

Q3 2008 Results of the ORLEN Group

Performance – General Overview

Financial highlights, PLNm	Q3 2008	Q2 2008	Q3 2007	y/y +/- %	q/q +/- %	2008	2007	+/- %
1	2	3	4	5 = (2-4) / 4	6=(2-3) / 3	7	8	9 = (7-8) / 8
Revenue	23,058	22,090	17,265	33.6	4.4	63,086	46,891	34.5
Operating profit plus depreciation/ amortisation (EBITDA)	1,120	2,253	1,438	-22.1	-50.3	4,526	4,305	5.1
Operating profit/loss, including:	512	1,646	834	-38.6	-68.9	2,724	2,500	9.0
Refining (Production and Wholesale)	184	1,407	462	-60.2	-86.9	1,831	1,448	26.5
Petrochemicals	104	35	294	-64.6	197.1	370	1,013	-63.5
Chemicals	87	73	56	55.4	19.2	252	207	21.7
Refining (Retail)	247	109	175	41.1	126.6	460	356	29.2
Other ¹	29	74	-22	-	60.8	104	-109	-
Unallocated ²	-139	-52	-131	-	-	-293	-415	-29.4
Clean EBIT, including³	557	1,562	846	-34.2	-64.3	2,685	2,587	3.8
Non-recurring events ⁴	-45	84	-12	275.0	-	39	-87	-
Refining (Production and Wholesale)	0	0	0	-	-	0	-63	-
Petrochemicals	0	0	-1	-	-	0	-1	-
Chemicals	0	0	0	-	-	0	0	-
Refining (Retail)	-14	0	0	-	-	-14	0	-
Other ¹	0	0	-2	-	-	0	-3	-
Unallocated ²	-31	84	-9	244.4	-	53	-20	-
Net profit	71	1,698	538	-86.8	-95.8	2,485	1,892	31.3
Profit attributable to equity holders of the Parent	21	1,668	593	-96.5	-98.7	2,388	1,778	34.3
Clean profit attributable to equity holders of the Parent	62	1,600	605	-89.8	-96.1	2,361	1,852	27.5
Assets	49,607	48,153	45,320	9.5	3.0	49,607	45,320	9.5
Equity	23,897	23,505	22,731	5.1	1.7	23,897	22,731	5.1
Net debt	9,695	7,214	7,334	32.2	34.4	9,695	7,334	32.2
Net cash provided by (used in) operating activities	238	1,281	630	-62.2	-81.4	2,506	2,538	-1.3
CAPEX	1,138	849	815	39.6	34.0	2,564	1,986	29.1
ROACE (%)⁵	7.1	8.2	6.3	13.3	-13.5	7.1	6.4	11.2
Net debt to equity ratio (%)⁶	35.7	33.3	33.6	6.2	7.1	39.4	34.2	15.3
Net debt/EBITDA⁷	1.76	1.24	1.50	17.4	42.2	1.76	1.50	17.4
EPS	0.17	3.97	1.26	-86.8	-95.8	5.81	4.42	31.3
Dividend per share	1.62	0.00	0.00	-	-	1.62	0.00	-

Financial data, LIFO method (PLNm)	Q3 2008	Q2 2008	Q3 2007	y/y +/- %	q/q +/- %	2008	2007	Zmiana %
Operating profit/loss ⁸	828	786	553	49.7	5.3	1,855	1,896	-2.2
Inventory valuation ⁹ with LIFO method at operating profit level, including:	316	-860	-281	-	-	-869	-604	-43.9
at PKN ORLEN S.A.	-58	-556	-266	78.2	89.6	-859	-491	-74.9
at the Unipetrol Group	40	-62	5	-700.0	-	-7	-52	86.5
at the Mazeikiu Group	335	-230	-34	-	-	6	-80	-
Net profit	340	994	310	9.7	-65.8	1,781	1,405	26.8

- 1) PKN ORLEN's companies responsible for support functions, employee-related services and maintenance.
- 2) Includes the PKN Corporate Centre and companies not included in the segments specified above.
- 3) Clean EBIT is the profit adjusted by the effect of non-recurring events.
- 4) Non-recurring events in Q3 2008 relating to business risks.
- 5) ROACE = operating profit for the last four quarters after tax / average capital employed (equity + net debt).
- 6) Calculated for the average balance-sheet values.
- 7) Debt (interest bearing) net of cash and short-term securities / (EBITDA + dividend received from Polkomtel) for the last four quarters.
- 8) Until Q4 2007, under the LIFO method applied at the ORLEN Group, new inventories (new layers) were valued at unit prices recorded in Q1 of a given year, while it should be valued at acquisition cost in the current period. In Q4 2007, with a view to ensuring the best possible comparability of revenue and costs in the given period, the impact of changes in prices of new layers of inventories (from the figures relating to Q1 to current period amounts) was assessed, while from Q1 2008 onwards, new layers have been recognised at current period prices. In the case of PKN ORLEN S.A., the resulting amounts were PLN (-) 16m for Q3 2007 and PLN 33m for the first three quarters of 2007. Detailed information on the impact of inventory valuation is presented on p. 17 of this report.
- 9) Calculated as difference between operating profit under inventory valuation with the LIFO method and operating profit under inventory valuation with the weighted average method.

