Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT

FOR I QUARTER 2014

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	3 MONTHS 2014	3 MONTHS 2013	3 MONTHS 2014	3 MONTHS 2013
Sales revenues	24 119	27 450	5 757	6 552
Profit from operations	254	334	61	80
Profit before tax	154	113	37	27
Net profit attributable to equity owners of the parent	64	149	15	36
Net profit	126	145	30	35
Total comprehensive income attributable to equity owners of the parent	(55)	277	(13)	66
Total net comprehensive income	61	258	15	62
Net cash (used) in operating activities	(3 440)	(1 332)	(821)	(317)
Net cash (used) in investing activities	(816)	(128)	(195)	(31)
Net cash provided by financing activities	2 324	576	555	137
Net (decrease) in cash and cash equivalents	(1 932)	(884)	(461)	(211)
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	0.15	0.35	0.04	0.08

	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Non-current assets	27 368	26 907	6 561	6 451
Current assets	25 638	24 445	6 146	5 860
Total assets	53 006	51 352	12 707	12 311
Non-current liabilities	9 102	7 846	2 182	1 881
Current liabilities	16 292	15 955	3 906	3 825
Total equity	27 612	27 551	6 620	6 605
Equity attributable to equity owners of the parent	25 916	25 948	6 213	6 221
Share capital	1 058	1 058	254	254
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	60.59	60.67	14.53	14.54

PKN ORLEN - SELECTED DATA

	PLN million		EUR million	
	3 MONTHS 2014	3 MONTHS 2013	3 MONTHS 2014	3 MONTHS 2013
Sales revenues	17 415	20 205	4 157	4 823
Profit from operations	70	239	17	57
(Loss) before tax	(8)	(75)	(2)	(18)
Net profit/(loss)	(7)	16	(2)	4
Total net comprehensive income	(108)	40	(26)	10
Net cash (used) in operating activities	(2 246)	(875)	(536)	(209)
Net cash provided by/(used in) investing activities	(806)	171	(192)	41
Net cash provided by financing activities	1 198	216	286	52
Net (decrease) in cash	(1 854)	(488)	(443)	(116)
Net profit/(loss) and diluted net profit/(loss) per share (in PLN/EUR per share)	(0.02)	0.04	(0.005)	0.01

	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Non-current assets	24 023	23 355	5 759	5 599
Current assets	18 181	18 708	4 359	4 485
Total assets	42 204	42 063	10 118	10 084
Non-current liabilities	8 229	6 923	1 973	1 660
Current liabilities	10 948	12 005	2 625	2 878
Total equity	23 027	23 135	5 520	5 546
Share capital	1 058	1 058	254	254
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	53.84	54.09	12.91	12.97

The above data for the I quarter of 2014 and 2013 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 March 2014 – 4.1713 EUR/PLN
- 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 reporting period from: 1 January to 31 March 2014 – 4.1894 EUR/PLN.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2014

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

(in PLN million)

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

Consolidated statement of profit or loss and other comprehensive income

	NOTE	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Statement of profit or loss			
Sales revenues	3.1	24 119	27 450
Cost of sales	3.2	(22 821)	(25 834)
Gross profit on sales		**1 298**	**1 616**
Distribution expenses		(915)	(943)
Administrative expenses		(346)	(354)
Other operating income	3.5	303	73
Other operating expenses	3.5	(102)	(68)
Share in profit from investments accounted for under equity method		16	10
Profit from operations		**254**	**334**
Finance income	3.6	48	117
Finance costs	3.6	(148)	(338)
Net finance income and costs		**(100)**	**(221)**
Profit before tax		**154**	**113**
Tax expense	3.7	(28)	32
Net profit		**126**	**145**
Items of other comprehensive income			
which will not be reclassified into profit or loss		**-**	**(7)**
Fair value measurement of investment property as at the date of reclassification		-	*(9)*
Deferred tax		-	*2*
which will be reclassified into profit or loss under certain conditions		**(65)**	**120**
Hedging instruments		*(100)*	*23*
Foreign exchange differences on subsidiaries from consolidation		*16*	*101*
Deferred tax		*19*	*(4)*
		(65)	**113**
Total net comprehensive income		**61**	**258**
Net profit attributable to		**126**	**145**
equity owners of the parent		*64*	*149*
non-controlling interest		*62*	*(4)*
Total net comprehensive income attributable to		**61**	**258**
equity owners of the parent		*(55)*	*277*
non-controlling interest		*116*	*(19)*
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		0.15	0.35

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing interim condensed consolidated financial statements.

(in PLN million)

Consolidated statement of financial position

AS AT	NOTE	31/03/2014 (unaudited)	31/12/2013 (restated data)	01/01/2013 (restated data)
ASSETS				
Non-current assets				
Property, plant and equipment		25 234	24 904	24 331
Investment property		120	121	112
Intangible assets		1 059	823	1 296
Perpetual usufruct of land		94	95	94
Investments accounted for under equity method		632	615	594
Financial assets available for sale		40	40	41
Deferred tax assets		154	151	285
Other non-current assets		35	158	55
		27 368	**26 907**	**26 808**
Current assets				
Inventories		16 208	13 749	14 903
Trade and other receivables		8 406	7 768	7 996
Other financial assets	3.8	176	165	368
Current tax assets		66	59	84
Cash and cash equivalents		758	2 689	2 029
Non-current assets classified as held for sale		24	15	65
		25 638	**24 445**	**25 445**
Total assets		**53 006**	**51 352**	**52 253**
EQUITY AND LIABILITIES				
EQUITY				
Share capital		1 058	1 058	1 058
Share premium		1 227	1 227	1 227
Hedging reserve		59	148	(73)
Revaluation reserve		-	-	7
Foreign exchange differences on subsidiaries from consolidation		(231)	(201)	80
Retained earnings		23 803	23 716	24 180
Total equity attributable to equity owners of the parent		**25 916**	**25 948**	**26 479**
Non-controlling interest		**1 696**	**1 603**	**1 828**
Total equity		**27 612**	**27 551**	**28 307**
LIABILITIES				
Non-current liabilities				
Loans,borrowings and debt securities	3.9	7 734	6 507	7 523
Provisions	3.10	657	658	660
Deferred tax liabilities		482	538	668
Deferred income		10	10	15
Other non-current liabilities		219	133	169
		9 102	**7 846**	**9 035**
Current liabilities				
Trade and other liabilities		12 985	14 013	12 504
Loans,borrowings and debt securities	3.9	2 040	850	1 233
Current tax liabilities		46	36	83
Provisions	3.10	874	821	802
Deferred income		279	124	168
Other financial liabilities		64	110	121
Liabilities directly associated with assets classified as held for sale		4	1	-
		16 292	**15 955**	**14 911**
Total liabilities		**25 394**	**23 801**	**23 946**
Total equity and liabilities		**53 006**	**51 352**	**52 253**

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing interim condensed consolidated financial statements.

