RESPONSIBILITY

PROGRESS

PEOPLE

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Polski Koncern Naftowy ORLEN
Spółka Akcyjna

SEPARATE ANNUAL REPORT

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA

2015

SEPARATE ANNUAL REPORT OF PKN ORLEN S.A. FOR THE YEAR 2015

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Polski Koncern Naftowy ORLEN
Spółka Akcyjna

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY EUROPEAN UNION

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1. INTRODUCTION

1.1. Principal activity of PKN ORLEN
1.2. Principles of preparation of financial statements

1.1. PRINCIPAL ACTIVITY OF PKN ORLEN

Polski Koncern Naftowy ORLEN Spółka Akcyjna seated in Płock, 7 Chemików Street ("Company", "PKN ORLEN", "Issuer", "Parent Company") was funded by incorporation of Petrochemia Płock S.A. with Centrala Produktów Naftowych S.A., on 7 September 1999.

The core business of the Company is crude oil processing, production of fuel, petrochemical and chemical goods, as well as, retail and wholesale of fuel products. PKN ORLEN generates, distributes and trades of electricity and heat.
PKN ORLEN shares are quoted on the main market of the Warsaw Stock Exchange (WSE) in the continuous trading system. The first quotation of the shares were held on 26 November 1999.

1.2. PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS

The separate financial statements have been prepared in accordance with accounting principles contained in the International Financial Reporting Standards (IFRS), comprising International Accounting Standards (IAS) as well as Interpretations of Standing Interpretation Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRIC), which were adopted by the European Union (EU) and entered in force till the end 2015. The financial statements have been prepared on a historical cost basis with the exception of derivatives, financial assets available for sale which are measured at fair value. The foregoing financial statements have been prepared using the accrual basis of accounting except from the separate financial statement of cash flows.

The scope of separate financial statement is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent information required by the law of a non-Member state (uniform text Official Journal 2014, item 133) and covers the annual period from 1 January to 31 December 2015 and the comparative period from 1st January to 31 December 2014.
Presented separate financial statements present a true and fair view of the Company's financial position as at 31 December 2015, results of its operations and cash flows for the year ended 31 December 2015.
The separate financial statements have been prepared assuming that the Company will continue to operate as a going concern in the foreseeable future. As at the date of approval of these separate financial statements, there is no evidence indicating that the Company will not be able to continue its operations as a going concern. Duration of the Company is unlimited.

The foregoing separate financial statements have been prepared with earlier taking into consideration changes in IAS1 standard - Presentation of Financial Statements: Disclosure initiative. Key elements of the modification of the scope and format of disclosures related to:

- issues of significance - immaterial disclosures have not been presented even if they were part of the requirement of the standard;
- aggregation / disaggregation of selected items in order to increase transparency and usefulness;
- accounting principles – presented those principles, which have a significant impact on the presentation of results of operations and the situation of the Company.

Other changes to IFRS applied by the Company in accordance with their effective date from 1 January 2015 to 31 December 2015, had no material impact on these separate financial statements.

2. SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	2015	2014
Sales revenues	6.1,8.1.1,8.1.2	60 466	76 972
revenues from sales of finished goods and services		*35 170*	*42 205*
revenues from sales of merchandise and raw materials		*25 296*	*34 767*
Cost of sales	8.1.3	(55 565)	(74 283)
cost of finished goods and services sold		*(30 883)*	*(40 031)*
cost of merchandise and raw materials sold		*(24 682)*	*(34 252)*
Gross profit on sales		**4 901**	**2 689**
Distribution expenses		(2 306)	(2 177)
Administrative expenses		(867)	(823)
Other operating income	8.1.4	196	311
Other operating expenses	8.1.5	(155)	(380)
Profit/(Loss) from operations		**1 769**	**(380)**
Finance income	8.1.6	872	1 477
Finance costs, incl.:	8.1.7	(1 333)	(5 977)
recognition of impairment allowances of shares in related parties	8.2.5	*(800)*	*(4 967)*
Net finance income and costs		**(461)**	**(4 500)**
Profit/(Loss) before tax		**1 308**	**(4 880)**
Tax expense		(260)	208
current tax		*-*	*(2)*
deferred tax	8.1.8.2	*(260)*	*210*
Net profit/(loss)		**1 048**	**(4 672)**
Other comprehensive income:			
which will not be reclassified into profit or loss		**4**	**(7)**
which were or will be reclassified into profit or loss		**1 227**	**(1 538)**
hedging instruments	8.2.9.3	*1 515*	*(1 899)*
deferred tax	8.1.8.2	*(288)*	*361*
		1 231	**(1 545)**
Total net comprehensive income		**2 279**	**(6 217)**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)		2.45	(10.92)

3. SEPARATE STATEMENT OF FINANCIAL POSITION

	NOTE	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment	8.2.1	14 303	13 465
Intangible assets	8.2.2	962	334
Shares in related parties	8.2.3	7 568	6 733
Deferred tax assets	8.1.8.2	-	169
Other financial assets	8.2.4	179	970
Other assets	8.2.6	134	131
		23 146	**21 802**
Current assets			
Inventories	8.2.7	7 715	6 497
Trade and other receivables	8.2.8	4 291	4 960
Other financial assets	8.2.4	788	1 206
Cash		964	3 475
Non-current assets classified as held for sale		77	38
		13 835	**16 176**
Total assets		**36 981**	**37 978**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8.2.9.1	1 058	1 058
Share premium	8.2.9.2	1 227	1 227
Hedging reserve	8.2.9.3	(143)	(1 370)
Retained earnings	8.2.9.4	15 704	15 387
Total equity		**17 846**	**16 302**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	8.2.10	8 125	9 212
Provisions	8.2.11	317	355
Deferred tax liabilities	8.1.8.2	380	-
Other financial liabilities	8.2.12	637	1 812
		9 459	**11 379**
Current liabilities			
Trade and other liabilities	8.2.13	6 651	7 572
Loans, borrowings and bonds	8.2.10	1 117	930
Provisions	8.2.11	383	342
Deferred income		116	97
Other financial liabilities	8.2.12	1 409	1 356
		9 676	**10 297**
Total liabilities		**19 135**	**21 676**
Total equity and liabilities		**36 981**	**37 978**

4. SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
NOTE	*8.2.9.1, 8.2.9.2*	*8.2.9.3*	*8.2.9.4*	
01/01/2015	2 285	(1 370)	15 387	16 302
Net profit	-	-	1 048	1 048
Items of other comprehensive income	-	1 227	4	1 231
Total net comprehensive income	**-**	**1 227**	**1 052**	**2 279**
Equity resulting from merger under common control	-	-	(29)	(29)
Dividends	-	-	(706)	(706)
31/12/2015	**2 285**	**(143)**	**15 704**	**17 846**
01/01/2014	2 285	168	20 682	23 135
Net (loss)	-	-	(4 672)	(4 672)
Items of other comprehensive income	-	(1 538)	(7)	(1 545)
Total net comprehensive income	**-**	**(1 538)**	**(4 679)**	**(6 217)**
Dividends	-	-	(616)	(616)
31/12/2014	**2 285**	**(1 370)**	**15 387**	**16 302**

5. SEPARATE STATEMENT OF CASH FLOWS

	NOTE	2015	2014
Cash flows from operating activities			
Net profit/(loss)		**1 048**	**(4 672)**
Adjustments for:			
Depreciation and amortisation	8.1.3	1 100	1 028
Foreign exchange loss	8.3	95	97
Interest, net	8.3	201	213
Dividends		(727)	(1 092)
Loss on investing activities, incl.:		808	4 928
recognition of impairment allowances of shares in related parties		*800*	*4 967*
Tax expense on profit/(loss) before tax		260	(208)
Change in provisions	8.3	149	180
Change in working capital	8.3	(1 892)	1 823
inventories		*(1 149)*	*2 840*
receivables		*684*	*1 244*
liabilities		*(1 427)*	*(2 261)*
Other adjustments		(95)	(103)
Income tax received	8.3	1	23
Net cash provided by operating activities		**948**	**2 217**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land		(1 847)	(2 426)
Acquisition of shares		(1 684)	(1 297)
Acquisition of bonds		-	(100)
Outflows from additional repayable payments to subsidiaries' equity		(19)	(806)
Outflows from non-current loans granted		-	(353)
Outflows on acquisition of project		(172)	-
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land		131	324
Interest received	8.3	16	45
Dividends received		729	1 094
Proceeds from non-current loans granted		607	695
Proceeds from current loans granted		312	259
Proceeds from cash pool facility		162	64
Other		96	100
Net cash (used) in investing activities		**(1 669)**	**(2 401)**
Cash flows from financing activities			
Proceeds from loans and borrowings received		2 138	9 991
Bonds issued		1 318	931
Repayments of loans and borrowings		(3 179)	(7 042)
Redemption of bonds		(1 243)	(1 419)
Interest paid	8.3	(261)	(249)
Dividends paid	8.2.9.6	(706)	(616)
Proceeds from cash pool facility		155	15
Other		(18)	(19)
Net cash provided by/(used in) financing activities		**(1 796)**	**1 592**
Net increase/(decrease) in cash		**(2 517)**	**1 408**
Effect of exchange rate changes		6	(5)
Cash, beginning of the period		3 475	2 072
Cash, end of the period		**964**	**3 475**
including restricted cash		-	*2*

6. SEGMENTS' DATA

6.1. Revenues, costs, financial results, investment expenditures
6.2. Assets divided into operating segments

Operating activity of the Company is conducted in:
- the Downstream segment, which includes the areas of integrated production and sale of refinery and petrochemical and activities in the field of energy
- the Retail segment, which includes the sales in petrol stations
- the Upstream segment, which includes the activity related to exploration and extraction of mineral resources,

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

Assessments of the segments' financial results and decisions on allocation of resources are performed mainly on the basis of segment profit/loss from operations, increased by depreciation and amortization – EBITDA. EBITDA is one of a measure of the efficiency of the activity, which is not defined in IFRS. The PKN ORLEN defines EBITDA as net profit/(loss) for the reporting period before taking into account the impact of the income tax, effects of financing activities and depreciation costs.
Revenues from transactions with external customers and transactions with other segments are carried out on an arm's length basis.

6.1. REVENUES, COSTS, FINANCIAL RESULTS, INVESTMENT EXPENDITURES

2015

	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Sales revenues from external customers	8.1.1, 8.1.2	44 986	15 420	-	60	-	60 466
Sales revenues from transactions with other segments		10 773	-	-	80	(10 853)	-
Sales revenues		**55 759**	**15 420**	**-**	**140**	**(10 853)**	**60 466**
Operating expenses		(54 330)	(14 476)	(37)	(748)	10 853	(58 738)
Other operating income	8.1.4	86	33	-	77	-	196
Other operating expenses	8.1.5	(35)	(57)	-	(63)	-	(155)
Profit/(Loss) from operations		**1 480**	**920**	**(37)**	**(594)**	**-**	**1 769**
Net finance income and costs	8.1.6, 8.1.7						(461)
Profit before tax							**1 308**
Tax expense							(260)
Net profit							**1 048**

ADDITIONAL INFORMATION	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Depreciation and amortisation	8.1.3	**800**	**231**	**-**	**69**	**-**	**1 100**
EBITDA		**2 280**	**1 151**	**(37)**	**(525)**	**-**	**2 869**
CAPEX*		**1 462**	**282**	**-**	**125**	**-**	**1 869**

2014

	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Sales revenues from external customers	8.1.1, 8.1.2	58 729	18 166	-	77	-	76 972
Sales revenues from transactions with other segments		13 378	-	-	76	(13 454)	-
Sales revenues		**72 107**	**18 166**	**-**	**153**	**(13 454)**	**76 972**
Operating expenses		(72 654)	(17 282)	(42)	(759)	13 454	(77 283)
Other operating income	8.1.4	122	159	-	30	-	311
Other operating expenses	8.1.5	(153)	(174)	-	(53)	-	(380)
Profit/(Loss) from operations		**(578)**	**869**	**(42)**	**(629)**	**-**	**(380)**
Net finance income and costs	8.1.6, 8.1.7						(4 500)
(Loss) before tax							**(4 880)**
Tax expense							208
Net (loss)							**(4 672)**

ADDITIONAL INFORMATION	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Depreciation and amortisation	8.1.3	**733**	**218**	**-**	**77**	**-**	**1 028**
EBITDA		**155**	**1 087**	**(42)**	**(552)**	**-**	**648**
CAPEX*		**1 928**	**214**	**-**	**216**	**-**	**2 358**

** CAPEX – increases of non-current assets together with borrowing costs*

6.2. ASSETS DIVIDED INTO OPERATING SEGMENTS

	31/12/2015	31/12/2014
Downstream Segment	23 292	21 310
Retail Segment	3 469	3 433
Segment assets	**26 761**	**24 743**
Corporate Functions	10 220	13 235
	36 981	**37 978**

Operating segments include all assets except for financial assets, tax assets and cash. Assets used jointly by the operating segments are allocated based on revenues generated by individual operating segments.

As at 31 December 2015 and as at 31 December 2014 property, plant and equipment (note 8.2.1.), intangible assets (note 8.2.2.) and perpetual usufruct of plants (note 8.2.6.) were located in Poland.

