


ORLEN GROUP
RESULTS OF THE ORLEN GROUP FOR THE II QUARTER OF 2013
(Translation of a document originally issued in Polish)
Summary of the results
Table 1

Q1 2013	Q2 2013	Q2 2012	change %	Key financial data, PLNm	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
27 472	28 311	27 955	1.3	Total sales revenue	55 783	57 202	-2.5
932	837	1 776	-52.9	Profit(Loss) from operations under LIFO plus depreciation and amortisation (EBITDA LIFO)	1 769	2 556	-30.8
879	398	918	-56.6	Profit(Loss) from operations plus depreciation and amortisation (EBITDA)	1 277	2 436	-47.6
394	302	1 233	-75.5	Profit(Loss) from operations under LIFO, including:	696	1 434	-51.5
296	189	933	-79.7	PKN ORLEN S.A.	485	1 150	-57.8
-26	15	134	-88.8	Unipetrol Group	-11	15	-
31	-86	-7	-1128.6	ORLEN Lietuva Group	-55	-87	36.8
93	184	173	6.4	Other	277	356	-22.2
341	-137	375	-	Profit(Loss) from operations, including:	204	1 314	-84.5
239	-72	553	-	PKN ORLEN S.A.	167	1 223	-86.3
-9	-92	-67	-37.3	Unipetrol Group	-101	-75	-34.7
13	-138	-269	48.7	ORLEN Lietuva Group	-125	-196	36.2
98	165	158	4.4	Other	263	362	-27.3
341	-137	375	-	Profit(Loss) from operations, including:	204	1 314	-84.5
-34	-562	-66	-751.5	Refining	-596	666	-
512	323	379	-14.8	Petrochemical	835	725	15.2
37	282	252	11.9	Retail	319	278	14.7
-6	-4	-6	33.3	Upstream ¹	-10	-11	9.1
-168	-176	-184	4.3	Corporate Functions ^{1,2}	-344	-344	0.0
538	535	543	-1.5	Depreciation and Amortisation, including:	1 073	1 122	-4.4
241	238	247	-3.6	Refining	479	508	-5.7
182	181	178	1.7	Petrochemical	363	376	-3.5
86	87	89	-2.2	Retail	173	179	-3.4
1	0	0	-	Upstream ¹	1	1	0.0
28	29	29	0.0	Corporate Functions ^{1,2}	57	58	-1.7
145	-229	-40	-472.5	Net Profit(Loss)	-84	1 204	-
149	-207	-5	-4040.0	Profit(Loss) attributable to equity holder of the Parent	-58	1 255	-
53 714	54 495	56 339	-3.3	Total assets	54 495	56 339	-3.3
28 564	27 761	27 526	0.9	Equity	27 761	27 526	0.9
8 563	5 171	8 215	-37.1	Net debt	5 171	8 215	-37.1
-1 343	4 319	-92	-	Net cash - operating activities	2 976	56	5214.3
-133	-638	-335	-90.4	Net cash - investing activities	-771	-891	13.5
306	532	581	-8.4	Investment expenditures (CAPEX)	838	819	2.3
3.3	2.1	2.4	-0.3p.p.	Return on capital employed (ROACE) (%) ³	2.1	2.4	-0.3p.p.
5.5	3.4	-0.2	3.6p.p.	Return on capital employed under LIFO (ROACE LIFO) (%) ⁴	3.4	-0.2	3.6p.p.
26.9	24.4	27.7	-3.3p.p.	Net financial leverage (%) ⁵	21.3	29.1	-7.8p.p.
1.86	1.41	3.22	-56.2	Net debt/Profit from operations under LIFO plus depreciation and amortisation for the last four quarters (EBITDA LIFO) ⁶	1.41	3.22	-56.2
2.35	1.65	2.25	-26.7	Net debt/Profit from operations plus depreciation and amortisation for the last four quarters (EBITDA) ⁷	1.65	2.25	-26.7
0.35	-0.48	-0.01	-4700.0	Net Profit(Loss) attributable to equity holders of the Parent per share (EPS)	-0.13	2.93	-
Q1 2013	Q2 2013	Q2 2012	change %	Financial data adjusted by the effect of inventory valuation based on the LIFO, PLNm	6 months 2013	6 months 2012	change %
53	439	858	-48.8	Effect of inventory valuation ⁸ under LIFO on profit from operations, including:	492	120	310.0
57	261	380	-31.3	PKN ORLEN S.A.	318	-73	-
-17	107	201	-46.8	Unipetrol Group	90	90	0.0
18	52	262	-80.2	ORLEN Lietuva Group	70	109	-35.8
-5	19	15	26.7	Other	14	-6	-

1) From the I quarter of 2013 Upstream Segment was separated, which operations in previous periods were presented within Corporate Functions. Consequently, comparable data was restated for the II quarter of 2012 and 6 months of 2012.

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

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

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

5) Net financial leverage = net debt / equity - calculated using the average carrying values in the period.

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

7) Interest bearing debt net of cash and cash equivalents at the end of the period / (EBITDA + dividend received from Polkomtel) for the last four quarters.

8) Calculated as a difference between: profit from operations determined using the LIFO of inventory valuation and profit from operations determined using the weighted average method of inventory valuation.

Commentary**Financial results**

Profit from operations plus depreciation and amortisation of the ORLEN Capital Group ("ORLEN Group") based on LIFO method of inventory valuation ("EBITDA LIFO") for the II quarter of 2013 amounted to PLN 827 million compared to PLN 1,776 million in the analogous quarter of 2012.