(in PLN million)

Statement of changes in consolidated equity

	Equity attributable to equity owners of the parent							
	Share capital and share premium	Hedging reserve	Revaluation reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2014	2 285	148	-	(201)	23 716	25 948	1 603	27 551
Net profit	-	-	-	-	64	64	62	126
Items of other comprehensive income	-	(89)	-	(30)	-	(119)	54	(65)
Total net comprehensive income	**-**	**(89)**	**-**	**(30)**	**64**	**(55)**	**116**	**61**
Change in the structure of non-controlling interest	-	-	-	-	23	23	(23)	-
31 March 2014	**2 285**	**59**	**-**	**(231)**	**23 803**	**25 916**	**1 696**	**27 612**
(unaudited)								
1 January 2013	2 285	(73)	6	81	24 180	26 479	1 828	28 307
Net profit/(loss)	-	-	-	-	149	149	(4)	145
Items of other comprehensive income	-	21	(4)	111	-	128	(15)	113
Total net comprehensive income	-	21	(4)	111	149	277	(19)	**258**
Change in the structure of non-controlling interest	-	-	-	-	(1)	(1)	(1)	(2)
31 March 2013	**2 285**	**(52)**	**2**	**192**	**24 328**	**26 755**	**1 808**	**28 563**
(unaudited)								

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing interim condensed consolidated financial statements.

ORLEN GROUP (in PLN million)

Consolidated statement of cash flows

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Cash flows - operating activities		
Net profit	**126**	**145**
Adjustments for:		
Share in profit from investments accounted for under equity method	(16)	(10)
Depreciation and amortisation	522	523
Foreign exchange (gain)/loss	(4)	56
Interest, net	52	64
(Profit)/Loss on investing activities	36	(43)
Tax expense	28	(32)
Change in provisions	63	56
Change in working capital	(3 965)	(2 011)
inventories	*(2 404)*	*(1 524)*
receivables	*(780)*	*(550)*
liabilities	*(781)*	*63*
Other adjustments	(225)	(78)
Income tax (paid)	(57)	(2)
Net cash (used) in operating activities	**(3 440)**	**(1 332)**
Cash flows - investing activities		
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(761)	(524)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	20	91
Acquisition of shares	(62)	-
Disposal of securities and deposits	3	12
Proceeds from loans granted	2	274
Other	(18)	19
Net cash (used) in investing activities	**(816)**	**(128)**
Cash flows - financing activities		
Proceeds from loans and borrowings received	3 401	2 994
Repayments of loans and borrowings	(1 009)	(2 328)
Interest paid	(60)	(80)
Payments of liabilities under finance lease agreements	(8)	(7)
Other	-	(3)
Net cash provided by financing activities	**2 324**	**576**
Net (decrease) in cash and cash equivalents	**(1 932)**	**(884)**
Effect of exchange rate changes	1	-
Cash and cash equivalents, beginning of the period	2 689	2 029
Cash and cash equivalents, end of the period	**758**	**1 145**

The accompanying notes disclosed on pages 8 – 16 are an integral part of the foregoing interim condensed consolidated financial statements.

EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1.1. Statement of compliance and general principles for preparation

The foregoing interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non member state (Official Journal no. 33, item 259 with further amendments) ("Regulation") and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 March 2014 and 31 December 2013, financial results and cash flows for the period of 3 months ended 31 March 2014 and 31 March 2013.

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 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 interim condensed consolidated financial statements

Under the Regulation, the Management Board of PKN ORLEN 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.

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

The Management Board of PKN ORLEN declares that KPMG Audyt Sp. z o.o. as the entity authorized to conduct review of interim condensed consolidated financial statements was selected in compliance with the law.

1.2.3. Applied accounting principles and IFRS amendments

These foregoing interim condensed consolidated financial statements were prepared according to principles described in the Consolidated Financial Statements for the year 2013 in note 3 with new standards taken into consideration, which became effective on 1 January 2014 and are significant for the preparation of these consolidated financial statements: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interest in Other Entities as well as changes in standards: IAS 27 Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures, which are a result of IFRS 10 and IFRS 11 implementation.

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 presented in note 4 in the Consolidated Financial Statements for the year 2013.

The Group performed evaluation of control over entities in which it invested – analyses performed in accordance to IFRS 10 did not change conclusions as to the Group's control over entities. Adopting new IFRS 12 standard by the Group from January 2014 will result in further disclosures required for investments in other entities, which will be presented in Consolidated Financial Statements for the year 2014. Adopting the above new standards had no impact on consolidated financial results of the Group.
As at 31 March 2014, joint arrangements for Basell Orlen Polyolefines Sp. z o.o. Capital Group (BOP) and Płocki Park Przemysłowo-Technologiczny S.A. Capital Group (PPPT) in accordance to IFRS 11 are accounted for under the equity method instead of proportionate consolidation method applied previously. As a result of change in consolidation method items of statement of financial position and statement of comprehensive income are presented as investments accounted for under equity method and share in profit from investments accounted for under equity method. The change in consolidation method resulted in restatement of comparative data for the 3 months period ended 31 March 2013 as well as at 31 December 2013 and as at 1 January 2013. Implementation of the new IFRS 11 had no effect on the net result of the presented periods.

ORLEN ORLEN GROUP (in PLN million)

Impact of new IFRS11 Standard – Joint arrangements – on presented financial data of ORLEN Group

	published data 31/03/2013	impact of new standard IFRS11	data after application of IFRS 11 31/03/2013
Statement of profit or loss			
Sales revenues	27 472	(22)	27 450
Cost of sales	(25 821)	(13)	(25 834)
Gross profit on sales	**1 651**	**(35)**	**1 616**
Distribution expenses	(956)	13	(943)
Administrative expenses	(359)	5	(354)
Other operating income	73	-	73
Other operating expenses	(68)	-	(68)
Share in profit from investments accounted for under equity method	-	10	10
Profit from operations	**341**	**(7)**	**334**
Finance income	126	(9)	117
Finance costs	(351)	13	(338)
Net finance income and costs	**(225)**	**4**	**(221)**
Profit before tax	**116**	**(3)**	**113**
Tax expense	29	3	32
Net profit	**145**	**-**	**145**

	published data 31/12/2013	impact of new standard IFRS11	data after application of IFRS 11 31/12/2013
Non-current assets	26 835	72	26 907
Investments accounted for under equity method	*12*	*603*	*615*
Current assets	24 809	(364)	24 445
Total assets	**51 644**	**(292)**	**51 352**
Total equity	27 551	-	27 551
Non-current liabilities	7 943	(97)	7 846
Current liabilities	16 150	(195)	15 955
Total equity and liabilities	**51 644**	**(292)**	**51 352**

Starting from the I quarter of 2014 in the consolidated financial statements "Share in profit from investments accounted for under equity method" is presented within operating activities, as the activity of those entities is connected to the core business of ORLEN Group. In the Management view this change provides better presentation of the results and a better understanding of the financial statements.

Based on the Council of Ministers Regulation from 31 March 2014 regarding the list of installations other than manufacturing electricity installations, covered by the trading system of greenhouse gas emissions rights in the settlement period beginning on 1 January 2013, with the granted number of CO_2 emission rights (Offical Journal, item 439), the Group set the preliminary allocation of emission rights granted free of charge based on emission indices obligatory for the settlement period starting from 2013.
As at 31 March 2014, the Group recognised trade receivables on CO_2 emission rights granted free of charge for the year 2013 and 2014 of 11,034 thousand tonnes which is PLN 191 million.
Furthermore, based on the Council of Ministers Regulation from 10 April 2014 regarding the list of installations other than manufacturing electricity installations, covered by the trading system of greenhouse gas emissions rights in the settlement period beginning on 1 January 2013, with the granted number of CO_2 emission rights (Offical Journal, item 472), the Group recognised trade receivables on CO_2 emission rights from derogations in energy industry for 2013 and 2014 in the amount of 641 thousand tonnes which is PLN 12 million.
As at the date of publication of the foregoing consolidated financial statements the entities received the due rights.