7. DESCRIPTION OF SIGNIFICANT FACTORS AFFECTING THE FINANCIAL DATA FOR THE YEAR 2015

OPERATING AND FINANCIAL RESULTS

- In 2015 the total sales volumes of PKN ORLEN increased by 4.8% in comparison with the previous year mainly as a result of higher by 5.2% downstream segment volume. In terms of value, sales revenues were lower by PLN (16,506) million due to the decrease in oil prices and therefore lower trading the majority of products manufactured by PKN ORLEN
- Crude oil processing in 2015 increased by 9.8% in comparison with the previous year and reached a record level of 15.7 million tonnes. Higher crude oil processing was mainly the result of the lower volume of repair work and usage the potential of the installation to improve the yields of key installations.
- Profit EBITDA in 2015 amounted to PLN 2,869 million and was by PLN 2,221 million higher than in the previous year. The increase resulted mainly from the positive changes of macroeconomic factors reflected in particular by the increase of model downstream margin (MDM*) by USD/bbl 2.4 and from the depreciation of average PLN exchange rate versus the USD and an increase in sales volumes.
- Operating profit of PKN ORLEN amounted to PLN 1,769 million after consideration of depreciation costs of PLN (1,100) million in 2015.
- The negative balance on financial activities in 2015 amounted to PLN (461) million and consisted mainly non-cash effect of impairment allowance of shares in the ORLEN Upstream amounted to PLN (782) million (impairment is mainly due to the recognition by ORLEN Upstream impairment loss on the value of some assets and production in Canada and Poland; this impairment is eliminated in consolidation procedures), foreign exchange losses on revaluation of loans and other items in foreign currencies amounted PLN (269) million and income from dividend amounted PLN 727 million, mainly from the companies Basell Orlen Polyolefins, Anwil and ORLEN Asfalt
- Net profit of PKN ORLEN for 2015 amounted to PLN 1,048 million, after consideration of tax burden of PLN (260) million.

CASH FLOWS AND INDEBTEDNESS

- Net cash flows provided by operating activities in 2015 amounted to PLN 948 million and included mainly EBITDA profit amounted to PLN 2,869 million and increasing net working capital amounted to PLN (1,892) million.
- Net cash used in investing activities in 2015 amounted to PLN (1,669) million and included mainly net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land of PLN (1,716) million, expenses related to acquisition of shares of PLN (1,684) million connected mainly with the increasing of capital in ORLEN Upstream in connection with mining companies acquisition, dividends received of PLN 729 million and proceeds from repayment of loans of PLN 919 million.
- Net cash used in financial activities in 2015 amounted to PLN (1,796) million and included mainly net expenses for the repayment of loans and borrowings in the amount of PLN (1,041) million, net bond emission amounted to PLN 75 million, the proceeds from cash pool in the amount of PLN 155 million, dividends paid to shareholders amounted to PLN (706) million (additional information, is presented in the note 8.2.9.6.) and interest paid amounted to PLN (261) million.
- Net indebtedness as at 31 December 2015 amounted to PLN 8,278 million and it was higher by PLN 1,611 million in comparison with the end of 2014. The increase is resulted mainly from cash by PLN 2,511 million and net indebtedness repayment, and effect of exchange rate changes revaluation, valuation of indebtedness in total amount of PLN (900) million.

  Change in net indebtedness in 2015 includes expenditure for the purchase of 2 tranches of crude oil obligatory inventories in total amount of PLN (3,644) million. Detailed information is presented in the note 8.2.7.

Detailed information on operating and finance results is presented in chapter 2 and 3 of the Management Board Report on the operations of PKN ORLEN.

** The integration of high-class production assets and the extended value chain through the full integration of the refining, petrochemical and power activities of PKN ORLEN were the basis for determining the index - Model Margin Downstream (MMD), which reflects the base structure of the input basket and refinery and petrochemical products. The indicator's changes allow to estimate an impact of typical macroeconomic factors on operating results of downstream segment.*

8. EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

8.1. Explanatory notes to the statement of profit or loss and other comprehensive income
8.2. Explanatory notes to the statement of financial position
8.3. Explanatory notes to the statement of cash flows
8.4. Explanatory notes to the financial instruments and financial risks
8.5. Other explanatory notes
8.6. Accounting principles
8.7. Significant values based on judgments and estimates
8.8. Information on significant court, arbitration and administrative proceedings

8.1. EXPLANATORY NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

8.1.1. Revenues from sale by assortments

	2015	2014	% share 2015	% share 2014
Downstream Segment				
Crude oil	21 084	29 558	34.9%	38.4%
Medium distillates	10 957	12 891	18.1%	16.7%
Light distillates	3 457	4 352	5.7%	5.7%
Monomers	3 203	3 292	5.3%	4.3%
Heavy fractions	2 426	2 637	4.1%	3.4%
PTA	1 532	1 767	2.5%	2.3%
Aromas	552	754	0.9%	1.0%
Other	1 775	3 478	2.9%	4.5%
	44 986	**58 729**	**74.4%**	**76.3%**
Retail Segment				
Medium distillates	8 503	10 292	14.1%	13.4%
Light distillates	4 795	5 732	7.9%	7.4%
Other	2 122	2 142	3.5%	2.8%
	15 420	**18 166**	**25.5%**	**23.6%**
Corporate Functions	60	77	0.1%	0.1%
	60 466	**76 972**	**100.0%**	**100.0%**

In 2015 and 2014 the Company generated sales revenues in the downstream segment from three customers of total amount of PLN 31,901 million and PLN 39,830 million respectively, which individually exceeded 10% of total revenues from sale. These customers were entities related to PKN ORLEN.

8.1.2. Revenues from sale in geographical information - disclosed by customer's premises countries

	2015	2014
Poland	34 258	43 493
Lithuania, Latvia, Estonia	11 989	16 136
Czech Republic	9 750	11 853
Germany	998	1 039
Other countries	3 471	4 451
	60 466	**76 972**

The line „Other countries" comprises mainly sales to customers from Switzerland, Ukraine, the Netherlands and Denmark.

8.1.3. Cost by nature

	2015	2014
Materials and energy	(28 226)	(37 218)
Cost of merchandise and raw materials sold	(24 682)	(34 252)
External services	(2 439)	(2 366)
Employee benefits	(706)	(681)
payroll expenses	*(581)*	*(549)*
social security expenses	*(94)*	*(88)*
other	*(31)*	*(44)*
Depreciation and amortisation	(1 100)	(1 028)
Taxes and charges	(929)	(429)
Other	(417)	(611)
	(58 499)	**(76 585)**
Change in inventories	(482)	(1 104)
Cost of products and services for own use	88	26
Operating expenses	**(58 893)**	**(77 663)**
Distribution expenses	2 306	2 177
Administrative expenses	867	823
Other operating expenses	155	380
Cost of sales	**(55 565)**	**(74 283)**

8.1.4. Other operating income

	2015	2014
Profit on sale of non-current non-financial assets	44	29
Reversal of provisions	11	31
Reversal of receivables impairment allowances	11	24
Reversal of impairment allowances of property, plant and equipment and intangible assets	18	117
Penalties and compensation	14	29
Other	98	81
	196	**311**

8.1.5. Other operating expenses

	2015	2014
Loss on sale of non-current non-financial assets	(33)	(49)
Recognition of provisions	(21)	(113)
Recognition of receivables impairment allowances	(16)	(49)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(25)	(95)
Penalties, damages and compensation	(11)	(11)
Other	(49)	(63)
	(155)	**(380)**

8.1.6. Finance income

	2015	2014
Interest	77	94
Dividends	727	1 092
Other	68	291
	872	**1 477**

8.1.7. Finance costs

	NOTE	2015	2014
Interest		(213)	(262)
Foreign exchange loss surplus		(269)	(513)
Recognition of impairment allowances of shares in related parties	*8.2.5*	(800)	(4 967)
Other		(51)	(235)
		(1 333)	**(5 977)**

8.1.8. Tax expense

8.1.8.1. The differences between tax expense recognized in profit or loss and the amount calculated based on the rate from profit/(loss) before tax

	2015	2014
Profit/(Loss) before tax	**1 308**	**(4 880)**
Tax expense for 2015 and 2014 by the valid tax rate	(249)	927
Impairment allowances for shares in related parties	(152)	(944)
Dividends received	139	208
Other	2	17
Tax expense	**(260)**	**208**
Effective tax rate	**20%**	**4%**

8.1.8.2. Deferred tax

	31/12/2014	Deferred tax recognized in profit or loss	Deferred tax recognized in other comprehensive income	31/12/2015
Deferred tax assets				
Impairment allowances	156	(94)	-	62
Provisions and accruals	175	1	(1)	175
Unrealized foreign exchange differences	56	(10)	-	46
Tax loss	191	(82)	-	109
Valuation of financial instruments	321	2	(288)	35
Other	47	7	-	54
	946	**(176)**	**(289)**	**481**
Deferred tax liabilities				
Investment relief	36	(3)	-	33
Temporary differences related to non-current assets	688	62	-	750
Other	53	25	-	78
	777	**84**	**-**	**861**
	169	**(260)**	**(289)**	**(380)**

8.2. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.2.1. Property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Net carrying amount at 01/01/2015						
Gross carrying amount	446	11 289	10 345	742	1 797	**24 619**
Accumulated depreciation	-	(4 550)	(6 044)	(355)	-	**(10 949)**
Impairment allowances	(4)	(154)	(19)	(2)	(12)	**(191)**
Grants	-	(1)	(13)	-	-	**(14)**
	442	**6 584**	**4 269**	**385**	**1 785**	**13 465**
increases/(decreases), net						
Investment expenditures	-	16	57	6	1 697	1 776
Depreciation	-	(431)	(527)	(93)	-	(1 051)
Borrowing costs	-	15	12	-	28	55
Impairment allowances *	-	5	(1)	-	(1)	3
Grants	-	-	(34)	-	-	(34)
Other	2	742	722	42	(1 419)	89
	444	**6 931**	**4 498**	**340**	**2 090**	**14 303**
Net carrying amount at 31/12/2015						
Gross carrying amount	448	12 095	11 079	752	2 103	**26 477**
Accumulated depreciation	-	(5 014)	(6 514)	(410)	-	**(11 938)**
Impairment allowances	(4)	(149)	(20)	(2)	(13)	**(188)**
Grants	-	(1)	(47)	-	-	**(48)**
	444	**6 931**	**4 498**	**340**	**2 090**	**14 303**
Net carrying amount at 01/01/2014						
Gross carrying amount	288	11 007	9 996	710	637	**22 638**
Accumulated depreciation	-	(4 186)	(5 765)	(375)	-	**(10 326)**
Impairment allowances	(4)	(183)	(15)	(1)	(11)	**(214)**
Grants	-	(1)	-	-	-	**(1)**
	284	**6 637**	**4 216**	**334**	**626**	**12 097**
increases/(decreases), net						
Investment expenditures	-	24	92	8	2 166	2 290
Depreciation	-	(410)	(486)	(77)	-	(973)
Borrowing costs	-	3	2	-	25	30
Impairment allowances *	-	29	(4)	(1)	(1)	23
Grants	-	-	(13)	-	-	(13)
Other	158	301	462	121	(1 031)	11
Net carrying amount at 31/12/2014	**442**	**6 584**	**4 269**	**385**	**1 785**	**13 465**

* Increases/(Decreases) net of impairment includes recognition, reversal, utilization, reclassifications

In 2015 and in 2014 capitalization rate used to calculate borrowing costs amounted to 2.63% and 2.70% respectively. The gross carrying amount of all fully depreciated property, plant and equipment still in use as at 31 December 2015 and as at 31 December 2014 amounted to PLN 1,392 million and PLN 1,458 million respectively.

8.2.2. Intangible assets

The changes in other intangible assets

	Patents, trade marks and licenses	Rights	Other	Total
Net carrying amount at 01/01/2015				
Gross carrying amount	567	114	98	**779**
Accumulated depreciation	(374)	-	(11)	**(385)**
Impairment allowances	(3)	(57)	-	**(60)**
	190	**57**	**87**	**334**
increases/(decreases), net				
Investment expenditures	36	-	-	36
Amortisation	(37)	-	(10)	(47)
Other **	5	639	(5)	639
	194	**696**	**72**	**962**
Net carrying amount at 31/12/2015				
Gross carrying amount	602	753	93	**1 448**
Accumulated depreciation	(405)	-	(21)	**(426)**
Impairment allowances	(3)	(57)	-	**(60)**
	194	**696**	**72**	**962**
Net carrying amount at 01/01/2014				
Gross carrying amount	562	206	79	**847**
Accumulated depreciation	(343)	-	(1)	**(344)**
Impairment allowances	(7)	(57)	-	**(64)**
	212	**149**	**78**	**439**
increases/(decreases), net				
Investment expenditures	19	-	18	37
Amortisation	(44)	-	(10)	(54)
Borrowing costs	-	-	1	1
Impairment allowances *	4	-	-	4
Other **	(1)	(92)	-	(93)
Net carrying amount at 31/12/2014	**190**	**57**	**87**	**334**

* Increases/(Decreases) net of impairment includes recognition, reversal, utilization, reclassifications
**Other increases/(decreases) of property rights in the net book value consist mainly of settlement of forward transactions settlement, granted free of charge and settlement of rights for 2015 and 2014.

