



ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 3rd QUARTER

2017



ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	9 MONTHS ENDED 30/09/2017	9 MONTHS ENDED 30/09/2016	9 MONTHS ENDED 30/09/2017	9 MONTHS ENDED 30/09/2016
Sales revenues	70 630	56 651	16 593	12 967
Profit from operations increased by depreciation and amortisation (EBITDA)	8 429	6 303	1 980	1 443
Profit from operations (EBIT)	6 670	4 743	1 567	1 086
Profit before tax	6 722	4 397	1 579	1 006
Net profit	5 539	3 697	1 301	846
Total net comprehensive income	5 910	3 754	1 388	859
Net profit attributable to equity owners of the parent	5 064	3 472	1 190	795
Total net comprehensive income attributable to equity owners of the parent	5 347	3 543	1 256	811
Net cash from operating activities	7 169	6 788	1 685	1 554
Net cash (used) in investing activities	(2 786)	(3 597)	(655)	(823)
Net cash (used) in financing activities	(2 831)	(1 650)	(665)	(378)
Net increase in cash and cash equivalents	1 552	1 541	365	353
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	11.84	8.12	2.78	1.86

	30/09/2017	31/12/2016	30/09/2017	31/12/2016
Non-current assets	31 066	30 321	7 210	6 854
Current assets	28 010	25 238	6 500	5 705
Total assets	59 076	55 559	13 710	12 559
Share capital	1 058	1 058	246	239
Equity attributable to equity owners of the parent	30 827	26 763	7 154	6 050
Total equity	33 823	29 285	7 849	6 620
Non-current liabilities	8 806	9 652	2 044	2 182
Current liabilities	16 447	16 622	3 817	3 757
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	72.07	62.57	16.73	14.14

PKN ORLEN - SELECTED DATA

	PLN million		EUR million	
	9 MONTHS ENDED 30/09/2017	9 MONTHS ENDED 30/09/2016	9 MONTHS ENDED 30/09/2017	9 MONTHS ENDED 30/09/2016
Sales revenues	51 821	37 324	12 174	8 543
Profit from operations increased by depreciation and amortisation (EBITDA)	4 277	3 267	1 005	748
Profit from operations (EBIT)	3 374	2 420	793	554
Profit before tax	4 517	3 656	1 061	837
Net profit	3 846	3 235	904	740
Total net comprehensive income	4 343	3 294	1 020	754
Net cash from operating activities	3 038	3 811	713	872
Net cash from/(used in) investing activities	59	(656)	14	(150)
Net cash (used) in financing activities	(2 099)	(1 706)	(493)	(390)
Net increase in cash	998	1 449	234	332
Net profit and diluted net profit per share (in PLN/EUR per share)	8.99	7.56	2.11	1.73

	30/09/2017	31/12/2016	30/09/2017	31/12/2016
Non-current assets	25 034	25 109	5 810	5 676
Current assets	20 305	17 963	4 712	4 060
Total assets	45 339	43 072	10 522	9 736
Share capital	1 058	1 058	246	239
Total equity	25 228	22 168	5 855	5 011
Non-current liabilities	7 926	8 918	1 839	2 016
Current liabilities	12 185	11 986	2 828	2 709
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	58.98	51.83	13.69	11.72

The above data for the 9 month period of 2017 and 2016 was translated into EUR using the following exchange rates:

- items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of the last day of the month during the reporting period: from 1 January to 30 September 2017 – 4.2566 EUR/PLN and from 1 January 2016 to 30 September 2016 – 4.3688 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 30 September 2017 – 4.3091 EUR/PLN and as at 31 December 2016– 4.4240 EUR/PLN;

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 9 AND 3 MONTH PERIOD ENDED 30 SEPTEMBER

2017

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
Consolidated statement of profit or loss and other comprehensive income

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Sales revenues	70 630	24 730	56 651	21 083
<i>revenues from sales of finished goods and services</i>	52 773	18 381	40 670	14 626
<i>revenues from sales of merchandise and raw materials</i>	17 857	6 349	15 981	6 457
Cost of sales 4.1	(60 660)	(21 060)	(49 146)	(18 349)
<i>cost of finished goods and services sold</i>	(44 352)	(15 307)	(34 369)	(12 414)
<i>cost of merchandise and raw materials sold</i>	(16 308)	(5 753)	(14 777)	(5 935)
Gross profit on sales	9 970	3 670	7 505	2 734
Distribution expenses	(3 160)	(1 140)	(3 059)	(1 054)
Administrative expenses	(1 095)	(359)	(1 055)	(323)
Other operating income 4.3	1 007	146	1 360	444
Other operating expenses 4.3	(238)	(105)	(260)	(95)
Share in profit from investments accounted for under equity method	186	62	252	68
Profit from operations	6 670	2 274	4 743	1 774
Finance income 4.4	1 027	214	125	194
Finance costs 4.4	(975)	(428)	(471)	(41)
Net finance income and costs	52	(214)	(346)	153
Profit before tax	6 722	2 060	4 397	1 927
Tax expense	(1 183)	(363)	(700)	(358)
<i>current tax</i>	(965)	(330)	(383)	(274)
<i>deferred tax</i>	(218)	(33)	(317)	(84)
Net profit	5 539	1 697	3 697	1 569
Other comprehensive income:				
which will be reclassified into profit or loss				
<i>hedging instruments</i>	787	(86)	(67)	277
<i>exchange differences on translating foreign operations</i>	(267)	253	116	(300)
<i>deferred tax</i>	(149)	20	8	(57)
	371	187	57	(80)
Total net comprehensive income	5 910	1 884	3 754	1 489
Net profit attributable to	5 539	1 697	3 697	1 569
<i>equity owners of the parent</i>	5 064	1 603	3 472	1 527
<i>non-controlling interest</i>	475	94	225	42
Total net comprehensive income attributable to	5 910	1 884	3 754	1 489
<i>equity owners of the parent</i>	5 347	1 717	3 543	1 508
<i>non-controlling interest</i>	563	167	211	(19)
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)	11.84	3.75	8.12	3.57

The accompanying notes disclosed on pages 9 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of financial position

	30/09/2017 (unaudited)	31/12/2016
ASSETS		
Non-current assets		
Property, plant and equipment	28 499	27 671
Intangible assets	1 249	1 377
Investments accounted for under equity method	774	763
Deferred tax assets	60	167
Embedded derivatives and hedging instruments	4.6 196	66
Other assets	4.6 288	277
	31 066	30 321
Current assets		
Inventories	11 353	11 182
Trade and other receivables	9 541	8 553
Current tax assets	81	121
Cash and cash equivalents	6 533	5 072
Non-current assets classified as held for sale	12	61
Embedded derivatives and hedging instruments	4.6 374	97
Other assets	4.6 116	152
	28 010	25 238
Total assets	59 076	55 559
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	231	(355)
Revaluation reserve	5	5
Exchange differences on translating foreign operations	643	946
Retained earnings	27 663	23 882
Equity attributable to equity owners of the parent	30 827	26 763
Non-controlling interests	2 996	2 522
Total equity	33 823	29 285
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	4.5 6 449	7 446
Provisions	4.7 845	828
Deferred tax liabilities	1 085	809
Embedded derivatives and hedging instruments	4.6 134	280
Other liabilities	4.6 293	289
	8 806	9 652
Current liabilities		
Trade and other liabilities	14 196	13 591
Loans, borrowings and bonds	4.5 652	989
Provisions	4.7 539	666
Current tax liabilities	418	659
Embedded derivatives and hedging instruments	4.6 208	403
Other liabilities	4.6 434	314
	16 447	16 622
Total liabilities	25 253	26 274
Total equity and liabilities	59 076	55 559

The accompanying notes disclosed on pages 9 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							Non-controlling interests	Total equity
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total			
01/01/2017	2 285	(355)	5	946	23 882	26 763	2 522	29 285	
Net profit	-	-	-	-	5 064	5 064	475	5 539	
Items of other comprehensive income	-	586	-	(303)	-	283	88	371	
Total net comprehensive income	-	586	-	(303)	5 064	5 347	563	5 910	
Dividends	-	-	-	-	(1 283)	(1 283)	(89)	(1 372)	
30/09/2017	2 285	231	5	643	27 663	30 827	2 996	33 823	
(unaudited)									
01/01/2016	2 285	(80)	-	537	19 431	22 173	2 071	24 244	
Net profit	-	-	-	-	3 472	3 472	225	3 697	
Items of other comprehensive income	-	(23)	-	94	-	71	(14)	57	
Total net comprehensive income	-	(23)	-	94	3 472	3 543	211	3 754	
Change in the structure of non-controlling interest	-	-	-	-	(1)	(1)	(1)	(2)	
Dividends	-	-	-	-	(855)	(855)	(60)	(915)	
30/09/2016	2 285	(103)	-	631	22 047	24 860	2 221	27 081	
(unaudited)									

The accompanying notes disclosed on pages 9 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of cash flows

