



**Polski Koncern Naftowy ORLEN
Spółka Akcyjna**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2012**

The opinion contains 2 pages
The supplementary report contains 9 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2012



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This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Polski Koncern Naftowy ORLEN Spółka Akcyjna

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Polski Koncern Naftowy ORLEN Spółka Akcyjna, with its registered office in Płock, ul. Chemików 7 (“the Company”), which comprise the separate statement of financial position as at 31 December 2012, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and additional information to the financial statements, comprising a summary of significant accounting policies and other explanatory information and notes.

Management's and Supervisory Board's Responsibility

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

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330) (“the Accounting Act”), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying separate financial statements of Polski Koncern Naftowy ORLEN Spółka Akcyjna have been prepared and present fairly, in all material respects, the financial position of the Company as at 31 December 2012, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

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

On behalf of KPMG Audyt Sp. z o.o.

Registration No. 458

ul. Chłodna 51

00-867 Warsaw



Monika Bartoszewicz

Key Certified Auditor

Registration No. 10268

Director

28 March 2013



TRANSLATION

**Polski Koncern Naftowy ORLEN
Spółka Akcyjna**

**Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2012**

The supplementary report contains 9 pages

The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2012



Polski Koncern Naftowy ORLEN Spółka Akcyjna
*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2012*

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1. General

1.1. General information about the Company

1.1.1. Company name

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

1.1.2. Registered office

ul. Chemików 7
09-411 Płock

1.1.3. Registration in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XIV Commercial Department of the National Court Register
Date:	19 July 2001
Registration number:	KRS 0000028860
Share capital as at the end of the reporting period:	PLN 534 636 326.25

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2012, the Management Board of the Company comprised of the following members:

- Dariusz Krawiec – President of the Management Board, Chief Executive Officer,
- Sławomir Jędrzejczyk – Vice-President of the Management Board, Chief Financial Officer,
- Piotr Chełmiński – Member of the Management Board, Petrochemistry,
- Krystian Pater – Member of the Management Board, Refinery,
- Marek Podstawa – Member of the Management Board, Sales.

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

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

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

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

1.2. Key certified auditor and Audit Firm information

1.2.1. Key Certified Auditor information

Name and surname: Monika Bartoszewicz
Registration number: 10268

1.2.2. Audit Firm information

Name: KPMG Audyt Sp. z o.o.
Address of registered office: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000104753
Registration court: District Court for the Capital City of Warsaw in Warsaw,
XII Commercial Department of the National Court Register
Share capital: PLN 125 000.00
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 458.

1.3. Information on prior period separate financial statements

The separate financial statements for the financial year ended 31 December 2011 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 30 May 2012 where it was resolved to allocate the net profit for the prior financial year of PLN 1 386 165 827.51 to reserve capital.

The separate financial statements were submitted to the Registry Court on 15 June 2012 and were published in Monitor Polski B No. 1981 on 7 September 2012.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of PKN ORLEN S.A. with its registered office in Płock, ul. Chemików 7 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2012, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and additional information to the financial statements, comprising a summary of significant accounting policies and other explanatory information and notes.

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

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



Polski Koncern Naftowy ORLEN Spółka Akcyjna
The supplementary report on the audit of the separate financial statements
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We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company’s head office during the period from 4 December 2012 to 14 December 2012 and from 14 January 2013 to 28 March 2013. The audit was preceded by quarterly reviews.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Company’s activities.

