


**ORLEN GROUP**
**RESULTS OF THE ORLEN GROUP FOR THE 1ST QUARTER OF 2015**
*(Translation of a document originally issued in Polish)*
**Summary of results**
**Table 1. Key financial data**

Q4 2014	Q1 2015	Q1 2014	change %	Key financial data [PLN million]	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
<b>24 902</b>	<b>20 005</b>	<b>24 119</b>	<b>(17.1)</b>	<b>Sales revenues</b>	<b>20 005</b>	<b>24 119</b>	<b>(17.1)</b>
<b>929</b>	<b>1 899</b>	<b>953</b>	<b>99.3</b>	<b>Operating Profit/(Loss) under LIFO increased by depreciation and amortisation (EBITDA LIFO), including:</b>	<b>1 899</b>	<b>953</b>	<b>99.3</b>
941	1 741	821	112.1	Downstream	1 741	821	112.1
408	283	234	20.9	Retail	283	234	20.9
(272)	14	31	(54.8)	Upstream	14	31	(54.8)
(148)	(139)	(133)	(4.5)	Corporate functions <sup>1</sup>	(139)	(133)	(4.5)
<b>929</b>	<b>1 899</b>	<b>953</b>	<b>99.3</b>	<b>Operating Profit/(Loss) under LIFO increased by depreciation and amortisation (EBITDA LIFO), including:</b>	<b>1 899</b>	<b>953</b>	<b>99.3</b>
839	763	445	71.5	PKN ORLEN S.A.	763	445	71.5
403	472	284	66.2	Unipetrol Group	472	284	66.2
(296)	376	(64)	-	ORLEN Lietuva Group	376	(64)	-
(17)	288	288	0.0	Other	288	288	0.0
<b>(664)</b>	<b>1 662</b>	<b>776</b>	<b>114.2</b>	<b>Operating Profit/(Loss) increased by depreciation and amortisation (EBITDA)</b>	<b>1 662</b>	<b>776</b>	<b>114.2</b>
<b>485</b>	<b>452</b>	<b>522</b>	<b>(13.4)</b>	<b>Depreciation and amortisation, including:</b>	<b>452</b>	<b>522</b>	<b>(13.4)</b>
317	310	388	(20.1)	Downstream	310	388	(20.1)
91	91	90	1.1	Retail	91	90	1.1
48	34	17	100.0	Upstream	34	17	100.0
29	17	27	(37.0)	Corporate functions <sup>1</sup>	17	27	(37.0)
<b>444</b>	<b>1 447</b>	<b>431</b>	<b>235.7</b>	<b>Operating Profit/(Loss) under LIFO (EBIT LIFO), including:</b>	<b>1 447</b>	<b>431</b>	<b>235.7</b>
624	1 431	433	230.5	Downstream	1 431	433	230.5
317	192	144	33.3	Retail	192	144	33.3
(320)	(20)	14	-	Upstream	(20)	14	-
(177)	(156)	(160)	2.5	Corporate functions <sup>1</sup>	(156)	(160)	2.5
<b>(1 149)</b>	<b>1 210</b>	<b>254</b>	<b>376.4</b>	<b>Operating Profit/(Loss) (EBIT)</b>	<b>1 210</b>	<b>254</b>	<b>376.4</b>
<b>(1 179)</b>	<b>868</b>	<b>126</b>	<b>588.9</b>	<b>Net Profit/(Loss)</b>	<b>868</b>	<b>126</b>	<b>588.9</b>
(1 216)	756	64	1 081.3	Net Profit/(Loss) attributable to equity owners of the Parent	756	64	1 081.3
<b>46 725</b>	<b>46 535</b>	<b>53 006</b>	<b>(12.2)</b>	<b>Total assets</b>	<b>46 535</b>	<b>53 006</b>	<b>(12.2)</b>
<b>20 386</b>	<b>21 354</b>	<b>27 612</b>	<b>(22.7)</b>	<b>Equity</b>	<b>21 354</b>	<b>27 612</b>	<b>(22.7)</b>
<b>6 720</b>	<b>6 161</b>	<b>9 016</b>	<b>(31.7)</b>	<b>Net debt</b>	<b>6 161</b>	<b>9 016</b>	<b>(31.7)</b>
408	980	(3 440)	-	Net cash - operating activities	980	(3 440)	-
(1 000)	(568)	(816)	(30.4)	Net cash - investing activities	(568)	(816)	(30.4)
<b>872</b>	<b>583</b>	<b>684</b>	<b>(14.8)</b>	<b>Investment expenditures (CAPEX)</b>	<b>583</b>	<b>684</b>	<b>(14.8)</b>
1.7	4.3	0.5	3.8 p.p.	Return on capital employed (ROACE) [%] <sup>2</sup>	4.3	0.5	3.8 p.p.
8.5	11.5	2.4	9.1 p.p.	Return on capital employed under LIFO (ROACE LIFO) [%] <sup>3</sup>	11.5	2.4	9.1 p.p.
<b>33.0</b>	<b>28.9</b>	<b>32.7</b>	<b>(3.8)p.p.</b>	<b>Net financial leverage [%] <sup>4</sup></b>	<b>28.9</b>	<b>32.7</b>	<b>(3.8)p.p.</b>
<b>(2.85)</b>	<b>1.77</b>	<b>0.15</b>	<b>1 080.0</b>	<b>Net Profit/(Loss) attributable to equity owners of the Parent per share (EPS) [PLN/share]</b>	<b>1.77</b>	<b>0.15</b>	<b>1 080.0</b>

  

Q4 2014	Q1 2015	Q1 2014	change %	Effect of inventory valuation under LIFO [PLN million]	3 months 2015	3 months 2014	change %
<b>(1 593)</b>	<b>(237)</b>	<b>(177)</b>	<b>(33.9)</b>	<b>Effect of inventory valuation under LIFO on EBITDA, including:</b>	<b>(237)</b>	<b>(177)</b>	<b>(33.9)</b>
(1 428)	(153)	(129)	(18.6)	PKN ORLEN S.A.	(153)	(129)	(18.6)
(231)	(32)	(20)	(60.0)	Unipetrol Group	(32)	(20)	(60.0)
98	(65)	(25)	(160.0)	ORLEN Lietuva Group	(65)	(25)	(160.0)
(32)	13	(3)	-	Other	13	(3)	-

1) Includes Corporate Functions of the ORLEN Group companies as well as companies not included in any of the above segments.