The Act of 14 March 2014 amending the Energy Law act and other acts restored in the horizon until 2018 cogeneration support system. However, due to the principle that the law is not retroactive, issued and not redeemed cogeneration certificates before the above mentioned act came into force (i.e. 30 April 2014) shall expire. As a result, in the 3 months period ended 31 March 2014 the Group did not recognise in the statement of financial position intangible assets and did not recognize the grant in other operating income due to rights received free of charge.

Starting from the III quarter of 2013 in consolidated financial statement foreign exchange gains and losses are presented net in financial income or costs. For the 3 months period ended 31 March 2013 the Group compensated positive exchange differences with negative ones of PLN 8 million. In Management view this change provides better presentation of the results.

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. The possible impact of new amendments to IFRSs on the Group's future consolidated financial statements was presented in the Consolidated Financial Statements for the year 2013 in note 3.2.

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

1.3.1. Methods applied to translation of financial data

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

1.3.2. Functional currency and presentation currency

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 profit or loss and other comprehensive income and statement of cash flows are translated at the average rate (arithmetic average of average exchange rates published by the National Bank of Poland ("NBP")) in the reporting period.

Foreign exchange differences resulting from the above recalculations are recognized in the equity as foreign exchange differences on subsidiaries from consolidation.

CURRENCIES	Average exchange rate for the reporting period		Exchange rate as at the end of the reporting period	
	3 MONTHS 2014	3 MONTHS 2013	31/03/2014	31/12/2013
EUR/PLN	4.1857	4.1555	4.1713	4.1472
USD/PLN	3.0551	3.1471	3.0344	3.0120
CZK/PLN	0.1525	0.1626	0.1520	0.1513
CAD/PLN	2.7686	-	2.7428	2.8297

In the first three quarters of 2013 CAD exchange rate was not applied to translation of financial data of subsidiaries.

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

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

2. Segment reporting

The ORLEN 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 petrochemical segment, which includes the production and wholesale of petrochemicals and production and sale of chemicals, supporting production,
- the retail segment, which includes sales at petrol stations,
- upstream segment, which includes the activity related to exploration and extraction of mineral resources

and corporate functions which are reconciling items and include activities related to management and administration and other support functions, industrial energetics (based on the percentage of completion method) as well as remaining activities not allocated to separate operating segments.
The allocation of the ORLEN Group companies to operating segments and corporate functions is presented in the Other information to consolidated quarterly report in note B2.

Revenues, expenses and financial result by operating segments

for 3 months ended 31 March 2014

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	11 605	8 320	4 113	55	26	-	24 119
Sales revenues from transactions with other segments	6 497	42	855	-	55	(7 449)	-
Sales revenues	18 102	8 362	4 968	55	81	(7 449)	24 119
Operating expenses	(18 411)	(8 229)	(4 604)	(43)	(244)	7 449	(24 082)
Other operating income	233	35	22	3	10	-	303
Other operating expenses	(39)	(24)	(31)	(1)	(7)	-	(102)
Share in profit from investments accounted for under equity method	-	-	16	-	-	-	16
Segment profit/(loss) from operations	**(115)**	**144**	**371**	**14**	**(160)**	**-**	**254**
Net finance income and costs							(100)
Profit before tax							**154**
Tax expense							(28)
Net profit							**126**

ORLEN GROUP (in PLN million)

for 3 months ended 31 March 2013

	Refining Segment (unaudited) (restated data)	Retail Segment (unaudited) (restated data)	Petrochemical Segment (unaudited) (restated data)	Upstream Segment (unaudited) (restated data)	Corporate Functions (unaudited) (restated data)	Adjustments (unaudited) (restated data)	Total (unaudited) (restated data)
Sales revenues from external customers	15 064	8 167	4 200	-	19	-	27 450
Sales revenues from transactions with other segments	6 473	35	875	-	57	(7 440)	-
Sales revenues	21 537	8 202	5 075	-	76	(7 440)	27 450
Operating expenses	(21 565)	(8 165)	(4 587)	(6)	(248)	7 440	(27 131)
Other operating income	31	15	12	-	15	-	73
Other operating expenses	(37)	(15)	(5)	-	(11)	-	(68)
Share in profit from investments accounted for under equity method	-	-	10	-	-	-	10
Segment profit/(loss) from operations	**(34)**	**37**	**505**	**(6)**	**(168)**	**-**	**334**
Net finance income and costs							(221)
Profit before tax							**113**
Tax expense							32
Net profit							**145**

for 3 months ended 31 March 2013 – published data for the I quarter 2013

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	15 044	8 167	4 242	-	19	-	27 472
Sales revenues from transactions with other segments	6 493	35	875	-	57	(7 460)	-
Sales revenues	21 537	8 202	5 117	-	76	(7 460)	27 472
Operating expenses	(21 565)	(8 165)	(4 612)	(6)	(248)	7 460	(27 136)
Other operating income	31	15	12	-	15	-	73
Other operating expenses	(37)	(15)	(5)	-	(11)	-	(68)
Segment profit/(loss) from operations	**(34)**	**37**	**512**	**(6)**	**(168)**	**-**	**341**
Net finance income and costs							(225)
Profit before tax							**116**
Tax expense							29
Net profit							**145**

Impact of new IFRS11 Standard – Joint arrangements – on presented segment data in the I quarter 2013

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales revenues from external customers	20	-	(42)	-	-	-	(22)
Sales revenues from transactions with other segments	(20)	-	-	-	-	20	-
Sales revenues	-	-	(42)	-	-	20	(22)
Operating expenses	-	-	25	-	-	(20)	5
Share in profit from investments accounted for under equity method	-	-	10	-	-	-	10
Segment (loss) from operations	**-**	**-**	**(7)**	**-**	**-**	**-**	**(7)**
Net finance income and costs							4
(Loss) before tax							**(3)**
Tax expense							3
Net profit/(loss)							**-**

Assets by operating segments

	31/03/2014 (unaudited)	31/12/2013 (restated data)
Refining Segment	31 053	28 229
Retail Segment	6 389	5 990
Petrochemical Segment	12 046	11 742
Upstream Segment	1 459	1 375
Segment assets	**50 947**	**47 336**
Corporate Functions	2 592	4 273
Adjustments	(533)	(257)
	53 006	**51 352**

(in PLN million)

	published data 31/12/2013	impact of new standard IFRS11	data after application of IFRS 11 31/12/2013
Refining Segment	28 229	-	28 229
Retail Segment	5 990	-	5 990
Petrochemical Segment	12 024	(282)	11 742
Upstream Segment	1 375	-	1 375
Segment assets	**47 618**	**(282)**	**47 336**
Corporate Functions	4 286	(13)	4 273
Adjustments	(260)	3	(257)
	51 644	**(292)**	**51 352**

3. Other notes

3.1. Sales revenues

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Revenues from sales of finished goods and services, net	18 724	22 301
Revenues from sales of merchandise and raw materials, net	5 395	5 149
	24 119	**27 450**

3.2. Operating expenses

Cost of sales

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Cost of finished goods and services sold	(17 712)	(20 939)
Cost of merchandise and raw materials sold	(5 109)	(4 895)
	(22 821)	**(25 834)**

Costs by nature

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Materials and energy	(16 980)	(20 387)
Cost of merchandise and raw materials sold	(5 109)	(4 895)
External services	(961)	(1 018)
Employee benefits	(527)	(525)
Depreciation and amortisation	(522)	(523)
Taxes and charges	(161)	(145)
Other	(191)	(152)
	(24 451)	**(27 645)**
Change in inventories	244	384
Cost of products and services for own use	23	62
Operating expenses	**(24 184)**	**(27 199)**
Distribution expenses	915	943
Administrative expenses	346	354
Other operating expenses	102	68
Cost of sales	**(22 821)**	**(25 834)**

(in PLN million)

3.3. Inventories written down to net realizable value

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited)
Increase	(23)	(77)
Decrease	20	60

3.4. Impairment allowances of assets

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited)
Property, plant and equipment		
Recognition	(18)	(2)
Reversal	3	3
Intangible assets		
Recognition	-	(1)
Receivables		
Recognition	(11)	(16)
Reversal	13	15

Recognition and reversal of impairment allowances in the 3 months period ended 31 March 2014 and 31 March 2013 related mainly to:

- obsolescence of property, plant and equipment and intangible assets,
- occurrence or extinction of indicators in respect of overdue receivables, occurrence of uncollectible receivables and receivables in court.

