CONSOLIDATED QUARTERLY REPORT FOR I QUARTER 2010

ORLEN

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated Quarterly Report QSr I/ 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 first quarter of the reporting year 2010, that is for the period from 01.01.2010 to 31.03.2010, 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 13 May 2010
(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)
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Polski Koncern Naftowy ORLEN
Spółka Akcyjna

PKN ORLEN S.A. CAPITAL GROUP
SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	I quarter (cummulative data) period from 1.01.2010 to 31.03.2010	I quarter (cummulative data) period from 1.01.2009 to 31.03.2009	I quarter (cummulative data) period from 1.01.2010 to 31.03.2010	I quarter (cummulative data) period from 1.01.2009 to 31.03.2009
I. Total sales revenues	17 442 075	14 701 857	4 396 903	3 706 132
II. Profit/(Loss) from operations	464 183	(320 487)	117 014	(80 790)
III. Profit/(Loss) before tax	791 324	(1 271 301)	199 482	(320 477)
IV.Net profit/(loss) attributable to equity holders of the parent	593 111	(1 094 873)	149 515	(276 002)
V. Net profit/(loss)	609 596	(1 091 740)	153 671	(275 212)
VI. Total comprehensive income attributable to equity holders of the parent	459 395	(476 957)	115 807	(120 234)
VII. Total comprehensive income	423 397	(268 819)	106 732	(67 766)
VIII. Net cash provided by operating activities	416 143	1 151 001	104 903	290 151
IX. Net cash (used in) investing activities	(575 468)	(851 929)	(145 067)	(214 759)
X. Net cash (used in)/ provided by financing activities	(353 734)	173 771	(89 171)	43 805
XI. Net change in cash and cash equivalents	(513 059)	472 843	(129 335)	119 197
XII. Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN/EUR per share)	1.39	(2.56)	0.35	0.65
	as at 31/03/2010	as at 31/12/2009	as at 31/03/2010	as at 31/12/2009
XIII. Non-current assets	30 027 800	29 727 329	7 774 792	7 696 994
XIV. Current assets	19 184 084	19 433 046	4 967 139	5 031 600
XV. Total assets	49 211 884	49 160 375	12 741 931	12 728 594
XVI. Long-term liabilities	11 264 371	13 242 204	2 916 569	3 428 669
XVII. Short-term liabilities	15 816 905	14 210 960	4 095 310	3 679 499
XVIII. Equity	22 130 608	21 707 211	5 730 052	5 620 426
XIX. Equity attributable to equity holders of the parent	19 497 298	19 037 903	5 048 236	4 929 290
XX. Share capital	1 057 635	1 057 635	273 843	273 843
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)	45.59	44.51	11.80	11.52

SELECTED UNCONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	I quarter (cummulative data) period from 1.01.2010 to 31.03.2010	I quarter (cummulative data) period from 1.01.2009 to 31.03.2009	I quarter (cummulative data) period from 1.01.2010 to 31.03.2010	I quarter (cummulative data) period from 1.01.2009 to 31.03.2009
I. Total sales revenues	12 783 314	9 508 218	3 222 495	2 396 889
II. Profit/(Loss) from operations	481 570	(393 754)	121 397	(99 260)
III. Profit/(Loss) before tax	765 686	(1 952 995)	193 019	(492 323)
IV. Net profit/(loss)	618 064	(1 599 265)	155 805	(403 152)
V. Total comprehensive income	601 439	(1 666 282)	151 614	(420 046)
VI. Net cash provided by operating activities	716 569	503 896	180 637	127 025
VII. Net cash (used in) investing activities	(541 755)	(552 209)	(136 569)	(139 204)
VIII. Net cash (used in)/ provided by financing activities	(633 906)	531 907	(159 799)	134 086
IX. Net change in cash and cash equivalents	(459 092)	483 594	(115 731)	121 907
X. Net profit/(loss) and diluted net profit/(loss) per ordinary share (in PLN/EUR per share)	1.45	(3.74)	0.36	(0.94)
	as at 31/03/2010	as at 31/12/2009	as at 31/03/2010	as at 31/12/2009
XI. Non-current assets	23 397 781	23 006 696	6 058 148	5 956 889
XII. Current assets	13 253 269	14 009 655	3 431 534	3 627 377
XIII. Total assets	36 651 050	37 016 351	9 489 682	9 584 266
XIV. Long-term liabilities	8 518 111	10 368 702	2 205 507	2 684 662
XV. Short-term liabilities	10 398 602	9 514 751	2 692 404	2 463 557
XVI. Equity	17 734 337	17 132 898	4 591 771	4 436 046
XVII. Share capital	1 057 635	1 057 635	273 843	273 843
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)	41.46	40.06	10.74	10.37

The above data for I quarter of 2010 and I 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 31 March 2010 – 3.8622 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 – 31 March 2010 – 3.9669 PLN/EUR.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2010 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

