



**Polski Koncern Naftowy ORLEN
Spółka Akcyjna**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2011**

The opinion contains 3 pages
The report supplementing the auditor's opinion
contains 10 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2011



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OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Polski Koncern Naftowy ORLEN Spółka Akcyjna

We have audited the accompanying separate financial statements of Polski Koncern Naftowy ORLEN Spółka Akcyjna, seated in Płock, 7 Chemików Street ("PKN ORLEN S.A.", "the Company"), which comprise the separate statement of financial position as at 31 December 2011, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by European Union and with other applicable regulations and preparation of the Report on the Company's operations. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board or are required to ensure that the financial statements and the Report on the Company's operations are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying separate financial statements of Polski Koncern Naftowy ORLEN S.A. have been prepared and present fairly, in all material respects, the separate financial position of the Company as at 31 December 2011 and its separate financial performance and its separate cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to the fact that in 2011 the Company has recognised impairment losses on financial non-current assets of PLN 1,552,852 thousand related to shares in AB ORLEN Lietuva. The projected future financial performance of AB ORLEN Lietuva, that was the basis for the impairment testing, is based on number of assumptions, that are, in respect of macroeconomic factors, beyond the Company's control. As described in note 12 to the accompanying separate financial statements, a change in these assumptions may influence the Company's financial position, including the results of the tests for impairment of non-current assets, and consequently may lead to changes in the financial position and performance of the Company.



Other Matters

As required under the Accounting Act, we also report that the Management Board Report on the Operations of Polski Koncern Naftowy ORLEN S.A. includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Sp. z o.o.
registration number 458
51 Chłodna Street, 00-867 Warsaw



.....
Certified Auditor No. 10427
Marta Zemka



.....
Certified Auditor No. 10268
Director
Monika Bartoszewicz

28 March 2012
Warsaw



TRANSLATION

**Polski Koncern Naftowy ORLEN
Spółka Akcyjna**

Report supplementing
the auditor's opinion
on the separate financial
statements

Financial Year ended
31 December 2011

The report supplementing the auditor's opinion
contains 10 pages

Report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2011



Polski Koncern Naftowy ORLEN Spółka Akcyjna
*Report supplementing the opinion on the separate financial statements
for the financial year ended 31 December 2011*

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Contents

| | | |
|--------|--|----|
| 1. | General | 3 |
| 1.1. | General information about the Company | 3 |
| 1.1.1. | Company name | 3 |
| 1.1.2. | Registered office | 3 |
| 1.1.3. | Registration in the National Court Register | 3 |
| 1.1.4. | Management of the Company | 3 |
| 1.2. | Auditor information | 4 |
| 1.2.1. | Key certified auditor information | 4 |
| 1.2.2. | Audit firm information | 4 |
| 1.3. | Prior period financial statements | 4 |
| 1.4. | Audit scope and responsibilities | 4 |
| 2. | Financial analysis of the Company | 6 |
| 2.1. | Summary of the separate financial statements | 6 |
| 2.1.1. | Separate statement of financial position | 6 |
| 2.1.2. | Separate statement of comprehensive income | 7 |
| 2.2. | Selected financial ratios | 8 |
| 3. | Detailed report | 9 |
| 3.1. | Proper operation of the accounting system | 9 |
| 3.2. | Notes to the separate financial statements | 9 |
| 3.3. | Management Board Report on the Operations of Polski Koncern Naftowy ORLEN S.A. | 9 |
| 3.4. | Information on the opinion of the independent auditor | 10 |

1. General

1.1. General information about the Company

1.1.1. Company name

Polski Koncern Naftowy ORLEN Spółka Akcyjna (PKN ORLEN S.A.)