3.5. Other operating income and expenses

Other operating income

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Profit on sale of non-current non-financial assets	8	5
Gain on bargain purchase	180	-
Reversal of provisions	30	13
Reversal of receivables impairment allowances	10	9
Reversal of impairment allowances of property, plant and equipment and intangible assets	3	3
Penalties and compensations earned	10	11
Other	62	32
	303	**73**

Gain on bargain purchase related to acquisition by Unipetrol from Shell Overseas Investments BV („Shell") 152,701 shares of Ceska Rafinerska representing 16.335% of the share capital.

The line 'other' in the 3 months period ended 31 March 2014 and 31 March 2013 includes mainly the impact of CO_2 emission rights prices fluctuations on the value of recognised CO_2 emission costs of PLN 47 million and PLN 28 million, respectively. In addition, in the 3 months period ended 31 March 2014 the line 'other' included the effect of revaluation of due CO_2 emission rights for the year 2013.

Other operating expenses

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Loss on sale of non-current non-financial assets	(18)	(9)
Recognition of provisions	(13)	(8)
Recognition of receivables impairment allowances	(8)	(10)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(18)	(3)
Costs of losses, breakdowns and compensations	(5)	(3)
Other	(40)	(35)
	(102)	**(68)**

The line 'other' in the 3 months period ended 31 March 2014 and 31 March 2013 includes mainly the impact of CO_2 emission rights prices fluctuations on the value of recognised CO_2 emission costs of PLN (28) million and PLN (16) million, respectively.

(in PLN million)

3.6. Finance income and costs

Finance income

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Interest	13	21
Settlement and valuation of financial instruments	26	90
Reversal of receivables impairment allowances	3	6
Other	6	-
	48	**117**

Finance costs

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Interest	(52)	(67)
Foreign exchange loss surplus	(34)	(195)
Settlement and valuation of financial instruments	(49)	(63)
Recognition of receivables impairment allowances	(3)	(6)
Other	(10)	(7)
	(148)	**(338)**

Borrowing cost capitalized in the 3 months period ended 31 March 2014 and 31 March 2013 amounted to PLN (9) million and PLN (3) million, respectively.

3.7. Tax expense

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Current income tax	(59)	62
Deferred tax	31	(30)
	(28)	**32**

3.8. Other financial assets

	31/03/2014 (unaudited)	31/12/2013
Cash flows hedge instruments	165	144
currency forwards	*60*	*66*
commodity swaps	*105*	*78*
Derivatives not designated as hedge accounting	2	8
currency forwards	*1*	*5*
commodity swaps	*1*	*3*
Embedded derivatives	3	3
currency swaps	*3*	*3*
Deposits	1	4
Loans granted	5	6
	176	**165**

3.9. Loans, borrowings and debt securities

	Non-current		Current		Total	
	31/03/2014 (unaudited)	31/12/2013 (restated data)	31/03/2014 (unaudited)	31/12/2013 (restated data)	31/03/2014 (unaudited)	31/12/2013 (restated data)
Loans	6 020	4 788	2 040	850	8 060	5 638
Borrowings	-	1	-	-	-	1
Debt securities	1 714	1 718	-	-	1 714	1 718
	7 734	**6 507**	**2 040**	**850**	**9 774**	**7 357**

(in PLN million)

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.

3.10. Provisions

	Non-current		Current		Total	
	31/03/2014 (unaudited)	31/12/2013 (restated data)	31/03/2014 (unaudited)	31/12/2013 (restated data)	31/03/2014 (unaudited)	31/12/2013 (restated data)
Environmental	346	346	31	36	377	382
Jubilee bonuses and post-employment benefits	262	262	42	42	304	304
Business risk	12	13	54	53	66	66
Shield programs	-	-	40	43	40	43
CO_2 emissions	-	-	406	320	406	320
Other	37	37	301	327	338	364
	657	**658**	**874**	**821**	**1 531**	**1 479**

3.11. Methods applied in determining fair values (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. Fair value of derivatives is based on discounted future flows related to contracted transactions as a difference between term price and transaction price.
Forward rates of exchange are not modeled as a separate risk factor, but they are as a result of spot rate and forward interest rate for foreign currency in relation to PLN.
Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognised in a reporting year profit or loss.
As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.

Fair value hierarchy

	31/03/2014 (unaudited)		31/12/2013 (restated data)	
	LEVEL 1	LEVEL 2	LEVEL 1	LEVEL 2
Financial assets				
Quoted shares	1	-	1	-
Embedded derivatives and hedging instruments	-	182	-	277
	1	**182**	**1**	**277**
Financial liabilities				
Embedded derivatives and hedging instruments	-	145	-	139
	-	**145**	**-**	**139**

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

3.12. Finance lease payments

As at 31 March 2014 and 31 December 2013 the Group possessed as a lessee, the finance lease agreements, concerning mainly buildings, machinery and equipment as well as means of transportation.

	31/03/2014 (unaudited)	31/12/2013 (restated data)
Future minimum lease payments	118	121
Present value of minimum lease payments	99	102

3.13. Future liabilities resulting from signed investment contracts

As at 31 March 2014 and 31 December 2013 the value of future liabilities resulting from investment contracts signed until that day amounted to PLN 1,905 million and PLN 1,998 million, respectively.

3.14. Issue, redemption and repayment of debt securities

In the period covered by the foregoing interim condensed consolidated financial statements, as a part of liquidity optimisation in the ORLEN Group, issue of short term bonds in favor of Group companies were performed.

On 2 April 2014 PKN ORLEN issued fifth series of 4-years bonds (E series) of nominal value of PLN 200 million, and additionally on 9 April 2014 sixth series of bonds (F series), of total value of PLN 100 million was issued. Detailed information was presented in note B 3.2.

3.15. Dividends

The Management Board of PKN ORLEN recommended under the resolution of 25 March 2014 to distribute the net profit of the Parent Company for the year 2013 of PLN 617,684,481.47 as follows: PLN 615,901,047.84, i.e. 3% of the average market capitalization of the ORLEN Group in 2013, as dividend payment (PLN 1.44 per 1 share) and PLN 1,783,433.63 as reserve capital.
The Management Board of PKN ORLEN recommended the date of 16 June 2014 as a dividend date and the date of 8 July 2014 as a dividend payment date.
PKN ORLEN Management Board's recommendation will be presented to the Ordinary Shareholders' Meeting of PKN ORLEN on 15 May 2014, which will make the final decision.

3.16. Contingent liabilities

In the period covered by the foregoing interim condensed consolidated financial statements there were no significant contingent liabilities, apart from disclosed in the Consolidated Financial Statements for 2013 in note 39.

3.17. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 March 2014 and 31 December 2013 amounted to PLN 1,760 million and PLN 1,652 million, respectively.

3.18. Events after the end of the reporting period

After the end of the reporting period there were no events to be included in the foregoing interim condensed consolidated financial statements.

