



ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 4th QUARTER

2015

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	12 MONTHS 2015	12 MONTHS 2014	12 MONTHS 2015	12 MONTHS 2014
Sales revenues	88 336	106 832	21 109	25 529
Profit/(Loss) from operations increased by depreciation and amortisation (EBITDA)	6 235	(2 720)	1 490	(650)
EBITDA before impairment allowances *	7 228	2 640	1 727	631
Profit/(Loss) from operations (EBIT)	4 340	(4 711)	1 037	(1 126)
Profit/(Loss) before tax	3 698	(6 246)	884	(1 493)
Net profit/(loss) attributable to equity owners of the parent	2 837	(5 811)	678	(1 389)
Net profit/(loss)	3 233	(5 828)	773	(1 393)
Total net comprehensive income attributable to equity owners of the parent	4 107	(6 584)	981	(1 573)
Total net comprehensive income	4 563	(6 499)	1 090	(1 553)
Net cash provided by operating activities	5 354	3 187	1 279	762
Net cash (used) in investing activities	(4 096)	(4 020)	(978)	(961)
Net cash provided by/(used in) financing activities	(2 866)	2 083	(685)	498
Net increase/(decrease) in cash and cash equivalents	(1 608)	1 250	(384)	299
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN/EUR per share)	6.63	(13.59)	1.59	(3.25)
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Non-current assets	27 362	24 971	6 421	5 860
Current assets	20 775	21 754	4 875	5 104
Total assets	48 137	46 725	11 296	10 964
Share capital	1 058	1 058	248	248
Equity attributable to equity owners of the parent	22 173	18 771	5 203	4 405
Total equity	24 244	20 386	5 689	4 784
Non-current liabilities	10 227	12 305	2 400	2 887
Current liabilities	13 666	14 034	3 207	3 293
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)	51.84	43.89	12.17	10.30

* Impairment allowances of net non-current assets are: 2015: PLN (993) million mainly: PLN (852) million ORLEN Upstream Group and PLN (93) million Unipetrol Group; 2014: PLN (5,360) million mainly: PLN (4,187) million ORLEN Lietuva Group, PLN (711) million Unipetrol Group, PLN (311) million ORLEN Upstream, PLN (58) million Anwil Group (Spolana) and PLN (42) million Rafineria Nafty Jedicze Group.

PKN ORLEN - SELECTED DATA

	PLN million		EUR million	
	12 MONTHS 2015	12 MONTHS 2014	12 MONTHS 2015	12 MONTHS 2014
Sales revenues	60 466	76 972	14 449	18 393
Profit from operations increased by depreciation and amortisation (EBITDA)	2 869	648	686	155
Profit/(Loss) from operations (EBIT)	1 769	(380)	423	(91)
Profit/(Loss) before tax*	1 308	(4 880)	313	(1 166)
Net profit/(loss)*	1 048	(4 672)	250	(1 116)
Total net comprehensive income	2 279	(6 217)	545	(1 486)
Net cash provided by operating activities	948	2 217	227	530
Net cash (used) in investing activities	(1 669)	(2 401)	(399)	(574)
Net cash provided by/(used in) financing activities	(1 796)	1 592	(429)	380
Net increase/(decrease) in cash	(2 517)	1 408	(601)	336
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	2.45	(10.92)	0.59	(2.61)
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Non-current assets	23 146	21 802	5 431	5 116
Current assets	13 835	16 176	3 247	3 796
Total assets	36 981	37 978	8 678	8 912
Share capital	1 058	1 058	248	248
Total equity	17 846	16 302	4 188	3 826
Non-current liabilities	9 459	11 379	2 220	2 670
Current liabilities	9 676	10 297	2 270	2 416
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)	41.72	38.11	9.79	8.94

* Items include net impairment allowances of shares: 2015: PLN (797) million - mainly PLN (782) million ORLEN Upstream and PLN (18) million Baltic Power; 2014: PLN (4,967) million - PLN (4,750) million AB ORLEN Lietuva and PLN (217) million ORLEN Upstream.

The above data for the 12 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 31 December 2015 - 4.1848 EUR/PLN;
- items of assets, equity and liabilities - by the average exchange rate published by the National Bank of Poland as at 31 December 2015 - 4.2615 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 AND 3 MONTH PERIOD ENDED 31 DECEMBER

2015

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

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

	NOTE	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Statement of profit or loss					
Sales revenues	3.1	88 336	20 087	106 832	24 902
Cost of sales	3.2	(77 792)	(18 416)	(101 010)	(24 241)
Gross profit on sales		10 544	1 671	5 822	661
Distribution expenses		(3 971)	(1 061)	(3 920)	(1 013)
Administrative expenses		(1 552)	(430)	(1 512)	(417)
Other operating income	3.5	420	148	766	248
Other operating expenses	3.5	(1 354)	(581)	(5 924)	(625)
Share in profit from investments accounted for under equity method		253	64	57	(3)
Profit/(Loss) from operations		4 340	(189)	(4 711)	(1 149)
Finance income	3.6	390	130	354	140
Finance costs	3.6	(1 032)	(283)	(1 889)	(405)
Net finance income and costs		(642)	(153)	(1 535)	(265)
Profit/(Loss) before tax		3 698	(342)	(6 246)	(1 414)
Tax expense	3.7	(465)	273	418	235
Net profit/(loss)		3 233	(69)	(5 828)	(1 179)
Items of other comprehensive income:					
which will not be reclassified into profit or loss					
Actuarial gains and losses		3	3	(16)	(16)
Deferred tax		4	4	(20)	(20)
		(1)	(1)	4	4
which will be reclassified into profit or loss under certain conditions					
Hedging instruments		1 327	208	(655)	(1 113)
Foreign exchange differences on subsidiaries from consolidation		1 530	198	(1 758)	(1 433)
Deferred tax		88	47	769	48
		(291)	(37)	334	272
		1 330	211	(671)	(1 129)
Total net comprehensive income		4 563	142	(6 499)	(2 308)
Net profit/(loss) attributable to					
equity owners of the parent		3 233	(69)	(5 828)	(1 179)
non-controlling interest		2 837	(81)	(5 811)	(1 216)
		396	12	(17)	37
Total net comprehensive income attributable to		4 563	142	(6 499)	(2 308)
equity owners of the parent		4 107	81	(6 584)	(2 387)
non-controlling interest		456	61	85	79
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN per share)		6.63	(0.19)	(13.59)	(2.85)

The accompanying notes disclosed on pages 8 – 17 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of financial position

	NOTE	31/12/2015 (unaudited)	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment		24 536	22 644
Investment property		103	111
Intangible assets		1 298	703
Perpetual usufruct of land		99	89
Investments accounted for under equity method		774	672
Financial assets available for sale		40	40
Deferred tax assets		365	385
Other non-current assets	3.9	147	327
		27 362	24 971
Current assets			
Inventories		10 715	9 829
Trade and other receivables		6 597	7 057
Other financial assets	3.10	974	862
Current tax assets		44	35
Cash and cash equivalents		2 348	3 937
Non-current assets classified as held for sale		97	34
		20 775	21 754
Total assets		48 137	46 725
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		(80)	(1 319)
Foreign exchange differences on subsidiaries from consolidation		537	509
Retained earnings		19 431	17 296
Total equity attributable to equity owners of the parent		22 173	18 771
Non-controlling interest		2 071	1 615
Total equity		24 244	20 386
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	3.11	8 131	9 670
Provisions	3.12	710	709
Deferred tax liabilities		674	75
Deferred income		8	8
Other non-current liabilities	3.13	704	1 843
		10 227	12 305
Current liabilities			
Trade and other liabilities		10 658	11 215
Loans and borrowings	3.11	1 027	987
Current tax liabilities		162	42
Provisions	3.12	749	648
Deferred income		128	122
Other financial liabilities	3.14	870	1 020
Liabilities directly associated with assets classified as held for sale		72	-
		13 666	14 034
Total liabilities		23 893	26 339
Total equity and liabilities		48 137	46 725

