



**ORLEN**

**Polski Koncern Naftowy ORLEN**  
Spółka Akcyjna

# **ORLEN CAPITAL GROUP**

## **CONSOLIDATED QUARTERLY REPORT**

**FOR III QUARTER 2013**

**POLISH FINANCIAL SUPERVISION AUTHORITY**  
**Consolidated Quarterly Report QSr III/ 2013**

quarter/ (year)

(in accordance with § 82 section 2 and § 83 section 1 of the Minister of Finance Regulation of 19 February 2009, Official Journal No. 33, item 259 with further amendments)

**(for issuers of securities whose business activity embraces manufacture, construction, trade or services)**

for the III quarter of the reporting year 2013, that is for the period from 01.01.2013 to 30.09.2013 which includes consolidated financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN) and condensed financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN).

on 23 October 2013  
(submission date)

**KPMG AUDYT Sp. z o.o.**

(Entity authorized to conduct audit)

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<b>POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA</b>		
<b>PKN ORLEN</b>	(full name of the issuer)	<b>PALIWOWY (pa)</b>
(abbreviated name of the issuer)		(industrial sector in line with classification of Warsaw Stock Exchange)
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**ORLEN GROUP**
**CONSOLIDATED QUARTERLY REPORT FOR THE III QUARTER OF 2013  
SELECTED FINANCIAL DATA**
*(Translation of a document originally issued in Polish)*

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	III QUARTER 2013 CUMMULATIVE DATA	III QUARTER 2012 CUMMULATIVE DATA	III QUARTER 2013 CUMMULATIVE DATA	III QUARTER 2012 CUMMULATIVE DATA
I. Sales revenues	86 175 043	88 856 353	20 405 636	21 040 551
II. Profit from operations	821 148	2 762 664	194 442	654 179
III. Profit before tax	673 294	3 297 442	159 431	780 811
IV. Net profit attributable to equity owners of the parent	596 950	2 621 051	141 354	620 646
V. Net profit	568 006	2 621 277	134 500	620 700
VI. Total comprehensive income attributable to equity owners of the parent	724 934	2 309 328	171 659	546 833
VII. Total net comprehensive income	703 923	2 225 294	166 684	526 934
VIII. Net cash provided by operating activities	4 168 203	2 710 060	987 000	641 723
IX. Net cash (used) in investing activities	(1 207 347)	(1 566 378)	(285 890)	(370 907)
X. Net cash (used) in financing activities	(2 443 598)	(2 675 532)	(578 627)	(633 547)
XI. Net increase/(decrease) in cash and cash equivalents	517 258	(1 531 850)	122 483	(362 731)
XII. Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	1.40	6.13	0.33	1.45
	AS AT 30/09/2013	AS AT 30/09/2012	AS AT 30/09/2013	AS AT 30/09/2012
XIII. Non-current assets	26 297 357	26 810 637	6 237 070	6 358 807
XIV. Current assets	27 322 450	25 820 143	6 480 196	6 123 887
XV. Total assets	53 619 807	52 630 780	12 717 266	12 482 693
XVI. Non-current liabilities	7 463 141	9 196 658	1 770 069	2 181 215
XVII. Current liabilities	17 791 399	15 127 289	4 219 671	3 587 811
XVIII. Total equity	28 365 267	28 306 833	6 727 526	6 713 667
XIX. Equity attributable to equity owners of the parent	26 561 903	26 479 187	6 299 813	6 280 195
XX. Share capital	1 057 635	1 057 635	250 844	250 844
XXI. Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
XXII. Book value and diluted book value per share attributable to equity owners of the parent (in PLN/EUR per share)	62.10	61.91	14.73	14.68

SELECTED SEPARATE FINANCIAL DATA	PLN thousand		EUR thousand	
	III QUARTER 2013 CUMMULATIVE DATA	III QUARTER 2012 CUMMULATIVE DATA	III QUARTER 2013 CUMMULATIVE DATA	III QUARTER 2012 CUMMULATIVE DATA
I. Sales revenues	63 900 101	64 778 211	15 131 089	15 339 019
II. Profit from operations	598 174	1 903 488	141 643	450 732
III. Profit before tax	705 311	3 050 731	167 013	722 391
IV. Net profit	688 805	2 517 630	163 104	596 157
V. Total net comprehensive income	770 517	2 473 280	182 453	585 655
VI. Net cash provided by operating activities	3 103 789	1 298 433	734 956	307 460
VII. Net cash provided by/(used in) investing activities	114 410	(703 028)	27 091	(166 472)
VIII. Net cash (used) in financing activities	(2 384 134)	(2 278 565)	(564 546)	(539 548)
IX. Net increase/(decrease) in cash and cash equivalents	834 065	(1 683 160)	197 501	(398 560)
X. Net profit and diluted net profit per share (in PLN/EUR per share)	1.61	5.89	0.38	1.39
	AS AT 30/09/2013	AS AT 31/12/2012	AS AT 30/09/2013	AS AT 31/12/2012
XI. Non-current assets	21 609 165	22 474 134	5 125 149	5 330 298
XII. Current assets	20 487 642	18 932 835	4 859 152	4 490 391
XIII. Total assets	42 096 807	41 406 969	9 984 301	9 820 689
XIV. Non-current liabilities	6 170 038	7 702 331	1 463 377	1 826 799
XV. Current liabilities	12 877 810	10 784 632	3 054 292	2 557 843
XVI. Total equity	23 048 959	22 920 006	5 466 632	5 436 047
XVII. Share capital	1 057 635	1 057 635	250 844	250 844
XVIII. Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
XIX. Book value and diluted book value per share (in PLN/EUR per share)	53.89	53.59	12.78	12.71

The above data for the III quarter of 2013 and 2012 was translated into EUR by the following exchange rates:

- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 30 September 2013 – 4.2163 PLN/EUR;
- items of statement of profit or loss and other comprehensive income and statement of cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of the month during the reporting period from: 1 January to 30 September 2013 – 4.2231 PLN/EUR.

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**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE 9 AND 3 MONTHS PERIOD ENDED 30 SEPTEMBER 2013**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL  
FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY 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 financial position

NOTE	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	24 582 426	24 743 734
Investment property	123 207	117 270
Intangible assets	1 114 504	1 447 300
Perpetual usufruct of land	95 687	97 777
Investments accounted for under equity method	11 875	11 932
Financial assets available for sale	40 409	40 820
Deferred tax assets	265 420	296 939
Other non-current assets	63 829	54 865
	<b>26 297 357</b>	<b>26 810 637</b>
<b>Current assets</b>		
Inventories	15 377 537	15 011 047
Trade and other receivables	9 066 059	8 075 302
Other financial assets	78 275	368 125
Current tax assets	57 042	89 625
Cash and cash equivalents	2 727 450	2 211 425
Non-current assets classified as held for sale	16 087	64 619
	<b>27 322 450</b>	<b>25 820 143</b>
<b>Total assets</b>	<b>53 619 807</b>	<b>52 630 780</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	1 057 635	1 057 635
Share premium	1 227 253	1 227 253
Hedging reserve	9 203	(73 232)
Revaluation reserve	1 061	6 973
Foreign exchange differences on subsidiaries from consolidation	132 387	80 926
Retained earnings	24 134 364	24 179 632
<b>Total equity attributable to equity owners of the parent</b>	<b>26 561 903</b>	<b>26 479 187</b>
<b>Non-controlling interest</b>	<b>1 803 364</b>	<b>1 827 646</b>
<b>Total equity</b>	<b>28 365 267</b>	<b>28 306 833</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans, borrowings and debt securities	5 901 435	7 678 446
Provisions	667 423	660 279
Deferred tax liabilities	720 652	671 603
Deferred income	15 069	15 321
Other non-current liabilities	158 562	171 009
	<b>7 463 141</b>	<b>9 196 658</b>
<b>Current liabilities</b>		
Trade and other liabilities	15 280 395	12 655 891
Loans, borrowings and debt securities	1 648 626	1 294 641
Current tax liabilities	20 277	83 737
Provisions	605 640	802 719
Deferred income	181 634	168 305
Other financial liabilities	54 247	121 996
Liabilities directly associated with assets classified as held for sale	580	-
	<b>17 791 399</b>	<b>15 127 289</b>
<b>Total liabilities</b>	<b>25 254 540</b>	<b>24 323 947</b>
<b>Total equity and liabilities</b>	<b>53 619 807</b>	<b>52 630 780</b>

The accompanying notes disclosed on pages 10 - 19 are an integral part of the foregoing interim condensed consolidated financial statements.



## Consolidated statement of profit or loss and other comprehensive income

	NOTE	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
<b>Statement of profit or loss</b>					
Sales revenues	3.4.	86 175 043	30 391 777	88 856 353	31 654 042
Cost of sales	3.5.	(81 374 453)	(28 416 244)	(82 336 115)	(29 034 510)
<b>Gross profit on sales</b>		<b>4 800 590</b>	<b>1 975 533</b>	<b>6 520 238</b>	<b>2 619 532</b>
Distribution expenses		(2 938 322)	(1 012 215)	(2 845 434)	(1 005 688)
Administrative expenses		(1 069 098)	(336 782)	(1 080 514)	(340 777)
Other operating income	3.7.	350 641	104 346	505 868	256 088
Other operating expenses	3.7.	(322 663)	(113 649)	(337 494)	(80 663)
<b>Profit from operations</b>		<b>821 148</b>	<b>617 233</b>	<b>2 762 664</b>	<b>1 448 492</b>
Finance income	3.8.	292 039	377 745	1 295 855	608 808
Finance costs	3.8.	(439 690)	(174 049)	(761 299)	(390 801)
<b>Net finance income and costs</b>		<b>(147 651)</b>	<b>203 696</b>	<b>534 556</b>	<b>218 007</b>
Share in profit from investments accounted for under equity method		(203)	257	222	763
<b>Profit before tax</b>		<b>673 294</b>	<b>821 186</b>	<b>3 297 442</b>	<b>1 667 262</b>
Tax expense	3.9	(105 288)	(169 377)	(676 165)	(250 289)
<b>Net profit</b>		<b>568 006</b>	<b>651 809</b>	<b>2 621 277</b>	<b>1 416 973</b>
<b>Items of other comprehensive income</b>					
<b>which will not be reclassified into profit or loss</b>		<b>(9 386)</b>	<b>-</b>	<b>2 655</b>	<b>-</b>
<i>Fair value measurement of investment property as at the date of reclassification</i>		(11 588)	-	3 277	-
<i>Deferred tax</i>		2 202	-	(622)	-
<b>which will be reclassified into profit or loss under certain conditions</b>		<b>145 303</b>	<b>(47 623)</b>	<b>(398 637)</b>	<b>59 881</b>
<i>Hedging instruments</i>		101 752	188 262	(35 068)	313 376
<i>Foreign exchange differences on subsidiaries from consolidation</i>		62 884	(200 115)	(370 232)	(193 953)
<i>Deferred tax</i>		(19 333)	(35 770)	6 662	(59 542)
		<b>135 917</b>	<b>(47 623)</b>	<b>(395 983)</b>	<b>59 881</b>
<b>Total net comprehensive income</b>		<b>703 923</b>	<b>604 186</b>	<b>2 225 294</b>	<b>1 476 854</b>
<b>Net profit attributable to equity owners of the parent</b>		<b>568 006</b>	<b>651 809</b>	<b>2 621 277</b>	<b>1 416 973</b>
<i>equity owners of the parent</i>		596 950	654 568	2 621 051	1 366 135
<i>non-controlling interest</i>		(28 944)	(2 759)	226	50 838
<b>Total net comprehensive income attributable to equity owners of the parent</b>		<b>703 923</b>	<b>604 186</b>	<b>2 225 294</b>	<b>1 476 854</b>
<i>equity owners of the parent</i>		724 934	634 265	2 309 328	1 457 962
<i>non-controlling interest</i>		(21 011)	(30 079)	(84 034)	18 892
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		1.40	1.53	6.13	3.19

The accompanying notes disclosed on pages 10 - 19 are an integral part of the foregoing interim condensed consolidated financial statements.