OTHER INFORMATION TO
CONSOLIDATED QUARTERLY REPORT

FOR I QUARTER 2014

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

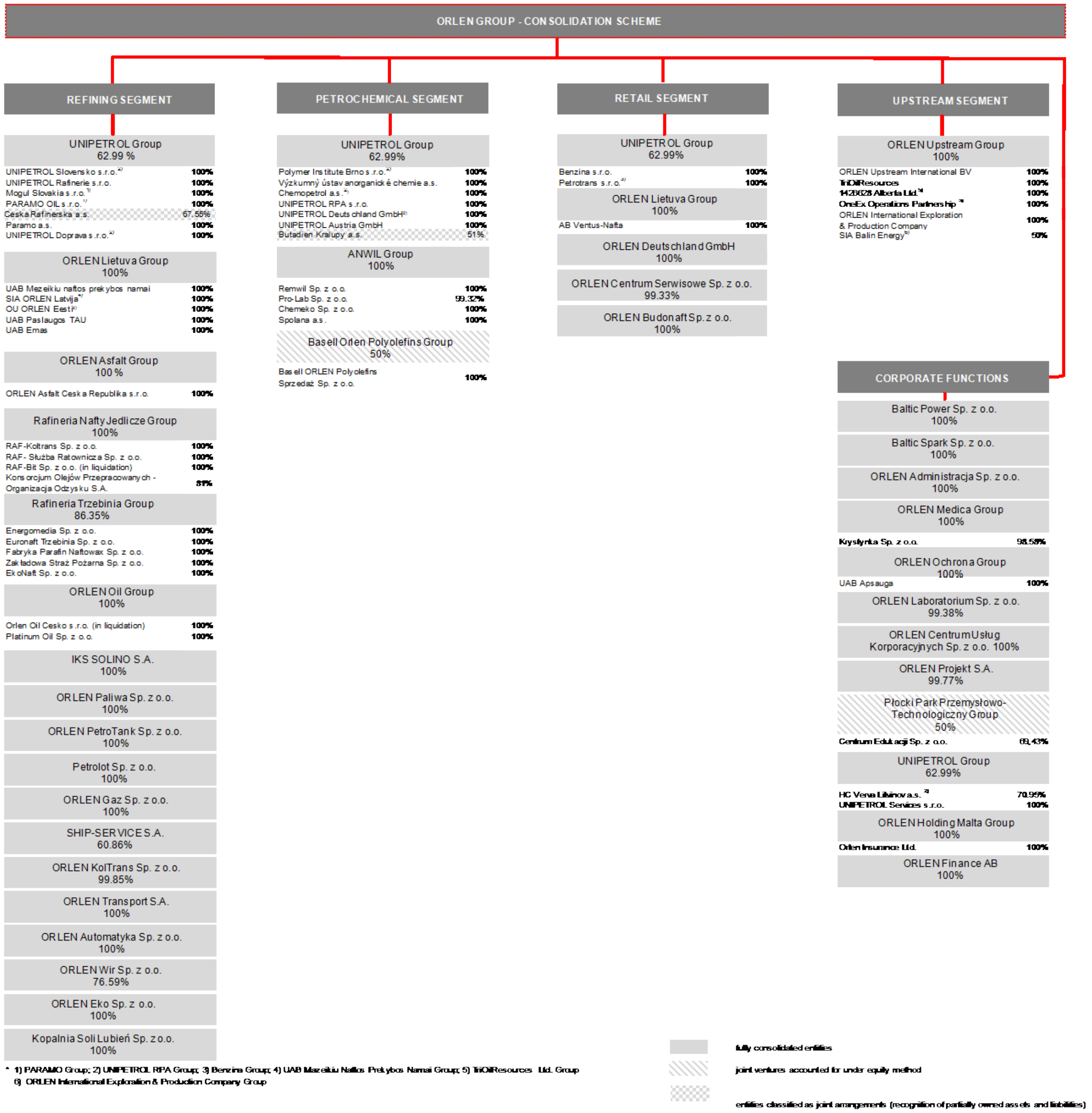
1. Principal activity of ORLEN Group

The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "the Parent 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, exploration and extraction of hydrocarbons as well as their transport, wholesale and retail sale.

2. Organization of ORLEN Group

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



3. Financial situation

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

Results from operations and financial activities

Negative effect of crude oil prices on inventories valuation in the I quarter of 2014 decreased the operating result increased by depreciation and amortisation ("EBITDA") of the ORLEN Group by PLN (-) 124 million (y/y).

Negative effect of macroeconomic factors changes regarding mainly the continuing from IV quarter of 2013 low refining margins and Brent/Ural differential, amounted to PLN (-) 300 million (y/y).

The positive volume effect of PLN 108 million (y/y) resulted mainly from higher sales in petrochemical, retail segments as well as extraction of crude and natural gas in Canada accompanied by lower sales volume of refining segment.

Increase of fuel and non – fuel margins of the retail segment amounted to PLN 82 million (y/y).

The positive effect of other factors amounted to PLN 153 million (y/y) related mainly to changes in the balance of other operating activities of PLN 196 million (y/y), mainly from recognition of gain on bargain purchase of 16.3% shares of Ceska Rafinerska a.s. by Unipetrol a.s.from Shell Overseas Investments BV („Shell").

As a result, EBITDA of the ORLEN Group for the I quarter of 2014 amounted to PLN 776 million compared to PLN 857 million in the analogous quarter of prior year.

After consideration of depreciation and amortisation, operating result (EBIT) for the I quarter of 2014 amounted to PLN 254 million compared to PLN 334 million in the I quarter of 2013.

Net finance costs in the I quarter of 2014 amounted to PLN (-) 100 million and comprised mainly net interest expense of PLN (-) 39 million, net settlement and valuation of financial instruments of PLN (-) 23 million and negative net foreign exchange differences on revaluation of items in foreign currency of PLN (-) 34 million.

In accordance with the IAS 39 (Financial Instruments: Recognition and Measurement) negative exchange differences from loans in USD as part of a hedging relationship established with an investment in the ORLEN Lietuva of PLN (-) 15 million and in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) positive foreign exchange differences resulting from the translation of foreign currency loans balances of foreign entities of PLN 3 million were recognised in equity in the position of foreign exchange differences on subsidiaries from consolidation.

After consideration of tax charges, net profit of the ORLEN Group for the I quarter of 2014 amounted to PLN 126 million.

