

Q2 2009 Results of the ORLEN Group

Performance – General Overview

Table 1

Q1 2009	Q2 2009	Q2 2008	change %	Financial highlights PLNm	2009	2008	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
14,702	16,770	22,093	-24.1	Revenue	31,472	40,032	-21.4
331	1,317	2,253	-41.5	Operating profit/loss plus amortisation/depreciation (EBITDA)	1,648	3,405	-51.6
-320	661	1,646	-59.8	Operating profit/loss, including:	340	2,211	-84.6
-116	770	1,459	-47.2	Refining	654	1,789	-63.4
-72	-172	120	-	Petrochemical	-244	398	-
87	223	122	82.8	Retail	310	192	61.5
-219	-160	-55	-190.9	Corporate Functions ¹	-380	-168	-126.2
-171	812	1,562	-48.0	Clean operating profit/loss, including: ²	640	2,127	-69.9
-149	-151	84	-	Non-recurring events ³	-300	84	-
-87	-76	0	-	Refining	-163	0	-
0	-64	0	-	Petrochemical	-64	0	-
0	0	0	-	Retail	0	0	-
-62	-11	84	-	Corporate Functions	-73	84	-
-1,092	1,169	1,771	-34.0	Net profit/loss	77	2,414	-96.8
-1,095	1,171	1,741	-32.7	Profit/loss attributable to owners of the parent	76	2,367	-96.8
-963	1,294	1,673	-22.7	Clean profit/loss attributable to owners of the parent ³	331	2,299	-85.6
49,795	50,120	48,153	4.1	Assets	50,120	48,153	4.1
20,237	21,296	23,505	-9.4	Equity	21,296	23,505	-9.4
14,309	13,264	7,494	77.0	Net debt	13,264	7,494	77.0
1,151	1,921	1,281	49.9	Net cash provided by/used in operating activities	3,072	2,268	35.5
717	1,282	852	50.5	CAPEX	1,999	1,430	39.8
-0.3	-2.6	8.2	-	ROACE (%) ⁴	-2.7	8.2	-
65.9	66.4	34.3	32.1pp	Financial leverage (%) ⁵	61.7	35.4	26.3pp
5.89	7.38	1.29	472.8	Net debt/Operating profit plus amortisation/depreciation (EBITDA) for the last four quarters ⁶	7.38	1.29	472.8
2.95	3.20	1.98	61.8	Net debt/Operating profit plus amortisation/depreciation (EBITDA) based on the LIFO method for the last four quarters ⁷	3.20	1.98	61.8
-2.56	2.74	4.07	-32.7	Net earnings/loss per share attributable to owners of the parent (EPS)	0.18	5.53	-96.8
0.00	0.00	0.00	-	Dividend per share	0.00	0.00	-
-74	-267	787	-	Operating profit/loss	-342	1,025	-
246	-928	-859	8.0	Effect of using the LIFO method of inventory valuation on operating profit ⁸ , including:	-682	-1,186	42.5
333	-562	-556	1.1	PKN ORLEN S.A.	-229	-800	71.4
-35	-135	-62	117.7	Unipetrol Group	-169	-47	-259.6
-54	-216	-230	-6.1	Mazeikiu Group	-271	-329	-17.6
-892	421	1,067	-60.5	Net profit	-471	1,441	-

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

2) Clean profit is the Profit adjusted for the effect of non-recurring events.

3) Non-recurring events in Q2 2009 were related to business risks and the effect of shutdowns.

4) ROACE = operating profit for the last four quarters after tax / average capital employed (equity + net debt).

5) Financial leverage = net debt / equity (computed using the average carrying values in the period).

6) (Interest bearing) debt net of cash as at the period's end / (EBITDA + dividend received from Polkomtel) for the last four quarters.

(EBITDA excluding the effect of impairment losses on assets of PLN 2,361m recognised in the 2008 financial statements).

7) (Interest bearing) debt net of cash as at the period's end / (EBITDA + dividend received from Polkomtel) based on the LIFO method for the last four quarters.

(EBITDA excluding the effect of impairment losses on assets of PLN 2,361m recognised in the 2008 financial statements).

8) Computed as a difference between operating profit determined using the LIFO method of inventory valuation and operating profit determined using the weighted average method of inventory valuation.

Commentary

Operating Result Determined Using the LIFO Method and the Weighted Average Method of Inventory Valuation

In Q2 2009 the PKN ORLEN Group ("the ORLEN Group") reported an operating profit of PLN 661m, while in H1 2009 (on a year-to-date basis) it posted an operating profit of PLN 340m.

Year on year, the ORLEN Group's operating result fell in Q2 2009 by PLN (-) 985m.

Using the LIFO method of inventory valuation, in Q2 2009 the ORLEN Group posted an operating loss of PLN (-) 267m, compared with a profit of PLN 787m in Q2 2008.