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 31/03/2010 (unaudited)	as at 31/12/2009
ASSETS			
Non-current assets			
Property, plant and equipment		27 048 332	27 070 437
Investment property		70 026	71 487
Intangible assets		1 078 025	690 376
Perpetual usufruct of land		97 379	96 043
Investments in associates		1 440 186	1 401 586
Deffered tax assets		189 212	290 820
Financial assets available for sale		56 155	59 633
Non-current loans and receivables		48 485	46 947
		30 027 800	**29 727 329**
Current assets			
Inventory		10 326 601	10 619 859
Trade and other receivables		5 940 151	5 417 486
Short-term financial assets	3.2.	196 340	181 005
Income tax receivable		30 510	34 032
Short-term prepayments		229 229	207 447
Cash and cash equivalents		2 427 396	2 941 039
Non-current assets classified as held for sale		33 857	32 178
		19 184 084	**19 433 046**
Total assets		**49 211 884**	**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		(1 776)	14 849
Foreign exchange differences from subsidiaries from consolidation		(383 880)	(266 789)
Retained earnings		17 598 066	17 004 955
Total equity attributable to equity holders of the parent		**19 497 298**	**19 037 903**
Minority interest		**2 633 310**	**2 669 308**
Total equity		**22 130 608**	**21 707 211**
LIABILITIES			
Long-term liabilities			
Interest-bearing loans and borrowings	3.4.	9 654 547	11 610 532
Provisions	3.3.	648 947	661 921
Deferred tax liabilities		831 931	836 330
Other long-term liabilities		128 946	133 421
		11 264 371	**13 242 204**
Short-term liabilities			
Trade and other liabilities		10 923 621	11 494 542
Interest-bearing loans and borrowings	3.4.	3 063 658	1 593 695
Income tax liability		55 721	24 169
Provisions	3.3.	959 605	847 117
Deferred income		714 848	133 963
Other financial liabilities		99 452	117 474
		15 816 905	**14 210 960**
Total liabilities		**27 081 276**	**27 453 164**
Total liabilities and shareholders' equity		**49 211 884**	**49 160 375**

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

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

Consolidated statement of comprehensive income

	Note	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Sales revenues	3.5.	17 442 075	14 701 857
Cost of sales	3.6.	(15 895 156)	(13 731 627)
Gross profit on sales		**1 546 919**	**970 230**
Distribution expenses		(796 736)	(875 425)
General and administrative expenses		(319 872)	(381 511)
Other operating revenues	3.7.	101 936	125 228
Other operating expenses	3.7.	(68 064)	(159 009)
Profit/(Loss) from operations		**464 183**	**(320 487)**
Financial revenues	3.8	518 365	293 099
Financial expenses	3.8	(230 538)	(1 296 497)
Financial revenues and expenses		**287 827**	**(1 003 398)**
Share in profit from investments accounted for under equity method		39 314	52 584
Profit/(Loss) before tax		**791 324**	**(1 271 301)**
Income tax expense	3.9.	(181 728)	179 561
Net profit/(loss)		**609 596**	**(1 091 740)**
Items of other comprehensive income:			
Hedging instruments valuation		(49 196)	(133 091)
Hedging instruments settlement		28 671	43 621
Foreign exchange differences on consolidation		(169 574)	895 392
Deferred tax on other comprehensive income		3 900	16 999
Total items of other comprehensive income		**(186 199)**	**822 921**
Total comprehensive income		**423 397**	**(268 819)**
Net profit/(loss) attributable to:			
equity holders of the parent		593 111	(1 094 873)
non-controlling interest		16 485	3 133
		609 596	**(1 091 740)**
Total comprehensive income attributable to:			
equity holders of the parent		459 395	(476 957)
non-controlling interest		(35 998)	208 138
		423 397	**(268 819)**
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)		1.39	(2.56)

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

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

Consolidated statement of cash flows

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Cash flows - operating activities		
Net profit/(loss)	**609 596**	**(1 091 740)**
Adjustments for:		
Share in profit from investments accounted for under equity method	(39 314)	(52 584)
Depreciation and amortisation	600 619	651 408
Foreign exchange (gains)/losses	(336 680)	844 657
Interest	122 473	95 746
Loss on investing activities	13 864	15 978
Change in receivables	(428 373)	(24 590)
Change in inventories	253 715	530 610
Change in liabilities	(421 039)	103 234
Change in provisions	109 938	45 452
Income tax expense	181 728	(179 561)
Income tax (paid)/received	(34 748)	190 732
Other adjustments	(215 636)	21 659
Net cash provided by operating activities	**416 143**	**1 151 001**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(597 684)	(884 614)
Disposal of property, plant and equipment and intangible assets	53 224	33 813
Acquisition of short-term securities	(29 829)	-
Interest	1 144	2 214
Other	(2 323)	(3 342)
Net cash (used in) investing activities	**(575 468)**	**(851 929)**
Cash flows - financing activities		
Proceeds from loans and borrowings	4 789 525	3 493 549
Repayment of loans and borrowings	(4 985 794)	(3 159 541)
Interest paid	(147 219)	(116 285)
Payment of liabilities under finance lease agreements	(7 022)	(44 815)
Other	(3 224)	863
Net cash (used in)/provided by financing activities	**(353 734)**	**173 771**
Net change in cash and cash equivalents	**(513 059)**	**472 843**
Effect of exchange rate changes	(584)	9 801
Cash and cash equivalents, beginning of the period	**2 941 039**	**1 344 224**
Cash and cash equivalents, end of the period	**2 427 396**	**1 826 868**
incl. cash and cash equivalents not available for use	106 652	210 831

The accompanying notes disclosed on pages 10 -17 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 2010	2 284 888	14 849	(266 789)	17 004 955	19 037 903	2 669 308	21 707 211
Total comprehensive income	-	(16 625)	(117 091)	593 111	459 395	(35 998)	423 397
31 March 2010	**2 284 888**	**(1 776)**	**(383 880)**	**17 598 066**	**19 497 298**	**2 633 310**	**22 130 608**
(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	-	(72 471)	690 387	(1 094 873)	(476 957)	208 138	(268 819)
Change in non-controlling interest's structure in equity	-	-	-	9 378	9 378	(34 922)	(25 544)
31 March 2009	**2 284 888**	**(172 264)**	**613 595**	**14 619 293**	**17 345 512**	**2 891 772**	**20 237 284**
(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 interim 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 the PKN ORLEN S.A. Capital Group's ("Group") financial position as at 31 March 2010 and 31 December 2009, results of its operations for the 3-month period ended 31 March 2010 and 31 March 2009 as well as its cash flows for the 3-month period ended 31 March 2010 and 31 March 2009.