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Cash flows from operating activities				
Profit before tax	6 722	2 060	4 397	1 927
Adjustments for:				
Share in profit from investments accounted for under equity method	(186)	(62)	(252)	(68)
Depreciation and amortisation	1 759	616	1 560	537
Foreign exchange (gain)/loss	(27)	65	251	(28)
Interest, net	155	52	164	36
Dividends	(4)	-	(5)	-
(Profit)/Loss on investing activities	360	157	(46)	(2)
Change in provisions	219	86	128	79
Change in working capital	(685)	(267)	1 257	204
<i>inventories</i>	(281)	(266)	354	172
<i>receivables</i>	(1 524)	(1 472)	(740)	158
<i>liabilities</i>	1 120	1 471	1 643	(126)
Other adjustments, incl.:	29	549	(397)	(445)
<i>change in balances of settlements due to compensation from insurers in Unipetrol Group</i>	218	493	(348)	(343)
<i>rights granted free of charge</i>	(214)	(85)	(159)	(65)
Income tax (paid)	(1 173)	(253)	(269)	(143)
Net cash from operating activities	7 169	3 003	6 788	2 097
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(2 880)	(879)	(3 953)	(1 149)
Acquisition of shares adjusted for received cash	-	-	(2)	-
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	85	17	93	10
Sale of subsidiary	-	-	74	-
Dividends received	177	-	187	5
Settlement of derivatives not designated as hedge accounting	(167)	(78)	1	(7)
Other	(1)	1	3	(1)
Net cash (used) in investing activities	(2 786)	(939)	(3 597)	(1 142)
Cash flows from financing activities				
Proceeds from loans and borrowings received	10	132	4 089	35
Bonds issued	-	-	3 257	-
Repayments of loans and borrowings	(827)	(177)	(7 867)	(229)
Redemption of bonds	(400)	-	-	-
Interest paid	(214)	(24)	(189)	(38)
Dividends paid	(1 376)	(1 376)	(909)	(909)
<i>equity owners of the parent</i>	(1 283)	(1 283)	(855)	(855)
<i>non-controlling interest</i>	(93)	(93)	(54)	(54)
Payments of liabilities under finance lease agreements	(21)	(7)	(21)	(6)
Other	(3)	(2)	(10)	(5)
Net cash (used) in financing activities	(2 831)	(1 454)	(1 650)	(1 152)
Net increase/(decrease) in cash and cash equivalents	1 552	610	1 541	(197)
Effect of exchange rate changes	(91)	90	(31)	(39)
Cash and cash equivalents, beginning of the period	5 072	5 833	2 348	4 094
Cash and cash equivalents, end of the period	6 533	6 533	3 858	3 858

The accompanying notes disclosed on pages 9 – 20 are an integral part of the foregoing interim condensed consolidated financial statements.

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

The foregoing interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non member state (consolidated text: Official Journal 2014, item 133, as amended Official Journal 2016, item 860) ("Regulation") and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 30 September 2017 and as at 31 December 2016, financial results and cash flows for the 9 and 3 month period ended 30 September 2017 and 30 September 2016.

The foregoing interim condensed consolidated financial statements were prepared assuming that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of the foregoing interim condensed consolidated financial statements there is no evidence indicating that the Group will not be able to continue its operations as a going concern.

The duration of the Parent Company and the entities comprising the ORLEN Group is unlimited.

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

1.2. Applied accounting principles and amendments to International Financial Reporting Standards (IFRS)

In the foregoing interim condensed consolidated financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in the notes to the Consolidated Financial Statements for the year 2016.

The Group intends to adopt IFRS amendments, published but not effective as at the date of publication of the foregoing interim condensed consolidated financial statements, in accordance with their effective date. An estimate of the impact of changes and new IFRS on future consolidated financial statements was presented in the Consolidated Financial Statements for the year 2016 in note 5.5.

1.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial data
1.3.1. Functional currency and presentation currency

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

1.3.2. Methods applied to translation of financial data

Translation into PLN of financial statements of foreign entities, for consolidation purposes:

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

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

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	9 MONTHS ENDED	3 MONTHS ENDED	9 MONTHS ENDED	3 MONTHS ENDED	30/09/2017	31/12/2016
	30/09/2017	30/09/2017	30/09/2016	30/09/2016		
EUR/PLN	4.2661	4.2579	4.3602	4.3420	4.3091	4.4240
USD/PLN	3.8399	3.6253	3.9080	3.8904	3.6519	4.1793
CZK/PLN	0.1606	0.1632	0.1613	0.1606	0.1655	0.1637
CAD/PLN	2.9374	2.8913	2.9553	2.9836	2.9383	3.0995

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

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

2. Group's achievements accompanied by factors having a significant impact on quarterly condensed consolidated financial statements
Profit or loss for the 9 months of 2017

Sales revenues of the ORLEN Group in the 9 month period of 2017 increased by PLN 13,979 million (y/y) to PLN 70,630 million.

Higher sale revenues are the effect of both of increasing sales volumes in all business segments by 8% (y/y) due to the improvement of the market situation, including the introduction of a regulation package in Poland limiting influence of so-called shadow economy for fuel trade, as well as the increase of quotations of major products: fuel (by 18%), diesel oil (by 24%), heavy heating oil (by 53%), ethylene (by 13%) and propylene (by 31%).

Total operating activity expenses increased by PLN (11,655) million (y/y) to PLN (64,915) million.

The largest item in the operating expenses structure (note 4.1) constitute the costs of materials and energy consumption related mainly to the crude oil processing in technological processes. The increase in the costs of materials and energy consumption by 35.5% (y/y) resulted mainly from higher crude oil global quotations at approximately 10 USD/bbl and the increase of crude oil processing by 12% (y/y). The increase of products quotations due to higher raw material prices influenced also the increase in cost of merchandise and raw materials sold by 10.3% (y/y).

Result of other operating activities decreased by PLN (331) million (y/y) and amounted to PLN 769 million. Included mainly the partial settlement of damage related to the steam cracker unit accident in Unipetrol Group of August 2015 in the amount of PLN 442 million and compensation of property damage and loss of profit related to the accident on installation FCC (Fluid Catalytic Cracking) of May 2016 in Unipetrol Group in the amount of PLN 211 million and contractual penalties for improper execution of the contract of the CCGT Włocławek installation of PLN 97 million.

Share in profit from investments accounted for under equity method decreased by PLN (66) million (y/y) to the PLN 186 million.

As a result profit from operations amounted to PLN 6,670 million and was higher by PLN 1,927 million (y/y).

Net finance income in the described period amounted to PLN 52 million and included mainly net foreign exchange gains in the amount of PLN 389 million, settlement and valuation of net financial instruments in the amount of PLN (217) million and net interest expenses in the amount of PLN (116) million.

After consideration of tax charges in the amount of PLN (1,183) million, the net profit of the ORLEN Group amounted to PLN 5,539 million and was higher by PLN 1,842 million (y/y).

Profit or loss for the 3rd quarter of 2017

Sales revenues of the ORLEN Group in the 3rd quarter of 2017 amounted to PLN 24,730 million and were higher by PLN 3,647 million (y/y) mainly as a result of increasing sales volumes by 10% (y/y) and quotation of major products. There was an increase in quotation on fuel (by 18%), diesel oil (by 19%) with lower quotation of light heating oil (by -14%), heavy heating oil (by -23%), ethylene (by -5%) and propylene (by -16%).

Total operating activity expenses increased by PLN (2,833) million (y/y) to PLN (22,559) million.

Higher by over 6 USD/bbl quotation of crude oil prices in the world market and increase in the crude oil processing by (19%) (y/y) affected on increase in the cost of consumed materials and energy by 28.0% (y/y).

After consideration of result on other operating activities in the amount of PLN 41 and share in profit from investments accounted for under equity method in the amount of PLN 62 million the operating profit in the described period amounted to PLN 2,274 million and was higher by PLN 500 million (y/y).

Net finance costs in the described period amounted to PLN (214) million and included mainly settlement and valuation of net financial instruments in the amount of PLN (110) million, net foreign exchange losses in the amount of PLN (67) million and net interest expenses in the amount of PLN (34) million.

After consideration of tax charges in the amount of PLN (363) million, the net profit of the ORLEN Group amounted to PLN 1,697 million and was higher by PLN 128 million (y/y).

Statement of financial position

As at 30 September 2017, total assets of the ORLEN Group amounted to PLN 59,076 million and was higher by PLN 3,517 million in comparison with 31 December 2016.

As at 30 September 2017, the value of non-current assets amounted to PLN 31,066 million and was higher by PLN 745 million in comparison with the end of the previous year, mainly due to increasing the value of property, plant and equipment and intangible assets by PLN 700 million.

Balance change of property, plant and equipment and intangible assets comprised mainly investment expenditures in the amount of PLN 2,898 million, primarily for the projects of Construction of the Polyethylene 3 installation in Unipetrol Group, heat and power plants CCGT in Płock with the infrastructure and Metathesis Installation in Płock, depreciation and amortisation in the amount of PLN (1,759) million and decrease of net balance in rights in the amount of PLN (132) million and exchange differences from recalculation of balances of foreign entities of the ORLEN Group on PLN in the amount of PLN (191) million.

The value of current assets increased by PLN 2,772 million, mainly as result of increase in the balance of cash and cash equivalents by PLN 1,461 million, with increase of trade and other receivables by PLN 988 million and increase in other financial assets which comprised valuations of hedging instruments by PLN 277 million (additional information in note 4.6). The increase in trade receivables is mainly due to higher sales volume and higher product prices as a result of rising crude oil prices.

