RESPONSIBILITY

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Polski Koncern Naftowy ORLEN
Spółka Akcyjna

CONSOLIDATED ANNUAL REPORT
ORLEN CAPITAL GROUP

2015

ANNUAL REPORT OF ORLEN GROUP FOR THE YEAR 2015

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN
CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY EUROPEAN UNION

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1. INTRODUCTION

1.1. PRINCIPAL ACTIVITY OF THE ORLEN GROUP

Polski Koncern Naftowy ORLEN Spółka Akcyjna seated in Płock, 7 Chemików Street ("Company", "PKN ORLEN", "Issuer", "Parent Company") was founded by incorporation of Petrochemia Płock S.A. with Centrala Produktów Naftowych S.A., on 7 September 1999.
PKN ORLEN along with the entities forming the Capital Group of Polski Koncern Naftowy ORLEN S.A. ("ORLEN Group", "ORLEN Capital Group", "Group", "Capital Group") is one of the biggest and most modern fuel and power companies in Central Europe, operating on the Polish, Lithuanian, Czech and German market. The Group also possesses entities located in Malta, Sweden, the Netherlands, Slovakia, Hungary, Estonia, Latvia, USA and Canada.
The core business of the ORLEN Group is crude oil processing, production of fuel, petrochemical and chemical goods, as well as, retail and wholesale of fuel products. The ORLEN Group conducts also exploration, recognition and extraction of hydrocarbons, and generates, distributes and trades of electricity and heat.
The activity of the ORLEN Group companies is also service-related activity: storage of crude oil and fuels, road and rail transport, maintenance and overhaul services, laboratory, security, design, administrative, insurance and financial services.
PKN ORLEN shares are quoted on the main market of the Warsaw Stock Exchange (WSE) in the continuous trading system. The first quotation of the shares were held on 26 November 1999.
One of the subsidiaries of PKN ORLEN – Unipetrol a.s. is also present on the capital market. The shares are listed on the Stock Exchange in Prague. Additional information is presented in note 9.1.

1.2. PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with accounting principles contained in the International Financial Reporting Standards (IFRS), comprising International Accounting Standards (IAS) as well as Interpretations of Standing Interpretation Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRIC), which were adopted by the European Union (EU) and entered in force till the end 2015. The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments, financial assets available for sale and investment properties, which have been measured at fair value. The foregoing financial statements have been prepared using the accrual basis of accounting except from the consolidated financial statement of cash flows.
The scope of consolidated financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent information required by the law of a non-Member state (uniform text Official Journal 2014, item 133) and covers the annual period from 1 January to 31 December 2015 and the comparative period from 1 January to 31 December 2014.
Presented consolidated financial statements present a true and fair view of the ORLEN Group's financial position as at 31 December 2015, results of its operations and cash flows for the year ended 31 December 2015.
The consolidated financial statements have been prepared assuming that the ORLEN Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of these consolidated financial statements, there is no evidence indicating that the ORLEN 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 consolidated financial statements have been prepared with earlier taking into consideration changes in IAS1 standard - Presentation of Financial Statements: Disclosure initiative. Key elements of the modification of the scope and format of disclosures related to:

- issues of significance - immaterial disclosures have not been presented even if they were part of the requirement of the standard;
- aggregation / disaggregation of selected items in order to increase transparency and usefulness;
- accounting principles – presented those principles, which have a significant impact on the presentation of results of operations and the situation of the Group.

Other changes to IFRS applied by the Group in accordance with their effective date as of 1 January 2015 to 31 December 2015, had no material impact on these consolidated financial statements.

ORLEN GROUP (PLN million)

2. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	2015	2014
Sales revenues	6.1, 8.1.1, 8.1.2	88 336	106 832
revenues from sales of finished goods and services		*69 101*	*80 836*
revenues from sales of merchandise and raw materials		*19 235*	*25 996*
Cost of sales	8.1.3	(77 792)	(101 010)
cost of finished goods and services sold		*(59 489)*	*(76 211)*
cost of merchandise and raw materials sold		*(18 303)*	*(24 799)*
Gross profit on sales		**10 544**	**5 822**
Distribution expenses		(3 971)	(3 920)
Administrative expenses		(1 552)	(1 512)
Other operating income	8.1.4	420	766
Other operating expenses, incl.:	8.1.5	(1 354)	(5 924)
recognition of impairment allowances of property, plant and equipment and intangible assets	8.2.4	*(1 029)*	*(5 492)*
Share in profit from investments accounted for under equity method	9.3	253	57
Profit/(Loss) from operations		**4 340**	**(4 711)**
Finance income	8.1.6	390	354
Finance costs	8.1.7	(1 032)	(1 889)
Net finance income and costs		**(642)**	**(1 535)**
Profit/(Loss) before tax		**3 698**	**(6 246)**
Tax expense		(465)	418
current tax		*(310)*	*(196)*
deferred tax		*(155)*	*614*
Net profit/(loss)		**3 233**	**(5 828)**
Other comprehensive income:			
which will not be reclassified into profit or loss		**3**	**(16)**
which were or will be reclassified into profit or loss		**1 327**	**(655)**
hedging instruments	8.2.8.3	*1 530*	*(1 758)*
foreign exchange differences on subsidiaries from consolidation		*88*	*769*
deferred tax	8.1.8.2, 8.2.8.3	*(291)*	*334*
		1 330	**(671)**
Total net comprehensive income		**4 563**	**(6 499)**
Net profit/(loss) attributable to		**3 233**	**(5 828)**
equity owners of the parent		*2 837*	*(5 811)*
non-controlling interest		*396*	*(17)*
Total net comprehensive income attributable to		**4 563**	**(6 499)**
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)

ORLEN GROUP (PLN million)

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment	*8.2.1*	24 536	22 644
Intangible assets	*8.2.2*	1 298	703
Investments accounted for under equity method	*9.3*	774	672
Deferred tax assets	*8.1.8.2*	365	385
Other financial assets	*8.2.3*	147	327
Other assets	*8.2.5*	242	240
		27 362	**24 971**
Current assets			
Inventories	*8.2.6*	10 715	9 829
Trade and other receivables	*8.2.7*	6 641	7 092
Other financial assets	*8.2.3*	974	862
Cash and cash equivalents		2 348	3 937
Non-current assets classified as held for sale		97	34
		20 775	**21 754**
Total assets		**48 137**	**46 725**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*8.2.8.1*	1 058	1 058
Share premium	*8.2.8.2*	1 227	1 227
Hedging reserve	*8.2.8.3*	(80)	(1 319)
Foreign exchange differences on subsidiaries from consolidation		537	509
Retained earnings	*8.2.8.4*	19 431	17 296
Total equity attributable to equity owners of the parent		**22 173**	**18 771**
Non-controlling interest	*8.2.8.5*	**2 071**	**1 615**
Total equity		**24 244**	**20 386**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	*8.2.9*	8 131	9 670
Provisions	*8.2.10*	710	709
Deferred tax liabilities	*8.1.8.2*	674	75
Other financial liabilities	*8.2.11*	712	1 851
		10 227	**12 305**
Current liabilities			
Trade and other liabilities	*8.2.12*	10 820	11 257
Loans and borrowings	*8.2.9*	1 027	987
Provisions	*8.2.10*	749	648
Other financial liabilities	*8.2.11*	870	1 020
Other liabilities	*8.2.13*	200	122
		13 666	**14 034**
Total liabilities		**23 893**	**26 339**
Total equity and liabilities		**48 137**	**46 725**

ORLEN GROUP (PLN million)

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity owners of the parent						
	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total	Non-controlling interest	Total equity
NOTE	*8.2.8.1, 8.2.8.2*	*8.2.8.3*		*8.2.8.4*		*8.2.8.5*	
01/01/2015	2 285	(1 319)	509	17 296	18 771	1 615	20 386
Net profit	-	-	-	2 837	2 837	396	3 233
Items of other comprehensive income	-	1 239	28	3	1 270	60	1 330
Total net comprehensive income	**-**	**1 239**	**28**	**2 840**	**4 107**	**456**	**4 563**
Change in the structure of non-controlling interest	-	-	-	1	1	-	1
Dividends	-	-	-	(706)	(706)	-	(706)
31/12/2015	**2 285**	**(80)**	**537**	**19 431**	**22 173**	**2 071**	**24 244**
01/01/2014	2 285	148	(201)	23 716	25 948	1 603	27 551
Net (loss)	-	-	-	(5 811)	(5 811)	(17)	(5 828)
Items of other comprehensive income	-	(1 467)	710	(16)	(773)	102	(671)
Total net comprehensive income	**-**	**(1 467)**	**710**	**(5 827)**	**(6 584)**	**85**	**(6 499)**
Change in the structure of non-controlling interest	-	-	-	23	23	(72)	(49)
Dividends	-	-	-	(616)	(616)	(1)	(617)
31/12/2014	**2 285**	**(1 319)**	**509**	**17 296**	**18 771**	**1 615**	**20 386**

ORLEN GROUP (PLN million)

5. CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2015	2014
Cash flows from operating activities			
Net profit/(loss)		**3 233**	**(5 828)**
Adjustments for:			
Share in profit from investments accounted for under equity method	9.3	(253)	(57)
Depreciation and amortisation	8.1.3	1 895	1 991
Foreign exchange loss	8.3	24	880
Interest, net	8.3	199	241
Dividends		(2)	(2)
Loss on investing activities, incl.:		1 106	5 015
recognition/(reversal) of impairment allowances of property, plant and equipment and intangible assets	8.1.4, 8.1.5, 8.2.4	*993*	*5 360*
Tax expense on profit/(loss) before tax		465	(418)
Change in provisions	8.3	463	141
Change in working capital	8.3	(1 320)	1 752
inventories		*(655)*	*4 106*
receivables		*1 258*	*924*
liabilities		*(1 923)*	*(3 278)*
Other adjustments		(252)	(360)
Income tax (paid)	8.3	(204)	(168)
Net cash provided by operating activities		**5 354**	**3 187**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land		(3 079)	(3 700)
Acquisition of shares adjusted for received cash		(1 195)	(792)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land		131	400
Dividends received		192	2
Other		(145)	70
Net cash (used) in investing activities		**(4 096)**	**(4 020)**
Cash flows from financing activities			
Proceeds from loans and borrowings received		1 896	9 639
Bonds issued		-	2 350
Repayments of loans and borrowings		(3 771)	(9 023)
Interest paid	8.3	(258)	(245)
Dividends paid	8.2.8.7	(706)	(617)
Other		(27)	(21)
Net cash provided by / (used in) financing activities		**(2 866)**	**2 083**
Net increase/(decrease) in cash and cash equivalents		**(1 608)**	**1 250**
Effect of exchange rate changes		19	(2)
Cash and cash equivalents, beginning of the period		3 937	2 689
Cash and cash equivalents, end of the period		**2 348**	**3 937**
including restricted cash		*22*	*37*

ORLEN ORLEN GROUP (PLN million)

6. SEGMENTS' DATA

The operations of the Group is conducted in:

- the Downstream segment, which includes integrated areas of refining and petrochemical production and sales and operations in the energy production activity,
- the Retail segment, which includes sales at the petrol stations,
- the Upstream segment, which include the activity related to exploration and extraction of mineral resources,

and Corporate Functions, which include activities related to management and administration and other support functions and remaining activities not allocated to separate operating segments i.e. reconciling items.

Assessments of the segments' financial results and decisions on allocation of resources are performed mainly on the basis of segment profit/(loss) from operations, increased by depreciation and amortization – EBITDA. EBITDA is one of a measure of the efficiency of the activity, which is not defined in IFRS. The ORLEN Group defines EBITDA as net profit/(loss) for the reporting period before taking into account the impact of the income tax, effects of financing activities and depreciation costs.
Revenues from transactions with external customers and transactions with other segments are carried out on an arm's length basis.

6.1. REVENUES, COSTS, FINANCIAL RESULTS, INVESTMENT EXPENDITURES

2015

	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Sales revenues from external customers	*8.1.1, 8.1.2*	56 987	31 052	215	82	-	88 336
Sales revenues from transactions with other segments		12 624	70	-	206	(12 900)	-
Sales revenues		**69 611**	**31 122**	**215**	**288**	**(12 900)**	**88 336**
Operating expenses		(64 963)	(29 934)	(347)	(971)	12 900	(83 315)
Other operating income	*8.1.4*	276	50	3	91	-	420
Other operating expenses	*8.1.5*	(316)	(67)	(852)	(119)	-	(1 354)
Net operating income and expenses, incl.:		*(40)*	*(17)*	*(849)*	*(28)*	-	*(934)*
recognition/reversal of impairment allowances of property, plant and equipment and intangible assets	*8.2.4*	*(136)*	-	*(852)*	*(5)*	-	*(993)*
Share in profit from investments accounted for under equity method	*9.3*	253	-	-	-	-	253
Profit/(Loss) from operations		**4 861**	**1 171**	**(981)**	**(711)**	**-**	**4 340**
Net finance income and costs	*8.1.6, 8.1.7*						(642)
Profit before tax							**3 698**
Tax expense							(465)
Net profit							**3 233**

ADDITIONAL INFORMATION	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Depreciation and amortisation	*8.1.3*	**1 269**	**368**	**173**	**85**	**-**	**1 895**
EBITDA		**6 130**	**1 539**	**(808)**	**(626)**	**-**	**6 235**
CAPEX*		**2 242**	**448**	**288**	**205**	**-**	**3 183**

2014

	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Sales revenues from external customers	*8.1.1, 8.1.2*	70 549	35 913	298	72	-	106 832
Sales revenues from transactions with other segments		15 392	191	-	239	(15 822)	-
Sales revenues		**85 941**	**36 104**	**298**	**311**	**(15 822)**	**106 832**
Operating expenses		(85 971)	(35 015)	(271)	(1 007)	15 822	(106 442)
Other operating income	*8.1.4*	468	182	4	112	-	766
Other operating expenses	*8.1.5*	(5 329)	(186)	(323)	(86)	-	(5 924)
Net operating income and expenses, incl.:		*(4 861)*	*(4)*	*(319)*	*26*	-	*(5 158)*
recognition/reversal of impairment allowances of property, plant and equipment and intangible assets	*8.2.4*	(5 062)	24	(322)	-	-	(5 360)
Share in profit from investments accounted for under equity method	*9.3*	58	-	-	(1)	-	57
Profit/(Loss) from operations		**(4 833)**	**1 085**	**(292)**	**(671)**	**-**	**(4 711)**
Net finance income and costs	*8.1.6, 8.1.7*						(1 535)
(Loss) before tax							**(6 246)**
Tax expense							418
Net (loss)							**(5 828)**

ORLEN GROUP (PLN million)

ADDITIONAL INFORMATION	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
Depreciation and amortisation	8.1.3	**1 408**	**355**	**122**	**106**	**-**	**1 991**
EBITDA		**(3 425)**	**1 440**	**(170)**	**(565)**	**-**	**(2 720)**
CAPEX*		**2 714**	**345**	**499**	**230**	**-**	**3 788**

** CAPEX - increases of non-current assets with borrowing costs*

6.2. ASSETS BY OPERATING SEGMENTS

	31/12/2015	31/12/2014
Downstream Segment, incl.:	34 282	32 298
investments accounted for under equity method	*700*	*641*
non - current assets classified as held for sale	*96*	*34*
Retail Segment	5 683	5 787
Upstream Segment, incl.:	3 380	2 422
investments accounted for under equity method	*45*	*-*
Segment assets	**43 345**	**40 507**
Corporate Functions	4 995	6 425
Adjustments	(203)	(207)
	48 137	**46 725**

As at 31 December 2015, non-current assets classified as held for sale in downstream segment mainly relate to classified for sale net assets of Orlen Koltrans and Orlen Transport amounted to PLN 34 million and PLN 40 million, respectively.
Operating segments include all assets except for financial assets, tax assets and cash and cash equivalents. Assets used jointly by different operating segments are allocated based on revenues generated by particular operating segments.

6.3. NON-CURRENT ASSETS BY GEOGRAPHICAL ALLOCATION

	31/12/2015	31/12/2014	% share	
			2015	2014
Poland	18 755	17 181	72.0%	73.0%
Czech Republic	3 343	3 219	12.8%	13.7%
Canada	2 385	1 712	9.2%	7.2%
Germany	915	889	3.5%	3.8%
Lithuania, Latvia, Estonia	638	546	2.5%	2.3%
	26 036	**23 547**	**100.0%**	**100.0%**

Non-current assets by geographical allocation include property, plant and equipment (note 8.2.1), intangible assets (note 8.2.2), investment property and perpetual usufruct of land (note 8.2.5).

7. DESCRIPTION OF SIGNIFICANT FACTORS INFLUENCING THE FINANCIAL DATA FOR THE YEAR 2015

OPERATING AND FINANCIAL RESULTS

- In 2015 the Group achieved record-high sales volumes of 38.7 million tonnes, which were higher by 8.1% in comparison with previous year. Sales volumes were higher in all operating segments of the Group. In value terms, sales revenues were lower by PLN (18,496) million due to the decrease in crude oil prices and therefore lower trading of the majority of products manufactured by the Group.

- Crude oil processing in 2015 reached a record-high level of 30.9 million tonnes and was higher by 13.3% in comparison with the previous year. Higher crude oil processing was mainly the result of a positive macroeconomic environment and an increase of capacities by 2.8 million t/year after acquisition of shares of Česká Rafinérská by Unipetrol from ENI in 2015. As a result, EBITDA profit before recognition of impairment allowances of property, plant and equipment and intangible assets for 2015, amounted to PLN 7,228 million and was higher by PLN 4,588 million in comparison with the previous year. This increase resulted mainly from positive changes of macroeconomic factors reflected in particular by an increase of model margin downstream (MMD*) by USD/bbl 2.4 and from the depreciation of average PLN exchange rate versus the USD and an increase in sales volumes.

  Net impairment allowances of property, plant and equipment and intangible assets for 2015 amounted to PLN (993) million and concerned mainly exploration assets of the ORLEN Upstream Group in Poland of PLN (429) million as a result of narrowing the search area, petrochemical assets of Unipetrol Group related to the accident at the ethylene production installation in August 2015 in the amount of PLN (93) million and impairment allowances of extraction assets in Canada of PLN (423) million. Additional information is presented in note 8.2.4.

  After consideration of the above mentioned impairment allowances, EBITDA profit of the ORLEN Group in 2015 amounted to PLN 6,235 million.

- The negative balance on financing activities in 2015 amounted to PLN (642) million and consisted mainly of negative foreign exchange differences from revaluation of loans and other items in foreign currencies of PLN (317) million, settlement and valuation of net financial instruments of PLN (177) million and net interest of PLN (123) million.

- After consideration of tax charges of PLN (465) million, the net profit of the Group for 2015 amounted to PLN 3,233 million.

CASH FLOWS AND INDEBTEDNESS

- The net cash flows provided by operating activities in 2015 amounted to PLN 5,354 million and comprised mainly of the EBITDA profit before impairment allowances of property, plant and equipment and intangible assets in the amount PLN 7,228 million as well as the negative impact of a net working capital increase of PLN (1,320) million, negative net exchange differences in the amount PLN (293) million and paid income taxes in the amount PLN (204) million.

  The increase in net working capital resulted mainly from an increase in the value of inventories, including the repurchase of 2 tranches of mandatory reserves for the total amount of PLN (3,644) million in part offset by a decrease in crude oil prices and therefore, the prices of petroleum products. Additional information is presented in note 8.2.6.

  Net cash used in investing activities in 2015 amounted to PLN (4,096) million and included mainly net expenses for the acquisition of property, plant and equipment, intangible assets and the perpetual usufruct of land of PLN (2,948) million, acquisition of shares of Česká Rafinérská a.s. from ENI decreased by acquired cash and cash equivalents of PLN (35) million and acquisition of shares of upstream companies, Kicking Horse Energy Inc. and FX Energy Inc., in the total amount of PLN (1,161) million. Additional information regarding the acquisition of exploration assets in Canada and Poland is presented in note 9.2.1.