Commentary

In Q3 2008, operating profit of the ORLEN Group (“the ORLEN Group”), calculated with the weighted average method of inventory valuation, decreased by PLN 322m year on year, to PLN 512m. Under the LIFO method, operating profit for Q3 2008 was PLN 828m, relative to PLN 553m in Q3 2007.

The following factors contributed to the overall decline of operating profit, calculated using the weighted average method of inventory valuation, in selected key companies of the ORLEN Group:

- Operating profit earned by PKN ORLEN S.A. went down by PLN 318m year on year, mainly due to the impact of oil price changes on inventory valuation, higher cost of energy used in the production processes, appreciation of the Polish zloty against the US dollar and the planned maintenance shutdown of the Olefin Unit;
- Operating profit of the Mazeikiu Group (“the Mazeikiu Group”) decreased by PLN 39m year on year due to unfavourable macroeconomic factors, including in particular changes in oil prices;
- Operating profit of the Unipetrol Group (“the Unipetrol Group”) was PLN 15m lower than in the corresponding period of 2007, mainly due to the lower margins on polyolefins and appreciation of the Czech crown against the US dollar and the euro;
- Operating profit of Basell Orlen Polyolefins went down by PLN 34m year on year, mainly because of lower margins on polyolefins, as well as strengthening of the Polish zloty;
- Operating profit of the Anwil Group (“the Anwil Group”) rose by PLN 30m year on year, driven mainly by continued high margins on the segment’s key products;
- Operating profits of other companies of the ORLEN Group improved by PLN 54m year on year.

The operating profit, calculated in accordance with the weighted average method, was mainly affected by:

- Change in the macroeconomic factors (down by PLN 40m, year on year), such as:
 - Higher margins on the Group’s key products, which boosted the Group’s operating profit by approx. PLN 650m year on year;
 - Changes in exchange rates, namely appreciation of the Polish zloty against the US dollar and the euro, which decreased the operating profit by approx. PLN 570m year on year;
 - Lower price differential, which had a negative effect on the operating profit by approx. PLN 120m year on year.
- Higher sales volumes at the ORLEN Group, adjusted by the effect of completed maintenance shutdowns in the Petrochemicals segment, which increased the operating profit by approx. PLN 580m, year on year;
- Rising prices of energy used in the production processes, which decreased the operating profit by approx. PLN 300m year on year;
- Inventory valuation, which – due to changes in oil prices – decreased operating profit by approx. PLN 600m year on year.

Details of the changes of revenue and operating profits in individual segments are discussed further in this report.

Commentary on Macroeconomic Factors

Crude Oil Prices and Price Differential

In Q3 2008, the price of Brent went up by 54.4% year on year, to USD 115.38/bbl.

The average Ural/Brent differential was 35.7% lower than in Q3 2007, and stood at USD 1.8/bbl.

Refining Products

Q3 2008 witnessed rising margins (crack spreads) on diesel oil (by 88.3% year on year, to USD 231.46 per tonne), light fuel oil (by 128.6% to USD 211.99 per tonne), and A-1 jet fuel (by 104.3% to USD 311.84 per tonne). Concurrently, the margins on gasoline dropped by 9.2%, to USD 141.71 per tonne.

Petrochemical Products

Compared with Q3 2007, the margins on ethylene rose by 30.4% year on year, to USD 928.16 per tonne, while the margins on propylene went down by 2.8% year on year, to USD 628.24 per tonne, on polyethylene by 50.3%, to EUR 146.6 per tonne, and on polypropylene by 16.3%, to EUR 311.0 per tonne.

Exchange Rates

In Q3 2008, the average PLN/EUR exchange rate fell by 12.7% year on year, to 3.31, and the average PLN/USD exchange rate decreased by 20.2%, to 2.20. The average LTL/USD exchange rate went down by 8.8%, to 2.29, while the LTL/EUR rate remained flat in comparison with 2007, and amounted to 3.48. The average CZK/USD exchange rate dropped by 21.1%, to 16.05, and the average CZK/EUR rate fell by 13.7%, to 24.09.

Fuel Consumption

According to estimates based on the data provided by Agencja Rynku Energii S.A., in Q3 2008 gasoline consumption in Poland was approx. 1,080 thousand tonnes, down by 2.4% on Q3 2007. Diesel oil consumption went up by 7.2% in Q3 2008 year on year, and amounted to 2,810 thousand tonnes. At the same time, consumption of light fuel oil dropped by 6.8%, to 260 thousand tonnes.

In Lithuania, gasoline consumption in Q3 2008 went down by 4.2% year on year, and amounted to 110 thousand tonnes, while the consumption of diesel oil grew by 0.7%, and stood at 310 thousand tonnes.

According to estimates for the German retail market, gasoline consumption in Q3 2008 decreased by 2.4% year on year, to 5,360 thousand tonnes. Diesel oil consumption rose by 3.6% year on year, to 3,190 thousand tonnes.

