CONSOLIDATED QUARTERLY REPORT FOR III QUARTER 2010

ORLEN

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated Quarterly Report QSr III / 2010

quarter / (year)

(in accordance with § 82 section 2 and § 83 section 1 of the Minister of Finance Regulation of 19 February 2009, Official Journal No. 33, item 259)
(for issuers of securities whose business activity embraces manufacture, construction, trade and services)

for the third quarter of the reporting year 2010, that is for the period from 01.07.2010 to 30.09.2010 which includes condensed 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 29 October 2010
(submission date)

KPMG AUDYT Sp. z o.o.
(**Entity authorized to conduct audit**)
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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)
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(street)		(number)
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Polski Koncern Naftowy ORLEN
Spółka Akcyjna

PKN ORLEN S.A. CAPITAL GROUP
SELECTED FINANCIAL DATA

(Translation of a document originally issued in Polish)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	III quarters of 2010 (cummulative data)	III quarters of 2009 (cummulative data)	III quarters of 2010 (cummulative data)	III quarters of 2009 (cummulative data)
I. Sales revenues	60 616 208	50 121 051	15 143 830	12 521 811
II. Profit from operations	2 375 893	763 390	593 573	190 719
III. Profit before tax	2 372 375	1 171 575	592 694	292 696
IV.Net profit attributable to equity holders of the parent	1 830 337	1 006 393	457 276	251 429
V. Net profit	1 911 323	1 017 133	477 508	254 112
VI. Total comprehensive income attributable to equity holders of the parent	1 952 967	1 259 857	487 912	314 752
VII. Total comprehensive income	2 128 383	1 428 223	531 737	356 815
VIII. Net cash provided by operating activities	3 283 859	2 245 526	820 411	561 003
IX. Net cash (used in) investing activities	(2 295 416)	(2 940 471)	(573 467)	(734 622)
X. Net cash provided by/(used in) financing activities	(2 634 053)	241 370	(658 069)	60 302
XI. Net (decrease) in cash and cash equivalents	(1 645 610)	(453 575)	(411 125)	(113 317)
XII. Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN/EUR per share)	4.28	2.35	1.07	0.59
	as at 30/09/2010	as at 31/12/2009	as at 30/09/2010	as at 31/12/2009
XIII. Non-current assets	30 517 127	29 727 329	7 654 158	7 456 064
XIV. Current assets	19 846 809	19 433 046	4 977 880	4 874 102
XV. Total assets	50 363 936	49 160 375	12 632 038	12 330 167
XVI. Long-term liabilities	11 201 642	13 242 204	2 809 542	3 321 345
XVII. Short-term liabilities	15 336 247	14 210 960	3 846 563	3 564 324
XVIII. Equity	23 826 047	21 707 211	5 975 934	5 444 497
XIX. Equity attributable to equity holders of the parent	20 990 870	19 037 903	5 264 828	4 774 994
XX. Share capital	1 057 635	1 057 635	265 271	265 271
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)	49.08	44.51	12.31	11.16

SELECTED UNCONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	III quarters of 2010 (cummulative data)	III quarters of 2009 (cummulative data)	III quarters of 2010 (cummulative data)	III quarters of 2009 (cummulative data)
I. Sales revenues	44 866 863	34 655 348	11 209 150	8 657 993
II. Profit from operations	1 986 919	358 569	496 395	89 582
III. Profit before tax	2 139 314	1 317 496	534 468	329 152
IV. Net profit	1 784 109	1 116 837	445 726	279 021
V. Total comprehensive income	1 695 374	1 221 244	423 558	305 105
VI. Net cash provided by operating activities	1 473 733	(66 373)	368 185	(16 582)
VII. Net cash (used in) investing activities	(1 767 218)	(1 985 865)	(441 507)	(496 131)
VIII. Net cash (used in)/provided by financing activities	(1 443 555)	1 670 472	(360 645)	417 336
XI. Net (decrease) in cash and cash equivalents	(1 737 040)	(381 766)	(433 967)	(95 377)
X. Net profit and diluted net profit per share (in PLN/EUR per share)	4.17	2.61	1.04	0.65
	as at 30/09/2010	as at 31/12/2009	as at 30/09/2010	as at 31/12/2009
XI. Non-current assets	24 006 093	23 006 696	6 021 092	5 770 428
XII. Current assets	14 298 784	14 009 655	3 586 352	3 513 834
XIII. Total assets	38 304 877	37 016 351	9 607 443	9 284 262
XIV. Long-term liabilities	8 609 236	10 368 702	2 159 327	2 600 628
XV. Short-term liabilities	10 867 369	9 514 751	2 725 701	2 386 444
XVI. Equity	18 828 272	17 132 898	4 722 416	4 297 190
XVII. Share capital	1 057 635	1 057 635	265 271	265 271
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)	44.02	40.06	11.04	10.05

The above data for III quarter of 2010 and III quarter of 2009 were translated into EUR by the following exchange rates:

- specific items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as of 30 September 2010 – 3.9870 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 1 January – 30 September 2010 – 4.0027 PLN / EUR.

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ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

PKN ORLEN S.A. CAPITAL GROUP
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Interim condensed consolidated financial statements
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

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

Consolidated statement of financial position

	Note	as at 30/09/2010 (unaudited)	as at 31/12/2009
ASSETS			
Non-current assets			
Property, plant and equipment		27 582 322	27 070 437
Investment property		73 576	71 487
Intangible assets		927 822	690 376
Perpetual usufruct of land		96 736	96 043
Investments in associates		1 515 920	1 401 586
Deffered tax assets		211 640	290 820
Financial assets available for sale		55 566	59 633
Non-current loans and receivables		53 545	46 947
		30 517 127	**29 727 329**
Current assets			
Inventory		11 355 423	10 619 859
Trade and other receivables		6 821 677	5 417 486
Short-term financial assets	3.2.	147 052	181 005
Income tax receivable		28 241	34 032
Prepayments		159 277	207 447
Cash and cash equivalents		1 295 048	2 941 039
Non-current assets held for sale		40 091	32 178
		19 846 809	**19 433 046**
Total assets		**50 363 936**	**49 160 375**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Share capital		1 057 635	1 057 635
Share premium		1 227 253	1 227 253
Hedging reserve		(73 886)	14 849
Foreign exchange differences on subsidiaries from consolidation		(55 424)	(266 789)
Retained earnings		18 835 292	17 004 955
Total equity attributable to equity holders of the parent		**20 990 870**	**19 037 903**
Non-controlling interest		**2 835 177**	**2 669 308**
Total equity		**23 826 047**	**21 707 211**
LIABILITIES			
Long-term liabilities			
Interest-bearing loans and borrowings	3.4.	9 570 791	11 610 532
Provisions	3.3.	649 557	661 921
Deferred tax liabilities		861 685	836 330
Other long-term liabilities		119 609	133 421
		11 201 642	**13 242 204**
Short-term liabilities			
Trade and other liabilities		12 392 372	11 494 542
Interest-bearing loans and borrowings	3.4.	1 600 009	1 593 695
Income tax liability		48 125	24 169
Provisions	3.3.	744 088	847 117
Deferred income		354 108	133 963
Other financial liabilities		197 545	117 474
		15 336 247	**14 210 960**
Total liabilities		**26 537 889**	**27 453 164**
Total liabilities and shareholders' equity		**50 363 936**	**49 160 375**

The accompanying notes disclosed on pages 10-17 are an integral part of the foregoing interim condensed consolidated financial statements.

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Consolidated statement of comprehensive income

	Note	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Sales revenues	3.5.	60 616 208	22 105 709	50 121 051	18 649 115
Cost of sales	3.6.	(54 814 226)	(20 143 661)	(45 671 014)	(16 995 562)
Gross profit on sales		**5 801 982**	**1 962 048**	**4 450 037**	**1 653 553**
Distribution expenses		(2 548 113)	(886 556)	(2 578 287)	(847 613)
General and administrative expenses		(974 351)	(305 310)	(1 094 872)	(348 553)
Other operating revenues	3.7.	433 963	143 459	425 538	90 412
Other operating expenses	3.7.	(337 588)	(125 034)	(439 026)	(124 829)
Profit from operations		**2 375 893**	**788 607**	**763 390**	**422 970**
Financial revenues	3.8.	381 576	727 572	1 014 341	764 034
Financial expenses	3.8.	(600 506)	(142 948)	(834 931)	(162 140)
Financial revenues and expenses		**(218 930)**	**584 624**	**179 410**	**601 894**
Share in profit from investments accounted for under equity method		215 412	90 268	228 775	83 259
Profit before tax		**2 372 375**	**1 463 499**	**1 171 575**	**1 108 123**
Income tax expense	3.9.	(461 052)	(205 264)	(154 442)	(167 735)
Net profit		**1 911 323**	**1 258 235**	**1 017 133**	**940 388**
Items of other comprehensive income:					
Hedging instruments valuation		(144 258)	97 675	24 416	38 178
Hedging instruments settlement		34 709	4 118	103 870	19 509
Foreign exchange differences on consolidation		305 795	(192 417)	307 178	(358 649)
Deferred tax on other comprehensive income		20 814	(19 341)	(24 374)	(11 607)
Total items of other comprehensive income		**217 060**	**(109 965)**	**411 090**	**(312 569)**
Total comprehensive income		**2 128 383**	**1 148 270**	**1 428 223**	**627 819**
Net profit attributable to:		**1 911 323**	**1 258 235**	**1 017 133**	**940 388**
equity holders of the parent		1 830 337	1 242 471	1 006 393	930 601
non-controlling interest		80 986	15 764	10 740	9 787
Total comprehensive income attributable to:		**2 128 383**	**1 148 270**	**1 428 223**	**627 819**
equity holders of the parent		1 952 967	1 115 926	1 259 857	690 245
non-controlling interest		175 416	32 344	168 366	(62 426)
Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN per share)		4.28	2.90	2.35	2.18

The accompanying notes disclosed on pages 10-17 are an integral part of the foregoing interim condensed consolidated financial statements.

