



**ORLEN**

**Polski Koncern Naftowy ORLEN**  
Spółka Akcyjna

# ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

**FOR THE 1<sup>st</sup> QUARTER**

**2016**

**ORLEN GROUP - SELECTED DATA**

|  | PLN million      |                  | EUR million      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 3 MONTHS<br>2016 | 3 MONTHS<br>2015 | 3 MONTHS<br>2016 | 3 MONTHS<br>2015 |
| Sales revenues   | 16 213           | 20 005           | 3 722            | 4 593            |
| Profit from operations increased by depreciation and amortisation (EBITDA)                                     | 993              | 1 662            | 228              | 382              |
| Profit from operations (EBIT)  | 478              | 1 210            | 110              | 278              |
| Profit before tax  | 434              | 1 034            | 100              | 237              |
| Net profit attributable to equity owners of the parent   | 337              | 756              | 77               | 174              |
| Net profit   | 336              | 868              | 77               | 199              |
| Total net comprehensive income attributable to equity owners of the parent                                     | 254              | 929              | 58               | 213              |
| Total net comprehensive income   | 216              | 968              | 50               | 222              |
| Net cash provided by operating activities  | 2 927            | 980              | 671              | 225              |
| Net cash (used) in investing activities  | (1 399)          | (568)            | (321)            | (130)            |
| Net cash (used) in financing activities  | (311)            | (1 265)          | (71)             | (291)            |
| Net increase/(decrease) in cash and cash equivalents   | 1 217            | (853)            | 279              | (196)            |
| Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share) | 0.79             | 1.77             | 0.18             | 0.41             |

|  | 31/03/2016  | 31/12/2015  | 31/03/2016  | 31/12/2015  |
|--|-------------|-------------|-------------|-------------|
| Non-current assets   | 28 113      | 27 362      | 6 586       | 6 411       |
| Current assets   | 20 104      | 20 775      | 4 710       | 4 867       |
| Total assets   | 48 217      | 48 137      | 11 296      | 11 278      |
| Share capital  | 1 058       | 1 058       | 248         | 248         |
| Equity attributable to equity owners of the parent   | 22 427      | 22 173      | 5 254       | 5 195       |
| Total equity   | 24 460      | 24 244      | 5 730       | 5 680       |
| Non-current liabilities  | 9 854       | 10 227      | 2 309       | 2 396       |
| Current liabilities  | 13 903      | 13 666      | 3 257       | 3 202       |
| 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) | 52.44       | 51.84       | 12.28       | 12.15       |

**PKN ORLEN - SELECTED DATA**

|  | PLN million      |                  | EUR million      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 3 MONTHS<br>2016 | 3 MONTHS<br>2015 | 3 MONTHS<br>2016 | 3 MONTHS<br>2015 |
| Sales revenues   | 10 568           | 13 623           | 2 426            | 3 127            |
| Profit from operations increased by depreciation and amortisation (EBITDA)       | 170              | 610              | 39               | 140              |
| Profit/(Loss) from operations (EBIT)   | (115)            | 342              | (26)             | 79               |
| Profit/(Loss) before tax   | (77)             | 320              | (18)             | 73               |
| Net profit/(loss)  | (80)             | 258              | (18)             | 59               |
| Total net comprehensive income   | (83)             | 549              | (19)             | 126              |
| Net cash provided by operating activities  | 1 104            | 95               | 253              | 22               |
| Net cash provided by/(used in) investing activities                              | (1 496)          | 57               | (343)            | 13               |
| Net cash provided by/(used in) financing activities                              | 184              | (1 269)          | 42               | (291)            |
| Net (decrease) in cash   | (208)            | (1 117)          | (48)             | (256)            |
| Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share) | (0.19)           | 0.60             | (0.04)           | 0.14             |

|  | 31/03/2016  | 31/12/2015  | 31/03/2016  | 31/12/2015  |
|--|-------------|-------------|-------------|-------------|
| Non-current assets   | 23 235      | 23 146      | 5 443       | 5 423       |
| Current assets   | 12 976      | 13 835      | 3 040       | 3 241       |
| Total assets   | 36 211      | 36 981      | 8 484       | 8 664       |
| Share capital  | 1 058       | 1 058       | 248         | 248         |
| Total equity   | 17 763      | 17 846      | 4 162       | 4 181       |
| Non-current liabilities  | 9 085       | 9 459       | 2 128       | 2 216       |
| Current liabilities  | 9 363       | 9 676       | 2 194       | 2 267       |
| 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) | 41.53       | 41.72       | 9.73        | 9.77        |

The above data for the 3 month period of 2016 and 2015 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 March 2016 – 4.3559 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 March 2016 – 4.2684 EUR/PLN.

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# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE 3 MONTH PERIOD ENDED 31 MARCH**

**2016**

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 | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|--|------|---------------------------------|---------------------------------|
| Sales revenues   |      | 16 213                          | 20 005                          |
| <i>revenues from sales of finished goods and services</i>  |      | 11 993                          | 15 238                          |
| <i>revenues from sales of merchandise and raw materials</i>  |      | 4 220                           | 4 767                           |
| Cost of sales  | 3.1  | (14 574)                        | (17 523)                        |
| <i>cost of finished goods and services sold</i>  |      | (10 612)                        | (13 061)                        |
| <i>cost of merchandise and raw materials sold</i>  |      | (3 962)                         | (4 462)                         |
| <b>Gross profit on sales</b>   |      | <b>1 639</b>                    | <b>2 482</b>                    |
| Distribution expenses  |      | (1 001)                         | (934)                           |
| Administrative expenses  |      | (362)                           | (388)                           |
| Other operating income   |      | 198                             | 81                              |
| Other operating expenses   | 3.3  | (81)                            | (62)                            |
| Share in profit from investments accounted for under equity method   |      | 85                              | 31                              |
| <b>Profit from operations</b>  |      | <b>478</b>                      | <b>1 210</b>                    |
| Finance income   | 3.4  | 45                              | 89                              |
| Finance costs  | 3.4  | (89)                            | (265)                           |
| <b>Net finance income and costs</b>  |      | <b>(44)</b>                     | <b>(176)</b>                    |
| <b>Profit before tax</b>   |      | <b>434</b>                      | <b>1 034</b>                    |
| Tax expense  |      | (98)                            | (166)                           |
| <i>current tax</i>   |      | (60)                            | (50)                            |
| <i>deferred tax</i>  |      | (38)                            | (116)                           |
| <b>Net profit</b>  |      | <b>336</b>                      | <b>868</b>                      |
| <b>Other comprehensive income:</b>   |      |                                 |                                 |
| <b>which were or will be reclassified into profit or loss</b>  |      | <b>(120)</b>                    | <b>100</b>                      |
| <i>hedging instruments</i>   |      | (131)                           | 296                             |
| <i>foreign exchange differences on subsidiaries from consolidation</i>                                     |      | (14)                            | (140)                           |
| <i>deferred tax</i>  |      | 25                              | (56)                            |
|  |      | <b>(120)</b>                    | <b>100</b>                      |
| <b>Total net comprehensive income</b>  |      | <b>216</b>                      | <b>968</b>                      |
| <b>Net profit attributable to</b>  |      | <b>336</b>                      | <b>868</b>                      |
| <i>equity owners of the parent</i>   |      | 337                             | 756                             |
| <i>non-controlling interest</i>  |      | (1)                             | 112                             |
| <b>Total net comprehensive income attributable to</b>  |      | <b>216</b>                      | <b>968</b>                      |
| <i>equity owners of the parent</i>   |      | 254                             | 929                             |
| <i>non-controlling interest</i>  |      | (38)                            | 39                              |
| Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share) |      | 0.79                            | 1.77                            |

The accompanying notes disclosed on pages 8 – 13 are an integral part of the foregoing interim condensed consolidated financial statements.

