



# ORLEN GROUP

## CONSOLIDATED QUARTERLY REPORT

FOR THE 4<sup>th</sup> QUARTER

2017

**ORLEN GROUP - SELECTED DATA**

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2017	12 MONTHS ENDED 31/12/2016	12 MONTHS ENDED 31/12/2017	12 MONTHS ENDED 31/12/2016
Sales revenues	95 364	79 553	22 467	18 181
Profit from operations increased by depreciation and amortisation (EBITDA)	11 078	9 642	2 610	2 204
EBITDA before net impairment allowances	11 247	9 497	2 650	2 170
Profit from operations (EBIT)	8 657	7 532	2 039	1 721
Profit before tax	8 717	6 887	2 054	1 574
Net profit	7 173	5 740	1 690	1 312
Total net comprehensive income	7 296	5 957	1 719	1 361
Net profit attributable to equity owners of the parent	6 655	5 261	1 568	1 202
Total net comprehensive income attributable to equity owners of the parent	6 717	5 445	1 582	1 244
Net cash from operating activities	8 050	9 331	1 896	2 133
Net cash (used) in investing activities	(3 925)	(4 436)	(924)	(1 014)
Net cash (used) in financing activities	(2 832)	(2 210)	(667)	(505)
Net increase in cash and cash equivalents	1 293	2 685	305	614
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	15.56	12.30	3.67	2.81

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-current assets	31 740	30 321	7 610	6 854
Current assets	28 924	25 238	6 935	5 705
Total assets	60 664	55 559	14 545	12 559
Share capital	1 058	1 058	254	239
Equity attributable to equity owners of the parent	32 197	26 763	7 719	6 050
Total equity	35 211	29 285	8 441	6 620
Non-current liabilities	9 071	9 652	2 176	2 182
Current liabilities	16 382	16 622	3 928	3 757
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	75.28	62.57	18.05	14.14

**PKN ORLEN - SELECTED DATA**

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2017	12 MONTHS ENDED 31/12/2016	12 MONTHS ENDED 31/12/2017	12 MONTHS ENDED 31/12/2016
Sales revenues	70 012	53 633	16 494	12 257
Profit from operations increased by depreciation and amortisation (EBITDA)	6 028	5 011	1 420	1 145
Profit from operations (EBIT)	4 787	3 869	1 128	884
Profit before tax	7 047	6 069	1 660	1 387
Net profit	6 102	5 364	1 438	1 226
Total net comprehensive income	6 680	5 177	1 574	1 183
Net cash from operating activities	4 445	5 434	1 047	1 242
Net cash (used) in investing activities	(405)	(1 873)	(95)	(428)
Net cash (used) in financing activities	(1 092)	(1 970)	(257)	(450)
Net increase in cash	2 948	1 591	695	364
Net profit and diluted net profit per share (in PLN/EUR per share)	14.27	12.54	3.36	2.87

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-current assets	26 407	25 109	6 331	5 676
Current assets	22 945	17 963	5 501	4 060
Total assets	49 352	43 072	11 832	9 736
Share capital	1 058	1 058	254	239
Total equity	27 565	22 168	6 609	5 011
Non-current liabilities	8 253	8 918	1 979	2 016
Current liabilities	13 534	11 986	3 244	2 709
Number of shares	427 709 061	427 709 061	427 709 061	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	64.45	51.83	15.45	11.72

The above data for the 12 month period of 2017 and 2016 was translated into EUR using the following exchange rates:

- items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of the last day of each month during the reporting period: from 1 January to 31 December 2017 – 4.2447 EUR/PLN and from 1 January to 31 December 2016 – 4.3757 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 December 2017 – 4.1709 EUR/PLN and as at 31 December 2016 – 4.4240 EUR/PLN;

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# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 AND 3 MONTH PERIOD ENDED 31 DECEMBER

2017

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

**A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION**
**Consolidated statement of profit or loss and other comprehensive income**

		12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
	NOTE				
Sales revenues		95 364	24 734	79 553	22 902
revenues from sales of finished goods and services		72 915	20 142	57 775	17 105
revenues from sales of merchandise and raw materials		22 449	4 592	21 778	5 797
Cost of sales	4.1	(81 766)	(21 106)	(68 223)	(19 077)
cost of finished goods and services sold		(61 266)	(16 914)	(47 976)	(13 607)
cost of merchandise and raw materials sold		(20 500)	(4 192)	(20 247)	(5 470)
<b>Gross profit on sales</b>		<b>13 598</b>	<b>3 628</b>	<b>11 330</b>	<b>3 825</b>
Distribution expenses		(4 327)	(1 167)	(4 125)	(1 066)
Administrative expenses		(1 537)	(442)	(1 426)	(371)
Other operating income	4.3	1 243	236	2 163	803
Other operating expenses	4.3	(568)	(330)	(707)	(447)
Share in profit from investments accounted for under equity method		248	62	297	45
<b>Profit from operations</b>		<b>8 657</b>	<b>1 987</b>	<b>7 532</b>	<b>2 789</b>
Finance income	4.4	1 760	733	248	123
Finance costs	4.4	(1 700)	(725)	(893)	(422)
<b>Net finance income and costs</b>		<b>60</b>	<b>8</b>	<b>(645)</b>	<b>(299)</b>
<b>Profit before tax</b>		<b>8 717</b>	<b>1 995</b>	<b>6 887</b>	<b>2 490</b>
Tax expense		(1 544)	(361)	(1 147)	(447)
current tax		(1 329)	(364)	(751)	(368)
deferred tax		(215)	3	(396)	(79)
<b>Net profit</b>		<b>7 173</b>	<b>1 634</b>	<b>5 740</b>	<b>2 043</b>
<b>Other comprehensive income:</b>					
<b>which will not be reclassified subsequently into profit or loss</b>		<b>(13)</b>	<b>(13)</b>	<b>(4)</b>	<b>(4)</b>
fair value measurement of investment property		-	-	6	6
as at the date of reclassification		-	-	-	-
actuarial gains and losses		(15)	(15)	(10)	(10)
deferred tax		2	2	-	-
<b>which will be reclassified into profit or loss</b>		<b>136</b>	<b>(235)</b>	<b>221</b>	<b>164</b>
hedging instruments		929	142	(396)	(329)
exchange differences on translating foreign operations		(618)	(351)	542	426
deferred tax		(175)	(26)	75	67
		<b>123</b>	<b>(248)</b>	<b>217</b>	<b>160</b>
<b>Total net comprehensive income</b>		<b>7 296</b>	<b>1 386</b>	<b>5 957</b>	<b>2 203</b>
<b>Net profit attributable to</b>					
equity owners of the parent		6 655	1 591	5 261	1 789
non-controlling interest		518	43	479	254
<b>Total net comprehensive income attributable to</b>		<b>7 296</b>	<b>1 386</b>	<b>5 957</b>	<b>2 203</b>
equity owners of the parent		6 717	1 370	5 445	1 902
non-controlling interest		579	16	512	301
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		15.56	3.72	12.30	4.18

The accompanying notes disclosed on pages 9 – 21 are an integral part of the foregoing interim condensed consolidated financial statements.

**Consolidated statement of financial position**

	NOTE	31/12/2017 (unaudited)	31/12/2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		29 071	27 671
Intangible assets		1 272	1 377
Investments accounted for under equity method		758	763
Deferred tax assets		49	167
Embedded derivatives and hedging instruments	4.6	303	66
Other assets	4.6	287	277
		<b>31 740</b>	<b>30 321</b>
<b>Current assets</b>			
Inventories		12 440	11 182
Trade and other receivables		9 518	8 553
Current tax assets		80	121
Cash and cash equivalents		6 244	5 072
Non-current assets classified as held for sale		75	61
Embedded derivatives and hedging instruments	4.6	434	97
Other assets	4.6	133	152
		<b>28 924</b>	<b>25 238</b>
<b>Total assets</b>		<b>60 664</b>	<b>55 559</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		1 058	1 058
Share premium		1 227	1 227
Hedging reserve		331	(355)
Revaluation reserve		5	5
Exchange differences on translating foreign operations		334	946
Retained earnings		29 242	23 882
<b>Equity attributable to equity owners of the parent</b>		<b>32 197</b>	<b>26 763</b>
<b>Non-controlling interests</b>		<b>3 014</b>	<b>2 522</b>
<b>Total equity</b>		<b>35 211</b>	<b>29 285</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans, borrowings and bonds	4.5	6 688	7 446
Provisions	4.7	902	828
Deferred tax liabilities		1 095	809
Embedded derivatives and hedging instruments	4.6	75	280
Other liabilities	4.6	311	289
		<b>9 071</b>	<b>9 652</b>
<b>Current liabilities</b>			
Trade and other liabilities		14 469	13 591
Loans, borrowings and bonds	4.5	317	989
Provisions	4.7	673	666
Current tax liabilities		290	659
Embedded derivatives and hedging instruments	4.6	313	403
Other liabilities	4.6	320	314
		<b>16 382</b>	<b>16 622</b>
<b>Total liabilities</b>		<b>25 453</b>	<b>26 274</b>
<b>Total equity and liabilities</b>		<b>60 664</b>	<b>55 559</b>

The accompanying notes disclosed on pages 9 – 21 are an integral part of the foregoing interim condensed consolidated financial statements.

**Consolidated statement of changes in equity**

	Equity attributable to equity owners of the parent						Non-controlling interests	Total equity
	Share capital and share premium	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total		
01/01/2017	2 285	(355)	5	946	23 882	26 763	2 522	29 285
Net profit	-	-	-	-	6 655	6 655	518	7 173
Items of other comprehensive income	-	686	-	(612)	(12)	62	61	123
<b>Total net comprehensive income</b>	-	<b>686</b>	-	<b>(612)</b>	<b>6 643</b>	<b>6 717</b>	<b>579</b>	<b>7 296</b>
Change in structure	-	-	-	-	-	-	2	2
Dividends	-	-	-	-	(1 283)	(1 283)	(89)	(1 372)
<b>31/12/2017</b>	<b>2 285</b>	<b>331</b>	<b>5</b>	<b>334</b>	<b>29 242</b>	<b>32 197</b>	<b>3 014</b>	<b>35 211</b>
<i>(unaudited)</i>								
01/01/2016	2 285	(80)	-	537	19 431	22 173	2 071	24 244
Net profit	-	-	-	-	5 261	5 261	479	5 740
Items of other comprehensive income	-	(275)	5	463	(9)	184	33	217
<b>Total net comprehensive income</b>	-	<b>(275)</b>	<b>5</b>	<b>463</b>	<b>5 252</b>	<b>5 445</b>	<b>512</b>	<b>5 957</b>
Change in structure	-	-	-	(54)	54	-	(1)	(1)
<i>redemption of non-controlling interest</i>	-	-	-	-	(1)	(1)	(1)	(2)
<i>merger/sale of related parties</i>	-	-	-	(54)	55	1	-	1
Dividends	-	-	-	-	(855)	(855)	(60)	(915)
<b>31/12/2016</b>	<b>2 285</b>	<b>(355)</b>	<b>5</b>	<b>946</b>	<b>23 882</b>	<b>26 763</b>	<b>2 522</b>	<b>29 285</b>

The accompanying notes disclosed on pages 9 – 21 are an integral part of the foregoing interim condensed consolidated financial statements.

