



ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 1st QUARTER

2019

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	3 MONTHS ENDED 31/03/2019	3 MONTHS ENDED 31/03/2018	3 MONTHS ENDED 31/03/2019	3 MONTHS ENDED 31/03/2018
Sales revenues	25 246	23 241	5 874	5 562
Profit from operations increased by depreciation and amortisation (EBITDA)	1 829	2 040	426	488
Profit from operations (EBIT)	996	1 414	232	338
Profit before tax	994	1 245	231	298
Net profit	849	1 044	198	250
Total net comprehensive income	690	1 057	161	253
Net profit attributable to equity owners of the parent	849	1 042	198	249
Total net comprehensive income attributable to equity owners of the parent	690	1 006	161	241
Net cash from operating activities	1 191	510	277	122
Net cash (used) in investing activities	(666)	(1 265)	(155)	(303)
Net cash (used) in financing activities	(1 036)	(1 443)	(241)	(345)
Net (decrease) in cash and cash equivalents	(511)	(2 198)	(119)	(526)
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	1.98	2.44	0.46	0.58

	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Non-current assets	37 946	33 932	8 822	7 891
Current assets	31 037	30 209	7 216	7 025
Total assets	68 983	64 141	16 038	14 916
Share capital	1 058	1 058	246	246
Equity attributable to equity owners of the parent	36 413	35 727	8 466	8 309
Total equity	36 425	35 739	8 468	8 311
Non-current liabilities	14 307	11 506	3 327	2 676
Current liabilities	18 251	16 896	4 243	3 929
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)	85.13	83.53	19.79	19.43

PKN ORLEN - SELECTED DATA

	PLN million		EUR million	
	3 MONTHS ENDED 31/03/2019	3 MONTHS ENDED 31/03/2018	3 MONTHS ENDED 31/03/2019	3 MONTHS ENDED 31/03/2018
Sales revenues	20 290	18 323	4 721	4 385
Profit from operations increased by depreciation and amortisation (EBITDA)	1 014	1 395	236	334
Profit from operations (EBIT)	596	1 078	139	258
Profit before tax	607	966	141	231
Net profit	511	788	119	189
Total net comprehensive income	488	757	114	181
Net cash from operating activities	464	363	108	87
Net cash from/(used in) investing activities	85	(3 861)	20	(924)
Net cash from/(used in) financing activities	(1 055)	1 491	(246)	357
Net (decrease) in cash	(506)	(2 007)	(118)	(480)
Net profit and diluted net profit per share (in PLN/EUR per share)	1.19	1.84	0.28	0.44

	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Non-current assets	34 778	32 590	8 085	7 579
Current assets	22 726	22 207	5 284	5 164
Total assets	57 504	54 797	13 369	12 743
Share capital	1 058	1 058	246	246
Total equity	32 122	31 634	7 468	7 357
Non-current liabilities	11 978	10 236	2 785	2 380
Current liabilities	13 404	12 927	3 116	3 006
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)	75.10	73.96	17.46	17.20

The above data for the 3 month period of 2019 and 2018 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 each month during the reporting period: from 1 January to 31 March 2019 – 4.2978 EUR/PLN and from 1 January to 31 March 2018 – 4.1784 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 March 2019 – 4.3013 EUR/PLN and as at 31 December 2018 – 4.3000 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 3 MONTH PERIOD ENDED 31 MARCH

2019

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 ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Sales revenues		25 246	23 241
<i>revenues from sales of finished goods and services</i>	5.1	21 239	19 092
<i>revenues from sales of merchandise and raw materials</i>		4 007	4 149
Cost of sales		(22 392)	(20 436)
<i>cost of finished goods and services sold</i>	5.2	(18 813)	(16 723)
<i>cost of merchandise and raw materials sold</i>		(3 579)	(3 713)
Gross profit on sales		2 854	2 805
Distribution expenses		(1 465)	(1 135)
Administrative expenses		(421)	(378)
Other operating income	5.3	141	344
Other operating expenses	5.3	(147)	(262)
(Loss)/reversal of loss due to impairment of financial instruments		(10)	5
Share in profit from investments accounted for under equity method		44	35
Profit from operations		996	1 414
Finance income	5.4	264	503
Finance costs	5.4	(266)	(671)
Net finance income and costs		(2)	(168)
(Loss)/reversal of loss due to impairment of financial instruments		-	(1)
Profit before tax		994	1 245
Tax expense		(145)	(201)
<i>current tax</i>		(183)	(187)
<i>deferred tax</i>		38	(14)
Net profit		849	1 044
Other comprehensive income:			
which will not be reclassified subsequently into profit or loss		(7)	6
<i>gains/(losses) on investments in equity instruments at fair value through other comprehensive income</i>		(8)	8
<i>deferred tax</i>		1	(2)
which will be reclassified into profit or loss		(152)	7
<i>hedging instruments</i>		(356)	(39)
<i>hedging costs</i>		82	24
<i>exchange differences on translating foreign operations</i>		80	16
<i>deferred tax</i>		42	6
Total net comprehensive income		690	1 057
Net profit attributable to		849	1 044
<i>equity owners of the parent</i>		849	1 042
<i>non-controlling interest</i>		-	2
Total net comprehensive income attributable to		690	1 057
<i>equity owners of the parent</i>		690	1 006
<i>non-controlling interest</i>		-	51
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		1.98	2.44

The accompanying notes disclosed on pages 9 – 24 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of financial position

	NOTE	31/03/2019 (unaudited)	31/12/2018
ASSETS			
Non-current assets			
Property, plant and equipment		31 130	31 390
Intangible assets		1 992	1 323
Right of use asset	5.9.1	3 684	-
Investments accounted for under equity method		694	650
Deferred tax assets		62	70
Derivatives	5.6	150	161
Long-term lease receivables		21	-
Other assets	5.6	213	338
		37 946	33 932
Current assets			
Inventories		15 337	14 362
Trade and other receivables		11 440	10 479
Current tax assets		182	114
Cash and cash equivalents		3 665	4 192
Non-current assets classified as held for sale		66	202
Derivatives	5.6	306	524
Short-term lease receivables		11	-
Other assets	5.6	30	336
		31 037	30 209
Total assets		68 983	64 141
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		129	361
Revaluation reserve		(22)	(15)
Exchange differences on translating foreign operations		789	709
Retained earnings		33 232	32 387
Equity attributable to equity owners of the parent		36 413	35 727
Non-controlling interests		12	12
Total equity		36 425	35 739
LIABILITIES			
Non-current liabilities			
Loans and bonds	5.5	8 604	8 598
Provisions	5.7	1 046	1 055
Deferred tax liabilities		1 354	1 445
Derivatives	5.6	36	42
Lease liabilities		3 075	-
Other liabilities	5.6	192	366
		14 307	11 506
Current liabilities			
Trade and other liabilities		15 074	13 697
Lease liabilities		581	-
Liabilities from contracts with customers		243	231
Loans and bonds	5.5	112	1 193
Provisions	5.7	1 277	1 019
Current tax liabilities		161	473
Derivatives	5.6	149	193
Other liabilities	5.6	654	90
		18 251	16 896
Total liabilities		32 558	28 402
Total equity and liabilities		68 983	64 141

The accompanying notes disclosed on pages 9 – 24 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							Non-controlling interests	Total equity
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total			
01/01/2019 (approved data)	2 285	361	(15)	709	32 387	35 727	12	35 739	
Impact of IFRS 16 adoption	-	-	-	-	(4)	(4)	-	(4)	
01/01/2019 (converted data)	2 285	361	(15)	709	32 383	35 723	12	35 735	
Net profit	-	-	-	-	849	849	-	849	
Items of other comprehensive income	-	(232)	(7)	80	-	(159)	-	(159)	
Total net comprehensive income	-	(232)	(7)	80	849	690	-	690	
31/03/2019	2 285	129	(22)	789	33 232	36 413	12	36 425	
(unaudited)									
01/01/2018 (approved data)	2 285	331	5	334	29 242	32 197	3 014	35 211	
Impact of IFRS 9 adoption	-	-	-	-	(9)	(9)	-	(9)	
01/01/2018 (converted data)	2 285	331	5	334	29 233	32 188	3 014	35 202	
Net profit	-	-	-	-	1 042	1 042	2	1 044	
Items of other comprehensive income	-	(34)	6	(8)	-	(36)	49	13	
Total net comprehensive income	-	(34)	6	(8)	1 042	1 006	51	1 057	
Change in structure	-	-	-	-	(967)	(967)	(2 564)	(3 531)	
31/03/2018	2 285	297	11	326	29 308	32 227	501	32 728	
(unaudited)									

The accompanying notes disclosed on pages 9 – 24 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of cash flows

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Cash flows from operating activities		
Profit before tax	994	1 245
Adjustments for:		
Share in profit from investments accounted for under equity method	(44)	(35)
Depreciation and amortisation	833	626
Foreign exchange loss	15	68
Interest, net	70	49
(Profit)/Loss on investing activities	(19)	145
Change in provisions	251	150
Change in working capital	(542)	(1 398)
<i>inventories</i>	(955)	(880)
<i>receivables</i>	(987)	(280)
<i>liabilities</i>	1 400	(238)
Other adjustments, incl.:	199	(137)
<i>rights received free of charge</i>	(165)	(130)
Income tax (paid)	(566)	(203)
Net cash from operating activities	1 191	510
Cash flows from investing activities		
Acquisition of property, plant and equipment, intangible assets and right of use asset	(834)	(1 149)
Disposal of property, plant and equipment, intangible assets and right of use asset	171	58
Settlement of derivatives not designated as hedge accounting	(8)	(170)
Other	5	(4)
Net cash (used) in investing activities	(666)	(1 265)
Cash flows from financing activities		
Redemption of non-controlling shares of Unipetrol a.s.	-	(3 531)
Return of cash related to the purchase of non-controlling shareholders of UNIEPTROL, a.s.	212	-
Proceeds from received loans and borrowings	304	2 126
Repayment of loans	(410)	(1)
Redemption of bonds	(1 000)	-
Interest paid from loans and bonds	(29)	(26)
Interest paid on lease	(15)	(2)
Payments of liabilities under finance lease agreements	(97)	(8)
Other	(1)	(1)
Net cash (used) in financing activities	(1 036)	(1 443)
Net (decrease) in cash and cash equivalents	(511)	(2 198)
Effect of exchange rate changes	(16)	34
Cash and cash equivalents, beginning of the period	4 192	6 244
Cash and cash equivalents, end of the period	3 665	4 080
<i>including restricted cash</i>	82	16

The accompanying notes disclosed on pages 9 – 24 are an integral part of the foregoing interim condensed consolidated financial statements.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
1. Principal activity of the ORLEN Group

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

The core business of the ORLEN Group is crude oil processing and production of fuel, petrochemical and chemical goods, as well as, wholesale and retail of products. The ORLEN Group conducts also exploration, recognition and extraction of hydrocarbons, and generates, distributes and trades of electricity and heat.