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

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

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

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

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Self-Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2012 PLN '000	% of total assets	31.12.2011 PLN '000	% of total assets
Non-current assets				
Property, plant and equipment	12 087 781	29.2	12 190 347	26.6
Intangible assets	603 416	1.5	362 791	0.8
Perpetual usufruct of land	91 319	0.2	89 692	0.2
Shares in related parties	9 003 021	21.7	9 051 706	19.7
Financial assets available for sale	40 634	0.1	40 328	0.1
Deferred tax assets	-	-	11 280	-
Other non-current assets	647 963	1.6	683 127	1.5
Total non-current assets	22 474 134	54.3	22 429 271	48.9
Current assets				
Inventories	10 375 471	25.1	11 549 043	25.2
Trade and other receivables	6 395 513	15.4	7 271 441	15.8
Other short-term financial assets	1 081 549	2.6	320 480	0.7
Income tax receivable	56 489	0.1	1 142	-
Cash and cash equivalents	972 179	2.4	4 291 187	9.4
Non-current assets held for sale	51 634	0.1	6 519	-
Total current assets	18 932 835	45.7	23 439 812	51.1
TOTAL ASSETS	41 406 969	100.0	45 869 083	100.0
EQUITY AND LIABILITIES				
	31.12.2012 PLN '000	% of total assets	31.12.2011 PLN '000	% of total assets
Equity				
Share capital	1 057 635	2.6	1 057 635	2.3
Share premium	1 227 253	3.0	1 227 253	2.7
Hedging reserve	(69 133)	(0.2)	(14 617)	-
Retained earnings	20 704 251	50.0	18 576 453	40.4
Total equity	22 920 006	55.4	20 846 724	45.4
Liabilities				
Loans and debt securities	6 968 525	16.8	9 346 203	20.4
Provisions	360 307	0.9	327 747	0.7
Deferred tax liabilities	239 872	0.6	-	-
Other long-term liabilities	133 627	0.3	170 434	0.4
Total long-term liabilities	7 702 331	18.6	9 844 384	21.5
Trade and other liabilities	8 585 606	20.7	10 998 036	24.0
Loans, borrowings and debt securities	1 303 497	3.1	2 320 861	5.1
Income tax liability	-	-	613 182	1.3
Provisions	400 794	1.0	442 181	1.0
Deferred income	137 348	0.3	118 423	0.2
Other financial liabilities	357 387	0.9	685 292	1.5
Total short-term liabilities	10 784 632	26.0	15 177 975	33.1
Total liabilities	18 486 963	44.6	25 022 359	54.6
TOTAL EQUITY AND LIABILITIES	41 406 969	100.0	45 869 083	100.0



Polski Koncern Naftowy ORLEN Spółka Akcyjna
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2.1.2. Separate statement of profit or loss and other comprehensive income

	1.01.2012 - 31.12.2012	% of total sales	1.01.2011 - 31.12.2011	% of total sales
	PLN '000	revenues	PLN '000	revenues
Statement of profit or loss				
Sales revenues	88 348 971	100.0	79 037 121	100.0
Cost of sales	(83 753 762)	(94.8)	(73 327 619)	(92.8)
Gross profit on sales	4 595 209	5.2	5 709 502	7.2
Distribution expenses	(2 065 565)	(2.3)	(1 947 915)	(2.5)
General and administrative expenses	(754 926)	(0.9)	(671 186)	(0.8)
Other operating revenues	372 879	0.4	435 158	0.6
Other operating expenses	(337 514)	(0.4)	(351 621)	(0.4)
Profit from operations	1 810 083	2.0	3 173 938	4.0
Financial revenues	1 639 570	1.9	2 999 717	3.8
Finance expenses	(785 690)	(0.9)	(3 777 208)	(4.8)
Financial revenues and expenses	853 880	1.0	(777 491)	(1.0)
Profit before tax	2 663 963	3.0	2 396 447	3.0
Income tax expense	(536 165)	(0.6)	(1 010 281)	(1.3)
Net profit	2 127 798	2.4	1 386 166	1.8
Items of other comprehensive income which will be reclassified into profit or loss under certain conditions				
<i>Hedging instruments</i>	(67 303)	(0.1)	(96 902)	(0.1)
<i>Deferred tax</i>	12 787	-	18 411	-
	(54 516)	(0.1)	(78 491)	(0.1)
Total net comprehensive income	2 073 282	2.3	1 307 675	1.7
Net profit and diluted net profit per share (in PLN per share)	4.97		3.24	

2.2. Selected financial ratios

	2012	2011	2010
1. Return on sales			
<u>net profit x 100%</u> sales revenues	2.4%	1.8%	3.8%
2. Return on equity			
<u>net profit x 100%</u> equity - net profit	10.2%	7.1%	13.7%
3. Debtors' days			
<u>average trade receivables net x 365 days</u> sales revenues	26 days	28 days	27 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	44.6%	54.6%	51.0%
5. Current ratio			
<u>current assets</u> current liabilities	1.8	1.5	1.3

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of net trade receivables at the beginning and at the end of the period.

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

3. Detailed report

3.1. Accounting system

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

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

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

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

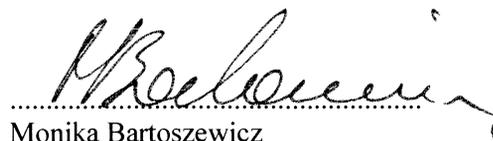
3.2. Notes to the separate financial statements

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

3.3. Report on the Company's activities

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

On behalf of KPMG Audyt Sp. z o.o.
Registration No. 458
ul. Chłodna 51
00-867 Warsaw



Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Director

28 March 2013