The accompanying notes disclosed on pages 8 – 17 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent					Non-controlling interest	Total equity
	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total		
01/01/2015	2 285	(1 319)	509	17 296	18 771	1 615	20 386
Net profit	-	-	-	2 837	2 837	396	3 233
Items of other comprehensive income	-	1 239	28	3	1 270	60	1 330
Total net comprehensive income	-	1 239	28	2 840	4 107	456	4 563
Change in the structure of non-controlling interest	-	-	-	1	1	-	1
Dividends	-	-	-	(706)	(706)	-	(706)
31/12/2015	2 285	(80)	537	19 431	22 173	2 071	24 244
(unaudited)							
01/01/2014	2 285	148	(201)	23 716	25 948	1 603	27 551
Net (loss)	-	-	-	(5 811)	(5 811)	(17)	(5 828)
Net investment hedge in a foreign operation	-	-	659	-	659	-	659
Items of other comprehensive income	-	(1 467)	51	(16)	(1 432)	102	(1 330)
Total net comprehensive income	-	(1 467)	710	(5 827)	(6 584)	85	(6 499)
Change in the structure of non-controlling interest	-	-	-	23	23	(72)	(49)
Dividends	-	-	-	(616)	(616)	(1)	(617)
31/12/2014	2 285	(1 319)	509	17 296	18 771	1 615	20 386

The accompanying notes disclosed on pages 8 – 17 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of cash flows

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	3 233	(69)	(5 828)	(1 179)
Adjustments for:				
Share in profit from investments accounted for under equity method	(253)	(64)	(57)	3
Depreciation and amortisation	1 895	510	1 991	485
Foreign exchange loss	24	38	880	119
Interest, net	199	48	241	49
Dividends	(2)	-	(2)	-
Loss on investing activities	1 106	398	5 015	262
Tax expense	465	(273)	(418)	(235)
Change in provisions	463	126	141	124
Change in working capital	(1 320)	952	1 752	1 019
<i>inventories</i>	(655)	1 259	4 106	3 034
<i>receivables</i>	1 258	1 424	924	1 917
<i>liabilities</i>	(1 923)	(1 731)	(3 278)	(3 932)
Other adjustments	(252)	(55)	(360)	(175)
Income tax (paid)	(204)	(48)	(168)	(64)
Net cash provided by operating activities	5 354	1 563	3 187	408
Cash flows - investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(3 079)	(1 229)	(3 700)	(1 023)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	131	61	400	44
Acquisition of shares adjusted for received cash	(1 195)	(1 160)	(792)	(47)
Disposal of shares	1	-	48	-
Deposits, net	28	8	(27)	1
Dividends received	192	75	2	-
Proceeds from loans granted	1	-	5	-
Other	(175)	58	44	25
Net cash (used) in investing activities	(4 096)	(2 187)	(4 020)	(1 000)
Cash flows - financing activities				
Proceeds from loans and borrowings received	1 896	288	9 639	771
Bonds issued	-	-	2 350	-
Repayments of loans and borrowings	(3 771)	(2 102)	(9 023)	(1 174)
Interest paid	(258)	(50)	(245)	(49)
Dividends paid	(706)	-	(617)	-
Payments of liabilities under finance lease agreements	(28)	(7)	(30)	(6)
Grants received	1	1	10	10
Other	-	(3)	(1)	1
Net cash provided by / (used in) financing activities	(2 866)	(1 873)	2 083	(447)
Net increase/(decrease) in cash and cash equivalents	(1 608)	(2 497)	1 250	(1 039)
Effect of exchange rate changes	19	(24)	(2)	(5)
Cash and cash equivalents, beginning of the period	3 937	4 869	2 689	4 981
Cash and cash equivalents, end of the period	2 348	2 348	3 937	3 937

The accompanying notes disclosed on pages 8 – 17 are an integral part of the foregoing interim condensed consolidated financial statements.

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

The foregoing interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non member state (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 31 December 2015 and as at 31 December 2014, financial results and cash flows for the 12 and 3 month period ended 31 December 2015 and 31 December 2014.

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

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

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

1.2. Statements of the Management Board
1.2.1. Reliability of the interim condensed consolidated financial statements

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

1.2.2. Entity authorized to conduct review of the interim condensed consolidated financial statements

The Management Board of PKN ORLEN declares that KPMG Audyty Sp. z o.o., as the entity authorized to conduct 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 interim condensed consolidated financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in note 4 in the Consolidated Financial Statements for the year 2014.

The Group intends to adopt IFRS amendments, published but not effective as at the date of publication of the foregoing interim 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 interim 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 - 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	
	12 MONTHS	3 MONTHS	12 MONTHS	3 MONTHS	31/12/2015	31/12/2014
	2015	2015	2014	2014		
EUR/PLN	4.1841	4.2632	4.1846	4.2104	4.2615	4.2623
USD/PLN	3.7717	3.8953	3.1537	3.3706	3.9011	3.5072
CZK/PLN	0.1534	0.1576	0.1520	0.1524	0.1577	0.1537
CAD/PLN	2.9532	2.9199	2.8541	2.9675	2.8102	3.0255

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 Group operates in:

- 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, include activities related to management and administration 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 section Other information to the consolidated quarterly report in note B2.

Revenues, expenses, financial result by operating segments

for the 12 month period ended 31 December 2015

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		56 987	31 052	215	82	-	88 336
Sales revenues from transactions with other segments		12 624	70	-	206	(12 900)	-
Sales revenues	3.1	69 611	31 122	215	288	(12 900)	88 336
Operating expenses		(64 963)	(29 934)	(347)	(971)	12 900	(83 315)
Other operating income	3.5	276	50	3	91	-	420
Other operating expenses	3.5	(316)	(67)	(852)	(119)	-	(1 354)
Share in profit from investments accounted for under equity method		253	-	-	-	-	253
Profit/(Loss) from operations		4 861	1 171	(981)	(711)	-	4 340
Net finance income and costs	3.6						(642)
Profit before tax							3 698
Tax expense	3.7						(465)
Net profit							3 233
Depreciation and amortisation		1 269	368	173	85	-	1 895
EBITDA		6 130	1 539	(808)	(626)	-	6 235

for the 3 months period ended 31 December 2015

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers		12 483	7 537	53	14	-	20 087
Sales revenues from transactions with other segments		2 860	18	-	58	(2 936)	-
Sales revenues	3.1	15 343	7 555	53	72	(2 936)	20 087
Operating expenses		(15 182)	(7 268)	(112)	(281)	2 936	(19 907)
Other operating income	3.5	80	15	2	51	-	148
Other operating expenses	3.5	(93)	(28)	(423)	(37)	-	(581)
Share in profit from investments accounted for under equity method		64	-	-	-	-	64
Profit/(Loss) from operations		212	274	(480)	(195)	-	(189)
Net finance income and costs	3.6						(153)
(Loss) before tax							(342)
Tax expense	3.7						273
Net (loss)							(69)
Depreciation and amortisation		327	95	64	24	-	510
EBITDA		539	369	(416)	(171)	-	321



for the 12 months period ended 31 December 2014

NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
	70 549	35 913	298	72	-	106 832
	15 392	191	-	239	(15 822)	-
3.1	85 941	36 104	298	311	(15 822)	106 832
	(85 971)	(35 015)	(271)	(1 007)	15 822	(106 442)
3.5	468	182	4	112	-	766
3.5	(5 329)	(186)	(323)	(86)	-	(5 924)
	58	-	-	(1)	-	57
	(4 833)	1 085	(292)	(671)	-	(4 711)
3.6						(1 535)
						(6 246)
3.7						418
						(5 828)
	1 408	355	122	106	-	1 991
	(3 425)	1 440	(170)	(565)	-	(2 720)

for the 3 months period ended 31 December 2014

NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
	16 265	8 543	84	10	-	24 902
	3 514	47	-	63	(3 624)	-
3.1	19 779	8 590	84	73	(3 624)	24 902
	(20 686)	(8 260)	(89)	(260)	3 624	(25 671)
3.5	105	108	-	35	-	248
3.5	(164)	(121)	(315)	(25)	-	(625)
	(3)	-	-	-	-	(3)
	(969)	317	(320)	(177)	-	(1 149)
3.6						(265)
						(1 414)
3.7						235
						(1 179)
	317	91	48	29	-	485
	(652)	408	(272)	(148)	-	(664)

