REPORT FOR THE I HALF OF 2009

ORLEN

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated half year report PSr 2009
(year)

(in accordance with § 82 section 2 and § 83 section 3 of the Minister of Finance Regulation of 19 February 2009 year – Official Journal No 33, item 259)

(for issuers of securities whose business activity embraces manufacture, construction, trade and services)

for the half of the reporting year 2009 that is for the period from 01.01.2009 to 30.06.2009, which includes consolidated financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN) and condensed financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN).

on 31 August 2009
(submission date)

KPMG AUDYT Sp. z o.o.
(Entity authorized to conduct audit)
==========

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA		
	(full name of the issuer)	
PKN ORLEN		**CHEMICAL (che)**
(abbreviated name of the issuer)		(industrial sector in line with classification of Warsaw Stock Exchange)
09-411		**PŁOCK**
(zip code)		(location)
CHEMIKÓW		**7**
(street)		(number)
48 24 365 28 95 (telephone)	**48 24 365 40 40** (fax)	**media@orlen.pl** (e-mail)
774-00-01-454	**610188201**	**www.orlen.pl**
(NIP)	(REGON)	(www)

SELECTED FINANCIAL DATA	PLN thousand		EUR thousand	
	I half of 2009	I half of 2008	I half of 2009	I half of 2008
Data in respect of half-year condensed consolidated financial statements				
I. Total sales revenue	31 471 936	40 031 951	6 965 283	8 859 763
II. Profit from operations	340 420	2 211 396	75 341	489 420
III. Profit before tax	63 452	2 928 176	14 043	648 056
IV. Net profit attributable to equity holders of the parent	75 792	2 366 868	16 774	523 829
V. Net profit	76 745	2 414 239	16 985	534 313
VI. Net cash provided by operating activities	3 072 228	2 267 742	679 937	501 890
VII. Total comprehensive income attributable to equity holders of the parent	569 612	1 639 831	126 065	362 923
VIII. Total comprehensive income	800 404	1 771 790	177 143	392 128
IX. Net cash used in investing activities	(2 560 264)	(1 255 278)	(566 630)	(277 814)
X. Net cash used in financing activities	(730 194)	(1 121 206)	(161 605)	(248 142)
XI. Net change in cash and cash equivalents	(218 230)	(108 742)	(48 298)	(24 066)
XII. Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN/EUR per share)	0,18	5,53	0,04	1,22
	as at 30 June 2009	as at 31 December 2008	as at 30 June 2009	as at 31 December 2008
XIII. Non-current assets	30 960 865	29 280 856	6 926 988	6 551 113
XIV. Current assets	19 159 432	17 694 894	4 286 610	3 958 944
XV. Total assets	50 120 297	46 975 750	11 213 598	10 510 057
XVI. Long-term liabilities	14 679 401	4 634 178	3 284 276	1 036 822
XVII. Short-term liabilities	14 145 360	21 809 925	3 164 793	4 879 615
XVIII. Equity	21 295 536	20 531 647	4 764 528	4 593 621
XIX. Equity attributable to equity holders of the parent	18 373 179	17 813 091	4 110 699	3 985 388
XX. Share capital *	1 057 635	1 057 635	236 629	236 629
XXI. Number of issued ordinary shares	427 709 061	427 709 061	427 709 061	427 709 061
XXII. Book value and diluted book value per share attributable to equity holders of the parent (in PLN/EUR per share)	42,96	41,65	9,61	9,32
	PLN thousand		EUR thousand	
	I half of 2009	I half of 2008	I half of 2009	I half of 2008
Data in respect of half-year condensed unconsolidated financial statement of Parent Company PKN ORLEN				
I. Total sales revenue	21 093 212	29 543 515	4 668 292	6 538 490
II. Profit from operations	26 750	1 586 926	5 920	351 214
III. Profit/(Loss) before tax	(38 754)	2 796 533	(8 577)	618 921
IV. Net profit	23 619	2 374 123	5 227	525 434
V. Total comprehensive income	81 945	2 272 558	18 136	502 956
VI. Net cash provided by operating activities	1 550 303	708 992	343 109	156 912
VII. Net cash used in investing activities	(1 919 907)	(649 393)	(424 909)	(143 722)
VIII. Net cash used in financing activities	215 309	102 248	47 652	22 629
IX.Net (decrease)/increase in cash and cash equivalents	(154 295)	161 847	(34 148)	35 819
X. Net profit and diluted net profit per ordinary share (in PLN/EUR per share)	0,06	5,55	0,01	1,23
	as at 30 June 2009	as at 31 December 2008	as at 30 June 2009	as at 31 December 2008
XI. Non-current assets	22 363 659	20 427 025	5 003 503	4 570 213
XII. Current assets	13 091 463	11 572 579	2 929 001	2 589 176
XIII. Total assets	35 455 122	31 999 604	7 932 504	7 159 389
XIV. Long-term liabilities	11 415 750	1 216 318	2 554 088	272 131
XV. Short-term liabilities	8 575 551	15 401 410	1 918 639	3 445 814
XVI. Equity	15 463 821	15 381 876	3 459 777	3 441 444
XVII. Share capital *	1 057 635	1 057 635	236 629	236 629
XVIII. Number of issued ordinary shares	427 709 061	427 709 061	427 709 061	427 709 061
XIX. Book value and diluted book value per share (in PLN/EUR per share)	36,15	35,96	8,09	8,05

* share capital after revaluatation in accordance with IAS 29

The above data for the I half year periods of 2009 and 2008 were translated into EUR by the following methods:

- specific items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as of 30 June 2009 – 4.4696 PLN/EUR;
- specific items of statement of comprehensive income and statement of cash flows – by the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of month during the period: from 1 January to 30 June 2009 – 4.5184 PLN/EUR.

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HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

A. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of financial position

	Note	30 June 2009 (unaudited)	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment		28 067 375	26 268 757
Intangible assets		608 023	557 048
Goodwill		92 536	87 633
Financial assets available for sale		50 263	62 174
Investment in associates		1 404 914	1 561 132
Deffered tax assets		485 170	485 362
Investment property		77 198	71 757
Perpetual usufruct of land		97 268	99 247
Non-current loans and receivables		78 118	87 746
Total non-current assets		**30 960 865**	**29 280 856**
Current assets			
Inventory		10 377 798	9 089 047
Trade and other receivables		6 985 929	6 356 174
Income tax receivable		150 213	392 042
Short-term financial assets	3.2.	223 584	257 832
Prepayments		240 780	204 088
Cash and cash equivalents		1 125 347	1 344 224
Non-current assets classified as held for sale		55 781	51 487
Total current assets		**19 159 432**	**17 694 894**
Total assets		**50 120 297**	**46 975 750**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Share capital		534 636	534 636
Share capital revaluation adjustment		522 999	522 999
Share capital *		**1 057 635**	**1 057 635**
Nominal share premium		1 058 450	1 058 450
Share premium revaluation adjustment		168 803	168 803
Share premium		**1 227 253**	**1 227 253**
Hedging reserve		(41 961)	(99 793)
Foreign exchange differences on subsidiaries from consolidation		359 196	(76 792)
Retained earnings		15 771 056	15 704 788
Total equity attributable to equity holders of the parent		**18 373 179**	**17 813 091**
Non - controlling interest		**2 922 357**	**2 718 556**
Total equity		**21 295 536**	**20 531 647**
Long-term liabilities			
Interest-bearing loans and borrowings	3.4.	12 506 970	2 610 651
Provisions	3.3.	707 273	747 287
Deffered tax liabilities		1 108 588	1 134 686
Other long-term liabilities		356 570	141 554
Total long-term liabilities		**14 679 401**	**4 634 178**
Short-term liabilities			
Trade and other liabilities		11 456 108	8 377 167
Provisions	3.3.	347 700	753 060
Income tax liabilities		28 457	35 454
Interest-bearing loans and borrowings	3.4.	1 882 785	11 282 114
Deffered income		142 287	149 521
Other short-term financial liabilities		288 023	1 212 609
Total short-term liabilities		**14 145 360**	**21 809 925**
Total liabilities and shareholders' equity		**50 120 297**	**46 975 750**

* share capital after revaluatation in accordance with IAS 29

The accompanying notes disclosed on pages 9-16 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of comprehensive income

	Note	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Sales of finished goods		33 182 905	17 518 052	39 473 579	21 581 196
Excise tax and other charges		(9 555 061)	(4 918 961)	(8 229 513)	(4 247 411)
Revenues from sale of finished goods, net		23 627 844	12 599 091	31 244 066	17 333 785
Sales of merchandise and raw materials		8 384 178	4 457 280	9 843 870	5 337 380
Excise tax and other charges		(540 086)	(286 292)	(1 055 985)	(577 647)
Revenues from sale of merchandise and raw materials, net		7 844 092	4 170 988	8 787 885	4 759 733
Total sales revenues		**31 471 936**	**16 770 079**	**40 031 951**	**22 093 518**
Cost of finished goods sold		(21 623 485)	(11 159 344)	(27 301 129)	(14 795 455)
Cost of merchandise and raw materials sold		(7 051 967)	(3 784 481)	(8 310 802)	(4 521 267)
Cost of finished goods, merchandise and raw materials sold	**3.5.**	**(28 675 452)**	**(14 943 825)**	**(35 611 931)**	**(19 316 722)**
Gross profit on sales		**2 796 484**	**1 826 254**	**4 420 020**	**2 776 796**
Distribution expenses		(1 730 674)	(855 249)	(1 622 520)	(881 723)
General and administrative expenses		(746 319)	(364 808)	(681 461)	(336 528)
Other operating revenues	3.6.	335 126	209 898	305 621	190 567
Othe operating expenses	3.6.	(314 197)	(155 188)	(210 264)	(102 789)
Profit from operations		**340 420**	**660 907**	**2 211 396**	**1 646 323**
Financial revenues	3.7.	462 116	743 245	1 030 860	588 950
Financial expenses	3.7.	(884 600)	(162 331)	(465 850)	(179 958)
Net financial revenues and expenses		**(422 484)**	**580 914**	**565 010**	**408 992**
Share in profit from investments accounted for under equity method		145 516	92 932	151 770	82 338
Profit before tax		**63 452**	**1 334 753**	**2 928 176**	**2 137 653**
Income tax expense	3.8.	13 293	(166 268)	(513 937)	(366 993)
Net profit		**76 745**	**1 168 485**	**2 414 239**	**1 770 660**
Items of other comprehensive income:					
Hedging instruments valuation		(13 762)	119 329	(33 889)	(43 756)
Hedging instruments settlement		84 361	40 740	(82 924)	(55 486)
Foreign exchange differences on consolidation		665 827	(229 565)	(547 831)	(248 099)
Deferred tax on other comprehensive income		(12 767)	(29 766)	22 195	18 856
Total items of other comprehensive income		**723 659**	**(99 262)**	**(642 449)**	**(328 485)**
Total comprehensive income		**800 404**	**1 069 223**	**1 771 790**	**1 442 175**
Net profit attributable to:					
equity holders of the parent		75 792	1 170 665	2 366 868	1 740 600
non-controlling interest		953	(2 180)	47 371	30 060
Total comprehensive income attributable to:					
equity holders of the parent		569 612	1 046 569	1 639 831	1 398 049
non-controlling interest		230 792	22 654	131 959	44 126
Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN per share)		0,18	2,74	5,53	4,07

The accompanying notes disclosed on pages 9-16 are an integral part of the foregoing interim condensed consolidated financial statements.

Consolidated statement of cash flows

	for 6 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)
Cash flows- operating activities		
Net profit	**76 745**	**2 414 239**
Adjustments for:		
Share in profit from investments accounted for under equity method	(145 516)	(151 770)
Depreciation	1 307 757	1 194 231
Loss/(Profit) from exchange rate differences	463 283	(533 370)
Interest	208 523	234 695
(Profit) on investing activities	(40 573)	(43 693)
Change in receivables	(318 116)	(1 457 239)
Change in inventories	(1 097 966)	(1 597 715)
Change in liabilities	2 897 536	2 115 033
Change in provisions	(477 624)	(22 707)
Income tax expense	(13 293)	513 937
Income tax received/(paid)	169 804	(297 184)
Other adjustments	41 668	(100 715)
Net cash provided by operating activities	**3 072 228**	**2 267 742**
Cash flows- investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 669 355)	(1 567 119)
Proceeds from sale of property, plant and equipment and intangible assets	52 632	52 320
Proceeds from sale of shares	612	166 360
Acquisition of shares	(1 017 598)	-
Interest and dividends received	78 306	102 576
Proceeds from loans granted	(5 296)	(213)
Repayment of loans	5 549	1 346
Dividends paid to minority shareholders	(152)	(2 164)
Other	(4 962)	(7 251)
Net cash used in investing activities	**(2 560 264)**	**(1 255 278)**
Cash flows- financing activities		
Proceeds from borrowings and loans	5 280 328	2 695 984
Debt securities issued	-	332 561
Repayment of loans and borrowings	(5 630 897)	(3 255 581)
Repurchase of debt securities	-	(636 680)
Interest paid	(325 887)	(239 787)
Payments due to finance lease liabilities	(54 332)	(17 612)
Other	594	(91)
Net cash used in financing activities	**(730 194)**	**(1 121 206)**
Net change in cash and cash equivalents	**(218 230)**	**(108 742)**
Effect of exchange rate changes	(647)	(114)
Cash and cash equivalents, beginning of the period	**1 344 224**	**1 498 232**
Cash and cash equivalents, end of the period	**1 125 347**	**1 389 376**
including cash and cash equivalents not available for use	30 604	61 592

The accompanying notes disclosed on pages 9-16 are an integral part of the foregoing interim condensed consolidated financial statements.

