REPORT FOR THE I HALF OF 2010

ORLEN

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated half-year report PSr 2010
(year)

(in accordance with § 82 section 2 and § 83 section 3 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 half of the reporting year 2010 that is for the period from 01.01.2010 to 30.06.2010, which includes consolidated financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN) and condensed financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN).

on 31 August 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		**CHEMICZNY (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	
	I half of 2010 (cummulative data)	I half of 2009 (cummulative data)	I half of 2010 (cummulative data)	I half of 2009 (cummulative data)
I. Sales revenues	38 510 499	31 471 936	9 617 526	7 859 731
II. Profit from operations	1 587 286	340 420	396 405	85 016
III. Profit before tax	908 876	63 452	226 981	15 846
IV.Net profit attributable to equity holders of the parent	587 866	75 792	146 812	18 928
V. Net profit	653 088	76 745	163 101	19 166
VI. Total comprehensive income attributable to equity holders of the parent	837 041	569 612	209 041	142 254
VII. Total comprehensive income	980 113	800 404	244 771	199 891
VIII. Net cash provided by operating activities	2 883 984	3 072 228	720 240	767 252
IX. Net cash (used in) investing activities	(956 835)	(2 560 264)	(238 958)	(639 395)
X. Net cash (used in) financing activities	(2 723 482)	(730 194)	(680 156)	(182 357)
XI. Net change in cash and cash equivalents	(796 333)	(218 230)	(198 874)	(54 500)
XII. Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN/EUR per share)	1.37	0.18	0.34	0.04
	as at 30/06/2010	as at 31/12/2009	as at 30/06/2010	as at 31/12/2009
XIII. Non-current assets	31 512 022	29 727 329	7 600 951	7 170 469
XIV. Current assets	20 593 133	19 433 046	4 967 228	4 687 406
XV. Total assets	52 105 155	49 160 375	12 568 179	11 857 874
XVI. Long-term liabilities	10 956 864	13 242 204	2 642 883	3 194 125
XVII. Short-term liabilities	18 470 507	14 210 960	4 455 233	3 427 797
XVIII. Equity	22 677 784	21 707 211	5 470 062	5 235 952
XIX. Equity attributable to equity holders of the parent	19 874 944	19 037 903	4 793 995	4 592 094
XX. Share capital	1 057 635	1 057 635	255 110	255 110
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)	46.47	44.51	11.21	10.74

SELECTED UNCONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	I half of 2010 (cummulative data)	I half of 2009 (cummulative data)	I half of 2010 (cummulative data)	I half of 2009 (cummulative data)
I. Sales revenues	28 031 754	21 093 212	7 000 588	5 267 772
II. Profit from operations	1 324 816	26 750	330 857	6 680
III. Profit/(loss) before tax	225 780	(38 754)	56 386	(9 678)
IV. Net profit	220 355	23 619	55 031	5 899
V. Total comprehensive income	49 169	81 945	12 279	20 465
VI. Net cash provided by operating activities	1 892 513	1 550 303	472 632	387 169
VII. Net cash (used in) investing activities	(755 497)	(1 919 907)	(188 676)	(479 473)
VIII. Net cash (used in)/provided by financing activities	(2 141 878)	215 309	(534 908)	53 771
IX. Net change in cash and cash equivalents	(1 004 862)	(154 295)	(250 952)	(38 533)
X. Net profit and diluted net profit per share (in PLN/EUR per share)	0.52	0.06	0.13	0.01
	as at 30/06/2010	as at 31/12/2009	as at 30/06/2010	as at 31/12/2009
XI. Non-current assets	23 964 971	23 006 696	5 780 542	5 549 398
XII. Current assets	14 714 016	14 009 655	3 549 138	3 379 240
XIII. Total assets	38 678 987	37 016 351	9 329 680	8 928 639
XIV. Long-term liabilities	8 089 563	10 368 702	1 951 267	2 501 014
XV. Short-term liabilities	13 407 357	9 514 751	3 233 961	2 295 034
XVI. Equity	17 182 067	17 132 898	4 144 451	4 132 592
XVII. Share capital	1 057 635	1 057 635	255 110	255 110
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)	40.17	40.06	9.69	9.66

The above data for I half of 2010 and I half 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 June 2010 – 4.1458 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 June 2010 – 4.0042 PLN/EUR.

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HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2010
Half-year condensed consolidated financial statements
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

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

Consolidated statement of financial position

	Note	as at 30/06/2010 (unaudited)	as at 31/12/2009
ASSETS			
Non-current assets			
Property, plant and equipment		28 437 402	27 070 437
Investment property		73 189	71 487
Intangible assets		853 973	690 376
Perpetual usufruct of land		97 086	96 043
Investments in associates		1 504 312	1 401 586
Deffered tax assets		437 051	290 820
Financial assets available for sale		56 393	59 633
Non-current loans and receivables		52 616	46 947
		31 512 022	**29 727 329**
Current assets			
Inventory		11 024 153	10 619 859
Trade and other receivables		6 994 068	5 417 486
Short-term financial assets	3.2.	172 665	181 005
Income tax receivable		25 387	34 032
Prepayments		201 517	207 447
Cash and cash equivalents		2 144 898	2 941 039
Non-current assets held for sale		30 445	32 178
		20 593 133	**19 433 046**
Total assets		**52 105 155**	**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		(156 338)	14 849
Foreign exchange differences on subsidiaries from consolidation		153 573	(266 789)
Retained earnings		17 592 821	17 004 955
Total equity attributable to equity holders of the parent		**19 874 944**	**19 037 903**
Non-controlling interest		**2 802 840**	**2 669 308**
Total equity		**22 677 784**	**21 707 211**
LIABILITIES			
Long-term liabilities			
Interest-bearing loans and borrowings	3.4.	9 251 933	11 610 532
Provisions	3.3.	647 809	661 921
Deferred tax liabilities		932 212	836 330
Other long-term liabilities		124 910	133 421
		10 956 864	**13 242 204**
Short-term liabilities			
Trade and other liabilities		14 258 964	11 494 542
Interest-bearing loans and borrowings	3.4.	2 645 099	1 593 695
Income tax liability		39 368	24 169
Provisions	3.3.	660 249	847 117
Deferred income		554 569	133 963
Other financial liabilities		312 258	117 474
		18 470 507	**14 210 960**
Total liabilities		**29 427 371**	**27 453 164**
Total liabilities and shareholders' equity		**52 105 155**	**49 160 375**

The accompanying notes disclosed on pages 8 -16 are an integral part of the foregoing half-year condensed consolidated financial statements.