2) ROACE = profit from operations for the last four quarters after tax before impairment allowances of non-current assets / average capital employed (equity + net debt) for the last four quarters.

3) ROACE LIFO = profit from operations for the last four quarters under LIFO after tax before impairment allowances of non-current assets / average capital employed (equity + net debt) for the last four quarters.

4) Net financial leverage = net debt / equity – calculated at the end of the period.

**Financial results for the 1st quarter of 2015**

Operating profit increased by depreciation and amortisation based on LIFO method of inventory valuation ("EBITDA LIFO") of the ORLEN Capital Group ("ORLEN Group") for the 1st quarter of 2015 amounted to PLN 1,899 million and was higher by PLN 946 million (y/y).

The positive effect of changes in the macroeconomic factors related mainly to the increase in the model downstream margin by USD/bbl 3.1 (y/y) as well as the impact of depreciation of the USD exchange rate amounted to PLN 1,104 million (y/y).

The positive volume effect of PLN 327 million (y/y) resulted mainly from higher sales realized on all operating markets of the ORLEN Group.

Effect of other factors of (-) 485 million (y/y) comprised mainly:

- the negative impact of repurchase of tranche of mandatory reserves sold in June 2013 amounted to PLN (-) 297 million (y/y)
- a change in the balance on other operating activities of PLN (-) 182 million (y/y) as a result of lack of positive effect on other operating activities from the 1st quarter of 2014 related to the recognition of gain on bargain purchase shares of Ceska Rafinerska a.s. by Unipetrol a.s. from Shell.

The negative impact of crude oil prices decrease on inventory valuation in the 1st quarter of 2015 amounted to PLN (-) 237 million.

As a result, EBITDA of the ORLEN Group for the 1st quarter of 2015 amounted to PLN 1,662 million.

After consideration of depreciation and amortization expense, operating result for the 1st quarter of 2015 amounted to PLN 1,210 million.

Lower depreciation and amortization expense resulted mainly from recognition of impairment allowances in 2014 as well as standard procedure of verification of economic useful lives of tangible assets.

Net financial costs in the 1st quarter of 2015 amounted to PLN (-) 176 million and consisted primarily of negative impact of recognition and valuation of net financial instruments of PLN (-) 100 million, negative foreign exchange differences of PLN (-) 30 million and net interest of PLN (-) 35 million.

After consideration of tax charges, net profit of the ORLEN Group for the 1st quarter of 2015 amounted to PLN 868 million.

**Results of the core entities of the ORLEN Group in the 1st quarter of 2015**

- **PKN ORLEN S.A.** – EBITDA LIFO amounted to PLN 763 million and was higher by PLN 318 million (y/y):
  - PLN 305 million (y/y) – higher EBITDA LIFO of downstream segment as a result of improvement of the macroeconomic environment and higher sales volume, accompanied by the negative impact of repurchase transaction of mandatory reserves of PLN (-) 297 million (y/y),
  - PLN 21 million (y/y) – higher EBITDA of retail segment mainly due to increase in sales volume (y/y) as well as an improvement of non-fuel margins partially limited by lack of positive effects in other operating activities from the 1st quarter of 2014 concerning the reversal of impairment allowances of segments' assets,
  - PLN 3 million (y/y) – higher EBITDA of upstream segment,
  - PLN (-) 11 million (y/y) – lower EBITDA of corporate functions mainly due to negative balance in other operating activities.

The negative impact of changes in crude oil prices on inventory valuation in the 1st quarter of 2015 amounted to PLN (-) 153 million and as a result, EBITDA of PKN ORLEN amounted to PLN 610 million.

- **ORLEN Lietuva Group** – EBITDA LIFO amounted to PLN 376 million and was higher by PLN 440 million (y/y):
  - PLN 435 million (y/y) – higher EBITDA LIFO of downstream segment as a result of an improvement in macroeconomic factors, higher sales volume and further optimization of general and labor expenses,
  - PLN (-) 2 million (y/y) – lack of contribution of retail segment from the 1st quarter of 2014 after sales of AB Ventus Nafta to PKN ORLEN S.A. finalized in July 2014,



- PLN 7 million (y/y) – higher EBITDA of corporate functions mainly due to optimization of general costs.

The negative impact of changes in crude oil prices on inventory valuation in the 1st quarter of 2015 amounted to PLN (-) 65 million and as a result, EBITDA amounted to PLN 311 million.

- **Unipetrol Group** – EBITDA LIFO amounted to PLN 472 million and was higher by PLN 188 million (y/y):

- PLN 183 million (y/y) – higher EBITDA LIFO of downstream segment as the effect of positive changes of macroeconomic factors and higher sales volume,
- PLN 5 million (y/y) – higher EBITDA of retail segment mainly due to the improvement in fuel and non-fuel margins as well as higher sales volume,
- EBITDA of corporate functions remained unchanged (y/y).

The negative impact of changes in crude oil prices on inventory valuation in the 1st quarter of 2015 amounted to PLN (-) 32 million and as a result, EBITDA amounted to PLN 440 million.

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

As at 31 March 2015, net indebtedness of the ORLEN Group of PLN 6,161 million was lower by PLN (-) 559 million as compared to the level at the end of 2014. The change in net indebtedness comprised mainly of the net repayment of loans, borrowings and bonds of PLN (-) 1,204 million, a decrease in cash by PLN 847 million as well as the positive impact of foreign exchange differences from the revaluation of foreign currency loans and indebtedness valuation of PLN (-) 202 million.