Negative effect of macroeconomic factors changes including refining, petrochemical margins and Ural/Brent differential as well as exchange rates decreased ORLEN Group's EBITDA LIFO in the II quarter of 2013 by PLN (-) 699 million (y/y).

The positive effect of higher sales volume in all operating segments increased EBITDA LIFO by PLN 122 million (y/y).

The effect of other factors amounted to PLN (-) 362 million (y/y) and included mainly:

- negative one-off event result related to sales of a tranche of mandatory reserves of PLN (-) 144 million, which will be compensated in connection with hedging transactions,
- negative effect related to pressure on trading margins mainly in refining segment,
- lack of positive effect from the II quarter of 2012 related to throughput of cheaper components processed before overhaul of the reforming and alkylation installation in Plock refinery.

The negative impact of decreasing crude oil prices on inventory valuation in the II quarter of 2013 was equal to PLN (-) 439 million in comparison with PLN (-) 858 million in the II quarter of 2012.

As a result, operating result plus depreciation and amortisation ("EBITDA") of the ORLEN Group for the II quarter of 2013 amounted to PLN 398 million, in comparison to PLN 918 million in the analogous period of the previous year.

Net financial expenses in the II quarter of 2013 amounted to PLN (-) 127 million and comprised primarily of net foreign exchange losses on revaluation of loans and other items in foreign currencies of PLN (-) 117 million, net interest expense of PLN (-) 44 million and net income from the valuation of financial instruments of PLN 42 million.

In accordance with the IAS 39 (Financial Instruments: Recognition and Measurement) foreign exchange losses from loans in USD as part of a hedging relationship established with an investment in the ORLEN Lietuva of PLN (-) 99 million and in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) foreign exchange losses resulting from the translation of foreign currency loans balances of foreign entities of PLN (-) 30 million were recognized in equity in the position of exchange differences on subsidiaries from consolidation.

The positive effect of tax charges of PLN 35 million comprises mainly recognition of deferred tax asset of tax losses of current period and effect of revaluation of taxable amount of non-financial assets of ORLEN Lietuva in relation to exchange rate of LIT/USD.

After consideration of tax charges, net profit of the ORLEN Group for the II quarter of 2013 amounted to PLN (-) 229 million.

Results from operations of the core entities of the ORLEN Group in the II quarter of 2013

- **PKN ORLEN S.A.** – result from operations plus depreciation and amortisation decreased by PLN (-) 641 million (y/y) and amounted to PLN 179 million.
 - EBITDA of refining segment, lower by PLN (-) 524 million (y/y) was mainly due to deterioration of macroeconomic environment, negative one-off event result related to sales of a tranche of mandatory reserves amounted to PLN (-) 144 million, which will be compensated in connection with hedging transaction, lack of positive effect of inventories rotation from the II quarter of 2012 related to throughput of cheaper components processed before overhaul and pressure on trading margins as well as positive impact of inventories valuation amounted to PLN 103 million (y/y),
 - EBITDA of the retail segment amounted to PLN 241 million and was at comparable level (y/y) accompanied by stable sales volume,
 - EBITDA of petrochemical segment, lower by PLN (-) 120 million (y/y) mainly results from negative effect of macroeconomic factors changes accompanied by higher sales volume as well as positive impact of inventories valuation of PLN 16 million (y/y),
 - EBITDA of corporate functions, higher by PLN 3 million (y/y).

- **ORLEN Lietuva Group** – result from operations plus depreciation and amortisation increased by PLN 147 million (y/y) and amounted to PLN (-) 43 million.
 - EBITDA of refining segment, higher by PLN 144 million (y/y) mainly results of positive effect of inventories valuation of PLN 210 million (y/y) and higher sales volume, accompanied by negative impact of macroeconomic environment,
 - EBITDA of retail segment, higher by PLN 1 million (y/y) as a result of higher fuel and non-fuel margins,
 - EBITDA of corporate functions, higher by PLN 2 million (y/y).

- **Unipetrol Group** – the result from operations plus depreciation and amortisation was lower by PLN (-) 39 million (y/y) and amounted to PLN 1 million.
 - EBITDA of refining segment, lower by PLN (-) 60 million (y/y) due to negative impact of macroeconomic environment and lower sales volume, as a result of production limitation's due to overhaul of the Fluid Catalytic Cracking Installation in Kralupy refinery accompanied by positive impact of inventories valuation of PLN 27 million,
 - EBITDA of retail segment, lower by PLN (-) 5 million (y/y) mainly due to negative impact of changes of the result from other operating activities accompanied by higher sales volume,
 - EBITDA of petrochemical segment, higher by PLN 26 million (y/y) mainly results from negative effect of macroeconomic environment changes and positive effect of inventories valuation of PLN 67 million,
 - EBITDA of corporate functions at comparable level (y/y).

Net indebtedness and cash flows

As at 30 June 2013 net indebtedness of the ORLEN Group amounted to PLN 5,171 million and was lower by PLN (-) 1,591 million as compared to the level at the end of 2012.

Net financial leverage at the end of the II quarter of 2013 amounted to 24.4%.

The decrease in net indebtedness in the I half year of 2013 was mainly due to net repayment of loans and changes in cash balances of PLN (-) 2,444 million, accompanied by increase of foreign exchange losses from the revaluation of foreign exchange loans and indebtedness valuation of PLN 853 million.