- After consideration of interest paid in the amount PLN (258) million, dividends paid in the amount PLN (706) million (additional information is presented in note 8.2.8.7), the effect of exchange rate changes in the amount PLN 19 million and other factors included in other financing activity in the total amount PLN (29) million, net indebtedness of the Group, at the end of 2015, was higher by PLN (90) million and resulted mainly from including the net indebtedness of purchased upstream companies in the total amount of PLN (374) million and amounted to PLN 6,810 million.

- Net financial leverage in 2015 amounted to 28.1%. Additional information is presented in note 8.2.8.8.

Detailed information on operating and finance results of the Group is presented in chapter 2 and 3 of the Management Board Report on the operations of the ORLEN Capital Group.

** The integration of high-class production assets and the extended value chain through the full integration of the refining, petrochemical and power activities of ORLEN Group were the basis for determining the index - Model Margin Downstream (MMD), which reflects the base structure of the input basket and refinery and petrochemical products. The indicator's changes permit to estimate the impact of typical macroeconomic factors on operating results of the downstream segment.*

ORLEN GROUP (PLN million)

8. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.1. EXPLANATORY NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

8.1.1. Sales revenues by assortments

	2015	2014	% share 2015	% share 2014
Downstream Segment				
Medium distillates	25 062	28 976	28.4%	27.1%
Light distillates	11 528	13 270	13.1%	12.4%
Heavy fractions	4 610	7 701	5.2%	7.2%
Monomers	2 978	3 447	3.4%	3.2%
Polymers	2 341	2 953	2.7%	2.8%
PTA	1 532	1 767	1.7%	1.7%
Plastics	1 492	1 424	1.7%	1.3%
Fertilizers	1 057	1 065	1.2%	1,0%
Aromas	930	1 662	1.1%	1.6%
Other	5 457	8 284	6.0%	7.6%
	56 987	**70 549**	**64.5%**	**65.9%**
Retail Segment				
Medium distillates	15 567	18 659	17.6%	17.5%
Light distillates	12 084	13 951	13.7%	13.1%
Other	3 401	3 303	3.9%	3.1%
	31 052	**35 913**	**35.2%**	**33.7%**
Upstream Segment	**215**	**298**	**0.2%**	**0.3%**
Corporate Functions	82	72	0.1%	0.1%
	88 336	**106 832**	**100.0%**	**100.0%**

In 2015 and 2014 no leading customers were identified in the Group, for which turnover would exceeded 10% of total revenues from sale of the ORLEN Group.

8.1.2. Sales revenues geographical division - disclosed by customer's premises countries

	2015	2014	% share 2015	% share 2014
Poland	36 223	45 095	41.0%	42.2%
Germany	17 073	19 310	19.3%	18.1%
Czech Republic	10 671	12 669	12.1%	11.9%
Lithuania, Latvia, Estonia	6 886	8 802	7.8%	8.2%
Other countries	17 483	20 956	19.8%	19.6%
	88 336	**106 832**	**100.0%**	**100.0%**

The line "Other countries" comprises mainly sales to customers from Switzerland, Ukraine, Hungary, Slovakia, Great Britain, the Netherlands and Austria.

ORLEN GROUP (PLN million)

8.1.3. Cost by nature

	2015	2014	% share 2015	% share 2014
Materials and energy	(54 542)	(70 586)	70.1%	69.9%
Cost of merchandise and raw materials sold	(18 303)	(24 799)	23.5%	24.6%
External services	(4 352)	(4 316)	5.6%	4.3%
Employee benefits	(2 110)	(2 059)	2.7%	2.0%
payroll expenses	*(1 700)*	*(1 667)*	*2.2%*	*1.7%*
social security expenses	*(354)*	*(347)*	*0.4%*	*0.3%*
other	*(56)*	*(45)*	*0.1%*	*0.0%*
Depreciation and amortisation	(1 895)	(1 991)	2.4%	2.0%
Taxes and charges	(1 152)	(653)	1.5%	0.6%
Other	(1 835)	(6 383)	2.4%	6.3%
	(84 189)	**(110 787)**	**108.2%**	**109.7%**
Change in inventories	(693)	(1 783)	0.9%	1.8%
Cost of products and services for own use	213	204	(0.3%)	(0.2%)
Operating expenses	**(84 669)**	**(112 366)**	**108.8%**	**111.3%**
Distribution expenses	3 971	3 920	(5.1%)	(3.9%)
Administrative expenses	1 552	1 512	(2.0)%	(1.5%)
Other operating expenses	1 354	5 924	(1.7)%	(5.9%)
Cost of sales	**(77 792)**	**(101 010)**	**100.0%**	**100.0%**

8.1.4. Other operating income

	NOTE	2015	2014
Profit on sale of non-current non-financial assets		59	61
Gain on bargain purchase of shares		63	180
Reversal of provisions		32	63
Reversal of receivables impairment allowances		17	38
Reversal of impairment allowances of property, plant and equipment and intangible assets	*8.2.4*	36	132
Penalties and compensation		74	91
Other		139	201
		420	**766**

8.1.5. Other operating expenses

	NOTE	2015	2014
Loss on sale of non-current non-financial assets		(38)	(55)
Recognition of provisions		(101)	(173)
Recognition of receivables impairment allowances		(47)	(69)
Recognition of impairment allowances of property, plant and equipment and intangible assets	*8.2.4*	(1 029)	(5 492)
Penalties, damages and compensation		(53)	(22)
Other		(86)	(113)
		(1 354)	**(5 924)**

8.1.6. Finance income

	2015	2014
Interest	82	75
Settlement and valuation of derivative financial instruments	270	235
Other	38	44
	390	**354**

8.1.7. Finance costs

	2015	2014
Interest	(205)	(242)
Foreign exchange loss surplus	(317)	(1 459)
Settlement and valuation of derivative financial instruments	(447)	(138)
Other	(63)	(50)
	(1 032)	**(1 889)**

ORLEN GROUP (PLN million)

8.1.8. Tax expense

8.1.8.1. The differences between tax expense recognized in profit or loss and the amount calculated based on the rate from profit/(loss) before tax

	2015	2014
Profit/(Loss) before tax	**3 698**	**(6 246)**
Tax expense for 2015 and 2014 by the valid tax rate in Poland (19%)	(703)	1 187
Differences between tax rates	57	(182)
Lithuania (15%)	*34*	*(184)*
Germany (29%)	*(14)*	*(13)*
Canada (26%), (2014 - 25%)	*37*	*15*
Impairment allowances of property, plant and equipment and intangible assets	-	(896)
Tax losses	135	250
Investments accounted for under equity method	48	11
Other	(2)	48
Tax expense	**(465)**	**418**
Effective tax rate	**13%**	**7%**

As at 31 December 2015 and as at 31 December 2014, the Group had unsettled tax losses mainly relating to the ORLEN Lietuva Group, the Unipetrol Group and the Anwil Group of PLN 1,155 million and PLN 2,095 million respectively, for which no deferred tax asset was recognized due to the lack of certainty regarding the possibility of their realization in the future.

8.1.8.2. Deferred tax

	31/12/2014	Deferred tax recognized in profit or loss	Deferred tax recognized in other comprehensive income	Acquisition of subsidiary	Foreign exchange differences on subsidiaries from consolidation recognized in other comprehensive income	31/12/2015
Deferred tax assets						
Impairment allowances	359	420	-	-	-	779
Provisions and accruals	298	8	(1)	-	1	306
Tax loss	438	(256)	-	7	-	189
Valuation of financial instruments	297	4	(291)	-	-	10
Other	120	(55)	-	66	7	138
	1 512	**121**	**(292)**	**73**	**8**	**1 422**
Deferred tax liabilities						
Temporary differences related to non-current assets	1 068	221	-	239	14	1 542
Other	134	55	-	-	-	189
	1 202	**276**	**-**	**239**	**14**	**1 731**
	310	**(155)**	**(292)**	**(166)**	**(6)**	**(309)**

The above positions of deferred tax assets and liabilities are netted on the level of particular financial statements of the Group companies. As at 31 December 2015 deferred tax assets and liabilities amounted to PLN 365 million and PLN 674 million, respectively.

ORLEN GROUP (PLN million)

8.2. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.2.1. Property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Exploration and evaluation of mineral resource assets	Assets related to development and extraction of mineral resources	Total
Net carrying amount at 01/01/2015								
Gross carrying amount	1 113	19 030	32 937	2 147	2 374	883	2 363	**60 847**
Accumulated depreciation	(10)	(7 766)	(17 331)	(1 259)	(1)	-	(255)	**(26 622)**
Impairment allowances	(42)	(2 087)	(8 611)	(157)	(155)	(93)	(315)	**(11 460)**
Grants	-	(23)	(71)	(2)	(25)	-	-	**(121)**
	1 061	**9 154**	**6 924**	**729**	**2 193**	**790**	**1 793**	**22 644**
increases/(decreases), net								
Investment expenditures	-	87	89	84	2 501	126	152	3 039
Depreciation	(1)	(588)	(894)	(162)	-	(2)	(184)	(1 831)
Borrowing costs	-	14	17	1	21	10	-	63
Acquisition of subsidiary	-	3	2	2	-	79	1 696	1 782
Impairment allowances *	9	(28)	(74)	21	31	(333)	(423)	(797)
Reclassifications	7	826	1 142	85	(2 105)	(229)	236	(38)
Grants	-	(28)	(45)	(4)	24	-	-	(53)
Sale of subsidiary	-	-	-	-	-	(86)	-	(86)
Foreign exchange differences, incl.:	8	29	72	11	12	(8)	(102)	22
foreign exchange differences of impairment allowances	-	*(449)*	*(1 360)*	*(29)*	*(30)*	*3*	*33*	*(1 832)*
Other	(1)	(38)	(40)	(106)	(13)	(11)	-	(209)
	1 083	**9 431**	**7 193**	**661**	**2 664**	**336**	**3 168**	**24 536**
Net carrying amount at 31/12/2015								
Gross carrying amount	1 128	20 546	36 947	2 018	2 819	762	4 293	**68 513**
Accumulated depreciation	(12)	(8 500)	(19 593)	(1 186)	-	(3)	(420)	**(29 714)**
Impairment allowances	(33)	(2 564)	(10 045)	(165)	(154)	(423)	(705)	**(14 089)**
Grants	-	(51)	(116)	(6)	(1)	-	-	**(174)**
	1 083	**9 431**	**7 193**	**661**	**2 664**	**336**	**3 168**	**24 536**
Net carrying amount at 01/01/2014								
Gross carrying amount	941	18 514	30 455	2 073	1 353	704	685	**54 725**
Accumulated depreciation	(8)	(7 292)	(16 091)	(1 246)	-	-	(6)	**(24 643)**
Impairment allowances	(42)	(1 350)	(3 456)	(65)	(108)	(85)	-	**(5 106)**
Grants	-	(18)	(28)	(3)	(23)	-	-	**(72)**
	891	**9 854**	**10 880**	**759**	**1 222**	**619**	**679**	**24 904**
increases/(decreases), net								
Investment expenditures	-	35	114	45	2 981	171	328	3 674
Depreciation	(1)	(570)	(1 056)	(154)	-	-	(132)	(1 913)
Borrowing costs	-	2	7	-	27	12	-	48
Acquisition of subsidiary	-	59	96	7	6	9	829	1 006
Impairment allowances *	-	(632)	(4 218)	(81)	(34)	(5)	(309)	(5 279)
Reclassifications	162	395	1 088	192	(1 989)	(20)	271	99
Grants	-	(5)	(43)	1	(2)	-	-	(49)
Foreign exchange differences, incl.:	13	45	118	12	2	13	127	330
foreign exchange differences of impairment allowances	-	*(105)*	*(937)*	*(11)*	*(13)*	*(3)*	*(6)*	*(1 075)*
Other	(4)	(29)	(62)	(52)	(20)	(9)	-	(176)
Net carrying amount at 31/12/2014	**1 061**	**9 154**	**6 924**	**729**	**2 193**	**790**	**1 793**	**22 644**

* Increases/(Decreases) net of impairment allowances include recognition, reversal, usage, reclassifications and acquisition of subsidiary.

In 2015 and 2014 the capitalization rate used to calculate borrowing costs amounted to 1.44% and 1.95%, respectively.

The gross carrying amount of all fully depreciated property, plant and equipment still in use as at 31 December 2015 and as at 31 December 2014 amounted to PLN 3,699 million and PLN 3,586 million, respectively.

Amounts recognized in the financial statements, resulting from exploration and evaluation of mineral resources

	2015	2014
Preliminary analysis and other costs associated with mineral resources exploration recognized in the financial result	(31)	(38)
Cash flows from operating activities	13	14
Cash flows from investing activities	(35)	(195)

Information regarding property, plant and equipment that were pledged for loans of the Group are presented in note 8.2.9.1.

ORLEN GROUP (PLN million)

8.2.2. Intangible assets

As at 31 December 2015 and as at 31 December 2014 internally generated intangible assets amounted to PLN 12 million.

The changes in other intangible assets

	Patents, trade marks and licenses	Goodwill	Rights	Other	Total
Net carrying amount at 01/01/2015					
Gross carrying amount	1 219	374	256	179	**2 028**
Accumulated depreciation	(830)	(18)	(1)	(12)	**(861)**
Impairment allowances	(84)	(318)	(66)	(5)	**(473)**
Grants	(3)	-	-	-	**(3)**
	302	**38**	**189**	**162**	**691**
increases/(decreases), net					
Investment expenditures	48	6	-	19	73
Amortisation	(60)	-	-	(7)	(67)
Acquisition of subsidiary	1	-	9	-	10
Impairment allowances *	(2)	3	7	(6)	2
Sale of subsidiary	-	(3)	-	-	(3)
Foreign exchange differences, incl.:	-	(3)	(2)	1	(4)
foreign exchange differences of impairment allowances	*(12)*	-	-	*(4)*	*(16)*
Other **	61	-	577	(54)	584
	350	**41**	**780**	**115**	**1 286**
Net carrying amount at 31/12/2015					
Gross carrying amount	1 426	374	840	192	**2 832**
Accumulated depreciation	(975)	(18)	(1)	(62)	**(1 056)**
Impairment allowances	(98)	(315)	(59)	(15)	**(487)**
Grants	(3)	-	-	-	**(3)**
	350	**41**	**780**	**115**	**1 286**
Net carrying amount at 01/01/2014					
Gross carrying amount	1 195	371	382	160	**2 108**
Accumulated depreciation	(779)	(16)	-	(11)	**(806)**
Impairment allowances	(63)	(321)	(112)	(3)	**(499)**
	353	**34**	**270**	**146**	**803**
increases/(decreases), net					
Investment expenditures	28	-	-	38	66
Amortisation	(73)	-	-	-	(73)
Acquisition of subsidiary	2	-	-	-	2
Impairment allowances *	(18)	-	46	(2)	26
Grants	(3)	-	-	-	(3)
Foreign exchange differences, incl.:	3	6	2	(1)	10
foreign exchange differences of impairment allowances	*(3)*	*3*	-	-	-
Other **	10	(2)	(129)	(19)	(140)
Net carrying amount at 31/12/2014	**302**	**38**	**189**	**162**	**691**

* Increases/(Decreases) net of impairment allowances include recognition, reversal, usage, reclassifications and acquisition of subsidiary.
** Other increases/(decreases) of property rights in the net book value consist mainly of forward transactions settlement, granted free of charge and settlement of rights for 2015 and 2014.

The gross carrying amount of all fully amortised intangible assets still in use as at 31 December 2015 and as at 31 December 2014 amounted to PLN 506 million and PLN 489 million, respectively.

8.2.2.1. Rights

Change in owned CO_2 emission rights in 2015

	Quantity (in thous. tonnes)	Value
01/01/2015	7 586	177
Granted free of charge for 2014 and 2015	8 783	251
Emission settlement for 2014	(13 033)	(337)
Forward transactions settlement	25 133	669
Foreign exchange differences	-	(2)
Other	392	12
	28 861	**770**
CO_2 emission in 2015	13 617	440

As at 31 December 2015 the market value of one EUA amounted to PLN 35.03 (representing EUR 8.22 at exchange rate as at 31 December 2015) (source: www.theice.com).
As at 31 December 2015 the Group recognized the rights to colourful energy in the amount PLN 10 million.

Additionally, the Group recognized CO_2 emission rights in the amount PLN 18 million and rights to colourful energy in the amount PLN 32 million (note 8.2.7) in trade and other receivables.

8.2.3. Other financial assets

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Cash flows hedge instruments	135	302	797	692	932	994
currency forwards	*45*	*16*	*78*	*180*	*123*	*196*
commodity swaps	*90*	*286*	*719*	*512*	*809*	*798*
Derivatives not designated as hedge accounting	-	-	8	43	8	43
currency forwards	-	-	*2*	*8*	*2*	*8*
commodity swaps	-	-	*6*	*35*	*6*	*35*
Embedded derivatives	-	-	1	1	1	1
currency swaps	-	-	*1*	*1*	*1*	*1*
Receivables on cash flows settled hedge instruments	-	-	159	101	159	101
Other	12	25	9	25	21	50
	147	**327**	**974**	**862**	**1 121**	**1 189**

The line "Other" includes deposits and loans granted.

8.2.4. Impairment of property, plant and equipment and intangible assets

Net impairment allowances of property, plant and equipment and intangible assets

	NOTE	2015	2014
ORLEN Upstream Canada		(423)	(311)
ORLEN Upstream		(429)	(11)
ORLEN Lietuva Group		1	(4 181)
UNIPETROL Group		(111)	(752)
Rafineria Nafty Jedlicze Group		-	(42)
Anwil Group - Spolana		(7)	(64)
		(969)	**(5 361)**
Other impairment allowances		(24)	1
	8.1.4, 8.1.5	**(993)**	**(5 360)**

While determining the value in use, the expected cash flows based on the most recent and approved financial plan, and thereafter the Group assumed constant rate of cash flow growth, estimated at the level of long-term inflation. Expected cash flows were discounted to their present value using a discount rate calculated as a weighted average cost of engaged equity and debt, before tax, which reflected the current market estimation of time value of money and the risk specific to the asset.

ORLEN Upstream Canada

An observed decline in crude oil prices on global markets affects the upstream segment results of ORLEN Group. As a result of impairment testing carried out at the end of 2015 in accordance with IAS 36 - impairment of assets, an impairment allowance of development and extraction of mineral resources assets of the ORLEN Upstream Canada within the ORLEN Upstream Group of PLN (423) million was recognized.

As at 31 December 2015 the value in use of development and extraction of mineral resources assets in Canada was based on the estimated crude oil prices and reserves evaluation prepared by an independent company in accordance with professional standards for the Canadian market (APEGA - the Code of Ethics of the Association of Professional Engineers and Geoscientists of Alberta).

Net cash flow projections used for the purposes of estimating the value in use of assets were discounted to their present value using a base discount rate before tax at 9% which reflects the current market value of money and the specific risks to the assets on the Canadian market.

Future financial performance was based on a number of assumptions, a part of which concern macroeconomic factors, including: commodity prices, product quotations on global markets, foreign exchange rates or interest rates, remain beyond the control of the Group. Changes in these assumptions can affect impairment tests results of property, plant and equipment and intangible assets and as a result may lead to changes in the financial standing and financial results of the Group.

Sensitivity analysis of the ORLEN Upstream Canada assets value in use within an impairment test performed as at 31 December 2015

PLN million — HYDROCARBONS PRICES

DISCOUNT RATE change	-5%	0%	5%
- 0.5 p.p.	*increase in allowance* (14)	*decrease in allowance* 34	*decrease in allowance* 81
0.0 p.p.	*increase in allowance* (46)	-	*decrease in allowance* 46
+ 0.5 p.p.	*increase in allowance* (76)	*increase in allowance* (32)	*decrease in allowance* 12

ORLEN Upstream

In the 2nd quarter of 2015 the ORLEN Upstream Group has determined, based on the gathered data of previous work, the most promising areas for further exploration of hydrocarbon in Poland. Considering the technological and economic aspects of individual projects narrowed areas of exploration, which resulted in the partial impairment of assets related to exploration and recognition of mineral resources in the amount of PLN (429) million.