Net financial leverage at the end of the 1st quarter of 2015 amounted to 28.9%.

Cash flows from operating activities in the 1st quarter of 2015 amounted to PLN 980 million and mainly comprised of net profit increased by depreciation and amortisation of PLN 1,320 million, as well as change in net working capital of PLN (-) 419 million.

Net cash used in investing activities in the 1st quarter of 2015 amounted to PLN (-) 568 million and comprised mainly of net expenditures for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land of PLN (-) 573 million.

Net cash used in financing activities in the 1st quarter of 2015 amounted to PLN (-) 1,265 million and comprised mainly of net expenditures due to change in loans and borrowings of PLN (-) 1,204 million as well as interest paid of PLN (-) 54 million.

Considering foreign exchange differences, the cash balance decreased in the 1st quarter of 2015 by PLN (-) 847 million and as at 31 March 2015 amounted to PLN 3,090 million.

Detailed commentaries regarding revenues and operating results of individual segments are presented further in this report.

**Macroeconomic commentary**
**Table 2. Macroeconomic parameters**

Item	Quarter			change %
	Q4 2014	Q1 2015	Q1 2014	
1	2	3	4	5=(3-4)/4
Brent crude oil (USD/bbl)	77	54	108	(50.0)
Brent / URAL differential (USD/bbl)	1.5	1.7	1.4	21.4
WTI crude oil (USD/bbl)	74	49	99	(50.5)
Canadian Light Sweet crude oil (USD/bbl)	67	42	91	(53.8)
Henry Hub gas (USD/1000m <sup>3</sup> )	133	102	183	(44.3)
Gas NGX AB-NIT (2A) (USD/1000m <sup>3</sup> )	106	75	170	(55.9)
Model downstream margin (USD/bbl) <sup>1</sup>	12.6	12.6	9.5	32.6
Model refining margin (USD/bbl) <sup>2</sup>	5.0	7.5	1.3	476.9
Model petrochemical margin (EUR/t) <sup>3</sup>	844	746	756	(1.3)
Model olefin margin (EUR/t) <sup>4</sup>	517	386	477	(19.1)
<b>Quotation of margins (crack margins)</b>				
<b>Refining products (USD/t)<sup>5</sup></b>				
Gasoline	135	140	145	(3.4)
Diesel oil	122	123	107	15.0
Light heating oil	104	109	95	14.7
Jet A-1 fuel	171	155	153	1.3
Heavy heating oil	(180)	(133)	(251)	47.0
SN 150	194	166	97	71.1
<b>Petrochemical products (EUR/t)<sup>5</sup></b>				
Polyethylene <sup>6</sup>	242	272	200	36.0
Polypropylene <sup>6</sup>	363	371	304	22.0
Ethylene	588	505	603	(16.3)
Propylene	540	454	530	(14.3)
Toluene	276	161	218	(26.1)
Benzene	435	180	411	(56.2)
Butadiene	354	238	364	(34.6)
Paraxylene	443	336	420	(20.0)

1) Model downstream margin (MDM) = Revenues (90.7% Products = 22.8% Gasoline + 44.2% Diesel oil + 15.3% HHO + 1.0% SN 150 + 2.9% Ethylene + 2.1% Propylene + 1.2% Benzene + 1.2% PX) – Expenses (100% input = 6.5% Brent crude oil + 91.1% URAL crude oil + 2.4% natural gas).

2) Model refining margin = Revenues (Products (93.5%) = 36% Gasoline + 43% Diesel oil + 14.5% HHO) minus expenses (100% input: Brent crude oil and other raw materials valued at Brent crude); product prices based on USD/bbl quotations.

3) Model petrochemical margin = revenues (98% Products = 44% HDPE, 7% LDPE, 35% PP homo, 12% PP copo) – products prices based on contract quotations minus expenses (100% input = 75% Naphtha + 25% LS VGO) – products prices based on spot quotations.

4) Model petrochemical margin of olefins = revenues (100% Products = 50% Ethylene, 30% Propylene, 10% Benzene, 10% Toluene) – products prices based on contract quotations minus expenses (100% input = 75% Naphtha + 25% LS VGO).

5) Margins (crack) for refining and petrochemical products (excluding polymers) calculated as difference between a quotation of given product and a quotation of Brent DTD crude oil.

6) Margin (crack) for polymers calculated as difference between quotations of polymers and monomers.

**Table 3. Exchange rates**

Currency	Average exchange rates <sup>1)</sup>			change %	Period end exchange rates <sup>1)</sup>			change %
	Q4 2014	Q1 2015	Q1 2014		Q4 2014	Q1 2015	Q1 2014	
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
USD/PLN	3.37	3.72	3.06	21.6	3.51	3.81	3.03	25.7
EUR/PLN	4.21	4.20	4.19	0.2	4.26	4.09	4.17	(1.9)
CZK/PLN	0.15	0.15	0.15	0,0	0.15	0.15	0.15	0,0
CAD/PLN	2.97	3.00	2.77	8.3	3.03	2.99	2.74	9.1
CAD/USD	0.88	0.81	0.91	(11.0)	0.86	0.78	0.90	(13.3)
USD/CZK	22.1	24.6	20.0	23.0	22.8	25.6	19.9	28.6
EUR/CZK	27.6	27.6	27.4	0.7	27.7	27.5	27.4	0.4

1) Based on exchange rates published by NBP and Czech Republic National Bank.