Q3 2008 Results of the ORLEN Group

Commentary - Refining Segment (Production and Wholesale)

Item, PLNm	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(2-6)/6	8=(2-3)/3
Revenue, including:	16,272	15,587	12,528	12,822	13,579	19.8	4.4
Sales to third parties	14,663	13,510	10,420	9,587	9,749	50.4	8.5
Intra-company sales	1,609	2,077	2,108	3,235	3,830	-58.0	-22.5
Costs	-16,038	-14,209	-12,239	-12,583	-13,114	22.3	12.9
Other operating income	57	75	41	66	38	50.0	-24.0
Other operating expenses	-107	-46	-90	-81	-41	161.0	132.6
Operating profit*	184	1,407	240	224	462	-60.2	-86.9
Operating profit under LIFO	501	556	-102	-321	179	179.9	-9.9
EBITDA	445	1,667	488	488	720	-38.2	-73.3
CAPEX	422	368	276	779	355	18.9	14.7
Sales of products (thousand tonnes)	6,088	6,064	4,982	4,167	5,406	12.6	0.4

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level.

The segment's revenue in Q3 2008 grew by 19.8% year on year, mainly due to higher prices of refining products and increased sales volumes (by 682 thousand tonnes year on year, including a 239 thousand tonnes year-on-year increase in gasoline, a 153 thousand tonnes year-on-year increase in diesel oil and a 177 thousand tonnes year-on-year increase in A-1 jet fuel). The rising prices of crude oil and other feedstock increased the segment's costs by 22.3% year on year.

In Q3 2008, the Group's operating profit was PLN 184m, compared with PLN 462m in Q3 2007. The factors which contributed to the segment's operating profit included:

- A PLN 246m year on year decline in operating profit of PKN ORLEN S.A., stemming from the effect of oil price changes on inventory valuation, which caused the operating profit decrease in the amount of approx. PLN 200m year on year. Higher prices of energy used in the production processes reduced the operating profit by approx. PLN 240m year on year. Other factors which adversely affected operating profit of PKN ORLEN S.A. were the appreciation of the Polish zloty against the US dollar (reduced operating profit by approx. PLN 280m year on year) and lower price differential (reduced operating profit by approx. PLN 70m year on year). All these negative effects were partially offset by higher margins on fuels, which added approx. PLN 420m year on year to operating profit of PKN ORLEN S.A.; and higher operating efficiency, which increased the Q3 2008 operating profit by approx. PLN 130m.
- Decline of the operating profit of the Mazeikiu Group by PLN 59m year on year, to PLN (-) 23m, caused by unfavourable macroeconomic factors related to the effect of oil price changes on inventory valuation, which caused the operating profit decrease in the amount of approx. PLN 370m year on year. Higher prices of energy used in the production processes reduced operating profit by approx. PLN 60m year on year. Operating profit of the Mazeikiu Group was also adversely affected by the lower exchange rate of the US dollar (it reduced operating profit by approx. PLN 160m year on year) and the lower price differential (it reduced operating profit by approx. PLN 30m year on year). All these negative effects were to a certain extent offset by higher margins on refining products, which increased operating profit by PLN 120m year on year. Additionally, the overhaul of the vacuum distillation unit helped reach optimum oil throughput level and thus increased the oil throughput figures by 67.6% year on year and operating efficiency by approx. PLN 440m.
- A drop in operating profit of the Unipetrol Group, by PLN 1m year on year, driven by the effect of oil price changes on inventory valuation, which reduced the operating profit by approx. PLN 40m year on year. The operating profit of the Unipetrol Group was also adversely affected by the appreciation of the Czech crown against the US dollar, which decreased operating profit by approx. PLN 40m, and lower price differential, which reduced operating profit by approx. PLN 20m. At the same time, the increase in margins on refining products improved operating profit by approx. PLN 60m year on year and increased the operating efficiency – by approx. PLN 60m year on year.

Compared with Q3 2007, in Q3 2008 capex increased by PLN 67m year on year, to PLN 422m. The main projects executed in Q3 2008 included construction of the Diesel Oil Hydrodesulfurisation Unit VII and Hydrogen Plant II at PKN ORLEN S.A. as well as construction of a Diesel Oil Hydrodesulfurisation Unit at the Mazeikiu Group.

Q3 2008 Results of the ORLEN Group

Commentary - Refining (Retail)

Item, PLNm	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(2-6)/6	8=(2-3)/3
Revenue, including:	5,647	5,447	4,410	4,573	4,490	25.8	3.7
Sales to third parties	5,636	5,435	4,400	4,555	4,483	25.7	3.7
Intra-company sales	11	12	10	18	7	57.1	-8.3
Costs	-5,376	-5,338	-4,308	-4,508	-4,310	24.7	0.7
Other operating income	11	20	28	38	17	-35.3	-45.0
Other operating expenses	-35	-20	-27	-36	-22	59.1	75.0
Operating profit*	247	109	103	67	175	41.1	126.6
EBITDA	332	194	180	152	253	31.2	71.1
CAPEX	127	113	81	468	167	-24.0	12.4
Sales of products (thousand tonnes)	1,376	1,317	1,147	1,153	1,201	14.6	4.5

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level. Change in the quarterly results in relation to the previously published results was caused by an adjustment relating to the transfer of a sales account in which mainly revenue on sales of non-fuel products is posted, from other activities to the retail segment.

