

CONSOLIDATED
QUARTERLY REPORT
FOR IV QUARTER
2012



ORLEN

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated Quarterly Report QSr IV/ 2012
quarter/ (year)

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

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

for the IV quarters of the reporting year 2012, that is for the period from 01.01.2012 to 31.12.2012, which includes consolidated financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN) and condensed financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN).

23 January 2013
(submission date)

KPMG AUDYT Sp. z o.o.

(Entity authorized to conduct audit)
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POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA		
..... (full name of the issuer)		
PKN ORLEN (abbreviated name of the issuer) 09-411 (zip code) CHEMIKÓW (street) 48 24 256 81 80 (telephone) 774-00-01-454 (NIP)	OIL&GAS (industrial sector in line with classification of Warsaw Stock Exchange) PŁOCK (location) 7 (number) ir@orlen.pl (e-mail) www.orlen.pl (www)	48 24 367 77 11 (fax) 610188201 (REGON)

ORLEN CAPITAL GROUP SELECTED FINANCIAL DATA

(Translation of a document originally issued in Polish)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	IV quarter 2012 cumulative data	IV quarter 2011 cumulative data	IV quarter 2012 cumulative data	IV quarter 2011 cumulative data
I. Sales revenues	120 101 550	106 973 074	28 776 488	25 630 888
II. Profit from operations	2 024 371	2 066 472	485 042	495 129
III. Profit before tax	2 624 443	2 791 741	628 820	668 905
IV. Net profit attributable to equity holders of the parent	2 344 594	2 363 397	561 768	566 273
V. Net profit	2 169 990	2 015 003	519 932	482 797
VI. Total comprehensive income attributable to equity holders of the parent	1 962 637	2 845 641	470 250	681 819
VII. Total net comprehensive income	1 696 141	2 689 065	406 398	644 303
VIII. Net cash provided by/(used in) operating activities	3 089 185	761 106	740 172	182 362
IX. Net cash provided by /(used in) investing activities	(2 874 856)	1 497 021	(688 819)	358 688
X. Net cash provided by /(used in) financing activities	(3 411 473)	332 376	(817 393)	79 638
XI. Net (decrease)/increase in cash and cash equivalents	(3 197 144)	2 590 503	(766 040)	620 688
XII. Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN/EUR per share)	5.48	5.53	1.31	1.32
	as at 31/12/2012	as at 31/12/2011	as at 31/12/2012	as at 31/12/2011
XIII. Non-current assets	26 810 637	28 599 141	6 558 054	6 995 534
XIV. Current assets	25 820 143	30 132 337	6 315 773	7 370 563
XV. Total assets	52 630 780	58 731 478	12 873 827	14 366 097
XVI. Long-term liabilities	9 196 658	12 120 002	2 249 562	2 964 630
XVII. Short-term liabilities	15 127 289	19 812 793	3 700 232	4 846 337
XVIII. Equity	28 306 833	26 798 683	6 924 033	6 555 130
XIX. Equity attributable to equity holders of the parent	26 479 187	24 533 773	6 476 979	6 001 119
XX. Share capital	1 057 635	1 057 635	258 704	258 704
XXI. Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
XXII. Book value and diluted book value per share attributable to equity holders of the parent (in PLN/EUR per share)	61.91	57.36	15.14	14.03

SELECTED SEPARATE FINANCIAL DATA	PLN thousand		EUR thousand	
	IV quarter 2012 cumulative data	IV quarter 2011 cumulative data	IV quarter 2012 cumulative data	IV quarter 2011 cumulative data
I. Sales revenues	88 348 971	79 037 121	21 168 529	18 937 397
II. Profit from operations	1 810 083	3 173 938	433 698	760 480
III. Profit before tax	2 663 963	2 396 447	638 289	574 192
IV. Net profit	2 127 798	1 386 166	509 823	332 127
V. Total net comprehensive income	2 073 282	1 307 675	496 761	313 321
VI. Net cash provided by/(used in) operating activities	2 065 304	(793 335)	494 850	(190 084)
VII. Net cash provided by/(used in) investing activities	(2 458 824)	2 490 678	(589 138)	596 770
VIII. Net cash provided by/(used in) financing activities	(2 928 327)	1 197 823	(701 631)	287 000
IX. Net (decrease)/increase in cash and cash equivalents	(3 321 847)	2 895 166	(795 919)	693 686
X. Net profit and diluted net profit per share (in PLN/EUR per share)	4.97	3.24	1.19	0.78
	as at 31/12/2012	as at 31/12/2011	as at 31/12/2012	as at 31/12/2011
XI. Non-current assets	22 474 134	22 429 271	5 497 318	5 486 344
XII. Current assets	18 932 835	23 439 812	4 631 093	5 733 529
XIII. Total assets	41 406 969	45 869 083	10 128 411	11 219 873
XIV. Long-term liabilities	7 702 331	9 844 384	1 884 040	2 408 000
XV. Short-term liabilities	10 784 632	15 177 975	2 637 990	3 712 630
XVI. Equity	22 920 006	20 846 724	5 606 381	5 099 243
XVII. Share capital	1 057 635	1 057 635	258 704	258 704
XVIII. Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
XIX. Book value and diluted book value per share (in PLN/EUR per share)	53.59	48.74	13.11	11.92

The above data for IV quarter of 2012 and 2011 was translated into EUR by the following exchange rates:

- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 December 2012 – 4.0882 PLN/EUR;
- items of statement of profit or loss and other comprehensive income and statement of cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of the month during the period 1 January - 31 December 2012 – 4.1736 PLN/EUR.

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**INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE 12 AND 3
MONTHS PERIOD ENDED 31 DECEMBER
2012 PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE
EUROPEAN UNION**

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Interim condensed consolidated financial statements
(all amounts in PLN thousand)

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A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of financial position

	Note	as at 31/12/2012 (unaudited)	as at 31/12/2011
ASSETS			
Non-current assets			
Property, plant and equipment		24 743 734	26 578 651
Investment property		117 270	117 645
Intangible assets		1 447 300	1 323 044
Perpetual usufruct of land		97 777	95 664
Investments accounted for under equity method		11 932	13 125
Financial assets available for sale		40 820	40 520
Deferred tax assets		296 939	399 526
Other non-current assets		54 865	30 966
		26 810 637	28 599 141
Current assets			
Inventories		15 011 047	16 296 517
Trade and other receivables		8 075 302	8 071 011
Other short-term financial assets	3.3.	368 125	293 434
Income tax receivables		89 625	33 684
Cash and cash equivalents		2 211 425	5 409 166
Non-current assets held for sale		64 619	28 525
		25 820 143	30 132 337
Total assets		52 630 780	58 731 478
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 057 635	1 057 635
Share premium		1 227 253	1 227 253
Hedging reserve		(73 232)	(24 305)
Revaluation reserve		6 973	5 301
Foreign exchange differences on subsidiaries from consolidation		80 926	415 628
Retained earnings		24 179 632	21 852 261
Total equity attributable to equity holders of the parent		26 479 187	24 533 773
Non-controlling interest		1 827 646	2 264 910
Total equity		28 306 833	26 798 683
LIABILITIES			
Long-term liabilities			
Interest-bearing loans and borrowings	3.5.	7 678 446	10 537 792
Provisions	3.4.	660 279	621 379
Deferred tax liabilities		671 603	740 910
Deferred income		15 321	16 239
Other long-term liabilities		171 009	203 682
		9 196 658	12 120 002
Short-term liabilities			
Trade and other liabilities		12 655 891	15 092 524
Interest-bearing loans and borrowings	3.5.	1 294 641	2 459 799
Income tax liabilities		83 737	673 643
Provisions	3.4.	802 719	1 008 140
Deferred income		168 305	136 379
Other financial liabilities		121 996	442 308
		15 127 289	19 812 793
Total liabilities		24 323 947	31 932 795
Total equity and liabilities		52 630 780	58 731 478

The accompanying notes disclosed on pages 6 - 14 are an integral part of the foregoing interim condensed consolidated financial statements.

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Consolidated statement of profit or loss and other comprehensive income

	Note	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Statement of profit or loss					
Sales revenues	3.6.	120 101 550	31 245 197	106 973 074	29 975 647
Cost of sales	3.7.	(112 093 990)	(29 757 875)	(98 397 811)	(28 091 747)
Gross profit on sales		8 007 560	1 487 322	8 575 263	1 883 900
Distribution expenses		(3 871 660)	(1 026 226)	(3 660 256)	(935 947)
General and administrative expenses		(1 523 632)	(443 118)	(1 468 298)	(427 227)
Other operating revenues	3.8.	726 401	220 533	1 006 655	431 280
Other operating expenses	3.8.	(1 314 298)	(976 804)	(2 386 892)	(2 012 181)
Profit/(loss) from operations		2 024 371	(738 293)	2 066 472	(1 060 175)
Financial revenues	3.9.	1 581 994	347 332	2 780 145	2 421 706
Financial expenses	3.9.	(981 226)	(281 120)	(2 243 175)	(776 244)
Financial revenues and expenses		600 768	66 212	536 970	1 645 462
Share in profit from investments accounted for under equity method		(696)	(918)	188 299	323
Profit/(loss) before tax		2 624 443	(672 999)	2 791 741	585 610
Income tax expense	3.10.	(454 453)	221 712	(776 738)	(387 666)
Net profit/(loss)		2 169 990	(451 287)	2 015 003	197 944
Items of other comprehensive income					
which will not be reclassified into profit or loss					
Fair value measurement of investment property as at the date of reclassification		3 277	-	10 389	10 389
Deferred tax		(623)	-	(1 974)	(1 974)
which will be reclassified into profit or loss under certain conditions					
Hedge instruments		(54 593)	(19 525)	(116 254)	165 759
Foreign exchange differences on subsidiaries from consolidation		(432 283)	(62 051)	759 813	(222 595)
Deferred tax		10 373	3 710	22 088	(31 494)
		(473 849)	(77 866)	674 062	(79 915)
Total net comprehensive income		1 696 141	(529 153)	2 689 065	118 029
Net profit/(loss) attributable to		2 169 990	(451 287)	2 015 003	197 944
equity holders of the parent		2 344 594	(276 457)	2 363 397	618 723
non-controlling interest		(174 604)	(174 830)	(348 394)	(420 779)
Total comprehensive income attributable to		1 696 141	(529 153)	2 689 065	118 029
equity holders of the parent		1 962 637	(346 691)	2 845 641	647 027
non-controlling interest		(266 496)	(182 462)	(156 576)	(528 998)
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)		5.48	(0.65)	5.53	1.45

The accompanying notes disclosed on pages 6 - 14 are an integral part of the foregoing interim condensed consolidated financial statements.