Results of the core entities of the ORLEN Group in the I quarter of 2014

- **PKN ORLEN S.A.** – EBITDA result amounted to PLN 316 million and was lower by PLN (-) 174 million (y/y):
  - EBITDA of refining segment, lower by PLN (-) 137 million (y/y) resulted mainly from deterioration of macroeconomic environment and lower sales volume with negative impact of inventories valuation of PLN (-) 67 million (y/y) with positive impact of one-off event relating to repurchase of IV tranche of mandatory reserves from Whirlwind Sp. z o.o. of PLN 81 million (y/y),
  - EBITDA of petrochemical segment, lower by PLN (-) 143 million (y/y) was mainly due to negative effect of macroeconomic factors changes related to olefin and PTA margins, as well as inventories valuation of PLN (-) 5 million (y/y),
  - EBITDA of retail segment, higher by PLN 98 million (y/y) mainly results from improved fuel and non - fuel margins and higher sales volume,
  - EBITDA of upstream segment, lower by PLN (-) 3 million (y/y),
  - EBITDA of corporate functions, higher by PLN 11 million (y/y) mainly as a result of optimisation of operating expenses and positive balance in the other operating activities.
- **ORLEN Lietuva Group** – EBITDA result was lower by PLN (-) 195 million (y/y) and amounted to PLN (-) 89 million:
  - EBITDA of refining segment, lower by PLN (-) 192 million (y/y) is mainly due to negative impact of macroeconomic and market factors, which contributed to the decrease in production and sales volume, as well as negative impact of inventories valuation of PLN (-) 7 million (y/y),
  - EBITDA of retail segment, higher by PLN 1 million (y/y) mainly results from higher sales volume and improved fuel and non – fuel margins,
  - EBITDA of corporate functions, lower by PLN (-) 4 million (y/y).
- **Unipetrol Group** – EBITDA result was higher by PLN 176 million (y/y) and amounted to PLN 264 million:
  - EBITDA of refining segment, higher by PLN 163 million (y/y) mainly results from higher sales volume with negative impact of macroeconomic factors changes and inventories valuation of PLN (-) 11 million (y/y) and positive balance in other operating activities of PLN 167 million mainly as a result of recognition of gain on bargain purchase of shares of Ceska Rafinerska a.s. from Shell,

– EBITDA of petrochemical segment, higher by PLN 8 million (y/y) mainly results from higher sales volume, with negative impact of inventories valuation of PLN (-) 26 million (y/y),

– EBITDA of retail segment, higher by PLN 8 million (y/y) mainly results from higher sales volume and improved fuel and non-fuel margins,

– EBITDA of corporate functions, lower by PLN (-) 3 million (y/y).

Net indebtedness and cash flows

As at 31 March 2014 net indebtedness of the ORLEN Group amounted to PLN 9,016 million and was higher by PLN 4,348 million as compared to the level at the end of 2013. Net financial leverage at the end of the I quarter of 2014 amounted to 25%.
Change in net indebtedness comprised mainly net proceeds from loans and borrowings of PLN 2,396 million, decrease of cash and cash equivalents of PLN 1,931 million as well as impact of negative foreign exchange differences from the revaluation of foreign currency loans and indebtedness valuation of PLN 21 million.
Net cash from operating activities in the I quarter of 2014 amounted to PLN (-) 3,440 million and resulted mainly from the change in the working capital balance of PLN (-) 3,965 million.
The most significant item was the increase in inventory balance of PLN (-) 2,404 million as a result of repurchase of IV tranche of mandatory reserves of PLN 1,189 million and purchase of operating inventories from Shell related to acquisition of shares of Ceska Rafinerska a.s. of PLN 267 million described above, as well as increased level of operating inventories before the planned shutdowns in PKN ORLEN.
Net cash used in investing activities in the I quarter of 2014 amounted to PLN (-) 816 million and comprised mainly net expenditure for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land of PLN (-) 741 million and acquisition of shares of PLN (-) 62 million related to acquisition of shares of Ceska Rafinerska a.s by Unipetrol from Shell.
Net cash provided by financial activities in the I quarter of 2014 amounted to PLN 2,324 million and comprised mainly net proceeds of loans and borrowings of PLN 2,392 million and interest paid of PLN (-) 60 million.
Considering foreign exchange differences on revaluation of cash, the cash balance decreased in the I quarter of 2014 by PLN (-) 1,931 million and as at 31 March 2014 amounted to PLN 758 million.

Factors and events which may influence future results

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

3.2. The most significant events in the period from 1 January 2014 until the date of preparation of the foregoing report

JANUARY 2014

PKN ORLEN announced that on 28 January 2014 the agreement for gathering and keeping of crude oil mandatory reserves, concluded on 28 December 2012 between PKN ORLEN and Whirlwind Sp. z o.o., has expired.
Therefore, and in accordance with realization of the Act of 16 February 2007 on stocks of crude oil, petroleum products and natural gas, the principles of proceeding in circumstances of a threat to the fuel security of the State and disruption on the petroleum market (Journal of Laws no. 52, item 343 with amendments) PKN ORLEN purchased crude oil owned by Whirlwind. The value of transaction was PLN 1,223 million, translated using exchange rate as at 27 January 2014 (representing approximately USD 396 million). The crude oil price was established according to market quotations.
The transfer of funds by PKN ORLEN as well as the transfer of ownership of the raw material to the Company has been made on 28 January 2014.
On the day of conclusion of the Agreement, PKN ORLEN hedged purchase price of crude oil with futures contract. Through the settlement of the hedging transaction purchase price of crude oil was decreased by approx. PLN 34 million, translated using exchange rate as at 27 January 2014 (representing approx. USD 11 million). As a result of these operations PKN ORLEN recognised in the first quarter of 2014 purchase of crude oil of approx. PLN 1,189 million, translated using exchange rate as at 27 January 2014 (representing approx. USD 385 million).
Additionally, within the duration of the contract regarding gathering and maintenance of crude oil reserves, Whirlwind incurred charges to PKN ORLEN for inventory maintenance guarantees.
All amounts presented above do not include VAT.
Whirlwind is a special purpose vehicle, established at the request of RBS Polish Financial Advisory Services Sp. z o.o., which is a subsidiary of Royal Bank of Scotland N.V. Whirlwind in its statutory activities includes turnover of crude oil.

MARCH 2014

On 6 March 2014 the Supervisory Board of PKN ORLEN appointed to the Management Board of PKN ORLEN following persons:

– Dariusz Jacek Krawiec for the position of the President of the Management Board,
– Sławomir Jędrzejczyk for the position of the Vice-President of the Management Board,
– Piotr Chełmiński for the position of the Member of the Management Board,
– Krystian Pater for the position of the Member of the Management Board,
– Marek Podstawa for the position of the Member of the Management Board

for the common three year term of office starting the day after present common term of office of the Management Board of the Company expires, that is after the day of the General Shareholders Meeting of the Company approving the financial statements for 2013.
All of the newly elected Members of the Management Board have declared that upon joining the Management Board of PKN ORLEN they will not be involved in any activity that competes with PKN ORLEN, and will not be a partner of any competing company and will not be members of any board of a competing incorporated company.
All of the newly elected members of the Management Board are not on the List of Insolvent Debtors kept in accordance with the National Court Register Act dated 20 August 1997 (Official Journal from 2013, item 1203).

APRIL 2014

On 28 March 2013 the Supervisory Board of PKN ORLEN approved the issue of bonds by the Company through a public bond issuance program (the Program).
On the basis of an agreement concluded with UniCredit CAIB Poland S.A, Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Pekao S.A., in 2013 PKN ORLEN issued 4 series of mid-term bonds (4-years) of total nominal value of PLN 700 million, dedicated to retail investors. On 2 April 2014 PKN ORLEN issued fifth series of 4-years bonds (E series) of nominal value of PLN 200 million, and additionally on 9 April 2014 sixth series of retail bonds (F series), of total value of PLN 100 million was issued. Sixth series was the last offering, finalizing the Program.
Bonds issued under the Program are unsecured, bearer ordinary bonds, registered in the National Depository for Securities listed on the regulated market within the Catalyst platform operated by the Warsaw Stock Exchange.

in PLN million

	Nominal value	Subscription date	Expiration date	Base rate	Margin	Rating
A Series	200	28.05.2013	28.05.2017	6M WIBOR	1.50%	A - (pol)
B Series	200	03.06.2013	03.06.2017	6M WIBOR	1.50%	A - (pol)
C Series	200	06.11.2013	06.11.2017	6M WIBOR	1.40%	A - (pol)
D Series	100	14.11.2013	14.11.2017	6M WIBOR	1.30%	A - (pol)
E Series	200	02.04.2014	02.04.2018	6M WIBOR	1.30%	A - (pol)
F Series	100	09.04.2014	09.04.2020	Fixed interest rate 5%		A - (pol)
Total	1,000					

On 17 April 2014 Mr Michał Gołębiowski resigned from the position of member of the Supervisory Board of PKN ORLEN, effective on 21 April 2014, due to relevant professional circumstances.