**Consolidated statement of financial position**

|   | NOTE | 31/03/2016<br>(unaudited) | 31/12/2015    |
|---|------|---------------------------|---------------|
| <b>ASSETS</b>   |      |                           |               |
| <b>Non-current assets</b>   |      |                           |               |
| Property, plant and equipment   |      | 25 037                    | 24 536        |
| Intangible assets   |      | 1 521                     | 1 298         |
| Investments accounted for under equity method                           |      | 859                       | 774           |
| Deferred tax assets   |      | 338                       | 365           |
| Other financial assets  | 3.5  | 111                       | 147           |
| Other assets  |      | 247                       | 242           |
|   |      | <b>28 113</b>             | <b>27 362</b> |
| <b>Current assets</b>   |      |                           |               |
| Inventories   |      | 9 236                     | 10 715        |
| Trade and other receivables   |      | 6 604                     | 6 641         |
| Other financial assets  | 3.5  | 742                       | 974           |
| Cash and cash equivalents   |      | 3 467                     | 2 348         |
| Non-current assets classified as held for sale                          |      | 55                        | 97            |
|   |      | <b>20 104</b>             | <b>20 775</b> |
| <b>Total assets</b>   |      | <b>48 217</b>             | <b>48 137</b> |
| <b>EQUITY AND LIABILITIES</b>   |      |                           |               |
| <b>EQUITY</b>   |      |                           |               |
| Share capital   |      | 1 058                     | 1 058         |
| Share premium   |      | 1 227                     | 1 227         |
| Hedging reserve   |      | (145)                     | (80)          |
| Foreign exchange differences on subsidiaries from consolidation         |      | 519                       | 537           |
| Retained earnings   |      | 19 768                    | 19 431        |
| <b>Total equity attributable to equity owners of the parent</b>         |      | <b>22 427</b>             | <b>22 173</b> |
| <b>Non-controlling interest</b>   |      | <b>2 033</b>              | <b>2 071</b>  |
| <b>Total equity</b>   |      | <b>24 460</b>             | <b>24 244</b> |
| <b>LIABILITIES</b>  |      |                           |               |
| <b>Non-current liabilities</b>  |      |                           |               |
| Loans, borrowings and bonds   | 3.6  | 7 893                     | 8 131         |
| Provisions  | 3.7  | 730                       | 710           |
| Deferred tax liabilities  |      | 664                       | 674           |
| Other financial liabilities   | 3.8  | 567                       | 712           |
|   |      | <b>9 854</b>              | <b>10 227</b> |
| <b>Current liabilities</b>  |      |                           |               |
| Trade and other liabilities   |      | 11 041                    | 10 820        |
| Loans and borrowings  | 3.6  | 1 041                     | 1 027         |
| Provisions  | 3.7  | 767                       | 749           |
| Deferred income   |      | 271                       | 128           |
| Other financial liabilities   | 3.8  | 748                       | 870           |
| Liabilities directly associated with assets classified as held for sale |      | 35                        | 72            |
|   |      | <b>13 903</b>             | <b>13 666</b> |
| <b>Total liabilities</b>  |      | <b>23 757</b>             | <b>23 893</b> |
| <b>Total equity and liabilities</b>                                     |      | <b>48 217</b>             | <b>48 137</b> |

The accompanying notes disclosed on pages 8 – 13 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 |                 |   |                   |               | Total        | Non-controlling interest | Total equity |
|---------------------------------------|--|-----------------|---|-------------------|---------------|--------------|--------------------------|--------------|
|                                       | Share capital and share premium                    | Hedging reserve | Foreign exchange differences on subsidiaries from consolidation | Retained earnings |               |              |                          |              |
| 01/01/2016                            | 2 285  | (80)            | 537   | 19 431            | 22 173        | 2 071        | 24 244                   |              |
| Net profit/(loss)                     | -  | -               | -   | 337               | 337           | (1)          | 336                      |              |
| Items of other comprehensive income   | -  | (65)            | (18)  | -                 | (83)          | (37)         | (120)                    |              |
| <b>Total net comprehensive income</b> | -  | <b>(65)</b>     | <b>(18)</b>   | <b>337</b>        | <b>254</b>    | <b>(38)</b>  | <b>216</b>               |              |
| <b>31/03/2016</b>                     | <b>2 285</b>                                       | <b>(145)</b>    | <b>519</b>  | <b>19 768</b>     | <b>22 427</b> | <b>2 033</b> | <b>24 460</b>            |              |
| (unaudited)                           |  |                 |   |                   |               |              |                          |              |
| 01/01/2015                            | 2 285  | (1 319)         | 509   | 17 296            | 18 771        | 1 615        | 20 386                   |              |
| Net profit                            | -  | -               | -   | 756               | 756           | 112          | 868                      |              |
| Items of other comprehensive income   | -  | 258             | (85)  | -                 | 173           | (73)         | 100                      |              |
| <b>Total net comprehensive income</b> | -  | <b>258</b>      | <b>(85)</b>   | <b>756</b>        | <b>929</b>    | <b>39</b>    | <b>968</b>               |              |
| <b>31/03/2015</b>                     | <b>2 285</b>                                       | <b>(1 061)</b>  | <b>424</b>  | <b>18 052</b>     | <b>19 700</b> | <b>1 654</b> | <b>21 354</b>            |              |
| (unaudited)                           |  |                 |   |                   |               |              |                          |              |

The accompanying notes disclosed on pages 8 – 13 are an integral part of the foregoing interim condensed consolidated financial statements.

**Consolidated statement of cash flows**

|  | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|--|---------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>  |                                 |                                 |
| <b>Profit before tax</b>   | <b>434</b>                      | <b>1 034</b>                    |
| Adjustments for:   |                                 |                                 |
| Share in profit from investments accounted for under equity method                             | (85)                            | (31)                            |
| Depreciation and amortisation  | 515                             | 452                             |
| Foreign exchange (profit)/loss   | 41                              | (218)                           |
| Interest, net  | 50                              | 54                              |
| (Profit)/Loss on investing activities  | (43)                            | 113                             |
| Change in provisions   | 30                              | 56                              |
| Change in working capital  | 1 766                           | (419)                           |
| <i>inventories</i>   | 1 477                           | (334)                           |
| <i>receivables</i>   | 32                              | (332)                           |
| <i>liabilities</i>   | 257                             | 247                             |
| Other adjustments  | 307                             | 26                              |
| Income tax (paid)  | (88)                            | (87)                            |
| <b>Net cash provided by operating activities</b>   | <b>2 927</b>                    | <b>980</b>                      |
| <b>Cash flows from investing activities</b>  |                                 |                                 |
| Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land | (1 533)                         | (616)                           |
| Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land    | 61                              | 43                              |
| Sale of subsidiary   | 71                              | -                               |
| Other  | 2                               | 5                               |
| <b>Net cash (used) in investing activities</b>   | <b>(1 399)</b>                  | <b>(568)</b>                    |
| <b>Cash flows from financing activities</b>  |                                 |                                 |
| Proceeds from loans and borrowings received  | 2 130                           | 71                              |
| Repayments of loans and borrowings   | (2 383)                         | (1 275)                         |
| Interest paid  | (52)                            | (54)                            |
| Payments of liabilities under finance lease agreements   | (7)                             | (7)                             |
| Other  | 1                               | -                               |
| <b>Net cash (used) in financing activities</b>   | <b>(311)</b>                    | <b>(1 265)</b>                  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                    | <b>1 217</b>                    | <b>(853)</b>                    |
| Effect of exchange rate changes  | (98)                            | 6                               |
| Cash and cash equivalents, beginning of the period   | 2 348                           | 3 937                           |
| <b>Cash and cash equivalents, end of the period</b>  | <b>3 467</b>                    | <b>3 090</b>                    |

Beginning with the 1<sup>st</sup> quarter of 2016, the Group presents cash flows from operating activities starting from the profit before tax.