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(all amounts in PLN thousand)

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Consolidated statement of cash flows

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	2 169 990	(451 287)	2 015 003	197 944
Adjustments for:				
Share in profit from investments accounted for under equity method	696	918	(188 299)	(323)
Depreciation and amortisation	2 260 122	576 586	2 379 948	634 707
Foreign exchange (gain)/loss	(515 553)	(26 030)	729 342	179 529
Interest, net	342 091	79 858	381 683	98 930
Dividends	(1 767)	(6)	(1 287)	96
Loss/(Profit) on investing activities	829 028	751 247	(68 924)	(112 768)
Change in receivables	(135 551)	1 404 618	(1 319 184)	(47 724)
Change in inventories	1 018 997	1 608 497	(4 565 020)	(525 212)
Change in liabilities	(2 022 190)	(3 300 833)	1 080 799	(1 423 998)
Change in provisions	420 620	185 497	594 175	188 166
Income tax expense	454 453	(221 712)	776 738	387 666
Income tax (paid)	(1 098 692)	(97 789)	(333 469)	(117 029)
Other adjustments	(633 059)	(130 439)	(720 399)	(144 092)
Net cash provided by/(used in) operating activities	3 089 185	379 125	761 106	(684 108)
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(2 446 497)	(982 278)	(2 542 445)	(675 139)
Disposal of property, plant and equipment and intangible assets	44 735	17 093	324 705	46 794
Acquisition of shares	(169 917)	(81 942)	(121 348)	(13 908)
Disposal of shares	370	-	3 675 922	3 672 047
Acquisition of securities and deposits	(28 127)	(8 070)	(111 280)	(2 052)
Disposal of securities and deposits	22 479	-	115 700	4 174
Interest received	7 142	925	8 333	498
Dividends received	1 767	6	251 300	-
(Outflows)/Proceeds from loans granted	(268 255)	(219 975)	22 875	(4 727)
Other	(38 553)	(34 237)	(126 741)	(114 552)
Net cash provided by/(used in) investing activities	(2 874 856)	(1 308 478)	1 497 021	2 913 135
Cash flows - financing activities				
Proceeds from loans and borrowings received	4 557 429	878 349	18 892 646	3 009 910
Debt securities issued	1 000 000	-	-	-
Repayments of loans and borrowings	(7 798 681)	(1 494 268)	(18 021 857)	(2 185 218)
Redemption of debt securities	(750 000)	-	-	-
Interest paid	(373 156)	(106 766)	(496 462)	(150 691)
Payments of liabilities under finance lease agreements	(29 343)	(7 495)	(27 553)	(6 876)
Dividends paid to shareholders/non-controlling interest	(15 212)	(5 682)	(13 986)	(2 620)
Grants received	1 289	1 289	-	-
Other	(3 799)	(1 368)	(412)	(15 240)
Net cash provided by/(used in) financing activities	(3 411 473)	(735 941)	332 376	649 265
Net (decrease)/increase in cash and cash equivalents	(3 197 144)	(1 665 294)	2 590 503	2 878 292
Effect of exchange rate changes	(597)	3 376	(2 079)	2 237
Cash and cash equivalents, beginning of the period	5 409 166	3 873 343	2 820 742	2 528 637
Cash and cash equivalents, end of the period	2 211 425	2 211 425	5 409 166	5 409 166

The accompanying notes disclosed on pages 6 - 14 are an integral part of the foregoing interim condensed consolidated financial statements.

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Statement of changes in consolidated equity

	Equity attributable to equity holders of the parent						Non-controlling interest	Total equity
	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Revaluation reserve	Retained earnings	Total		
1 January 2012	2 284 888	(24 305)	415 628	5 301	21 852 261	24 533 773	2 264 910	26 798 683
Net profit	-	-	-	-	2 344 594	2 344 594	(174 604)	2 169 990
Items of other comprehensive income	-	(48 927)	(334 702)	1 672	-	(381 957)	(91 892)	(473 849)
Total net comprehensive income	-	(48 927)	(334 702)	1 672	2 344 594	1 962 637	(266 496)	1 696 141
Change in the structure of noncontrolling interest	-	-	-	-	(17 223)	(17 223)	(154 888)	(172 111)
Dividends	-	-	-	-	-	-	(15 880)	(15 880)
31 December 2012 (unaudited)	2 284 888	(73 232)	80 926	6 973	24 179 632	26 479 187	1 827 646	28 306 833
1 January 2011	2 284 888	63 872	(149 492)	-	19 428 670	21 627 938	2 612 015	24 239 953
Net profit	-	-	-	-	2 363 397	2 363 397	(348 394)	2 015 003
Items of other comprehensive income	-	(88 177)	565 120	5 301	-	482 244	191 818	674 062
Total net comprehensive income	-	(88 177)	565 120	5 301	2 363 397	2 845 641	(156 576)	2 689 065
Change in the structure of noncontrolling interest	-	-	-	-	60 194	60 194	(177 625)	(117 431)
Dividends	-	-	-	-	-	-	(12 904)	(12 904)
31 December 2011	2 284 888	(24 305)	415 628	5 301	21 852 261	24 533 773	2 264 910	26 798 683

The accompanying notes disclosed on pages 6 - 14 are an integral part of the foregoing interim condensed consolidated financial statements.

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Explanatory notes to the interim condensed consolidated financial statements
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Explanatory notes to the interim condensed consolidated financial statements

1. Information on principles adopted for the preparation of the interim condensed consolidated financial statements

1.1. Statement of compliance and general principles for preparation

The foregoing interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 with further amendments on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments) ("Regulation") and present the PKN ORLEN S.A. Capital Group's ("Group", "Capital Group", "ORLEN Capital Group") financial position as at 31 December 2012 and 31 December 2011, financial results and cash flows for the period of 12 i 3 months ended 31 December 2012 and 31 December 2011.

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

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

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

1.2. Statement of the Management Board

1.2.1. In respect of the reliability of the interim condensed consolidated financial statements

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

1.2.2. Applied accounting principles and IFRS amendments

These foregoing interim condensed consolidated financial statements were prepared according to principles described in ORLEN Capital Group's consolidated financial statements for the year ended 31 December 2011, except for changes resulting from the amended IAS 1.

In these foregoing interim condensed consolidated financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those applied in the consolidated financial statements for the year 2011.

The Group intends to adopt amendments to IFRSs that are published but not effective as at the date of preparation of these interim condensed consolidated financial statements in accordance with their effective date, excluding amendments to IAS 1 – Presentation of Financial Statements, which were applied in the current reporting period. The possible impact of new amendments to IFRSs on the Group's future consolidated financial statements is being analyzed.

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

1.3.1. Functional currency and presentation currency

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

1.3.2. Methods applied to translation of financial data

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

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

All resulting exchange differences are recognized in equity, as foreign exchange differences on subsidiaries from consolidation.

CURRENCY	12 months ended 31/12/2012	3 months ended 31/12/2012	12 months ended 31/12/2011	3 months ended 31/12/2011	as at 31/12/2012	as at 31/12/2011
PLN/EUR	4.1859	4.1132	4.1186	4.4215	4.0882	4.4168
PLN/USD	3.2577	3.1720	2.9638	3.2822	3.0996	3.4174
PLN/CZK	0.1665	0.1635	0.1675	0.1750	0.1630	0.1711

2. Segment reporting

The Capital Group's activities are allocated to:

- the refining segment, which includes refinery products processing and wholesale, oil production and sale as well as supporting production,
- the retail segment, which includes sales at petrol stations
- the petrochemical segment, which includes the production and wholesale of petrochemicals and production and sale of chemicals

and corporate functions which are reconciling items and include activities related to management and administration and other support functions as well as remaining activities not allocated to separate operating segments.

The allocation of the ORLEN Capital Group companies to operating segments and corporate functions is presented in note B.2.

Revenues, expenses and financial result by operating segments

for 12 months ended 31 December 2012

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	65 874 900	38 141 303	15 969 168	116 179	-	120 101 550
Transactions with other segments	28 002 151	123 071	3 626 579	223 221	(31 975 022)	-
Sales revenues	93 877 051	38 264 374	19 595 747	339 400	(31 975 022)	120 101 550
Operating expenses	(92 343 866)	(37 588 269)	(18 434 512)	(1 097 657)	31 975 022	(117 489 282)
Other operating revenues	331 933	156 777	136 700	101 243	(252)	726 401
Other operating expenses	(938 370)	(185 426)	(92 672)	(98 082)	252	(1 314 298)
Segment operating profit/(loss)	926 748	647 456	1 205 263	(755 096)	-	2 024 371
Financial revenues						1 581 994
Financial expenses						(981 226)
Share in profit from investments accounted for under equity method	(750)	-	54	-	-	(696)
Profit before tax						2 624 443
Income tax expense						(454 453)
Net profit						2 169 990

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for 3 months ended 31 December 2012

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	17 738 407	9 324 134	4 153 019	29 637	-	31 245 197
Transactions with other segments	7 080 579	25 830	922 588	60 072	(8 089 069)	-
Sales revenues	24 818 986	9 349 964	5 075 607	89 709	(8 089 069)	31 245 197
Operating expenses	(25 002 118)	(9 178 926)	(4 805 790)	(329 454)	8 089 069	(31 227 219)
Other operating revenues	111 787	24 431	40 325	44 034	(44)	220 533
Other operating expenses	(804 074)	(97 500)	(43 240)	(32 034)	44	(976 804)
Segment operating profit/(loss)	(875 419)	97 969	266 902	(227 745)	-	(738 293)
Financial revenues						347 332
Financial expenses						(281 120)
Share in profit from investments accounted for under equity method	(780)	-	(138)	-	-	(918)
Profit before tax						(672 999)
Income tax expense						221 712
Net loss						(451 287)

for 12 months ended 31 December 2011

	Refining Segment	Retail Segment	Petrochemical Segment	Corporate Functions	Adjustments	Total
Sales to external customers	58 475 608	34 037 500	14 313 184	146 782	-	106 973 074
Transactions with other segments	25 011 572	115 966	3 343 901	217 775	(28 689 214)	-
Sales revenues	83 487 180	34 153 466	17 657 085	364 557	(28 689 214)	106 973 074
Operating expenses	(81 137 448)	(33 645 953)	(16 398 891)	(1 033 296)	28 689 223	(103 526 365)
Other operating revenues	331 169	116 333	202 450	356 881	(178)	1 006 655
Other operating expenses	(575 007)	(198 112)	(1 447 156)	(166 795)	178	(2 386 892)
Segment operating profit/(loss)	2 105 894	425 734	13 488	(478 653)	9	2 066 472
Financial revenues						2 780 145
Financial expenses						(2 243 175)
Share in profit from investments accounted for under equity method	625	-	179	187 495	-	188 299
Profit before tax						2 791 741
Income tax expense						(776 738)
Net profit						2 015 003

for 3 months ended 31 December 2011

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	16 764 384	9 589 252	3 554 532	67 479	-	29 975 647
Transactions with other segments	6 974 066	31 242	871 689	56 777	(7 933 774)	-
Sales revenues	23 738 450	9 620 494	4 426 221	124 256	(7 933 774)	29 975 647
Operating expenses	(23 205 547)	(9 527 473)	(4 329 506)	(326 170)	7 933 775	(29 454 921)
Other operating revenues	122 079	54 905	39 031	215 396	(131)	431 280
Other operating expenses	(422 180)	(121 847)	(1 394 956)	(73 329)	131	(2 012 181)
Segment operating profit/(loss)	232 802	26 079	(1 259 210)	(59 847)	1	(1 060 175)
Financial revenues						2 421 706
Financial expenses						(776 244)
Share in profit from investments accounted for under equity method	270	-	54	(1)	-	323
Profit before tax						585 610
Income tax expense						(387 666)
Net profit						197 944

