

Orlen Capital AB (publ)
Corporate Identity Number 556974-3114

Annual report for the financial year 2014-06-12 - 2014-12-31

Office translation

The Board of Directors presents the following annual report.

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Unless otherwise stated all amounts in euro. Figures in brackets refer to prior years.

Administration Report

Information regarding the operations

The company was registered 2014-06-12. The objective of the company is to carry out financial operations, mainly through borrowing of funds by issuing bonds or other financial instruments to private or institutional investors, direct lending of such means to companies within the same group, offer loans and credits, and carry out other thereby related business. No financial services regulated in the Banking and Financing Business act (2004:297) will be carried out.

Significant events during the financial year

In June 2014 a bond of 500,000,000 EUR was issued, with a discount to the bondholders of 4,325,000 EUR. The duration of the bond is seven years and the bond is guaranteed by the parent company Polski Koncern Naftowy Orlen SA. The issued net amount of 495,675,000 EUR is re-lended to parent company.

Significant events after the end of the financial year

No significant events have occurred after the ending of the financial year.

Ownership structure

Orlen Finance AB is a fully owned subsidiary to Polski Koncern Naftowy ORLEN Spółka Akcyjna (reg no KRS 0000028860), Ul. Chemikow 7, 09-411 Plock, Poland.

Basic risks and uncertainties

The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The Board has the overall responsibility for establishing and monitoring the company's risk management.

The company is exposed to the following risks through the use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

Market risk

Market risk can be that a change in market prices will affect a company's income or the value of its holdings of financial instruments.

Currency risk

Orlen Capital AB (publ) is not exposed to any currency risk as both the loan to the parent company and the issued bonds are in the same currency, euro.

Interest rate risk

The company's interest rate risk profile of the interest-bearing financial instruments was:

	2014-12-31
	EUR
<u>Fixed interest rate</u>	
Receivables from Group companies	500 924 883
Bond loans	504 870 105

The company has minimized the interest rate risk by matching the loan obligations with the obligations of the bond.

Credit risk

Credit risk can be the risk of financial loss to a company if a counterparty fails to fulfill its contractual obligations.

Orlen Capital AB (publ) limits its exposure to credit risk by only granting loans to affiliated parties.

The total value of financial assets represents the maximum credit risk exposure.

The maximum exposure to credit risk at year end were as follows:

	2014-12-31
	EUR
Receivables from Group companies	500 924 883
Cash and bank balances	<u>1 113 391</u>
	502 038 096

Liquidity and financing risk

Liquidity risk can be that a company will encounter difficulty in meeting obligations arising from its financial liabilities which shall be settled by way of cash payment.

Orlen Capital AB's obligation to the bondholders includes annual interest payments and the final repayment at maturity.

The bond is guaranteed by the parent company Polski Koncern Naftowy Orlen SA, which minimizes the possible liquidity risk for the company.

Operational risk

Operational risk can be the risk of direct or indirect loss arising from a variety of occasions associated with a company's processes, personnel, infrastructure and from external factors other than credit, market and liquidity risks such as those derived from regulations and generally accepted customs. Operational risk arises from all of a company's activities.

Orlen Capital AB (publ) was formed with the purpose to engage in the activities described in the previous paragraph on the company's operations.

The operational risk of the company is reduced by the board's continuous monitoring of the company's financial statements and a general business knowledge.

Proposed appropriation of profits

The following means are at the disposal of the Annual General Meeting

Unappropriated profits	940 000
Net profit/loss for the year	<u>-61 254</u>
	<u>878 746</u>

The Board of Directors proposes that the means are

carried forward	<u>878 746</u>
	<u>878 746</u>

Income Statement	Note	2014-06-12 -2014-12-31
Other operating income		113 070
Operating expenses		
Other external expenses	1	-132 035
Personnel costs	2, 3	<u>-11 377</u>
Total operating expenses		-143 412
Operating profit/loss		-30 342
Profit/loss from financial items		
Other interest income and similar profit/loss items	4	5 261 390
Interest expenses and similar profit/loss items	5	<u>-5 292 302</u>
Total profit/loss from financial items		-30 912
Profit/loss after financial items		-61 254
Tax on profit for the year	6	-
Net profit/loss for the year		<u>-61 254</u>

Balance Sheet	Note	2014-12-31
Assets		
Fixed assets		
<u>Financial fixed assets</u>		
Receivables from Group companies	7, 8	<u>497 144 930</u>
Total fixed assets		<u>497 144 930</u>
Current assets		
<u>Current receivables</u>		
Prepaid expenses and accrued income	7, 9	<u>5 253 012</u>
<u>Cash and bank balances</u>		<u>1 113 391</u>
Total current assets		<u>6 366 403</u>
Total assets		<u>503 511 333</u>