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2010
Half-year condensed consolidated financial statements
(all amounts in PLN thousand)
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Consolidated statement of comprehensive income

	Note	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Sales revenues	3.5.	38 510 499	21 068 424	31 471 936	16 770 079
Cost of sales	3.6.	(34 670 565)	(18 775 409)	(28 675 452)	(14 943 825)
Gross profit on sales		**3 839 934**	**2 293 015**	**2 796 484**	**1 826 254**
Distribution expenses		(1 661 557)	(864 821)	(1 730 674)	(855 249)
General and administrative expenses		(669 041)	(349 169)	(746 319)	(364 808)
Other operating revenues	3.7.	290 504	188 568	335 126	209 898
Other operating expenses	3.7.	(212 554)	(144 490)	(314 197)	(155 188)
Profit from operations		**1 587 286**	**1 123 103**	**340 420**	**660 907**
Financial revenues	3.8	308 358	79 416	462 116	743 245
Financial expenses	3.8	(1 111 912)	(1 170 797)	(884 600)	(162 331)
Financial revenues and expenses		**(803 554)**	**(1 091 381)**	**(422 484)**	**580 914**
Share in profit from investments accounted for under equity method		125 144	85 830	145 516	92 932
Profit before tax		**908 876**	**117 552**	**63 452**	**1 334 753**
Income tax expense	3.9.	(255 788)	(74 060)	13 293	(166 268)
Net profit		**653 088**	**43 492**	**76 745**	**1 168 485**
Items of other comprehensive income:					
Hedging instruments valuation		(241 933)	(192 737)	(13 762)	119 329
Hedging instruments settlement		30 591	1 920	84 361	40 740
Foreign exchange differences on consolidation		498 212	667 786	665 827	(229 565)
Deferred tax on other comprehensive income		40 155	36 255	(12 767)	(29 766)
Total items of other comprehensive income		**327 025**	**513 224**	**723 659**	**(99 262)**
Total comprehensive income		**980 113**	**556 716**	**800 404**	**1 069 223**
Net profit attributable to:		**653 088**	**43 492**	**76 745**	**1 168 485**
equity holders of the parent		587 866	(5 245)	75 792	1 170 665
non-controlling interest		65 222	48 737	953	(2 180)
Total comprehensive income attributable to:		**980 113**	**556 716**	**800 404**	**1 069 223**
equity holders of the parent		837 041	377 646	569 612	1 046 569
non-controlling interest		143 072	179 070	230 792	22 654
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)		1.37	(0,01)	0.18	2,74

The accompanying notes disclosed on pages 8 -16 are an integral part of the foregoing half-year condensed consolidated financial statements.

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2010
Half-year condensed consolidated financial statements
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

Consolidated statement of cash flows

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Cash flows - operating activities				
Net profit	**653 088**	**43 492**	**76 745**	**1 168 485**
Adjustments for:				
Share in profit from investments accounted for under equity method	(125 144)	(85 830)	(145 516)	(92 932)
Depreciation and amortisation	1 212 985	612 366	1 307 757	656 349
Foreign exchange loss/(gain)	188 022	524 702	463 283	(381 374)
Interest and dividend	211 225	88 752	208 523	112 777
(Profit) on investing activities	(75 890)	(89 754)	(40 573)	(56 551)
Change in receivables	(1 490 068)	(1 061 695)	(318 116)	(293 526)
Change in inventories	(155 294)	(409 009)	(1 097 966)	(1 628 576)
Change in liabilities	2 308 561	2 729 600	2 897 536	2 794 302
Change in provisions	231 591	121 653	(477 624)	(523 076)
Income tax expense	255 788	74 060	(13 293)	166 268
Income tax (paid)/received	(162 668)	(127 920)	169 804	(20 928)
Other adjustments	(168 212)	47 424	41 668	20 009
Net cash provided by operating activities	**2 883 984**	**2 467 841**	**3 072 228**	**1 921 227**
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(1 197 909)	(600 225)	(1 669 355)	(784 741)
Disposal of property, plant and equipment and intangible assets	198 043	144 819	52 632	18 819
Sale of shares	12 984	12 908	612	612
Acquisition of shares	-	-	(1 017 598)	(1 017 598)
Acquisition of short-term securities	(37 666)	(7 837)	-	-
Proceeds from sale of short-term securities	37 090	37 090	-	-
Interest and dividend received	31 082	29 938	78 306	76 092
Dividends paid to non-controlling interest	(444)	(444)	(152)	(152)
Other	(15)	2 384	(4 709)	(1 367)
Net cash (used in) investing activities	**(956 835)**	**(381 367)**	**(2 560 264)**	**(1 708 335)**
Cash flows - financing activities				
Proceeds from loans and borrowings	8 205 493	3 415 968	5 280 328	1 786 779
Repayment of loans and borrowings	(10 652 659)	(5 666 865)	(5 630 897)	(2 471 356)
Interest paid	(259 643)	(112 424)	(325 887)	(209 602)
Payment of liabilities under finance lease agreements	(13 521)	(6 499)	(54 332)	(9 517)
Other	(3 152)	72	594	(269)
Net cash (used in) financing activities	**(2 723 482)**	**(2 369 748)**	**(730 194)**	**(903 965)**
Net change in cash and cash equivalents	**(796 333)**	**(283 274)**	**(218 230)**	**(691 073)**
Effect of exchange rate changes	192	776	(647)	(10 448)
Cash and cash equivalents, beginning of the period	**2 941 039**	**2 427 396**	**1 344 224**	**1 826 868**
Cash and cash equivalents, end of the period	**2 144 898**	**2 144 898**	**1 125 347**	**1 125 347**
incl. cash and cash equivalents not available for use	111 870	111 870	30 604	30 604

The accompanying notes disclosed on pages 8 -16 are an integral part of the foregoing half-year 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	-	(171 187)	420 362	587 866	837 041	143 072	980 113
Dividends	-	-	-	-	-	(9 540)	(9 540)
30 June 2010	**2 284 888**	**(156 338)**	**153 573**	**17 592 821**	**19 874 944**	**2 802 840**	**22 677 784**
(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	-	57 832	435 988	75 792	569 612	230 792	800 404
Change in non-controlling interest's structure in equity	-	-	-	(9 524)	(9 524)	(16 236)	(25 760)
Dividends	-	-	-	-	-	(10 755)	(10 755)
30 June 2009	**2 284 888**	**(41 961)**	**359 196**	**15 771 056**	**18 373 179**	**2 922 357**	**21 295 536**
(unaudited)							

The accompanying notes disclosed on pages 8 -16 are an integral part of the foregoing half-year condensed consolidated financial statements.

Explanatory notes to half- year condensed consolidated financial statements

1. Information on principles adopted for the preparation of the half-year condensed consolidated financial statements for the I half of 2010

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed consolidated financial statements („financial statements") were prepared in accordance with 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 30 June 2010 and 31 December 2009, financial results and cash flows for the period of 6 and 3 months ended 30 June 2010 and 30 June 2009.

These half-year condensed consolidated financial statements reflect true and fair view on financial status and financial result of the Group as at 30 June 2010 and 31 December 2009, financial results and cash flows for the period of 6 and 3 months ended 30 June 2010 and 30 June 2009.