Assets by operating segments

	as at 31/12/2012 (unaudited)	as at 31/12/2011
Refining Segment	30 199 689	32 821 176
Retail Segment	5 955 683	6 067 744
Petrochemical Segment	12 779 493	13 030 826
Segment assets	48 934 865	51 919 746
Corporate Functions	3 935 065	7 077 508
Adjustments	(239 150)	(265 776)
	52 630 780	58 731 478

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3. Other notes

3.1. Impairment allowances of assets

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Property, plant and equipment				
Increase	(789 077)	(727 954)	(1 731 895)	(1 704 776)
Decrease	60 861	11 683	52 786	6 431
Intangible assets				
Increase	(75 010)	(45 350)	(119 462)	(119 462)
Decrease	28 096	25 351	12 410	543
Financial assets available for sale				
Increase	(184)	-	(1 835)	(1 183)
Decrease	478	165	315	-
Receivables				
Increase	(107 434)	(34 400)	(127 934)	(33 832)
Decrease	69 103	21 438	138 358	59 617

Recognition and reversal of impairment allowances in the 12 and 3 months period ended 31 December 2012 and 31 December 2011 related mainly to:

- results of impairment tests of property, plant and equipment and obsolescence of assets,
- increase/decrease in prices of property rights,
- extinction of indicators in respect of overdue receivables, occurrence of uncollectible receivables and receivables in court,
- fair value measurement of financial assets available for sale, quoted on active markets.

3.2. Inventories written down to net realizable value

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Increase	(425 020)	(103 217)	(314 566)	(130 497)
Decrease	460 603	70 625	232 716	132 329

3.3. Other short-term financial assets

	as at 31/12/2012 (unaudited)	as at 31/12/2011
Cash flow hedge instruments	46 432	225 910
foreign currency forwards	44 919	25 898
commodity swaps	1 513	200 012
Derivatives not designated as hedge accounting	22 842	48 003
foreign currency forwards	9 484	30 395
foreign currency swaps	428	3 410
commodity swaps	12 930	14 198
Embedded derivatives	744	180
foreign currency swaps	744	180
Deposits/ other debt securities	22 262	15 197
Loans granted	275 763	4 041
Available for sale	82	103
	368 125	293 434

As at 31 December 2012 the position of loans granted includes loan granted by PKN ORLEN SA to Whirlwind of PLN 271,835 thousand. Detailed information is included in note B3.3.2.

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3.4. Provisions

	long-term		short-term		Total	
	as at 31/12/2012 (unaudited)	as at 31/12/2011	as at 31/12/2012 (unaudited)	as at 31/12/2011	as at 31/12/2012 (unaudited)	as at 31/12/2011
Environmental provision	327 555	292 413	45 845	42 416	373 400	334 829
Jubilee and post-employment benefits provision	279 427	254 568	34 886	36 604	314 313	291 172
Business risk provision	20 818	26 903	58 983	67 488	79 801	94 391
Shield programs provision	-	2 365	42 379	64 704	42 379	67 069
Provision for CO ₂ emission	-	-	388 537	542 054	388 537	542 054
Other	32 479	45 130	232 089	254 874	264 568	300 004
	660 279	621 379	802 719	1 008 140	1 462 998	1 629 519

3.5. Interest – bearing loans and borrowings

	long-term		short-term		Total	
	as at 31/12/2012 (unaudited)	as at 31/12/2011	as at 31/12/2012 (unaudited)	as at 31/12/2011	as at 31/12/2012 (unaudited)	as at 31/12/2011
Bank loans	6 654 652	10 179 994	940 200	1 644 324	7 594 852	11 824 318
Borrowings	1 078	-	480	10 055	1 558	10 055
Debt securities	1 022 716	357 798	353 961	805 420	1 376 677	1 163 218
	7 678 446	10 537 792	1 294 641	2 459 799	8 973 087	12 997 591

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

3.6. Sales revenues

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Revenues from sales of finished goods and services, net	93 725 865	24 180 035	84 643 461	23 670 998
Revenues from sales of merchandise and raw materials, net	26 375 685	7 065 162	22 329 613	6 304 649
	120 101 550	31 245 197	106 973 074	29 975 647

3.7. Operating expenses

Cost of sales

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Costs of finished goods and services sold	(87 025 549)	(22 783 818)	(77 296 657)	(22 070 879)
Cost of merchandise and raw materials sold	(25 068 441)	(6 974 057)	(21 101 154)	(6 020 868)
	(112 093 990)	(29 757 875)	(98 397 811)	(28 091 747)

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Cost by kind

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Materials and energy	(83 685 528)	(21 657 921)	(73 601 514)	(21 009 744)
Cost of merchandise and raw materials sold	(25 068 441)	(6 974 057)	(21 101 154)	(6 020 868)
External services	(4 276 067)	(1 120 478)	(4 110 251)	(1 135 307)
Employee benefits	(2 154 175)	(576 969)	(2 078 987)	(573 247)
Depreciation and amortisation	(2 260 122)	(576 586)	(2 379 948)	(634 707)
Taxes and charges	(496 170)	(126 963)	(440 619)	(103 897)
Other	(1 751 586)	(1 113 429)	(2 797 574)	(2 147 220)
	(119 692 089)	(32 146 403)	(106 510 047)	(31 624 990)
Change in inventories	570 958	(295 796)	372 712	145 587
Cost of products and services for own use	317 551	238 176	224 078	12 301
Operating expenses	(118 803 580)	(32 204 023)	(105 913 257)	(31 467 102)
Distribution expenses	3 871 660	1 026 226	3 660 256	935 947
General and administrative expenses	1 523 632	443 118	1 468 298	427 227
Other operating expenses	1 314 298	976 804	2 386 892	2 012 181
Cost of sales	(112 093 990)	(29 757 875)	(98 397 811)	(28 091 747)

3.8. Other operating revenues and expenses

Other operating revenues

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Profit on sale of non-financial non-current assets	32 857	6 211	56 446	16 495
Reversal of provisions	101 368	17 919	85 832	37 271
Reversal of receivables impairment allowances	61 285	20 510	129 817	59 305
Reversal of impairment allowances of property, plant and equipment and intangible assets	99 432	40 869	60 656	6 730
Penalties and compensations earned	81 814	30 935	301 054	156 168
Grants	8 228	(1 676)	20 628	1 494
Other	341 417	105 765	352 222	153 817
	726 401	220 533	1 006 655	431 280

The line "other" in the 12 and 3 months period ended 31 December 2012 and 31 December 2011 includes the effect of CO₂ emission rights surpluses received free of charge in relation to actual emissions and an update of the provision for estimated costs of CO₂ emission of PLN 137,981 thousand and PLN 60,615 thousand and PLN 259,612 thousand and PLN 111,656 thousand, respectively.

Additionally, the line „other" in the 12 and 3 months period ended 31 December 2012 includes the effect of recognition of so called „yellow" certificates for the period from 2010 in relation to the fulfillment of requirements related to high-efficiency cogeneration in electricity production by PKN ORLEN of PLN 121,784 thousand and PLN 20,478 thousand respectively.

Other operating expenses

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Loss on sale of non-financial non-current assets	(66 315)	(33 130)	(67 269)	(21 441)
Recognition of provisions	(127 258)	(93 280)	(136 892)	(90 576)
Recognition of receivables impairment allowances	(92 641)	(31 202)	(114 992)	(32 075)
Recognition of other impairment allowances	-	-	(237)	(237)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(865 703)	(774 501)	(1 855 850)	(1 817 093)
Costs of damages, breakdowns and compensations	(32 484)	(6 943)	(42 806)	(8 413)
Other	(129 897)	(37 748)	(168 846)	(42 346)
	(1 314 298)	(976 804)	(2 386 892)	(2 012 181)

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Impairment allowances for property, plant and equipment and intangible assets recognized in 12 and 3 month period ended 31 December 2012 relate mainly to impairment of assets of refining segment of Unipetrol Group of PLN 688,225 thousand recognized in IV quarter.

Impairment allowances for property, plant and equipment and intangible assets recognized in the 12 and 3 month period ended 31 December 2011 relate mainly to Unipetrol Group of PLN 810,793 thousand and Anwil Group of PLN 732,683 thousand.

3.9. Financial revenues and expenses

Financial revenues

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Interest	152 733	24 805	82 870	41 491
Foreign exchange gains surplus	929 082	219 944	320 287	87 993
Profit on sale of shares and other securities	-	-	2 278 528	2 278 528
Settlement and valuation of financial instruments	481 654	98 862	68 110	-
Reversal of receivables impairment allowances	7 818	928	8 541	312
Reversal of impairment allowances on investment	478	165	320	5
Other	10 229	2 627	21 489	13 377
	1 581 994	347 332	2 780 145	2 421 706

Financial expenses

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Interest	(355 718)	(86 383)	(369 219)	(71 412)
Foreign exchange losses surplus	(76 878)	(84 958)	(1 391 515)	(423 583)
Settlement and valuation of financial instruments	(484 738)	(91 776)	(405 696)	(231 636)
Recognition of receivables impairment allowances	(14 793)	(3 198)	(12 942)	(1 757)
Recognition of impairment allowances on investment	(184)	-	(2 070)	(1 277)
Other	(48 915)	(14 804)	(61 733)	(46 579)
	(981 226)	(281 120)	(2 243 175)	(776 244)

Borrowing cost capitalized in the 12 and 3 months period ended 31 December 2012 and 31 December 2011 amounted to PLN (21,255) thousand and PLN (6,266) thousand and PLN (53,480) thousand and PLN (3,738) thousand, respectively.