## Consolidated statement of cash flows

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
<b>Cash flows - operating activities</b>				
<b>Net profit</b>	<b>568 006</b>	<b>651 809</b>	<b>2 621 277</b>	<b>1 416 973</b>
Adjustments for:				
Share in profit from investments accounted for under equity method	203	(257)	(222)	(763)
Depreciation and amortisation	1 614 246	541 409	1 683 536	561 915
Foreign exchange (gain)/loss	98 480	(43 145)	(489 523)	(126 019)
Interest, net	219 333	74 044	262 233	78 804
Dividends	(1 702)	-	(1 761)	-
Loss on investing activities	19 907	106 028	77 781	132 715
Change in provisions	256 533	41 212	235 123	36 900
Tax expense	105 288	169 377	676 165	250 289
Income tax (paid)	(70 540)	(47 966)	(1 000 903)	(106 928)
Other adjustments	(156 407)	(68 248)	(502 620)	(238 113)
Change in working capital	1 514 856	(232 328)	(851 026)	648 294
<i>inventories</i>	<i>(356 027)</i>	<i>(1 547 351)</i>	<i>(589 500)</i>	<i>(642 428)</i>
<i>receivables</i>	<i>(716 254)</i>	<i>(169 591)</i>	<i>(1 540 169)</i>	<i>(1 165 224)</i>
<i>liabilities</i>	<i>2 587 137</i>	<i>1 484 614</i>	<i>1 278 643</i>	<i>2 455 946</i>
<b>Net cash provided by operating activities</b>	<b>4 168 203</b>	<b>1 191 935</b>	<b>2 710 060</b>	<b>2 654 067</b>
<b>Cash flows - investing activities</b>				
Acquisition of property, plant and equipment and intangible assets	(1 612 658)	(623 414)	(1 464 219)	(473 539)
Disposal of property, plant and equipment and intangible assets	133 257	15 088	27 642	11 396
Acquisition of shares	(1 503)	-	(87 975)	(77 172)
Disposal of shares	203	-	370	8
Acquisition of securities and deposits	-	-	(20 057)	(2 865)
Disposal of securities and deposits	18 359	1 429	22 479	2 061
Dividends received	1 702	-	1 761	19
Proceeds/(Outflows) from loans granted	275 330	242 036	(48 280)	695
Other	(22 037)	(71 790)	1 901	(135 823)
<b>Net cash (used) in investing activities</b>	<b>(1 207 347)</b>	<b>(436 651)</b>	<b>(1 566 378)</b>	<b>(675 220)</b>
<b>Cash flows - financing activities</b>				
Proceeds from loans and borrowings received	3 405 036	367 035	3 679 080	592 549
Debt securities issued	400 063	-	1 000 000	-
Repayments of loans and borrowings	(5 354 762)	(2 232 721)	(6 304 413)	(2 235 632)
Redemption of debt securities	-	-	(750 000)	-
Interest paid	(223 638)	(79 769)	(266 390)	(93 270)
Payments of liabilities under finance lease agreements	(21 103)	(7 184)	(21 848)	(7 200)
Dividends paid	(641 871)	(641 626)	(9 530)	(9 530)
Other	(7 323)	(3 347)	(2 431)	1 145
<b>Net cash (used) in financing activities</b>	<b>(2 443 598)</b>	<b>(2 597 612)</b>	<b>(2 675 532)</b>	<b>(1 751 938)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>517 258</b>	<b>(1 842 328)</b>	<b>(1 531 850)</b>	<b>226 909</b>
Effect of exchange rate changes	(1 233)	(2 655)	(3 973)	(1 001)
Cash and cash equivalents, beginning of the period	2 211 425	4 572 433	5 409 166	3 647 435
<b>Cash and cash equivalents, end of the period</b>	<b>2 727 450</b>	<b>2 727 450</b>	<b>3 873 343</b>	<b>3 873 343</b>

The accompanying notes disclosed on pages 10 - 19 are an integral part of the foregoing interim condensed consolidated financial statements.



## Statement of changes in consolidated equity

	Equity attributable to equity owners of the parent							Non-controlling interest	Total equity
	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Revaluation reserve	Retained earnings	Total			
1 January 2013	2 284 888	(73 232)	80 926	6 973	24 179 632	26 479 187	1 827 646	28 306 833	
Net profit/(loss)	-	-	-	-	596 950	596 950	(28 944)	568 006	
Items of other comprehensive income	-	82 435	51 461	(5 912)	-	127 984	7 933	135 917	
<b>Total net comprehensive income</b>	-	<b>82 435</b>	<b>51 461</b>	<b>(5 912)</b>	<b>596 950</b>	<b>724 934</b>	<b>(21 011)</b>	<b>703 923</b>	
Change in the structure of non-controlling interest	-	-	-	-	(654)	(654)	(2 127)	(2 781)	
Dividends	-	-	-	-	(641 564)	(641 564)	(1 144)	(642 708)	
<b>30 September 2013</b>	<b>2 284 888</b>	<b>9 203</b>	<b>132 387</b>	<b>1 061</b>	<b>24 134 364</b>	<b>26 561 903</b>	<b>1 803 364</b>	<b>28 365 267</b>	
(unaudited)									
1 January 2012	2 284 888	(24 305)	415 628	5 301	21 852 261	24 533 773	2 264 910	26 798 683	
Net profit	-	-	-	-	2 621 051	2 621 051	226	2 621 277	
Items of other comprehensive income	-	(35 045)	(278 350)	1 672	-	(311 723)	(84 260)	(395 983)	
<b>Total net comprehensive income</b>	-	<b>(35 045)</b>	<b>(278 350)</b>	<b>1 672</b>	<b>2 621 051</b>	<b>2 309 328</b>	<b>(84 034)</b>	<b>2 225 294</b>	
Change in the structure of non-controlling interest	-	-	-	-	21 844	21 844	(109 817)	(87 973)	
Dividends	-	-	-	-	-	-	(10 198)	(10 198)	
<b>30 September 2012</b>	<b>2 284 888</b>	<b>(59 350)</b>	<b>137 278</b>	<b>6 973</b>	<b>24 495 156</b>	<b>26 864 945</b>	<b>2 060 861</b>	<b>28 925 806</b>	
(unaudited)									

The accompanying notes disclosed on pages 10 - 19 are an integral part of the foregoing interim condensed consolidated financial statements.

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

The foregoing interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 with further amendments 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 no. 33, item 259 with further amendments) ("Regulation") and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "Capital Group", "ORLEN Group", "ORLEN Capital Group") financial position as at 30 September 2013 and 31 December 2012, financial results and cash flows for the period of 9 and 3 months ended 30 September 2013 and 30 September 2012.

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 these 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.

Duration of the Parent Company and the entities comprising the ORLEN Capital Group is unlimited.

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

**1.2. Statement of the Management Board****1.2.1. In respect of the reliability of interim condensed consolidated financial statements**

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

**1.2.2. In respect of the entity authorized to conduct review of interim condensed consolidated financial statements**

The Management Board of PKN ORLEN S.A. declares that the entity authorized to conduct review of interim condensed consolidated financial statements KPMG Audyt Sp. z o.o. was selected in compliance with the law.

**1.2.3. Applied accounting principles and IFRS amendments**

These foregoing interim condensed consolidated financial statements were prepared according to principles described in Consolidated Financial Statements for the year 2012.

In these foregoing interim condensed consolidated financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in note 4 in the Consolidated Financial Statements for the year 2012.

Based on Directive 2003/87/WE and the Decision of the Committee 2013/448/UE of the number of CO<sub>2</sub> emission rights granted free of charge revised with cross-sectoral correction factor, the Group set the preliminary allocation of emission rights granted free of charge based on emission indices obligatory for the settlement period starting in 2013. As at 30 September 2013, the Group recognized trade receivables on CO<sub>2</sub> emission rights for the year 2013 granted free of charge of 8,138,487 tonnes in the value of PLN 174,330 thousand. After the emission rights allocation, the Group will reclassify the above rights to intangible assets.

By 30 September 2013 the Group received free of charge energy rights, so called yellow and red certificates for the I and II quarter of 2013 of MWh 386,114 and MWh 635,268, respectively, based on the Decision of the President of the Energy Regulatory Office.

Due to the ongoing works on the amendments to the Energy Law and the parallel process of obtaining the consent of the European Commission to extend support for the cogeneration, on the Polish Power Exchange there is no trading of yellow and red certificates making it impossible to determine the value of these rights. As a result, in the 9 and 3 months period ended 30 September 2013 the Group did not recognize intangible assets from acquired free of charge rights in the statement of financial position and did not recognize the grant in other operating income.



Starting from the I quarter of 2013 the ORLEN Group separated the Upstream operating segment, which activities have been presented within the Corporate Functions so far. Comparative data for 9 and 3 months period ended 30 September 2012 and as at 31 December 2012 was restated.

Starting from the III quarter of 2013 in consolidated financial statement foreign exchange gains and losses are presented net in financial income or costs. For the 9 and 3 months period of 2012 the Group compensated negative exchange differences with positive ones in the amount of PLN (75,024) thousand and PLN (11,287) thousand, respectively. In Management opinion this change provides better presentation of the results.

The Group intends to adopt amendments to IFRSs that are published but not effective as at the date of preparation of these interim condensed consolidated financial statements in accordance with their effective date.

The possible impact of new amendments to IFRSs on the Group's future consolidated financial statements was presented in the Consolidated Financial Statements for the year 2012 in note 3.2.

### 1.3. Functional currency and presentation currency of financial statements and methods applied to translation of data for consolidation purposes

#### 1.3.1. Functional currency and presentation currency

The functional currency of the Parent Entity and presentation currency of the interim condensed consolidated financial statements is Polish Zloty (PLN). The data is presented in PLN thousand in the consolidated financial statements, unless stated differently.

#### 1.3.2. Methods applied to translation of financial data

Financial statements of foreign entities, for consolidation purposes, are translated into PLN using the following methods:

- particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
- respective items of statement of profit or loss and other comprehensive income and statement of cash flows are translated at the average rate (arithmetic average of average exchange rates published by the National Bank of Poland ("NBP")) in the reporting period.

Foreign exchange differences resulting from the above recalculations are recognized in the equity as foreign exchange differences on subsidiaries from consolidation.

CURRENCIES	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	FOR 9 MONTHS ENDED 30/09/2013	FOR 3 MONTHS ENDED 30/09/2013	FOR 9 MONTHS ENDED 30/09/2012	FOR 3 MONTHS ENDED 30/09/2012	AS AT 30/09/2013	AS AT 31/12/2012
	PLN/EUR	4.2011	4.2478	4.2101	4.1392	4.2163
PLN/USD	3.1897	3.2069	3.2863	3.3079	3.1227	3.0996
PLN/CZK	0.1632	0.1643	0.1675	0.1651	0.1641	0.1630

### 1.4. Information concerning seasonal or cyclical character of the Capital Group's operations in the presented period

The ORLEN Capital Group does not report any material seasonal or cyclical character of its operations.

## 2. Segment reporting

The Capital Group's activities are allocated to:

- the refining segment, which includes refinery products processing and wholesale, oil production and sale as well as supporting production,
  - the retail segment, which includes sales at petrol stations,
  - the petrochemical segment, which includes the production and wholesale of petrochemicals and production and sale of chemicals,
  - upstream segment, which includes exploration and extraction of hydrocarbons,
- and corporate functions which are reconciling items and include activities related to management and administration and other support functions as well as remaining activities not allocated to separate operating segments

The allocation of the ORLEN Capital Group companies to operating segments and corporate functions is presented in the Other information to consolidated quarterly report in note B2.