In Q3 2008, the segment's revenue increased by 25.8% year on year, to PLN 5,647m, driven by higher sales volumes, which went up by 175 thousand tonnes year on year, primarily owing to a 120 thousand tonnes increase in sales of diesel fuel and 42 thousand tonnes increase in gasolines.

Operating profit of the ORLEN Group for Q3 2008 reached PLN 247m, relative to PLN 175m in Q3 2007. The segment's profit was driven by such factors as:

- A PLN 80m year-on-year rise in operating profit of PKN ORLEN S.A., driven by sales volumes increase by PLN 119 thousand tonnes year on year, which enhanced operating profit by approx. PLN 50m. Additionally, higher retail margins and increased profit on sales of non-fuel goods and services boosted the operating profit by approx. PLN 10m and PLN 20m, respectively.
- A PLN 3m year-on-year increase in operating profit of Benzina, to PLN 8m, following elimination of a provision released in Q3 2007, which increased other operating income in Q3 2007 by PLN 7m. At the operating level, in Q3 2008 the segment recorded improved efficiency, driven by higher sales volumes, which boosted the operating profit by approx. PLN 1m year on year, and higher retail margins on fuels, which increased the operating profit by approx. PLN 2m.
- A PLN 2m year-on-year fall in operating profit of ORLEN Deutschland, to PLN 12m, despite higher volumes of fuel sales (up by 54 thousand tonnes year on year), which added approx. PLN 10m year on year to operating profit. Operating profit was adversely affected by macroeconomic factors related to lower exchange rates of the euro and lower margins on fuels, which reduced operating profit by approx. PLN 10m and PLN 2m, respectively.

In Q3 2008, capex dropped by PLN 40m year on year, to PLN 127m. In Q3 2008, 22 new service stations were opened, while 50 were upgraded, rebranded and reconstructed.

Q3 2008 Results of the ORLEN Group

Commentary - Petrochemicals

Item, PLNm	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(2-6)/6	8=(2-3)/3
Revenue, including:	2,923	3,428	3,287	3,425	3,401	-14.1	-14.7
Sales to third parties	1,948	2,379	2,257	2,201	2,221	-12.3	-18.1
Intra-company sales	975	1,049	1,030	1,224	1,180	-17.4	-7.1
Costs	-2,818	-3,411	-3,063	-3,389	-3,099	-9.1	-17.4
Other operating income	7	25	20	62	26	-73.1	-72.0
Other operating expenses	-8	-7	-12	-42	-34	-76.5	14.3
Operating profit*	104	35	232	56	294	-64.6	197.1
Operating profit under LIFO	103	26	247	38	295	65.1	296.2
EBITDA	255	189	388	218	447	-43.0	34.9
CAPEX	381	247	107	241	169	125.4	54.3
Sales of products (thousand tonnes)	621	848	779	766	736	-15.6	-26.8

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level.

In Q3 2008, the segment recorded a PLN 478m year-on-year drop in revenue, caused by lower volumes of sales of olefins (by 16.1% year on year) and of polyolefins (by 5.9% year on year).

The segment's operating profit for Q3 2008 was PLN 104m vs. PLN 294m in Q3 2007. The drop was caused by:

- A PLN 139m drop in operating profit of PKN ORLEN S.A., to PLN 18m, caused mainly by the maintenance shutdown of the Olefin Unit, which is estimated to have a negative effect on the Q3 2008 results by approx. PLN 150m. Additionally, operating profit was adversely affected by the falling exchange rate of the US dollar, which reduced the operating profit by approx. PLN 60m year on year. The negative effects of the maintenance shutdown and lower exchange rates of the US dollar were partially offset by higher margins, which increased the Q3 2008 operating profit by approx. PLN 70m year on year.
- A PLN 34m year-on-year drop in operating profit of the Unipetrol Group in Q3 2008, to PLN 66m, caused mainly by macroeconomic factors, which decreased the operating profit by approx. PLN 70m year on year. The effects of macroeconomic conditions were partially offset by higher operating efficiency, which raised operating profit by approx. PLN 20m in Q3 2008.
- A PLN 34m decrease in operating profit of Basell ORLEN Polyolefins Sp. z o.o., which amounted to PLN 13m, mainly due to lower margins on polyolefins and appreciation of the Polish zloty against the euro, which lowered the operating profit by approx. PLN 40m and PLN 10m, respectively. These effects were partially offset by higher operating efficiency, which improved the Q3 2008 operating profit by approx. PLN 10m.

Compared with Q3 2007, in Q3 2008 capex increased by PLN 212m year on year, to PLN 381m. The main projects executed in Q3 2008 included construction of a paraxylene unit and construction of terephthalic acid unit at PKN ORLEN S.A., as well as benzene extraction and C5 fractions at the Unipetrol Group.

