

**Polski Koncern Naftowy ORLEN  
Spółka Akcyjna Group**

**Supplementary report  
on the audit of the  
consolidated financial  
statements**

**Financial Year ended  
31 December 2015**

The supplementary report contains 16 pages  
The supplementary report on the audit of the  
consolidated financial statements  
for the financial year ended  
31 December 2015

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## **1. General**

### **1.1.1. Identification of the Group**

### **1.1.2. Name of the Group**

Polski Koncern Naftowy ORLEN Spółka Akcyjna Group („Group”)

### **1.1.3. Registered office of the parent company of the Group**

ul. Chemików 7  
09-411 Płock

### **1.1.4. Registration of the parent company in the register of entrepreneurs of the National Court Register**

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

### **1.1.4. Management of the parent company**

The Management Board is responsible for management of the parent company.

As at 31 December 2015, the Management Board of the parent company was comprised of the following members:

- |                        |  |
|------------------------|--|
| • Wojciech Jasiński    | – President of the Management Board, Chief Executive Officer,                              |
| • Sławomir Jędrzejczyk | – Vice-President of the Management Board, Chief Financial Officer,                         |
| • Piotr Chełmiński     | – Member of the Management Board, Business Development /Power and Heat Generation Officer, |
| • Krystian Pater       | – Member of the Management Board, Production,  |
| • Marek Podstawa       | – Member of the Management Board, Sales.   |

According to the resolution of the Supervisory Board dated 16 December 2015, Mr. Dariusz Krawiec was dismissed from the position of President of the Management Board and Mr. Wojciech Jasiński was appointed to the position of President of the Management Board.

According to the resolution of the Supervisory Board dated 8 February 2016, Mr. Marek Podstawa was dismissed from the position of Member of the Management Board, Sales and Mr. Zbigniew Leszczyński was appointed to this position.

According to the resolution of the Supervisory Board dated 8 February 2016, Mr. Mirosław Kochalski was appointed to the position of Vice-President of the Management Board, Corporate Affairs.

## **1.2. Information about companies comprising the ORLEN Group**

### **1.2.1. Companies included in the consolidated financial statements**

As at 31 December 2015, the following companies were consolidated by the ORLEN Group:

**Parent company:**

- Polski Koncern Naftowy ORLEN Spółka Akcyjna.

**Subsidiaries consolidated on the full consolidation basis:**

- ORLEN Deutschland GmbH,
- ORLEN Paliwa Sp. z o.o.,
- ORLEN Asfalt Sp. z o.o. Group,
  - ORLEN Asfalt Sp. z o.o. (parent company),
  - ORLEN Asfalt Ceska Republika s.r.o.,
- ORLEN Oil Sp. z o.o.,
- Anwil S.A. Group,
  - Anwil S.A. (parent company),
  - Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o. (in liquidation),
  - Przedsiębiorstwo Usług technicznych Wircom Sp. z o.o.,
  - Spolana a.s.,
- Orlen Południe S.A. Group,
  - Orlen Południe S.A. (parent company),
  - EkoNaft Sp. z o.o. (in liquidation),
  - Energomedia Sp. z o.o.,
  - Euronafit Trzebinia Sp. z o.o.,
  - Konsorcjum Olejów Przetworzonych - Organizacja Odzysku S.A.,
- Inowrocławskie Kopalnie Soli „Solino” S.A.,

- Unipetrol a.s. Group,
  - Unipetrol a.s. (parent company),
  - Vyzkumny Ustav Anorganicke Chemie a.s.,
  - UNIPETROL RPA s.r.o. Group,
    - UNIPETROL RPA s.r.o. (parent company),
    - UNIPETROL SLOVENSKO s.r.o.,
    - UNIPETROL Deutschland GmbH,
    - UNIPETROL Doprava s.r.o.,
    - UNIPETROL RPA Hungary Kft.,
    - HC Verva Litvinov a.s.,
    - Chemopetrol a.s.,
  - Benzina s.r.o. Group,
    - Benzina s.r.o. (parent company),
    - Petrotrans s.r.o.,
  - Paramo a.s. Group,
    - Paramo a.s. (parent company),
    - Paramo Oil s.r.o.,
    - Mogul Slovakia s.r.o.,
  - CESKA RAFINERSKA a.s.,
  - UNIPETROL Services s.r.o.,
  - UNIPETROL Austria HmbH (in liquidation),
  - Butadien Kralupy a.s. (share in assets and liabilities),
  - UNIPETROL Rafinerie s.r.o.,
- Ship-Service S.A.,
- Petrolot Sp. z o.o.,
- ORLEN Upstream Sp. z o.o. Group,
  - ORLEN Upstream Sp. z o.o. (parent company),
  - Grupa Kapitałowa FX Energy Inc.,
    - FX Energy Inc. (parent company),
    - FX Drilling Company Inc.,
    - FC Producing Company Inc.,
    - Frontier Exploration,
    - FX Energy Netherlands Partnership C.V. Group,
      - FX Energy Netherlands Partnership C.V. (parent company),
      - FX Energy Netherlands B.V.,