**Table 4. Fuel consumption <sup>1</sup>**

Countries, ( <sup>000 tonnes)</sup>	Q4 2014	Q1 2015	Q1 2014	change %
1	2	3	4	5=(3-4)/4
<b>Poland</b>	<b>3 616</b>	<b>3 381</b>	<b>3 310</b>	<b>2.1</b>
Gasoline	893	809	800	1.1
Diesel oil	2 723	2 572	2 510	2.5
<b>Lithuania</b>	<b>346</b>	<b>326</b>	<b>303</b>	<b>7.6</b>
Gasoline	48	44	46	(4.3)
Diesel oil	298	282	257	9.7
<b>Czech Republic</b>	<b>1 530</b>	<b>1 382</b>	<b>1 311</b>	<b>5.4</b>
Gasoline	390	361	350	3.1
Diesel oil	1 140	1 021	961	6.2
<b>Germany</b>	<b>14 357</b>	<b>12 967</b>	<b>12 714</b>	<b>2.0</b>
Gasoline	4 843	4 398	4 357	0.9
Diesel oil	9 514	8 569	8 357	2.5

1) Estimates prepared based on data of Agencja Rynku Energii S.A., Lithuanian Statistical Office, Czech Statistical Office and Association of the German Petroleum Industry.

**Segment commentary – Downstream**

Table 5.

Q4 2014	Q1 2015	Q1 2014	change %	Item, PLN million	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
<b>19 779</b>	<b>15 696</b>	<b>19 273</b>	<b>(18.6)</b>	<b>Segment revenues, including:</b>	<b>15 696</b>	<b>19 273</b>	<b>(18.6)</b>
16 265	12 880	15 718	(18.1)	Sales revenues from external customers	12 880	15 718	(18.1)
3 514	2 816	3 555	(20.8)	Sales revenues from transactions with other segments	2 816	3 555	(20.8)
<b>(20 686)</b>	<b>(14 554)</b>	<b>(19 218)</b>	<b>(24.3)</b>	<b>Segment expenses</b>	<b>(14 554)</b>	<b>(19 218)</b>	<b>(24.3)</b>
(59)	21	185	(88.6)	Other operating income/expenses, net	21	185	(88.6)
(3)	31	16	93.8	Share in profit from investments accounted for under equity method	31	16	93.8
<b>941</b>	<b>1 741</b>	<b>821</b>	<b>112.1</b>	<b>Operating profit/(loss) under LIFO increased by depreciation and amortisation (EBITDA LIFO)</b>	<b>1 741</b>	<b>821</b>	<b>112.1</b>
<b>(652)</b>	<b>1 504</b>	<b>644</b>	<b>133.5</b>	<b>Operating profit/(loss) increased by depreciation and amortisation (EBITDA)</b>	<b>1 504</b>	<b>644</b>	<b>133.5</b>
<b>624</b>	<b>1 431</b>	<b>433</b>	<b>230.5</b>	<b>Profit/(Loss) from operations under LIFO</b>	<b>1 431</b>	<b>433</b>	<b>230.5</b>
<b>(969)</b>	<b>1 194</b>	<b>256</b>	<b>366.4</b>	<b>Profit/(Loss) from operations</b>	<b>1 194</b>	<b>256</b>	<b>366.4</b>
537	401	475	(15.6)	CAPEX	401	475	(15.6)
7 296	6 756	6 152	9.8	Sales of products (thousand tonnes)	6 756	6 152	9.8

In the 1st quarter of 2015 EBITDA LIFO of the downstream segment of the ORLEN Group amounted to PLN 1,741 million and was higher by PLN 920 million (y/y).

The improvement of macroeconomic factors, including the quotation of main refinery products of the ORLEN Group impacted on an increase in the model downstream margin by 3.1 USD/bbl (y/y), which together with depreciation of the average exchange rate of the PLN against the USD contributed to the increase of the EBITDA LIFO of the segment by PLN 1,104 million (y/y).

A positive volume effect amounted to PLN 314 million (y/y) and resulted from an increase in sales on all operating markets of the ORLEN Group.

An increase in refinery volume on the Polish market resulted from higher sales to key customers and increasing the customer base.

Higher refinery volume on the Czech market was due to higher production capacity after the acquisition of shares in Ceska Rafinerska a.s. from Shell in the 1st quarter of 2014.

An increase in sales volume of refinery products in ORLEN Lietuva Group was achieved mainly through higher sales on the Latvian, Estonian and CIS markets.

A higher volume of polymers was mainly the result of an improvement of the market situation on the Czech market due to production constraints of suppliers from Western Europe.

The decrease in fertilizers sales was driven mainly by the breakdown of Nitric Acid and Canwil Installations in Anwil S.A. and consequently the limitation of volume on the Polish market.

An increase in plastics sales resulted mainly from a limited supply of PVC due to production installation overhauls on the German market.

The increase in PTA sales due to higher deliveries to the main customer and long-term stoppage of Portuguese manufacturer.

The impact of other factors amounted to PLN (-) 498 million (y/y) and related mainly to the negative impact of the repurchase of tranche of mandatory reserves of PLN (-) 297 million (y/y) sold in June 2013 and change in the balance on other operating activities of PLN (-) 164 million (y/y) as a result of lack of the recognition of gain on bargain purchase of shares in Ceska Rafinerska a.s. by Unipetrol a.s. from Shell of PLN 180 million in the 1st quarter of 2014.



A negative impact of crude oil price changes on inventory valuation in the 1st quarter of 2015 amounted to PLN (-) 237 million.

As a result, for the 1st quarter of 2015, the ORLEN Group's downstream segment EBITDA amounted to PLN 1,504 million.

In the 1st quarter of 2015 capital expenditures in the downstream segment of PLN 401 million comprised mainly:

- in PKN ORLEN S.A.: the CCGT power plant in Włocławek, Installation of Catalytic Denitification and Dedusting as well as Fuel Gas Desulphurization, modernization of DRW-IV Installation, replacement of sections of convection furnaces in the Olefin II Installation, modernization of 5 Fuel Terminals,
- in Unipetrol Group: construction of an education and research center,
- in ORLEN Lietuva Group: replacement of pipe coils in Visbreaking Installation,
- in Anwil Group: projects related to the technical infrastructure of the CCGT power plant in Włocławek.