**Consolidated statement of cash flows**

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
<b>Cash flows from operating activities</b>				
<b>Profit before tax</b>	<b>8 717</b>	<b>1 995</b>	<b>6 887</b>	<b>2 490</b>
Adjustments for:				
Share in profit from investments accounted for under equity method	(248)	(62)	(297)	(45)
Depreciation and amortisation	2 421	662	2 110	550
Foreign exchange (gain)/loss	(233)	(206)	287	36
Interest, net	204	49	219	55
Dividends	(4)	-	(5)	-
(Profit)/Loss on investing activities, incl.: recognition/(reversal) of impairment allowances of property, plant and equipment and intangible assets	549 169	189 104	(299) (145)	(253) (158)
Change in provisions	345	126	330	202
Change in working capital	(1 967)	(1 282)	816	(441)
inventories	(1 445)	(1 164)	(287)	(641)
receivables	(1 579)	(55)	(1 679)	(939)
liabilities	1 057	(63)	2 782	1 139
Other adjustments, incl.: change in balances of settlements due to compensation from insurers in Unipetrol Group rights received free of charge	(131) 222 (310)	(160) 4 (96)	(381) (222) (240)	16 126 (81)
Income tax (paid)	(1 603)	(430)	(336)	(67)
<b>Net cash from operating activities</b>	<b>8 050</b>	<b>881</b>	<b>9 331</b>	<b>2 543</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(4 039)	(1 159)	(5 033)	(1 080)
Acquisition of shares adjusted for received cash	(3)	(3)	(2)	-
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	105	20	141	48
Sale of subsidiary	-	-	77	3
Dividends received	252	75	317	130
Settlement of derivatives not designated as hedge accounting	(234)	(67)	60	59
Other	(6)	(5)	4	1
<b>Net cash (used) in investing activities</b>	<b>(3 925)</b>	<b>(1 139)</b>	<b>(4 436)</b>	<b>(839)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans and borrowings received	6	2	3 586	44
Bonds issued	400	400	3 258	-
Repayments of loans and borrowings	(888)	(67)	(7 943)	(623)
Redemption of bonds	(700)	(300)	-	-
Interest paid	(234)	(20)	(223)	(34)
Dividends paid	(1 384)	(8)	(912)	(3)
equity owners of the parent	(1 283)	-	(855)	-
non-controlling interest	(101)	(8)	(57)	(3)
Payments of liabilities under finance lease agreements	(28)	(7)	(28)	(7)
Other	(4)	(1)	52	63
<b>Net cash (used) in financing activities</b>	<b>(2 832)</b>	<b>(1)</b>	<b>(2 210)</b>	<b>(560)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 293</b>	<b>(259)</b>	<b>2 685</b>	<b>1 144</b>
Effect of exchange rate changes	(121)	(30)	39	70
Cash and cash equivalents, beginning of the period	5 072	6 533	2 348	3 858
<b>Cash and cash equivalents, end of the period</b>	<b>6 244</b>	<b>6 244</b>	<b>5 072</b>	<b>5 072</b>

The accompanying notes disclosed on pages 9 – 21 are an integral part of the foregoing interim condensed consolidated financial statements.



**EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**1. Information on principles adopted for the preparation of the interim condensed consolidated financial statements**
**1.1. Statement of compliance and general principles for preparation**

The foregoing interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non member state (consolidated text: Official Journal 2014, item 133, as amended Official Journal 2016, item 860) ("Regulation") and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 December 2017 and as at 31 December 2016, financial results and cash flows for the 12 and 3 month period ended 31 December 2017 and 31 December 2016.

The foregoing interim condensed consolidated financial statements were prepared assuming that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of the foregoing interim condensed consolidated financial statements there is no evidence indicating that the Group will not be able to continue its operations as a going concern.

The duration of the Parent Company and the entities comprising the ORLEN Group is unlimited.

The foregoing interim condensed consolidated financial statements, except for the consolidated statement of cash flows, were prepared using the accrual basis of accounting.

**1.2. Applied accounting principles and amendments to International Financial Reporting Standards (IFRS)**

In the foregoing interim condensed consolidated financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in the notes to the Consolidated Financial Statements for the year 2016.

The Group intends to adopt IFRS amendments, published but not effective as at the date of publication of the foregoing interim condensed consolidated financial statements, in accordance with their effective date. An estimate of the impact of changes and new IFRS on future consolidated financial statements will be presented in the Consolidated Financial Statements for the year 2017.

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

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

**1.3.2. Methods applied to translation of financial data**

Translation into 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 of the statement of profit or loss and other comprehensive income and the statement of cash flows - at the average exchange rate for the reporting period (arithmetic average of daily average exchange rates published by the National Bank of Poland ("NBP") in a given period).

Foreign exchange differences resulting from the above recalculations are recognized in equity in the line exchange differences on translating foreign operations.

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	12 MONTHS ENDED	3 MONTHS ENDED	12 MONTHS ENDED	3 MONTHS ENDED	31/12/2017	31/12/2016
	31/12/2017	31/12/2017	31/12/2016	31/12/2016		
EUR/PLN	4.2576	4.2322	4.3648	4.3787	4.1709	4.4240
USD/PLN	3.7783	3.5936	3.9459	4.0598	3.4813	4.1793
CZK/PLN	0.1617	0.1650	0.1614	0.1620	0.1632	0.1637
CAD/PLN	2.9101	2.8284	2.9772	3.0428	2.7765	3.0995

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

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

**2. Group's achievements accompanied by factors having a significant impact on quarterly condensed consolidated financial statements**
**Profit or loss for the 12 months of 2017**

Sales revenues of the ORLEN Group for the 12 months of 2017 increased by PLN 15,811 million (y/y) to PLN 95,364 million.

In 2017, the ORLEN Group reached record sales volumes in all operating segments. The total sales volume amounted to PLN 42,382 thousand tons and was higher by 7% (y/y) mainly due to the improvement of the market situation related to the introduction of a regulation package in Poland limiting influence of so-called shadow economy for fuel trade, growth in production capacities in Unipetrol Group after the

rebuilding of steam cracker unit in 2016 and increase in quotation of main products: gasoline (by 19%), diesel oil (by 23%), light heating oil (by 23%), heavy fuel oil (by 44%), ethylene (by 12%) and propylene (by 28%).

The operating activity expenses increased by PLN (13,856) million (y/y) to PLN (87,630) million. The largest item in this cost structure (note 4.1) constitute the costs of materials and energy consumption related mainly to the crude oil used in technological processes. The increase in the costs of materials and energy consumption by 32% (y/y) resulted mainly from higher by 10.5 USD/bbl (y/y) crude oil global quotations and higher by 10% (y/y) crude oil processing which amounted to 33.2 million tons.

Positive result of other operating activities decreased by PLN (781) million (y/y) in 2017 and amounted to PLN 675 million. It mainly included the partial settlement of damage related to the steam cracker unit accident of August 2015 in the amount of PLN 442 million and compensation of damage related to the accident on installation FCC (Fluid Catalytic Cracking) of May 2016 in Unipetrol Group in the amount of PLN 211 million, received contractual penalties for improper execution of the contract of the CCGT in Wloclawek installation in Plock in the amount of PLN 97 million in PKN ORLEN and recognition of impairment allowances of ORLEN Upstream Group's exploration assets in the amount of PLN (140) million.

Share in profit from investments accounted for under equity method decreased by PLN (49) million (y/y) to the PLN 248 million.

As a result profit from operations amounted to PLN 8,657 million and was higher by PLN 1,125 million (y/y).

Net finance income in the described period amounted to PLN 60 million and included mainly net foreign exchange gains in the amount of PLN 645 million, settlement and valuation of net financial instruments in the amount of PLN (305) million and net interest expenses in the amount of PLN (274) million.

After consideration of tax charges in the amount of PLN (1,544) million, the net profit of the ORLEN Group amounted to PLN 7,173 million and was higher by PLN 1,433 million (y/y).

#### **Profit or loss for the 4<sup>th</sup> quarter of 2017**

The increase in sales revenues of the ORLEN Group in the 4<sup>th</sup> quarter of 2017 by PLN 1,832 million (y/y) to PLN 24,734 million reflects increasing sales volumes by 5% (y/y) in all operating segments and quotation of major refinery and petrochemical products. In the 4<sup>th</sup> quarter of 2017 there was increase in quotation on fuel (by 20%), diesel oil (by 21%), light heating oil (by 20%), heavy heating oil (by 27%), ethylene (by 9%) and propylene (by 18%).

Total operating activity expenses increased by PLN (2,201) million (y/y) to PLN (22,715) million. Higher by 12 USD/bbl (y/y) crude oil global quotations and the increase of crude oil processing in the ORLEN Group by 5% (y/y) led to increase by 23% on the main item of activity expenses, which constitute costs of materials and energy consumption.

After consideration of result on other operating activities in the amount of PLN (94) including mainly the impact of recognition of impairment allowances of ORLEN Upstream Group's exploration assets in Poland and share in profit from investments accounted for under equity method in the amount of PLN 62 million the operating profit in the described period amounted to PLN 1,987 million.

The operating profit was lower by PLN (802) million (y/y) mainly as a result of the worsening of macroeconomic parameters related mainly to the decrease in the downstream margin model by (0.5) USD/bbl and appreciation of the PLN exchange rate against the USD.

Net finance income in the described period amounted to PLN 8 million and included mainly net foreign exchange gains in the amount of PLN 256 million, net interest expenses in the amount of PLN (158) million and settlement and valuation of net financial instruments in the amount of PLN (88) million.

After consideration of tax charges in the amount of PLN (361) million, the net profit of the ORLEN Group amounted to PLN 1,634 million and was lower by PLN (409) million (y/y).

#### **Statement of financial position**

As at 31 December 2017, total assets of the ORLEN Group amounted to PLN 60,664 million and was higher by PLN 5,105 million in comparison with 31 December 2016.

As at 31 December 2017, the value of non-current assets amounted to PLN 31,740 million and was higher by PLN 1,419 million in comparison with the end of the previous year, mainly due to increasing the value of property, plant and equipment and intangible assets by PLN 1,295 million.

Balance change of property, plant and equipment and intangible assets comprised mainly investment expenditures in the amount of PLN 4,602 million, primarily for the Construction of the Polyethylene 3 installation in Unipetrol Group, heat and power plants CCGT and Metathesis Installation in Plock, upstream projects in Canada and depreciation and amortisation in the amount of PLN (2,421) million and negative effect of exchange differences from recalculation of balances of foreign entities of the ORLEN Group on PLN as a result of appreciation of the PLN exchange rate against the foreign currencies in the amount of PLN (505) million.

The value of current assets increased by PLN 3,686 million, mainly as result of increase in balance of inventories by PLN 1,258 million, cash and cash equivalents by PLN 1,172 million, as well as increase of trade and other receivables by PLN 965 million. The increase in trade receivables is mainly due to higher sales volume and higher product prices as a result of increasing crude oil prices.

As at 31 December 2017, equity amounted to PLN 35,211 million and was higher by PLN 5,926 million in comparison with the end of 2016, mainly as a result of net profit for the 12 months of 2017 in the amount of PLN 7,173 million, dividend payments from the previous year's profit in the total amount of PLN (1,372) million, impact of exchange differences on translating foreign operations in the amount of PLN (612) million and positive impact of change of balance of hedging reserve in the amount PLN 686 million.

As at 31 December 2017, net financial indebtedness of the ORLEN Group amounted to PLN 761 million and was lower by PLN (2,602) million in comparison with the end of 2016. Change of net financial indebtedness included net repayment of loans, borrowings and bonds in the amount of PLN (1,119) million, increase of cash and cash equivalents balance by PLN (1,172) million and the net impact of positive exchange differences from revaluation and indebtedness valuation in total amount of PLN (311) million.

**Statement of cash flows for the 12 months of 2017**

Proceeds of net cash from operating activities for the 12 months of 2017 amounted to PLN 8,050 million and comprised mainly profit from operations increased by depreciation and amortisation in the amount of PLN 11,078 million, the negative impact of increase in a net working capital by PLN (1,967) million and paid income taxes in the amount of PLN (1,603) million. The increase in paid income tax in relation to the previous year was mainly due to the increase in profit before tax and cessation by PKN ORLEN the simplified form of income tax advances, which was possible in 2016.