Balance Sheet	Note	2014-12-31
Equity and liabilities		
Equity	10	
<u>Restricted equity</u>		
Share capital (500 000 st)		<u>60 000</u>
<u>Non-restricted equity</u>		
Retained earnings		940 000
Net profit/loss for the year		<u>-61 254</u>
Total equity		<u>938 746</u>
Non-current liabilities		
Bond loans	8	<u>497 453 858</u>
Total non-current liabilities		<u>497 453 858</u>
Current liabilities		
Accounts payable - trade		22 889
Other current liabilities		213 084
Accrued expenses and deferred income	11	<u>4 882 756</u>
Total current liabilities		<u>5 118 729</u>
Total equity and liabilities		<u>503 511 333</u>
Pledged assets		None
Contingent liabilities		None

Cash flow statement	2014-06-12	-2014-12-31
Operating activities		
Operating profit before financial items		-30 342
Interest received	5 261 390	
Interest paid	<u>-5 292 302</u>	
		-61 254
Increase/decrease other short-term receivables		-502 397 942
Increase/decrease accounts payables		22 889
Increase/decrease other short-term liabilities		<u>502 549 698</u>
Cash flow from operating activities		113 391
Investing operations		
Cash flow from investing operations		0
Financing activities		
Paid in share capital		60 000
Received shareholders contribution		<u>940 000</u>
Cash flow from financing activities		1 000 000
Cash flow of the year		<u>1 113 391</u>
Cash at the end of the year		<u>1 113 391</u>

Additional information

Accounting and valuation principles

General information

Orlen Capital AB (publ), with corporate identity number 556974-3114, is a limited liability company registered in Sweden with an office in Stockholm. The office address is Sergels Torg 12, 111 57 Stockholm, Sweden. The objective of the company's business is to conduct financial activities primarily through the borrowing of funds by way of issuance of bonds and other financial instruments to institutional and private investors and through the direct lending of such funds to group companies, granting credit facilities and loans, and to conduct any other activities compatible therewith or to provide any related services. The company shall not conduct activities that constitute operations which would require a license in accordance with the Banking and Financing Business Act (SFS 2004:297).

The parent company of the largest group which Orlen Capital AB (publ) is a subsidiary of is Polski Koncern Naftowy Orlen SA, corporate identity number KRS 0000028860 and with its registered office at Ul. Chemikow 7, 09-411 Plock, Poland. The consolidated report of Polski Koncern Naftowy ORLEN Spolka Akcyjna is available at the following address: Polski Koncern Naftowy ORLEN Spolka Akcyjna, ul. Chemikow 7, 09 - 411 Plock, and at www.ornlen.pl.

Accounting and valuation principles

The annual report of Orlen Capital AB (publ) has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that the company so far as possible, applies all EU-approved International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee (IFRIC) as part of the Annual Accounts Act and Security Act, and considered the relationship between accounting and taxation.

In the report, valuation of items is at cost. The following describes the principal accounting policies adopted.

This is the company's first financial year.

Foreign currency

The company's reporting currency and the functional currency is euro. Receivables and liabilities in foreign currencies are validated to the closing date rate. Exchange differences are recognized in the income statement.

Borrowing costs

Borrowing costs are recognized in the income statement in the period in which they arise.

Income taxes

The tax expense represents the sum of current and deferred taxes.

Current tax

The current tax is calculated on the taxable profit for the period. The taxable profit differs from the reported results in the income statement when it is adjusted for non-taxable income and non-deductible expenses and income and expenses that are taxable or deductible in other periods. The company's current tax is calculated using tax rates that have been determined or announced at the balance sheet date.

Receivables and accounts payable

For accounting of financial instruments, the company applies a method based on cost according to the Annual Accounts Act. Capital discount and issuing costs in raising loans are accrued, but not later than the time until the debt becomes due.

Accounts payable are reported initially to the received amount after transaction costs have been deducted. If the reported amount differs from the amount to be repaid at the due date the difference is accrued as interest cost or interest income over the term of the loan. Accounts payable are no longer reported when the payables have been settled through repayment or when they have been waived.

Loan receivables from group companies and bonds are reported in accordance with the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts and payments during the fixed interest rate period to equal the carrying amount of the receivable.

The Company's bond loans are measured at amortized cost, which means that the difference between the discounted value and the loan's respective bond loan's face value is amortized over the respective loan. The amortization is recognized as interest expense and interest income. Accrued transaction costs related to loans are amortized over the term of the loan and reported net as interest income / expense.