**Segment commentary – Retail**

Table 6.

Q4 2014	Q1 2015	Q1 2014	change %	Item, PLN million	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
<b>8 590</b>	<b>7 065</b>	<b>8 362</b>	<b>(15.5)</b>	<b>Segment revenues, including:</b>	<b>7 065</b>	<b>8 362</b>	<b>(15.5)</b>
8 543	7 050	8 320	(15.3)	Sales revenues from external customers	7 050	8 320	(15.3)
47	15	42	(64.3)	Sales revenues from transactions with other segments	15	42	(64.3)
<b>(8 260)</b>	<b>(6 875)</b>	<b>(8 229)</b>	<b>(16.5)</b>	<b>Segment expenses</b>	<b>(6 875)</b>	<b>(8 229)</b>	<b>(16.5)</b>
(13)	2	11	(81.8)	Other operating income/expenses, net	2	11	(81.8)
<b>408</b>	<b>283</b>	<b>234</b>	<b>20.9</b>	<b>Operating profit increased by depreciation and amortisation (EBITDA)</b>	<b>283</b>	<b>234</b>	<b>20.9</b>
<b>317</b>	<b>192</b>	<b>144</b>	<b>33.3</b>	<b>Profit from operations</b>	<b>192</b>	<b>144</b>	<b>33.3</b>
149	68	28	142.9	CAPEX	68	28	142.9
1 968	1 838	1 763	4.3	Sales of products (thousand tonnes)	1 838	1 763	4.3

In the 1st quarter of 2015 EBITDA of the ORLEN Group's retail segment amounted to PLN 283 million and was higher by PLN 49 million (y/y).

An increase in retail sales volume (y/y) on all operating markets improved the segment's EBITDA by PLN 15 million (y/y).

The impact of higher fuel margins on the German and Czech markets with their comparable level on the Polish and Lithuanian markets as well as an improved result on the sale of non-fuel products and services amounted to PLN 33 million (y/y).

At the end of the 1st quarter of 2015 the ORLEN Group operated 2,683 fuel stations which represent a decrease by (-) 2 (y/y) including decrease of (-) 5 on the Polish market and an increase of 3 on the German market. The number of fuel stations in the CODO system decreased by (-) 3 and increased by 1 in the franchising system.

At the end of the 1st quarter of 2015 the number of catering points, such as Stop Cafe and Stop Cafe Bistro in Poland increased by 196 (y/y) and amounted to 1,277 while on the Czech market the number of catering points increased by 6 (y/y) and amounted to 98. On the Lithuanian market the number of catering points such as Stop Cafe and Stop Cafe Bistro did not change (y/y) and amounted to 23.

Capital expenditures in the segment for the 1st quarter of 2015 amounted to PLN 68 million and comprised mainly of costs associated with the construction of 10 fuel stations and the modernization of 19 fuel stations in Poland and Germany.

**Segment commentary – Upstream**

Table 7.

Q4 2014	Q1 2015	Q1 2014	change %	Item, PLN million	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
84	52	55	(5.5)	<b>Segment revenues, including:</b>	52	55	(5.5)
84	52	55	(5.5)	Sales revenues from external customers	52	55	(5.5)
0	0	0	-	Sales revenues from transactions with other segments	0	0	-
<b>(89)</b>	<b>(72)</b>	<b>(43)</b>	<b>67.4</b>	<b>Segment expenses</b>	<b>(72)</b>	<b>(43)</b>	<b>67.4</b>
(315)	0	2	-	Other operating income/expenses, net	0	2	-
<b>(272)</b>	<b>14</b>	<b>31</b>	<b>(54.8)</b>	<b>Operating profit/(loss) increased by depreciation and amortisation (EBITDA)</b>	<b>14</b>	<b>31</b>	<b>(54.8)</b>
<b>(320)</b>	<b>(20)</b>	<b>14</b>	<b>-</b>	<b>Profit/(Loss) from operations</b>	<b>(20)</b>	<b>14</b>	<b>-</b>
140	76	127	(40.2)	CAPEX	76	127	(40.2)
87	71	41	73.2	Sales of products (thousand tonnes)	71	41	73.2

In the 1st quarter of 2015 EBITDA of the upstream segment amounted to PLN 14 million and was lower by PLN (-) 17 million (y/y).

**Unconventional projects in Poland**

At the end of the 1st quarter of 2015, 12 drillings were completed, including 8 vertical and 4 horizontal.

In the 1st quarter of 2015, as a part of the Lublin Shale project, vertical drilling was completed under the Wołomin concession and preparatory works for hydraulic fracturing treatment were continued under the Wierzbica concession and for the acquisition of 2D and 3D seismic data under the Wodynie-Luków and Wierzbica concessions.

As a part of Mid-Poland Unconventionals project, 2D seismic data acquisition under the Sieradz concession was started.

Total capital expenditures concerning unconventional projects in the 1st quarter of 2015 amounted to PLN 31 million.

**Conventional projects in Poland**

At the end of the 1st quarter of 2015, 2 prospecting drillings were completed under the Sieraków project and 1 exploration drilling under the Karbon project.

In the 1st quarter of 2015 preparatory works for the development of part of the Sieraków project area were continued and included preliminary concept works connected with development and geological-investment documentation.

Under the Karbon project, preparatory works were carried out for 3D seismic data acquisition under the Lublin concession.

In the 1st quarter of 2015 no significant capital expenditures for the realization of the above mentioned conventional projects were made.



**Activities in Canada**

In the 1st quarter of 2015, drillings began on 2 new extraction points (1.6 net<sup>1</sup>), 6 hydraulic fracturing treatments were conducted (4.2 net) and enabled 1 extracting well (0.7 net).

