Group's of PLN (711) million, the Rafineria Jedlicze Group's of PLN (42) million and petrochemical assets of Spolana from the Anwil Group of PLN (58) million.

3.6. Finance income and costs

Finance income

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Interest	37	19	20	7
Dividends	2	2	2	2
Settlement and valuation of financial instruments	97	30	34	8
Reversal of receivables impairment allowances	2	1	7	4
Other	21	18	19	13
	159	**70**	**82**	**34**

(PLN million)

Finance costs

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Interest	(109)	(56)	(126)	(74)
Foreign exchange loss surplus	(111)	(81)	(867)	(833)
Settlement and valuation of financial instruments	(304)	(137)	(71)	(22)
Recognition of receivables impairment allowances	(2)	(1)	(4)	(1)
Other	(21)	(7)	(27)	(17)
	(547)	**(282)**	**(1 095)**	**(947)**

Borrowing costs capitalized in the 6 and 3 month period ended 30 June 2015 and 30 June 2014 amounted to PLN (27) million and PLN (14) million and PLN (24) million and PLN (15) million, respectively.

3.7. Tax expense

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Current income tax	(188)	(138)	(70)	(11)
Deferred tax	(380)	(264)	382	351
	(568)	**(402)**	**312**	**340**

3.8. Acquisition of Česká Rafinerska's shares

In the 1st quarter of 2014, Unipetrol a.s acquired from Shell Overseas Investments BV (Shell) 152,701 shares of Česká Rafinérská representing 16.335% of Česká Rafinérská share capital. The Group recognized a gain on the bargain purchase in other operating income of PLN 180 million, calculated as the difference between the acquired share in equity of Česká Rafinérská of PLN 263 million, and the purchase price of PLN 82 million. As a result of the transaction, Unipetrol's a.s. share in the capital of Česká Rafinérská increased to 67.56 %.
On 19 December 2014 Unipetrol received approval from the Czech Antimonopoly Office for the acquiring Česká Rafinerska's shares from an Italian ENI Holding, however on 5 January 2015 an organization, among other of the united independent fuel station operators on the Czech market – SČS - Unie nezávislých petrolejářů, z.s. filed a compliment to this decision. On 30 March 2015 the Czech Antimonopoly Office dismissed the appeal and declared the decision of 19 December 2014 to be valid.
On 3 July 2014 Unipetrol a.s. accepted the offer of an Italian ENI Holding regarding the acquisition of Česká Rafinérská shares, representing 32.445% of share capital of the company. On 30 April 2015 Unipetrol a.s. acquired from ENI 303,301 shares of Česká Rafinérská. The purchase price of shares in the amount of PLN 97 million translated using the exchange rate as at 30 April 2015 (representing EUR 24 million) was settled in cash.
Based on the completion of the transaction, Unipetrol's a.s. stake in Česká Rafinérská's share capital increased from 67.555% to 100%. After settlement of the transaction, Unipetrol a.s. obtained control over Česká Rafinérská and adopted the full method of consolidation. As a result of the settlement, the Group recognized a gain on bargain purchase in the amount of PLN 63 million in the consolidated statement of profit or loss and other comprehensive income.

	Carrying amount as at the acquisition day 30/04/2015	Adjustments to fair value	Fair value 30/04/2015
Non-current assets	338	(92)	246
Current assets	1 169	(15)	1 154
Assets (A)	**1 507**	**(107)**	**1 400**
Non-current liabilities	5	24	29
Current liabilities	870	8	878
Liabilities (B)	**875**	**32**	**907**
Identifiable net assets at fair value (A-B)			**493**
32.445% of net acquired assets in fair value			160
Fair value of transferred payment due to acquisition			(97)
Gain on bargain purchase			**63**

3.9. Shares in entities accounted for under equity method

	30/06/2015 (unaudited)	31/12/2014
Associates	13	13
Joint ventures	648	659
	661	**672**

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

Condensed financial information on joint ventures - Bassel ORLEN Polyolefines Sp. z.o.o. (BOP) and Płocki Park Przemysłowo-Technologiczny (PPPT)

	BOP		PPPT		Total	
	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014
Non-current assets	914	960	85	81	999	1 041
Current assets	1 647	1 255	20	23	1 667	1 278
Total assets	**2 561**	**2 215**	**105**	**104**	**2 666**	**2 319**
Total equity	1 294	1 287	60	**60**	1 354	1 347
Non-current liabilities	25	20	37	40	62	60
Current liabilities	1 242	908	8	4	1 250	912
Total liabilities	1 267	928	45	44	1 312	972
Total equity and liabilities	**2 561**	**2 215**	**105**	**104**	**2 666**	**2 319**
Net debt	**(425)**	**(183)**	**22**	**22**	**(403)**	**(161)**

	BOP		PPPT		Total	
	6 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	6 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	6 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)
Sales revenues	1 945	1 829	4	1	1 949	1 830
Cost of sales	(1 585)	(1 685)	(3)	(1)	(1 588)	(1 686)
depreciation and amortisation	*(50)*	*(48)*	*(1)*	-	*(51)*	*(48)*
Gross profit on sales	**360**	**144**	**1**	**-**	**361**	**144**
Distribution expenses	(58)	(49)	-	-	(58)	(49)
Administrative expenses	(11)	(11)	(2)	(2)	(13)	(13)
Net other operating income and expenses	1	(3)	-	-	1	(3)
Profit/(Loss) from operations	**292**	**81**	**(1)**	**(2)**	**291**	**79**
Net finance income and costs	**(2)**	**(2)**	**-**	**-**	**(2)**	**(2)**
Profit/ (Loss) before tax	**290**	**79**	**(1)**	**(2)**	**289**	**77**
Tax expense	(53)	(16)	-	-	(53)	(16)
Net profit/(loss)	**237**	**63**	**(1)**	**(2)**	**236**	**61**

3.10. Other non-current assets

	30/06/2015 (unaudited)	31/12/2014
Cash flow hedge instruments	362	302
currency forwards	*62*	*16*
commodity swaps	*295*	*286*
currency interest rates swaps	*5*	*-*
Loans granted	-	2
Other	13	23
	375	**327**

3.11. Other financial assets

	30/06/2015 (unaudited)	31/12/2014
Cash flows hedge instruments	399	692
currency forwards	*89*	*180*
commodity swaps	*310*	*512*
Derivatives not designated as hedge accounting	13	43
currency forwards	*9*	*8*
commodity swaps	*4*	*35*
Embedded derivatives	1	1
foreign currency swaps	*1*	*1*
Deposits	16	24
Loans granted	-	1
Receivables on cash flows hedge instruments	26	101
	455	**862**

3.12. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014
Loans	3 946	5 506	533	985	4 479	6 491
Borrowings	2	3	2	2	4	5
Bonds	4 098	4 161	-	-	4 098	4 161
	8 046	**9 670**	**535**	**987**	**8 581**	**10 657**

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

In the period covered by the foregoing half-year condensed consolidated financial statements, as well as after the reporting date, there were no instances of principal or interest non repayment nor loan covenant violations.

3.13. Provisions

	Non-current		Current		Total	
	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014
Environmental	448	414	25	37	473	451
Jubilee bonuses and post-employment benefits	250	251	34	33	284	284
Shield programs	-	-	13	38	13	38
CO_2 emissions	-	-	211	334	211	334
Other	42	44	192	206	234	250
	740	**709**	**475**	**648**	**1 215**	**1 357**

3.14. Other non-current liabilities

	30/06/2015 (unaudited)	31/12/2014
Cash flow hedge instruments	531	1 599
interest rate swaps	*80*	*93*
commodity swaps	*376*	*1 395*
currency interest rate swaps	*75*	*111*
Investment liabilities	125	125
Finance lease	103	90
Other	26	29
	785	**1 843**

3.15. Other financial liabilities

	30/06/2015 (unaudited)	31/12/2014
Cash flow hedge instruments	1 507	990
currency forwards	*12*	*31*
commodity swaps	*1 495*	*959*
Derivatives not designated as hedge accounting	95	29
currency forwards	*4*	*-*
commodity swaps	*91*	*29*
Embedded derivatives	1	1
currency swaps	*1*	*1*
	1 603	**1 020**

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

As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.
Methods applied in determining the fair value have been described in the Consolidated Financial Statements for 2014 in note 3.4.25.