Operating Performance of the ORLEN Group Companies

Year-on-year changes in operating results reported by the key ORLEN Group companies:

- PKN ORLEN S.A. reported a decrease in operating result of PLN (-) 702m year on year, mainly due to a deterioration in refining and petrochemical margins, as well as a lower Ural/Brent differential;
- the Mazeikiu Group reported a decrease in operating profit of PLN (-) 229m year on year, largely on the back of lower crude throughput volumes (down by 17% year on year), lower sales volumes caused by shutdowns, and the unfavourable macroeconomic conditions;
- the Unipetrol Group reported a decline in operating result of PLN (-) 147m year on year, mainly as a result of lower crude throughput volumes (down by 28% year on year) and lower sales volumes caused by shutdowns, coupled with a deterioration in refining and petrochemical margins;
- Basell Orlen Polyolefins reported a decrease in operating profit of PLN (-) 14m year on year, driven primarily by erosion of margins on polyolefins and lower sales volumes;
- the Anwil Group reported a drop in operating profit of PLN (-) 65m year on year, attributable to lower margins on the plastics market, a stoppage of the PVC Unit caused by a reduction in ethylene supplies from PKN ORLEN S.A. (a stoppage of the Olefin Unit) and lower sales volumes of artificial fertilisers;
- operating profit at the other ORLEN Group companies rose by PLN 172m year on year, with the most significant increases seen at ORLEN Asphalt (up by PLN 81m year on year) and ORLEN Deutschland AG (up by PLN 25m year on year).

Macroeconomic factors were the major driver behind the year-on-year change in the ORLEN Group's operating result in Q2 2009. The overall effect of the lower Ural/Brent differential and a deterioration in model margins, partly offset by depreciation of the Polish zloty against the US dollar and the euro, was negative at approx. PLN (-) 600m year on year.

A 12% decline in output, owing chiefly to overhaul stoppages, resulted in lower sales volumes, which in turn translated into the ORLEN Group's operating result falling by approx. PLN (-) 370m year on year.

The most important shutdowns included:

- PKN ORLEN S.A. – an unscheduled stoppage of the Olefin Unit;
- the Unipetrol Group – an upgrade stoppage of the refinery in Kralupy (scheduled as part of the 4-year overhaul cycle) and overhaul work on the Polyolefin Unit in Litvínov, unplanned stoppages of the FCC (Fluidized Catalytic Cracking) Unit (due to start-up problems following upgrade work) and the Olefin Unit in Litvínov (due to problems with the Unit's cooling system), as well as a stoppage of the Diesel Oil Hydrodesulphurisation Unit in Paramo (due to replacement of a catalyst);
- the Mazeikiu Group – a scheduled shutdown of the Reforming Unit, a stoppage of the Diesel Oil Hydrodesulphurisation Unit and process stoppages (lasting a few days at a time) caused by a fire of the Unit.

Financial Expenses and Net Profit/Loss

In Q2 2009 net financial income was PLN 581m. The major component of the positive net result were foreign exchange gains of PLN 619m resulting from appreciation of the Polish zloty, including unrealised foreign exchange gains on revaluation of foreign-currency loans, of PLN 351m.

Including contributions to net profit/loss by the undertakings consolidated with the equity method, and net of tax charges, the ORLEN Group's net profit for Q2 2009 was PLN 1,168m.

Debt

In H1 2009 the Group's net debt fell as a result of loan repayments and change in cash by PLN 132m. The effect of foreign exchange gains/losses on foreign-currency loans was a PLN 875m increase in net debt. The reduction of net debt in Q2 2009 was mainly attributable to foreign exchange gains on foreign-currency loans, of PLN 1,049m. As at June 30th 2009, the Group's net debt was PLN 13,264m.

Positive foreign exchange differences on translation of loans denominated in USD recorded in the Q2 of 2009, in relation to which there is a hedging relationship with net investment in Mazeikiu Nafta of PLN 462 million and change in indebtedness of foreign entities due to its translation into PLN using balance sheet date exchange rates within consolidation procedures in the amount of PLN 218 million are recognized in equity in line "Foreign exchange differences on subsidiaries from consolidation"

Other foreign exchange gains/losses comprise mainly unrealised foreign exchange gains/losses on revaluation of EUR-denominated loans.

The Group uses the EUR-denominated loans to finance its operations, as they provide a natural hedge against volatility of the operating result caused by fluctuations of PLN exchange rates.

Loan Agreements

In the financial statements as at December 31st 2008, the amount of PLN 9,475m relating to non-current liabilities under loan agreements was disclosed under current liabilities. These are liabilities under loan agreements containing a provision specifying a required Net debt / EBITDA ratio (operating result plus amortisation/depreciation), which was exceeded as at December 31st 2008.

On April 27th 2009, PKN ORLEN S.A. concluded negotiations with the lenders having obtained their approval to temporarily exceed the maximum allowed debt ratio. The lenders also agreed to continue the existing financing arrangements within the originally contracted limits and repayment schedules.

As at June 30th 2009, liabilities under bank loans were disclosed under non-current liabilities. With respect to bank loans of PLN 428m contracted by the ORLEN Group's subsidiaries, negotiations are underway concerning the terms under which the existing financing arrangement could be continued.

In the period covered by this report and subsequent to the balance-sheet date, PKN Orlen S.A. did not default on any payments of principal or interest under its loans or borrowings.

Detailed discussion of the revenues and operating performance of the individual segments is presented further on in this report.

Macroeconomic Commentary

Crude Prices and Ural/Brent Differential

In Q2 2009, the average price of Brent decreased by 51.2% year on year, to USD 59.13 /bbl. The average Ural/Brent differential fell from the Q2 2008 level by 79.2%, to USD 0.9/bbl.