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 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 interim 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.

The Management Board of PKN ORLEN declares that the entity authorized to audit and conducting the review of interim condensed 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 report in compliance with relevant regulations and professional standards.

1.3. Applied accounting principles and presentation changes

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

In segment data relating to statement of comprehensive income for the 3-month period ended 31 March 2009 (disclosed in note 2) a reclassification adjustment of PLN 231,425 thousand was 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 channel, previously presented in the refining segment.

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. Emission rights due but not received till the end of the reporting period are recognized as trade and other receivables.
The Group recognizes provision for estimated CO_2 emissions in the reporting period. In the consolidated statement of comprehensive income 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 as at 31 March 2010 the Group recognized intangible assets in the amount of PLN 409,557 thousand, other receivables in the amount of PLN 344,419 thousand, deferred income in the amount of PLN 582,722 thousand and provision for CO_2 emissions in the I quarter of 2010 in the amount of PLN 171,255 thousand.
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 3-month period ended 31 March 2009, nor on the consolidated statement of financial position as at 31 December 2009 due to the sale of CO_2 emissions rights that incurred in the IV quarter of 2009.

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

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 interim condensed consolidated financial statements and quarterly 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 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 reporting period.

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

CURRENCY	average currency rate for the period ended [1]		currency rate at the end of the period [1]	
	31/03/2010	31/03/2009	31/03/2010	31/12/2009
PLN/EUR	3.9669	4.5994	3.8622	4.1082
PLN/USD	2.9018	3.5578	2.8720	2.8503
PLN/CZK	0.1532	0.1654	0.1517	0.1554

[1] based on daily exchange rates announced by the National Bank of Poland

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
- Corporate Functions.

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

Revenues, expenses and financial result by operating segments

for 3 months ended 31 March 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	9 266 014	5 559 245	2 597 846	18 970		17 442 075
Transactions with other segments	4 117 364	26 740	676 294	46 234	(4 866 632)	-
Total sales revenues	13 383 378	5 585 985	3 274 140	65 204	(4 866 632)	17 442 075
Total operating expenses	(12 971 702)	(5 505 717)	(3 189 891)	(211 093)	4 866 639	(17 011 764)
Other operating revenues	27 738	30 899	25 526	17 786	(13)	101 936
Other operating expenses	(13 199)	(35 700)	(4 696)	(14 482)	13	(68 064)
Segment result	**426 215**	**75 467**	**105 079**	**(142 585)**	**7**	**464 183**
Financial revenues						518 365
Financial expenses						(230 538)
Share in profit from investments accounted for under equity method	(190)	-	(59)	39 563	-	39 314
Profit before tax						**791 324**
Income tax expense						(181 728)
Net profit						**609 596**

for 3 months ended 31 March 2009

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	7 674 721	4 957 377	2 049 964	19 795		14 701 857
Transactions with other segments	2 888 923	13 173	903 671	45 178	(3 850 945)	-
Total sales revenues	10 563 644	4 970 550	2 953 635	64 973	(3 850 945)	14 701 857
Total operating expenses	(10 700 112)	(4 857 271)	(3 048 370)	(233 763)	3 850 953	(14 988 563)
Other operating revenues	40 107	17 707	27 937	39 477		125 228
Other operating expenses	(19 449)	(43 654)	(5 612)	(90 294)		(159 009)
Segment result	**(115 810)**	**87 332**	**(72 410)**	**(219 607)**	**8**	**(320 487)**
Financial revenues						293 099
Financial expenses						(1 296 497)
Share in profit from investments accounted for under equity method	666	-	(39)	51 957	-	52 584
Loss before tax						**(1 271 301)**
Income tax expense						179 561
Net loss						**(1 091 740)**

Assets by operating segments

	as at 31/03/2010 (unaudited)	as at 31/12/2009
Refining Segment	26 388 265	26 447 353
Retail Segment	5 558 573	5 416 802
Petrochemical Segment	13 065 320	12 265 878
Total segment assets	**45 012 158**	**44 130 033**
Corporate Functions	4 677 890	5 492 775
Adjustments	(478 164)	(462 433)
	49 211 884	**49 160 375**

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Property, plant and equipment		
Increase	(22 403)	(18 518)
Decrease	24 897	29 474
Intangible assets		
Increase	(131)	-
Decrease	372	575
Financial assets available for sale		
Increase	(5)	(45)
Decrease	70	364
Receivables		
Increase	(23 081)	(31 668)
Decrease	11 581	22 622
Inventory		
Increase	(80 227)	(53 894)
Decrease	84 124	22 425
Non-current assets classified as held for sale		
Increase	(1 906)	-
Decrease	204	-