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(Translation of a document originally issued in Polish)

Consolidated statement of cash flows

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Cash flows - operating activities				
Net profit	**1 911 323**	**1 258 235**	**1 017 133**	**940 388**
Adjustments for:				
Share in profit from investments accounted for under equity method	(215 412)	(90 268)	(228 775)	(83 259)
Depreciation and amortisation	1 826 840	613 855	1 934 867	627 110
Foreign exchange (gains)/losses	(17 618)	(205 640)	57 054	(406 229)
Interest and dividend	294 811	83 586	329 110	120 587
(Profit)/Loss on investing activities	(38 041)	37 849	(18 033)	22 540
Change in receivables	(1 387 225)	102 843	(327 229)	(9 113)
Change in inventories	(625 604)	(470 310)	(1 943 452)	(845 486)
Change in liabilities	1 450 748	(857 813)	1 570 963	(1 326 573)
Change in provisions	209 844	(21 747)	(551 000)	(73 376)
Income tax expense	461 052	205 264	154 442	167 735
Income tax (paid)/received	(308 270)	(145 602)	152 000	(17 804)
Other adjustments	(278 589)	(110 377)	98 446	56 778
Net cash provided by operating activities	**3 283 859**	**399 875**	**2 245 526**	**(826 702)**
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(2 516 783)	(1 318 874)	(2 299 382)	(630 027)
Disposal of property, plant and equipment and intangible assets	205 547	7 504	65 643	13 011
Sale of shares	12 984	-	617	5
Acquisition of shares	-	-	(1 018 889)	(1 291)
Acquisition of short-term securities and deposits	(150 746)	(113 080)	-	-
Proceeds from the sale of short-term securities	129 450	92 360	-	-
Interest and dividends received	35 811	4 729	311 616	233 310
Other	(11 679)	(11 664)	(76)	4 633
Net cash (used in) investing activities	**(2 295 416)**	**(1 339 025)**	**(2 940 471)**	**(380 359)**
Cash flows - financing activities				
Proceeds from loans and borrowings	12 228 701	4 023 208	8 721 971	3 441 643
Repayment of loans and borrowings	(14 434 684)	(3 782 025)	(7 929 236)	(2 298 339)
Interest paid	(406 617)	(146 974)	(477 455)	(151 568)
Payment of liabilities under finance lease agreements	(19 789)	(6 268)	(65 333)	(11 001)
Dividends paid to non-controlling interest	(9 939)	(9 495)	(7 694)	(7 542)
Other	8 275	11 427	(883)	(1 477)
Net cash provided by/(used in) financing activities	**(2 634 053)**	**89 873**	**241 370**	**971 716**
Net (decrease) in cash and cash equivalents	**(1 645 610)**	**(849 277)**	**(453 575)**	**(235 345)**
Effect of exchange rate changes	(381)	(573)	204	851
Cash and cash equivalents, beginning of the period	**2 941 039**	**2 144 898**	**1 344 224**	**1 125 347**
Cash and cash equivalents, end of the period	**1 295 048**	**1 295 048**	**890 853**	**890 853**
incl. cash and cash equivalents not available for use	108 619	108 619	25 380	25 380

The accompanying notes disclosed on pages 10-17 are an integral part of the foregoing interim condensed consolidated financial statements.

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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 revaluation of subsidiaries	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2010	2 284 888	14 849	(266 789)	17 004 955	19 037 903	2 669 308	21 707 211
Total comprehensive income	-	(88 735)	211 365	1 830 337	1 952 967	175 416	2 128 383
Dividends	-	-	-	-	-	(9 547)	(9 547)
30 September 2010	**2 284 888**	**(73 886)**	**(55 424)**	**18 835 292**	**20 990 870**	**2 835 177**	**23 826 047**
(unaudited)							
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	-	103 912	149 552	1 006 393	1 259 857	168 366	1 428 223
Change in non-controlling interest's structure in equity	-	-	-	(9 126)	(9 126)	(16 236)	(25 362)
Dividends	-	-	-	-	-	(10 792)	(10 792)
30 September 2009	**2 284 888**	**4 119**	**72 760**	**16 702 055**	**19 063 822**	**2 859 894**	**21 923 716**
(unaudited)							

The accompanying notes disclosed on pages 10-17 are an integral part of the foregoing interim condensed consolidated financial statements.

Explanatory notes to interim condensed consolidated financial statements

1. Information on principles adopted for preparation of interim condensed consolidated financial statements

1.1. Statement of compliance and general principles for preparation

The foregoing condensed consolidated financial statements („financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) ("Regulation") and present PKN ORLEN S.A. Group's ("Group") financial position as at 30 September 2010 and 31 December 2009, results of its operations and cash flows for the 9- and 3-month period ended 30 September 2010 and 30 September 2009.

Presented condensed consolidated financial statements reflect true and fair view on financial position and financial result of the Group as at 30 September 2010 and 31 December 2009, results from its operations and cash flows for the 9- and 3-month period ended 30 September 2010 and 30 September 2009.

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

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

1.2. Statement of the Management Board

1.2.1. In respect of the reliability of interim condensed consolidated financial statements

Under the Minister of Finance Regulation of 19 February 2009 with further changes, on current and periodic information provided by issuers of securities and conditions for recognition as equivalent information required by the law of a non-Member State with amendments, the Management Board of PKN ORLEN S.A. hereby declares that to the best of their knowledge the foregoing interim condensed consolidated financial statements and comparative data were prepared in compliance with the accounting principles of the Group and present true and fair view on financial position and financial result of the Group and net result.

1.2.2. In respect of the entity authorized to conduct audit

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

1.2.3. Applied accounting principles and presentation changes

These foregoing interim condensed consolidated financial statements were prepared according to principles described in PKN ORLEN S.A. Group's consolidated financial statements for the year ended 31 December 2009. Amendments to IFRSs that came into force on or after 1 January 2010, have no effect on current and previously presented consolidated financial results and consolidated equity.

The Group intends to adopt amendments to IFRSs that are published yet but not effective as at the date of preparation of these interim condensed consolidated financial statements in accordance with their effective date. The possible impact of these amendments to IFRSs on the Group's future financial statements is being analyzed.

Presentation changes

– Starting from the I quarter of 2010 the Group recognizes in the consolidated statement of financial position CO_2 emission rights granted free of charge as intangible assets and deferred income at the fair value of CO_2 emission rights at the date of their receipt. The Group recognizes provision for estimated CO_2 emissions in the reporting period. In the consolidated result the cost of recognized provision is compensated with settlement of deferred income on granted CO_2 emission rights.
  In the consolidated statement of financial position for the 9-month period ended 30 September 2010 the Group recognized CO_2 emission rights for the year 2010 in the fair value of PLN 798,702 thousand, provision for estimated CO_2 emission rights ended 30 September 2010 in the amount of PLN 491,784 thousand, depreciated CO_2 emission rights in the amount of PLN 635,351 thousand and deferred income due to granted CO_2 emission rights in the amount of PLN 219,661 thousand as at 30 September 2010.
  In the financial statements for the previous reporting periods intangible assets were compensated, and presented net with deferred income and provision for CO_2 emissions. The change in presentation had no impact on consolidated statement of comprehensive income for the 9-month and 3-month periods ended 30 September 2009, nor, due to the sale of CO_2 emissions rights that incurred in the IV quarter of 2009, on the consolidated statement of financial position as at 31 December 2009.

– In segment data relating to statement of comprehensive income for the 9-month and 3- month periods ended 30 September 2009 (disclosed in note 2 to the interim condensed consolidated financial statement) a reclassification adjustments of PLN 940,038 and PLN 385,958 thousand were made from the position of sales revenues and operating expenses of the refining segment to the position of sales revenues and operating expenses of the retail segment. The adjustment reflects sales volumes generated through DOFO (Dealer Owned Franchise Operated) channel, previously presented in the refining segment.

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

1.3. 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 interim condensed consolidated financial statements and quarterly condensed financial information 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 ("NBP") at the end of the reporting period;
– respective items of 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 quarterly reporting period.

All resulting exchange differences are recognized in equity, as foreign exchange differences on revaluation of subsidiaries.

CURRENCY	average currency rate for the 3-month period ended		currency rate at the end of the period	
	30/09/2010	30/09/2009	30/09/2010	31/12/2009
PLN/EUR	3.9996	4.1610	3.9870	4.1082
PLN/USD	3.0521	2.9017	2.9250	2.8503
PLN/CZK	0.1617	0.1639	0.1621	0.1554

2. Segment data

The Group's activities are allocated to:
– the Refining Segment – refining products processing and wholesale, oil production and sale as well as supporting production
– the Retail Segment – sale at petrol stations
– the Petrochemical Segment – production and sale of petrochemicals and chemicals and corporate functions

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The allocation of the PKN ORLEN Capital Group companies to operating segments is presented in note B.2.