Net cash used in investing activities for the 12 months of 2017 amounted to PLN (3,925) million and comprised mainly net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land in the amount of PLN (3,934) million.

Net expenses of cash used in financing activities for the 12 months of 2017 amounted to PLN (2,832) million and comprised mainly the net repayment of loans and borrowings in the amount of PLN (882) million, redemption of retail bonds in the amount of PLN (700) million, issue of retail bonds in the amount of PLN 400 million, paid dividends in the amount of PLN (1,384) million including amount for equity owners of the Parent Company in the amount of PLN (1,283) million and interest paid in the amount of PLN (234) million.

After consideration the revaluation of cash due to exchange differences, the cash balance in the 12 months of 2017 increased by PLN 1,172 million and as at 31 December 2017 amounted to PLN 6,244 million.

**Statement of cash flows for the 4<sup>th</sup> quarter of 2017**

In the 4<sup>th</sup> quarter of 2017 the net cash from operating activities amounted to PLN 881 million and comprised mainly profit from operations increased by depreciation and amortisation in the amount of PLN 2,649 million, the negative impact of increase in a net working capital by PLN (1,282) million, amount of paid income taxes in the amount of PLN (430) million.

In the 4<sup>th</sup> quarter of 2017 the net cash used in investing activities amounted to PLN (1,139) million and comprised mainly net expenses for the acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land in the amount of PLN (1,139) million.

In the 4<sup>th</sup> quarter of 2017 the net cash used in financing activities amounted to PLN (1) million and comprised mainly net proceeds from issue/redemption of retail bonds and net repayment of loans and borrowings in the amount of PLN 35 million, interest paid in the amount of PLN (20) million, paid dividends to non-controlling interest in the amount of PLN (8) million and fees related to financial lease in the amount of PLN (7) million.

After consideration the revaluation of cash due to exchange differences, the cash balance in the 4<sup>th</sup> quarter of 2017 decreased by PLN (289) million and as at 31 December 2017 amounted to PLN 6,244 million.

**Factors and events which may influence future results**

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

**2.1. Changes in the structure of the ORLEN Group from 1 January 2017 up to the date of preparation of the foregoing report**

- On 1 January 2017 a merger of ČESKÁ RAFINÉRSKÁ a.s. with Unipetrol RPA s.r.o. took place;
- On 10 March 2017 the process of redemption of shares of ORLEN Laboratorium S.A. from minority shareholders was settled; PKN ORLEN became the sole shareholder;
- On 30 May 2017 deletion from the trade registry Petro-Mawi sp. z o.o. in liquidation (ORLEN Paliwa Group) took place;
- On 1 June 2017 the Extraordinary General Meeting of Shareholders of ORLEN Upstream Sp. z o.o. adopted a resolution on increasing the company's share capital from PLN 43 million to PLN 45 million through the creation of 4,534 new and indivisible shares, with a nominal value of PLN 500 each, which were fully subscribed by the existing sole shareholder of the company, ie. PKN ORLEN, in exchange for a cash contribution of PLN 227 million. Surplus of cash contribution over total nominal value of the newly issued shares increased the company's reserve capital. The cash contribution was made by 30 June 2017.
- On 1 June 2017 Euronaf's rail services division, owned by ORLEN Południe S.A., was merged with the assets of ORLEN KolTrans. On 2 October 2017 the court registered an increase the company's share capital of ORLEN KolTrans from PLN 41 million to PLN 55 million through the creation of new 13,861 new and indivisible shares, with a nominal value of PLN 1,000 each. All shares were acquired by the new partner Euronaf Trzebinia.
- On 21 August 2017 the process of liquidation of PARAMO OIL s.r.o began.
- On 25 September 2017 the Extraordinary General Meeting of Shareholders of ORLEN Upstream Sp. z o.o. adopted a resolution on increasing the company's share capital from PLN 45 million to PLN 47 million through the creation of 2,472 new and indivisible shares, with a nominal value of PLN 500 each, which were fully subscribed by the existing sole shareholder of the company, ie. PKN ORLEN, in exchange for a cash contribution in the amount of PLN 123 million. Surplus of cash contribution over total nominal value of the newly issued shares increased the company's reserve capital. The cash contribution was made on 26 September 2017.
- On 30 November 2017, PKN ORLEN acquired from Euronaf Trzebinia 11,201 shares of ORLEN KolTrans, and ORLEN KolTrans acquired 2,660 for depreciation. The number of shares in ORLEN KolTrans after depreciation amounts to 52,060 shares of PLN 1,000 each, the share capital remained unchanged at PLN 54,7 million. The ownership structure after 30 November 2017 is as follows: PKN ORLEN 99.88%, minority shareholders 0.12%.

- On 20 December 2017 ORLEN OIL Sp. z o.o. acquired 1,064 shares in the share capital of Platinum Oil Wielkopolskie Centrum Dystrybucji Sp. z o.o. ("Platinum Oil WCD") which is 67,5% of the share capital of the company. On 21 December 2017 the Extraordinary General Meeting of Shareholders of Platinum Oil WCD adopted a resolution on increasing the company's share capital from PLN 1.2 million to PLN 3.8 million through the creation of 5,262 new and indivisible shares, with a nominal value of PLN 500 each, which were fully subscribed by the existing sole shareholder of the company, ie. ORLEN OIL Sp. z o.o., in exchange for a cash contribution of PLN 2.6 million. The application regarding the registration of the increase of share capital of Platinum Oil WCD was submitted on 28 December 2017. After registration of the increase of share capital ORLEN Oil will hold 6,840 shares which constitutes 90% of Platinum Oil WCD's capital.

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

Additional information on the composition of the Group is presented in section Other information to the consolidated quarterly report in note B.2.

### 3. Segment reporting

The operations of the ORLEN Group is conducted in:

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

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

The allocation of the ORLEN Group's companies to operating segments and Corporate Functions was presented in section Other information to the consolidated quarterly report in note B.2.

#### Revenues, costs, financial results, investments expenditures

for the 12 month period ended 31 December 2017

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues		61 425	33 350	515	74	-	95 364
Inter-segment revenues		13 816	280	-	342	(14 438)	-
Sales revenues		75 241	33 630	515	416	(14 438)	95 364
Operating expenses		(68 410)	(31 986)	(540)	(1 132)	14 438	(87 630)
Other operating income	4.3	1 048	105	4	86	-	1 243
Other operating expenses	4.3	(194)	(133)	(145)	(96)	-	(568)
Share in profit from investments accounted for under equity method		247	-	1	-	-	248
<b>Profit/(Loss) from operations</b>		<b>7 932</b>	<b>1 616</b>	<b>(165)</b>	<b>(726)</b>	<b>-</b>	<b>8 657</b>
Net finance income and costs	4.4						60
<b>Profit before tax</b>							<b>8 717</b>
Tax expense							(1 544)
<b>Net profit</b>							<b>7 173</b>
<b>Depreciation and amortisation</b>	4.1	<b>1 568</b>	<b>422</b>	<b>318</b>	<b>113</b>	<b>-</b>	<b>2 421</b>
<b>EBITDA</b>		<b>9 500</b>	<b>2 038</b>	<b>153</b>	<b>(613)</b>	<b>-</b>	<b>11 078</b>
<b>CAPEX</b>		<b>2 925</b>	<b>678</b>	<b>778</b>	<b>221</b>	<b>-</b>	<b>4 602</b>

**for the 3 month period ended 31 December 2017**

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues		16 479	8 094	133	28	-	24 734
Inter-segment revenues		3 675	127	-	102	(3 904)	-
Sales revenues		20 154	8 221	133	130	(3 904)	24 734
Operating expenses		(18 307)	(7 835)	(132)	(345)	3 904	(22 715)
Other operating income	4.3	127	55	3	51	-	236
Other operating expenses	4.3	(122)	(60)	(101)	(47)	-	(330)
Share in profit from investments accounted for under equity method		60	-	2	-	-	62
<b>Profit/(Loss) from operations</b>		<b>1 912</b>	<b>381</b>	<b>(95)</b>	<b>(211)</b>	<b>-</b>	<b>1 987</b>
Net finance income and costs	4.4						8
<b>Profit before tax</b>							<b>1 995</b>
Tax expense							(361)
<b>Net profit</b>							<b>1 634</b>
<b>Depreciation and amortisation</b>	4.1	<b>439</b>	<b>112</b>	<b>76</b>	<b>35</b>	<b>-</b>	<b>662</b>
<b>EBITDA</b>		<b>2 351</b>	<b>493</b>	<b>(19)</b>	<b>(176)</b>	<b>-</b>	<b>2 649</b>
<b>CAPEX</b>		<b>1 126</b>	<b>335</b>	<b>164</b>	<b>79</b>	<b>-</b>	<b>1 704</b>

**for the 12 month period ended 31 December 2016**

	NOTE	Downstream Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
External revenues		49 202	29 841	442	68	-	79 553
Inter-segment revenues		10 892	280	-	283	(11 455)	-
Sales revenues		60 094	30 121	442	351	(11 455)	79 553
Operating expenses		(54 939)	(28 681)	(537)	(1 072)	11 455	(73 774)
Other operating income	4.3	1 964	87	60	53	(1)	2 163
Other operating expenses	4.3	(324)	(125)	(83)	(176)	1	(707)
Share in profit from investments accounted for under equity method		298	-	(1)	-	-	297
<b>Profit/(Loss) from operations</b>		<b>7 093</b>	<b>1 402</b>	<b>(119)</b>	<b>(844)</b>	<b>-</b>	<b>7 532</b>
Net finance income and costs	4.4						(645)
<b>Profit before tax</b>							<b>6 887</b>
Tax expense							(1 147)
<b>Net profit</b>							<b>5 740</b>
<b>Depreciation and amortisation</b>	4.1	<b>1 317</b>	<b>392</b>	<b>301</b>	<b>100</b>	<b>-</b>	<b>2 110</b>
<b>EBITDA</b>		<b>8 410</b>	<b>1 794</b>	<b>182</b>	<b>(744)</b>	<b>-</b>	<b>9 642</b>
<b>CAPEX</b>		<b>3 533</b>	<b>479</b>	<b>525</b>	<b>136</b>	<b>-</b>	<b>4 673</b>

**for the 3 month period ended 31 December 2016**

	NOTE	Downstream Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues		14 748	7 997	138	19	-	22 902
Inter-segment revenues		3 130	10	-	69	(3 209)	-
Sales revenues		17 878	8 007	138	88	(3 209)	22 902
Operating expenses		(15 656)	(7 654)	(135)	(278)	3 209	(20 514)
Other operating income	4.3	688	39	58	19	(1)	803
Other operating expenses	4.3	(187)	(55)	(78)	(128)	1	(447)
Share in profit from investments accounted for under equity method		45	-	-	-	-	45
<b>Profit/(Loss) from operations</b>		<b>2 768</b>	<b>337</b>	<b>(17)</b>	<b>(299)</b>	<b>-</b>	<b>2 789</b>
Net finance income and costs	4.4						(299)
<b>Profit before tax</b>							<b>2 490</b>
Tax expense							(447)
<b>Net profit</b>							<b>2 043</b>
<b>Depreciation and amortisation</b>	4.1	<b>353</b>	<b>97</b>	<b>73</b>	<b>27</b>	<b>-</b>	<b>550</b>
<b>EBITDA</b>		<b>3 121</b>	<b>434</b>	<b>56</b>	<b>(272)</b>	<b>-</b>	<b>3 339</b>
<b>CAPEX</b>		<b>795</b>	<b>235</b>	<b>125</b>	<b>61</b>	<b>-</b>	<b>1 216</b>