## Revenues, expenses and financial result by operating segments

## for 9 months ended 30 September 2013

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	46 653 396	27 541 601	11 931 118	945	47 983	-	86 175 043
Sales revenues from transactions with other segments	20 264 875	121 231	2 656 104	-	183 279	(23 225 489)	-
Sales revenues	66 918 271	27 662 832	14 587 222	945	231 262	(23 225 489)	86 175 043
Operating expenses	(67 361 514)	(26 970 725)	(13 475 623)	(20 570)	(778 930)	23 225 489	(85 381 873)
Other operating income	55 039	66 780	59 964	4	169 169	(315)	350 641
Other operating expenses	(64 661)	(78 030)	(86 847)	(41)	(93 399)	315	(322 663)
<b>Segment profit/(loss) from operations</b>	<b>(452 865)</b>	<b>680 857</b>	<b>1 084 716</b>	<b>(19 662)</b>	<b>(471 898)</b>	-	<b>821 148</b>
Net finance income and costs							(147 651)
Share in profit from investments accounted for under equity method	(476)	-	273	-	-	-	(203)
<b>Profit before tax</b>							<b>673 294</b>
Tax expense							(105 288)
<b>Net profit</b>							<b>568 006</b>

## for 3 months ended 30 September 2013

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (niebadane)
Sales revenues from external customers	16 442 995	10 101 450	3 832 846	-	14 486	-	30 391 777
Sales revenues from transactions with other segments	7 250 815	44 975	933 521	-	60 503	(8 289 814)	-
Sales revenues	23 693 810	10 146 425	4 766 367	-	74 989	(8 289 814)	30 391 777
Operating expenses	(23 544 209)	(9 773 888)	(4 474 687)	(9 488)	(252 783)	8 289 814	(29 765 241)
Other operating income	12 857	9 560	5 599	2	76 325	3	104 346
Other operating expenses	(19 631)	(20 768)	(47 204)	(38)	(26 005)	(3)	(113 649)
<b>Segment profit/(loss) from operations</b>	<b>142 827</b>	<b>361 329</b>	<b>250 075</b>	<b>(9 524)</b>	<b>(127 474)</b>	-	<b>617 233</b>
Net finance income and costs							203 696
Share in profit from investments accounted for under equity method	49	-	208	-	-	-	257
<b>Profit before tax</b>							<b>821 186</b>
Tax expense							(169 377)
<b>Net profit</b>							<b>651 809</b>

## for 9 months ended 30 September 2012

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	48 136 493	28 817 169	11 816 149	1 304	85 238	-	88 856 353
Sales revenues from transactions with other segments	20 921 572	97 241	2 703 991	-	163 240	(23 886 044)	-
Sales revenues	69 058 065	28 914 410	14 520 140	1 304	248 478	(23 886 044)	88 856 353
Operating expenses	(67 341 748)	(28 409 343)	(13 628 722)	(18 812)	(749 482)	23 886 044	(86 262 063)
Other operating income	220 146	132 346	96 375	-	57 209	(208)	505 868
Other operating expenses	(134 296)	(87 926)	(49 432)	(136)	(65 912)	208	(337 494)
<b>Segment profit/(loss) from operations</b>	<b>1 802 167</b>	<b>549 487</b>	<b>938 361</b>	<b>(17 644)</b>	<b>(509 707)</b>	-	<b>2 762 664</b>
Net finance income and costs							534 556
Share in profit from investments accounted for under equity method	30	-	192	-	-	-	222
<b>Profit before tax</b>							<b>3 297 442</b>
Tax expense							(676 165)
<b>Net profit</b>							<b>2 621 277</b>



## for 3 months ended 30 September 2012

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	17 784 926	10 128 514	3 709 101	511	30 990	-	31 654 042
Sales revenues from transactions with other segments	6 835 100	33 690	771 578	-	55 572	(7 695 940)	-
Sales revenues	24 620 026	10 162 204	4 480 679	511	86 562	(7 695 940)	31 654 042
Operating expenses	(23 599 850)	(9 937 384)	(4 285 413)	(7 228)	(247 040)	7 695 940	(30 380 975)
Other operating income	132 817	79 963	26 756	-	16 675	(123)	256 088
Other operating expenses	(16 606)	(33 794)	(8 800)	(135)	(21 451)	123	(80 663)
<b>Segment profit/(loss) from operations</b>	<b>1 136 387</b>	<b>270 989</b>	<b>213 222</b>	<b>(6 852)</b>	<b>(165 254)</b>	-	<b>1 448 492</b>
Net finance income and costs							218 007
Share in profit from investments accounted for under equity method	346	-	417	-	-	-	763
<b>Profit before tax</b>							<b>1 667 262</b>
Tax expense							(250 289)
<b>Net profit</b>							<b>1 416 973</b>

## Assets by operating segments

	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012 restated data
Refining Segment	31 134 319	30 199 689
Retail Segment	6 438 822	5 955 683
Petrochemical Segment	12 536 108	12 779 493
Upstream Segment	531 760	337 524
<b>Segment assets</b>	<b>50 641 009</b>	<b>49 272 389</b>
Corporate Functions	3 549 525	3 597 557
Adjustments	(570 727)	(239 166)
	<b>53 619 807</b>	<b>52 630 780</b>

## Restatement of the previously presented segment data in relation to separation of the new operating Upstream segment

## for 9 months ended 30 September 2012

	published data for the III quarter of 2012		restatements			restated data		
	Corporate Functions (unaudited)	Adjustments (unaudited)	Corporate Functions	Adjustments	Total	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)
Sales revenues from external customers	86 542	-	(1 304)	-	(1 304)	1 304	85 238	-
Sales revenues from transactions with other segments	163 149	(23 885 953)	91	91	182	-	163 240	(23 886 044)
Sales revenues	249 691	(23 885 953)	(1 213)	91	(1 122)	1 304	248 478	(23 886 044)
Operating expenses	(768 203)	23 885 953	18 721	(91)	18 630	(18 812)	(749 482)	23 886 044
Other operating income	57 209	(208)	-	-	-	-	57 209	(208)
Other operating expenses	(66 048)	208	136	-	136	(136)	(65 912)	208
<b>Segment (loss) from operations</b>	<b>(527 351)</b>	-	<b>(17 644)</b>	-	<b>(17 644)</b>	<b>(17 644)</b>	<b>(509 707)</b>	-

## for 3 months ended 30 September 2012

	published data for the III quarter of 2012		restatements			restated data		
	Corporate Functions (unaudited)	Adjustments (unaudited)	Corporate Functions	Adjustments	Total	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)
Sales revenues from external customers	31 501	-	(511)	-	(511)	511	30 990	-
Sales revenues from transactions with other segments	55 526	(7 695 894)	46	46	92	-	55 572	(7 695 940)
Sales revenues	87 027	(7 695 894)	(465)	46	(419)	511	86 562	(7 695 940)
Operating expenses	(254 222)	7 695 894	7 182	(46)	7 136	(7 228)	(247 040)	7 695 940
Other operating income	16 675	(123)	-	-	-	-	16 675	(123)
Other operating expenses	(21 586)	123	135	-	135	(135)	(21 451)	123
<b>Segment (loss) from operations</b>	<b>(172 106)</b>	-	<b>(6 852)</b>	-	<b>(6 852)</b>	<b>(6 852)</b>	<b>(165 254)</b>	-



## as at 31 December 2012

	published data as at 31/12/2012	restatements	restated data as at 31/12/2012
Refining Segment	30 199 689	-	30 199 689
Retail Segment	5 955 683	-	5 955 683
Petrochemical Segment	12 779 493	-	12 779 493
Upstream Segment	-	337 524	337 524
<b>Segment assets</b>	<b>48 934 865</b>	<b>337 524</b>	<b>49 272 389</b>
Corporate Functions	3 935 065	(337 508)	3 597 557
Adjustments	(239 150)	(16)	(239 166)
	<b>52 630 780</b>	<b>-</b>	<b>52 630 780</b>

## 3. Other notes

## 3.1. Other financial assets

	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012
Cash flow hedge instruments	56 526	46 491
<i>currency forwards</i>	37 379	44 978
<i>commodity swaps</i>	19 147	1 513
Derivatives not designated as hedge accounting	11 351	22 783
<i>currency forwards</i>	5 467	9 425
<i>currency swaps</i>	431	428
<i>commodity swaps</i>	5 453	12 930
Embedded derivatives	356	744
<i>currency swaps</i>	356	744
Deposits	4 278	22 262
Loans granted	5 663	275 763
Available for sale	101	82
	<b>78 275</b>	<b>368 125</b>

## 3.2. Loans, borrowings and debt securities

	Non-current		Current		Total	
	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012
Loans	4 491 475	6 654 652	1 281 629	940 200	5 773 104	7 594 852
Borrowings	719	1 078	479	480	1 198	1 558
Debt securities	1 409 241	1 022 716	366 518	353 961	1 775 759	1 376 677
	<b>5 901 435</b>	<b>7 678 446</b>	<b>1 648 626</b>	<b>1 294 641</b>	<b>7 550 061</b>	<b>8 973 087</b>

In the period covered by the foregoing interim condensed consolidated financial statements as well as after the reporting date there were no cases of violations of loans or borrowings repayment of principal and interest nor breaches of covenants.

## 3.3. Provisions

	Non-current		Current		Total	
	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012
Environmental	332 108	327 555	26 999	45 845	359 107	373 400
Jubilee bonuses and post-employment benefits	283 433	279 427	33 564	34 886	316 997	314 313
Business risk	14 011	20 818	50 833	58 983	64 844	79 801
Shield programs	-	-	37 893	42 379	37 893	42 379
CO2 emission	-	-	256 542	378 009	256 542	378 009
Other	37 871	32 479	199 809	242 617	237 680	275 096
	<b>667 423</b>	<b>660 279</b>	<b>605 640</b>	<b>802 719</b>	<b>1 273 063</b>	<b>1 462 998</b>



### 3.4. Sales revenues

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Revenues from sales of finished goods and services, net	67 785 890	24 129 811	69 545 830	25 542 723
Revenues from sales of merchandise and raw materials, net	18 389 153	6 261 966	19 310 523	6 111 319
	<b>86 175 043</b>	<b>30 391 777</b>	<b>88 856 353</b>	<b>31 654 042</b>

### 3.5. Operating expenses

#### Cost of sales

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Cost of finished goods and services sold	(63 944 107)	(22 611 057)	(64 241 731)	(23 433 804)
Cost of merchandise and raw materials sold	(17 430 346)	(5 805 187)	(18 094 384)	(5 600 706)
	<b>(81 374 453)</b>	<b>(28 416 244)</b>	<b>(82 336 115)</b>	<b>(29 034 510)</b>

#### Cost by kind

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Materials and energy	(61 016 324)	(21 855 995)	(62 027 607)	(22 374 685)
Cost of merchandise and raw materials sold	(17 430 346)	(5 805 187)	(18 094 384)	(5 600 706)
External services	(3 169 964)	(1 112 709)	(3 155 589)	(1 093 177)
Employee benefits	(1 595 731)	(508 634)	(1 577 206)	(508 366)
Depreciation and amortisation	(1 614 246)	(541 409)	(1 683 536)	(561 915)
Taxes and charges	(461 806)	(145 388)	(369 207)	(115 368)
Other	(619 480)	(212 104)	(638 157)	(199 314)
	<b>(85 907 897)</b>	<b>(30 181 426)</b>	<b>(87 545 686)</b>	<b>(30 453 531)</b>
Change in inventories	30 260	227 199	866 754	(21 220)
Cost of products and services for own use	173 101	75 337	79 375	13 113
<b>Operating expenses</b>	<b>(85 704 536)</b>	<b>(29 878 890)</b>	<b>(86 599 557)</b>	<b>(30 461 638)</b>
Distribution expenses	2 938 322	1 012 215	2 845 434	1 005 688
Administrative expenses	1 069 098	336 782	1 080 514	340 777
Other operating expenses	322 663	113 649	337 494	80 663
<b>Cost of sales</b>	<b>(81 374 453)</b>	<b>(28 416 244)</b>	<b>(82 336 115)</b>	<b>(29 034 510)</b>

### 3.6. Inventories written down to net realizable value

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Increase	(201 260)	(51 215)	(321 803)	(58 012)
Decrease	204 562	38 847	389 978	114 909

**Impairment allowances of assets**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
<b>Property, plant and equipment</b>				
Recognition	(62 197)	(16 566)	(61 338)	(23 150)
Reversal	37 979	6 042	48 454	4 898
<b>Intangible assets</b>				
Recognition	(6 700)	(33)	(29 660)	(863)
Reversal	1 173	165	2 745	665
<b>Receivables</b>				
Recognition	(44 638)	(12 334)	(73 034)	(25 868)
Reversal	28 932	6 281	47 665	16 447

Recognition and reversal of impairment allowances in the 9 and 3 months period ended 30 September 2013 and 30 September 2012 related mainly to:

- obsolescence of property, plant and equipment and intangible assets,
- occurrence or extinction of indicators in respect of overdue receivables, occurrence of uncollectible receivables and receivables in court.

**3.7. Other operating income and expenses**
**Other operating income**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Profit on sale of non-current non-financial assets	29 037	8 676	26 646	10 572
Reversal of provisions	23 570	5 629	83 449	58 077
Reversal of receivables impairment allowances	20 577	5 236	40 775	14 976
Reversal of impairment allowances of property, plant and equipment and intangible assets	39 152	6 207	51 199	5 563
Penalties and compensations earned	122 430	69 730	50 879	19 023
Grants	993	713	9 904	321
Other	114 882	8 155	243 016	147 556
	<b>350 641</b>	<b>104 346</b>	<b>505 868</b>	<b>256 088</b>

The line „penalties and compensations earned” in the 9 and 3 months period ended 30 September 2013 comprise mainly compensation of PLN 52,069 thousand for loss of PKN ORLEN’s S.A. profits due to breakdown in Anwil in 2010 which resulted in lower ethylene collection and compensation for damage on catalytic cracking installation in Orlen Lietuva of PLN 10,250 thousand.