8.2.2.1. Rights

Change in owned CO_2 emission rights in 2015

	Quantity (in thous. tonnes)	Value
01/01/2015	2 891	56
Granted free of charge for 2014 and 2015	3 959	116
Emission settlement for 2014	(5 851)	(144)
Forward transactions settlement	25 133	669
Other	(101)	(2)
	26 031	**695**
CO_2 emission in 2015	6 556	211

As at 31 December 2015 the market value of one EUA amounted to PLN 35.03 (representing EUR 8.22 at exchange rate as at 31 December 2015) (source: www.theice.com).

As at 31 December 2015 the Company recognized the rights to colourful energy in the amount PLN 1 million. Additionally, the Company recognized CO_2 emission rights in amount of PLN 18 million and rights to colourful energy in amount of PLN 32 million, in trade and other receivables (note 8.2.8.).

8.2.3. Shares in related parites

	Seat	31/12/2015	31/12/2014	Company's share in share capital /of total number of votes on 31/12/2015	Company's share in share capital /of total number of votes on 31/12/2014	Principal activity
Subsidiaries and jointly controlled entities						
UNIPETROL a.s.	Czech Republic - Prague	1 813	1 813	62.99%	62.99%	assets management of the Unipetrol Group
ORLEN Upstream Sp. z o.o.	Poland - Warsaw	1 672	25	100.00%	100.00%	exploration and recognition of hydrocarbon deposits, extraction of crude oil and natural gas
AB ORLEN Lietuva	Lithuania – Juodeikiai	835	835	100.00%	100.00%	crude oil processing, production of refining products and wholesale
ORLEN Deutschland GmbH	Germany - Elmshorn	504	504	100.00%	100.00%	assets management and retail fuel sale
Basell ORLEN Polyolefins Sp. z o.o.	Poland – Płock	454	454	50.00%	50.00%	production, distribution and sale of polyolefins
Anwil S.A.	Poland – Włocławek	399	399	100.00%	100.00%	production of nitrogen fertilizers, plastic and chemicals
ORLEN Południe S.A. *	Poland – Trzebinia	245	245	100.00%	-	crude oil processing, manufacturing and sale of fuels and oils
ORLEN Oil Sp. z o.o.	Poland – Cracow	161	161	100.00%	100.00%	production, distribution and sale of grease oils, maintenance liquids
ORLEN Paliwa Sp. z o.o. **	Poland – Widełka	145	145	100.00%	-	trade in liquid fuels, manufacturing, storage of gaseous fuels
ORLEN Asfalt Sp. z o.o.	Poland – Płock	90	90	100.00%	100.00%	manufacturing and sale of road bitumens and specific bitumen products
Other subsidiaries		364	390			
Repayable additional payments to equity of subsidiaries, incl.:		**886**	**1 672**			
ORLEN Upstream Sp. z o.o.		*836*	*1 611*			
		7 568	**6 733**			

** from 5th January 2015 a merger of Rafineria Trzebinia S.A. and Rafineria Nafty Jedlicze S.A. together with changing of the name of Rafineria Trzebinia S.A. into ORLEN Południe S.A.*
*** from 30th June 2015 a merger of ORLEN PetroTank Sp. z o.o. and ORLEN Paliwa Sp. z o.o., from 30th October 2015 a merger of ORLEN Gaz Sp. z o.o. and ORLEN Paliwa Sp. z o.o.*

As at 31 December 2015 and as at 31 December 2014 impairment allowances of shares in related parties amounted to PLN 9,471 million and PLN 8,675 million respectively and related mainly to impairment of shares in AB ORLEN Lietuva. Additional information about impairment is presented in (note 8.2.5.).

8.2.4. Other financial assets

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Cash flow hedge instruments	135	302	678	556	813	858
currency forwards	*45*	*16*	*73*	*178*	*118*	*194*
commodity swaps	*90*	*286*	*605*	*378*	*695*	*664*
Derivatives not designated as hedge accounting	-	-	-	4	-	4
currency forwards	-	-	-	*4*	-	*4*
Embedded derivatives	-	-	1	1	1	1
currency swaps	-	-	*1*	*1*	*1*	*1*
Bonds	-	-	-	96	-	96
Loans granted	44	668	20	356	64	1 024
Cash pool	-	-	31	193	31	193
Receivables on cash flows settled hedge instruments	-	-	58	-	58	-
	179	**970**	**788**	**1 206**	**967**	**2 176**

8.2.5. Impairment of non-current assets

While determing the value in use, the expected cash flows based on the most recent and approved financial plan, and thereafter the Company assumed constant rate of cash flows growth, estimated at the level of long-term inflation. Expected cash flows were discounted to their present value using a discount rate calculated as a weighted average cost of engaged equity and debt, before tax, which reflected the current market estimation of time value of money and the risk specific to the asset.

As at 31 December 2015 the Company did not identify any impairment indicators of non-current assets.

The impairment allowance of development and extraction of mineral resources of the ORLEN Upstream Canada Ltd, belonging to the ORLEN Upstream Group – which is a part of Capital Group of Polski Koncern Naftowy („ORLEN Group", „Group", „Capital Group") resulted in decrease of equity of ORLEN Upstream Group and consequently PKN ORLEN recognized impairment allowance of payment to Orlen Upstream equity (parent company of ORLEN Upstream Group) amounted to PLN (365) million.

The value in use of development and extraction of mineral resources assets in Canada as at 31 December was based on the estimated crude oil prices and reserves evaluation prepared by an independent company in accordance with professional standards for the Canadian market ("APEGA" the Code of Ethics of the Association of Professional Engineers and Geoscientists of Alberta).

Net cash flow projections used for the purposes of estimating the value in use of assets were discounted to their present value using a base discount rate before tax at 9% which reflects the current market value of money and the specific risks to the assets on the Canadian market.

Sensitivity analysis of the Orlen Upstream shares value in use as at 31 December 2015

PLN million

DISCOUNT RATE change	HYDROCARBONS PRICES -5%	0%	5%
- 0.5 p.p.	*increase in allowance* (23)	*decrease in allowance* 73	*decrease in allowance* 170
0.0 p.p.	*increase in allowance* (92)	-	*decrease in allowance* 92
+ 0.5 p.p.	*increase in allowance* (159)	*increase in allowance* (70)	*decrease in allowance* 19

The Company's results for the 12 months of 2015 also include impairment allowance of additional capital contributions to Orlen Upstream recognized in the second quarter of 2015 as a result of narrowing the areas of exploration and determining the most perspective areas for further hydrocarbon exploration in Poland amounted to PLN (417) million.The value in use of assets has been established basing on the analysis of future cash flows, which take into account the current and forecasted hydrocarbon prices, expected changes in the regulatory environment, probability of success/failure and long-term production forecasts. Net cash flows projections used for the purposes of estimating the value in use of assets were discounted to their present value using a base discount rate before tax at 8.99% which reflects the current market value of money and the specific risks to the assets on the Polish market.

The impact of the recognition of impairment allowance of shares in related entities on profit or loss in 2015 amounted to PLN (800) million.

In 2014 identified indicators for impairment test within PKN ORLEN resulted from the deterioration of macroeconomic environment as well as the lack of the perspectives for its improvement especially in the area of the refinery. Strategy assumptions and the Mid-term Plan of the Company and the Group for the years 2014-2017 were updated.
In 2014 the Company recognized the impairment allowance of shares in AB Orlen Lietuva amounted to PLN (4,750) million and impairment allowances of shares in Orlen Upstream amounted to PLN (217) million. The impact of the impairment allowances of shares in related entities on profit or loss in 2014 amounted to PLN (4,967) million.

8.2.6. Other assets

	31/12/2015	31/12/2014
Perpetual usufruct of land	94	91
Financial assets available for sale	40	40
	134	**131**

8.2.7. Inventories

	31/12/2015	31/12/2014
Raw materials	4 187	2 473
Work in progress	483	552
Finished goods	2 645	3 058
Merchandise	187	196
Spare parts	213	218
Inventories, net	**7 715**	**6 497**
Impairment allowances of inventories to net realisable value	29	522
Inventories, gross	**7 744**	**7 019**

As at 31 December 2015 and as at 31 December 2014 the value of mandatory reserves of the Company amounted to PLN 4,230 million and PLN 3,584, respectively.

Repurchase of mandatory reserves

Transaction date	Parties of the transaction		Value of the transaction	
	Seller	Buyer	million USD	million PLN
29 January 2015	Neon	PKN ORLEN	**257**	**957**
			including hedging transaction settlement	
			112	*417*
12 August 2015	Cranbell	PKN ORLEN	**707**	**2 687**
			including hedging transaction settlement	
			406	*1 541*

Change in impairment allowances of inventories revalued at net realizable value

	2015	2014
At the beginning of the period	522	15
Recognition	47	520
Reversal	(38)	(10)
Usage	(502)	(3)
	29	**522**

The impairment allowances of inventories to net realizable value, which was mainly made in 4th quarter of 2014, were used in 2015. The usage was the result of a decrease in crude oil and petroleum products prices. Impairment relates to the downstream segment.

8.2.8. Trade and other receivables

	NOTE	31/12/2015	31/12/2014
Trade receivables		3 558	4 298
Other		9	14
Financial assets		**3 567**	**4 312**
Excise tax and fuel charge receivables		103	106
Other taxation, duty, social security and other benefits		76	85
Tax expense		5	6
Advances for non-current non-financial assets		374	330
Rights		50	14
Prepayments for deliveries		17	18
Prepayments		99	89
Non-financial assets		**724**	**648**
Receivables, net		**4 291**	**4 960**
Receivables impairment allowance	*8.4.6.4*	270	293
Receivables, gross		**4 561**	**5 253**

As at 31 December 2015 and as at 31 December 2014 trade and other receivables denominated in foreign currencies amounted to PLN 1,427 million and PLN 2,064 million, respectively. Division of financial assets denominated in foreign currencies is presented in note 8.4.6.2. Division of receivables from related parties is presented in note 8.5.6.

8.2.9. Equity

8.2.9.1. Share capital

	31/12/2015	31/12/2014
Share capital	535	535
Share capital revaluation adjustment	523	523
	1 058	**1 058**

In accordance with the Polish Commercial Register, the share capital of Polski Koncern Naftowy ORLEN S.A. as at 31 December 2015 and as at 31 December 2014 amounted to PLN 535 million. It is divided into 427,709,061 ordinary shares with nominal value of PLN 1.25 each.

Number of shares issued				
A Series	B Series	C Series	D Series	Total
336 000 000	6 971 496	77 205 641	7 531 924	**427 709 061**

In Poland, each new issue of shares is labelled as a new series of shares. All of the above series have the exact same rights.
As at 31 Decemebr 2015 and as at 31 Decemebr 2014, the number of shares issued and the number of shares approved for issuance is equal.

Shareholders structure

	Number of shares / voting rights	Nominal value of shares (in PLN)	Share in share capital
State Treasury	117 710 196	147 137 745	27.52%
Nationale-Nederlanden OFE*	39 000 000	48 750 000	9.12%
Aviva OFE*	31 400 000	39 250 000	7.34%
Other	239 598 865	299 498 581	56.02%
	427 709 061	**534 636 326**	**100.00%**

** Shareholders holding directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Extraordinary General Meeting of Shareholders of PKN ORLEN SA of 29th January 2016.*

8.2.9.2. Share premium

	31/12/2015	31/12/2014
Nominal share premium	1 058	1 058
Share premium revaluation adjustment	169	169
	1 227	**1 227**

Share premium is the surplus of the issuance value over the nominal value of shares belonging to series B, C and D.

8.2.9.3. Hedging reserve

	NOTE	2015	2014
At the beginning of the period		(1 370)	168
gross value		*(1 691)*	*208*
deferred tax		*321*	*(40)*
Settlement of hedge instruments, gross, incl.:		1 928	(179)
sales revenues		*(226)*	*(171)*
cost of sales		*212*	*32*
inventories		*1 972*	*(33)*
Valuation of hedge instruments, gross		(413)	(1 720)
Deferred tax	*8.1.8.2*	(288)	361
		(143)	**(1 370)**
gross value		*(176)*	*(1 691)*
deferred tax		*33*	*321*

8.2.9.4. Retained earnings

	31/12/2015	31/12/2014
Reserve capital	13 856	19 234
Other capital	830	830
Equity resulting from merger under common control	(29)	-
Actuarial gains and losses	(1)	(5)
Net profit/(loss) for the period	1 048	(4 672)
	15 704	**15 387**

8.2.9.5. Proposal to distribution of the Company's profit for 2015

The improved financial situation of the ORLEN Group achieved in the recent years enabled it to implement, within the ORLEN Group's Strategy for years 2014-2017, a dividend policy which assumes a gradual increase in the level of dividend per share by taking into account the implementation of strategic financial objectives and forecasts of the macroeconomic situation. This method does not relate the rate of dividend to net profit, which in the ORLEN Group's area of operations is subject to high fluctuations and can include non-cash items, such as revaluation of assets, inventories or loans, distorting the view of the current financial situation of the Group.
The Management Board of PKN ORLEN, after considering the liquidity situation and achievement of strategic financial objectives, proposes to distribute the net profit of PKN ORLEN for the year 2015 of PLN 1,047,519,491.84 as follows: PLN 855,418,122 will be allocated as a dividend payment (PLN 2 per 1 share) and the remaining amount of net profit of PLN 192,101,369.84 as reserve capital of the Parent Company. The Management Board recommends 15 July 2016 as the dividend date and 5 August 2016 as the payment date. This recommendation will be presented to the General Shareholders' Meeting of PKN ORLEN S.A., which will make a conclusive decision in this matter.