The foregoing half-year 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 condensed half-year consolidated financial statements there is no evidence indicating that the Group will not be able to continue its operations as a going concern.

The foregoing half-year condensed consolidated financial statements, except for the statement of cash flows, were prepared using the accrual basis of accounting.

1.2. Statement of the Management Board

1.2.1. Concerning reliability of preparation of the half-year condensed consolidated financial statements

Under the Minister of Finance Regulation of 19 February 2009 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 half-year condensed consolidated financial statements and comparative data were prepared in compliance with the Group accounting principles in force and that they reflect true and fair view on financial status and financial result of the Group and that the Management Board Report on the operations of the Group presents true overview of development, achievements and business situation of the Group, including basic risks and exposures.

1.2.2. Concerning entity authorized to conduct audit

The Management Board of PKN ORLEN S.A. declares that the entity authorized to audit and conducting the review of the half-year 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.

1.2.3. Applied accounting principles and presentation changes

These half-year 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 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 but not effective as at the date of preparation of these half-year condensed consolidated financial statements in accordance with their effective date. The possible impact of these amendments to IFRSs on the Group's future consolidated financial statements is being analyzed.

Presentation changes

- In segment data relating to consolidated statement of comprehensive income for the period of 6 and 3 months ended 30 June 2009 (disclosed in note 2 to the half-year condensed consolidated financial statements) a reclassification adjustment was made from sales revenues and operating expenses of the refining segment to

sales revenues and to operating expenses of the retail segment in the amount of PLN 554,080 thousand and PLN 322,655 thousand, respectively. The adjustment reflects sales volumes generated through DOFO channel (Dealer Owned Franchise Operated), previously presented in the refining segment.

- In the explanatory note 3.6. „Cost by kind" to the half-year condensed consolidated financial statements for the period of 6 and 3 months ended 30 June 2009 a reclassification of changes in prepayments and accruals was made from line "Change in inventory" to respective cost by kind in the amount of PLN 38,114 thousand and PLN 35,519 thousand, respectively.

- Starting from the I quarter of 2010 the Group recognizes CO2 emission rights granted free of charge as intangible assets and deferred income at the fair value of CO2 emission rights at the date of their receipt.
  The Group recognizes provision for estimated CO2 emissions in the reporting period. The cost of recognized provision is compensated with settlement of deferred income on granted CO2 emission rights in consolidated financial result.
  In the I half of 2010 the Group recognized in the consolidated statement of financial position CO2 emission rights at fair value of PLN 798,702 thousand, created a provision for estimated CO2 emissions in the reporting period in the amount of PLN 323,271 thousand and amortised granted free of charge CO2 emission rights in the amount of PLN 635,351 thousand. As at 30 June 2010 deferred income on granted free of charge emission rights amounted to PLN 405,264 thousand.
  In the financial statements for the previous reporting periods intangible assets were presented net with deferred income and provision for CO2 emissions. The change in presentation had no impact on consolidated statement of comprehensive income for the period of 6 and 3 months ended 30 June 2009, nor on the consolidated statement of financial position as at 31 December 2009, due to the sale of CO2 emissions rights in the IV quarter of 2009.

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

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

a) functional currency and presentation currency

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

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

Financial statements of foreign entities, for consolidation purposes, are translated into PLN using the following methods:

- assets and liabilities of each presented statement of financial position are translated at the closing rate published by the National Bank of Poland at the 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 quarter reporting period.

All resulting exchange differences are recognized in equity, as foreign exchange differences on consolidation.

CURRENCY	average currency rate for the 3-month period		currency rate at the end of the period	
	30/06/2010	30/06/2009	30/06/2010	31/12/2009
PLN/EUR	4.0416	4.4374	4.1458	4.1082
PLN/USD	3.2128	3.2135	3.3946	2.8503
PLN/CZK	0.1580	0.1680	0.1609	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 wholesale of petrochemicals as well as production and sales of chemicals
- Corporate Functions.

The allocation of companies of the PKN ORLEN S.A. Capital Group to operating segments is presented in note C.2. of the Management Board Report on the Operations.

Revenues, expenses and financial result by operating segments

for 6 months ended 30 June 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	20 654 539	12 570 636	5 235 164	50 160	-	38 510 499
Transactions with other segments	8 572 732	56 231	1 240 433	97 524	(9 966 920)	-
Total sales revenues	29 227 271	12 626 867	6 475 597	147 684	(9 966 920)	38 510 499
Total operating expenses	(27 823 133)	(12 352 110)	(6 355 037)	(437 803)	9 966 920	(37 001 163)
Other operating revenues	56 284	74 382	127 972	31 997	(131)	290 504
Other operating expenses	(51 069)	(57 807)	(21 491)	(82 318)	131	(212 554)
Segment result	**1 409 353**	**291 332**	**227 041**	**(340 440)**	**-**	**1 587 286**
Financial revenues						308 358
Financial expenses						(1 111 912)
Share in profit from investments accounted for under equity method	539	-	311	124 294	-	125 144
Profit before tax						**908 876**
Income tax expense						(255 788)
Net profit						**653 088**

for 3 months ended 30 June 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	11 388 525	7 011 391	2 637 318	31 190	-	21 068 424
Transactions with other segments	4 455 368	29 491	564 139	51 290	(5 100 288)	-
Total sales revenues	15 843 893	7 040 882	3 201 457	82 480	(5 100 288)	21 068 424
Total operating expenses	(14 851 431)	(6 846 393)	(3 165 146)	(226 710)	5 100 281	(19 989 399)
Other operating revenues	28 546	43 483	102 446	14 211	(118)	188 568
Other operating expenses	(37 870)	(22 107)	(16 795)	(67 836)	118	(144 490)
Segment result	**983 138**	**215 865**	**121 962**	**(197 855)**	**(7)**	**1 123 103**
Financial revenues						(210 007)
Financial expenses						(881 374)
Share in profit from investments accounted for under equity method	729	-	370	84 731	-	85 830
Profit before tax						**117 552**
Income tax expense						(74 060)
Net profit						**43 492**