The value in use of assets due to exploration and evaluation of mineral resources has been established basing on the analysis of future cash flows, which take into account the current and forecasted hydrocarbon prices, expected changes in the regulatory environment, probability of success/failure and long-term production forecasts.

Net cash flow projections used for the purposes of estimating the value in use of the assets were discounted to their present value using a discount rate before tax at 8.99%, which reflects current market assessment of the time value of money and the risks specific to the respective assets on the Polish market.

Sensitivity analysis of the ORLEN Upstream assets value in use within an impairment test performed as at 30 June 2015

PLN million — HYDROCARBONS PRICES — DISCOUNT RATE

change	-5%	0%	5%
- 0.5 p.p.	*increase in allowance* (25)	*decrease in allowance* 12	*decrease in allowance* 51
0.0 p.p.	*increase in allowance* (25)	-	*decrease in allowance* 37
+ 0.5 p.p.	*increase in allowance* (25)	*increase in allowance* (11)	*decrease in allowance* 24

While lowering prices by 5% the entire value of the tested assets is impaired, with each of the analysed discount rates.

Unipetrol Group

As a consequence of the steam cracker unit accident in Litvinov (Unipetrol Group) in August 2015, impairment of property, plant and equipment of PLN (93) million translated using the exchange rate as at 30 September 2015 (representing approximately CZK (597) million) was recognized in the 3rd quarter of 2015.

As at 31 December 2015, ORLEN Group did not identify any other significant indicators of impairment of other property, plant and equipment and intangible assets.

In 2014 identified indicators for impairment test within ORLEN Group resulting from deterioration of macroeconomic environment as well as the perspectives for its improvement especially in the area of the refinery. Strategy assumptions and the Mid-term Plan of the Group for the years 2014-2017 were updated.

8.2.5. Other assets

	31/12/2015	31/12/2014
Investment property	103	111
Perpetual usufruct of land	99	89
Financial assets available for sale	40	40
	242	**240**

8.2.6. Inventories

	31/12/2015	31/12/2014
Raw materials	5 380	3 636
Work in progress	883	958
Finished goods	3 547	4 219
Merchandise	416	559
Spare parts	489	457
Inventories, net	**10 715**	**9 829**
Impairment allowances of inventories to net realisable value	288	949
Inventories, gross	**11 003**	**10 778**

As at 31 December 2015 and as at 31 December 2014 the value of mandatory reserves presented in consolidated financial statement amounted to PLN 4,534 million and PLN 4,024 million, respectively.

ORLEN GROUP (PLN million)

Repurchase of mandatory reserves

Transaction date	Parties of the transaction		Value of the transaction	
	Seller	Buyer	million USD	million PLN
29 January 2015	Neon	PKN ORLEN	**257**	**957**
			including hedging transaction settlement	
			112	*417*
12 August 2015	Cranbell	PKN ORLEN	**707**	**2 687**
			including hedging transaction settlement	
			406	*1 541*

Change in impairment allowances of inventories to net realizable value

	2015	2014
At the beginning of the period	949	202
Recognition	238	872
Reversal	(67)	(83)
Usage	(858)	(69)
Acquisition of subsidiary	-	7
Foreign exchange differences	26	20
	288	**949**

The impairment allowances of inventories to net realizable value, which was mainly made in 4th quarter of 2014, were used in 2015. The usage was the result of a decrease in crude oil and petroleum products prices.
In 2015 and in 2014 the recognition and reversal of impairment allowances of inventories to net realizable value related mainly to the downstream segment and amounted to PLN (170) million and PLN (787) million, respectively.

8.2.7. Trade and other receivables

	NOTE	31/12/2015	31/12/2014
Trade receivables		5 397	5 938
Other		24	18
Financial assets		**5 421**	**5 956**
Excise tax and fuel charge receivables		151	182
Other taxation, duties, social security and other benefits		187	367
Tax expense		44	35
Advances for non-current non-financial assets		544	378
Rights		50	14
Prepayments for deliveries		26	26
Prepayments		218	134
Non-financial assets		**1 220**	**1 136**
Receivables, net		**6 641**	**7 092**
Receivables impairment allowance	8.4.5.4	477	509
Receivables, gross		**7 118**	**7 601**

As at 31 December 2015 and as at 31 December 2014 trade and other receivables denominated in foreign currencies amounted to PLN 3,255 million and PLN 3,669 million. Division of financial assets denominated in foreign currencies is presented in note 8.4.5.2.
Division of receivables from related parties is presented in note 8.5.6.

8.2.8. Equity

8.2.8.1. Share capital

	31/12/2015	31/12/2014
Share capital	535	535
Share capital revaluation adjustment	523	523
	1 058	**1 058**

In accordance with the Polish Commercial Register, the share capital of Polski Koncern Naftowy ORLEN S.A. as at 31 December 2015 and as at 31 December 2014 amounted to PLN 535 million and is divided into 427,709,061 ordinary shares with nominal value of PLN 1.25 each.

Number of shares issued				
A Series	B Series	C Series	D Series	Total
336 000 000	6 971 496	77 205 641	7 531 924	**427 709 061**

In Poland, each new issue of shares is labelled as a new series of shares. All of the above series have the exact same rights.
As at 31 December 2015 and 31 December 2014, the number of shares issued and the number of shares approved for issuance is equal.

ORLEN GROUP (PLN million)

Shareholders' structure

	Number of shares / voting rights	Nominal value of shares (in PLN)	Share in share capital
State Treasury	117 710 196	147 137 745	27.52%
Nationale-Nederlanden OFE*	39 000 000	48 750 000	9.12%
Aviva OFE*	31 400 000	39 250 000	7.34%
Other	239 598 865	299 498 581	56.02%
	427 709 061	**534 636 326**	**100.00%**

** Shareholders holding directly or indirectly via related parties, at least 5% of total votes at the Extraordinary Shareholders Meeting of PKN ORLEN S.A. held on 29 January 2016*

8.2.8.2. Share premium

	31/12/2015	31/12/2014
Nominal share premium	1 058	1 058
Share premium revaluation adjustment	169	169
	1 227	**1 227**

Share premium is the surplus of the issuance value over the nominal value of shares belonging to series B, C and D.

8.2.8.3. Hedging reserve

	NOTE	2015	2014
At the beginning of the period		(1 319)	148
gross value		*(1 629)*	*182*
deferred tax		*310*	*(34)*
Settlement of hedge instruments, incl.:		1 623	24
sales revenues		*(226)*	*(171)*
cost of sales		*(120)*	*32*
inventories		*1 999*	*206*
Valuation of hedge instruments, gross		(93)	(1 782)
Non-controlling interest, gross		-	(53)
Deferred tax, incl.:	*8.1.8.2*	(291)	344
non-controlling interest		*-*	*10*
		(80)	**(1 319)**
gross value		*(99)*	*(1 629)*
deferred tax		*19*	*310*

8.2.8.4. Retained earnings

	31/12/2015	31/12/2014
Reserve capital	15 720	22 236
Other capital	884	884
Actuarial gains and losses	(10)	(13)
Net profit/(loss) for the period attributable to equity owners of the parent	2 837	(5 811)
	19 431	**17 296**

8.2.8.5. Equity attributable to non-controlling interest

	31/12/2015	31/12/2014
Unipetrol Group	2 055	1 598
Other	16	17
	2 071	**1 615**

	31/12/2015	31/12/2014
At the beginning of the period	1 615	1 603
Share in profit/(loss), net, incl.:	396	(17)
Unipetrol Group	*397*	*(27)*
Share in items of other comprehensive income	60	102
hedging reserve, net	*-*	*43*
foreign exchange differences on subsidiaries from consolidation	*60*	*59*
Change in the structure of non-controlling interest	-	(72)
Paid and declared dividends	-	(1)
	2 071	**1 615**

ORLEN GROUP (PLN million)

Condensed financial information of UNIPETROL GROUP

	31/12/2015	31/12/2014
Non-current assets	3 542	3 387
Current assets, incl.:	5 034	4 050
cash	*929*	*259*
Total assets	**8 576**	**7 437**
Total equity	**5 571**	**4 336**
Non-current liabilities	271	763
Current liabilities, incl.:	2 734	2 338
trade and other liabilities	*2 476*	*2 087*
Total liabilities	**3 005**	**3 101**
Total equity and liabilities	**8 576**	**7 437**
Net debt	**(929)**	**410**

	2015	2014
Sales revenues	16 669	18 873
Cost of sales, incl.:	(14 726)	(17 965)
depreciation and amortisation	*(284)*	*(381)*
Gross profit on sales	**1 943**	**908**
Distribution expenses	(316)	(307)
Administrative expenses	(200)	(194)
Net other operating income and expenses	(96)	(542)
Profit/(Loss) from operations	**1 331**	**(135)**
Net finance income and costs	(7)	(55)
Profit/(Loss) before tax	**1 324**	**(190)**
Tax expense	(252)	118
Net profit/(loss)	**1 072**	**(72)**
Items of other comprehensive income	162	171
Total net comprehensive income	**1 234**	**99**

The impact of changes in the structure of non-controlling interest, presented in the consolidated statement of changes in equity in 2014, was a result of the purchase of non-controlling shares in Rafineria Trzebinia, ORLEN OIL and ORLEN Asfalt.

In 2015 and in 2014, there were no significant restrictions in entities with significant non-controlling interest resulting from credit agreements, regulatory requirements and other contractual arrangements that restrict access to assets and settlement of liabilities of the Group.

8.2.8.6. Proposal to distribution of the Parent Company's profit for 2015

The improved financial situation of the ORLEN Group achieved in the recent years enabled it to implement, within the ORLEN Group's Strategy for years 2014-2017, a dividend policy which assumes a gradual increase in the level of dividend per share by taking into account the implementation of strategic financial objectives and forecasts of the macroeconomic situation. This method does not relate the rate of dividend to net profit, which in the ORLEN Group's area of operations is subject to high fluctuations and can include non-cash items, such as revaluation of assets, inventories or loans, distorting the view of the current financial situation of the Group.
The Management Board of PKN ORLEN, after considering the liquidity situation and achievement of strategic financial objectives, proposes to distribute the net profit of PKN ORLEN for the year 2015 of PLN 1,047,519,491.84 as follows: PLN 855,418,122 will be allocated as a dividend payment (PLN 2 per 1 share) and the remaining amount of net profit of PLN 192,101,369.84 as reserve capital of the Parent Company. The Management Board recommends 15 July 2016 as the dividend date and 5 August 2016 as the payment date. This recommendation will be presented to the General Shareholders' Meeting of PKN ORLEN, which will make a conclusive decision in this matter.

8.2.8.7. Distribution of the Parent Company's loss for 2014 and dividend payment in 2015

Pursuant to article 395 § 2 point 2 of the Commercial Code and § 7 sec. 7 point 3 of the Parent Company's Articles of Association, the Ordinary General Shareholders' Meeting of PKN ORLEN S.A. on 28 April 2015, having analysed the motion of the Management Board, decided to cover the net loss for 2014 of PLN (4,671,826,145.06) from the reserve capital of the Parent Company.
The Ordinary General Shareholders' Meeting of PKN ORLEN S.A. also decided to allocate the amount of PLN 705,719,950.65 for the payment of dividends (PLN 1.65 per 1 share). The dividend was paid from the reserve capital of the Parent Company created from the profit of previous years.

8.2.8.8. Equity management policy

Equity management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.

The Management Board monitors the following ratios:

– net financial leverage of the Group - as at 31 December 2015 and as at 31 December 2014 amounted to 28.1% and 33.0%, respectively;

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– dividend per ordinary shares – depends on current financial position of the Group. In 2015 and in 2014 the dividend of PLN 1.65 per share and PLN 1.44 per share was paid, respectively.

Net financial leverage: net debt/equity (calculated as at the end of the period) x 100%
Net debt: non-current loans, borrowings and bonds + current loans and borrowings – cash and cash equivalents

8.2.9. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Loans	3 975	5 506	1 025	985	5 000	6 491
Borrowings	1	3	2	2	3	5
Bonds	4 155	4 161	-	-	4 155	4 161
	8 131	**9 670**	**1 027**	**987**	**9 158**	**10 657**

The ORLEN Group bases its financing mainly on floating interest rates, wherein hedges that change in the part variable to a fixed rate are used. Depending on the currency of financing these are WIBOR, LIBOR, EURIBOR, PRIBOR and CDOR increased by margin. The margin reflects risk connected to financing of the Group and in case of long-term contracts depends on net debt/EBITDA ratio.

8.2.9.1. Loans

- by currency (translated into PLN)/ by interest rate

	31/12/2015	31/12/2014
PLN - WIBOR	975	471
EUR - EURIBOR	2 859	4 183
USD - LIBOR USD	605	547
CZK - PRIBOR	-	846
CAD - LIBOR CAD	561	443
LTL - VILIBOR	-	1
	5 000	**6 491**

As at 31 December 2015 unused credit lines (note 8.4.5.4) increased by trade and other receivables (note 8.2.7) and cash and cash equivalents exceeded trade and other liabilities (note 8.2.12) by PLN 6,610 million.
The Group hedges cash flows related to interest payments regarding external financing in EUR and USD, by using interest rate swaps (IRS).
In the period covered by the foregoing consolidated financial statements as well as after the reporting date there were no cases of violations of loans or interests repayment.

	31/12/2015		31/12/2014	
	Assets pledged as collateral for loans	Loans secured by assets	Assets pledged as collateral for loans	Loans secured by assets
Pledge on property, plant and equipment	997	361	1 210	444
Cash in bank pledged as collateral	-	-	20	7

8.2.9.2. Bonds

- by currency (translated into PLN)

	31/12/2015	31/12/2014
PLN	2 017	2 020
EUR	2 138	2 141
	4 155	**4 161**

- by interest rate

	Fixed rate bonds		Floating rate bonds		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Nominal value	2 231	2 231	1 900	1 900	4 131	4 131
Carrying amount	2 239	2 242	1 916	1 919	4 155	4 161

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	Nominal value	Subscription date	Maturity 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)
Retail bonds	**1 000**					
Corporate bonds	1 000	27.02.2012	27.02.2019	6M WIBOR	1.60%	-
Eurobonds	2 131	30.06.2014	30.06.2021	Fixed interest rate 2.5%		BBB-, Baa3
	4 131					

The difference between the nominal value and carrying amount of bonds results from measurement of bonds according to amortized cost using the effective interest method.

8.2.10. Provisions

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Environmental	450	414	39	37	489	451
Jubilee bonuses and post-employment benefits	217	251	36	33	253	284
CO_2 emissions, energy certificates	-	-	466	343	466	343
Other	43	44	208	235	251	279
	710	**709**	**749**	**648**	**1 459**	**1 357**

Changes in provisions in 2015

	Environmental provision	Jubilee bonuses and post-employment benefits provision	CO_2 emissions, energy certificates	Other provisions	Total
01/01/2015	451	284	343	279	1 357
Recognition	62	6	461	64	593
Reversal	(9)	-	2	(24)	(31)
Usage	(38)	(37)	(367)	(56)	(498)
Acquisition of subsidiary	27	-	-	-	27
Foreign exchange differences	(4)	-	27	(12)	11
	489	**253**	**466**	**251**	**1 459**

Changes in provisions in 2014

	Environmental provision	Jubilee bonuses and post-employment benefits provision	CO_2 emissions, energy certificates	Other provisions	Total
01/01/2014	382	304	336	457	1 479
Recognition	79	7	337	153	576
Reversal	(7)	-	(9)	(73)	(89)
Usage	(29)	(28)	(330)	(259)	(646)
Acquisition of subsidiary	18	-	3	-	21
Foreign exchange differences	8	1	6	1	16
	451	**284**	**343**	**279**	**1 357**

8.2.10.1. Environmental provision

The Group has legal obligation to clean contaminated land – water environment in the area of production plants, fuel stations, fuel terminals and warehouses.
The Management Board estimated the provision for environmental risks regarding the removal of contaminants based on analyses provided by independent experts or based on current expected costs of remediation.
In the Czech Republic, the Government is responsible for liabilities arising from contamination of land-water environment before date of entity's privatization. In case of new contamination that arose after this date the Group is responsible for those liabilities.
Moreover, at the stage of development and extraction of mineral resources the Group recognizes provisions for the cost of removal of drillings and supporting infrastructure.

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8.2.10.2. Provision for jubilee bonuses and post-employment benefits

Change in employee benefits obligations

	NOTE	Jubilee bonuses provision		Post-employment benefits		Total	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
At the beginning of the period		163	161	121	143	284	304
Current service costs		7	7	3	5	10	12
Interest expenses		4	7	3	6	7	13
Actuarial gains and losses arising from changes in assumptions:		4	30	(4)	20	-	50
demographic		*2*	*1*	*2*	*1*	*4*	*2*
financial		*(7)*	*23*	*(7)*	*19*	*(14)*	*42*
other		*9*	*6*	*1*	*-*	*10*	*6*
Past employment costs		(7)	(7)	(8)	(23)	(15)	(30)
Payments under program		(16)	(25)	(10)	(6)	(26)	(31)
Other		(5)	(10)	(2)	(24)	(7)	(34)
	8.2.10	**150**	**163**	**103**	**121**	**253**	**284**

The carrying amount of employee benefits liabilities is identical to their present value as at 31 December 2015 and 31 December 2014.

Employee benefits liabilities divided into active and retired employees

	Active employees		Retired employees		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Poland	196	226	34	37	230	263
Czech Republic	14	13	-	-	14	13
Lithuania, Latvia, Estonia	9	8	-	-	9	8
	219	**247**	**34**	**37**	**253**	**284**

Employee benefits liabilities divided into geographical structure

	Jubilee bonuses provision		Post-employment benefits		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Poland	147	161	83	102	230	263
Czech Republic	3	2	12	11	15	13
Lithuania, Latvia, Estonia	-	-	8	8	8	8
	150	**163**	**103**	**121**	**253**	**284**

Maturity of employee benefits analysis

	Jubilee bonuses provision		Post-employment benefits		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
up to 1 year	24	15	12	18	36	33
from 1 to 5 years	45	49	15	15	60	64
above 5 years	81	99	76	88	157	187
	150	**163**	**103**	**121**	**253**	**284**

Weighted average duration of liabilities for post-employment benefits (in years)

	31/12/2015	31/12/2014
Poland	11	10
Czech Republic	10	10
Lithuania, Latvia, Estonia	14	11

Employee benefits payments analysis

	Jubilee bonuses provision		Post-employment benefits		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
up to 1 year	24	15	12	18	36	33
from 1 to 5 years	60	66	17	17	77	83
above 5 years	322	406	527	594	849	1 000
	406	**487**	**556**	**629**	**962**	**1 116**

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In 2015 the amount of provision for employee benefits changed as the result of update of assumptions, mainly in relation to discount rate, projected inflation and expected remuneration increase ratio. Should the 2014 assumptions be used, the provision for the employee benefits would be lower by PLN (11) million.

Sensitivity analysis to changes in actuarial assumptions

The Group analysed the impact of the financial and demographic assumptions and calculated that the changes of ratios: remuneration ratio by +/- 1.0 p.p., the discount rate by +/- 0.5 p.p. and the rate of turnover by +/- 0.5 p.p. in Poland, Czech, Lithuania, Latvia and Estonia are no higher than PLN 8 million. Therefore, the Group does not present any detailed information.
As at 31 December 2015, the Group used the following actuarial assumptions that had an impact on the level of actuarial provisions for the Polish entities: discount rate 3.25%, expected inflation 2.5%, the remuneration increase rate: 0% in years 2016-2017 and 2.5% in subsequent years. In the Group's foreign entities the main impact had: value of discount rate: from 0.54% to 1.50%.
The Group carries out the employee benefit payments from current resources. As at 31 December 2015 there were no funded plans and the Group paid no contributions to fund liabilities.

8.2.10.3. Provision for CO_2 emissions, energy certificates

Provision for CO_2 emissions, energy certificates comprises mainly recognition of the provisions for estimated in the reporting period, the cost of CO_2 emissions. As at 31 December 2015 and as at 31 December 2014 the value of the provision amounted to PLN 440 million and PLN 334 million, respectively.