8.2.9.6. Distribution of the of the Company's loss for 2014 and dividend payment in 2015

Pursuant to article 395 § 2 point 2 of the Commercial Code and § 7 sec. 7 point 3 of the Company's Articles of Association, the Ordinary General Shareholders' Meeting of PKN ORLEN S.A. on 28 April 2015, having analyzed the motion of the Management Board, decided to distribute the total net loss of PLN (4,671,826,145.06) from reserved capital.

The Ordinary General Shareholders' Meeting of PKN ORLEN S.A. also decided to allocate PLN 705,719,950.65 as dividend payment (PLN 1.65 per 1 share). The dividend was paid from reserve capital of the Company created from the profit of previous years.

8.2.9.7. Equity management policy

Equity management is performed on the Capital Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.
The Management Board monitors the following ratios at the Group level:

- net financial leverage - as at 31 December 2015 and as at 31 December 2014 amounted to 28.1% and 33.0%, respectively;
- dividend per ordinary shares – depends on current financial position of the Group. In 2015 and in 2014 the dividend PLN 1.65 per share and PLN 1.44 per share, was paid, respectively.

Net financial leverage: net debt/equity (calculated as at the end of the period) x 100%
Net debt: non-current loans, borrowings and bonds + current loans and borrowings – cash and cash equivalents

8.2.10. Loans, borrowing and bonds

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Loans	3 973	5 057	240	481	4 213	5 538
Borrowings	2 135	2 135	593	240	2 728	2 375
Bonds	2 017	2 020	284	209	2 301	2 229
	8 125	**9 212**	**1 117**	**930**	**9 242**	**10 142**

The Company bases its financing mainly on floating interest rates, wherein hedges that change in the part variable to a fixed rate are used. Depending on the currency of financing these are WIBOR, LIBOR, EURIBOR or EONIA increased by margin. The margin reflects risk connected to financing of the Company and in case of long-term contracts depends on net debt to EBITDA ratio.

8.2.10.1. Loans

- by currency (translated into PLN)/ by interest rate

	31/12/2015	31/12/2014
PLN – WIBOR	805	455
EUR – EURIBOR	2 823	3 942
USD – LIBOR	585	526
CZK – PRIBOR	-	615
	4 213	**5 538**

As at 31 December 2015 unused credit lines increased by trade and other receivables (note 8.2.8.) and cash exceeded trade and other liabilities (note 8.2.13.) by PLN 4,594 million.
The Company hedges cash flows related to interest payments regarding external financing in EUR and USD, by using interest rate swaps (IRS).
In the period covered by the foregoing separate financial statements as well as after the reporting date there were no cases of violations of loans or interests repayment.

8.2.10.2. Borrowings

- by currency (translated into PLN)/ by interest rate

	31/12/2015	31/12/2014
EUR - fixed interest rate	2 135	2 135
EUR – EONIA	554	-
USD – LIBOR	39	240
	2 728	**2 375**

As at 31 December 2015 and 31 December 2014 the amount of PLN 2,135 million related to a borrowing from ORLEN Capital AB.
As at 31 December 2015, the Company had the liability regarding borrowings from ORLEN Finance AB in the international system, the concentration of resources amounted to PLN 554 million.
In the period covered by the foregoing separate financial statements after the reporting period there were no cases of default on repayment of principal or interest of borrowings nor breaches of covenants.

8.2.10.3. Bonds

- by currency (translated into PLN)

	31/12/2015	31/12/2014
PLN	2 301	2 229
	2 301	**2 229**

- by interest rate

	Floating rate bonds		Fixed rate bonds		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Nominal value	1 900	1 900	385	309	2 285	2 209
Carrying amount	1 916	1 919	385	310	2 301	2 229

	Nominal value	Subscription date	Maturity date	Base rate	Margin	Rating
A Series	200	28.05.2013	28.05.2017	6M WIBOR	1.50%	A - (pol)
B Series	200	03.06.2013	03.06.2017	6M WIBOR	1.50%	A - (pol)
C Series	200	06.11.2013	06.11.2017	6M WIBOR	1.40%	A - (pol)
D Series	100	14.11.2013	14.11.2017	6M WIBOR	1.30%	A - (pol)
E Series	200	02.04.2014	02.04.2018	6M WIBOR	1.30%	A - (pol)
F Series	100	09.04.2014	09.04.2020	Fixed interest rate 5%		A - (pol)
Retail bonds	**1 000**					
Corporate bonds	1 000	27.02.2012	27.02.2019	6M WIBOR	1.60%	-
	2 000					

In addition, as at 31 December 2015 and as at 31 December 2014 the nominal value of short-term bonds issued to the companies from the Group amounted to PLN 285 million and PLN 209 million, respectively.

The difference between the nominal value and carrying amount of bonds results from measurement of bonds according to amortized cost using the effective interest method and discount.

8.2.11. Provisions

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Environmental	185	218	32	27	217	245
Jubilee bonuses and post-employment benefits	132	137	16	20	148	157
CO_2 emissions, energy certificates	-	-	223	149	223	149
Other	-	-	112	146	112	146
	317	**355**	**383**	**342**	**700**	**697**

Change in provisions in 2015

	Environmental provision	Jubilee bonuses and post-employment benefits provision	CO_2 emissions, energy certificates	Other provisions	Total
01/01/2015	245	157	149	146	697
Recognition	10	21	225	11	267
Reversal	(8)	(11)	-	(3)	(22)
Usage	(30)	(19)	(151)	(42)	(242)
	217	**148**	**223**	**112**	**700**

Change in provisions in 2014

	Environmental provision	Jubilee bonuses and post-employment benefits provision	CO_2 emissions, energy certificates	Other provisions	Total
01/01/2014	234	138	176	124	672
Recognition	38	34	140	77	289
Reversal	-	-	-	(31)	(31)
Usage	(27)	(15)	(167)	(24)	(233)
	245	**157**	**149**	**146**	**697**

8.2.11.1. Environmental provision

The Company has legal obligation to remove surface contamination in the area of production plant in Płock, fuel stations, fuel terminals and warehouses.
The Management Board estimated the provision for the environmental risk regarding the removal of contaminants based on analyzes provided by the independent expert or based on current expected costs of remediation.

8.2.11.2. Provision for jubilee bonuses and post-employment benefits

Change in employee benefits obligations

		Jubilee bonuses provision		Post-employment benefits		Total	
	NOTE	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
At the beginning of the period		92	84	65	54	157	138
Current service costs		3	3	2	1	5	4
Interest expenses		2	4	2	2	4	6
Actuarial gains and losses arising from changes in assumptions:		3	16	(5)	9	(2)	25
demographic		*1*	-	*1*	-	*2*	-
financial		*(5)*	*12*	*(5)*	*12*	*(10)*	*24*
other		*7*	*4*	*(1)*	*(3)*	*6*	*1*
Past employments cost		1	-	-	-	1	-
Payments under program		(11)	(15)	(6)	(1)	(17)	(16)
	8.2.11	**90**	**92**	**58**	**65**	**148**	**157**

The carrying amount of employee benefits liabilities is identical to their present value as at 31 December 2015 and 31 December 2014.

Employee benefits liabilities divided into active retired employees

	Active employees		Retired employees		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Poland	133	140	15	17	148	157

Maturity of employee benefits analysis

	Jubilee bonuses provision		Post-employment benefits		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
up to 1 year	8	8	8	12	16	20
from 1 to 5 years	28	28	7	7	35	35
above 5 years	54	56	43	46	97	102
	90	**92**	**58**	**65**	**148**	**157**

Employee benefits payments analysis

	Jubilee bonuses provision		Post-employment benefits		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
up to 1 year	8	8	8	12	16	20
from 1 to 5 years	37	36	8	8	45	44
above 5 years	166	168	300	340	466	508
	211	**212**	**316**	**360**	**527**	**572**

The weighted average duration of liabilities for post-employment benefits was 13 years both in 2015 and in 2014.
In 2015, the provision for employee benefits changed as a result of revised assumptions, mainly in terms of the discount rate and the expected inflation rate and changes to the planned increase in wages. Provision for employee benefits estimated based on assumptions for 2014 would be lower by PLN (8) million.

Sensitivity anslysis to changes in actuarial assumptions

The Company analysed the impact of the financial and demographic assumptions and calculated that the change of ratios by +/- 1 p.p., the discount rate by +/- 0.5 p.p. and the rate of turnover by +/- 0.5 p.p. amounts to PLN 6 million. Therefore, the Company does not present any detailed information.
As at 31 December 2015, the Company used the following actuarial assumptions, that had an impact on the level of actuarial provisions: discount rate 3.25%, expected inflation 2.5%, the remuneration increase rate: 0% in years 2016-2017 and 2.5% in subsequent years.
The Company carries out the employee benefit payments from current resources. As at 31 December 2015 there were no funded plans and the Company paid no contributions to fund liabilities.

8.2.11.3. CO_2 emissions, energy certificates

Provision for CO_2 emissions, energy certificates comprises mainly recognition of the provision for estimated in the reporting period, cost of CO_2 emissions. As at 31 December 2015 and 31 December 2014 the value of the provision amounted to PLN 211 million and PLN 145 million, respectively.

8.2.11.4. Other provisions

As at 31 December 2015 and as at 31 December 2014 other provisions comprise mainly provisions for the risk of unfavourable decisions of pending administrative or court proceedings of PLN 84 million and PLN 95 million, respectively.

8.2.12. Other financial liabilities

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Cash flow hedge instruments	239	1 599	760	955	999	2 554
interest rate swaps	*92*	*93*	*-*	*-*	*92*	*93*
commodity swaps	*48*	*1 395*	*749*	*932*	*797*	*2 327*
currency interest rate swaps	*99*	*111*	*-*	*-*	*99*	*111*
currency forwards	*-*	*-*	*11*	*23*	*11*	*23*
Embedded derivatives	-	-	2	1	2	1
currency swaps	*-*	*-*	*2*	*1*	*2*	*1*
Liabilities on cash flows settled hedge instruments	-	-	92	-	92	-
Investment liabilities	299	124	-	-	299	124
Finance lease	99	89	-	-	99	89
Cash pool	-	-	555	400	555	400
	637	**1 812**	**1 409**	**1 356**	**2 046**	**3 168**

8.2.13. Trade and other liabilities

	31/12/2015	31/12/2014
Trade liabilities	3 329	5 063
Investment liabilities	1 204	703
Finance lease	21	18
Other	106	102
Financial liabilities	**4 660**	**5 886**
Payroll liabilities	109	108
Excise tax and fuel charge	1 126	1 092
Value added tax	641	418
Other taxation, duties, social security and other benefits	60	20
Holiday pay accruals	29	24
Other	26	24
Non-financial liabilities	**1 991**	**1 686**
	6 651	**7 572**

Division of financial liabilities denominated in foreign currencies is presented in note 8.4.6.2.

Non-financial liabilities relate to balances of settlements in PLN. Division of liabilities from related parties is presented in note 8.5.6.