- FX Energy Polska Sp. z o.o.,
- ORLEN Upstream International BV Group,
  - ORLEN Upstream International BV (parent company),
  - ORLEN Upstream Canada Ltd. Group,
    - ORLEN Upstream Canada Ltd. (parent company),
    - 1426628 Alberta Ltd.,
    - OneEx Operations Partnership,
    - Kicking Horse Energy Inc. Group,
      - Kicking Horse Energy Inc. (parent company),
      - KCK Operating Company Ltd.,
      - Columbia Natural Resources Canada Ltd.,
      - KCK Atlantic Holdings Ltd. Group,
      - Kicking Horse International Exploration Ltd.,
- ORLEN Holding Malta Ltd. Group,
  - ORLEN Holding Malta Ltd. (parent company),
  - ORLEN Insurance Ltd.,
- AB ORLEN Lietuva Group,
  - AB ORLEN Lietuva (parent company),
  - UAB Emas,
  - UAB Mazeikiu Naftos prekybos namai Group,
    - UAB Mazeikiu Naftos prekybos namai (parent company),
    - SIA ORLEN Latvija,
    - OU ORLEN Eesti,
- AB Ventus-Nafta,
- ORLEN Finance AB,
- Orlen Administracja Sp. z o.o.,
- ORLEN Projekt S.A.,
- ORLEN Wir Sp. z o.o.,
- ORLEN Eko Sp. z o.o.,
- ORLEN Centrum Usług Korporacyjnych Sp. z o.o.,
- ORLEN Ochrona Sp. z o.o. Group,
  - ORLEN Ochrona Sp. z o.o. (parent company),
  - UAB Apsauga,
- ORLEN Centrum Serwisowe Sp. z o.o.,
- ORLEN Serwis S.A.,

- Baltic Power Sp. z o.o.,
- ORLEN Budonaft Sp. z o.o.,
- ORLEN KolTrans Sp. z o.o.,
- ORLEN Transport S.A.,
- ORLEN Laboratorium Sp. z o.o.,
- ORLEN Capital AB,
- Kopalnia Soli Lubień Sp. z o.o.

**Joint controlled entities accounted for equity method:**

- Basell ORLEN Polyolefins Sp. z o.o. Group,
  - Basell ORLEN Polyolefins Sp. z o.o. (parent company),
  - Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.
- Płocki Park Przemysłowo-Technologiczny S.A. Group,
  - Płocki Park Przemysłowo-Technologiczny S.A. (parent company),
  - Centrum Edukacji Sp. z o.o.
- Pieridae Production LP,
- Pieridae Production GP Ltd. Group,
  - Pieridae Production GP Ltd. (parent company),
  - 671519 NB Ltd.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2015, as a result of the parent company acquiring a controlling interest:

- FX Energy Inc. Group – subject to consolidation on 31 December 2015,
- Kicking Horse Energy Inc. Group – subject to consolidation for the period from 1 December 2015 to 31 December 2015.

**1.2.2. Entities excluded from consolidation**

As at 31 December 2015, all subsidiaries were consolidated.

### **1.3. Key Certified Auditor and Audit Firm Information**

#### **1.3.1. Key Certified Auditor information**

Name and surname: Zbigniew Libera  
Registration number: 90047

#### **1.3.2. Audit Firm information**

Name: KPMG Audyt Sp. z o.o.  
Address of registered office: ul. Inflancka 4A, 00-189 Warsaw  
Registration number: KRS 0000104753  
Registration court: District Court for the Capital City of Warsaw in Warsaw,  
XII Commercial Department of the National Court Register  
Share capital: PLN 125,000  
NIP number: 526-10-24-841

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

### **1.4. Prior period consolidated financial statements**

The consolidated financial statements as at and for the financial year ended 31 December 2014 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the parent company on 28 April 2015.