The activity of the ORLEN Group companies is also service-related activity: storage of crude oil and fuels, transportation, maintenance and overhaul services, laboratory, security, design, administrative, insurance and financial services.

2. Information on principles adopted for the preparation of the interim condensed consolidated financial statements
2.1. 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 29 March 2018 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 (Official Journal 2018, item 757) ("Regulation") and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 March 2019 and as at 31 December 2018, financial results and cash flows for the 3 month period ended 31 March 2019 and 31 March 2018.

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.

2.2. Accounting principles and amendments to International Financial Reporting Standards (IFRS)
2.2.1. Accounting principles

In the foregoing interim condensed consolidated financial statements, the significant accounting policies applied by the Group and significant values based on judgments and estimates were the same as described in separate explanatory notes to the Consolidated Financial Statements for 2018, except for the adopted new IFRS 16 – Lease described in note 2.2.2.

Selected accounting principles	Note	Page
Principles of consolidation	7.1	14
Operating segments	9.1	18
Sales revenues	10.1.1	20
Costs	10.1.8	23
Income tax expenses (tax expense)	10.1.13	25
Property, plant and equipment	10.2.1	26-27
Exploration and extraction of mineral resources	10.2.1	26-27
Intangible assets	10.2.2	28-29
Investments accounted for under equity method	10.2.4	30
Impairment of property, plant and equipment and intangible assets	10.2.5	32
Inventories	10.2.6.1	35
Trade and other receivables	10.2.6.2	36
Trade and other liabilities	10.2.6.4	37
Net debt	10.2.7	38
Equity	10.2.8	39-40
Provisions	10.2.10	43
Financial instruments and fair value measurement	10.3	45-46
Lease	10.4.2	56
Contingent assets and liabilities	10.4.4	57

2.2.2. Amendments to International Financial Reporting Standards (IFRS)
➤ IFRS 16 Lease (IFRS 16)
Selected accounting principles

IFRS 16 Lease was issued on 13 January 2016 and adopted by the European Union on 31 October 2017.

Since 1 January 2019, the Group applied the new Standard in the recognition, measurement, and presentation of lease agreements. The application of the new Standard was made in accordance with the transitional provisions contained in IFRS 16.

Implementation of IFRS 16 within the Group was carried out using the modified retrospective approach, and therefore, comparative data for the year 2018 was converted and any cumulative effect of the first application of the new Standard was included as an adjustment to the opening balance of retained earnings on the first day of application.

As at 1 January 2019 the Group recognised the right of use assets in the amount of PLN 3,316 million and the lease liability in the amount of PLN 3,352 million, what caused a difference in value to the position of retained earnings in the amount of PLN 4 million and recognising receivables from subleasing in the amount of PLN 32 million.

The Group as a lessee

Identifying a lease

The Group applies new guidelines for identifying a lease only for contracts that it has concluded (or amended) on the day of its first application, i.e. 1 January 2019 or after that date. Thereby, for all contracts concluded before 1 January 2019, the Group applied the practical exemption provided for in IFRS 16, according to which the entity is not required to reassess whether the contract is a lease or contains a lease on the date of first application. The Group applies IFRS 16 only to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4.

At new contract inception, the Group assesses whether the contract is a lease or whether it contains a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to assess if an agreement transfers the right to control the use of an identified asset for a given period, the Group shall determine whether throughout the entire period of use the customer enjoys the following rights:

- a) the right to obtain substantially all economic benefits from the use of the identified asset and
- b) the right to manage the use of the identified asset.

Should the Group have the right to control the use of an identified asset for part of the duration of an agreement only, the agreement contains a lease in respect of this part of the period.

Rights resulting from lease, rental, hire or other agreements which meet the definition of a lease as per IFRS 16 are recognised as right of use underlying assets within the framework of non-current assets with a corresponding lease liabilities.

Initial recognition and measurement

The Group recognises the right of use asset as well as the lease liability on the date of commencement of the lease.

On the date of commencement the Group measured the right of use asset at cost.

The cost of the right of use asset is inclusive of the following:

- a) the amount of the initial measurement of the lease liability,
- b) all lease payments paid on or before the date of commencement, less any lease incentives received,
- c) all initial costs directly incurred by the lessee, and
- d) estimated costs to be incurred by the lessee in connection with the dismantling and removal of underlying assets, the refurbishment of premises within which they were located, or the refurbishment of underlying assets to the condition required by the terms and conditions of the lease, unless these costs are incurred with the aim of creating stocks.

Lease payments included in the evaluation of lease liability include:

- fixed lease payments;
- variable lease payments, which depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts that are expected to be paid by the lessee as part of the guaranteed residual value;
- the call exercise price, should it be assumed with reasonable certainty that the Group shall decide to exercise the call option;
- penalty payments for termination of a lease, unless it can be assumed with reasonable certainty that the Group shall not terminate the lease.

Variable payments, which do not depend on an index or a rate should not be taken into account when calculating lease liability. Such payments are recognised in the profit or loss in the period of the occurrence which renders them payable.

The lease liability on the commencement date shall be calculated on the basis of the current lease payments that are payable by that date and discounted by the marginal interest rates of the lessee.

The Group does not discount lease liabilities by the lease interest rate as the calculation of such rates requires information known only to the lessor (the non-guaranteed residual value of the leased asset as well as the direct costs incurred by the lessor).

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

- a) the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant basic rate for the given currency, as well as
- b) the Group's credit risk premium based on the credit margin calculated inclusive of the credit risk segmentation of all companies which have entered into lease agreements.

Subsequent measurement

After the commencement date, the lessee measures the right of use asset applying the cost model.

In applying the cost model, the lessee shall measure the cost of the right of use asset:

- a) less any accumulated depreciation and accumulated impairment losses; and
- b) adjusted in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

After the date of commencement the lessee shall measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability,
- b) decreasing the carrying amount to reflect the leasing payments made, and
- c) remeasuring of the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

The Group shall remeasure the lease liability in cases where there is a change in future lease payments as a result of a change in the index or rate used to determine lease payments (e.g a change in payment associated with the right of perpetual use), in cases where there is a change

in the amount expected by the Group to be payable under the residual amount guarantee, or if the Group reassesses the likelihood of the exercise of the call option, or the extension or termination of the lease.

Updated of the lease liability also adjusts the value of the right of use asset. In a situation where the carrying amount of the right of use asset has been reduced to zero, further reductions in the measurement of the lease liability shall be recognised by the Group as profit or loss.

Depreciation

The right of use asset is depreciated linearly over the shorter of the following two periods: the period of lease or the useful life of the underlying asset. However in cases where the Group can be reasonably sure that it will regain ownership of the asset prior to the end of the lease term, right of use shall be depreciated from the day of commencement of the lease until the end of the useful life of the asset.

The useful life of right of use assets is determined in the same manner as for property, plant and equipment.

The Group has leases agreements regarding mainly:

- a) Land, including:
 - perpetual usufruct of land for a fixed period of up to 99 years,
 - land for petrol stations and motorway service areas concluded for a specified period up to 30 years and for an indefinite period,
- b) Buildings and construction, including petrol stations, storage tank, office spaces for a fixed period up to 30 years
- c) Vehicles and other, including:
 - railway tank concluded for a specified period of 3 to 10 years,
 - cars for a fixed period up to 3 years,
 - locomotives for a fixed period up to 3 years

Impairment

The Group applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Exemptions, simplifications and practical solutions in the application of IFRS 16

Exemptions

Agreements not included within the scope of IFRS 16:

- lease for the exploration or use of natural resources,
- licences granted and recognised in accordance with IFRS 15 - Revenue from Contracts with Customers, and
- rights received under licence in accordance with IAS 38 - Intangible Assets.

The Group does not apply IFRS 16 to lease agreements or similar for intangible assets.

Simplifications and practical solutions

Short-term lease

The Group applies a practical solution to short-term lease contracts, which are characterised by maximum possible contract term to 12 months, including any options to extend.

Simplifications regarding these contracts involve the settlement of lease payments as costs:

- on a straight-line basis, for the duration of the lease agreement, or
- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

Leases of low-value assets

The Group does not apply the rules concerning recognition, measurement and presentation outlined in IFRS 16 to lease agreements of low-value assets.

Low-value assets are considered to be those which have a value when new not higher than PLN 18,799 translated at the exchange rate of the first day of application, i.e. 1 January 2019 (representing USD 5,000) or the equivalent value in another currency as per the average closing rate of exchange of the National Bank of Poland at the moment of initial recognition of a contract.