The line “other” in the 9 months period ended 30 September 2013 includes mainly income resulting from the decision of tax authorities on the refund of excise tax paid by PKN ORLEN and the adjustment of fuel charge liability regarding RME bioester of PLN 46,765 thousand and PLN 18,423 thousand, respectively, received in II quarter 2013.

**Other operating expenses**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Loss on sale of non-current non-financial assets	(25 952)	(10 052)	(33 185)	(9 023)
Recognition of provisions	(75 540)	(15 020)	(33 978)	(5 356)
Recognition of receivables impairment allowances	(33 283)	(9 587)	(61 439)	(23 090)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(68 897)	(16 599)	(90 998)	(24 013)
Costs of losses, breakdowns and compensations	(60 428)	(47 293)	(25 541)	(7 922)
Other	(58 563)	(15 098)	(92 353)	(11 259)
	<b>(322 663)</b>	<b>(113 649)</b>	<b>(337 494)</b>	<b>(80 663)</b>

The line „costs of losses, breakdowns and compensations” in the 9 and 3 months period ended 30 September 2013 comprise mainly removal of damages caused by flood in Spolana of PLN (32,927) thousand.

**3.8. Finance income and costs****Finance income**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Interest	87 837	35 002	127 928	46 224
Foreign exchange gain surplus	17 810	331 378	717 218	373 663
Settlement and valuation of financial instruments	174 106	9 721	435 899	184 001
Reversal of receivables impairment allowances	8 355	1 045	6 890	1 471
Other	3 931	599	7 920	3 449
	<b>292 039</b>	<b>377 745</b>	<b>1 295 855</b>	<b>608 808</b>

**Finance costs**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Interest	(213 995)	(70 435)	(269 335)	(74 496)
Settlement and valuation of financial instruments	(190 280)	(94 095)	(446 069)	(298 909)
Recognition of receivables impairment allowances	(11 355)	(2 747)	(11 595)	(2 778)
Other	(24 060)	(6 772)	(34 300)	(14 618)
	<b>(439 690)</b>	<b>(174 049)</b>	<b>(761 299)</b>	<b>(390 801)</b>

Borrowing cost capitalized in the 9 and 3 months period ended 30 September 2013 and 30 September 2012 amounted to PLN (14,054) thousand and PLN (6,086) thousand, respectively, as well as PLN (14,989) thousand and PLN (6,732) thousand.

**3.9. Tax expense**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Current income tax	(39 800)	(51 745)	(429 904)	(167 707)
Deferred income tax	(65 488)	(117 632)	(246 261)	(82 582)
	<b>(105 288)</b>	<b>(169 377)</b>	<b>(676 165)</b>	<b>(250 289)</b>

The amount of deferred tax in the 9 and 3 months period ended 30 September 2013 comprised mainly of revaluation of non-cash assets tax value of Orlen Lietuva due to changes in exchange rates LTL/USD.

In the 9 months period ended 30 September 2013 the tax burden of PLN 94,964 thousand was recognized in connection with the favorable for PKN ORLEN court sentence of the Supreme Administrative Court for the recognition of compensation paid in 2009 to Agrofert as a tax deductible expense.

**3.10. Methods applied in determining fair values of financial instruments recognized in the consolidated statement of financial position at fair value (fair value hierarchy)**

The Group measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves for currencies and commodities quoted on active markets. As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.

Fair value of derivatives is based on discounted future flows related to contracted transactions as a difference between term price and transaction price. Forward rates of exchange are not modeled as a separate risk factor, but they are a result of spot rate and forward interest rate for foreign currency in relation to PLN.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognized in a reporting year profit or loss.

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data which are directly or indirectly possible to observe (so called Level 2).

**Fair value hierarchy**

	AS AT 30/09/2013 (unaudited)		AS AT 31/12/2012	
	LEVEL 1	LEVEL 2	LEVEL 1	LEVEL 2
<b>Financial assets</b>				
Quoted shares	684	-	1 078	-
Embedded derivatives and hedging instruments	-	106 318	-	98 089
	<b>684</b>	<b>106 318</b>	<b>1 078</b>	<b>98 089</b>
<b>Financial liabilities</b>				
Embedded derivatives and hedging instruments	-	104 836	-	194 843
	-	<b>104 836</b>	-	<b>194 843</b>

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

**3.11. Finance lease payments**

As at 30 September 2013 and 31 December 2012 the Group possessed as a lessee, the finance lease agreements, concerning mainly buildings, machinery and equipment as well as means of transportation.

	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012 (unaudited)
Future minimum lease payments	118 740	118 745
Present value of minimum lease payments	100 796	101 905

**3.12. Future liabilities resulting from signed investment contracts**

As at 30 September 2013 and 31 December 2012 the value of future liabilities resulting from investment contracts signed until that day amounted to PLN 1,972,020 thousand and PLN 1,961,006 thousand, respectively.

**3.13. Issue, redemption and repayment of debt securities**

PKN ORLEN's Supervisory Board, at the meeting held on 28 March 2013, gave consent for issue of bonds within the public bond issue programme (Programme) by the Company.

On 28 May 2013 and 3 June 2013 PKN ORLEN S.A. announced the offering of bonds, respectively Series A and B within the public bond issue programme and announced the final terms and conditions of the offering for both series of the bonds. Within each series up to 2,000,000 unsecured, bearer, dematerialized bonds through registration in the deposit operated by the Central Securities Depository of Poland ("KDPW") were offered. Unit nominal value of the bond is PLN 100. The bonds interest rate is variable and is based on the sum of WIBOR 6M rate and margin set at the level of 150 basis points. The interests will be paid in the half-year periods. Day of final redemption of the bonds is set on 28 May 2017 for the Series A and on the 3 June 2017 for the Series B.

Fitch Rating Agency has assigned a national rating ("rating") of BBB+ (pol) for Series A and Series B bonds. Acknowledging a high rating for the issue of retail bonds, Fitch analysts pointed the possibility of upgrading PKN ORLEN's international rating from BB+ to BBB- in the following months.

Series A bonds were allocated on 4 June 2013. The Bonds were acquired at issue price amounted from PLN 100.00 to PLN 100.03 depending on the day of subscription. The value of issue, defined as the number of Bonds which were offered multiplied by the issue price, amounted to PLN 200,005 thousand.

Series B bonds were allocated on 17 June 2013. The Bonds were acquired at issue price from PLN 100.00 to PLN 100.10 depending on the day of subscription. The value of issue, defined as the number of Bonds which were offered multiplied by the issue price, amounted to PLN 200,058 thousand.

On 26 June 2013 the Management Board of the Warsaw Stock Exchange (WSE) had adopted a resolution to admit 2,000,000 Series A bonds and 2,000,000 Series B bonds to trading on the Catalyst regulated market. Bond debut took place on 28 June 2013.

Moreover, as a part of liquidity optimisation in ORLEN Group, issue and redemption of short term bonds in favor of Group companies were performed.

**3.14. Distribution of the Parent Company's profit for 2012**

On 27 June 2013 the Ordinary General Shareholders' Meeting of PKN ORLEN S.A. decided to distribute the net profit for the year 2012 of PLN 2,127,797,966.06 as follows: PLN 641,563,591.50 as dividend payment (PLN 1.50 per 1 share) and PLN 1,486,234,374.56 as reserve capital.

The Ordinary General Shareholders' Meeting of PKN ORLEN S.A. determined the date of 26 July 2013 as a dividend date and the date of 13 August 2013 as a dividend payment date.

**3.15. Contingent liabilities**

Spolana a.s. currently produces chlorine using the mercury electrolysis. According to the owned integrated pollution prevention and control license (IPPC) that is in force until 2014, when production ceases, the company is required to present a reclamation program after it stops to use its fixed assets. On 9 September 2013, as a result of administrative proceedings, Spolana a.s. received a consent of Mid-Czech Regional Body to extend the integrated pollution prevention and control license until 30 June 2017. The extended license allows usage of current electrolysis unit. Additionally, the company will be obliged to prepare the technological changes to the current production unit until 31 March 2017. In 2012 Spolana recognized a provision of PLN 4,972 thousand for the expected adaptation costs of the electrolysis building to its new function. These costs have been estimated by an independent expert.

**3.16. Guarantees**

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 September 2013 and 31 December 2012 amounted to PLN 1,757,884 thousand and PLN 1,729,558 thousand, respectively.

**3.17. Significant events after the end of the reporting period which were not reflected in the interim condensed consolidated financial statements**

No significant events occurred after the end of the reporting period which were not reflected in the interim condensed consolidated financial statements.

**OTHER INFORMATION TO  
CONSOLIDATED QUARTERLY REPORT**

**FOR III QUARTER 2013**



## B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

### 1. Principal activity of the Capital Group

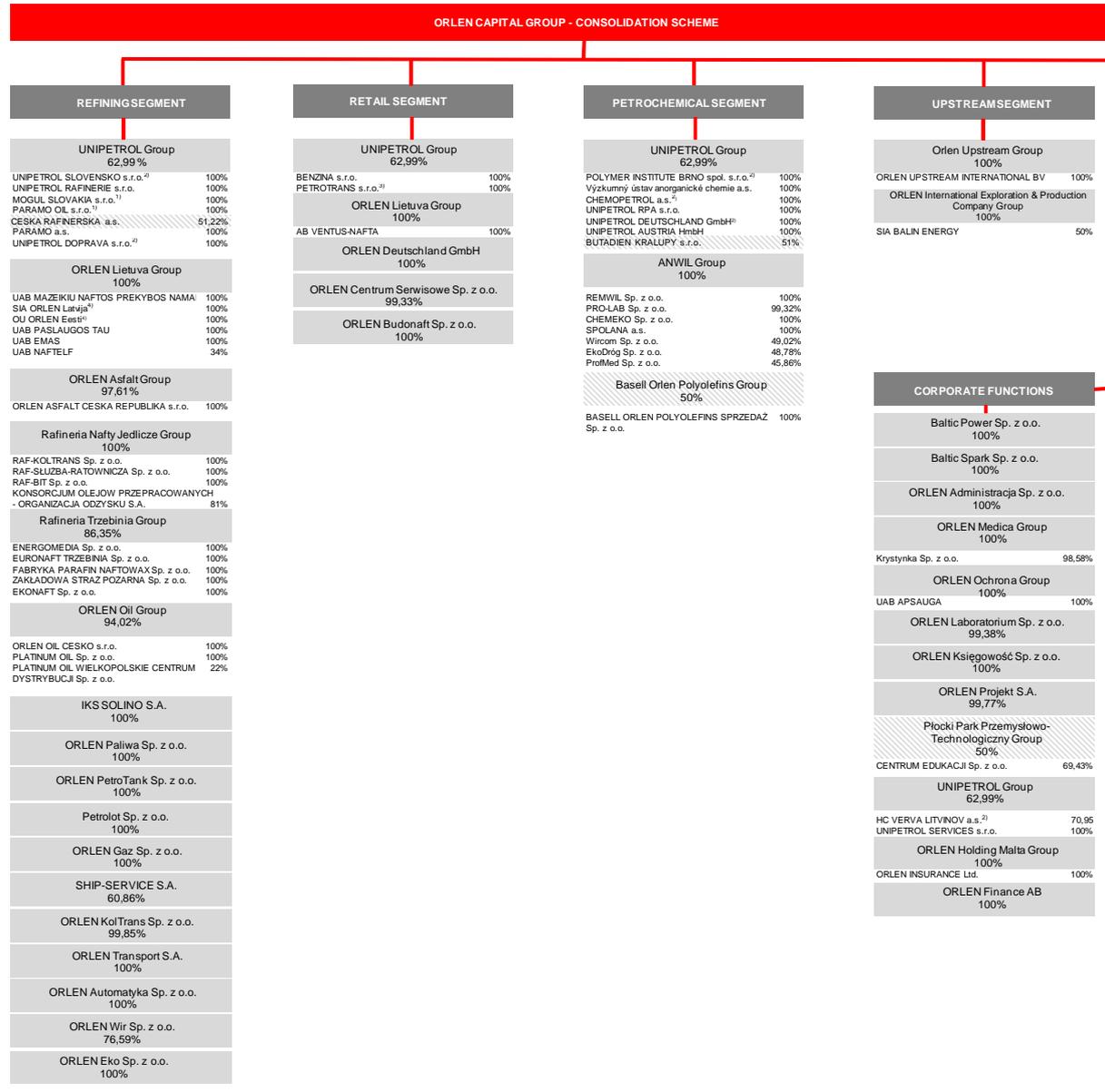
The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "the Parent Company") seated in Plock, 7 Chemików Street.