Revenues, expenses and financial result by operating segments

for 9 months ended 30 September 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	32 457 029	20 036 394	8 051 070	71 715	-	60 616 208
Transactions with other segments	13 551 753	87 059	1 962 112	147 316	(15 748 240)	-
Total sales revenues	46 008 782	20 123 453	10 013 182	219 031	(15 748 240)	60 616 208
Total operating expenses	(44 159 997)	(19 544 807)	(9 742 040)	(638 092)	15 748 246	(58 336 690)
Other operating revenues	92 964	107 132	175 325	58 772	(230)	433 963
Other operating expenses	(70 661)	(85 623)	(77 010)	(104 524)	230	(337 588)
Segment profit/loss	**1 871 088**	**600 155**	**369 457**	**(464 813)**	**6**	**2 375 893**
Financial revenues						381 576
Financial expenses						(600 506)
Share in profit from investments accounted for under equity method	458	-	426	214 528	-	215 412
Profit before tax						**2 372 375**
Income tax expense						(461 052)
Net profit						**1 911 323**

for 3 months ended 30 September 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	11 802 490	7 465 758	2 815 906	21 555	-	22 105 709
Transactions with other segments	4 979 021	30 828	721 679	49 792	(5 781 320)	-
Total sales revenues	16 781 511	7 496 586	3 537 585	71 347	(5 781 320)	22 105 709
Total operating expenses	(16 336 864)	(7 192 697)	(3 387 003)	(200 289)	5 781 326	(21 335 527)
Other operating revenues	36 680	32 750	47 353	26 775	(99)	143 459
Other operating expenses	(19 592)	(27 816)	(55 519)	(22 206)	99	(125 034)
Segment profit/loss	**461 735**	**308 823**	**142 416**	**(124 373)**	**6**	**788 607**
Financial revenues						727 572
Financial expenses						(142 948)
Share in profit from investments accounted for under equity method	(81)	-	115	90 234	-	90 268
Profit before tax						**1 463 499**
Income tax expense						(205 264)
Net profit						**1 258 235**

for 9 months ended 30 September 2009

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	25 951 999	17 603 259	6 503 864	61 929	-	50 121 051
Transactions with other segments	10 707 770	68 706	3 100 283	144 317	(14 021 076)	-
Total sales revenues	36 659 769	17 671 965	9 604 147	206 246	(14 021 076)	50 121 051
Total operating expenses	(35 972 624)	(16 960 953)	(9 801 584)	(630 087)	14 021 076	(49 344 172)
Other operating revenues	197 294	58 877	58 980	110 390	(3)	425 538
Other operating expenses	(93 346)	(96 559)	(41 140)	(207 985)	3	(439 027)
Segment profit/loss	**791 093**	**673 330**	**(179 597)**	**(521 436)**	**-**	**763 390**
Financial revenues						1 014 341
Financial expenses						(834 931)
Share in profit from investments accounted for under equity method	1 115	-	1 123	226 537	-	228 775
Profit before tax						**1 171 575**
Income tax expense						(154 442)
Net profit						**1 017 133**

PKN ORLEN S.A. CAPITAL GROUP
Consolidated Quarterly Report for the III quarter of 2010
Explanatory notes to interim condensed consolidated financial statements
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

Revenues, expenses and financial result by operating segments - continued

for 3 months ended 30 September 2009

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	9 765 067	6 557 360	2 299 778	26 910	-	18 649 115
Transactions with other segments	4 222 023	40 748	1 149 921	46 568	(5 459 260)	-
Total sales revenues	13 987 090	6 598 108	3 449 699	73 478	(5 459 260)	18 649 115
Total operating expenses	(13 849 766)	(6 212 757)	(3 390 193)	(198 271)	5 459 260	(18 191 727)
Other operating revenues	24 831	11 588	19 570	34 379	44	90 412
Other operating expenses	(24 857)	(33 927)	(14 603)	(51 399)	(44)	(124 830)
Segment profit/loss	**137 298**	**363 012**	**64 473**	**(141 813)**	**-**	**422 970**
Financial revenues						764 034
Financial expenses						(162 140)
Share in profit from investments accounted for under equity method	111	-	971	82 177	-	83 259
Profit before tax						**1 108 123**
Income tax expense						(167 735)
Net profit						**940 388**

Assets by operating segments

	as at 30/09/2010 (unaudited)	as at 31/12/2009
Refining Segment	28 254 534	26 447 353
Retail Segment	5 582 044	5 416 802
Petrochemical Segment	13 337 142	12 265 878
Total segment assets	**47 173 720**	**44 130 033**
Corporate Functions	3 509 337	5 492 775
Adjustments	(319 121)	(462 433)
	50 363 936	**49 160 375**

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Property, plant and equipment				
Increase	(71 962)	(43 034)	(85 122)	(10 070)
Decrease	68 882	29 668	139 289	9 378
Intangible assets				
Increase	(415)	(138)	(6 651)	(3 660)
Decrease	86	(315)	8 673	(781)
Financial assets available for sale				
Increase	(201)	(194)	(185)	(140)
Decrease	1 008	-	364	-
Receivables				
Increase	(67 769)	(18 919)	(113 946)	(35 270)
Decrease	46 137	17 183	75 476	28 627
Inventory				
Increase	(183 565)	(45 453)	(110 604)	(51 578)
Decrease	174 997	26 506	61 238	20 342
Non-current assets held for sale				
Increase	(13 234)	(3 771)	(732)	(137)
Decrease	1 610	(1 702)	5	(69)

3.2. Short-term financial assets

	as at 30/09/2010 (unaudited)	as at 31/12/2009
Acquired bonds and short-term depostis	82 594	55 852
Derivatives recognized in financial assets designated as hedging instruments- hedge accounting	38 145	81 666
Financial assets at fair value through profit and loss	18 465	43 208
Loans and receivables	7 626	32
Available for sale	222	247
	147 052	**181 005**

3.3. Provisions

	long-term		short-term	
	as at 30/09/2010 (unaudited)	as at 31/12/2009	as at 30/09/2010 (unaudited)	as at 31/12/2009
Environmental provision	326 421	335 263	26 425	37 365
Jubilee and retirement benefits provision	230 313	229 831	30 877	31 700
Business risk provision	55 835	63 917	73 142	78 256
Shield programmes provision	-	-	48 711	51 369
Provision for estimated emission of CO_2	-	-	464 310	588 869
Other	36 988	32 910	100 623	59 558
	649 557	**661 921**	**744 088**	**847 117**

3.4. Interest – bearing loans and borrowings

	long-term		short-term	
	as at 30/09/2010 (unaudited)	as at 31/12/2009	as at 30/09/2010 (unaudited)	as at 31/12/2009
Bank loans and borrowings	8 417 431	10 475 021	1 559 199	1 555 657
Debt securities	1 153 360	1 135 511	40 810	38 038
	9 570 791	**11 610 532**	**1 600 009**	**1 593 695**

3.5. Sales revenues

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Revenues from sale of finished goods	46 870 267	17 315 551	37 650 634	14 022 790
Revenues from sale of merchandise and raw materials	13 745 941	4 790 158	12 470 417	4 626 325
	60 616 208	**22 105 709**	**50 121 051**	**18 649 115**

3.6. Operating expenses

Cost of sales

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Cost of finished goods sold	(41 978 952)	(15 850 873)	(34 461 526)	(12 838 041)
Cost of merchandise and raw materials sold	(12 835 274)	(4 292 788)	(11 209 488)	(4 157 521)
	(54 814 226)	**(20 143 661)**	**(45 671 014)**	**(16 995 562)**

Operating expenses - continued

Cost by kind

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Materials and energy	(39 043 573)	(14 672 504)	(31 774 000)	(12 147 469)
Cost of merchandise and materials sold	(12 835 274)	(4 292 788)	(11 209 488)	(4 157 521)
External services	(2 747 324)	(962 458)	(2 897 734)	(996 536)
Payroll, social security and other employee benefits	(1 454 987)	(472 966)	(1 508 768)	(480 628)
Depreciation and amortisation	(1 826 840)	(613 855)	(1 934 867)	(627 110)
Taxes and charges	(302 902)	(92 999)	(323 938)	(97 356)
Other	(598 871)	(222 076)	(709 496)	(209 248)
	(58 809 771)	**(21 329 646)**	**(50 358 291)**	**(18 715 868)**
Change in inventory	30 322	(168 975)	522 840	386 224
Cost of products and services for own use	105 171	38 060	52 252	13 087
Operating expenses	**(58 674 278)**	**(21 460 561)**	**(49 783 199)**	**(18 316 557)**
Distribution expenses	2 548 113	886 556	2 578 287	847 613
General and administrative expenses	974 351	305 310	1 094 872	348 553
Other operating expenses	337 588	125 034	439 026	124 829
Cost of sales	**(54 814 226)**	**(20 143 661)**	**(45 671 014)**	**(16 995 562)**

3.7. Other operating revenues and expenses

Other operating revenues

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Profit on sale of non-financial non-current assets	60 184	7 406	29 106	1 031
Reversal of provisions	42 078	18 411	31 665	9 414
Reversal of receivables impairment allowances	36 764	14 166	66 506	26 114
Reversal of impairment allowances of property, plant and equipment and intangible assets	58 891	26 217	148 653	9 979
Penalties and compensations received	39 624	5 408	45 634	17 941
Grants	94 108	30 489	4 998	1 506
Inventory count surpluses	11 651	3 979	5 901	2 043
Due to tax authorities decision	624	-	14 129	-
Other	90 039	37 383	78 946	22 384
	433 963	**143 459**	**425 538**	**90 412**

Other operating revenues on received grants for the 9 and 3 months period ended 30 September 2010 concerned mainly reduction of nitrous suboxides emission in Anwil S.A.