Fair value hierarchy

	30/06/2015 (unaudited)	31/12/2014
	LEVEL 2	
Financial assets		
Embedded derivatives, hedging and not designated as hedge accounting	775	1 038
	775	**1 038**
Financial liabilities		
Embedded derivatives, hedging and not designated as hedge accounting	2 134	2 619
	2 134	**2 619**

The fair value of financial assets and liabilities quoted on active markets is determined based on market quotations (so called Level 1). In other cases, the fair value is determined based on other input data which are directly or indirectly observable (so called Level 2) or unobservable inputs (so called Level 3).
During the reporting period and comparative period there were no reclassifications in the Group between Level 1 and Level 2 of the fair value hierarchy.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (PLN million)

3.17. Finance lease payments

As at 30 June 2015 and as at 31 December 2014 the Group possessed as a lessee the finance lease agreements, concerning mainly buildings, technical equipment and machinery and means of transportation.

	30/06/2015 (unaudited)	31/12/2014
Value of future minimum lease payments	156	142
Present value of future minimum lease payments	130	116

3.18. Future commitments resulting from signed investment contracts

As at 30 June 2015 and as at 31 December 2014 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 1,690 million and PLN 2,005 million, respectively.

3.19. Issue, redemption and repayment of debt securities

In the period covered by the foregoing half-year condensed consolidated financial statements, short term bonds were issued in favour of the Group companies as a part of liquidity optimisation in the ORLEN Group.

3.20. Covering the loss for 2014, the recommendation concerning paying dividend in 2015

The Ordinary General Meeting of PKN ORLEN S.A. as of 28 April 2015 decided to cover the net loss incurred by PKN ORLEN for the financial year 2014 in the amount of PLN (4,672) million from the reserve capital of the Parent Company.

The Ordinary General Meeting of PKN ORLEN S.A. also agreed to distribute the amount of PLN 705,719,950.65 for the dividend payment (PLN 1.65 per 1 share). The dividend will be paid from the Parent Company's reserve capital of the previous year's profit. The dividend date was set at 16 June 2015 and the dividend payment date at 8 July 2015.

3.21. Contingent liabilities

In the period covered by the foregoing half-year condensed consolidated financial statements, there were no significant contingent liabilities, other than those already disclosed in the Consolidated Financial Statements for 2014 in note 36.

3.22. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2015 and as at 31 December 2014 amounted to PLN 1,563 million and PLN 1,637 million, respectively.

3.23. Events after the end of the reporting period

After the end of the reporting period there were no events required to be included in the foregoing half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE 6 AND 3 MONTH PERIOD ENDED 30 JUNE 2015

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

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

B. HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Separate statement of profit or loss and other comprehensive income

	NOTE	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Statement of profit or loss					
Sales revenues	*3.1*	30 853	17 230	38 604	21 189
Cost of sales	*3.2*	(27 754)	(15 203)	(37 161)	(20 493)
Gross profit on sales		**3 099**	**2 027**	**1 443**	**696**
Distribution expenses		(1 121)	(579)	(1 059)	(534)
Administrative expenses		(460)	(237)	(351)	(180)
Other operating income	*3.5*	86	23	127	68
Other operating expenses	*3.5*	(72)	(44)	(117)	(77)
Profit/(Loss) from operations		**1 532**	**1 190**	**43**	**(27)**
Finance income	*3.6*	592	546	1 105	1 082
Finance costs	*3.6*	(616)	(548)	(4 942)	(4 841)
Net finance income and costs		**(24)**	**(2)**	**(3 837)**	**(3 759)**
Profit/(Loss) before tax		**1 508**	**1 188**	**(3 794)**	**(3 786)**
Tax expense	*3.7*	(284)	(222)	11	10
Net profit/(loss)		**1 224**	**966**	**(3 783)**	**(3 776)**
Items of other comprehensive income: which will be reclassified into profit or loss under certain conditions					
Hedging instruments		*411*	*52*	*(239)*	*(114)*
Deferred tax		*(78)*	*(10)*	*45*	*21*
		333	**42**	**(194)**	**(93)**
Total net comprehensive income		**1 557**	**1 008**	**(3 977)**	**(3 869)**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)		2.86	2.26	(8.84)	(8.83)

The accompanying notes disclosed on pages 22 – 29 are an integral part of the foregoing half-year condensed separate financial statements .

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

Separate statement of financial position

	NOTE	30/06/2015 (unaudited)	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment		13 836	13 465
Intangible assets		298	334
Perpetual usufruct of land		93	91
Shares in related parties		6 433	6 733
Financial assets available for sale		40	40
Deferred tax assets		-	169
Other non-current assets	3.8	408	970
		21 108	**21 802**
Current assets			
Inventories		6 836	6 497
Trade and other receivables		7 111	4 954
Other financial assets	3.9	494	1 206
Current tax assets		-	6
Cash and cash equivalents		2 827	3 475
Non-current assets classified as held for sale		3	38
		17 271	**16 176**
Total assets		**38 379**	**37 978**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(1 037)	(1 370)
Retained earnings		15 876	15 387
Total equity		**17 124**	**16 302**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	3.10	7 699	9 212
Provisions	3.11	358	355
Deferred tax liabilities		182	-
Other non-current liabilities	3.12	746	1 812
		8 985	**11 379**
Current liabilities			
Trade and other liabilities		9 593	7 572
Loans, borrowings and bonds	3.10	471	930
Current tax liabilities		9	-
Provisions	3.11	258	342
Deferred income		152	97
Other financial liabilities	3.13	1 787	1 356
		12 270	**10 297**
Total liabilities		**21 255**	**21 676**
Total equity and liabilities		**38 379**	**37 978**

The accompanying notes disclosed on pages 22 – 29 are an integral part of the foregoing half-year condensed separate financial statements .

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
01/01/2015	2 285	(1 370)	15 387	16 302
Net profit	-	-	1 224	1 224
Items of other comprehensive income	-	333	-	333
Total net comprehensive income	**-**	**333**	**1 224**	**1 557**
Equity resulting from merger under common control	-	-	(29)	(29)
Dividends	-	-	(706)	(706)
30/06/2015	**2 285**	**(1 037)**	**15 876**	**17 124**
(unaudited)				
01/01/2014	2 285	168	20 682	23 135
Net (loss)	-	-	(3 783)	(3 783)
Items of other comprehensive income	-	(194)	-	(194)
Total net comprehensive income	**-**	**(194)**	**(3 783)**	**(3 977)**
Dividends	-	-	(616)	(616)
30/06/2014	**2 285**	**(26)**	**16 283**	**18 542**
(unaudited)				

The accompanying notes disclosed on pages 22 – 29 are an integral part of the foregoing half-year condensed separate financial statements .