3.2. Short-term financial assets

	as at 31/03/2010 (unaudited)	as at 31/12/2009
Acquired bonds	84 783	55 852
Derivatives recognized in financial assets designated as hedging instruments- hedge accounting	75 733	81 666
Financial assets at fair value through profit and loss	26 943	43 208
Loans and receivables	5 331	32
Held to maturity	3 266	-
Available for sale	284	247
	196 340	**181 005**

3.3. Provisions

	long-term		short-term	
	as at 31/03/2010 (unaudited)	as at 31/12/2009	as at 31/03/2010 (unaudited)	as at 31/12/2009
Environmental provision	333 689	335 263	35 388	37 365
Jubilee and retirement benefits provision	228 274	229 831	31 201	31 700
Business risk provision	56 560	63 917	77 523	78 256
Shield programmes provision	-	-	46 647	51 369
Other	30 424	32 910	768 846	648 427
	648 947	**661 921**	**959 605**	**847 117**

Increase in other provisions results mainly from recognition of provision for estimated CO_2 emissions in the I quarter of 2010 in the amount of PLN 171,255 thousand decreased by revaluation of the provision created in 2009 in the amount of PLN 25,537 thousand. The cost of recognized provision for estimated CO_2 emissions in the I quarter of 2010 was compensated with settlement of the respective part of deferred income and consequently had no impact on the operating result for the period.

3.4. Interest – bearing loans and borrowings

	long-term		short-term	
	as at 31/03/2010 (unaudited)	as at 31/12/2009	as at 31/03/2010 (unaudited)	as at 31/12/2009
Bank loans and borrowings	8 534 020	10 475 021	3 026 179	1 555 657
Debt securities	1 120 527	1 135 511	37 479	38 038
	9 654 547	**11 610 532**	**3 063 658**	**1 593 695**

The value of interest-bearing loans, borrowings and debt securities issued decreased as compared to the end of the prior year by PLN 486,022 thousand.

3.5. Sales revenues

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Revenues from sale of finished goods	12 989 799	11 273 704
Revenues from sale of merchandise and raw materials	4 452 276	3 428 153
	17 442 075	**14 701 857**

The increase in revenues from sale of merchandise and raw materials in the I quarter of 2010 as compared to the I quarter of 2009 includes revenues from sale of part of mandatory reserves of crude oil in the amount of approximately PLN 800 million. Cost of the materials sold has been recognized in the line cost of merchandise and raw materials sold disclosed in note 3.6. Details of the above transaction have been described in Other information to consolidated quarterly report (point 3).

3.6. Operating expenses

Cost of sales

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Cost of finished goods sold	(11 654 137)	(10 464 141)
Cost of merchandise and raw materials sold	(4 241 019)	(3 267 486)
	(15 895 156)	**(13 731 627)**

Cost by kind

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Materials and energy	(11 006 098)	(9 549 970)
Cost of merchandise and raw materials sold	(4 241 019)	(3 267 486)
External services	(816 782)	(945 279)
Payroll, social securities and other employee benefits	(470 546)	(501 515)
Depreciation and amortisation	(600 619)	(651 408)
Taxes and charges	(108 883)	(118 083)
Other	(146 639)	(263 565)
	(17 390 586)	**(15 297 306)**
Change in inventory	271 268	112 445
Cost of products and services for own use	39 490	37 289
Operating expenses	**(17 079 828)**	**(15 147 572)**
Distribution expenses	796 736	875 425
General and administrative expenses	319 872	381 511
Other operating expenses	68 064	159 009
Cost of sales	**(15 895 156)**	**(13 731 627)**

3.7. Other operating revenues and expenses

Other operating revenues

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Profit on sale of non-financial non-current assets	12 723	20 678
Reversal of provisions	32 382	13 445
Reversal of receivables impairment allowances	8 305	20 021
Reversal of impairment allowances of property, plant and equipment and intangible assets	23 421	30 240
Penalties and compensations earned	14 957	13 554
Grants	1 511	1 986
Inventory count surpluses	2 159	2 228
Other	6 478	23 076
	101 936	**125 228**

Other operating expenses

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Loss on sale of non-financial non-current assets	(4 625)	(16 450)
Recognition of provisions	(3 271)	(73 167)
Receivables impairment allowances	(19 539)	(23 909)
Impairment allowances of property, plant and equipment and intangible assets	(22 534)	(18 300)
Costs and losses on removal of damages	(2 817)	(4 170)
Liquidations and nonculpable shortages of current assets	(10 853)	(6 052)
Other	(4 425)	(16 961)
	(68 064)	**(159 009)**

3.8. Financial revenues and expenses

Financial revenues

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Interest received	17 986	25 686
Foreign exchange gain	418 473	70 052
Decrease in receivables impairment allowances	3 276	2 594
Settlement and valuation of financial instruments	77 569	191 496
Reversal of investment impairment allowances	70	364
Other	991	2 907
	518 365	**293 099**

Financial expenses

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Interest expense	(118 063)	(92 910)
Foreign exchange loss	(76 586)	(911 794)
Investment impairment allowances	(5)	(45)
Increase in receivables impairment allowances	(3 542)	(6 566)
Settlement and valuation of financial instruments	(20 890)	(272 866)
Other	(11 452)	(12 316)
	(230 538)	**(1 296 497)**

Borrowing costs capitalized in the 3-month period ended 31 March 2010 and in the 3-month period ended 31 March 2009 amounted to PLN 35,092 thousand and PLN 19,329 thousand, respectively.