The principal activity of the Group includes processing of crude oil and manufacturing of wide variety of refinery, petrochemical and chemical products, exploration and extraction of hydrocarbons as well as their transport, wholesale and retail sale.

### 2. Organization of the Capital Group

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

#### The list of entities related with the ORLEN Capital Group



In May 2013 a buyout took place of minority shareholders of 22.04% in Chemeko Sp. z o.o. by Anwil S.A. for the amount of PLN 858 thousand, in August 100% of shares in ORLEN Lietuva Group related company – UAB Medikvita were sold for the amount of PLN 402 thousand.

On 13 September 2013 ORLEN Upstream International B.V. seated in Amsterdam was set up. In ORLEN Capital Group 100% of shares is owned by ORLEN Upstream Sp. z o.o. Additional information about those transactions is presented in note 3.2.

### **3. Financial situation**

#### **3.1 Capital Group's achievements accompanied by circumstances and events that have a significant impact on the financial results**

##### **Results from operations and financial activities**

Negative effect of macroeconomic factors changes regarding mainly refining margins and the lowest since 2002 level of Ural/Brent differential (y/y), amounted to PLN (-) 780 million (y/y).

As a result of changes in the sales structure, the volume effect was positive despite the lower by (-) 1% (y/y) total sales of the ORLEN Group which amounted to PLN 41 million (y/y).

It related mainly to the petrochemical segment, where the impact of increasing volume of polymers, PVC and PTA on the Polish market exceeded the negative effects of the lower fertilizers sales in Anwil and decreased volume in the Czech Republic.

The effect of other factors of PLN (-) 17 million (y/y) included mainly:

- improvement of the fuel and non-fuel margins in the retail segment in the amount of PLN 136 million (y/y),
- lack of positive effects on other operations in the III quarter of 2012 of PLN (-) 185 million (y/y), mainly related to the recognition of the so-called "yellow" certificates received as a result of the President of ERO decision confirming that the requirements for the production of high-efficiency cogeneration of electricity were met and release of provisions for risks regarding antitrust proceedings in PKN ORLEN SA and the Unipetrol Group.

The positive impact of crude oil prices on inventory valuation in the III quarter of 2013 amounted to PLN 362 million in comparison with PLN 458 million in the III quarter of 2012.

As a result, operating result plus depreciation and amortisation ("EBITDA") of the ORLEN Group for the III quarter of 2013 amounted to PLN 1,158 million.

Net financial income in the III quarter of 2013 amounted to PLN 204 million and comprised primarily of net foreign exchange gains on revaluation of loans and other items in foreign currencies of PLN 331 million, net cost from the valuation of financial instruments of PLN (-) 84 million and net interest expense of PLN (-) 35 million.

In accordance with the IAS 39 (Financial Instruments: Recognition and Measurement) foreign exchange gains from loans in USD as part of a hedging relationship established with an investment in the ORLEN Lietuva of PLN 202 million and in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) foreign exchange gains resulting from the translation of foreign currency loans balances of foreign entities of PLN 44 million were recognized in equity in the position of exchange differences on subsidiaries from consolidation.

After consideration of tax charges, net profit of the ORLEN Group for the III quarter of 2013 amounted to PLN 652 million.

##### **Results from operations of the core entities of the ORLEN Group in the III quarter of 2013**

- **PKN ORLEN S.A.** – result from operations plus depreciation and amortisation decreased by PLN (-) 254 million (y/y) and amounted to PLN 687 million.
  - EBITDA of refining segment, lower by PLN (-) 479 PLN (y/y) was mainly due to deterioration of macroeconomic environment and lack of positive effect from other operating activities from the III quarter of 2012 described above accompanied by the higher (y/y) sales volume and negative impact of the inventories valuation of PLN (-) 25 million (y/y),
  - EBITDA of retail segment, higher by PLN 84 million (y/y) mainly due to improved fuel and non-fuel margins as well as higher sales volume with lack of positive effects in other operating activities in the III quarter of 2012 including the release of provisions for business risks,
  - EBITDA of petrochemical segment, higher by PLN 103 million (y/y) mainly results from positive effect of higher sales volume of the segment as well as positive effect of inventories valuation of PLN 9 million (y/y),
  - EBITDA of upstream segment, lower by PLN (-) 3 million (y/y),
  - EBITDA of corporate functions, higher by PLN 41 million (y/y) mainly as a result of the positive balance of other operating activities due to received compensation for loss of profits due to lower collection of ethylene as a result of breakdown in Anwil in June 2010.

- **ORLEN Lietuva Group** – the result from operations plus depreciation and amortisation was lower by PLN (-) 423 million (y/y) and amounted to PLN 39 million.
  - EBITDA of refining segment, lower by PLN (-) 425 million (y/y) mainly due to negative impact of macroeconomic and market environment in export of gasoline as well as the negative effect of inventories valuation of PLN (-) 80 million (y/y),
  - EBITDA of retail segment, remained at comparable level (y/y),
  - EBITDA of corporate functions, higher by PLN 2 million (y/y).
  
- **Unipetrol Group** – the result from operations plus depreciation and amortisation was lower by PLN (-) 160 million (y/y) and amounted to PLN 119 million.
  - EBITDA of refining segment, lower by PLN (-) 116 million (y/y) due to negative impact of macroeconomic environment and lower sales volume as a result of production installations shutdowns in Kralupy and Litvinov refinery accompanied by positive impact of inventories valuation of PLN 44 million (y/y),
  - EBITDA of retail segment, lower by PLN (-) 18 million (y/y) mainly due to lack of positive effects on other operations in the III quarter of 2012 related to the release of provisions for business risks of PLN 22 million, accompanied by higher sales volume as well as fuel and non-fuel margins,
  - EBITDA of petrochemical segment, lower by PLN (-) 19 million (y/y) mainly results from lower sales volume due to market expectations of lower prices, production installations shutdowns in Litvinov and Spolana plant after the flood in June and the negative impact of inventory valuation of PLN (-) 36 million (y/y),
  - EBITDA of corporate functions, lower by PLN (-) 7 million (y/y).

#### **Net indebtedness and cash flows**

As at 30 September 2013 net indebtedness of the ORLEN Group amounted to PLN 4,823 million and was lower by PLN (-) 1,939 million as compared to the level at the end of 2012.

Net financial leverage at the end of the III quarter of 2013 amounted to 17.8%.

The decrease in net indebtedness in the 9 month period of 2013 was mainly due to net repayment of loans and changes in cash balances of PLN (-) 2,056 million, accompanied by increase of foreign exchange losses from the revaluation of foreign currency loans and indebtedness valuation of PLN 117 million.

The decrease in net indebtedness in the III quarter of 2013 amounted to PLN (-) 349 million and comprised mainly the effect of foreign exchange gains from the revaluation of foreign exchange loans of PLN (-) 333 million as well as net repayment of loans, indebtedness valuation and changes in cash balances of PLN (-) 16 million.

Net cash from operating activities in the III quarter of 2013 amounted to PLN 1,192 million and comprised mainly of net profit increased by tax burdens, interests and depreciation and amortization of the total amount of PLN 1,388 million decreased by PLN (-) 232 million due to increase of net working capital.

Net cash used in investing activities in the III quarter of 2013 of PLN (-) 437 million comprised mainly of net expenditure for the acquisition of tangible and intangible non-current assets of PLN (-) 608 million and inflows from the repayment of loans of PLN 242 million.

Net cash used in financing activities in the III quarter of 2013 amounted to PLN (-) 2,598 million and comprised mainly net repayment of loans and borrowings of PLN (-) 1,866 million and the dividend paid for the year 2012 of PLN (-) 642 million.

Considering revaluation of cash from foreign exchange differences the cash balance decreased in the III quarter of 2013 by PLN (-) 1,845 million and as at 30 September 2013 amounted to PLN 2,727 million.

#### **Factors and events which may influence future results**

Similar factors as described above will have influence on financial results in subsequent quarter of 2013.

#### **3.2 The most significant events in the period from 1 January 2013 until the date of preparation of the foregoing report**

On 28 February 2013 PKN ORLEN announced that the deposit agreement dated 26 November 1999 (with further amendments) constituting the PKN ORLEN's global depositary receipts ("GDRs") concluded with The Bank of New York Mellon was terminated on 27 February 2013.

According to the terms of the Deposit Agreement, the Depositary Bank shall, as soon as possible after the termination of the Deposit Agreement, sell the PKN ORLEN shares held by the Depositary Bank and related to

outstanding GDRs. The Depositary Bank shall deliver cash from such sale to holders of these GDRs, proportionally to the number of shares represented by GDRs held by them.

In connection with the termination of the Deposit Agreement the listing of the GDRs on the Official List of the London Stock Exchange was cancelled and the GDRs were removed from trading on the London Stock Exchange plc Main Market for listed securities as of 27 February 2013.

On 5 March 2013 PKN ORLEN announced that the deposit agreement dated 10 April 2001 (with further amendments) constituting the PKN ORLEN's American depositary receipts ("ADRs") concluded with The Bank of New York Mellon was terminated on 4 March 2013.

According to the terms of the Deposit Agreement holders of ADRs may exchange ADRs for the PKN ORLEN's shares within one year following the termination of the Deposit Agreement, by until 4 March 2014. Thereafter, the Depositary Bank may sell any remaining shares related to outstanding ADRs. Holders of ADRs may exchange ADRs for a proportional share of cash from such sale or for the PKN ORLEN's shares, if the Depositary Bank does not perform the sale.

On 28 March 2013 expired the agreement between PKN ORLEN and Ashby Sp. z o.o. that has been concluded on 28 March 2012, regarding gathering and keeping of mandatory reserves of crude oil. Therefore, and in accordance with applicable regulations regarding the maintenance of mandatory reserves in Poland, PKN ORLEN acquired crude oil owned by Ashby Sp. z o.o. The value of the transaction was PLN 1,194,552 thousand translated using exchange rate as at 27 March 2013 (representing USD 366,034 thousand). The price of raw material was determined based on market quotations. The transfer of funds by PKN ORLEN as well as the transfer of ownership of the raw material to PKN ORLEN has been made on 28 March 2013. On the day of signing the agreement the acquisition price of crude oil has been hedged with a forward contract. The settlement of the hedging transaction increased the value of the acquired raw material by PLN 123,615 thousand translated using exchange rate as at 27 March 2013 (representing USD 37,878 thousand). As a result PKN ORLEN recognized in the first quarter of 2013 the purchase of crude oil of PLN 1,318,167 thousand translated using exchange rate as at 27 March 2013 (representing USD 403,912 thousand).

On 27 June 2013 PKN ORLEN concluded with Neon Poland Sp. z o.o. ("Neon") the agreement for the sale of crude oil and the agreement for order of creation and keeping of crude oil mandatory reserves.

On the basis of the sales agreement PKN ORLEN sold crude oil valued approximately PLN 1,044,592 thousand translated using exchange rate as at 27 June 2013 (representing approximately USD 314,248 thousand). The crude oil price was established according to market quotations.

On the basis of the agreement for creation and keeping of inventories Neon will be providing service of keeping of crude oil mandatory reserves to PKN ORLEN account, whereas PKN ORLEN will guarantee storage of inventories in current location. The Agreement for creation and keeping of inventories was concluded for the period to 29 January 2015, however the Company takes into account the possibility of its renewal for the next period.

Above agreements were concluded after receiving by PKN ORLEN the approval of Material Reserves Agency for the transaction.

Moreover, PKN ORLEN signed with Neon an agreement, under which the Company will grant Neon a short-term loan of approximately PLN 240,256 thousand, interest at market conditions. The loan will be repaid at the time of input VAT return on above transaction by Tax Office to Neon.

Neon is a special purpose vehicle, established at the request of RBS Polish Financial Advisory Services Sp. z o.o., which is a subsidiary of Royal Bank of Scotland plc. which includes turnover of crude oil in its statutory activities.

On 27 June 2013 the Ordinary General Meeting of PKN ORLEN S.A. appointed the Company's Supervisory Board for a new term of office. Ms Angelina Anna Sarota was elected to the position of Chairman of the PKN ORLEN S.A. Supervisory Board. The following Company's Supervisory Board Members were also elected: Mr Cezary Banasiński, Mr Grzegorz Borowiec, Mr Artur Gabor, Mr Michał Gołębiowski, Mr Cezary Możeński and Mr Leszek Jerzy Pawłowicz. The elected Members of the PKN ORLEN S.A. Supervisory Board, except for their duties in Issuer's company are not involved in any other competitive activity, they are not a partner of any competing partnerships, civil law partnerships, they are not a member of any board of a competing capital company, and they are not on the List of Insolvent Debtors kept on record on the National Court Register Act (Official Journal of 2007 No. 168, item 1186 with further amendments).