(PLN million)

Separate statement of cash flows

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	**1 224**	**966**	**(3 783)**	**(3 776)**
Adjustments for:				
Depreciation and amortisation	543	275	489	243
Foreign exchange (profit)/loss	(58)	114	(10)	(17)
Interest, net	83	36	123	73
Dividends	(526)	(513)	(1 020)	(1 018)
Loss on investing activities	441	427	4 720	4 699
Tax expense	284	222	(11)	(10)
Change in provisions	58	50	32	42
Change in working capital	(977)	(639)	169	2 705
inventories	*(270)*	*27*	*966*	*3 152*
receivables	*(1 985)*	*(1 865)*	*22*	*(634)*
liabilities	*1 278*	*1 199*	*(819)*	*187*
Other adjustments	(76)	(38)	(18)	(10)
Income tax received	4	5	22	28
Net cash provided by operating activities	**1 000**	**905**	**713**	**2 959**
Cash flows - investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(815)	(429)	(1 214)	(685)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	70	16	322	313
Acquisition of shares	(130)	-	(145)	-
Disposal of shares	-	-	67	42
Acquisition of bonds	-	-	(100)	-
Sale of bonds	70	-	-	-
Interest received	16	5	20	16
Dividends received	398	398	860	858
Outflows from additional repayable payments to subsidiaries' equity	-	-	(802)	(627)
Proceeds from additional repayable payments to subsidiaries' equity	-	-	38	38
Outflows from non-current loans granted	-	-	(313)	(10)
Proceeds from non-current loans granted	607	306	-	-
Proceeds/(Expenses) from current loans granted	297	153	137	(148)
Proceeds/(Outflows) from cash pool facility	148	(3)	107	(18)
Expenses on the acquisition of the project	(172)	(17)	-	-
Other	(12)	(9)	(7)	(3)
Net cash provided by/(used in) investing activities	**477**	**420**	**(1 030)**	**(224)**
Cash flows - financing activities				
Proceeds from loans and borrowings received	-	-	7 098	5 625
Bonds issued	538	204	722	446
Repayments of loans and borrowings	(1 924)	(617)	(5 613)	(5 216)
Redemption of bonds	(488)	(370)	(1 115)	(839)
Interest paid	(151)	(100)	(142)	(78)
Payments of liabilities under finance lease agreements	(9)	(5)	(8)	(4)
Proceeds/(Outflows) from cash pool facility	(97)	26	(119)	(309)
Other	-	-	(1)	(1)
Net cash provided by/(used in) financing activities	**(2 131)**	**(862)**	**822**	**(376)**
Net increase/(decrease) in cash and cash equivalents	**(654)**	**463**	**505**	**2 359**
Effect of exchange rate changes	6	(1)	3	2
Cash, beginning of the period	3 475	2 365	2 072	219
Cash and cash equivalents, end of the period	**2 827**	**2 827**	**2 580**	**2 580**

The accompanying notes disclosed on pages 22 – 29 are an integral part of the foregoing half-year condensed separate financial statements .

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS

1. Information on principles adopted for the preparation of the half-year condensed separate financial statements

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed separate financial statements ("separate financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non member state (consolidated text: Official Journal 2014, item 133) ("Regulation") and present the PKN ORLEN S.A. ("Company", "Parent Company", "PKN ORLEN") financial position as at 30 June 2015 and as at 31 December 2014, financial results and cash flows for the 6 and 3 month period ended 30 June 2015 and 30 June 2014.

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

The duration of the Company is unlimited.

The foregoing half-year condensed separate financial statements, except for the separate statement of cash flows, were prepared using the accrual basis of accounting.

1.2. Statements of the Management Board

1.2.1. In respect of the reliability of the half-year condensed separate financial statements

Under the Regulation, the Management Board of PKN ORLEN hereby declares that to the best of its knowledge the foregoing half-year condensed separate financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Company and present a true and fair view on financial position and financial result of the Company.

1.2.2. In respect of the entity authorized to conduct review of the half-year condensed separate financial statements

The Management Board of PKN ORLEN declares that KPMG Audyt Sp. z o.o., as the entity authorized to conduct a review of the half-year condensed separate financial statements, was selected in compliance with the law.

1.2.3. Applied accounting principles and amendments to International Financial Reporting Standards (IFRS)

In the foregoing half-year condensed separate financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in note 4 in the Separate Financial Statements for the year 2014.
The Company intends to adopt IFRS amendments, published but not effective as at the date of publication of the foregoing half-year condensed separate financial statements, in accordance with their effective date. An estimate of the impact of changes and new IFRS on future separate financial statements was presented in the Separate Financial Statements for 2014 in note 3.2.

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

The functional currency and presentation currency of the foregoing half-year condensed separate financial statements is the Polish Zloty (PLN). The data is presented in PLN million in the separate financial statements, unless stated differently.

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

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

2. Segment reporting

The operations of the Company 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, support functions and remaining activities not allocated to separate operating segments.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

Revenues, expenses, financial result by operating segments

for the 6 month period ended 30 June 2015

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		23 264	7 561	-	28	-	30 853
Sales revenues from transactions with other segments		5 426	-	-	38	(5 464)	-
Sales revenues	3.1	28 690	7 561	-	66	(5 464)	30 853
Operating expenses		(27 229)	(7 190)	(17)	(363)	5 464	(29 335)
Other operating income	3.5	45	16	-	25	-	86
Other operating expenses	3.5	(13)	(22)	-	(37)	-	(72)
Segment profit/(loss) from operations		**1 493**	**365**	**(17)**	**(309)**	**-**	**1 532**
Net finance income and costs	3.6						(24)
Profit before tax							**1 508**
Tax expense	3.7						(284)
Net profit							**1 224**
Depreciation and amortisation		**396**	**115**	**-**	**32**	**-**	**543**
EBITDA		**1 889**	**480**	**(17)**	**(277)**	**-**	**2 075**

for the 3 month period ended 30 June 2015

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		13 073	4 143	-	14	-	17 230
Sales revenues from transactions with other segments		3 003	-	-	22	(3 025)	-
Sales revenues	3.1	16 076	4 143	-	36	(3 025)	17 230
Operating expenses		(14 895)	(3 940)	(11)	(198)	3 025	(16 019)
Other operating income	3.5	(2)	5	-	20	-	23
Other operating expenses	3.5	(5)	(11)	-	(28)	-	(44)
Segment profit/(loss) from operations		**1 174**	**197**	**(11)**	**(170)**	**-**	**1 190**
Net finance income and costs	3.6						(2)
Profit before tax							**1 188**
Tax expense	3.7						(222)
Net profit							**966**
Depreciation and amortisation		**200**	**57**	**-**	**18**	**-**	**275**
EBITDA		**1 374**	**254**	**(11)**	**(152)**	**-**	**1 465**

for the 6 month period ended 30 June 2014

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		29 753	8 822	-	29	-	38 604
Sales revenues from transactions with other segments		6 589	-	-	37	(6 626)	-
Sales revenues	3.1	36 342	8 822	-	66	(6 626)	38 604
Operating expenses		(36 354)	(8 463)	(22)	(358)	6 626	(38 571)
Other operating income	3.5	56	57	-	14	-	127
Other operating expenses	3.5	(45)	(51)	-	(21)	-	(117)
Segment profit/(loss) from operations		**(1)**	**365**	**(22)**	**(299)**	**-**	**43**
Net finance income and costs	3.6						(3 837)
(Loss) before tax							**(3 794)**
Tax expense	3.7						11
Net (loss)							**(3 783)**
Depreciation and amortisation		**348**	**106**	**-**	**35**	**-**	**489**
EBITDA		**347**	**471**	**(22)**	**(264)**	**-**	**532**

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

for the 3 month period ended 30 June 2014

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		16 502	4 671	-	16	-	21 189
Sales revenues from transactions with other segments		3 479	-	-	20	(3 499)	-
Sales revenues	3.1	19 981	4 671	-	36	(3 499)	21 189
Operating expenses		(20 049)	(4 449)	(13)	(195)	3 499	(21 207)
Other operating income	3.5	36	25	-	7	-	68
Other operating expenses	3.5	(32)	(29)	-	(16)	-	(77)
Segment profit/(loss) from operations		**(64)**	**218**	**(13)**	**(168)**	**-**	**(27)**
Net finance income and costs	3.6						(3 759)
(Loss) before tax							**(3 786)**
Tax expense	3.7						10
Net (loss)							**(3 776)**
Depreciation and amortisation		**175**	**50**	**-**	**18**	**-**	**243**
EBITDA		**111**	**268**	**(13)**	**(150)**	**-**	**216**

Assets by operating segments

	30/06/2015 (unaudited)	31/12/2014
Downstream Segment	23 869	21 310
Retail Segment	3 552	3 433
Segment assets	**27 421**	**24 743**
Corporate Functions	10 958	13 235
	38 379	**37 978**