Revenues, expenses and financial result by operating segments, continued

for 6 months ended 30 June 2009

	Refining Segment (restated data, unaudited)	Retail Segment (restated data, unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	16 186 932	11 045 899	4 204 086	35 019	-	31 471 936
Transactions with other segments	6 485 747	27 958	1 950 362	97 749	(8 561 816)	-
Total sales revenues	22 672 679	11 073 857	6 154 448	132 768	(8 561 816)	31 471 936
Total operating expenses	(22 122 858)	(10 748 196)	(6 411 391)	(431 816)	8 561 816	(31 152 445)
Other operating revenues	172 463	47 289	39 410	76 011	(47)	335 126
Other operating expenses	(68 489)	(62 632)	(26 537)	(156 586)	47	(314 197)
Segment result	**653 795**	**310 318**	**(244 070)**	**(379 623)**	**-**	**340 420**
Financial revenues						462 116
Financial expenses						(884 600)
Share in profit from investments accounted for under equity method	1 004	-	152	144 360	-	145 516
Profit before tax						**63 452**
Income tax expense						13 293
Net profit						**76 745**

for 3 months ended 30 June 2009

	Refining Segment (restated data, unaudited)	Retail Segment (restated data, unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	8 512 211	6 088 522	2 154 122	15 224	-	16 770 079
Transactions with other segments	3 596 824	14 785	1 046 691	52 571	(4 710 871)	-
Total sales revenues	12 109 035	6 103 307	3 200 813	67 795	(4 710 871)	16 770 079
Total operating expenses	(11 422 746)	(5 890 925)	(3 363 021)	(198 053)	4 710 863	(16 163 882)
Other operating revenues	132 356	29 582	11 473	36 534	(47)	209 898
Other operating expenses	(49 040)	(18 978)	(20 925)	(66 292)	47	(155 188)
Segment result	**769 605**	**222 986**	**(171 660)**	**(160 016)**	**(8)**	**660 907**
Financial revenues						743 245
Financial expenses						(162 331)
Share in profit from investments accounted for under equity method	338	-	191	92 403	-	92 932
Profit before tax						**1 334 753**
Income tax expense						(166 268)
Net profit						**1 168 485**

Assets by operating segments

	as at 30/06/2010 (unaudited)	as at 31/12/2009
Refining Segment	28 766 957	26 447 353
Retail Segment	5 699 102	5 416 802
Petrochemical Segment	13 269 628	12 265 878
Total segment assets	**47 735 687**	**44 130 033**
Corporate Functions	4 694 243	5 492 775
Adjustments	(324 775)	(462 433)
	52 105 155	**49 160 375**

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Property, plant and equipment				
Increase	(28 928)	(6 525)	(75 052)	(56 534)
Decrease	39 214	14 317	129 911	100 437
Intangible assets				
Increase	(277)	(146)	(2 991)	(2 991)
Decrease	401	29	9 454	8 879
Financial assets available for sale				
Increase	(7)	(2)	(45)	-
Decrease	1 008	938	364	-
Receivables				
Increase	(48 850)	(25 769)	(78 676)	(47 008)
Decrease	28 954	17 373	46 849	24 227
Inventory				
Increase	(138 112)	(57 885)	(59 026)	(5 132)
Decrease	148 491	64 367	40 896	18 471
Non-current assets held for sale				
Increase	(9 463)	(7 557)	(595)	(595)
Decrease	3 312	3 108	74	74

3.2. Short-term financial assets

	as at 30/06/2010 (unaudited)	as at 31/12/2009
Acquired bonds	64 502	55 852
Derivatives recognized in financial assets designated as hedging instruments- hedge	70 322	81 666
Financial assets at fair value through profit and loss	33 064	43 208
Loans and receivables	4 560	32
Available for sale	217	247
	172 665	**181 005**

3.3. Provisions

	long-term		short-term	
	as at 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009
Environmental provision	327 308	335 263	33 281	37 365
Jubilee and retirement benefits provision	230 675	229 831	31 004	31 700
Business risk provision	56 487	63 917	82 486	78 256
Shield programmes provision	-	-	45 922	51 369
Provision for estimated emission of CO_2	-	-	321 031	588 869
Other	33 339	32 910	146 525	59 558
	647 809	**661 921**	**660 249**	**847 117**

The increase in other provisions is mainly a result of liability connected with antitrust proceeding carried out by OCCP (Office of Competition and Consumer Protection) - detailed description is enclosed in note 7f of the Management Board Report on the Operations.

3.4. Interest – bearing loans and borrowings

	long-term		short-term	
	as at 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009
Bank loans and borrowings	8 096 702	10 475 021	2 604 973	1 555 657
Debt securities	1 155 231	1 135 511	40 126	38 038
	9 251 933	**11 610 532**	**2 645 099**	**1 593 695**

3.5. Sales revenues

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Revenues from sale of finished goods	29 554 716	16 564 917	23 627 844	12 599 091
Revenues from sale of merchandise and raw materials	8 955 783	4 503 507	7 844 092	4 170 988
	38 510 499	**21 068 424**	**31 471 936**	**16 770 079**

3.6. Operating expenses

Cost of sales

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Cost of finished goods sold	(26 128 079)	(14 473 942)	(21 623 485)	(11 159 344)
Cost of merchandise and raw materials sold	(8 542 486)	(4 301 467)	(7 051 967)	(3 784 481)
	(34 670 565)	**(18 775 409)**	**(28 675 452)**	**(14 943 825)**

Cost by kind

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (restated data unaudited)	for 3 months ended 30/06/2009 (restated data, unaudited)
Materials and energy	(24 371 069)	(13 364 971)	(19 626 531)	(10 076 561)
Cost of merchandise and materials sold	(8 542 486)	(4 301 467)	(7 051 967)	(3 784 481)
External services	(1 784 866)	(968 084)	(1 901 198)	(955 919)
Payroll, social security and other employee benefits	(982 021)	(511 475)	(1 028 140)	(526 625)
Depreciation and amortisation	(1 212 985)	(612 366)	(1 307 757)	(656 349)
Taxes and charges	(209 903)	(101 020)	(226 582)	(108 499)
Other	(376 795)	(230 156)	(500 248)	(236 683)
	(37 480 125)	**(20 089 539)**	**(31 642 423)**	**(16 345 117)**
Change in inventory	199 297	(71 971)	136 616	24 171
Cost of products and services for own use	67 111	27 621	39 165	1 876
Operating expenses	**(37 213 717)**	**(20 133 889)**	**(31 466 642)**	**(16 319 070)**
Distribution expenses	1 661 557	864 821	1 730 674	855 249
General and administrative expenses	669 041	349 169	746 319	364 808
Other operating expenses	212 554	144 490	314 197	155 188
Cost of sales	**(34 670 565)**	**(18 775 409)**	**(28 675 452)**	**(14 943 825)**

3.7. Other operating revenues and expenses

Other operating revenues

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Profit on sale of non-financial non-current assets	52 778	40 055	28 075	7 397
Reversal of provisions	23 667	11 650	22 251	8 806
Reversal of receivables impairment allowances	22 598	14 293	40 392	20 371
Reversal of impairment allowances of property, plant and equipment and intangible assets	32 674	9 253	138 674	108 434
Penalties and compensations earned	34 216	19 259	27 693	14 139
Grants	63 619	62 108	3 492	1 506
Inventory count surpluses	7 672	5 513	3 858	1 630
Due to tax authorities decision	624	624	14 129	14 129
Other	52 656	25 813	56 562	33 486
	290 504	**188 568**	**335 126**	**209 898**

Other operating revenues on received grants for the 6 and 3 months period ended 30 June 2010 concerned mainly reduction of nitrous suboxides emission on Nitric Acid Installation in Anwil S.A.