Simplifications in respect of such contracts are due to the settlement of costs on:

- a straight-line basis for the term of the lease contract; or
- another systematic method basis should it be more representative of the time pattern of the user's benefit.

An asset covered by a lease must not be counted as a low-value asset if the asset would typically not be of low value when new. As low-value items, the Group includes for example: gas cylinders, coffee machines, and small items of furniture.

The underlying asset may have a low-value only if:

- a) the lessee may benefit from use of the underlying asset itself or with other resources which are readily available to him, and
- b) the underlying asset is not highly dependent on or related to other assets.

If the lessee transfers asset into subleasing or expects the asset to be transferred to subleasing, then the main lease does not qualify as lease of low-value asset.

Determining the lease term: indefinite contracts

When establishing the term for indefinite leases contracts, the Group makes a professional judgment taking into account:

- expenditure incurred in connection with the contract or
- potential costs connected with the termination of the lease contract, including the costs involved in obtaining a new lease contracts, such as negotiation costs; reallocation costs, costs of identifying other underlying asset suitable for the lessee's needs; costs of integrating a new asset into the lessee's operations; or termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location.

In case where the costs connected with the termination of the lease contract are substantial, the lease term adopted is equal to that adopted for depreciation period of a similar fixed asset with parameters similar to the subject of lease.

Although the costs connected with the termination of the lease agreement may be reliably measured, it is necessary to determine a lease term during which there are no justifiable grounds for termination.

In cases where expenditure incurred in connection with the contract is substantial, the lease term adopted is equal to that of the expected period of economic benefits derived from the incurred expenses.

The value of the incurred expenses represents a separate asset to the right of use assets.

In case of the lack of expenses incurred in connection with the contract in question, or the lack or insignificance of costs connected with its termination, the termination period of the lease is adopted as the lease term.

PROFESSIONAL JUDGEMENT

Separating non-lease components

The Group assess whether the contract contains lease and non- lease components. Non-lease components the Group remove from contracts containing lease component, for example service for assets covered by the contract.

However, in case where a contract includes non-lease components considered by the Group to be immaterial within the context of the contract as a whole, the Group applies simplification to treat lease and non-lease components as a single lease component.

Determining the lease term

In determining the lease term, the Group consider in all important facts and events behind the economic incentives to make use of the option to extend the lease or not to exercise the option of its termination. An assessment is carried out upon the occurrence of either a significant event or a significant change in circumstances to bear an impact on such an assessment.

Estimations

The useful life of right of use assets.

The estimated useful life of right of use asset is determined in the same manner as for property, plant and equipment.

2.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial data of foreign entities

2.3.1. 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.

2.3.2. 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 (arithmetic average of daily average exchange rates published by the National Bank of Poland ("NBP") in a given period).

Foreign exchange differences resulting from the above recalculations are recognised in equity in the line exchange differences on translating foreign operations.

CURRENCY	Average exchange rate for the reporting period		Exchange rate as at the end of the reporting period	
	3 MONTHS ENDED	3 MONTHS ENDED	31/03/2019	31/12/2018
	31/03/2019	31/03/2018		
EUR/PLN	4.3037	4.1802	4.3013	4.3000
USD/PLN	3.7890	3.4000	3.8365	3.7597
CZK/PLN	0.1676	0.1646	0.1666	0.1673
CAD/PLN	2.8507	2.6905	2.8553	2.7620

2.4. 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.

3. Financial situation and description of the ORLEN Group organization

3.1. The Group's achievements accompanied by factors having a significant impact on interim condensed consolidated financial statements

Profit or loss for the 3 months of 2019

The increase of sales revenues of the ORLEN Group by PLN 2,005 million (y/y) to PLN 25,246 million reflects mainly increase in volume sales by 2% (y/y) in all operating segments to 10.2 million tons. Decrease in crude oil prices by approximately 4 USD/bbl resulted in decrease of the quotation of main products of the ORLEN Group. In the 3 month of 2019 compared with the same period of the previous 2018 period prices of fuel decreased by (13%) and ethylene by (6%). In turn, quotation of diesel oil and light heating oil remained at a similar level, while the quotation of heavy heating oil increased by 7% and propylene by 1%.

The operating expenses increased by PLN (2,329) million (y/y) to PLN (24,278) million. The largest item in this cost structure constitute the costs of materials and energy consumption related mainly to the crude oil used in technological processes. The increase in the costs of materials and energy consumption by 9% (y/y) resulted mainly from the higher share of more expensive low-sulfur crude (characterized by higher fuel profits) in the processing structure. This effect was additionally deepened by the occurring trends in crude oil prices, ie. the average weighted price of processing in 2019 was significantly influenced by the relatively high quotations from the 4th quarter of 2018, with the reverse trends in the quotation system at the turn of 2017 and 2018 year.

Negative result of other operating activities amounted to PLN (6) million and was lower by PLN (88) million (y/y) mainly due to lack of compensation for improper execution of the contract of the power plant CCGT in Plock and the power plant CCGT in Wloclawek from the 1st quarter of 2018 in the amount of PLN 84 million

Share in profit from investments accounted for under equity method increased by PLN 9 million (y/y) to the PLN 44 million.

As a result profit from operations amounted to PLN 966 million and was lower by PLN (418) million (y/y). Additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance expenses in the described period amounted to PLN (2) million and included mainly net foreign exchange loss in the amount of PLN (3) million, net interest expenses in the amount of PLN (62) million and net positive impact of settlement and valuation of derivatives not designated as hedge accounting in the amount of PLN 75 million.

After consideration of tax charges in the amount of PLN (145) million, the net profit of the ORLEN Group amounted to PLN 849 million and was lower by PLN (195) million (y/y).

Statement of financial position

As at 31 March 2019, total assets of the ORLEN Group amounted to PLN 68,983 million and was higher by PLN 4,842 million in comparison with 31 December 2018.

As at 31 March 2019, the value of non-current assets amounted to PLN 37,946 million and was higher by PLN 4,014 million in comparison with the end of the previous year, mainly due to the recognition of right of use assets in the amount of PLN 3,684 million in connection with the implementation from 1 January 2019 new IFRS 16 and increasing the value of property, plant and equipment and intangible assets by PLN 409 million.

Balance change of property, plant and equipment and intangible assets comprised mainly investment expenditures in the amount of PLN 598 million, for the Construction of the Polyethylene 3 Installation, construction of the boiler house for the Steam Cracker, neutralization of acidic waters and revitalization POX in Unipetrol Group, Installation of propane-propylene fraction separation (PPF Spliter) in Lithuania and projects in retail and upstream segment, depreciation and amortisation in the amount of PLN (833) million and granted CO₂ emission rights for 2018 in the amount of PLN 655 million.

The value of current assets increased by PLN 828 million, mainly as result of an increase in trade and other receivables by PLN 961 million, increase in balance of inventories by PLN 975 million by decrease of cash and cash equivalents by PLN (527) million, valuations of derivatives by PLN (218) million, receivables due to settlement of derivatives in the amount of PLN (288) million and decrease in non-current assets held for sale by PLN (136) million, mainly due to the sale of Upstream assets in Canada located in the Pouce Coupe area. The increase in value of inventories is mainly the effect of an increase in quantity of crude oil, fuel and diesel. The increase in trade receivables results mainly from higher volume of sales.

As at 31 March 2019, equity amounted to PLN 36,383 million and was higher by PLN 644 million in comparison with the end of 2018, mainly due to impact of exchange differences on translating foreign operations in the amount of PLN 80 million and negative impact of change of balance of hedging reserve in the amount PLN (232) million and recognition of net profit for the 1st quarter 2019 in the amount of PLN 849 million.

As at 31 March 2019 the value of provisions amounted to PLN 2,323 million and were higher by PLN 249 million compared to the end of 2018, mainly due to provision balance change of estimated CO₂ emissions and energy certificates in the total amount of PLN 255 million.

As at 31 March 2019, net financial indebtedness of the ORLEN Group amounted to PLN 5,051 million and was lower by PLN (548) million in comparison with the end of 2018. Change of indebtedness included net repayments of loans, borrowings and bonds in the amount of PLN (1,106) million, decrease of cash and cash equivalents balance by PLN 527 million and the net impact of negative exchange differences from revaluation of indebtedness valuation and interests in total amount of PLN 31 million.

Statement of cash flows for the 3 months of 2019

Proceeds of net cash from operating activities for the 3 months of 2019 amounted to PLN 1,191 million and comprised mainly profit from operations increased by depreciation and amortisation in the amount of PLN 1,829 million, change in the balance of provisions as a result of an increase in the rights in the amount of PLN 255 million, the negative impact of increase in a net working capital by PLN (542) million decreased by paid income tax in the amount of PLN (566) million and other adjustments which includes mainly change in the balance due to settlements of derivatives not designated as hedge accounting in the amount of PLN 328 million and rights received free of charge in the amount of PLN (165) million.

Net cash used in investing activities for the 3 months of 2019 amounted to PLN (666) million and comprised mainly net expenses for the acquisition and disposal of property, plant and equipment, intangible assets and right of use assets in the amount of PLN (663) million and settlement of derivatives not designated as hedge accounting in the amount of PLN (8) million.