Q3 2008 Results of the ORLEN Group

Commentary – Chemicals

Item, PLNm	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(2-6)/6	8=(2-3)/3
Revenue, including:	749	717	737	632	714	4.9	4.5
Sales to third parties	696	659	733	476	644	8.1	5.6
Intra-company sales	53	58	4	156	70	-24.3	-8.6
Costs	-662	-652	-646	-584	-660	0.3	1.5
Other operating income	4	11	5	6	3	33.3	-63.6
Other operating expenses	-4	-3	-5	-16	-1	300.0	33.3
Operating profit*	87	73	91	38	56	55.4	19.2
EBITDA	123	108	127	75	97	26.8	13.9
CAPEX	91	52	20	57	31	193.5	75.0
Sales of products (thousand tonnes)	523	393	515	379	480	9.0	33.2

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level.

In Q3 2008, the segment's revenue rose by 4.9% year on year, to PLN 750m, driven by higher sales of Canwil (up by 10.4% year on year) and caustic solution (up by 9.0%). However, the segment recorded a decrease in sales volumes of caustic soda (down by 47.0%), PVC granulates (down by 21.1%), and polyvinyl chloride (down by 11.4%).

Operating profit generated by the segment in Q3 2008 was PLN 87m, an increase of PLN 56m in Q3 2007. The segment's profit was driven by:

- Higher margins on fertilisers, which boosted operating profit by approx. PLN 90m year on year, and higher margins on other products, which increased the operating profit by approx. PLN 10m year on year;
- Appreciation of the zloty against the euro, which negatively impacted the operating profit by approx. PLN 40m year on year;
- Lower sales volumes of PVC and granulates, which – despite higher sales of other products – reduced the operating profit by approx. PLN 30m year on year.

In Q3 2008, capital expenditure increased year on year by PLN 132m and amounted to PLN 163m. The main projects executed in Q3 2008 included construction of an oxygen plant, increase of the efficiency of fertiliser units and modernisation of production lines at the PVC complex of the Anwil Group.

Q3 2008 Results of the ORLEN Group

Commentary – Other Activities

Item, PLNm	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(2-6)/6	8=(2-3)/3
Revenue, including:	419	511	472	471	608	-31.1	-18.0
Sales to third parties	116	107	129	84	167	-30.5	8.4
Intra-company sales	303	404	343	387	441	-31.3	-25.0
Costs	-408	-439	-482	-521	-623	-34.5	-7.1
Other operating income	47	12	23	19	7	571.4	291.7
Other operating expenses	-29	-10	-12	-14	-14	107.1	190.0
Operating profit *	29	74	1	-45	-22	231.8	-60.8
EBITDA	93	136	62	20	41	126.8	-31.6
CAPEX	107	63	72	126	72	48.6	69.8
Sales of products (thousand tonnes)	444	722	734	763	761	-41.7	-38.5

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level.

In Q3 2008, the Other Activities segment generated operating profit of PLN 29m, compared with a loss of PLN 22m posted in Q3 2007. The key factors contributing to the profit include:

- An increase of PLN 24m year on year in operating profit of the Unipetrol Group, to PLN 7m;
- A PLN 19m year on year decrease in operating loss incurred by the Mazeikiu Group, to minus PLN 52m;
- Operating profit of PKN ORLEN S.A. was comparable with that recorded in Q3 2007.

In Q3 2008, capital expenditure went up by PLN 35m year on year, and amounted to PLN 107m. The main projects executed in Q3 2008 included: sales platform for company-owned stations and upgrade of power substations.

Condensed Consolidated Financial Statements

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED INCOME STATEMENT
for 9 and 3 months ended September 30th 2008

ITEM, PLNm	Q3 2008	9 months of 2008	Q3 2007	9 months of 2007	+/- %	+/- %
1	2	3	4	5	6=(2-4)/4	7=(3-5)/5
Operating activity						
Sales revenue						
Revenue on sales of products	22,120	61,590	16,527	45,947	33.8	34.0
Excise tax and other charges	-4,389	-12,619	-3,976	-11,200	10.4	12.7
Net revenue on sales of products	17,731	48,971	12,551	34,747	41.3	40.9
Revenue on sales of goods for resale and materials	5,921	15,765	5,440	14,091	8.8	11.9
Excise tax and other charges	-594	-1,650	-726	-1,947	-18.2	-15.3
Net revenue on sales of goods for resale and materials	5,327	14,115	4,714	12,144	13.0	16.2
Total sales revenue	23,058	63,086	17,265	46,891	33.6	34.5
Cost of products sold	-16,310	-43,609	-11,051	-29,732	47.6	46.7
Cost of goods for resale and materials sold	-5,088	-13,399	-4,228	-10,996	20.3	21.9
Cost of products, goods for resale and materials sold	-21,398	-57,008	-15,279	-40,728	40.0	40.0
Gross profit on sales	1,660	6,078	1,986	6,163	-16.4	-1.4
Selling costs	-810	-2,428	-781	-2,307	3.7	5.2
General and administrative expenses	-277	-958	-341	-1,108	-18.8	-13.5
Other operating income	147	460	91	300	61.5	53.3
Other operating expenses	-208	-428	-121	-548	71.9	-21.9
Operating profit	512	2,724	834	2,500	-38.6	9.0
Financial income	144	789	243	544	-40.7	45.0
Financial expenses	-613	-693	-542	-908	13.1	-23.7
Net financial income/expenses	-469	96	-299	-364	-56.9	126.4
Share in net profit/loss of undertakings valued with equity method	81	232	76	199	6.6	16.6
Profit before tax	124	3,052	611	2,335	-79.7	30.7
Corporate income tax	-53	-567	-73	-443	-27.4	28.0
Net profit	71	2,485	538	1,892	-86.8	31.3
including:						
Net profit attributable to minority interests	50	97	-55	114	190.9	-14.9
Net profit attributable to equity holders of the Parent	21	2,388	593	1,778	-96.5	34.3