3. Other notes

3.1. Sales revenues

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Revenues from sales of finished goods and services, net	17 993	9 956	20 382	10 235
Revenues from sales of merchandise and raw materials, net	12 860	7 274	18 222	10 954
	30 853	**17 230**	**38 604**	**21 189**

3.2. Operating expenses

Cost of sales

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Cost of finished goods and services sold	(15 204)	(8 090)	(19 132)	(9 597)
Cost of merchandise and raw materials sold	(12 550)	(7 113)	(18 029)	(10 896)
	(27 754)	**(15 203)**	**(37 161)**	**(20 493)**

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

Cost by nature

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Materials and energy	(14 090)	(7 544)	(18 310)	(8 952)
Cost of merchandise and raw materials sold	(12 550)	(7 113)	(18 029)	(10 896)
External services	(1 250)	(643)	(1 063)	(537)
Employee benefits	(372)	(178)	(337)	(163)
Depreciation and amortisation	(543)	(275)	(489)	(243)
Taxes and charges	(465)	(234)	(210)	(105)
Other	(178)	(111)	(218)	(138)
	(29 448)	**(16 098)**	**(38 656)**	**(21 034)**
Change in inventories	4	31	(67)	(272)
Cost of products and services for own use	37	4	35	22
Operating expenses	**(29 407)**	**(16 063)**	**(38 688)**	**(21 284)**
Distribution expenses	1 121	579	1 059	534
Administrative expenses	460	237	351	180
Other operating expenses	72	44	117	77
Cost of sales	**(27 754)**	**(15 203)**	**(37 161)**	**(20 493)**

3.3. Impairment allowances of inventories to net realizable value

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Increase	(20)	(16)	(1)	(1)
Decrease	530	21	4	3

During the 6 month period ended 30 June 2015 the item decrease includes first of all usage in the 1st quarter of 2015 of impairment allowances made mainly in the 4th quarter of 2014 due to decrease in crude oil and petroleum products' prices.

3.4. Impairment allowances of assets

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Property, plant and equipment				
Recognition	(12)	(7)	(28)	(22)
Reversal	7	1	19	16
Intangible assets				
Reversal	-	-	4	4
Shares in related parties				
Recognition	(417)	(417)	(4 542)	(4 542)
Loans				
Recognition	-	-	(208)	(208)
Receivables				
Recognition	(8)	(6)	(11)	(6)
Reversal	7	5	17	9

3.4.1. Impairment allowances of non-current assets

As part of the Upstream segment ORLEN Upstream Group has determined, based on the gathered data of previous work, the most promising areas for further exploration activity. Narrowing the search area in Poland influenced the partial impairment of assets related to exploration and recognition of mineral resources.
As a result, in the separate financial statements of PKN ORLEN the impairment of additional payments to equity in ORLEN Upstream in the amount of (417) million PLN was recognized.
No impairment indicators of other shares were identified.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

3.5. Other operating income and expenses

Other operating income

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Profit on sale of non-current non-financial assets	7	2	26	25
Reversal of provisions	1	-	29	-
Reversal of receivables impairment allowances	5	3	11	6
Reversal of impairment allowances of property, plant and equipment and intangible assets	7	1	23	20
Penalties and compensation	9	4	9	4
Other	57	13	29	13
	86	**23**	**127**	**68**

Other operating expenses

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Loss on sale of non-current non-financial assets	(11)	(4)	(23)	(8)
Recognition of provisions	(3)	(2)	(27)	(25)
Recognition of receivables impairment allowances	(7)	(6)	(8)	(5)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(12)	(7)	(28)	(22)
Penalties, damages and compensation	(5)	(3)	(5)	(2)
Other	(34)	(22)	(26)	(15)
	(72)	**(44)**	**(117)**	**(77)**

3.6. Finance income and costs

Finance income

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Interest	35	16	28	13
Foreign exchange gain surplus	-	-	-	7
Dividends	526	513	1 020	1 018
Profit on disposal of shares	-	-	32	32
Settlement and valuation of derivative financial instruments	10	2	6	4
Reversal of receivables impairment allowances	2	2	6	3
Other	19	13	13	5
	592	**546**	**1 105**	**1 082**

Finance costs

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Interest	(95)	(41)	(146)	(85)
Foreign exchange loss surplus	(74)	(84)	(28)	-
Settlement and valuation of derivative financial instruments	(22)	(5)	(10)	(2)
Recognition of receivables impairment allowances	(1)	-	(3)	(1)
Recognition of impairment allowances of shares in related parties	(417)	(417)	(4 542)	(4 542)
Recognition of impairment allowances on loans granted in ORLEN Lietuva	-	-	(208)	(208)
Other	(7)	(1)	(5)	(3)
	(616)	**(548)**	**(4 942)**	**(4 841)**

The line recognition of impairment allowances of shares in related parties in the 3 month period ended 30 June 2015 and 30 June 2014 includes the effect of recognition of impairment allowances of ORLEN Upstream's payment to subsidiaries' equity and AB ORLEN Lietuva's shares. Additional information is presented in note 3.4.1.

Borrowing costs capitalized for the 6 and 3 month period ended 30 June 2015 and 30 June 2014 amounted to PLN (33) million and PLN (24) million and PLN (16) million and PLN (11) million, respectively.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

3.7. Tax expense

	6 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	6 MONTHS 2014 (unaudited)	3 MONTHS 2014 (unaudited)
Current tax expense	(11)	(11)	(2)	1
Deferred tax	(273)	(211)	13	9
	(284)	**(222)**	**11**	**10**

3.8. Other non-current assets

	30/06/2015 (unaudited)	31/12/2014
Cash flow hedge instruments	362	302
currency forwards	*62*	*16*
commodity swaps	*295*	*286*
currency interest rate swaps	*5*	*-*
Loans granted	46	668
	408	**970**

3.9. Other financial assets

	30/06/2015 (unaudited)	31/12/2014
Cash flow hedge instruments	363	556
currency forwards	*75*	*178*
commodity swaps	*288*	*378*
Derivatives not designated as hedge accounting	2	4
currency forwards	*2*	*4*
Embedded derivatives	1	1
currency swaps	*1*	*1*
Bonds	25	96
Loans granted	57	356
Cash pool	46	193
	494	**1 206**

3.10. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014
Loans	3 610	5 057	173	481	3 783	5 538
Borrowings	2 073	2 135	39	240	2 112	2 375
Bonds	2 016	2 020	259	209	2 275	2 229
	7 699	**9 212**	**471**	**930**	**8 170**	**10 142**

3.11. Provisions

	Non-current		Current		Total	
	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014
Environmental	217	218	16	27	233	245
Jubilee bonuses and post-employment benefits	141	137	21	20	162	157
Shield programs	-	-	6	27	6	27
CO_2 emissions	-	-	105	145	105	145
Other	-	-	110	123	110	123
	358	**355**	**258**	**342**	**616**	**697**

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (PLN million)

3.12. Other non-current liabilities

	30/06/2015 (unaudited)	31/12/2014
Cash flow hedge instruments	531	1 599
interest rate swaps	*80*	*93*
commodity swaps	*376*	*1 395*
currency interest rate swaps	*75*	*111*
Investment liabilities	124	124
Finance lease	91	89
	746	**1 812**

3.13. Other financial liabilities

	30/06/2015 (unaudited)	31/12/2014
Cash flow hedge instruments	1 484	955
currency forwards	*9*	*23*
commodity swaps	*1 475*	*932*
Embedded derivatives	1	1
currency swaps	*1*	*1*
Cash pool	302	400
	1 787	**1 356**

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

As compared to the previous reporting period the Company has not changed valuation methods concerning derivative instruments. Methods applied in determining the fair value have been described in the Separate Financial Statements for 2014 in note 3.3.22.