The decrease in net indebtedness in the II quarter of 2013 amounted to PLN (-) 3,393 million and comprised mainly effect of net repayment of loans, indebtedness valuation and changes in cash balances of PLN (-) 3,584 million accompanied by increase of foreign exchange losses from the revaluation of foreign exchange loans of PLN 191 million.

Net cash from operating activities in the II quarter of 2013 amounted to PLN 4,319 million and comprised mainly positive effect of changes in working capital balances of PLN 3,832 million including sale of part of mandatory crude oil reserves of PLN 1,044 million increased by PLN 240 million of VAT which will be paid in the III quarter of 2013.

Net cash used in investing activities in the II quarter of 2013 amounted to PLN (-) 638 million and comprised mainly of net expenditure for the acquisition of tangible and intangible non-current assets of PLN (-) 435 million and expenditures for the Neon Poland Sp. z o.o. short-term loan granted of PLN (-) 240 million in relation to the sale of mandatory reserves described below.

Net cash used in financing activities in the II quarter of 2013 amounted to PLN (-) 422 million and comprised mainly net repayment of loans and borrowings of PLN (-) 750 million, proceeds from debt securities of PLN 400 million in relation to PKN ORLEN S.A.'s retail bonds issue as well as interest payments of PLN (-) 63 million.

Considering revaluation of cash from foreign exchange differences the cash balance increased in the II quarter of 2013 by PLN 3,261 million and amounted to PLN 4,572 million as at 30 June 2013.

Sales of crude oil mandatory reserves

On 27 June 2013 within the process of changing the formula of keeping crude oil mandatory reserves by PKN ORLEN S.A., sales and commissioning the gathering and keeping of crude oil mandatory reserves agreements with Neon Poland Sp. z o.o. were signed. Transaction with Neon is a continuation of strategy providing for the maintaining stable financial position through release of blocked funds, relieves Company's balance sheet and maintaining financial indicators at the safe level.

On the basis of the sales agreement PKN ORLEN S.A. sold crude oil of approximately PLN 1,044 million to Neon Poland Sp. z o.o. The crude oil price was established based on market quotations.



On the basis of the agreement for gathering and keeping of reserves Neon Poland Sp. z o.o. will provide service of keeping of crude oil mandatory reserves to PKN ORLEN S.A. account, whereas PKN ORLEN S.A. will guarantee storage of reserves in current location. The agreement for gathering and keeping of reserves was concluded for the period to 29 January 2015, renewal of the agreement for the next period is possible.

Above agreements were concluded after receiving by PKN ORLEN S.A. the approval of Material Reserves Agency for the transaction.

Moreover PKN ORLEN S.A. signed with Neon Poland Sp. z o.o. an agreement, under which it granted Neon Poland Sp. z o.o. a short-term loan of PLN 240 million, interest at market conditions. Granted loan will cover VAT, which Neon Poland Sp. z o.o. is obliged to pay in connection with sales agreement.

The change in presentation of segment data

From the I quarter of 2013 Upstream Segment was separated, which operations in previous periods were presented within Corporate Functions. Consequently, comparable data was restated for the 6 months and II quarter of 2012.

Detailed commentaries regarding revenues and operating results of individual segments are presented further in this report.

Macroeconomic commentary
Crude oil prices, BRENT / URAL differential, model margins

Table 2

Item	Quarter			change %
	Q1 2013	Q2 2013	Q2 2012	
1	2	3	4	5=(3-4)/4
Brent crude oil (USD/bbl)	113	102	108	-5.6
Brent / URAL differential (USD/bbl)	1.7	0.7	2.1	-66.7
Model refining margin (USD/bbl)	4.1	5.3	6.8	-22.1
Model petrochemical margin (EUR/t)	737	729	772	-5.6
Quotation of margins (crack margins)				
Refining products (USD/t) ¹				
Gasoline	186	187	214	-12.6
Diesel oil	124	117	127	-7.9
Light heating oil	106	94	104	-9.6
Jet A-1 fuel	183	152	172	-11.6
Heavy heating oil	-242	-198	-197	-0.5
Petrochemical products (EUR/t) ¹				
Polyethylene ²	183	189	194	-2.6
Polypropylene ²	307	297	293	1.4
Ethylene	643	594	619	-4.0
Propylene	467	453	521	-13.1
Toluene	320	292	306	-4.6
Benzene	433	430	311	38.3
Butadiene	737	713	1 402	-49.1
Paraxylene	602	527	550	-4.2

1) Margins (crack) for refining and petrochemical products (excluding polymers) calculated as difference between a quotation of given product and a quotation of Brent DTD crude oil.

2) Margin (crack) for polymers calculated as difference between quotations of polymers and monomers.

Exchange rates

Table 3

Currency	Average exchange rates ¹⁾			change %	Period end exchange rates ¹⁾			change %
	Q1 2013	Q2 2013	Q2 2012		Q1 2013	Q2 2013	Q2 2012	
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
PLN/USD	3.15	3.22	3.32	-3.0	3.26	3.32	3.39	-2.1
PLN/EUR	4.16	4.20	4.26	-1.4	4.18	4.33	4.26	1.6
PLN/CZK	0.16	0.16	0.17	-5.9	0.16	0.17	0.17	0.0
LTL/USD	2.62	2.64	2.69	-1.9	2.70	2.65	2.76	-4.0
LTL/EUR	3.45	3.45	3.45	0.0	3.45	3.45	3.45	0.0
CZK/USD	19.4	19.8	19.7	0.5	20.1	19.8	20.4	-2.9
CZK/EUR	25.6	25.8	25.3	2.0	25.7	26.0	25.6	1.6

1) Based on exchange rates published by NBP, Czech Republic National Bank and Bank of Lithuania.