The accompanying notes disclosed on pages 8 – 13 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 (uniform 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 March 2016 and as at 31 December 2015, financial results and cash flows for the 3 month period ended 31 March 2016 and 31 March 2015.

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. 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 8.6 and 8.7 in the Consolidated Financial Statements for the year 2015.

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 2015 in note 8.6.1.

**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 |            |
|----------|--|---------------|---|------------|
|          | 3 MONTHS 2016                                  | 3 MONTHS 2015 | 31/03/2016  | 31/12/2015 |
| EUR/PLN  | 4.3674   | 4.1951        | 4.2684  | 4.2615     |
| USD/PLN  | 3.9626   | 3.7249        | 3.7590  | 3.9011     |
| CZK/PLN  | 0.1615   | 0.1518        | 0.1578  | 0.1577     |
| CAD/PLN  | 2.8800   | 3.0031        | 2.9007  | 2.8102     |

**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 is conducted 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 include the activity related to exploration and extraction of mineral resources,
- and Corporate Functions, which include activities related to management and administration and 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 section Other information to the consolidated quarterly report in note B2.

**Financial result by operating segments  
for the 3 month period ended 31 March 2016**

| NOTE | Downstream Segment<br>(unaudited) | Retail Segment<br>(unaudited) | Upstream Segment<br>(unaudited) | Corporate Functions<br>(unaudited) | Adjustments<br>(unaudited) | Total<br>(unaudited) |
|------|-----------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------|----------------------|
|      | 9 838                             | 6 264                         | 92                              | 19                                 | -                          | 16 213               |
|      | 2 105                             | 43                            | -                               | 65                                 | (2 213)                    | -                    |
|      | 11 943                            | 6 307                         | 92                              | 84                                 | (2 213)                    | 16 213               |
|      | (11 652)                          | (6 104)                       | (136)                           | (258)                              | 2 213                      | (15 937)             |
| 3.4  | 163                               | 14                            | -                               | 21                                 | -                          | 198                  |
| 3.4  | (51)                              | (14)                          | -                               | (16)                               | -                          | (81)                 |
|      | 85                                | -                             | -                               | -                                  | -                          | 85                   |
|      | <b>488</b>                        | <b>203</b>                    | <b>(44)</b>                     | <b>(169)</b>                       | -                          | <b>478</b>           |
| 3.5  |                                   |                               |                                 |                                    |                            | (44)                 |
|      |                                   |                               |                                 |                                    |                            | <b>434</b>           |
|      |                                   |                               |                                 |                                    |                            | (98)                 |
|      |                                   |                               |                                 |                                    |                            | <b>336</b>           |

| ADDITIONAL INFORMATION               | Downstream Segment<br>(unaudited) | Retail Segment<br>(unaudited) | Upstream Segment<br>(unaudited) | Corporate Functions<br>(unaudited) | Adjustments<br>(unaudited) | Total<br>(unaudited) |
|--------------------------------------|-----------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------|----------------------|
| <b>Depreciation and amortisation</b> | <b>324</b>                        | <b>97</b>                     | <b>71</b>                       | <b>23</b>                          | -                          | <b>515</b>           |
| <b>EBITDA</b>                        | <b>812</b>                        | <b>300</b>                    | <b>27</b>                       | <b>(146)</b>                       | -                          | <b>993</b>           |
| <b>CAPEX*</b>                        | <b>784</b>                        | <b>72</b>                     | <b>126</b>                      | <b>20</b>                          | -                          | <b>1 002</b>         |

**for the 3 month period ended 31 March 2015**

| NOTE | Downstream Segment<br>(unaudited) | Retail Segment<br>(unaudited) | Upstream Segment<br>(unaudited) | Corporate Functions<br>(unaudited) | Adjustments<br>(unaudited) | Total<br>(unaudited) |
|------|-----------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------|----------------------|
|      | 12 880                            | 7 050                         | 52                              | 23                                 | -                          | 20 005               |
|      | 2 816                             | 15                            | -                               | 44                                 | (2 875)                    | -                    |
|      | 15 696                            | 7 065                         | 52                              | 67                                 | (2 875)                    | 20 005               |
|      | (14 554)                          | (6 875)                       | (72)                            | (219)                              | 2 875                      | (18 845)             |
| 3.4  | 60                                | 14                            | -                               | 7                                  | -                          | 81                   |
| 3.4  | (39)                              | (12)                          | -                               | (11)                               | -                          | (62)                 |
|      | 31                                | -                             | -                               | -                                  | -                          | 31                   |
|      | <b>1 194</b>                      | <b>192</b>                    | <b>(20)</b>                     | <b>(156)</b>                       | -                          | <b>1 210</b>         |
| 3.5  |                                   |                               |                                 |                                    |                            | (176)                |
|      |                                   |                               |                                 |                                    |                            | <b>1 034</b>         |
|      |                                   |                               |                                 |                                    |                            | (166)                |
|      |                                   |                               |                                 |                                    |                            | <b>868</b>           |

| ADDITIONAL INFORMATION               | Downstream Segment<br>(unaudited) | Retail Segment<br>(unaudited) | Upstream Segment<br>(unaudited) | Corporate Functions<br>(unaudited) | Adjustments<br>(unaudited) | Total<br>(unaudited) |
|--------------------------------------|-----------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------|----------------------|
| <b>Depreciation and amortisation</b> | <b>310</b>                        | <b>91</b>                     | <b>34</b>                       | <b>17</b>                          | -                          | <b>452</b>           |
| <b>EBITDA</b>                        | <b>1 504</b>                      | <b>283</b>                    | <b>14</b>                       | <b>(139)</b>                       | -                          | <b>1 662</b>         |
| <b>CAPEX*</b>                        | <b>401</b>                        | <b>68</b>                     | <b>76</b>                       | <b>38</b>                          | -                          | <b>583</b>           |

CAPEX\* - increases of non-current assets together with the capitalisation of borrowing costs

**Assets by operating segments**

|                       | 31/03/2016<br>(unaudited) | 31/12/2015    |
|-----------------------|---------------------------|---------------|
| Downstream Segment    | 33 225                    | 34 282        |
| Retail Segment        | 5 734                     | 5 683         |
| Upstream Segment      | 3 535                     | 3 380         |
| <b>Segment assets</b> | <b>42 494</b>             | <b>43 345</b> |
| Corporate Functions   | 5 839                     | 4 995         |
| Adjustments           | (116)                     | (203)         |
|                       | <b>48 217</b>             | <b>48 137</b> |

### 3. Other notes

#### 3.1. Operating expenses

##### Cost by nature

|  | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|--|---------------------------------|---------------------------------|
| Materials and energy                       | (9 090)                         | (11 967)                        |
| Cost of merchandise and raw materials sold | (3 962)                         | (4 462)                         |
| External services                          | (958)                           | (1 053)                         |
| Employee benefits                          | (567)                           | (534)                           |
| Depreciation and amortisation              | (515)                           | (452)                           |
| Taxes and charges                          | (274)                           | (283)                           |
| Other                                      | (195)                           | (151)                           |
|  | <b>(15 561)</b>                 | <b>(18 902)</b>                 |
| Change in inventories                      | (515)                           | (101)                           |
| Cost of products and services for own use  | 58                              | 96                              |
| <b>Operating expenses</b>                  | <b>(16 018)</b>                 | <b>(18 907)</b>                 |
| Distribution expenses                      | 1 001                           | 934                             |
| Administrative expenses                    | 362                             | 388                             |
| Other operating expenses                   | 81                              | 62                              |
| <b>Cost of sales</b>                       | <b>(14 574)</b>                 | <b>(17 523)</b>                 |

#### 3.2. Impairment allowances of inventories to net realizable value

|          | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|----------|---------------------------------|---------------------------------|
| Increase | (80)                            | (35)                            |
| Decrease | 147                             | 815                             |