3.9. Income tax expense

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Current tax	(70 050)	(35 831)
Deffered tax	(111 678)	215 392
	(181 728)	**179 561**

3.10. Finance lease

As at 31 March 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 31 March 2010 and 31 December 2009 were as follows:

	as at 31/03/2010 (unaudited)	as at 31/12/2009
Up to 1 year	26 358	26 969
Between 1 and 5 years	50 291	52 668
Above 5 years	27 673	27 539
	104 322	**107 176**

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

	as at 31/03/2010 (unaudited)	as at 31/12/2009
Up to 1 year	23 606	23 831
Between 1 and 5 years	46 003	43 197
Above 5 years	16 236	18 163
	85 845	**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/cyclical character of its operations.

3.12. Future liabilities resulting from signed investment contracts

As at 31 March 2010 and 31 December 2009 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 715,489 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

According to the resolution dated on 29 March 2010 the Management Board of PKN ORLEN recommended to distribute the net profit for the year 2009 in the amount of PLN 1,635,885,461.24 to reserve capital of the Company. Final decision regarding distribution of the net profit shall be taken by the General Shareholders' Meeting of PKN ORLEN S.A.

3.15. Contingent assets and liabilities

Contingent liabilities

	as at 31/12/2009	increase/ (decrease)	as at 31/03/2010 (unaudited)
Anti-trust proceedings of the OCCP	18 500	-	18 500
Other legal cases	5 653	(150)	5 503
	24 153	**(150)**	**24 003**

Contingent assets

In 2008 one of the Capital Group companies accomplished the investment in Nitric Acid Installation reducing nitrous suboxides emission that, according to binding regulations, gives the possibility to obtain approximately 1,314 thousand ERU (Emission Reduction Unit) for the period from the date of the investment launch till the balance sheet date. The estimated value of 1 ERU as at 31 March 2010 based on CER (Certified Emission Reduction) quotations amounts to approximately EUR 10.56. Currently the company is in the process of obtaining further opinions and acceptances of external authorities who decide on units allocation.

3.16. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 31 March 2010 and 31 December 2009 amounted to PLN 1,422,008 thousand and PLN 1,289,169 thousand, respectively.
Guarantees and sureties as at 31 March 2010 and 31 December 2009 amounted to PLN 132,735 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") 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 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

name of the group	Share of the parent of the particular group in equity	
	31/03/2010	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	100%	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.	51%[2)]	51%[2)]
Capital Group of UNIPETROL TRADE a.s.	100%	100%
CHEMAPOL (SCHWEIZ) AG	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	
	31/03/2010	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 3-month period ended 31 March 2010/in the 12-month period eneded 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

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

3. Capital Group's achievements accompanied by circumstances and events which have significant impact on the financial results

Results from operations

Reported result from operations of the ORLEN Capital Group („ORLEN Group") for the I quarter of 2010 amounted to PLN 464 million as compared to loss for the respective period of the prior year of PLN (-) 320 million.

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

- in PKN ORLEN S.A. result from operations was higher by PLN 875 million (y/y) and amounted to PLN 482 million mainly due to increase in the result of the refining segment by PLN 553 million (y/y) and petrochemical segment by PLN 260 million (y/y) and decrease in the result of corporate functions by PLN 70 million (y/y). Higher reported result from operations of the refining segment was achieved mainly as a consequence of the impact of increasing crude oil prices on inventory valuation of PLN 649 million (y/y) accompanied by negative impact of macroeconomic factors including Ural/Brent differential, model refining margin and exchange rates

("macroeconomic factors"). Higher results from operations of the petrochemical segment were achieved mainly as the effect of increase of model petrochemical margin and higher volumes of sales. Result from operations of the retail segment was lower by PLN (-) 7 million (y/y) 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 lower by 52 mln (y/y). The decreased result of the refining segment by PLN (-) 67 million (y/y) reflects unfavorable influence of macroeconomic factors and decreasing consumption that has a limiting impact on sales volumes on ORLEN Lietuva markets. It was accompanied by positive influence of lower fixed and payroll costs (y/y) in the amount of PLN 52 million. Lower corporate function costs increased reported result from operations by PLN 15 million (y/y).
- in the Unipetrol Capital Group („Unipetrol Group") result from operations increased by PLN 102 million (y/y) and amounted to PLN 54 million. Result from operations of the refining segment was higher by PLN 98 million (y/y) mainly as a consequence of positive impact of change in crude oil prices on inventory valuation in the amount of PLN 56 million (y/y) and optimization of operating expenses in the amount of PLN 21 million (y/y). Result of the petrochemical segment increased by PLN 4 million (y/y) mainly due to higher sales volume and higher model margins (y/y) accompanied by negative impact of change in petrochemical products prices on inventory valuation in the amount of PLN (-) 9 million (y/y). Higher fuel margin increased results of the retail segment by PLN 7 million (y/y).

The impact of upward trend in crude oil prices on inventory valuation improved reported results from operations of the ORLEN Group for the I quarter of 2010 by PLN 661 million in comparison to the prior year.

Total impact of macroeconomic factors including Ural/Brent differential, model margins and exchange rates on the reported result from operations of the Group was negative and amounted to PLN (-) 57 million (y/y).

Observed decrease in consumption had a negative impact on sales volumes of the refining segment in the amount of PLN (-) 99 million (y/y). Higher sales volumes in the retail segment and growth in trading activity on olefins and polyolefins market in the petrochemical segment increased reported result from operations by PLN 34 million (y/y).