At each reporting date, the Company assesses whether there is fair evidence that the loans are impaired. Objective evidence consists of observable events that have occurred and have a negative impact on the ability to recover the cost. If fair evidence exists for this, expected future cash flows are discounted, using the original effective interest rate. If the presented value is lower than the carrying amount, the impairment loss is recognized.

Fixed Assets

Fixed assets and long term-liabilities are expected to be regained or repaid after more than twelve months from the balance sheet date. Current assets short term liabilities are expected to be regained or repaid within twelve months from the balance sheet date.

Current assets

Current assets are reported at the lower of acquisition cost and the lower of cost and net realizable value. Acquisition cost is defined as expenditures for the asset plus costs directly attributable to the acquisition. Net realizable value is defined as the sales value less estimated selling expenses.

Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value. To be classified as cash and cash equivalents duration may not exceed three months from the date of acquisition.

Provisions

Provisions are recognized when the company has a present obligation (legal or constructive), as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The sum represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the expenditures expected to be required to settle the obligation, the carrying value is equal to the present value of these payments.

Shareholders contribution

Shareholders contribution given by an owner is accounted for as an increase in the entities accounted value. Shareholders contribution received by an owner is accounted for directly into equity.

Contingent liabilities

A contingent liability is a possible obligation arising from past events and whose existence will only be confirmed by one or more uncertain future events not wholly within the control of the company that may occur or does not occur, or a present obligation arising from past events, but not recognized as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the obligation cannot be measured with sufficient reliability. Contingent liabilities are recognized in the balance sheet.

Cash flow Statement

The cash flow statement shows the company's changes in the company's cash and cash equivalents during the financial year. The cash flow statement has been prepared using the indirect method. The reported cash flow shows only transactions which have resulted in in- and outgoing payments.

Note 3 Financial risk management and financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Company becomes a party to the instrument's contractual terms. A receivable is recognized when the company has performed and a contractual obligation exists for the counterparty to pay, even if the invoice has not been sent. Liabilities are recognized when the counterparty has performed and there is contractual obligation to pay, even if the invoice has not been received. Accounts payable are recognized when received. A financial asset is derecognized when the contractual rights are realized, expire or the company loses controller over them. A financial liability is derecognized from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished.

The Company's business activities are exposed to various types of financial risks, including market, liquidity and credit risks. Market risks primarily consist of interest rate risk. The Company's Board of Directors is ultimately responsible for exposure management and monitoring of the company's financial risks.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows will fluctuate due to changes in exchange rates. Orlen Capital AB is not exposed to any currency risk as both the loan to the parent company and the issued bonds are in the same currency, euro.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates.

The company's interest rate risk profile of the interest-bearing financial instruments was:

	2014-12-31 EUR
<u>Fixed interest rate</u>	
Receivables from Group companies	495 675 000
Bond loans	500 000 000

The company has minimized the interest rate risk by matching the loan obligations with the obligations of the bond.

Liquidity and finance risk

Liquidity risk can be the risk that a company will encounter difficulty in meeting obligations arising from its financial liabilities which shall be settled by way of cash payment.

The financing risk is the risk that the company can not raise sufficient funds at a reasonable cost. Maturity Distribution of contractual payment obligations related to the Company's financial liabilities are presented in the tables below.

The figures in these tables are not discounted values and they include, where appropriate, interest payments, which means that these amounts are not possible to reconcile the amounts reported in the balance sheets. Interest payments are determined based on the conditions prevailing at the balance sheet date.

The company's loan agreements contain no terms that could cause actual payment date will be substantially earlier than indicated in the tables.

3 months	3-12 months
Liability to bond holders	4 870 105
Liability to Group companies	
Accounts payables	22 889
Other short term liabilities	
Sum	4 892 994

Credit & Counterparty Risk

Credit risk refers to the risk that the counterparty to a transaction causing the company a loss by not fulfilling their contractual obligations. Orlen Capital AB (publ) limits their risk by only leave intercompany loans.

Company's maximum exposure to credit risk is assessed corresponds to the carrying values of all financial assets and shown in the table below.

	2014-12-31
Receivables from Group companies	500 924 883
Cash and bank balances	<u>1 113 391</u>
	502 038 274

Capital risk management

The company's objectives for managing capital is to safeguard the company's ability to continue its operations to generate reasonable returns for shareholders and benefits for other stakeholders.

The Company monitors its capital structure on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as liabilities to credit institutions less cash. Total capital consists of total equity and net debt.