Refining Products

Q2 2009 saw a rise in margins (crack spreads) on gasoline (up by 4.0% year on year, to USD 153.24/tonne), with a concurrent decline in margins on diesel oil (down by 75.2% year on year, to USD 68.93/tonne), light fuel oil (down by 80.5% year on year, to USD 46.92/tonne), and Jet A-1 fuel (down by 72.4% year on year, to USD 93.67/tonne). The negative margin on heavy fuel oil fell by a further 67.3%, to USD (-) 123.95/tonne.

Petrochemical Products

Compared with Q2 2008, margins on ethylene, propylene, polypropylene and polyethylene fell by, respectively, 27.9% year on year (to USD 502.43/tonne), 46.0% year on year (to USD 282.55/tonne), 3.9% year on year (to EUR 263.40/tonne) and 32.0% year on year (to EUR 195.38/tonne).

Exchange Rates

In Q2 2009 the average PLN/EUR exchange rate rose by 30.6% year on year (to 4.45 PLN/EUR), while the average PLN/USD exchange rate went up by 49.9% year on year (to 3.27 PLN/USD). At the same time, the average PLN/CZK exchange rate rose by 21.6% year on year (to 0.1669 PLN/CZK), and the average PLN/LTL exchange rate increased by 30.6% year on year (to 1.29 PLN/LTL). The average LTL/EUR exchange rate remained flat on Q2 2008 (at 3.45 LTL/EUR), while the LTL/USD went up by 15.0% year on year (to 2.54 LTL/USD). The average CZK/EUR exchange rate grew by 7.5% year on year (to 26.7 CZK/EUR), and the average CZK/USD exchange rate rose by 23.3% year on year (to 19.6 CZK/USD).

Fuel Consumption

According to estimates based on data provided by Agencja Rynku Energii S.A., in Q2 2009 consumption of gasoline in Poland amounted to approx. 1,093 thousand tonnes (up by 2.0% year on year). Consumption of diesel oil went up by 3.8% year on year in Q2 2009, and amounted to 2,730 thousand tonnes. At the same time, consumption of light fuel oil fell by 16.8% year on year, to 173 thousand tonnes.

Based on estimates from the Lithuanian market, consumption of gasoline in Q2 2009 went down by 8.8% year on year, to 102 thousand tonnes, while the consumption of diesel oil dropped by 26.5% year on year, and stood at 216 thousand tonnes.

According to estimates from the German retail market, consumption of gasoline in Q2 2009 remained largely flat on Q2 2008, standing at 5,182 thousand tonnes, whereas consumption of diesel oil fell by 1.5% year on year, to 2,978 thousand tonnes.

Q2 2009 Results of the ORLEN Group

Commentary – Refining Segment

Table 2

Q1 2009	Q2 2009	Q2 2008	% change	Item, PLNm	6 months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
10,563	12,109	17,176	-29.5	Revenue, including:	22,673	30,630	-26.0
7,906	8,835	13,076	-32.4	Sales to third parties	16,741	23,122	-27.6
2,657	3,274	4,100	-20.1	Intra-company sales	5,932	7,508	-21.0
-10,700	-11,422	-15,719	27.3	Costs	-22,123	-28,853	23.3
21	83	2	4,050.0	Net other operating profit/loss	104	12	766.7
-116	770	1,459	-47.2	Operating profit/ loss	654	1,789	-63.4
177	-121	608	-	Operating profit/ loss under LIFO	55	595	-90.8
212	1,104	1,771	-37.7	EBITDA	1,316	2,398	-45.1
263	305	427	-28.6	CAPEX	568	769	-26.1
5,630	5,419	6,651	-18.5	Sales of products (thousand tonnes)	11,049	12,230	-9.7

In Q2 2009, the Refining Segment of the ORLEN Group recorded operating profit of PLN 770m, compared with profit of PLN 1,459m posted in Q2 2008. A significant deterioration of the macroeconomic backdrop as regards the level of refining margins and the Ural/Brent differential (expressed in foreign currencies) led to a decline in operating profit by PLN (-) 440m year on year. The negative impact of the market factors was partially offset by depreciation of the Polish zloty against the US dollar and the euro, whose contribution to the Segment's result was PLN 49m year on year. The effect of rising crude prices on the valuation of inventories increased the operating result by PLN 40m year on year.

The Segment's lower sales volumes (mainly in gasoline and diesel oil), which fell by 264 thousand tonnes year on year and 215 thousand tonnes year on year, respectively, eroded the operating result by PLN (-) 349m year on year. The sales volumes reflect certain non-recurring events which occurred in Q2 2009, related mainly to technical problems with the Reforming and Diesel Oil Hydrodesulphurisation Units at PKN Orlen S.A., as well as the scheduled upgrade stoppage of the refinery in Kralupy and the prolonged stoppage of the FCC Unit due to certain start-up problems which occurred following the upgrade work on the refinery. At the Mazeikiu Group there was a scheduled shutdown of the Reforming Unit, a stoppage of the Diesel Oil Hydrodesulphurisation Unit and process stoppages (lasting a few days at a time) caused by a fire of the Unit.

Other factors with a bearing on the Segment's result included a positive effect of other operating activities, relating to the revaluation of impairment losses on assets amounting to PLN 81m and a PLN (-) 22m year on year increase in amortisation and depreciation charges.