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED BALANCE SHEET
as at September 30th 2008

ITEM, PLNm	Sep 30 2008	Dec 31 2007	+/- %
1	2	3	4=(2-3)/3
ASSETS			
Non-current assets			
Property, plant and equipment	25,408	24,834	2.3
Intangible assets	509	531	-4.1
Goodwill	85	86	-1.2
Assets available for sale	64	62	3.2
Shares in undertakings consolidated with equity method	785	700	12.1
Deferred tax asset	180	233	-22.7
Investment property	70	69	1.4
Perpetual usufruct right to land	100	91	9.9
Long-term loans and own receivables	142	130	9.2
Total non-current assets	27,343	26,736	2.3
Current assets			
Inventories	11,589	10,365	11.8
Trade and other receivables	8,634	6,884	25.4
Income taxes receivable	159	115	38.3
Current financial assets	146	168	-13.1
Prepayments and accrued income	194	147	32.0
Cash	1,464	1,498	-2.3
Assets held for sale	78	190	-58.9
Total current assets	22,264	19,367	15.0
Total assets	49,607	46,103	7.6
EQUITY AND LIABILITIES			
Equity			
Share capital	535	535	0.0
Share capital revaluation adjustment	523	523	0.0
Share capital	1,058	1,058	0.0
Share premium account	1,058	1,058	0.0
Share premium revaluation adjustment	169	169	0.0
Share premium account	1,227	1,227	0.0
Hedging capital	-50	83	-160.2
Currency-translation differences	-1,513	-1,328	13.9
Retained profit	20,581	18,895	8.9
Equity attributable to equity holders of the Parent	21,303	19,935	6.9
Equity attributable to minority interests	2,594	2,638	-1.7
Total equity	23,897	22,573	5.9
Non-current liabilities			
Loans and borrowings	9,390	8,603	9.1
Provisions	744	799	-6.9
Deferred tax liability	1,524	1,549	-1.6

Q3 2008 Results of the ORLEN Group

Other non-current liabilities	156	140	11.4
Total non-current liabilities	11,814	11,091	6.5
Current liabilities			
Trade and other payables	10,373	9,181	13.0
Provisions	669	723	-7.5
Income tax expense	63	39	61.5
Loans and borrowings	1,914	1,719	11.3
Deferred income	79	61	
Other financial liabilities	782	716	9.2
Liabilities directly related to assets held for sale	16	0	-
Total current liabilities	13,896	12,439	11.7
Total equity and liabilities	49,607	46,103	7.6

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED CASH-FLOW STATEMENT
for 9 and 3 months ended September 30th 2008

ITEM, PLNm	Q3 2008	9 months of 2008	Q3 2007	9 months of 2007	+/- %	+/- %
1	2	3	4	5	6=2/4	7=3/6
Cash flows from operating activities						
Net profit	71	2,485	538	1,892	-86.8	31.3
Adjustments:						
Share in net profit/(loss) of undertakings valued with equity method	-81	-233	-76	-199	-6.6	-17.1
Depreciation and amortisation	608	1,802	604	1,805	0.7	-0.2
Net foreign exchange gains	109	-425	-57	-239	291.2	-77.8
Net interest and dividends	135	370	92	334	46.7	10.8
(Profit)/loss on investing activities	5	-39	437	512	-98.9	-107.6
Increase in receivables	-104	-1,562	-66	-729	-57.6	-114.3
(Increase) in inventories	346	-1,252	-203	-1,489	270.4	15.9
Increase in liabilities and accruals	-621	1,490	-536	588	-15.9	153.4
(Decrease) in provisions	-40	-67	5	-55	-900.0	-21.8
Income tax on profit before tax	53	567	73	443	-27.4	28.0
Income tax paid	-226	-523	-254	-395	11.0	-32.4
Other adjustments	-17	-108	72	70	-123.6	-254.3
Net cash provided by/(used in) operating activities	238	2,505	629	2,538	-62.2	-1.3
Cash flows from investing activities						
Acquisition of property, plant and equipment and intangible assets	-1,353	-2,920	-969	-2,397	-39.6	-21.8
Disposal of property, plant and equipment and intangible assets	18	71	-2	58	1,000.0	22.4
Disposal of shares	0	167	772	779	-	-78.6
Acquisition of shares	-2	-4	1	-488	-300.0	99.2
Acquisition of short-term securities	0	0	10	-1	-	-
Disposal of short-term securities	0	0	-6	245	-	-
Dividends and interest received	-17	85	39	239	-143.6	-64.4
Loans granted	-1	-2	16	-3	-106.3	33.3
Loans repaid	0	2	5	7	-	-71.4
Dividend paid to minority interests	-145	-147	-9	-9	-	-
Other	-12	-19	-20	-14	40.0	-35.7
Net cash provided by/(used in) investing activities	-1,512	-2,767	-163	-1,584	-827.6	-74.7
Cash flows from financing activities						
Increase in long- and short-term loans and borrowings	4,257	6,953	1,048	4,022	306.2	72.9
Issue of debt securities	141	474	0	750	-	-36.8
Repayment of long- and short-term loans and borrowings	-2,130	-5,385	-1,132	-5,024	-88.2	-7.2