Fair value hierarchy

	30/06/2015 (unaudited)	31/12/2014
	LEVEL 2	
Financial assets		
Embedded derivatives, hedging and not designated as hedge accounting	728	863
	728	**863**
Financial liabilities		
Embedded derivatives, hedging and not designated as hedge accounting	2 016	2 555
	2 016	**2 555**

The fair value of financial assets and liabilities quoted on active markets is determined based on market quotations (so called Level 1). In other cases, the fair value is determined based on other input data which are directly or indirectly observable (so called Level 2) or unobservable inputs (so called Level 3).
During the reporting period and comparative period there were no reclassifications in the Company between Level 1 and Level 2 of the fair value hierarchy.

3.15. Finance lease payments

As at 30 June 2015 and as at 31 December 2014 the Company possessed as a lessee the finance lease agreements, concerning mainly petrol stations, cars and car washes.

	30/06/2015 (unaudited)	31/12/2014
Value of future minimum lease payments	134	133
Present value of future minimum lease payments	109	107

3.16. Future commitments resulting from signed investment contracts

As at 30 June 2015 and as at 31 December 2014 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 1,523 million and PLN 1,993 million, respectively.

3.17. Issue, redemption and repayment of debt securities

In the period covered by the foregoing half-year condensed separate financial statements short term bonds were issued in favour of the Group companies as a part of liquidity optimisation in the ORLEN Group.

3.18. Covering the loss for 2014, the recommendation concerning paying dividend in 2015

The Ordinary General Meeting of PKN ORLEN S.A. as of 28 April 2015 decided to cover the net loss incurred by PKN ORLEN for the financial year 2014 in the amount of PLN (4,672) million from the reserve capital of the Company.

The Ordinary General Meeting of PKN ORLEN S.A. also agreed to distribute the amount of PLN 705,719,950.65 for the dividend payment (PLN 1.65 per 1 share). The dividend will be paid from the Company's reserve capital of the previous year's profit. The dividend date was set at 16 June 2015 and the dividend payment date at 8 July 2015.

3.19. Contingent liabilities

In the period covered by the foregoing half-year condensed separate financial statements, there were no significant contingent liabilities.

3.20. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2015 and as at 31 December 2014 amounted to PLN 1,169 million and PLN 1,184 million, respectively.

3.21. Events after the end of the reporting period

After the end of the reporting period there were no events required to be included in the foregoing half-year condensed separate financial statements.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

FOR THE 1st HALF 2015

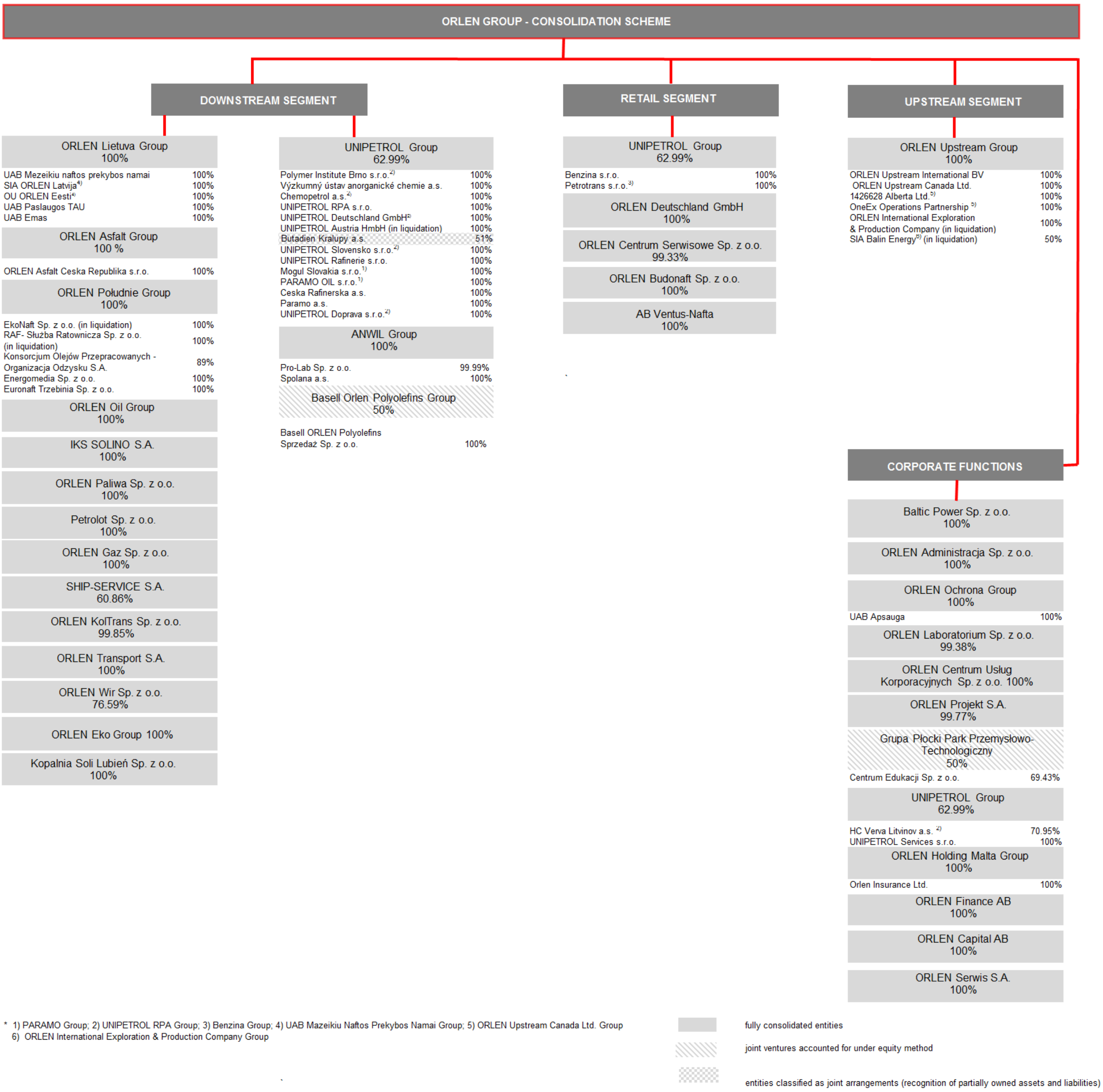
C. MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

1. Principal activity of the ORLEN Group

The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") domiciled in Płock, 7 Chemików Street.
The core business of the ORLEN Group is crude oil processing and 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.

2. Organization of the ORLEN Group

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



2.1. Changes in the structure of the ORLEN Group from 1 January 2015 up to the date of preparation of these report

- On 5 January 2015, a merger between Rafineria Trzebinia S.A. and the companies: Rafineria Nafty Jedlicze S.A., Fabryka Parafin Naftowax Sp. z o.o. and Zakładowa Straż Pożarna Sp. z o.o. took place. 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. took place;
- On 22 January 2015 acquisition by PKN ORLEN from Anwil S.A. shares of Przedsiębiorstwo Inwestycyjno-Remontowe "RemWil" Sp. z o.o, domiciled in Włocławek took place;
- On 20 February 2015 the merger of ORLEN Serwis S.A. with ORLEN Automatyka Sp. z o.o. and Przedsiębiorstwo Inwestycyjno-Remontowe RemWil Sp. z o.o. took place;
- On 19 March 2015 the merger of Baltic Power and Baltic Spark took place;
- On 1 June 2015 winding-up proceedings of the company EkoNaft Sp. z o.o. domiciled in Trzebinia was opened. As a part of restructuring of the ORLEN Group two organised parts of the enterprise of EkoNaft were sold in 2014 and from this moment EkoNaft does not conduct its principal activity;
- On 26 June 2015 shareholders of the ORLEN International Exploration & Production Company BV domiciled in Amsterdam, adopted a resolution of the opening winding-up proceedings due to closure of the exploration and extraction project on the Latvian shelf;
- On 30 June 2015 the District Court in Rzeszów made an entry of the merger of companies ORLEN PetroTank Sp. z o.o. domiciled in Widełka and ORLEN Paliwa Sp. z o.o. domiciled in Płock into a single entity operates under the name ORLEN Paliwa Sp. z o.o. domiciled in Widełka. PKN ORLEN share in the share capital of ORLEN Paliwa Sp. z o.o. (formerly ORLEN PetroTank Sp. z o.o.) remained unchanged at 100%;
- On 2 July 2015 winding-up procedures of the SIA Balin Energy terminated, the company was deleted from the trade registry of the Republic of Latvia;
- On 30 April 2015 the acquisition of 32.445% of Česká Rafinérská's share by Unipetrol a.s from an Italian ENI Holding took place. The detailed information is presented in note 3.8 in the part of the half-year condensed consolidated financial statements.