Statement of changes in consolidated equity

	Equity attributable to equity holders of the parent						
	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2009	**2 284 888**	**(99 793)**	**(76 792)**	**15 704 788**	**17 813 091**	**2 718 556**	**20 531 647**
Total comprehensive income	-	57 832	435 988	75 792	569 612	230 792	800 404
Change in non-controlling interest's structure in equity	-	-	-	(9 524)	(9 524)	(16 236)	(25 760)
Dividends	-	-	-	-	-	(10 755)	(10 755)
30 June 2009 (unaudited)	**2 284 888**	**(41 961)**	**359 196**	**15 771 056**	**18 373 179**	**2 922 357**	**21 295 536**

	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2008	**2 284 888**	**83 302**	**(1 327 936)**	**18 895 081**	**19 935 335**	**2 637 425**	**22 572 760**
Total comprehensive income	-	(94 618)	(632 419)	2 366 868	1 639 831	131 959	1 771 790
Dividends	-	-	-	(692 888)	(692 888)	(191 823)	(884 711)
30 June 2008 (unaudited)	**2 284 888**	**(11 316)**	**(1 960 355)**	**20 569 061**	**20 882 278**	**2 577 404**	**23 459 682**

The accompanying notes disclosed on pages 9-16 are an integral part of the foregoing interim condensed consolidated financial statements.

Explanatory notes to the half-year condensed consolidated financial statements

1. Information on principles adopted for preparation of the half-year condensed consolidated financial statements for the I half of 2009

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed consolidated financial statements („financial statements") were prepared in accordance with all requirements of IAS 34 "Interim financial reporting" and the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information presented by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) ("Regulation") and present the PKN Orlen S.A. Group's ("Group") financial position as at 30 June 2009 and 31 December 2008, results of its operations for the 6-month period ended 30 June 2009 and 30 June 2008 as well as its cash flows for the 6-month period ended 30 June 2009 and 30 June 2008.

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

1.2. Statement of the Management Board

The Management Board of PKN ORLEN declares that to the best of their knowledge, the foregoing half-year condensed consolidated financial statements and comparative data were prepared in compliance with the Group accounting principles in force and that they reflect true and fair view on financial status and financial result of the Group and that the Management Board report presents true overview of development, achievements and business situation of the Group, including basic risks and exposures.

The Management Board of PKN ORLEN declares that the entity authorized to audit and conducting the review of consolidated financial statements, was selected in compliance with the law and that the entity and auditors conducting the review met the conditions to issue an independent review in compliance with relevant regulations of the domestic law and professional standards.

1.3. Applied accounting principles and presentation changes

The foregoing half-year condensed consolidated financial statements were prepared in accordance with accounting principles presented in the consolidated financial statements of PKN ORLEN Group for the year ended 31 December 2008 except for the following changes in the International Financial Reporting Standards („IFRS"):

- presentation of the statement of comprehensive income, according to the requirements of the amended IAS 1 – Presentation of Financial Statements,
- presentation of information regarding operating segments according to the new standard IFRS 8 – Operating Segments (note 2),
- capitalization of borrowing costs, attributable to acquisition, construction or production of a qualifying asset as part of the cost of that asset according to IAS 23 – Borrowing Costs (note 3.7).

Starting from 1 January 2009 there were also changes in the following IFRS's: IFRS 2 „Share-based payment", IFRS 7 „Financial instruments: disclosures", IAS 27 „Consolidated and separate financial statements" and IAS 32 – "Financial instruments: presentation". Their adoption had no influence on presented financial statements.

According to IFRIC 13 – Customer Loyalty Programs, the effects of loyalty programs have been presented as deferred income. As a result of presentation changes introduced in the financial statements for 2008, comparable data for 6-month and 3-month periods ended 30 June 2008 was corrected in respect of - reclassification of creation and reversal of inventory allowances from other operating activities to costs of finished goods, merchandise and raw materials sold in the consolidated statement of comprehensive income in the amount of PLN 1,930 thousand and PLN (35,958) thousand. According to the Management Board the above mentioned changes will ensure better presentation of effects of the activities.

The following reclassifications were made in respect of data for the 3-month period ended 31 March 2009: decrease of excise tax on sales of finished goods and increase of excise tax on sales of merchandise and raw materials by PLN 244,951 thousand as well as decrease of external services and increase of cost of merchandise and materials sold by PLN 294,661 thousand.

1.4. Functional currency and presentation currency of financial statements and methods applied to translation of data denominated in foreign currencies

a) functional currency and presentation currency

Functional currency and presentation currency of the foregoing half-year condensed consolidated financial statements and half-year condensed unconsolidated financial statements of the Parent Company is PLN.

b) methods applied to translation of data denominated in foreign currencies

Financial statements of foreign entities, for consolidation purposes, are translated into PLN using the following methods:
– assets and liabilities of each presented statement of financial position are translated at the closing rate published by the National Bank of Poland at the given balance sheet date;
– respective items of the statement of comprehensive income and statement of cash flows are translated at the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of month in the reporting period.

All resulting exchange differences are recognized as a separate component of equity.

The financial data denominated in EUR was translated in line with the following methods:
– particular assets and liabilities – at the closing rate for 30 June 2009 – 4.4696 PLN / EUR and for 31 December 2008 – 4.1724 PLN / EUR;
– particular items of statement of comprehensive income and statement of cash flows for the II quarter – at the arithmetic average of exchange rates of the period from 1 April 2009 to 30 June 2009 – 4.4374 PLN / EUR. For the period from 1 April 2008 do 30 June 2008 the rate was 3.3978 PLN / EUR.

The financial data denominated in CZK was translated in line with the following methods:
– particular assets and liabilities – at the closing rate for 30 June 2009 – 0.1727 PLN / CZK and for 31 December 2008 – 0.1566 PLN / CZK;
– particular items of statement of comprehensive income and statement of cash flows for the II quarter – at the arithmetic average of exchange rates of the period from 1 April 2009 to 30 June 2009 – 0.1680 PLN / CZK. For the period from 1 April 2008 do 30 June 2008 the rate was 0.1373 PLN / CZK.

The financial data denominated in USD was translated in line with the following methods:
– particular assets and liabilities – at the closing rate for 30 June 2009 – 3.1733 PLN / USD and for 31 December 2008 – 2.9618 PLN / USD;
– particular items of statement of comprehensive income and statement of cash flows for the II quarter – at the arithmetic average of exchange rates of the period from 1 April 2009 to 30 June 2009 – 3.2135 PLN / USD. For the period from 1 April 2008 to 30 June 2008 the rate was 2.1762 PLN / USD.

2. Segment data

Changes in principles concerning presentation of information about operating segments

Due to new requirements concerning segment reporting, which were implemented starting from 1 January 2009 by IFRS 8 – Operating Segments, the Capital Group presents new segment division.

Group's activities are allocated to the following:
- Refining Segment – refining production and wholesale, production and sale of oils and supporting production
- Retail Segment – sale at petrol stations
- Petrochemical Segment – petrochemical production and wholesale, chemical production and sale
- Corporate Functions.

Allocation of PKN ORLEN Group's entities to operating segments is presented in note C.2.

The most significant changes in comparison to the previously presented segment division are as follows:
- wholesale and logistics, which were previously included as a whole in the Refining Segment, are now in the appropriate part recognized in the Petrochemical Segment,
- sale at petrol stations previously presented in the Refining Segment is now presented as a separate segment,
- supporting production, which was previously included in Other operations segment, is now allocated to appropriate segments according to type of services provided,
- Corporate Functions containing management, administration and other supporting functions as well as other activities not allocated to any other segment, is now distinguished as a separate segment.

Revenues, expenses and financial result by operating segments

for the period ended 30 June 2009

	Refining Segment		Retail Segment		Petrochemical Segment		Corporate Functions		Adjustments		Total	
	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months
Sales to external customers	16 741 012	8 834 866	10 491 819	5 765 867	4 204 086	2 154 122	35 019	15 224			31 471 936	16 770 079
Transactions with other segments	5 931 667	3 274 169	27 958	14 785	1 950 362	1 046 691	97 749	52 571	(8 007 736)	(4 388 216)	-	-
Total sales revenues	22 672 679	12 109 035	10 519 777	5 780 652	6 154 448	3 200 813	132 768	67 795	(8 007 736)	(4 388 216)	31 471 936	16 770 079
Total operating expenses	(22 122 858)	(11 422 746)	(10 194 116)	(5 568 270)	(6 411 391)	(3 363 021)	(431 816)	(198 053)	8 007 736	4 388 208	(31 152 445)	(16 163 882)
Other operating revenues	172 463	132 356	47 289	29 582	39 410	11 473	76 011	36 534	(47)	(47)	335 126	209 898
Other operating expenses	(68 489)	(49 040)	(62 632)	(18 978)	(26 537)	(20 925)	(156 586)	(66 292)	47	47	(314 197)	(155 188)
Segment result	**653 795**	**769 605**	**310 318**	**222 986**	**(244 070)**	**(171 660)**	**(379 623)**	**(160 016)**	**-**	**(8)**	**340 420**	**660 907**
Financial revenues											462 116	743 245
Financial expenses											(884 600)	(162 331)
Share in profit from investments accounted for under equity method	1 004	338	-	-	152	191	144 360	92 403			145 516	92 932
Profit before tax											**63 452**	**1 334 753**
Income tax expense											13 293	(166 268)
Net profit											**76 745**	**1 168 485**

for the period ended 30 June 2008

	Refining Segment		Retail Segment		Petrochemical Segment		Corporate Functions		Adjustments		Total	
	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months
Sales to external customers	23 122 534	13 076 464	10 836 581	5 962 106	6 025 395	3 033 539	47 441	21 409			40 031 951	22 093 518
Transactions with other segments	7 507 974	4 099 590	23 469	12 975	2 125 880	1 043 147	58 721	17 182	(9 716 044)	(5 172 894)	-	-
Total sales revenues	30 630 508	17 176 054	10 860 050	5 975 081	8 151 275	4 076 686	106 162	38 591	(9 716 044)	(5 172 894)	40 031 951	22 093 518
Total operating expenses	(28 852 948)	(15 718 733)	(10 669 874)	(5 852 644)	(7 787 183)	(3 980 399)	(321 952)	(155 930)	9 716 044	5 172 731	(37 915 913)	(20 534 975)
Other operating revenues	57 080	25 396	47 116	19 546	54 599	33 975	146 826	111 650			305 621	190 567
Other operating expenses	(45 089)	(23 616)	(45 584)	(20 194)	(20 620)	(9 995)	(98 970)	(48 982)			(210 263)	(102 787)
Segment result	**1 789 551**	**1 459 101**	**191 708**	**121 789**	**398 071**	**120 267**	**(167 934)**	**(54 671)**	**-**	**(163)**	**2 211 396**	**1 646 323**
Financial revenues											1 030 860	588 950
Financial expenses											(465 850)	(179 958)
Share in profit from investments accounted for under equity method	(223)	(17)	-	-	365	668	151 628	81 687			151 770	82 338
Profit before tax											**2 928 176**	**2 137 653**
Income tax expenses											(513 937)	(366 993)
Net profit											**2 414 239**	**1 770 660**

Assets by operating segments

	Refining Segment		Retail Segment		Petrochemical Segment		Corporate Functions		Adjustments		Total	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Consolidated assets by operating segment	28 968 664	26 681 137	5 630 333	5 348 138	11 945 706	11 021 204	4 738 942	4 889 199	(1 163 348)	(963 928)	50 120 297	46 975 750

Revenues, expenses and financial result by operating segments according to previously valid standard IAS 14- Segment reporting

for the period ended 30 June 2008

	Refining Segment		Petrochemical Segment		Chemical Segment		Other operations		Adjustments		Total	
	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months
Sales to external customers	33 768 893	18 948 276	4 635 120	2 378 803	1 391 883	659 041	236 055	107 398			40 031 951	22 093 518
Transactions with other segments	4 207 545	2 089 568	2 079 572	1 049 137	61 715	58 024	747 526	404 135	(7 096 358)	(3 600 864)	-	-
Total sales revenues	37 976 438	21 037 844	6 714 692	3 427 940	1 453 598	717 065	983 581	511 533	(7 096 358)	(3 600 864)	40 031 951	22 093 518
Total operating expenses	(36 097 612)	(19 550 364)	(6 474 394)	(3 411 405)	(1 298 024)	(651 591)	(921 097)	(439 156)	7 095 479	3 601 728	(37 695 648)	(20 450 788)
Other operating revenues	129 482	60 761	45 463	25 024	16 813	11 366	34 689	11 796	(12)	(12)	226 435	108 935
Other operating expenses	(149 070)	(32 078)	(19 507)	(6 993)	(8 101)	(3 436)	(22 332)	(9 849)			(199 010)	(52 356)
Segment result	**1 859 238**	**1 516 163**	**266 254**	**34 566**	**164 286**	**73 404**	**74 841**	**74 324**	**(891)**	**852**	**2 363 728**	**1 699 309**
Unallocated revenues of the Group											86 940	85 901
Unallocated expenses of the Group											(239 272)	(138 887)
Profit from operations											**2 211 396**	**1 646 323**
Financial revenues											1 030 860	588 950
Financial expenses											(465 850)	(179 958)
Share in profit from investments accounted for under equity method	(223)	(17)	-	-	366	669	151 627	81 686			151 770	82 338
Profit before tax											**2 928 176**	**2 137 653**
Income tax expense											(513 937)	(366 993)
Net profit											**2 414 239**	**1 770 660**