Net outflows of cash used in financing activities for the 3 months of 2019 amounted to PLN (1,036) million and comprised mainly the net repayment of loans and borrowings in the amount of PLN (106) redemption of retail bonds in the amount of PLN (1000) million, interest paid in the amount of PLN (44) million, payment of liabilities under lease contracts in the amount of PLN (97) million and temporary repayment of cash related to redemption of non-controlling shareholders of UNIPETROL in the amount of PLN 212 million translated using the exchange rate as at 31 March 2019 (representing CZK 1,261 million). In the 1st quarter of 2019, in accordance with the agreement, bank Ceska Sporitelna a.s. after the Basic Period of settlements with Unipetrol's former shareholders, transferred to PKN ORLEN 90% of unused amount due to former shareholders. The reimbursement of cash is temporary, as PKN ORLEN is obliged to systematically replenish the provisions for subsequent settlements with notifying shareholders, as to maintain safe level above 5% of outstanding amount due to squeeze-out of Unipetrol's shares.

After consideration the revaluation of cash due to exchange differences, the cash balance in the 3 month period of 2019 decreased by PLN (527) million and as at 31 March 2019 amounted to PLN 3,665 million.

Factors and events which may influence on future results

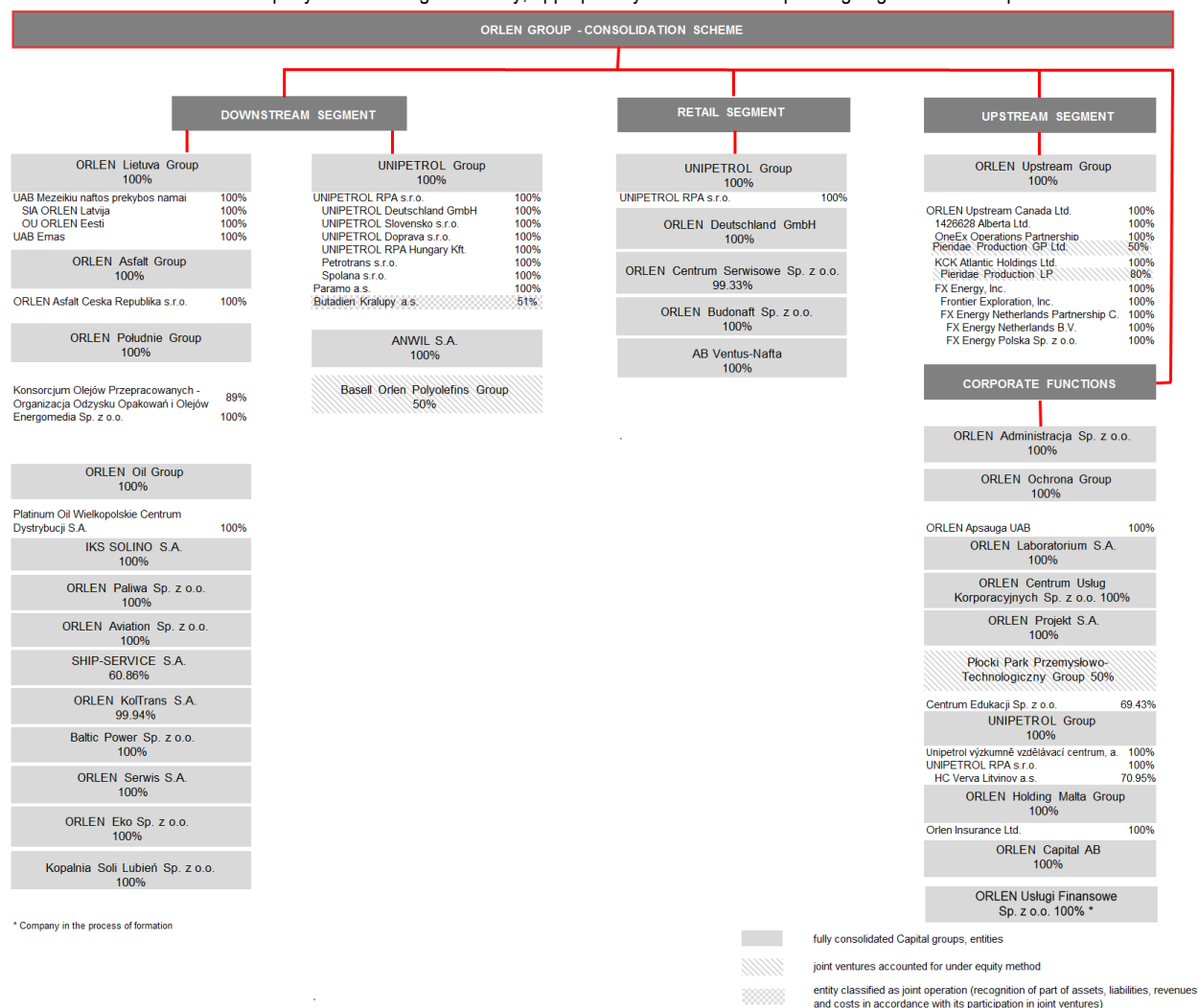
The factors affecting on future financial results of the ORLEN Group include:

- macroeconomic environment - crude oil and other energy resources prices, quotations on refinery and petrochemical products and foreign exchange rates (mainly PLN/USD and PLN/EUR),
- economic situation - GDP level, fuel and other products of the Group consumption on the markets of its operations and the situation on the labor market,
- availability of production instances,
- applicable legal regulations.

3.2. Organization of the ORLEN Group

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

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



3.3. Changes in the structure of the ORLEN Group from 1 January 2019 up to the date of preparation of the foregoing report

- On 15 January 2019, the transformation of Platinum Oil Wielkopolskie Centrum Dystrybucji Sp. z o.o. to Platinum Oil Wielkopolskie Centrum Dystrybucji S.A. took place. ORLEN OIL Sp. z o.o. holds 100% of the share capital of Platinum Oil Wielkopolskie Centrum Dystrybucji S.A.;
- On 23 January 2019 the founding act of ORLEN Uslugi Finansowe Sp. z o.o. was signed.
- On 1 February 2019 an entry into the merger register of ORLEN Poludnie SA and Euronaft Trzebinia Sp. z o.o was made, by transferring all assets of Euronaft Trzebinia Sp. z o.o. as the Acquired Company, to ORLEN Poludnie S.A. as the Acquiring Company.
- On 1 March 2019 the transformation of ORLEN KolTrans Sp. z o.o. from a limited liability company into a joint-stock company, i.e. into ORLEN KolTrans SA took place.

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

4. Segment's data

The operations of the ORLEN Group are conducted in:

- the Downstream segment, which includes integrated areas of refining, petrochemical production and sales and operations in the energy production activity,
 - the Retail segment, which includes activity carried out at the petrol stations,
 - the Upstream segment, which includes the activity related to exploration and extraction of mineral resources,
- and Corporate Functions i.e. reconciling items, which include activities related to management, administration and remaining activities not allocated to separate operating segments.

The allocation of the ORLEN Group's companies to operating segments and Corporate Functions was presented in note 3.2.

Revenues, costs, financial results, investments expenditures

for the 3 month period ended 31 March 2019

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	16 518	8 544	163	21	-	25 246
Inter-segment revenues		4 059	62	-	99	(4 220)	-
Sales revenues		20 577	8 606	163	120	(4 220)	25 246
Operating expenses		(19 940)	(8 085)	(140)	(333)	4 220	(24 278)
Other operating income	5.3	121	17	-	3	-	141
Other operating expenses	5.3	(110)	(15)	-	(22)	-	(147)
(Loss)/reversal of loss due to impairment of financial instruments		-	(2)	-	(8)	-	(10)
Share in profit from investments accounted for under equity method		44	-	-	-	-	44
Profit/(Loss) from operations		692	521	23	(240)	-	996
Net finance income and costs	5.4						(2)
Profit before tax							994
Tax expense							(145)
Net profit							849
Depreciation and amortisation	5.2	571	157	70	35	-	833
EBITDA		1 263	678	93	(205)	-	1 829
CAPEX, incl.:		1 441	2 157	151	316	-	4 065
Increases due to right of use		1 117	2 056	4	290	-	3 467

for the 3 month period ended 31 March 2018

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	15 161	7 919	145	16	-	23 241
Inter-segment revenues		3 610	9	-	108	(3 727)	-
Sales revenues		18 771	7 928	145	124	(3 727)	23 241
Operating expenses		(17 677)	(7 576)	(132)	(291)	3 727	(21 949)
Other operating income	5.3	281	22	-	41	-	344
Other operating expenses	5.3	(176)	(17)	(22)	(47)	-	(262)
Loss/reversal of loss due to impairment of financial instruments		9	-	-	(4)	-	5
Share in profit from investments accounted for under equity method		35	-	-	-	-	35
Profit/(Loss) from operations		1 243	357	(9)	(177)	-	1 414
Net finance income and costs	5.4						(168)
Loss/reversal of loss due to impairment of financial instruments							(1)
Profit before tax							1 245
Tax expense							(201)
Net profit							1 044
Depreciation and amortisation	5.2	412	114	75	25	-	626
EBITDA		1 655	471	66	(152)	-	2 040
CAPEX		400	128	247	27	-	802

EBITDA – profit/(loss) from operations increased by depreciation and amortization

CAPEX - increase of property, plant and equipment, intangible assets, investment property and right of use assets together with the capitalisation of borrowing costs and a decrease on received/due penalties for improper execution of the contract

Assets by operating segments

	31/03/2019 (unaudited)	31/12/2018
Downstream Segment	49 164	46 129
Retail Segment	9 275	6 974
Upstream Segment	4 248	4 175
Segment assets	62 687	57 278
Corporate Functions	6 361	6 914
Adjustments	(65)	(51)
	68 983	64 141

5. Other notes
5.1. Sales revenues

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Revenues from sales of finished goods and services, net	21 239	19 092
<i>revenue from contracts with customers</i>	21 185	19 043
<i>excluded from scope of IFRS 15</i>	54	49
Revenues from sales of merchandise and raw materials, net	4 007	4 149
<i>revenue from contracts with customers</i>	4 007	4 149
Sales revenues, incl.:	25 246	23 241
<i>revenue from contracts with customers</i>	25 192	23 192

Contracts excluded from the scope of IFRS 15 refer to operation lease contracts

Performance obligations

As part of the concluded contracts, the Group commits to transfer mainly refining, petrochemical products and goods, energy, crude oil and gas to customers. Under these agreements the Group acts as a principal. Transaction prices in existing contracts with customers are not restricted.