Other operating expenses

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Loss on sale of non-financial non-current assets	(14 231)	(9 606)	(19 621)	(3 171)
Recognition of provisions	(74 575)	(71 304)	(82 452)	(9 285)
Receivables impairment allowances	(41 897)	(22 358)	(67 758)	(43 849)
Impairment allowances of property, plant and equipment and intangible assets	(29 205)	(6 671)	(78 043)	(59 743)
Liquidations and nonculpable shortages of current assets	(24 407)	(13 554)	(10 509)	(4 457)
Costs and losses on removal of damages	(7 484)	(4 667)	(9 933)	(5 763)
Other	(20 755)	(16 330)	(45 881)	(28 920)
	(212 554)	**(144 490)**	**(314 197)**	**(155 188)**

3.8. Financial revenues and expenses

Financial revenues

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Interest received	37 496	19 510	40 426	14 740
Foreign exchange gain	129 050	-	114 444	618 620
Settlement and valuation of financial instruments	128 478	50 909	296 541	105 045
Decrease in receivables impairment allowances	6 356	3 080	6 457	3 863
Reversal of investment impairment allowances	1 008	938	364	-
Other	5 970	4 979	3 884	977
	308 358	**79 416**	**462 116**	**743 245**

Financial expenses

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Interest expense	(212 836)	(94 773)	(202 678)	(109 768)
Foreign exchange loss	(827 946)	(1 040 783)	(337 566)	-
Settlement and valuation of financial instruments	(43 834)	(22 944)	(313 953)	(41 087)
Increase in receivables impairment allowances	(6 953)	(3 411)	(10 921)	(4 355)
Investment impairment allowances	(38)	(33)	(77)	(32)
Other	(20 305)	(8 853)	(19 405)	(7 089)
	(1 111 912)	**(1 170 797)**	**(884 600)**	**(162 331)**

Borrowing costs capitalized in the 6-month period ended 30 June 2010 and 6-month period ended 30 June 2009 amounted to PLN 82,807 thousand and PLN 51,153 thousand, respectively. Borrowing costs capitalized in the 3-month period ended 30 June 2010 and 3-month period ended 30 June 2009 amounted to PLN 40,168 thousand and 32,579 thousand, respectively.

3.9. Income tax expense

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Current tax	(187 686)	(117 636)	(76 947)	(41 116)
Deffered tax	(68 102)	43 576	90 240	(125 152)
	(255 788)	**(74 060)**	**13 293**	**(166 268)**

Change in deferred tax include effect of tax value revaluation of non-monetary assets of Orlen Lietuva due to changes in LIT/USD exchange rates. Consequently, deferred tax charge increased in the period of 6 and 3 months ended 30 June 2010 by PLN 110,257 thousand and PLN 66,219 thousand, respectively.

3.10. Finance lease

As at 30 June 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 June 2010 and 31 December 2009 were as follows:

	as at 30/06/2010 (unaudited)	as at 31/12/2009
Up to 1 year	26 444	26 969
Between 1 and 5 years	45 238	52 668
Above 5 years	27 173	27 539
	98 855	**107 176**

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

	as at 30/06/2010 (unaudited)	as at 31/12/2009
Up to 1 year	24 124	23 831
Between 1 and 5 years	39 084	43 197
Above 5 years	17 358	18 163
	80 566	**85 191**

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

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

3.12. Future liabilities resulting from signed investment contracts

As at 30 June 2010 and 31 December 2009 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 984,280 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 half-year condensed consolidated financial statements, there were only issues of short-term bonds for the Group entities to optimize liquidity management in the PKN ORLEN S.A. 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 assets and liabilities

Contingent liabilities

	as at 31/12/2009	increase/ (decrease)	as at 30/06/2010 (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 Anwil accomplished the investment in Nitric Acid Installation reducing nitrous suboxides emission, that according to binding regulations, gives the company the possibility to obtain emission reduction units (ERU) from the investment launch date. Having received necessary opinions and approvals of external authorities, the Group

recognized in the statement of comprehensive income for the period of 3 months ended 30 June 2010 revenues in the amount of PLN 46,167 thousand due to the above described rights for years 2008-2009.

Additionally, the Management Board estimated that the amount of ERU units, that may be granted for the period of the I half of 2010 amounts to approximately ERU 550 thousand units. The value of 1 ERU unit as at 30 June 2010 is estimated at approximately EUR 13 (based on CER- Certified Emission Reduction quotations). The value of this grant was not recognized in the statement of comprehensive income due to lack of fulfillment of all requirements until the reporting day.

3.16. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2010 and 31 December 2009 amounted to PLN 1,496,112 thousand and PLN 1,289,169 thousand, respectively.
Guarantees granted as at 30 June 2010 and 31 December 2009 amounted to PLN 141,660 thousand and PLN 224,765 thousand, respectively.

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

There were no significant events after the reporting date which were not presented in the half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS OF PKN ORLEN S.A. FOR THE PERIOD ENDED 30 JUNE 2010 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

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

Unconsolidated statement of financial position

	Note	as at 30/06/2010 (unaudited)	as at 31/12/2009
ASSETS			
Non-current assets			
Property, plant and equipment		11 749 171	11 080 017
Intangible assets		171 234	128 732
Perpetual usufruct of land		91 410	90 209
Shares in related parties		11 267 759	11 265 309
Financial assets available for sale		32 229	32 078
Deferred tax assets		459 218	286 421
Non-current loans and receivables		193 950	123 930
		23 964 971	**23 006 696**
Current assets			
Inventory		7 542 044	7 298 656
Trade and other receivables		5 924 175	4 497 790
Short-term financial assets		181 299	127 925
Income tax receivable		1 107	1 105
Prepayments		97 651	109 145
Cash and cash equivalents		959 702	1 964 403
Non-current assets held for sale		8 038	10 631
		14 714 016	**14 009 655**
Total assets		**38 678 987**	**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		(156 336)	14 850
Retained earnings		15 053 515	14 833 160
Total equity		**17 182 067**	**17 132 898**
LIABILITIES			
Long-term liabilities			
Interest-bearing loans	3.3.	7 694 349	9 971 765
Provisions	3.2.	347 991	348 195
Other long-term liabilities		47 223	48 742
		8 089 563	**10 368 702**
Short-term liabilities			
Trade and other liabilities		10 674 265	8 195 604
Interest-bearing loans	3.3.	1 714 684	547 261
Income tax liability		19 592	5 951
Provisions	3.2.	348 526	471 257
Deferred income		265 355	67 070
Other financial liabilities		384 935	227 608
		13 407 357	**9 514 751**
Total liabilities		**21 496 920**	**19 883 453**
Total liabilities and shareholders' equity		**38 678 987**	**37 016 351**

The accompanying notes disclosed on pages 21-26 are an integral part of the foregoing half-year condensed unconsolidated financial statements.