As at 30 September 2017, equity amounted to PLN 33,823 million and was higher by PLN 4,538 million in comparison with the end of 2016, mainly as a result of net profit for the 9 months of 2017 in the amount of PLN 5,539 million, dividend payments from the previous year's profit in the total amount of PLN (1,372) million and impact of exchange differences on translating foreign operations in the amount of PLN (303) million and positive impact a change of balance of hedging reserve in the amount PLN 586 million.

As at 30 September 2017 provisions amounted to PLN 1,384 million and were lower by PLN (110) million compared to the end of 2016, mainly due to a lower balance of estimated CO₂ emissions, which is accrued annually on the basis of estimated emissions of a given period.

As at 30 September 2017, net financial indebtedness of the ORLEN Group amounted to PLN 568 million and was lower by PLN (2,795) million in comparison with the end of 2016. Change of net financial indebtedness included net repayment of loans, borrowings and bonds in the amount of PLN (1,153) million, increase of cash and cash equivalents balance by PLN (1,461) million and the net impact of positive exchange differences from revaluation and indebtedness valuation in total amount of PLN (181) million.

Statement of cash flows for the 9 months of 2017

Proceeds of net cash from operating activities for the 9 months of 2017 amounted to PLN 7,169 million and comprised mainly profit from operations increased by depreciation and amortisation in the amount of PLN 8,429 million, the negative impact of increase in a net working capital by PLN (685) million, other adjustments includes mainly change in the amount due related to compensation to the steam cracker unit accident in Unipetrol Group in the amount of PLN 218 million and paid income taxes in the amount of PLN (1,173) million. The increase in paid income tax in relation to the previous year was mainly due to the increase in profit before tax and cessation by PKN ORLEN the simplified form of income tax advances, which was possible in 2016.

Net cash used in investing activities for the 9 months of 2017 amounted to PLN (2,786) million and comprised mainly net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land in the amount of PLN (2,795) million.

Net expenses of cash used in financing activities for the 9 month period of 2017 amounted to PLN (2,831) million and comprised mainly the net repayment of loans and borrowings in the amount of PLN (817) million, redemption of retail bonds in the amount of PLN (400) million, paid dividends in the amount of PLN (1,376) million including amount for equity owners of the Parent Company in the amount of PLN (1,283) million and interest paid in the amount of PLN (214) million.

Taking into account the revaluation of cash due to exchange differences, the cash balance in the 9 months of 2017 increased by PLN 1,461 million and as at 30 September 2017 amounted to PLN 6,533 million.

Statement of cash flows for the 3rd quarter of 2017

In the 3rd quarter of 2017 the net cash provided by operating activities amounted to PLN 3,003 million and comprised mainly profit from operations increased by depreciation and amortisation in the amount of PLN 2,890 million, the negative impact of increase in a net working capital by PLN (267) million, amount of paid income taxes in the amount of PLN (253) million and other adjustments includes mainly changes in amounts due related to compensation to the steam cracker unit accident in Unipetrol Group in the amount of PLN 493 million.

In the 3rd quarter of 2017 the net cash used in investing activities amounted to PLN (939) million and comprised mainly net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land in the amount of PLN (862) million.

In the 3rd quarter of 2017 net expenses of cash used in financing activities amounted to PLN (1,454) million and comprised mainly paid dividend in the amount of PLN (1,376) million including amount for equity owners of the Parent Company in the amount of PLN (1,283) million and the net repayment of loans and borrowings in the amount of PLN (45) million.

Taking into account the revaluation of cash due to exchange differences, the cash balance in the 3rd quarter of 2017 increased by PLN 700 million and as at 30 September 2017 amounted to PLN 6,533 million.

Factors and events which may influence future results

Similar factors as described above will have influence on future financial results.

2.1. Changes in the structure of the ORLEN Group from 1 January 2017 up to the date of preparation of the foregoing report

- On 1 January 2017 a merger of ČESKÁ RAFINÉRSKÁ a.s. with Unipetrol RPA s.r.o. took place;
- On 10 March 2017 the process of redemption of shares of ORLEN Laboratorium S.A. from minority shareholders was settled; PKN ORLEN became the sole shareholder;
- On 30 May 2017 deletion from the trade registry Petro-Mawi sp. z o.o. in liquidation (ORLEN Paliwa Group) took place;
- On 1 June 2017 the Extraordinary General Meeting of Shareholders of ORLEN Upstream Sp. z o.o. adopted a resolution on increasing the company's share capital from PLN 43 million to PLN 45 million through the creation of 4,534 new and indivisible shares, with a nominal value of PLN 500 each, which were fully subscribed by the existing sole shareholder of the company, ie. PKN ORLEN, in exchange for a cash contribution of PLN 227 million. Surplus of cash contribution over total nominal value of the newly issued shares increased the company's reserve capital. The cash contribution was made by 30 June 2017.
- On 1 June 2017 Euronaft's rail services division, owned by ORLEN Południe S.A., was merged with the assets of ORLEN KolTrans, On 2 October 2017 the court registered an in the increase the company's share capital of ORLEN KolTrans from PLN 41 million to PLN 55 million through the creation of new 13,861 new and indivisible shares, with a nominal value of PLN 1,000 each. All shares were acquired by the new partner Euronaft Trzebinia.
- On 21 August 2017 the process of liquidation of PARAMO OIL s.r.o began.
- On 25 September 2017 the Extraordinary General Meeting of Shareholders of ORLEN Upstream Sp. z o.o. adopted a resolution on increasing the company's share capital from PLN 45 million to PLN 47 million through the creation of 2,472 new and indivisible shares, with a nominal value of PLN 500 each, which were fully subscribed by the existing sole shareholder of the company, ie. PKN ORLEN, in exchange for a cash contribution of PLN 123 million. Surplus of cash contribution over total nominal value of the newly issued shares increased the company's reserve capital. The cash contribution was made on 26 September 2017.

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

Additional information on the composition of the Group are presented in section Other information to the consolidated quarterly report in note B.2.

3. Segment reporting

The operations of the ORLEN Group is conducted in:

- the Downstream segment, which includes integrated areas of refining, petrochemical production and sales and operations in the energy production activity,
- the Retail segment, which includes activity carried out at the petrol stations,
- the Upstream segment, which includes the activity related to exploration and extraction of mineral resources,

and Corporate Functions i.e. reconciling items, which include activities related to management, administration and remaining activities not allocated to separate operating segments.

The allocation of the ORLEN Group's companies to operating segments and Corporate Functions was presented in section Other information to the consolidated quarterly report in note B.2.

Revenues, costs, financial results, investments expenditures

for the 9 month period ended 30 September 2017

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues		44 946	25 256	382	46	-	70 630
Inter-segment revenues		10 141	153	-	240	(10 534)	-
Sales revenues		55 087	25 409	382	286	(10 534)	70 630
Operating expenses		(50 103)	(24 151)	(408)	(787)	10 534	(64 915)
Other operating income	4.3	921	50	1	35	-	1 007
Other operating expenses	4.3	(72)	(73)	(44)	(49)	-	(238)
Share in profit from investments accounted for under equity method		187	-	(1)	-	-	186
Profit/(Loss) from operations		6 020	1 235	(70)	(515)	-	6 670
Net finance income and costs	4.4						52
Profit before tax							6 722
Tax expense							(1 183)
Net profit							5 539
Depreciation and amortisation	4.1	1 129	310	242	78	-	1 759
EBITDA		7 149	1 545	172	(437)	-	8 429
CAPEX		1 799	343	614	142	-	2 898

for the 3 month period ended 30 September 2017

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues		15 786	8 814	115	15	-	24 730
Inter-segment revenues		3 550	104	-	84	(3 738)	-
Sales revenues		19 336	8 918	115	99	(3 738)	24 730
Operating expenses		(17 475)	(8 406)	(150)	(266)	3 738	(22 559)
Other operating income	4.3	114	20	-	12	-	146
Other operating expenses	4.3	(28)	(27)	(43)	(7)	-	(105)
Share in profit from investments accounted for under equity method		62	-	-	-	-	62
Profit/(Loss) from operations		2 009	505	(78)	(162)	-	2 274
Net finance income and costs	4.4						(214)
Profit before tax							2 060
Tax expense							(363)
Net profit							1 697
Depreciation and amortisation	4.1	394	104	89	29	-	616
EBITDA		2 403	609	11	(133)	-	2 890
CAPEX		675	131	122	49	-	977

for the 9 month period ended 30 September 2016

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues		34 454	21 844	304	49	-	56 651
Inter-segment revenues		7 762	270	-	214	(8 246)	-
Sales revenues		42 216	22 114	304	263	(8 246)	56 651
Operating expenses		(39 283)	(21 027)	(402)	(794)	8 246	(53 260)
Other operating income	4.3	1 276	48	2	34	-	1 360
Other operating expenses	4.3	(137)	(70)	(5)	(48)	-	(260)
Share in profit from investments accounted for under equity method		253	-	(1)	-	-	252
Profit/(Loss) from operations		4 325	1 065	(102)	(545)	-	4 743
Net finance income and costs	4.4						(346)
Profit before tax							4 397
Tax expense							(700)
Net profit							3 697
Depreciation and amortisation	4.1	964	295	228	73	-	1 560
EBITDA		5 289	1 360	126	(472)	-	6 303
CAPEX		2 738	244	400	75	-	3 457

for the 3 month period ended 30 September 2016

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues		12 961	7 992	115	15	-	21 083
Inter-segment revenues		2 890	119	-	76	(3 085)	-
Sales revenues		15 851	8 111	115	91	(3 085)	21 083
Operating expenses		(14 841)	(7 572)	(139)	(259)	3 085	(19 726)
Other operating income	4.3	423	12	2	7	-	444
Other operating expenses	4.3	(50)	(32)	(3)	(10)	-	(95)
Share in profit from investments accounted for under equity method		69	-	(1)	-	-	68
Profit/(Loss) from operations		1 452	519	(26)	(171)	-	1 774
Net finance income and costs	4.4						153
Profit before tax							1 927
Tax expense							(358)
Net profit							1 569
Depreciation and amortisation	4.1	328	99	85	25	-	537
EBITDA		1 780	618	59	(146)	-	2 311
CAPEX		997	96	94	20	-	1 207