1.1.2. Registered office

7 Chemików Street
09-411 Płock

1.1.3. Registration in the National Court Register

| | |
|---|---|
| Registration court: | District Court in for the Capital City Warsaw in Warsaw, XIV Commercial Department of the National Court Register |
| Date: | 19 July 2001 |
| Registration number: | KRS 0000028860 |
| Share capital as at balance sheet date: | PLN 534,636,000 |

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2011, the Management Board of the Company was comprised of the following members:

- Dariusz Krawiec – President of the Management Board, Chief Executive Officer,
- Sławomir Jędrzejczyk – Vice-President of the Management Board, Chief Financial Officer,
- Krystian Pater – Member of the Management Board, Refinery,
- Grażyna Piotrowska-Oliwa – Member of the Management Board, Sales,
- Piotr Wielowiejski – Member of the Supervisory Board delegated to perform the duties of Member of the Management Board, Petrochemistry.

In 2011 the following changes in the composition of the Management Board of PKN ORLEN S.A. occurred:

| | |
|-------------------|--|
| Wojciech Kotlarek | – Member of the Management Board, Sales (until 29 June 2011) |
| Marek Serafin | – Member of the Management Board, Petrochemistry (until 8 December 2011) |

On 6 March 2012 the Supervisory Board appointed Mr. Piotr Chełmiński to the position of the Management Board Member, Petrochemistry effective 10 March 2012.

On 7 March 2012 Mrs. Grażyna Piotrowska-Oliwa resigned from the position of the Management Board Member, Sales effective 18 March 2012.





Effective from 9 March 2012 Mr. Piotr Wielowieyski ceased to perform duties of the Member or the Management Board, Petrochemistry.

On 14 March 2012 the Supervisory Board appointed Mr. Marek Podstawa to the position of the Management Board Member, Sales effective 19 March 2012.

1.2. Auditor information

1.2.1. Key certified auditor information

Name and surname: Monika Bartoszewicz
Registration number: 10268

Name and surname: Marta Zemka
Registration number: 10427

1.2.2. Audit firm information

Name: KPMG Audyt Sp. z o.o.
Registered office: Warsaw
Address: 51 Chłodna Street, 00-867 Warsaw
Registration number: KRS 0000104753
Registration court: District Court for the Capital City Warsaw in Warsaw,
XII Commercial Department of the National Court Register
Share capital: PLN 125,000
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of audit firms under number 458.

1.3. Prior period financial statements

The separate financial statements for the period ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 29 June 2011 where it was resolved to allocate the profit for the prior financial year of PLN 2,357,127,065.35 to reserve capital.

The separate financial statements were submitted to the Registry Court on 6 July 2011 and were published in Monitor Polski B No. 2163 on 10 November 2011.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of PKN ORLEN S.A. seated in Płock, 7 Chemików Street and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2011, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the Extraordinary General Meeting of Polski Koncern Naftowy ORLEN S.A. dated 30 December 2004.

The separate financial statements have been audited in accordance with the contract dated 8 December 2010, concluded on the basis of the resolution of the Supervisory Board dated 7 October 2010 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements in the Company's head office during the period from 6 December 2011 till 16 December 2011 and from 23 January 2012 till 28 March 2012. The audit was preceded by quarterly reviews.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Management Board Report on the Operations of Polski Koncern Naftowy ORLEN S.A..

Our responsibility is to express an opinion and to prepare a supplementing report on the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated the same date as this report as to the true and fair presentation of the separate financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditors and KPMG Audyt Sp. z o.o. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649).

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.