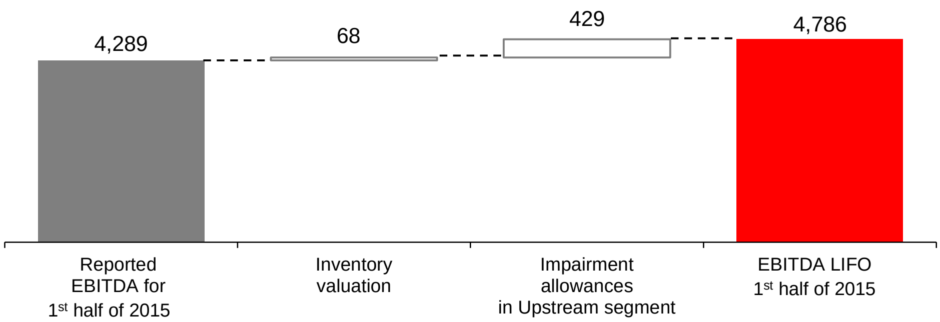
Changes in the Group structure are an element of the ORLEN Group strategy, assuming a focus on core activities and allocating the resulting available capital for development of the Group in the most prospective areas.

3. Financial situation

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

Operating and financial results

Diagram: EBITDA LIFO before recognition of impairment allowances of non-current assets



Operating profit increased by depreciation and amortization before consideration of the impact of crude oil prices on inventory valuation (EBITDA LIFO[1]) for 6 month period of 2015, before the recognition of impairment allowances of fixed assets, amounted to PLN 4,786 million and was higher by PLN 2,962 million (y/y) than in the corresponding period of the previous year.
The positive impact of changes in the macroeconomic factors related to the increase of model downstream margin by USD/bbl 3.9 (y/y) and the positive impact of depreciation of the average PLN exchange rates versus the USD amounted to PLN 2,547 million (y/y).
The positive volume effect of PLN 983 million (y/y) resulted mainly from higher sales in the Downstream segment on all markets and higher retail sales in Poland and the Czech Republic with slightly lower volume on German market.
Negative effect of other factors amounted to PLN (568) million (y/y) and included mainly:

- PLN (463) million impact of the transaction on mandatory reserves including the negative effect of repurchase of the tranche in the 1st quarter of 2015 amounting to PLN (297) million (y/y) and a lack of positive effects in the 1st half of 2014 totalling PLN (166) million (y/y),
- lower by PLN (117) million (y/y) positive effect of recognition of gain on bargain purchase of 32.5% shares of Česká Rafinérská by Unipetrol a.s. from ENI in the 2nd quarter of 2015 in comparison to PLN 180 million of profit recognized on the purchase of 16.3% shares from Shell in the 1st quarter of 2014.

Impairment allowances of non-current assets for the 6 month period of 2015 in the amount of PLN (455) million included mainly the partial impairment allowance of assets of ORLEN Upstream Group in Poland of PLN (429) million whereas in 2014, the amount of

[1] ORLEN Group's inventories are valued in the financial statements in accordance with International Financial Reporting Standards at the weighted average cost method or purchase price method. Therefore, an upward trend in crude oil prices has a positive effect and a downtrend has a negative impact on reported results. As a result, in the foregoing Management Board Report on the Operations of the Group, the operating results were presented based on both the weighted average cost of production or acquisition as well as the LIFO method of inventory valuation, which eliminates the above impact of changes in crude oil prices. Application of this method of valuation is not provided by International Financial Reporting Standards but is a practice of refining-petrochemical trade.

PLN (5,017) million concerned primarily the ORLEN Lietuva refinery in the amount PLN (4,187) million, the refinery part of the Unipetrol Group in the amount of PLN (711) million as well as Spolana from the Anwil Group in the amount of PLN (58) million and the Jedlicze Group refinery in the amount of PLN (42) million.

After consideration of the above impairment allowances, EBITDA LIFO profit of the ORLEN Group for the 6 month period of 2015 amounted to PLN 4,357 million in comparison to loss of PLN (3,193) million in the corresponding period of previous year.
The negative impact of crude oil prices on inventory valuation for the 6 month period of 2015 amounted to PLN (68) million.
As a result, EBITDA of the ORLEN Group for the 6 month period of 2015 amounted to PLN 4,289 million.
After consideration of depreciation and amortization expense and the share in profit from investments accounted for under the equity method in the amount of PLN 104 million, operating results in the presented 6 month period of 2015 amounted to PLN 3,373 million.

Finance cost and net result

Net financial costs for the 6 month period of 2015 amounted to PLN (388) million and consisted primarily of the negative impact of recognition and valuation of net financial instruments of PLN (207) million, negative foreign exchange differences of PLN (111) million and net interest of PLN (72) million.
After consideration of tax charges of PLN (568) million, net profit of the ORLEN Group for the 6 month period of 2015 amounted to PLN 2,417 million.

3.2. Statement of financial position

As at 30 June 2015 total assets amounted to PLN 49,025 million and increased by PLN 2,300 million (by 4.9%) in comparison to 31 December 2014.
Current assets increased by PLN 2,683 million (by 12.3%) (y/y) and reached the level of PLN 24,437 million, mainly as an effect of:

- increase by PLN 2,031 million (by 28.8%) of trade and other receivables primarily as an effect of an increase of the ORLEN Group's sales volume,
- increase by PLN 892 million (by 9.1%) of the inventories value, mainly as a result of the transaction concluded for the repurchase of the tranche of crude oil mandatory reserves from Neon company in the amount of PLN 959 million in the 1st quarter of 2015,
- increase by PLN 203 million (by 5.2%) of cash and cash equivalents in comparison to the end of 2014,
- decrease by PLN (407) million (by (47.2%)) of other financial assets mainly as a result of changes of valuation of the cash flow hedging instruments.

As at 30 June 2015 the value of non-current assets amounted to PLN 24,588 million and was lower by PLN (383) million (by (1.5%)) in comparison to the balance at the end of 2014. Within the above change PLN (313) million concerned property, plant and equipment and intangible assets mainly as an effect of:

- capital expenditures in the amount of PLN 1,165 million,
- consideration of depreciation and amortization in the amount of PLN (916) million,
- recognized impairment allowances of assets of ORLEN Upstream Group in the amount of PLN (429) million.

As at 30 June 2015 total equity amounted to PLN 22,407 million and was higher by PLN 2,021 million (by 9.9%) in comparison to the state at the end of previous year, mainly as an result of:

- decision/resolution of Ordinary General Shareholders' Meeting of PKN ORLEN S.A. on 28 April 2015 regarding dividend payment in the amount of PLN (706) million,
- net profit attributable to equity owners of the parent for 6 month period of 2015 in the amount PLN 2,123 million,
- increase by PLN 289 million of level of hedging reserve,
- increase by PLN 277 million of value of non-controlling interest.

As at 30 June 2015, net indebtedness of the ORLEN Group amounted to PLN 4,441 million and was lower by PLN (2,279) million PLN in comparison to the end of 2014. The change of balance of net indebtedness comprised mainly of net repayment of loans and borrowings in the amount of PLN (1,978) million, an increase of cash balance by PLN (203) million and the positive impact of exchange differences from the revaluation of foreign currency loans and indebtedness valuation of PLN (98) million.