Assets by operating segments

	31/12/2015 (unaudited)	31/12/2014
Downstream Segment	34 278	32 298
Retail Segment	5 683	5 787
Upstream Segment	3 380	2 422
Segment assets	43 341	40 507
Corporate Functions	4 999	6 425
Adjustments	(203)	(207)
	48 137	46 725

3. Other notes

3.1. Sales revenues

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Revenues from sales of finished goods and services, net	69 101	15 292	80 836	19 422
Revenues from sales of merchandise and raw materials, net	19 235	4 795	25 996	5 480
	88 336	20 087	106 832	24 902

3.2. Operating expenses
Cost of sales

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Cost of finished goods and services sold	(59 489)	(13 715)	(76 211)	(19 000)
Cost of merchandise and raw materials sold	(18 303)	(4 701)	(24 799)	(5 241)
	(77 792)	(18 416)	(101 010)	(24 241)

Cost by nature

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Materials and energy	(54 542)	(11 914)	(70 586)	(16 452)
Cost of merchandise and raw materials sold	(18 303)	(4 701)	(24 799)	(5 241)
External services	(4 352)	(1 131)	(4 316)	(1 187)
Employee benefits	(2 110)	(537)	(2 059)	(523)
Depreciation and amortisation	(1 895)	(510)	(1 991)	(485)
Taxes and charges	(1 152)	(290)	(653)	(183)
Other	(1 835)	(764)	(6 383)	(748)
	(84 189)	(19 847)	(110 787)	(24 819)
Change in inventories	(693)	(685)	(1 783)	(1 509)
Cost of products and services for own use	213	44	204	32
Operating expenses	(84 669)	(20 488)	(112 366)	(26 296)
Distribution expenses	3 971	1 061	3 920	1 013
Administrative expenses	1 552	430	1 512	417
Other operating expenses	1 354	581	5 924	625
Cost of sales	(77 792)	(18 416)	(101 010)	(24 241)

3.3. Impairment allowances of inventories to net realizable value

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Increase	(238)	(139)	(872)	(808)
Decrease	925	17	152	34

During the 12 month period ended 31 December 2015, the line decrease includes mainly the use in the 1st quarter of 2015 of impairment allowances recorded mainly in the 4th quarter of 2014 due to a decrease in crude oil and petroleum products prices.

Due to the continuing decreasing trend in prices of petroleum products, the Group recognized in the 4th quarter impairment allowances of inventories to net realizable value.

3.4. Impairment allowances of assets

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Property, plant and equipment				
Recognition	(1 028)	(460)	(5 462)	(424)
Reversal	35	23	127	94
Intangible assets				
Recognition	(1)	-	(30)	(2)
Reversal	1	-	5	1
Receivables				
Recognition	(51)	(16)	(73)	(46)
Reversal	24	6	47	13

3.4.1. Impairment allowances of non-current assets

An observed decline in crude oil prices on global markets affects the upstream segment results of ORLEN Group. As a result of impairment testing carried out in accordance with IAS 36 - impairment of assets in the 4th quarter of 2015 an impairment allowance of evaluation and extraction of mineral resources assets of the ORLEN Upstream Canada within the ORLEN Upstream Group of PLN (423) million was recognized.

As at 31 December 2015 the fair value of evaluation and extraction of mineral resources assets in Canada was based on the estimated crude oil prices and reserves evaluation prepared by an independent company engaged in the evaluation of the reserves in accordance with professional standards for the Canadian market. Estimated net cash flow used to forecast the fair value of assets were discounted to their present value using a base discount rate which reflects the current market value of money and the specific risks to the assets on the Canadian market, which amounted to 9%.

Sensitivity analysis of the ORLEN Upstream Canada assets value in use within an impairment test performed as at 31 December 2015

PLN million		HYDROCARBONS PRICES		
change		-5%	0%	5%
DISCOUNT RATE	- 0.5 p.p.	<i>increase in allowance</i> (14)	<i>decrease in allowance</i> 34	<i>decrease in allowance</i> 81
	0.0 p.p.	<i>increase in allowance</i> (46)	-	<i>decrease in allowance</i> 46
	+ 0.5 p.p.	<i>increase in allowance</i> (76)	<i>increase in allowance</i> (32)	<i>decrease in allowance</i> 12

In the 2nd quarter of 2015 the 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 basing on 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

PLN million		HYDROCARBONS PRICES		
change		-5% *	0%	5%
DISCOUNT RATE	- 0.5 p.p.	<i>increase in allowance</i> (25)	<i>decrease in allowance</i> 12	<i>decrease in allowance</i> 51
	0.0 p.p.	<i>increase in allowance</i> (25)	-	<i>decrease in allowance</i> 37
	+ 0.5 p.p.	<i>increase in allowance</i> (25)	<i>increase in allowance</i> (11)	<i>decrease in allowance</i> 24

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

As a consequence of the steam cracker unit accident in Litvinov (Unipetrol Group) in August 2015, impairment of property, plant and equipment of PLN (93) million translated using the exchange rate as at 30 September 2015 (representing approximately CZK (597) million) was recorded in the 3rd quarter of 2015.

As at 31 December 2015, the ORLEN Group did not identify any additional indicators of impairment of other assets of the ORLEN Group.

3.5. Other operating income and expenses
Other operating income

	NOTE	12 MONTHS	3 MONTHS	12 MONTHS	3 MONTHS
		2015	2015	2014	2014
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit on sale of non-current non-financial assets		59	42	61	25
Gain on bargain purchase of shares	3.8	63	-	180	-
Reversal of provisions		32	22	63	16
Reversal of receivables impairment allowances		17	3	38	12
Reversal of impairment allowances of property, plant and equipment and intangible assets		36	23	132	95
Penalties and compensation		74	30	91	50
Other		139	28	201	50
		420	148	766	248

Other operating expenses

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Loss on sale of non-current non-financial assets	(38)	(17)	(55)	(12)
Recognition of provisions	(101)	(43)	(173)	(100)
Recognition of receivables impairment allowances	(47)	(15)	(69)	(46)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(1 029)	(460)	(5 492)	(426)
Penalties, damages and compensation	(53)	(25)	(22)	(7)
Other	(86)	(21)	(113)	(34)
	(1 354)	(581)	(5 924)	(625)

Recognition of provisions in the 12 and 3 month period ended 31 December 2015 and 31 December 2014 includes mainly recognition of environmental provision and for legal proceedings.

The line recognition of impairment allowances of property, plant and equipment and intangible assets in the 12 month period ended 31 December 2015 includes mainly impairment allowances of ORLEN Upstream Group's exploration and upstream assets of PLN (429) million, downstream segment of Unipetrol Group of PLN (93) million and recognized in the 4th quarter of 2015 upstream assets in Canada of PLN (423) million.

In the 12 months period ended 31 December 2014 the line included mainly an impairment allowance of ORLEN Lietuva Group refining assets of PLN (4,187) million, Unipetrol Group of PLN (711) million, Rafineria Jedlicze Group of PLN (42) million and petrochemical assets of Spolana from Anwil Group of PLN (58) million recognized in the 2nd quarter of 2014 and impairment allowances of upstream assets ORLEN Upstream Group in Canada of PLN (311) million and petrol stations in PKN ORLEN of PLN (63) million recognized in the 4th quarter of 2014.

3.6. Finance income and costs
Finance income

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Interest	82	16	75	27
Dividends	2	-	2	-
Settlement and valuation of derivative financial instruments	270	106	235	102
Reversal of receivables impairment allowances	7	3	9	1
Other	29	5	33	10
	390	130	354	140

Finance costs

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Interest	(205)	(44)	(242)	(57)
Foreign exchange loss surplus	(317)	(133)	(1 459)	(269)
Settlement and valuation of derivative financial instruments	(447)	(73)	(138)	(67)
Recognition of receivables impairment allowances	(4)	(1)	(4)	-
Other	(59)	(32)	(46)	(12)
	(1 032)	(283)	(1 889)	(405)

Borrowing costs capitalized in the 12 and 3 month period ended 31 December 2015 and 31 December 2014 amounted to PLN (63) million and PLN (21) million and PLN (48) million and PLN (12) million, respectively.