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

CAPEX - increase of property, plant and equipment, intangible assets, investment property and perpetual usufruct of land together with the capitalisation of borrowing costs

Assets by operating segments

	30/09/2017 (unaudited)	31/12/2016
Downstream Segment	40 453	38 770
Retail Segment	6 441	6 139
Upstream Segment	4 001	3 840
Segment assets	50 895	48 749
Corporate Functions	8 282	6 943
Adjustments	(101)	(133)
	59 076	55 559

4. Other notes

4.1. Operating expenses

Cost by nature

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Materials and energy	(41 330)	(14 456)	(30 508)	(11 295)
Cost of merchandise and raw materials sold	(16 308)	(5 753)	(14 777)	(5 935)
External services	(3 064)	(1 102)	(3 009)	(1 044)
Employee benefits	(1 749)	(577)	(1 659)	(526)
Depreciation and amortisation	(1 759)	(616)	(1 560)	(537)
Taxes and charges	(860)	(318)	(814)	(270)
Other	(600)	(234)	(630)	(219)
	(65 670)	(23 056)	(52 957)	(19 826)
Change in inventories	363	360	(797)	(66)
Cost of products and services for own use	154	32	234	71
Operating expenses	(65 153)	(22 664)	(53 520)	(19 821)
Distribution expenses	3 160	1 140	3 059	1 054
Administrative expenses	1 095	359	1 055	323
Other operating expenses	238	105	260	95
Cost of sales	(60 660)	(21 060)	(49 146)	(18 349)

4.2. Impairment allowances of inventories to net realizable value

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Increase	(103)	(15)	(137)	(32)
Decrease	113	38	258	38

4.3. Other operating income and expenses

Other operating income

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Profit on sale of subsidiaries	-	-	60	-
Profit on sale of non-current non-financial assets	29	9	45	8
Reversal of provisions	15	6	21	7
Reversal of receivables impairment allowances	10	3	8	1
Reversal of impairment allowances of property, plant and equipment and intangible assets	30	12	15	5
Penalties and compensations	808	69	1 093	395
Other	115	47	118	28
	1 007	146	1 360	444

The line penalties and compensation in the 9 month period ended 30 September 2017 and 30 September 2016 includes mainly amounts of partial compensation received from insurers due to the steam cracker unit accident in Unipetrol Group of August 2015 in the amount of PLN 442 million and PLN 983 million, respectively and in the 9 month period ended 30 September 2017 amounts of compensation of property damage and loss of profit related to the accident on installation FCC (Fluid Catalytic Cracking) in Unipetrol Group of May 2016 in the amount of PLN 211 million.

Furthermore, the line penalties and compensation in the 9 and 3 month period ended 30 September 2017 includes penalties for improper execution of the contract of the CCGT Włocławek instalation of PLN 97 million and PLN 48 million, respectively.

Other operating expenses

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Loss on sale of non-current non-financial assets	(32)	(11)	(25)	(5)
Recognition of provisions	(20)	(7)	(42)	(21)
Recognition of receivables impairment allowances	(17)	(9)	(18)	(4)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(95)	(62)	(28)	(7)
Penalties, damages and compensations	(20)	(5)	(82)	(48)
Other	(54)	(11)	(65)	(10)
	(238)	(105)	(260)	(95)

Recognition of impairment allowances of property, plant and equipment and intangible assets in the 3rd quarter of 2017 concerns mainly ORLEN Upstream Group's companies in Poland. Based on gathered data as a result of carried out up to now works, it was decided to narrow the search area, what resulted in a partial impairment of assets related to exploration and recognition of mineral resources in the amount of PLN (43) million.

4.4. Finance income and costs
Finance income

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Interest	31	17	42	15
Net foreign exchange gain	389	-	-	168
Dividends	4	-	5	-
Settlement and valuation of derivative financial instruments	590	195	60	9
Other	13	2	18	2
	1 027	214	125	194

Finance costs

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Interest	(147)	(51)	(157)	(23)
Net foreign exchange loss	-	(67)	(221)	-
Settlement and valuation of derivative financial instruments	(807)	(305)	(66)	(12)
Other	(21)	(5)	(27)	(6)
	(975)	(428)	(471)	(41)

Borrowing costs capitalized in the 9 and 3 month period ended 30 September 2017 and 30 September 2016 amounted to PLN (41) million and PLN (9) million, PLN (48) million and PLN (18) million, respectively.

4.5. Loans, borrowings and bonds

	Non-current		Current		Total	
	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016
Loans	-	653	110	286	110	939
Borrowings	-	-	-	1	-	1
Bonds	6 449	6 793	542	702	6 991	7 495
	6 449	7 446	652	989	7 101	8 435

In the period covered by the foregoing interim condensed consolidated financial statements, as well as after the reporting date, there were no instances of principal or interest non repayment nor loan covenant violations.

4.6. Embedded derivatives and hedging instruments and other assets and liabilities

Embedded derivatives and hedging instruments and other assets

	Non-current		Current		Total	
	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016
Cash flow hedging instruments	196	66	213	92	409	158
<i>currency forwards</i>	181	12	172	32	353	44
<i>commodity swaps</i>	15	54	41	60	56	114
Derivatives not designated as hedge accounting	-	-	158	5	158	5
<i>currency forwards</i>	-	-	34	5	34	5
<i>commodity swaps</i>	-	-	124	-	124	-
Embedded derivatives	-	-	3	-	3	-
<i>currency swaps</i>	-	-	3	-	3	-
Embedded derivatives and hedging instruments	196	66	374	97	570	163
Other financial assets	58	73	116	152	174	225
<i>receivables on settled cash flows</i>	-	-	116	149	116	149
<i>hedging instruments</i>	-	-	-	-	-	-
<i>financial assets available for sale</i>	41	40	-	-	41	40
<i>other</i>	17	33	-	3	17	36
Other non-financial assets	230	204	-	-	230	204
<i>investment property</i>	99	97	-	-	99	97
<i>perpetual usufruct of land</i>	114	107	-	-	114	107
<i>other</i>	17	-	-	-	17	-
Other assets	288	277	116	152	404	429

Embedded derivatives and hedging instruments and other liabilities

	Non-current		Current		Total	
	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016
Cash flow hedging instruments	8	190	75	376	83	566
<i>currency forwards</i>	7	42	22	117	29	159
<i>commodity swaps</i>	1	28	53	228	54	256
<i>currency interest rate swaps</i>	-	120	-	31	-	151
Derivatives not designated as hedge accounting	126	90	133	25	259	115
<i>currency forwards</i>	-	-	5	4	5	4
<i>commodity swaps</i>	-	-	115	21	115	21
<i>interest rate swaps</i>	68	90	-	-	68	90
<i>currency interest rate swaps</i>	58	-	13	-	71	-
Embedded derivatives	-	-	-	2	-	2
<i>currency swaps</i>	-	-	-	2	-	2
Embedded derivatives and hedging instruments	134	280	208	403	342	683
Other financial liabilities	284	280	211	169	495	449
<i>liabilities on settled cash flow hedging instruments</i>	-	-	211	169	211	169
<i>investment liabilities</i>	112	111	-	-	112	111
<i>finance lease</i>	143	141	-	-	143	141
<i>other</i>	29	28	-	-	29	28
Other non-financial liabilities	9	9	223	145	232	154
<i>deferred income</i>	9	9	223	145	232	154
Other liabilities	293	289	434	314	727	603

4.7. Provisions

	Non-current		Current		Total	
	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016
Environmental	592	570	21	38	613	608
Jubilee bonuses and post-employment benefits	212	212	33	33	245	245
CO ₂ emissions, energy certificates	-	-	258	365	258	365
Other	41	46	227	230	268	276
	845	828	539	666	1 384	1 494

4.8. Methods applied in determining fair value (fair value hierarchy)

As compared to the previous reporting period the Group did not change the valuation methods concerning financial instruments. Methods applied in determining the fair value were described in the Consolidated Financial Statements for the year 2016 in note 7.3.3.

Fair value hierarchy

	30/09/2017 (unaudited)	31/12/2016
	Level 2	
Financial assets		
Embedded derivatives and hedging instruments	570	163
	570	163
Financial liabilities		
Embedded derivatives and hedging instruments	342	683
	342	683

The fair value of financial assets and liabilities quoted on active markets is determined based on market quotations (so called Level 1). In other cases, the fair value is determined based on other input data which are directly or indirectly observable (so called Level 2) or unobservable inputs (so called Level 3).

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

4.9. Finance lease payments

As at 30 September 2017 and as at 31 December 2016 the Group possessed as a lessee the finance lease agreements, concerning mainly buildings, technical equipment and machinery and means of transportation.