#### 3.3. Other operating income and expenses

##### Other operating income

|  | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|--|---------------------------------|---------------------------------|
| Profit on sale of subsidiaries   | 57                              | -                               |
| Profit on sale of non-current non-financial assets                                       | 20                              | 5                               |
| Reversal of provisions   | 10                              | 3                               |
| Reversal of receivables impairment allowances  | 4                               | 6                               |
| Reversal of impairment allowances of property, plant and equipment and intangible assets | -                               | 7                               |
| Penalties and compensation   | 36                              | 11                              |
| Other  | 71                              | 49                              |
|  | <b>198</b>                      | <b>81</b>                       |

##### Other operating expenses

|   | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|---|---------------------------------|---------------------------------|
| Loss on sale of non-current non-financial assets  | (13)                            | (7)                             |
| Recognition of provisions   | (11)                            | (5)                             |
| Recognition of receivables impairment allowances  | (9)                             | (8)                             |
| Recognition of impairment allowances of property, plant and equipment and intangible assets | (7)                             | (18)                            |
| Penalties, damages and compensation   | (20)                            | (8)                             |
| Other   | (21)                            | (16)                            |
|   | <b>(81)</b>                     | <b>(62)</b>                     |

### 3.4. Finance income and costs

#### Finance income

|  | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|--|---------------------------------|---------------------------------|
| Interest   | 14                              | 18                              |
| Settlement and valuation of derivative financial instruments | 21                              | 67                              |
| Other  | 10                              | 4                               |
|  | <b>45</b>                       | <b>89</b>                       |

#### Finance costs

|  | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|--|---------------------------------|---------------------------------|
| Interest   | (50)                            | (53)                            |
| Foreign exchange loss surplus                                | (1)                             | (30)                            |
| Settlement and valuation of derivative financial instruments | (28)                            | (167)                           |
| Other  | (10)                            | (15)                            |
|  | <b>(89)</b>                     | <b>(265)</b>                    |

Borrowing costs capitalized in the 3 month period ended 31 March 2016 and 31 March 2015 amounted to PLN (16) million and PLN (13) million, respectively.

### 3.5. Other financial assets

|   | Non-current               |            | Current                   |            | Total                     |              |
|---|---------------------------|------------|---------------------------|------------|---------------------------|--------------|
|   | 31/03/2016<br>(unaudited) | 31/12/2015 | 31/03/2016<br>(unaudited) | 31/12/2015 | 31/03/2016<br>(unaudited) | 31/12/2015   |
| Cash flows hedge instruments                        | 89                        | 135        | 631                       | 797        | 720                       | 932          |
| <i>currency forwards</i>                            | 55                        | 45         | 75                        | 78         | 130                       | 123          |
| <i>commodity swaps</i>                              | 33                        | 90         | 556                       | 719        | 589                       | 809          |
| <i>currency interest rate swaps</i>                 | 1                         | -          | -                         | -          | 1                         | -            |
| Derivatives not designated as hedge accounting      | -                         | -          | 8                         | 8          | 8                         | 8            |
| <i>currency forwards</i>                            | -                         | -          | 1                         | 2          | 1                         | 2            |
| <i>commodity swaps</i>                              | -                         | -          | 7                         | 6          | 7                         | 6            |
| Embedded derivatives                                | -                         | -          | 2                         | 1          | 2                         | 1            |
| <i>currency swaps</i>                               | -                         | -          | 2                         | 1          | 2                         | 1            |
| Receivables on cash flows settled hedge instruments | -                         | -          | 99                        | 159        | 99                        | 159          |
| Other   | 22                        | 12         | 2                         | 9          | 24                        | 21           |
|   | <b>111</b>                | <b>147</b> | <b>742</b>                | <b>974</b> | <b>853</b>                | <b>1 121</b> |

### 3.6. Loans, borrowings and bonds

|            | Non-current               |              | Current                   |              | Total                     |              |
|------------|---------------------------|--------------|---------------------------|--------------|---------------------------|--------------|
|            | 31/03/2016<br>(unaudited) | 31/12/2015   | 31/03/2016<br>(unaudited) | 31/12/2015   | 31/03/2016<br>(unaudited) | 31/12/2015   |
| Loans      | 3 720                     | 3 975        | 1 039                     | 1 025        | 4 759                     | 5 000        |
| Borrowings | 1                         | 1            | 2                         | 2            | 3                         | 3            |
| Bonds      | 4 172                     | 4 155        | -                         | -            | 4 172                     | 4 155        |
|            | <b>7 893</b>              | <b>8 131</b> | <b>1 041</b>              | <b>1 027</b> | <b>8 934</b>              | <b>9 158</b> |

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.

### 3.7. Provisions

|  | Non-current               |            | Current                   |            | Total                     |              |
|--|---------------------------|------------|---------------------------|------------|---------------------------|--------------|
|  | 31/03/2016<br>(unaudited) | 31/12/2015 | 31/03/2016<br>(unaudited) | 31/12/2015 | 31/03/2016<br>(unaudited) | 31/12/2015   |
| Environmental                                  | 470                       | 450        | 34                        | 39         | 504                       | 489          |
| Jubilee bonuses and post-employment benefits   | 217                       | 217        | 36                        | 36         | 253                       | 253          |
| CO <sub>2</sub> emissions, energy certificates | -                         | -          | 495                       | 466        | 495                       | 466          |
| Other  | 43                        | 43         | 202                       | 208        | 245                       | 251          |
|  | <b>730</b>                | <b>710</b> | <b>767</b>                | <b>749</b> | <b>1 497</b>              | <b>1 459</b> |

### 3.8. Other financial liabilities

|   | Non-current               |            | Current                   |            | Total                     |              |
|---|---------------------------|------------|---------------------------|------------|---------------------------|--------------|
|   | 31/03/2016<br>(unaudited) | 31/12/2015 | 31/03/2016<br>(unaudited) | 31/12/2015 | 31/03/2016<br>(unaudited) | 31/12/2015   |
| Cash flows hedge instruments                        | 272                       | 239        | 642                       | 764        | 914                       | 1 003        |
| <i>currency forwards</i>                            | 1                         | -          | 12                        | 11         | 13                        | 11           |
| <i>interest rate swaps</i>                          | 118                       | 92         | -                         | -          | 118                       | 92           |
| <i>commodity swaps</i>                              | 53                        | 48         | 630                       | 753        | 683                       | 801          |
| <i>currency interest rate swaps</i>                 | 100                       | 99         | -                         | -          | 100                       | 99           |
| Derivatives not designated as hedge accounting      | -                         | -          | 9                         | 1          | 9                         | 1            |
| <i>currency forwards</i>                            | -                         | -          | 9                         | 1          | 9                         | 1            |
| Embedded derivatives                                | -                         | -          | -                         | 2          | -                         | 2            |
| <i>currency swaps</i>                               | -                         | -          | -                         | 2          | -                         | 2            |
| Liabilities on cash flows settled hedge instruments | -                         | -          | 97                        | 103        | 97                        | 103          |
| Investment liabilities                              | 118                       | 300        | -                         | -          | 118                       | 300          |
| Finance lease                                       | 143                       | 140        | -                         | -          | 143                       | 140          |
| Other   | 34                        | 33         | -                         | -          | 34                        | 33           |
|   | <b>567</b>                | <b>712</b> | <b>748</b>                | <b>870</b> | <b>1 315</b>              | <b>1 582</b> |

### 3.9. 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 2015 in note 8.6.3.19.

#### Fair value hierarchy

|  | 31/03/2016<br>(unaudited) | 31/12/2015   |
|--|---------------------------|--------------|
|  | LEVEL 2                   |              |
| <b>Financial assets</b>  |                           |              |
| Embedded derivatives, hedging and not designated as hedge accounting | 730                       | 941          |
|  | <b>730</b>                | <b>941</b>   |
| <b>Financial liabilities</b>   |                           |              |
| Embedded derivatives, hedging and not designated as hedge accounting | 923                       | 1 006        |
|  | <b>923</b>                | <b>1 006</b> |

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).