In the I quarter of 2010 the following significant repair standstills of production installations occurred:
- PKN ORLEN S.A. – planned 7 and 16-day repair standstills of Reforming V and VI Installations and 21-day repair standstill of HON VI Installation;
- ORLEN Lietuva Group – planned 14-day repair standstill of the refinery.

Lower operating expenses in the areas of fixed costs, payroll costs as well as depreciation and amortisation expense increased reported result from operations by 133 million (y/y).
Positive impact of revaluation of provisions recognized in other operating activities amounted to PLN 89 million (y/y). Main components of this change are lack of negative influence connected with recognition of business risk provision in the amount of PLN 63 million in the I quarter of 2009 and decrease of provision for CO_2 emissions in the amount of PLN 26 million due to its revaluation in the I quarter of 2010.

Financial revenues and expenses and net result

In the I quarter of 2010 the net result on financial activities was positive and amounted to PLN 288 million, of which the major item concerned net foreign exchange gains in the amount of PLN 342 million. This amount includes mainly positive unrealized foreign exchange differences on translation of loans of PLN 319 million.
Negative foreign exchange differences on translation of loans denominated in USD in the amount of PLN (-) 30 million were presented in equity in line "foreign exchange differences on subsidiaries from consolidation" due to designation of a hedging relationship with net investment in ORLEN Lietuva.

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 I quarter of 2010 amounted to PLN 610 million whereas net loss for the I quarter of 2009 amounted to PLN (-) 1,092 million.

Debt and cash flows

As at the end of March 2010 net debt amounted to PLN 10,291 million and remained on similar level as compared to the end of 2009.

Net cash provided by operating activities amounted to PLN 416 million in the I quarter of 2010.
Operating cash flows included mainly profit from operations for the reporting period increased by depreciation and amortisation in the total amount of PLN 1,065 million and negative change in the level of net working capital amounting to PLN (-) 595 million.
Increase of receivables and decrease of liabilities in the total amount of PLN (-) 849 million concerns mainly the effect of change in deferred payments for crude oil in comparison to the end of 2009 by approximately PLN (-) 1,000 million.
Decrease of inventories by PLN 254 million is a net effect of selling part of mandatory reserves of approximately PLN 800 million balanced by increase of inventory value due to higher crude oil prices.

In the analysed period net cash used in investing activities amounted to PLN (-) 575 million and included mainly expenditures on realization of investment programs of PLN (-) 597 million. These expenditures concerned mainly continued developmental investments in PKN ORLEN.

In the I quarter of 2010 net cash used in financing activities amounted to PLN (-) 354 million and included mainly net repayment of loans and borrowings of PLN (-) 196 million and debt costs in the amount of PLN (-) 147 million.

Consequently, the balance of cash and cash equivalents decreased in comparison to the end of 2009 by PLN 513 million.

Sale of part of mandatory reserves of crude oil

According to the legally binding regulations in Poland entities trading in fuel products are obliged to maintain the required level of mandatory reserves. This obligation may be fulfilled either by maintaining mandatory reserves in the entity's balance sheet or by outsourcing this service.
On 29 March 2010 PKN ORLEN S.A. concluded an agreement with Lambourn Sp. z o.o. for the sale of crude oil in the approximate amount of PLN 800 million.
Simultaneously PKN ORLEN S.A. concluded and agreement with Lambourn Sp. z o.o. for the services of maintaining the sold crude oil as a mandatory reserve for the PKN ORLEN's account in the period of one year. The agreement may be prolonged for the further periods.
This transaction fulfills legal requirements in respect of maintaining mandatory reserves, as the concluded agreement guarantees PKN ORLEN S.A. the possibility to buy crude oil back at the market prices, in the circumstances when states authorities demand to make mandatory reserves available. The above agreements were concluded by PKN ORLEN S.A. after prior acceptance of the Material Reserves Agency.

Revenues from sale of mandatory reserves were recognized as revenues from sale of merchandise and raw materials. Cost of crude oil sold was recognized as cost of merchandise and raw materials sold.
In the period when the concluded agreement is in force, PKN ORLEN S.A. will pay fees to Lambourn Sp. z o.o. for the services of maintaining mandatory reserves on PKN ORLEN's account. These fees are recognized as operating expenses of the period.
Lambourn Sp. z o.o. will pay fees to PKN ORLEN S.A. for the lease of warehouse capacity used for the purpose of storage of purchased crude oil.

Factors and events which may influence future results

Similar macroeconomic factors as described above will significantly influence results in the following quarters of 2010.

The Parent Company, having analyzed the offers received in the process of sales of its 84.79% shares in Anwil S.A, carried out additional negotiations with potential buyers and received revised offers, decided to grant exclusive negotiation rights till 30 June 2010 to Zakłady Azotowe "Puławy" S.A. ("ZA Puławy"). As at 31 March 2010 total assets of "Anwil" S.A. Capital Group amounted to PLN 2,717,932 thousand, net assets to PLN 1,950,849 thousand and net profit for 3-month period ended 31 March 2010 to PLN 13,285 thousand.

The Parent Company started preparatory works concerning sales of shares in Polkomtel S.A. which were presented in the consolidated financial statements of the PKN ORLEN Capital Group under equity method in the amount of PLN 1,387,452 thousand.

At this point it is not possible to determine the final results of these processes.

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

PKN ORLEN S.A. informed in the regulatory announcement no. 56/2010 dated 30 March 2010 about the decision to change the formula of maintaining part of mandatory reserves of crude oil by its outsourcing.