8.2.10.4. Other provisions

As at 31 December 2015 and as at 31 December 2014 other provisions comprise mainly provisions for the risk of unfavourable decisions of pending administrative or court proceedings of PLN 170 million and PLN 145 million, respectively.

8.2.11. Other financial liabilities

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Cash flows hedge instruments	239	1 599	764	990	1 003	2 589
currency forwards	-	-	*11*	*31*	*11*	*31*
interest rate swaps	*92*	*93*	-	-	*92*	*93*
commodity swaps	*48*	*1 395*	*753*	*959*	*801*	*2 354*
currency interest rate swaps	*99*	*111*	-	-	*99*	*111*
Derivatives not designated as hedge accounting	-	-	1	29	1	29
currency forwards	-	-	*1*	-	*1*	-
commodity swaps	-	-	-	*29*	-	*29*
Embedded derivatives	-	-	2	1	2	1
currency swaps	-	-	*2*	*1*	*2*	*1*
Liabilities on cash flows settled hedge instruments	-	-	103	-	103	-
Investment liabilities	300	125	-	-	300	125
Finance lease	140	90	-	-	140	90
Other	33	37	-	-	33	37
	712	**1 851**	**870**	**1 020**	**1 582**	**2 871**

8.2.12. Trade and other liabilities

	31/12/2015	31/12/2014
Trade liabilities	5 430	7 049
Investment liabilities	1 508	923
Finance lease	26	26
Other	175	108
Financial liabilities	**7 139**	**8 106**
Payroll liabilities	250	245
Excise tax and fuel charge	1 791	1 756
Value added tax	915	735
Tax expense	162	42
Other taxation, duties, social security and other benefits	262	89
Accruals	219	200
holiday pay	*63*	*60*
liabilities due to reimbursement of excise tax cost to suppliers providing tax warehouse services	*156*	*140*
Other	82	84
Non-financial liabilities	**3 681**	**3 151**
	10 820	**11 257**

Trade and other liabilities denominated in foreign currencies as at 31 December 2015 and as at 31 December 2014 amounted to PLN 6,065 million and PLN 7,424 million, respectively. Division of financial liabilities denominated in foreign currencies is presented in note 8.4.5.2. Division of liabilities from related parties is presented in note 8.5.6.

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8.2.13. Other liabilities

	31/12/2015	31/12/2014
Deferred income	128	122
Liabilities directly associated with assets classified as held for sale	72	-
	200	**122**

8.3. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	2015	2014
Change in provisions presented in the statement of financial position		**102**	**(122)**
Usage of prior year provision for CO_2 emissions, energy certificates		367	330
Foreign exchange differences		21	(32)
Other		(27)	(35)
Change in provisions in the statement of cash flows		**463**	**141**
Change in inventories presented in the statement of financial position		**(886)**	**3 920**
Reclassification of inventories from/to property, plant and equipment and non-current assets classified as held for sale		13	(46)
Acquisition of subsidiary		50	-
Foreign exchange differences		168	232
Change in inventories in the statement of cash flows		**(655)**	**4 106**
Change in trade and other receivables presented in statement of financial position		**451**	**735**
Change in rights and advances for non-financial non-current assets	8.2.7	202	(73)
Acquisition of subsidiary		270	22
Foreign exchange differences		312	275
Other		23	(35)
Change in receivables in the statement of cash flows		**1 258**	**924**
Change in trade and other liabilities presented in statement of financial position		**(437)**	**(2 792)**
Change in investment liabilities	8.2.12	(585)	(52)
Acquisition of subsidiary		(317)	(24)
Foreign exchange differences		(489)	(407)
Other		(95)	(3)
Change in liabilities in the statement of cash flows		**(1 923)**	**(3 278)**

Foreign exchange loss

	NOTE	2015	2014
Foreign exchange (loss) surplus presented in statement of profit or loss and other comprehensive income	8.1.7	**(317)**	**(1 459)**
Adjustments to net profit/(loss) of foreign exchange differences presented in statement of cash flows		**24**	**880**
realized foreign exchange differences concerning investing and financing activities		*72*	*85*
unrealized foreign exchange differences concerning investing and financing activities		*(29)*	*(18)*
hedge accounting of net investment hedge in foreign operation		*-*	*811*
foreign exchange differences on cash		*(19)*	*2*
Foreign exchange differences concerning operating activities not correcting net profit/(loss)		(293)	(579)

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Interest, net

	NOTE	2015	2014
Finance income and costs of net interest presented in statement of profit or loss and other comprehensive income	*8.1.6, 8.1.7*	**(123)**	**(167)**
Adjustments to net profit/(loss) of net interest presented in statement of cash flows		**199**	**241**
interest paid concerning financing activities		*258*	*245*
accrued interest concerning investing and financing activities		*(59)*	*(4)*
Net interest concerning operating activities not correcting net profit/(loss)		(76)	(74)

Income tax (paid)

	NOTE	2015	2014
Tax expense on profit/(loss) before tax	*8.1.8.1*	**(465)**	**418**
Change in deferred tax asset and liabilities		619	(697)
Change in current tax receivables and liabilities		111	30
Deferred tax recognized in other comprehensive income	*8.1.8.2*	(292)	338
Acquisition of subsidiary	*8.1.8.2*	(166)	(117)
Foreign exchange differences		(11)	(140)
		(204)	**(168)**

8.4. EXPLANATORY NOTES TO THE FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

8.4.1. Financial instruments by category and class

Financial instruments by class	NOTE	31/12/2015	31/12/2014	Financial instruments by category
ASSETS				
Unquoted shares	*8.2.5*	40	40	Available for sale
Embedded derivatives and derivatives not designated as hedge accounting	*8.2.3*	9	44	At fair value through profit or loss
Hedging instruments	*8.2.3*	932	994	Hedging financial instruments
		7 949	10 044	Loans and receivables
Trade receivables	*8.2.7*	*5 397*	*5 938*	*Loans and receivables*
Cash and cash equivalents		*2 348*	*3 937*	*Loans and receivables*
Receivables on cash flows settled hedge instruments	*8.2.3*	*159*	*101*	*Loans and receivables*
Other	*8.2.3, 8.2.7*	*45*	*68*	*Loans and receivables*
		8 930	**11 122**	
LIABILITIES				
Embedded derivatives and derivatives not designated as hedge accounting	*8.2.11*	3	30	At fair value through profit or loss
Hedging instruments	*8.2.11*	1 003	2 589	Hedging financial instruments
Finance lease	*8.2.11, 8.2.12*	166	116	Excluded from the scope of IAS 39
		16 707	18 899	Measured at amortised cost
Bonds	*8.2.9.2*	*4 155*	*4 161*	*Measured at amortised cost*
Loans	*8.2.9.1*	*5 000*	*6 491*	*Measured at amortised cost*
Borrowings	*8.2.9*	*3*	*5*	*Measured at amortised cost*
Trade liabilities	*8.2.12*	*5 430*	*7 049*	*Measured at amortised cost*
Investment liabilities	*8.2.11, 8.2.12*	*1 808*	*1 048*	*Measured at amortised cost*
Liabilities on cash flows settled hedge instruments	*8.2.11*	*103*	*-*	*Measured at amortised cost*
Other	*8.2.11, 8.2.12*	*208*	*145*	*Measured at amortised cost*
		17 879	**21 634**	

8.4.2. Income, expense, profit and loss in the consolidated statement of profit or loss and other comprehensive income

	NOTE	31/12/2015	31/12/2014	Financial instruments by category
Interest income	*8.1.6*	82	75	*Loans and receivables*
Interest costs	*8.1.7*	(205)	(242)	
		(194)	*(236)*	*Measured at amortised cost*
		(4)	*-*	*Hedging financial instruments*
		(7)	*(6)*	*Excluded from the scope of IAS 39*
Recognition/reversal of receivables impairment allowances		(27)	(26)	*Loans and receivables*
other operating income/expenses	*8.1.4, 8.1.5*	*(30)*	*(31)*	*Loans and receivables*
finance income/costs		*3*	*5*	*Loans and receivables*
Financial instruments gains/(losses)		(518)	(1 371)	
		186	*(182)*	*Loans and receivables*
		(529)	*(1 288)*	*Measured at amortised cost*
		(175)	*102*	*At fair value through profit or loss*
		(2)	*(5)*	*Hedging financial instruments*
		2	*2*	*Available for sale*
		(668)	**(1 564)**	
other, excluded from the scope of IFRS 7		**(4)**	**(2)**	

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8.4.3. Fair value measurement

31/12/2015

	NOTE	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2
Financial assets					
Embedded derivatives and hedging instruments	8.2.3	941	941	-	941
		941	**941**	**-**	**941**
Financial liabilities					
Bonds	8.2.9.2	4 155	4 193	4 193	-
Loans	8.2.9.1	5 000	5 003	-	5 003
Borrowings	8.2.9	3	3	-	3
Finance lease	8.2.11, 8.2.12	166	180	-	180
Embedded derivatives and hedging instruments	8.2.11	1 006	1 006	-	1 006
		10 330	**10 385**	**4 193**	**6 192**

31/12/2014

	NOTE	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2
Financial assets					
Embedded derivatives and hedging instruments	8.2.3	1 038	1 038	-	1 038
		1 038	**1 038**	**-**	**1 038**
Financial liabilities					
Bonds	8.2.9.2	4 161	4 138	4 138	-
Loans	8.2.9.1	6 491	6 492	-	6 492
Borrowings	8.2.9	5	5	-	5
Finance lease	8.2.11, 8.2.12	116	120	-	120
Embedded derivatives and hedging instruments	8.2.11	2 619	2 619	-	2 619
		13 392	**13 374**	**4 138**	**9 236**

For other classes of financial assets and liabilities fair value represents their carrying amount.

8.4.3.1. Methods applied in determining fair value (fair value hierarchy)

Financial liabilities due to loans, bonds, finance lease and liabilities and receivables for borrowings are measured at fair value using discounted cash flows method. Discount rates are calculated based on market interest rates according to quotations of 1- month, 3-months and 6-months interest rates increased by proper margins for particular financial instruments. For the majority as at 31 December 2015 and as at 31 December 2014, 1-month interest rate quotations were applied.

	31/12/2015	31/12/2014
WIBOR	1.6500%	2.0800%
EURIBOR	-0.2050%	0.0180%
LIBOR USD	0.4295%	0.1713%
PRIBOR	0.2000%	0.2500%
LIBOR CAD	0.6300%	1.1500%
VILIBOR	-	0.1200%

As at 31 December 2015 and as at 31 December 2014 the Group held unquoted shares in entities, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments were noted. The value of shares of these entities was recognized in the consolidated statement of financial position as at 31 December 2015 and as at 31 December 2014 of PLN 40 million at acquisition cost less impairment allowances.
During the reporting period and comparative period there were no reclassifications of financial instruments in Group between Level 1 and 2 of fair value hierarchy.

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8.4.4. Hedge accounting

	NOTE	31/12/2015	31/12/2014	
Cash flows hedge instruments				***Hedging strategies***
currency forwards		112	165	*operating and investing activity; sales of products and purchase of crude oil;*
commodity swaps		8	(1 556)	*operational inventories, refining margin, time mismatch occurring on purchases of crude oil by sea, risk of crude oil prices on arbitrage transactions cash & carry, offering customers the goods for which price formulas are based on fixed price;*
currency interest rate swaps		(99)	(111)	*interest payments concerning borrowing costs;*
interest rate swaps		(92)	(93)	*interest payments concerning borrowing costs*
	8.2.3, 8.2.11	**(71)**	**(1 595)**	

Planned realization date of hedged cash flows which will be recognized in the profit or loss

	31/12/2015	31/12/2014
Currency operating exposure	2016-2018	2015
Finance currency exposure	2016-2017	2015-2016
Interest rate exposure	2016-2020	2015-2020
Commodity risk exposure	2016-2017	2015-2017

8.4.5. Risks identification

The Group's activities are exposed to many different types of risk. Risk management is mainly focused on the unpredictability of financial markets and aims to minimize any potential negative impacts on the Group's financial results.

Financial risks			
Type of risk	**Exposure**	**Measurement of exposure**	**Management/Hedging**
Commodity	- risk of changes in refining and petrochemical margins on sale of products and Ural/Brent differential fluctuations; - risk of changes in crude oil and products prices related to the time mismatch occurring when purchasing by sea the part of crude oil for its processing or oversize periodic stock of operational crude oil, work in progress or finished goods, as well as future sales transactions of finished goods; - risk of changes in CO_2 emission rights prices; - risk of changes in crude oil and refinery product prices related to the obligation to maintain mandatory reserves of crude oil and fuels; - risk of changes in commodity prices on arbitrage transactions cash & carry involving acquisition of crude oil or products for stock in order to sell them or process them at a later date	cash flows planning	Market risk management policy and hedging strategies, which define principles of measurement of individual exposure, parameters and the time horizon of risk hedging and hedging instruments.
Currency	- economic currency exposure resulting from inflows decrease by expenses indexed to or denominated in other than the functional currency; - currency exposure resulting from investment or probable liabilities and receivables in foreign currencies; - balance sheet exposure resulting from assets and liabilities denominated in foreign currency	cash flows planning analysis of balance sheet positions	
Interest rate	Exposure resulting from owned assets and liabilities for which interest gains or losses are dependent on floating interest rates.	ratio: total net debt to positions for which interest costs are dependent on floating interest rate	
Liquidity	Risk of unforeseen shortage of cash or lack of access to financing sources, both in the horizon of short and long-term borrowing, leading to temporary or permanent loss of ability to pay financial liabilities or imposing the need to obtain funds on unfavourable terms.	cash flows planning in short and long-term horizon	Short-term liquidity risk management policy, which defines rules of reporting and consolidation of liquidity of PKN ORLEN and ORLEN Group entities. Group carries out a policy of its financing sources diversification and uses range of tools for effective liquidity management.
Losing cash and deposits	Risk of bankruptcy of domestic or foreign banks, in which accounts are kept or in which cash is invested for a short time.	short-term credit rating of bank	Management based on principles of surplus cash management, which determine possibility of granting quotas for individual banks made on the basis of, among others, ratings of investment and reporting data.
Credit	Risk of unsettled receivables for delivered products and services by customers. Credit risk is also related to the creditability of customers with whom sales transactions are concluded.	analysis of creditability and solvency of customers	Management based on procedures and policies adopted for management of trade credit and debt recovery.

Other risks, disclosed in details in the Management Board Report on the operations of the ORLEN Capital Group in point 2.8.
The ORLEN Group applies a consistent financial risk hedging policy based on market risk management policy supported and supervised by the Financial Risk Committee, the Management Board and the Supervisory Board.

ORLEN GROUP (PLN million)

8.4.5.1. Commodity risks

The impact of commodity hedging instruments on the Group's financial statements

Type of hedged raw material/product	Unit of measure	31/12/2015	31/12/2014
Crude oil	bbl	9 160 200	24 839 704
Diesel	t	632 600	1 428 580
Heating oil	t	421 609	769 694
Gasoline	t	185 592	370 814
Naphta	t	92 000	-
JET fuel	t	20 000	-
Gas	mcf	15 000	-

The net carrying amount of hedging instruments for commodity risk as at 31 December 2015 and as at 31 December 2014 amounted to PLN 8 million and PLN (1,556) million, respectively.

Sensitivity analysis for changes in prices of products and raw materials

31/12/2015
Analysis of the influence of changes in the carrying amount of financial instruments on hedging reserve to a hypothetical change in prices of products and raw materials:

	Increase of prices	Total influence	Decrease of prices	Total influence
Crude oil USD/bbl; CAD/bbl	+19%	(92)	-19%	92
Diesel USD/t	+17%	(38)	-17%	38
Gasoline USD/t	+21%	(62)	-21%	62
Naphta USD/t	+21%	(9)	-21%	9
Heating oil USD/t	+20%	11	-20%	(11)
JET fuel USD/t	+16%	4	-16%	(4)
		(186)		**186**

31/12/2014
Analysis of the influence of changes in the carrying amount of financial instruments on result before tax and hedging reserve to a hypothetical change in prices of products and raw materials:

	Increase of prices	Total influence	Decrease of prices	Total influence
Crude oil USD/bbl; CAD/bbl	+19%	591	-19%	(591)
Diesel USD/t	+17%	(120)	-17%	120
Gasoline USD/t	+21%	(74)	-21%	74
Heating oil USD/t	+20%	22	-20%	(22)
		419		**(419)**

including:

	Influence on result before tax			
	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl; CAD/bbl	+19%	219	-19%	(219)
Diesel USD/t	+17%	(106)	-17%	106
Gasoline USD/t	+21%	(70)	-21%	70
Heating oil USD/t	+20%	(26)	-20%	26
		17		**(17)**

	Influence on hedging reserve			
	Increase of prices	Influence	Decrease of prices	Influence
Crude oil USD/bbl; CAD/bbl	+19%	372	-19%	(372)
Diesel USD/t	+17%	(14)	-17%	14
Gasoline USD/t	+21%	(4)	-21%	4
Heating oil USD/t	+20%	48	-20%	(48)
		402		**(402)**

Applied for the sensitivity analysis of commodity risk hedging instruments variations of crude oil and products prices were calculated based on volatility for 2014 and available analysts' forecasts.
The influence of changes of prices was presented on annual basis.

ORLEN GROUP (PLN million)

Fair value of commodity swaps is calculated based on discounted future cash flows of executed transactions, calculated as a difference between term and transaction price.
In case of derivatives, the influence of crude oil, and products prices variations on fair value were examined at constant level of currency rates.

8.4.5.2. Currency risk

Currency structure of financial instruments as at 31 December 2015

Financial instruments by class	EUR	USD	CZK	CAD	Other currencies after translation to PLN	Total after translation to PLN
Financial assets						
Trade receivables	396	91	5 487	17	17	2 973
Embedded derivatives and hedging instruments	19	218	30	2	-	941
Cash and cash equivalents	53	68	5 689	-	-	1 388
Receivables on cash flows settled hedge instruments	-	41	-	-	-	159
Other	3	2	38	3	-	35
	471	**420**	**11 244**	**22**	**17**	**5 496**
Financial liabilities						
Bonds	502	-	-	-	-	2 138
Loans	671	155	-	200	-	4 025
Trade liabilities	248	570	3 151	17	-	3 826
Investment liabilities	193	19	933	30	-	1 129
Embedded derivatives and hedging instruments	44	210	-	-	-	1 006
Liabilities on cash flows settled hedge instruments	-	26	-	-	-	103
Other	6	8	371	-	-	115
	1 664	**988**	**4 455**	**247**	**-**	**12 342**

Currency structure of financial instruments as at 31 December 2014

Financial instruments by class	EUR	USD	CZK	CAD	LTL	Other currencies after translation to PLN	Total after translation to PLN
Financial assets							
Trade receivables	408	95	6 266	-	101	76	3 236
Embedded derivatives and hedging instruments	2	251	911	-	-	10	1 038
Cash and cash equivalents	52	47	1 406	-	9	-	617
Receivables on cash flows settled hedge instruments			654				101
Other	7	-	-	2	36	-	78
	469	**393**	**9 237**	**2**	**146**	**86**	**5 070**
Financial liabilities							
Bonds	502	-	-	-	-	-	2 141
Loans	981	156	5 504	147	1	-	6 020
Trade liabilities	207	1 210	3 797	-	86	28	5 845
Investment liabilities	47	14	358	-	4	98	407
Hedging instruments	50	676	224	-	-	-	2 618
Other	4	1	195	-	-	-	48
	1 791	**2 057**	**10 078**	**147**	**91**	**126**	**17 079**

ORLEN ORLEN GROUP (PLN million)

Sensitivity analysis for changes in the exchange rates

	EUR / PLN		USD / PLN		CZK / PLN		CAD / PLN		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	variation of exchange rates +15%									
Influence on result before tax (A)	(758)	128	(196)	(779)	(142)	-	(12)	(66)	(1 108)	(717)
Influence on hedging reserve (B)	(574)	(683)	2	(58)	-	-	-	-	(572)	(741)
Influence on foreign exchange differences on subsidiaries from consolidation (C)	6	(151)	10	(221)	168	(42)	(83)	16	101	(398)
Total influence (A+B+C)	**(1 326)**	**(706)**	**(184)**	**(1 058)**	**26**	**(42)**	**(95)**	**(50)**	**(1 579)**	**(1 856)**
Sensitivity of net investment in foreign operations including hedging reserve (D)	72	71	207	56	836	650	246	178	1 361	955
Total influence on profit or loss and other comprehensive income (A+B+D)	**(1 260)**	**(484)**	**13**	**(781)**	**694**	**650**	**234**	**112**	**(319)**	**(503)**

At variation of currency rates by -15%, sensitivity analysis assumes the same value as in the table above only with the opposite sign.
Variations of currency rates described above were calculated based on average volatility of particular currency rates and analysts' forecasts.
Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential amount calculated using assumed changes in currency rates. Fair value of currency forwards and foreign exchange swaps is calculated based on discounted future cash flows of concluded transactions as a difference between forward price and transaction price. The influence of currency rate variations on fair value of derivative instruments was examined at constant level of interest rates.