8.3. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	2015	2014
Change in provisions presented in the statement of financial position		**3**	**25**
Usage of prior year CO_2 emission provision, energy certification provision		148	164
Other		(2)	(9)
Change in provisions in the statement of cash flows		**149**	**180**
Change in inventories presented in the statement of financial position		**(1 218)**	**2 886**
Acquisition of the project		66	-
Reclassification of inventories from / to property, plant and equipment		3	(46)
Change in inventories in the statement of cash flows		**(1 149)**	**2 840**
Change in other non-current assets and trade and other receivables presented in the statement of financial position		**669**	**1 319**
Change in rights and advances for non-financial non-current assets	*8.2.8*	80	(37)
Other		(65)	(38)
Change in receivables in the statement of cash flows		**684**	**1 244**
Change in trade and other liabilities presented in statement of financial position		**(921)**	**(2 264)**
Change in liabilities arising from investment expenditures	*8.2.13*	(501)	4
Other		(5)	(1)
Change in liabilities in the statement of cash flows		**(1 427)**	**(2 261)**

Foreign exchange loss

	NOTE	2015	2014
Foreign exchange (loss) surplus presented in statement of loss or profit and other comprehensive income	*8.1.7*	**(269)**	**(513)**
Adjustments to net profit/(loss) of foreign exchange differences presented in statement of cash flows:		**95**	**97**
realized foreign exchange differences concerning investing and financing activities		*65*	*84*
unrealized foreign exchange differences concerning investing and financing activities		*36*	*8*
foreign exchange differences on cash		*(6)*	*5*
Foreign exchange differences concerning operating activities not correcting net profit/(loss)		(174)	(416)

Interest, net

	NOTE	2015	2014
Finance income and costs of net interest presented in statement of profit or loss and other comprehensive income	*8.1.6, 8.1.7*	**(136)**	**(168)**
Adjustments to net profit/(loss) of net interest presented in statement of cash flows:		**201**	**213**
interest received concerning investing activities		*(16)*	*(45)*
interest paid concerning financing activities		*261*	*249*
accrued interest concerning investing and financing activities		*(44)*	*9*
Net interest concerning operating activities not correcting net profit/(loss)		65	45

Income tax received

	NOTE	2015	2014
Tax expense on profit/(loss) before tax	*8.1.8.1*	**(260)**	**208**
Change in deferred tax assets and liabilities		549	(573)
Change in current tax receivables		1	25
Deferred tax recognized in other comprehensive income	*8.1.8.2*	(289)	363
		1	**23**

8.4. EXPLANATORY NOTES TO FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

8.4.1. Financial instruments by category and class

Financial instruments by class	NOTE	31/12/2015	31/12/2014	Financial instruments by category
ASSETS				
Unquoted shares	8.2.6	40	40	Available for sale
Embedded derivatives and derivatives not designated as hedge accounting	8.2.4	1	5	At fair value through profit or loss
Hedging instruments	8.2.4	813	858	Hedging financial instruments
Bonds	8.2.4	-	96	Held to maturity
		4 684	9 004	Loans and receivables
Trade receivables	8.2.8	*3 558*	*4 298*	*Loans and receivables*
Loans granted	8.2.4	*64*	*1 024*	*Loans and receivables*
Cash		*964*	*3 475*	*Loans and receivables*
Cash pool	8.2.4	*31*	*193*	*Loans and receivables*
Receivables on cash flows settled hedge instruments	8.2.4	*58*	*-*	*Loans and receivables*
Other	8.2.8	*9*	*14*	*Loans and receivables*
		5 538	**10 003**	
LIABILITIES				
Embedded derivatives	8.2.12	2	1	At fair value through profit or loss
Hedging instruments	8.2.12	999	2 554	Hedging financial instruments
Finance lease	8.2.12, 8.2.13	120	107	Excluded from the scope of IAS 39
		14 827	16 534	Measured at amortised cost
Bonds	8.2.10.3	*2 301*	*2 229*	*Measured at amortised cost*
Loans	8.2.10.1	*4 213*	*5 538*	*Measured at amortised cost*
Borrowings	8.2.10.2	*2 728*	*2 375*	*Measured at amortised cost*
Trade liabilities	8.2.13	*3 329*	*5 063*	*Measured at amortised cost*
Investment liabilities	8.2.12, 8.2.13	*1 503*	*827*	*Measured at amortised cost*
Cash pool	8.2.12	*555*	*400*	*Measured at amortised cost*
Liabilities on cash flows settled hedge instruments	8.2.12	*92*	*-*	*Measured at amortised cost*
Other	8.2.13	*106*	*102*	*Measured at amortised cost*
		15 948	**19 196**	

8.4.2. Income, expense, profit and loss in the separate statement of profit or loss and other comprehensive income

	NOTE	31/12/2015	31/12/2014	Financial instruments by category
Interest income	8.1.6	77	94	
		76	*91*	*Loans and receivables*
		1	*3*	*Held to maturity*
Interest costs	8.1.7	(213)	(262)	
		(203)	*(257)*	*Measured at amortised cost*
		(4)	*-*	*Hedging financial instruments*
		(6)	*(5)*	*Excluded from the scope of IAS 39*
Recognition/reversal of receivables impairment allowances		(3)	(25)	*Loans and receivables*
other operating income/expenses		*(6)*	*(30)*	*Loans and receivables*
finance income/costs		*3*	*5*	*Loans and receivables*
Financial instruments gains/(losses)		(259)	(496)	
		227	*585*	*Loans and receivables*
		(479)	*(1 084)*	*Measured at amortised cost*
		(8)	*7*	*Financial assets at fair value through profit or loss*
		(1)	*(6)*	*Hedging financial instruments*
		2	*2*	*Available for sale*
		(398)	**(689)**	
other, excluded from the scope of IFRS 7				
Dividends from related entities		725	1 090	
Impairment allowances of shares in related entities		(797)	(4 967)	
Other		4	41	
		(68)	**(3 836)**	

8.4.3. Fair value measurement

31/12/2015

	NOTE	Carrying amount	Fair value	Fair value hierarchy Level 1	Fair value hierarchy Level 2
Financial assets					
Loans granted	8.2.4	64	64	-	64
Embedded derivatives and hedging instruments	8.2.4	814	814	-	814
		878	**878**	**-**	**878**
Financial liabilities					
Bonds	8.2.10.3	2 301	2 333	2 049	284
Loans	8.2.10.1	4 213	4 217	-	4 217
Borrowings	8.2.10.2	2 728	2 734	-	2 734
Finance lease	8.2.12, 8.2.13	120	124	-	124
Embedded derivatives and hedging instruments	8.2.12	1 001	1 001	-	1 001
		10 363	**10 409**	**2 049**	**8 360**

31/12/2014

	NOTE	Carrying amount	Fair value	Fair value hierarchy Level 1	Fair value hierarchy Level 2
Financial assets					
Bonds	8.2.4	96	96	-	96
Loans granted	8.2.4	1 024	1 024	-	1 024
Embedded derivatives and hedging instruments	8.2.4	863	863	-	863
		1 983	**1 983**	**-**	**1 983**
Financial liabilities					
Bonds	8.2.10.3	2 229	2 243	2 034	209
Loans	8.2.10.1	5 538	5 540	-	5 540
Borrowings	8.2.10.2	2 375	2 382	-	2 382
Finance lease	8.2.12, 8.2.13	107	111	-	111
Embedded derivatives and hedging instruments	8.2.12	2 555	2 555	-	2 555
		12 804	**12 831**	**2 034**	**10 797**

For other classes of financial assets and liabilities fair value represents their carrying amount.

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

Financial liabilities due to loans, bonds, finance lease and liabilities and receivables for borrowings are measured at fair value using discounted cash flows method. Discount rates are calculated based on market interest rates according to quotations of 1- month, 3-months and 6-months interest rates increased by proper margins for particular financial instruments. For the majority as at 31 December 2015 and as at 31 December 2014, 1-month interest rate quotations were applied.

	31/12/2015	31/12/2014
WIBOR	1.6500%	2.0800%
EURIBOR	-0.2050%	0.0180%
LIBOR USD	0.4295%	0.1713%

As at 31 December 2015 and as at 31 December 2014 the Company held unquoted shares in entities, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments were noted. The value of shares of those entities was recognised in the separate statement of financial position as at 31 December 2015 and as at 31 December 2014 of PLN 40 million at acquisition cost less impairment allowances.
During the reporting period and comparative period there were no reclassifications in the Company between Level 1 and 2 of fair value hierarchy.

8.4.5. Hedge accounting

	NOTE	31/12/2015	31/12/2014	
Cash flows hedge instruments				***Hedging strategies***
currency forwards		107	171	*operating and investing activity; sales of products and purchase of crude oil;*
commodity swaps		(102)	(1 663)	*operational inventories, refining margin, time mismatch occurring on purchases of crude oil by sea, risk of crude oil prices on arbitrage transactions cash & carry, offering customers the goods for which price formulas are based on fixed price;*
currency interest rate swaps		(99)	(111)	*interest payments concerning financing external;*
interest rate swaps		(92)	(93)	*interest payments concerning financing external*
	8.2.4, 8.2.12	**(186)**	**(1 696)**	

Planned realization date of hedged cash flows

	31/12/2015	31/12/2014
Currency operating exposure	2016-2018	2015
Finance currency exposure	2016-2017	2015-2016
Interest rate exposure	2016-2020	2015-2020
Commodity risk exposure	2016-2017	2015-2017

8.4.6. Risks identification

The Company's activities are exposed to many different types of risk. Risk management is mainly focused on the unpredictability of financial markets and aims to minimize any potential negative impacts on the Company's financial results.

Financial risks			
Type of risk	**Exposure**	**Measurement of exposure**	**Management/Hedging**
Commodity	- risk of changes in refining and petrochemical margins on sale of products and Ural/Brent differential fluctuations; - risk of changes in crude oil and products prices related to the time mismatch occurring when purchasing by sea the part of crude oil for its processing or oversize periodic stock of operational crude oil, work in progress or finished goods, as well as future sales transactions of finished goods; - risk of changes in CO_2 emission rights prices; - risk of changes in crude oil and refinery product prices related to the obligation to maintain mandatory reserves of crude oil and fuels; - risk of changes in commodity prices on arbitrage transactions cash & carry involving acquisition of crude oil or products for stock in order to sell them or process them at a later date	cash flows planning	Market risk management policy and hedging strategies, which define principles of measurement of individual exposure, parameters and the time horizon of risk hedging and hedging instruments.
Currency	- economic currency exposure resulting from inflows decrease by expenses indexed to or denominated in other than the functional currency; - currency exposure resulting from investment or probable liabilities and receivables in foreign currencies; - balance sheet exposure resulting from assets and liabilities denominated in foreign currency	cash flows planning analysis of balance sheet positions	
Interest rate	Exposure resulting from owned assets and liabilities for which interest gains or losses are dependent on floating interest rates.	ratio: total net debt to positions for which interest costs are dependent on floating interest rate	
Liquidity	Risk of unforeseen shortage of cash or lack of access to financing sources, both in the horizon of short and long-term borrowing, leading to temporary or permanent loss of ability to pay financial liabilities or imposing the need to obtain funds on unfavourable terms.	cash flows planning in short and long-term horizon	Short-term liquidity risk management policy, which defines rules of reporting and consolidation of liquidity of PKN ORLEN. Company carries out a policy of its financing sources diversification and uses range of tools for effective liquidity management.
Losing cash and deposits	Risk of bankruptcy of domestic or foreign banks, in which accounts are kept or in which cash is invested for a short time.	short-term credit rating of bank	Management based on principles of surplus cash management, which determine possibility of granting quotas for individual banks made on the basis of, among others, ratings of investment and reporting data.
Credit	Risk of unsettled receivables for delivered products and services by customers. Credit risk is also related to the creditability of customers with whom sales transactions are concluded.	analysis of creditability and solvency of customers	Management based on procedures and policies adopted for management of trade credit and debt recovery.

Other risks, disclosed in details in the Management Board Report on the operations of PKN ORLEN in point 2.8.

The Company applies a consistent policy for hedging financial risks based on policies and strategies for market risk management under the supervision of the Financial Risk Committee, the Management Board and the Supervisory Board.

8.4.6.1. Commodity risk

The impact of commodity hedging instruments on the Company's financial statements

Type of hedged raw material/product	Unit of measure	31/12/2015	31/12/2014
Crude oil	bbl	3 113 200	11 134 473
Diesel	t	486 616	931 878
Heating oil	t	365 017	603 997
Gasoline	t	20 000	8 010
JET fuel	t	20 000	-

The net carrying amount of hedging instruments for commodity risk as at 31 December 2015 and as at 31 December 2014 amounted to PLN (102) million and PLN (1,663) million, respectively.

Sensitivity analysis for changes in prices of products and raw materials

Analysis of the influence of changes in the carrying amount of financial instruments and hedging reserve to a hypothetical change in prices of products and raw materials:

31/12/2015

	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl	19%	(81)	-19%	81
Diesel USD/t	17%	(9)	-17%	9
Heating oil USD/t	20%	17	-20%	(17)
Gasoline USD/t	21%	(7)	-21%	7
JET fuel USD/t	16%	4	-16%	(4)
		(76)		**76**

31/12/2014

	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl	+19%	448	-19%	(448)
Diesel USD/t	+17%	(14)	-17%	14
Heating oil USD/t	+20%	48	-20%	(48)
Gasoline USD/t	+21%	(3)	-21%	3
		479		**(479)**

Applied for the sensitivity analysis of commodity risk hedging instruments variation of oil and products prices were calculated based on volatility for 2014 and available analysts' forecasts.
The influence of changes of prices was presented on annual basis. Fair value of commodity swaps is calculated based on discounted future cash flows of executed transactions, calculated as a difference between term and transaction price.
In case of derivatives, the influence of crude oil, and products prices variations on fair value were examined at constant level of currency rates.