2. Financial analysis of the Company

2.1. Summary of the separate financial statements

2.1.1. Separate statement of financial position

| ASSETS | 31.12.2011 | % of total | 31.12.2010 | % of total |
|---------------------------------------|-------------------|--------------|-------------------|--------------|
| | PLN '000 | assets | PLN '000 | assets |
| Non-current assets | | | | |
| Property, plant and equipment | 12,190,347 | 26.6 | 12,379,779 | 31.0 |
| Intangible assets | 362,791 | 0.8 | 383,190 | 1.0 |
| Perpetual usufruct of land | 89,692 | 0.2 | 90,812 | 0.2 |
| Shares in related parties | 9,051,706 | 19.7 | 11,529,773 | 28.9 |
| Financial assets available for sale | 40,328 | 0.1 | 40,828 | 0.1 |
| Deferred tax assets | 11,280 | - | 198,686 | 0.5 |
| Other non-current assets | 683,127 | 1.5 | 40,803 | 0.1 |
| Total non-current assets | 22,429,271 | 48.9 | 24,663,871 | 61.8 |
| Current assets | | | | |
| Inventories | 11,549,043 | 25.2 | 7,450,787 | 18.7 |
| Trade and other receivables | 7,271,441 | 15.8 | 5,853,469 | 14.7 |
| Other short-term financial assets | 320,480 | 0.7 | 506,067 | 1.3 |
| Income tax receivable | 1,142 | - | 15,568 | - |
| Cash and cash equivalents | 4,291,187 | 9.4 | 1,396,060 | 3.5 |
| Non-current assets held for sale | 6,519 | - | 8,236 | - |
| Total current assets | 23,439,812 | 51.1 | 15,230,187 | 38.2 |
| TOTAL ASSETS | 45,869,083 | 100.0 | 39,894,058 | 100.0 |
| EQUITY AND LIABILITIES | | | | |
| | 31.12.2011 | % of total | 31.12.2010 | % of total |
| | PLN '000 | assets | PLN '000 | assets |
| Equity | | | | |
| Share capital | 1,057,635 | 2.3 | 1,057,635 | 2.6 |
| Share premium | 1,227,253 | 2.7 | 1,227,253 | 3.1 |
| Hedging reserve | (14,617) | - | 63,874 | 0.2 |
| Retained earnings | 18,576,453 | 40.4 | 17,190,287 | 43.1 |
| Total equity | 20,846,724 | 45.4 | 19,539,049 | 49.0 |
| Liabilities | | | | |
| Interest-bearing loans and borrowings | 9,346,203 | 20.4 | 7,937,850 | 19.9 |
| Provisions | 327,747 | 0.7 | 363,053 | 0.9 |
| Other long-term liabilities | 170,434 | 0.4 | 49,958 | 0.1 |
| Total long-term liabilities | 9,844,384 | 21.5 | 8,350,861 | 20.9 |
| Trade and other liabilities | 10,998,036 | 24.0 | 10,038,858 | 25.2 |
| Interest-bearing loans and borrowings | 2,320,861 | 5.1 | 1,164,699 | 2.9 |
| Income tax liability | 613,182 | 1.3 | - | - |
| Provisions | 442,181 | 1.0 | 512,570 | 1.3 |
| Deferred income | 118,423 | 0.2 | 64,609 | 0.2 |
| Other financial liabilities | 685,292 | 1.5 | 223,412 | 0.5 |
| Total short-term liabilities | 15,177,975 | 33.1 | 12,004,148 | 30.1 |
| Total liabilities | 25,022,359 | 54.6 | 20,355,009 | 51.0 |
| TOTAL EQUITY AND LIABILITIES | 45,869,083 | 100.0 | 39,894,058 | 100.0 |

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Polski Koncern Naftowy ORLEN Spółka Akcyjna
*Report supplementing the opinion on the separate financial statements
for the financial year ended 31 December 2011*
TRANSLATION