8.4.5.3. The risk of interest rates changes

Structure of financial instruments subject to risk of interest rates changes as at 31 December 2015

Financial instruments by class	NOTE	WIBOR	EURIBOR	LIBOR USD	PRIBOR	LIBOR CAD	Total
Financial assets							
Hedging instruments	*8.2.3*	-	80	849	5	6	940
		-	**80**	**849**	**5**	**6**	**940**
Financial liabilities							
Bonds	*8.2.9.2*	1 916	-	-	-	-	1 916
Loans	*8.2.9.1*	975	2 859	605	-	561	5 000
Borrowings	*8.2.9*	3	-	-	-	-	3
Hedging instruments	*8.2.11*	99*	186*	818	-	-	1 004**
		2 993	**3 045**	**1 423**	**-**	**561**	**7 923****

**In the position financial liabilities - hedging instruments, the Group recognized cross interest rate swaps (CIRS) of PLN 99 million, which are sensitive to both WIBOR and EURIBOR interest rates changes.*
***Total includes CIRS valuation of PLN 99 million.*

Structure of financial instruments subject to risk of interest rates changes as at 31 December 2014

Financial instruments by class	NOTE	WIBOR	EURIBOR	LIBOR USD	PRIBOR	LIBOR CAD	VILIBOR	Total
Financial liabilities								
Bonds	*8.2.9.2*	1 919	-	-	-	-	-	1 919
Loans	*8.2.9.1*	471	4 183	547	846	443	1	6 491
Borrowings	*8.2.9*	5	-	-	-	-	-	5
Hedging instruments	*8.2.11*	111*	193*	11	-	-	-	204**
		2 506	**4 376**	**558**	**846**	**443**	**1**	**8 619****

**In the position financial liabilities - hedging instruments, the Group recognized cross interest rate swaps (CIRS) of PLN 111 million, which are sensitive to both WIBOR and EURIBOR interest rates changes.*
***Total includes CIRS valuation of PLN 111 million.*

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Sensitivity analysis for the interest rates changes

Interest rate	Assumed variations		Influence on result before tax		Influence on hedging reserve		Total	
	31/12/2015	31/12/2014	2015	2014	2015	2014	2015	2014
WIBOR	+0.5p.p.	+0.5p.p.	(14)	(12)	(44)	(3)	(58)	(15)
LIBOR USD	+0.5p.p.	+0.5p.p.	(3)	(3)	13	14	10	11
EURIBOR	+0.5p.p.	+0.5p.p.	(14)	(21)	95	70	81	49
			(31)	**(36)**	**64**	**81**	**33**	**45**
WIBOR	-0.5p.p.	-0.5p.p.	14	12	45	3	59	15
			14	**12**	**45**	**3**	**59**	**15**

The above interest rates variations were calculated based on observations of average interest rates fluctuations.
Low interest rates of EURIBOR and LIBOR USD at the end of 2015 and 2014 and market forecasts for further periods caused that the Group did not take the further decrease in the sensitivity analysis into consideration. The Group does not consider in the sensitivity analysis change of PRIBOR and LIBOR CAD due to their insignificant impact.
The sensitivity analysis was performed on the basis of instruments held as at 31 December 2015 and as at 31 December 2014, the influence of interest rates changes was presented on annual basis. The sensitivity of financial instruments for the risk of interest rate changes was calculated as arithmetic product of the balance of items, sensitive to interest rates changes (excluding derivatives) multiplied by adequate variation of interest rates.
For derivatives in sensitivity analysis for the risk of interest rates changes interest rate curve displacement due to potential reference rate change was used, provided that other risk factors remain constant.

8.4.5.4. Liquidity and credit risk

Liquidity risk

Maturity analysis for financial liabilities as at 31 December 2015

	NOTE	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Bonds	8.2.9.2	68	1 003	1 125	2 138	4 334	4 155
floating-rate bonds - undiscounted value		*63*	*993*	*1 017*	*-*	*2 073*	*1 916*
fixed rate bonds - undiscounted value		*5*	*10*	*108*	*2 138*	*2 261*	*2 239*
Loans - undiscounted value	8.2.9.1	1 053	1 019	2 720	435	5 227	5 000
Trade liabilities	8.2.12	5 430	-	-	-	5 430	5 430
Investment liabilities	8.2.11, 8.2.12	1 508	196	14	90	1 808	1 808
Embedded derivatives and hedging instruments- undiscounted value	8.2.11	693	205	34	-	932	1 006
gross exchange amounts, incl.:		*5*	*8*	*14*	*-*	*27*	*107*
currency interest rate swaps	8.2.11	*(2)*	*8*	*14*	*-*	*20*	*99*
net exchange amounts, incl.:		*688*	*197*	*20*	*-*	*905*	*899*
commodity swaps	8.2.11	*655*	*151*	*-*	*-*	*806*	*801*
Other	8.2.9, 8.2.11, 8.2.12	306	71	21	82	480	480
		9 058	**2 494**	**3 914**	**2 745**	**18 211**	**17 879**

Maturity analysis for financial liabilities as at 31 December 2014

	NOTE	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Bonds	8.2.9.2	76	842	1 268	2 244	4 430	4 161
floating-rate bonds - undiscounted value		*71*	*832*	*1 258*	*-*	*2 161*	*1 919*
fixed rate bonds - undiscounted value		*5*	*10*	*10*	*2 244*	*2 269*	*2 242*
Loans - undiscounted value	8.2.9.1	1 055	825	4 645	302	6 827	6 491
Trade liabilities	8.2.12	7 049	-	-	-	7 049	7 049
Investment liabilities	8.2.11, 8.2.12	923	14	110	1	1 048	1 048
Embedded derivatives and hedging instruments- undiscounted value	8.2.11	1 027	1 454	39	5	2 525	2 619
gross exchange amounts, incl.:		*(10)*	*(2)*	*17*	*-*	*5*	*112*
currency interest rate swaps	8.2.11	*(11)*	*(2)*	*17*	*-*	*4*	*111*
net exchange amounts, incl.:		*1 037*	*1 456*	*22*	*5*	*2 520*	*2 507*
commodity swaps	8.2.11	*981*	*1 415*	*-*	*-*	*2 396*	*2 383*
Other	8.2.9, 8.2.11, 8.2.12	136	76	16	38	266	266
		10 266	**3 211**	**6 078**	**2 590**	**22 145**	**21 634**

In 2015 and in 2014 for currency interest rate swaps the level of discount rates cause that undiscounted value is a financial asset and discounted value is a financial liability.

As at 31 December 2015 and as at 31 December 2014 the maximum possible indebtedness due to loans amounted to PLN 13,916 million and PLN 14,372 million, respectively. As at 31 December 2015 and as at 31 December 2014 PLN 8,441 million and PLN 7,150 million, respectively, remained unused.

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The value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 December 2015 and as at 31 December 2014 amounted to PLN 458 million and PLN 592 million, respectively. These concern mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables, etc.
Guarantees and sureties granted in the Group on behalf of related parties as at 31 December 2015 and as at 31 December 2014 amounted to PLN 6,836 million and PLN 6,667 million, respectively. They were mainly related to secure of ORLEN Capital future liabilities due to Eurobonds issuance and timely payment of liabilities by related parties.
Based on analysis and forecasts as at the end of the reporting period, the Group recognized the probability of payment of the above amounts as low.

Credit risk

Based on the analysis of balances of receivables the customers were divided into two groups:
- Group I – customers with very good or good history of cooperation in the current year;
- Group II – other customers.

The division of not past due receivables

	31/12/2015	31/12/2014
Group I	3 952	4 558
Group II	1 103	937
	5 055	**5 495**

The ageing analysis of current receivables past due, but not impaired as at the end of the reporting period

	31/12/2015	31/12/2014
up to 1 month	275	407
from 1 to 3 months	51	35
from 3 to 6 months	12	6
from 6 to 12 months	16	22
above 1 year	24	14
	378	**484**

Change in impairment allowances of trade and other receivables

	NOTE	2015	2014
At the beginning of the period		509	496
Recognition	8.4.2	51	73
Reversal	8.4.2	(24)	(47)
Usage		(67)	(19)
Foreign exchange differences		2	6
Other		6	-
		477	**509**

Recognition and reversal of impairment allowances of trade and other receivables related mainly to downstream segment. Recognition and reversal of impairment allowances of receivables are recognized in other operating activity in relation to principal amount and in financial activities in relation to interest for delayed payments.

As at 31 December 2015 and as at 31 December 2014 the Group received bank and insurance guarantees of PLN 2,648 million and PLN 3,143 million, respectively. Additionally the Group receives from its customers securities such as blockade of cash on bank accounts, deposits, mortgage and bills of exchange.

8.5. OTHER EXPLANATORY NOTES

8.5.1. Concessions held

The Group's operations require concessions, due to their importance to the public interest.

31/12/2015	Remaining concessions periods (in years)
Electrical energy: manufacturing, distribution, trade	4-15
Heating energy: manufacturing, transmission, distribution, trade	10-15
Gaseous fuels: transmission, distribution, trade	5-15
Liquid fuels: manufacturing, transmission, trade, storage	2-15
Non-reservuar storage of crude oil and liquid fuels	14
Rock salt: exploration, recognition and exploitation	2.5-18
Exploration and recognition of crude oil and natural gas deposits	1-4
Personal and property security services	indefinitely

(PLN million)

As at 31 December 2015 and as at 31 December 2014 the Group had no liabilities related to concession services in scope of IFRIC 12 – Service concession arrangements.

8.5.2. Leases

8.5.2.1. Group as a lessee

Operating lease

As at 31 December 2015 and as at 31 December 2014 the Group was a lessee under non-cancellable operating lease agreements (tenancy, rent), which regard mainly the lease of petrol stations, means of transportation and computer equipment. Agreements include clauses concerning contingent rent payables. In most cases they can be extended.
The total lease payments, resulting from non-cancellable operating lease agreements recognized as expenses in 2015 and in 2014 amounted to PLN (85) million and PLN (83) million, respectively.

Future minimum lease payments under non-cancellable operating lease agreements:

	31/12/2015	31/12/2014
up to 1 year	73	76
from 1 to 5 years	207	254
above 5 years	474	488
	754	**818**

Finance lease

As at 31 December 2015 and as at 31 December 2014 the Group was a lessee under finance lease agreements, which relate to buildings and constructions, machinery and equipment and vehicles.
In concluded lease agreements, the general conditions of finance lease are effective, they do not contain any clauses concerning contingent rent payables, give the possibility to purchase the leased equipment and eventually can be extended.

	NOTE	Present value of future minimum lease payments		Value of future minimum lease payments	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014
up to 1 year		26	27	33	32
from 1 to 5 years		58	51	77	63
above 5 years		82	38	112	47
	8.2.11, 8.2.12	**166**	**116**	**222**	**142**

The difference between the total value of future minimum lease payments and their present value results from discounting of lease payments by the interest rate implicit in the proper agreement.

8.5.3. Investment expenditures incurred and future commitments resulting from signed investment contracts

The total amount of investment expenditures together with borrowing costs incurred in 2015 and in 2014 amounted to PLN 3,183 million and PLN 3,788 million, respectively, including PLN 306 million and PLN 521 million of investments relating to environmental protection.

As at 31 December 2015 and as at 31 December 2014 the value of future commitments resulting from contracts signed until this date amounted to PLN 3,054 million and PLN 2,005 million, respectively.

8.5.4. Contingent assets and liabilities

Contingent assets
On 13 August 2015 the steam cracker unit accident in Unipetrol Group took place. In relation to damaged petrochemical assets, an impairment of PLN (93) million, translated using the exchange rate as at 30 September 2015 (representing approximately CZK (597) million), was recognized.
Based on the insurance policies and the estimates made at the end of 2015, Unipetrol Group expects insurers to cover reconstruction costs of repair, in the amount of approximately PLN 647 million translated using the exchange rate as at 31 December 2015 (representing CZK 4.1 billion), as well as lost business profits in 2015 in the amount of approximately PLN 378 million translated using the exchange rate as at 31 December 2015 (representing CZK 2.4 billion) and other costs incurred in connection with the accident in the amount of approximately PLN 25 million translated using the exchange rate as at 31 December 2015 (representing CZK 156 million).
Unipetrol Group received advance payments on account of the loss in amount of approximately PLN 43 million translated using the exchange rate as at 31 December 2015 (representing CZK 276 million), which was recognized under trade and other liabilities in the statement of financial position of the Group.

Contingent liabilities
Spolana a.s. currently produces chlorine using the mercury electrolysis. In case of production ceases, the company is required to present a reclamation program after it stops to use its fixed assets. On 9 September 2013, as a result of administrative proceedings, Spolana a.s. received a consent of Mid-Czech Regional Body to extend the integrated pollution prevention and control license from the end of 2014 until 30 June 2017. At the same time, the company is obliged to submit an action plan aiming to cease the production of chlorine using the mercury electrolysis until 31 March 2017.

Information on significant court proceedings is presented in note 8.8.

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8.5.5. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 December 2015 and as at 31 December 2014 amounted to PLN 1,815 million and PLN 1,637 million, respectively.

8.5.6. Related party transactions

As at 31 December 2015 and as at 31 December 2014 and in 2015 and in 2014 were no material transactions of related parties with:
- members of the Management Board and the Supervisory Board of the Parent Company and their relatives,
- key executive personnel of the Parent Company and ORLEN Group companies.

ORLEN Group companies' transactions and balances of settlements with related parties

	Sales		Purchases	
	2015	2014	2015	2014
Jointly- controlled entities	2 954	3 295	(213)	(507)
joint ventures	*2 806*	*2 927*	*(37)*	*(30)*
joint operations	*148*	*368*	*(176)*	*(477)*
Associates	48	60	(32)	(47)
	3 002	**3 355**	**(245)**	**(554)**

	Trade and other receivables		Trade and other liabilities	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Jointly- controlled entities	509	620	5	225
joint ventures	*508*	*575*	*4*	*4*
joint operations	*1*	*45*	*1*	*221*
Associates	17	17	8	9
	526	**637**	**13**	**234**

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and sales and purchases of services.
In 2015 and in 2014 there were no material related party transactions in the Group concluded on other than an arm's length basis.

8.5.7. Remuneration together with profit-sharing paid and due or potentially due to the members of the Management Board, the Supervisory Board of the Parent Company and other members of key executive personnel of the Parent Company and the ORLEN Group companies

	2015	2014
Remuneration of the Management Board Members of the Parent Company performing duties in the current year	**13.5**	**11.7**
remuneration and other benefits	*7.2*	*6.8*
bonus paid for the previous year	*6.3*	*4.9*
Bonuses potentially due to the Management Board Members of the Parent Company performing duties in the current year , to be paid in the next year	**6.7**	**6.4**
Remuneration and other benefits paid and due to the former Management Board Members of the Parent Company *	**3.4**	**1.4**
Remuneration and other benefits of the key executive personnel	**177.5**	**174.9**
remuneration and other benefits of the key executive personnel of the Parent Company	*37.1*	*35.0*
key executive personnel of the subsidiaries belonging of the ORLEN Group	*140.4*	*139.9*
Remuneration of the Supervisory Board Members of the Parent Company	**1.5**	**1.3**

** In 2015, remuneration paid due to severance payment and for non-competition, remuneration due for non-competition; in 2014 severance payment and bonus paid for the year 2011.*

The Management Board's, the Supervisory Board's and other key executive personnel's remuneration includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

Bonus systems for key executive personnel of the ORLEN Group

The regulations applicable to PKN ORLEN Management Board, directors directly reporting to the Management Board of PKN ORLEN and other key positions of the ORLEN Group have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board for the key executive personnel. The Bonus Systems are consistent with the Concern's Values, so as to promote the cooperation between individual employees in view to achieve the best possible results for the ORLEN Group. The goals so-said are qualitative or quantitative and are accounted for the end of the year for which they were set. Regulation gives the possibility to promote employees, who significantly contribute to the achieved results.

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Remuneration regarding non-competition clause and dissolution of the contract as a result of dismissal from the position held

According to agreements, Members of the PKN ORLEN Management Board are obliged to obey a non-competition clause for 6 or 12 months, starting from the date of termination or expiration of the contract. In the period, they are entitled to receive remuneration in the amount of six or twelve basic monthly remuneration, payable in equal monthly instalments. In addition, agreements include remuneration payments in case of dissolution of the contract because of dismissal from the position held. Remuneration in such a case is six or twelve basic monthly remuneration.
Directors directly subordinate to the Management Board of PKN ORLEN and Management Board members are typically obliged to obey a non-competition clause for 6 months, starting from the date of termination or expiration of the contract. In the period, they receive remuneration in the amount of 50% of six-month basic remuneration, payable in 6 equal monthly instalments. Furthermore, severance pay for termination of contract by the Employer amounts to three or six times basic monthly remuneration.

Information on remuneration is presented in details in point 2.12 of the Management Board Report on the operations of ORLEN Capital Group.

8.5.8. Remuneration arising from the agreement with the entity authorized to conduct audit of the financial statements

	2015	2014
Remuneration of KPMG Audyt Sp. z o.o. in respect of the Parent Company	**1.3**	**3.0**
audit and reviews of the financial statements	*1.1*	*1.3*
additional services	*0.2*	*1.7*
Remuneration of KPMG Audyt Sp. z o.o. and KPMG member firms in respect of subsidiaries of the Capital Group	**4.4**	**3.9**
audit of the annual financial statements and verification procedures	*3.9*	*3.5*
additional services	*0.5*	*0.4*
	5.7	**6.9**

In the period covered by this consolidated financial statements the entity authorized to conduct audit of the ORLEN Group's financial statements was KPMG Audyt Sp. z o.o. According to the agreement concluded on 30 May 2005 with subsequent amendments KPMG Audyt Sp. z o.o. executes the interim reviews and audits of separate and consolidated financial statements in years 2005-2016.

8.6. ACCOUNTING PRINCIPLES

8.6.1. Impact of IFRSs amendments and interpretations on consolidated financial statements of the ORLEN Group

IFRSs and their interpretations, announced and adopted by the European Union, not yet effective

The Group intends to adopt listed below new standards and amendments to the standards and interpretations to IFRSs that are published by the International Accounting Standards Board, but not effective as at the date of publication of these financial statements, in accordance with their effective date.