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2010
Half-year condensed unconsolidated financial statements
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

Unconsolidated statement of comprehensive income

	Note	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Sales revenues	3.4.	28 031 754	15 248 440	21 093 212	11 584 994
Cost of sales	3.5.	(25 486 012)	(13 740 842)	(19 774 096)	(10 565 336)
Gross profit on sales		**2 545 742**	**1 507 598**	**1 319 116**	**1 019 658**
Distribution expenses		(896 049)	(453 772)	(867 304)	(424 930)
General and administrative expenses		(288 598)	(153 714)	(325 753)	(162 863)
Other operating revenues		106 242	55 052	107 957	71 855
Other operating expenses		(142 521)	(111 918)	(207 266)	(83 216)
Profit from operations		**1 324 816**	**843 246**	**26 750**	**420 504**
Financial revenues	3.6.	363 894	288 667	754 411	1 606 991
Financial expenses	3.6.	(1 462 930)	(1 671 819)	(819 915)	(113 254)
Financial revenues and expenses		**(1 099 036)**	**(1 383 152)**	**(65 504)**	**1 493 737**
Profit/(Loss) before tax		**225 780**	**(539 906)**	**(38 754)**	**1 914 241**
Income tax expense		(5 425)	142 197	62 373	(291 357)
Net profit/(loss)		**220 355**	**(397 709)**	**23 619**	**1 622 884**
Items of other comprehensive income:					
Hedging instruments valuation		(241 933)	(192 737)	(12 353)	114 005
Hedging instruments settlement		30 591	1 920	84 361	40 740
Deferred tax on other comprehensive income		40 156	36 256	(13 682)	(29 402)
Total items of other comprehensive income		**(171 186)**	**(154 561)**	**58 326**	**125 343**
Total comprehensive income		**49 169**	**(552 270)**	**81 945**	**1 748 227**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)		0.52	(0.93)	0.06	3.79

The accompanying notes disclosed on pages 21-26 are an integral part of the foregoing half-year condensed unconsolidated financial statements.

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2010
Half-year condensed unconsolidated financial statements
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

Unconsolidated statement of cash flows

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Cash flows - operating activities				
Net profit	**220 355**	**(397 709)**	**23 619**	**1 622 884**
Adjustments for:				
Depreciaton and amortisation	433 207	212 554	473 617	234 543
Foreign exchange loss/(gain)	802 258	1 065 388	565 353	(809 812)
Interest and dividend, net	(112 769)	(196 224)	(305 375)	(359 810)
(Profit)/Loss on investing activities	(9 983)	(18 628)	40 240	16 863
Change in receivables	(1 359 873)	(1 590 417)	(1 027 054)	(865 235)
Change in inventories	(243 388)	(619 450)	(744 328)	(1 189 566)
Change in liabilities	2 257 159	2 881 278	2 765 703	2 597 109
Change in provisions	217 168	159 688	(433 283)	(490 666)
Income tax expense	5 425	(142 197)	(62 373)	291 357
Income tax (paid)/received	(124 427)	(105 866)	244 000	17 288
Other adjustments	(192 619)	(72 473)	10 184	(18 548)
Net cash provided by operating activities	**1 892 513**	**1 175 944**	**1 550 303**	**1 046 407**
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(772 973)	(363 220)	(1 039 539)	(499 788)
Disposal of property, plant and equipment and intangible assets	36 795	25 810	10 884	8 673
Acquisition of shares	-	-	(998 721)	(998 721)
Additional payments to subsidiaries' equity	(2 450)	-	-	-
Proceeds from the sale of short-term securities	1 000	-	5 000	4 000
Interest and dividend received	118 236	117 397	127 353	126 274
Additional repayable payments to subsidiaries' equity	(70 042)	(14 497)	(6 510)	-
Proceeds from additional repayable payments to subsidiaries' equity	3 500	-	11 000	7 000
Proceeds from cash pool facility	-	21 639	-	-
Outflows from cash pool facility	(65 804)	-	(24 003)	(13 724)
Other	(3 759)	(871)	(5 371)	(1 412)
Net cash (used in) investing activities	**(755 497)**	**(213 742)**	**(1 919 907)**	**(1 367 698)**
Cash flows - financing activities				
Proceeds from loans	3 067 997	1 390 895	1 829 950	321 947
Debt securities issued	3 599 979	2 180 294	1 974 361	1 328 769
Repayment of loans	(5 197 037)	(2 780 558)	(1 749 201)	(637 245)
Redemption of debt securities	(3 385 872)	(2 266 460)	(1 654 587)	(1 160 217)
Interest paid	(203 304)	(84 900)	(247 842)	(170 931)
Payment of liabilities under finance lease agreements	(1 362)	(644)	(545)	(310)
Proceeds from cash pool facility	-	53 401	63 173	1 389
Outflows from cash pool facility	(22 279)	-	-	-
Net cash (used in)/provided by financing activities	**(2 141 878)**	**(1 507 972)**	**215 309**	**(316 598)**
Net change in cash and cash equivalents	**(1 004 862)**	**(545 770)**	**(154 295)**	**(637 889)**
Effect of exchange rate changes	161	734	(982)	(10 712)
Cash and cash equivalents, beginning of the period	**1 964 403**	**1 504 738**	**442 938**	**936 262**
Cash and cash equivalents, end of the period	**959 702**	**959 702**	**287 661**	**287 661**

The accompanying notes disclosed on pages 21-26 are an integral part of the foregoing half-year condensed unconsolidated financial statements.

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	-	(171 186)	220 355	49 169
30 June 2010	**2 284 888**	**(156 336)**	**15 053 515**	**17 182 067**
(unaudited)				
1 January 2009	2 284 888	(100 287)	13 197 275	15 381 876
Total comprehensive income	-	58 326	23 619	81 945
30 June 2009	**2 284 888**	**(41 961)**	**13 220 894**	**15 463 821**
(unaudited)				

The accompanying notes disclosed on pages 21-26 are an integral part of the foregoing half-year condensed unconsolidated financial statements.

Explanatory notes to half-year condensed unconsolidated financial statements

1. Information on principles adopted for the preparation of the half-year condensed unconsolidated financial statements for the I half 2010

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed unconsolidated financial statements („financial statements") were prepared in accordance with 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. ("Company") financial position as at 30 June 2010 and 31 December 2009, financial results and cash flows for the period of 6 and 3 months ended 30 June 2010 and 30 June 2009.

These half-year condensed unconsolidated financial statements reflect true and fair view on financial status and financial result of the Company as at 30 June 2010 and 31 December 2009, financial results and cash flows for the period of 6 and 3 months ended 30 June 2010 and 30 June 2009.

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

The foregoing half year condensed unconsolidated financial statements, except for the statement of cash flows, were prepared using the accrual basis of accounting.