3.7. Tax expense

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Current income tax	(310)	14	(196)	(38)
Deferred tax	(155)	259	614	273
	(465)	273	418	235

3.8. Acquisitions of shares
Česká Rafinérská
Acquisition of shares of Česká Rafinérská by Unipetrol

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 262 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 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 19 December 2014 Unipetrol a.s received approval from the Czech Antimonopoly Office for the acquiring Česká Rafinérská'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 nezávislych petrolejářů, z.s. filed a complaint to this decision. On 30 March 2015 the Antimonopoly Office dismissed the appeal and declared the decision of 19 December 2014 to be valid.

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 of the company. As a result of the settlement in the 2nd quarter of 2015, 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	Adjustments to fair value	Fair value
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

Acquisition of shares of Kicking Horse Energy Inc. by ORLEN Upstream Canada (a subsidiary of ORLEN Upstream).

On 12 October 2015 ORLEN Upstream Canada Ltd. ("ORLEN Upstream Canada") signed an agreement to acquire Kicking Horse Energy Inc. ("Kicking Horse") domiciled in Calgary, Canada.

Kicking Horse is company engaged in the exploration and extraction of oil and natural gas.

On 30 November 2015 Kicking Horse shareholders and option holders approved the acquisition of Kicking Horse shares by ORLEN Upstream Canada.

As a result, on 1 December 2015 ORLEN Group acquired all of the outstanding common shares of Kicking Horse. Kicking Horse shares were listed on the TSX Venture Exchange in Toronto until the acquisition of control by the ORLEN Group.

The transaction was financed through an increase of equity in ORLEN Upstream Canada (made by ORLEN Upstream Sp. z o.o.) as well as Kicking Horse available lines of credit.

The fair value of the identifiable assets and liabilities of Kicking Horse at the acquisition date:

	Carrying amount as at the acquisition day	Adjustments to fair value	Fair value
Exploration and evaluation of mineral resources' assets	38	3	41
Assets related to development and extraction of mineral resources	668	474	1 142
Long-term financial assets	44	-	44
Trade and other receivables	26	-	26
Assets (A)	776	477	1 253
Provision for decommissioning costs of drillings and supporting infrastructure	14	-	14
Deferred tax liabilities	53	129	182
Other financial liabilities	196	-	196
Trade and other liabilities	31	-	31
Liabilities (B)	294	129	423
Identifiable net assets at fair value (A-B)	482	348	830
Fair value of transferred payment due to acquisition adjusted by transaction costs			(830)

As a part of the settlement an assessment of completeness and accuracy of identified assets and liabilities acquired in the transaction as well as to determine fair value of identified assets and liabilities were conducted. The settlement of the executed transaction did not influence the consolidated statement of profit or loss and other comprehensive income. Fair value of net assets acquired in the ORLEN Group was equal to price paid.

Acquisition of shares of FX Energy Inc. by ORLEN Upstream

On 13 October 2015 ORLEN Upstream Sp. z o.o. ("ORLEN Upstream") signed an agreement to acquire American company FX Energy, Inc ("FX Energy") domiciled in Salt Lake City, Utah, USA. The aim of the agreement of merger was the acquisition by ORLEN Upstream 100% of the shares of FX Energy.

FX Energy is engaged in the exploration and extraction of oil and natural gas mainly in Poland.

As a result, on 31 December 2015 ORLEN Group acquired 100% of the common shares and 100% of preferred shares of FX Energy. The transaction was approved by the Office of Competition and Consumer Protection. FX Energy shares were listed on NASDAQ in New York until the acquisition of control by the ORLEN Group. Financing of the transaction was provided from own resources of PKN ORLEN as well as available lines of credit.

The fair value of the identifiable assets and liabilities of FX Energy at the acquisition date:

	Carrying amount as at the acquisition day	Adjustments to fair value	Fair value
Exploration and evaluation of mineral resources' assets	7	31	38
Assets related to development and extraction of mineral resources	175	379	554
Other property, plant and equipment	3	-	3
Cash and cash equivalents	30	-	30
Trade and other receivables	12	-	12
Assets (A)	227	410	637
Provision for decommissioning costs of drillings and supporting infrastructure	13	-	13
Deferred tax liabilities	-	57	57
Loans	197	-	197
Trade and other liabilities	39	-	39
Liabilities (B)	249	57	306
Identifiable net assets at fair value (A-B)	(22)	353	331
Fair value of transferred payment due to acquisition adjusted by transaction costs			(331)

As a part of the settlement an assessment of completeness and accuracy of identified assets and liabilities acquired in the transaction as well as to determine fair value of identified assets and liabilities were conducted. The settlement of the executed transaction did not influence the consolidated statement of profit or loss and other comprehensive income. Fair value of net assets acquired in the ORLEN Group was equal to price paid.

3.9. Other non-current assets

	31/12/2015 (unaudited)	31/12/2014
Cash flows hedge instruments	135	302
<i>currency forwards</i>	45	16
<i>commodity swaps</i>	90	286
Other	12	25
	147	327

3.10. Other financial assets

	31/12/2015 (unaudited)	31/12/2014
Cash flows hedge instruments	797	692
<i>currency forwards</i>	78	180
<i>commodity swaps</i>	719	512
Derivatives not designated as hedge accounting	8	43
<i>currency forwards</i>	2	8
<i>commodity swaps</i>	6	35
Embedded derivatives	1	1
<i>currency swaps</i>	1	1
Receivables on cash flows settled hedge instruments	159	101
Other	9	25
	974	862

3.11. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2015 (unaudited)	31/12/2014	31/12/2015 (unaudited)	31/12/2014	31/12/2015 (unaudited)	31/12/2014
Loans	3 975	5 506	1 025	985	5 000	6 491
Borrowings	1	3	2	2	3	5
Bonds	4 155	4 161	-	-	4 155	4 161
	8 131	9 670	1 027	987	9 158	10 657

In the period covered by the foregoing interim 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.

3.12. Provisions

	Non-current		Current		Total	
	31/12/2015 (unaudited)	31/12/2014	31/12/2015 (unaudited)	31/12/2014	31/12/2015 (unaudited)	31/12/2014
Environmental	450	414	39	37	489	451
Jubilee bonuses and post-employment benefits	217	251	36	33	253	284
Shield programs	-	-	6	38	6	38
CO ₂ emission, energy certificates	-	-	466	343	466	343
Other	43	44	202	197	245	241
	710	709	749	648	1 459	1 357

3.13. Other non-current liabilities

	31/12/2015 (unaudited)	31/12/2014
Cash flows hedge instruments	239	1 599
<i>interest rate swaps</i>	92	93
<i>commodity swaps</i>	48	1 395
<i>currency interest rate swaps</i>	99	111
Investment liabilities	300	125
Finance lease	140	90
Other	25	29
	704	1 843

3.14. Other financial liabilities

	31/12/2015 (unaudited)	31/12/2014
Cash flows hedge instruments	764	990
<i>currency forwards</i>	11	31
<i>commodity swaps</i>	753	959
Derivatives not designated as hedge accounting	1	29
<i>currency forwards</i>	1	-
<i>commodity swaps</i>	-	29
Embedded derivatives	2	1
<i>currency swaps</i>	2	1
Liabilities on cash flows settled hedge instruments	103	-
	870	1 020

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

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

Fair value hierarchy

	31/12/2015 (unaudited)	31/12/2014
	LEVEL 2	
Financial assets		
Embedded derivatives, hedging and not designated as hedge accounting	941	1 038
	941	1 038
Financial liabilities		
Embedded derivatives, hedging and not designated as hedge accounting	1 006	2 619
	1 006	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.

3.16. Finance lease payments

As at 31 December 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.

	31/12/2015 (unaudited)	31/12/2014
Value of future minimum lease payments	222	142
Present value of future minimum lease payments	166	116

3.17. Future commitments resulting from signed investment contracts

As at 31 December 2015 and as at 31 December 2014 the value of future commitments resulting from signed investment contracts until that day amounted to PLN 3,054 million and PLN 2,005 million, respectively.