The consolidated financial statements were submitted to the Registry Court on 5 May 2015.

### **1.5. Audit scope and responsibilities**

This report was prepared for the General Meeting of Polski Koncern Naftowy ORLEN Spółka Akcyjna with its registered office in Płock, ul. Chemików 7 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements were audited in accordance with the contract dated 7 April 2015, concluded on the basis of the resolution of the Supervisory Board dated 25 November 2014 on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.

We audited the consolidated financial statements at the Group entities during the period from 30 November 2015 to 11 December 2015 and from 18 January 2016 to 23 March 2016. The audit was proceeded by the quarterly reviews.



Management of the parent company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the financial statements.

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

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

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

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2015, item 1011 with amendments).

## **1.6. Information on audits of the financial statements of the consolidated companies**

### **1.6.1. Parent company**

The separate financial statements of the parent company for the year ended 31 December 2015 were audited by KPMG Audyt Spółka z o.o., certified auditor number 458, and received an unqualified opinion.

## 1.6.2. Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
ORLEN Deutschland GmbH	KPMG AG Wirtschaftsprüfungsgesellschaft	31 December 2015	Unqualified opinion
ORLEN Asphalt Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Oil Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Paliwa Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
Anwil S.A. Group	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Południe S.A.	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
Energomedia Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
Euronafit Trzebinia Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
Ekonaft Sp. z o.o. in liquidation	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
Konsorcjum Olejów Przetworzonych – Organizacja Odzysku S.A.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
Inowrocławskie Kopalnie Soli „Solino” S.A.	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
Unipetrol a.s. Group	KPMG Ceska Republika Audyt s.r.o.	31 December 2015	Unqualified opinion
Ship-Service S.A.	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Upstream Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Holding Malta Ltd.	KPMG Ltd.	31 December 2015	Unqualified opinion
ORLEN Insurance Ltd.	KPMG Ltd.	31 December 2015	Unqualified opinion
AB ORLEN Lietuva Group	UAB KPMG Baltics	31 December 2015	Unqualified opinion
ORLEN Finance AB	KPMG AB	31 December 2015	Unqualified opinion
ORLEN Projekt S.A.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Wir Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Administracja Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Eko Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Ochrona Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Centrum Serwisowe Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Serwis S.A.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
Baltic Power Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Budonafit Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN KolTrans Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Transport S.A.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
ORLEN Laboratorium Sp. z o.o.	Misters Audytor Adviser Sp. z o.o.	31 December 2015	Unqualified opinion
Kopalnia Soli Lubień Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion
AB Ventus Nafta	UAB KPMG Baltics	31 December 2015	Unqualified opinion
ORLEN Capital AB	KPMG AB	31 December 2015	Unqualified opinion
ORLEN Upstream Canada Ltd.	KPMG Calgary	31 December 2015	Unqualified opinion
FX Energy Inc.	Grant Thornton LLP, Salt Lake City	31 December 2015	Unqualified opinion
Petrolot Sp. z o.o.	DGA Audyt Sp. z o.o.	31 December 2015	Unqualified opinion

Financial statements of the following entities were not subject to an obligatory audit:

- Chemopetrol a.s.,
- UNIPETROL Austria HmbH (in liquidation),
- UNIPETROL Rafinerie s.r.o.,
- UAB Mazeikiu Naftos prekybos namai,
- Paramo Oil s.r.o.,
- ORLEN Upstream International BV,



- 1426628 Alberta Ltd.,
- OneEx Operations Partnership,
- Kicking Horse Energy Inc.,
- KCK Operating Company Ltd.,
- Columbia Natural Resources Canada Ltd.,
- Kicking Horse Internat. Exploration Ltd.,
- Pierdae Production GP Ltd.,
- KCK Atlantic Holdings Ltd.,
- Pierdae Production LP,
- Pierdae Energy Limited,
- FX Energy Inc.,
- FX Drilling Company Inc.,
- FX Producing Company Inc.,
- Frontier Exploration Inc.,
- FX Energy Netherlands Partnership C.V.,
- Frontier Exploration Inc.