Other operating expenses

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Loss on sale of non-financial non-current assets	(21 963)	(7 732)	(35 868)	(16 247)
Recognition of provisions	(87 663)	(13 088)	(86 950)	(4 498)
Receivables impairment allowances	(58 043)	(16 146)	(99 119)	(31 361)
Impairment allowances of property, plant and equipment and intangible assets	(72 867)	(43 662)	(92 505)	(14 462)
Liquidations and nonculpable shortages of current assets	(37 118)	(12 711)	(17 190)	(6 681)
Costs and losses on removal of damages	(25 449)	(17 965)	(15 550)	(5 617)
Other	(34 485)	(13 730)	(91 844)	(45 963)
	(337 588)	**(125 034)**	**(439 026)**	**(124 829)**

3.8. Financial revenues and expenses

Financial revenues

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Interest received	51 562	14 066	48 946	8 520
Foreign exchange gains surplus	168 715	694 019	628 973	726 338
Settlement and valuation of financial instruments	145 144	16 666	319 858	23 317
Decrease in receivables impairment allowances	9 373	3 017	8 970	2 513
Reversal of investment impairment allowances	1 008	-	364	364
Other	5 774	(196)	7 230	2 982
	381 576	**727 572**	**1 014 341**	**764 034**

Financial expenses

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Interest expense	(305 178)	(92 342)	(319 185)	(116 507)
Foreign exchange loss surplus	(173 592)	-	(125 757)	-
Settlement and valuation of financial instruments	(81 629)	(37 795)	(334 453)	(20 500)
Increase in receivables impairment allowances	(9 726)	(2 773)	(14 527)	(3 606)
Investment impairment allowances	(226)	(188)	(186)	(109)
Other	(30 155)	(9 850)	(40 823)	(21 418)
	(600 506)	**(142 948)**	**(834 931)**	**(162 140)**

Borrowing costs capitalized in the 9-month period ended 30 September 2010 and 9-month period ended 30 September 2009 amounted to PLN 122,265 thousand and PLN 88,978 thousand, respectively. Borrowing costs capitalized in the 3-month period ended 30 September 2010 and 3-month period ended 30 September 2009 amounted to PLN 39,458 thousand and 37,825 thousand, respectively.

3.9. Income tax expense

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Current tax	(338 797)	(151 111)	(195 812)	(118 865)
Deffered tax	(122 255)	(54 153)	41 370	(48 870)
	(461 052)	**(205 264)**	**(154 442)**	**(167 735)**

3.10. Finance lease payments

As at 30 September 2010, the Group possessed as a lessee, the finance lease agreements, concerning mainly buildings, machinery and equipment as well as means of transportation.

Future minimum lease payments under finance lease agreements mentioned above as at 30 September 2010 and 31 December 2009 were as follows:

	as at 30/09/2010 (unaudited)	as at 31/12/2009
Up to 1 year	22 920	26 969
Between 1 and 5 years	45 080	52 668
Above 5 years	25 983	27 539
	93 983	**107 176**

Present value of future minimum lease payments under finance lease agreements mentioned above as at 30 September 2010 and 31 December 2009 was as follows:

	as at 30/09/2010 (unaudited)	as at 31/12/2009
Up to 1 year	21 345	23 831
Between 1 and 5 years	38 206	43 197
Above 5 years	16 621	18 163
	76 172	**85 191**

3.11. 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 or cyclical character of its operations.

3.12. Future liabilities resulting from signed investment contracts

As at 30 September 2010 and 31 December 2009 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 806,459 thousand and PLN 969,098 thousand, respectively.

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

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

3.14. Payment of dividends

General Shareholders' Meeting of PKN ORLEN S.A. dated 25 June 2010 decided to distribute net profit for the year 2009 in the amount of PLN 1,635,885,461.24 to reserve capital of the Company.

3.15. Contingent liabilities

	as at 31/12/2009	increase/ (decrease)	as at 30/09/2010 (unaudited)
Anti-trust proceedings of the OCCP	18 500	-	18 500
Other legal cases at court	5 653	8 573	14 226
	24 153	**8 573**	**32 726**

3.16. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 September 2010 and 31 December 2009 amounted to PLN 1,532,879 thousand and PLN 1,289,169 thousand, respectively.
Guarantees granted as at 30 September 2010 and 31 December 2009 amounted to PLN 120,808 thousand and PLN 224,765 thousand, respectively.

OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Principal activity

The Parent Company of 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.

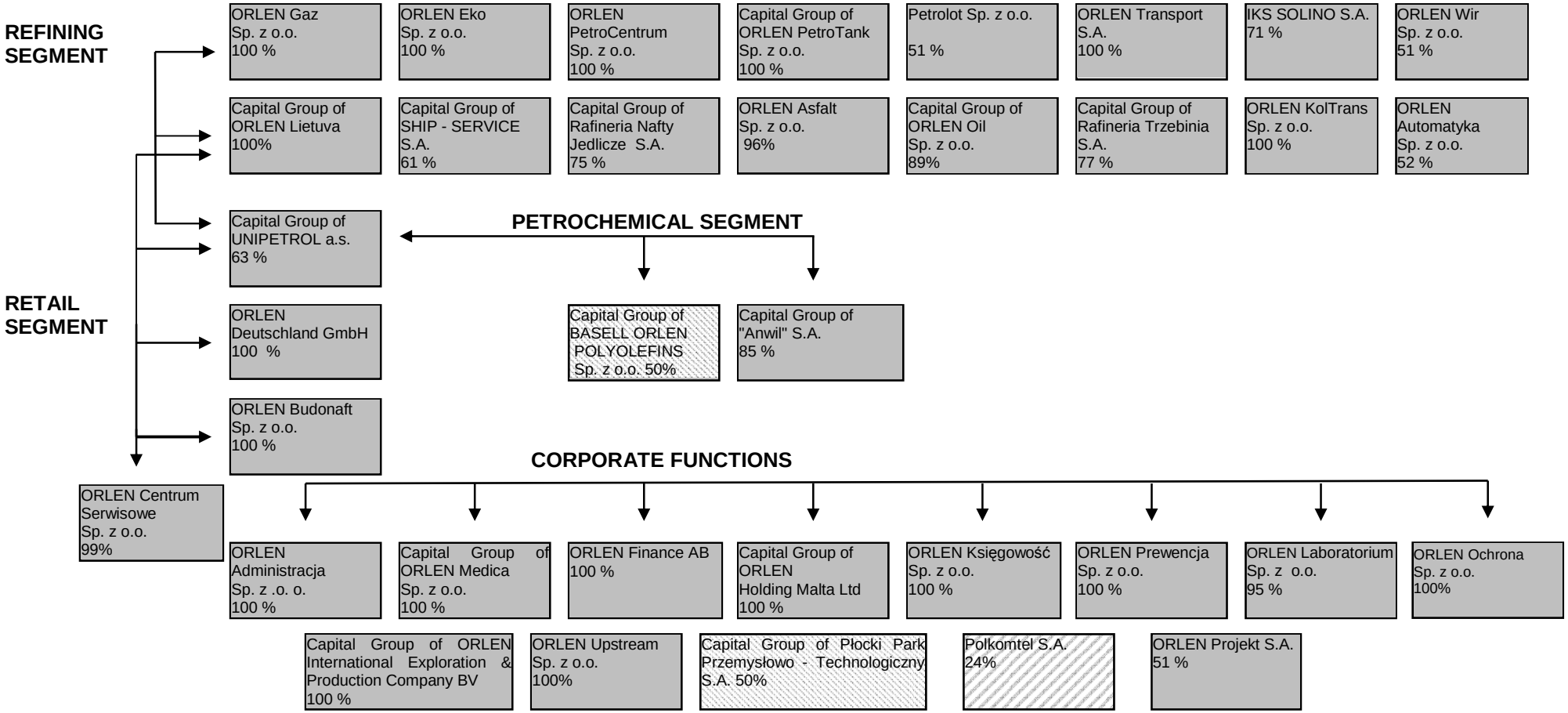
The principle activity of the Group includes processing of crude oil and manufacturing of wide variety of refinery, petrochemical and chemical products as well as their transport, wholesale and retail sale.