3.18. Issue, redemption and repayment of debt securities

In the period covered by the foregoing interim 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.

3.19. 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 was 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.

3.20. Contingent assets and liabilities

Contingent assets

On 13 August 2015 the steam cracker unit accident in Unipetrol Group took place. In relation to damaged petrochemical assets, impairment of PLN (93) million translated using the exchange rate as at 30 September 2015 (representing approximately CZK (597) million) in the 3rd quarter of 2015 were recognized in other operating expenses.

Based on the insurance policies and the estimates made at the end of 2015, Unipetrol Group expects insurers to cover reconstruction costs of repair, in the amount of approximately PLN 647 million translated using the exchange rate as at 31 December 2015 (representing CZK 4.1 billion), as well as lost business profits in 2015 in the amount of approximately PLN 378 million translated using the exchange rate as at 31 December 2015 (representing CZK 2.4 billion) and other costs incurred in connection with the accident in the amount of approximately PLN 25 million translated using the exchange rate as at 31 December 2015 (representing CZK 156 million).

Unipetrol Group received advance payments on account of the loss in amount of approximately PLN 43 million translated using the exchange rate as at 31 December 2015 (representing CZK 276 million), which was recognized under trade and other liabilities in the statement of financial position of the Group.

Contingent liabilities

In the period covered by the foregoing interim 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.

3.21. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 December 2015 and as at 31 December 2014 amounted to PLN 1,815 million and PLN 1,637 million, respectively.

3.22. 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 the interim condensed consolidated financial statements.

**OTHER INFORMATION TO CONSOLIDATED
QUARTERLY REPORT**

FOR THE 12 AND 3 MONTH PERIOD ENDED 31 DECEMBER

2015



B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Principal activity of the ORLEN Group

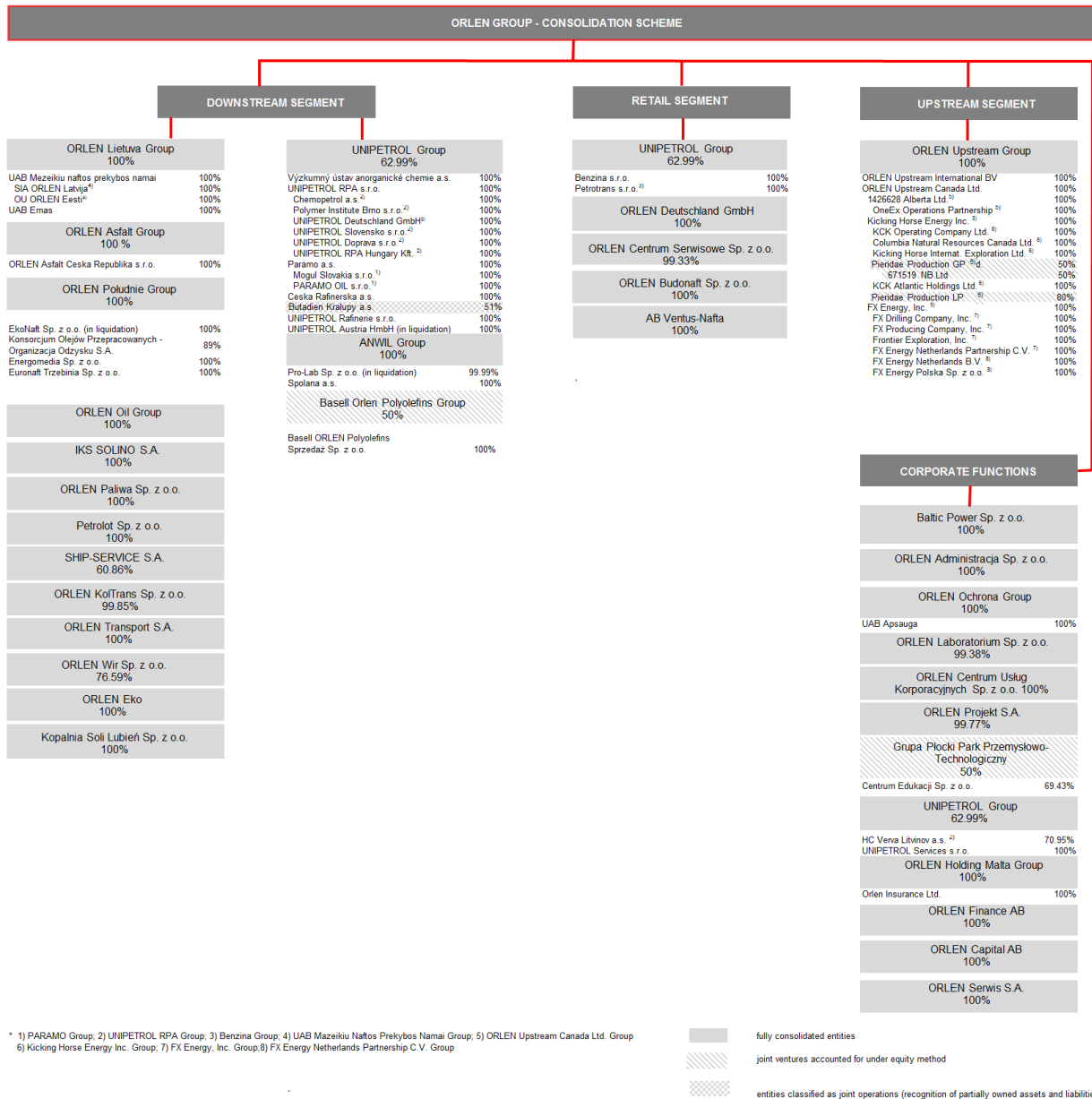
The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is the Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") domiciled in Płock, 7 Chemików Street.

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 including: 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, Hungary, Estonia, Latvia, USA and Canada.



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

- On 5 January 2015, a merger of Rafineria Trzebnia S.A. and the companies: Rafineria Nafty Jedlicze S.A., Fabryka Parafin Naftowax Sp. z o.o. and Zakładowa Straż Pozarna Sp. z o.o. took place. The company operates under the new name of ORLEN Południe S.A. since 5 January 2015;

- On 5 January 2015, a merger of 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 a 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 a merger of Baltic Power and Baltic Spark took place;
- 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 interim condensed consolidated financial statements.
- On 1 June 2015 winding-up proceedings of EkoNaft Sp. z o.o. domiciled in Trzebinia began.
- On 26 June 2015 winding-up proceedings of ORLEN International Exploration & Production Company BV due to closure of the exploration and extraction project on the Latvian shelf began;
- On 30 June 2015 the District Court in Rzeszów made an entry of a merger of ORLEN PetroTank Sp. z o.o. and ORLEN Paliwa Sp. z o.o. into a single entity operating 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;
- On 1 August 2015 winding-up proceedings of Pro-Lab Sp. z o.o. domiciled in Włocławek began;
- On 1 October 2015 an increase in the share capital of ORLEN Upstream Sp. z o.o, which were fully subscribed by PKN ORLEN in exchange for a cash contribution of PLN 53 million took place. The proceeds from the capital increase will be earmarked for further exploration activity.
- On 18 November 2015 an increase in the share capital of ORLEN Upstream Sp. z o.o., which were fully subscribed by PKN ORLEN, in exchange for a cash contribution of PLN 1,501 million took place;
- On 28 December 2015 deletion from the trade registry RAF-SŁUŻBA RATOWNICZA Sp. z o.o. in liquidation on 14 December 2015 took place.

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

Results for 12 month period of 2015

Operating profit increased by depreciation and amortization before consideration of the impact of crude oil prices on inventory valuation (EBITDA LIFO¹) and recognition of impairment allowances of non-current assets for the 12 month period of 2015, amounted to PLN 8,738 million and was higher by PLN 3,525 (y/y) than in the corresponding period of the previous year.

The positive changes of macroeconomic factors related to the increase of model downstream margin by USD/bbl 2.4 (y/y) and the impact of depreciation of the average PLN exchange rates versus the USD amounted to PLN 3,982 million (y/y).