There are no significant contracts in force in the Group, which allow for obligations to accept returns, pay reimbursements and other similar obligations. There is no significant financing component in contracts with customers. The Group does not identify revenues for which the payment of consideration is contingent.

The guarantees provided under the contracts ensure are guarantees that assure the customer that the good meet complies with the established specification. They do not rely on the performance of distinct service.

In the Downstream segment, there are mainly sales with deferred payment. In the Retail segment, there are both cash sales with a deferred payment date performed by using a fuel cards entitling customers to continuous purchase in the network of petrol stations. Settlements with customers take place in two-week periods (so-called Fleet Cards).

Usually payment is due after transferring good or service. In contracts with Downstream and Retail segments' customers, payment dates not exceeding 30 days are used in most cases, while in the Upstream segment not exceeding 60 days .

The variability of consideration in contracts with customers is connected mainly with volume rebates. The Group defers also the part of revenue related to the VITAY loyalty program, according to which the customer is entitled to future benefits (i.e. VITAY points).

5.1.1. Sales revenues by operating segments in division on assortments

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Downstream Segment		
Revenue from contracts with customers IFRS 15	16 496	15 142
Light distillates	2 485	2 656
Medium distillates	8 196	6 791
Heavy fractions	1 530	1 360
Monomers	879	914
Polymers	655	712
Aromas	246	321
Fertilizers	266	209
Plastics	377	383
PTA	490	382
Other*	1 372	1 414
Excluded from scope of IFRS 15	22	19
	16 518	15 161
Retail Segment		
Revenue from contracts with customers IFRS 15	8 517	7 894
Light distillates	3 100	2 899
Medium distillates	4 647	4 125
Other**	770	870
Excluded from scope of IFRS 15	27	25
	8 544	7 919
Upstream Segment		
Revenue from contracts with customers IFRS 15	163	145
NGL***	84	79
Crude oil	24	18
Natural Gas	54	47
Other	1	1
	163	145
Corporate Functions		
Revenue from contracts with customers IFRS 15	16	11
Excluded from scope of IFRS 15	5	5
	21	16
	25 246	23 241

* Others mainly include: brine, industrial salt, vacuum distillates, acetone, ammonia, butadiene, phenol, technical gases, caprolactam, soda lye and sulphur. In addition, they include revenues from sale of services and materials.

** The line Other in retail segment includes mainly sale of non-fuel merchandise

*** NGL (Natural Gas Liquids)

In the 3 month period ended 31 March 2019 and 31 March 2018 no leading customers were identified in the Group, for which turnover would individually exceeded 10% of total revenues from sale of the ORLEN Group.

5.1.2. Sales revenues geographical division - disclosed by customer's premises countries

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Revenue from contracts with customers		
Poland	12 152	10 732
Germany	3 845	4 031
Czech Republic	3 286	2 788
Lithuania, Latvia, Estonia	2 012	1 690
Other countries	3 897	3 951
	25 192	23 192
excluded from scope of IFRS 15		
Poland	26	25
Czech Republic	28	24
	54	49
	25 246	23 241

The line other countries comprises mainly sales to customers from Switzerland, Singapore, Ukraine, Slovakia, the United Kingdom and Hungary.

5.2. Operating expenses

Cost by nature

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Materials and energy	(17 883)	(16 458)
Cost of merchandise and raw materials sold	(3 579)	(3 713)
External services	(1 007)	(1 033)
Employee benefits	(720)	(659)
Depreciation and amortisation	(833)	(626)
Taxes and charges	(647)	(352)
Other	(126)	(85)
	(24 795)	(22 926)
Change in inventories	484	927
Cost of products and services for own use	33	50
Operating expenses	(24 278)	(21 949)
Distribution expenses	1 465	1 135
Administrative expenses	421	378
Cost of sales	(22 392)	(20 436)

Impairment allowances of inventories to net realizable value

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Increase	(13)	(25)
Decrease	178	19

In the 3 month period ended 31 March 2019 the line decrease includes, first of all, usage of inventories impairment allowances to net realizable value made mainly in the 4th quarter of 2018 due to decrease in crude oil and petroleum products' prices.

5.3. Other operating income and expenses

Other operating income

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Profit on sale of non-current non-financial assets	10	4
Reversal of provisions	5	4
Reversal of impairment allowances of property, plant and equipment and intangible assets and other non-current assets	4	9
Penalties and compensations	18	100
Settlement and valuation of derivative financial instruments related to operating exposure	22	129
Ineffective part related to valuation and settlement of operating exposure	38	39
Settlement of hedging costs	32	-
Other	12	59
	141	344

Other operating expenses

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Loss on sale of non-current non-financial assets	(9)	(14)
Recognition of provisions	(15)	(6)
Recognition of impairment allowances of property, plant and equipment and intangible assets and other non-current assets	(14)	(6)
Settlement and valuation of derivative financial instruments related to operating exposure	(43)	(148)
Ineffective part related to valuation and settlement of operating exposure	(31)	(47)
Other	(35)	(41)
donations	(18)	(7)
	(147)	(262)

For the 3 month period ended 31 March 2019 and 31 March 2018 the net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) amounted to PLN (21) million and PLN (19) million respectively, mainly related to future products sales, including those by fixed price and additionally in 2019 time mismatch on oil purchases.

In the 3 month period ended 31 March 2019 and 31 March 2018 the net positions of ineffective part concern operating exposure amounted to PLN 7 million and PLN (8) million and concern mainly commodity swaps hedging risks and risk connected with sea crude oil purchases and currency forwards hedging sale of denominated/indexed products in foreign currencies.

5.4. Finance income and costs

Finance income

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Interest calculated using the effective interest rate method	14	10
Settlement and valuation of derivative financial instruments	241	462
Other	9	31
	264	503

Finance costs

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Interest calculated using the effective interest rate method	(49)	(47)
Interest on lease	(25)	(2)
Interest on tax liabilities	(2)	(1)
Net foreign exchange loss	(3)	(10)
Settlement and valuation of derivative financial instruments	(166)	(570)
Other	(21)	(41)
	(266)	(671)

In the 3 month period ended 31 March 2019 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) amounted to PLN 75 million and PLN (108) million, respectively and concerned mainly hedging the risk of changes in exchange rates in accordance to deposits and payments in foreign currency and hedging of interest rates and payment of bonds interests.

Borrowing costs capitalized in the 3 month period ended 31 March 2019 and 31 March 2018 amounted to PLN (10) million and PLN (9) million, respectively.

5.5. Loans and bonds

	Non-current		Current		Total	
	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018
Loans	2 151	2 151	9	112	2 160	2 263
Bonds	6 453	6 447	103	1 081	6 556	7 528
	8 604	8 598	112	1 193	8 716	9 791

As at 31 March 2019, indebtedness due to loans relates to a loan reimbursed by PKN ORLEN from a consortium of banks under the Agreement for a multi-currency revolving loan of 25 April 2014 in the amount of PLN 2,151 million translated using the exchange rate as at 31 March 2019 (which corresponds to EUR 500 million).

As at 31 March 2019 and as at 31 December 2018 the maximum possible indebtedness due to loans amounted to PLN 10,024 million and PLN 10,025 million, respectively. As at 31 March 2019 and as at 31 December 2018 PLN 7,326 million and PLN 7,181 million, respectively, remained unused.

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.

5.6. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018
Cash flow hedging instruments	126	143	250	483	376	626
<i>currency forwards</i>	126	143	185	209	311	352
<i>commodity swaps</i>	-	-	65	274	65	274
Derivatives not designated as hedge accounting	15	16	35	39	50	55
<i>currency forwards</i>	-	-	35	5	35	5
<i>commodity swaps</i>	-	-	-	34	-	34
<i>currency interest rate swaps</i>	11	11	-	-	11	11
<i>interest rate swaps</i>	4	5	-	-	4	5
Fair value hedging instruments	9	2	21	2	30	4
<i>commodity swaps</i>	9	2	21	2	30	4
Derivatives	150	161	306	524	456	685
Other financial assets	85	95	30	336	115	431
<i>receivables on settled derivatives</i>	-	-	18	306	18	306
<i>financial assets measured at fair value through other comprehensive income</i>	79	86	-	-	79	86
<i>hedged item adjustment</i>	1	4	2	21	3	25
<i>other</i>	5	5	10	9	15	14
Other non-financial assets	128	243	-	-	128	243
<i>investment property *</i>	108	108	-	-	108	108
<i>perpetual usufruct of land</i>	-	115	-	-	-	115
<i>other</i>	20	20	-	-	20	20
Other assets	213	338	30	336	243	674

* As at 31 March 2019, the line investment property includes right of use assets in the amount of PLN 9 million.