Compared with Q2 2008, in Q2 2009 the Segment's CAPEX decreased by PLN (-) 122m year on year, to PLN 305m. The key CAPEX projects executed in Q2 2009 included the construction of the Diesel Oil Hydrodesulphurisation Unit (HON-VII), a new Hydrogen Plant, and the Claus II Unit together with auxiliary infrastructure at PKN ORLEN S.A., as well as the construction of a new Hydrogen Plant and upgrade of the second Diesel Oil Hydrodesulphurisation Unit at the Mazeikiu Group.

Q2 2009 Results of the ORLEN Group

Commentary – Retail Segment

Table 3

Q1 2009	Q2 2009	Q2 2008	% change	Item, PLNm	6 months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
4,739	5,781	5,975	-3.2	Revenue, including:	10,520	10,860	-3.1
4,726	5,766	5,962	-3.3	Sales to third parties	10,492	10,837	-3.2
13	15	13	15.4	Intra-company sales	28	23	21.7
-4,626	-5,568	-5,853	4.9	Costs	-10,194	-10,670	4.5
-26	10	0	-	Net other operating profit/loss	-16	2	-
87	223	122	82.8	Operating profit/ loss	310	192	61.5
174	318	208	52.9	EBITDA	492	357	37.8
43	54	119	-54.6	CAPEX	97	200	-51.5
1,340	1,523	1,450	5.0	Sales of products (thousand tonnes)	2,863	2,734	4.7

In Q2 2009 the Retail Segment of the ORLEN Group reported an operating profit of PLN 223m, compared with PLN 122m in Q2 2008. The improvement was driven by higher fuel margins, which added PLN 70m to operating profit year on year. The positive effect of the higher margins was seen mainly on the German and Czech markets.

Another driver behind the improvement was an increase in the volumes of fuels sold (up by 5.0% year on year), which contributed PLN 28m year on year to the operating result. The most visible increase in sales volumes of fuels occurred on the Polish market, where PKN ORLEN recorded a 9.5% year on year growth in sales.

The Q2 2009 non-fuel margins rose by PLN 34m year on year. The upward trend was particularly strong on the Polish and German markets.

Factors with an adverse effect on the Segment's result included higher operating costs of fuel stations, stemming from an increase in the volumes of fuels and non-fuel products sold, of PLN (-) 22m year on year.

In Q2 2009, the Segment's CAPEX fell by PLN (-) 65m year on year, to PLN 54m. In Q2 2009, 18 service stations were upgraded and reconstructed, and 11 new ones were opened.

Q2 2009 Results of the ORLEN Group

Commentary – Petrochemical Segment

Table 4

Q1 2009	Q2 2009	Q2 2008	% change	Item, PLNm	6 months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
2,954	3,201	4,076	-21.5	Revenue, including:	6,154	8,151	-24.5
2,050	2,154	3,033	-29.0	Sales to third parties	4,204	6,025	-30.2
904	1,047	1,043	0.4	Intra-company sales	1,950	2,126	-8.3
-3,048	-3,363	-3,980	15.5	Costs	-6,411	-7,787	17.7
22	-10	24	-	Net other operating profit/loss	13	34	-61.8
-72	-172	120	-	Operating profit/ loss	-244	398	-
-119	-209	111	-	Operating profit/ loss under LIFO	-328	406	-
132	31	311	-90.0	EBITDA	162	778	-79.2
401	892	287	210.8	CAPEX	1,293	416	210.8
1,245	1,197	1,245	-3.9	Sales of products (thousand tonnes)	2,442	2,536	-3.7

In Q2 2009, the Petrochemical Segment recorded an operating loss of PLN (-) 172m, compared with a profit of PLN 120m in Q2 2008.

As a result of a deterioration in petrochemical margins, the Segment's result shrank by PLN (-) 327m year on year. On the other hand, depreciation of the Polish zloty against the US dollar and the euro had a positive effect, estimated at PLN 115m year on year. The effect of changes in the prices of petrochemical products on the valuation of inventories increased the Segment's operating result by PLN 28m year on year.

The Segment's lower sales volumes, notably in olefins and polyolefins (which fell by a total of (-) 49 thousand tonnes), drove the operating result down by PLN (-) 52m year on year.

Other factors with a bearing on the Segment's result included a negative effect of other operating activities, relating mainly to the revaluation of impairment losses on assets amounting to PLN (-) 33m and a PLN (-) 11m year on year increase in amortisation and depreciation charges.

In Q2 2009, the Segment's CAPEX increased by PLN 605m year on year, to PLN 892m. The largest projects executed in Q2 2009 included the construction of Paraxylene and Terephthalic Acid Units at PKN ORLEN S.A., the construction of a new Butadiene Unit at the Unipetrol Group, and the connection of the Terephthalic Acid Unit at the Anwil Group to utilities.

Q2 2009 Results of the ORLEN Group

Commentary – Corporate Functions

Table 5

Q1 2009	Q2 2009	Q2 2008	% change	Item, PLNm	6 months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
65	68	38	78.9	Revenue, including:	133	106	25.5
20	15	21	-28.6	Sales to third parties	35	47	-25.5
45	53	17	211.8	Intra-company sales	98	59	66.1
-234	-198	-156	-26.9	Costs	-432	-322	-34.2
-50	-30	63	-	Net other operating profit/loss	-81	48	-
-219	-160	-55	-190.9	Operating profit/ loss	-380	-168	-126.2
-187	-136	-36	-277.8	EBITDA	-321	-128	-150.8
9	32	19	68.4	CAPEX	41	45	-8.9

The Segment's operating result was driven mainly by the effects of certain non-recurring events which occurred in Q2 2008 and related to a dispute with Polska Grupa Energetyczna S.A., resolved in favour of the ORLEN Group, concerning the sale of shares in Niezależny Operator Międzystrefowy Sp. z o.o. (PLN 84m). Another factor affecting the Segment's result was the cost of arbitration proceedings against Agrofert in the amount of PLN (-) 11m.