3.10. Income tax expense

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Current income tax	(452 427)	(22 523)	(1 000 215)	(569 333)
Deferred income tax	(2 026)	244 235	223 477	181 667
	(454 453)	221 712	(776 738)	(387 666)

Deferred income tax for the 12 and 3 months period ended 31 December 2012 includes mainly the effect of revaluation of tax value of non-monetary assets in Orlen Lietuva due to changes in LTL/USD exchange rates and deferred tax assets recognized on tax losses from previous years in Unipetrol Group.

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

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

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

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting principles are not met, are recognized in a current period profit or loss. Valuation of others, for which hedge accounting is applied, is recognized in equity.

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

Fair value hierarchy

	as at 31/12/2012 (unaudited)		as at 31/12/2011	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Quoted shares	1 078	-	690	-
Embedded derivatives and hedging instruments	-	98 089	-	274 174
	1 078	98 089	690	274 174
Financial liabilities				
Embedded derivatives and hedging instruments	-	194 843	-	555 910
	-	194 843	-	555 910

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

3.12. Finance lease payments

As at 31 December 2012 and 31 December 2011, the Group possessed as a lessee, the finance lease agreements, concerning mainly buildings, machinery and equipment as well as means of transportation.

	as at 31/12/2012 (unaudited)	as at 31/12/2011
Future value of minimum lease payments	118 745	107 107
Present value of minimum lease payments	101 004	90 468

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

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

3.14. Future liabilities resulting from signed investment contracts

As at 31 December 2012 and 31 December 2011 the value of future liabilities resulting from investment contracts signed until that day amounted to PLN 1,961,006 thousand and PLN 449,293 thousand, respectively.

3.15. Issue, redemption and repayment of debt and capital securities

In the first quarter of 2012 the Group redeemed debt securities of PLN 750,000 thousand. Additionally, according to strategy of financing diversification and debt refinancing implemented by Group, 7-year debt securities of PLN

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1,000,000 thousand were issued. On 27 June 2012, 7-year debt securities were introduced to trading on the Catalyst debt securities market on the Warsaw Stock Exchange. Moreover, in order to optimize liquidity in the ORLEN Capital Group, short-term debt securities were issued to and repurchased from the Group companies.

3.16. Parent Company's profit distribution for 2011

Ordinary General Shareholders' Meeting of PKN ORLEN S.A as at 30 May 2012 decided to distribute the net profit for the year 2011 of PLN 1,386,165,827.51 to reserve capital of the Parent Company.

3.17. Contingent liabilities

	as at 31/12/2011	increase/ (decrease)	as at 31/12/2012 (unaudited)
Anti-trust proceedings of the OCCP	14 000	(14 000)	-
Legal cases at court	16 845	(12 807)	4 038
	30 845	(26 807)	4 038

Court proceedings as at 31 December 2012 relate mainly to claims arising from trade contracts with contractors and employees' claims.

The Management Board of Spolana a.s. is undertaking actions to extend the validity period of their environmental permit under Integrated Pollution Prevention and Control (IPPC) without the necessity to change the current chlorine production method using mercury electrolysis and alternatively considers continuing the production on the basis of purchased raw materials. It will require the electrolysis building to be adapted as a warehouse, which might help avoid potential reclamation costs as the purpose of the building will likely change. Further information is disclosed in note 36 of the Consolidated Financial Statements for 2011.

3.18. Sureties and guarantees

Excise tax guarantees and excise tax on products and merchandise under the excise tax suspension procedure as at 31 December 2012 and 31 December 2011 amounts to PLN 1,471,802 thousand and 1,336,701 thousand, respectively.

Guarantees granted as at 31 December 2012 and 31 December 2011 amounted to PLN 140,785 thousand and PLN 156,346 thousand, respectively. Sureties and guaranties relate to liabilities to third parties granted as part of ordinary business activities and consist mainly of guaranties and sureties as appropriate performance, customs, gage or payment guarantees.

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

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

**OTHER INFORMATION TO
CONSOLIDATED QUARTERLY REPORT
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B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Principal activity

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

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

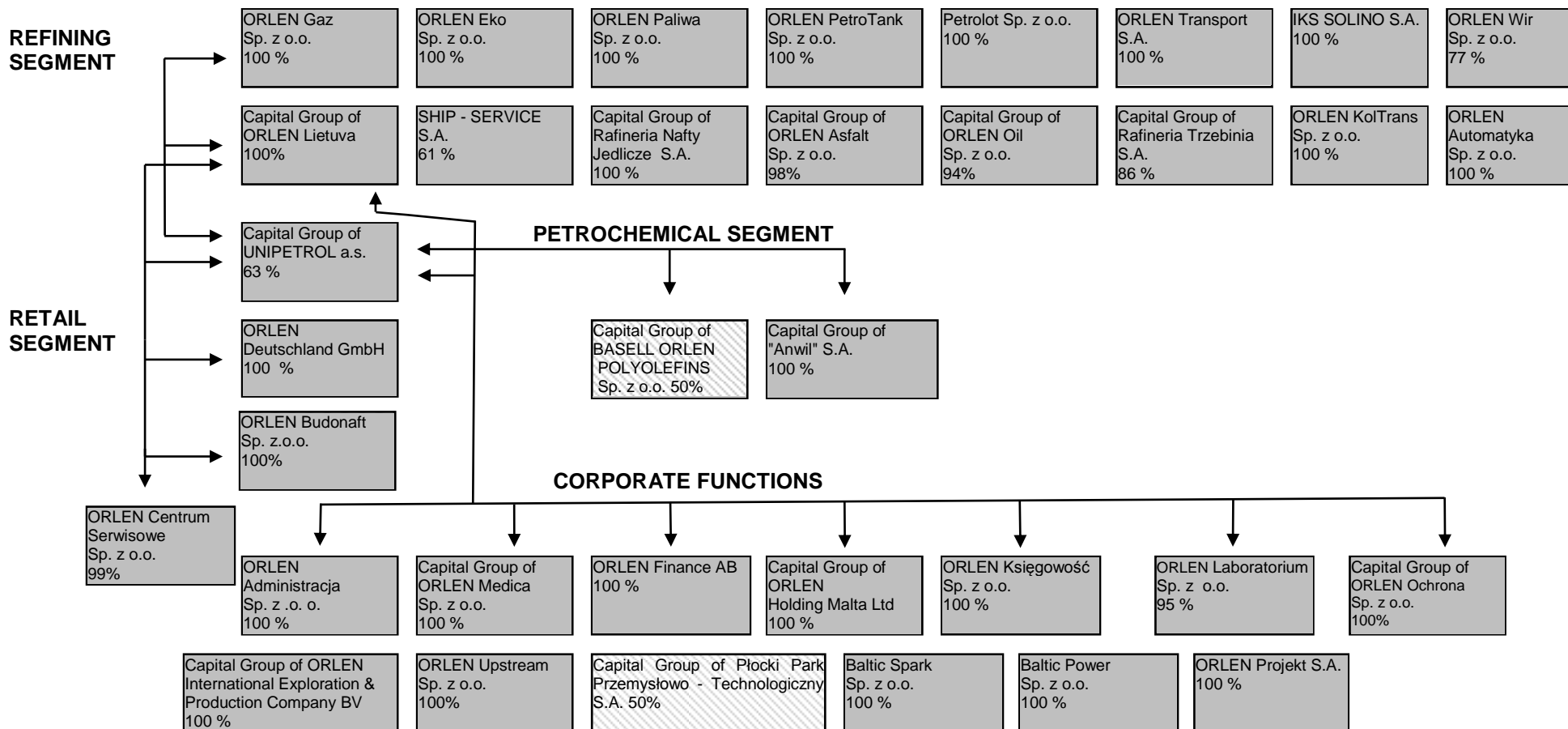
2. Organization of the Capital Group

The Capital Group includes PKN ORLEN as the Parent Company and entities located mainly in Poland, Germany, Czech Republic and Lithuania.

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CONSOLIDATION SCHEME OF THE CAPITAL GROUP – first level



- The Parent Company PKN ORLEN was adequately allocated to all business segments
- The scheme presents information about direct and indirect share in equity of related parties

 fully consolidated entities

 entities consolidated under proportionate method

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The list of consolidated entities belonging to the Capital Groups on lower levels

name of the group	Share in total voting rights	
	31/12/2012	31/12/2011
1. Capital Group of Rafineria Trzebinia S.A	86%	86%
Energomedia Sp. z o.o.	100%	100%
Euronafit Trzebinia Sp. z o.o.	100%	100%
Fabryka Parafin NaftoWax Sp. z o.o.	100%	100%
Zakładowa Straż Pożarna Sp. z o.o.	100%	100%
EkoNaft Sp. z o.o.	100%	100%
2. Capital Group of Rafineria Nafty Jedlicze S.A	100%	90%
Raf-Koltrans Sp. z o.o.	100%	100%
Raf-Służba Ratownicza Sp. z o.o.	100%	100%
Raf-Bit Sp. z o.o.	100%	100%
Konsorcjum Olejów Przetworzonych – Organizacja Odzysku S.A.	81%	81%
3. Capital Group of ORLEN Oil Sp. z o.o.	100%*	100%*
ORLEN Oil Cesko s.r.o.	100%	100%
Platinum Oil Sp. z o.o.	100%	100%
Petro-Oil Małopolskie Centrum Sprzedaży Sp. z o.o.	-	100%
Petro-Oil Zachodniopomorskie Centrum Sprzedaży Sp. z o.o.	-	24%
Petro-Oil Wielkopolskie Centrum Sprzedaży Sp. z o.o.	22%	22%
4. Capital Group of AB ORLEN Lietuva	100%	100%
UAB Medikvita (UAB Mazeikiu naftos sveikatos prieziuros centras)	100%	100%
UAB PASLAUGOS TAU	100%	100%
UAB Emas	100%	100%
AB Ventus-Nafta	100%	100%
UAB Naftelf	34%	34%
Capital Group of UAB Mazeikiu naftos prekybos namai	100%	100%
SIA ORLEN Latvija (SIA Mazeikiu Nafta Tirdzniecibas nams)	100%	100%
OU ORLEN Eesti (OU Mazeikiu Nafta Trading House)	100%	100%
5. Capital Group of UNIPETROL a.s.	63%	63%
Capital Group of UNIPETROL RPA s.r.o.	100%	100%
UNIPETROL DOPRAVA s.r.o.	100%	100%
UNIPETROL SLOVENSKO s.r.o.	100%	100%
POLYMER INSTITUTE BRNO spol. s.r.o.	100%	100%
HC Benzina Litvinov a.s.	71%	71%
UNIPETROL DEUTSCHLAND GmbH	100%	100%
Výzkumný ústav anorganické chemie a.s.	100%	100%
Capital Group of BENZINA s.r.o.	100%	100%
PETROTRANS s.r.o.	100%	100%
UNIPETROL SERVICES s.r.o.	100%	100%
Capital Group of PARAMO a.s.	100%	100%
MOGUL SLOVAKIA s.r.o.	100%	100%
PARAMO OIL s.r.o.	100%	100%
PARAMO ASFALT s.r.o.	-	100%
CESKA RAFINERSKA a.s.	51%	51%
Butadien Kralupy s.r.o.	51%	51%
6. Capital Group of "Anwil" S.A	100%	95%
Przedsiębiorstwo Inwestycyjno-Remontowe Remwil Sp. z o.o.	100%	100%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o.	99%	99%
Przedsiębiorstwo Usług Specjalistycznych i Projektowych Chemeko Sp. z o.o.	78%	56%
Spolana a.s.	100%	100%
Zakład Usługowo Produkcyjny EKO-Dróg Sp. z o.o.	49%	49%
Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.	49%	49%
Specjalistyczna Przychodnia Przemysłowa Prof-Med Sp. z o.o.	46%	46%
7. Capital Group of Basell ORLEN Polyolefins Sp. z o.o.	50%	50%
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	100%	100%
8. Capital Group of ORLEN Medica Sp. z o.o.	100%	100%
Sanatorium Uzdrowskie "KRYSTYNKA" Sp. z o.o.	99%	99%