### 3.10. Finance lease payments

As at 31 March 2016 and as at 31 December 2015 the Group possessed as a lessee the finance lease agreements, concerning mainly buildings, technical equipment and machinery and means of transportation.

|  | 31/03/2016<br>(unaudited) | 31/12/2015 |
|--|---------------------------|------------|
| Value of future minimum lease payments         | 228                       | 222        |
| Present value of future minimum lease payments | 171                       | 166        |

### 3.11. Future commitments resulting from signed investment contracts

As at 31 March 2016 and as at 31 December 2015 the value of future commitments resulting from signed investment contracts until that day amounted to PLN 2,881 million and PLN 3,054 million, respectively.

### 3.12. 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.

### 3.13. Proposal to distribution of the profit for 2015

The improved financial situation of the ORLEN Group achieved in the recent years enabled it to implement, within the ORLEN Group's Strategy for years 2014-2017, a dividend policy which assumes a gradual increase in the level of dividend per share by taking into account the implementation of strategic financial objectives and forecasts of the macroeconomic situation. This method does not relate the rate of dividend to net profit, which in the ORLEN Group's area of operations is subject to high fluctuations and can include non-cash items, such as revaluation of assets, inventories or loans, distorting the view of the current financial situation of the Group.

The Management Board of PKN ORLEN, after considering the liquidity situation and achievement of strategic financial objectives, recommended to distribute the net profit of PKN ORLEN for the year 2015 of PLN 1,047,519,491.84 as follows: PLN 855,418,122 will be allocated as a dividend payment (PLN 2 per 1 share) and the remaining amount of net profit of PLN 192,101,369.84 as reserve capital. The Management Board of PKN ORLEN proposed 15 July 2016 as the dividend date and 5 August 2016 as the

payment date. This recommendation will be presented to the General Shareholders' Meeting of PKN ORLEN S.A., which will make a conclusive decision in this matter.

### **3.14. Contingent assets and liabilities**

#### **Contingent assets**

On 13 August 2015 the steam cracker unit accident in Unipetrol Group took place. Based on the insurance policies and the estimates made at the end of March 2016, Unipetrol Group expects insurers to cover reconstruction costs of repair, in the amount of approximately PLN 631 million translated using the exchange rate as at 31 March 2016 (representing CZK 4 billion), as well as lost business profits, which from the accident to the end of the 1<sup>st</sup> quarter of 2016 are estimated in the amount of approximately PLN 836 million translated using the exchange rate as at 31 March 2016 (representing CZK 5.3 billion) and other costs incurred in connection with the accident in the amount of approximately PLN 24 million translated using the exchange rate as at 31 March 2016 (representing CZK 156 million).

Until 31 March 2016 Unipetrol Group received advance payments on account of the loss in amount of approximately PLN 337 million translated using the exchange rate as at 31 March 2016 (representing CZK 2,138 million), which was recognized under trade and other liabilities in the statement of financial position of the Group.

#### **Contingent liabilities**

Spolana a.s. currently produces chlorine using the mercury electrolysis. In case of production ceases, the company is required to present a reclamation program after it stops to use its fixed assets. On 9 September 2013, as a result of administrative proceedings, Spolana a.s. received a consent of Mid-Czech Regional Body to extend the integrated pollution prevention and control license from the end of 2014 until 30 June 2017. At the same time, the company is obliged to submit an action plan aiming to cease the production of chlorine using the mercury electrolysis until 31 March 2017.

Information concerning significant proceedings is presented in note 5.

### **3.15. Guarantees**

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 March 2016 and as at 31 December 2015 amounted to PLN 1,892 million and PLN 1,815 million, respectively.

### **3.16. 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 3 MONTH PERIOD ENDED 31 MARCH**

**2016**



**B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT**
**1. Principal activity of the ORLEN Group**

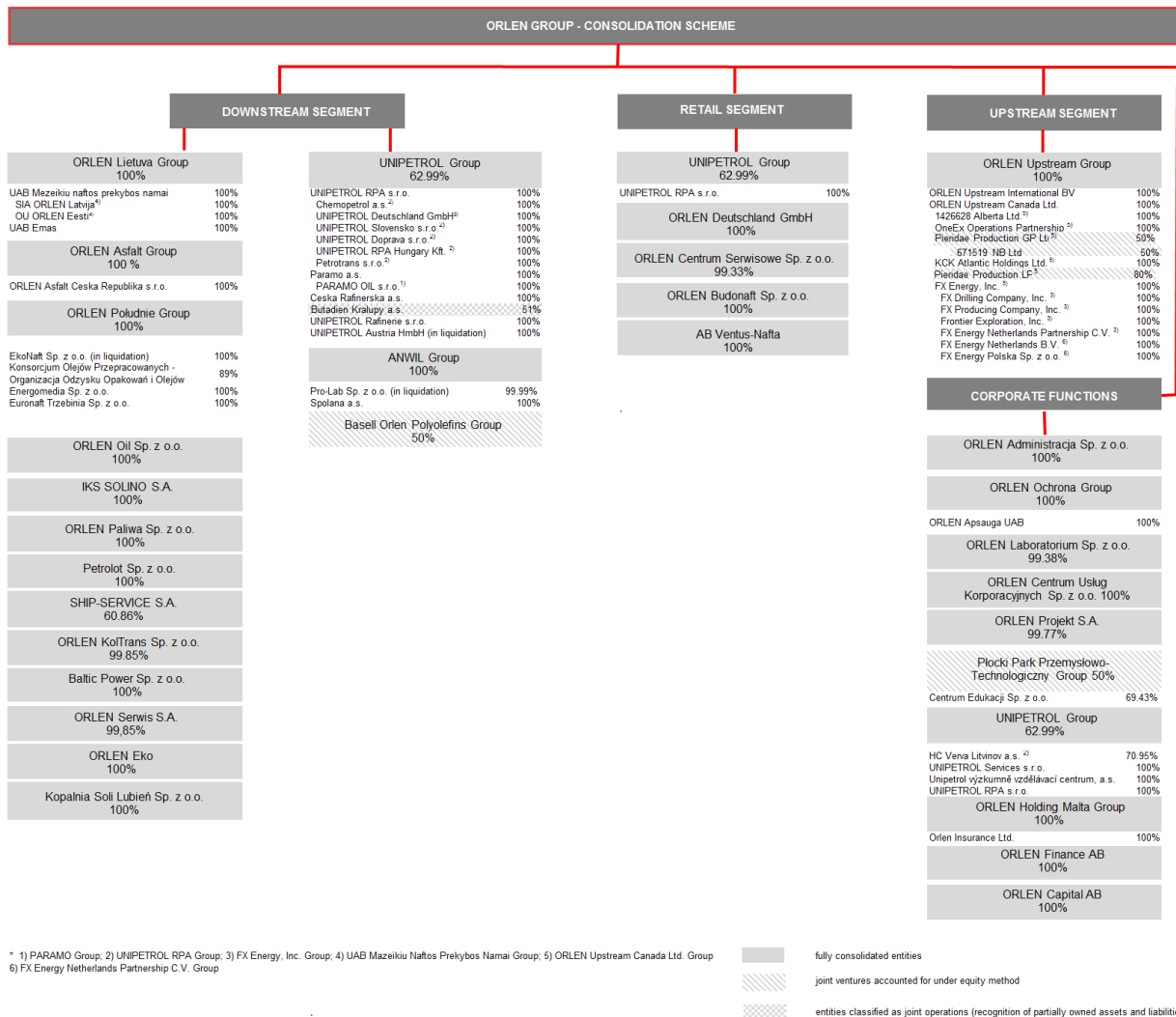
The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is the Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") domiciled in Płock, 7 Chemików Street.