At the Supervisory Board meeting on 18 July 2013 Vice-President of the Supervisory Board in the person of Leszek Pawłowicz and Secretary of the Board in the person of Mr. Michał Gołębiowski were chosen, and the following Committees of the Supervisory Board were established:

**The Audit Committee:**

Artur Gabor - Chairman  
Grzegorz Borowiec  
Michał Gołębiowski  
Leszek Pawłowicz

**Committee for Strategy and Development:**

Cezary Banasiński - Chairman  
Artur Gabor  
Cezary Możejński  
Leszek Pawłowicz  
Angelina Sarota

**Appointments and Remuneration Committee:**

Angelina Sarota - Chairman  
Cezary Banasiński  
Grzegorz Borowiec  
Michał Gołębiowski

**Corporate Governance Committee:**

Cezary Możejński - Chairman  
Michał Gołębiowski  
Angelina Sarota

On 30 August 2013 Fitch Ratings has upgraded PKN ORLEN's foreign long-term rating from „BB+/positive outlook” to „BBB-/stable outlook”.

Agency justifies the change of rating for PKN ORLEN S.A. by the better Company's financial profile thanks to measures taken to reduce leverage, including the disposal of Polkomtel stake, modest capex in 2011-2013 in comparison to a capex-intensive period in 2007-2010. These operations support PKN ORLEN creditworthiness in the still difficult conditions for the refining sector in Europe. Agency indicates that the Company's strategy announced on November 2012 supports PKN ORLEN S.A. credit profile. One of the strategic targets, positively evaluated by the Agency, is maintaining credit ratios at the safe level. Additionally, Agency has a positive view on additional capex specified in the strategy, which may be deferred if cash flows are weaker than expected.

Agency believes that the Company has much greater financial flexibility to reduce its capex if cash flows are weaker than in 2007-2010, when PKN ORLEN S.A. had significant investment liabilities. The Agency positively views PKN ORLEN S.A. ability to manage its working capital changes in line with changes in its financial position. This could provide additional flexibility for the Company if it closes to maximum covenant level defined in the main bank loan agreements, for instance due to weakening of the industry conditions.

Moreover, the Agency has upgraded PKN ORLEN's national long-term rating from „BBB+(pol)/positive outlook” to „A-(pol)/stable outlook”.

A full list of ratings assigned by the Agency is following:

- Long-term foreign currency IDR upgraded to 'BBB-' from 'BB+'; Stable Outlook
- Long-term local currency IDR upgraded to 'BBB-' from 'BB+'; Stable Outlook
- Short-term foreign currency IDR upgraded to 'F3' from 'B'
- Short-term local currency IDR upgraded to 'F3' from 'B'
- Foreign currency senior unsecured rating upgraded to 'BBB-' from 'BB+'
- Local currency senior unsecured rating upgraded to 'BBB-' from 'BB+'
- National Long-term rating upgraded to 'A-(pol)' from 'BBB+(pol)'; Stable Outlook
- National senior unsecured rating (referred also to series A and B retail bonds, issued within the public bond issue programme) upgraded to 'A-(pol)' from 'BBB+(pol)'.

On 15 September 2013 ORLEN Upstream Sp. z o.o. (“ORLEN Upstream”), has entered into an arrangement agreement (the “Arrangement Agreement”) with TriOil Resources Ltd. (“TriOil”). TriOil is a Calgary, Alberta, Canada based company engaged in the exploration, development and production of petroleum and natural gas. TriOil trades on the Canadian stock exchange TSX Venture Exchange under the symbol “TOL”.

Under the agreement, ORLEN Upstream International B.V. (“ORLEN Upstream International”), the Dutch subsidiary of ORLEN Upstream will purchase all of the issued and outstanding class A common shares of TriOil (the “Common Shares”), representing 100% of registered capital of TriOil as well as 100% of the total votes at the Shareholders Meeting. Under the terms of the Arrangement Agreement, TriOil shareholders will receive PLN 8.64 at exchange rate as at 30 September 2013 (representing CAD 2.85) in cash for each Common Share they hold. Total amount to be paid by ORLEN Upstream International in cash is approximately PLN 556.6 million at exchange rate as at 30 September 2013 (representing approximately CAD 183.7 million). Assuming all of the outstanding debt of TriOil including working capital deficit, which in total at 30 June 2013 was approximately PLN 170.9 million at exchange rate as at 30 September 2013 (representing 56.4 million), the total transaction value representing the enterprise value of TriOil is approximately PLN 727.5 million at exchange rate as at 30 September 2013 (representing approximately CAD 240.1 million), assuming the exercise of all in-the-money options of TriOil.

The Arrangement is subject to customary conditions for a transaction of this nature, which include an approval at minimum of 2/3 of shareholder votes cast at the TriOil Meeting and pertinent court approvals.

The Arrangement Agreement includes customary non-solicitation covenants by TriOil such as searching for or persuading others to buy shares of TriOil and provides TriOil with the ability to respond to unsolicited proposals considered superior to the Arrangement in accordance with the terms of the Arrangement Agreement. In the event a

superior proposal is accepted, according to the Arrangement Agreement TriOil will be required to pay a termination fee of approximately PLN 24.2 million at exchange rate as at 30 September 2013 (representing CAD 8 million) to ORLEN Upstream International.

An information circular regarding the Arrangement has been mailed to TriOil. The TriOil General Shareholders Meeting is scheduled to take place in November 2013 which makes the possibility of closing the transaction prior to the end of November 2013.

#### 4. Related party transactions

##### Information on significant related party transactions

##### 4.1. Information on significant transactions concluded by the Parent Company or subsidiaries with related parties on other than market terms

In the 9 and 3 months period ended 30 September 2013 and 30 September 2012 there were no significant related party transactions concluded within the Group on other than market terms.

##### 4.2. Transactions with members of the Management Board and Supervisory Board of the Parent Company, their spouses, siblings, descendants, ascendants and their other relatives

In the 9 and 3 months period ended 30 September 2013 and 30 September 2012 the Group companies did not grant any advances, borrowings, loans, guarantees and sureties to managing and supervising persons and their relatives nor concluded other agreements obliging to render services to PKN ORLEN and its related parties.

As at 30 September 2013 and 31 December 2012 there are no loans granted by the Group companies to managing and supervising persons and their relatives.

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

As at 30 September 2013 and 31 December 2012 and in the 9 and 3 months period ended 30 September 2013 and 30 September 2012 key executive personnel of PKN ORLEN and the Group companies did not entered into any transaction with related parties which would have a significant impact on the financial statement.

##### 4.4. Capital Group companies' transactions and balance of settlements with related parties

	Jointly-controlled entities			
	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Sales revenues	1 505 970	496 186	1 369 352	343 787
Purchases	415 488	135 018	444 506	153 290
Finance income	310	102	494	68
Finance costs	3	2	52	19

	Associates			
	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
Sales revenues	48 248	21 586	53 881	20 175
Purchases	30 859	12 987	31 328	12 049
Finance income	169	18	47	-
Finance costs	10	-	-	-

	FOR 9 MONTHS ENDED		FOR 3 MONTHS ENDED		Total	
	30/09/2013 (unaudited)	30/09/2013 (unaudited)	30/09/2013 (unaudited)	30/09/2013 (unaudited)	30/09/2012 (unaudited)	30/09/2012 (unaudited)
Sales revenues	1 554 218	517 772	1 423 233	363 962		
Purchases	446 347	148 005	475 834	165 339		
Finance income	479	120	541	68		
Finance costs	13	2	52	19		

	Jointly-controlled entities		Associates		Total	
	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012
Trade and other receivables	369 447	403 803	21 597	11 218	391 044	415 021
Trade and other liabilities	284 925	251 411	9 450	8 122	294 375	259 533

The above transactions with related parties include mainly sale and purchase of refining and petrochemical products as well as sale and purchase of repair, transportation and other services. Sale and purchase transactions with related parties were concluded on market terms. Balances of settlements with related parties include trade receivables and trade and financial.

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

As at 30 September 2013 ORLEN Capital Group entities were parties in the following significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

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

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

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

The claim regarded the payment of a compensation for losses related among others to alleged unfair competition of PKN ORLEN included in Agrofert Holding a.s. claim and alleged illegal violation of reputation of Agrofert Holding a.s. in relation to purchase by PKN ORLEN of UNIPETROL a.s. shares.

On 21 October 2010 the Court of Arbitration in Prague overruled the entire claim of Agrofert Holding a.s. against PKN ORLEN regarding the payment of PLN 3,194,120 thousand translated using exchange rate as at 30 September 2013 (representing CZK 19,464,473 thousand) with interest and obliged Agrofert Holding a.s. to cover the cost of proceedings born by PKN ORLEN.

The Court of Arbitration ruling dated 21 October 2010 ended the last of four arbitration proceedings initiated by Agrofert Holding a.s.

On 3 October 2011 PKN ORLEN received from the court in Prague (Czech Republic) claim which overruled the sentence of arbitration court of the above mentioned case. On 16 January 2012 PKN ORLEN submitted a response to Agrofert Holding a.s.' claim. In its response PKN ORLEN took a position to the allegations of Agrofert Holding a.s., appealed to dismiss all Agrofert Holding a.s.' claim and adjudge it with proceeding costs refund. On 10 January 2013 there was the hearing in front of the court in Prague. During the hearing the rules of the further proceeding have been arranged. On 23-24 April and 11 July 2013 next hearings were held, during which the court analyzed the evidence. The date of next hearing was not currently set. In the opinion of PKN ORLEN the decision of the Court of Arbitration dated 21 October 2010 is correct and there are no grounds for its annulment.

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

### **5.1.2.1. Tax proceedings**

There are ongoing tax proceedings against Rafineria Trzebinia S.A. concerning excise tax settlements for the period May-September 2004.

As a result of the Customs Office proceeding, the excise tax liability for the period May – September 2004 was set at the amount of approximately PLN 100,000 thousand. Rafineria Trzebinia filed an appeal against the discussed decisions. In December 2005 the Director of the Customs Chamber in Cracow (Director of the CC) kept the first instance authority's decisions in force. The company appealed against above listed decisions. According to the sentence dated 12 November 2008 the Voivodship Administrative Court (VAC) inclined to the appeal of Rafineria Trzebinia and overruled the decision of Director of the CC.

#### **May – August 2004**

On 25 September 2009 the Head of the Customs Office in Cracow (first instance authority) issued decisions for the period May - August 2004 increasing the tax liability by approximately PLN 80,000 thousand. On 14 October 2009 Rafineria Trzebinia S.A. appealed to the Director of the Customs Chamber in Cracow regarding the above mentioned decision. On 22 January 2010 the Director of the Customs Chamber in Cracow dismissed entirely the first instance authority's decisions and decided to revoke them to reexamination.

On 23 March 2011 the Head of the Customs Office suspended proceedings. Rafineria Trzebinia appealed against decisions of the Director of the Customs Chamber to the VAC. On 20 April 2011 the VAC overruled the complaint of Rafineria Trzebinia. On 29 June 2011 the company filed an annulment claim to the Supreme Administrative Court (SAC) of the VAC's sentence. On 20 March 2013 SAC overruled the annulment claim. On 3 July 2013 the Head of the Customs Office in Cracow issued decisions on the basis of which the proceedings to determine the amount of excise tax liabilities for the period May - August 2004 have been started. Rafineria Trzebinia is waiting for decisions determining the amount of excise tax liability for months from May to August 2004.

The estimates of potential financial impact of above proceedings as at the day of preparation of these consolidated financial statements have not changed and will be verified upon receipt of the written judgment of the SAC on the tax proceeding for September 2004.

#### **September 2004**

On 24 November 2010 Head of the Customs Office in Cracow issued a decision determining the amount of excise tax liability for September 2004 of PLN 37,612 thousand. On 15 December 2010 Rafineria Trzebinia S.A. raised a complaint to the Director of the Customs Chamber in Cracow regarding the above mentioned decision.

On 9 May 2011 the Director of the Customs Chamber in Cracow issued a decision keeping the first instance authority's decisions in force. On 19 May 2011 Rafineria Trzebinia S.A. appealed against the above mentioned decision to the VAC in Cracow and filed a supplement to the appeal on 13 June 2011.