Fuel consumption ¹

Table 4

Countries , (^{'000 tonnes})	Q1 2013	Q2 2013	Q2 2012	change %
1	2	3	4	5=(3-4)/4
Poland	3 271	3 685	3 828	-3.7%
Gasoline	807	929	969	-4.1%
Diesel Oil	2 464	2 756	2 859	-3.6%
Lithuania	250	370	358	3.4%
Gasoline	44	57	62	-8.1%
Diesel Oil	206	313	296	5.7%
Czech Republic	1 232	1 431	1 476	-3.0%
Gasoline	351	412	463	-11.0%
Diesel Oil	881	1 019	1 013	0.6%
Germany	11 842	13 104	12 952	1.2%
Gasoline	4 184	4 559	4 691	-2.8%
Diesel Oil	7 658	8 545	8 261	3.4%

1) Estimates prepared based on data of Agencja Rynku Energii S.A., Lithuanian Statistical Office, Czech Statistical Office and Association of the German Petroleum Industry.

Segment commentary – Refining Segment

Table 5

Q1 2013	Q2 2013	Q2 2012	change %	Item, PLNm	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
21 537	21 687	21 350	1.6	Segment revenues, including:	43 224	44 438	-2.7
15 044	15 166	14 289	6.1	Sales revenues from external customers	30 210	30 352	-0.5
6 493	6 521	7 061	-7.6	Sales revenues from transactions with other segments	13 014	14 086	-7.6
-21 565	-22 253	-21 408	3.9	Segment expenses	-43 817	-43 742	0.2
-6	4	-8	-	Other operating revenues/expenses, net	-3	-30	-90.0
276	88	929	-90.5	Profit/(Loss) from operations under LIFO plus depreciation and amortisation (EBITDA LIFO)	364	1 238	-70.6
207	-324	181	-	Profit/(Loss) from operations plus depreciation and amortisation (EBITDA)	-117	1 174	-
35	-150	682	-	Profit/(Loss) from operations under LIFO	-115	730	-
-34	-562	-66	751.5	Profit/(Loss) from operations	-596	666	-
153	198	330	-40.0	CAPEX	352	473	-25.6
5 581	5 544	5 095	8.8	Sales of products (thousand tonnes)	11 125	10 206	9.0

EBITDA LIFO of the refining segment of the ORLEN Group in the II quarter of 2013 amounted to PLN 88 million and was lower by PLN (-) 841 million (y/y).

Negative impact of macroeconomic factors was partially offset by positive effect of higher sales volume in Poland and on the markets operated by ORLEN Lietuva Group and decreased EBITDA of the segment by approximately PLN (-) 474 million (y/y).

The effect of other factors amounted to PLN (-) 367 million (y/y) and included mainly:

- negative one-off event result related to sales of a tranche of mandatory reserves of PLN (-) 144 million, which will be compensated in connection with hedging transactions,
- negative effects related to pressure on trading margins in refining segment,
- lack of positive effects from the II quarter of 2012 related to throughput of cheaper components processed before overhaul of the reforming and alkylation installation in Plock refinery.

Negative impact of decreasing crude oil prices on the inventories valuation in the II quarter 2013 amounted to PLN (-) 412 million in comparison with PLN (-) 748 million in the II quarter 2012.

As a result, EBITDA of ORLEN Group in the II quarter 2013 amounted to PLN (-) 324 million in comparison to PLN 181 million in analogous period of the previous year.

The segment's capital expenditures ("CAPEX") in the II quarter 2013 amounted to PLN 198 million and comprised mainly: construction of the Installation of Catalytic Denitrification and Dedusting, site preparation of Flue Gas Desulphurization, modernization of the fuel system of the Power Plant in Plock and construction of reformate tanks on the Composition Department in PKN ORLEN S.A.; projects related to the improvement of energy efficiency in the Unipetrol Group and construction of installation of Visbreaker Vacuum Flasher in ORLEN Lietuva Group.

Segment commentary – Retail Segment

Table 6

Q1 2013	Q2 2013	Q2 2012	change %	Item, PLNm	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
8 202	9 314	9 804	-5.0	Segment revenues, including:	17 516	18 752	-6.6
8 167	9 273	9 772	-5.1	Sales revenues from external customers	17 440	18 689	-6.7
35	41	32	28.1	Sales revenues from transactions with other segments	76	63	20.6
-8 164	-9 033	-9 562	-5.5	Segment expenses	-17 197	-18 472	-6.9
-1	1	10	-90.0	Other operating revenues/expenses, net	0	-2	-
123	369	341	8.2	Profit/(Loss) from operations plus depreciation and amortisation (EBITDA)	492	457	7.7
37	282	252	11.9	Profit/(Loss) from operations	319	278	14.7
44	60	104	-42.3	CAPEX	104	126	-17.5
1 659	1 933	1 873	3.2	Sales of products (thousand tonnes)	3 592	3 605	-0.4

In the II quarter of 2013 EBITDA of the retail segment of the ORLEN Group amounted to PLN 369 million and was higher by PLN 28 million (y/y).