Higher sales volume achieved in all operating segments increased the operating results by PLN 1,323 million (y/y).

Other effects amounting to PLN (1,780) million (y/y) included mainly:

- PLN (1,323) million (y/y) – effect of settlement of repurchase of V and VI tranches of mandatory reserves in 2015 amounting accordingly to PLN (297) and (860) million (y/y) and a lack of positive effects from 2014 including profit totalling PLN (166) million (y/y) on the repurchase of IV tranche and sale of VI tranche of reserves,
- PLN (290) million (y/y) – lack of positive effects from 2014 related to optimization of operating reserves and as a result of the rotation of crude oil purchased in previous years,
- PLN (140) million (y/y) – negative impact of change of balance on other operating activities, before consideration of impairment allowances of assets, including mainly a decrease by PLN (117) million (y/y) of a gain on the bargain purchase of shares of Česká Rafinérská by Unipetrol a.s. from ENI in comparison to purchase of shares from Shell from 2014.

Impairment allowances of non-current assets for the 12 month period of 2015 amounted to PLN (993) million and concerned mainly the impairment allowance of exploration assets of ORLEN Upstream Group in Poland of PLN (429) million included in the 2nd quarter of 2015, the impairment allowance of petrochemical assets of Unipetrol Group related to the accident on installation for ethylene production in August 2015 in the amount of PLN (93) million included in the 3rd quarter of 2015 and the impairment allowance of exploration assets in Canada of PLN (423) million from 4th quarter 2015.

Impairment allowances of non-current assets for the 12 month period of 2014 of PLN (5,360) million and concerned primarily the impairment allowances of assets of ORLEN Lietuva of PLN (4,181) million, Unipetrol Group of PLN (752) million and impairment of ORLEN Upstream Group assets in Canada of PLN (311) million.

After consideration of the impairment allowances, EBITDA LIFO profit of the ORLEN Group for the 12 month period of 2015 amounted to PLN 7,745 million.

The negative impact of crude oil prices on inventory valuation for the described period amounted to PLN (1,510) million. As a result, EBITDA profit of the ORLEN Group for the 12 month period of 2015 amounted to PLN 6,235 million.

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 Other information to consolidated quarterly report, 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.

After consideration of depreciation and amortization expense of PLN (1,895) million, the operating profit of the ORLEN Group in 2015 amounted to PLN 4,340 million.

Net finance costs for the 12 month period of 2015 amounted to PLN (642) million and consisted primarily of negative foreign exchange differences of PLN (317) million, recognition and valuation of net financial instruments of PLN (177) million and net interest of PLN (123) million.

After consideration of tax charges of PLN (465) million, the net profit of the ORLEN Group for the 12 month period of 2015 amounted to PLN 3,233 million.

Results for 4th quarter of 2015

Operating result increased by depreciation and amortization before consideration of the impact of crude oil prices on inventory valuation (EBITDA LIFO) and recognition of impairment allowances of non-current assets in the 4th quarter of 2015 amounted to PLN 1,866 million and was higher by PLN 606 million (y/y) than in the corresponding period of the previous year.

The positive impact of changes in the macroeconomic factors including mainly the weakening of the average PLN exchange rates versus the USD and EUR, with a slightly lower model downstream margin amounted to PLN 262 million (y/y).

The positive impact of higher sales volume amounted to PLN 88 million (y/y).

The positive impact of other factors amounted to PLN 256 million (y/y) and included mainly lower, than in the previous year, impact of the inventories revaluation to the net realizable value of PLN 376 million (y/y).

The impairment allowances of assets in the 4th quarter of 2015 amounted to PLN (437) million and contained mainly the impairment allowance of ORLEN Upstream Group exploration assets in Canada of PLN (423) million.

After consideration of the impairment allowances, EBITDA LIFO profit of the ORLEN Group in the 4th quarter of 2015 amounted to PLN 1,429 million.

The negative impact of crude oil prices on inventory valuation in the 4th quarter of 2015 amounted to PLN (1,108) million.

As a result, EBITDA profit of the ORLEN Group in the 4th quarter of 2015 amounted to PLN 321 million.

After consideration of depreciation and amortization the operating result of the ORLEN Group in the presented period amounted to PLN (189) million.

Net finance costs in the 4th quarter of 2015 amounted to PLN (153) million and consisted primarily of negative foreign exchange differences of PLN (133) million, net interest of PLN (28) million and the impact of recognition and valuation of net financial instruments of PLN 33 million.

After consideration of tax settlements, the net loss of the ORLEN Group in the 4th quarter of 2015 amounted to PLN (69) million.

Statement of financial position

As at 31 December 2015, total assets of the ORLEN Group amounted to PLN 48,137 million and were higher by PLN 1,412 million in comparison to 31 December 2014.

Current assets decreased by PLN (979) million to the level of PLN 20,775 million, mainly due to a decrease of the balance of cash and cash equivalents by PLN (1,589) million, together with an increase of inventories value by PLN 886 million, mainly as a result of repurchase of 2 tranches of mandatory reserves as well as declining prices of crude oil and thus prices of petroleum product.

As at 31 December 2015, the value of non-current assets amounted to PLN 27,362 million and was higher by PLN 2,391 million in comparison to the end of the previous year, mainly from investments in property, plant and equipment and intangible assets in the amount of PLN 3,183 million, purchase of upstream assets in Canada and Poland as a part of a purchase of shares of Kicking Horse Energy and FX Energy companies in the amount of PLN 1,775 million, depreciation and amortization in the amount of PLN (1,895) million and impairment allowances in the total amount of PLN (993) million.

As at 31 December 2015, total equity amounted to PLN 24,244 million and was higher by PLN 3,858 million in comparison to the end of 2014, mainly due to:

- net profit attributable to equity owners of the parent for the 12 month period of 2015 in the amount PLN 2,837 million and an increase by PLN 456 million of the value of a non-controlling interest,
- dividend payment in the amount of PLN (706) million under the decision of the Ordinary General Shareholders' Meeting of PKN ORLEN S.A. on 28 April 2015,
- positive impact of a change of balance of hedging reserve by PLN 1,239 million.

As at 31 December 2015, net indebtedness of the ORLEN Group amounted to PLN 6,810 million and was higher by PLN 90 million in comparison to the end of 2014. The increase of net indebtedness is a result of including the net indebtedness of purchased upstream companies in total amount of PLN 374 million and the net repayment of loans and borrowings, decrease of cash balances and the net impact of negative exchange differences from revaluation, indebtedness valuation as well as recalculation of balances of foreign entities in the total amount of PLN (284) million.

Statement of cash flows

The net cash provided by operating activities in the 12 month period of 2015 amounted to PLN 5,354 million and comprised mainly of the EBITDA result before impairment allowances of non-current assets in the amount PLN 7,228 million as well as the negative

impact of a net working capital increase of PLN (1,320) million, negative net exchange differences in the amount PLN (293) million and paid income taxes in the amount PLN (204) million.

The increase in net working capital in the 12 months of 2015 is mainly a result of an increase of value of inventories, including the repurchase of 2 tranches of mandatory reserves and reducing their value due to lower crude oil prices and also prices of petroleum products accompanied by decrease of mutually compensating receivables and liabilities.

In the 4th quarter of 2015 the net cash provided by operating activities was PLN 1,563 million and comprised mainly of the EBITDA result before impairment allowances of non-current assets of PLN 758 million, the positive impact of a net working capital decrease of PLN 952 million and negative net exchange differences from operating activities and paid income taxes in the total amount of PLN (143) million.

Net cash used in investing activities in the 12 month period of 2015 amounted to PLN (4,096) million and included mainly net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land of PLN (2,948) million, acquisition of shares of Česká Rafinérská a.s. from ENI adjusted by acquired cash and cash equivalents of PLN (35) million and acquisition of shares of upstream companies Kicking Horse Energy Inc and FX Energy Inc. in total amount of PLN (1,161) million.

In the 4th quarter of 2015, net cash used in investing activities amounted to PLN (2,187) million and comprised mainly net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land of PLN (1,168) million and acquisition of shares of companies described above from upstream segment.