*EBITDA – profit/(loss) from operations increased by depreciation and amortization*
*CAPEX - increase of property, plant and equipment, intangible assets, investment property and perpetual usufruct of land together with the capitalisation of borrowing costs*
**Assets by operating segments**

	31/12/2017 (unaudited)	31/12/2016
Downstream Segment	42 159	38 770
Retail Segment	6 511	6 139
Upstream Segment	3 839	3 840
<b>Segment assets</b>	<b>52 509</b>	<b>48 749</b>
Corporate Functions	8 206	6 943
Adjustments	(51)	(133)
	<b>60 664</b>	<b>55 559</b>

**4. Other notes**
**4.1. Operating expenses**
**Cost by nature**

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Materials and energy	(57 277)	(15 947)	(43 512)	(13 004)
Cost of merchandise and raw materials sold	(20 500)	(4 192)	(20 247)	(5 470)
External services	(4 218)	(1 154)	(4 073)	(1 064)
Employee benefits	(2 391)	(642)	(2 206)	(547)
Depreciation and amortisation	(2 421)	(662)	(2 110)	(550)
Taxes and charges	(1 204)	(344)	(1 129)	(315)
Other	(1 092)	(492)	(1 236)	(606)
	<b>(89 103)</b>	<b>(23 433)</b>	<b>(74 513)</b>	<b>(21 556)</b>
Change in inventories	688	325	(232)	565
Cost of products and services for own use	217	63	264	30
<b>Operating expenses</b>	<b>(88 198)</b>	<b>(23 045)</b>	<b>(74 481)</b>	<b>(20 961)</b>
Distribution expenses	4 327	1 167	4 125	1 066
Administrative expenses	1 537	442	1 426	371
Other operating expenses	568	330	707	447
<b>Cost of sales</b>	<b>(81 766)</b>	<b>(21 106)</b>	<b>(68 223)</b>	<b>(19 077)</b>

**4.2. Impairment allowances of inventories to net realizable value**

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Increase	(119)	(16)	(153)	(16)
Decrease	131	18	289	31

**4.3. Other operating income and expenses**
**Other operating income**

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Profit on sale of subsidiaries	-	-	63	3
Profit on sale of non-current non-financial assets	40	11	60	15
Reversal of provisions	55	40	25	4
Reversal of receivables impairment allowances	42	32	13	5
Reversal of impairment allowances of property, plant and equipment and intangible assets	77	47	366	351
Penalties and compensations	842	34	1 449	356
Other	187	72	187	69
	<b>1 243</b>	<b>236</b>	<b>2 163</b>	<b>803</b>

The line penalties and compensation in the 12 month period ended 31 December 2017 and 31 December 2016 includes mainly amounts of partial compensation received from insurers due to the steam cracker unit accident in Unipetrol Group of August 2015 in the amount of PLN 442 million and PLN 1 280 million, respectively and in the 12 month period ended 31 December 2017 amounts of compensation of property damage and loss of profit related to the accident on installation FCC (Fluid Catalytic Cracking) in Unipetrol Group of May 2016 in the amount of PLN 211 million and penalties received for improper execution of the contract of the power plant CCGT in Włocławek in the amount of PLN 97 million.

**Other operating expenses**

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Loss on sale of non-current non-financial assets	(49)	(17)	(39)	(14)
Recognition of provisions	(46)	(26)	(178)	(136)
Recognition of receivables impairment allowances	(35)	(18)	(25)	(7)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(246)	(151)	(221)	(193)
Penalties, damages and compensations	(26)	(6)	(133)	(51)
Other	(166)	(112)	(111)	(46)
	<b>(568)</b>	<b>(330)</b>	<b>(707)</b>	<b>(447)</b>

Recognition of impairment allowances of property, plant and equipment and intangible assets in the 12 and 3 month period ended 31 December 2017 concerns mainly ORLEN Upstream Group's companies in Poland.

As a result of an independent valuation of assets in the 4<sup>th</sup> of 2017 quarter an impairment allowances on exploration assets was recognized in the amount of PLN (97) million, while in the 3<sup>rd</sup> quarter of 2017, as a result of the decision to narrow of the search area and recognition of mineral resources in the amount of PLN (43) million.

Recognition of impairment allowances of property, plant and equipment and intangible assets in the 12 and 3 month period ended 31 December 2016 includes mainly allowance recognized in 4<sup>th</sup> quarter of 2016 impairment allowance of ORLEN Upstream Group's exploration assets in the amount of PLN (72) million and ORLEN Oil assets in the amount of PLN (55) million.

The line others in the 12 and 3 months ended 31 December 2017 included costs recognized by ORLEN Południe related to the decision of the Head of the Małopolska Tax and Customs Office in Kraków determining the amount of excise tax liabilities for December 2003 and for April 2004 in the amount of PLN (75) million (additional information in note 4.4).



#### 4.4. Finance income and costs

##### Finance income

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Interest	50	19	59	17
Net foreign exchange gain	645	256	-	-
Dividends	4	-	5	-
Settlement and valuation of derivative financial instruments	1 025	435	156	96
Reversal of receivables impairment allowances	2	2	2	-
Other	34	21	26	10
	<b>1 760</b>	<b>733</b>	<b>248</b>	<b>123</b>

##### Finance costs

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Interest	(324)	(177)	(216)	(59)
Net foreign exchange loss	-	-	(542)	(321)
Settlement and valuation of derivative financial instruments	(1 330)	(523)	(98)	(32)
Recognition of receivables impairment allowances	(1)	(1)	(2)	-
Other	(45)	(24)	(35)	(10)
	<b>(1 700)</b>	<b>(725)</b>	<b>(893)</b>	<b>(422)</b>

Borrowing costs capitalized in the 12 and 3 month period ended 31 December 2017 and 31 December 2016 amounted to PLN (50) million and PLN (9) million, PLN (67) million and PLN (19) million, respectively.

The line interest in the 12 and 3 month period ended 31 December 2017 includes the recognition by ORLEN Poludnie interest from excise tax liabilities for December 2003 and for April 2004 in the amount of PLN (112) million (detailed information in note 4.3).

#### 4.5. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016
Loans	-	653	48	286	48	939
Borrowings	-	-	-	1	-	1
Bonds	6 688	6 793	269	702	6 957	7 495
	<b>6 688</b>	<b>7 446</b>	<b>317</b>	<b>989</b>	<b>7 005</b>	<b>8 435</b>

In the period covered by the foregoing interim condensed consolidated financial statements, as well as after the reporting date, there were no instances of principal or interest non repayment nor loan covenant violations.



#### 4.6. Embedded derivatives and hedging instruments and other assets and liabilities

##### Embedded derivatives and hedging instruments and other assets

	Non-current		Current		Total	
	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016
Cash flow hedging instruments	303	66	311	92	614	158
<i>currency forwards</i>	303	12	225	32	528	44
<i>commodity swaps</i>	-	54	86	60	86	114
Derivatives not designated as hedge accounting	-	-	123	5	123	5
<i>currency forwards</i>	-	-	89	5	89	5
<i>commodity swaps</i>	-	-	33	-	33	-
<i>currency interest rate swaps</i>	-	-	1	-	1	-
<b>Embedded derivatives and hedging instruments</b>	<b>303</b>	<b>66</b>	<b>434</b>	<b>97</b>	<b>737</b>	<b>163</b>
Other financial assets	50	73	133	152	183	225
<i>receivables on settled cash flows</i>	-	-	126	149	126	149
<i>hedging instruments</i>	-	-	-	-	-	-
<i>financial assets available for sale</i>	41	40	-	-	41	40
<i>other</i>	9	33	7	3	16	36
Other non-financial assets	237	204	-	-	237	204
<i>investment property</i>	104	97	-	-	104	97
<i>perpetual usufruct of land</i>	115	107	-	-	115	107
<i>other</i>	18	-	-	-	18	-
<b>Other assets</b>	<b>287</b>	<b>277</b>	<b>133</b>	<b>152</b>	<b>420</b>	<b>429</b>

##### Embedded derivatives and hedging instruments and other liabilities

	Non-current		Current		Total	
	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016
Cash flow hedging instruments	-	190	141	376	141	566
<i>currency forwards</i>	-	42	7	117	7	159
<i>commodity swaps</i>	-	28	134	228	134	256
<i>currency interest rate swaps</i>	-	120	-	31	-	151
Derivatives not designated as hedge accounting	75	90	172	25	247	115
<i>currency forwards</i>	-	-	100	4	100	4
<i>commodity swaps</i>	-	-	72	21	72	21
<i>interest rate swaps</i>	56	90	-	-	56	90
<i>currency interest rate swaps</i>	19	-	-	-	19	-
Embedded derivatives	-	-	-	2	-	2
<i>currency swaps</i>	-	-	-	2	-	2
<b>Embedded derivatives and hedging instruments</b>	<b>75</b>	<b>280</b>	<b>313</b>	<b>403</b>	<b>388</b>	<b>683</b>
Other financial liabilities	302	280	125	169	427	449
<i>liabilities on settled cash flow hedging</i>	-	-	125	169	125	169
<i>instruments</i>	-	-	-	-	-	-
<i>investment liabilities</i>	108	111	-	-	108	111
<i>finance lease</i>	166	141	-	-	166	141
<i>other</i>	28	28	-	-	28	28
Other non-financial liabilities	9	9	195	145	204	154
<i>deferred income</i>	9	9	195	145	204	154
<b>Other liabilities</b>	<b>311</b>	<b>289</b>	<b>320</b>	<b>314</b>	<b>631</b>	<b>603</b>

#### 4.7. Provisions

	Non-current		Current		Total	
	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016
Environmental	626	570	67	38	693	608
Jubilee bonuses and post-employment benefits	238	212	39	33	277	245
CO <sub>2</sub> emissions, energy certificates	-	-	376	365	376	365
Other	38	46	191	230	229	276
	<b>902</b>	<b>828</b>	<b>673</b>	<b>666</b>	<b>1 575</b>	<b>1 494</b>

#### 4.8. Methods applied in determining fair value (fair value hierarchy)

As compared to the previous reporting period the Group did not change the valuation methods concerning financial instruments. Methods applied in determining the fair value were described in the Consolidated Financial Statements for the year 2016 in note 7.3.3.

**Fair value hierarchy**

	31/12/2017 (unaudited)	31/12/2016
	Level 2	
<b>Financial assets</b>		
Embedded derivatives and hedging instruments	737	163
	<b>737</b>	<b>163</b>
<b>Financial liabilities</b>		
Embedded derivatives and hedging instruments	388	683
	<b>388</b>	<b>683</b>

The fair value of financial assets and liabilities quoted on active markets is determined based on market quotations (so called Level 1). In other cases, the fair value is determined based on other input data which are directly or indirectly observable (so called Level 2) or unobservable inputs (so called Level 3).

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

**4.9. Finance lease payments**

As at 31 December 2017 and as at 31 December 2016 the Group possessed as a lessee the finance lease agreements, concerning mainly buildings, technical equipment and machinery and means of transportation.

	31/12/2017 (unaudited)	31/12/2016
Value of future minimum lease payments	254	223
Present value of future minimum lease payments	198	170

**4.10. Future commitments resulting from signed investment contracts**

As at 31 December 2017 and as at 31 December 2016, the value of future commitments resulting from investment contracts signed until that day amounted to PLN 1,537 million and PLN 1,941 million, respectively.

**4.11. Issue, redemption and repayment of debt securities**

PKN ORLEN in the 4<sup>th</sup> quarter of 2017 redeemed of retail bonds C and D series in the total amount of PLN 300 million issued under the first public bond issue program conducted in 2013-2014.