High sales volume (y/y) on German and Czech markets, with stable sales on Polish market increased segment's EBITDA by PLN 3 million (y/y).

Improving fuel margins on the German market with comparable level on the Polish and Czech markets increased segment's EBITDA by PLN 26 million (y/y).

The effect of other operating factors amounted to PLN (-) 1 million (y/y).

At the end of the II quarter of 2013 the ORLEN Group operated 2,705 fuel stations. As compared to the end of the II quarter of 2012 the number of fuel stations increased by 14 (by 23 on Polish market, with a decline by (-) 9 on German market). Number of fuel stations in franchising system increased by 16, with a decrease by (-) 2 in CODO system.

At the end of the II quarter of 2013 number of catering points such as Stop Café and Stop Café Bistro amounted to 869 and was higher by 161 (y/y).

Segment's capital expenditures („CAPEX”) in the II quarter 2013 amounted to PLN 60 million.

Segment commentary – Petrochemical Segment

Table 7

Q1 2013	Q2 2013	Q2 2012	change %	Item, PLNm	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
5 116	4 704	4 829	-2.6	Segment revenues, including:	9 821	10 039	-2.2
4 241	3 857	3 861	-0.1	Sales revenues from external customers	8 098	8 107	-0.1
875	847	968	-12.5	Sales revenues from transactions with other segments	1 723	1 932	-10.8
-4 612	-4 389	-4 472	-1.9	Segment expenses	-9 001	-9 343	-3.7
8	8	22	-63.6	Other operating revenues/expenses, net	15	29	-48.3
678	531	667	-20.4	Profit/(Loss) from operations under LIFO plus depreciation and amortisation (EBITDA LIFO)	1 209	1 157	4.5
694	504	557	-9.5	Profit/(Loss) from operations plus depreciation and amortisation (EBITDA)	1 198	1 101	8.8
496	350	489	-28.4	Profit/(Loss) from operations under LIFO	846	781	8.3
512	323	379	-14.8	Profit/(Loss) from operations	835	725	15.2
45	98	111	-11.7	CAPEX	142	160	-11.3
1 344	1 228	1 181	4.0	Sales of products (thousand tonnes)	2 572	2 562	0.4

In the II quarter of 2013 EBITDA LIFO of petrochemical segment of the ORLEN Group amounted to PLN 531 million and was lower by PLN (-) 136 million (y/y).

The impact of macroeconomic environment decreased segment's EBITDA by PLN (-) 163 million (y/y).

The positive impact of sales volume in the II quarter of 2013 amounted to PLN 57 million (y/y) and mainly related to higher sales of polyolefins, plastics and PTA accompanied by lower volume of fertilizers as the result of production standstill in Spolana in Czech Republic due to June floods and cease of fertilizers production in Unipetrol Group at the end of 2012.

Negative impact of other factors of PLN (-) 30 million (y/y) concerned mainly negative impact of change in the balance of other operating activities.

Impact of valuation of inventories in the II quarter of 2013 amounted to PLN (-) 27 million as compared to PLN (-) 110 million in the II quarter of 2012.

As the result EBITDA of petrochemical segment for the II quarter of 2013 amounted to PLN 504 million as compared to PLN 557 million in analogous period of the previous year.

In the II quarter of 2013 the segment's capital expenditures ("CAPEX") amounted to PLN 98 million.

The most significant investments realized in this period comprised of: construction of loading and storage installation of packages in Anwil S.A., replacement of the reactor at a sulfuric acid plant and projects concerning construction of gas power plant in Włocławek conducted by PKN ORLEN S.A., construction of packaging line on the recovery carbon black installation (Chezacarb) in Unipetrol Group and reconstruction of pirolytic furnance.

Segment commentary – Upstream Segment

Table 8

Q1 2013	Q2 2013	Q2 2012	change %	Item, PLNm	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
0	1	1	0.0	Segment revenues, including:	1	1	0.0
0	1	1	0.0	Sales revenues from external customers	1	1	0.0
0	0	0	-	Sales revenues from transactions with other segments	0	0	-
-6	-5	-7	-28.6	Segment expenses	-11	-12	-8.3
0	0	0	-	Other operating revenues/expenses, net	0	0	-
-5	-4	-6	33.3	Profit/(Loss) from operations plus depreciation and amortisation (EBITDA)	-9	-10	10.0
-6	-4	-6	33.3	Profit/(Loss) from operations	-10	-11	9.1
55	105	10	950.0	CAPEX	160	23	595.7

Unconventional projects

Under unconventional projects at the end of June 2013 6 drillings were performed, including 4 vertical and 2 horizontal. Additionally in July 2013 another vertical drilling was completed.

In the II quarter of 2013 under the Lublin Shale Project 3 vertical drillings were performed. Drillings of the first well ended in April 2013, second well was completed in July 2013, whereas the third one is ongoing. The analyses of data obtained during previous operations were performed simultaneously.

In the II quarter of 2013 fracturing process of one of horizontal drillings was conducted. In July 2013 production tests after fracturing process were completed and actually data analyses are carried out.

In June 2013 the acquisition process of new 2D seismic data under Garwolin Project was performed.

Under project Mid-Poland Unconventionals the acquisition process of new 2D seismic data was started. The completion of field works is planned at the turn of the III and IV quarter of 2013.

Under Project Hrubieszów Shale preparatory works for the acquisition of 2D seismic data were conducted.