3.3. Statement of cash flows

In the 6 month period of 2015 net cash flow from flows from operating activities amounted to PLN 3,659 million and comprised mainly of the EBITDA result before the non-cash effect of impairment allowances on non-current assets of PLN 4,744 million, negative change of net working capital of PLN (790) million and other items: foreign exchange loss surplus from operating activity, taxes paid, elimination of share in profit from investments accounted for under equity method.
The cash used in investing activities in the 6 month period of 2015 amounted to PLN (1,318) million and included mainly net expenses for the acquisition of property, plant and equipment, intangible assets and rights of perpetual usufruct of land of PLN (1,191) million and net expenses adjusted by acquired cash and cash equivalents related to shares acquisition of PLN (35) million regarding mainly acquisition of shares of Česká Rafinérská from ENI and also net expenses related to valuation of financial instruments of PLN (113) million.
Net cash used in financing activities in the 6 month period of 2015 amounted to PLN (2,143) million and comprised mainly of net expenditures due to change in loans and borrowings of PLN (1,978) million as well as interest paid of PLN (152) million.
Taking into account the revaluation of cash due to exchange differences, the cash balance increased in the 6 month period of 2015 by PLN 203 million and as at 30 June 2015 amounted to PLN 4,140 million.

Factors and events which may influence future results

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

3.4. The most significant events in the period from 1 January 2015 until the date of preparation of the foregoing report

Repurchase of mandatory reserves

transaction date	parties to transaction		transaction value	
	seller	buyer	USD million	PLN million
29 January 2015	Neon	PKN ORLEN	**257**	**959**
			including hedging transaction settlement	
			112	*419*

3.5. Significant risk factors influencing current and future financial results

The ORLEN Group within its operations monitors and assesses risks and undertakes activities in order to minimise their impact on the financial situation on the ongoing basis.
The ORLEN Group applies a consistent set of rules for managing the financial risks defined in the policy for risk management and under the control and supervision of the Financial Risk Committee, the Management Board and the Supervisory Board.
Main financial risks in respect of the ORLEN Group`s operations include:

- market risks: commodity risk, exchange rates risk and interest rates risk;
- credit and liquidity risk.

The above risks are described in the Consolidated Financial Statements for the year 2014 in note 32.5 and in point 5.4 of the Management Board Report on the Operations of the Group for the year 2014.
The ORLEN Group is also exposed to a number of specific risks for the companies in the petroleum sector – the detailed information was presented in point 5.4.2 of the Management Board Report on the Operations of the Group for the year 2014.
(http://www.orlen.pl/EN/InvestorRelations/FinancialData/Pages/FinancialResults.aspx)

3.6. Hedge accounting

Cash flow hedge accounting

As a part of its hedging strategies, the ORLEN Group hedges its cash flows from sales of the Group's products and purchase of crude oil, periodic variations in stocks of operating, interest payments related to external financing of implemented investment projects.
The cash flows hedging strategies in the ORLEN Group are identical to those described in the Consolidated Financial Statements for the year 2014 in note 32.4.
(http://www.orlen.pl/EN/InvestorRelations/FinancialData/Pages/FinancialResults.aspx)

4. Forecasted development of the ORLEN Group

The development directions of the ORLEN Group are consistent with the Strategy of the ORLEN Group adopted on 22 July 2014 and are based on 3 basic pillars: value growth, financial strength and people. A detailed description of the Strategy of the ORLEN Group in the individual areas and the main financial and operational parameters were published in the Consolidated Annual Report of the ORLEN Capital Group in chapter 2 of the Management Board Report on the Operations for the year ended 31 December 2014.
(http://www.orlen.pl/EN/InvestorRelations/FinancialData/Pages/FinancialResults.aspx)
The Strategy of the ORLEN Group for years 2014-2017, assumes further growth in the value of the operating segments under safe financial ratios, based on modern management culture, which will result in increase the level of dividends paid.

5. Related party transactions

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

In the 6 and 3 month period ended 30 June 2015 and 30 June 2014 the Group companies did not grant any advances, borrowings, loans, guarantees and sureties to managing and supervising persons or their relatives nor concluded other agreements or service commitments to PKN ORLEN or its related parties.
As at 30 June 2015 and as at 31 December 2014 there are no loans granted by the Group companies to managing and supervising persons or their relatives.

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

As at 30 June 2015 and as at 31 December 2014 and for the 6 and 3 month period ended 30 June 2015 and 30 June 2014 key executive personnel of the Parent Company and the Group companies did not conclude any transactions with related parties that could significantly influence the consolidated financial statements.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP (PLN million)

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

	Sales				Purchases			
	6 MONTHS 2015 (unaudited)	3 MONTHS 2015	6 MONTHS 2014 (unaudited)	3 MONTHS 2014	6 MONTHS 2015 (unaudited)	3 MONTHS 2015	6 MONTHS 2014 (unaudited)	3 MONTHS 2014
Jointly- controlled entities	**1 583**	**863**	**1 713**	**834**	**(179)**	**(68)**	**(248)**	**(126)**
joint ventures	*1 459*	*808*	*1 528*	*744*	*(18)*	*(9)*	*(14)*	*(7)*
joint operations	*124*	*55*	*185*	*90*	*(161)*	*(59)*	*(234)*	*(119)*
Associates	**27**	**14**	**31**	**17**	**(10)**	**(2)**	**(24)**	**(14)**
	1 610	**877**	**1 744**	**851**	**(189)**	**(70)**	**(272)**	**(140)**

	Trade and other receivables		Trade and other liabilities	
	30/06/2015 (unaudited)	31/12/2014	30/06/2015 (unaudited)	31/12/2014
Jointly- controlled entities	**855**	**620**	**221**	**225**
joint ventures	*810*	*575*	*6*	*4*
joint operations	*45*	*45*	*215*	*221*
Associates	**20**	**17**	**5**	**9**
	875	**637**	**226**	**234**

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

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

6.1. Proceedings in which the ORLEN Group entities act are the defendant

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

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

The claim regarding the payment of 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 dismissed the entire claim of Agrofert against PKN ORLEN regarding the payment of PLN 2,994 million translated using the exchange rate as at 30 June 2015 (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) Agrofert's claim which repealed 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 the above decision. On 7 April 2015 the court of appeals dismissed the appeal of Agrofert and therefore confirms the earlier judgment of the court of 24 January 2014 dismissing Agrofert's 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 of 21 October 2010.
In the opinion of PKN ORLEN, the decision included in the judgment of the Arbitration Court dated 21 October 2010, in the judgment of the common court in Prague dated 24 January 2014 and in the judgment of the court of appeals dated 7 April 2015 are correct and the company will take all necessary means to retain the judgment in force.

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

6.1.2.1. 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 Kraków determining excise tax liabilities for the periods: May, June, July and August 2004 at the amount of PLN 132 million. Rafineria Trzebinia S.A. paid the entire liability with interest. 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 Kraków the decisions of tax liability for the months May – August 2004. On 26 February 2015 the VAC in Kraków announced a judgment dismissing the company's claim. On 5 May 2015 the company submitted to the Supreme Administrative Court in Warsaw annulment claims against the judgement of the VAC, that were not recognized until the date of approval of the foregoing financial statements.

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

PKN ORLEN participates in a court proceeding concerning the settlement of a 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 plus statutory interest. During the retrial, an opinion was prepared by an expert witness for the variant damages calculation. The District Court in Warsaw (as the initial court) 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. This judgment is not binding. PKN ORLEN filed an appeal against this judgment. The parties await fixing the date of appeal hearing. On 29 June 2015 PKN ORLEN received consecutive claim on this case, in which ENERGA-OPERATOR S.A. requests PLN 13.3 million in addition. On 10 July 2015 was filed a response to the lawsuit, which questioned the claim as unfounded.

6.1.2.3. I. 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. a motion for bankruptcy of the company I.P.-95 s.r.o. in November

2009. The total amount of the claim is approximately PLN 275 million, translated using the exchange rate as at 30 June 2015 (representing CZK 1,789 million). UNIPETROL RPA s.r.o. is one of 8 defendants against which the claim was brought. According to UNIPETROL RPA s.r.o the claim is without merit. Based on a Supreme Court decision, on the jurisdiction of the court proceedings is continued in the District Court in Ostrava. The court shall give procedural issues.