Derivatives and other liabilities

	Non-current		Current		Total	
	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018
Cash flow hedging instruments	2	-	144	105	146	105
<i>currency forwards</i>	2	-	-	-	2	-
<i>commodity swaps</i>	-	-	144	105	144	105
Derivatives not designated as hedge accounting	33	38	3	66	36	104
<i>currency forwards</i>	-	-	2	18	2	18
<i>commodity swaps</i>	-	-	1	21	1	21
<i>interest rate swaps</i>	32	38	-	-	32	38
<i>currency interest rate swaps</i>	1	-	-	27	1	27
Fair value hedging instruments	1	4	2	22	3	26
<i>commodity swaps</i>	1	4	2	22	3	26
Derivatives	36	42	149	193	185	235
Other financial liabilities	183	357	150	79	333	436
<i>liabilities on settled derivatives</i>	-	-	122	67	122	67
<i>investment liabilities</i>	105	102	-	-	105	102
<i>lease</i>	-	193	-	-	-	193
<i>hedged item adjustment</i>	9	3	21	1	30	4
<i>refund liabilities</i>	-	-	7	11	7	11
<i>other</i>	69	59	-	-	69	59
Other non-financial liabilities	9	9	504	11	513	20
<i>deferred income</i>	9	9	504	11	513	20
Other liabilities	192	366	654	90	846	456

5.7. Provisions

	Non-current		Current		Total	
	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018
Environmental	774	782	63	64	837	846
Jubilee bonuses and post-employment benefits	233	233	47	56	280	289
CO ₂ emissions, energy certificates	-	-	1 039	784	1 039	784
Other	39	40	128	115	167	155
	1 046	1 055	1 277	1 019	2 323	2 074

From 1 January 2019 the Group recognises outgoing of CO₂ emission allowances at weighted average method against FIFO method (First In, First Out) applied until 31 December 2018. The effect of changing the method of outgoing of CO₂ allowances as at 31 December 2018 was immaterial and was recognised in the financial result of the current year and as a change in value of provision for CO₂ emission in the

statement of financial position. In the opinion of the Management Board of PKN ORLEN, the change in outgoing method better reflects commercial substance of legal situation and economic conditions in terms of volatility of market prices for CO₂ emission rights.

5.8. 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 financial instruments. Methods applied in determining the fair value were described in the Consolidated Financial Statements for 2018 in note 10.3.3. In the item financial assets measured at fair value through other comprehensive income, quoted/unquoted shares not held for trading are included.

Fair value hierarchy

	Carrying amount	Fair value (unaudited)	Fair value hierarchy	
			Level 1	Level 2
Financial assets				
Financial assets measured at fair value through other comprehensive income	79	79	39	40
Derivatives	456	456	-	456
	535	535	39	496
Financial liabilities				
Loans	2 160	2 160	-	2 160
Bonds	6 556	6 806	6 806	-
Derivatives	185	185	-	185
	8 901	9 151	6 806	2 345

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 data which are directly or indirectly observable (so called Level 2) or unobservable inputs (so called Level 3).

During the reporting period and comparative period there were no reclassifications in the Group between Level 1 and Level 2 of the fair value hierarchy.

5.9. Lease

5.9.1. Group as a lessee

Change in assets due to right of use

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
Net carrying amount at 01/01/2019 - Impact of IFRS 16 adoption					
Gross carrying amount	1 544	984	95	697	3 320
Impairment allowances	-	-	(2)	(2)	(4)
	1 544	984	93	695	3 316
increases/(decreases), net					
Depreciation	(17)	(33)	(4)	(74)	(128)
Newly concluded contracts	9	24	-	69	102
Impairment allowances	(1)	(4)	-	-	(5)
Reclassifications	129	151	23	48	351
Foreign exchange differences	-	-	(1)	-	(1)
Other	2	46	-	1	49
	1 666	1 168	111	739	3 684
Net carrying amount at 31/03/2019					
Gross carrying amount	1 704	1 275	132	833	3 944
Accumulated depreciation	(37)	(103)	(19)	(92)	(251)
Impairment allowances	(1)	(4)	(2)	(2)	(9)
	1 666	1 168	111	739	3 684

* The line reclassification includes gross values, depreciation of property, plant and equipment and perpetual usufruct of land which were recognised as at 31 December 2018 as finance lease under IFRS 17

Amounts from lease contracts recognised in the statement of profit or loss and other comprehensive income

	3 MONTHS ENDED 31/03/2019 (unaudited)
Costs due to:	(32)
interest on lease	(25)
short-term lease	(6)
variable lease payments not recognised in valuation of lease liabilities	(1)
	Finance costs
	Cost by nature: External Services
	Cost by nature: External Services

Reconciliation of future minimum lease payments disclosed as at 31 December 2018 with lease liabilities recognised in the statement of financial position as at 1 January 2019

Value of future minimum lease payments under operating lease	5 675
Value of future minimum lease payments under finance lease	286
Contractual lease liabilities as at 31/12/2018	5 961
Discount	(2 380)
Present value of lease liabilities as at 01/01/2019	3 581
Present value of contractual finance lease liabilities as at 31/12/2018	(229)
Value of contractual lease liabilities – impact of IFRS 16 adoption as at 01/01/2019	3 352

* *The weighted average marginal interest rate of the Group as a lessee applied to the lease liabilities recognised in the statement of financial position as at 1 January 2019 amounted to 2.62%.*

5.9.2. Group as a lessor
Financial lease

The Group as at the starting date, classifies leases as financial or operating lease.

In order to make the above classification the Group assesses whether the entire risk and benefits resulting from ownership of the underlying asset were transferred to a lessee. If the entire risk and benefits were transferred to lessee, the lease is classified as a financial lease, in the opposite situation - as operating lease.

The Group as a lessor in finance lease, recognised on 1 January 2019, in accordance with IFRS 16 subleasing agreements in the Unipetrol Group for which the value of revenues and lease payments due in the 1st quarter of 2019 was immaterial.

Operating lease

Assets transferred by the Group to other entities for use under an operating lease agreement are classified in the Group's assets. Lease payments under operating leases are recognised on a straight-line basis over the lease period as revenues from the sale of products and services.

Operating lease mainly concerns properties owned by the Group, covered by the lease agreements.

Revenues from operating lease for the 1st quarter of 2019 amounted to PLN 54 million.

5.10. Future commitments resulting from signed investment contracts

As at 31 March 2019 and as at 31 December 2018, the value of future commitments resulting from investment contracts signed until that day amounted to PLN 1,592 million and PLN 1,281 million, respectively.

5.11. Issue, redemption and repayment of debt securities

In the 1st quarter of 2019, PKN ORLEN redeemed long-term bonds with a nominal value of PLN 1 billion issued in 2012 under the Bond Issue Program Agreement of 27 November 2006.

Under the first public bond issue program, F Series remains open with a nominal value of PLN 100 million, and under the second public bond issue program, A-E Series with a total nominal value of PLN 1 billion.

In the 1st quarter of 2019 PKN ORLEN issued/redeemed short term bonds in favour of the Group companies as a part of liquidity optimisation in the ORLEN Group, using the Bond Issue Program from 27 November 2006. These transactions are eliminated at the ORLEN Group level.

5.12. Proposal for distribution of profit for 2018

The Management Board of PKN ORLEN, after considering the liquidity situation and achievement of strategic financial objectives, recommends to distribute the net profit of PKN ORLEN for the year 2018 in the amount of PLN 5 434 149 842.17 as follows: PLN 1,496,981,713.50 PLN will be allocated as a dividend payment (PLN 3.5 per 1 share) and the remaining amount of PLN 3,937,168,128.67 as reserve capital. The Management Board of PKN ORLEN proposes 22 July 2019 as the dividend date and 5 August 2019 as the dividend payment date. This recommendation of the Management Board will be presented to the General Shareholders' Meeting of PKN ORLEN, which will make a conclusive decision in this matter.

5.13. Contingent liabilities

Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of administration bodies in which the companies of the ORLEN Group act as the defendant:

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 I.P.-95 s.r.o. in November 2009. The total amount of the claim is approximately PLN 298 million, translated using the exchange rate as at 31 March 2019 (representing CZK 1,789 million). Unipetrol RPA s.r.o. is one of eight defendants which the claim was brought against. At the request of the I.P.-95 s.r.o. proceeding is pending concerning the accession to the claim as plaintiff NESTARMO TRADING LIMITED. The court refused the Company permission to enter to the case. In February 2018, the court dismissed in entirety claim ruling in favour of Unipetrol RPA s.r.o. On 3 April 2018, I.P.-95 s.r.o. appealed against the decision of the court of first instance. On 22 May 2018, the District Court in Ostrava obliged I.P. - 95 s.r.o. to pay the appeal fee. On 11 December 2018, the court of second instance dismissed the appeal of I.P.-95 s.r.o. from the judgment of the District Court in Ostrava. The judgment is binding. On 20 March 2019 I.P. - 95 s.r.o. filed a cassation appeal against the judgment of the court of second instance. According to UNIPETROL RPA s.r.o. the claim is without merit.

Claim of Warter Fuels S.A. (before: OBR S.A.) against PKN ORLEN for compensation

On 5 September 2014, OBR S.A. (currently: Warter Fuels 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 amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of approximately PLN 83 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the 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 approximately PLN 247 million. So far, several hearings took place (last on 28 September 2018), during which witnesses submitted by the parties were heard by the court. The PKN ORLEN attorney submitted a request to suspend the proceedings due to parallel proceedings for determining the right to the disputed patent, the outcome of which will have significance for the resolution in the case of breach. The request was not considered yet. In the opinion of PKN ORLEN the above claims are without merit.

Polocktransneft Druzhba claim against AB ORLEN Lietuva

On 21 September 2017, AB ORLEN Lietuva received from the court a claim brought by the Belarusian company Polocktransneft Druzhba (operator of the Belarus section of the Druzhba pipeline) for payment of compensation for crude oil (so-called "technological oil") which from 1992 was located in Lithuanian section of the Druzhba pipeline and used by ORLEN Lietuva after operation of this section was stopped in 2006. Polocktransneft Druzhba believes that this oil was its property. The value of the claim is approximately PLN 322 million, translated using the exchange rate as at 31 March 2019 (representing USD 84 million). The claim also includes a request for procedural interest and litigation cost. ORLEN Lietuva responded to the claim. On 15 March 2018 a hearing took place. On 29 March 2018, the court dismissed the plaintiff's claim. Polokotransneft Druzhba appealed against the judgment dismissing the claim. ORLEN Lietuva responded to the appeal. The next date of hearing was set on 6 May 2019. According to ORLEN Lietuva, the above claim is without merit.