Total capital expenditures ("CAPEX") concerning unconventional projects in the II quarter of 2013 amounted to PLN 64 million.

Conventional Project

Under conventional projects at the end of the June 2013 3 exploration and prospecting drillings were realized, including 2 prospecting drillings under Sieraków Project and 1 exploration drilling under project conducted on Baltic Sea.

In the II quarter of 2013 as part of the project implemented on the Polish Lowland area near Sieraków in cooperation with PGNiG an exploration drilling was carried out in May 2013 and currently obtained data are analyzed.

In the II quarter of 2013 under the Kambr Project held jointly with Kuwait Energy Company exploration drilling on the Latvian zone of Baltic Sea shelf were conducted. Drilling works using semi-submersible platform were finished in June 2013. The project is realized through holding company ORLEN International Exploration and Production Company BV (OIEPCo).

Under the Karbon Project in the Lublin Region in the II quarter of 2013 preparatory works were performed for the acquisition of 2D seismic data and drilling of exploration well.

Total capital expenditures ("CAPEX") concerning conventional projects in the II quarter of 2013 amounted to PLN 41 million.

Segment commentary – Corporate Functions

Table 9

Q1 2013	Q2 2013	Q2 2012	change %	Item, PLNm	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
76	80	86	-7.0	Segment revenues, including:	156	162	-3.7
19	14	32	-56.3	Sales revenues from external customers	33	54	-38.9
57	66	54	22.2	Sales revenues from transactions with other segments	123	108	13.9
-248	-278	-262	6.1	Segment expenses	-526	-502	4.8
4	22	-8	-	Other operating revenues/expenses, net	26	-4	-
-140	-147	-155	5.2	Profit/(Loss) from operations plus depreciation and amortisation (EBITDA)	-287	-286	-0.3
-168	-176	-184	4.3	Profit/(Loss) from operations	-344	-344	0.0
9	71	26	173.1	CAPEX	80	37	116.2

EBITDA of corporate functions in the II quarter of 2013 was higher by PLN 8 million (y/y).

Capital expenditures (“CAPEX”) of corporate functions in the II quarter of 2013 of PLN 71 million mainly related to tasks concerning construction works of the gas power plant in Włocławek of PLN 44 million and the remaining part mainly related to IT projects.

Interim condensed consolidated financial statements
**CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Table 10

Q1 2013	Q2 2013	Q2 2012	change %	Item, PLNm	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
Statement of profit or loss							
27 472	28 311	27 955	1.3	Sales revenues	55 783	57 202	-2.5
-25 821	-27 137	-26 321	3.1	Cost of sales	-52 958	-53 301	-0.6
1 651	1 174	1 634	-28.2	Gross profit on sales	2 825	3 901	-27.6
-956	-970	-902	7.5	Distribution expenses	-1 926	-1 840	4.7
-358	-375	-373	0.5	General and administrative expenses	-732	-740	-1.1
72	175	138	26.8	Other operating revenues	246	250	-1.6
-68	-141	-122	15.6	Other operating expenses	-209	-257	-18.7
341	-137	375	-	Profit/(loss) from operations	204	1 314	-84.5
126	117	597	-80.4	Financial revenues	243	782	-68.9
-351	-244	-874	-72.1	Financial expenses	-594	-465	27.7
-225	-127	-277	-54.2	Financial revenues and expenses	-351	317	-
0	0	0	-	Share in profit from investments accounted for under equity method	-1	-1	0.0
116	-264	98	-	Profit/(Loss) before tax	-148	1 630	-
29	35	-138	-	Income tax expense	64	-426	-
145	-229	-40	472.5	Net profit/(loss)	-84	1 204	-
Items of other comprehensive income							
-7	-3	3	-	which will not be reclassified into profit or loss	-9	3	-
-9	-3	3	-	<i>Fair value measurement of investment property as at the date of reclassification</i>	-11	3	-
2	0	0	-	<i>Deferred tax</i>	2	0	-
120	73	-315	-	which will be reclassified into profit or loss under certain conditions	193	-459	-
23	-110	-461	-76.1	<i>Hedging instruments</i>	-86	-349	-75.4
101	162	58	179.3	<i>Foreign exchange differences on subsidiaries from consolidation</i>	263	-176	-
-4	21	88	-76.1	<i>Deferred tax</i>	16	66	-75.8
114	70	-312	-	Total items of other comprehensive income	184	-456	-
259	-159	-352	-54.8	Total net comprehensive income	100	748	-86.6
145	-229	-40	472.5	Net profit/(loss) attributable to	-84	1 204	-
149	-207	-5	4 040.0	equity holders of the parent	-58	1 255	-
-4	-22	-35	-37.1	non-controlling interest	-26	-51	-49.0
259	-159	-352	-54.8	Total comprehensive income attributable to	100	748	-86.6
277	-186	-298	-37.6	equity holders of the parent	91	851	-89.3
-18	27	-54	-	non-controlling interest	9	-103	-
0,35	-0,48	-0,01	4 700.0	Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)	-0,13	2,93	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 11