Net cash used in financing activities in the 12 month period of 2015 amounted to PLN (2,866) million and comprised mainly of net repayment of loans and borrowings of PLN (1,875) million, dividend payment of PLN (706) million, as well as interest paid of PLN (258) million.

In the 4th quarter of 2015, net cash provided by financing activities amounted to PLN (1,873) million and comprised mainly the net repayment of loans and borrowings of PLN (1,814) million and interest paid in the amount of PLN (50) million.

Taking into account the revaluation of cash due to exchange differences, the cash balance decreased in the 12 month period of 2015 by PLN (1,589) million and as at 31 December 2015 amounted to PLN 2,348 million.

Factors and events which may influence future results

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

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

Repurchase of mandatory reserves

Transaction date	Parties of transactions		Transaction value	
	Seller	Buyer	USD million	PLN million
29 January 2015	Neon	PKN ORLEN	257	959
			<i>including hedging transaction settlement</i>	
			112	419
12 August 2015	Cranbell	PKN ORLEN	707	2 673
			<i>including hedging transaction settlement</i>	
			406	1 541*

* value calculated by the average exchange rates of National Bank of Poland of the days the cash settlement of hedging instruments

SEPTEMBER 2015

Power plant in Włocławek

The Management Board of PKN ORLEN hereby informed that it received information from the consortium of companies (General Electric International S.A., office in Poland and SNC-LAVALIN POLSKA Sp. z o.o.) executing the project of building a power plant in Włocławek about new date for completion of the project. As a result of that commercial operation of the power plant is currently planned in the second quarter of 2016. The previously planned date of commercial operation of the power plant was December 2015.

NOVEMBER 2015

Changes in PKN ORLEN Supervisory Board

On 24 November 2015 the Management Board of PKN ORLEN informed that on 23 November 2015 the Ministry of the State Treasury acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association dismissed Mr Maciej Bałowski from the PKN ORLEN S.A. Supervisory Board and at the same time appointed to the Company's Supervisory Board Mr Remigiusz Nowakowski.

DECEMBER 2015

Convening of the Extraordinary General Meeting of PKN ORLEN on 29 January 2016

On 9 December 2015 the Management Board of PKN ORLEN, acting pursuant to Article 399 § 1 in conjunction with Article 400 § 1 of the Commercial Companies Code and § 7 item 4 of the Company's Articles of Association convenes the Extraordinary General Meeting of Polski Koncern Naftowy ORLEN S.A. to be held on 29 January 2016.

Changes in the Management Board of PKN ORLEN

The Supervisory Board of PKN ORLEN at the meeting on 16 December 2015 dismissed Mr Dariusz Jacek Krawiec from the Management Board of PKN ORLEN and at the same time appointed Mr Wojciech Jasiński to the position of the President of the Management Board of the Company, for the common three-year term of office ending on the day of the Ordinary Shareholders Meeting that will approve financial statements of the Company for 2016.

4. Related party transactions

4.1. 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 12 and 3 month period ended 31 December 2015 and 31 December 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 31 December 2015 and as at 31 December 2014 there are no loans granted by the Group companies to managing and supervising persons or their relatives.

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

As at 31 December 2015 and as at 31 December 2014 and for the 12 and 3 month period ended 31 December 2015 and 31 December 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.

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

	Sales				Purchases			
	12 MONTHS	3 MONTHS	12 MONTHS	3 MONTHS	12 MONTHS	3 MONTHS	12 MONTHS	3 MONTHS
	2015	2015	2014	2014	2015	2015	2014	2014
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Jointly-controlled entities	2 954	653	3 295	818	(213)	(14)	(507)	(127)
<i>joint ventures</i>	2 806	648	2 927	736	(37)	(10)	(30)	(9)
<i>joint operations</i>	148	5	368	82	(176)	(4)	(477)	(118)
Associates	48	11	60	15	(32)	(10)	(47)	(14)
	3 002	664	3 355	833	(245)	(24)	(554)	(141)

	Trade and other receivables		Trade and other liabilities	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	(unaudited)		(unaudited)	
Jointly-controlled entities	509	620	5	225
<i>joint ventures</i>	508	575	4	4
<i>joint operations</i>	1	45	1	221
Associates	17	17	8	9
	526	637	13	234

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

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

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

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

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

The claim 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 3,069 million translated using the exchange rate as at 31 December 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. On 4 September 2015 Agrofert appealed to the Supreme Court against the judgment of the court dismissing the appeal. The appeal proceedings are pending.

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.

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

5.1.2.1. Tax proceedings in 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 months: May - August 2004 in 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 Trzebinia 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.

In view of the issue by the European Court of Justice in Luxembourg judgement in a similar case the company has submitted applications for renewal of administrative proceedings. Director of the Customs Chamber in Kraków by a decision issued on 23 July 2015 refused to reopen the proceedings due to the ongoing proceedings before the Supreme Administrative Court in the cases final decisions for May - August. Since the decision of the Director of the Customs Chamber in Kraków refusing to reopen the proceedings the company filed an appeal, that was dismissed. The company filed complaints against these decisions on 16 November 2015, which have not been recognized till the approval of the foregoing financial statements.

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

Court proceeding concerning the settlement of a disputed system fee of PKN ORLEN 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. On 12 November 2015 the first hearing before the Court of Appeal was held. The consecutive hearing date is expected to be announced.

On 29 June 2015 PKN ORLEN received consecutive claim on this case, in which ENERGA-OPERATOR S.A. requests approximately PLN 13.3 million in addition. The case is pending in front of the District Court in Łódź. On 10 July 2015 a response to the lawsuit was filed, which questioned the claim as unfounded. On 22 December 2015 the District Court in Łódź issued a judgement, which overruled the request of ENERGA-OPERATOR S.A. that PKN ORLEN is ordered to pay PLN 13 million and adjudged the return of proceeding's expenses by ENERGA-OPERATOR S.A to PKN ORLEN.

5.1.2.3. 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 282 million, translated using the exchange rate as at 31 December 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. The court in Ostrava shall give further procedural issues.

5.1.2.4. 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. Mediation is ongoing. In the opinion of PKN ORLEN the claim of patent infringement is without merit.

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

5.2.1. 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. On 26 January 2016 a hearing was held during which one of the accused filed an explanations. The court set the next date of hearing on 11 February 2016 to continue the interrogation of the accused.

5.2.2. 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 Butingė Terminal on 29 December 2005. The proceedings were initiated in December 2006. The total compensation claim amounts to approximately PLN 74 million, translated using the exchange rate as at 31 December 2015 (representing approximately EUR 17.26 million). On October 2014 the parties agreed to change the jurisdiction to English courts. The company expects the next hearing date to be announced.

5.2.3. 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 52 million, translated using the exchange rate as at 31 December 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. 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. On 25 February 2015 the Court in Usti by the Elbe River rejected 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. On 14 October 2015 the supreme administrative court overruled the judgment of the Court in Usti by the Elbe River and decided to refer the case to the same Court for its reconsideration.

5.2.4. 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 on compensation 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 approximately PLN 128 million, translated using the exchange rate as at 31 December 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.

5.2.5. The dispute between ORLEN Lietuva and Lietuvos Geležinkeliai

On 31 December 2014, ORLEN Lietuva filed a motion for arbitration against the company Lietuvos Geležinkeliai ("LG") in the court of arbitration in Vilnius. Currently in this proceeding ORLEN Lietuva calls for the conversion of tariffs for rail transport in line with the contract with LG. Consideration of the request of ORLEN Lietuva would lead to savings for the company (compensation) in the amount estimated as at 31 December 2015 not lower than PLN 162 million translated using the exchange rate as at 31 December 2015 (representing EUR 38 million) due to breach of contract of rail transport by LG by the use of excessive rates. The amount of the claim will be updated in accordance with the activity on the base of the contract.

Simultaneously, by 31 December 2015, 4 court proceedings were initiated in which LG demands from ORLEN Lietuva a payment of approximately PLN 77 million translated using the exchange rate as at 31 December 2015 (representing approximately EUR 18 million) from fees for rail transport. Three of the above described proceedings were combined and then the court decided that the combined case will not be considered by the state court since the priority of the arbitral tribunal. Proceedings in the fourth case was suspended by the court until the court of arbitration will decide on the claim of ORLEN Lietuva. LG appealed against the above decisions of state courts. The hearing date on appeal is expected to be announced.