Except of described above proceedings, the Group has not identified any other significant contingent liabilities.

5.14. Related parties transactions
5.14.1. Transactions of the key executive personnel and their relatives with related parties of the ORLEN Group

As at 31 March 2019 and as at 31 December 2018 and in the 3 month period ended 31 March 2019 and 31 March 2018, on the basis of submitted declarations, there were no transactions of related parties with members of the Management Board and the Supervisory Board of the Parent Company.

In the 3 month period ended 31 March 2019 on the basis of submitted declarations, there were no transactions of close relatives with the other key executive personnel of the Parent Company and key executive personnel of the ORLEN Group companies with related parties

In the 3 month period ended 31 March 2018 there were transactions of close relatives with the other key executive personnel of the Parent Company and key executive personnel of the ORLEN Group companies with related parties in the amount of PLN 0.12 million, regarded mainly of purchase of tax services and legal services.

As at 31 March 2019 there were no trade and other liabilities due to the above transactions and as at 31 December 2018 balance of liabilities was not significant.

5.14.2. Remuneration of key executive personnel of the Parent Company and the ORLEN Group companies

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Parent Company		
Short-term employee benefits	10.5	11.1
Termination benefits	0.9	4.6
Subsidiaries		
Short-term employee benefits	37.7	30.3
Other long term employee benefits	0.5	-
Termination benefits	1.5	1.5
	51.1	47.5

The above table presents remuneration paid and due or potentially due to the key management personnel of the Parent Company and subsidiaries in the reporting period.

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

	Sales		Purchases	
	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Jointly-controlled entities	775	799	(33)	(37)
<i>joint ventures</i>	740	758	(12)	(11)
<i>joint operations</i>	35	41	(21)	(26)
	775	799	(33)	(37)

	Trade and other receivables		Trade and other liabilities	
	31/03/2019 (unaudited)	31/12/2018	31/03/2019 (unaudited)	31/12/2018
Jointly-controlled entities	612	614	23	16
<i>joint ventures</i>	597	593	14	5
<i>joint operations</i>	15	21	9	11
	612	614	23	16

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and services. In the 3 month period ended 31 March 2019 and 31 March 2018 there were no related parties transactions within the Group concluded on other than an arm's length basis.

5.14.4. Transactions with entities related to the State Treasury

As at 31 March 2019 and as at 31 December 2018 the State Treasury owned 27.52% of the ORLEN Group Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.

The Group identified transactions with related parties with the State Treasury on the basis of "The Council of Ministers Regulation of 3 January 2017 on the list of companies in which the rights of the State Treasury shares carry other than the President Council of Ministers members of the Council of Ministers', Government Plenipotentiaries or state legal entities" with subsequent updates.

In the 3 month period ended 31 March 2019 and 31 March 2018 and as at 31 March 2019 and as at 31 December 2018, the Group identified the following transactions:

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
	Sales	422
Purchases	(1 074)	(1 125)

	31/03/2019 (unaudited)	31/12/2018
Trade and other receivables	367	230
Trade and other liabilities	463	189

Above transactions concluded on an arm's length basis were related to the ORLEN Group current operating activities and concerned mainly fuel sales, purchase and sales of natural gas, energy, transport and storage services.

Additionally, there were also financial transactions (bank fees, commission) with Bank PKO BP, Bank Pekao S.A. and Bank Gospodarstwa Krajowego.

5.15. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 March 2019 and as at 31 December 2018 amounted to PLN 2,631 million and PLN 2,626 million, respectively.

5.16. Events after the end of the reporting period

After the end of the reporting period there were no other 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

2019

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT**1. Major factors having impact on EBITDA and EBITDA LIFO****Profit or loss for the 3 months of 2019**

Profit from operations increased by depreciation and amortisation (so-called EBITDA) amounted to PLN 1,829 million and was lower by PLN (211) million (y/y).

The ORLEN Group's inventories are valued in the financial statements in accordance with International Financial Reporting Standards at weighted average cost or purchase price method. Therefore, an increase in crude oil prices by weighted average cost in comparison to the valuation of crude oil according to LIFO method has a positive effect and decrease has a negative impact on the reported results.

Despite of increasing crude oil prices in the 1st quarter of 2019, the estimated negative impact of changes in crude oil prices on inventory valuation recognised in EBITDA amounted to PLN (175) million and was lower by PLN (319) million (y/y).

The negative impact of changes of crude oil prices on inventory valuation is mainly effect of January 2019. In this period, the downward trend in crude oil quotations from November and December 2018 was reversed. As a result, the valuation of crude oil by weighted average cost was significantly affected by relatively high quotations from the 4th quarter of 2018. High levels of operational and mandatory reserves of crude oil cause, that the cost of crude oil by the weighted average valuation reacts with a delay to change the quotation level.

Profit from operations increased by depreciation and amortisation before consideration of impact of changes of crude oil prices on inventory valuation (so-called EBITDA LIFO) amounted to PLN 2,004 million and was higher by PLN 108 million (y/y).

Changes in macroeconomic factors lowered the ORLEN Group results by PLN (154) million (y/y) and included mainly the effect of lower by (1.4) USD/bbl Ural/Brent differential and decreasing of margins (cracks) with reference to light distillates, olefins and polyolefins partly compensated by improvement margins on medium distillates, heavy refinery fractions, PTA, fertilizers and PVC and positive impact of appreciation of the PLN exchange rate against the foreign currencies.

The total sales amounted to PLN 10,221 thousand tons and was higher by almost 2% (y/y). Despite of the increase in total sales volumes, the negative volume effect amounted to PLN (15) million (y/y) and resulted mainly from fuel sales from own production in downstream segment in Poland and lower petrochemical sales in the Czech Republic as a result of unplanned shutdowns of installations.

The negative impact of volumes in the downstream segment was partially compensated by higher volumes in the retail and upstream segments.

The positive impact of the other factors amounted to PLN 277 million (y/y) and included mainly:

- PLN 223 million (y/y) - impact of reversal on impairment on inventories (net realisable value) due to growing of crude oil prices as well as refinery and petrochemical products quotation during the 1st quarter of 2019;
- PLN (88) million (y/y) – impact of change in the balance of other operating activities, mainly related to the lack of compensation in the 1st quarter of 2018 for improper execution of the contract of the power plant CCGT in Plock and the power plant CCGT in Wloclawek;
- PLN 142 million (y/y) - other elements, including mainly higher trade margins in wholesale and retail.

2. The most significant events in the period from 1 January 2019 up to the date of preparation of the foregoing report**FEBRUARY 2019****Changes in the composition of the Supervisory Board**

Mr Mateusz Henryk Bochacik resigned with the effect from 15 February 2019 from the position of PKN ORLEN Supervisory Board Member. Mr Bochacik justified his resignation by personal reasons that prevent further effective carrying out of the Company's Supervisory Board member mandate.

Information on Metathesis Unit building investment

On 20 February 2019 PKN ORLEN S.A. informed, that currently constructed metathesis unit in Production Plant in Plock is in the final stage of commissioning phase. After executing of all steps within commissioning procedures, loading up of the unit and stabilization of the process parameters, process adjustment and a guarantee measurements will be conducted and the investment process will be completed. PKN ORLEN S.A. will inform in a separate regulatory announcement about the completion of the investment process.

APRIL 2019**PKN ORLEN submitted an offer to Ruch S.A.**

PKN ORLEN S.A. informed, that on 11 April of the current year submitted an offer to provide financing in connection with the intention to acquire 100% of Ruch S.A. shares. The decision was preceded by due diligence of the company. The investor assumes restructuring and exploitations synergies between the existing business model of Ruch and the dynamically developing retail segment of PKN ORLEN S.A.. The finalization of the offer will depend, among others, on decisions of creditors of Ruch and obtaining the consent of the Antitrust Authority to acquire shares.

Agreement regarding building of "Research and Development Centre in Plock"

PKN ORLEN S.A. informed that on 24 April 2019 the Company's Management Board decided to realize an investment task "Research and Development Centre in Plock" ("RDC") and the Company's Supervisory Board gave consent to assumption of liabilities by the PKN ORLEN S.A. under the agreement on building of RDC. Next PKN ORLEN S.A. has concluded an agreement with Budimex S.A. on building of Research and Development Centre in Plock. The maximum value of the agreement will amount to approximately PLN 167 million and the total cost of the investment approximately PLN 184 million. The finalization of the investment is planned by the end of 2020.

Research and Development Centre in Plock is a necessary part of the PKN ORLEN S.A. program of petrochemical segment development ("Program") and completion of research infrastructure of ORLEN Group. It will be a place to realize the research and to support the other projects included in the Program as well as the further extension of the value chain of petrochemical production announced in PKN ORLEN S.A. strategy. It will be also a place to realize the research in the other areas of ORLEN Group activity.

Agreement for building a nitric acid and neutralization installation by ANWIL S.A.

PKN ORLEN S.A. informed that on 24 April 2019 ANWIL S.A. signed an agreement with thyssenkrupp Industrial Solutions AG for design, deliveries and building "in turn key" formula a nitric acid and neutralization installation in ANWIL S.A. in Wloclawek.

Building of a nitric acid and neutralization installation is a key stage in realization of investment task regarding extension of fertilizers production capacities in ANWIL S.A. The Agreement signed with thyssenkrupp Industrial Solutions AG is the first of three most important contracts to be concluded within the frames of the extension of fertilizers production capacities in ANWIL S.A.