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The list of consolidated entities belonging to the Capital Groups on lower levels, continued

name of the group	Share in total voting rights	
	31/12/2012	31/12/2011
9. Capital Group of ORLEN Holding Malta Ltd.	100%	100%
ORLEN Insurance Ltd.	100%	100%
10. Capital Group of Plocki Park Przemysłowo -Technologiczny S.A	50%	50%
Centrum Edukacji Sp. z o.o.	69%	69%
11. Capital Group of Orlen International Exploration & Production Company BV	100%	100%
SIA Balin Energy	50%	50%
12. Capital Group of Orlen Ochrona Sp. z o.o.	100%	100%
UAB Apsauga	100%	-
13. Capital Group of Orlen Asfalt Sp. z o.o.	100%**	100%**
PARAMO ASFALT s.r.o.	100%	-

* 94% share in consolidated financial data

** 98% share in consolidated financial data

In the IV quarter of 2012 changes in the composition of the Capital Group included acquisition of non-controlling interest in Petrolot Sp. z o.o and Orlen Projekt S.A. In the IV quarter there were also changes within ORLEN Capital Group – Paramo Asfalt s.r.o. from Unipetrol a.s. Group was transferred to Orlen Asfalt Sp. z o.o. Capital Group.

3. Financial situation

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

Results from operations and financial activities

The combined positive effect of macroeconomic factors changes concerning refining, petrochemical margins and URAL/Brent differential along with higher sales volumes in the refining and petrochemical segment increased ORLEN Group's operating result in the IV quarter of 2012 by PLN 739 million (y/y).

The positive effect of other factors in the IV quarter of 2012 amounted to PLN 755 million (y/y) and related mainly to changes in the balance of other operating activity including lower by PLN 1,109 million (y/y) impairment of property, plant and equipment and negative impact of other elements of PLN (-) 284 million (y/y).

Impairment of property, plant and equipment in the IV quarter of 2012 of PLN (-) 688 million related to the refining segment of the Unipetrol Group. In the IV quarter of 2011, impairment of property, plant and equipment amounted to PLN (-) 1,797 million and related mainly to Unipetrol (Refining and Petrochemical segment) and Anwil (PVC). The negative impact of other elements in the amount of PLN (-) 284 million (y/y) was mainly due to the lack of positive effects from the IV quarter of 2011, including the received compensation from the results of the settlement of ORLEN Lietuva refinery fire, the reimbursement of penalty from ENERGA-OPERATOR S.A., and the update of the provision for the cost of CO₂ emissions.

Operating result of ORLEN Group for the IV quarter of 2012 amounted to PLN (-) 738 million in comparison with PLN (-) 1,060 million in the same period of previous year. In the entire 2012, operating profit amounted to PLN 2,024 million, which corresponds to the level of the previous year.

Net financial income in the IV quarter of 2012 of PLN 66 million and consisted mainly of net foreign exchange gains on revaluation of loans and other items in foreign currencies of PLN 135 million and the net cost of interest expense in the amount of PLN (-) 62 million.

In accordance with the IAS 39 (Financial Instruments: Recognition and Measurement) foreign exchange gains on loans in USD as part of a hedging relationship established with an investment in the ORLEN Lietuva of PLN 83 million and in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) foreign exchange gains resulting from the translation of foreign currency loans balances of foreign entities of PLN 20 million were recognized in equity in the position of exchange differences on subsidiaries from consolidation.

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Decrease in the tax charges in relation to the profit before tax comprises mainly of net effect of tax revaluation of non-cash assets of ORLEN Lietuva due to changes in exchange rates LTL/USD and the deferred tax assets recognition on losses from previous years in the Unipetrol Group.

After consideration of tax charges, net profit of the ORLEN Group for the IV quarter of 2012 amounted to PLN (-) 451 million.

Net profit of the ORLEN Group for 2012 amounted to PLN 2,170 million.

Results from operations of the core entities belonging to the ORLEN Group in the IV quarter of 2012

- PKN ORLEN S.A. – profit from operations was lower by PLN (-) 948 million (y/y) and amounted to PLN (-) 93 million.
 - result of the refining segment, lower by PLN (-) 964 million (y/y) was mainly a result of the negative impact of declining oil prices on inventory valuation of PLN (-) 1,037 million, the positive impact of changes in the macroeconomic environment and the lack of positive effects on other operating activities that occurred in the IV quarter of 2011 mainly related to the update of the provision for the cost of CO₂ emissions,
 - result of the retail segment, higher by PLN 70 million (y/y) due to gradually improved fuel margins accompanied by lower volume sales as a result of decreasing fuel consumption,
 - result of petrochemical segment, higher by PLN 13 million (y/y) due to positive impact of macroeconomic factors and a negative impact of changes in product prices on inventory valuation in the amount of PLN (-) 13 million (y/y),
 - costs of corporate functions, higher by PLN (-) 67 million (y/y) mainly due to lack of positive effects on other operating activities that occurred in the IV quarter of 2011, including reimbursement of penalty from ENERGA-OPERATOR S.A.
- ORLEN Lietuva – the result from operations was higher by PLN 236 million (y/y) and amounted to PLN 30 million.
 - result of refining segment, higher by PLN 303 million (y/y) was mainly an effect of favorable macroeconomic environment, higher sales volume as result of full utilization of production capacity and positive change in the balance of other operating income of PLN 130 million (y/y) as a result of the absence of assets impairment that occurred in the IV quarter of 2011, accompanied by negative impact of inventory valuation of PLN (-) 16 million (y/y),
 - result of retail segment, higher by PLN 14 million (y/y), mainly due to the positive impact of changes in the balance of other operating activity associated with the lack of assets impairment that occurred in the IV quarter of 2011,
 - costs of corporate functions, higher by PLN (-) 81 million (y/y) as a result of the lack of positive effects of one-off events in the other operating activities that occurred in the IV quarter of 2011, including the compensation received from the settlement of the refinery fire in 2006.
- Unipetrol Group – the result from operations was higher by PLN 336 million (y/y) and amounted to (-) PLN 698 million.
 - result of refining segment, lower by PLN (-) 434 million was mainly an effect of higher impairment of property, plant and equipment of PLN (-) 478 million (y/y) and the valuation of inventories of PLN (-) 62 million (y/y) with the positive impact of macroeconomic factors,
 - retail segment result, lower by PLN (-) 18 million (y/y) as a result of lower sales volumes during a continuing market pressures on the level of fuel and non-fuel margins and a negative impact of changes in the balance in other operating activity (y/y) due to impairment of assets,
 - result of petrochemical segment, higher by PLN 797 million (y/y), mainly as a result of higher volume sales of the segment with favorable changes in the macroeconomic environment and the absence of impairment of property, plant and equipment that occurred in the IV quarter of 2011 of PLN 629 million,
 - costs of corporate functions, higher by PLN (-) 9 million (y/y) as a result of changes in the balance of other operating activity.

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Net indebtedness and cash flows

As at 31 December 2012 net indebtedness of the ORLEN Group amounted to PLN 6,762 million and was lower by PLN (-) 827 million as compared to the level at the end of 2011.

The decrease in net indebtedness in 12 month period of 2012, due to net foreign exchange surplus on revaluation of currency loans of PLN (-) 1,040 million accompanied by an increase due to net repayment of loans, indebtedness valuation and decrease in the balance of cash amounted to PLN 213 million.

In the IV quarter of 2012 net indebtedness increased by PLN 889 million and included the effects of net repayment of loans, the valuation of indebtedness and decrease in the balance of cash of PLN 1,012 million, accompanied by a decrease of PLN (-) 123 million due to positive foreign exchange gains from the revaluation of foreign currency loans.

Net cash from operating activities in the IV quarter of 2012 amounted to PLN 379 million. Main items of operating cash flows include net income increased by depreciation and amortization and non cash losses on investment activities related mainly to impairment allowances of property, plant and equipment (Refining segment of Unipetrol Group) of PLN 877 million and increased net working capital of PLN (-) 288 million. Total influence of other items amounted to PLN (-) 210 million.

Net cash used in investing activities in the IV quarter of 2012 amounted to PLN (-) 1,308 million and concerned mainly net expenditures for acquisition of non-current tangible and intangible assets of PLN (-) 965 million including PLN (-) 402 million related to repurchase of CO₂ emission allowances sold in previous years. Other expenses related mainly to change of loan balance and acquisition of shares in the total amount of PLN (-) 302 million.

Item proceeds/(outflows) from loans granted includes the short-term loan of PLN (-) 272 million granted to Whirlwind in related to the sale transaction of the next part of mandatory reserve (please see detailed description of the transaction in note B3.3.2) and the proceeds of PLN 52 million concerning the loan settlement granted to Petrolot corresponding to the acquisition of the shares of this entity.