1.2. Statement of the Management Board

1.2.1. Concerning reliability of preparation of half-year condensed unconsolidated financial statements

Under the Minister of Finance Regulation of 19 February 2009 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 half-year condensed unconsolidated financial statements and comparative data were prepared in compliance with the Company's accounting principles in force and that they reflect true and fair view on financial status and financial result of the Company.

1.2.2. Concerning entity authorized to conduct audit

The Management Board of PKN ORLEN S.A. declares that the entity authorized to audit and conducting the review of the half-year condensed unconsolidated 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.

1.2.3. Applied accounting principles and presentation changes

These half-year condensed unconsolidated financial statements were prepared according to principles described in PKN ORLEN S.A.'s unconsolidated 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 financial results and equity.

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

Presentation changes

- In segment data relating to unconsolidated statement of comprehensive income for the period of 6 and 3 months ended 30 June 2009 (disclosed in note 2 to the half-year condensed unconsolidated financial statements) a reclassification adjustment was made from sales revenues and operating expenses of the refining segment to sales revenues and operating expenses of the retail segment in the amount of PLN 554,080 thousand and PLN 322,655 thousand, respectively. The adjustment reflects sales volumes generated through DOFO channel (Dealer Owned Franchise Operated), previously presented in the refining segment.
- In the explanatory note 3.5. „Cost by kind" to the half-year condensed unconsolidated financial statements for the period of 6 and 3 months ended 30 June 2009 a reclassification of changes in prepayments and accruals was made from line "Change in inventory" to respective cost by kind in the amount of PLN 49,995 thousand and PLN 47,400 thousand, respectively.
- Starting from the I quarter of 2010 the Company recognizes CO2 emission rights granted free of charge as intangible assets and deferred income at the fair value of CO2 emission rights at the date of their receipt. The Company recognizes provision for estimated CO2 emissions in the reporting period. The cost of recognized provision is compensated with settlement of deferred income on granted CO2 emission rights in unconsolidated financial result.
  In the I half of 2010 the Company recognized in the unconsolidated statement of financial position CO_2 emission rights at fair value of PLN 373,432 thousand, created a provision for estimated CO_2 emissions in the reporting period in the amount of PLN 172,806 thousand and amortised granted free of charge CO_2 emission rights in the amount of PLN 344,105 thousand. As at 30 June 2010 deferred income on granted free of charge emission rights amounted to PLN 197,472 thousand.
  In the financial statements for the previous reporting periods intangible assets were presented net with deferred income and provision for CO_2 emissions. The change in presentation had no impact on unconsolidated statement of comprehensive income for the period of 6 and 3 months ended 30 June 2009, nor on the unconsolidated statement of financial position as at 31 December 2009, due to the sale of CO_2 emission rights in the IV quarter of 2009.

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

2. Segment data

The Company'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 wholesale of petrochemicals
– Corporate Functions.

Revenues, expenses and financial result by operating segments

for 6 months ended 30 June 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	19 880 234	6 356 285	1 770 700	24 535	-	28 031 754
Transactions with other segments	17 283 163	-	2 794 501	32 511	(20 110 175)	-
Total sales revenues	37 163 397	6 356 285	4 565 201	57 046	(20 110 175)	28 031 754
Total operating expenses	(35 879 638)	(6 135 516)	(4 469 334)	(296 346)	20 110 175	(26 670 659)
Other operating revenues	8 506	58 136	11 654	27 946	-	106 242
Other operating expenses	(10 825)	(50 834)	(2 141)	(78 721)	-	(142 521)
Segment result	**1 281 440**	**228 071**	**105 380**	**(290 075)**	**-**	**1 324 816**
Financial revenues						363 894
Financial expenses						(1 462 930)
Profit before tax						**225 780**
Income tax expense						(5 425)
Net profit						**220 355**

Revenues, expenses and financial result by operating segments, continued

for 3 months ended 30 June 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	10 905 629	3 606 946	721 637	14 228	-	15 248 440
Transactions with other segments	9 301 271	-	1 199 571	16 227	(10 517 069)	-
Total sales revenues	20 206 900	3 606 946	1 921 208	30 455	(10 517 069)	15 248 440
Total operating expenses	(19 360 371)	(3 455 045)	(1 896 073)	(153 908)	10 517 069	(14 348 328)
Other operating revenues	7 749	34 417	740	12 146	-	55 052
Other operating expenses	(22 468)	(18 274)	(5 493)	(65 683)	-	(111 918)
Segment result	**831 810**	**168 044**	**20 382**	**(176 990)**	**-**	**843 246**
Financial revenues						288 667
Financial expenses						(1 671 819)
(Loss) before tax						**(539 906)**
Income tax expense						142 197
Net (loss)						**(397 709)**

for 6 months ended 30 June 2009

	Refining Segment (restored data, unaudited)	Retail Segment (restored data, unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	14 867 948	5 104 011	1 091 895	29 358	-	21 093 212
Transactions with other segments	13 557 072	-	2 126 935	22 569	(15 706 576)	-
Total sales revenues	28 425 020	5 104 011	3 218 830	51 927	(15 706 576)	21 093 212
Total operating expenses	(28 017 126)	(4 857 082)	(3 514 897)	(284 624)	15 706 576	(20 967 153)
Other operating revenues	9 988	27 310	1 659	69 000	-	107 957
Other operating expenses	(1 685)	(47 860)	(8 519)	(149 202)	-	(207 266)
Segment result	**416 197**	**226 379**	**(302 927)**	**(312 899)**	**-**	**26 750**
Financial revenues						754 411
Financial expenses						(819 915)
(Loss) before tax						**(38 754)**
Income tax expense						62 373
Net profit						**23 619**

for 3 months ended 30 June 2009

	Refining Segment (restored data, unaudited)	Retail Segment (restored data, unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	8 099 030	2 911 283	558 911	15 770	-	11 584 994
Transactions with other segments	7 388 807	-	1 125 875	11 370	(8 526 052)	-
Total sales revenues	15 487 837	2 911 283	1 684 786	27 140	(8 526 052)	11 584 994
Total operating expenses	(14 975 599)	(2 759 956)	(1 805 951)	(137 675)	8 526 052	(11 153 129)
Other operating revenues	8 206	18 248	1 497	43 904	-	71 855
Other operating expenses	(1 280)	(10 059)	(8 514)	(63 363)	-	(83 216)
Segment result	**519 164**	**159 516**	**(128 182)**	**(129 994)**	**-**	**420 504**
Financial revenues						1 606 991
Financial expenses						(113 254)
Profit before tax						**1 914 241**
Income tax expense						(291 357)
Net profit						**1 622 884**

Assets by operating segments

	as at 30/06/2010 (unaudited)	as at 31/12/2009
Refining Segment	16 244 663	14 740 047
Retail Segment	3 259 457	3 199 077
Petrochemical Segment	5 511 073	4 642 808
Total segment assets	**25 015 193**	**22 581 932**
Corporate Functions	13 663 794	14 434 419
	38 678 987	**37 016 351**