Assets by operating segments according to previously valid standard IAS 14- Segment reporting

	Refining Segment	Petrochemical Segment	Chemical Segment	Other operations	Adjustments	Total
	31 December 2008	31 December 2008	31 December 2008	31 December 2008	31 December 2008	31 December 2008
Segment assets	29 096 794	8 098 121	2 526 843	6 129 341	(1 027 653)	44 823 446
Unallocated assets of the Group						2 152 304
Total consolidated assets						46 975 750

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Impairment of property, plant and equipment				
Impairment allowances created	(75 052)	(56 534)	(24 313)	(6 711)
Impairment allowances reversed	129 911	100 437	28 606	7 533
Impairment of intangible assets				
Impairment allowances created	(2 991)	(2 991)	(1 174)	-
Impairment allowances reversed	9 454	8 879	1 181	1 184
Impairment of assets classified as available for sale				
Impairment allowances created	(45)	-	(15 935)	(13 083)
Impairment allowances reversed	364	-	1 083	106
Receivables allowances				
Impairment allowances created	(78 676)	(47 008)	(65 367)	(27 049)
Impairment allowances reversed	46 849	24 227	76 305	36 275
Inventory allowances				
Impairment allowances created	(59 026)	(5 132)	(43 436)	(2 063)
Impairment allowances reversed	40 896	18 471	7 754	4 261
Impairment of non-current assets classified as held for sale				
Impairment allowances created	(595)	(595)	-	-
Impairment allowances reversed	74	74	-	-

3.2. Short-term financial assets

	30 June 2009 (unaudited)	31 December 2008
Financial instruments at fair value through profit and loss	118 709	123 698
Derivatives recognized in financial assets designated as hedging instruments- hedge accounting	104 105	132 550
Available for sale	271	178
Loans and receivables	473	1 406
Total	**223 584**	**257 832**

3.3. Provisions

Long-term

	30 June 2009 (unaudited)	31 December 2008
Environmental provision	349 416	341 378
Jubilee and retirement benefits provision	244 933	246 229
Business risk provision	78 832	83 400
Shield programs provision	-	49 266
Other	34 092	27 014
Total	**707 273**	**747 287**

Short-term

	30 June 2009 (unaudited)	31 December 2008
Environmental provision	43 703	50 331
Jubilee and retirement benefits provision	37 199	37 759
Business risk provision	133 116	555 512
Shield programs provision	74 843	40 762
Other	58 839	68 696
Total	**347 700**	**753 060**

Decrease of business risk provision results mainly from settlement of dispute with Agrofert a.s. – described in more details in note C 7g.

3.4. Interest – bearing loans and borrowings

Long-term

	30 June 2009 (unaudited)	31 December 2008
Bank loans	11 294 758	1 411 029
Borrowings	1 750	34 023
Debt securities	1 210 462	1 165 599
Total	**12 506 970**	**2 610 651**

Short-term

	30 June 2009 (unaudited)	31 December 2008
Bank loans	1 838 278	11 241 698
Borrowings	627	627
Debt securities	43 880	39 789
Total	**1 882 785**	**11 282 114**

In the foregoing financial statements bank loans of PLN 9,475,449 thousand were reclassified from long-term liabilities to short-term liabilities. The amount relates to liabilities resulting from bank loan agreements containing provisions specifying the required level of net debt to EBITDA ratio (profit from operations increased by depreciation) which was exceeded as at 31 December 2008. Detailed description is included in the consolidated financial statements for 2008 (note 7.16).
As at 27 April 2009 negotiations between PKN ORLEN S.A. and lenders being the parties of the agreements mentioned above had been finalized. The consent to a temporary breach of the maximum debt ratio and the continuation of cooperation within previously set bank loan limits and maturity dates had been received.

For ORLEN subsidiaries' bank loans amounting to PLN 428,384 thousand, the negotiations in respect of terms of continuation of financing are in progress.

3.5. Cost by kind

	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Materials and energy	(19 620 769)	(10 073 574)	(26 275 070)	(14 483 380)
Cost of merchandise and materials sold	(7 051 967)	(3 784 481)	(8 310 802)	(4 521 267)
External services	(1 900 025)	(953 318)	(1 631 710)	(809 535)
Payroll, social security and other employee benefits	(987 054)	(501 131)	(980 141)	(548 968)
Depreciation	(1 307 757)	(656 349)	(1 194 231)	(607 309)
Taxes and charges	(240 239)	(98 331)	(214 629)	(90 872)
Other	(496 498)	(242 414)	(368 942)	(189 163)
Total	**(31 604 309)**	**(16 309 598)**	**(38 975 525)**	**(21 250 494)**
Change in inventory	98 502	(11 348)	781 155	571 222
Cost of product and services for own use	39 165	1 876	68 194	41 510
Operating expenses	**(31 466 642)**	**(16 319 070)**	**(38 126 176)**	**(20 637 762)**
Distribution expenses	1 730 674	855 249	1 622 520	881 723
General and administrative expenses	746 319	364 808	681 461	336 528
Other operating expenses	314 197	155 188	210 264	102 789
Cost of finished goods, merchandise and raw materials sold	**(28 675 452)**	**(14 943 825)**	**(35 611 931)**	**(19 316 722)**

3.6. Other operating revenues and expenses

Other operating revenues

	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Profit on sale of non-financial non-current assets	24 250	7 090	35 169	18 578
Reversal of provisions	22 251	8 806	41 634	23 836
Reversal of receivable impairment allowances	40 392	20 371	70 595	33 491
Reversal of impairment allowances of property, plant and equipment and intangible assets	138 674	108 434	30 820	11 082
Proceeds from perpetual usufruct of land	3 825	307	30	26
Penalties and compensations earned	23 264	11 888	90 695	89 196
Inventory count surpluses	3 858	1 630	3 989	2 618
Compensations connected with damage liquidation	4 429	2 251	4 366	1 911
Lawsuit expenses refund	3 492	1 506	2 403	2 263
Due to tax authorities decision	14 129	14 129	-	-
Other	56 562	33 486	25 920	7 566
Total	**335 126**	**209 898**	**305 621**	**190 567**

Other operating expenses

	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Loss on sale of non-financial non-current assets	(19 621)	(3 171)	(20 458)	(11 488)
Creation of provisions	(82 452)	(9 285)	(31 366)	(23 493)
Receivables impairment allowances	(67 758)	(43 849)	(59 300)	(22 133)
Impairment allowances of property, plant and equipment and intangible assets	(78 043)	(59 743)	(25 487)	(25 487)
Donations	(1 124)	(509)	(5 035)	(4 126)
Nonculpable shortages in current assets	(8 194)	(3 071)	(4 877)	(3 439)
Written off prescribed extinguished and unrecoverable receivables	(6 440)	(3 369)	(27 371)	(9 364)
Costs and losses on removal of damages	(9 933)	(5 763)	(6 808)	(3 653)
Value of investments provided free of charge	(877)	(436)	(2 549)	(2 234)
Current assets liquidation	(2 315)	(1 386)	(1 000)	(523)
Other	(37 440)	(24 606)	(26 013)	3 151
Total	**(314 197)**	**(155 188)**	**(210 264)**	**(102 789)**

3.7. Financial revenues and expenses

Financial revenues	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Interest income	40 426	14 740	81 892	53 660
Positive foreign exchange surplus	114 444	618 620	741 961	386 306
Profit on sale of shares and other securities	-	-	305	305
Decrease in receivables allowances	6 457	3 863	5 711	2 863
Settlement and valuation of financial instruments	296 541	105 045	154 026	101 598
Other	4 248	977	46 965	44 218
Total	**462 116**	**743 245**	**1 030 860**	**588 950**
Financial expenses				
Interest expense	(202 678)	(109 768)	(255 367)	(119 178)
Negative foreign exchange surplus	(337 566)	-	(24 187)	(16 347)
Loss on sale of shares and other securities	-	-	(295)	-
Investment impairment allowances	(77)	(77)	(553)	(342)
Increase in receivables allowances	(10 921)	(4 355)	(6 109)	(5 029)
Settlement and valuation of financial instruments	(313 953)	(41 087)	(163 091)	(35 453)
Other	(19 405)	(7 044)	(16 248)	(3 609)
Total	**(884 600)**	**(162 331)**	**(465 850)**	**(179 958)**

According to IAS 23, starting from 1 January 2009, the Group capitalizes those borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
Borrowing costs capitalized for the 6-month period ended 30 June 2009 and 3-month period ended 30 June 2009 amounted to PLN 51,153 thousand and PLN 32,579 thousand respectively.
Capitalization rate which was used to calculate borrowing costs' capitalization for the 6-month period ended 30 June 2009 amounted to 3.02% per annum.

3.8. Income tax

	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Current tax	(76 947)	(41 116)	(421 363)	(271 148)
Deferred tax	90 240	(125 152)	(92 574)	(95 845)
Total	**13 293**	**(166 268)**	**(513 937)**	**(366 993)**

3.9. Finance lease

The Group as a lessee as at 30 June 2009 possesses the financial lease agreements. Concerning mainly buildings, technical equipment and machines as well as means of transportation.

Future minimum lease payments under financial lease agreements as at 30 June 2009 and 31 December 2008 were as follows:

	30 June 2009	31 December 2008
Up to 1 year	29 561	64 789
Between 1 to 5 years	65 653	55 515
Above 5 years	27 746	21 968
Total minimum lease payments:	**122 960**	**142 272**

Current value of future minimum lease payments under financial lease agreements mentioned above as at 30 June 2009 and 31 December 2008 were as follows:

	30 June 2009	31 December 2008
Up to 1 year	18 865	52 636
Between 1 to 5 years	50 540	50 631
Above 5 years	21 205	15 418
Total minimum lease payments:	**90 610**	**118 685**

3.10. Information concerning seasonal or cyclical character of the Capital Group operations in the presented period

The PKN ORLEN Capital Group does not report any material seasonal/cyclical character of its operations.

3.11. Future liabilities resulting from signed investment contracts

As at 30 June 2009 and 31 December 2008 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 1,633,720 thousand and PLN 1,969,908 thousand respectively.

3.12. Issue, redemption and repayment of debt and capital securities

In the period covered by the foregoing financial statements, there were only the issues of the short-term bonds for the Group entities to optimize liquidity management in the PKN ORLEN Capital Group.

3.13. Payment of dividends

The General Shareholders' Meeting of PKN ORLEN dated 30 June 2009 decided not to pay out dividend in 2009.

3.14. Contingent assets and liabilities

Contingent liabilities of PKN ORLEN Group in the 6-month period ended 30 June 2009	31 December 2008	Increase/ (Decrease)	30 June 2009 (unaudited)
Legal cases related to real estates with undefined legal status	306	(306)	-
Anti-trust proceedings of the Office for Competition and Consumer's Protection	18 500	-	18 500
Legal cases	17 396	7 751	25 147
Total	**36 202**	**7 445**	**43 647**

3.15. Significant events after the end of the reporting period which were not presented in the half-year condensed consolidated financial statement

There were no significant events after the balance sheet date which were not presented in the financial statements.

3.16. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure amounted to PLN 1,439,773 thousand as at 30 June 2009.
Guarantees and sureties amounted to PLN 134,751 thousand as at 30 June 2009.

HALF-YEAR CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS OF PKN ORLEN S.A. FOR THE PERIOD ENDED 30 JUNE 2009 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

B. HALF-YEAR CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS OF PKN ORLEN S.A. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Unconsolidated statement of financial position

	Note	30 June 2009 (unaudited)	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment		10 344 496	9 477 906
Intangible assets		112 659	85 333
Financial assets available for sale		32 258	32 304
Investment in associates		11 334 013	10 340 725
Deffered tax assets		440 595	389 190
Perpetual usufruct of land		84 617	86 446
Non-current loans and receivables		15 021	15 121
Total non-current assets		**22 363 659**	**20 427 025**
Current assets			
Inventories		7 074 610	6 330 282
Trade and other receivables		5 312 161	4 162 737
Income tax receivable		7 705	254 418
Short-term financial assets		279 852	305 134
Prepayments		118 984	65 976
Cash and cash equivalents		287 661	442 938
Non-current assets classified as held for sale		10 490	11 094
Total current assets		**13 091 463**	**11 572 579**
Total assets		**35 455 122**	**31 999 604**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Equity			
Share capital		534 636	534 636
Share capital revaluation adjustment		522 999	522 999
Share capital *		**1 057 635**	**1 057 635**
Nominal share premium		1 058 450	1 058 450
Share premium revaluation adjustment		168 803	168 803
Share premium		**1 227 253**	**1 227 253**
Hedging reserve		(41 961)	(100 287)
Retained earnings		13 220 894	13 197 275
Total equity		**15 463 821**	**15 381 876**
Long-term liabilities			
Interest-bearing loans and borrowings	3.3	10 810 716	767 723
Provisions	3.2	354 376	405 619
Other long-term liabilities		250 658	42 976
Total long-term liabilities		**11 415 750**	**1 216 318**
Short-term liabilities			
Trade and other liabilities		7 627 083	4 927 999
Provisions	3.2	221 974	604 014
Interest-bearing loans and borrowings	3.3	359 892	9 462 675
Deffered income		64 370	74 501
Other short-term financial liabilities		302 232	332 221
Total short-term liabilities		**8 575 551**	**15 401 410**
Total liabilities and shareholder's equity		**35 455 122**	**31 999 604**

* share capital after revaluatation in accordance with IAS 29

The accompanying notes disclosed on pages 21-27 are an integral part of the foregoing interim condensed unconsolidated financial statements.