In Q2 2009 the Segment's CAPEX of PLN 32m related mainly to IT projects. On a year-to-date basis, there was a fall in CAPEX relative to H1 2008.

Interim Condensed Consolidated Financial Statements

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for 3 and 6 months ended
June 30th 2009 and June 30th 2008

Table 6

Q1 2009	Q2 2009	Q2 2008	% change	Item, PLNm	6 months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
15,665	17,518	21,581	-18.8	Revenue on sales of products	33,183	39,474	-15.9
-4,636	-4,919	-4,247	-15.8	Excise tax and other charges	-9,555	-8,230	-16.1
11,029	12,599	17,334	-27.3	Net revenue on sales of products	23,628	31,244	-24.4
3,927	4,457	5,337	-16.5	Revenue on sales of goods for resale and materials	8,384	9,844	-14.8
-254	-286	-578	50.5	Excise tax and other charges	-540	-1,056	48.9
3,673	4,171	4,759	-12.4	Net revenue on sales of goods for resale and materials	7,844	8,788	-10.7
14,702	16,770	22,093	-24.1	Sales revenue	31,472	40,032	-21.4
-10,464	-11,159	-14,795	24.6	Cost of products sold	-21,623	-27,301	20.8
-3,268	-3,785	-4,521	16.3	Cost of goods for resale and materials sold	-7,052	-8,311	15.1
-13,732	-14,944	-19,316	22.6	Cost of products, goods for resale and materials sold	-28,675	-35,612	19.5
970	1,826	2,777	-34.2	Gross profit on sales	2,797	4,420	-36.7
-875	-855	-882	3.1	Selling costs	-1,731	-1,623	-6.7
-381	-365	-337	-8.3	General and administrative expenses	-747	-682	-9.5
125	210	191	9.9	Other operating income	335	306	9.5
-159	-155	-103	-50.5	Other operating expenses	-314	-210	-49.5
-320	661	1,646	-59.8	Operating profit/loss	340	2,211	-84.6
293	743	589	26.1	Financial income	462	1,031	-55.2
-1,296	-162	-180	10.0	Financial expenses	-884	-466	-89.7
-1,003	581	409	42.1	Financial income/expenses	-422	565	-
52	93	83	12.0	Share in net profit/loss of undertakings valued with equity method	146	152	-3.9
-1,271	1,335	2,138	-37.6	Profit/loss before tax	64	2,928	-97.8
179	-166	-367	54.8	Corporate income tax	13	-514	-
-1,092	1,169	1,771	-34.0	Net profit/loss	77	2,414	-96.8
				Other comprehensive income, including:			
-133	119	-44	-	Valuation of hedging instruments	-14	-34	58.8
44	41	-55	-	Settlement of hedging instruments	84	-83	-
895	-230	-248	7.3	Foreign exchange gains/losses from consolidation	666	-548	-
17	-30	19	-	Deferred tax on other comprehensive income	-13	22	-
823	-99	-328	69.8	Total other comprehensive income	724	-642	-
-269	1,069	1,442	-25.9	Total comprehensive income	800	1,772	-54.9
				Net profit/(loss) attributable to:			
-1,095	1,171	1,741	-32.7	owners of the parent	76	2,367	-96.8
3	-2	30	-	minority interests	1	47	-97.9
				Comprehensive income attributable to:			
-477	1,047	1,398	-25.1	owners of the parent	570	1,640	-65.2
208	23	44	-47.7	minority interests	231	132	75.0
-2.56	2.74	4.07	-32.7	Net profit/(loss) and diluted net earnings/(loss) per share attributable to owners of the parent (PLN/share)	0.18	5.53	-96.8

Q2 2009 Results of the ORLEN Group

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30th 2009 and December 31st 2008