8.4.6.2. Currency risk

Currency structure of financial instruments

Financial instruments by class	EUR		USD		CZK		Total after translation to PLN	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial assets								
Trade receivables	146	112	197	386	73	-	1 403	1 832
Loans granted	-	84	3	-	-	4 021	13	974
Embedded derivatives and hedging instruments	19	2	188	243	-	-	814	863
Cash	2	23	2	22	-	7	17	176
Receivables on cash flows settled hedge instruments	-	-	15	-	-	-	58	-
	167	**221**	**405**	**651**	**73**	**4 028**	**2 305**	**3 845**
Financial liabilities								
Loans	663	925	150	150	-	4 000	3 408	5 083
Borrowings	631	501	10	68	-	-	2 728	2 375
Trade liabilities	7	18	481	1 153	-	-	1 907	4 123
Investment liabilities	169	36	18	13	-	-	790	201
Embedded derivatives and hedging instruments	44	50	208	668	-	-	1 001	2 554
Liabilities on cash flows settled hedge instruments	-	-	24	-	-	-	92	-
Other	1	-	1	-	-	-	7	-
	1 515	**1 530**	**892**	**2 052**	**-**	**4 000**	**9 933**	**14 336**

Sensitivity analysis for changes in the exchange rates

Analysis of the influence of changes in carrying amount of financial instruments arising from hypothetical changes in exchange rates of relevant currencies in relation to presentation currency (PLN) on profit before tax and hedging reserve is presented below:

	Assumed variations		Influence on result before tax		Influence on hedging reserve		Total	
	31/12/2015	31/12/2014	2015	2014	2015	2014	2015	2014
EUR/PLN	+15%	+15%	(852)	(759)	(553)	(827)	(1 405)	(1 586)
USD/PLN	+15%	+15%	(275)	(516)	(18)	(65)	(293)	(581)
CZK/PLN	+15%	+15%	2	1	-	-	2	1
			(1 125)	**(1 274)**	**(571)**	**(892)**	**(1 696)**	**(2 166)**
EUR/PLN	-15%	-15%	852	759	553	827	1 405	1 586
USD/PLN	-15%	-15%	275	516	18	65	293	581
CZK/PLN	-15%	-15%	(2)	(1)	-	-	(2)	(1)
			1 125	**1 274**	**571**	**892**	**1 696**	**2 166**

Variations of currency rates described above were calculated based on average volatility of particular currency rates and on analysts' forecasts.
Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential amount calculated using assumed changes in currency rates.
Fair value of currency forwards and foreign exchange swaps is calculated based on discounted future cash flows of concluded transactions as a difference between forward price and transaction price.
The impact of variations in exchange rates on the fair value of derivatives is estimated at constant level of interest rates.

8.4.6.3. The risk of interest rates changes

Structure of financial instruments subject to risk of interest rates changes

Financial instruments by class	NOTE	WIBOR		LIBOR USD		EURIBOR		PRIBOR		Total	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial assets											
Loans granted	*8.2.4*	51	50	13	-	-	356	-	618	64	1 024
Hedging instruments	*8.2.4*	-	-	733	-	80	-	-	-	813	-
Cash pool	*8.2.4*	31	193	-	-	-	-	-	-	31	193
		82	**243**	**746**	**-**	**80**	**356**	**-**	**618**	**908**	**1 217**
Financial liabilities											
Bonds	*8.2.10.3*	1 916	1 919	-	-	-	-	-	-	1 916	1 919
Loans	*8.2.10.1*	805	455	585	526	2 823	3 942	-	615	4 213	5 538
Borrowings	*8.2.10.2*	-	-	39	240	554	-	-	-	593	240
Hedging instruments	*8.2.12*	99*	111*	813	11	186*	193*	-	-	999**	204**
Cash pool	*8.2.12*	555	400	-	-	-	-	-	-	555	400
		3 375	**2 885**	**1 437**	**777**	**3 563**	**4 135**	**-**	**615**	**8 276****	**8 301****

** In the position financial liabilities – hedging instruments, the Company recognized in 2015 and in 2014 cross interest rate swaps (CIRS) amounted to PLN 99 million and PLN 111 million, respectively, which are sensitive to both WIBOR and EURIBOR interest rates changes.*
*** The position total as at 31 December 2015 and as at 31 December 2014 includes the valuation of CIRS of PLN 99 million and PLN 111 million.*

Sensitivity analysis for the interest rates changes

Interest rate	Assumed variations		Influence on result before tax		Influence on hedging reserve		Total	
	31/12/2015	31/12/2014	2015	2014	2015	2014	2015	2014
WIBOR	+0.5p.p.	+0.5p.p.	(16)	(13)	(44)	(3)	(60)	(16)
LIBOR USD	+0.5p.p.	+0.5p.p.	(3)	(4)	13	14	10	10
EURIBOR	+0.5p.p.	+0.5p.p.	(17)	(18)	95	70	78	52
			(36)	**(35)**	**64**	**81**	**28**	**46**
WIBOR	-0.5p.p.	-0.5p.p.	16	13	45	3	61	16
			16	**13**	**45**	**3**	**61**	**16**

The above interest rates variations were calculated based on observations of average interest rates fluctuations.
Low interest rates of EURIBOR and LIBOR USD both at the end of 2015 and 2014 and market forecasts for further periods caused that the Company did not take the further decrease of these interest rates, in the sensitivity analysis into consideration.
The sensitivity analysis was performed on the basis of instruments held as at 31 December 2015 and as at 31 December 2014, the influence of interest rates changes was presented on annual basis.

The sensitivity of financial instruments for the risk of interest rate changes was calculated as arithmetic product of the balance of accounting items, sensitive to interest rates changes (excluding derivatives) multiplied by adequate variation of interest rates.
For derivatives in sensitivity analysis for the risk of interest rates changes interest rate curve displacement due to potential reference rate change was used, provided that other risk factors remain constant.

8.4.6.4. Liquidity and credit risk

Liquidity risk

Maturity analysis for financial liabilities as at 31 December 2015

	NOTE	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Bonds	8.2.10.3	352	1 003	1 125	-	2 480	2 301
floating-rate bonds - undiscounted value		*63*	*993*	*1 017*	-	*2 073*	*1 916*
fixed rate bonds - undiscounted value		*289*	*10*	*108*	-	*407*	*385*
Loans - undiscounted value	8.2.10.1	269	1 017	2 720	435	4 441	4 213
Borrowings - undiscounted value	8.2.10.2	593	-	-	2 141	2 734	2 728
Trade liabilities	8.2.13	3 329	-	-	-	3 329	3 329
Investment liabilities	8.2.12, 8.2.13	1 204	196	14	89	1 503	1 503
Embedded derivatives and hedging instruments - undiscounted value	8.2.12	688	205	34	-	927	1 001
gross exchange amounts, incl.:		*5*	*8*	*14*	-	*27*	*107*
currency interest rate swaps	8.2.12	*(2)*	*8*	*14*	-	*20*	*99*
net exchange amounts, incl.:		*683*	*197*	*20*	-	*900*	*894*
commodity swaps	8.2.12	*651*	*151*	-	-	*802*	*797*
Cash pool	8.2.12	555	-	-	-	555	555
Liabilities on cash flows settled hedge instruments	8. 2.12	92	-	-	-	92	92
Other	8.2.12, 8.2.13	127	32	22	45	226	226
		7 209	**2 453**	**3 915**	**2 710**	**16 287**	**15 948**

Maturity analysis for financial liabilities as at 31 December 2014

	NOTE	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Bonds	8.2.10.3	285	842	1 268	103	2 498	2 229
floating-rate bonds - undiscounted value		*71*	*832*	*1 258*	-	*2 161*	*1 919*
fixed rate bonds - undiscounted value		*214*	*10*	*10*	*103*	*337*	*310*
Loans - undiscounted value	8.2.10.1	551	375	4 645	302	5 873	5 538
Borrowings - undiscounted value	8.2.10.2	240	-	-	2 142	2 382	2 375
Trade liabilities	8.2.13	5 063	-	-	-	5 063	5 063
Investment liabilities	8.2.12, 8.2.13	703	14	110	-	827	827
Embedded derivatives and hedging instruments - undiscounted value	8.2.12	964	1 454	39	5	2 462	2 555
gross exchange amounts, incl.:		*(10)*	*(2)*	*17*	-	*5*	*112*
currency interest rate swaps	8.2.12	*(11)*	*(2)*	*17*	-	*4*	*111*
net exchange amounts, incl.:		*974*	*1 456*	*22*	*5*	*2 457*	*2 443*
commodity swaps	8.2.12	*926*	*1 415*	-	-	*2 341*	*2 327*
Cash pool	8.2.12	400	-	-	-	400	400
Other	8.2.12, 8.2.13	120	28	20	41	209	209
		8 326	**2 713**	**6 082**	**2 593**	**19 714**	**19 196**

In 2015 and in 2014 for currency interest rate swaps the level of discount rates cause that undiscounted value is a financial asset and discounted value is a financial liability.

As at 31 December 2015 and as at 31 December 2014 the maximum possible indebtedness due to loans for the Company amounted to PLN 13,169 million and PLN 13,303 million, respectively. As at 31 December 2015 and as at 31 December 2014, PLN 5,990 million and PLN 5,394 million, respectively, remained unused.

The value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 December 2015 and as at 31 December 2014 amounted to PLN 203 million and PLN 219 million, respectively. These concern mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables, etc.
In addition, guarantees and sureties granted on behalf of related parties to third parties as at 31 December 2015 and as at 31 December 2014 amounted to PLN 7,243 million and PLN 6,462 million, respectively. They concerned the timely payment of related parties liabilities. The Company received revenues from guarantees given in 2015 and in 2014 of PLN 11 million and PLN 14 million, respectively.
Based on analysis and forecasts as at the end of the reporting period, the Company recognized the probability of payment of the above amounts as low.

Credit risk

Based on the analysis of balances of receivables the customers were divided into:
- Group I – customers with very good or good history of cooperation in the current year;
- Group II – other customers.

The division of not past due receivables

	NOTE	31/12/2015	31/12/2014
Group I		2 469	3 654
Group II		973	515
	8.2.8	**3 442**	**4 169**

The ageing analysis of current receivables past due, but not impaired as at the end of the reporting period

	NOTE	31/12/2015	31/12/2014
up to 1 month		92	104
from 1 to 3 months		29	18
from 3 to 6 months		2	2
from 6 to 12 months		2	18
above 1 year		-	1
	8.2.8	**125**	**143**

Change in impairment allowances of trade and other receivables

	2015	2014
At the beginning of the period	293	284
Recognition	18	51
Reversal	(16)	(31)
Usage	(25)	(11)
	270	**293**

Recognition and reversal of impairment allowances of receivables are recognized in other operating activity in relation to principal amount and in financial activities in relation to interest for delayed payments.

The Company as at 31 December 2015 and as at 31 December 2014 received bank and insurance guarantees of PLN 1,117 million and PLN 1,065 million, respectively. Additionally, the Company receives from its customers securities such as blockade of cash on bank accounts, mortgage and bills of exchange.

8.5. OTHER EXPLANATORY NOTES

8.5.1. Concessions held

The Company's operations required concessions, due to their importance to the public interest.

31/12/2015	Remaining concession periods (in years)
Electrical energy: manufacturing, distribution, trade	10
Heating energy: manufacturing, transmission, distribution, trade	10 - 15
Liquid and gaseous fuels: manufacturing, trade, storage	10 - 15
Natural gas: trade in Poland and abroad	10
Rock salt: exploration and recognition	2.5

As at 31 December 2015 and as at 31 December 2014 the Company had no liabilities related to concession services in scope of IFRIC 12 – Service concession arrangements.

8.5.2. Lease

8.5.2.1. The Company as a lessee

Operating lease

As at 31 December 2015 and as at 31 December 2014 the Company was a lessee under non-cancellable operating lease agreements which regard the lease of caverns. Agreement includes clauses concerning contingent rent payables and they can be prolonged.
The total lease payments, resulting from non-cancellable operating lease agreements recognised as expenses in 2015 and in 2014 amounted to PLN (36) million and PLN (31) million, respectively.

Future minimum lease payments under non-cancellable operating lease agreements:

	31/12/2015	31/12/2014
up to 1 year	36	32
from 1 to 5 years	172	156
above 5 years	38	38
	246	**226**

Finance lease

The Company as at 31 December 2015 and as at 31 December 2014 was a lessee under the finance lease agreements which relate mainly to the buildings and construction, machinery, equipment and cars.
In concluded lease agreements, the general conditions of finance lease are effective, they do not contain any clauses concerning contingent rent payables, give the possibility to purchase the leased equipment and eventually be prolonged.

	NOTE	Present value of future minimum lease payments		Value of future minimum lease payments	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014
up to 1 year		21	18	25	22
from 1 to 5 years		54	48	66	60
above 5 years		45	41	54	51
	8.2.12, 8.2.13	**120**	**107**	**145**	**133**

The difference between the total value of future minimum lease payments and their present value results from discounting of lease payments by the interest rate implicit in the proper agreement.

8.5.3. Investments expenditures incurred and future commitments resulting from signed investment contracts

The total amount of investment expenditures together with borrowing costs incurred in 2015 and in 2014 amounted to PLN 1,869 million and PLN 2,358 million, respectively, including PLN 244 million and PLN 467 million of investments relating to environmental protection.
As at 31 December 2015 and as at 31 December 2014 future commitments resulting from contracts signed until this date amounted to PLN 1,291 million and PLN 1,993 million, respectively.

8.5.4. Contingent liabilities

As at 31 December 2015 there were no significant contingent liabilities.
Information on significant court proceedings is presented in note 8.8.

8.5.5. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 December 2015 and as at 31 December 2014 amounted to PLN 1,362 million and PLN 1,184 million, respectively.

8.5.6. Related party transactions

As at 31 December 2015 and as at 31 December 2014 and in 2015 and in 2014 were no material transactions of related parties with:
- members of the Management Board and the Supervisory Board of the Company and their relatives,
- key executive personnel of the Company.