	30/09/2017 (unaudited)	31/12/2016
Value of future minimum lease payments	226	223
Present value of future minimum lease payments	173	170

4.10. Future commitments resulting from signed investment contracts

As at 30 September 2017 and as at 31 December 2016, the value of future commitments resulting from investment contracts signed until that day amounted to PLN 1,767 million and PLN 1,941 million, respectively.

4.11. Issue, redemption and repayment of debt securities

PKN ORLEN in the 2nd quarter of 2017 redeemed of retail bonds A and B Series in the total amount of PLN 400 million issued under the public bond issue program conducted in 2013-2014.

In the period covered by the foregoing quarterly condensed consolidated financial statements, short term bonds were issued/redeemed in favour of the Group companies as a part of liquidity optimisation in the ORLEN Group. These transactions are eliminated at the ORLEN Group level.

4.12. Distribution of the profit for 2016

The Ordinary General Meeting of Shareholders of PKN ORLEN S.A. on 30 June 2017 distributed the net profit of PKN ORLEN for the year 2016 in the amount of PLN 5,364,455,552.64 as follows: the amount of PLN 1,283,127,183 was allocated as a dividend payment (PLN 3 per 1 share) and the remaining amount of net profit of PLN 4,081,328,369.64 as reserve capital. The dividend date was set at 14 July 2017 and the dividend payment date at 4 August 2017.

4.13. Contingent asset and liabilities
4.13.1. Contingent assets

On 13 August 2015 the steam cracker unit accident in Unipetrol Group took place. Based on the insurance policies Unipetrol Group expects insurers to cover reconstruction costs of installations lost business profits, which estimated at approximately PLN 2.23 billion translated using the exchange rate as at 30 September 2017 (representing CZK 13.5 billion).

In 2016 Group recognized in other operating income amounts of partial compensation received from insurers in the amount of PLN 1,280 million and in the 2nd quarter of 2017 in the amount of PLN 442 million. After consideration the above amounts the value of contingent asset as at 30 September 2017 due to described above damage was estimated in the amount of approximately PLN 0.46 billion translated using the exchange rate as at 30 September 2017 (representing CZK 2.8 billion).

The final amount of compensation will depend on the final agreement with insurers.

Part of the cash in the amount of PLN 215 million translated using the exchange rate as at 30 September 2017 (representing CZK 1.3 billion) for the compensation recognized in 2016 in other operating income, Unipetrol Group received in the 1st quarter of 2017.

The steam cracker unit resumed work in the 4th quarter of 2016.

4.13.2. Contingent liabilities

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

4.13.2.1. Proceedings in which the companies of the ORLEN Group act as the defendant

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

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

The claim regarding the payment of compensation for losses related among others, to alleged unfair competition of PKN ORLEN included in Agrofert Holding a.s. (Agrofert) claim and alleged illegal violation of reputation of Agrofert in relation to purchase by PKN ORLEN of UNIPETROL shares. By judgment of 21 October 2010 the Court of Arbitration ("the Court of Arbitration") in Prague (Czech Republic) dismissed the entire claim of Agrofert against PKN ORLEN regarding the payment of PLN 3,221 million translated using the exchange rate as at 30 September 2017 (representing CZK 19,464 million) with interest and obliged Agrofert to cover the cost of proceedings born by PKN ORLEN. On 3 October 2011 PKN ORLEN received from the upper court in Prague Agrofert's claim which repealed the above judgment. The complaint was dismissed by the court with the ruling of 24 January 2014. On 7 April 2014 Agrofert appealed the above decision. On 7 April 2015 the court of appeals dismissed the appeal of Agrofert. On 4 September 2015 Agrofert appealed to the Czech Supreme Court against the above judgment. In September 2016, the Supreme Court dismissed Agrofert claim. In November 2016 Agrofert appealed to the Czech Constitutional Court against that decision. On 25 April 2017, the Czech Constitutional Court dismissed Agrofert's complaint as unfounded. In the opinion of PKN ORLEN the above proceeding was completed.

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

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

On 23 May 2012, UNIPETROL RPA s.r.o. received from the District Court in Ostrava a claim brought by I.P.-95 s.r.o. for compensation related to the filing by UNIPETROL RPA s.r.o. a motion for bankruptcy of I.P.-95 s.r.o. in November 2009. The total amount of the claim is approximately PLN 296 million, translated using the exchange rate as at 30 September 2017 (representing CZK 1,789 million). UNIPETROL RPA s.r.o. is one of eight defendants which the claim was brought against. At the request of the I.P.-95 s.r.o. proceeding is pending concerning the accession to the claim as plaintiff NESTARMO TRADING LIMITED. On 12 January 2016 a court in Ostrava dismissed the application of I.P. - 95, s.r.o. for permission to enter NESTARMO TRADING LIMITED to the case. I.P.-95 s.r.o. submitted annulment claim against the judgment refusing to consent to join the proceedings of the above mentioned company. On 27 July 2017, the Czech Supreme Court dismissed the annulment claim of I.P.-95 s.r.o. According to UNIPETROL RPA s.r.o the claim is without merit. The parties expect the further steps in the proceedings.

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

On 5 September 2014, the company OBR S.A. filed an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights: 'The technique of the separation of hydrodesulfurization products of heavy residue after extractive distillation of crude oil'. The amount of the claim in the lawsuit has been estimated by OBR S.A. in the amount of approximately PLN 83 million. The claim covers the adjudged sum of money from PKN ORLEN for OBR S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of approximately PLN 247 million. By the court order from 21 May 2015 the parties were directed to mediation. Mediation proceedings were completed in the 2nd quarter of 2016. The case returned to the District Court in Łódź. The first hearing was held on 19 October 2016. At the hearing on 22 March 2017 witnesses were heard. The hearing scheduled for September wasn't held and the next hearing date was not set. In the opinion of PKN ORLEN the above claims are without merit.

The dispute between ORLEN Lietuva and Lietuvos Geležinkeliai

On 31 December 2014, ORLEN Lietuva filed a motion for arbitration against the company Lietuvos Geležinkeliai ("LG") in the court of arbitration in Vilnius. In this proceeding ORLEN Lietuva calls for the conversion of tariffs for rail transport in line with the contract with LG for the period from January 2014. ORLEN Lietuva applied also for the compensation due to an incorrect interpretation of the agreement on rail transport by LG by using incorrect rates. Consideration of the request of ORLEN Lietuva would lead - depending on the interpretation - to save in the amount estimated until October 2016 not less than PLN 177 million translated using the exchange rate as at 30 September 2017 (representing not less than EUR 41 million) or to receive compensation for the use of incorrect rates in the amount of PLN 431 million translated using the exchange rate as at 30 September 2017 (representing EUR 100 million).

By 31 December 2016, seven court proceedings were initiated in which LG demands from ORLEN Lietuva a payment of approximately PLN 162 million translated using the exchange rate as at 30 September 2017 (representing approximately EUR 37.5 million) from fees for rail transport of ORLEN Lietuva products. LG's appeals were considered by the first instance courts, but there have not been made any conclusions on their matter. On 28 June 2017 ORLEN Lietuva and LG reached an agreement on changes to the rail transport agreement and to resolve the ongoing disputes. Signing the settlement, results in termination of the mutual claims described in the above proceeding.

Polocktransneft Druzhba claim against AB ORLEN Lietuva

On 21 September 2017, AB ORLEN Lietuva received from the court a claim brought by the Belarusian company Polocktransneft Druzhba (operator of the Belarus section of the Druzhba pipeline) for payment of compensation for crude oil, which as so-called technological oil, was located in a closed pipeline in Lithuania belonging to Orlen Lietuva until 2014. In 2014, crude oil was pumped out and used by ORLEN Lietuva. Polocktransneft Druzhba believes that this oil was its property.

The value of the claim is approximately PLN 307 mln, translated using the exchange rate as at 30 September 2017 (representing USD 84 mln). The claim also includes a request for interest and proceeding costs. ORLEN Lietuva prepares a response to the claim. According to PKN ORLEN, the above claim is without merit.

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

4.14. Related parties transactions

4.14.1. Transactions of the key executive personnel and their relatives with related parties of the ORLEN Group

As at 30 September 2017 and 31 December 2016 and in the 9 and 3 month period ended 30 September 2017 and 30 September 2016, on the basis of submitted declarations, there were no transactions of related parties with members of the Management Board and the Supervisory Board of the Parent Company.

In the 9 and 3 month period ended 30 September 2017 and 30 September 2016, on the basis of submitted declarations, there were transactions of close relatives with other key executive personnel of the Parent Company and key executive personnel of the ORLEN Group companies with related parties in the amount of PLN 0.4 million and PLN 0.1 million, PLN 0.5 million and PLN 0.2 million, respectively. The main amount regarded purchase of marketing services from a person related with key personnel of Anwil and ORLEN Serwis.

As at 30 September 2017 the balance of trade and other liabilities amounted to PLN 0.01 million. As at 31 December 2016 there was no balance of trade and other liabilities.