Item acquisition of shares comprises the acquisition of 49% of shares of Petrolot Sp. z o.o. for PLN (-) 55 million (including PLN (-) 52 million due to settlement of loan) as well as the acquisition of 49% of shares of ORLEN Projekt S.A. for PLN (-) 27 million.

Net cash used in financing activities in the IV quarter of 2012 amounted to PLN (-) 736 million and comprised mainly net repayments of loans and borrowing of PLN (-) 616 million as well as interest payments of PLN (-) 107 million.

As a result the cash balance decreased in the IV quarter of 2012 by PLN (-) 1,662 million and amounted to PLN 2,211 million as at 31 December 2012.

Factors and events which may influence future results

Similar factors as described above may influence future results.

3.2 The most significant events in the period from 1 January 2012 until the date of preparation of the foregoing report

On 12 January 2012 the Extraordinary General Shareholder's Meeting of PKN ORLEN S.A. revoked Mr Krzysztof Kołach from the Supervisory Board. At the same time the Extraordinary General Shareholder's Meeting appointed Mr Michał Gołębiowski to the Supervisory Board. Additionally, Minister of the State Treasury based on § 8 sec. 2 item 1 of Articles of Association acting on behalf of the State Treasury shareholder recalled Mr Janusz Zieliński from his office of the Supervisory Board of PKN ORLEN S.A. as of 11 January 2012. Concurrently Minister of the State Treasury appointed Mr Cezary Banasiński to the Supervisory Board as of 12 January 2012.

On 31 January 2012 the agreement with Maury Sp. z o.o. expired (that has been concluded on 23 December 2010) regarding gathering and keeping of mandatory reserves of crude oil on PKN ORLEN's account, upon which a part of mandatory reserves of crude oil for PLN 909,592 thousand translated at the transaction date's exchange rate (representing USD 299,968 thousand) has been sold.

Therefore, and in accordance with applicable regulations regarding the maintenance of mandatory reserves in Poland, PKN ORLEN acquired crude oil owned by Maury Sp. z o.o. for PLN 1,213,157 thousand translated at the transaction date's exchange rate (representing USD 374,050 thousand). The acquisition price of crude oil has been hedged with a forward contract. The settlement of the hedging transaction decreased the value of the acquired raw material by PLN 202,707 thousand translated at the transaction date's exchange rate (representing USD 63,283 thousand). As a result PKN ORLEN recognized the purchase of crude oil of PLN 1,010,450 thousand translated at the transaction date's exchange rate (representing USD 310,767 thousand) in the first quarter of 2012.

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On 28 March 2012 within the process of changing the formula of maintenance of mandatory reserves of crude oil by PKN ORLEN, the Company has signed the contract for sale of part of mandatory reserves and the contract for gathering and keeping of crude oil reserves with Ashby Sp. z o. o., with its registered office in Warsaw.

Based on the sale agreement PKN ORLEN sold crude oil to Ashby sp. z o. o. The value of crude oil sold was approximately PLN 1,250,000 thousand translated with exchange rate as at 28 March 2012 (approximately USD 403,000 thousand). The price of raw material was determined based on market quotations.

Based on the agreement regarding gathering and keeping of crude oil reserves Ashby Sp. z o. o. will render service of maintaining mandatory reserves of crude oil on behalf of PKN ORLEN, while PKN ORLEN will guarantee storing of inventories at the current location. The agreement regarding gathering and keeping of crude oil reserves has been concluded for a period of 1 year, whereby the Parent Company takes into account the possibility of its extension for another period.

On 27 February 2012, according to the agreement dated 2006, PKN ORLEN redeemed the debt securities of PLN 750,000 thousand. At the same day, according to mentioned agreement, there was a new securities issue of PLN 1,000,000 thousand.

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

On 7 March 2012 Ms. Grażyna Piotrowska-Oliwa, Management Board Member of PKN ORLEN S.A., Sales resigned from the position of the Management Board Member effective 18 March 2012.

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

On 28 March 2012 Mr. Marek Karabula and Mr. Piotr Wielowieyski resigned from the positions of Supervisory Board Members of PKN ORLEN S.A., effective from 28 March 2012.

On 30 May 2012, the Ordinary General Shareholders' Meeting appointed Mr. Paweł Bialek as a Member of the Supervisory Board.

On 30 August 2012, the Fitch Ratings agency released the national long-term credit rating for PKN ORLEN S.A. at the level of "BBB + (pol)/positive outlook". At the same time the Agency changed the international long-term rating from stable ("BB+/stable outlook") to positive ("BB+/positive outlook"). The Agency also maintained short-term international rating for PKN ORLEN S.A. at "B".

The Fitch Ratings agency justifies the change of the Company's prospect ratings due to improved financial position of PKN ORLEN S.A. which was achieved through actions taken in order to reduce financial leverage, including the sale of shares in Polkomtel S.A., optimization of capital investments and no dividend payment for the year 2011. These activities support the creditworthiness of PKN ORLEN S.A. in the time of the continuing difficult conditions in the European refining sector.

On 30 August 2012 the Supervisory Board of PKN ORLEN S.A. in accordance with § 8 sec. 11 item 5 of the Articles of Association appointed KPMG Audyt Sp. z o.o. seated in Warsaw, ul. Chłodna 51, as the entity authorized to audit the separate financial statements of PKN ORLEN S.A. and consolidated financial statements of the ORLEN Capital Group for the years 2013 and 2014.

On 29 November 2012 PKN ORLEN S.A. terminated the deposit agreement with The Bank of New York Mellon in New York signed on 26 November 1999 (with further amendments), which formed Company's global depositary receipts (GDR) and the agreement signed on 10 April 2001 (with further amendments), which formed Company's American depositary receipts (ADR).

The termination of the agreement for global depositary receipts will be effective after 90 day notice period, i.e. on 27 February 2013.

The termination of the agreement for American depositary receipts will be effective after 90 day notice period, which will start when Bank of New York Mellon delivers termination notice to all holders of ADR, but not later than 6 March 2013.

Moreover, PKN ORLEN S.A. informs that it sent on 29 November 2012 information to the British Financial Services Authority and to the London Stock Exchange about recalling the GDR's from official trading on the market and London Stock Exchange. The trading-end will be effective on the date of expiration of the agreement for GDR's, i.e. on 27 February 2013.

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PKN ORLEN S.A. decided to terminate the Agreements due to lower interest of investors for depositary receipts. The Company's shares will still be traded on the Warsaw Stock Exchange.

PKN ORLEN S.A. informed in the Regulatory Announcement 240/2012, that the Supervisory Board of PKN ORLEN S.A. approved on 29 November 2012 the document "PKN ORLEN Strategy 2013-2017".

The main pillars of the strategy are:

- to ensure paying the dividend to shareholders together with an update of dividend policy,
- to increase the free cash flows and EBITDA according to LIFO with safe levels of financial indicators, and
- to execute the investment plan for the Group's development, especially in Upstream and Energy Sectors.

On 29 November 2012 the Supervisory Board of PKN ORLEN S.A. gave consent for realization of project of building new gas-steam power plant in Wloclawek, including the signing of construction contract.

On 4 December 2012 the contract with the consortium of companies was signed with: General Electric International Inc. acting through General Electric International S.A., Polish branch and SNC-LAVALIN POLSKA Sp. z o.o. ("Consortium"). The estimated net value of the contract is PLN 1.1 billion. The agreement provides the construction of 463 MWe power plant, in formula turn key. Putting plant into operation is planned for December 2015.

On 28 December 2012 PKN ORLEN S.A. has signed the contract for sale of part of mandatory reserves and the contract for gathering and keeping of crude oil reserves with Whirlwind sp. z o. o.

Based on the sale agreement PKN ORLEN S.A. has sold crude oil of the value of approximately USD 383 million (approximately PLN 1,185 million translated with USD/PLN exchange rate of National Bank of Poland as at 28 December 2012). The price of raw material was determined based on market quotations.

Based on the agreement regarding gathering and keeping of crude oil reserves Whirlwind will render service of maintaining mandatory reserves of crude oil on behalf of PKN ORLEN S.A., while PKN ORLEN S.A. will guarantee storing of inventories at the current location. The agreement regarding gathering and keeping of crude oil reserves has been concluded until 28 January 2014, whereby the Company takes into account the possibility of its extension for another period.

Above agreements were signed after the receipt of consent of the Material Reserves Agency.

Additionally, PKN ORLEN S.A., signed with Whirlwind an agreement for granting short-term loan amounting to approximately PLN 227 million, with the market interest rates. The loan will be repaid at the time of input VAT return on above transaction by Tax Office to Whirlwind.

Whirlwind is a special purpose vehicle, setup for RBS Polish Financial Advisory Services Sp. z o.o., which is subsidiary of Royal Bank of Scotland N.V. Whirlwind has the sale of oil included in its articles of association.

4. Information on related parties

Information on significant related party transactions

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

In the 12 and 3 months period ended 31 December 2012 and 31 December 2011 there were no significant related party transactions concluded within the Group on other than market terms.

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

In the 12 and 3 months period ended 31 December 2012 and 31 December 2011 the Group companies did not grant any advances, borrowings, loans, guarantees and sureties to managing and supervising persons and their relatives nor concluded other agreements obliging to render services to PKN ORLEN S.A. and its related parties.

As at 31 December 2012 and 31 December 2011 there are no loans granted by the Group companies to managing and supervising persons and their relatives.

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

In the 12 and 3 months period ended 31 December 2012 and 31 December 2011 key executive personnel of PKN ORLEN and the Group companies disclosed the following types of transactions based on issued statements on transactions with related parties:

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Type of relation through key executive personnel of the Company and the Group companies	Sales				Purchases			
	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Supervising persons	402	402	30	30	-	-	-	-
Managing persons	361	320	48	9	7	-	13	3
Other key executive personnel	289	253	94	57	38	38	-	-
	1 052	975	172	96	45	38	13	3

As at 31 December 2012 and 31 December 2011 key executive personnel of the Parent Company and key executive personnel of the Group companies did not reveal any balances of receivables and liabilities with related parties in the issued statements.