Transactions and balances of settlements of the Company with related parties

	Subsidiaries		Jointly- controlled entities		Total	
	2015	2014	2015	2014	2015	2014
Sales	29 697	38 482	2 816	2 945	32 513	41 427
Purchases	2 953	4 062	28	27	2 981	4 089
Finance income, incl.:	555	1 187	190	-	745	1 187
dividends	*535*	*1 090*	*190*	-	*725*	*1 090*
Finance costs	66	56	-	-	66	56

	Subsidiaries		Jointly- controlled entities		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Trade and other receivables	1 318	2 268	508	572	1 826	2 840
Other financial assets	90	1 313	-	-	90	1 313
Trade and other liabilities	348	406	4	3	352	409
Borrowings and bonds	3 013	2 584	-	-	3 013	2 584
Other financial liabilities	565	412	-	-	565	412

Below transactions with related parties include mainly sales and purchase of refinery and petrochemicals products, and sales and purchase of services.
In 2015 and in 2014, there were no significant transactions in the Company with related parties on other than as arm's length basis.

8.5.7. Remuneration together with profit-sharing paid and due or potentially due to the Management Board, the Supervisory Board and other member of key executive personnel

	2015	2014
Remuneration of the Management Board Members of the Company performing duties in the current year	**13.5**	**11.7**
remuneration and other benefits	*7.2*	*6.8*
bonus paid for the previous year	*6.3*	*4.9*
Bonuses potentially due to the Management Board Members of the Company performing duties in the current year , to be paid in the next year	**6.7**	**6.4**
Remuneration and other benefits paid and due to the former Management Board Members of the Company *	**3.4**	**1.4**
Remuneration and other benefits of the key executive personnel of the Company	**37.1**	**35.0**
Remuneration of the Supervisory Board Members of the Company	**1.5**	**1.3**

** In 2015, remuneration paid due to severance payment and for non-competition, remuneration due for non-competition; in 2014 severance payment and bonus paid for the year 2011.*

The Management Board's, the Supervisory Board's and other key executive personnel's remuneration includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

Bonus systems for key executive personnel

The regulations applicable to PKN ORLEN Management Board and other key positions in PKN ORLEN have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board for the key executive personnel. The Bonus Systems are consistent with the Concern's Values, so as to promote the cooperation between individual employees in view to achieve the best possible results for the PKN ORLEN.
The goals so-said are qualitative or quantitative and are accounted for the end of the year for which they were set. Regulation gives the possibility to promote employees, who significantly contribute to the achieved results.

Remuneration regarding non-competition clause and dissolution of the contract as a result of dismissal from the position held

According to agreements, Members of the PKN ORLEN Management Board are obliged to obey a non-competition clause for 6 or 12 months, starting from the date of termination or expiration of the contract. In the period, they are entitled to receive remuneration in the amount of six or twelve basic monthly remuneration, payable in equal monthly instalments. In addition, agreements include remuneration payments in case of dissolution of the contract because of dismissal from the position held. Remuneration in such a case is six or twelve basic monthly remuneration.
Directors directly subordinate to the Management Board of PKN ORLEN are standard required from the date of termination or expiry of the agreement to refrain from competitive activity for a period of 6 months. At that time they receive a salary equal to 50% of six-month basic salary, payable in 6 equal monthly installments. While briefing for termination of contract by the Employer is typically six basic monthly remuneration.
Information on remuneration is presented in details in point 2.12 of the Management Board Report on the operations of PKN ORLEN.

8.5.8. Remuneration arising from the agreement with the entity authorized to conduct audit of the financial statements

	2015	2014
Remuneration of KPMG Audyt Sp. z o.o.	**1.3**	**3.0**
audit and reviews of the financial statements	*1.1*	*1.3*
additional services	*0.2*	*1.7*

In the period covered by the foregoing separate financial statements the entity authorized to conduct audit of the Company's financial statements was KPMG Audyt Sp. z o.o. According to the agreement concluded on 30 May 2005 with subsequent amendments KPMG Audyt Sp. z o.o. executed and executes the interim reviews and audits of separate and consolidated financial statements in years 2005 – 2016.

8.6. ACCOUNTING PRINCIPLES

8.6.1. Impact of IFRS amendments and interpretations on separate financial statements of the Company

IFRSs and their interpretations, announced and adopted by the European Union, not yet effective

The Company intends to adopt new standards and amendments listed below to the standards and interpretations to IFRSs that are published by the International Accounting Standards Board, but not effective as at the date of publication of these financial statements, in accordance with their effective date.

	Possible impact on financial statements
Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Agriculture - Bearer Plants	no impact expected
Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	no impact expected
Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions	no impact expected
Improvements to International Financial Reporting Standards 2012-2014	no impact expected
Amendments to IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements	no impact expected
Amendments to IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	no impact expected

Standards and Interpretations adopted by International Accounting Standard Board (IABS), waiting for approval of EU

	Possible impact on financial statements
New standard IFRS 9 - Financial Instruments	impact*
New standard IFRS 15 - Revenue from Contracts with Customers	impact*
IFRS 16 - Leasing	impact*
Amendments to IAS 7 - Statement of Cash Flows - Disclosure initiative	no impact expected
Amendments to IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses	no impact expected
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	no impact expected
Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception	no impact expected
New standard IFRS 14 - Regulatory Deferral Accounts	no impact expected

** At the time of the initial implementation, the impact of the new standards will depend on specific facts and circumstances relating to the changes. The Company plans to finalize the analysis of the impact of the new standards IFRS 9 and IFRS 15 at the latest by 2017. The impact of the new IFRS 16 will result in the recognition in the separate statement of financial position the Company as a lessee under rent, tenancy, use and lease, which until the first application of the standard is not qualified as a finance lease. The Company plans to finalize the analysis of the impact of the standard IFRS 16 at the latest by 2018.*

8.6.2. Functional currency and presentation currency of financial statements

The functional currency and presentation currency of the foregoing separate financial statements is Polish Złoty (PLN). The data in the separate financial statements is presented in PLN million, unless in specific situation is stated differently.

8.6.3. Description of significant accounting principles used

8.6.3.1. Transactions in foreign currency

The Company recognizes exchange differences arising on the settlement and valuation of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition in profit or loss of the period in which they arise.

8.6.3.2. Sales revenue

Revenues include received or due payments for delivered goods or services rendered decreased by the amount of any trade discounts, value added tax (VAT), excise tax and fuel charges.
Revenues from sale are adjusted for profit or loss from settlement of cash flows hedging instruments related to above mentioned revenues.

8.6.3.3. Costs

Cost of sales comprises cost of finished goods, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.
Costs are adjusted for gains or losses from settlement of cash flow hedging instruments relating to these costs.
Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.
Administrative expenses include expenses relating to management and administration of the Company as a whole.

8.6.3.4. Income tax expenses (tax expense)

Income tax expenses (tax expense)comprise of current tax and deferred tax.
Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due the excess is recognized.
Deferred tax assets and liabilities are offset on the level of separate statement of the financial positions.

8.6.3.5. Property, plant and equipment

Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).
Property, plant and equipment are initially measured at cost, including grants related to assets. The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into use.
The cost of an item of property, plant and equipment includes also the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment.
Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the net book value i.e. the amount at which an asset is initially recognized (cost) less accumulated depreciation and any accumulated impairment losses, as well as received grants for assets.
Depreciation of an item of property, plant and equipment begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, over the period reflecting its estimated useful life, considering the residual value. Fixed assets are depreciated with straight-line method and in justified cases units of production method of depreciation (catalysts).
The depreciable amount of an asset is determined after deduction of the residual value from the initial value.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over the period reflecting its useful life.
The following standard useful lives are used for property, plant and equipment:

Building and constructions	10-40 years
Machinery and equipment	4-35 years
Vehicles and other	2-20 years

The depreciation method, the residual value and the useful life of property, plant and equipment are verified at least at the end of each year. When necessary, the adjustments to depreciation expense are accounted for in next periods (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are charged to profit or loss in the period in which they are incurred.
Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.
Recognition and reversal of impairment allowance of property, plant and equipment is recognized in other operating activities.

8.6.3.6. Intangible assets

An intangible asset shall be measured initially at acquisition or production cost and shall be presented in the financial statements in its net carrying amount, including grants related to assets (IAS 20).
Intangible assets with definite useful life are amortised using straight-line method. Amortization shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The asset shall be amortised over the period reflecting its estimated useful life.
Standard useful lives of intangible assets are from 2 to 15 years for concessions, licenses, patents and similar and from 2 to 10 years for software.
The amortization method and useful life of intangible asset item are verified at least at the end of each year. When necessary, the adjustments to amortization expense are accounted for in the future periods (prospectively).
Intangible assets with an indefinite useful life shall not be amortised. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.
Recognition and reversal of impairment allowances on intangible assets is recognized in other operating activities.

8.6.3.6.1. Rights

The main item of rights is CO_2 emission rights, which are initially recognized as intangible assets, not amortised (assuming the high residual value), but tested for impairment.
Granted emission allowances should be presented as intangible assets in correspondence with deferred income at fair value as at the date of registration. Purchased allowances should be presented as intangible assets at purchase price and are not amortised (assuming the high residual value) but tested for impairment.
For the estimated CO_2 emission during the reporting period, a provision should be created (taxes and charges).
Grants should be recognized on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate.
Outgoing of allowances is recognized using FIFO method (First In, First Out) within the individual types of rights (EUA, ERU, CER).
Rights also include rights to so called colourful energy.

8.6.3.7. Impairment of non-current assets

The Company evaluates for impairment and the estimated recoverable amount of property, plant and equipment, intangible assets and shares in associated companies in accordance with IAS 36.
At the end of the reporting period, the Company assesses whether there are indicators that an asset or cash-generating unit (CGU) may be impaired or any indicators that the previously recognized impairment should be reversed.

If any indicator exists, the Company estimates the recoverable amount of asset or CGU by determining the greater of its fair value less costs of disposal or value in use by applying the proper discount rate.
Assets which do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (CGU). If such case occurs, the recoverable amount is determined on the CGU level, to which the asset belongs.

8.6.3.8. Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale (or not as a part of a disposal the company classified as held for sale in accordance with IFRS 5), are recognized at cost less impairment allowances.
Non repayable additional payments to equity with non-confirmed repayment date are presented in shares in the transferring payment entity and shall be treated as an investment.
Repayable additional payments to equity are initially recognized at fair value in the short-term or long-term receivables depending on the date of return, i.e. up to 12 months- a short-term receivables or more than 12 months as long-term receivables.
Recognition and reversal of impairment allowances of shares are presented in financing activities.

8.6.3.9. Inventories

Inventories, including mandatory reserves comprise products, semi-finished products and work in progress, merchandise and materials.
Finished goods, semi-finished products and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period. Costs of production include also a systematic allocation of fixed and variable production overheads estimated for normal production level.
Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost and net realizable value, after deducting any impairment losses.
Outgoings of finished goods, semi-finished products and work in progress are determined based on the weighted average cost of production.
Merchandise and materials are measured initially at acquisition cost, while as at the end of the reporting period merchandise and raw materials are measured at the lower of cost or net realizable value.
Outgoings of merchandise and raw materials is determined based on the weighted average acquisition cost or production cost formula.
Impairment tests for specific items of inventories are carried out on a current basis during a reporting period. Write-down to net realizable value concerns inventories that are damaged or obsolete and the selling price have fallen.
Raw materials held for use in the production are not written down below acquisition or production cost if the products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the products exceeds net realizable value, the materials are written down to net realizable value.
Recognition and reversal of impairment loss of inventories is recognized in cost of sales.

8.6.3.10. Receivables

Receivables, including trade receivables, are recognised initially at fair value increased by transaction costs and subsequently at amortised cost using the effective interest method less impairment allowances.
Impairment allowances of receivables are based on the individual analysis on the value of held collaterals, and based on the possible mutual compensation of debts.
Recognition and reversal of impairment allowances on receivables are recognized in other operating activity in relation to principal amount and in financial activities in relation to interest for delay payments.

8.6.3.11. Cash

The Company has cash comprises cash on hand and in a bank accounts. Valuation and outflows of cash and cash equivalents in foreign currencies are based on FIFO (First In First Out) method.

8.6.3.12. Equity

8.6.3.12.1. Share capital

The share capital is an equity paid by shareholders and is stated at nominal value in accordance with the Company's articles of association and the entry in the Commercial Register.
Share capital as at 31 December 1996, in accordance with IAS 29, § 24 and 25, was revalued based on monthly price indices of consumer goods and services.

8.6.3.12.2. Share premium

Share premium is created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs. Capital from issue of shares above their nominal value as at 31 December 1996, in accordance with IAS 29, § 24 and 25, was revalued based on monthly price indices of consumer goods and services.

8.6.3.12.3. Hedging reserved

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Company applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship are recognised in statement of profit or loss.

8.6.3.12.4. Retained earnings

Retained earnings include:
- reserve capital created and used in accordance with the Commercial Companies Code,
- actuarial gains and losses from post-employment benefits,
- the current reporting period profit/loss,
- other capitals created and used according to the rules prescribed by law.

8.6.3.13. Liabilities

Liabilities, including trade liabilities, are initially measured at fair value, increased by, in case of financial liability not qualified as those measured at fair value through the profit or loss, transaction cost and subsequently at amortised cost using the effective interest rate method.

8.6.3.14. Provisions

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.
The provisions are reviewed on a regular basis during reporting period and adjusted to reflect the current best estimate.

8.6.3.15. Environmental provision

The Company creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. Environmental provision for reclamation is periodically reviewed on the basis of contamination assessment.