2. Organization of the Capital Group

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

PKN ORLEN S.A. CAPITAL GROUP
Consolidated Quarterly Report for the III quarter of 2010
Other information to Consolidated Quarterly Report
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

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

name of the group	Share of the parent of the particular group in equity	
	30/09/2010	31/12/2009
1. Capital Group of ORLEN PetroTank Sp. z o.o.	100%	100%
Petro-Mawi Sp. z o.o. in liquidation	60%[2)]	60%[2)]
2. Capital Group of Rafineria Trzebinia S.A.	77%	77%
Energomedia Sp. z o.o.	100%	100%
Euronaft Trzebinia Sp. z o.o.	100%	100%
Fabryka Parafin NaftoWax Sp. z o.o.	100%	100%
Zakładowa Straż Pożarna Sp. z o.o.	100%[2)]	100%[2)]
EkoNaft Sp. z o.o.	99%	99%
3. Capital Group of Ship Service S.A.	61%[1)]	61%[1)]
Ship-Service Agro Sp. z o.o.	100%[2)]	100%[2)]
4. Capital Group of Rafineria Nafty Jedlicze S.A.	75%	75%
Raf-Koltrans Sp. z o.o.	100%	100%
Raf-Służba Ratownicza Sp. z o.o.	100%[2)]	100%[2)]
Raf-Bit Sp. z o.o.	100%[2)]	100%[2)]
Konsorcjum Olejów Przepracowanych – Organizacja Odzysku S.A.	81%	81%
Ran-Watt Sp. z o.o. in liquidation	51%[2)]	51%[2)]
5. Capital Group of ORLEN Oil Sp. z o.o.	89%	89%
ORLEN Oil Cesko s.r.o.	100%	100%
Platinum Oil Sp. z o.o.	100%	100%
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.[3)]	-	100%
Petro-Oil Śląskie Centrum Sprzedaży Sp. z o.o.[3)]	-	100%
Petro-Oil Seewax Sp. z o.o. in bankruptcy	25%[2)]	25%[2)]
Petro-Oil Małopolskie Centrum Sprzedaży Sp. z o.o.	24%	24%
Petro-Oil Podlaskie Centrum Sprzedaży Sp. z o.o.	24%	24%
Petro-Oil Zachodniopomorskie Centrum Sprzedaży Sp. z o.o.	24%	24%
Petro-Oil Wielkopolskie Centrum Sprzedaży Sp. z o.o.	22%	22%
Petro-Oil Łódzkie Centrum Sprzedaży Sp. z o.o. in liquidation[4)]	-	25%[2)]
6. Capital Group of ORLEN Lietuva	100%	100%
UAB Mazeikiu naftos sveikatos prieziuros centras	100%	100%
UAB PASLAUGOS TAU	100%	100%
UAB Remonto mechanicos centras in liquidation [6)]	-	100%
UAB Emas	100%	100%
AB Ventus-Nafta	100%	100%
UAB Naftelf	34%	34%
Capital Group of UAB Mazeikiu naftos prekybos namai	100%	100%
SIA Mazeikiu Nafta Tirdzniecibas nams	100%	100%
OU Mazeikiu Nafta Trading House	100%	100%
Mazeikiu Nafta Trading House Sp. z o.o.	100%	100%
7. Capital Group of UNIPETROL a.s.	63%	63%
Capital Group of UNIPETROL RPA s.r.o	100%	100%
UNIPETROL DOPRAVA s.r.o.	100%	100%
CHEMOPETROL a.s	100%[2)]	100%[2)]
UNIPETROL SLOVENSKO s.r.o.	100%	100%
POLYMER INSTITUTE BRNO spol. s.r.o.	100%[2)]	100%[2)]
HC Benzina Litvinov a.s.	71%[2)]	71%[2)]
CELIO a.s. [5)]	-	51%[2)]
Capital Group of UNIPETROL TRADE a.s.	100%	100%
CHEMAPOL (SCHWEIZ) AG in liquidation	100%	100%
UNIPETROL AUSTRIA HmbH in liquidation	100%[2)]	100%[2)]
UNIPETROL DEUTSCHLAND GmbH	100%	100%
Výzkumný ústav anorganické chemie a.s.	100%[2)]	100%[2)]

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

name of the group	Share of the parent of the particular group in equity	
	30/09/2010	31/12/2009
Capital Group of BENZINA s.r.o.	100%	100%
PETROTRANS s.r.o.	100%	100%
UNIPETROL SERVICES s.r.o.	100%	100%
UNIPETROL RAFINERIE s.r.o.	100%[2)]	100%[2)]
Capital Group of PARAMO a.s.	100%	100%
MOGUL SLOVAKIA s.r.o.	100%[2)]	100%[2)]
CESKA RAFINERSKA a.s.	51%	51%
Butadien Kralupy s.r.o.	51%	51%
8. Capital Group of "Anwil" S.A.	85%	85%
Przedsiębiorstwo Inwestycyjno-Remontowe Remwil Sp. z o.o.	100%	100%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o.	99%	99%
Przedsiębiorstwo Usług Specjalistycznych i Projektowych Chemeko Sp. z o.o.	56%	56%
Spolana a.s.	100%	100%
Zakład Usługowo Produkcyjny EKO-Dróg Sp. z o.o.	49%	49%
Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.	49%	49%
Apex-Elzar Sp. z o.o.	47%	47%
Specjalistyczna Przychodnia Przemysłowa Prof-Med Sp. z o.o.	46%	46%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Arbud Sp. z o.o.	45%	45%
9. Capital Group of Basell ORLEN Polyolefins Sp. z o.o.	50%	50%
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	100%	100%
10. Capital Group of ORLEN Medica Sp. z o.o.	100%	100%
Sanatorium Uzdrowiskowe "KRYSTYNKA" Sp. z o.o.	99%[2)]	99%[2)]
11. Capital Group of ORLEN Holding Malta Ltd.	100%	100%
ORLEN Insurance Ltd.	100%	100%
12. Capital Group of Płocki Park Przemysłowo-Technologiczny S.A.	50%	50%
Centrum Edukacji Sp. z o.o.	69%[2)]	69%[2)]
13. Capital Group of Orlen International Exploration & Production Company BV	100%	100%
SIA Balin Energy	50%[2)]	50%[2)]

[1)] share in total voting rights is equal to 56%.
[2)] entities not consolidated in the 9-month period ended 30 September 2010/in the 12-month period ended 31 December 2009
[3)] entities merged into one entity Platinum Oil Sp. z o.o. since 01.01.2010
[4)] entity liquidated in the I quarter of 2010
[5)] entity sold in the II quarter of 2010
[6)] entity liquidated in the II quarter of 2010

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

3. Issuer's achievements accompanied by circumstances and events which have significant impact on the financial result

Operating results

The profit from operations of the ORLEN Capital Group („ORLEN Group") for the III quarter of 2010 amounted to PLN 789 million as compared to PLN 423 million in the analogous period of the prior year. The cumulative result from operations of the ORLEN Group for the 9 months of 2010 reached the level of PLN 2,376 million as compared to PLN 763 million in prior year.

Changes in results from operations of the most significant entities belonging to the ORLEN Group in comparison to the results for the III quarter of 2009 were as follows:

- in PKN ORLEN S.A. profit from operations was higher by PLN 330 million (y/y) and amounted to PLN 662 million, mainly as a consequence of the improvement in the refining segment result by PLN 257 million (y/y) and petrochemical segment by PLN 111 million (y/y), lower corporate functions costs by PLN 5 million (y/y) together

with lower results of retail segment by PLN (-) 42 million. Changes of macroeconomic factors including Ural/Brent differential, refining margins and exchange rates ("macroeconomic factors"), an increase of sales volumes, positively affected the result from operations of the refining segment. In result of stabilization of crude oil prices in 2010, an impact of inventory valuation on result from operations was negative and amounted to PLN (-) 239 million (y/y). Improvement of the results of the petrochemical segment was achieved mainly as the effect of increase of petrochemical margins, however segment result was lower due to decrease in fuel margin partially compensated by higher volumes and increase in non-fuel margin.

- in the ORLEN Lietuva Group ("ORLEN Lietuva") result from operations was higher by PLN 80 million (y/y) and amounted to PLN (-) 77 million. Improvement of result from operations of the refining segment by PLN 62 million (y/y) mainly results from higher influence of changes in crude oil prices on inventory valuation in the amount of PLN 47 million together with increasing sales volume and positive influence of lower fixed costs and payroll costs (y/y). Improvement of result of retail segment by PLN 2 million (y/y) and lower corporate functions costs by PLN 16 million (y/y) is mainly the effect of activities carried out within optimization of fixed costs and payroll costs.
- in the Unipetrol Group ("Unipetrol Group") result from operations increased by PLN 16 million (y/y) and amounted to PLN 6 million. Result from operations of the refining segment was higher by PLN 57 million (y/y), mainly as a consequence of positive impact of macroeconomic factors accompanied by the negative impact of changes in crude oil prices on inventory valuation in the amount of PLN (-) 19 million (y/y). The result of petrochemical segment was lower by PLN (-) 21 million (y/y) due to negative impact of changes in prices of petrochemical products on inventory valuation in the amount of PLN (-) 43 million (y/y). Above mentioned effect was partially balanced by higher sales volume and improvement of petrochemical margins (y/y). Lower result of the retail segment by PLN (-) 19 million is mainly a result of lower margins realized on sales of fuel and non-fuel products accompanied by similar sales volume (y/y).

Total impact of macroeconomic factors including Ural/Brent differential, model margins and foreign exchange rates on the reported result from operations of the ORLEN Group was positive and amounted to PLN 420 million (y/y).