Per year end debt/equity ratio amount to:

	2014-12-31
Borrowing	504 870 105
Less cash	<u>- 1 113 391</u>
Net debt	503 756 714
Total equity	1 000 000
Total capital	504 756 714
Debt/equity ratio	99,8%

Notes to the accounts

Note 1 Remuneration to auditors

2014-06-12
-2014-12-31

KPMG AB

Audit	12 500
Audit activities outside the audit assignment	-
Tax audit	-
Other assignments	=
	<u>12 500</u>

Auditing means the statutory audit of annual accounts, the board and the managing director's administration of the company as well as auditing and audit conducted in accordance with the agreement or contract. This includes other duties that are incumbent on the company's auditor as well as advice or other assistance resulting from observations during such examination or performance of such tasks.

Note 2 Remuneration by country

2014-06-12
-2014-12-31

Remuneration by country amount to

Sweden

The board 4 505

Polen

The board and managing director 6 872

Total 11 377

Note 3 Employees

	2014-06-12	<u>-2014-12-31</u>
Board members and leading executives		
Women		<u>1</u>
Men		<u>3</u>
Total		<u>4</u>
Remuneration, social costs and pension		
Remuneration to the board and managing director	10 360	<u>10 360</u>
Social costs according to law and contract		<u>1 017</u>
Total		<u>11 377</u>

Note 4 Other interest income and similar profit/loss items

	2014-06-12	<u>-2014-12-31</u>
Interest revenue from Group company	5 249 887	
Exchange rate differences		<u>11 503</u>
Sum		<u>5 261 390</u>

Note 5 Interest expenses and similar profit/loss items

	2014-06-12	<u>-2014-12-31</u>
Interest expenses bond loan	4 870 105	
Exchange rate differences		199
Accrual of transaciton costs		113 070
Accrual of bond discount		<u>308 928</u>
Sum		<u>5 292 302</u>

Note 6 Tax on profit for the year

	2014-06-12 <u>-2014-12-31</u>
Current tax for the year	-
Profit before tax	-61 254
Tax according to current tax rate 22%	13 476
Non-taxable income	-
Non-deductible expenses	-
Increase in carried forward losses without corresponding capitalization of deferred tax	-
Reported effective tax 22%	=

Note 7 Reported value

	Reported value		Fair value
	Receivables	Liabilities	<u>Fair value</u>
Loan receivables	497 144 930		493 510 000*
Accrued interest revenues	5 249 883		5 249 883
Cash and bank balances	1 113 391		1 113 391
Sum	502 058 274		503 618 348
Bond loans		497 453 858	493 510 000*
Accrued interest costs		4 870 105	4 870 105
Accounts payable - trade		22 889	22 889
Sum		500 509 904	493 532 889

The quoted price as of December (Level 1 of the fair value hierarchy).

Note 8 Transactions with related parties

	<u>2014-12-31</u>
Receivables on related parties	
Loan granted	495 675 000
Transaction costs	1 583 000
	<u>-113 070</u>
Sum	<u>497 144 930</u>
Non-current liabilities	
Bond loans	500 000 000
Transaction costs	1 583 000
Accrual of transaction costs	-113 070
Discount loan	-4 325 000
Accrued discount	<u>308 928</u>
Sum	<u>497 453 858</u>

The company is a fully owned subsidiary to Polski Koncern Naftowy Orlen SA (reg no KRS 0000028860), Ul. Chemikow 7, 09-411 Plock, Poland.

The bond is guaranteed by the parent company Polski Koncern Naftowy Orlen SA. The bond bears 2,5 % interest. The interest is paid yearly in arrears with the first payment executed in June 2015.

Note 9	Prepaid expenses and accrued income
	<u>2014-12-31</u>
Accrued interest income on loan to parent company	5 249 883
Other prepaid costs	<u>3 129</u>
	<u>5 253 012</u>

Note 10 Change in equity

	Share- capital	Net profit/loss for the year	Total equity
Equity 2014-06-12	60 000	-	60 000
Shareholders contribution	-	940 000	940 000
Net profit/loss for the year	=	<u>-61 254</u>	<u>-61 254</u>
Equity 2014-12-31	60 000	878 746	938 746


Note 11 Accrued expenses and deferred income


	<u>2014-12-31</u>
Accrued audit fee	12 500
Accrued interest	4 870 105
Other posts	<u>151</u>
Sum	4 882 756

Stockholm 2015-03-24


Jacek Matyjasik
Board member, chairman

Robert Jasinski
Board member


Anna Litewka
Board member, managing director


Witold Literacki
Board member

Our auditors report has been given 2015-

KPMG AB

Per Gustafsson
Authorized public accountant

Auditor's report

To the annual meeting of the shareholders of Orlen Capital, corp. id 556974-3114

Report on the annual accounts

We have audited the annual accounts of Orlen Capital for the year 2014.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of Orlen Finance as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Orlen Capital for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm

KPMG AB

Per Gustafsson
Authorized Public Accountant