	Possible impact on financial statements
Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Agriculture - Bearer Plants	no impact expected
Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	no impact expected
Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions	no impact expected
Improvements to International Financial Reporting Standards 2012-2014	no impact expected
Amendments to IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements	no impact expected
Amendments to IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	no impact expected

Standards and Interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU

	Possible impact on financial statements
New standard IFRS 9 - Financial Instruments	impact*
New standard IFRS 15 - Revenue from Contracts with Customers	impact*
IFRS 16 - Leasing	impact*
Amendments to IAS 7 - Statement of Cash Flows - Disclosure initiative	no impact expected
Amendments to IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses	no impact expected
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	no impact expected
Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception	no impact expected
New standard IFRS 14 - Regulatory Deferral Accounts	no impact expected

** At the time of the initial implementation, the impact of the new standards will depend on specific facts and circumstances relating to the changes. The Group plans to finalize the analysis of the impact of the new standards IFRS 9 and IFRS 15 at the latest by 2017. The impact of the new IFRS 16 will result in the recognition in the consolidated statement of financial position the Group as a lessee under rent, tenancy, use and lease, which until the first application of the standard is not qualified as a finance lease. The Group plans to finalize the analysis of the impact of the standard IFRS 16 at the latest by 2018.*

8.6.2. Functional currency and presentation currency of financial statements and methods applied to translation of financial data for consolidation purposes

The functional currency of the Parent Company and presentation currency of the foregoing consolidated financial statements is Polish Złoty (PLN). The data in the consolidated financial statements is presented in PLN million, unless is stated differently.
Translation in to PLN of financial statements of foreign entities, for consolidation purposes:
– particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
– items in the statement of profit or loss and other comprehensive income and the statement of cash flows are translated at the average exchange rate.

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

CURRENCY	Average exchange rate for the reporting period		Exchange rate as at the end of the reporting period	
	2015	2014	31/12/2015	31/12/2014
EUR/PLN	4.1841	4.1846	4.2615	4.2623
USD/PLN	3.7717	3.1537	3.9011	3.5072
CZK/PLN	0.1534	0.1520	0.1577	0.1537
CAD/PLN	2.9532	2.8541	2.8102	3.0255

8.6.3. Description of significant accounting principles

8.6.3.1. Transactions in foreign currency

The Group recognizes exchange differences arising on the settlement and valuation of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition in profit or loss of the period in which they arise.

8.6.3.2. Principles of consolidation

The consolidated financial statements of the Group include assets, liabilities, equity, income, expenses and cash flows of the Parent Company and its subsidiaries that are presented as those of a single economic entity and are prepared as at the same reporting period as separate financial statements of the Parent Company and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.
The subsidiaries are consolidated using full consolidation method and joint operations by recognition of respective share in assets, liabilities, revenues and cost. The joint ventures as well as investments in associates are accounted for under equity method.
The Group's share in profit or loss of the investee is recognized in the Group's profit or loss as other operating activity.
For investments in subsidiaries - non-controlling interests shall be presented in the consolidated statement of financial position as non-controlling interest, separately from the equity of the owners of the Parent Company.
For investments in associates - the Group has a significant influence if it holds, directly or indirectly (i.e. through subsidiaries), from 20% to 49% of the voting rights of an entity, unless it can be clearly stated otherwise.

8.6.3.3. Sales revenues

Revenues include received or due payments for delivered goods and services, decreased by the amount of any trade discounts, value added tax (VAT), excise tax and fuel charges.
Revenues from the sale are adjusted for profits or losses from settlement of cash flows hedging instruments related to the above mentioned revenues.

8.6.3.4. Costs

Cost of sales include costs of finished goods, merchandise, services and raw materials sold and adjustments related to inventories written down to net realizable value.
Costs are adjusted for profits or losses from settlement of cash flow hedging instruments related to the above mentioned costs.
Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.
Administrative expenses include expenses relating to management and administration of the Group as a whole.

8.6.3.5. Income tax expenses (tax expense)

Income tax expenses (tax expense) include of current tax and deferred tax. Current tax expense is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as a liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due the excess is recognized.
Deferred tax assets and liabilities are offset on the level of separate statements of ORLEN Group entities.

8.6.3.6. Property, plant and equipment

Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).
Property, plant and equipment are initially measured at cost, including grants related to assets. The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into use.
The cost of an item of property, plant and equipment also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment.
Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the net book value i.e. the amount at which an asset is initially recognized (cost) less accumulated depreciation and any accumulated impairment losses, as well as received grants for assets.
Fixed assets are depreciated with straight-line method and in justified cases units of production method of depreciation (catalysts, assets arising from development and extraction of mineral resources).

ORLEN GROUP (PLN million)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over the period reflecting its useful lives.
The following standard useful lives are used for property, plant and equipment:

Buildings and constructions	10-40 years
Machinery and equipment	4-35 years
Vehicles and other	2-20 years

The method of depreciation, residual value and useful life of an asset are reviewed at least at the end of each year. When it is necessary adjustments of depreciation are carried out in subsequent periods (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are changed profit or loss in the period in which they are incurred.
Property, plant and equipment is tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.
Recognition and reversal of impairment allowances of property, plant and equipment is recognized in other operating activities.

8.6.3.7. Exploration and extraction of mineral resources

Within the framework of exploration and extraction of mineral resources, the following classification of stage was made:

Stage of exploration and assessment of mineral resources include:

- Acquisition of rights to explore and extract, exploration and recognition of resources are recognized according to the successful efforts method,
- expenditures for exploratory and recognition drillings and other expenditures (including acquisition of seismic data, their processing, interpretation of geological and geophysical data),
- other expenditures which are directly attributable to the phase of exploration and recognition and are subject for capitalization. If the direct attribution is not possible, other costs are recognized in profit or loss when incurred.

The Group shall review annually expenditures incurred in the stage of exploration and recognition of mineral resources in order to confirm the intention of further work. If the work of the exploration and recognition is unsuccessful, the cost previously recognized as an asset are recognized as cost of a current period.
Expenditure incurred in the exploration and recognition of resources (including unsuccessful drillings) are transferred from assets related to exploration and evaluation of mineral resources and are recognized as assets related to planning and extraction of mineral resources within property, plant and equipment at the moment of the conclusion of their technical feasibility and economic viability of mining.

Stage of site planning and of extraction of mineral resources

Expenditures incurred for mineral resource sites planning and extraction of resources are capitalized and amortised in line with general principles for property, plant and equipment and borrowing costs.
Depreciation of assets related to exploration and extraction of mineral resources recognized by applying unit of production method that means proportionally to the forecast amount of extraction of mineral resources. Similarly, property, plant and equipment included in the extractive infrastructure are depreciated by unit of production method based on recognition as cost the depreciation amount per unit of extracted mineral resources.
In case of significant change in estimated mineral resources, at the reporting date potential impairment allowances are recognized or reversed.
In case of performance of exploratory drillings on already extracted resource, the Group analyses, if costs incurred enable rising new boreholes – expenditures are recognized in non-current assets at the date of put into use. If despite the expenditures, new boreholes do not rise, expenditures are recognized in costs of the current period.

8.6.3.8. Intangible assets

An intangible asset shall be measured initially at acquisition or production cost and shall be presented in the financial statements in its net carrying amount, including grants related to assets.
Intangible assets with the finite useful life are amortised using straight-line method. Amortization shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The asset shall be amortised over the period reflecting its estimated useful live.
Standard useful lives of intangible assets are from 2 to 15 years for concessions, licenses, patents and similar and from 2 to 10 years for software.
The amortization method and useful life of intangible asset item are verified at least at the end of each year. When necessary, the adjustments to amortization expense are accounted for in the future periods (prospectively).
Intangible assets with an indefinite useful life shall not be amortised. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.
Recognition and reversal of impairment allowances on intangible assets is recognized in other operating activities.

8.6.3.8.1. Goodwill

Goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, (CGU), that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.
The acquirer shall measure goodwill in the amount recognized at the acquisition date less any accumulated impairment allowances.
A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

8.6.3.8.2. Rights

The main item of rights is CO_2 emission rights, which are initially recognized as intangible assets, not amortised (assuming the high residual value), but tested for impairment.
Granted emission allowances should be presented as intangible assets in correspondence with deferred income at fair value as at the date of registration. Purchased allowances should be presented as intangible assets at purchase price and are not amortised (assuming the high residual value) but tested for impairment.
For the estimated CO_2 emission during the reporting period, a provision should be created (taxes and charges).

Grants should be recognized on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate.
Outgoing of allowances is recognized using FIFO method (First In, First Out) within the individual types of rights (EUA, ERU, CER). Rights also include rights to so called colourful energy.

8.6.3.9. Impairment of property, plant and equipment and intangible assets

At the end of the reporting period, the Group assesses whether there are indicators that an asset or cash-generating unit (CGU) may be impaired or any indicators that the previously recognized impairment should be reversed.
If any indicator exists, the Group estimates the recoverable amount of asset or CGU by determining the greater of its fair value less costs of disposal or value in use by applying the proper discount rate.
Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (CGU). If such case occurs, the recoverable amount is determined on the CGU level, to which the asset belongs.

8.6.3.10. Inventories

Inventories, including mandatory reserves comprise products, semi-finished products and work in progress, merchandise and materials.
Finished goods, semi-finished products and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period. Costs of production also include a systematic allocation of fixed and variable production overheads estimated for normal production level.
Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost or net realizable value.
Outgoings of finished goods, semi-finished products and work in progress are determined based on the weighted average cost of production. Merchandise and materials are measured initially at acquisition cost, while as at the end of the reporting period merchandise and raw materials are measured at the lower of cost or net realizable value.
The initial value of inventories is adjusted for profits or losses from settlement of cash flow hedging instruments related to the above mentioned.
Outgoings of merchandise and raw materials are determined based on the weighted average acquisition cost.
Impairment tests for specific items of inventories are carried out on a current basis during a reporting period. Write-down to net realizable value concerns inventories that are damaged or obsolete and the selling price have fallen. Raw materials held for use in the production are not written down below acquisition or production cost if the products in which they will be incorporated are expected to be sold at or above cost.
However, when a decline in the price of materials indicates that the cost of the products exceeds net realizable value, the materials are written down to net realizable value.
Recognition and reversal of impairment allowances of inventories is recognized in cost of sales.

8.6.3.11. Receivables

Receivables, including trade receivables, are recognized initially at a fair value increased by transaction costs and subsequently, at amortised cost using the effective interest method less impairment allowances.
Impairment allowances of receivables are based on an individual analysis of the value of held collaterals, and based on the possible compensation of debts, allowances.
Recognition and reversal of impairment allowances of receivables are recognized in other operating activity in relation to principal amount and in financial activities in relation to interest for delayed payments.

8.6.3.12. Cash and cash equivalents

Cash comprises cash on hand and in a bank accounts. Cash equivalents are short-term, highly liquid investments (of initial maturity up to three months), that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.
Valuation and outflows of cash and cash equivalents in foreign currencies are based on FIFO (First In First Out) method.

8.6.3.13. Equity

8.6.3.13.1. Share capital

The share capital is an equity paid by shareholders and is stated at nominal value in accordance with the Parent Company's of association and the entry in the Commercial Register.
Share capital as at 31 December 1996, in accordance with IAS 29, § 24 and 25, was revalued based on monthly price indices of consumer goods and services.

8.6.3.13.2. Share premium

The share premium is created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs. Capital from issue of shares above their nominal value as at 31 December 1996, in accordance with IAS 29, § 24 and 25, was revalued based on monthly price indices of consumer goods and services.

8.6.3.13.3. Hedging reserve

The hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Group applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship, are recognized in profit or loss.

8.6.3.13.4. Foreign exchange differences on subsidiaries from consolidation

Foreign exchange differences on subsidiaries from consolidation result mainly from translation of the financial statements of the foreign companies into PLN under consolidation procedures.

8.6.3.13.5. Retained earnings

Retained earnings include:
- reserve capital created and used in accordance with the Commercial Companies Code,
- actuarial gains and losses from post-employment benefits,
- the current reporting period profit/loss,
- other capitals created and used according to the rules prescribed by law.

8.6.3.14. Liabilities
Liabilities, including trade liabilities, are initially measured at fair value, increased by, in the case of financial liability not qualified as those measured at fair value through profit or loss, transaction cost and subsequently, at amortised cost using the effective interest rate method.

8.6.3.15. Provisions
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.
The provisions are reviewed on a regular basis during reporting period and adjusted to reflect the current best estimate.

8.6.3.15.1. Environmental provision
The Group creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. Environmental provision for reclamation is periodically reviewed on the basis of contaminated assessment.

8.6.3.15.2. Jubilee bonuses and post-employment benefits
Under the remuneration plans employees of the Group are entitled to jubilee bonuses, paid to employees after an elapse of a defined number of years in service as well as retirement and pension benefits, paid once at retirement or pension. The amount of retirement and pension benefits as well as jubilee bonuses depends on the number of years in service and an employee's average remuneration.
The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as post-employment defined benefit plans.
Provisions are determined by an independent actuary and revalued if there are any indications impacting their value, taking into account the staff turnover and planned growth of wages.
Actuarial gains and losses from post-employment benefits are recognized in components of other comprehensive income and from other employment benefits are recognized in profit or loss.

8.6.3.15.3. CO_2 emissions, energy certificates
The main item is the estimated CO_2 emissions costs during the reporting period for which the Group recognizes provision in operating activity costs (taxes and charges). Provision is recognized based on the value of allowances recognized in the statement of financial position, taking into account the principle of FIFO. In case of a shortage of allowances, the provision is created based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

8.6.3.15.4. Other provisions
Other provisions include mainly provisions for legal proceedings and are recognized after consideration of all available information, including the opinions of independent experts.
The Group recognizes provisions if at the end of the reporting period the Group is an obligation arising from past events that can be reliably estimated and it is probable that fulfilment of this obligation will cause an outflow of resources embodying economic benefits. If it is more likely that no obligation exists at the end of the reporting period, the Group discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

8.6.3.16. Government grants
Government grants are transfers of resources to the Group by the government, government agencies and similar bodies in return for past or future compliance with certain conditions.
Government grants are recognized if there is reasonable assurance that the grants will be received and the entity will comply with the conditions attaching to them.
Grants for cost position (e.g. the cost of CO_2 emissions) are recognized as a reduction of costs as they are incurred. Surplus of received grants over the value of the relevant costs are recognized in other operating income.
Government grants related to assets are recognized as a decrease of a carrying amount of an asset and as a revenue over the useful life of the amortised asset through the decreased depreciation and amortisation charges.

8.6.3.17. Consolidated statement of cash flows
The Group has chosen the presentation within the statement of cash flows and applies the following rules:
- cash flows from operating activities using the indirect method,
- the components of cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position are the same,
- dividends received are presented in cash flows from investing activities,
- dividends paid to shareholders of the parent company and non-controlling interest are presented in cash flows from financing activities,
- interest and commissions paid on bank loans and borrowings received, debt securities issued, finance leases are presented in cash flows from financing activities, other interest paid is presented in cash flows from operating activities,
- inflows and outflows from the settlement of derivative financial instruments, which are not recognized as a hedging position are presented in investing activities.

8.6.3.18. Financial instruments

8.6.3.18.1. Measurement of financial assets and liabilities
At initial recognition, the Group measures financial assets and liabilities at their fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss (i.e. held for trading), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
At the end of the reporting period, the Group measures item of financial assets and liabilities at amortised cost using effective interest rate method, except for derivatives, which are measured at fair value.
Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognized in the current year profit or loss.

8.6.3.18.2. Hedge accounting

Derivatives designated as hedging instruments whose cash flows are expected to offset changes in the cash flows of a hedged item are accounted for in accordance with the cash flow hedge accounting.
The Group assess effectiveness of cash flow hedge at the inception of the hedge and later, at minimum, at each reporting date.
In case of cash flow hedge accounting, the Group recognizes in other comprehensive income part of profits and losses connected with the effective part of the hedge, whereas profits or losses connected with the ineffective part - under profit or loss.
The Group uses statistical methods, in particular regression analysis, to assess effectiveness of the hedge.
If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired, or liability assumed, affects profit or loss.
However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies the amount that is not expected to be recovered to profit or loss.
If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes the associated gains and losses that were recognized in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.
If a hedge of a forecast transaction results in the recognition of revenue from sales of products, merchandise, materials or services, the Group removes the associated gains or losses that were recognized in the other comprehensive income and adjusts these revenues.

8.6.3.19. Fair value measurement

The Group maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs to meet the objective of fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.
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.
The fair value of derivatives is based on discounted future flows related to contracted transactions as the difference between term price and transaction price.
Forward exchange rates are not modelled as a separate risk factor, but derives from the spot rate and the respective 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.

8.6.3.20. Lease

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Assets used under the finance lease, that is under agreement which transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognized as assets of the lessee.
Assets used under the operating lease, that is under the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognized as assets of the lessor. Determining whether the transfer of risks and rewards exists depends on the assessment of essence of the economic substance of the transaction.

8.6.3.21. Contingent assets and liabilities

The Group discloses at the end of reporting period information on contingent assets if the inflow of economic benefits is practically certain. If it is practicable the Group estimates the financial impact of contingent assets valuing them according to the principles of valuation provisions.
The Group discloses at the end of reporting period information on contingent liabilities if the outflow of economic benefits is probable, unless the possibility of outflow of economic benefits is remote.

8.7. SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

The preparation of consolidated financial statements in accordance with IFRSs requires that the Management Board makes expert estimates and assumptions that affect the presented amounts of assets, liabilities and equity, revenues and expenses. The estimates and related assumptions are based on historical expertise and other factors regarded as reliable in given circumstances and their effects provide grounds for professional judgment of the carrying amount of assets and liabilities which is not based directly on any other factors.
In the matters of considerable weight, the Management Board might base its judgments, estimates or assumptions on opinions of independent experts. The judgments, estimates and related assumptions are verified on a regular basis.

8.7.1. Professional judgements

Expenditures for exploration and evaluation of mineral resources
Application of the Group's accounting policy for expenditures for exploration and evaluation of mineral resources requires an assessment, whether future economic benefits resulting from extraction or sale are possible or if indications allowing to estimate the resources does not yet exist. When estimating the resources, the Group assesses future events and circumstances, including the assessment whether the extraction will be economically feasible.

Financial instruments
The Management Board assesses the classification of financial instruments, nature and extent of risks related to financial instruments and application of the cash flow hedge accounting. The financial instruments are classified into different categories depending on the purpose of the purchase and nature of acquired assets. Additional information is presented in note 8.4.

Investments in subsidiaries and jointly controlled entities
The Group, regardless of the nature of its involvement in the entity (the entity in which it invested) defines its status by assessment, whether it controls the entity in which the investment was made, and assess whether it has a joint control in a joint venture, after consideration of all the facts and circumstances. Additional information is presented in note 9.

8.7.2. Estimates

Exploration and evaluation of mineral resources
The Group estimates resources based on interpretation of available geological data and verifies then on a the current basis, based on further exploration and recognition wells, trial exploitation, actual extraction (production) and economic factors such as: hydrocarbons' prices, contractual terms or investment plans.
At the end of each reporting period the Group analyses cost of removal of wells and supporting infrastructure.

Estimated useful lives of property, plant and equipment and intangible assets
As described in 8.6.3.6 and 8.6.3.8 the Group verifies useful lives of property, plant and equipment and intangible assets at least once at year end. Should the economic useful lives of properties, plant and equipment and intangible assets from 2014 be applied in 2015, the depreciation expense would not change significantly.

Impairment of property, plant and equipment and intangible assets
The Management Board assesses whether there is any indicator for impairment of an asset or cash generating unit. If there is an impairment, the estimation of recoverable amount of an asset is made. Additional information, including the sensitivity analysis of value in use and description of assumptions used, is presented in notes 8.2.1, 8.2.2, 8.2.4.

Net realizable values from sale of inventories
The inventory allowances required estimation of the net realizable value based on the most recent sales prices at the moment of estimation. Additional information is presented in note 8.2.6.

Impairment of trade and other receivables
The Management Board assesses whether there is any indicator for impairment of trade and other receivables taking into account the adopted internal procedures as individual assessed of each customer with regard to credit risk. Additional information is presented in note 8.4.5.4.

Contingent assets
On the basis of the insurance policies held the Group estimates the value of the compensation related to accident on installation for ethylene production in Unipetrol Group. Additional information is presented in note 8.5.4.