Table 7

Mar 31 2009	Jun 30 2009	% change	ITEM, PLNm	Dec 31 2008	% change
1	2	3=(2-1)/1	4	5	6=(2-5)/5
			ASSETS		
			Non-current assets		
28,149	28,067	-0.3	Property, plant and equipment	26,269	6.8
607	608	0.2	Intangible assets	557	9.2
92	93	1.1	Goodwill	88	5.7
64	50	-21.9	Financial assets available for sale	62	-19.4
1,616	1,405	-13.1	Shares in undertakings consolidated with equity method	1,561	-10.0
876	485	-44.6	Deferred tax asset	485	0.0
76	77	1.3	Investment property	72	6.9
99	97	-2.0	Perpetual usufruct right to land	99	-2.0
98	78	-20.4	Long-term loans and receivables	88	-11.4
31,677	30,960	-2.3	Total non-current assets	29,281	5.7
			Current assets		
8,832	10,378	17.5	Inventories	9,089	14.2
6,635	6,986	5.3	Trade and other receivables	6,356	9.9
176	150	-14.8	Income taxes receivable	392	-61.7
356	224	-37.1	Current financial assets	258	-13.2
235	241	2.6	Prepayments and accrued income	204	18.1
1,827	1,125	-38.4	Cash	1,344	-16.3
57	56	-1.8	Assets held for sale	52	7.7
18,118	19,160	5.8	Total current assets	17,695	8.3
49,795	50,120	0.7	Total assets	46,976	6.7
			EQUITY AND LIABILITIES		
			Equity		
535	535	0.0	Share capital	535	0.0
523	523	0.0	Share capital revaluation adjustment	523	0.0
1,058	1,058	0.0	Share capital	1,058	0.0
1,058	1,058	0.0	Share premium account	1,058	0.0
169	169	0.0	Share premium revaluation adjustment	169	0.0
1,227	1,227	0.0	Share premium account	1,227	0.0
-172	-42	-75.6	Hedging capital	-100	-58.0
614	359	-41.5	Foreign exchange gains/losses	-77	-570.1
14,619	15,771	7.9	Retained profit	15,705	0.4
17,346	18,373	5.9	Equity attributable to owners of the parent	17,813	3.1
2,891	2,923	1.1	Equity attributable to minority interests	2,719	7.5
20,237	21,296	5.2	Total equity	20,532	3.7
			Non-current liabilities		
2,795	12,507	347.5	Loans and borrowings	2,611	379.0
721	707	-1.9	Provisions	747	-5.4
1,231	1,108	-10.0	Deferred tax liability	1,135	-2.3
151	357	136.4	Other non-current liabilities	141	153.2
4,898	14,679	199.7	Total non-current liabilities	4,634	216.8
			Current liabilities		
8,656	11,456	32.3	Trade and other payables	8,377	36.8
863	348	-59.7	Provisions	753	-53.8
30	28	-6.7	Income tax expense	35	-20.0
13,342	1,883	-85.9	Loans and borrowings	11,282	-83.3
146	142	-2.7	Deferred income	150	-5.3
1,623	288	-82.3	Other financial liabilities	1,213	-76.3
24,660	14,145	-42.6	Total current liabilities	21,810	-35.1
49,795	50,120	0.7	Total equity and liabilities	46,976	6.7

Q2 2009 Results of the ORLEN Group

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for 3 and 6 months ended
June 30th 2009 and June 30th 2008

Table 8

Q1 2009	Q2 2009	Q2 2008	% change	Item, PLNm	6 months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
Cash flows from operating activities							
-1,092	1,169	1,771	-34.0	Net profit/ loss	77	2,414	-96.8
Adjustments:							
-53	-93	-82	-13.4	Share in net profit/(loss) of undertakings valued with equity method	-146	-152	3.9
651	656	607	8.1	Amortisation and depreciation	1,308	1,194	9.5
845	-381	-351	-8.5	Foreign exchange gains/ (losses)	463	-533	-
96	113	104	8.7	Interest	208	235	-11.5
16	-57	-40	-42.5	(Profit)/loss on investing activities	-41	-43	4.7
-25	-294	-1,164	74.7	Decrease/(increase) in receivables	-318	-1,457	78.2
531	-1,628	-688	-136.6	Decrease/(increase) in inventories	-1,098	-1,598	31.3
103	2,794	1,036	169.7	(Decrease)/increase in liabilities	2,898	2,115	37.0
46	-523	-3	-17333.3	(Decrease)/increase in provisions	-478	-23	-1978.3
-180	166	367	-54.8	Income tax on (loss)/profit before tax	-13	514	-
191	-21	-178	88.2	Income tax received/(paid)	170	-297	-
22	20	-98	-	Other adjustments	42	-101	-
1,151	1,921	1,281	50.0	Net cash provided by/(used in) operating activities	3,072	2,268	35.4
Cash flows from investing activities							
-885	-785	-694	-13.1	Acquisition of property, plant and equipment and intangible assets	-1,669	-1,567	-6.5
34	19	28	-32.1	Disposal of property, plant and equipment and intangible assets	53	52	1.9
0	1	0	-	Disposal of shares	1	166	-99.4
0	-1,018	0	-	Acquisition of shares	-1,018	0	-
2	76	99	-23.2	Interest and dividend received	77	102	-24.5
0	-5	0	-	Increase in loans granted	-5	0	-
0	6	0	-	Decrease in loans granted	6	1	500.0
0	0	-2	-	Dividend paid to minority interests	0	-2	-
-3	-2	-4	50.0	Other	-5	-7	28.6
-852	-1,708	-573	-198.1	Net cash used in investing activities	-2,560	-1,255	-104.0
Cash flows from financing activities							
3,494	1,787	1,365	30.9	Increase in loans and borrowings	5,280	2,696	95.8
0	0	96	-	Issue of debt securities	0	333	-
-3,160	-2,471	-1,951	-26.7	Repayment of loans and borrowings	-5,631	-3,256	-72.9
0	0	-271	-	Redemption of debt securities	0	-636	-
-116	-210	-113	-85.8	Interest paid	-326	-240	-35.8
-45	-10	-9	-11.1	Payment of liabilities under financial lease agreements	-54	-18	-200.0
1	0	0	-	Other	1	0	-
174	-904	-883	-2.4	Net cash provided by (used in) financing activities	-730	-1,121	34.9
473	-691	-175	-294.9	Net change in cash	-218	-108	-101.9
10	-11	0	-	Change in foreign-exchange gains/(losses)	-1	-1	0.0
1,344	1,827	1,564	16.8	Cash at beginning of period	1,344	1,498	-10.3
1,827	1,125	1,389	-19.0	Cash at end of period, including	1,125	1,389	-19.0
211	31	62	-50.0	restricted cash	31	62	-50.0