Under the second public bond issue program PKN ORLEN in the 4<sup>th</sup> quarter of 2017 issued retail bonds series A and B in the total amount of PLN 400 million.

In the period covered by the foregoing quarterly condensed consolidated financial statements, short term bonds were issued/redeemed in favour of the Group companies as a part of liquidity optimisation in the ORLEN Group, using the corporate bond issue program from 2012. These transactions are eliminated at the ORLEN Group level.

**4.12. Distribution of the profit for 2016**

The Ordinary General Meeting of Shareholders of PKN ORLEN S.A. on 30 June 2017 distributed the net profit of PKN ORLEN for the year 2016 in the amount of PLN 5,364,455,552.64 as follows: the amount of PLN 1,283,127,183 was allocated as a dividend payment (PLN 3 per 1 share) and the remaining amount of net profit of PLN 4,081,328,369.64 as reserve capital. The dividend date was set at 14 July 2017 and the dividend payment date at 4 August 2017.

**4.13. Contingent asset and liabilities**
**4.13.1. Contingent assets**

On 13 August 2015 the steam cracker unit accident in Unipetrol Group took place. Based on the insurance policies Unipetrol Group expects insurers to cover reconstruction costs of installations lost business profits, which estimated at approximately PLN 2,171 million translated using the exchange rate as at 31 December 2017 (representing CZK 13 300 million).

In 2016 Group recognized in other operating income amounts of partial compensation received from insurers in the amount of PLN 1,280 million and in the 2<sup>nd</sup> quarter of 2017 in the amount of PLN 442 million. After consideration the above amounts the value of contingent asset as at 31 December 2017 due to described above damage was estimated in the amount of approximately PLN 424 million translated using the exchange rate as at 31 December 2017 (representing CZK 2,600 million).

The final amount of compensation will depend on the final agreement with insurers.

Part of the cash in the amount of PLN 221 million translated using the exchange rate as at 31 December 2017 (representing CZK 1,355 million) for the compensation recognized in 2016 in other operating income, Unipetrol Group received in the 1<sup>st</sup> quarter of 2017.

The steam cracker unit resumed work in the 4<sup>th</sup> quarter of 2016.

#### 4.13.2. Contingent liabilities

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

##### 4.13.2.1. Proceedings in which the companies of the ORLEN Group act as the defendant

###### 4.13.2.1.1. 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 shares. By judgment of 21 October 2010 the Court of Arbitration ("the Court of Arbitration") in Prague (Czech Republic) dismissed the entire claim of Agrofert against PKN ORLEN regarding the payment of PLN 3,177 million translated using the exchange rate as at 31 December 2017 (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 upper court in Prague Agrofert's claim which repealed the above judgment. The complaint was dismissed by the court 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. On 4 September 2015 Agrofert appealed to the Czech Supreme Court against the above judgment. In September 2016, the Supreme Court dismissed Agrofert claim. In November 2016 Agrofert appealed to the Czech Constitutional Court against that decision. On 25 April 2017, the Czech Constitutional Court dismissed Agrofert's complaint as unfounded. In the opinion of PKN ORLEN the above proceeding was completed.

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

###### 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 I.P.-95 s.r.o. in November 2009. The total amount of the claim is approximately PLN 292 million, translated using the exchange rate as at 31 December 2017 (representing CZK 1,789 million). UNIPETROL RPA s.r.o. is one of eight defendants which the claim was brought against. At the request of the I.P.-95 s.r.o. proceeding is pending concerning the accession to the claim as plaintiff NESTARMO TRADING LIMITED. On 12 January 2016 a court in Ostrava dismissed the application of I.P. - 95, s.r.o. for permission to enter NESTARMO TRADING LIMITED to the case. I.P.-95 s.r.o. submitted annulment claim against the judgment refusing to consent to join the proceedings of the above mentioned company. On 27 July 2017, the Czech Supreme Court dismissed the annulment claim of I.P.-95 s.r.o. According to UNIPETROL RPA s.r.o the claim is without merit. The parties expect the further steps in the proceedings.

###### Claim of Warter Fuels S.A. (before: OBR S.A.) for compensation

On 5 September 2014, Warter Fuels S.A. (before: 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 was estimated by Warter Fuels S.A. in the amount of approximately PLN 83 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the 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. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of approximately PLN 247 million. By the court order from 21 May 2015 the parties were directed to mediation. Mediation proceedings were completed in the 2<sup>nd</sup> quarter of 2016. The case returned to the District Court in Łódź. The first hearing was held on 19 October 2016. At the hearing on 22 March 2017 witnesses were heard. The hearing scheduled for September 2017 was not held and the next hearing date was not set. In the opinion of PKN ORLEN the above claims are without merit.

###### The dispute between ORLEN Lietuva and Lietuvos Geležinkeliai

On 31 December 2014, ORLEN Lietuva filed a motion for arbitration against the company Lietuvos Geležinkeliai ("LG") in the court of arbitration in Vilnius. In this proceeding ORLEN Lietuva calls for the conversion of tariffs for rail transport in line with the contract with LG for the period from January 2014. ORLEN Lietuva applied also for the compensation due to an incorrect interpretation of the agreement on rail transport by LG by using incorrect rates. Consideration of the request of ORLEN Lietuva would lead - depending on the interpretation - to save in the amount estimated until October 2016 not less than PLN 171 million translated using the exchange rate as at 31 December 2017 (representing not less than EUR 41 million) or to receive compensation for the use of incorrect rates in the amount of PLN 417 million translated using the exchange rate as at 31 December 2017 (representing EUR 100 million).

By 31 December 2016, seven court proceedings were initiated in which LG demands from ORLEN Lietuva a payment of approximately PLN 156 million translated using the exchange rate as at 31 December 2017 (representing approximately EUR 37.5 million) from fees for rail transport of ORLEN Lietuva products. LG's appeals were considered by the first instance courts, but there have not been made any conclusions on their matter. On 28 June 2017 ORLEN Lietuva and LG reached an agreement on changes to the rail transport agreement and to resolve the ongoing disputes. Signing the settlement, results in termination of the mutual claims described in the above proceeding.

###### Polocktransneft Druzhba claim against AB ORLEN Lietuva

On 21 September 2017, AB ORLEN Lietuva received from the court a claim brought by the Belarusian company Polocktransneft Druzhba (operator of the Belarus section of the Druzhba pipeline) for payment of compensation for crude oil, which as so-called technological oil, was located in a closed pipeline in Lithuania belonging to ORLEN Lietuva until 2014. In 2014, crude oil was pumped out and used by ORLEN Lietuva. Polocktransneft Druzhba believes that this oil was its property.

The value of the claim is approximately PLN 292 million, translated using the exchange rate as at 31 December 2017 (representing USD 84 million). The claim also includes a request for interest and proceeding costs. ORLEN Lietuva responded to the claim. According to ORLEN Lietuva, the above claim is without merit.

Except of described above proceedings, the Group has not identified any other significant contingent liabilities.

#### 4.14. Related parties transactions

##### 4.14.1. Transactions of the key executive personnel and their relatives with related parties of the ORLEN Group

As at 31 December 2017 and 31 December 2016 and in the 12 and 3 month period ended 31 December 2017 and 31 December 2016, on the basis of submitted declarations, there were no transactions of related parties with members of the Management Board and the Supervisory Board of the Parent Company.

In the 12 and 3 month period ended 31 December 2017 and 31 December 2016, on the basis of submitted declarations, there were transactions of close relatives with the other key executive personnel of the Parent Company and key executive personnel of the ORLEN Group companies with related parties in the amount of PLN 0.5 million and PLN 0.1 million, PLN 0.8 million and PLN 0.2 million, respectively. The main amounts regarded purchase of legal services from a member of the other key executive personnel of ORLEN Poludnie Group and marketing services from persons related with key personnel of Anwil, ORLEN Serwis.

As at 31 December 2017 and as at 31 December 2016 balances of trade and other liabilities in respect of the above transactions were not material.

##### 4.14.2. Remuneration of key executive personnel of the Parent Company and ORLEN Group companies

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Remuneration and other benefits of the Management Board Members of the Parent Company *	6.6	1.2	8.4	2.1
Bonus paid to the Management Board Members of the Parent Company for the previous year *	7.7	-	5.1	-
Bonus potentially due to the Management Board Members of the Parent Company for the current year *	6.4	1.2	7.9	1.9
Other benefits paid and due to the former Management Board Members of the Parent Company	1.5	0.7	4.3	-
Remuneration of the Supervisory Board Members of the Parent Company	0.8	0.2	1.4	0.3
Remuneration and other benefits of the other key executive personnel of the Parent Company and subsidiaries of the ORLEN Group	206.2	45.1	209.9	52.6

\* including amounts paid and due to the Management Board Members performing their duties until 30 June 2017

Remuneration of PKN ORLEN Management Board, PKN ORLEN Supervisory Board and other key executive personnel of PKN ORLEN and the Group companies includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

On 24 January 2017 the Extraordinary General Meeting of Shareholders (EGM) at which were adopted resolutions regarding rules of determining PKN ORLEN Management Board and the Supervisory Board remuneration, took place. On 30 June 2017 the General Meeting of Shareholders adopted a resolution introducing a change to the resolution of the EGM regarding rules of determining the Management Board and the Supervisory Board of the ORLEN Group companies' remuneration. The full text of adopted resolutions are available on websites:

<http://www.orlen.pl/EN/InvestorRelations/RegulatoryAnnouncements/Pages/Regulatory-announcement-no-14-2017.aspx>

<http://www.orlen.pl/EN/InvestorRelations/RegulatoryAnnouncements/Pages/Regulatory-announcement-no-89-2017.aspx>

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

	Sales				Purchases			
	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Jointly-controlled entities	2 718	660	2 148	392	(142)	(36)	(58)	(27)
<i>joint ventures</i>	2 577	622	2 115	365	(42)	(12)	(35)	(8)
<i>joint operations</i>	141	38	33	27	(100)	(24)	(23)	(19)
Associates	40	12	38	8	(4)	(1)	(5)	-
	2 758	672	2 186	400	(146)	(37)	(63)	(27)

	Trade and other receivables		Trade and other liabilities	
	31/12/2017 (unaudited)	31/12/2016	31/12/2017 (unaudited)	31/12/2016
Jointly-controlled entities	484	430	16	15
<i>joint ventures</i>	463	415	8	3
<i>joint operations</i>	21	15	8	12
Associates	-	15	-	-
	484	445	16	15

The above transactions with related parties include mainly sales and purchases of refinery and petrochemicals products and services.

In the 12 and 3 month period ended 31 December 2017 and 31 December 2016 there were no related parties transactions within the Group concluded on other than an arm's length basis.

#### 4.14.4. Transactions with entities related to the State Treasury

As at 31 December 2017 and as at 31 December 2016 the State Treasury owned 27.52% of the ORLEN Group Parent Company's shares - PKN ORLEN and has ability to exert a significant influence on it.

The Group identified transactions with related parties with the State Treasury mainly on the basis of "The Council of Ministers Regulation of 3 January 2017 on the list of companies in which the rights of the State Treasury shares carry other than the President Council of Ministers members of the Council of Ministers", Government Plenipotentiaries or state legal entities" (Official Journal 2017, item 10, as amended Official Journal 2017, item 205 and item 1164).

In the 12 and 3 month period ended 31 December 2017 and 31 December 2016 and as at 31 December 2017 and as at 31 December 2016, the Group identified the following transactions:

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016 (unaudited)	3 MONTHS ENDED 31/12/2016 (unaudited)
Sales	1 548	442	1 121	314
Purchases	(3 589)	(1 139)	(2 418)	(599)

	31/12/2017 (unaudited)	31/12/2016 (unaudited)
Trade and other receivables	298	218
Trade and other liabilities	559	272

Above transactions were concluded on an arm's length basis were related to the ORLEN Group current operating activities and concerned mainly fuel sales, purchase and sales of natural gas, energy, transport and storage services.