6. Other information

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
Nationale-Nederlanden OFE (ING OFE*)	9.12%	39 000 000
Aviva OFE*	7.95%	34 000 000
Other	55.41%	236 998 865
	100.00%	427 709 061

* According to the information from the Ordinary Shareholders Meeting of PKN ORLEN of 28 April 2015

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 interim condensed consolidated financial statements there were no changes in the ownership structure of holdings.

6.2. 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 previous quarterly report*	Increase**	Number of shares, as at the submission date of the foregoing quarterly report***
Supervisory Board	3 300	1 600	4 900
Grzegorz Borowiec	100	-	100
Artur Gabor	3 200	-	3 200
Remigiusz Nowakowski	-	1 600	1 600

* According to the received confirmations as at 15 October 2015

** Mr Remigiusz Nowakowski bought shares of the Company prior to the date of appointment to the Supervisory Board of PKN ORLEN as at 23 November 2015

***According to the received confirmations as at 21 January 2016

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

6.3. Information on loan sureties 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.

6.4. 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.

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR THE 4th QUARTER

2015

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

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN
Separate statement of profit or loss and other comprehensive income

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Statement of profit or loss				
Sales revenues	60 466	13 229	76 972	17 589
Cost of sales	(55 565)	(12 498)	(74 283)	(17 541)
Gross profit on sales	4 901	731	2 689	48
Distribution expenses	(2 306)	(608)	(2 177)	(574)
Administrative expenses	(867)	(222)	(823)	(255)
Other operating income	196	70	311	139
Other operating expenses	(155)	(42)	(380)	(222)
Profit/(Loss) from operations	1 769	(71)	(380)	(864)
Finance income	872	237	1 477	331
Finance costs	(1 333)	(569)	(5 977)	(738)
Net finance income and costs	(461)	(332)	(4 500)	(407)
Profit/(Loss) before tax	1 308	(403)	(4 880)	(1 271)
Tax expense	(260)	69	208	225
Net profit/(loss)	1 048	(334)	(4 672)	(1 046)
Items of other comprehensive income:				
which will not be reclassified into profit or loss	4	4	(7)	(7)
<i>Actuarial gains and losses</i>	5	5	(9)	(9)
<i>Deferred tax</i>	(1)	(1)	2	2
which will be reclassified into profit or loss under certain conditions	1 227	76	(1 538)	(1 229)
<i>Hedging instruments</i>	1 515	94	(1 899)	(1 517)
<i>Deferred tax</i>	(288)	(18)	361	288
	1 231	80	(1 545)	(1 236)
Total net comprehensive income	2 279	(254)	(6 217)	(2 282)
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	2.45	(0.78)	(10.92)	(2.45)

Separate statement of financial position

	31/12/2015 (unaudited)	31/12/2014
ASSETS		
Non-current assets		
Property, plant and equipment	14 303	13 465
Intangible assets	962	334
Perpetual usufruct of land	94	91
Shares in related parties	7 568	6 733
Financial assets available for sale	40	40
Deferred tax assets	-	169
Other non-current assets	179	970
	23 146	21 802
Current assets		
Inventories	7 715	6 497
Trade and other receivables	4 286	4 954
Other financial assets	788	1 206
Current tax assets	5	6
Cash	964	3 475
Non-current assets classified as held for sale	77	38
	13 835	16 176
Total assets	36 981	37 978
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	(143)	(1 370)
Retained earnings	15 704	15 387
Total equity	17 846	16 302
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	8 125	9 212
Provisions	317	355
Deferred tax liabilities	380	-
Other non-current liabilities	637	1 812
	9 459	11 379
Current liabilities		
Trade and other liabilities	6 651	7 572
Loans, borrowings and bonds	1 117	930
Provisions	383	342
Deferred income	116	97
Other financial liabilities	1 409	1 356
	9 676	10 297
Total liabilities	19 135	21 676
Total equity and liabilities	36 981	37 978

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	-	-	1 048	1 048
Items of other comprehensive income	-	1 227	4	1 231
Total net comprehensive income	-	1 227	1 052	2 279
Equity resulting from merger under common control	-	-	(29)	(29)
Dividends	-	-	(706)	(706)
31/12/2015	2 285	(143)	15 704	17 846
(unaudited)				
01/01/2014	2 285	168	20 682	23 135
Net (loss)	-	-	(4 672)	(4 672)
Items of other comprehensive income	-	(1 538)	(7)	(1 545)
Total net comprehensive income	-	(1 538)	(4 679)	(6 217)
Dividends	-	-	(616)	(616)
31/12/2014	2 285	(1 370)	15 387	16 302

Separate statement of cash flows

	12 MONTHS 2015 (unaudited)	3 MONTHS 2015 (unaudited)	12 MONTHS 2014	3 MONTHS 2014 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	1 048	(334)	(4 672)	(1 046)
Adjustments for:				
Depreciation and amortisation	1 100	282	1 028	275
Foreign exchange loss	95	65	97	104
Interest, net	201	60	213	47
Dividends	(727)	(201)	(1 092)	(72)
Loss on investing activities	808	362	4 928	198
Tax expense	260	(69)	(208)	(225)
Change in provisions	149	36	180	120
Change in working capital	(1 892)	960	1 823	664
<i>inventories</i>	(1 149)	842	2 840	2 116
<i>receivables</i>	684	1 267	1 244	1 007
<i>liabilities</i>	(1 427)	(1 149)	(2 261)	(2 459)
Other adjustments	(95)	50	(103)	(49)
Income tax received/(paid)	1	(1)	23	2
Net cash provided by operating activities	948	1 210	2 217	18
Cash flows - investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(1 847)	(677)	(2 426)	(569)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	131	45	324	1
Acquisition of shares	(1 684)	(1 554)	(1 297)	(1 091)
Disposal of shares	-	-	69	-
Acquisition of bonds	-	-	(100)	-
Sale of bonds	95	-	5	-
Interest received	16	-	45	16
Dividends received	729	204	1 094	107
Outflows from additional repayable payments to subsidiaries' equity	(19)	(19)	(806)	(4)
Proceeds from additional repayable payments to subsidiaries' equity	14	6	38	-
Outflows from non-current loans granted	-	-	(353)	(17)
Proceeds from non-current loans granted	607	-	695	695
Proceeds/(Outflows) from current loans granted	312	(8)	259	692
Proceeds/(Outflows) from cash pool facility	162	-	64	(46)
Outflows on the acquisition of the project	(172)	-	-	-
Other	(13)	(9)	(12)	(3)
Net cash (used) in investing activities	(1 669)	(2 012)	(2 401)	(219)
Cash flows - financing activities				
Proceeds from loans and borrowings received	2 138	-	9 991	695
Bonds issued	1 318	330	931	136
Repayments of loans and borrowings	(3 179)	(1 847)	(7 042)	(819)
Redemption of bonds	(1 243)	(497)	(1 419)	(132)
Interest paid	(261)	(52)	(249)	(50)
Dividends paid	(706)	-	(616)	-
Payments of liabilities under finance lease agreements	(18)	(4)	(18)	(5)
Proceeds from cash pool facility	155	287	15	31
Other	-	-	(1)	-
Net cash provided by/(used in) financing activities	(1 796)	(1 783)	1 592	(144)
Net increase/(decrease) in cash	(2 517)	(2 585)	1 408	(345)
Effect of exchange rate changes	6	1	(5)	(6)
Cash, beginning of the period	3 475	3 548	2 072	3 826
Cash, end of the period	964	964	3 475	3 475

The foregoing quarterly report was approved by the Management Board of the Parent Company on 27 January 2016.

.....
Wojciech Jasiński
President of the Board

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

.....
Piotr Chelmiński
Member of the Board

.....
Krystian Pater
Member of the Board

.....
Marek Podstawa
Member of the Board

Signature of the person responsible
for keeping accounting books

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