Unconsolidated statement of comprehensive income

	Note	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Sales of finished goods		18 954 694	10 013 728	21 847 935	11 690 994
Excise tax and other charges		(7 085 882)	(3 640 994)	(6 315 515)	(3 271 341)
Revenues from sale of finished goods, net		11 868 812	6 372 734	15 532 420	8 419 653
Sales of merchandise and raw materials		9 296 842	5 254 915	14 601 052	8 440 987
Excise tax and other charges		(72 442)	(42 655)	(589 957)	(333 599)
Revenues from sale of merchandise and raw materials, net		9 224 400	5 212 260	14 011 095	8 107 388
Total sales revenues		**21 093 212**	**11 584 994**	**29 543 515**	**16 527 041**
Cost of finished goods sold		(10 812 246)	(5 517 118)	(13 275 525)	(6 955 483)
Cost of merchandise and raw materials sold		(8 961 850)	(5 048 218)	(13 682 399)	(7 947 602)
Cost of finished goods, merchandise and raw materials sold	3.4	**(19 774 096)**	**(10 565 336)**	**(26 957 924)**	**(14 903 085)**
Gross profit on sales		**1 319 116**	**1 019 658**	**2 585 591**	**1 623 956**
Distribution expenses		(867 304)	(424 930)	(801 017)	(445 654)
General and administrative expenses		(325 753)	(162 863)	(249 263)	(110 527)
Other operating revenues		107 957	71 855	175 917	107 252
Othe operating expenses		(207 266)	(83 216)	(124 302)	(52 745)
Profit from operations		**26 750**	**420 504**	**1 586 926**	**1 122 282**
Financial revenues		754 411	1 606 991	1 464 399	942 680
Financial expenses		(819 915)	(113 254)	(254 792)	(55 994)
Net financial revenues and expenses	3.5	**(65 504)**	**1 493 737**	**1 209 607**	**886 686**
Profit/(Loss) before tax		**(38 754)**	**1 914 241**	**2 796 533**	**2 008 968**
Income tax expense		62 373	(291 357)	(422 410)	(299 766)
Net profit		**23 619**	**1 622 884**	**2 374 123**	**1 709 202**
Items of other comprehensive income:					
Hedging instruments valuation		(12 353)	114 005	(39 371)	(53 701)
Hedging instruments settlement		84 361	40 740	(86 018)	(56 986)
Deferred tax on other comprehensive income		(13 682)	(29 402)	23 824	21 032
Total items of other comprehensive income		**58 326**	**125 343**	**(101 565)**	**(89 655)**
Total comprehensive income		**81 945**	**1 748 227**	**2 272 558**	**1 619 547**
Net profit and diluted net profit per share (in PLN per share)		0,06	3,79	5,55	4,00

The accompanying notes disclosed on pages 21-27 are an integral part of the foregoing interim condensed unconsolidated financial statements.

Unconsolidated statement of cash flows

	for 6 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)
Cash flows- operating activities		
Net profit	**23 619**	**2 374 123**
Adjustments for:		
Depreciation	473 617	458 428
Loss/(Profit) from exchange rate differences	565 353	(407 146)
Interest	(305 375)	(466 491)
Loss on investing activities	40 240	8 084
Change in receivables	(1 027 054)	(2 062 329)
Change in inventories	(744 328)	(839 188)
Change in liabilities	2 765 703	1 517 627
Change in provisions	(433 283)	14 675
Income tax expense	(62 373)	422 410
Income tax received/(paid)	244 000	(184 065)
Other adjustments	10 184	(127 136)
Net cash provided by operating activities	**1 550 303**	**708 992**
Cash flows- investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 039 539)	(763 554)
Proceeds from sale of property, plant and equipment and intangible assets	10 884	16 913
Proceeds from sale/liquidation of related parties	676	11 848
Purchase of Mazeikiu Nafta shares	(998 721)	-
Interest and dividends received	127 353	148 424
Loans granted to subsidiaries	-	(2 064)
Proceeds from loans granted	136	3 016
Payments to subsidiaries' equity	(6 510)	(57 363)
Proceeds from payments to subsidiaries' equity	11 000	-
Expenditures due to cash pool system	(24 003)	-
Other	(1 183)	(6 613)
Net cash used in investing activities	**(1 919 907)**	**(649 393)**
Cash flows- financing activities		
Proceeds from loans	1 829 950	1 717 579
Debt securities issued	1 974 361	1 103 756
Repayment of loans	(1 749 201)	(1 532 107)
Repurchase of debt securities	(1 654 587)	(1 016 205)
Interest paid	(247 842)	(170 111)
Payments due to finance lease agreements	(545)	(664)
Proceeds from cash pool system	63 173	-
Net cash provided by financing activities	**215 309**	**102 248**
Net (Decrease)/Increase in cash and cash equivalents	**(154 295)**	**161 847**
Effect of exchange rate changes	(982)	(64)
Cash and cash equivalents, beginning of the period	**442 938**	**166 142**
Cash and cash equivalents, end of the period	**287 661**	**327 925**

The accompanying notes disclosed on pages 21-27 are an integral part of the foregoing interim condensed unconsolidated financial statements.

Statement of changes in unconsolidated equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2009	**2 284 888**	**(100 287)**	**13 197 275**	**15 381 876**
Total comprehensive income	-	58 326	23 619	81 945
30 June 2009 (unaudited)	**2 284 888**	**(41 961)**	**13 220 894**	**15 463 821**

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2008	**2 284 888**	**87 584**	**15 461 110**	**17 833 582**
Total comprehensive income	-	(101 565)	2 374 123	2 272 558
Dividends			(692 888)	(692 888)
30 June 2008 (unaudited)	**2 284 888**	**(13 981)**	**17 142 345**	**19 413 252**

Explanatory notes to the half-year unconsolidated financial statements

1. Information on principles adopted for preparation of the half-year condensed unconsolidated financial statements for the I half 2009

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed unconsolidated financial statements („financial statements") were prepared in accordance with all requirements of IAS 34 "Interim financial reporting" and § 83.3 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information presented by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) ("Regulation") and present the PKN Orlen S.A. ("the Company") financial position as at 30 June 2009 and 31 December 2008, results of its operations for the 6-month period ended 30 June 2009 and 30 June 2008 as well as its cash flows for the 6-month period ended 30 June 2009 and 30 June 2008.

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

1.2. Statement of the Management Board

The Management Board of PKN ORLEN SA declares that to the best of their knowledge, the foregoing half-year condensed unconsolidated financial statements and comparative data were prepared in compliance with the Company's accounting principles in force and that they reflect true and fair view on financial status and financial result of the Company and that the Management Board report presents true overview of development, achievements and business situation of the Company and the Group, including basic risks and exposures.

The Management Board of PKN ORLEN declares that the entity authorized to audit and conducting the review of unconsolidated financial statement, was selected in compliance with the law and that the entity and auditors conducting the review met the conditions to issue an independent report in compliance with relevant regulations of the domestic law and professional standards.

1.3. Applied accounting principles and presentation changes

The foregoing condensed unconsolidated financial statements were prepared in accordance with principles presented in the financial statements of PKN ORLEN SA for the year ended 31 December 2008 except for the following changes in International Financial Reporting Standards ("IFRS"):

- presentation of the statement of comprehensive income, according to the requirements of the amended IAS 1 – Presentation of Financial Statements,
- presentation of information regarding operating segments according to the new standard IFRS 8 – Operating Segments (note 2),
- capitalization of borrowing costs, attributable to acquisition, construction or production of a qualifying asset as part of the cost of that asset according to IAS 23 – Borrowing Costs.

Starting from 1 January 2009 there were also changes in the following IFRS's: IFRS 2 „Share-based payment", IFRS 7 „Financial instruments: disclosures", IAS 27 „Consolidated and separate financial statements" and IAS 32 – "Financial instruments: presentation". Their adoption had no influence on presented financial statements.

According to IFRIC 13 – Customer Loyalty Programs, the effects of loyalty programs have been presented as deferred income.

According to the Management Board the above mentioned changes will ensure better presentation of effects of the activities.

2. Segment data

Changes in principles concerning presentation of information about operating segments

Due to new requirements concerning segment reporting, which were implemented starting from 1 January 2009 by IFRS 8 – Operating Segments, PKN ORLEN presents new segment division.

Company's activities are allocated to following:
- Refining Segment – refining production and wholesale, production and sale of oils and supporting production
- Retail Segment – sale at petrol stations
- Petrochemical Segment – petrochemical production and wholesale, chemical production and sale
- Corporate Functions.

The most significant changes in comparison to the previously presented segment division are as follows:
- wholesale and logistics, which were previously included as a whole in the Refining Segment, are now in the appropriate part recognized in the Petrochemical Segment,
- sale at petrol stations previously presented in the Refining Segment is now presented as a separate segment,
- supporting production, which was previously included in Other operations segment, is now allocated to appropriate segments according to type of services provided,
- Corporate Functions containing management, administration and other supporting functions as well as other activities not allocated to any other segment, is now distinguished as a separate segment.

Revenues, expenses and financial result by operating segments

for the period ended 30 June 2009

	Refining Segment		Retail Segment		Petrochemical Segment		Corporate Functions		Adjustments		Total	
	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months
Sales to external customers	15 422 028	8 421 685	4 549 931	2 588 628	1 091 895	558 911	29 358	15 770			21 093 212	11 584 994
Transactions with other segments	13 002 992	7 066 152	-	-	2 126 935	1 125 875	22 569	11 370	(15 152 496)	(8 203 397)	-	-
Total sales revenues	28 425 020	15 487 837	4 549 931	2 588 628	3 218 830	1 684 786	51 927	27 140	(15 152 496)	(8 203 397)	21 093 212	11 584 994
Total operating expenses	(28 017 126)	(14 975 599)	(4 303 002)	(2 437 301)	(3 514 897)	(1 805 951)	(284 624)	(137 675)	15 152 496	8 203 397	(20 967 153)	(11 153 129)
Other operating revenues	9 988	8 206	27 310	18 248	1 659	1 497	69 000	43 904	-	-	107 957	71 855
Other operating expenses	(1 685)	(1 280)	(47 860)	(10 059)	(8 519)	(8 514)	(149 202)	(63 363)	-	-	(207 266)	(83 216)
Segment result	**416 197**	**519 164**	**226 379**	**159 516**	**(302 927)**	**(128 182)**	**(312 899)**	**(129 994)**	**-**	**-**	**26 750**	**420 504**
Financial revenues											754 411	1 606 991
Financial expenses											(819 915)	(113 254)
Profit/(loss) before tax											**(38 754)**	**1 914 241**
Income tax expense											62 373	(291 357)
Net profit											**23 619**	**1 622 884**

for the period ended 30 June 2008

	Refining Segment		Retail Segment		Petrochemical Segment		Corporate Functions		Adjustments		Total	
	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months
Sales to external customers	22 050 043	12 487 935	5 116 255	2 888 216	2 345 564	1 137 474	31 653	13 416			29 543 515	16 527 041
Transactions with other segments	17 614 236	9 686 045	-	-	3 580 247	1 742 392	24 509	12 265	(21 218 992)	(11 440 702)	-	-
Total sales revenues	39 664 279	22 173 980	5 116 255	2 888 216	5 925 811	2 879 866	56 162	25 681	(21 218 992)	(11 440 702)	29 543 515	16 527 041
Total operating expenses	(38 327 929)	(21 177 933)	(4 928 997)	(2 761 840)	(5 761 017)	(2 850 049)	(209 253)	(110 146)	21 218 992	11 440 702	(28 008 204)	(15 459 266)
Other operating revenues	17 410	1 725	18 877	798	419	366	139 211	104 363	-	-	175 917	107 252
Other operating expenses	(3 051)	(934)	(37 867)	(15 563)	(2 159)	(1 753)	(81 225)	(34 495)	-	-	(124 302)	(52 745)
Segment result	**1 350 709**	**996 838**	**168 268**	**111 611**	**163 054**	**28 430**	**(95 105)**	**(14 597)**	**-**	**-**	**1 586 926**	**1 122 282**
Financial revenues											1 464 399	942 680
Financial expenses											(254 792)	(55 994)
Profit/(loss) before tax											**2 796 533**	**2 008 968**
Income tax expense											(422 410)	(299 766)
Net profit											**2 374 123**	**1 709 202**

Assets by operating segments

	Refining Segment		Retail Segment		Petrochemical Segment		Corporate Functions		Total	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Segment assets	15 217 775	13 308 410	3 106 649	3 161 914	3 832 155	3 228 535	13 298 543	12 300 745	35 455 122	31 999 604