The core business of the ORLEN Group is crude oil processing and production of fuels, 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, transport services, 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 2016 up to the date of preparation of the foregoing report**

- On 1 January 2016, the companies Kicking Horse Energy Inc., KCK Operating Company Ltd., Columbia Natural Resources Canada, Ltd. and Kicking Horse International Exploration Ltd, created a single entity, which then was connected with ORLEN Upstream Canada;
- On 1 January 2016 a merger of Benzina with Unipetrol RPA and Mogul Slovakia with Unipetrol Slovensko, took place;
- On 29 February 2016 a merger of ORLEN Serwis S.A. with ORLEN Wir Sp. z o.o. and Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o., took place;
- On 29 February 2016 PKN ORLEN sold ORLEN Transport S.A. to TP Sp. z o.o., a subsidiary of Trans Polonia S.A. As a result of this transaction in the 1<sup>st</sup> quarter of 2016, the Group recognized profit on the sale in the amount of PLN 54 million.

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 the 3 month period of 2016

Operating profit increased by depreciation and amortization before consideration of changes of crude oil prices on inventory valuation (EBITDA LIFO<sup>1</sup>) for the 3 month period of 2016, amounted to PLN 1,930 million and was higher by PLN 31 million (y/y).

The positive impact of macroeconomic factors amounted to PLN 327 million (y/y) and included mainly the effect of lower cost of consumption of raw materials for their own energy needs as a result of declining prices of crude oil and natural gas and depreciation of the average PLN exchange rates versus the USD and EUR. Simultaneously, there was an increase in petrochemical product margin mainly from polymers, PVC and fertilizers temporarily limited due to a decrease of refinery margin in medium distillates area.

Total sales volume increased by 7% (y/y) mainly in the refinery sales area, retail and upstream segments.

As the result of lower sales of high margin petrochemical products due to the steam cracker unit accident in Unipetrol Group from August 2015 and maintenance shutdowns of the PCV installation in Anwil Group in the 1<sup>st</sup> quarter of 2016, the total negative volume effect amounted to PLN (74) million (y/y).

Other effects amounted to PLN (222) million (y/y) and included mainly profit from sales of ORLEN Transport in the amount of PLN 54 million (y/y) and impact of lower trade margin which reflects increases market competition and sales effect of products produced in previous periods with a higher crude oil prices related to the maintenance standstills in PKN ORLEN in the 1<sup>st</sup> quarter of 2016.

The negative impact of crude oil prices on inventory valuation for the described period amounted to PLN (937) million.

As a result, EBITDA profit of the ORLEN Group for the 3 month period of 2016 amounted to PLN 993 million.

After consideration of depreciation and amortization expenses of PLN (515) million operating profit of the ORLEN Group in the 3 month period of 2016 amounted to PLN 478 million.

Net finance costs for the described period amounted to PLN (44) million and consisted primarily of net interest of PLN (36) million, settlement and valuation of net financial instruments of PLN (7) million.

After consideration of tax charges of PLN (98) million, the net profit of the ORLEN Group for the 3 month period of 2016 amounted to PLN 336 million.

##### Statement of financial position

As at 31 March 2016, total assets of the ORLEN Group amounted to PLN 48,217 million and were higher by PLN 80 million in comparison with 31 December 2015.

As at 31 March 2016, the value of non-current assets amounted to PLN 28,113 million and were higher by PLN 751 million in comparison with the end of the previous year, mainly from increasing of property, plant and equipment and intangible assets in the amount of PLN 724 million.

Balance change of property, plant and equipment and intangible assets comprised mainly investment expenditures in amount of PLN 1,002 million, depreciation and amortization in the amount of PLN (515) million and received free CO<sub>2</sub> emission allowances and energy certificates in amount of PLN 205 million.

Current assets decreased by PLN (671) million, mainly as result of a decrease of inventories value by PLN (1,479) million due to declining prices of crude oil and thus prices of product of the ORLEN Group as well as decrease of PLN (232) million balance of other financial assets which consists of current cash flows hedge instruments with an increase in the balance of cash and cash equivalents by PLN 1,119 million.

As at 31 March 2016, total equity amounted to PLN 24,460 million and was higher by PLN 216 million in comparison with the end of 2015, mainly as a result of net profit in the amount PLN 336 million and the negative impact of a change of balance of hedging reserve in the amount of PLN (65) million.

As at 31 March 2016, net indebtedness of the ORLEN Group amounted to PLN 5,467 million and was lower by PLN (1,343) million in comparison with the end of 2015. Balance of net indebtedness decreased as a result of net repayment of loans and borrowings in the amount PLN (189) million, an increase of cash balance by PLN (1,119) million and the net impact of positive exchange differences from revaluation, indebtedness valuation as well as recalculation of balances of foreign entities in total amount of PLN (35) million.

##### Statement of cash flows

The net cash provided by operating activities for the 3 month period of 2016 amounted to PLN 2,927 million and comprised mainly of EBITDA profit of PLN 993 million, the positive impact of a net working capital decrease of PLN 1,766 million mainly as a result of declining value of inventories, inflows from advance payments received from insurers in the amount of PLN 295 million on account of the steam cracker unit accident in Unipetrol Group in August 2015 disclosed in other adjustments and income taxes paid in the total amount of PLN (88) million.

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<sup>1</sup> 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.

Net cash used in investing activities for the 3 month period of 2016 amounted to PLN (1,399) million and comprised mainly of net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land of PLN (1,472) million and inflows from the sale of ORLEN Transport decreased by its own cash on the date of sale in the amount of PLN 71 million.

Net expenses of cash used in financing activities in the 3 month period of 2016 amounted to PLN (311) million and comprised mainly of net repayment of loans and borrowings of PLN (253) million and interest paid of PLN (52) million.

Taking into account the revaluation of cash due to exchange differences, the cash balance increased in the 3 month period of 2016 by PLN 1,119 million and as at 31 March 2016 amounted to PLN 3,467 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 2016 up to the date of preparation of the foregoing report

#### JANUARY 2016

##### Changes in the Supervisory Board of PKN ORLEN

On 28 January 2016, the Minister of Treasury on behalf of the Company's shareholder, the State Treasury, acting pursuant to § 8 item 2 point 1 of PKN ORLEN's Articles of Association has recalled Mr. Remigiusz Nowakowski from the Supervisory Board of PKN ORLEN.

On 29 January 2016, the Extraordinary General Shareholders' Meeting of PKN ORLEN S.A. recalled Messers Adam Ambroziak, Cezary Banasiński, Grzegorz Borowiec, Cezary Możejki and Leszek Jerzy Pawłowicz from the Supervisory Board and appointed Ms. Agnieszka Krzętowska and Messers Mateusz Henryk Bochacik, Adrian Dworzyński, Remigiusz Nowakowski and Arkadiusz Siwko as Supervisory Board Members.

#### FEBRUARY 2016

##### Changes in the Management Board of PKN ORLEN

On 8 February 2016, the Supervisory Board of PKN ORLEN, dismissed Mr. Marek Podstawa from the Management Board of PKN ORLEN and appointed Mr. Mirosław Kochalski to the position of the Vice-President of the Management Board of the Company and Mr. Zbigniew Leszczyński to the Management Board Member of the Company for a joint three-year term of the Management Board, which terminates on the date of the Ordinary General Meeting approving the financial statements for 2016.

### 4. Related parties transactions

As at 31 March 2016 and as at 31 March 2015 and for the 3 month period ended 31 March 2016 and 31 March 2015 there were no material transactions of related parties with:

- members of the Management Board and the Supervisory Board of the Parent Company and their relatives,
- key executive personnel of the Parent Company and ORLEN Group companies.