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

	Jointly-controlled entities				Associates				Total			
	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Sales	1 905 300	535 948	1 857 217	453 945	68 455	14 574	133 983	23 074	1 973 755	550 522	1 991 200	477 019
Purchases	606 590	162 084	539 943	140 617	43 719	12 391	124 886	25 863	650 309	174 475	664 829	166 480
Financial revenues	540	46	1 769	195	143	96	2 507 092	2 506 613	683	142	2 508 861	2 506 808
Dividends	11 876	-	60 057	897	-	-	250 013	-	11 876	-	310 070	897
Financial expenses	62	10	32	16	1	1	61	58	63	11	93	74

	Jointly-controlled entities		Associates		Total	
	as at 31/12/2012 (unaudited)	as at 31/12/2011	as at 31/12/2012 (unaudited)	as at 31/12/2011	as at 31/12/2012 (unaudited)	as at 31/12/2011
Trade and other receivables	403 803	345 136	11 218	17 557	415 021	362 693
Trade and other liabilities	251 411	243 599	8 122	8 108	259 533	251 707

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

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

As at 31 December 2012 the ORLEN Capital Group entities were parties in the following significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

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

5.1.1. Proceedings with the total value exceeding 10% of the PKN ORLEN S.A.'s equity

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

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

On 21 October 2010 the Court of Arbitration in Prague overruled the entire claim of Agrofert Holding a.s. against PKN ORLEN regarding the payment of approximately PLN 3,172,709 thousand translated at the exchange rate as at 31 December 2012 (representing CZK 19,464,473 thousand) with interest and obliged Agrofert Holding a.s. to cover the cost of proceedings born by PKN ORLEN.

In 2011 PKN ORLEN received from the court in Prague (Czech Republic) claim to overrule the sentence of arbitration court of the above mentioned case.

On 16 January 2012 PKN ORLEN submitted a response to Agrofert's claim. In its response PKN ORLEN appealed to dismiss all Agrofert Holding a.s.'s claim and adjudge it with proceeding costs refund. In the opinion of PKN ORLEN the decision included in judgment of the arbitration court dated 21 October 2010 is correct and there is no ground for

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its reverse. On 10 January 2013 there was the first hearing in front of the court in Prague. During the hearing the rules of the proceeding have been arranged. The District Court in Prague set the next hearing for 23-25 April 2013.

5.1.2. Other significant proceedings with the total value not exceeding 10% of the PKN ORLEN S.A.'s equity

5.1.2.1. Tax proceedings

As at 31 December 2012 there are ongoing tax proceedings in Rafineria Trzebinia S.A. concerning excise tax settlements for the period May-September 2004.

In the prior years, as a result of the Customs Office proceeding, the excise tax liability for Rafineria Trzebinia S.A. was set at the amount above PLN 100,000 thousand. Rafineria Trzebinia S.A. filed an appeal against the decisions imposing tax liabilities.

On 29 July 2011 the Company filed an annulment of the sentence imposed by VAC in Krakow on 20 April 2011, that overruled the claim on the decision of the Customs Chamber in Kraków that revoked the decision of Customs Office and decided reexamine the case, to the Supreme Administrative Court with respect to the liabilities for May, June, July and August 2004. The annulment has not been examined by Supreme Administrative Court yet.

On 28 March 2012 the Company filed an annulment of the sentence imposed by VAC in Krakow, that overruled on 25 January 2012 the decision of the Customs Chamber in Krakow and decided to sustain the decision of Customs Office in Krakow regarding the excise tax liability for Rafineria Trzebinia S.A. for September 2004. This annulment, as well has not been examined yet.

Rafineria Trzebinia S.A. created a provision recognized in profit or loss of 2011 to cover the potential negative financial impact regarding the realization of excise tax liabilities.

5.1.2.2. Anti-trust proceedings

Anti-trust proceedings concerned an allegation that in the years 1996–2007, PKN ORLEN, Petrol Station Kogut Sp.j. and MAGPOL B. Kułakowski i Wspólnicy Sp.j. were using practice limiting competition on the domestic market of wholesale of petrol and diesel oil by setting retail selling prices of petrol and diesel oil. On 16 July 2010 the President of the Office of Competition and Consumer Protection issued a decision, in which PKN ORLEN and Petrol Station Kogut Sp.j. were found guilty of participating till 16 July 2007 in anti-competition actions. The President of OCCP has imposed a fine on PKN ORLEN of PLN 52,700 thousand. On 2 August 2010 PKN ORLEN appealed from the decision of the OCCP to the Court of Competition and Consumer Protection. The trial took place on 13 September 2012. In the decision dated 25 September 2012 the Court included partially the Company's appeal from the decision imposing a fine and decreased the amount of the fine to PLN 26,368 thousand. PKN ORLEN appealed from the sentence, demanding to revoke the decision in the matter of taking part in anti-competition actions, possibly by reducing the fine. The case is being considered by the Warsaw Court of Appeal.

The President of the OCCP conducted anti-trust proceeding against Orlen Oil sp. z o.o. in relation to a potential violation of Competition and Consumer Protection Act by concluding an agreement for setting the resale pricing of Platinum product line with authorized distributors. On 31 December 2012 the President of the OCCP issued a decision, delivered to the Orlen Oil Sp. z o.o. representative on 10 January 2013 imposing a fine of PLN 1,994 thousand. On 15 January 2013 the Management Board of Orlen Oil Sp. z o.o. decided to appeal from the decision to the District Court in Warsaw of Competition and Consumer Protection.

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

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

– Court proceedings in which PKN ORLEN acts as a defendant

The subject of the court proceedings concerns settlement of the contentious system fee for the period from 5 July 2001 to 30 June 2002. The total amount of the claim is PLN 46,232 thousand increased by statutory interest. On 4 August 2011, the Court of Appeals in Warsaw revoked the first instance authority sentence and submitted the case to re-examination by the District Court in Warsaw. The hearings were conducted on 30 April 2012 and 19 November

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2012. The District Court decided that an expert has to give an opinion regarding the case. Once the opinion is issued, the new hearing date will be announced.

– Court proceedings in which PKN ORLEN acts as an outside intervener

In 2004 the District Court in Warsaw summoned PKN ORLEN as a co-defendant in a court case PSE – Operator S.A. (legal successor of PGE Polska Grupa Energetyczna S.A., former Polskie Sieci Elektroenergetyczne) against ENERGA – OPERATOR S.A. PSE Operator S.A. and Energa - Operator S.A. submitted cassations to Supreme Court from the verdict of the Court of Appeals dated 21 September 2011. On 11 January 2013 the Supreme Court issued a sentence, in which revokes the appeal of Energa Operator S.A., partially agrees to the appeal of PSE Operator, revokes the previous sentence and passes the case back to the Appeal Court for renewed decision, which should include the statement of the cassation costs.

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

5.1.2.4. Compensation due to compulsory buy-out of non-controlling interest in PARAMO a.s.

The Company UNIPETROL a.s. is a party in a proceeding initiated in 2009 by former non-controlling interest shareholders of PARAMO a.s. and concerns change in compensation received due to losses incurred on compulsory shares buy-out performed by UNIPETROL a.s. in 2009. The total amount of the claim is approximately no more than PLN 49,552 thousand at average exchange rate as at 31 December 2012 (representing approximately CZK 304,000 thousand). UNIPETROL a.s. considers the above described claims of former shareholders of PARAMO a.s. as ungrounded.

The Court confirmed, the PARAMO a.s. shareholders' resolution regarding the share buyout is fully valid and effective. Two plaintiffs appealed from the sentence to the Supreme Court in the Czech Republic. The claim will be considered only if the Supreme Court recognizes an important law issue in the case.

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

On 23 May 2012, UNIPETROL RPA s.r.o. received from the Regional Court in Ostrava a claim brought by I.P.-95 s.r.o. for compensation in the total amount of app. PLN 291,535 thousand, translated using the exchange rate from 31 December 2012 (equivalent of CZK 1,788,559 thousand). The claim is related to the filing by UNIPETROL RPA s.r.o. motion for bankruptcy of I.P.-95 s.r.o. in November 2009. UNIPETROL RPA s.r.o. is one of the eight defendants against which the claim was brought.

According to the UNIPETROL RPA s.r.o. the I.P.-95 s.r.o.'s claim is groundless. The case is being heard in the Regional Court in Ostrava. The parties are waiting for the date of the first hearing.

5.2. Court proceedings in which Companies of the Capital Group act as plaintiff

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

The proceedings concern inconsistency of Yukos International's statements with the actual state of AB ORLEN Lietuva at the closing date of the purchase of AB ORLEN Lietuva shares by PKN ORLEN. Claims of PKN ORLEN concern reimbursement of the amount of approximately PLN 774,900 thousand at exchange rate as at 31 December 2012 (representing USD 250,000 thousand), deposited in the escrow account as a part of the payment for AB ORLEN Lietuva shares in order to secure the potential claims of PKN ORLEN towards Yukos International.

At the closing of the evidentiary seating held between 28 November and 8 December 2011 the Court of Arbitration obliged the parties to submit final pleadings and proceeding costs refund in March and April 2012. On 29 February 2012 PKN ORLEN submitted final pleading. Yukos International submitted as well the pleading. On 30 March 2012 PKN ORLEN and Yukos International submitted the response to the above-mentioned pleadings. On 13 and 27 April 2012 the parties submitted motions for the proceeding cost refund. After the submission of above mentioned pleadings, PKN ORLEN is expecting for the final decision of the Court of Arbitration.

5.2.2 Compensation due to property damages

- Rafineria Trzebinia S.A. acts as a co-plaintiff in the proceedings held by District Court in Kraków concerning abuses associated with the realization of investment in installation for the esterification of biodiesel oil, on which Rafineria Trzebinia S.A. claims to incur a loss of approximately PLN 79,000 thousand. The indictment in this case was raised in December 2010. The company issued a motion to the court requesting to oblige the defendant to repair the incurred damages. The claim is being heard in first instance court. The next hearing will take place on 12 February 2013.

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- AB ORLEN Lietuva is a plaintiff in the compensation proceeding against RESORT MARITIME SA, The London Steamship Owners' Mutual Insurance Association Limited, Sigma Tankers Inc., Cardiff Maritime Inc., Heidenreich Marine, Heidenreich Maritime Inc. and Heidmar Inc. due to losses incurred during the accident in Butinge Terminal (the tanker ship hit a terminal buoy) on 29 December 2005. The total compensation claim amounts to approximately PLN 71,040 thousand translated at the exchange rate as at 31 December 2012 (representing approximately LTL 60,000 thousand). The proceedings are held in first instance in front of district court in Klajpeda.

5.2.3. Tax proceedings

UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s., is a party in a tax proceeding related to validity of investment tax relief for 2005. UNIPETROL RPA s.r.o. claims the return of income tax paid for 2005 by CHEMOPETROL a.s. The claim concerns unused investment relief attributable to CHEMOPETROL a.s. The total value of claim amounts to approximately PLN 52,975 thousand translated using exchange rate as at 31 December 2012 (representing approximately CZK 325,000 thousand). The proceedings are held in front of District Court in Ústí on Lab.