Revenues, expenses, financial result and assets by operating segments according to previously valid standard IAS 14 –Segment reporting

for the period ended 30 June 2008

	Refining Segment		Petrochemical Segment		Other operations		Adjustments		Total	
	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months	for 6 months	for 3 months
Sales to external customers	27 012 002	15 297 442	2 347 046	1 139 043	184 467	90 556			29 543 515	16 527 041
Transactions with other segments	3 525 119	1 711 383	1 693 825	857 116	526 001	283 282	(5 744 945)	(2 851 781)	-	-
Total sales revenues	30 537 121	17 008 825	4 040 871	1 996 159	710 468	373 838	(5 744 945)	(2 851 781)	29 543 515	16 527 041
Total operating expenses	(29 128 472)	(15 980 719)	(3 815 819)	(1 933 952)	(590 536)	(276 245)	5 744 945	2 851 781	(27 789 882)	(15 339 135)
Other operating revenues	61 918	16 720	1 750	733	25 308	3 898			88 976	21 351
Other operating expenses	(85 265)	(28 047)	(3 798)	(2 094)	(14 291)	(4 562)			(103 354)	(34 703)
Segment result	**1 385 302**	**1 016 779**	**223 004**	**60 846**	**130 949**	**96 929**	**-**	**-**	**1 739 255**	**1 174 554**
Unallocated revenues of the Company									86 941	85 901
Unallocated expenses of the Company									(239 270)	(138 173)
Profit from operations									**1 586 926**	**1 122 282**
Financial revenues									1 464 399	942 680
Financial expenses									(254 792)	(55 994)
Profit before tax									**2 796 533**	**2 008 968**
Income tax expense									(422 410)	(299 766)
Net profit									**2 374 123**	**1 709 202**

Assets by operating segments according to previously valid standard IAS 14 – Segment reporting

	Refining Segment	Petrochemical Segment	Other operations	Total
	31 December 2008	31 December 2008	31 December 2008	31 December 2008
Segment assets	14 842 018	2 813 772	2 083 611	19 739 401
Unallocated assets				12 260 203
Total assets				31 999 604

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Impairment of property, plant and equipment				
Impairment allowances created	(37 831)	(19 851)	(21 845)	(6 320)
Impairment allowances reversed	10 892	4 456	14 383	(1 728)
Impairment of intangible assets				
Impairment allowances created	(2 991)	(2 991)	-	-
Impairment allowances reversed	-	-	1	1
Impairment of assets classified as available for sale				
Impairment allowances created	(45)	-	(537)	(326)
Impairment allowances reversed	-	-	-	-
Receivables allowances				
Impairment allowances created	(57 633)	(34 066)	(56 554)	(18 501)
Impairment allowances reversed	54 538	37 429	50 631	18 644
Inventory allowances				
Impairment allowances created	(5 909)	(1 211)	-	-
Impairment allowances reversed	11 906	4 896	110	79
Impairment of non-current assets classified as held for sale				
Impairment allowances created	-	-	-	-
Impairment allowances reversed	31	31	-	-

3.2. Provisions

Long-term

	30 June 2009 (unaudited)	31 December 2008
Environmental provision	232 954	234 304
Jubilee and retirement benefits provision	118 249	118 249
Business risk provision	3 173	3 800
Shield programs provision	-	49 266
Total	**354 376**	**405 619**

Short-term

	30 June 2009 (unaudited)	31 December 2008
Environmental provision	31 954	38 600
Jubilee and retirement benefits provision	21 668	21 668
Business risk provision	93 988	517 614
Shield programs provision	74 202	25 669
Other	162	463
Total	**221 974**	**604 014**

Decrease of business risk provision results mainly from settlement of dispute with Agrofert a.s. – described in more details in note C 7g

3.3. Interest-bearing loans and borrowings

Long-term

	30 June 2009	31 December 2008
Bank loans	10 048 123	-
Debt securities	762 593	767 723
Total	**10 810 716**	**767 723**

Short-term

	30 June 2009	31 December 2008
Bank loans	13 068	9 438 735
Debt securities	346 824	23 940
Total	**359 892**	**9 462 675**

In the foregoing financial statements bank loans of PLN 9,051,266 thousand were reclassified from long-term liabilities to short-term liabilities. The amount relates to liabilities resulting from bank loan agreements containing provisions specifying the required level of net debt to EBITDA ratio (profit from operations increased by depreciation) which was exceeded as at 31 December 2008. Detailed description is included in the consolidated financial statements for 2008 (note 7.11).
As at 27 April 2009 negotiations between PKN ORLEN S.A. and lenders being the parties of the agreements mentioned above had been finalized. The consent to a temporary breach of the maximum debt ratio and the continuation of cooperation within previously set bank loan limits and maturity dates had been received.

3.4. Cost by kind

	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Materials and energy	(10 350 505)	(5 382 966)	(12 898 420)	(6 867 507)
Cost of merchandise and materials sold	(8 961 850)	(5 048 218)	(13 682 399)	(7 947 602)
External services	(914 277)	(446 647)	(831 639)	(428 821)
Payroll, social security and other employee benefits	(264 453)	(135 989)	(329 629)	(210 960)
Depreciation	(473 617)	(234 543)	(458 428)	(232 962)
Taxes and charges	(151 667)	(59 109)	(146 133)	(56 843)
Other	(250 612)	(108 272)	(170 347)	(80 210)
Total	**(21 366 981)**	**(11 415 744)**	**(28 516 995)**	**(15 824 905)**
Change in inventory	168 711	179 660	322 450	277 375
Cost of product and services for own use	23 851	(261)	62 039	35 519
Operating expenses	**(21 174 419)**	**(11 236 345)**	**(28 132 506)**	**(15 512 011)**
Distribution expenses	867 304	424 930	801 017	445 654
General and administrative expenses	325 753	162 863	249 263	110 527
Other operating expenses	207 266	83 216	124 302	52 745
Cost of finished goods, merchandise and raw materials sold	**(19 774 096)**	**(10 565 336)**	**(26 957 924)**	**(14 903 085)**

3.5. Financial revenues and expenses

Financial revenues	for 6 months ended 30 June 2009 (unaudited)	for 3 months ended 30 June 2009 (unaudited)	for 6 months ended 30 June 2008 (unaudited)	for 3 months ended 30 June 2008 (unaudited)
Interest income	23 995	7 184	49 692	36 570
Positive foreign exchange surplus	-	1 051 839	620 573	349 299
Dividends	440 485	440 485	637 618	454 758
Profit on sale of shares and other securities	129	129	294	294
Decrease in receivables allowances	5 036	3 154	4 266	1 801
Settlement and valuation of financial instruments	283 948	103 936	151 895	99 922
Other	818	264	61	36
Total	**754 411**	**1 606 991**	**1 464 399**	**942 680**
Financial expenses				
Interest expense	(138 437)	(82 596)	(173 646)	(81 242)
Negative foreign exchange surplus	(392 218)	-	-	-
Investment impairment allowances	(45)	-	(537)	(326)
Increase in receivables allowances	(7 564)	(2 992)	(3 962)	(3 693)
Settlement and valuation of financial instruments	(272 217)	(25 508)	(71 452)	29 272
Other	(9 434)	(2 158)	(5 195)	(5)
Total	**(819 915)**	**(113 254)**	**(254 792)**	**(55 994)**

According to IAS 23, starting from 1 January 2009, the Company capitalizes those borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
Borrowing costs capitalized for the 6-month period ended 30 June 2009 and 3-month period ended 30 June 2009 amounted to PLN 32,411 thousand and PLN 20,127 thousand respectively.
Capitalization rate which was used to calculate borrowing costs' capitalization for the 6-month period ended 30 June 2009 amounted to 2.64% per annum.

3.6. Information concerning seasonal or cyclical character of the Company's operations in the presented period

PKN ORLEN does not report any material seasonal/cyclical character of its operations.

3.7. Future liabilities resulting from signed investment contracts

As at 30 June 2009 and 31 December 2008 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 1,285,843 thousand and PLN 1,689,374 thousand respectively.

3.8. Issue, redemption and repayment of debt and capital securities

In the period covered by the foregoing financial statements, there were only issues of the short-term bonds for Group entities to optimize liquidity management in the PKN ORLEN Capital Group.

3.9. Payment of dividends

The General Shareholders' Meeting of the Company dated 30 June 2009 decided not to pay out dividend in 2009.

3.10. Contingent assets and liabilities

	31 December 2008	Increase/ Decrease	30 June 2009 (unaudited)
Legal cases related to real estates with undefined legal status	306	(306)	-
Anti-trust proceedings of the Office for Competition and Consumer's Protection	18 500	-	18 500
Legal cases	15 022	(8 519)	6 503
Total contingent liabilities	**33 828**	**(8 825)**	**25 003**

3.11. Significant events after the end of the reporting period which were not presented in the half-year condensed unconsolidated financial statements

There were no significant events after the balance sheet date which were not presented in the financial statements.

3.12. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure amounted to PLN 1,044,632 thousand as at 30 June 2009.
Guarantees and sureties amounted to PLN 112,777 thousand as at 30 June 2009.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE CAPITAL GROUP FOR THE I HALF OF 2009

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

C. MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE CAPITAL GROUP

1. Principal activity

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

The principal activity of the Group includes processing of crude oil and manufacturing of wide variety of refinery, petrochemical and chemical products as well as their transport, wholesale and retail.

2. Organization of the Capital Group

The Capital Group include PKN ORLEN as the Parent Company and entities located mainly in Poland, Germany, Czech Republic and Lithuania.

CONSOLIDATION SCHEME OF THE CAPITAL GROUP – first level

- the Parent Company PKN ORLEN, was adequately allocated to all business segments
- the scheme presents information about direct and indirect share in equity of related parties

Fully consolidated entities

Entities consolidated under proportionate method

Entities consolidated under equity method

The list of entities belonging to the Capital Groups on lower levels presented on the Capital Group scheme of the first level

	Share of the Parent of the particular group in equity
	(in full %)
1. Capital Group of ORLEN PetroTank Sp. z o.o.	**100%**
Petro-Mawi Sp. z o.o. in liquidation	60% [3]
2. Capital Group of Rafineria Trzebinia S.A.	**77%**
Energomedia Sp. z o.o.	100%
Euronaft Trzebinia Sp. z o.o.	100%
Fabryka Parafin NaftoWax Sp. z o.o.	100%
Zakładowa Straż Pożarna Sp. z o.o.	100% [3]
EkoNaft Sp. z o.o.	99%
3. Capital Group of Ship Service S.A.	**61%** [1]
Ship-Service Agro Sp. z o.o.	100% [3]
4. Capital Group of Rafineria Nafty Jedlicze S.A.	**75%**
Raf-Koltrans Sp. z o.o.	100%
Raf-Służba Ratownicza Sp. z o.o.	100% [3]
Raf-Bit Sp. z o.o.	100% [3]
Konsorcjum Olejów Przepracowanych – Organizacja Odzysku S.A.	81%
Ran-Watt Sp. z o.o. in liquidation	51% [3]
5. Capital Group of ORLEN Oil Sp. z o.o.	**89%**
ORLEN Oil Cesko s.r.o.	100%
Platinum Oil Sp. z o.o.	100%
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	100%
Petro-Oil Łódzkie Centrum Sprzedaży Sp. z o.o.	25% [3]
Petro-Oil Seewax Sp. z o.o. in bankruptcy	25% [3]
Petro-Oil Małopolskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Podlaskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Śląskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Zachodniopomorskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Wielkopolskie Centrum Sprzedaży Sp. z o.o.	22%
6. Capital Group of AB Mazeikiu Nafta („Mazeikiu Group")	**100%**
UAB Mazeikiu naftos sveikatos prieziuros centras	100%
UAB Uotas in liquidation	100%
UAB PASLAUGOS TAU	100% [2]
UAB EMAS	100% [2]
UAB Remonto mechanicos centras	100%
AB Ventus-Nafta	100%
UAB Naftelf	34%
Capital Group of UAB Mazeikiu naftos prekybos namai	100%
- SIA Mazeikiu Nafta Tirdzniecibas nams	100%
- OU Mazeikiu Nafta Trading House	100%
- Mazeikiu Nafta Trading House Sp. z o.o.	100%
7. Capital Group of UNIPETROL a.s.	**63%**
Capital Group of UNIPETROL RPA s.r.o	100%
- UNIPETROL DOPRAVA a.s.	100%
- CHEMOPETROL a.s	100% [3]
- UNIRAF SLOVENSKO s.r.o.	100%
- POLYMER INSTITUTE BRNO spol. s.r.o.	100% [3]
- HC Litvinov a.s.	71% [3]
- CELIO a.s.	51% [3]
Capital Group of UNIPETROL TRADE a.s.	100%
- CHEMAPOL (SCHWEIZ) AG	100%
- UNIPETROL AUSTRIA HmbH in liquidation	100% [3]
- UNIPETROL DEUTSCHLAND GmbH	100%
Výzkumný ústav anorganické chemie a.s.	100% [3]
Capital Group of BENZINA s.r.o.	100%
- PETROTRANS s.r.o.	100%
UNIPETROL SERVICES s.r.o.	100%
UNIPETROL RAFINERIE s.r.o.	100% [3]
Capital Group PARAMO a.s.	100%
- MOGUL SLOVAKIA s.r.o.	100% [3]
CESKA RAFINERSKA a.s.	51%
Butadien Kralupy s.r.o.	51%
8. Capital Group of "Anwil" S.A.	**85%**
Przedsiębiorstwo Inwestycyjno-Remontowe Remwil Sp. z o.o.	100%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o.	99%
Spolana a.s.	100%
Zakład Usługowo Produkcyjny EKO-Dróg Sp. z o.o.	49%
Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.	49%
Apex-Elzar Sp. z o.o.	47%

The list of entities belonging to the Capital Groups on lower levels presented on the Capital Group scheme of the first level - continued

	Share of the Parent of the particular group in equity
Specjalistyczna Przychodnia Przemysłowa Prof-Med Sp. z o.o.	46%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Arbud Sp. z o.o.	45%
9. Capital Group of Basell ORLEN Polyolefins Sp. z o.o.	**50%**
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	100%
10. Capital Group of ORLEN Medica Sp. z o.o.	**100%**
Sanatorium Uzdrowiskowe "KRYSTYNKA" Sp. z o.o.	99% [3)]
11. Capital Group of ORLEN Holding Malta Ltd.	**100%**
ORLEN Insurance Ltd.	100%
12. Capital Group of Płocki Park Przemysłowo-Technologiczny S.A.	**50%**
Centrum Komercjalizacji Technologii Sp. z o.o.	100%
Centrum Edukacji Sp. z o.o.	69%
13. Capital Group of ORLEN International Exploration & Production Company BV	**100%**
SIA Balin Energy	50% [3)]

[1)] share in total voting rights is equal to 56%.
[2)] entities founded in the 6-month period ended 30 June 2009
[3)] entities not consolidated in the 6-month period ended 30 June 2009

There were no significant changes in the Group structure during the reporting.