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

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Remuneration and other benefits of the Management Board Members of the Parent Company *	5.4	1.2	6.3	2.2
Bonus paid to the Management Board Members of the Parent Company for the previous year *	7.7	7.7	5.1	0.1
Bonus potentially due to the Management Board Members of the Parent Company for the current year *	5.2	1.2	6.0	2.0
Other benefits paid and due to the former Management Board Members of the Parent Company	0.8	0.7	4.3	-
Remuneration of the Supervisory Board Members of the Company	0.6	0.2	1.1	0.4
Remuneration and other benefits of the other key executive personnel of the Parent Company	161.4	55.8	157.8	50.4

* including amounts paid and due to the Management Board Members performing their duties until 30 June 2017

Remuneration of PKN ORLEN Management Board, PKN ORLEN Supervisory Board and other key executive personnel of PKN ORLEN and the Group companies includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

On 24 January 2017 the Extraordinary General Meeting of Shareholders (EGM) at which were adopted resolutions regarding rules of determining the PKN ORLEN Management Board and the Supervisory Board remuneration, took place. On 30 June 2017 the General Meeting of Shareholders adopted a resolution introducing a change to the resolution of the EGM regarding rules of determining the Management Board and the Supervisory Board of the ORLEN Group companies' remuneration. The full text of adopted resolutions are available on website:

<http://www.orlen.pl/EN/InvestorRelations/RegulatoryAnnouncements/Pages/Regulatory-announcement-no-14-2017.aspx>
<http://www.orlen.pl/EN/InvestorRelations/RegulatoryAnnouncements/Pages/Regulatory-announcement-no-89-2017.aspx>

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

	Sales				Purchases			
	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Jointly-controlled entities	2 058	706	1 756	508	(106)	(34)	(31)	(9)
<i>joint ventures</i>	1 955	674	1 750	507	(30)	(10)	(27)	(8)
<i>joint operations</i>	103	32	6	1	(76)	(24)	(4)	(1)
Associates	28	10	30	11	(3)	(1)	(5)	(1)
	2 086	716	1 786	519	(109)	(35)	(36)	(10)

	Trade and other receivables		Trade and other liabilities	
	30/09/2017 (unaudited)	31/12/2016	30/09/2017 (unaudited)	31/12/2016
Jointly-controlled entities	570	430	20	15
<i>joint ventures</i>	555	415	8	3
<i>joint operations</i>	15	15	12	12
Associates	18	15	-	-
	588	445	20	15

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

In the 9 and 3 month period ended 30 September 2017 and 30 September 2016 there were no related parties transactions within the Group concluded on other than an arm's length basis.

4.14.4. Transactions with entities related to the State Treasury

As at 30 September 2017 and as at 31 December 2016 the State Treasury owned 27.52% of the Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.

The Group identified transactions with related parties with the State Treasury mainly on the basis of "The Council of Ministers Regulation of 3 January 2017 on the list of companies in which the rights of the State Treasury shares carry other than the President Council of Ministers members of the Council of Ministers', Government Plenipotentiaries or state legal entities" (Official Journal 2017, item 10, as amended Official Journal 2017, item 205 and item 1164).

In the 9 and 3 month period ended 30 September 2017 and 30 September 2016 and as at 30 September 2017 and as at 31 December 2016, the Group identified the following transactions:

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Sales	1 106	378	807	267
Purchases	(2 450)	(881)	(1 819)	(701)

	30/09/2017 (unaudited)	31/12/2016
Trade and other receivables	227	218
Trade and other liabilities	430	272

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

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

4.15. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 September 2017 and as at 31 December 2016 amounted to PLN 2,379 million and PLN 2,066 million, respectively.

4.16. Events after the end of the reporting period

PKN ORLEN in the 3rd quarter of 2017 launched the process of issuance of retail bonds under the public bond issue program in 2017. The allocation of the offered 2,000,000 bonds was made on 19 September 2017. The bonds were acquired at an issue price of PLN 100 per 1 bond. The value amounted to PLN 200,000,000. On 9 October 2017 A Series bonds were admitted to exchange trading. Additional information is provided in note B.4.

After the end of the reporting period there were no other events, than those disclosed, required to be included in the foregoing interim condensed consolidated financial statements.

**OTHER INFORMATION TO CONSOLIDATED QUARTERLY
REPORT**

FOR THE 9 AND 3 MONTH PERIOD ENDED 30 SEPTEMBER

2017



B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Principal activity of the ORLEN Group

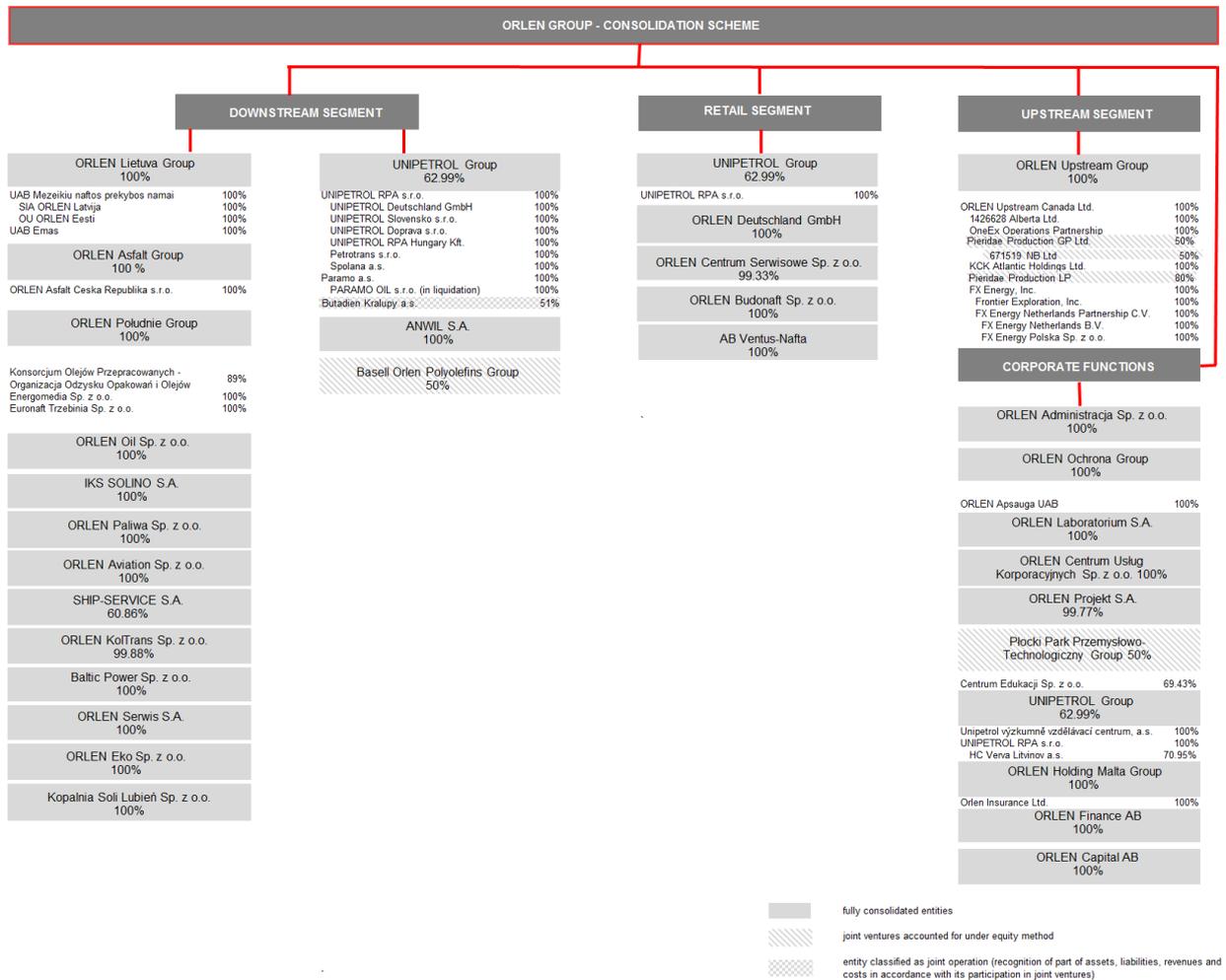
The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") domiciled in Płock, 7 Chemików Street.

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

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

2. Organization of the ORLEN Group

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



3. Major factors having impact on EBITDA LIFO (profit on operations increased by depreciation and amortisation by LIFO method of inventory valuation)

Profit or loss for the 9 months of 2017

Profit from operations increased by depreciation and amortisation (so-called EBITDA) in the described period amounted to PLN 8,429 million and was higher by PLN 2,126 million (y/y).

The ORLEN Group's inventories are valued in the financial statements in accordance with International Financial Reporting Standards at the weighted average cost method or purchase price method. Therefore, an upward trend in crude oil prices has a positive effect and a down trend has a negative impact on reported results.

The estimated, positive impact of changes in crude oil prices on inventory valuation recognized in a reported result in the described period amounted to PLN 68 million and was higher by PLN 509 million (y/y).

As a result profit from operations increased by depreciation and amortisation before consideration of changes of crude oil prices on inventory valuation (so-called EBITDA LIFO) for the 9 months of 2017 amounted to PLN 8,361 million and was higher by PLN 1,617 million (y/y).

The positive impact of the macroeconomic parameters amounted to PLN 644 million (y/y) and included mainly margins on refining products and olefins, PTA, aromatics and plastics in the part limited by the reduction of margins on polyolefines and fertilizers and appreciation of the PLN exchange rate against the foreign currencies.