8.6.3.16. Jubilee bonuses and post-employment benefits

Under the remuneration plans employees of the Company are entitled to jubilee bonuses, paid to employees after elapse of a defined number of years in service as well as retirement and pension benefits, paid once at retirement or pension.
The amount of retirement and pension benefits as well as jubilee bonuses depends on the number of years in service and an employee's average remuneration.
The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as post-employment defined benefit plans.
Provisions are determined by an independent actuary and revalued if there are any indications impacting their value, taking into account the staff turnover and planned growth of wages.
Actuarial gains and losses from post-employment benefits are recognised in components of other comprehensive income and from other employment benefits, including jubilee awards, are recognised in the statement of profit or loss.

8.6.3.17. CO_2 emissions, energy certificates

The main item is the estimated CO_2 emissions costs during the reporting period for which the Company recognizes provision in operating activity costs (taxes and charges). Provision is recognized based on the value of allowances recognized in the statement of financial position, taking into account the principle of FIFO. In case of a shortage of allowances, the provision is created based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

8.6.3.18. Other provisions

Other provisions include mainly provisions for legal proceedings and are recognized after consideration of all available information, including the opinions of independent experts. The Company recognizes a provision if the existence of the obligation at the end of the reporting period, based on evidence is more likely than not.
If there is more likely that no obligation exists at the end of the reporting period, the Company discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

8.6.3.19. Government grants

Government grants are transfers of resources to the Company by government, government agencies and similar bodies in return for past or future compliance with certain conditions.
Government grants are recognized if there is reasonable assurance that the grants will be received and the entity will comply with the conditions attaching to them.
Grants for cost position (e.g. the cost of CO_2 emissions) are recognised as a reduction of costs as they are incurred. Surplus of received grant over the value of the relevant costs are recognised in other operating income.
Government grants related to assets, are recognized as a decrease of a carrying amount of an asset and as a revenue over the useful life of the amortised asset through the decreased depreciation and amortisation charges.

8.6.3.20. Statement of cash flow

The Company has chosen the presentation within the statement of cash flows and applies the following rules:
- cash flow from operating activities using the indirect method,
- the components of cash and cash equivalents in the statement of cash flows and statement of financial position are the same,
- dividends received are presented in cash flows from investing activities,
- dividends paid are presented in cash flows from financing activities,
- interest received due to financial leases, loans, bonds and cash pooling system (cash pool) presents in cash flows from investing activities, other interest received are presented in cash flows from operating activities,
- interest and commissions paid on bank loans and borrowings received, debt securities issued, cash pool, finance leases are presented in cash flows from financing activities, other interest paid is presented in cash flows from operating activities,
- inflows and outflows from the settlement of derivative financial instruments, which are not recognised as a hedging position are presented in investing activities.

8.6.3.21. Financial instruments

8.6.3.21.1. Measurement of financial assets and liabilities

At initial recognition, the Company measures financial assets and liabilities at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability.
At the end of the reporting period the Company measures loans and receivables including trade receivables and investments held to maturity at amortised cost using effective interest rate method.

Gains and losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognized in profit or loss of the reporting period.

8.6.3.21.2. Hedge accounting

Derivatives designated as hedging instruments whose cash flows are expected to offset changes in the cash flows of a hedged item are accounted for in accordance with the cash flow hedge accounting.
The Company assess effectiveness of cash flow hedge at the inception of the hedge and later, at minimum, at each reporting date.
In case of cash flow hedge accounting, the Company recognizes in other comprehensive income part of profits and losses connected with the effective part of the hedge, whereas profits or losses connected with the ineffective part - under profit or loss.
The Company uses statistical methods, in particular regression analysis, to assess effectiveness of the hedge.
If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired, or liability assumed, affects profit or loss.
However, if the Company expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies the amount that is not expected to be recovered to profit or loss.
If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes the associated gains and losses that were recognized in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.
If a hedge of a forecast transaction results in the recognition of revenue from sales of products, merchandise, materials or services, the Company removes the associated gains or losses that were recognized in the other comprehensive income and adjusts these revenues.

8.6.3.22. Fair value measurement

The Company maximises the use of relevant observable inputs and minimizes the use of unobservable inputs to meet the the objective of fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.
The Company 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.
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 calculated as 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.

8.6.3.23. Leasing

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Particularly leases are the agreements defined in the Polish Civil Code as well as rent and tenancy agreements concluded for a definite time.
Assets used under the operating lease, that is under the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognised as assets of the lessor.
Determining whether the transfer of risks and rewards exists depends on the assessment of essence of the economic substance of the transaction.

8.6.3.24. Contingent assets and liabilities

Contingent assets are not recognized in the statement of financial position, as this may lead to the recognition of income that may never be realized. If, however, the impact of economic benefits is probable, the Company discloses at the end of the reporting period, the notes brief description of contingent assets and, if practicable, estimates the financial impact of valuing them according to the rules for the valuation of reserves.
Contingent liabilities are not recognized in the statement of financial position, but disclosed in the financial statements, unless the probability of outflow of resources embodying economic benefits is remote.

8.7. SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

The preparation of separate financial statements in accordance with IFRSs requires that the Management Board makes expert estimates and assumptions that affect the applied methods and presented amounts of assets, liabilities and equity, revenues and expenses. The estimates and related assumptions are based on historical expertise and other factors regarded as reliable in given circumstances and their effects provide grounds for professional judgment of the carrying amount of assets and liabilities which is not based directly on any other factors.

In the matters of considerable weight, the Management Board might base its judgments, estimates or assumptions on opinions of independent experts. The judgments, estimates and related assumptions are verified on a regular basis.

8.7.1. Professional judgments

Financial instruments

The Management Board assesses the classification of financial instruments, nature and extent of risks related to financial instruments and application of the cash flow hedge accounting. The financial instruments are classified into different categories depending on the purpose of the purchase and nature of acquired asset. Additional information is presented in note 8.4.

8.7.2. Estimates

Estimated useful lives of property, plant and equipment and intangible assets
As described in note 8.6.3.5. and in note 8.6.3.6. The Company verifies useful lives of property, plant and equipment and intangible assets at least once at year end. Should the economic useful lives of properties, plant and equipment and intangible assets from 2014 be applied in 2015, the depreciation expense would not change significantly.

Impairment of non-currents assets

The Management Board assesses whether there is any indicator for impairment of an asset or cash generating unit. If there is an impairment, the estimation of recoverable amount of an asset is made. Additional information, including the sensitivity analysis of value in use, is presented in notes 8.2.3. and 8.2.5.

Net realizable values from sale of inventories
The inventory allowances required estimation of the net realizable value based on the most recent sales prices at the moment of estimation. Additional information is presented in note 8.2.7.

Impairment of trade and other receivables
The Management Board assesses whether there is any indicator for impairment of receivables taking into account the adopted internal procedures such as individual assessment of each customer with regard to credit risk.
Additional information is presented in note 8.4.6.4.

8.8. INFORMATION ON SIGNIFICANT COURT, ARBITRATION AND ADMINISTRATIVE PROCEEDINGS

8.8.1. Proceeding in which the Company acts as a defendant

As at 31 December 2015 the Company was a party in the following significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

8.8.1.1. 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 a.s. shares. On 21 October 2010 the Court of Arbitration in Prague dismissed the entire claim of Agrofert against PKN ORLEN regarding the payment of PLN 3,069 million translated using the exchange rate as at 31 December 2015 (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 common court in Prague (Czech Republic) Agrofert's claim which repealed the sentence of the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic in Prague issued on 21 October 2010. The complaint was dismissed by the court in Prague 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 and therefore confirms the earlier judgment of the court of 24 January 2014 dismissing Agrofert's claim which overruled the sentence of the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic in Prague of 21 October 2010. On 4 September 2015 Agrofert appealed to the Supreme Court against the judgment of the court dismissing the appeal. The appeal proceedings are pending.
In the opinion of PKN ORLEN, the decision included in the judgment of the Arbitration Court dated 21 October 2010, in the judgment of the common court in Prague dated 24 January 2014 and in the judgment of the court of appeals dated 7 April 2015 are correct and the company will take all necessary means to retain the judgment in force.

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

Power transfer fee in settlements with ENERGA – OPERATOR S.A. (legal successor of Zakład Energetyczny Płock S.A.)
Court proceeding concerning the settlement of a disputed system fee of PKN ORLEN with ENERGA – OPERATOR S.A. for the period from 5 July 2001 to 30 June 2002. ENERGA – OPERATOR S.A. claims from PKN ORLEN payment of PLN 46 million plus statutory interest. During the retrial, an opinion was prepared by an expert witness for the variant damages calculation. The District Court in Warsaw (as the initial court) by its judgment from 27 October 2014 ordered PKN ORLEN to pay to ENERGA - OPERATOR S.A. the amount of PLN 46 million, together with statutory interest from 30 June 2004 to the date of payment. This judgment is not binding. PKN ORLEN filed an appeal against this judgment. On 12 November 2015 the first hearing before the Court of Appeal was held. The consecutive hearing date is expected to be announced.
On 29 June 2015 PKN ORLEN received consecutive claim on this case, in which ENERGA-OPERATOR S.A. requests approximately PLN 13.3 million in addition. The case is pending in front of the District Court in Łódź. On 10 July 2015 a response to the lawsuit was filed, which questioned the claim as unfounded. On 22 December 2015 the District Court in Łódź issued a judgment, which overruled the request of ENERGA-OPERATOR S.A. that PKN ORLEN is ordered to pay PLN 13 million and adjudged the return of proceeding's expenses by ENERGA-OPERATOR S.A to PKN ORLEN. On 29 January 2016 ENERGA-OPERATOR S.A. appealed against the judgment of the District Court in Łódź.

Claim of 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 the OBR S.A. of approximately PLN 83 million. The claim covers the adjudged sum of money from PKN ORLEN for the OBR S.A. in the amount corresponding to the market 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. The value of the dispute was referred to by the plaintiff in a procedural document from 11 December 2014 in the amount of PLN 247

million. By the court order from 21 May 2015 the parties were directed to mediation. Mediation is ongoing. In the opinion of PKN ORLEN the claim of patent infringement is without merit.

8.8.2. Court proceedings in which the Company acts as plaintiff

Arbitration proceedings against Basell Europe Holding B.V.
On 20 December 2012 PKN ORLEN sent an arbitration request to Basell Europe Holdings B.V. regarding an ad hoc proceeding before the Court of Arbitration in London on compensation relating to Joint Venture Agreement signed in 2002 between PKN ORLEN and Basell Europe Holdings B.V. The claims follow from the use by Basell Sales & Marketing Company so-called *Cash Discounts* which effectively led to a lower product price payable to Basell ORLEN Polyolefins Sp. z o.o. On 27 February 2014 PKN ORLEN submitted its statement on this case, according to which, inter alia, it requests payments from Basell Europe Holdings B.V. to Basell ORLEN Polyolefins Sp. z o.o. in the amount of approximately PLN 128 million, translated using the exchange rate as at 31 December 2015 (representing approximately EUR 30 million) plus interest, or alternatively, from Basell Europe Holdings B.V. to PKN ORLEN the amount of approximately PLN 57 million, provided that the amounts may be adjusted during arbitration proceedings. On 10 April 2014 PKN ORLEN submitted an application for suspension of the arbitration proceedings until 1 November 2014. Basell Europe Holdings B.V. accepted this request. On 23 April 2014 the parties received the Tribunal's decision

regarding the suspension of the proceeding until 1 November 2014. On 1 November 2014, the arbitration proceedings were resumed. On 24-26 March 2015 an evidentiary hearing was held in London in which the parties summarized their case positions and some witnesses and experts were interviewed. On 27 March 2015, the Court of Arbitration issued a procedural ordinance which established the schedule for further proceedings, including the order of submission of further pleadings by the parties. On 29 May 2015 the two parties submitted letters in which referred to the position of the opposing party in terms of summaries of the case. Additionally, the parties requested expenditures and costs incurred in arbitration proceedings. Further proceedings are not envisaged. Parties awaiting a judgment.

9. EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the reporting period there were no events required to be included in the foregoing separate financial statements.

10. STATEMENTS OF THE MANAGEMENT BOARD AND APROVAL OF THE FINANCIL STATEMENT

In respect of the reliability of preparation of separate financial statements
The Management Board of PKN ORLEN herby declares that to the best of their knowledge the foregoing separate financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Company in force and that they reflect true and fair view on financial position and financial result of the Company and that the Management Board. Report on the Operations presents true overview of business situation of the Company, including basic risks and exposures.

In respect of the entity authorized to conduct audit of financial statements
The Management Board of PKN ORLEN declares that the entity authorized to conduct audit was selected in compliance with the law and that the entity and auditors conducting the audit met the conditions to issue an independent opinion in compliance with relevant regulations.

The foregoing separate financial statements were approved by the Management Board on 23 March 2016.

Wojciech Jasiński
President of the Board

Sławomir Jędrzejczyk
Vice-President of the Board

Mirosław Kochalski
Vice-President of the Board

Piotr Chełmiński
Member of the Board

Zbigniew Leszczyński
Member of the Board

Krystian Pater
Member of the Board

Signature of a person responsible for keeping accounting books

Rafał Warpechowski

Executive Director
Planning and Reporting