Relatively stable crude oil prices in the III quarter of 2010 contributed to lower by PLN (-) 254 million (y/y) impact of change of crude oil prices on inventory valuation as compared to the III quarter 2009.

The increase of sales volume of the retail segment by 6% (y/y), achieved mainly on the Polish and German market, increase of sales in the refining segment by 3% (y/y) achieved mainly in Unipetrol Group and ORLEN Lietuva and higher by 8% (y/y) petrochemical sales volumes due to higher level of sales of olefins, polyolefins and fertilizers resulted in a positive impact on the reported result from operations in the total amount of PLN 100 million (y/y).

In the III quarter of 2010, the following significant shutdowns of production installations were performed:
- PKN ORLEN S.A. - planned 34-day shutdown of Gudron Hydrodesulfurisation Installation, planned 11-day shutdown of Hydrorecovery Instalation,
- Unipetrol Group – 5-day planned shutdown of Olefins Installation,
- Anwil Group – 92-day shutdown of the Chlorine and Lye Plant due to fire in June.

Activities carried out within optimization of fixed costs and payroll costs and lower depreciation and amortisation costs led to improvement of result from operation by PLN 18 million (y/y).

Positive result from other operating activities in the amount of PLN 53 million (y/y) is mainly the effect of higher by PLN 15 million (y/y) balance from sale of non-financial non-current assets and revenues from grants in the amount of PLN 30 million (y/y), received mainly in effect of reduction of nitrous suboxide emission on Nitrogenous Acid Installation in Anwil S.A.

Financial revenues and expenses and net result

Appreciation of PLN against foreign currencies in III quarter 2010 resulted in recognition of positive effect on revaluation of loans and settlements denominated in foreign currencies. As a consequence, the result on financing activities was positive in the III quarter 2010 and amounted to PLN 585 million. The main position comprised positive foreign exchange differences in the amount of PLN 695 million, including PLN 224 million of positive mainly unrealized foreign exchange differences on revaluation of loans mainly denominated in EUR. Other net foreign exchange differences in the amount of PLN 471 million concerned revaluation of trade and investment settlements, of which PLN 356 million included unrealized differences. Net interest costs in III quarter 2010 amounted to PLN (-) 78 million.

Foreign exchange gains on loans denominated in USD for which hedging relationship with net investment in ORLEN Lietuva was designated in the amount of PLN 582 million and foreign exchange losses on revaluation of subsidiaries in the amount of PLN 194 million were recognized in equity in line foreign exchange losses on subsidiaries from consolidation, according to IAS 39 (Financial instruments: recognition and measurement) and IAS 21 (The effects of changes in foreign exchange rates), respectively.

After consideration of share in profit from investments accounted for under equity method and tax charges, net profit of the PKN ORLEN Group for the III quarter of 2010 amounted to PLN 1,258 million.

Indebtedness and cash flows

As at 30 September 2010 net indebtedness of the ORLEN Group amounted to PLN 9,876 million and decreased by PLN (-) 387 million as compared to the end of 2009. The decrease of net indebtedness is the result of the repayment of loans and borrowings and decrease in the balance of cash of (-) PLN 559 million accompanied by increases of PLN 140 million, mainly due to revaluation of loans as a result of depreciation of PLN against USD and EUR.
In the III quarter of 2010 net indebtedness increased by PLN 124 million, of which proceeds from loans and borrowings and decrease in the balance of cash and cash equivalents amounted to PLN 1,092 million, and was accompanied by decrease of the effect of revaluation of loans of PLN (-) 1,000 million, due to the appreciation of the Polish Zloty against foreign currencies.

Net cash provided by operating activities amounted to PLN 400 million in the III quarter of 2010. Operating cash flows included mainly net profit for the III quarter of 2010 decreased by foreign exchange differences in investing and financing activities and increased by depreciation and amortization in the total amount of PLN 1,666 million and negative change in the level of net working capital amounting to PLN (-) 1,225 million.
The most important influence on the level of net working capital decrease in the balance of liabilities of PLN (-) 858 million, in which, a decrease of PLN (-) 700 million, due to liabilities related to purchases of crude oil with extended payment terms.

Net cash used in investing activities in the III quarter of 2010 amounted to PLN (-) 1,339 million and relates mainly to acquisition of property, plant and equipment and intangible assets in the amount of PLN (-) 1.311 million and related mainly to investment program carried out, including about PLN (-) 600 million repayment of investment liabilities with deferred payments from 2009.

Net cash used in financing activities in the III quarter of 2010 amounted to PLN 90 million and comprised mainly net repayment of loans and borrowings in the amount of PLN 241 million and debt costs in the amount of PLN (-) 147 million.

Consequently, the balance of cash and cash equivalents decreased by PLN (-) 850 million in the III quarter of 2010 and amounted to PLN 1.295 million as at 30 September 2010.

Factors and events which may influence future results

Similar macroeconomic factors as described above will significantly influence results in the following quarters.

The Parent Company has decided to terminate negotiations with Zakłady Azotowe „Puławy" S.A. regarding the process of sales of its 84.79% of shares in ANWIL S.A due to sustaining differences of standpoints concerning price and non-price terms of transaction.

According to approved strategy, PKN ORLEN S.A. will be continuing operations connected with the sale of the ANWIL Group. As at 30 September 2010 total assets of the ANWIL Group amounted to PLN 2,766 million, net assets to PLN 2,009 million and net profit for the period of 9-months ended 30 September 2010 amounted to PLN 57 million.

The Parent Company started preparatory works concerning sales of shares in Polkomtel S.A. which were presented in the interim condensed consolidated financial statements of the PKN ORLEN S.A. Capital Group under equity method in the amount of PLN 1,461 million.

The most significant events in the period from 1 July 2010 until the date of preparation of the foregoing report presented in the regulatory announcements

In the period from 1 July 2010 until the date of preparation of the foregoing report, the events presented in the regulatory announcements regarded normal business activity of PKN ORLEN S.A. Group and concerned mainly crude oil purchase contracts.

4. 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 9- and 3- month period ended 30 September 2010 and 9- and 3- month period ended 30 September 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, ascendants and their other relatives

In the 9- and 3- month period ended 30 September 2010 and 9- and 3- month period ended 30 September 2009, the Group companies did not grant any advances, borrowings, loans, guarantees and sureties to managing and supervising persons and their relatives nor concluded other agreements obliging to render services to the Company and its related parties.
As at 30 September 2010 and 31 December 2009 there are no loans granted by the Group companies to managing and supervising persons and their relatives.

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

In the 9- and 3- month period ended 30 September 2010 and 9- and 3- month period ended 30 September 2009, as well as at 30 September 2010 and 31 December 2009 key executive personnel of the Company and the Group companies disclosed the following types of transactions based on issued statements on transactions with related parties:

Type of relation through key executive personnel of the Company and the Capital Group companies	Sales (in PLN thousand)				Purchases (in PLN thousand)			
	for 9 months ended 30/09/2010	for 3 months ended 30/09/2010	for 9 months ended 30/09/2009	for 3 months ended 30/09/2009	for 9 months ended 30/09/2010	for 3 months ended 30/09/2010	for 9 months ended 30/09/2009	for 3 months ended 30/09/2009
		(unaudited)				(unaudited)		
Supervising persons	-	-	358 795	3 002	-	-	239 850	3 768
Managing persons	52	17	55	13	9	3	12	4
Other key executive personnel	-	-	8	-	-	-	-	-
	52	**17**	**358 858**	**3 015**	**9**	**3**	**239 862**	**3 772**

Type of relation through key executive personnel of the Company and the Capital Group companies	Receivables (in PLN thousand)		Liabilities (in PLN thousand)	
	as at 30/09/2010	as at 31/12/2009	as at 30/09/2010	as at 31/12/2009
	(unaudited)		(unaudited)	
Supervising persons	-	18 072	-	2 414
Managing persons	-	-	-	-
Other key executive personnel	-	-	-	-
	-	**18 072**	**-**	**2 414**

d) Parent Company's transactions and balance of settlements with related parties

for 9-month period and 3-month period ended 30 September 2010

	Subsidiaries		Jointly controlled entities		Associates		Adjustments		Total related parties	
(in PLN thousand)	for 9 months ended 30/09/2010	for 3 months ended 30/09/2010	for 9 months ended 30/09/2010	for 3 months ended 30/09/2010	for 9 months ended 30/09/2010	for 3 months ended 30/09/2010	for 9 months ended 30/09/2010	for 3 months ended 30/09/2010	for 9 months ended 30/09/2010	for 3 months ended 30/09/2010
	(unaudited)									
Sales	22 059 229	8 749 124	1 731 399	685 198	11 639	6 524	(22 924 929)	(9 091 723)	877 338	349 123
Purchases	2 805 841	1 153 468	15 754	6 102	79 950	25 307	(2 813 718)	(1 156 519)	87 827	28 358
Interest income	3 036	742	1 779	488	26	2	(3 926)	(986)	915	246
Interest expense	7 757	2 433	-	-	4	-	(7 757)	(2 433)	4	-

for 9-month period and 3-month period ended 30 September 2009

	Subsidiaries		Jointly controlled entities		Associates		Adjustments		Total related parties	
(in PLN thousand)	for 9 months ended 30/09/2009	for 3 months ended 30/09/2009	for 9 months ended 30/09/2009	for 3 months ended 30/09/2009	for 9 months ended 30/09/2009	for 3 months ended 30/09/2009	for 9 months ended 30/09/2009	for 3 months ended 30/09/2009	for 9 months ended 30/09/2009	for 3 months ended 30/09/2009
	(unaudited)									
Sales	16 254 884	6 480 832	1 280 341	524 002	14 522	9 427	(16 895 055)	(6 742 833)	654 692	271 428
Purchases	2 211 428	994 951	11 008	4 276	102 348	47 177	(2 216 932)	(997 089)	107 852	49 315
Interest income	2 369	468	1 338	162	6	5	(3 038)	(549)	675	86
Interest expense	6 175	2 765	-	-	3	3	(6 175)	(2 765)	3	3