Total sales volume increased in all operating segments and was higher in total by 8% (y/y), which translated into a positive volume effect in the amount of PLN 1,438 million (y/y).

The negative impact of the other factors amounted to PLN (465) million (y/y) and included mainly the impact of change in the balance of other operating activities in the amount of PLN (331) million related mainly to the lower (y/y) compensation from insurers due to the steam cracker unit accident and FCC in Unipetrol Group and the negative effect of worsening trade margins.

Profit or loss for the 3rd quarter of 2017

Profit from operations increased by depreciation and amortisation (so-called EBITDA) in the described period amounted to PLN 2,890 million and was higher by PLN 579 million (y/y).

The negative impact of changes in crude oil prices on inventory valuation in a reported result amounted to PLN (107) million and was lower by (194) million (y/y).

As a result profit from operations increased by depreciation and amortisation before consideration of changes of crude oil prices on inventory valuation (so-called EBITDA LIFO) amounted to PLN 2,997 million and was higher by PLN 773 million (y/y).

Impact of macroeconomic factors amounted to PLN 417 million (y/y) and included mainly the positive effect on margins on refining products, olefins and plastics in the part limited by the reduction of margins on polyolefines, PTA and fertilizers and appreciation of the PLN exchange rate against the foreign currencies.

As a result of the continued favorable market situation, total volume sales increased by 10% (y/y) and as a result the positive volume effect reached to PLN 898 million (y/y).

The negative impact of the other factors amounted to PLN (542) million (y/y) and included mainly the impact of change in the balance of other operating activities in the amount of PLN (308) million related to the lack of positive effect from the 3rd quarter of 2016 due to the compensation from insurers due to the steam cracker unit accident in Unipetrol Group and lower trade margins on retail and wholesale.

4. The most significant events in the period from 1 January 2017 up to the date of preparation of the foregoing report

JANUARY 2017

Power plant in Włocławek

PKN ORLEN informed that the Power plant in Włocławek was expected to be commissioned by the consortium of companies (General Electric International Inc. acting via General Electric International S.A., office in Poland and SNC-LAVALIN POLSKA sp. z o.o.) in the 2nd quarter of 2017. In January 2017 the Power plant was shut down and the contractor was conducting the repairs of earlier detected defects. After their completion guarantee measurements and trial run was conducted, and next the Power plant was commissioned by the contractor to PKN ORLEN..

APRIL 2017

Moody's Investors Service upgraded PKN ORLEN's credit assessment

On 13 April 2017 a credit rating agency Moody's Investors Service upgraded issuer rating of PKN ORLEN from the level of Baa3 to Baa2 and also upgraded the baseline credit assessment from ba1 to baa3.

Concurrently, the agency also upgraded the rating, from the level of Baa3 to Baa2, of two Eurobonds programme:

- EUR 500 million due 2021 and

- EUR 750 million due 2023

issued by ORLEN Capital AB and guaranteed by PKN ORLEN.

The outlook on all of upgraded ratings is stable.

Consent of the Supervisory Board of PKN ORLEN for public issue of bonds

On 26 April 2017 the Supervisory Board of PKN ORLEN gave consent for issue by PKN ORLEN bonds within the second retail bond issue programme. The bond issue programme assumes the issue of several bond series up to the total amount of PLN 1 billion during 12 months. The bonds will be offered in a public offering. PKN ORLEN plans to introduce the bonds to trading on the Catalist regulated market. The parameters of each issue will be determined based on the current market environment and PKN ORLEN needs.

The public offering within the second retail bond issue programme also requires the prior approval of the prospectus relating to this offer by the Polish Financial Supervision Authority.

MAY 2017

Submission of the prospectus relating to bond issue programme to the Polish Financial Supervision Authority

On 24 May 2017 PKN ORLEN submitted to the Polish Financial Supervision Authority the prospectus relating to the public bond issue programme.

JUNE 2017**Realisation of the Power plant in Wloclawek investment completed**

On 19 June 2017 PKN ORLEN signed with the consortium of companies (General Electric International Inc. acting via General Electric International S.A., office in Poland and SNC-LAVALIN POLSKA sp. z o.o.) a certificate on the base of which the realisation of investment of the Power plant in Wloclawek building was completed.

Changes in the composition of the PKN ORLEN Management Board

On 26 June 2017 the Supervisory Board of PKN ORLEN appointed Mr Wojciech Jasiński to the position of the President of the PKN ORLEN Management Board, for the common three year term of office, starting from the day coming after the day of the Ordinary Shareholders Meeting of PKN ORLEN approving financial statements for 2016.

At the same time Mr Sławomir Jędrzejczyk, Vice-President of the PKN ORLEN Management Board, Chief Financial Officer and Mr Piotr Chelmiński, Member of the PKN ORLEN Management Board, Business Development/Power and Heat Generation Officer submitted a statements that they will not stand for re-election for the position of Member of the PKN ORLEN Management Board.

On 29 June 2017 the Supervisory Board of PKN ORLEN appointed Mr. Wiesław Protasewicz to serve as a Member of the Management Board of PKN ORLEN and Ms. Maria Sosnowska to serve as a Member of the Management Board of PKN ORLEN.

Changes in the composition of the Supervisory Board of PKN ORLEN

On 29 June 2017 Mr Wiesław Protasewicz submitted a statement of resignation from the position of the PKN ORLEN Supervisory Board Member with the effect from 29 June 2017, justified his decision with a fact that he candidates to the PKN ORLEN Management Board.

On 30 June 2017 the Ordinary General Meeting of Shareholders of PKN ORLEN appointed to the Supervisory Board Ms Izabela Felczak-Poturnicka and Mr Wojciech Kryński.

JULY 2017**Fitch Ratings assigned provisional rating to planned bond issue programme**

On 5 July 2017 a credit rating agency Fitch Ratings assigned a provisional A(pol)(EXP) rating to the planned by PKN ORLEN retail bond issue programme.

Mr Artur Gabor resigned from the position of the PKN ORLEN Supervisory Board Member with the effect from 1 September 2017

On 13 July 2017 Mr Artur Gabor submitted a statement of resignation from the position of the PKN ORLEN Supervisory Board Member with the effect from 1 September 2017.

Polish Financial Supervision Authority approved the prospectus relating to bond issue programme

On 20 July 2017 the Polish Financial Supervision Authority approved the prospectus relating to the bond issue programme directed to the individual investor. The bond issue programme assumes the issue of several bond series up to the total amount of PLN 1 billion during 12 months. The bonds will be offered in a public offering. PKN ORLEN plans to introduce the bonds to trading on the Catalyst regulated market. The parameters of each issue will be determined based on the current market environment and PKN ORLEN needs.

Fitch Ratings assigned final rating to the bond issue programme

On 21 July 2017 a credit rating agency Fitch Ratings assigned final A(pol) rating to the Company bond issue programme directed to the individual investor.

SEPTEMBER 2017**Decision on the issue of PKN ORLEN S.A. bonds**

On 4 September 2017 the Company's Management Board decided to launch the issue of A Series of bearer bonds within the bond issue programme directed to the individual investors ("Programme"), included in the prospectus approved by the Polish Financial Supervision Authority on 20 July 2017.

The bond issue programme assumes the issue of several bond series up to the total amount of PLN 1 billion during 12 months. The bonds will be offered in a public offering. The Company plans to introduce the bonds to trading on the Catalyst regulated market operated by the Warsaw Stock Exchange.

Terms and conditions of issue:

1. Expected bond issue date: 6 October 2017
2. Redemption date: 19 September 2021
3. Number of A Series bonds issued: up to 2,000,000
4. The total nominal value of A Series bonds: up to PLN 200,000,000
5. Interest rate: variable
6. Margin for variable rate bonds: 1%
7. Base rate for variable rate bonds: 6M WIBOR
8. Rating to the bond issue programme: A (pol)

The subscriptions were conducted from 6 September 2017 to 15 September 2017. The offer was not divided into tranches. The allocation of the Bonds was made on 19 September 2017.

OCTOBER 2017
Registration of PKN ORLEN bonds

On 4 October 2017 the Management Board of the Central Securities Depository of Poland adopted a resolution regarding registration on 6 October 2017 of 2,000,000 A Series bonds, with the unit nominal value of PLN 100, issued within the public bond issue programme.

Admission of bonds to exchange trading

On 9 October 2017 the Management Board of the Warsaw Stock Exchange ("WSE") adopted a resolution regarding admission of 2,000,000 A Series bonds to exchange trading on the Catalyst regulated market.

First day of trading of PKN ORLEN series A bonds

On 16 October 2017 the Management Board of the Warsaw Stock Exchange adopted a resolution determining the first day of trading of PKN ORLEN A Series bonds on 19 October 2017.