6.1.2.4. Claim of OBR S.A. for compensation

On 5 September 2014, the company OBR S.A. filed an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an 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 adjudged 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 to the lawsuit. The value of the dispute was referred to by the plaintiff in a procedural document from 11 December 2014 in the amount of PLN 247 million. By the court order from 21 May 2015 the parties were directed to mediation. In the opinion of PKN ORLEN the claim of patent infringement is without merit. The parties await fixing the date of mediation meeting.

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

6.2.1. Compensations due to damages suffered by ORLEN Południe S.A (previously Rafineria Trzebinia S.A.)

ORLEN Południe S.A. acts as an auxiliary prosecutor in proceedings started in 2010 concerning abuses associated with the realization of an investment - installation for the esterification of biodiesel oils, in which Rafineria Trzebinia S.A. claims to have incurred a loss of approximately PLN 79 million. The Company filed 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 of 26 August 2014, certain acts included in the claim were partially adjudicated. Criminal proceedings concerning the accused who acted against the company's interest are ongoing. Several hearings were held, so far during which accused filed explanations. The hearings dates are expected to be announced.

6.2.2. Proceeding of ORLEN Lietuva for compensation in respect of an accident at the Terminal in Butingė

AB ORLEN Lietuva is a plaintiff in a 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 a collision of a tanker ship into a terminal buoy in Butinge Terminal on 29 December 2005. The total compensation claim amounts to approximately PLN 73 million, translated using the exchange rate as at 30 June 2015 (representing approximately EUR 17.4 million). The parties agreed to change the jurisdiction to English courts. The company expects the next hearing date to be announced.

6.2.3. Tax proceedings in UNIPETROL RPA

UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s. claims a refund of taxes 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 the claim amounts to approximately PLN 50 million, translated using the exchange rate as at 30 June 2015 (representing approximately CZK 325 million). On 11 December 2013, the Court in Usti by the Elbe River (Czech Republic) issued a judgement in which it dismissed the decisions of the tax authorities regarding income tax liability 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 the decision of the tax authorities 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 the annulment claim of UNIPETROL RPA, s.r.o and at the same time dismissed the Court in Usti by the Elbe River judgment and decided to return the case to the Court in Usti for re-examination. 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 dismissal of the tax authorities' decision. On 8 April 2015 UNIPETROL RPA s.r.o. submitted an annulment claim against this sentence to the higher court. The parties await the court's decision regarding the annulment claim.

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

On 20 December 2012 PKN ORLEN sent an arbitration request to Basell Europe Holdings B.V. regarding an ad hoc proceeding before 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, inter alia, it requests payments from Basell Europe Holdings B.V. to Basell ORLEN Polyolefins Sp. z o.o. in the amount of PLN 126 million, translated using the exchange rate as at 30 June 2015 (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 24-26 March 2015 an evidentiary hearing was held in London in which the parties summarized their case positions and some witnesses and experts were interviewed. On 27 March 2015, the Court of Arbitration issued a procedural ordinance which established the schedule for further proceedings, including the order of submission of further pleadings by the parties. On 29 May 2015 the two parties submitted letters in which referred to the position of the opposing party in terms of summaries of the case. Additionally, the parties requested expenditures and costs incurred in arbitration proceedings. Further proceedings are not envisaged. Parties awaiting a judgment.

6.2.5. The dispute between ORLEN Lietuva and Lietuvos Geležinkeliai

On 31 December 2014, ORLEN Lietuva filed a motion for arbitration against the company Lietuvos Gelezinkeliai ("LG") in the court of arbitration in Vilnius. Currently in this proceeding ORLEN Lietuva seeks compensation in the amount of approximately PLN 88 million, converted with the exchange rate as at 30 June 2015 (equivalent of EUR 21 million) due to a breach of contract of rail transport by LG because of excessive rates. The amount of the claim will increased continuously in accordance with the activity on the base of the agreement.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP (PLN million)

Simultaneously, two court proceedings are held in which Lietuvos Gelezinkeliai demands from ORLEN Lietuva a payment of approximately PLN 34 million, converted with the exchange rate from 30 June 2015 (representing approximately EUR 8 million) from fees for rail transport. On 2 July 2015 ORLEN Lietuva received a new lawsuit of Lietuvos Gelezinkeliai on amount of approximately PLN 39.8 million converted with the exchange rate as at 30 June 2015 year (representing approximately EUR 9.5 million) relating to payment for rail transport. The schedule of the next legal procedures are expected to be announced.

7. Other information

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at the submission date			Number of shares as at submission date		
	the foregoing half-year report	Change p.p.	previous quarterly report	the foregoing half-year report	Change	previous quarterly report
State Treasury	27.52%	-	27.52%	117 710 196	-	117 710 196
ING OFE*	9.12%	-0.23%	9.35%	39 000 000	(1 000 000)	40 000 000
Aviva OFE*	7.95%	0.94%	7.01%	34 000 000	4 000 000	30 000 000
Other	55.41%	-0.71%	56.12%	236 998 865	(3 000 000)	239 998 865
	100.00%		**100.00%**	**427 709 061**		**427 709 061**

* According to the information from the Ordinary General Shareholders' Meeting of PKN ORLEN as at:
28 April 2015 (foregoing half-year financial statements);
15 May 2014 (previous quarterly report)

Percentage share in the share capital of the Parent Company of the above mentioned shareholders is equal to the percentage share in total votes at the General Shareholders' Meeting.
In the period covered by the foregoing half-year condensed consolidated financial statements there were no changes in the ownership structure of holdings.

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

	Number of shares, as at the submission date of the foregoing half-year report*
Supervisory Board	**3 300**
Grzegorz Borowiec	100
Artur Gabor	3 200

* According to the received confirmations as at 16 July 2015

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

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

On 30 June 2014, ORLEN Capital AB resident of Sweden - a subsidiary of PKN ORLEN issued Eurobonds with a maturity of 7 years in the amount of approximately PLN 2,080 million, converted with the exchange rate as at 30 June 2014 (representing EUR 500 million). PKN ORLEN is the guarantor of the bonds issue by an irrevocable and unconditional guarantee issued to the bondholders. The guarantee was granted for the duration of the Eurobond issue, that is, 30 June 2021.
The remuneration for the guarantee is included in the interest rate of the loan granted to PKN ORLEN by ORLEN Capital.

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

The ORLEN Group did not publish forecasts of its results.

8. Information on a set of applied corporate governance rules in the ORLEN Group

In 2014, PKN ORLEN complied with the „Code of Best Practice for WSE Listed Companies" ("Code of Best Practice") valid in the Warsaw Stock Exchange. The Code of Best Practice can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: www.corp-gov.gpw.pl and on the corporate website of PKN ORLEN in the "Investor Relations" section dedicated to the Company's shareholders
http://www.orlen.pl/EN/InvestorRelations/ShareholderServicesTools/Pages/WSEBestPractice.aspx
The Company currently does not apply the rule described in part IV, point 10 of the "Code of Best Practice", regarding the shareholders right to take part in the General Meeting, using electronic means of communication, by broadcasting the General Meeting and allowing the bilateral communication set out in the real-time, with regard to the bilateral communication in the real-time.
The other obligatory rules of the corporate governance included in the "Code of Best Practice" are applied by PKN ORLEN.
Report on application of corporate governance rules in PKN ORLEN in 2014 was published by the Company on 26 March 2015, as a part of the Management Board Report on the Operations of PKN ORLEN for 2014, as well as a part of Management Board Report on the Operations of the ORLEN Capital Group for 2014. This report is available on the corporate website of PKN ORLEN (http://www.orlen.pl/EN/InvestorRelations/ShareholderServicesTools/Pages/WSEBestPractice.aspx).

The foregoing half-year report was approved by the Management Board of the Parent Company on 22 July 2015

....
Dariusz Krawiec
President of the Board

....
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 the person responsible
for keeping accounting books

....
Rafał Warpechowski
Executive Director
Planning and Reporting