Q3 2008 Results of the ORLEN Group

Redemption of debt securities	-89	-726	0	-89	-	-715.7
Interest paid	-130	-370	-97	-412	-34.0	10.2
Dividend paid	-693	-693	0	0	-	-
Payment of liabilities under financial lease agreements	-9	-27	-8	-25	-	-8.0
Other	1	1	-1	5	200.0	-80.0
Net cash provided by/(used in) financing activities	1,348	227	-190	-773	809.5	129.4
Net (decrease) in cash	74	-35	277	181	-73.3	-119.3
Foreign-exchange gains/(losses)	1	1	0	0	-	-
Cash at beginning of period	1,389	1,498	2,255	2,351	-38.4	-36.3
Cash at end of period, including	1,464	1,464	2,532	2,532	-42.2	-42.2
restricted cash	72	72	58	58	24.1	24.1

Operating Data

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

Output ('000 tonnes)	Q3 2008	Q3 2007*	y-o-y change %	Q3 2008	% share	Q3 2008	% share	Q3 2008	% 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	7,342	6,093	20.5	3,597	-	1,216	-	2,514	-
Gasoline	1,683	1,370	22.8	722	23.1	231	18.2	729	30.7
Diesel fuel	2,680	2,303	16.4	1,326	42.5	522	41.1	847	35.6
Light fuel oil	174	209	-16.7	154	4.9	8	0.6	2	0.1
A-1 jet fuel	303	185	63.8	113	3.6	26	2.0	164	6.9
Heavy fuel oil	739	650	13.7	222	7.1	32	2.5	432	18.2
LPG	185	143	29.4	62	2.0	46	3.6	110	4.6
Bitumens	432	410	5.4	0	0.0	81	6.4	69	2.9
Lubricants	53	51	3.9	0	0.0	26	2.0	0	0.0
Other	43	35	22.9	524	16.8	297	23.4	25	1.1
Total products	6,292	5,356	17.5	3,123	-	1,269	-	2,378	-
Petrochemicals	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol/Chemopetrol		BOP	
Polyethylene	104	108	-3.7	0	0.0	74	10.2	30	49.2
Polypropylene	90	95	-5.3	0	0.0	60	8.3	31	50.8
Ethylene	82	87	-5.7	84	34.7	125	17.2	0	0.0
Propylene	39	49	-20.4	68	28.1	72	9.9	0	0.0
Toluene	14	29	-51.7	14	5.8	0	0.0	0	0.0
Benzene	65	65	0.0	15	6.2	50	6.9	0	0.0
Paraxylene	5	9	-44.4	5	2.1	0	0.0	0	0.0
Ortoxylyene	5	7	-28.6	5	2.1	0	0.0	0	0.0
Acetone	5	7	-28.6	5	2.1	0	0.0	0	0.0
Butadiene	10	14	-28.6	10	4.1	0	0.0	0	0.0
Glycol	42	53	-20.8	6	2.5	44	6.1	0	0.0
Ethylene oxide	1	4	-75.0	1	0.4	0	0.0	0	0.0
Phenol	8	12	-33.3	8	3.3	0	0.0	0	0.0
Other	320	259	23.6	21	8.7	300	41.4	0	0.0
Total products	790	798	-1.0	242	-	725	-	61	-
Chemicals	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol/Chemopetrol		Anwil Group	
PVC	81	105	-22.9	-	-	0	0.0	82	13.3
PVC granulate	15	19	-21.1	-	-	0	0.0	15	2.4
CANWIL	101	82	23.2	-	-	0	0.0	101	16.4
Ammonium nitrate	141	136	3.7	-	-	0	0.0	141	22.9
Caprolactam	11	11	-	-	-	0	0.0	11	1.8
Other	511	445	14.8	-	-	245	100.0	266	43.2
Total products	860	798	7.8	0	-	245	-	616	-
Total output	7,942	6,952	14.2	3 365	-	-	-	-	-

* Change of data relative to that published in the Q3 2007 report, due to consolidation of production in the IT platform.