The average daily production of hydrocarbons in the 1st quarter of 2015 amounted to boe<sup>2</sup>/d 6.67 thousand and was higher by 80% in comparison to the 1st quarter of 2014. The decrease in extraction by (-) 17% in comparison to the 4th quarter of 2014 due to time constraints resulting from maintenance works of the main transfer infrastructure in Alberta province and an update of the plan of activity and capital expenditures reflecting the current situation on crude oil and gas market.

Total capital expenditures in the 1st quarter of 2015 amounted to PLN 45 million and included mainly expenditures connected with the works mentioned above and the development of exploration infrastructure.

---

<sup>1</sup> Adjusted for the share of other partners

<sup>2</sup> Barrels of oil equivalent per day

**Segment commentary – Corporate Functions**

Table 8.

Q4 2014	Q1 2015	Q1 2014	change %	Item, PLN million	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
73	67	81	(17.3)	<b>Segment revenues, including:</b>	67	81	(17.3)
10	23	26	(11.5)	Sales revenues from external customers	23	26	(11.5)
63	44	55	(20.0)	Sales revenues from transactions with other segments	44	55	(20.0)
<b>(260)</b>	<b>(219)</b>	<b>(244)</b>	<b>(10.2)</b>	<b>Segment expenses</b>	<b>(219)</b>	<b>(244)</b>	<b>(10.2)</b>
10	(4)	3	-	Other operating income/expenses, net	(4)	3	-
<b>(148)</b>	<b>(139)</b>	<b>(133)</b>	<b>(4.5)</b>	<b>Operating (loss) increased by depreciation and amortisation (EBITDA)</b>	<b>(139)</b>	<b>(133)</b>	<b>(4.5)</b>
<b>(177)</b>	<b>(156)</b>	<b>(160)</b>	<b>2.5</b>	<b>(Loss) from operations</b>	<b>(156)</b>	<b>(160)</b>	<b>2.5</b>
46	38	54	(29.6)	CAPEX	38	54	(29.6)

EBITDA of corporate functions remained on a similar level (y/y).

Capital expenditures of corporate functions in the 1st quarter of 2015 included mainly costs related to IT projects.

**Interim condensed consolidated financial statements**
**Table 9. Consolidated statement of profit or loss and other comprehensive income**

Q4 2014	Q1 2015	Q1 2014	change %	Item, PLN million	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
<b>Statement of profit or loss</b>							
24 902	20 005	24 119	(17.1)	Sales revenues	20 005	24 119	(17.1)
(24 241)	(17 523)	(22 821)	(23.2)	Cost of sales	(17 523)	(22 821)	(23.2)
<b>661</b>	<b>2 482</b>	<b>1 298</b>	<b>91.2</b>	<b>Gross profit on sales</b>	<b>2 482</b>	<b>1 298</b>	<b>91.2</b>
(1 013)	(934)	(915)	2.1	Distribution expenses	(934)	(915)	2.1
(417)	(388)	(346)	12.1	Administrative expenses	(388)	(346)	12.1
248	81	303	(73.3)	Other operating income	81	303	(73.3)
(625)	(62)	(102)	(39.2)	Other operating expenses	(62)	(102)	(39.2)
(3)	31	16	93.8	Share in profit from investments accounted for under equity method	31	16	93.8
<b>(1 149)</b>	<b>1 210</b>	<b>254</b>	<b>376.4</b>	<b>Profit/(Loss) from operations</b>	<b>1 210</b>	<b>254</b>	<b>376.4</b>
140	89	48	85.4	Finance income	89	48	85.4
(405)	(265)	(148)	79.1	Finance costs	(265)	(148)	79.1
<b>(265)</b>	<b>(176)</b>	<b>(100)</b>	<b>(76.0)</b>	<b>Net finance income and costs</b>	<b>(176)</b>	<b>(100)</b>	<b>(76.0)</b>
<b>(1 414)</b>	<b>1 034</b>	<b>154</b>	<b>571.4</b>	<b>Profit/(Loss) before tax</b>	<b>1 034</b>	<b>154</b>	<b>571.4</b>
235	(166)	(28)	492.9	Tax expense	(166)	(28)	492.9
<b>(1 179)</b>	<b>868</b>	<b>126</b>	<b>588.9</b>	<b>Net profit/(loss)</b>	<b>868</b>	<b>126</b>	<b>588.9</b>
<b>Items of other comprehensive income:</b>							
(16)	0	0	-	<b>which will not be reclassified into profit or loss</b>	0	0	-
0	0	0	-	<i>Fair value measurement of investment property as at the date of reclassification</i>	0	0	-
(20)	0	0	-	<i>Actuarial profit/(loss)</i>	0	0	-
4	0	0	-	<i>Deferred tax</i>	0	0	-
<b>(1 113)</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>which will be reclassified into profit or loss under certain conditions</b>	<b>0</b>	<b>0</b>	<b>-</b>
(1 433)	296	(100)	-	<i>Hedging instruments</i>	296	(100)	-
48	(140)	16	-	<i>Foreign exchange differences on subsidiaries from consolidation</i>	(140)	16	-
272	(56)	19	-	<i>Deferred tax</i>	(56)	19	-
<b>(1 129)</b>	<b>100</b>	<b>(65)</b>	<b>-</b>	<b>Total items of other comprehensive income</b>	<b>100</b>	<b>(65)</b>	<b>-</b>
<b>(2 308)</b>	<b>968</b>	<b>61</b>	<b>1 486.9</b>	<b>Total net comprehensive income</b>	<b>968</b>	<b>61</b>	<b>1 486.9</b>
<b>(1 179)</b>	<b>868</b>	<b>126</b>	<b>588.9</b>	<b>Net profit/(loss) attributable to</b>	<b>868</b>	<b>126</b>	<b>588.9</b>
(1 216)	756	64	1 081.3	<i>equity owners of the parent</i>	756	64	1 081.3
37	112	62	80.6	<i>non-controlling interest</i>	112	62	80.6
<b>(2 308)</b>	<b>968</b>	<b>61</b>	<b>1 486.9</b>	<b>Total net comprehensive income attributable to</b>	<b>968</b>	<b>61</b>	<b>1 486.9</b>
(2 387)	929	(55)	-	<i>equity owners of the parent</i>	929	(55)	-
79	39	116	(66.4)	<i>non-controlling interest</i>	39	116	(66.4)
(2.85)	1.77	0.15	1 080.0	Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN per share)	1.77	0.15	1 080.0