8.8. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINISTRATION BODIES

As at 31 December 2015 the ORLEN Group entities were parties in the following significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

8.8.1. Proceedings in which the ORLEN Group entities act as the defendant

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

Risk connected with the disposal of assets and liabilities related to purchase of Unipetrol shares
The claim regarding the payment of 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 dismissed the entire claim of Agrofert against PKN ORLEN regarding the payment of PLN 3,069 million translated using the exchange rate as at 31 December 2015 (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) Agrofert's claim which repealed 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. On 7 April 2014 Agrofert appealed the above decision. On 7 April 2015 the court of appeals dismissed the appeal of Agrofert and therefore confirms the earlier judgment of the court of 24 January 2014 dismissing Agrofert's claim which overruled the sentence of the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic in Prague of 21 October 2010. On 4 September 2015 Agrofert appealed to the Supreme Court against the judgment of the court dismissing the appeal. The appeal proceedings are pending.
In the opinion of PKN ORLEN, the decision included in the judgment of the Arbitration Court dated 21 October 2010, in the judgment of the common court in Prague dated 24 January 2014 and in the judgment of the court of appeals dated 7 April 2015 are correct and the company will take all necessary means to retain the judgment in force.

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

Tax proceedings in ORLEN Południe S.A. (previously Rafineria Trzebinia S.A.)
On 14 May 2014 and 20 May 2014 the company received the decisions of the Head of the Customs Office in Kraków determining excise tax liabilities for the months: May - August 2004 in the amount of PLN 132 million. Rafineria Trzebinia S.A. paid the entire liability with interest. At the same time, provisions recognized for this purpose in prior years were used. Rafineria Trzebnia S.A. appealed to the Voivodship Administrative Court (VAC) in Kraków the decisions of tax liability for the months: May – August 2004. On 26 February 2015 the VAC in Kraków announced a judgment dismissing the company's claim. On 5 May 2015 the company submitted to the Supreme Administrative Court in Warsaw annulment claims against the judgement of the VAC, that were not recognized until the date of approval of the foregoing financial statements.

In view of the issue by the European Court of Justice in Luxembourg judgement in a similar case the company has submitted applications for renewal of administrative proceedings. Director of the Customs Chamber in Kraków by a decision issued on 23 July 2015 refused to reopen the proceedings due to the ongoing proceedings before the Supreme Administrative Court in the cases final decisions for May - August. Since the decision of the Director of the Customs Chamber in Kraków refusing to reopen the proceedings the company filed an appeal, that was dismissed. The company filed complaints against these decisions on 16 November 2015, which the Voivodship Administrative Court in Kraków dismissed on 11 February 2016. Until the date of approval of the foregoing consolidated financial statements, the company has not received the written reasons for the judgment.

Power transfer fee in settlements with ENERGA – OPERATOR S.A. (legal successor of Zakład Energetyczny Płock S.A.)
Court proceeding concerning the settlement of a disputed system fee of PKN ORLEN with ENERGA – OPERATOR S.A. for the period from 5 July 2001 to 30 June 2002. ENERGA – OPERATOR S.A. claims from PKN ORLEN payment of PLN 46 million plus statutory interest. During the retrial, an opinion was prepared by an expert witness for the variant damages calculation. The District Court in Warsaw (as the initial court) by its judgment from 27 October 2014 ordered PKN ORLEN to pay to ENERGA - OPERATOR S.A. the amount of PLN 46 million, together with statutory interest from 30 June 2004 to the date of payment. This judgment is not binding. PKN ORLEN filed an appeal against this judgment. On 12 November 2015 the first hearing before the Court of Appeal was held. The consecutive hearing date is expected to be announced.
On 29 June 2015 PKN ORLEN received consecutive claim on this case, in which ENERGA-OPERATOR S.A. requests approximately PLN 13.3 million in addition. The case is pending in front of the District Court in Łódź. On 10 July 2015 a response to the lawsuit was filed, which questioned the claim as unfounded. On 22 December 2015 the District Court in Łódź issued a judgement, which overruled the request of ENERGA-OPERATOR S.A. that PKN ORLEN is ordered to pay PLN 13 million and adjudged the return of proceeding’s expenses by ENERGA-OPERATOR S.A to PKN ORLEN. On 29 January 2016 ENERGA-OPERATOR S.A. appealed against the judgment of the District Court in Łódź.

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 District 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. a motion for bankruptcy of the company I.P.-95 s.r.o. in November 2009. The total amount of the claim is approximately PLN 282 million, translated using the exchange rate as at 31 December 2015 (representing CZK 1,789 million). UNIPETROL RPA s.r.o. is one of 8 defendants against which the claim was brought. According to UNIPETROL RPA s.r.o the claim is without merit. The court in Ostrava shall give further procedural issues.

Claim of OBR S.A. for compensation
On 5 September 2014, the company OBR S.A. filed an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights: ‘The technique of the separation of hydrodesulfurization products of heavy residue after extractive distillation of crude oil’. The amount of the claim in the lawsuit has been estimated by the OBR S.A. of approximately PLN 83 million. The claim covers the adjudged sum of money from PKN ORLEN for the OBR S.A. in the amount corresponding to the market value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014, PKN ORLEN responded to the lawsuit. The value of the dispute was referred to by the plaintiff in a procedural document from 11 December 2014 in the amount of PLN 247 million. By the court order from 21 May 2015 the parties were directed to mediation. Mediation is ongoing. In the opinion of PKN ORLEN the claim of patent infringement is without merit.

8.8.2. Court proceedings in which the ORLEN Group entities act as a plaintiff

Compensations due to damages suffered by ORLEN Południe S.A (previously Rafineria Trzebinia S.A.)
ORLEN Południe S.A. acts as an auxiliary prosecutor in proceedings started in 2010 concerning abuses associated with the realization of an investment - installation for the esterification of biodiesel oils, in which Rafineria Trzebinia S.A. claims to have incurred a loss of approximately PLN 79 million. The company filed a motion requesting to oblige the defendants to compensate the incurred damages. Criminal proceedings concerning the accused who acted against the company’s interest are ongoing. Further hearings is held during which one of the accused filed an explanations. The court set the next date of hearing on 31 March 2016 to continue the interrogation of the accused.

Proceeding of ORLEN Lietuva for compensation in respect of an accident at the Terminal in Butingė
AB ORLEN Lietuva is a plaintiff in a 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 a collision of a tanker ship into a terminal buoy in Butinge Terminal on 29 December 2005. The proceedings were initiated in December 2006. The total compensation claim amounts to approximately PLN 74 million, translated using the exchange rate as at 31 December 2015 (representing approximately EUR 17.26 million). On October 2014 the parties agreed to change the jurisdiction to English courts. The company expects the next hearing date to be announced.

Tax proceedings in UNIPETROL RPA
UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s. acted in 2010 to the tax office for a refund of taxes paid for the year 2005 by CHEMOPETROL a.s.. The claim concerns unused investment relief attributable to CHEMOPETROL a.s.. The value of the claim amounts to approximately PLN 52 million, translated using the exchange rate as at 31 December 2015 (representing approximately CZK 325 million). The case was examined several times by the tax authorities and courts in the course of instances of appeal. On 14 October 2015 the Czech supreme administrative court after recognizing the annulment claim of UNIPETROL RPA s.r.o overruled the judgment of the Court in Usti by the Elbe River of 25 February 2015 and decided to refer the case to the same Court for its reconsideration. A decision is expected by the Court in Usti by the Elbe River.

Arbitration proceedings against Basell Europe Holdings B.V.
On 20 December 2012 PKN ORLEN sent an arbitration request to Basell Europe Holdings B.V. regarding an ad hoc proceeding before the Court of Arbitration in London on compensation relating to Joint Venture Agreement signed in 2002 between PKN ORLEN and Basell Europe Holdings 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, inter alia, it requests payments from Basell Europe Holdings B.V. to Basell ORLEN Polyolefins Sp. z o.o. in the amount of approximately PLN 128 million, translated using the exchange rate as at 31

December 2015 (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 during 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. On 1 November 2014, the arbitration proceedings were resumed. On 24-26 March 2015 an evidentiary hearing was held in London in which the parties summarized their case positions and some witnesses and experts were interviewed. On 27 March 2015, the Court of Arbitration issued a procedural ordinance which established the schedule for further proceedings, including the order of submission of further pleadings by the parties. On 29 May 2015 the two parties submitted letters in which referred to the position of the opposing party in terms of summaries of the case. Additionally, the parties requested expenditures and costs incurred in arbitration proceedings. Further proceedings are not envisaged. Parties awaiting a judgment.

The dispute between ORLEN Lietuva and Lietuvos Geležinkeliai

On 31 December 2014, ORLEN Lietuva filed a motion for arbitration against the company Lietuvos Gelezinkeliai ("LG") in the court of arbitration in Vilnius. Currently in this proceeding ORLEN Lietuva calls for the conversion of tariffs for rail transport in line with the contract with LG. Consideration of the request of ORLEN Lietuva would lead to savings for the company (compensation) in the amount estimated as at 31 December 2015 not lower than PLN 162 million translated using the exchange rate as at 31 December 2015 (representing EUR 38 million) due to breach of contract of rail transport by LG by the use of excessive rates. The amount of the claim will be updated in accordance with the activity on the base of the contract.
Simultaneously, by 31 December 2015, 4 court proceedings were initiated in which LG demands from ORLEN Lietuva a payment of approximately PLN 77 million translated using the exchange rate as at 31 December 2015 (representing approximately EUR 18 million) from fees for rail transport. Three of the above described proceedings were combined and then the court decided that the combined case will not be considered by the state court since the priority of the arbitral tribunal. Proceedings in the fourth case was suspended by the court until the court of arbitration will decide on the claim of ORLEN Lietuva. LG appealed against the above decisions of state courts. The hearing date on appeal is expected to be announced.

ORLEN GROUP (PLN million)

9. ORLEN GROUP STRUCTURE AND JOINT ARRANGEMENTS

9.1. ORGANIZATION OF THE GROUP

PKN ORLEN as the Parent Company is a multi-segment entity, appropriately allocated to all operating segments and corporate functions.

Name of entity	Parent company	Share in total voting rights 31/12/2015	Share in total voting rights 31/12/2014	Consolidation method/ Valuation method	Website
Downstream Segment					
ORLEN Lietuva Group					
AB ORLEN Lietuva	PKN ORLEN S.A.	100%	100%	full	www.orlenlietuva.lt
UAB Mazeikiu Naftos prekybos namai	AB ORLEN Lietuva	100%	100%	full	-
OU ORLEN Eesti	UAB Mezeikiu naftos prekybos namai	100%	100%	full	
SIA ORLEN Latvija	UAB Mezeikiu naftos prekybos namai	100%	100%	full	
UAB Emas	AB ORLEN Lietuva	100%	100%	full	-
UAB Paslaugos TAU	AB ORLEN Lietuva	-	100%	full	-
ANWIL Group					
Anwil S.A.	PKN ORLEN S.A.	100%	100%	full	www.anwil.pl
Spolana a.s.	ANWIL S.A.	100%	100%	full	www.spolana.cz
RemWil Sp. z o.o. [3]	ANWIL S.A.	-	100%	full	www.remwil.pl
Przedsiebiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o. (in liquidation)	ANWIL S.A.	99.99%	99.32%	full	www.prolab.pl
Przedsiębiorstwo Usług technicznych Wircom Sp. z o.o.	ANWIL S.A.	97.38	-	full	-
Basell Orlen Polyolefins Group					
Basell ORLEN Polyolefins Sp. z o.o.	PKN ORLEN S.A.	50%	50%	equity method	www.basellorlen.pl
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	Basell ORLEN Polyolefins Sp. z.o.o.	100%	100%	equity method	-
UNIPETROL Group					
PARAMO, a.s.	UNIPETROL, a.s.	100%	100%	full	www.paramo.cz
MOGUL SLOVAKIA, s.r.o.	PARAMO, a.s.	100%	100%	full	-
Paramo Oil, s.r.o.	PARAMO, a.s.	100%	100%	full	-
UNIPETROL Austria HmbH (in liquidation)	UNIPETROL, a.s.	100%	100%	full	-
UNIPETROL RPA, s.r.o.	UNIPETROL, a.s.	100%	100%	full	www.unipetrolrpa.cz
UNIPETROL Slovensko, s.r.o.	UNIPETROL RPA, s.r.o.	100%	100%	full	www.unipetrol.sk
UNIPETROL Deutschland GmbH	UNIPETROL RPA, s.r.o.	100%	100%	full	www.unipetrol.de
UNIPETROL RPA Hungary Kft.	UNIPETROL RPA, s.r.o.	100%	-	full	-
CHEMOPETROL, a.s.	UNIPETROL RPA, s.r.o.	100%	100%	full	-
Polymer Institute Brno s.r.o.	UNIPETROL RPA, s.r.o.	-	100%	full	-
UNIPETROL DOPRAVA, s.r.o.	UNIPETROL RPA, s.r.o.	100%	100%	full	-
PETROTRANS, s.r.o.	BENZINA, s.r.o.	100%	100%	full	www.petrotrans.cz
UNIPETROL RAFINÉRIE, s.r.o.	UNIPETROL, a.s.	100%	100%	full	-
ČESKÁ RAFINÉRSKÁ, a.s.	UNIPETROL, a.s.	100%	67.56%	full*	www.ceskarafinerska.cz
Butadien Kralupy a.s.	UNIPETROL, a.s.	51%	51%	share in assets and liabilities	-
ORLEN Południe Group					
ORLEN Południe S.A.	PKN ORLEN S.A.	100%	-		-
Fabryka Parafin Naftowax Sp. z o.o. [1]	RAFINERIA TRZEBINIA S.A. [1]	-	100%	full	-
Rafineria Nafty Jedlicze S.A. [1]	PKN ORLEN S.A.	-	100%	full	-
Rafineria Trzebinia S.A. [1]	PKN ORLEN S.A.	-	99.46%	full	www.rafineria-trzebinia.pl
EkoNaft Sp. z o.o. (in liquidation)	ORLEN POŁUDNIE S.A.	100%	100%	full	www.ekonaft.pl
Energomedia Sp. z o.o.	ORLEN POŁUDNIE S.A.	100%	100%	full	www.energomedia.pl
Euronaft Trzebinia Sp. z o.o.	ORLEN POŁUDNIE S.A.	100%	100%	full	www.euronaft-trzebinia.pl
RAF- Służba Ratownicza Sp. z o.o.	RAFINERIA NAFTY JEDLICZE S.A. [1]	-	100%	full	-
RAF-Koltrans Sp. z o.o.	RAFINERIA NAFTY JEDLICZE S.A. [1]	-	100%	full	-
Zakładowa Straż Pożarna Sp. z o.o. [1]	RAFINERIA TRZEBINIA S.A. [1]	-	100%	full	-
Konsorcjum Olejów Przepracowanych - Organizacja Odzysku S.A.	ORLEN Południe S.A.	89%	81%	full	www.konsorcjum.jedlicze.com.pl
ORLEN Oil Group					
ORLEN Oil Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenoil.pl
Platinum Oil Sp. z o.o. [2]	ORLEN OIL Sp. z o.o.	-	100%	full	www.platinumoil.pl
Orlen Oil Cesko s.r.o.	ORLEN OIL Sp. z o.o.	-	100%	full	www.orlenoil.cz
ORLEN Asfalt Group					
ORLEN Asfalt Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlen-asfalt.pl
ORLEN Asfalt Ceska Republika s.r.o.	ORLEN ASFALT Sp. z o.o.	100%	100%	full	-
Inowrocławskie Kopalnie Soli "Solino" S.A.	PKN ORLEN S.A.	100%	100%	full	www.solino.pl
Kopalnia Soli Lubień Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	-
ORLEN Paliwa Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenpaliwa.com.pl
ORLEN Petrotank Sp. z o.o. [5]	PKN ORLEN S.A.	-	100%	full	www.orlenpetrotank.pl
Ship-Service S.A.	PKN ORLEN S.A.	60.86%	60.86%	full	www.ship-service.pl
Petrolot Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.petrolot.pl
ORLEN KolTrans Sp. z o.o.	PKN ORLEN S.A.	99.85%	99.85%	full	www.orlenkoltrans.pl
ORLEN Transport S.A. [7]	PKN ORLEN S.A.	100%	100%	full	www.orlentransport.pl
ORLEN Automatyka Sp. z o.o. [3]	PKN ORLEN S.A.	-	100%	full	www.orlenautomatyka.pl
ORLEN Gaz Sp. z o.o. [6]	PKN ORLEN S.A.	-	100%	full	-
ORLEN Eko Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orleneko.pl
ORLEN Wir Sp. z o.o.	PKN ORLEN S.A.	76.59%	76.59%	full	www.orlenwir.pl
Baltic Power Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.balticpower.eu
Baltic Spark Sp. z o.o. [8]	PKN ORLEN S.A.	-	100%	full	-

ORLEN GROUP (PLN million)

Name of entity	Parent company	Share in total voting rights		Consolidation method/ Valuation method	Website
		31/12/2015	31/12/2014		
Retail Segment					
BENZINA, s.r.o.	UNIPETROL, a.s.	100%	100%	full	
AB Ventus-Nafta	PKN ORLEN S.A.	100%	100%	full	
ORLEN Deutschland GmbH	PKN ORLEN S.A.	100%	100%	full	www.orlen-deutschland.de
ORLEN Budonaft Sp .z o.o.	PKN ORLEN S.A.	100%	100%	full	www.budonaft.com.pl
ORLEN Centrum Serwisowe Sp. z o.o.	PKN ORLEN S.A.	99.33%	99.33%	full	www.orlencs.pl
Upstream Segment					
ORLEN Upstream Group					
ORLEN Upstream Sp. z o.o.	PKN ORLEN S.A.	*100%*	*100%*	*full*	www.orlenupstream.pl
ORLEN Upstream International BV	ORLEN Upstream Sp. z o.o.	*100%*	*100%*	*full*	
ORLEN Upstream Canada Ltd.	ORLEN Upstream International BV	*100%*	-	*full*	www.orlenupstream.ca
1426628 Alberta Ltd.	ORLEN Upstream Canada Ltd.	*100%*	*100%*	*full*	
OneEx Operations Partnership	ORLEN Upstream Canada Ltd.	*100%*	*100%*	*full*	
Kicking Horse Energy Inc.	ORLEN Upstream Canada Ltd.	*100%*	-	*full*	
KCK Operating Company Ltd.	Kicking Horse Energy Inc.	*100%*	-	*full*	
Columbia Natural Resources Canada Ltd.	Kicking Horse Energy Inc.	*100%*	-	*full*	
Kicking Horse Internat. Exploration Ltd.	Kicking Horse Energy Inc.	*100%*	-	*full*	
Pieridae Production GP Ltd	Kicking Horse Energy Inc.	*50%*	-	*equity method*	
671519 NB Ltd	Pieridae Production GP Ltd	*50%*	-	*equity method*	
KCK Atlantic Holdings Ltd.	Kicking Horse Energy Inc.	*100%*	-	*full*	
Pieridae Production LP	KCK Atlantic Holdings Ltd.	*80%*	-	*equity method*	
FX Energy, Inc.	ORLEN Upstream Sp. z o.o.	*100%*	-	*full*	
FX Drilling Company, Inc.	FX Energy, Inc.	*100%*	-	*full*	
FX Producing Company, Inc.	FX Energy, Inc.	*100%*	-	*full*	
Frontier Exploration, Inc.	FX Energy, Inc.	*100%*	-	*full*	
FX Energy Netherlands Partnership C.V.	FX Energy, Inc.	*100%*	-	*full*	
FX Energy Netherlands B.V.	FX Energy Netherlands Partnership C.V.	*100%*	-	*full*	
FX Energy Polska Sp. z o.o.	FX Energy Netherlands Partnership C.V.	*100%*	-	*full*	
TriOilResources Ltd. [4]	ORLEN Upstream International BV	-	*100%*	*full*	www.trioilresources.com
SIA Balin Energy	OIEP Co BV	-	*50%*	*share in assets and liabilities*	
ORLEN International Exploration & Production Company BV	ORLEN UPSTREAM Sp. z o.o.	-	*100%*	*full*	
Corporate Functions					
AB ORLEN Lietuva	PKN ORLEN S.A.	100%	100%	full	www.orlenlietuva.lt
ORLEN Administracja Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlenadministracja.pl
ORLEN Capital AB	PKN ORLEN S.A.	100%	100%	full	
ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	PKN ORLEN S.A.	100%	100%	full	www.orlencuk.pl
ORLEN Finance AB	PKN ORLEN S.A.	100%	100%	full	
ORLEN Holding Malta Group					
ORLEN Holding Malta Ltd.	PKN ORLEN S.A.	*100%*	*100%*	*full*	
Orlen Insurance Ltd.	ORLEN HOLDING MALTA Ltd.	*100%*	*100%*	*full*	
ORLEN Ochrona Group					
ORLEN Ochrona Sp. z o.o.	PKN ORLEN S.A.	*100%*	*100%*	*full*	www.orlenochrona.pl
UAB Apsauga	ORLEN OCHRONA Sp. z o.o.	*100%*	*100%*	*full*	www.orlenapsauga.lt
ORLEN Serwis S.A.	PKN ORLEN S.A.	100%	100%	full	
UNIPETROL Group					
UNIPETROL, a.s.	PKN ORLEN S.A.	*62.99%*	*62.99%*	*full*	www.unipetrol.cz
UNIPETROL RPA, s.r.o.	UNIPETROL, a.s.	*100%*	*100%*	*full*	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o.	UNIPETROL, a.s.	*100%*	*100%*	*full*	
Výzkumný ústav anorganické chemie, a.s.	UNIPETROL, a.s.	*100%*	*100%*	*full*	
HC Verva Litvinov, a.s.	UNIPETROL RPA, s.r.o.	*70.95%*	*70.95%*	*full*	
ORLEN Projekt S.A.	PKN ORLEN S.A.	99.77%	99.77%	full	www.orlenprojekt.pl
ORLEN Laboratorium Sp. z o.o.	PKN ORLEN S.A.	99.38%	99.38%	full	www.orlenlaboratorium.pl
Płocki Park Przemysłowo-Technologiczny Group					
Płocki Park Przemysłowo-Technologiczny S.A. (PPPT S.A.)	PKN ORLEN S.A.	*50%*	*50%*	*equity method*	www.pppt.pl
Centrum Edukacji Sp. z o.o.	PPPT S.A.	*69.43%*	*69.43%*	*equity method*	www.centrumedukacji.pl