31.03.2013	30.06.2013	change %	Item, PLNm	31.12.2012	change %
1	2	3=(2-1)/1	4	5	6=(2-5)/5
ASSETS					
24 719	24 931	0.9	Property, plant and equipment	24 744	0.8
122	124	1.6	Investment property	117	6.0
1 372	1 126	-17.9	Intangible assets	1 447	-22.2
97	97	0.0	Perpetual usufruct of land	98	-1.0
12	12	0.0	Investment accounted for under equity method	12	0.0
41	40	-2.4	Financial assets available for sale	41	-2.4
284	314	10.6	Deferred tax assets	297	5.7
26	41	57.7	Other non-current assets	55	-25.5
26 673	26 685	0.0	Total non-current assets	26 811	-0.5
16 657	13 943	-16.3	Inventories	15 011	-7.1
8 845	8 924	0.9	Trade and other receivables	8 075	10.5
83	288	247.0	Other short-term financial assets	368	-21.7
125	63	-49.6	Income tax receivables	90	-30.0
1 311	4 572	248.7	Cash and cash equivalents	2 211	106.8
20	20	0.0	Non-current assets classified as held for sale	65	-69.2
27 041	27 810	2.8	Total current assets	25 820	7.7
53 714	54 495	1.5	Total assets	52 631	3.5
EQUITY AND LIABILITIES					
1 058	1 058	0.0	Share capital	1 058	0.0
1 227	1 227	0.0	Share premium	1 227	0.0
-52	-141	171.2	Hedging reserve	-73	93.2
3	1	-66.7	Revaluation reserve	6	-83.3
192	303	57.8	Foreign exchange differences on subsidiaries from consolidation	81	274.1
24 328	23 480	-3.5	Retained earnings	24 180	-2.9
26 756	25 928	-3.1	Total equity attributable to equity holders of the parent	26 479	-2.1
1 808	1 833	1.4	Non-controlling interest	1 828	0.3
28 564	27 761	-2.8	Total equity	28 307	-1.9
6 666	6 985	4.8	Loans, borrowings and debt securities	7 678	-9.0
657	669	1.8	Provisions	660	1.4
676	585	-13.5	Deferred tax liabilities	672	-12.9
15	15	0.0	Deferred income	16	-6.3
155	178	14.8	Other non-current liabilities	171	4.1
8 169	8 432	3.2	Total non-current liabilities	9 197	-8.3
12 601	14 561	15.6	Trade and other liabilities	12 656	15.1
3 208	2 759	-14.0	Loans, borrowings and debt securities	1 295	113.1
54	21	-61.1	Income tax liabilities	83	-74.7
765	578	-24.4	Provisions	803	-28.0
256	225	-12.1	Deferred income	168	33.9
97	157	61.9	Other financial liabilities	122	28.7
0	1	-	Liabilities directly associated with assets classified as held for sale	0	-
16 981	18 302	7.8	Total current liabilities	15 127	21.0
25 150	26 734	6.3	Total liabilities	24 324	9.9
53 714	54 495	1.5	Total equity and liabilities	52 631	3.5

CONSOLIDATED STATEMENT OF CASH FLOWS

Table 12

Q1 2013	Q2 2013	Q2 2012 ¹⁾	change %	Item, PLNm	6 months 2013	6 months 2012 ¹⁾	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
Cash flows – operating activities							
145	-229	-40	472.5	Net profit/(loss)	-84	1 204	-
Adjustments for:							
0	0	0	-	Share in profit from investments accounted for under equity method	0	1	-
538	535	543	-1.5	Depreciation and amortisation	1 073	1 122	-4.4
61	80	25	220.0	Foreign exchange (gain)/loss	142	-364	-
66	80	96	-16.7	Interest, net	145	183	-20.8
	-2	-2	0.0	Dividends	-2	-2	0.0
-42	-44	-91	-51.6	(Profit) on investing activities	-86	-55	56.4
56	159	46	245.7	Change in provisions	215	198	8.6
-29	-35	138	-	Income tax expense	-64	426	-
-4	-18	-713	-97.5	Income tax (paid)	-23	-894	-97.4
-49	-39	-123	-68.3	Other adjustments	-87	-264	-67.0
-2 085	3 832	29	13 113.8	Change in working capital	1 747	-1 499	-
-1 566	2 757	1 831	50.6	inventories	1 191	53	2 147.2
-584	38	287	-86.8	receivables	-547	-375	45.9
65	1 037	-2 089	-	liabilities	1 103	-1 177	-
-1 343	4 319	-92	-	Net cash provided by/(used in) operating activities	2 976	56	5 214.3
Cash flows - investing activities							
-527	-463	-442	4.8	Acquisition of property, plant and equipment and intangible assets	-989	-991	-0.2
91	28	5	460.0	Disposal of property, plant and equipment and intangible assets	118	16	637.5
0	-1	-1	0.0	Acquisition of shares	-2	-11	-81.8
0	0	0	-	Acquisition of securities and deposits	0	-17	-
12	5	13	-61.5	Disposal of securities and deposits	17	20	-15.0
0	2	2	0.0	Dividends received	2	2	0.0
274	-240	-51	370.6	Proceeds/(Outflows) from loans granted	33	-49	-
17	31	139	-77.7	Other	50	139	-64.0
-133	-638	-335	90.4	Net cash (used in) investing activities	-771	-891	-13.5
Cash flows - financing activities							
2 994	44	318	-86.2	Proceeds from loans and borrowings received ²⁾	3 038	3 087	-1.6
0	400	0	-	Debt securities issued	400	1 000	-60.0
-2 328	-794	-371	114.0	Repayments of loans and borrowings ²⁾	-3 122	-4 069	-23.3
0	0	0	-	Redemption of debt securities	0	-750	-
-81	-63	-80	-21.3	Interest paid	-144	-173	-16.8
-7	-7	-7	0.0	Payments of liabilities under finance lease agreements	-14	-15	-6.7
0	0	0	-	Dividends paid to non-controlling shareholders	0	0	-
-2	-2	-2	0.0	Other	-4	-4	0.0
576	-422	-142	197.2	Net cash provided by/(used in) financing activities	154	-924	-
-900	3 259	-569	-	Net increase/(decrease) in cash and cash equivalents	2 359	-1 759	-
0	2	0	-	Effect of exchange rate changes	2	-3	-
2 211	1 311	4 216	-68.9	Cash and cash equivalents, beginning of the period	2 211	5 409	-59.1
1 311	4 572	3 647	25.4	Cash and cash equivalents, end of the period	4 572	3 647	25.4