## 2. Financial analysis of the ORLEN Group

### 2.1. Summary analysis of the consolidated financial statements

#### 2.1.1. Consolidated statement of financial position

ASSETS	31.12.2015 PLN million	% of total assets	31.12.2014 PLN million	% of total assets
<b>Non-current assets</b>				
Property, plant and equipment	24,536	51.0	22,644	48.5
Intangible assets	1,298	2.7	703	1.5
Investments accounted for under equity method	774	1.6	672	1.4
Deferred tax assets	365	0.7	385	0.8
Other financial assets	147	0.3	327	0.7
Other assets	242	0.5	240	0.5
<b>Total non-current assets</b>	<b>27,362</b>	<b>56.8</b>	<b>24,971</b>	<b>53.4</b>
<b>Current assets</b>				
Inventories	10,715	22.3	9,829	21.0
Trade and other receivables	6,641	13.8	7,092	15.2
Other financial assets	974	2.0	862	1.9
Cash and cash equivalents	2,348	4.9	3,937	8.4
Non-current assets classified as held for sale	97	0.2	34	0.1
<b>Total current assets</b>	<b>20,775</b>	<b>43.2</b>	<b>21,754</b>	<b>46.6</b>
<b>TOTAL ASSETS</b>	<b>48,137</b>	<b>100.0</b>	<b>46,725</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
	31.12.2015 PLN million	% of total assets	31.12.2014 PLN million	% of total assets
<b>Equity</b>				
Share capital	1,058	2.2	1,058	2.3
Share premium	1,227	2.6	1,227	2.6
Hedging reserve	(80)	(0.2)	(1,319)	(2.8)
Foreign exchange differences on subsidiaries from consolidation	537	1.1	509	1.1
Retained earnings	19,431	40.4	17,296	37.0
<b>Total equity attributable to equity holders of the parent</b>	<b>22,173</b>	<b>46.1</b>	<b>18,771</b>	<b>40.2</b>
<b>Non-controlling interest</b>	<b>2,071</b>	<b>4.3</b>	<b>1,615</b>	<b>3.4</b>
<b>Total equity</b>	<b>24,244</b>	<b>50.4</b>	<b>20,386</b>	<b>43.6</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans, borrowings and bonds	8,131	16.9	9,670	20.7
Provisions	710	1.4	709	1.5
Deferred tax liabilities	674	1.4	75	0.1
Other financial liabilities	712	1.5	1,851	4.0
<b>Total non-current liabilities</b>	<b>10,227</b>	<b>21.2</b>	<b>12,305</b>	<b>26.3</b>
<b>Current liabilities</b>				
Trade and other liabilities	10,820	22.5	11,257	24.1
Loans and borrowings	1,027	2.1	987	2.1
Provisions	749	1.6	648	1.4
Other financial liabilities	870	1.8	1,020	2.2
Other liabilities	200	0.4	122	0.3
<b>Total short-term liabilities</b>	<b>13,666</b>	<b>28.4</b>	<b>14,034</b>	<b>30.1</b>
<b>Total liabilities</b>	<b>23,893</b>	<b>49.6</b>	<b>26,339</b>	<b>56.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,137</b>	<b>100.0</b>	<b>46,725</b>	<b>100.0</b>