POLSKI KONCERN NAFTOWY ORLEN S.A.
SALES OF KEY PRODUCTS
for 9 and 3 months ended September 30th 2008

Sales (^{'000 tonnes})	Q3 2008	9 months of 2008	Q3 2007	9 months of 2007	y-o-y change %	y-o-y change %
1	2	3	4	5	6=2/4	7=3/5
Refining (Production and Wholesale)						
Gasoline	1,421	4,225	1,182	3,312	20.2	27.6
Diesel fuel	2,507	6,933	2,354	5,926	6.5	17.0
Light fuel oil	297	921	270	820	10.0	12.3
Jet fuel	359	896	182	502	97.3	78.5
Heavy fuel oil	619	2,069	588	1,774	5.3	16.6
LPG	118	366	139	394	-15.1	-7.1
Bitumens	433	835	425	786	1.9	6.2
Lubricants	63	193	70	183	-10.0	5.5
Other	271	696	196	584	38.3	19.2
Total products	6,088	17,134	5,406	14,281	12.6	20.0
Refining (Retail)						
Gasoline	604	1,710	562	1,592	7.5	7.4
Diesel fuel	692	1,907	572	1,582	21.0	20.5
LPG	79	223	67	193	17.9	15.5
Other	1	1	0	1	-	-
Total products	1,376	3,841	1,201	3,368	14.6	14.0
Refining (Production and Wholesale + Retail)						
	7,464	20,975	6,607	17,649	13.0	18.8
Petrochemicals						
Polyethylene	103	364	117	347	-12.0	4.9
Polypropylene	94	294	92	289	2.2	1.7
Ethylene	56	210	70	208	-20.0	1.0
Propylene	47	169	53	176	-11.3	-4.0
Toluene	15	85	31	88	-51.6	-3.4
Benzene	67	219	70	140	-4.3	56.4
Paraxylene	6	18	8	24	-25.0	-25.0
Ortoxylene	5	19	7	19	-28.6	0.0
Acetone	5	21	7	24	-28.6	-12.5
Butadiene	10	41	15	60	-33.3	-31.7
Glycol	110	170	28	78	292.9	117.9
Ethylene oxide	1	10	4	12	-75.0	-16.7
Phenol	8	33	11	36	-27.3	-8.3
Other	94	595	223	789	-57.8	-24.6
Total products	621	2,248	736	2,290	-15.6	-1.8
Chemicals						
PVC	78	249	88	281	-11.4	-11.4
PVC granulate	15	47	19	53	-21.1	-11.3
CANWIL	106	341	96	296	10.4	15.2
Ammonium nitrate	137	409	163	417	-16.0	-1.9
Other	187	386	114	400	62.6	-3.5
Total products	523	1,432	480	1,447	8.7	-1.0

Q3 2008 Results of the ORLEN Group

Petrochemicals and Chemicals	1,144	3,680	1,216	3,737	-6.0	-1.5
Other activities	444	1,896	761	2,267	-41.7	-16.4
ORLEN Group – total	9,052	26,551	8,584	23,653	5.4	12.3

Information on the Effect of Inventories Valuation with the LIFO Method

The Management Board of PKN ORLEN S.A. hereby reports on the impact of the LIFO inventory valuation on PKN ORLEN's non-consolidated profit and the ORLEN Group's consolidated profit for Q3 2008 and nine months of 2008. Profit before tax and net profit (i.e. including deferred tax), as estimated by the Company for PKN ORLEN and the ORLEN Group using the LIFO method, are as follows:

Profit, PLNm	9 months ended September 30th 2008		3 months ended September 30th 2008		9 months ended September 30th 2007		3 months ended September 30th 2007	
	Inventory valuation at the weighted average production or acquisition cost	LIFO valuation						
Non-consolidated profit before tax	2,643	1,784	-154	-212	2,262	1,771	601	335
Non-consolidated net profit	2,268	1,572	-106	-153	1,939	1,541	488	273
Consolidated profit before tax	3,052	2,183	124	440	2,336	1,732	611	330
Consolidated net profit	2,485	1,781	71	340	1,892	1,405	538	310

PKN ORLEN S.A. and the ORLEN Group apply the inventory valuation method based on the weighted average production or acquisition cost. This method defers the recognition of oil price increase or decrease on the prices of final products. Therefore, the results benefit from increases in crude oil prices and suffer when the prices decline. The application of the LIFO inventory valuation method results in the current production being valued based on the current price of crude oil purchased by the Group. Accordingly, an upward trend in oil prices decreases, and a falling trend in oil prices increases the results in accordance with LIFO method relative to the results obtained when the weighted average method is applied.

Until Q4 2007, according to the LIFO method applied by the ORLEN Group, increase in inventory (new layers) was valued at the unit price of an inventory item from Q1 of a given year, whereas it should be valued at purchase prices of current period. The difference between the two prices multiplied by a change in inventories affected costs and, as a result, profits as well (effect of change in prices of new inventory layers). To ensure best possible comparability of the revenues and costs of a given period, in Q4 2007 the Group estimated the effect of change in prices of new inventory layers (from the Q1 figures to the current period figures), and from Q1 2008 onwards, new layers of inventory are valued at current prices.