1) from 05.01.2015 ORLEN Południe S.A.
2) from 05.01.2015 ORLEN OIL Sp. z o.o
3) from 20.02.2015 ORLEN Serwis S.A.
4) from 10.03.2015 ORLEN Upstream Canada Ltd.
5) from 30.06.2015 ORLEN Paliwa Sp. z o.o.
6) from 30.10.2015 ORLEN Paliwa Sp. z o.o.
7) 29.02.2016 the company was sold
8) from 19.03.2015 Baltic Power Sp. z o.o.
* detailed in note 9.2.1

Activity of core companies belonging to ORLEN Group

Name of entity	Headquarters	Principal activity
UNIPETROL a.s. (including its own Capital Group)	Czech Republic - Prague	crude oil processing as well as manufacture and distribution of refinery, petrochemical and chemical products
AB ORLEN Lietuva (including its own Capital Group)	Lithuania - Juodeikiai	crude oil processing, production of refining products and wholesale
Anwil S.A (including its own Capital Group)	Poland - Włocławek	production of nitrogen fertilizers, plastic and chemicals
ORLEN Upstream Sp. z o.o. (including its own Capital Group)	Poland - Warsaw	exploration and recognition of hydrocarbon deposits, extraction of crude oil and natural gas
ORLEN Oil Sp. z o.o.	Poland - Cracow	production, distribution and sale of grease oils, maintenance liquids
ORLEN Asfalt Sp. z o.o.	Poland - Płock	manufacture and sale of road bitumens and specific bitumen products
ORLEN Południe S.A.	Poland - Trzebinia	crude oil processing, production and sale of biofuels, oils
ORLEN Paliwa Sp. z o.o.	Poland - Płock	liquid fuels trade
Inowrocławskie Kopalnie Soli "SOLINO" S.A.	Poland - Inowrocław	storage of crude oil, fuels and gases, extraction and supply of brine

ORLEN GROUP (PLN million)

STRUCTURED ENTITIES

ORLEN Capital AB
The company's business is raising funds through the issuance of bonds and other financial instruments for institutional and private investors. ORLEN Capital AB specializes in granting borrowings or loans to Group companies and conduct any other activities related to the financial instruments.
On 30 June 2014 ORLEN Capital AB and PKN ORLEN issued Eurobonds with 7-year redemption of approximately of PLN 2,080 million translated using exchange rate as at 30 June 2014 (representing EUR 500 million).The funds obtained by ORLEN Capital through the issue were transferred to PKN ORLEN under the borrowing agreement. PKN ORLEN is the guarantor of the issued bonds by an irrevocable and unconditional guarantee issued to the bondholders of PLN 4,262 million translated using exchange rate as at 31 December 2015 (equivalent of EUR 1 billion). The guarantee was granted for the time of the Eurobond issue, until 30 June 2021.

ORLEN Finance AB
The company's business is to conduct financial services through transactions within the ORLEN Group, including intercompany borrowings and loans, as well as any other financial instruments.
As at 31 December 2015 the Group has issued the guarantee to ORLEN Finance of PLN 852 million.

Orlen Insurance Ltd.
Orlen Insurance is an internal insurance company (i.e. captive), which main purpose is insurance and reinsurance the Group's business, matching insurance to the individual needs of its property and the potential loss of margin.

9.2. SUBSIDARIES

9.2.1. Changes in shareholder structure affecting the financial data of the Group

Acquisition of shares

Acquisition of shares of Česká Rafinérská by Unipetrol

In the 1st quarter of 2014, Unipetrol a.s. acquired from Shell Overseas Investments BV (Shell) 152,701 shares of Česká Rafinérská representing 16.335% of this company share capital. The Group recognized a gain on the bargain purchase in other operating income of PLN 180 million, calculated as the difference between the acquired share in equity of Česká Rafinérská of PLN 262 million, and the purchase price of PLN 82 million. As a result of the transaction, Unipetrol's a.s. share in the capital of Česká Rafinérská increased to 67.56 %.

On 3 July 2014 Unipetrol a.s. accepted the offer of an Italian ENI Holding regarding the acquisition of Česká Rafinérská shares, representing 32.445% of share capital of the company. On 19 December 2014 Unipetrol a.s received approval from the Czech Antimonopoly Office for conclusion of this transaction, however on 5 January 2015 an organization, among other of the united independent fuel station operators on the Czech market – SČS - Unie nezávislých petrolejářů, z.s. filed a complaint to this decision. On 30 March 2015 the Antimonopoly Office dismissed the appeal and declared the decision of 19 December 2014 to be valid.
On 30 April 2015 Unipetrol a.s. acquired from ENI 303,301 shares of Česká Rafinérská for the amount of PLN 97 million translated using the exchange rate as at 30 April 2015 (representing EUR 24 million).
As the result of the transaction, Unipetrol's a.s. stake in Česká Rafinérská's share capital increased from 67.555% to 100%. After settlement of the transaction, Unipetrol a.s. obtained control over Česká Rafinérská and started the full method of consolidation of the company. As a result of the settlement in the 2nd quarter of 2015, the Group recognized a gain on bargain purchase in other operating income in the amount of PLN 63 million.

	Carrying amount as at the acquisition day	Adjustments to fair value	Fair value
Non-current assets	338	(92)	246
Current assets	1 169	(15)	1 154
Assets (A)	**1 507**	**(107)**	**1 400**
Non-current liabilities	5	24	29
Current liabilities	870	8	878
Liabilities (B)	**875**	**32**	**907**
Identifiable net assets at fair value (A-B)			**493**
32.445% of net acquired assets in fair value			160
Fair value of transferred payment due to acquisition			(97)
Gain on bargain purchase			**63**

Acquisition of shares of Kicking Horse Energy Inc. by ORLEN Upstream Canada (a subsidiary of ORLEN Upstream).
On 12 October 2015 ORLEN Upstream Canada Ltd. (ORLEN Upstream Canada) signed an agreement to acquire Kicking Horse Energy Inc. (Kicking Horse) domiciled in Calgary, Canada.
Kicking Horse is company engaged in the exploration and extraction of oil and natural gas.
On 30 November 2015 Kicking Horse shareholders and option holders approved the acquisition of company shares by ORLEN Upstream Canada. On 1 December 2015 ORLEN Group acquired all of the outstanding common shares.
The transaction was financed through an increase of equity in ORLEN Upstream Canada (made by ORLEN Upstream Sp. z o.o.) as well as Kicking Horse available lines of credit.

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The fair value of the identifiable assets and liabilities of Kicking Horse at the acquisition date:

	Carrying amount as at the acquisition day	Adjustments to fair value	Fair value
Exploration and evaluation of mineral resources assets	38	3	41
Assets related to development and extraction of mineral resources	668	474	1 142
Non-current financial assets	44	-	44
Trade and other receivables	26	-	26
Assets (A)	**776**	**477**	**1 253**
Provision for decommissioning costs of drillings and supporting infrastructure	14	-	14
Deferred tax liabilities	53	129	182
Other financial liabilities	196	-	196
Trade and other liabilities	31	-	31
Liabilities (B)	**294**	**129**	**423**
Identifiable net assets at fair value (A-B)	**482**	**348**	**830**
Fair value of transferred payment due to acquisition adjusted by transaction costs			(830)

Acquisition of shares of FX Energy Inc. by ORLEN Upstream
On 13 October 2015 ORLEN Upstream Sp. z o.o. (ORLEN Upstream) signed an agreement to acquire American company FX Energy, Inc. (FX Energy) domiciled in Salt Lake City, Utah, USA. FX Energy is engaged in the exploration and extraction of oil and natural gas mainly in Poland.
As a result, on 31 December 2015 ORLEN Group acquired 100% of the common shares and 100% of preferred shares of FX Energy. The transaction was approved by the Office of Competition and Consumer Protection. Financing of the transaction was provided from own resources of PKN ORLEN as well as available lines of credit.
The fair value of the identifiable assets and liabilities of FX Energy at the acquisition date:

	Carrying amount as at the acquisition day	Adjustments to fair value	Fair value
Exploration and evaluation of mineral resources assets	7	31	38
Assets related to development and extraction of mineral resources	175	379	554
Other property, plant and equipment	3	-	3
Cash and cash equivalents	30	-	30
Trade and other receivables	12	-	12
Assets (A)	**227**	**410**	**637**
Provision for decommissioning costs of drillings and supporting infrastructure	13	-	13
Deferred tax liabilities	-	57	57
Loans	197	-	197
Trade and other liabilities	39	-	39
Liabilities (B)	**249**	**57**	**306**
Identifiable net assets at fair value (A-B)	**(22)**	**353**	**331**
Fair value of transferred payment due to acquisition adjusted by transaction costs			(331)

In 2014, the main changes in the shareholder structure of the Group, besides the acquisition of shares in Česká Rafinérská as described above, related also to the acquisition of 100% of shares in Birchill Exploration Limited Partnership for the amount of PLN 707 million.
The settlement of executed transaction did not influence the consolidated statement of profit or loss and other comprehensive income, because fair value of net assets acquired was equal to price paid.

9.2.2. Other changes in the structure of the ORLEN Group

- On 5 January 2015, a merger of Rafineria Trzebinia S.A. and the companies: Rafineria Nafty Jedlicze S.A., Fabryka Parafin Naftowax Sp. z o.o. and Zakładowa Straż Pożarna Sp. z o.o. took place. The company operates under the new name of ORLEN Południe S.A. since 5 January 2015;
- On 5 January 2015, a merger of ORLEN OIL Sp. z o.o and Platinum Oil Sp. z o.o. took place;
- On 22 January 2015 acquisition by PKN ORLEN from Anwil S.A. shares of Przedsiębiorstwo Inwestycyjno-Remontowe “RemWil” Sp. z o.o, domiciled in Włocławek took place;
- On 20 February 2015 a merger of ORLEN Serwis S.A. with ORLEN Automatyka Sp. z o.o. and Przedsiębiorstwo Inwestycyjno-Remontowe RemWil Sp. z o.o. took place;
- On 19 March 2015 a merger of Baltic Power and Baltic Spark took place;
- On 1 June 2015 winding-up proceedings of EkoNaft Sp. z o.o. domiciled in Trzebinia began;
- On 26 June 2015 winding-up proceedings of ORLEN International Exploration & Production Company BV due to closure of the exploration and extraction project on the Latvian shelf began;
- On 30 June 2015 the District Court in Rzeszów made an entry of a merger of ORLEN PetroTank Sp. z o.o. and ORLEN Paliwa Sp. z o.o. into a single entity operating under the name ORLEN Paliwa Sp. z o.o. domiciled in Widełka. PKN ORLEN share in the share capital of ORLEN Paliwa Sp. z o.o. (formerly ORLEN PetroTank Sp. z o.o.) remained unchanged at 100%;
- On 2 July 2015 winding-up procedures of the SIA Balin Energy terminated;

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- On 1 August 2015 winding-up proceedings of Pro-Lab Sp. z o.o. domiciled in Włocławek began;
- On 1 October 2015 an increase in the share capital of ORLEN Upstream Sp. z o.o, which were fully subscribed by PKN ORLEN in exchange for a cash contribution of PLN 53 million took place. The proceeds from the capital increase will be earmarked for further exploration activity;
- On 30 October 2015, a merger of ORLEN Gaz Sp. z o.o. and ORLEN Paliwa Sp. z o.o. took place;
- On 18 November 2015 an increase in the share capital of ORLEN Upstream Sp. z o.o., which were fully subscribed by PKN ORLEN, in exchange for a cash contribution of PLN 1,501 million took place;
- On 28 December 2015 deletion from the trade registry RAF-SŁUŻBA RATOWNICZA Sp. z o.o. in liquidation on 14 December 2015 took place;
- On 1 January 2016 a merger of Kicking Horse Energy Inc., KCK Operating Company Ltd., Columbia Natural Resources Canada, Ltd. and Kicking Horse International Exploration Ltd. took place, in the next step merger with ORLEN Upstream Canada;
- On 1 January 2016 a merger of Benzina and Unipetrol RPA took place and a merger of Mogul Slovakia and Unipetrol Slovensko took place;
- On 29 February 2016 a merger of ORLEN Serwis S.A. with ORLEN Wir Sp. z o.o. and Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o. took place.

Changes in the Group structure are an element of the ORLEN Group strategy, assuming a focus on core activities and allocating the resulting available capital for development of the Group in the most prospective areas.

9.3. INVESTMENTS IN JOINT ARRANGEMENTS

	Place of business	Principal activity	Valuation method
joint ventures			
Bassel ORLEN Polyolefines Sp. z o.o. (BOP)	Płock	production, distribution and sales of poliolefins	equity method
Płocki Park Przemysłowo-Technologiczny (PPPT)	Płock	renting real estate	equity method
Pieridae Production GP Ltd (ORLEN Upstream Group)	Calgary	exploration and extraction of minerals	equity method
joint operations			
Butadien Kralupy a.s.	Kralupy nad Vltavou	manufacturing of butadien	share in assets and liabilities

In 2015 in accordance with IFRS 11 „Joint Arrangements" the ORLEN Group classified Unipetrol's jointly controlled entity - Butadiene Kralupy, a.s. as joint operations.
Additionally, ORLEN Upstream has participated in the following joint operations:

- participation in a holding founded by ORLEN Upstream, Polskie Górnictwo Naftowe i Gazownictwo (PGNIG), LOTOS Petrobaltic as business parties and as scientific parties University of Science and Technology (Akademia Górniczo-Hutnicza), Institue of Oil and Gas (Instytut Nafty i Gazu), Gdansk University of Technology, Warsaw University of Technology (Blue Gas – Polish Shale Gas program). The program aims to manufacture and commercialize the technology and gain knowledge for the extraction of shale gas in Poland. The Company participated in 6 projects carried out in 2013-2016. ORLEN Upstream's total contribution to the implementation of these projects amounts to PLN 26 million. Until the end of 2015, the company donated to the Blue Gas program a cash contribution of PLN 3.8 million. In 2015, there were no costs incurred within the holding.
- exploration – extraction projects carried out together with PGNiG (the search areas „Sieraków" – 49% share of ORLEN Upstream, "Bieszczady" – 49% share of ORLEN Upstream and through subsidiary FX Energy Poland the search areas "Płotki" – 49% share of FX Energy Poland and „Warszawa Południe" – 51% share of FX Energy Poland). The agreements provide the conduct of joint operations and activities in the field of exploration, prospection and extraction of crude oil and natural gas. ORLEN Upstream and FX Energy Poland has the right to proportionate share of the income and bears a proportionate share in the costs of joint operations.

Investments accounted for under equity method

	31/12/2015	31/12/2014
Joint ventures, incl.:	767	659
Bassel ORLEN Polyolefines Sp. z o.o. (BOP)	*693*	*629*
Associates	7	13
	774	**672**

Share in profit from investments accounted for under equity method

	2015	2014
Joint ventures	252	55
Associates	1	2
	253	**57**

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Condensed financial information of Bassel ORLEN Polyolefines Sp. z o.o.

	31/12/2015	31/12/2014
Non-current assets	874	960
Current assets	1 376	1 255
cash	*394*	*233*
other current assets	*982*	*1 022*
Total assets	**2 250**	**2 215**
Total equity	**1 415**	**1 287**
Non-current liabilities	36	20
Current liabilities, incl.:	799	908
trade and other liabilities	*783*	*845*
Total liabilities	**835**	**928**
Total equity and liabilities	**2 250**	**2 215**
Net debt	**(393)**	**(183)**
Net assets	1 415	1 287
Group's share in joint ventures (50%)	708	644
Consolidation adjustments	(15)	(15)
Joint ventures investments accounted for under equity method	**693**	**629**

	2015	2014
Sales revenues	3 895	3 477
Cost of sales, incl.:	(3 136)	(3 205)
depreciation and amortisation	*(101)*	*(98)*
Gross profit on sales	**759**	**272**
Distribution expenses	(112)	(94)
Administrative expenses	(23)	(23)
Other operating income and expenses, net	1	(7)
Profit from operations	**625**	**148**
Net finance income and costs	4	(3)
Profit before tax	**629**	**145**
Tax expense	(120)	(31)
Net profit	**509**	**114**
Items of other comprehensive income	-	2
Total net comprehensive income	**509**	**116**
Net cash provided by operating activities	**611**	**182**
Net cash (used) in investing activities	**(17)**	**(34)**
Net cash (used) in financing activities	**(433)**	**(287)**
Dividends received from joint ventures	**380**	**-**
Net profit	509	114
Group's share in joint ventures (50%)	255	57
Consolidation adjustments	(3)	-
Group's share in result of joint ventures accounted for under equity method	**252**	**57**

In 2015 and in 2014, there were no significant restrictions in associates and joint ventures resulting from loans agreements, regulatory requirements and other contractual agreements that would restrict access to assets and settlement of liabilities of the Group.

10. EVENTS AFTER THE END OF REPORTING PERIOD

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

11. STATEMENTS OF THE MANAGEMENT BOARD AND APPROVAL OF THE FINANCIAL STATEMENTS

In respect of the reliability of preparation of consolidated financial statements
The Management Board of PKN ORLEN herby declares that to the best of its knowledge the foregoing consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the ORLEN Group in force and that they reflect true and fair view on financial position and financial result of the ORLEN Group and that the Management Board Report on the Operations presents true overview of business situation of the ORLEN Group, including basic risks and exposures.

In respect of the entity authorized to conduct audit of financial statements
The Management Board of PKN ORLEN declares that the entity authorized to conduct audit was selected in compliance with the law and that the entity and auditors conducting the audit met the conditions to issue an independent opinion in compliance with relevant regulations.

The foregoing consolidated financial statements were approved by the Management Board of the Parent Company on 23 March 2016.

Wojciech Jasiński
President of the Board

Sławomir Jędrzejczyk
Vice-President of the Board

Mirosław Kochalski
Vice-President of the Board

Piotr Chełmiński
Member of the Board

Zbigniew Leszczyński
Member of the Board

Krystian Pater
Member of the Board

Signature of a person responsible for keeping accounting books

Rafał Warpechowski

Executive Director
Planning and Reporting