**Table 10. Consolidated statement of financial position**

31.03.2015	Item, PLN million	31.12.2014	change %
1	2	3	4=(1-3)/3
	<b>ASSETS</b>		
22 618	Property, plant and equipment	22 644	(0.1)
109	Investment property	111	(1.8)
788	Intangible assets	703	12.1
93	Perpetual usufruct of land	89	4.5
703	Investments accounted for under equity method	672	4.6
40	Financial assets available for sale	40	0,0
244	Deferred tax assets	385	(36.6)
519	Other non-current assets	327	58.7
<b>25 114</b>	<b>Non-current assets</b>	<b>24 971</b>	<b>0.6</b>
10 167	Inventories	9 829	3.4
7 429	Trade and other receivables	7 057	5.3
674	Other financial assets	862	(21.8)
44	Current tax assets	35	25.7
3 090	Cash and cash equivalents	3 937	(21.5)
17	Non-current assets classified as held for sale	34	(50.0)
<b>21 421</b>	<b>Current assets</b>	<b>21 754</b>	<b>(1.5)</b>
<b>46 535</b>	<b>Total assets</b>	<b>46 725</b>	<b>(0.4)</b>
	<b>EQUITY AND LIABILITIES</b>		
	<b>EQUITY</b>		
1 058	Share capital	1 058	0,0
1 227	Share premium	1 227	0,0
(1 061)	Hedging reserve	(1 319)	(19.6)
424	Foreign exchange differences on subsidiaries from consolidation	509	(16.7)
18 052	Retained earnings	17 296	4.4
<b>19 700</b>	<b>Total equity attributable to equity owners of the parent</b>	<b>18 771</b>	<b>4.9</b>
<b>1 654</b>	<b>Non-controlling interest</b>	<b>1 615</b>	<b>2.4</b>
<b>21 354</b>	<b>Total equity</b>	<b>20 386</b>	<b>4.7</b>
	<b>LIABILITIES</b>		
8 733	Loans, borrowings and bonds	9 670	(9.7)
707	Provisions	709	(0.3)
113	Deferred tax liabilities	75	50.7
8	Deferred income	8	0,0
819	Other non-current liabilities	1 843	(55.6)
<b>10 380</b>	<b>Non-current liabilities</b>	<b>12 305</b>	<b>(15.6)</b>
11 310	Trade and other liabilities	11 215	0.8
518	Loans, borrowings	987	(47.5)
17	Current tax liabilities	42	(59.5)
704	Provisions	648	8.6
282	Deferred income	122	131.1
1 970	Other financial liabilities	1 020	93.1
<b>14 801</b>	<b>Current liabilities</b>	<b>14 034</b>	<b>5.5</b>
<b>25 181</b>	<b>Total liabilities</b>	<b>26 339</b>	<b>(4.4)</b>
<b>46 535</b>	<b>Total equity and liabilities</b>	<b>46 725</b>	<b>(0.4)</b>

**Table 11. Consolidated statement of cash flows**

Q4 2014	Q1 2015	Q1 2014	change %	Item, PLN million	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
<b>Cash flows – operating activities</b>							
<b>(1 179)</b>	<b>868</b>	<b>126</b>	<b>588.9</b>	<b>Net profit/(loss)</b>	<b>868</b>	<b>126</b>	<b>588.9</b>
				Adjustments for:			
3	(31)	(16)	93.8	Share in profit from investments accounted for under equity method	(31)	(16)	93.8
485	452	522	(13.4)	Depreciation and amortisation	452	522	(13.4)
119	(218)	(4)	5 350.0	Foreign exchange (gain)/loss	(218)	(4)	5 350.0
49	54	52	3.8	Interest, net	54	52	3.8
262	113	36	213.9	Loss on investing activities	113	36	213.9
(235)	166	28	492.9	Tax expense	166	28	492.9
124	56	63	(11.1)	Change in provisions	56	63	(11.1)
1 019	(419)	(3 965)	(89.4)	Change in working capital	(419)	(3 965)	(89.4)
3 034	(334)	(2 404)	(86.1)	inventories	(334)	(2 404)	(86.1)
1 917	(332)	(780)	(57.4)	receivables	(332)	(780)	(57.4)
(3 932)	247	(781)	-	liabilities	247	(781)	-
(175)	26	(225)	-	Other adjustments	26	(225)	-
(64)	(87)	(57)	52.6	Income tax (paid)	(87)	(57)	52.6
<b>408</b>	<b>980</b>	<b>(3 440)</b>	<b>-</b>	<b>Net cash provided by/(used in) operating activities</b>	<b>980</b>	<b>(3 440)</b>	<b>-</b>
<b>Cash flows – investing activities</b>							
(1 023)	(616)	(761)	(19.1)	Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(616)	(761)	(19.1)
44	43	20	115.0	Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	43	20	115.0
(47)	0	(62)	-	Acquisition of shares	0	(62)	-
1	1	3	(66.7)	Deposits, net	1	3	(66.7)
0	1	2	(50.0)	Proceeds from loans granted	1	2	(50.0)
25	3	(18)	-	Other	3	(18)	-
<b>(1 000)</b>	<b>(568)</b>	<b>(816)</b>	<b>(30.4)</b>	<b>Net cash (used) in investing activities</b>	<b>(568)</b>	<b>(816)</b>	<b>(30.4)</b>
<b>Cash flows from financing activities</b>							
771	71	3 401	(97.9)	Proceeds from loans and borrowings received	71	3 401	(97.9)
(1 174)	(1 275)	(1 009)	26.4	Repayment of loans and borrowings	(1 275)	(1 009)	26.4
(49)	(54)	(60)	(10.0)	Interest paid	(54)	(60)	(10.0)
(6)	(7)	(8)	(12.5)	Payments of liabilities under finance lease agreements	(7)	(8)	(12.5)
10	0	0	-	Grants received	0	0	-
1	0	0	-	Other	0	0	-
<b>(447)</b>	<b>(1 265)</b>	<b>2 324</b>	<b>-</b>	<b>Net cash provided by/(used in) financing activities</b>	<b>(1 265)</b>	<b>2 324</b>	<b>-</b>
<b>(1 039)</b>	<b>(853)</b>	<b>(1 932)</b>	<b>(55.8)</b>	<b>Net (decrease) in cash and cash equivalents</b>	<b>(853)</b>	<b>(1 932)</b>	<b>(55.8)</b>
(5)	6	1	500.0	Effect of exchange rate changes	6	1	500.0
4 981	3 937	2 689	46.4	Cash and cash equivalents, beginning of the period	3 937	2 689	46.4
<b>3 937</b>	<b>3 090</b>	<b>758</b>	<b>307.7</b>	<b>Cash and cash equivalents, end of the period</b>	<b>3 090</b>	<b>758</b>	<b>307.7</b>