5. Other information
5.1. Composition of the Management Board and the Supervisory Board

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

Management Board

Wojciech Jasiński	– President of the Management Board, General Director
Mirosław Kochalski	– Vice-President of the Management Board
Zbigniew Leszczyński	– Member of the Management Board, Sales
Krystian Pater	– Member of the Management Board, Production
Wiesław Protasewicz	– Member of the Management Board, Chief Financial Officer
Maria Sosnowska	– Member of the Management Board, Investment and Purchasing

Supervisory Board

Angelina Anna Sarota	– Chairman of the Supervisory Board
Radosław Leszek Kwaśnicki	– Deputy Chairman of the Supervisory Board
Mateusz Henryk Bochacik	– Secretary of the Supervisory Board
Adrian Dworzyński	– Independent Member of the Supervisory Board
Izabela Felczak-Poturnicka	– Member of the Supervisory Board
Wojciech Kryński	– Independent Member of the Supervisory Board
Agnieszka Krzężowska	– Independent Member of the Supervisory Board

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

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
Nationale-Nederlanden OFE*	7.72%	33 000 000
Aviva OFE*	6.99%	29 900 000
Other	57.77%	247 098 865
	100.00%	427 709 061

*According to the information from the Ordinary General Shareholders' Meeting of PKN ORLEN of 30 June 2017

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

	Number of shares as at the submission date of the previous half-year report*	Decrease due to changes in composition	Number of shares as at the submission date of the foregoing quarter report**
Supervisory Board	3 200	(3 200)	-
Artur Gabor	3 200	(3 200)	-

* According to the received confirmations as at 14 July 2017

** According to the received confirmations as at 11 October 2017

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

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

	Nominal value		Subscription date	Expiration date	Rating	Value of guarantee issued	
	EUR	PLN				EUR	PLN
Eurobonds	750	3 318 **	7.06.2016	7.06.2023	BBB-, Baa2	1 100	4 740
Eurobonds	500	2 131 *	30.06.2014	30.06.2021	BBB-, Baa2	1 000	4 309
	1 250	5 449				2 100	9 049

The bonds have a fixed interest rate of 2.5%.

* translated using exchange rate as at 31 December 2014

** translated using exchange rate as at 31 December 2016

The value of guarantees granted was translated using the exchange rate as at 30 September 2017

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

The ORLEN Group did not publish forecasts of its results.

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR THE 3rd QUARTER

2017

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN
Separate statement of profit or loss and other comprehensive income

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Sales revenues	51 821	18 224	37 324	13 906
<i>revenues from sales of finished goods and services</i>	25 109	8 945	21 862	8 162
<i>revenues from sales of merchandise and raw materials</i>	26 712	9 279	15 462	5 744
Cost of sales	(46 138)	(16 177)	(32 676)	(11 960)
<i>cost of finished goods and services sold</i>	(20 258)	(7 232)	(17 711)	(6 393)
<i>cost of merchandise and raw materials sold</i>	(25 880)	(8 945)	(14 965)	(5 567)
Gross profit on sales	5 683	2 047	4 648	1 946
Distribution expenses	(1 877)	(652)	(1 709)	(582)
Administrative expenses	(573)	(190)	(546)	(163)
Other operating income	280	120	162	103
Other operating expenses	(139)	(45)	(135)	(42)
Profit from operations	3 374	1 280	2 420	1 262
Finance income	2 478	217	1 626	217
Finance costs	(1 335)	(392)	(390)	(55)
Net finance income and costs	1 143	(175)	1 236	162
Profit before tax	4 517	1 105	3 656	1 424
Tax expense	(671)	(212)	(421)	(263)
<i>current tax</i>	(593)	(235)	(213)	(213)
<i>deferred tax</i>	(78)	23	(208)	(50)
Net profit	3 846	893	3 235	1 161
Other comprehensive income:				
which will be reclassified into profit or loss				
<i>hedging instruments</i>	613	(93)	73	313
<i>deferred tax</i>	(116)	18	(14)	(59)
	497	(75)	59	254
Total net comprehensive income	4 343	818	3 294	1 415
Net profit and diluted net profit per share (in PLN per share)	8.99	2.09	7.56	2.71



Separate statement of financial position

	30/09/2017 (unaudited)	31/12/2016
ASSETS		
Non-current assets		
Property, plant and equipment	15 267	15 112
Intangible assets	763	853
Shares in related parties	8 704	8 905
Embedded derivatives and hedging instruments	109	66
Other assets	191	173
	25 034	25 109
Current assets		
Inventories	7 326	7 309
Trade and other receivables	7 805	6 561
Current tax assets	57	51
Cash	3 570	2 563
Non-current assets classified as held for sale	105	210
Embedded derivatives and hedging instruments	294	57
Other assets	1 148	1 212
	20 305	17 963
Total assets	45 339	43 072
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	170	(327)
Retained earnings	22 773	20 210
Total equity	25 228	22 168
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	6 463	7 503
Provisions	368	369
Deferred tax liabilities	747	553
Embedded derivatives and hedging instruments	134	280
Other liabilities	214	213
	7 926	8 918
Current liabilities		
Trade and other liabilities	9 250	8 850
Loans, borrowings and bonds	891	1 335
Provisions	276	342
Current tax liabilities	93	534
Deferred income	171	138
Embedded derivatives and hedging instruments	186	289
Other liabilities	1 318	498
	12 185	11 986
Total liabilities	20 111	20 904
Total equity and liabilities	45 339	43 072

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
01/01/2017	2 285	(327)	20 210	22 168
Net profit	-	-	3 846	3 846
Items of other comprehensive income	-	497	-	497
Total net comprehensive income	-	497	3 846	4 343
Dividends	-	-	(1 283)	(1 283)
30/09/2017	2 285	170	22 773	25 228
(unaudited)				
01/01/2016	2 285	(143)	15 704	17 846
Net profit	-	-	3 235	3 235
Items of other comprehensive income	-	59	-	59
Total net comprehensive income	-	59	3 235	3 294
Dividends	-	-	(855)	(855)
30/09/2016	2 285	(84)	18 084	20 285
(unaudited)				



Separate statement of cash flows

	9 MONTHS ENDED 30/09/2017 (unaudited)	3 MONTHS ENDED 30/09/2017 (unaudited)	9 MONTHS ENDED 30/09/2016 (unaudited)	3 MONTHS ENDED 30/09/2016 (unaudited)
Cash flows from operating activities				
Profit before tax	4 517	1 105	3 656	1 424
Adjustments for:				
Depreciation and amortisation	903	311	847	288
Foreign exchange (gain)/loss	33	69	181	(99)
Interest, net	128	42	156	54
Dividends	(1 524)	-	(1 480)	(17)
(Profit)/Loss on investing activities, incl.:	754	127	(45)	(6)
<i>recognition of impairment allowance of shares in related parties</i>	542	25	-	-
Change in provisions	108	41	96	42
Change in working capital	(757)	(428)	455	10
<i>inventories</i>	(16)	166	753	101
<i>receivables</i>	(1 241)	(2 036)	(1 250)	(92)
<i>liabilities</i>	500	1 442	952	1
Other adjustments, incl.:	(139)	(2)	(56)	(30)
<i>rights granted free of charge</i>	(140)	(62)	(88)	(38)
Income tax received/(paid)	(985)	(138)	1	(1)
Net cash from operating activities	3 038	1 127	3 811	1 665
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(1 163)	(318)	(1 968)	(535)
Acquisition of shares	(350)	(123)	(176)	-
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	162	19	114	6
Disposal of shares	-	-	88	-
Interest received	16	6	4	2
Dividends received	1 526	387	1 491	454
Proceeds from non-current loans granted	4	1	4	1
Proceeds/(Expenses) from current loans granted	4	31	(202)	(111)
Proceeds/(Outflows) from cash pool facility	(114)	(92)	2	(12)
Other	(26)	(35)	(13)	(11)
Net cash from/(used in) investing activities	59	(124)	(656)	(206)
Cash flows from financing activities				
Proceeds from loans and borrowings received	-	-	7 320	12
Bonds issued	1 048	355	1 250	346
Repayments of loans and borrowings	(822)	-	(7 898)	(189)
Redemption of bonds	(1 587)	(299)	(1 037)	(463)
Interest paid	(232)	(26)	(210)	(41)
Dividends paid	(1 283)	(1 283)	(855)	(855)
Proceeds/(Outflows) from cash pool facility	795	889	(261)	(27)
Other	(18)	(4)	(15)	(4)
Net cash (used) in financing activities	(2 099)	(368)	(1 706)	(1 221)
Net increase in cash	998	635	1 449	238
Effect of exchange rate changes	9	10	1	1
Cash, beginning of the period	2 563	2 925	964	2 175
Cash, end of the period	3 570	3 570	2 414	2 414

Statements of the Management Board

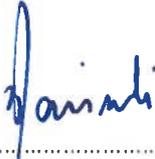
In respect of the reliability of preparation of the interim condensed consolidated financial statements

The Management Board of PKN ORLEN hereby declares that to the best of its knowledge the foregoing interim condensed consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the ORLEN Group in force and that they reflect true and fair view on financial position and financial result of the ORLEN Group.

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

The Management Board of PKN ORLEN declares that Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., as the entity authorized to conduct a review of the interim condensed consolidated financial statements, was selected in compliance with the law and that the entity and auditor conducting the audit met the conditions to issue an independent opinion in compliance with relevant regulations and professional standards.

The foregoing quarterly report was approved by the Management Board of the Parent Company on 18 October 2017.



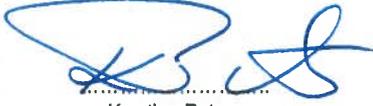
.....
Wojciech Jasiński
President of the Board



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



.....
Zbigniew Leszczyński
Member of the Board



.....
Krystian Pater
Member of the Board



.....
Wiesław Protasewicz
Member of the Board



.....
Maria Sosnowska
Member of the Board

Signature of a person responsible for
keeping accounting books



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