3. Financial situation

3.1 Capital Group's achievements accompanied by circumstances and events which have significant impact on the financial result

Sales

Basic products of PKN ORLEN S.A. Capital Group comprise:
- products of the Refining Segment and Retail Segment: gasoline, diesel oil, light heating oil, Jet fuel, LPG, heavy heating oil;
- products of the Petrochemical segment: ethylene, propylene, polyethylene, polypropylene, benzene, butadiene, acetone, phenol, glycol, toluene, ortoxylene, paraxylene, PVC, ammonium nitrate, PVC granulate, sodium hydroxide, soda lye

In the I half of 2009 sales volume of the Group amounted to 16,354 thousand tonnes and was lower by (-) 6.5% than sales volume realized in the comparable period of the prior year.

Sales of the Refining Segment accounted for 11,049 thousand tones, i.e. by (-) 9.6% below the level achieved in the I half of 2008. In this segment there was a decrease in sales volume of Jet A-1 aviation fuel by (-) 41.9%, heavy heating oil by (-) 19.8%, light heating oil by (-) 18.3%, LPG by (-) 14.1% and gasoline by (-) 2.4%. Upward trends occurred only in respect of diesel oil and other oils. Sales volume of these products increased by 0.9% and 19.2%, respectively.

In the I half of 2009 sales volume of the Retail Segment increased by 4.8%. The following products achieved the highest growth of sales: diesel oil – growth by 8.2% and LPG – growth by 3.5%. Slight decrease was recorded only in respect of gasoline, whose sales volume decreased in the I half of 2009 by (-) 0.7%.

In the I half of 2009 sales volume of the Petrochemical Segment decreased by (-) 3.6%. The following products recorded the highest fall of sales: paraxylene by (-) 91.7%, toluene by (-) 47.1%, glycol by (-) 41.7%, propylene by (-) 21.3%, CANWIL by (-) 22.8%, ethylene by (-) 18.3%, PCV granulate by (-) 12.5% and polyethylene by (-) 7.3%. Sales of ammonium nitrate increased by 15.9%. Sales of polypropylene remained on the similar level.

Result from operations

The reported profit from operations of the Group for the I half of 2009, calculated using weighted average method of inventory valuation, amounted to PLN 340 million as compared to PLN 2,211 million in the analogous period of the prior year.

Results of companies belonging to PKN ORLEN S.A. Capital Group

Changes of results of the most significant entities belonging to the Group as compared to results for the I half of 2008 were as follows:

- PKN ORLEN - profit from operations decreased by PLN (-) 1,560 million (y/y), mainly as a result of change in crude oil prices on inventory valuation, decrease in Ural/Brent differential and lower margins on refinery and petrochemical products;
- Mazeikiu Capital Group - profit from operations decreased by PLN (-) 181 million (y/y), mainly as a result of lower crude oil throughput by 5% (y/y) and lower sales volumes being the consequence of repair standstills;
- Unipetrol Capital Group - profit from operations decreased by PLN (-) 254 million (y/y), mainly as a result of lower throughput and sales volumes due to repair standstills as well as lower margins on refinery and petrochemical products;
- Basell Orlen Polyolefins - profit from operations decreased by PLN (-) 34 million (y/y), mainly as a result of lower margins on polyolefins as well as lower sales volumes;
- Anwil Capital Group - profit from operations decreased by PLN (-) 66 million (y/y), mainly as a result of lower margins on the plastics market, standstill of PVC installation and lower sales volume of plastics;
- other entities belonging to the Group - profits from operations increased by PLN 224 million (y/y).

Change of the reported results from operations of the Group in the I half of 2009 as compared to the similar period of the prior year was mainly influenced by macroeconomic factors. Total impact of lower Ural/ Brent differential and lower model margins, partly offset by weakening of PLN against USD and EUR, was negative and amounted to PLN (-) 850 million (y/y).

Trends in crude oil prices also significantly influenced change in the results of the I half of 2009 as compared to the similar period of the prior year. Positive impact of inventory valuation on the reported results as a consequence of growing crude oil prices was lower as compared to the I half of 2008 by PLN (-) 504 million (y/y).

Lower production volumes (by 6.5%) being mainly a consequence of repair standstills limited level of sales which contributed to a decrease of profit from operations of the Group by approximately PLN 300 million (y/y).

The most significant repair standstills in the I half of 2009 include:
- PKN ORLEN S.A. – unplanned standstill of Hydrogen Production Plant and Olefins Installation
- Unipetrol Capital Group – modernization standstill of Kralupy refinery and repair of Polyolefins Installation in Litwinów planned within 4-year cycle, unplanned standstills of Fluidic Catalytic Cracking Installation due to problems with starting of the installation after modernization, Olefins Installation in Litwinów due to problems with cooling system as well as standstill of HON Installation in Paramo due to exchange of catalyst.
- Mazeikiu Group – planned repair standstill of Reforming Installation, Visbreaking Installation and Diesel Oil Hydrodesulphurisation Installation and a few days' technological standstills due to fire of HON Installation.

Profit from operations for the I half of 2009 as compared to the comparable data was also negatively influenced by the decrease of net result on other operating activities by PLN (-) 74 million. In the I half of 2008 the Group won a dispute with Polska Grupa Energetyczna S.A. concerning sale of shares in Niezależny Operator Międzystrefowy Sp. z o.o. in the amount of PLN 84 million. Other operating activities comprise mainly effects of one-off events and revaluation of assets.

Operating segments

- **Refining segment**

In the I half of 2009 profit from operations of the refining segment of the Group amounted to PLN 654 million as compared to PLN 1,789 million in the I half of 2008.

Change of the reported results from operations as compared to the similar period of the prior year was mainly influenced by macroeconomic factors. Total impact of lower Ural/ Brent differential and lower model margins, partly offset by weakening of PLN against USD and EUR, was negative and amounted to approximately (-) 300 million (y/y).

Positive impact of inventory valuation on the reported results as a consequence of growing crude oil prices was lower as compared to the I half of 2008 by PLN (-) 595 million (y/y).

Lower production volumes by (-) 3.9% being mainly a consequence of repair standstills (described above) limited level of sales which contributed to a decrease of profit from operations of the Group by PLN (-) 100 million (y/y).

In the I half of 2009 as compared to the I half of the prior year there was a decrease of capital investments of the segment ("CAPEX") of PLN (-) 201 million (y/y) to the level of PLN 568 million. The most significant investments realized in the I half of 2009 comprised: construction of HON VII Installation, new Hydrogen Production Plant II and Claus II Installation together with infrastructure in PKN ORLEN S.A. as well as construction of new Hydrogen Production Plant and modernization of the second Diesel Oil Hydrodesulphurisation Installation in Mazeikiu Group.

- **Retail segment**

In the I half of 2009 profit from operations of the Retail Segment of the Group amounted to PLN 310 million as compared to PLN 192 million in the I half of 2008.

Change of the result from operations was mainly influenced by the increase of sales volume and margins on fuels in the total amount of PLN 134 million (y/y) accompanied by the increase in the market share.

In the I half of 2009 as compared to the I half of the prior year there was a decrease of capital investments of the segment ("CAPEX") of PLN (-) 103 million (y/y) to the level of PLN 97 million. In the I half of 2009 30 petrol stations were rebuilt and modernized and 22 new petrol stations were opened.

- **Petrochemical segment**

In the I half of 2009 loss from operations of the segment amounted to PLN (-) 244 million as compared to profit from operations of PLN 398 million in the I half of 2008.

Change of the reported results from operations as compared to the comparable data was mainly influenced by macroeconomic factors. Total impact of petrochemical model margins, partly offset by weakening of PLN against foreign currencies, was negative and amounted to approximately PLN (-) 470 million (y/y).

Positive impact of inventory valuation on the reported results was higher as compared to the I half of 2008 by PLN 92 million (y/y).

Lower sales volume of the segment, mainly olefins and polyolefins in total by (-) 74 thousand tonnes, contributed to a decrease of profit from operations by approximately PLN (-) 240 million (y/y).

In the I half of 2009 as compared to the I half of the prior year there was an increase of capital investments of the segment ("CAPEX") of PLN 877 million (y/y) to the level of PLN 1,293 million. The most significant investments realized in the I half of 2009 comprised: construction of paraxylene and terephthalic acid production plant in PKN ORLEN S.A., construction of new Butadiene Unit and development of polypropylene production plant in Unipetrol capital group, installation of media in terephthalic acid production plant in Anwil capital group.

- **Corporate Functions**

In the I half of 2009 loss from operations amounted to PLN (-) 380 million as compared to PLN (-) 168 million in the I half of 2008.

Result from operations was mainly influenced by one-off events which occurred in the I half of 2008 and concerned won dispute with Polska Grupa Energetyczna S.A. in respect of sale of shares in Niezależny Operator Międzystrefowy Sp. z o.o. in the amount of PLN 84 million.

Additionally, change of profit from operations resulted from update of business risk provision and costs of arbitration proceedings concerning Agrofert in the total amount of PLN (-) 73 million.

Financial expenses and net result

Net financial expenses for the I half of 2009 amounted to PLN (-) 422 million, including PLN (-) 224 million of the excess of negative foreign exchange differences over positive ones.

After consideration of share in profit from investments accounted for under equity method and tax charge net profit of the Group for the I half of 2009 amounted to PLN 77 million.

Statement of financial position

As at 30 June 2009, total assets of PKN ORLEN S.A. Capital Group amounted to PLN 50,120 million and were higher by PLN 3,144 million (by 6.7%) as compared to 31 December 2008.

Total non-current assets increased as compared to 31 December 2008 by PLN 1,679 million (by 5.7%) and reached the value of PLN 30,960 million. The above change was mainly influenced by the increase of property, plant and equipment by PLN 1,798 million (by 6.8%), mainly as a consequence of capital investments in the amount of PLN 1,984 million, depreciation of PLN (-) 1,261 million and foreign exchange differences on translation of non-current assets of foreign entities of PLN 1,163 million.

As at 30 June 2009 the value of current assets increased by 1,465 million to the amount of PLN 19,160 million. The main growth factor in respect of current assets was increase in the value of inventory by PLN 1,289 million (by 14.2%), mainly as a consequence of an increase in fuel and crude oil prices on world markets as well as trade and other receivables by PLN 630 million (by 9.9%).

As at 30 June 2009 equity amounted to PLN 21,296 million and increased by PLN 764 million (by 3.7%) as compared to the end of 2008 mainly as a result of higher foreign exchange differences on subsidiaries from consolidation by PLN 436 million, increase of non-controlling interest by PLN 204 million and increase of hedging reserve by PLN 58 million.

In the I half of 2009 net indebtedness of the Group decreased due to repayment of loans and change in the balance of cash and cash equivalents by PLN 132 million. Foreign exchange differences on currency loans contributed to increase of debt indebtedness by PLN 875 million. Net indebtedness as at 30 June 2009 amounted to PLN 13,264 million.

Negative foreign exchange differences on translation of loans denominated in USD recorded in the I half of 2009, in relation to which there is a hedging relationship with net investment in Mazeikiu Nafta of PLN (-) 190 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 (-) 269 million are recognized in equity in line “Foreign exchange differences on subsidiaries from consolidation”.

The remaining amount of foreign exchange differences comprise above all unrealized foreign exchange differences on translation of loans denominated in EUR.

The Group uses in its activities bank loans denominated in EUR as a natural economic hedge against volatility of results from operations due to change of PLN currency rates.