Additionally, there were also financial transactions (bank fees, commission) with Bank PKO BP, Bank Pekao S.A. and Bank Gospodarstwa Krajowego.

#### 4.15. Guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 December 2017 and as at 31 December 2016 amounted to PLN 2,577 million and PLN 2,066 million, respectively.

#### 4.16. Events after the end of the reporting period

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

## OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

FOR THE 12 AND 3 MONTH PERIOD ENDED 31 DECEMBER

2017

## B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

### 1. Principal activity of the ORLEN Group

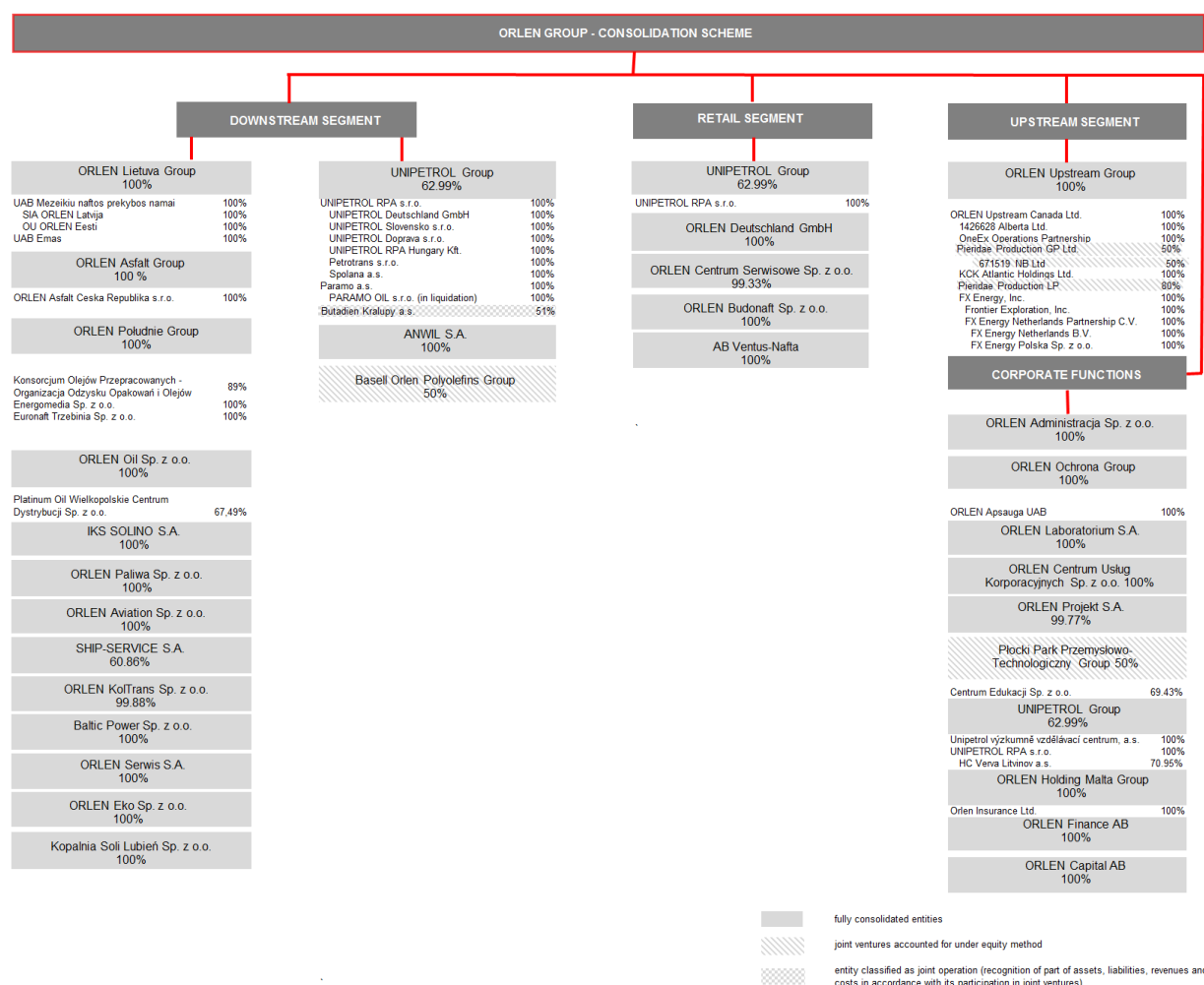
The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") domiciled in Płock, 7 Chemików Street.

The core business of the ORLEN Group is crude oil processing and production of fuel, petrochemical and chemical goods, as well as, wholesale and retail of 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, transportation, maintenance and overhaul services, laboratory, security, design, administrative, insurance and financial services.

### 2. Organization of the ORLEN Group

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



### 3. Major factors having impact on EBITDA LIFO (profit on operations increased by depreciation and amortisation by LIFO method of inventory valuation)

#### Result for the 12 months of 2017

Profit from operations increased by depreciation and amortisation (so-called EBITDA) before consideration of impairment allowances of non-current assets amounted to PLN 11,247 million and was higher by PLN 1,750 million (y/y).

The ORLEN Group's inventories are valued in the financial statements in accordance with International Financial Reporting Standards at the weighted average cost method or purchase price method. Therefore, an upward trend in crude oil prices has a positive effect and a down trend has a negative impact on reported results.



The estimated, positive impact of changes in crude oil prices on inventory valuation recognized in a reported result in the described period amounted to PLN 799 million and was higher by PLN 714 million (y/y).

As a result profit from operations increased by depreciation and amortisation before consideration of changes of crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of non-current assets for the 12 months of 2017 amounted to PLN 10,448 million and was higher by PLN 1,036 million (y/y).

The positive impact of the macroeconomic parameters amounted to PLN 165 million (y/y) and included mainly the positive effect on margins on refining products and olefins, PTA, aromatics and plastics with the negative impact in the Ural/Brent differential, lower margins on polyolefines and fertilizers and appreciation of the PLN exchange rate against the foreign currencies.

Favorable market situation and no production restrictions related to the unavailability of steam cracker unit accident of 2016 in Unipetrol Group resulted in an increase in sales volumes in all operating segments by 7% (y/y) and in a result on a positive volume effect in the amount of PLN 1,660 million (y/y).

The negative impact of the other factors amounted to PLN (789) million (y/y) and included mainly:

- PLN (463) million (y/y) - the impact of change in the balance of other operating activities after eliminating the impact of impairment allowances of assets mainly related to the lower (y/y) compensation from insurers due to the steam cracker unit accident in Unipetrol Group;
- PLN (323) million (y/y) - other elements, including mainly lower (y/y) positive impact of net impairment allowances of inventories to net realisable value in the amount of PLN (446) million (y/y).

The net impairment allowances of property, plant and equipment and intangible assets in 2017 amounted to PLN (169) million, and concerned mainly exploration assets of ORLEN Upstream Group in Poland.

The net impairment allowances of non-current assets in 2016 amounted to PLN 145 million and concerned mainly reversal of the impairment allowance of refinery assets of Unipetrol Group in the amount of PLN 315 million and recognition of impairment allowance of exploration assets of ORLEN Upstream Group in Poland in the amount of PLN (72) million and ORLEN Oil assets in the amount of PLN (55) million.

After consideration above impairment allowances, EBITDA LIFO profit of the ORLEN Group for the 12 months of 2017 amounted to PLN 10,279 million and was higher by PLN 722 million (y/y).

#### **Result for the 4<sup>th</sup> quarter of 2017**

Profit from operations increased by depreciation and amortisation (so-called EBITDA) before consideration of impairment allowances of non-current assets amounted to PLN 2,753 million and was lower by PLN (428) million (y/y).

The positive impact of changes in crude oil prices on inventory valuation in a reported result amounted to PLN 731 million and was higher by 205 million (y/y).

As a result profit from operations increased by depreciation and amortisation before consideration of changes of crude oil prices on inventory valuation (so-called EBITDA LIFO) and impairment allowances of non-current assets amounted to PLN 2,022 million and was lower by PLN (633) million (y/y).

Change of macroeconomic factors decreased result of ORLEN Group by PLN (479) million (y/y) and included mainly the negative impact in the Ural/Brent differential, higher costs of consumption of raw materials for own energy needs due to higher (y/y) crude oil price, worsening margins on polyolefines, and heavy refining fractions as well as appreciation of the PLN exchange rate against the foreign currencies.

As a result of the continued favorable market situation, total volume sales increased by 5% (y/y) and as a result the positive volume effect amounted to PLN 223 million (y/y).

The negative impact of the other factors amounted to PLN (377) million (y/y) and included mainly PLN (184) million (y/y) the impact of change in the balance of other operating activities after eliminating the impact of impairment allowances of assets included mainly lack of positive effect from the 4<sup>th</sup> quarter of 2016 due to compensation of the steam cracker unit accident in Unipetrol Group in the amount of PLN (297) million;

The net impairment allowances of property, plant and equipment and intangible assets in the 4<sup>th</sup> quarter of 2017 amounted to PLN (104) million, and concerned mainly exploration assets of ORLEN Upstream Group in Poland.

The net impairment allowances of non-current assets in the 4<sup>th</sup> quarter of 2016 amounted to PLN 158 million and concerned mainly reversal of the impairment allowance of refinery assets of Unipetrol Group in the amount of PLN 315 million and recognition of impairment allowance of exploration assets of ORLEN Upstream Group in Poland of PLN (72) million and ORLEN Oil assets in the amount of PLN (55) million.

After consideration above impairment allowances, EBITDA LIFO profit of the ORLEN Group for the 4<sup>th</sup> quarter of 2017 amounted to PLN 1,918 million and was lower by PLN (895) million (y/y).



**4. The most significant events in the period from 1 January 2017 up to the date of preparation of the foregoing report****JANUARY 2017****Power plant in Włocławek**

PKN ORLEN informed that the Power plant in Włocławek was expected to be commissioned by the consortium of companies (General Electric International Inc. acting via General Electric International S.A., office in Poland and SNC-LAVALIN POLSKA sp. z o.o.) in the 2<sup>nd</sup> quarter of 2017. In January 2017 the Power plant was shut down and the contractor was conducting the repairs of earlier detected defects. After their completion guarantee measurements and trial run was conducted, and next the Power plant was commissioned by the contractor to PKN ORLEN..

**APRIL 2017****Moody's Investors Service upgraded PKN ORLEN's credit assessment**

On 13 April 2017 a credit rating agency Moody's Investors Service upgraded issuer rating of PKN ORLEN from the level of Baa3 to Baa2 and also upgraded the baseline credit assessment from ba1 to baa3.

Concurrently, the agency also upgraded the rating, from the level of Baa3 to Baa2, of two Eurobonds programme:

- EUR 500 million due 2021 and

- EUR 750 million due 2023

issued by ORLEN Capital AB and guaranteed by PKN ORLEN.

The outlook on all of upgraded ratings is stable.

**Consent of the Supervisory Board of PKN ORLEN for public issue of bonds**

On 26 April 2017 the Supervisory Board of PKN ORLEN gave consent for issue by PKN ORLEN bonds within the second retail bond issue programme. The bond issue programme assumes the issue of several bond series up to the total amount of PLN 1 billion during 12 months. The bonds will be offered in a public offering. PKN ORLEN plans to introduce the bonds to trading on the Catalyst regulated market. The parameters of each issue will be determined based on the current market environment and PKN ORLEN needs.