**Operating data**
**Table 12. Production volume**

Production ('000 tonnes)	Q1 2015	Q1 2014	change %	Q1 2015	share %	Q1 2015	share %	Q1 2015	share %	Q1 2015	share %
1	2	3	4= (2-3)/3	5	6=5/ total segmen t	7	8= 7/ total segmen t	9	10= 9/ total segmen t	11	12= 11/ total segmen t
Downstream Segment	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		ORLEN Lietuva		Anwil Group	
<b>Crude oil throughput</b>	<b>6 652</b>	<b>6 190</b>	<b>7.5</b>	<b>3 533</b>	-	<b>1 243</b>	-	<b>1 795</b>	-	-	-
<b>Light distillates</b> [gasoline, LPG]	1 333	1 197	11.4	602	17.8	242	17.3	503	30.7	-	-
<b>Medium distillates</b> [diesel oil, light heating oil, JET A-1 fuel]	3 063	2 801	9.4	1 684	49.8	590	42.2	780	47.5	-	-
<b>Heavy fractions</b> [heavy heating oil, asphalt, oils]	961	877	9.6	509	15.0	99	7.1	320	19.5	-	-
<b>Monomers</b> [ethylene, propylene]	230	215	7.0	236	7.0	46	3.3	-	-	-	-
<b>Polymers</b> [polyethylene, polypropylene]	158	146	8.2	-	-	158	11.3	-	-	-	-
<b>Aromas</b> [benzene, toluene, paraxylene, ortoxylyene]	122	107	14.0	62	1.8	60	4.3	-	-	-	-
<b>Fertilizers</b> [CANWIL, ammonium nitrate, ammonium sulphate, other]	287	313	(8.3)	-	-	-	-	-	-	287	53.9
<b>Plastics</b> [PVC, PVC granulate]	118	118	0.0	-	-	-	-	-	-	121	22.7
<b>PTA</b>	169	147	15.0	169	5.0	-	-	-	-	-	-
<b>Other</b>	523	575	(9.0)	121	3.6	202	14.5	38	2.3	124	23.4
<b>Total production</b>	<b>6 964</b>	<b>6 496</b>	<b>7.2</b>	<b>3 383</b>	-	<b>1 397</b>	-	<b>1 641</b>	-	<b>532</b>	-

**Table 13. Sales volume**

Q4 2014	Q1 2015	Q1 2014	change %	Sales (‘000 tonnes)	3 months 2015	3 months 2014	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
<b>7 296</b>	<b>6 756</b>	<b>6 152</b>	<b>9.8</b>	<b>Downstream Segment</b>	<b>6 756</b>	<b>6 152</b>	<b>9.8</b>
1 251	1 042	928	12.3	Light distillates [gasoline, LPG]	1 042	928	12.3
2 685	2 564	2 175	17.9	Medium distillates [diesel oil, light heating oil, JET A-1 fuel]	2 564	2 175	17.9
1 217	931	884	5.3	Heavy fractions [heavy heating oil, asphalt, oils]	931	884	5.3
224	232	218	6.4	Monomers [ethylene, propylene]	232	218	6.4
154	160	141	13.5	Polymers [polyethylene, polypropylene]	160	141	13.5
105	120	107	12.1	Aromas [benzene, toluene, paraxylene, ortoxylene]	120	107	12.1
290	304	313	(2.9)	Fertilizers [CANWIL, ammonium nitrate, ammonium sulphate, other]	304	313	(2.9)
85	134	116	15.5	Plastics [PVC, PVC processing]	134	116	15.5
160	167	145	15.2	PTA	167	145	15.2
1 125	1 102	1 125	(2.0)	Other	1 102	1 125	(2.0)
<b>1 968</b>	<b>1 838</b>	<b>1 763</b>	<b>4.3</b>	<b>Retail Segment</b>	<b>1 838</b>	<b>1 763</b>	<b>4.3</b>
736	667	655	1.8	Light distillates [gasoline, LPG]	667	655	1.8
1 232	1 171	1 108	5.7	Medium distillates [diesel oil, light heating oil]	1 171	1 108	5.7
<b>87</b>	<b>71</b>	<b>41</b>	<b>73.2</b>	<b>Upstream Segment</b>	<b>71</b>	<b>41</b>	<b>73.2</b>
<b>9 351</b>	<b>8 665</b>	<b>7 956</b>	<b>8.9</b>	<b>ORLEN Group - total</b>	<b>8 665</b>	<b>7 956</b>	<b>8.9</b>