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 3-month period ended 31 March 2010, 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

During the 3-month period ended 31 March 2010 the Group companies did not grant to managing and supervising persons 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 31 March 2010 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

During the 3-month period ended 31 March 2010 and 31 March 2009 key executive personnel of the Company and Group companies issued statements on transactions with related parties that disclosed the following types of transactions:

Type of relation through key executive personnel of the Company and the Group companies	Sales (unaudited)		Purchase (unaudited)		Receivables (unaudited)		Liabilities (unaudited)	
	for 3 months ended 31/03/2010	for 3 months ended 31/03/2009	for 3 months ended 31/03/2010	for 3 months ended 31/03/2009	as at 31/03/2010	as at 31/03/2009	as at 31/03/2010	as at 31/03/2009
Supervising persons	-	135 797	-	74 616	-	116 515	-	17 382
Managing persons	17	13	3	4	-	-	-	-
Other key executive personnel	-	2	-	-	-	-	-	-
	17	**135 812**	**3**	**74 620**	**-**	**116 515**	**-**	**17 382**

d) Parent Company's transactions with related parties

in the period from 1 January to 31 March 2010 and balance of settlements as at 31 March 2010

	Subsidiaries	Jointly controlled entities	Associates	Adjustments	Total related parties
Sales	5 532 190	589 051	3 590	(5 826 716)	298 115
Purchases	771 664	5 539	25 771	(774 434)	28 540
Interest income	1 176	729	6	(1 541)	370
Interest expense	2 363	-	-	(2 363)	-
Current receivables (net)	1 994 503	480 608	1 899	(2 234 807)	242 203
Receivables impairment allowances	374	11	14	(380)	19
Short-term liabilities	917 773	2 376	5 124	(918 961)	6 312
Non-current receivables	147 993	38 622	-	(167 304)	19 311
Long-term liabilities	24 141	-	-	(24 141)	-

in the period from 1 January to 31 March 2009 and balance of settlements as at 31 March 2009

	Subsidiaries	Jointly controlled entities	Associates	Adjustments	Total related parties
Sales	4 291 847	391 734	2 925	(4 486 729)	199 777
Purchases	560 657	4 013	26 347	(544 772)	46 245
Interest income	1 201	1 121	1	(1 761)	562
Interest expense	1 198	-	-	(1 198)	-
Current receivables (net)	1 282 725	332 662	1 350	(1 448 364)	168 373
Receivables impairment allowances	21 848	-	-	(21 848)	-
Short-term liabilities	503 109	1 997	10 429	(490 939)	24 596
Non-current receivables	14 721	-	-	(14 721)	-
Long-term liabilities	25 254	-	-	(25 254)	-

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

As at 31 March 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 31 March 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. As according to the announcement of the Head of the Customs Office in Kraków the decision in respect of excise tax liability for September is supposed to be made till 31 May 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.

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 as a security of receivables acquired by PKN ORLEN 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. The sentence is not legally binding. The return of the remaining 26 shares was already sentenced, which is legally binding.

d) Claim of ENERGA – OPERATOR S.A.

The proceedings concern settlement of contentious system fees between PKN ORLEN 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 to the benefit of Energa Operator. On 30 September 2009 PKN ORLEN made the payment. The Company issued a legal request for justification.

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

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.

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.

f) Anti-trust proceedings

Anti-trust proceedings concern:

- an allegation that PKN ORLEN concluded an agreement with Lotos S.A. Group which limited competition on the domestic market of trading in universal petrol U95. On 6 May 2010 the Court of Competition and Consumer Protection issued a verdict, revoking the appeals of PKN ORLEN's and LOTOS S.A. Group. The judgment may be appealed. The Company is awaiting justification of the verdict to make decision about possible appeal.
- an allegation that in the years 2000-2004 PKN ORLEN was using practice limiting competition on the domestic market of trading in glycol.
- 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 wholesale of petrol and diesel oil by setting retail selling prices of petrol and diesel oil.

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 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 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 the 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.

On 14 September 2009 Yukos International submitted to the Court of Arbitration by the International Chamber of Commerce a response to PKN ORLEN's request for initiation of arbitration proceedings. In its response Yukos International appealed to dismiss all PKN ORLEN'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 first seating took place in front of the Court of Arbitration in London. On the seating PKN ORLEN and Yukos International settled above all proceedings schedule and extent of competence of the Court of Arbitration. On 3 May 2010 according to the schedule, PKN ORLEN issued a law suit in which it demands from Yukos International a reimbursement of the amount of USD 250 million together with interest and costs of proceedings.

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 report filling **	Change p.p.	% of votes at the GSM as at the date of the prior quarter report filling *	Number of shares as at the date of the report filling **	Change	Number of shares as at the date of the prior quarter 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%	**-**	**100%**	**427 709 061**	**-**	**427 709 061**

* According to the received confirmations as at 16 February 2010
** According to the received confirmations as at 4 May 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 report filling **	Acquisition	Disposal	Number of shares, options as at the date of the prior quarter report filling *
Supervisory Board	**507**			**507**
Janusz Zieliński	407			407
Grzegorz Borowiec	100			100