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

|                             | Sales                           |                                 | Purchases                       |                                 |
|-----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                             | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
| Jointly-controlled entities | 610                             | 720                             | (12)                            | (111)                           |
| <i>joint ventures</i>       | 605                             | 651                             | (9)                             | (9)                             |
| <i>joint operations</i>     | 5                               | 69                              | (3)                             | (102)                           |
| Associates                  | 8                               | 13                              | (3)                             | (8)                             |
|                             | 618                             | 733                             | (15)                            | (119)                           |

|                             | Trade and other receivables |            | Trade and other liabilities |            |
|-----------------------------|-----------------------------|------------|-----------------------------|------------|
|                             | 31/03/2016<br>(unaudited)   | 31/12/2015 | 31/03/2016<br>(unaudited)   | 31/12/2015 |
| Jointly-controlled entities | 443                         | 509        | 4                           | 5          |
| <i>joint ventures</i>       | 442                         | 508        | 3                           | 4          |
| <i>joint operations</i>     | 1                           | 1          | 1                           | 1          |
| Associates                  | 16                          | 17         | 3                           | 8          |
|                             | 459                         | 526        | 7                           | 13         |

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and sales and purchases of services.

In the 3 month period ended 31 March 2016 and 31 March 2015 there were no material related party transactions in the Group concluded on other than an arm's length basis.

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

As at 31 March 2016 the ORLEN Group entities were parties in the following significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

### 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 3,071 million translated using the exchange rate as at 31 March 2016 (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 above judgment of 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 the Voivodship Administrative Court in Kraków dismissed on 11 February 2016.

Copies of the judgments with justifications were delivered on 30 March 2016. The company plans to submit annulment claims against the above judgments.

##### 5.1.2.2. Power transfer fee in settlements with ENERGA – OPERATOR S.A. (legal successor of Zakład Energetyczny Płock 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. The District Court in Warsaw (as the initial court) by its judgment from 27 October 2014 ordered PKN ORLEN to pay off to ENERGA - OPERATOR S.A. the claimed amount of PLN 46 million in its entirety, plus statutory interest from 30 June 2004 to the date of payment. PKN ORLEN filed an appeal against above judgment. On 19 April 2016 the Court of Appeal dismissed the claim of ENERGA – OPERATOR S.A. in the amount of approximately PLN 30 million and in the remaining part i.e. in the amount of PLN 16 million (plus statutory interest) took into account claims of ENERGA – OPERATOR S.A.. The judgement was announced orally by the Court of Appeal and parties have the right to submit an annulment against it. After receiving the written judgment with justification PKN ORLEN will take a decision on the possibility of submitting an annulment.

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 approximately PLN 13.3 million and adjudged the return of proceeding's expenses by ENERGA-OPERATOR S.A. to PKN ORLEN. On 29 January 2016 ENERGA-OPERATOR S.A. appealed against the above judgment of the District Court in Łódź. PKN ORLEN responded to the appeal. The parties await fixing the date of the hearing.

##### 5.1.2.3. I.P.-95 s.r.o. compensation claim against UNIPETROL RPA s.r.o.

On 23 May 2012, UNIPETROL RPA s.r.o. received from the District Court in Ostrava a claim brought by I.P.-95 s.r.o. for compensation related to the filing by UNIPETROL RPA s.r.o. 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 March 2016 (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. By the procedural document from 11 December 2014, the value of the dispute was referred to by the plaintiff 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. Criminal proceedings concerning the accused who acted against the company's interest are ongoing. Further hearings, during which one of the accused filed an explanations, are held.

#### 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 73 million, translated using the exchange rate as at 31 March 2016 (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. acted in 2010 to the tax office for a refund of taxes paid 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 51 million, translated using the exchange rate as at 31 March 2016 (representing approximately CZK 325 million). The case was examined several times by the tax authorities and courts in the course of instances of appeal. On 14 October 2015 the Czech supreme administrative court after recognizing the annulment claim of UNIPETROL RPA s.r.o overruled the judgment of the Court in Usti by the Elbe River of 25 February 2015 and decided to refer the case to the same Court for its reconsideration. A decision is expected to be announced by the Court in Usti by the Elbe River.

#### 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 March 2016 (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 in the amount estimated for December 2015 not less than PLN 162 million translated using the exchange rate as at 31 March 2016 (representing not less than EUR 38 million) due to an incorrect interpretation by LG by using of excessive rates. The amount of the claim will be updated in accordance with the activity on the base of the agreement.

Simultaneously, by 31 December 2015, 4 court proceedings were initiated in which LG demands from ORLEN Lietuva a payment of approximately PLN 76 million translated using the exchange rate as at 31 March 2016 (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 |             |                            |
|----------------|--|-------------|----------------------------|--|-------------|----------------------------|
|                | foregoing quarterly report**   | change p.p. | previous quarterly report* | foregoing quarterly report**           | change      | previous quarterly report* |
| State Treasury | 27.52%   | -           | 27.52%                     | 117 710 196                            | -           | 117 710 196                |
| ING OFE*       | 9.12%  | -           | 9.12%                      | 39 000 000                             | -           | 39 000 000                 |
| Aviva OFE*     | 7.34%  | -0.61%      | 7.95%                      | 31 400 000                             | (2 600 000) | 34 000 000                 |
| Other          | 56.02%   | 0.61%       | 55.41%                     | 239 598 865                            | 2 600 000   | 236 998 865                |
|                | <b>100.00%</b>   |             | <b>100.00%</b>             | <b>427 709 061</b>                     |             | <b>427 709 061</b>         |

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

\*\* According to the information from the Extraordinary General Shareholders' Meeting of PKN ORLEN of 29 January 2016

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.

### 6.2. Changes in the number of the Parent Company's shares held by the Supervisory Board Members

|                          | Number of shares, as at the submission date of the previous quarterly report* | Decrease due to changes in composition | Number of shares, as at the submission date of the foregoing quarterly report** |
|--------------------------|---|--|---|
| <b>Supervisory Board</b> | <b>4 900</b>  | <b>(100)</b>                           | <b>4 800</b>  |
| Grzegorz Borowiec        | 100   | (100)                                  | -   |
| Artur Gabor              | 3 200   | -                                      | 3 200   |
| Remigiusz Nowakowski     | 1 600   | -                                      | 1 600   |

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

\*\* According to the received confirmations as at 14 April 2016

### 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 1<sup>st</sup> QUARTER**

**2016**

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

|   | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|---|---------------------------------|---------------------------------|
| Sales revenues  | 10 568                          | 13 623                          |
| <i>revenues from sales of finished goods and services</i>                                     | 6 155                           | 8 037                           |
| <i>revenues from sales of merchandise and raw materials</i>                                   | 4 413                           | 5 586                           |
| Cost of sales   | (9 898)                         | (12 551)                        |
| <i>cost of finished goods and services sold</i>   | (5 627)                         | (7 114)                         |
| <i>cost of merchandise and raw materials sold</i>   | (4 271)                         | (5 437)                         |
| <b>Gross profit on sales</b>  | <b>670</b>                      | <b>1 072</b>                    |
| Distribution expenses   | (572)                           | (542)                           |
| Administrative expenses   | (191)                           | (223)                           |
| Other operating income  | 25                              | 63                              |
| Other operating expenses  | (47)                            | (28)                            |
| <b>Profit/(Loss) from operations</b>  | <b>(115)</b>                    | <b>342</b>                      |
| Finance income  | 117                             | 56                              |
| Finance costs   | (79)                            | (78)                            |
| <b>Net finance income and costs</b>   | <b>38</b>                       | <b>(22)</b>                     |
| <b>Profit/(Loss) before tax</b>   | <b>(77)</b>                     | <b>320</b>                      |
| Tax expense   | (3)                             | (62)                            |
| <i>deferred tax</i>   | (3)                             | (62)                            |
| <b>Net profit/(loss)</b>  | <b>(80)</b>                     | <b>258</b>                      |
| <b>Other comprehensive income:<br/>which were or will be reclassified into profit or loss</b> | <b>(3)</b>                      | <b>291</b>                      |
| <i>hedging instruments</i>  | (4)                             | 359                             |
| <i>deferred tax</i>   | 1                               | (68)                            |
|   | <b>(3)</b>                      | <b>291</b>                      |
| <b>Total net comprehensive income</b>   | <b>(83)</b>                     | <b>549</b>                      |
| Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)                  | (0.19)                          | 0.60                            |