The public offering within the second retail bond issue programme also requires the prior approval of the prospectus relating to this offer by the Polish Financial Supervision Authority.

**MAY 2017****Submission of the prospectus relating to bond issue programme to the Polish Financial Supervision Authority**

On 24 May 2017 PKN ORLEN submitted to the Polish Financial Supervision Authority the prospectus relating to the public bond issue programme.

**JUNE 2017****Realisation of the Power plant in Włocławek investment completed**

On 19 June 2017 PKN ORLEN signed with the consortium of companies (General Electric International Inc. acting via General Electric International S.A., office in Poland and SNC-LAVALIN POLSKA sp. z o.o.) a certificate on the base of which the realisation of investment of the Power plant in Włocławek building was completed.

**Changes in the composition of the PKN ORLEN Management Board**

On 26 June 2017 the Supervisory Board of PKN ORLEN appointed Mr Wojciech Jasiński to the position of the President of PKN ORLEN Management Board, for the common three year term of office, starting from the day coming after the day of the Ordinary Shareholders Meeting of PKN ORLEN approving financial statements for 2016.

At the same time Mr Sławomir Jędrzejczyk, Vice-President of the PKN ORLEN Management Board, Chief Financial Officer and Mr Piotr Chelmiński, Member of the PKN ORLEN Management Board, Business Development/Power and Heat Generation Officer submitted a statements that they will not stand for re-election for the position of Member of PKN ORLEN Management Board.

On 29 June 2017 the Supervisory Board of PKN ORLEN appointed Mr Wiesław Protasewicz to serve as a Member of the Management Board of PKN ORLEN and Ms Maria Sosnowska to serve as a Member of the Management Board of PKN ORLEN.

**Changes in the composition of the Supervisory Board of PKN ORLEN**

On 29 June 2017 Mr Wiesław Protasewicz submitted a statement of resignation from the position of the PKN ORLEN Supervisory Board Member with the effect from 29 June 2017, justified his decision with a fact that he candidates to the PKN ORLEN Management Board.

On 30 June 2017 the Ordinary General Meeting of Shareholders of PKN ORLEN appointed to the Supervisory Board Ms Izabela Felczak-Poturka and Mr Wojciech Kryński.

**JULY 2017****Fitch Ratings assigned provisional rating to planned bond issue programme**

On 5 July 2017 a credit rating agency Fitch Ratings assigned a provisional A(pol)(EXP) rating to the planned by PKN ORLEN retail bond issue programme.

**Mr Artur Gabor resigned from the position of the PKN ORLEN Supervisory Board Member with the effect from 1 September 2017**

On 13 July 2017 Mr Artur Gabor submitted a statement of resignation from the position of the PKN ORLEN Supervisory Board Member with the effect from 1 September 2017.

**Polish Financial Supervision Authority approved the prospectus relating to bond issue programme**

On 20 July 2017 the Polish Financial Supervision Authority approved the prospectus relating to the bond issue programme directed to the individual investor. The bond issue programme assumes the issue of several bond series up to the total amount of PLN 1 billion during 12 months. The bonds will be offered in a public offering. PKN ORLEN plans to introduce the bonds to trading on the Catalyst regulated market. The parameters of each issue will be determined based on the current market environment and PKN ORLEN needs.

**Fitch Ratings assigned final rating to the bond issue programme**

On 21 July 2017 a credit rating agency Fitch Ratings assigned final A(pol) rating to the Company bond issue programme directed to the individual investor.

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**SEPTEMBER 2017****The issue of PKN ORLEN A series bonds**

On 4 September 2017 the Company's Management Board decided to launch the issue of A series of bearer bonds within the bond issue programme directed to the individual investors ("Programme"), included in the prospectus approved by the Polish Financial Supervision Authority on 20 July 2017.

The bond issue programme assumes the issue of several bond series up to the total amount of PLN 1 billion during 12 months. The bonds will be offered in a public offering. The Company plans to introduce the bonds to trading on the Catalyst regulated market operated by the Warsaw Stock Exchange.

Terms and conditions of issue:

1. Expected bond issue date: 6 October 2017
2. Final redemption date: 19 September 2021
3. Number of A series bonds issued: up to 2,000,000
4. The total nominal value of A series bonds: up to PLN 200,000,000
5. Interest rate: variable
6. Margin for variable rate bonds: 1%
7. Base rate for variable rate bonds: 6M WIBOR
8. Rating to the bond issue programme: A (pol)

The subscriptions were conducted from 6 September 2017 to 15 September 2017. The offer was not divided into tranches. The allocation of the Bonds was made on 19 September 2017.

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**OCTOBER 2017****Registration of PKN ORLEN bonds**

On 4 October 2017 the Management Board of the Central Securities Depository of Poland adopted a resolution regarding registration on 6 October 2017 of 2,000,000 A series bonds, with the unit nominal value of PLN 100, issued within the public bond issue programme.

**Admission of bonds to exchange trading**

On 9 October 2017 the Management Board of the Warsaw Stock Exchange adopted a resolution regarding admission of 2,000,000 A series bonds to exchange trading on the Catalyst regulated market.

**First day of trading of PKN ORLEN series B bonds**

On 16 October 2017 the Management Board of the Warsaw Stock Exchange adopted a resolution determining the first day of trading of PKN ORLEN A series bonds on 19 October 2017.

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**NOVEMBER 2017****The issue of PKN ORLEN B series bonds**

On 15 November 2017 the Company's Management Board decided to launch the issue of B series of bearer bonds within the bond issue programme directed to the individual investors, included in the prospectus approved by the Polish Financial Supervision Authority on 20 July 2017.

Terms and conditions of issue:

1. Subscription period: from 22 November 2017 to 6 December 2017
2. Date of bonds allocation: 8 December 2017
3. Expected bonds issue date: 20 December 2017
4. Final redemption date: 8 December 2022
5. Number of B series bonds issued: up to 2,000,000
6. The total nominal value of B series bonds: up to PLN 200,000,000
7. Interest rate: variable
8. Margin for variable rate bonds: 1 %
9. Base for variable rate bonds: 6M WIBOR
10. Rating to the bond issue programme: A (pol)

The subscriptions were conducted from 22 November 2017 to 6 December 2017. The offer was not divided into tranches. The allocation of the Bonds was made on 8 December 2017.

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**DECEMBER 2017****Start of the procedure of the announcement of a voluntary tender offer to acquire shares in Unipetrol a.s.**

PKN ORLEN S.A. informed that on 12 December 2017 started the procedure of announcement of a voluntary tender offer to acquire shares of Unipetrol, a.s. ("Unipetrol").

Moreover, the Company informed that, it intends to conduct the Offer, inter alia, on terms and conditions described below:

- the Offer is announced under the condition, which is PKN ORLEN reaching the threshold of at least 90% of the shares in the Unipetrol's share capital,
- PKN ORLEN is entitled to withdraw from the condition described above,
- the Offer will only take effect if the above-mentioned condition or withdrawal by PKN ORLEN from this condition,
- the Offer will concern the acquisition by PKN ORLEN all other (not owned by PKN ORLEN) shares of Unipetrol
- the price per one Unipetrol's share in the Offer will amount to CZK 380,
- the subscription period under the Offer will run from the day of publication of the Tender Document to 30 January 2018 and may be extended by PKN ORLEN at the latest two business days prior to its expiry,
- the settlement of the transactions executed under the Offer is scheduled as of 23 February 2018,
- the Offer shall be commenced with an intent to potential delisting of Unipetrol's shares from trading at the Prague Stock Exchange (Burza cenných papírů Praha, a.s.) and potential squeeze out of the minority shareholders of Unipetrol,
- the Offer will be governed by the laws of Czech Republic,

- the remaining details of the Offer together with the necessary data was described in the Tender Offer Document that was made public available pursuant to applicable provisions of law.
- PKN ORLEN owns 114,226,499 shares of the Unipetrol, constituting 62.99% of the Unipetrol's share capital and corresponding to 62.99% of votes at the General Meeting of Unipetrol.

The terms and conditions of the Offer were described in detail in the Tender Offer Document, that was published on the corporate website of Unipetrol ([www.unipetrol.cz](http://www.unipetrol.cz)), on [www.patria.cz](http://www.patria.cz), on website of a broker house conducting the Offer and the Czech commercial gazette (Obchodní věstník).

#### Information on the build CCGT in Płock

PKN ORLEN S.A. informed that the usage permit for CCGT cogen-plant ("Power plant"), located within Production plant in Płock ("Production plant") is planned to be obtained in the 1<sup>st</sup> quarter of 2018.

After successful synchronization of the Power plant with the Polish Power System in September 2017 and reaching the maximum power output of ca. 600 MWe in November 2017, the Power plant delivered steam to the Production plant for the first time in December 2017. Currently a number of activities are conducted in order to obtain the usage permit for the Power plant.

#### Registration of PKN ORLEN B series bonds

On 18 December 2017 the Management Board of the Central Securities Depository of Poland ("KDPW") adopted a resolution regarding registration on 20 December 2017 of 2,000,000 B series bonds, with the unit nominal value of PLN 100.

#### Admission of bonds to exchange trading

On 22 December 2017 the Management Board of the Warsaw Stock Exchange adopted a resolution regarding admission of 2,000,000 B series bonds to exchange trading on the Catalyst regulated market.

#### First day of trading of PKN ORLEN series B bonds

On 27 December 2017 the Management Board of the Warsaw Stock Exchange adopted a resolution determining the first day of trading of PKN ORLEN B series bonds on 29 December 2017.

## JANUARY 2018

#### Convening of the Extraordinary General Meeting of PKN ORLEN

On 4 January the Management Board of PKN ORLEN S.A., acting pursuant to Article 399 § 1, Article 402(1) of the Commercial Companies Code and § 7 item 4 point 1 of the Company's Articles of Association in conjunction with the motion of the Minister of Energy informed about convenes for 2 February 2018 the Extraordinary General Meeting of PKN ORLEN.

#### Changes in the composition of the Supervisory Board of PKN ORLEN

On 5 January 2018 the Minister of Energy acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association appointed Ms Małgorzata Niezgoda to the PKN ORLEN S.A. Supervisory Board.

#### Approval by the Polish Financial Supervision Authority of an annex to the prospectus relating to bond issue programme

On 12 January 2018 the Polish Financial Supervision Authority approved the annex to the prospectus relating to the public bond issue programme directed to the individual investor ("Annex"). The Annex was prepared in relation to the start of the procedure of the announcement and execution of a voluntary tender offer to acquire shares of Unipetrol a.s. by PKN ORLEN S.A.

## 5. Other information

### 5.1. Composition of the Management Board and the Supervisory Board

As at the date of preparation of the foregoing consolidated financial statements, the composition of the management and supervisory bodies of the Company is as follows:

#### Management Board

Wojciech Jasiński	– President of the Management Board, General Director
Miroslaw Kochalski	– Vice-President of the Management Board
Zbigniew Leszczyński	– Member of the Management Board, Sales
Krystian Pater	– Member of the Management Board, Production
Wiesław Protasewicz	– Member of the Management Board, Chief Financial Officer
Maria Sosnowska	– Member of the Management Board, Investment and Purchasing

#### Supervisory Board

Angelina Anna Sarota	– Chairman of the Supervisory Board
Radosław Leszek Kwaśnicki	– Deputy Chairman of the Supervisory Board
Mateusz Henryk Bochacik	– Secretary of the Supervisory Board
Adrian Dworzyński	– Independent Member of the Supervisory Board
Izabela Felczak-Poturnicka	– Member of the Supervisory Board
Wojciech Kryński	– Independent Member of the Supervisory Board
Agnieszka Krzętowska	– Independent Member of the Supervisory Board
Małgorzata Niezgoda	– Member of the Supervisory Board

## 5.2. Shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting as at the submission date of the foregoing report

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date	Number of shares as at submission date
State Treasury	27.52%	117 710 196
Nationale-Nederlanden OFE*	7.72%	33 000 000
Aviva OFE*	6.99%	29 900 000
Other	57.77%	247 098 865
	<b>100.00%</b>	<b>427 709 061</b>

\*According to the information from the Ordinary General Shareholders' Meeting of PKN ORLEN of 30 June 2017

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

As at the date of the foregoing interim condensed consolidated financial statements, Members of the Management Board and the Supervisory Board did not hold any shares of PKN ORLEN.