On 25 January 2012 the VAC in Cracow overruled the appeal of Rafineria Trzebinia S.A. and issued a sentence sustaining the decision of the Head of the Customs Office in Cracow regarding the excise tax liability of PLN 37,612 thousand for September 2004. On 28 March 2012 the company filed an annulment to SAC of the above sentence of VAC. On 7 October 2013 SAC overruled the claim of Rafineria Trzebinia S.A. The excise tax liability for September 2004 was covered by provision created in previous years.

### **5.1.2.2. Anti-trust proceedings**

Anti-trust proceeding was held due to suspicion that in the years 1996–2007, PKN ORLEN, Petrol Station Kogut Sp.j. and MAGPOL B. Kułakowski i Wspólnicy Sp.j. were using practice limiting competition on the domestic market of wholesale of petrol and diesel oil by setting retail selling prices of petrol and diesel oil. On 16 July 2010 the President of the Office of Competition and Consumer Protection ("OCCP") issued a decision, in which PKN ORLEN and Petrol Station Kogut Sp.j. were found guilty of participating till 16 July 2007 in anti-competition actions. The President of OCCP has imposed a fine on PKN ORLEN of PLN 52,700 thousand. On 2 August 2010 PKN ORLEN appealed from the decision to the Court of Competition and Consumer Protection. In the decision dated 25 September 2012 the Court included partially the Company's appeal from the decision imposing a fine and decreased the amount of the fine to PLN 26,368 thousand. The Company appealed from the sentence, demanding to revoke the decision in the matter of taking part in anti-competition actions, possibly by further reducing the fine. An appeal against the judgment of the Competition and Consumer Protection Court was also submitted by the President of the OCCP. In the decision dated 16 July 2013 the Warsaw Court of Appeal included the Company's appeal from the decision imposing a fine and reduced the amount of the fine to PLN 1,000 thousand. The decision is legally binding. The fine of PLN 1,000 thousand was paid by PKN ORLEN S.A. The parties have the right to submit an annulment to the Supreme Court.

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

As at the date of preparation of these foregoing interim condensed consolidated financial statements PKN ORLEN participates in two court proceedings concerning the settlement of system fee with ENERGA – OPERATOR S.A.

#### **– Court proceedings in which PKN ORLEN acts as a defendant**

The subject of the court proceedings concerns settlement of the contentious system fee for the period from 5 July 2001 to 30 June 2002 of PLN 46,232 thousand with interest.

In its judgment on 25 June 2008 the Regional Court in Warsaw dismissed entirely the claim of Energa Operator S.A. against PKN ORLEN. In its judgment dated 4 August 2011 the Court of Appeals in Warsaw dismissed the above mentioned judgment and remanded the case back to the court of first instance.

During the retrial, court hearings were held on 30 April 2012 and 19 November 2012. In addition, opinion has been prepared by an expert witness for the damages calculation. On 2 July 2013 the seating in front of the Regional Court in Warsaw was held where evidence was analyzed. The court set a new trial date on 21 November 2013.

#### **– Court proceedings in which PKN ORLEN acts as an outsider intervener**

In 2004 the court summoned PKN ORLEN as a co-defendant in a court case PSE – Operator S.A. (legal successor of PGE Polska Grupa Energetyczna S.A., former Polskie Sieci Elektroenergetyczne) against ENERGA – OPERATOR S.A.

In March 2008 the District Court in Warsaw pronounced its verdict according to which ENERGA – OPERATOR S.A. is to pay PSE the amount of PLN 62,514 thousand with interest and the amount of PLN 143 thousand as a refund of proceedings costs. ENERGA - OPERATOR S.A. appealed against the above verdict. In its sentence dated 19 March 2009 the Court of Appeals declined the appeal of ENERGA - OPERATOR S.A. against the verdict of the first instance Court that sentenced the specified amount. The defendant submitted an appeal against this sentence. Having examined the appeal, the Supreme Court in its judgment dated 26 March 2010 repealed the sentence and revoked it to reexamination by the Court of Appeals in Warsaw.

On 21 September 2011 the Court of Appeals in Warsaw pronounced its verdict, according to which claims of PSE – Operator S.A. were overruled, the plaintiff was adjudged to refund proceedings costs to the defendant and return PLN 122,000 thousand to ENERGA - OPERATOR S.A.

From the overruling verdict of 21 September 2011 pronounced by the Court of Appeals, the companies PSE Operator S.A. and ENERGA - OPERATOR S.A. filed an annulment claim to the Supreme Court.

On 11 January 2013 the Supreme Court issued a sentence, in which it revoked the appeal of ENERGA – OPERATOR S.A., partially agreed to the appeal of PSE Operator S.A., revoked the previous sentence and passed the case back to the Court of Appeals for reexamination, which should include the statement of the cassation costs. The Court of Appeals in Warsaw suspended proceedings for the joint request of the parties.

The ruling does not result in liabilities directly on the side of PKN ORLEN, as PKN ORLEN acts only as an outside intervener in the case, but interpretation of the law may influence other court decisions in the ENERGA OPERATOR S.A.'s claims against PKN ORLEN described above.

### **5.1.2.4. Compensation due to compulsory buy-out of interest in PARAMO a.s.**

UNIPETROL a.s. is a party in a proceeding initiated in 2009 by former non-controlling shareholders of PARAMO a.s. and concerns the change in compensation received on squeeze out performed by UNIPETROL a.s. in 2009. The claim concerns the difference between officially approved price of PARAMO a.s. shares as at the date to buyout of CZK 977 per share, and the requested by shareholders price ranging from CZK 1,800 to CZK 3,200 per share. The total amount of the claim is approximately up to PLN 49,886 thousand at average exchange rate as at 30 September 2013 (representing approximately CZK 304,000 thousand). UNIPETROL a.s. considers the above described claims of former shareholders of PARAMO a.s. as ungrounded.

The Court confirmed by its sentence issued on 26 January 2012 that PARAMO a.s. Shareholders Meeting's resolution regarding the share buyout is fully valid and effective. Two plaintiffs appealed from the sentence to the Supreme Court in the Czech Republic. The claim will be considered only if the Supreme Court recognizes an important legal merit issue in the case.

### **5.1.2.5. 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 Regional 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. motion for bankruptcy of I.P.-95 s.r.o. in November 2009. Total amount of the compensation is approximately PLN 293,503 thousand, translated using the exchange rate from 30 September 2013 (representing CZK 1,788,559 thousand). UNIPETROL RPA s.r.o. is one of the eight defendants against which the claim was brought.

According to the UNIPETROL RPA s.r.o the claim is unjustified and groundless. The case is pending in the Regional Court in Ostrava. The parties are waiting for the date of the first hearing.

## **5.2. Court proceedings in which entities of the Capital Group act as plaintiff**

### **5.2.1. Arbitration proceedings against Yukos International UK B.V.**

On 15 July 2009 PKN ORLEN submitted in the Court of Arbitration by the International Chamber of Commerce ("ICC") the request for arbitration proceedings against Yukos International UK B.V., seated in the Netherlands, in connection with purchase transaction of AB ORLEN Lietuva (previously AB Mazeikiu Nafta) shares. Claims of PKN ORLEN concerned inconsistency of Yukos International's statements with the actual state of AB ORLEN Lietuva at the closing date of the purchase of AB ORLEN Lietuva shares by PKN ORLEN.

On 14 September 2009 Yukos International submitted a response to PKN ORLEN's request for arbitration proceedings. In its response Yukos International appealed to dismiss all PKN ORLEN's claims and adjudge it with proceeding costs refund.

On the first seating of the Arbitration Court in London, PKN ORLEN and Yukos International agreed i.a. proceedings schedule and extent of competence of the Arbitration Court. On 3 May 2010, according to the schedule PKN ORLEN issued a law suit in which it demands from Yukos International a reimbursement of PLN 780,675 thousand at exchange rate as at 30 September 2013 (representing USD 250,000 thousand) with interest and costs of proceedings. The amount was deposited in the escrow account as a part of the payment for AB ORLEN Lietuva shares in order to secure the potential claims of PKN ORLEN towards Yukos International. On 31 December 2010 Yukos International submitted a response to the law suit, in which PKN ORLEN's claim was considered as unjustified and appealed for dismissal of all claims and for refund of proceeding costs.

On 29 April 2013 PKN ORLEN received the decision of the Court of Arbitration by the International Chamber of Commerce ("ICC") dismissing the claims of PKN ORLEN and obliged PKN ORLEN to cover the costs incurred by Yukos International.

On 28 May 2013 PKN ORLEN appealed to High Court of Justice, Queen's Bench Division, Commercial Court in London to dismiss above-mentioned decision from 15 April 2013. On 18 July 2013 PKN ORLEN received the High Court of Justice, Queen's Bench Division, Commercial Court decision that overruled PKN ORLEN's claim. The case was closed.

### **5.2.2. Compensations due to damages suffered by Rafineria Trzebinia S.A.**

Rafineria Trzebinia S.A. acts as an auxiliary prosecutor in the proceedings held by District Court in Cracow concerning abuses associated with the realization of investment in installation for the esterification of biodiesel oil, on which Rafineria Trzebinia S.A. claims to incur a loss of approximately PLN 79,000 thousand. The indictment in this case was raised in December 2010. The Company issued a motion to the court requesting to oblige the defendant to repair the incurred damages. On 12 February 2013 the Court discharged the proceedings. The Company complained about the decision. On 21 May 2013 the Court of Appeals in Cracow dismissed the District Court in Cracow decision of discharging the proceedings. As the result, the claim is being heard in first instance court.

### **5.2.3. Proceeding of Orlen Lietuva for compensation in respect of accident at Terminal in Butingė**

AB Orlen Lietuva is a plaintiff in the court proceeding against RESORT MARITIME SA, The London Steamship Owners' Mutual Insurance Association Limited, Sigma Tankers Inc., Cardiff Maritime Inc., Heidenreich Marine, Heidenreich Maritime Inc. and Heidmar Inc. regarding compensation payment for damage caused by the hit of tanker ship into terminal buoy in Butingė Terminal on 29 December 2005. The total compensation claim amounts to approximately PLN 73,266 thousand at exchange rate as at 30 September 2013 (representing approximately LTL 60,000 thousand). The proceeding is held in the first instance in front of district court in Klaipėda.

### **5.2.4. Tax proceedings**

UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s., is a party in a tax proceeding related to validity of investment tax relief for 2005. UNIPETROL RPA s.r.o. claims the return of income tax paid in 2006 for the fiscal year 2005 by CHEMOPETROL a.s.. The claim concerns unused investment relief attributable to CHEMOPETROL a.s.. The total value of claim amounts to approximately PLN 53,333 thousand translated using exchange rate as at 30 September 2013 (representing approximately CZK 325,000 thousand). Court hearings are set for the fourth quarter of 2013.

### **5.2.5. Arbitration proceedings against Basell Europe Holding B.V.**

On 20 December 2012 PKN ORLEN sent an arbitration call to Basell Europe Holding B.V. regarding *ad hoc* proceeding relating to Joint Venture Agreement signed in 2002 between PKN ORLEN and Basell Europe Holding B.V. PKN ORLEN seeks compensation in its own favour or, depending on the court's decision, in favor of Basell Orlen Polyolefins Sp. z o.o. The compensation regards the price of goods manufactured by Basell Orlen Polyolefins sp. z o.o. which are acquired by Basell Sales & Marketing Company B.V. (entity related to Basell Europe Holdings

B.V. in the meaning of abovementioned Joint Venture Agreement) with the purpose of re-sell within own network. The arbitration proceeding will take place in London Court of *ad hoc* Arbitration Tribunal, acting based on Regulations of United Nation Commission on International Trade Law (UNCITRAL).

On 10 June 2013 the Court of Arbitration issued the Procedural Order in which he confirmed the constitution of the Court of Arbitration, and also established the first, incomplete schedule of arbitration proceedings according to which first hearing was set for 2-6 June 2014. On 22 August 2013 PKN ORLEN S.A. filed a lawsuit against Basell Europe Holding BV for Basell Orlen Polyolefins Sp. z o.o. demanding among others the amount of PLN 115,624 thousand at exchange rate as at 30 September 2013 (representing EUR 27,423 thousand) plus interest or - alternatively - against Basell Europe Holding B.V. for PKN ORLEN S.A. the amount of PLN 53,576 thousand.

### 5.2.6. Proceedings against Aon UK Limited

AB Orlen Lietuva acted as a plaintiff in the proceeding against Aon UK Limited, in which requests a compensation for damages incurred due to improper performance of brokerage services as a consequence of which Orlen Lietuva did not receive full compensation for the loss resulting from the refinery fire in 2006. Value of AB Orlen Lietuva compensation claim amounts to approximately from PLN 112,417 thousand to PLN 390,338 thousand at exchange rate as at 30 September 2013 (representing approximately from USD 36,000 thousand to USD 125,000 thousand) depending on the adopted methods of calculation, which will be examined in court proceedings. Proceeding is held in the first instance in front of court in Great Britain.