4. Related party transactions

	Entities classified as joint arrangements		Associates		Total	
	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited)	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Sales	879	946	14	10	893	956
Purchases	122	150	10	9	132	159

including:

	Entities classified as joint arrangements					
	joint venture		joint operation		Total	
	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited) (restated data)
Sales	784	830	95	116	879	946
Purchases	7	7	115	143	122	150

	Entities classified as joint arrangements		Associates		Total	
	31/03/2014 (unaudited)	31/12/2013 (restated data)	31/03/2014 (unaudited)	31/12/2013	31/03/2014 (unaudited)	31/12/2013 (restated data)
Trade and other receivables	633	653	18	19	651	672
Trade and other liabilities	213	233	6	11	219	244

ORLEN GROUP (in PLN million)

including:

	Entities classified as joint arrangements					
	joint venture		joint operation		Total	
	31/03/2014 (unaudited)	31/12/2013 (restated data)	31/03/2014 (unaudited)	31/12/2013 (restated data)	31/03/2014 (unaudited)	31/12/2013 (restated data)
Trade and other receivables	582	590	51	63	633	653
Trade and other liabilities	3	4	210	229	213	233

In the 3 months period ended 31 March 2014 and 31 March 2013 there were no related party transactions concluded within the Group on other than market terms.

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

Detailed information concerning the below-mentioned proceedings was presented in the Consolidated Financial Statements for 2013 - note 44. Changes in their status in the current period and information regarding new proceedings were presented below.

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

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

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

The claim regards the payment of a compensation for losses related among others to alleged unfair competition of PKN ORLEN included in Agrofert Holding a.s. (Agrofert) claim and alleged illegal violation of reputation of Agrofert in relation to purchase by PKN ORLEN of UNIPETROL a.s. shares. On 21 October 2010 the Court of Arbitration in Prague overruled the entire claim of Agrofert against PKN ORLEN regarding the payment of PLN 2,959 million translated using exchange rate as at 31 March 2014 (representing CZK 19,464 million) with interest and obliged Agrofert to cover the cost of proceedings born by PKN ORLEN. On 3 October 2011 PKN ORLEN received from the common court in Prague (Czech Republic) claim for overrulling the sentence of the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic in Prague issued on 21 October 2010. The complaint was dismissed by the court in Prague with the ruling of 24 January 2014. In accordance with information possessed as at the date of approval of the foregoing financial statements Agrofert appealed from the above sentence. In the opinion of PKN ORLEN the decision included in the judgment of the Arbitration Court dated 21 October 2010 and in the judgment of the court in Prague dated 24 January 2014 are correct and will take all necessary means to remain the judgment in force.

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

5.1.2.1. Tax proceedings

As a result of the Customs Office proceeding from 2005, the excise tax liability in Rafineria Trzebinia S.A. for the period May-September 2004 was set at the amount of approximately PLN 100 million.
The proceeding of the excise tax liability for September 2004 was closed by the decision of the Supreme Administrative Court of 7 October 2013. The entire liability was paid by Rafineria Trzebinia S.A.
The proceeding of the excise tax liability for May-August 2004 is pending. Head of the Customs Office in Cracow extended deadline for a decision up to 7 May 2014.
The Group recognized the provision in 2013 for the estimated results of the above decisions.

5.1.2.2. 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 foregoing 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.
During the retrial, an opinion was prepared by an expert witness for the variant damages calculation. The court set the date of next hearing on 29 September 2014.

– **Court proceedings in which PKN ORLEN acts as an outsider intervener**
In 2004 the court summoned PKN ORLEN as a co-defendant in a court case PSE – Operator S.A. On 4 February 2014 on the hearing of the Court of Appeals in Warsaw PSE-Operator S.A. and ENERGA-OPERATOR S.A. entered into an court settlement on the claims covered by the court proceeding which finished the court proceeding. Due to the settlement the Court of Appeals discharged the proceedings. The settlement does not result in liabilities directly for PKN ORLEN, as it acted only as an outside intervener.

5.1.2.3. 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 related to the filing by UNIPETROL RPA s.r.o. motion for bankruptcy of I.P.-95 s.r.o. in November 2009. Total amount of the compensation is approximately PLN 272 million, translated using the exchange rate from 31 March 2014 (representing CZK 1,789 million). 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 claim is unjustified and groundless. The case is pending in the Regional Court in Ostrava. The parties are waiting for the date of the first hearing.

5.2. Court proceedings in which entities of the ORLEN Group act as plaintiff

5.2.1. Compensations due to damages suffered by Rafineria Trzebinia S.A.

Rafineria Trzebinia S.A. acts as an auxiliary prosecutor in the proceedings started in 2010 held by District Court in Cracow 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 million. The Company issued a motion to the court requesting to oblige the defendants to compensate the incurred damages. The proceeding is pending in the District Court in Chrzanów. The parties are waiting for the date of the hearing.

5.2.2. Proceeding of Orlen Lietuva for compensation in respect of accident at Terminal in Butingè

AB Orlen Lietuva is a plaintiff in the court proceeding against RESORT MARITIME S.A., The London Steamship Owners' Mutual Insurance Association Limited, Sigma Tankers Inc., Cardiff Maritime Inc., Heidenreich Marine, Heidenreich Maritime Inc. and Heidmar Inc. regarding compensation payment for damage caused by the hit of tanker ship into terminal buoy in Butinge Terminal on 29 December 2005. The total compensation claim amounts to approximately PLN 72 million at exchange rate as at 31 March 2014 (representing approximately LTL 60 million). The proceeding is held in the first instance in front of District Court in Klajpeda. The court did not set a date of next hearing at the date of publication.

5.2.3. Tax proceedings

UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s. claims the return of tax expense paid in 2006 for the year 2005 by CHEMOPETROL a.s.. The claim concerns unused investment relief attributable to CHEMOPETROL a.s.. Value of claim amounts to approximately PLN 49 million translated using exchange rate as at 31 March 2014 (representing approximately CZK 325 million). On 11 December 2013, the Court in Usti by the Elbe River (Czech Republic) issued a sentence in which it dismissed the decisions of the tax authorities regarding tax liability due to tax expense of UNIPETROL RPA s.r.o. of approximately CZK 325 million. UNIPETROL RPA s.r.o. submit an annulment claim against the sentence of the Court in Usti by the Elbe river seeking to dismiss of the tax authorities decision and to state that they are invalid and non-existent, as such statement would improve the company's position against the tax authorities in this particular case. On 19 March 2014 the Czech supreme administrative court overruled an annulment claim of UNIPETROL RPA, s.r.o and dismissed the Court in Usti by the Elbe River decision and decided to revoke them to reexamination.