Q2 2009 Results of the ORLEN Group

POLSKI KONCERN NAFTOWY ORLEN S.A.
AMORTISATION/DEPRECIATION BY SEGMENT
for 3 and 6 months ended
June 30th 2009 and June 30th 2008

Table 9

Q1 2009	Q2 2009	Q2 2008	% change	Item, PLNm	6months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
327	335	313	7.0	Refining	662	609	8.7
				<i>including:</i>			
125	111	126	-11.9	PKN ORLEN S.A.	236	246	-4.1
48	49	47	4.3	Unipetrol Group	97	89	9.0
119	141	106	33.0	Mazeikiu Group	260	206	26.2
87	95	86	10.5	Retail	182	165	10.3
				<i>including:</i>			
46	54	45	20.0	PKN ORLEN S.A.	100	82	22.0
15	15	23	-34.8	Unipetrol Group	30	46	-34.8
3	1	2	-50.0	Mazeikiu Group	4	3	33.3
204	201	190	5.8	Petrochemical	405	380	6.6
				<i>including:</i>			
53	54	52	3.8	PKN ORLEN S.A.	107	106	0.9
94	95	85	11.8	Unipetrol Group	189	167	13.2
39	37	35	5.7	Anwil Group	76	71	7.0
18	16	18	-11.1	Basell Orlen Polyolefins Sp. z o.o.	34	37	-8.1
34	25	18	38.9	Corporate Functions	59	40	47.5
				<i>including:</i>			
16	15	10	50.0	PKN ORLEN S.A.	31	25	24.0
4	4	1	300.0	Unipetrol Group	8	2	300.0
12	3	4	-25.0	Mazeikiu Group	15	8	87.5
652	656	607	8.1	ORLEN Group	1 308	1,194	9.5

Operating Data

POLSKI KONCERN NAFTOWY ORLEN S.A.
PRODUCTION VOLUMES
for 3 months ended June 30th 2009 and June 30th 2008

Table 10

Output (‘000 tonnes)	Q2 2009	Q2 2008	y-o-y change %	Q2 2009	% share	Q2 2009	% share	Q2 2009	% share
1	2	3	4=(2-3)/3	5	6=5/ total for segment	7	8=7/ total for segment	9	10=9/ total for segment
Refining	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		Mazeikiu Group	
Crude oil throughput	6,560	7,342	-10.7	3,586	-	848	-	2 054	-
Gasoline	1,555	1,629	-4.5	789	26.4	127	14.2	638	32.0
Diesel fuel	2,543	2,654	-4.2	1,409	47.2	388	43.3	749	37.4
Light fuel oil	139	189	-26.5	125	4.2	5	0.6	1	0.1
A-1 jet fuel	153	328	-53.4	66	2.2	8	0.9	79	4.0
Heavy fuel oil	603	773	-22.0	187	6.3	15	1.7	365	18.3
LPG	144	197	-26.9	65	2.2	26	2.9	70	3.5
Bitumens	338	337	0.3	0	0.0	72	8.0	44	2.2
Engine oils	53	87	-39.1	0	0.0	22	2.5	0	0.0
Other	202	241	-16.2	344	11.5	232	25.9	50	2.5
Total products	5,730	6,435	-11.0	2,985	-	895	-	1,996	-

Petrochemical	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		BOP		Anwil Group	
Polyethylene	100	126	-20.6	0	0.0	64	8.0	36	50.7	0	0.0
Polypropylene	81	102	-20.6	0	0.0	46	5.7	35	49.3	0	0.0
Ethylene	53	94	-43.6	98	34.1	98	12.2	0	0.0	0	0.0
Propylene	45	66	-31.8	77	26.8	52	6.5	0	0.0	0	0.0
Toluene	16	34	-52.9	16	5.6	0	0.0	0	0.0	0	0.0
Benzene	60	79	-24.1	18	6.3	43	5.4	0	0.0	0	0.0
Paraxylene	0	7	-100.0	0	0.0	0	0.0	0	0.0	0	0.0
Ortoxylyene	6	7	-14.3	6	2.1	0	0.0	0	0.0	0	0.0
Acetone	5	8	-37.5	5	1.7	0	0.0	0	0.0	0	0.0
Butadiene	12	15	-20.0	12	4.2	0	0.0	0	0.0	0	0.0
Glycol	16	27	-40.7	16	5.6	0	0.0	0	0.0	0	0.0
Ethylene oxide	4	4	0.0	4	1.4	0	0.0	0	0.0	0	0.0
Phenol	8	12	-33.3	8	2.8	0	0.0	0	0.0	0	0.0
PVC	89	104	-14.4	0	0.0	0	0.0	0	0.0	89	14.7
PVC granulate	10	17	-41.2	0	0.0	0	0.0	0	0.0	10	1.7
CANWIL	87	116	-25.0	0	0.0	0	0.0	0	0.0	87	14.4
Ammonium nitrate	158	125	26.4	0	0.0	0	0.0	0	0.0	158	26.1
Other	783	892	-12.2	27	9.4	500	62.2	0	0	261	43.1
Total products	1,533	1,835	-16.5	287	-	803	-	71	-	605	-
Total output	7,263	8,270	-12.2	3,272	-	1,698	-	-	-	605	-

*) Change of data relative to that published in the Q2 2008 report, due to consolidation of production in the IT platform).