In the financial statements as at 31 December 2008 PLN 9,475 million of long-term loan liabilities were presented as short-term liabilities. The amount relates to liabilities resulting from bank loan agreements containing provisions specifying the required level of net debt to EBITDA (result from operations increased by depreciation) ratio, which was exceeded as at 31 December 2008.

As at 27 April 2009 negotiations between PKN ORLEN and lenders being the parties of the agreements mentioned above had been finalized. The consent to a temporary breach of the maximum debt ratio and the continuation of cooperation within previously set bank loan limits and maturity dates had been received.

As at 30 June 2009 the above loan liabilities were presented as long-term.
For ORLEN subsidiaries’ bank loans amounting to PLN 428 million, the negotiations in respect of terms of continuation of financing are in progress.

In the period covered by the foregoing financial statements and after the balance sheet date, there were no cases of violations of loans and borrowings repayments in respect of both principle and interest.

Statement of cash flows

In the I half of 2009 net cash provided by operating activities increased by PLN 804 million (y/y) as compared to the I half of 2008 and amounted to PLN 3,072 million. It is mainly a result of positive impact of changes in net working capital by PLN 2,421 million (y/y), positive impact of foreign exchange differences in the amount of PLN 966 million (y/y) and lower net profit by PLN (-) 2,337 million (y/y).

In the I half of 2009 net cash used in investing activities increased by PLN 1,305 million (y/y) and amounted to PLN (-) 2,560 million. In the I half of 2009 capital expenditures (to acquire property, plant and equipment and intangible assets) increased as compared to the I half of 2008 by PLN 102 million (y/y), whereas expenditures to acquire shares amounted to PLN (-) 1,018 million and concerned mainly purchase of shares of AB Mazeikiu Nafta.

In the I half of 2009 net cash used in financing activities amounted to PLN (-) 730 million, compared to PLN (-) 1,121 million in the similar period of the year 2008. Main differences result from lower net repayment of loans, borrowings and debt securities in the amount of PLN 513 million (y/y).

Consequently, the balance of cash and cash equivalents as at 30 June 2009 decreased by PLN 264 million as compared to the end of 2008 and amounted to PLN 1,125 million.

3.2 The most significant events in the period from 1 January 2009 to the date of preparation of this report

Execution of the put option agreement on sale of AB Mazeikiu Nafta shares to of PKN ORLEN

On 29 April 2009 PKN ORLEN, having realized put option agreement dated 9 June 2006, acquired from the Republic of Lithuania 70,750,000 ordinary shares, representing 9.98% of the AB Mazeikiu Nafta share capital.

As a result PKN ORLEN S.A. holds shares representing 100% of the AB Mazeikiu Nafta share capital.

Arbitration proceedings against Yukos International UK B.V.

On 15 July 2009 PKN ORLEN submitted in the Court of Arbitration by the International Chamber of Commerce theRequest for Arbitration against Yukos International UK B.V., seated in the Netherlands, in connection with transaction of purchase of AB Mazeikiu Nafta shares. Claims of PKN ORLEN concern inconsistency of Yukos International's statements with the actual state of AB Mazeikiu Nafta on the closing date of the purchase of AB Mazeikiu Nafta shares by PKN ORLEN, i.e. on 14 December 2006.

On current stage of the case, demands of PKN ORLEN concern reimbursement of the amount of USD 250 million deposited in the escrow account as a part of the payment for AB Mazeikiu Nafta shares in order to secure the potential claims of PKN ORLEN towards Yukos International. PKN ORLEN reserved a right to increase its demands or to make additional claims on further stage of the case.

The arbitration proceedings will be running in London, in front of the Court of Arbitration composed of three arbiters, based on Rules of Arbitration Proceedings of the International Chamber of Commerce.

Transfer of PKN ORLEN shares from Nafta Polska to the State Treasury

On 22 July 2009 Nafta Polska S.A. transferred PKN ORLEN shares to the State Treasury. As a result of the transaction the State Treasury, represented by the Minister of the State Treasury, purchased 74,076,299 of PKN ORLEN shares, representing 17.32% of the share capital of PKN ORLEN and 74,076,299 votes at the PKN ORLEN General Meeting attached to these shares, representing 17.32% of the total votes.

3.3 Significant risks factors

3.3.1. Characteristics of risks

Activities of the Group are exposed to the following risks:
– market risk;
– credit risk;
– liquidity risk;

Market risk

Market risk management in PKN ORLEN Group is performed by the most exposed entities such as: PKN ORLEN, UNIPETROL Capital Group, Mazeikiu Nafta Group, Basell ORLEN Polyolefins, Anwil Capital Group.

PKN ORLEN manages market risks using market risk management policy which describes methods of measurement of each of the exposures, parameters and time horizon of hedging the risk as well as hedging instruments. Market risk management policy is realized by designated organization units under supervision of the Financial Risk Committee, the Management Board and the Supervisory Board of the Company.

- changes in prices of crude oil, refinery and petrochemical products

Result from operations reported by the Group is exposed to the risk of changes in prices of crude oil, refinery and petrochemical products. Revenues realized by the Group depend on current quotations of commodity prices while cost of finished goods sold are set using weighted average cost formula. Sensitivity to price changes is particularly important due to requirement of maintaining the high level of mandatory reserves. Result is also influenced by quoted margins (crack) on refinery and petrochemical products.

- currency risk

Currency risk results from current receivables and short-term liabilities, cash and cash equivalents, investment expenditures and liabilities from loans, borrowings and debt securities issued denominated in foreign currencies. Currency risk exposure is hedged by forward and swap instruments.
For USD/PLN exchange rate there is partly a natural hedge, as revenues from sale of products denominated in USD are offset by costs of crude oil purchases denominated in the same currency. In case of EUR/PLN exchange rate,

revenues from sales of petrochemical products are denominated in this currency. For this group natural hedge exists to the limited extent (for example interest on loans denominated in EUR, part of investment purchases).

- **interest rates**

The risk of volatility of cash flows due to interest rates results from granted borrowings, owned bank deposits as well as liabilities from loans and borrowings based on floating interest rates. The Group owns derivative transactions hedging part of risk of cash flows due to interest rates (interest rate swaps IRS), for which cash flow hedge accounting is applied.

Credit risk

Credit risk is mainly connected above all with trade receivables. Within its trading activity the Group sells products and services with deferred payment term, which may result in the risk that customers will not pay for the Group's receivables for sales of products and services. In order to minimize credit risk and working capital the Group manages the risk by credit limit policies governing granting of credit limits to customers and establishment of pledges of appropriate types.

The concentration of risk connected with trade receivables is limited due to large number of customers with trade credit dispersed in various sectors of the Polish, German, Czech and Lithuanian economy.

Liquidity risk

Liquidity risk is associated with the relation between short-term liabilities and current assets.

As at 30 June 2009, current assets to short-term liabilities ratio (current ratio) amounted to 1.35.

As at 30 June 2009 the maximum possible indebtedness due to loans amounted to PLN 20,047,039 thousand, out of which PLN 6,727,084 thousand remained unused. As at 31 December 2008 it was PLN 16,931,082 thousand and PLN 5,770,166 thousand, respectively. As at the balance sheet date unused credit lines exceed short-term liabilities decreased by current receivables.

In 2006 the Parent Company entered into Bond Issuance Program in order to ensure additional sources of cash required to secure financial liquidity. Bond issues enable the Company to go out beyond traditional bank market and to gain cash from other financial institutions, companies or natural persons. For the Parent Company the cost of gaining cash is competitive as compared to bank loans. Bond Issuance Program is also used to manage liquidity within domestic and foreign Capital Group.

In order to manage liquidity the Group uses cash pooling system. As at 30 June 2009 the system comprised 21 entities belonging to the Capital Group. As a result of the cash pooling system the Group optimizes its financial expenses.

3.3.2. Hedge accounting

Cash flow hedge accounting

The Group hedges its cash flows from operating revenues due to sale of petrochemical and refinery products as well as operating expenses due to purchases of crude oil against changes in exchange rate (EUR/PLN for sale and USD/PLN for purchases and sale). The Group hedges also cash flows from investment projects against changes in exchange rates (EUR/PLN, JPY/PLN).

The above-mentioned transactions are accounted for using cash flow hedge accounting. The hedging instruments used are derivatives (forwards and swaps).

Additionally, the Group hedges cash flows from interest payments connected with issuance of bonds denominated in PLN and cash flows from interest payments concerning external financing using IRS (interest rate swap).

Net investment hedge in a foreign operation

The Group uses net investment hedge in a foreign operation. The Group hedges currency risk of net investment in a foreign entity Group of Mazeikiu Nafta that uses USD as its functional currency.

Financial liabilities and loans denominated in USD were designated as a hedging instrument. Foreign exchange differences resulting from translation of these “liabilities into PLN are recognized in equity in line” Foreign exchange differences on subsidiaries from consolidation.

3.3.3. Risk factors influencing future results

Future results will be expose to risks described in point 3.3.1.

4. Future development of the Group

Strategy for the years 2009-2013

Implementing the strategy for the years 2009-2013 PKN ORLEN is focusing on activities relating to strengthening operating effectiveness and further development. Increase in the Company's value will be realized in three areas: core business, creating new segments and non-core business assets disinvestment. Effective activities increasing efficiency such as operating effectiveness, integration of assets and segment management will allow to take good position in respect of further development of the Concern in the area of core business, extension of value chain as well as use of upstream segment and energetic segment as a lever of dynamic growth.

Refining segment, retail segment and petrochemical segment will be the foundations of PKN ORLEN development. Additionally, the Company aims to develop upstream activities and to enter a new area – energetics – using owned and necessary in this sector potential in the optimal way. Being concentrated on the basic activities PKN ORLEN also plans disinvestments in the chemical and telecommunication segment to unfreeze engaged capital.

In the refining segment one of the key activities will be an increase of production of medium distillate together with increased throughput of crude oil and batch used in petrochemical activities. In economically justified cases the Group will consider offering crude oil processing services.

Further development of logistics department will be a significant element of enhancing competitive advantage of the Concern. The most significant projects in this area comprise planned construction of product pipeline from Mazeikiu refinery to sea terminal, which will enable an increase in volumes of export and decrease of transport costs. New sections of product pipelines will also arise in Poland between Ostrów Wielkopolski and Wroclaw as well as between Boronów and Trzebinia. The Concern assumes also more intensive usage of the potential of existing and newly built caves, because of which it will be possible to better secure storage needs and to better use business cycles of the stored products.

The main goal of the wholesale segment is keeping the position of the leader in the particular countries, business development on the perspective Ukrainian market and entering into cooperation with Belorussian partners. One of the significant elements of the segment strategy is sales above one third of the volume through own retail network as well as security and active take over of import channels.

As far as the network of petrol stations is concerned, the Group will consistently continue hitherto prevailing, effective brand policy. Economical brand in Germany, economical and premium brand in Poland and the Czech Republic as well as premium brand in Lithuania will be maintained. The actions undertaken by PKN ORLEN will focus on further brand strengthening and on improving of sales effectiveness per station and margin in respect of non-fuel sales.

The situation of PKN ORLEN in the petrochemical segment will be determined by investments in new products as well as works on further increase of effectiveness. The most important investment in the petrochemical segment is construction of PX/PTA installation. The improvement of effectiveness will be possible as a result of the improved price policy, ratios as well as the structure of yields (with use of Solomon and PTAI benchmarks).

The policy relating to raw materials assumes long-term contracts for the supply of crude oil, including those with significant discount and short-term procurements will be directed to crude oil which are temporarily underestimated. One of the PKN ORLEN's basic targets will be to secure at least two directions of supplies to each refinery. Such actions will ensure safety and make the supply structure optimal. As regards the upstream sector, the new strategy assumes that upstream projects will mainly focus on identified deposits in the countries with a stable situation and acceptable risk exposure.

The increase of effectiveness of energetic segment will be based on the achievement of maximum synergies with refining part of the Concern as well as development supported by availability of full infrastructure to further improvement of energetic activity. These assumptions will be realized on the basis of currently available and monitoring of new technologies. PKN ORLEN assumes also an inorganic growth by development of the cooperation with branch partners.

Reorganization

Currently, PKN ORLEN realizes reorganization of the PKN ORLEN S.A. Capital Group, aimed at the following superior objectives:

- simplification of management as well as reinforcement of effectiveness of the group' Companies, among the others through significant limitation of number of companies,
- improvement of effectiveness of core business companies,
- withdrawal from the companies operating outside the core business of the Company,
- return on equity and realization of profits on sale of packages of shares.

Investment activity

PKN ORLEN assumes disinvestments of part of the companies operating outside the core business of the Concern, including two strategic entities for PKN ORLEN i.e.:

- sale of Anwil S.A. – leading consultant was selected, preparatory works in respect of offering the sale of shares to external investors were begun, works connected with separation of the business processes and preparation of the company to operate outside the Group are in progress as well as
- sale of Polkomtel S.A. – decision to start the procedure connected with offering shares to external investors was made. Currently, the process of selection of transaction consultant is almost finished.

As far as capital investments are concerned, PKN ORLEN plans to buy out the minority shareholders in some core business companies. Moreover, projects that may improve the core business of the company are regularly analyzed.

The financial safety related to realization of the Company's strategic plans will be ensured by such investment policy which assumes revision of the investment projects from the perspective of return on assets ratio and which is prioritized suitably to match the market situation.