1) Restated data.

2) The decrease in proceeds/(repayments) of loans and borrowings by PLN 2,547 million and PLN 1,532 million for 6 and 3 months period ended 30 June 2012 due to implementation of presentation of net change in overdraft.

Operating data
PRODUCTION VOLUME

Table 13

Production ('000 tonnes)	Q2 2013	Q2 2012	change %	Q2 2013	share %	Q2 2013	share %	Q2 2013	share %		
1	2	3	4=(2-3)/3	5	6=5/total segment	7	8=7/total segment	9	10=9/total segment		
Refining Segment	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		ORLEN Lietuva			
Crude oil throughput	6 663	6 362	4.7	3 636	-	903	-	2 030	-		
Light distillates [gasoline, LPG]	1 489	1 363	9.2	677	22.2	209	21.7	625	31.0		
Medium distillates [diesel oil, light heating oil, JET A-1 fuel]	3 026	2 834	6.8	1 654	54.3	440	45.7	927	46.1		
Heavy fractions [heavy heating oil, asphalt, oils]	1 164	1 062	9.6	398	13.1	111	11.5	420	20.9		
Other	239	183	30.6	317	10.4	203	21.1	41	2.0		
Total products	5 918	5 442	8.7	3 046	-	963	-	2 013	-		
Production ('000 tonnes)	Q2 2013	Q2 2012	change %	Q2 2013	share %	Q2 2013	share %	Q2 2013	share %	Q2 2013	share %
1	2	3	4=(2-3)/3	5	6=5/total segment	7	8=7/total segment	9	10=9/total segment	11	12=10/total segment
Petrochemical Segment	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		BOP		Anwil Group	
Monomers [ethylene, propylene]	107	130	-17.7	210	47.8	165	22.1	-	-	-	-
Polymers [polyethylene, polypropylene]	220	195	12.8	-	-	133	17.9	87	100.0	-	-
Aromas [benzene, toluene, paraxylene, orthoxylene]	90	90	0.0	45	10.3	45	6.0	-	-	-	-
Fertilizers [CANWIL, ammonium nitrate, ammonium sulphate, other]	259	304	-14.8	-	-	0	0.0	-	-	259	58.6
Plastics [PVC, PVC processing]	102	98	4.1	-	-	-	-	-	-	105	23.8
PTA	114	143	-20.3	114	26.0	-	-	-	-	-	-
Other	517	603	-14.3	70	15.9	402	54.0	-	-	78	17.6
Total products	1 409	1 563	-9.9	439	-	745	-	87	-	442	-
Total production	7 327	7 005	4.6	3 485	-	1 708	-	87	-	442	-

SALES VOLUME

Table 14

Q1 2013	Q2 2013	Q2 2012	change %	Sales (‘000 tonnes)	6 months 2013	6 months 2012	change %
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
5 581	5 544	5 095	8.8	Refining Segment	11 125	10 206	9.0
1 336	1 245	1 089	14.3	Light distillates [gasoline, LPG]	2 581	2 256	14.4
2 475	2 409	2 221	8.5	Medium distillates [diesel oil, light heating oil, JET A-1 fuel]	4 884	4 602	6.1
1 061	1 213	1 083	12.0	Heavy fractions [heavy heating oil, asphalt, oils]	2 274	1 947	16.8
709	677	702	-3.6	Other	1 386	1 401	-1.1
1 659	1 933	1 873	3.2	Retail Segment	3 592	3 605	-0.4
624	734	742	-1.1	Light distillates [gasoline, LPG]	1 358	1 414	-4.0
1 035	1 199	1 131	6.0	Medium distillates [diesel oil, light heating oil]	2 234	2 191	2.0
7 240	7 477	6 968	7.3	Refining + Retail Segment	14 717	13 811	6.6
1 344	1 228	1 181	4.0	Petrochemical Segment	2 572	2 562	0.4
129	114	116	-1.7	Monomers [ethylene, propylene]	243	251	-3.2
201	230	194	18.6	Polimers [poliethylene, polypropylene]	431	412	4.6
100	88	88	0.0	Aromas [benzene, toluene, paraxylene, ortoxylene]	188	180	4.4
291	197	225	-12.4	Fertilizers [CANWIL, ammonium nitrate, ammonium sulphate, other]	488	592	-17.6
114	109	84	29.8	Plastics [PVC, PVC granulates]	223	183	21.9
137	134	119	12.6	PTA	271	259	4.6
372	356	355	0.3	Other	728	685	6.3
8 584	8 705	8 149	6.8	ORLEN Group - total	17 289	16 373	5.6