Balance of settlements as at 30 September 2010 and as at 31 December 2009

	Subsidiaries		Jointly controlled entities		Associates		Adjustments		Total related parties	
(in PLN thousand)	as at 30/09/2010 (unaudited)	as at 31/12/2009	as at 30/09/2010 (unaudited)	as at 31/12/2009	as at 30/09/2010 (unaudited)	as at 31/12/2009	as at 30/09/2010 (unaudited)	as at 31/12/2009	as at 30/09/2010 (unaudited)	as at 31/12/2009
Current receivables (net)	3 363 801	2 323 570	501 604	426 025	80 067	2 665	(3 614 603)	(2 536 583)	330 869	215 677
Receivables impairment allowances	563	477	-	3	4	18	(563)	(479)	4	19
Short-term liabilities	1 244 534	630 545	4 440	1 837	8 687	10 738	(1 246 754)	(631 464)	10 907	11 656
Non-current receivables	145 460	14 721	39 870	41 082	-	-	(165 395)	(35 262)	19 935	20 541
Long-term liabilities	23 172	24 617	-	-	-	-	(23 172)	(24 617)	-	-

The above transactions with related parties include: sale and purchase of refining and petrochemical products and crude oil as well as purchase of repair, transportation and other services.

Balances of settlements with related parties include: trade and financial receivables and liabilities.

The Group has granted sureties to related parties in the amount of PLN 1,068 million.

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

As at 30 September 2010 the PKN ORLEN S.A. Capital Group entities were parties in the following proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

5.1. Proceedings in which the PKN ORLEN S.A. Capital Group entities act as a defendant

5.1.1. Proceedings with the total value exceeding 10% of the Issuer's equity

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

As at 30 September 2010 the 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 of CZK 19,464,473,000 with interest. PKN ORLEN S.A. considers this claim as groundless.

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

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. On 25 September 2009 the Head of the Customs Office in Kraków issued a decision determining the amount of excise tax liability for the months: May, June, July and August 2004 in the amount PLN 80 million. On 14 October 2009 Rafineria Trzebinia S.A. raised a complaint to the Director of the Customs Chamber in Kraków regarding the above mention decisions. On 22 January 2010 the Director of the Customs Chamber in Kraków issued decisions for the months May, June, July and August 2004 dismissing entirely the first instance authority's decisions and decided to revoke it to reexamination by the first instance authority. According to the announcement of the Head of the Customs Office in Kraków the decision in respect of excise tax liability for September was supposed to be made till 30 September 2010. It was however postponed till 30 November 2010.

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. In its verdict dated 7 June 2010 the District Court in Warsaw – Court of Competition and Consumer Protection discharged the proceedings.

The Energy Regulatory Office submitted an annulment regarding this verdict.

c) Claim of Tankpol Sp. z o.o.

The claim concerns the return of 253 shares in ORLEN PetroTank, that were transferred by Tankpol to PKN ORLEN S.A. according to agreement concluded on 20 December 2002, as a security of receivables acquired by PKN ORLEN S.A. from ORLEN PetroTank based on the trust receivable transfer agreement.
In its sentence dated 8 January 2010 the District Court dismissed the suit of Tankpol related to the return of 227 shares in ORLEN PetroTank. Tankpol appealed against the above sentence. The sentence is as at 30 September 2010 not legally binding. The return of the remaining 26 shares is already sentenced, which is legally binding.

d) Claim of ENERGA-OPERATOR S.A.

The proceedings concern settlement of contentious system fees between PKN ORLEN S.A. and ENERGA – OPERATOR for the period from 5 July 2001 to 30 June 2002.

On 10 September 2009, having analyzed the appeal of Energa Operator S.A., the Court of Appeals in Warsaw announced a change in the sentence of the District Court in Warsaw dated 25 June 2008. Payment of PLN 46,232 thousand increased by interest and refund of costs of proceedings was adjudged against PKN ORLEN S.A. to the benefit of Energa Operator. On 30 September 2009 PKN ORLEN S.A. made the payment. The Company issued a legal request for justification of the sentence.

The sentence of the Court of Appeals with justification was delivered to PKN ORLEN S.A.'s attorney on 4 December 2009. On 4 February 2010 the Company submitted an annulment. The annulment was accepted for recognition by the Supreme Court.

e) Penalty imposed by the European Commission on Unipetrol a.s.

The penalty concerns an alleged cartel in the area of production of emulsion of polymerized styrene-butadiene rubber. The penalty was imposed by the European Commission in November 2006. Unipetrol a.s. and Kaucuk a.s. paid the fine of EUR 17.5 million to the European Commision in 2007. Both entities appealed against the abovementioned decision.

The Court proceedings regarding UNIPETROL's appeal against the European Commission decision took place on 20 October 2009 in front of the European union First Instance Court. The sentence has not been delivered yet.

f) Anti-trust proceedings

Anti-trust proceedings concern an allegation that:

– PKN ORLEN S.A. concluded an agreement with the Lotos S.A. Group which limited competition on the domestic market of trading in universal petrol U95, initiated on March 2005. On 6 May 2010 the Court of Competition and Consumer Protection issued a verdict, revoking the appeals of PKN ORLEN S.A and the Lotos S.A. Group. On 12 July 2010 PKN ORLEN S.A. has issued an appeal against this verdict,
– in the years 2000-2004 PKN ORLEN S.A. was using practice limiting competition on the domestic market of trading in glycol. On 6 October 2010 The Court of Competition and Consumer Protection repealed the decision of the Chairman of OCCP regarding the alleged misuse of PKN ORLEN's leading position on the glycol market and repealed the penalty imposed to PKN ORLEN S.A. in the amount of PLN 14 million,
– in the years 1996-2007, PKN ORLEN S.A., Petrol Station Kogut Sp.j. and MAGPOL B. Kułakowski I Wspólnicy Sp.j. were using practice limiting competition on the domestic market of wholesale of petrol and diesel oil by setting retail selling prices of petrol and diesel oil. On 16 July 2010 President of the Office of Competition and Consumer Protection ("OCCP") issued a decision, in which PKN ORLEN and Stacja Paliw Kogut Sp.j. were found guilty of participating till 16 July 2007 in an anti-competition actions. The President of OCCP has imposed a fine on PKN ORLEN S.A. of PLN 52.7 million. On 2 August 2010 PKN ORLEN S.A. appealed from the decision of the President of the OCCP to the Court of Competition and Consumer Protection.

Detailed information on the proceedings mentioned in the point 5.1 was presented in note 39 to the consolidated financial statements of the PKN ORLEN S.A. Capital Group prepared in accordance with IFRS for the year ended 31 December 2009.

5.2. Court proceedings in which PKN ORLEN acts as plaintiff

a) Arbitration proceedings against Yukos International UK B.V.

On 15 July 2009 PKN ORLEN S.A. submitted in the Court of Arbitration by the International Chamber of Commerce in London the request for initiation of arbitration proceedings 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 S.A. 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 S.A. i.e. on 14 December 2006.
On the current stage of the case, demands of PKN ORLEN S.A. 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 S.A. against Yukos International. PKN ORLEN S.A. reserved a right to increase its demands or to make additional claims on further stage of the case.
On 14 September 2009 Yukos International submitted to the Court of Arbitration by the International Chamber of Commerce a response to PKN ORLEN S.A.'s request for initiation of arbitration proceedings. In its response Yukos International appealed to dismiss all PKN ORLEN S.A.'s claims and adjudge it with refund of costs of proceedings. The arbitration proceedings are carried on in front of the Court of Arbitration in London, based on Rules of Arbitration Proceedings of the International Chamber of Commerce.
On 4 December 2009 the first seating took place in front of the Court of Arbitration in London. On the seating PKN ORLEN S.A. and Yukos International settled i.a. proceedings schedule and extent of competence of the Court of Arbitration. On 3 May 2010, according to the schedule, PKN ORLEN S.A. issued a law suit in which it demands from Yukos International a reimbursement of the amount of USD 250 million with interest and costs of proceedings.

On 28 July 2010 the second seating took place in front of the Court of Arbitration in London, regarding i.a. extent of the documents that PKN ORLEN S.A. should reveal during the proceedings (disclosures). Both sides presented their standpoints. The court of Arbitration is supposed to issue a proceeding regulation in this respect.