Additional information concerning the abovementioned proceedings was presented in the Consolidated Financial Statements for 2012 - note 44.

## 6. Other information

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at the submission date of		Number of shares as at submission date of	
	the foregoing quarterly report	half-year report	the foregoing quarterly report	half-year report
State Treasury	27,52%	27,52%	117 710 196	117 710 196
ING OFE*	9,35%	9,35%	40 000 000	40 000 000
Aviva OFE*	7,01%	7,01%	30 000 000	30 000 000
Other	56,12%	56,12%	239 998 865	239 998 865
	<b>100,00%</b>	<b>100,00%</b>	<b>427 709 061</b>	<b>427 709 061</b>

\* According to the information from the Ordinary Shareholders Meeting of PKN ORLEN S.A. on 27 June 2013

Percentage share in the share capital of the Parent Company of the above mentioned shareholders is equal to the percentage share in total votes at the General Shareholders' Meeting.

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

	Number of shares, as at the submission date of the quarterly report**	Number of shares, as at the submission date of the half-year report*
<b>Supervisory Board</b>	<b>3 300</b>	<b>3 300</b>
Grzegorz Borowiec	100	100
Artur Gabor	3 200	3 200

\* According to the received confirmations as at 15 July 2013

\*\* According to the information possessed by the Company as at 15 October 2013

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



**6.3. Information on loan sureties and guarantees of at least 10% of the Company's equity granted by the Parent Company or its subsidiaries to one entity or its subsidiaries**

As at 30 September 2013 and 31 December 2012 PKN ORLEN and its subsidiaries did not grant any loan sureties or guarantees to another entity or its subsidiary, where the value of sureties and guarantees constituted at least 10% of the Parent Company's equity.

**6.4. Statement of the Management Board regarding the possibility to realize previously published forecasts of the current year results**

The ORLEN Capital Group has not published forecasts of the results.

**QUARTERLY FINANCIAL INFORMATION  
PKN ORLEN S.A.**

**FOR III QUARTER 2013**



**C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN S.A.****Separate statement of financial position**

	AS AT 30/09/2013 (unaudited)	AS AT 31/12/2012
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11 949 638	12 087 781
Intangible assets	393 014	603 416
Perpetual usufruct of land	94 963	91 319
Shares in related parties	9 093 243	9 003 021
Financial assets available for sale	40 222	40 634
Other non-current assets	38 085	647 963
	<b>21 609 165</b>	<b>22 474 134</b>
<b>Current assets</b>		
Inventories	10 541 391	10 375 471
Trade and other receivables	7 061 111	6 395 513
Other financial assets	1 050 626	1 081 549
Current tax assets	28 462	56 489
Cash	1 806 052	972 179
Non-current assets classified as held for sale	-	51 634
	<b>20 487 642</b>	<b>18 932 835</b>
<b>Total assets</b>	<b>42 096 807</b>	<b>41 406 969</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	1 057 635	1 057 635
Share premium	1 227 253	1 227 253
Hedging reserve	12 579	(69 133)
Retained earnings	20 751 492	20 704 251
<b>Total equity</b>	<b>23 048 959</b>	<b>22 920 006</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans and debt securities	5 323 010	6 968 525
Provisions	363 307	360 307
Deferred tax liabilities	366 599	239 872
Other non-current liabilities	117 122	133 627
	<b>6 170 038</b>	<b>7 702 331</b>
<b>Current liabilities</b>		
Trade and other liabilities	10 609 789	8 585 606
Loans, borrowings and debt securities	1 408 578	1 303 497
Provisions	300 138	400 794
Deferred income	118 378	137 348
Other financial liabilities	440 927	357 387
	<b>12 877 810</b>	<b>10 784 632</b>
<b>Total liabilities</b>	<b>19 047 848</b>	<b>18 486 963</b>
<b>Total equity and liabilities</b>	<b>42 096 807</b>	<b>41 406 969</b>

**ORLEN GROUP****CONSOLIDATED QUARTERLY REPORT FOR THE III QUARTER OF 2013  
QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN S.A.***(in PLN thousand)**(Translation of a document originally issued in Polish)***Separate statement of profit or loss and other comprehensive income**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
<b>Statement of profit or loss</b>				
Sales revenues	63 900 101	22 986 009	64 778 211	23 375 427
Cost of sales	(61 295 629)	(21 886 074)	(60 913 617)	(22 123 003)
<b>Gross profit on sales</b>	<b>2 604 472</b>	<b>1 099 935</b>	<b>3 864 594</b>	<b>1 252 424</b>
Distribution expenses	(1 546 830)	(517 824)	(1 533 629)	(531 428)
Administrative expenses	(543 091)	(182 190)	(532 003)	(158 143)
Other operating income	265 004	73 603	281 371	178 649
Other operating expenses	(181 381)	(42 296)	(176 845)	(61 084)
<b>Profit from operations</b>	<b>598 174</b>	<b>431 228</b>	<b>1 903 488</b>	<b>680 418</b>
Finance income	348 649	537 062	1 428 410	656 510
Finance costs	(241 512)	(73 593)	(281 167)	(84 661)
<b>Net finance income and costs</b>	<b>107 137</b>	<b>463 469</b>	<b>1 147 243</b>	<b>571 849</b>
<b>Profit before tax</b>	<b>705 311</b>	<b>894 697</b>	<b>3 050 731</b>	<b>1 252 267</b>
Tax expenses	(16 506)	(173 046)	(533 101)	(215 774)
<b>Net profit</b>	<b>688 805</b>	<b>721 651</b>	<b>2 517 630</b>	<b>1 036 493</b>
<b>Items of other comprehensive income which will be reclassified into profit or loss under certain conditions</b>				
<i>Hedging instruments</i>	100 879	180 042	(54 753)	301 332
<i>Deferred tax</i>	(19 167)	(34 208)	10 403	(57 253)
	<b>81 712</b>	<b>145 834</b>	<b>(44 350)</b>	<b>244 079</b>
<b>Total net comprehensive income</b>	<b>770 517</b>	<b>867 485</b>	<b>2 473 280</b>	<b>1 280 572</b>
Net profit and diluted net profit per share (in PLN per share)	1.61	1.69	5.89	2.42

**ORLEN GROUP****CONSOLIDATED QUARTERLY REPORT FOR THE III QUARTER OF 2013  
QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN S.A.***(in PLN thousand)**(Translation of a document originally issued in Polish)***Separate statement of cash flows**

	FOR 9 MONTHS ENDED 30/09/2013 (unaudited)	FOR 3 MONTHS ENDED 30/09/2013 (unaudited)	FOR 9 MONTHS ENDED 30/09/2012 (unaudited)	FOR 3 MONTHS ENDED 30/09/2012 (unaudited)
<b>Cash flows - operating activities</b>				
<b>Net profit</b>	<b>688 805</b>	<b>721 651</b>	<b>2 517 630</b>	<b>1 036 493</b>
Adjustments for:				
Depreciation and amortisation	758 404	256 452	791 107	261 034
Foreign exchange (gain)/loss	95 200	(243 539)	(709 593)	(359 803)
Interest, net	195 539	64 990	227 689	68 238
Dividends	(219 883)	-	(167 171)	(7 813)
(Profit)/Loss on investing activities	(49 997)	1 219	(33 658)	3 762
Change in provisions	90 584	7 691	141 176	16 364
Tax expense	16 506	173 046	533 101	215 774
Income tax received/(paid)	119 081	2 137	(884 206)	(76 652)
Other adjustments	(86 488)	(38 877)	(306 409)	(151 249)
Change in working capital	1 496 038	(335 736)	(811 233)	236 709
<i>inventories</i>	<i>(139 706)</i>	<i>(968 350)</i>	<i>(390 392)</i>	<i>(327 751)</i>
<i>receivables</i>	<i>(447 893)</i>	<i>(375 252)</i>	<i>(668 196)</i>	<i>(1 531 783)</i>
<i>liabilities</i>	<i>2 083 637</i>	<i>1 007 866</i>	<i>247 355</i>	<i>2 096 243</i>
<b>Net cash provided by operating activities</b>	<b>3 103 789</b>	<b>609 034</b>	<b>1 298 433</b>	<b>1 242 857</b>
<b>Cash flows - investing activities</b>				
Acquisition of property, plant and equipment and intangible assets	(825 194)	(289 056)	(688 935)	(208 912)
Disposal of property, plant and equipment and intangible assets	158 436	53 547	13 453	6 383
Acquisition of shares	(645)	-	(87 609)	(76 806)
Disposal of shares	103	-	116	-
Interest received	22 114	4 450	22 057	3 384
Dividends received	197 385	170 693	150 462	43 944
Outflows from additional repayable payments to subsidiaries' equity	(106 500)	(106 500)	(73 720)	(6 050)
Proceeds from additional repayable payments to subsidiaries' equity	-	-	7 641	7 641
Proceeds/(Outflows) from current loans granted	799 527	497 254	(68 959)	(1 071)
Proceeds/(Outflows) from cash pool facility	(119 074)	35 258	24 316	39 173
Other	(11 742)	(2 056)	(1 850)	(2 678)
<b>Net cash provided by/(used in) investing activities</b>	<b>114 410</b>	<b>363 590</b>	<b>(703 028)</b>	<b>(194 992)</b>
<b>Cash flows - financing activities</b>				
Proceeds from loans and borrowings received	2 766 444	-	3 088 846	544 707
Debt securities issued	8 582 152	3 925 515	7 461 320	1 764 094
Repayments of loans and borrowings	(4 859 159)	(2 061 281)	(5 519 241)	(1 618 400)
Redemption of debt securities	(8 120 248)	(3 909 913)	(6 926 714)	(1 538 687)
Dividends paid	(641 564)	(641 564)	-	-
Interest paid	(240 040)	(85 100)	(262 723)	(92 236)
Payments of liabilities under finance lease agreements	(10 108)	(3 709)	(7 462)	(2 532)
Proceeds/(Outflows) from cash pool facility	142 119	26 354	(112 591)	(58 985)
Other	(3 730)	(2 048)	-	-
<b>Net cash (used) in financing activities</b>	<b>(2 384 134)</b>	<b>(2 751 746)</b>	<b>(2 278 565)</b>	<b>(1 002 039)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>834 065</b>	<b>(1 779 122)</b>	<b>(1 683 160)</b>	<b>45 826</b>
Effect of exchange rate changes	(192)	(2 254)	(545)	(239)
Cash and cash equivalents, beginning of the period	972 179	3 587 428	4 291 187	2 561 895
<b>Cash, end of the period</b>	<b>1 806 052</b>	<b>1 806 052</b>	<b>2 607 482</b>	<b>2 607 482</b>

**ORLEN GROUP****CONSOLIDATED QUARTERLY REPORT FOR THE III QUARTER OF 2013  
QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN S.A.***(in PLN thousand)**(Translation of a document originally issued in Polish)***Statement of changes in separate equity**

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2013	2 284 888	(69 133)	20 704 251	22 920 006
Net profit	-	-	688 805	688 805
Items of other comprehensive income	-	81 712	-	81 712
<b>Total net comprehensive income</b>	-	<b>81 712</b>	<b>688 805</b>	<b>770 517</b>
Dividends	-	-	(641 564)	(641 564)
<b>30 September 2013</b>	<b>2 284 888</b>	<b>12 579</b>	<b>20 751 492</b>	<b>23 048 959</b>
(unaudited)				
1 January 2012	2 284 888	(14 617)	18 576 453	20 846 724
Net profit	-	-	2 517 630	2 517 630
Items of other comprehensive income	-	(44 350)	-	(44 350)
<b>Total net comprehensive income</b>	-	<b>(44 350)</b>	<b>2 517 630</b>	<b>2 473 280</b>
<b>30 September 2012</b>	<b>2 284 888</b>	<b>(58 967)</b>	<b>21 094 083</b>	<b>23 320 004</b>
(unaudited)				



**GRUPA ORLEN**

**CONSOLIDATED QUARTERLY REPORT FOR THE III QUARTER OF 2013**

*(Translation of a document originally issued in Polish)*

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The foregoing quarterly report was authorized by the Management Board of the Parent Company on 22 October 2013.

.....  
Dariusz Krawiec  
President of the Board

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

.....  
Piotr Chelmiński  
Member of the Board

.....  
Krystian Pater  
Member of the Board

.....  
Marek Podstawa  
Member of the Board

Signature of the person responsible  
for keeping accounting books

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