In the period covered by the foregoing interim condensed consolidated financial statements, there were no changes in the ownership of shares PKN ORLEN held by members of the Management Board and the Supervisory Board.

## 5.4. Information on loan sureties or guarantees of at least 10% of the Parent Company's equity granted by the Parent Company or its subsidiaries to one entity or its subsidiary

PKN ORLEN is the guarantor of the 2 tranches of Eurobonds issued by an irrevocable and unconditional guarantees issued to the bondholders. The guarantees were granted for the duration of the Eurobond issue as in the following table:

	Nominal value		Subscription date	Expiration date	Rating	Value of guarantee issued	
	EUR	PLN				EUR	PLN
Eurobonds	750	3 318 **	7.06.2016	7.06.2023	BBB-, Baa2	1 100	4 588
Eurobonds	500	2 131 *	30.06.2014	30.06.2021	BBB-, Baa2	1 000	4 171
	<b>1 250</b>	<b>5 449</b>				<b>2 100</b>	<b>8 759</b>

The bonds have a fixed interest rate of 2.5%.

\* translated using exchange rate as at 31 December 2014

\*\* translated using exchange rate as at 31 December 2016

The value of guarantees granted was translated using the exchange rate as at 31 December 2017

## 5.5. Statement of the Management Board regarding the possibility to realize previously published forecasts of the current year results

The ORLEN Group did not publish forecasts of its results.

QUARTERLY FINANCIAL INFORMATION  
PKN ORLEN

**FOR THE 4<sup>th</sup> QUARTER**

**2017**

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

**C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN**
**Separate statement of profit or loss and other comprehensive income**

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
Sales revenues	70 012	18 191	53 633	16 309
<i>revenues from sales of finished goods and services</i>	34 611	9 502	30 072	8 210
<i>revenues from sales of merchandise and raw materials</i>	35 401	8 689	23 561	8 099
Cost of sales	(62 106)	(15 968)	(46 664)	(13 988)
<i>cost of finished goods and services sold</i>	(27 855)	(7 597)	(23 838)	(6 127)
<i>cost of merchandise and raw materials sold</i>	(34 251)	(8 371)	(22 826)	(7 861)
<b>Gross profit on sales</b>	<b>7 906</b>	<b>2 223</b>	<b>6 969</b>	<b>2 321</b>
Distribution expenses	(2 547)	(670)	(2 310)	(601)
Administrative expenses	(799)	(226)	(739)	(193)
Other operating income	449	169	246	84
Other operating expenses	(222)	(83)	(297)	(162)
<b>Profit from operations</b>	<b>4 787</b>	<b>1 413</b>	<b>3 869</b>	<b>1 449</b>
Finance income, incl.:	3 793	1 315	2 963	1 337
<i>reversal on impairment allowances of shares in related parties</i>	829	829	1 150	1 150
Finance costs, incl.:	(1 533)	(198)	(763)	(373)
<i>recognition of impairment allowances of shares in related parties</i>	(542)	-	(33)	(33)
<b>Net finance income and costs</b>	<b>2 260</b>	<b>1 117</b>	<b>2 200</b>	<b>964</b>
<b>Profit before tax</b>	<b>7 047</b>	<b>2 530</b>	<b>6 069</b>	<b>2 413</b>
Tax expense	(945)	(274)	(705)	(284)
<i>current tax</i>	(851)	(258)	(489)	(276)
<i>deferred tax</i>	(94)	(16)	(216)	(8)
<b>Net profit</b>	<b>6 102</b>	<b>2 256</b>	<b>5 364</b>	<b>2 129</b>
<b>Other comprehensive income:</b>				
<b>which will not be reclassified subsequently into profit or loss</b>	<b>(2)</b>	<b>(2)</b>	<b>(3)</b>	<b>(3)</b>
<i>actuarial gains and losses</i>	(2)	(2)	(3)	(3)
<b>which will be reclassified into profit or loss</b>	<b>580</b>	<b>83</b>	<b>(184)</b>	<b>(243)</b>
<i>hedging instruments</i>	717	104	(227)	(300)
<i>deferred tax</i>	(137)	(21)	43	57
	<b>578</b>	<b>81</b>	<b>(187)</b>	<b>(246)</b>
<b>Total net comprehensive income</b>	<b>6 680</b>	<b>2 337</b>	<b>5 177</b>	<b>1 883</b>
Net profit and diluted net profit per share (in PLN per share)	14.27	5.27	12.54	4.98

**Separate statement of financial position**

	31/12/2017 (unaudited)	31/12/2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	15 690	15 112
Intangible assets	772	853
Shares in related parties	9 564	8 905
Embedded derivatives and hedging instruments	189	66
Other assets	192	173
	<b>26 407</b>	<b>25 109</b>
<b>Current assets</b>		
Inventories	8 239	7 309
Trade and other receivables	7 335	6 561
Current tax assets	58	51
Cash	5 477	2 563
Non-current assets classified as held for sale	170	210
Embedded derivatives and hedging instruments	396	57
Other assets	1 270	1 212
	<b>22 945</b>	<b>17 963</b>
<b>Total assets</b>	<b>49 352</b>	<b>43 072</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	1 058	1 058
Share premium	1 227	1 227
Hedging reserve	253	(327)
Retained earnings	25 027	20 210
<b>Total equity</b>	<b>27 565</b>	<b>22 168</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans, borrowings and bonds	6 736	7 503
Provisions	440	369
Deferred tax liabilities	782	553
Embedded derivatives and hedging instruments	75	280
Other liabilities	220	213
	<b>8 253</b>	<b>8 918</b>
<b>Current liabilities</b>		
Trade and other liabilities	9 897	8 850
Loans, borrowings and bonds	552	1 335
Provisions	321	342
Current tax liabilities	66	534
Deferred income	172	138
Embedded derivatives and hedging instruments	278	289
Other liabilities	2 248	498
	<b>13 534</b>	<b>11 986</b>
<b>Total liabilities</b>	<b>21 787</b>	<b>20 904</b>
<b>Total equity and liabilities</b>	<b>49 352</b>	<b>43 072</b>

**Separate statement of changes in equity**

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
01/01/2017	2 285	(327)	20 210	22 168
Net profit	-	-	6 102	6 102
Items of other comprehensive income	-	580	(2)	578
<b>Total net comprehensive income</b>	-	<b>580</b>	<b>6 100</b>	<b>6 680</b>
Dividends	-	-	(1 283)	(1 283)
<b>31/12/2017</b>	<b>2 285</b>	<b>253</b>	<b>25 027</b>	<b>27 565</b>
(unaudited)				
01/01/2016	2 285	(143)	15 704	17 846
Net profit	-	-	5 364	5 364
Items of other comprehensive income	-	(184)	(3)	(187)
<b>Total net comprehensive income</b>	-	<b>(184)</b>	<b>5 361</b>	<b>5 177</b>
Dividends	-	-	(855)	(855)
<b>31/12/2016</b>	<b>2 285</b>	<b>(327)</b>	<b>20 210</b>	<b>22 168</b>



**Separate statement of cash flows**

	12 MONTHS ENDED 31/12/2017 (unaudited)	3 MONTHS ENDED 31/12/2017 (unaudited)	12 MONTHS ENDED 31/12/2016	3 MONTHS ENDED 31/12/2016 (unaudited)
<b>Cash flows from operating activities</b>				
<b>Profit before tax</b>	<b>7 047</b>	<b>2 530</b>	<b>6 069</b>	<b>2 413</b>
Adjustments for:				
Depreciation and amortisation	1 241	338	1 142	295
Foreign exchange (gain)/loss	(154)	(187)	288	107
Interest, net	172	44	209	53
Dividends	(1 599)	(75)	(1 610)	(130)
Profit on investing activities, incl.:	(97)	(851)	(1 172)	(1 127)
<i>(reversal)/recognition of impairment allowances of shares in related parties</i>	(287)	(829)	(1 117)	(1 117)
Change in provisions	159	51	181	85
Change in working capital	(814)	(57)	502	47
<i>inventories</i>	(928)	(912)	407	(346)
<i>receivables</i>	(722)	519	(2 561)	(1 311)
<i>liabilities</i>	836	336	2 656	1 704
Other adjustments, incl.:	(240)	(101)	(174)	(118)
<i>rights received free of charge</i>	(213)	(73)	(138)	(49)
Income tax (paid)	(1 270)	(285)	(1)	(2)
<b>Net cash from operating activities</b>	<b>4 445</b>	<b>1 407</b>	<b>5 434</b>	<b>1 623</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment, intangible assets and perpetual usufruct of land	(1 614)	(451)	(2 483)	(515)
Acquisition of shares	(382)	(32)	(182)	(6)
Disposal of property, plant and equipment, intangible assets and perpetual usufruct of land	184	22	135	21
Disposal of shares	-	-	88	-
Interest received	24	8	6	2
Dividends received	1 604	78	1 623	132
Expenses from non-current loans granted	(1)	(1)	-	-
Proceeds from non-current loans granted	6	2	6	2
Proceeds/(Expenses) from current loans granted	169	165	(1 052)	(850)
Proceeds/(Outflows) from cash pool facility	(322)	(208)	2	-
Other	(73)	(47)	(16)	(3)
<b>Net cash (used) in investing activities</b>	<b>(405)</b>	<b>(464)</b>	<b>(1 873)</b>	<b>(1 217)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans and borrowings received	-	-	7 307	-
Bonds issued	1 676	628	1 624	374
Repayments of loans and borrowings	(822)	-	(8 261)	(376)
Redemption of bonds	(2 147)	(560)	(1 422)	(385)
Interest paid	(257)	(25)	(244)	(34)
Dividends paid	(1 283)	-	(855)	-
Proceeds/(Outflows) from cash pool facility	1 766	971	(159)	102
Other	(25)	(7)	40	55
<b>Net cash from/(used in) financing activities</b>	<b>(1 092)</b>	<b>1 007</b>	<b>(1 970)</b>	<b>(264)</b>
<b>Net increase in cash</b>	<b>2 948</b>	<b>1 950</b>	<b>1 591</b>	<b>142</b>
Effect of exchange rate changes	(34)	(43)	8	7
Cash, beginning of the period	2 563	3 570	964	2 414
<b>Cash, end of the period</b>	<b>5 477</b>	<b>5 477</b>	<b>2 563</b>	<b>2 563</b>

**Statement of the Management Board****In respect of the reliability of preparation of the interim condensed consolidated financial statements**

The Management Board of PKN ORLEN hereby declares that to the best of its knowledge the foregoing interim condensed 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.

The foregoing quarterly report was approved by the Management Board of the Parent Company on 24 January 2018.

.....  
Wojciech Jasiński  
President of the Board

.....  
Mirosław Kochalski  
Vice-President of the Board

.....  
Zbigniew Leszczyński  
Member of the Board

.....  
Krystian Pater  
Member of the Board

.....  
Wiesław Protasewicz  
Member of the Board

.....  
Maria Sosnowska  
Member of the Board

Signature of a person responsible for  
keeping accounting books

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