The key investments significant for the development of the PKN ORLEN Capital Group include works that are realized in the following companies:

- PKN ORLEN S.A. - Paraxylene ("PX") and Terephthalic Acid ("PTA") Complex, Ethylene Oxide and Glycol II installation Diesel Oil Hydrodesulphurisation Complex VII with Hydrogen Production Plant II, construction of Claus II installation with infrastructure;
- Mazeikiu Nafta Group - construction of the propylene production plant, start of a new Hydrogen Installation, supplying raw material for modernized installations of fuel desulphurization, finalization of modernization Diesel Oil Hydrodesulphurisation installation II, enabling full capacity in respect of production of diesel oil with low sulphur content (below 10 ppm) and construction of vacuum column by Viesbreaking installation;
- Unipetrol Capital Group – implementation of projects assuming the increased processing capacity of the olefins installation up to 544 kt/y of ethylene and the related propylene production up to 275 kt/y, completion of the distillation installation with the capacity of 250 kt/y, continued construction of a new butadiene installation in Butadien Kralupy a.s. with the expected production capacity of 120 kt per year.
- Rebranding and development of the franchise stations network in new key locations

and a number of minor tasks relating to the adjustment of the plant infrastructure to new legal and environmental requirements.

In order to adjust the investment policy to the limited opportunities of raising external capital in the environment of financial crisis and to ensure financial safety for PKN ORLEN a number of adjustments were introduced in respect of planned capital expenditures. It is of priority to maintain the indebtedness level of ORLEN Group of 30-40% of equity. In 2009 the leverage ratio will increase for some time due to the advanced investment projects being continued. Starting from 2010 higher free cash flows which are expected in future years will reduce the financial leverage and enable a further dynamic development of the Company.

5. Achievements in the area of research and technological development

In the I half of 2009 the Capital Group has performed several works connected with preparation and improvement of production technology, increase of operating effectiveness, quality improvement of goods and delimitation of negative environmental impact.
These works have been performed by both own forces and by institutes and research centers, high schools and entities specialized in research and development.

The most significant achievements in the area of research and technical development include:

PKN ORLEN

- performed technical-economical analysis of launching production of ethyl-tert-amyl ether as a high octane gasoline component;
- preparation of an algorithm diagnosing the influence of mossing in the heat exchanger network on the regenerated heat stream and the assessment of profitability of this method;
- assessment of the quality of hydroraffinate coming from the Diesel Oil Hydrorefining Installation from the Gudron Desulphurization from the perspective of its use to produce diesel oil Ekodiesel Ultra and light fuel oil Ekoterm Plus;

UNIPETROL Capital Group

- Development of polypropylene production technology aimed at gaining high quality products, that will enable generating higher copolymer on margin;
- Preparation of a new type of polyethylene used in production of clothes and packaging, including packaging for dangerous materials;
- Launch of production of new products in petrochemical segment (fraction C9, C10, DCPD);
- Works on the use of alternative fuels and optimization of catalytic processes in refining production;

Anwil S.A.

- Implementation of the project of reduction of the emission of nitrous oxide from the nitric acid installation;

ORLEN Oil Sp. z o.o.

- The implementation of Base Oils Interchange Program („BOI") aimed at utilization of alternative own base oils in engine fuels;
- The work on developing alternative technologies in the core product groups, i.e.: high quality engine oils for heavy diesel engines HDDO, low quality engine oils PCMO, low quality engine oils HDDO, oils for two-stroke engines, car gear oils, hydraulic oils (certification tests stage), and industrial gear oils;
- Extension of the assortment of Platinum Gear oils, Platinum Ultor oils and industrial oils;
- Completion of operational research in respect of co-operation of engine oils produced by ORLEN Oil with biodiesel;
- Works on optimization of oil unit parameters, including the examination of the influence of the use of raw materials showing various qualities;
- Works on the possibilities of obtaining base oil of viscosity over SN 650;

Rafineria Nafty Jedlicze S.A.

- The work on the design of the initial tower for the Piping and Tower Distillation Unit, including analysis of crude oil coming from PGNiG Sanok in order to define parameters of the installation operation;
- Analytical testing of raw materials from the perspective of their processing on the Solvent Installation;
- Quality analysis of waste oils in respect of optimization of technological processes on the Used Oil Distillation Installation and the Used Oil Hydrorefining Installation, assuming a poorer quality of used oils on the Polish market;
- Performing technological tests in respect of redistillation of a deeply stabilized crude oil and deep hydrorefining of heavy base oil to gain a new low sulphur product;
- The works on the improvement of the energetic effectiveness of Used Oil Distillation Installation.

6. Information on related parties

Information on significant related party transactions

a) Information on material transactions concluded by the Group Companies or subsidiaries with related parties on other than market terms

In the 6-month period ended 30 June 2009, there were no significant related party transactions concluded within the Group on other than market terms.

b) Transactions with members of the Management Board, Supervisory Board, their spouses, siblings descendants and ascendants and their other relatives

During the 6-month period ended 30 June 2009 the Group companies did not grant to the Management Board, Supervisory Board and their relatives any advances, borrowings, loans, guarantees and sureties or concluded other agreements obliging to render services to the Company and its related parties.
As at 30 June 2009 there are no loans granted by the Group companies to managing and supervising persons and their relatives.
During the 6-month period ended 30 June 2009 there were no significant transactions concluded with members of the Management Board, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

c) Transactions with related parties concluded through the key executive personnel of the Company and key executive personnel of the Group companies

During 6-month period ended 30 June 2009 key executive personnel of the Company and Group companies issued statements on transactions with related parties that disclosed the following types of transactions:

Kind of relationship through key executive personnel of the Company and the Group companies	Type of transaction			
	Sale	Purchase	Receivables	Liabilities
Supervising persons	355 793	236 082	25 810	91 109
Managing persons	42	8	-	-
Other key executive personnel	8	-	-	-
Total	**355 843**	**236 090**	**25 810**	**91 109**

d) Parent Company's transactions with related parties in the period from 1 January to 30 June 2009 and the settlement balances as at 30 June 2009

	Subsidiaries	Jointly controlled entities	Associates	Adjustments	Total related parties
Sales	9 774 052	756 339	5 095	(10 152 222)	383 264
Purchase	1 216 477	6 732	55 171	(1 219 843)	58 537
Interest income	1 901	1 176	1	(2 489)	589
Interest expense	3 410			(3 410)	-
Current receivables (net)	2 241 272	254 865	230 163	(2 368 705)	357 595
Short-term liabilities	733 817	1 764	10 952	(734 699)	11 834
Non-current receivables	14 721			(14 721)	-
Long-term liabilities	25 076			(25 076)	-

7. Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies and on other risks of the Parent Company and its subsidiaries

As at 30 June 2009 PKN ORLEN Capital Group is a party in the following proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

a) Tax proceedings in Rafineria Trzebinia S.A.

Tax proceedings concern reliability of excise tax settlement for the period May-September 2004 and value added tax for August 2003. On 25 August 2009 the Supreme Administrative Court overruled the annulment of the Director of the Customs Chamber in Kraków concerning determination of excise tax liability amount for September 2004.

b) The proceedings of the Energy Regulatory Office („ERO") in Rafineria Trzebinia S.A.

The proceedings concern imposing a fine in connection with violating of concession terms regarding production of liquid fuels.

c) Claims and court proceedings – Tankpol Sp. z o.o.

The claim concerns the return of 253 shares in ORLEN PetroTank, that were transferred by Tankpol to PKN as a security.

d) Claims and court proceedings - ENERGA – OPERATOR SA

The proceedings concern settlement of contentious system fees between PKN and ENERGA – OPERATOR for the period from 5 July 2001 to 30 June 2002. In April 2009 the Court of Appeals obliged PKN ORLEN to submit additional documents. The date of the next court seating has been set for 27 August 2009.

e) Claims related to the penalty imposed by the European Commission on Unipetrol a.s.

The claim concerns an alleged cartel in the area of production of emulsion of polymerized styrene-butadiene rubber.

f) Anti-trust proceedings, connected with:

- an allegation that PKN ORLEN concluded an agreement with Lotos Group which limited competition on the domestic market of trading in universal petrol U95.
- an allegation that in the years 2000-2004 PKN ORLEN was using practice limiting competition on the domestic market of trading in glycol. The Court of Competition and Consumer Protection in Warsaw has not set a date of court seating regarding PKN ORLEN's appeal against the decision of the Chairman of the CCCP.

- an allegation that PKN ORLEN, Petrol Station Kogut Sp. j. and MAGPOL B. Kułakowski i Wspólnicy Sp. j. were using practice limiting competition on the domestic market of trading in engine liquid fuels concerning setting resale prices of engine liquid fuels.

g) Risk connected with the disposal of assets and liabilities related to purchase of Unipetrol shares

On 30 June 2009 the Court of Arbitration in Prague:

- issued a statement in which was adjudged from PKN ORLEN to Agrofert a.s. the amount of EUR 77,266,500 with interests and costs of proceedings, claimed in the law suit dated 16 December 2005. The statement was executed by PKN ORLEN on 3 July 2009.

- dismissed the suit of Agrofert Holding a.s. against PKN ORLEN concerning payment of EUR 77,266,500, claimed in the suit dated 3 April 2006, cancelling simultaneously costs of both parties.

- dismissed the suit of Agrofert Holding a.s. concerning payment of CZK 409,102,494 claimed in the law suit dated 25 May 2006 and adjudged for PKN ORLEN a return of part of the proceeding costs.

At present arbitration proceedings initiated in December 2006 with a law suit in which Agrofert Holding a.s. claims the payment of a compensation for losses related among others to unfair competition and illegal violation of reputation of Agrofert Holding a.s. are in progress. The value of the dispute amounts to CZK 17,352,550,000 (approximately EUR 700 million) with interests.

Proceeding mentioned above exceeds 10% of the Company's equity.

Detailed information on the above mentioned proceedings was presented in note 18. b-h to the consolidated financial statements of the PKN ORLEN S.A. Capital Group prepared in accordance with IFRS for the year ended 31 December 2008.

8. Other information

a) Shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders Meeting as at the date of filing the report

Shareholder	% of votes at the GSM presented in the prior quarter report*	Number of shares presented in the prior quarter report*	Change of p.p. in the period 30.04.2009–14.08.2009	% of votes at the GSM at the report filing date **	Number of shares at the report filing date **
Nafta Polska S.A.	17.32%	74 076 299	(17.32) p.p.	-	-
State Tresury	10.20%	43 633 897	17.32 p.p.	27.52%	117 710 196
ING OFE	5.17%	22 118 813	-	5.17%	22 118 813
Other	67.31%	287 880 052	-	67.31%	287 880 052
Total	**100%**	**427 709 061**	**-**	**100%**	**427 709 061**

* According to the received confirmations as at 30 April 2009
** According to the received confirmations as at 14 August 2009

Percentage share in the share capital of the Company of the above mentioned shareholders is compatible with percentage share in total votes at the General Shareholders' Meeting as at the date of filing this report.

b) Changes in the number of the company's shares held by the Management Board and Supervisory Board Members

	Number of shares, options as at the date of the prior quarter report filing*	Acquisition	Disposal	Increase due to changes in composition	Decrease due to changes in composition	Number of shares, options as at the date of the report filing**
Management Board	**-**	**-**	**-**	**-**	**-**	**-**
Supervisory Board	**507**	**-**	**-**	**-**	**-**	**507**
Janusz Zieliński	407	-	-	-	-	407
Grzegorz Borowiec	100	-	-	-	-	100

* According to the received confirmations as at 30 April 2009
** According to the received confirmations as at 14 August 2009

c) Information on loan security and guarantees of at least 10% of the Company's equity granted by the Parent Company or its subsidiaries to one entity or its subsidiary

Within the Group, in the period from 1 January to 30 June 2009 PKN ORLEN and its subsidiaries did not grant any loan security or guarantees to another entity or its subsidiary, where the value of securities and guarantees constituted at least 10% of the Company's equity.

d) Statement of the Management Board regarding the possibility to realize previously published forecasts of the current year results

The Capital Group of PKN ORLEN S.A. has not published forecasts of the results earlier.

9. Information on compliance with Corporate Governance Rules in the Capital Group

Starting from 1 January 2008 PKN ORLEN complied with the "Best Practices for Warsaw Stock Exchange Listed Companies" (further the "Best Practices for WSE Listed Companies") valid for the Warsaw Stock Exchange. In the first half of 2009 PKN ORLEN complies with all rules of corporate governance included in the code of "Best Practices for WSE Listed Companies". Report on compliance with Corporate Governance Rules in PKN ORLEN in 2008 was published by the Company on 30 April 2009 as the Attachment no 1 to Management Board report on the operations of PKN ORLEN for 2008 as well as the Attachment no. 1 to Management Board report on the operations of the PKN ORLEN Group for 2008.

The Code of Best Practices for WSE Listed Companies can be found on the website dedicated to the corporate governance on the Warsaw Stock Exchange www.corp-gov.gpw.pl.

The foregoing half-year report was authorized by the Management Board of the Parent Company in its seats on 25 August 2009.

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Dariusz Krawiec
President of the Board

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Sławomir Jędrzejczyk
Vice-President of the Board

……
Wojciech Kotlarek
Member of the Board

……
Krystian Pater
Member of the Board

……
Marek Serafin
Member of the Board