The project assumes increase of fertilizers production capacities by 495 thousand tons yearly, ie. to the level of 1 461 thousand tons yearly. Estimated total cost of the investment amounts to approximately PLN 1,3 billion. The finalization of the investment is planned by the half of 2022. After realization of the project it is estimated that the operating profit increased by depreciation and amortization (EBITDA) of ANWIL S.A. may increase by approximately EUR 57 million yearly.

3. Other information
3.1. Composition of the Management Board and the Supervisory Board

As at the date of preparation of the foregoing interim condensed consolidated financial statements, the composition of the management and supervisory bodies of the Company is as follows:

Management Board

Daniel Obajtek	– President of the Management Board, General Director
Armen Konrad Artwich	– Member of the Management Board, Corporate Affairs
Patrycja Klarecka	– Member of the Management Board, Retail Sales
Zbigniew Leszczyński	– Member of the Management Board, Development
Wiesław Protasewicz	– Member of the Management Board, Chief Financial Officer
Michał Róg	– Member of the Management Board, Wholesale and International Trades
Józef Węgrecki	– Member of the Management Board, Operations

Supervisory Board

Izabela Felczak-Poturnicka	– Chairwoman of the Supervisory Board
Radosław Leszek Kwaśnicki	– Deputy Chairman of the Supervisory Board, Independent Member of the Supervisory Board
Anna Wójcik	– Secretary of the Supervisory Board
Agnieszka Biernat-Wiatrak	– Member of the Supervisory Board
Andrzej Kapała	– Independent Member of the Supervisory Board
Wojciech Kryński	– Independent Member of the Supervisory Board
Jadwiga Lesisz	– Independent Member of the Supervisory Board
Małgorzata Niezgodą	– Member of the Supervisory Board

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
Nationale-Nederlanden OFE*	7.01%	30 000 000
Aviva OFE*	6.60%	28 240 000
Other	58.87%	251 758 865
	100.00%	427 709 061

*According to the information from the Ordinary General Shareholders' Meeting convened for 26 June 2018, continuing the Meeting on 17 July 2018

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

As at the date of the foregoing interim condensed consolidated financial statements, Members of the Management Board and the Supervisory Board did not hold any shares of PKN ORLEN.

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

3.4. Information on loan sureties or guarantees granted by the Parent Company or its subsidiaries to one entity or its subsidiary where the total value of existing sureties or guarantees is significant

PKN ORLEN is the guarantor of the 2 tranches of Eurobonds issued by an irrevocable and unconditional guarantees issued to the bondholders. The guarantees were granted for the duration of the Eurobond issue as in the following table:

	Nominal value		Subscription date	Expiration date	Rating	Value of guarantee issued	
	EUR	PLN				EUR	PLN
Eurobonds	750	3 318 **	7.06.2016	7.06.2023	BBB-, Baa2	1 100	4 731
Eurobonds	500	2 131 *	30.06.2014	30.06.2021	BBB-, Baa2	1 000	4 301
	1 250	5 449				2 100	9 032

The bonds have a fixed interest rate of 2.5%.

* translated using exchange rate as at 31 December 2014

** translated using exchange rate as at 31 December 2016

The value of guarantees granted was translated using the exchange rate as at 31 March 2019

Moreover, as at 31 March 2019 and as at 31 December 2018, the Group granted sureties and guarantees to subsidiaries for third parties of PLN 1,508 million and PLN 1,540 million, respectively, and mainly related to the timely payment of liabilities.

3.5. 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 1st QUARTER

2019

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 ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Sales revenues	20 290	18 323
<i>Revenues from sales of finished goods and services</i>	10 961	9 801
<i>Revenues from sales of merchandise and raw materials</i>	9 329	8 522
Cost of sales	(18 476)	(16 500)
<i>cost of finished goods and services sold</i>	(9 490)	(8 280)
<i>cost of merchandise and raw materials sold</i>	(8 986)	(8 220)
Gross profit on sales	1 814	1 823
Distribution expenses	(1 008)	(675)
Administrative expenses	(217)	(190)
Other operating income	120	187
Other operating expenses	(104)	(61)
(Loss)/reversal of loss due to impairment of financial instruments	(9)	(6)
Profit from operations	596	1 078
Finance income	265	604
Finance costs	(261)	(716)
Net finance income and costs	4	(112)
(Loss)/reversal of loss due to impairment of financial instruments	7	-
Profit before tax	607	966
Tax expense	(96)	(178)
<i>current tax</i>	(123)	(184)
<i>deferred tax</i>	27	6
Net profit	511	788
Other comprehensive income:		
which will not be reclassified subsequently into profit or loss	2	-
<i>gains/(losses) on investments in equity instruments at fair value</i>	2	-
<i>through other comprehensive income</i>		
which will be reclassified into profit or loss	(25)	(31)
<i>hedging instruments</i>	(126)	(70)
<i>hedging costs</i>	95	32
<i>deferred tax</i>	6	7
Total net comprehensive income	488	757
Net profit and diluted net profit per share (in PLN per share)	1.19	1.84

Separate statement of financial position

	31/03/2019 (unaudited)	31/12/2018
ASSETS		
Non-current assets		
Property, plant and equipment	15 255	15 611
Intangible assets	1 029	755
Right of use asset	2 274	-
Shares in related parties	15 092	15 090
Derivatives	130	118
Long-term lease receivables	22	-
Other assets	976	1 016
	34 778	32 590
Current assets		
Inventories	10 364	9 889
Trade and other receivables	8 681	7 709
Current tax assets	6	8
Cash	2 957	3 461
Non-current assets classified as held for sale	122	149
Derivatives	377	450
Short-term lease receivables	1	-
Other assets	218	541
	22 726	22 207
Total assets	57 504	54 797
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	178	203
Revaluation reserve	(4)	(6)
Retained earnings	29 663	29 152
Total equity	32 122	31 634
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	8 682	8 641
Provisions	520	520
Deferred tax liabilities	702	734
Derivatives	56	84
Lease liabilities	1 888	-
Other liabilities	130	257
	11 978	10 236
Current liabilities		
Trade and other liabilities	9 980	8 853
Lease liabilities	343	-
Liabilities from contracts with customers	229	213
Loans, borrowings and bonds	248	1 122
Provisions	534	376
Current tax liabilities	56	376
Derivatives	216	324
Other liabilities	1 798	1 663
	13 404	12 927
Total liabilities	25 382	23 163
Total equity and liabilities	57 504	54 797

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2019	2 285	203	(6)	29 152	31 634
Net profit	-	-	-	511	511
Items of other comprehensive income	-	(25)	2	-	(23)
Total net comprehensive income	-	(25)	2	511	488
31/03/2019	2 285	178	(4)	29 663	32 122
(unaudited)					
01/01/2018 (approved data)	2 285	253	-	25 027	27 565
Impact of IFRS 9 adoption	-	-	-	(24)	(24)
01/01/2018 (converted data)	2 285	253	-	25 003	27 541
Net profit	-	-	-	788	788
Items of other comprehensive income	-	(31)	-	-	(31)
Total net comprehensive income	-	(31)	-	788	757
31/03/2018	2 285	222	-	25 791	28 298
(unaudited)					



Separate statement of cash flows

	3 MONTHS ENDED 31/03/2019 (unaudited)	3 MONTHS ENDED 31/03/2018 (unaudited)
Cash flows from operating activities		
Profit before tax	607	966
Adjustments for:		
Depreciation and amortisation	418	317
Foreign exchange loss	4	77
Interest, net	65	43
Dividends	-	(3)
(Profit)/Loss on investing activities	(42)	93
Change in provisions	158	57
Change in working capital	(379)	(957)
<i>inventories</i>	(473)	(471)
<i>receivables</i>	(984)	195
<i>liabilities</i>	1 078	(681)
Other adjustments, incl.:	74	(74)
<i>rights received free of charge</i>	(67)	(84)
Income tax (paid)	(441)	(156)
Net cash from operating activities	464	363
Cash flows from investing activities		
Acquisition of property, plant and equipment, intangible assets and right of use asset	(317)	(462)
Acquisition of shares	(1)	(3 531)
Disposal of property, plant and equipment, intangible assets and right of use asset	56	52
Interest received	11	7
Dividends received	-	3
Expenses from non-current loans granted	(52)	-
Proceeds from non-current loans granted	1	-
Proceeds from current loans granted	-	1
Return of cash related to the purchase of non-controlling shareholders of UNIPETROL, a.s.	212	-
Proceeds from cash pool facility	172	185
Settlement of derivatives not designated as hedge accounting	2	(115)
Other	1	(1)
Net cash from/(used in) investing activities	85	(3 861)
Cash flows from financing activities		
Proceeds from loans received	-	2 075
Bonds issued	195	115
Redemption of bonds	(1 057)	(197)
Interest paid from loans, bonds and cash pool	(34)	(31)
Interest paid on lease	(8)	(1)
Outflows from cash pool facility	(115)	(463)
Payments of liabilities under lease agreements	(36)	(6)
Other	-	(1)
Net cash from/(used in) financing activities	(1 055)	1 491
Net (decrease) in cash	(506)	(2 007)
Effect of exchange rate changes	2	18
Cash, beginning of the period	3 461	5 477
Cash, end of the period	2 957	3 488
<i>including restricted cash</i>	46	-

The foregoing quarterly report was approved by the Management Board of the Parent Company on 24 April 2019.

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Daniel Obajtek
President of the Board

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Armen Artwich
Member of the Board

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Patrycja Klarecka
Member of the Board

.....
Zbigniew Leszczyński
Member of the Board

.....
Wiesław Protasewicz
Member of the Board

.....
Michał Róg
Member of the Board

.....
Józef Węgrecki
Member of the Board