## 2.1.2. Consolidated statement of profit or loss and other comprehensive income

	1.01.2015 - 31.12.2015	% of total sales	1.01.2014 - 31.12.2014	% of total sales
	PLN million		PLN million	
Sales revenues	88,336	100.0	106,832	100.0
Cost of sales	(77,792)	(88.1)	(101,010)	(94.6)
<b>Gross profit on sales</b>	<b>10,544</b>	<b>11.9</b>	<b>5,822</b>	<b>5.4</b>
Distribution expenses	(3,971)	(4.5)	(3,920)	(3.7)
Administrative expenses	(1,552)	(1.8)	(1,512)	(1.4)
Other operating income	420	0.5	766	0.7
Other operating expenses	(1,354)	(1.5)	(5,924)	(5.5)
Share in profit from investments accounted for under equity method	253	0.3	57	0.1
<b>Profit/(Loss) from operations</b>	<b>4,340</b>	<b>4.9</b>	<b>(4,711)</b>	<b>(4.4)</b>
Finance income	390	0.4	354	0.3
Finance costs	(1,032)	(1.1)	(1,889)	(1.7)
<b>Net financial income and costs</b>	<b>(642)</b>	<b>(0.7)</b>	<b>(1,535)</b>	<b>(1.4)</b>
<b>Profit/(Loss) before tax</b>	<b>3,698</b>	<b>4.2</b>	<b>(6,246)</b>	<b>(5.8)</b>
Tax expense	(465)	(0.5)	418	0.3
<b>Net profit/(loss)</b>	<b>3,233</b>	<b>3.7</b>	<b>(5,828)</b>	<b>(5.5)</b>
<b>Other comprehensive income:</b>				
<b>which will not be reclassified into profit or loss</b>	<b>3</b>	<b>-</b>	<b>(16)</b>	<b>-</b>
<b>which were or will be reclassified into profit or loss</b>	<b>1,327</b>	<b>1.5</b>	<b>(655)</b>	<b>(0.6)</b>
hedging instruments	1,530	1.7	(1,758)	(1.6)
foreign exchange differences on subsidiaries from consolidation	88	0.1	769	0.7
deferred tax	(291)	(0.3)	334	0.3
	<b>1,330</b>	<b>1.5</b>	<b>(671)</b>	<b>(0.6)</b>
<b>Total net comprehensive income</b>	<b>4,563</b>	<b>5.2</b>	<b>(6,499)</b>	<b>(6.1)</b>
<b>Net profit/(loss) attributable to</b>	<b>3,233</b>		<b>(5,828)</b>	
equity owners of the parent	2,837		(5,811)	
non-controlling interest	396		(17)	
<b>Total net comprehensive income attributable to</b>	<b>4,563</b>		<b>(6,499)</b>	
equity owners of the parent	4,107		(6,584)	
non-controlling interest	456		85	
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in PLN per share)	6.63		(13.59)	

## 2.2. Selected financial ratios

	2015	2014	2013
<b>1. Return on sales</b>			
$\frac{\text{profit for the period} \times 100\%}{\text{revenue}}$	3.7%	negative value	0.1%
<b>2. Return on equity</b>			
$\frac{\text{profit for the period} \times 100\%}{\text{equity} - \text{profit for the period}}$	15.4%	negative value	0.3%
<b>3. Debtors' days</b>			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{revenue}}$	25 days	23 days	23 days
<b>4. Debt ratio</b>			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	49.6%	56.4%	46.3%
<b>5. Current ratio</b>			
$\frac{\text{current assets}}{\text{current liabilities}}$	1.5	1.6	1.5

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

### **3. Detailed report**

#### **3.1. Accounting principles**

The parent company maintains current documentation describing the accounting principles applied by the ORLEN Group and adopted by the Management Board of the parent company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

The entities being part of the ORLEN Group apply common accounting principles consistent with the accounting principles applied by the parent company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the parent company.

#### **3.2. Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the ORLEN Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327 with amendments).

#### **3.3. Method of consolidation**

The method of consolidation is described in note 8.6.3.2 of the notes to the consolidated financial statements.

#### **3.4. Consolidation of equity and calculation of non-controlling interest**

The share capital of the Group is equal to the share capital of the parent company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the parent company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the parent company.

Only equity of subsidiaries arising after the parent company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

### **3.5. Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Polski Koncern Naftowy ORLEN Spółka Akcyjna or its subsidiaries and agreed with information received from the subsidiaries.

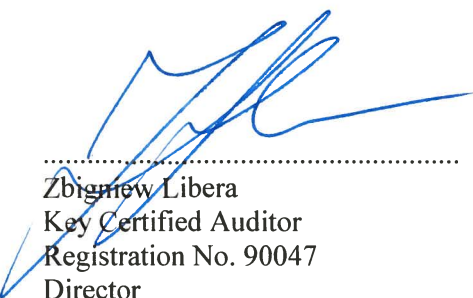
### **3.6. Notes to the consolidated financial statements**

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

### **3.7. Management Board Report of the Operations of ORLEN Group**

The Management Board Report on the Operations of ORLEN Group includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Sp. z o.o.  
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23 March 2016