Q2 2009 Results of the ORLEN Group

POLSKI KONCERN NAFTOWY ORLEN S.A.
SALES OF KEY PRODUCTS
for 3 and 6 months ended
June 30th 2009 and June 30th 2008

Table 11

Q1 2009	Q2 2009	Q2 2008	% change	Sales volume (‘000 tonnes)	6 months 2009	6 months 2008	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
Refining							
1,388	1,301	1,565	-16.9	Gasoline	2,689	2,756	-2.4
2,227	2,132	2,347	-9.2	Diesel fuel	4,359	4,322	0.9
288	128	206	-37.9	Light fuel oil	416	508	-18.1
126	186	356	-47.8	Jet A-1 fuel	312	538	-42.0
626	537	681	-21.1	Heavy fuel oil	1,163	1,450	-19.8
76	137	152	-9.9	LPG	213	248	-14.1
48	334	339	-1.5	Bitumens	382	402	-5.0
27	36	24	50.0	Engine oils	63	52	21.2
824	628	981	-36.0	Other	1,452	1,954	-25.6
5,630	5,419	6,651	-18.5	Total products	11,049	12,230	-9.7
Retail							
538	607	615	-1.3	Gasoline	1,145	1,154	-0.8
654	774	707	9.5	Diesel fuel	1,428	1,320	8.2
52	96	78	23.1	LPG	148	143	3.5
96	46	50	-8.0	Other	142	117	21.4
1,340	1,523	1,450	5.0	Total products	2,863	2,734	4.7
6,970	6,942	8,101	-14.3	Refining + Retail	13,912	14,964	-7.0
Petrochemical							
115	127	143	-11.2	Polyethylene	242	261	-7.3
94	105	104	1.0	Polypropylene	199	199	0.0
67	58	77	-24.7	Ethylene	125	153	-18.3
49	46	61	-24.6	Propylene	95	122	-22.1
18	19	34	-44.1	Toluene	37	70	-47.1
61	58	79	-26.6	Benzene	119	151	-21.2
0	1	7	-85.7	Paraxylene	1	13	-92.3
4	6	7	-14.3	Ortoxylene	10	15	-33.3
5	5	7	-28.6	Acetone	10	16	-37.5
11	14	15	-6.7	Butadiene	25	31	-19.4
17	18	27	-33.3	Glycol	35	60	-41.7
4	4	4	0.0	Ethylene oxide	8	8	0.0
8	9	12	-25.0	Phenol	17	25	-32.0
88	98	88	11.4	PVC	186	170	9.4
12	16	15	6.7	PVC granulate	28	32	-12.5
111	72	105	-31.4	CANWIL	183	237	-22.8
175	139	119	16.8	Ammonium nitrate	314	271	15.9
406	402	341	17.9	Other	808	702	15.1
1,245	1,197	1,245	-3.9	Total products	2,442	2,536	-3.7
8,215	8,139	9,346	-12.9	ORLEN Group – total	16,354	17,500	-6.5

Q2 2009 Results of the ORLEN Group

Effect of Using LIFO Method of Inventory Valuation

The Management Board of Polski Koncern Naftowy ORLEN S.A. hereby releases information on the effect of applying the LIFO (last in – first out) method of inventory valuation on PKN ORLEN's profit/loss and the ORLEN Group's consolidated profit/loss for Q2 2009 and for Q1-Q2 2009. Profit before tax and net profit (i.e. after including the effect in deferred income tax), as estimated by the Company for PKN ORLEN and the ORLEN Group using the LIFO method of inventory valuation, were as follows (PLNm) :

Table 12

Q2 2009		Q2 2008		Profit, PLNm	6 months 2009		6 months 2008	
Inventory valuation at the weighted average production or acquisition cost	LIFO valuation	Inventory valuation at the weighted average production or acquisition cost	LIFO valuation		Inventory valuation at the weighted average production or acquisition cost	LIFO valuation	Inventory valuation at the weighted average production or acquisition cost	LIFO valuation
1,914	1,352	2,009	1,453	Non-consolidated gross profit	-39	-268	2,797	1,997
1,623	1,168	1,709	1,258	Non-consolidated net profit	24	-162	2,374	1,726
1,335	407	2,138	1,279	Consolidated gross profit	64	-618	2,928	1,742
1,169	421	1,771	1,067	Consolidated net profit	77	-471	2,414	1,441

PKN ORLEN S.A. and the ORLEN Group value their inventories using a method based on the weighted average production or acquisition cost. The application of that method results in deferred recognition of an increase or decrease in the oil prices relative to the prices of finished products. Therefore, the reported results benefit from increases in the oil prices and are adversely affected when the prices fall. The application of the LIFO method of inventory valuation results in the current production being valued based on the current purchase prices of oil. Accordingly, an upward trend in the oil prices has a negative effect, and a falling trend has a positive effect, on the results computed using the LIFO method of inventory valuation.