2.1.2. Separate statement of comprehensive income

| | 1.01.2011 - 31.12.2011 | % of total sales | 1.01.2010 - 31.12.2010 | % of total sales |
|---|---------------------------|------------------|---------------------------|------------------|
| | PLN '000 | revenues | PLN '000 | revenues |
| Income statement | | | | |
| Sales revenue | 79,037,121 | 100.0 | 62,215,581 | 100.0 |
| Cost of sales | (73,327,619) | (92.8) | (57,045,562) | (91.7) |
| Gross profit on sales | 5,709,502 | 7.2 | 5,170,019 | 8.3 |
| Distribution expenses | (1,947,915) | (2.5) | (1,824,472) | (2.9) |
| General and administrative expenses | (671,186) | (0.8) | (584,243) | (0.9) |
| Other operating revenues | 435,158 | 0.6 | 303,637 | 0.5 |
| Other operating expenses | (351,621) | (0.4) | (308,114) | (0.5) |
| Profit from operations | 3,173,938 | 4.0 | 2,756,827 | 4.4 |
| Financial revenues | 2,999,717 | 3.8 | 527,993 | 0.8 |
| Finance expenses | (3,777,208) | (4.8) | (458,496) | (0.7) |
| Financial revenues and expenses | (777,491) | (1.0) | 69,497 | 0.1 |
| Profit before tax | 2,396,447 | 3.0 | 2,826,324 | 4.5 |
| Income tax expense | (1,010,281) | (1.3) | (469,197) | (0.8) |
| Net profit | 1,386,166 | 1.8 | 2,357,127 | 3.8 |
| Items of other comprehensive income | | | | |
| Hedging instruments valuation | 62,756 | 0.1 | 25,502 | - |
| Hedging instruments settlement | (159,658) | (0.2) | 35,021 | 0.1 |
| Deferred tax on other comprehensive income | 18,411 | - | (11,499) | - |
| Items of other comprehensive income | (78,491) | (0.1) | 49,024 | 0.1 |
| Total comprehensive income | 1,307,675 | 1.7 | 2,406,151 | 3.9 |
| Net profit and diluted net profit per share (in PLN per share) | 3.24 | | 5.51 | |

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2.2. Selected financial ratios

| | 2011 | 2010 | 2009 |
|--|---------|---------|---------|
| 1. Return on sales | | | |
| $\frac{\text{profit for the period}}{\text{revenue}} \times 100\%$ | 1.8% | 3.8% | 3.5% |
| 2. Return on equity | | | |
| $\frac{\text{profit for the period}}{\text{equity} - \text{profit for the period}} \times 100\%$ | 7.1% | 13.7% | 10.6% |
| 3. Debtors' days | | | |
| $\frac{\text{average trade receivables} \times 365 \text{ days}}{\text{revenue}}$ | 28 days | 27 days | 28 days |
| 4. Debt ratio | | | |
| $\frac{\text{liabilities}}{\text{equity and liabilities}} \times 100\%$ | 54.6% | 51.0% | 53.7% |
| 5. Current ratio | | | |
| $\frac{\text{current assets}}{\text{current liabilities}}$ | 1.5 | 1.3 | 1.5 |

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period.

The above financial ratios do not indicate the existence of conditions which may have a significant negative impact on the financial position and financial performance of the Company and its ability to continue as going concern in a foreseeable future.



3. Detailed report

3.1. Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Management Board Report on the Operations of Polski Koncern Naftowy ORLEN S.A.

The Report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the separate financial statements.



3.4. Information on the opinion of the independent auditor

Based on our audit of the separate financial statements as at and for the year ended 31 December 2011, we have issued an unqualified opinion with the following emphasis of matters:

“Without qualifying our opinion, we draw your attention to the fact that in 2011 the Company has recognised impairment losses on financial non-current assets of PLN 1,552,852 thousand related to shares in AB ORLEN Lietuva. The projected future financial performance of AB ORLEN Lietuva, that was the basis for the impairment testing, is based on number of assumptions, that are, in respect of macroeconomic factors, beyond the Company’s control. As described in note 12 to the accompanying separate financial statements, a change in these assumptions may influence the Company’s financial position, including the results of the tests for impairment of non-current assets, and consequently may lead to changes in the financial position and performance of the Company.”

On behalf of KPMG Audyt Sp. z o.o.
registration number 458
51 Chłodna Street, 00-867 Warsaw



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Marta Zemka



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28 March 2012
Warsaw