* According to the received confirmations as at 16 February 2010
** According to the received confirmations as at 4 May 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 31 March 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 31/03/2010 (unaudited)	as at 31/12/2009
ASSETS		
Non-current assets		
Property, plant and equipment	11 500 894	11 080 017
Intangible assets	122 917	128 732
Perpetual usufruct of land	91 638	90 209
Shares in related parties	11 267 759	11 265 309
Financial assets available for sale	32 142	32 078
Deferred tax assets	195 515	286 421
Non-current loans and receivables	186 916	123 930
	23 397 781	**23 006 696**
Current assets		
Inventory	6 922 594	7 298 656
Trade and other receivables	4 498 230	4 497 790
Short-term financial assets	199 862	127 925
Income tax receivable	1 107	1 105
Prepayments	117 637	109 145
Cash and cash equivalents	1 504 738	1 964 403
Non-current assets classified as held for sale	9 101	10 631
	13 253 269	**14 009 655**
Total assets	**36 651 050**	**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	(1 775)	14 850
Retained earnings	15 451 224	14 833 160
Total equity	**17 734 337**	**17 132 898**
LIABILITIES		
Long-term liabilities		
Interest-bearing loans	8 122 133	9 971 765
Provisions	347 991	348 195
Other long-term liabilities	47 987	48 742
	8 518 111	**10 368 702**
Short-term liabilities		
Trade and other liabilities	7 705 279	8 195 604
Interest-bearing loans	1 684 964	547 261
Income tax liability	40 208	5 951
Provisions	528 942	471 257
Deferred income	301 523	67 070
Other financial liabilities	137 686	227 608
	10 398 602	**9 514 751**
Total liabilities	**18 916 713**	**19 883 453**
Total liabilities and shareholders' equity	**36 651 050**	**37 016 351**

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(all amounts in PLN thousand)
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Unconsolidated statement of comprehensive income

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Sales revenues	12 783 314	9 508 218
Cost of sales	(11 745 170)	(9 208 760)
Gross profit on sales	**1 038 144**	**299 458**
Distribution expenses	(442 277)	(442 374)
General and administrative expenses	(134 884)	(162 890)
Other operating revenues	71 555	36 102
Other operating expenses	(50 968)	(124 050)
Profit/(Loss) from operations	**481 570**	**(393 754)**
Financial revenues	397 066	199 259
Financial expenses	(112 950)	(1 758 500)
Financial revenues and expenses	**284 116**	**(1 559 241)**
Profit/(Loss) before tax	**765 686**	**(1 952 995)**
Income tax expense	(147 622)	353 730
Net profit/(loss)	**618 064**	**(1 599 265)**
Items of other comprehensive income:		
Hedging instruments valuation	(49 196)	(126 358)
Hedging instruments settlement	28 671	43 621
Deferred tax on other comprehensive income	3 900	15 720
Total items of other comprehensive income	**(16 625)**	**(67 017)**
Total comprehensive income	**601 439**	**(1 666 282)**
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)	1.45	(3.74)

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Unconsolidated statement of cash flows

	for 3 months ended 31/03/2010 (unaudited)	for 3 months ended 31/03/2009 (unaudited)
Cash flows - operating activities		
Net profit/(loss)	**618 064**	**(1 599 265)**
Adjustments for:		
Depreciaton and amortisation	220 653	239 074
Foreign exchange (gains)/losses	(263 130)	1 375 165
Interest	83 455	54 435
Loss on investing activities	8 645	23 377
Change in receivables	230 544	(161 819)
Change in inventories	376 062	445 238
Change in liabilities	(624 119)	168 594
Change in provisions	57 480	57 383
Income tax expense	147 622	(353 730)
Income tax (paid)/received	(18 561)	226 712
Other adjustments	(120 146)	28 732
Net cash provided by operating activities	**716 569**	**503 896**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(409 753)	(539 751)
Disposal of property, plant and equipment and intangible assets	10 985	2 211
Acquisition of shares	(2 450)	-
Proceeds from the sale of short-term securities	1 000	-
Interest received	839	1 079
Additional repayable payments to subsidiaries' equity	(55 545)	(6 510)
Proceeds from additional repayable payments to subsidiaries' equity	3 500	4 000
Outflows from cash pool facility	(87 443)	(10 279)
Other	(2 888)	(2 959)
Net cash (used in) investing activities	**(541 755)**	**(552 209)**
Cash flows - financing activities		
Proceeds from loans	1 677 102	1 508 003
Debt securities issued	1 419 685	645 592
Repayment of loans	(2 416 479)	(1 111 956)
Redemption of debt securities	(1 119 412)	(494 370)
Interest paid	(118 404)	(76 911)
Payment of liabilities under finance lease agreements	(718)	(235)
Proceeds from cash pool facility	-	61 784
Outflows from cash pool facility	(75 680)	-
Net cash (used in)/provided by financing activities	**(633 906)**	**531 907**
Net change in cash and cash equivalents	**(459 092)**	**483 594**
Effect of exchange rate changes	(573)	9 730
Cash and cash equivalents, beginning of the period	**1 964 403**	**442 938**
Cash and cash equivalents, end of the period	**1 504 738**	**936 262**
incl. cash and cash equivalents not available for use	-	191 179

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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	-	(16 625)	618 064	601 439
31 March 2010	**2 284 888**	**(1 775)**	**15 451 224**	**17 734 337**
(unaudited)				
1 January 2009	2 284 888	(100 287)	13 197 275	15 381 876
Total comprehensive income	-	(67 017)	(1 599 265)	(1 666 282)
31 March 2009	**2 284 888**	**(167 304)**	**11 598 010**	**13 715 594**
(unaudited)				

The foregoing quarterly report was authorized by the Management Board of the Parent Company on 11 May 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