6. 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 as at the date of the quarterly report filling **	Change p.p.	% of votes at the GSM as at the date of the half-year report filling *	Number of shares as at the date of the quarterly report filling **	Change	Number of shares as at the date of the half-year report filling *
State Treasury	27,52%	-	27,52%	117 710 196	-	117 710 196
ING OFE	5,17%	-	5,17%	22 118 813	-	22 118 813
Aviva OFE	5,08%	-	5,08%	21 744 036	-	21 744 036
Others	62,23%	-	62,23%	266 136 016	-	266 136 016
	100,00%	**-**	**100,00%**	**427 709 061**	**-**	**427 709 061**

* According to the confirmations received as at 20 August 2010
** According to the confirmations received as at 20 October 2010

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 quarterly report filling **	Acquisition	Disposal	Number of shares, options as at the date of the half-year report filling *
Supervisory Board	**3 707**	**-**	-	**3 707**
Janusz Zieliński	407	-	-	407
Grzegorz Borowiec	100	-	-	100
Artur Gabor	3 200	-	-	3 200

* According to the confirmations received as at 20 August 2010
** According to the confirmations received as at 20 October 2010

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

In the period from 1 January to 30 September 2010 PKN ORLEN and its subsidiaries did not grant any loan sureties or guarantees to another entity or its subsidiary, where the value of sureties 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.

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN SA

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN S.A.

Unconsolidated statement of financial position

	as at 30/09/2010 (unaudited)	as at 31/12/2009
ASSETS		
Non-current assets		
Property, plant and equipment	12 024 825	11 080 017
Intangible assets	187 322	128 732
Perpetual usufruct of land	91 109	90 209
Shares in related parties	11 267 759	11 265 309
Financial assets available for sale	32 036	32 078
Deferred tax assets	217 512	286 421
Non-current loans and receivables	185 530	123 930
	24 006 093	**23 006 696**
Current assets		
Inventory	7 780 707	7 298 656
Trade and other receivables	6 079 398	4 497 790
Short-term financial assets	121 775	127 925
Income tax receivable	1 107	1 105
Prepayments	80 918	109 145
Cash and cash equivalents	226 948	1 964 403
Non-current assets held for sale	7 931	10 631
	14 298 784	**14 009 655**
Total assets	**38 304 877**	**37 016 351**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Equity		
Share capital	1 057 635	1 057 635
Share premium	1 227 253	1 227 253
Hedging reserve	(73 885)	14 850
Retained earnings	16 617 269	14 833 160
Total equity	**18 828 272**	**17 132 898**
LIABILITIES		
Long-term liabilities		
Interest-bearing loans	8 216 295	9 971 765
Provisions	346 491	348 195
Other long-term liabilities	46 450	48 742
	8 609 236	**10 368 702**
Short-term liabilities		
Trade and other liabilities	8 814 345	8 195 604
Interest-bearing loans and borrowings	1 229 393	547 261
Income tax liability	27 532	5 951
Provisions	399 065	471 257
Deferred income	175 934	67 070
Other financial liabilities	221 100	227 608
	10 867 369	**9 514 751**
Total liabilities	**19 476 605**	**19 883 453**
Total liabilities and shareholders' equity	**38 304 877**	**37 016 351**

PKN ORLEN S.A. CAPITAL GROUP
Consolidated Quarterly Report for the III quarter of 2010
Quarterly financial information of PKN ORLEN S.A.
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

Unconsolidated statement of comprehensive income

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Sales revenues	44 866 863	16 835 109	34 655 348	13 562 136
Cost of sales	(41 081 960)	(15 595 948)	(32 387 295)	(12 613 199)
Gross profit on sales	**3 784 903**	**1 239 161**	**2 268 053**	**948 937**
Distribution expenses	(1 360 551)	(464 502)	(1 303 162)	(435 858)
General and administrative expenses	(413 579)	(124 981)	(462 023)	(136 270)
Other operating revenues	165 310	59 068	144 357	36 400
Other operating expenses	(189 164)	(46 643)	(288 656)	(81 390)
Profit from operations	**1 986 919**	**662 103**	**358 569**	**331 819**
Financial revenues	464 766	1 315 523	1 486 001	1 123 808
Financial expenses	(312 371)	(64 092)	(527 074)	(99 377)
Financial revenues and expenses	**152 395**	**1 251 431**	**958 927**	**1 024 431**
Profit before tax	**2 139 314**	**1 913 534**	**1 317 496**	**1 356 250**
Income tax expense	(355 205)	(349 780)	(200 659)	(263 032)
Net profit	**1 784 109**	**1 563 754**	**1 116 837**	**1 093 218**
Items of other comprehensive income:				
Hedging instruments valuation	(144 258)	97 675	25 029	37 382
Hedging instruments settlement	34 709	4 118	103 869	19 508
Deferred tax on other comprehensive income	20 814	(19 342)	(24 491)	(10 809)
Total items of other comprehensive income	**(88 735)**	**82 451**	**104 407**	**46 081**
Total comprehensive income	**1 695 374**	**1 646 205**	**1 221 244**	**1 139 299**
Net profit and diluted net profit per share (in PLN per share)	4.17	3.66	2.61	2.56

PKN ORLEN S.A. CAPITAL GROUP
Consolidated Quarterly Report for the III quarter of 2010
Quarterly financial information of PKN ORLEN S.A.
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

Unconsolidated statement of cash flows

	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)	for 9 months ended 30/09/2009 (unaudited)	for 3 months ended 30/09/2009 (unaudited)
Cash flows - operating activities				
Net profit	**1 784 109**	**1 563 754**	**1 116 837**	**1 093 218**
Adjustments for:				
Depreciaton and amortisation	649 014	215 807	709 957	236 340
Foreign exchange (gains)/losses	2 993	(799 265)	(176 873)	(742 226)
Interest and dividend, net	(133 145)	(20 376)	(215 501)	89 874
(Profit)/Loss on investing activities	(17 099)	(7 116)	48 928	8 688
Change in receivables	(1 620 243)	(260 370)	(1 374 662)	(347 608)
Change in inventories	(463 217)	(219 829)	(1 456 335)	(712 007)
Change in liabilities	1 154 581	(1 102 578)	1 364 009	(1 401 694)
Change in provisions	266 207	49 039	(506 558)	(73 275)
Income tax expense	355 205	349 780	200 659	263 032
Income tax (paid)/received	(243 902)	(119 475)	187 634	(56 366)
Other adjustments	(260 770)	(68 151)	35 532	25 348
Net cash from operating activities	**1 473 733**	**(418 780)**	**(66 373)**	**(1 616 676)**
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(1 945 812)	(1 172 839)	(1 455 642)	(416 103)
Disposal of property, plant and equipment and intangible assets	39 983	3 188	11 670	786
Acquisition of shares	-	-	(998 721)	-
Additional payments to subsidiaries' equity	(2 450)	-	(22 450)	(22 450)
Proceeds from the sale of short-term securities	1 000	-	9 000	4 000
Acquisition of short-term securities	-	-	(1 000)	(1 000)
Interest and dividends received	261 220	142 984	439 803	312 450
Repayment of loans granted to related parties	-	-	47 000	47 000
Repayable payments to subsidiaries' equity	(70 042)	-	(6 510)	-
Proceeds from additional repayable payments to subsidiaries' equity	6 500	3 000	13 500	2 500
Proceeds from cash pool facility	-	11 961	-	7 153
Outflows from cash pool facility	(53 843)	-	(16 850)	-
Other	(3 774)	(15)	(5 665)	(294)
Net cash (used in) investing activities	**(1 767 218)**	**(1 011 721)**	**(1 985 865)**	**(65 958)**
Cash flows - financing activities				
Proceeds from loans and borrowings	5 740 447	2 672 450	3 203 100	1 373 150
Debt securities issued	5 168 579	1 568 600	4 071 828	2 097 467
Repayment of loans	(7 141 140)	(1 944 103)	(1 825 444)	(76 243)
Redemption of debt securities	(4 834 653)	(1 448 781)	(3 509 203)	(1 854 616)
Interest paid	(329 146)	(125 842)	(374 855)	(127 013)
Payment of liabilities under finance lease agreements	(2 045)	(683)	(796)	(251)
Proceeds from cash pool facility	-	-	105 842	42 669
Outflows from cash pool facility	(45 597)	(23 318)	-	-
Net cash (used in)/provided by financing activities	**(1 443 555)**	**698 323**	**1 670 472**	**1 455 163**
Net decrease in cash and cash equivalents	**(1 737 040)**	**(732 178)**	**(381 766)**	**(227 471)**
Effect of exchange rate changes	(415)	(576)	29	1 011
Cash and cash equivalents, beginning of the period	**1 964 403**	**959 702**	**442 938**	**287 661**
Cash and cash equivalents, end of the period	**226 948**	**226 948**	**61 201**	**61 201**

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Statement of changes in unconsolidated equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2010	2 284 888	14 850	14 833 160	17 132 898
Total comprehensive income	-	(88 735)	1 784 109	1 695 374
30 September 2010	**2 284 888**	**(73 885)**	**16 617 269**	**18 828 272**
(unaudited)				
1 January 2009	2 284 888	(100 287)	13 197 275	15 381 876
Total comprehensive income	-	104 407	1 116 837	1 221 244
30 September 2009	**2 284 888**	**4 120**	**14 314 112**	**16 603 120**
(unaudited)				

The foregoing quarterly report was authorized by the Management Board of the Parent Company on 26 October 2010.

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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

Signature of a person responsible
for keeping account books

……

Rafał Warpechowski

Executive Director
Planning and Reporting