Separate statement of financial position

|  | 31/03/2016<br>(unaudited) | 31/12/2015    |
|--|---------------------------|---------------|
| <b>ASSETS</b>                                  |                           |               |
| <b>Non-current assets</b>                      |                           |               |
| Property, plant and equipment                  | 14 366                    | 14 303        |
| Intangible assets                              | 1 034                     | 962           |
| Shares in related parties                      | 7 570                     | 7 568         |
| Other financial assets                         | 131                       | 179           |
| Other assets                                   | 134                       | 134           |
|  | <b>23 235</b>             | <b>23 146</b> |
| <b>Current assets</b>                          |                           |               |
| Inventories                                    | 6 393                     | 7 715         |
| Trade and other receivables                    | 4 426                     | 4 291         |
| Other financial assets                         | 1 312                     | 788           |
| Cash   | 755                       | 964           |
| Non-current assets classified as held for sale | 90                        | 77            |
|  | <b>12 976</b>             | <b>13 835</b> |
| <b>Total assets</b>                            | <b>36 211</b>             | <b>36 981</b> |
| <b>EQUITY AND LIABILITIES</b>                  |                           |               |
| <b>EQUITY</b>                                  |                           |               |
| Share capital                                  | 1 058                     | 1 058         |
| Share premium                                  | 1 227                     | 1 227         |
| Hedging reserve                                | (146)                     | (143)         |
| Retained earnings                              | 15 624                    | 15 704        |
| <b>Total equity</b>                            | <b>17 763</b>             | <b>17 846</b> |
| <b>LIABILITIES</b>                             |                           |               |
| <b>Non-current liabilities</b>                 |                           |               |
| Loans, borrowings and bonds                    | 7 889                     | 8 125         |
| Provisions                                     | 322                       | 317           |
| Deferred tax liabilities                       | 382                       | 380           |
| Other financial liabilities                    | 492                       | 637           |
|  | <b>9 085</b>              | <b>9 459</b>  |
| <b>Current liabilities</b>                     |                           |               |
| Trade and other liabilities                    | 5 937                     | 6 651         |
| Loans, borrowings and bonds                    | 1 818                     | 1 117         |
| Provisions                                     | 429                       | 383           |
| Deferred income                                | 175                       | 116           |
| Other financial liabilities                    | 1 004                     | 1 409         |
|  | <b>9 363</b>              | <b>9 676</b>  |
| <b>Total liabilities</b>                       | <b>18 448</b>             | <b>19 135</b> |
| <b>Total equity and liabilities</b>            | <b>36 211</b>             | <b>36 981</b> |



**Separate statement of changes in equity**

|   | Share capital<br>and share<br>premium | Hedging<br>reserve | Retained<br>earnings | Total<br>equity |
|---|---------------------------------------|--------------------|----------------------|-----------------|
| 01/01/2016  | 2 285                                 | (143)              | 15 704               | 17 846          |
| Net (loss)  | -                                     | -                  | (80)                 | (80)            |
| Items of other comprehensive income               | -                                     | (3)                | -                    | (3)             |
| <b>Total net comprehensive income</b>             | -                                     | <b>(3)</b>         | <b>(80)</b>          | <b>(83)</b>     |
| <b>31/03/2016</b>                                 | <b>2 285</b>                          | <b>(146)</b>       | <b>15 624</b>        | <b>17 763</b>   |
| (unaudited)                                       |                                       |                    |                      |                 |
| 01/01/2015  | 2 285                                 | (1 370)            | 15 387               | 16 302          |
| Net profit  | -                                     | -                  | 258                  | 258             |
| Items of other comprehensive income               | -                                     | 291                | -                    | 291             |
| <b>Total net comprehensive income</b>             | -                                     | <b>291</b>         | <b>258</b>           | <b>549</b>      |
| Equity resulting from merger under common control | -                                     | -                  | (24)                 | (24)            |
| <b>31/03/2015</b>                                 | <b>2 285</b>                          | <b>(1 079)</b>     | <b>15 621</b>        | <b>16 827</b>   |
| (unaudited)                                       |                                       |                    |                      |                 |



**Separate statement of cash flows**

|  | 3 MONTHS<br>2016<br>(unaudited) | 3 MONTHS<br>2015<br>(unaudited) |
|--|---------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>  |                                 |                                 |
| <b>Profit/(Loss) before tax</b>  | <b>(77)</b>                     | <b>320</b>                      |
| Adjustments for:   |                                 |                                 |
| Depreciation and amortisation  | 285                             | 268                             |
| Foreign exchange (profit)/loss   | 34                              | (172)                           |
| Interest, net  | 52                              | 47                              |
| Dividends  | (23)                            | (13)                            |
| (Profit)/Loss on investing activities  | (51)                            | 14                              |
| Change in provisions   | 53                              | 8                               |
| Change in working capital  | 881                             | (338)                           |
| <i>inventories</i>   | 1 322                           | (297)                           |
| <i>receivables</i>   | (142)                           | (120)                           |
| <i>liabilities</i>   | (299)                           | 79                              |
| Other adjustments  | (49)                            | (38)                            |
| Income tax (paid)  | (1)                             | (1)                             |
| <b>Net cash provided by operating activities</b>   | <b>1 104</b>                    | <b>95</b>                       |
| <b>Cash flows from investing activities</b>  |                                 |                                 |
| Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land | (989)                           | (386)                           |
| Acquisition of shares  | -                               | (130)                           |
| Outflows from current loans granted  | (653)                           | -                               |
| Outflows on acquisition of project   | -                               | (155)                           |
| Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land    | 47                              | 54                              |
| Disposal of shares   | 85                              | -                               |
| Interest received  | 1                               | 11                              |
| Dividends received   | 11                              | -                               |
| Proceeds from non-current loans granted  | 1                               | 301                             |
| Proceeds from current loans granted  | -                               | 144                             |
| Proceeds from cash pool facility   | 3                               | 151                             |
| Other  | (2)                             | 67                              |
| <b>Net cash by/(used in) investing activities</b>  | <b>(1 496)</b>                  | <b>57</b>                       |
| <b>Cash flows from financing activities</b>  |                                 |                                 |
| Proceeds from loans and borrowings received  | 2 403                           | -                               |
| Bonds issued   | 430                             | 334                             |
| Repayments of loans and borrowings   | (2 144)                         | (1 307)                         |
| Redemption of bonds  | (222)                           | (118)                           |
| Interest paid  | (53)                            | (51)                            |
| Outflows from cash pool facility   | (225)                           | (123)                           |
| Other  | (5)                             | (4)                             |
| <b>Net cash provided by/(used in) financing activities</b>                                     | <b>184</b>                      | <b>(1 269)</b>                  |
| <b>Net (decrease) in cash</b>  | <b>(208)</b>                    | <b>(1 117)</b>                  |
| Effect of exchange rate changes  | (1)                             | 7                               |
| Cash, beginning of the period  | 964                             | 3 475                           |
| <b>Cash, end of the period</b>   | <b>755</b>                      | <b>2 365</b>                    |

Beginning with the 1<sup>st</sup> quarter of 2016, the Company presents cash flows from operating activities starting from the profit/(loss) before tax.

## Statements of the Management Board

### 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.

### 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.

The foregoing quarterly report was approved by the Management Board of the Parent Company on 20 April 2016.

.....  
Wojciech Jasiński  
President of the Board

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

.....  
Miroslaw Kochalski  
Vice-President of the Board

.....  
Piotr Chelmiński  
Member of the Board

.....  
Zbigniew Leszczyński  
Member of the Board

.....  
Krystian Pater  
Member of the Board

Signature of a person responsible for  
keeping accounting books

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