5.2.4 Arbitration proceedings against Basell Europe Holding B.V.

On 20 December 2012 PKN ORLEN S.A. sent an arbitration call to Basell Europe Holding B.V. regarding ad hoc proceeding relating to Joint Venture Agreement signed in 2002 between PKN ORLEN S.A. and Basell Europe Holding B.V. PKN seeks compensation in its own favour or, depending on the court's decision, in favor of Basell Orlen Polyolefins Sp. z o.o. of PLN 112,110 thousand (representing approximately EUR 27,423 thousand) plus interest. The compensation regards the price of goods manufactured by Basell Orlen Polyolefins sp. z o.o. which are sold to Basell Sales & Marketing Company B.V. (entity related to Basell Europe Holdings B.V. in the meaning of Joint Venture Agreement) with the purpose of re-sell. The arbitration proceeding will take place in London Court of ad hoc Arbitration, acting based on Regulations of United Nation Commission on International Trade Law (UNCITRAL). The process of selecting members of the Court of Arbitration is in progress.

More information about above proceedings, except for those described in point 5.2.4 and 5.1.2.5, were described in details in Note 42 to the Consolidated Financial Statements for the year 2011.

6. Other information

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

Shareholder	% of votes at the GSM as at the date of filing of		Number of shares as at the date of filling of	
	the foregoing report	the prior report	the foregoing report	the prior report
State Treasury	27.52%	27.52%	117 710 196	117 710 196
Aviva OFE*	5.08%	5.08%	21 744 036	21 744 036
ING OFE**	5.02%	5.02%	21 464 398	21 464 398
Others	62.38%	62.38%	266 790 431	266 790 431
	100.00%	100.00%	427 709 061	427 709 061

* According to the received confirmations by fund as at 9 February 2010

** According to the received confirmations by fund as at 30 March 2012

The information in the table were determined on the basis of the notifications received by the Company from the shareholders in accordance with article 69 section 1 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws 2009 No. 185, item. 1439, as amended).

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

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

	Number of shares, options as at the date of the foregoing quarterly report filing **	Number of shares, options as at the date of the prior quarterly report filing *
Supervisory Board	3 300	3 300
Grzegorz Borowiec	100	100
Artur Gabor	3 200	3 200

* According to the received confirmations as at 16 October 2012

** According to the information possessed by the Company as at 14 January 2013

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

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

In the period from 1 January to 31 December 2012 PKN ORLEN S.A. and its subsidiaries did not grant any loan sureties or guarantees to another entity or its subsidiary, where the value of sureties and guarantees constituted at least 10% of the Company's equity.

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

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

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN S.A.



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C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN S.A.

Separate statement of financial position

	as at 31/12/2012 (unaudited)	as at 31/12/2011
ASSETS		
Non-current assets		
Property, plant and equipment	12 087 781	12 190 347
Intangible assets	603 416	362 791
Perpetual usufruct of land	91 319	89 692
Shares in related parties	9 003 021	9 051 706
Financial assets available for sale	40 634	40 328
Deferred tax assets	-	11 280
Other non-current assets	647 963	683 127
	22 474 134	22 429 271
Current assets		
Inventories	10 375 471	11 549 043
Trade and other receivables	6 395 513	7 271 441
Other short-term financial assets	1 081 549	320 480
Income tax receivable	56 489	1 142
Cash and cash equivalents	972 179	4 291 187
Non-current assets held for sale	51 634	6 519
	18 932 835	23 439 812
Total assets	41 406 969	45 869 083
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 057 635	1 057 635
Share premium	1 227 253	1 227 253
Hedging reserve	(69 133)	(14 617)
Retained earnings	20 704 251	18 576 453
Total equity	22 920 006	20 846 724
LIABILITIES		
Long-term liabilities		
Interest-bearing loans	6 968 525	9 346 203
Provisions	360 307	327 747
Deferred tax liabilities	239 872	-
Other long-term liabilities	133 627	170 434
	7 702 331	9 844 384
Short-term liabilities		
Trade and other liabilities	8 585 606	10 998 036
Interest-bearing loans and borrowings	1 303 497	2 320 861
Income tax liability	-	613 182
Provisions	400 794	442 181
Deferred income	137 348	118 423
Other financial liabilities	357 387	685 292
	10 784 632	15 177 975
Total liabilities	18 486 963	25 022 359
Total equity and liabilities	41 406 969	45 869 083

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Separate statement of profit or loss and other comprehensive income

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Statement of profit or loss				
Sales revenues	88 348 971	23 570 760	79 037 121	21 943 934
Cost of sales	(83 753 762)	(22 840 145)	(73 327 619)	(20 449 377)
Gross profit on sales	4 595 209	730 615	5 709 502	1 494 557
Distribution expenses	(2 065 565)	(531 936)	(1 947 915)	(496 856)
General and administrative expenses	(754 926)	(222 923)	(671 186)	(199 706)
Other operating revenues	372 879	91 508	435 158	202 655
Other operating expenses	(337 514)	(160 669)	(351 621)	(146 176)
Profit/(Loss) from operations	1 810 083	(93 405)	3 173 938	854 474
Financial revenues	1 639 570	211 160	2 999 717	2 556 268
Financial expenses	(785 690)	(504 523)	(3 777 208)	(2 310 506)
Financial revenues and expenses	853 880	(293 363)	(777 491)	245 762
Profit/(Loss) before tax	2 663 963	(386 768)	2 396 447	1 100 236
Income tax expense	(536 165)	(3 064)	(1 010 281)	(827 240)
Net profit/(loss)	2 127 798	(389 832)	1 386 166	272 996
Items of other comprehensive income				
which will be reclassified into profit or loss under certain conditions				
Hedging instruments	(67 303)	(12 550)	(96 902)	182 444
Deferred tax	12 787	2 384	18 411	(34 665)
	(54 516)	(10 166)	(78 491)	147 779
Total net comprehensive income	2 073 282	(399 998)	1 307 675	420 775
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	4.97	(0.92)	3.24	0.64

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Separate statement of cash flows

	for 12 months ended 31/12/2012 (unaudited)	for 3 months ended 31/12/2012 (unaudited)	for 12 months ended 31/12/2011	for 3 months ended 31/12/2011 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	2 127 798	(389 832)	1 386 166	272 996
Adjustments for:				
Depreciation and amortisation	1 055 942	264 835	991 405	273 143
Foreign exchange (gain)/loss	(820 640)	(111 047)	1 063 096	231 994
Interest, net	301 971	74 282	299 764	75 791
Dividends	(173 085)	(5 914)	(400 702)	-
Loss/(Profit) on investing activities	452 560	486 218	(579 191)	(575 093)
Change in receivables	919 581	1 587 777	(1 358 678)	147 891
Change in inventories	1 183 711	1 574 103	(4 083 934)	(562 345)
Change in liabilities	(2 423 015)	(2 670 370)	1 160 070	(1 145 266)
Change in provisions	225 766	84 590	248 509	(18 382)
Income tax expense	536 165	3 064	1 010 281	827 240
Income tax (paid)	(940 753)	(56 547)	(176 856)	(64 020)
Other adjustments	(380 697)	(74 288)	(353 265)	(105 502)
Net cash provided by/(used in) operating activities	2 065 304	766 871	(793 335)	(641 553)
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(1 398 978)	(710 043)	(1 249 218)	(203 639)
Disposal of property, plant and equipment and intangible assets	20 342	6 889	254 970	12 430
Acquisition of shares	(169 551)	(81 942)	(111 094)	(14 708)
Disposal of shares	116	-	3 672 247	3 672 147
Interest received	36 411	14 354	28 417	15 087
Dividends received	172 249	21 787	403 602	11 484
Outflows from additional repayable payments to subsidiaries' equity	(195 795)	(122 075)	(135 334)	(112 334)
Proceeds from additional repayable payments to subsidiaries' equity	7 641	-	19 080	4 500
Outflows from long-term loans granted	-	-	(561 380)	-
(Outflows)/Proceeds from short-term loans granted	(917 696)	(848 737)	314 249	3 192
Outflows from cash pool facility	(10 204)	(34 520)	(81 046)	(33 726)
Other	(3 359)	(1 509)	(63 815)	(56 412)
Net cash provided by/(used in) investing activities	(2 458 824)	(1 755 796)	2 490 678	3 298 021
Cash flows - financing activities				
Proceeds from loans and borrowings received	3 906 620	817 774	13 773 529	1 339 829
Debt securities issued	10 140 925	2 679 605	5 550 239	1 306 080
Repayments of loans and borrowings	(6 993 929)	(1 474 688)	(12 713 195)	(717 712)
Redemption of debt securities	(9 574 388)	(2 647 674)	(5 223 918)	(1 321 058)
Interest paid	(330 039)	(67 316)	(396 983)	(78 405)
Payments of liabilities under finance lease agreements	(10 351)	(2 889)	(6 647)	(2 073)
(Outflows)/Proceeds from cash pool facility	(67 165)	45 426	214 798	130 336
Net cash provided by/(used in) financing activities	(2 928 327)	(649 762)	1 197 823	656 997
Net (decrease)/increase in cash and cash equivalents	(3 321 847)	(1 638 687)	2 895 166	3 313 465
Effect of exchange rate changes	2 839	3 384	(39)	(40)
Cash and cash equivalents, beginning of the period	4 291 187	2 607 482	1 396 060	977 762
Cash and cash equivalents, end of the period	972 179	972 179	4 291 187	4 291 187

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Statement of changes in separate equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2012	2 284 888	(14 617)	18 576 453	20 846 724
Net profit	-	-	2 127 798	2 127 798
Items of other comprehensive income	-	(54 516)	-	(54 516)
Total net comprehensive income	-	(54 516)	2 127 798	2 073 282
31 December 2012	2 284 888	(69 133)	20 704 251	22 920 006
(unaudited)				
1 January 2011	2 284 888	63 874	17 190 287	19 539 049
Net profit	-	-	1 386 166	1 386 166
Items of other comprehensive income	-	(78 491)	-	(78 491)
Total net comprehensive income	-	(78 491)	1 386 166	1 307 675
31 December 2011	2 284 888	(14 617)	18 576 453	20 846 724

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

.....
Dariusz Krawiec
President of the Board

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

.....
Piotr Chelmiński
Member of the Board

.....
Krystian Pater
Member of the Board

.....
Marek Podstawa
Member of the Board

Signature of the person responsible
for keeping account books

.....
Rafał Warpechowski

Executive Director
Planning and Reporting