5.2.4. Arbitration proceedings against Basell Europe Holding B.V.

On 20 December 2012 PKN ORLEN 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 and Basell Europe Holding B.V. The claims follow from the use by Basell Sales & Marketing Company so-called *Cash Discounts* which effectively led to a lower product price payable to Basell Orlen Polyolefins Sp. z o.o. On 27 February 2014 PKN ORLEN submitted its statement on this case, according to which claimed amounts were updated in the way that PKN ORLEN requests from Basell Europe Holdings B.V. to Basell Orlen Polyolefins Sp. z o.o. the amount of PLN 125 million translated using exchange rate as of 31 March 2014 (representing approximately EUR 30 million) plus interest, or alternatively, from Basell Europe Holdings B.V. to PKN ORLEN the amount of approximately PLN 57 million, provided that the amounts may be adjusted by arbitration proceedings. On 10 April 2014 PKN ORLEN submitted an application for suspension of the arbitration proceedings until 1 November 2014. Basell Europe Holdings B.V. accepted this request. On 23 April 2014 the parties received the Tribunal's decision regarding the suspension of the proceeding until 1 November 2014. In the opinion of PKN ORLEN, suspension of the proceeding may allow the parties reach the solution outside the court.

5.2.5. Proceedings against Aon UK Limited

In 2012 AB Orlen Lietuva acted as a plaintiff in the proceeding against Aon UK Limited, in which requests a compensation for damages incurred due to improper performance of brokerage services as a consequence of which AB Orlen Lietuva did not receive full compensation for the loss resulting from the refinery fire in 2006. Value of AB Orlen Lietuva compensation claim amounts to approximately from PLN 109 million to PLN 379 million at exchange rate as at 31 March 2014 (representing approximately from USD 36 million to USD 125 million) depending on the adopted methods of calculation, which will be examined in court proceedings. Proceeding is held in the first instance in front of court in Great Britain. The witnesses, experts are submitting their declaration and opinions. The parties are waiting for the date of the hearing.

ORLEN ORLEN GROUP (in PLN million)

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 submission date of the report

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at the submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
ING OFE*	9.35%	40 000 000
Aviva OFE*	7.01%	30 000 000
Others	56.12%	239 998 865
	100.00%	**427 709 061**

* According to the information from the Ordinary Shareholders Meeting of PKN ORLEN of 27 June 2013

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

In the period covered by foregoing interim condensed consolidated financial statements there were no changes in the ownership of shares.

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

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

* According to the received confirmations as at 16 April 2014

In the period covered by the foregoing interim condensed consolidated financial statements there were no changes in the ownership of shares held 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 subsidiary

As at 31 March 2014 and 31 December 2013 PKN ORLEN and its subsidiaries did not grant any loan sureties or guarantees to one entity or its subsidiary, where the value of sureties and guarantees constituted at least 10% of the Parent 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 Group has not published forecasts of the results.

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR I QUARTER 2014

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN

Separate statement of profit or loss and other comprehensive income

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited)
Statement of profit or loss		
Sales revenues	17 415	20 205
Cost of sales	(16 668)	(19 261)
Gross profit on sales	**747**	**944**
Distribution expenses	(525)	(515)
Administrative expenses	(171)	(183)
Other operating income	59	38
Other operating expenses	(40)	(45)
Profit from operations	**70**	**239**
Finance income	30	41
Finance costs	(108)	(355)
Net finance income and costs	**(78)**	**(314)**
(Loss) before tax	**(8)**	**(75)**
Tax expense	1	91
Net profit/(loss)	**(7)**	**16**
Items of other comprehensive income		
which will be reclassified into profit or loss under certain conditions		
Hedging instruments	*(125)*	*30*
Deferred tax	*24*	*(6)*
	(101)	**24**
Total net comprehensive income	**(108)**	**40**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	(0.02)	0.04

(in PLN million)

Separate statement of financial position

AS AT	31/03/2014 (unaudited)	31/12/2013
ASSETS		
Non-current assets		
Property, plant and equipment	12 229	12 097
Intangible assets	505	439
Perpetual usufruct of land	97	98
Shares in related parties	9 918	9 646
Financial assets available for sale	40	40
Other non-current assets	1 234	1 035
	24 023	**23 355**
Current assets		
Inventories	11 575	9 383
Trade and other receivables	5 652	6 248
Other financial assets	691	974
Current tax assets	35	31
Cash	219	2 072
Non-current assets classified as held for sale	9	-
	18 181	**18 708**
Total assets	**42 204**	**42 063**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	67	168
Retained earnings	20 675	20 682
Total equity	**23 027**	**23 135**
LIABILITIES		
Non-current liabilities		
Loans and debt securities	7 343	6 096
Provisions	324	324
Deferred tax liabilities	376	404
Other non-current liabilities	186	99
	8 229	**6 923**
Current liabilities		
Trade and other liabilities	8 722	9 836
Loans,borrowings and debt securities	1 172	1 314
Provisions	329	348
Deferred income	143	94
Other financial liabilities	582	413
	10 948	**12 005**
Total liabilities	**19 177**	**18 928**
Total equity and liabilities	**42 204**	**42 063**

(in PLN million)

Statement of changes in separate equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2014	2 285	168	20 682	23 135
Net (loss)	-	-	(7)	(7)
Items of other comprehensive income	-	(101)	-	(101)
Total net comprehensive income	**-**	**(101)**	**(7)**	**(108)**
31 March 2014	**2 285**	**67**	**20 675**	**23 027**
(unaudited)				
1 January 2013	2 285	(69)	20 704	22 920
Net profit	-	-	16	16
Items of other comprehensive income	-	24	-	24
Total net comprehensive income	**-**	**24**	**16**	**40**
31 March 2013	**2 285**	**(45)**	**20 720**	**22 960**
(unaudited)				

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of cash flows

	3 MONTHS 2014 (unaudited)	3 MONTHS 2013 (unaudited)
Cash flows - operating activities		
Net profit/(loss)	**(7)**	**16**
Adjustments for:		
Depreciation and amortisation	246	251
Foreign exchange loss	7	175
Interest, net	50	60
Dividends	(2)	-
(Profit)/Loss on investing activities	21	(4)
Tax expense	(1)	(91)
Change in provisions	(10)	17
Change in working capital	(2 536)	(1 322)
inventories	*(2 186)*	*(1 639)*
receivables	*656*	*371*
liabilities	*(1 006)*	*(54)*
Other adjustments	(8)	(39)
Income tax (paid)/received	(6)	62
Net cash (used) in operating activities	**(2 246)**	**(875)**
Cash flows - investing activities		
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(529)	(307)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	9	88
Acquisition of shares	(145)	-
Disposal of shares	25	-
Acquisition of current securities	(100)	-
Interest received	4	4
Dividends received	2	-
Outflows from additional repayable payments to subsidiaries' equity	(175)	-
Outflows from non-current loans granted	(303)	-
Proceeds from current loans granted	285	395
Proceeds/(Outflows) from cash pool facility	125	(7)
Other	(4)	(2)
Net cash provided by/(used in) investing activities	**(806)**	**171**
Cash flows - financing activities		
Proceeds from loans and borrowings received	1 473	2 250
Debt securities issued	2 864	1 511
Repayments of loans and borrowings	(397)	(2 102)
Redemption of debt securities	(2 864)	(1 467)
Interest paid	(64)	(81)
Payments of liabilities under finance lease agreements	(4)	(3)
Proceeds from cash pool facility	190	108
Net cash provided by financing activities	**1 198**	**216**
Net (decrease) in cash	**(1 854)**	**(488)**
Effect of exchange rate changes	1	-
Cash, beginning of the period	2 072	972
Cash, end of the period	**219**	**484**

The foregoing quarterly report was authorized by the Management Board of the Parent Company on 23 April 2014.

……………………….
Dariusz Krawiec
President of the Board

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

…………………………….
Piotr Chełmiński
Member of the Board

…………………………….
Krystian Pater
Member of the Board

……………………….
Marek Podstawa
Member of the Board

Signature of the person responsible for keeping accounting books

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