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Property, plant and equipment				
Increase	(26 588)	(5 245)	(37 831)	(19 851)
Decrease	29 835	8 340	10 892	4 456
Intangible assets				
Increase	-	-	(2 991)	(2 991)
Decrease	-	-	-	-
Financial assets available for sale				
Increase	(7)	(2)	(45)	-
Decrease	1 008	938	-	-
Receivables				
Increase	(18 590)	(6 203)	(57 633)	(34 066)
Decrease	23 541	14 737	54 538	37 429
Inventory				
Increase	(18 475)	(14 778)	(5 909)	(1 211)
Decrease	(1 541)	517	11 906	4 896
Non-current assets held for sale				
Increase	-	-	-	-
Decrease	-	-	31	31

3.2. Provisions

	long-term		short-term	
	as at 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009
Environmental provision	232 597	232 801	20 789	24 391
Jubilee and retirement benefits provision	112 221	112 221	17 843	17 843
Business risk provision	3 173	3 173	25 548	26 073
Shield programmes provision	-	-	43 052	46 216
Provision for estimated emission of CO2	-	-	172 806	340 103
Other	-	-	68 488	16 631
	347 991	**348 195**	**348 526**	**471 257**

The increase in other provisions is mainly a result of liability connected with antitrust proceeding carried out by OCCP- detailed description is enclosed in note 7f of the Management Board Report on the Operations.

3.3. Interest- bearing loans and borrowings

	long-term		short-term	
	as at 30/06/2010	as at 31/12/2009	as at 30/06/2010	as at 31/12/2009
Bank loans and borrowings	6 933 038	9 209 678	1 322 810	376 987
Debt securities	761 311	762 087	391 874	170 274
	7 694 349	**9 971 765**	**1 714 684**	**547 261**

3.4. Sales revenues

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Revenues from sale of finished goods	15 187 732	8 112 771	11 868 812	6 372 734
Revenues from sale of merchandise and raw materials	12 844 022	7 135 669	9 224 400	5 212 260
	28 031 754	**15 248 440**	**21 093 212**	**11 584 994**

3.5. Operating expenses

Cost of sales

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Cost of finished goods sold	(12 897 534)	(6 737 825)	(10 812 246)	(5 517 118)
Cost of merchandise and raw materials sold	(12 588 478)	(7 003 017)	(8 961 850)	(5 048 218)
	(25 486 012)	**(13 740 842)**	**(19 774 096)**	**(10 565 336)**

Cost by kind

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (restated data, unaudited)	for 3 months ended 30/06/2009 (restated data, unaudited)
Materials and energy	(12 711 892)	(6 649 875)	(10 356 260)	(5 385 944)
Cost of merchandise and materials sold	(12 588 478)	(7 003 017)	(8 961 850)	(5 048 217)
External services	(889 523)	(470 825)	(913 099)	(446 897)
Payroll, social security and other employee benefits	(291 025)	(153 638)	(303 572)	(159 516)
Depreciation and amortisation	(433 207)	(212 554)	(473 617)	(234 543)
Taxes and charges	(146 615)	(71 859)	(140 085)	(71 352)
Other	(207 603)	(146 051)	(268 493)	(116 675)
	(27 268 343)	**(14 707 819)**	**(21 416 976)**	**(11 463 144)**
Change in inventory	396 082	238 186	218 706	227 060
Cost of products and services for own use	59 081	9 387	23 851	(261)
Operating expenses	**(26 813 180)**	**(14 460 246)**	**(21 174 419)**	**(11 236 345)**
Distribution expenses	896 049	453 772	867 304	424 930
General and administrative expenses	288 598	153 714	325 753	162 863
Other operating expenses	142 521	111 918	207 266	83 216
Cost of sales	**(25 486 012)**	**(13 740 842)**	**(19 774 096)**	**(10 565 336)**

3.6. Financial revenues and expenses

Financial revenues

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Interest received	21 010	9 730	23 995	7 184
Foreign exchange gain	-	-	-	1 051 839
Dividends	260 456	260 456	440 485	440 485
Profit from sale of shares and other securities	76	-	129	129
Reversal of investment impairment allowance	1 008	938	-	-
Decrease in receivables impairment allowances	5 147	2 770	5 036	3 154
Settlement and valuation of financial instruments	73 949	13 134	283 948	103 936
Other	2 248	1 639	818	264
	363 894	**288 667**	**754 411**	**1 606 991**

Financial expenses

	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2009 (unaudited)	for 3 months ended 30/06/2009 (unaudited)
Interest expense	(154 567)	(67 707)	(138 437)	(82 596)
Foreign exchange loss	(1 267 149)	(1 588 988)	(392 218)	-
Investment impairment allowances	(7)	(2)	(45)	-
Increase in receivables impairment allowances	(2 407)	(314)	(7 564)	(2 992)
Settlement and valuation of financial instruments	(31 646)	(13 579)	(272 217)	(25 508)
Other	(7 154)	(1 229)	(9 434)	(2 158)
	(1 462 930)	**(1 671 819)**	**(819 915)**	**(113 254)**

Borrowing costs capitalized in the 6-month period ended 30 June 2010 and in the 6-month period ended 30 June 2009 amounted to PLN 79,088 thousand and PLN 32,411 thousand, respectively. Borrowing costs capitalized in the 3-month period ended 30 June 2010 and 3-month period ended 30 June 2009 amounted to PLN 37,974 thousand and 20,127 thousand, respectively.

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

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

3.8. Future liabilities resulting from signed investment contracts

As at 30 June 2010 and 31 December 2009 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 864,329 thousand and PLN 801,946 thousand, respectively.

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

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

3.10. 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.

3.11. Contingent liabilities

	as at 31/12/2009	increase/ (decrease)	as at 30/06/2010 (unaudited)
Anti-trust proceedings of the OCCP	18 500	-	18 500
Other legal cases	5 653	(150)	5 503
	24 153	**(150)**	**24 003**

3.12. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2010 and 31 December 2009 amounted to PLN 1,117,609 thousand and PLN 852,846 thousand, respectively.
Guarantees as at 30 June 2010 and 31 December 2009 amounted to PLN 124,390 thousand and PLN 112,978 thousand, respectively.

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

There were no significant events after the reporting date which were not presented in the half year condensed unconsolidated financial statements.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE CAPITAL GROUP FOR THE I HALF OF 2010

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

1. Principal activity

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

The principal activity of the Group includes processing of crude oil and manufacturing of wide variety of refinery, petrochemical and chemical products as well as their transport, wholesale and retail 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 consolidated entities belonging to the Capital Groups on lower levels

name of the group	Share of the parent of the particular group in equity	
	30/06/2010	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 consolidated entities belonging to the Capital Groups on lower levels

name of the group	Share of the parent of the particular group in equity	
	30/06/2010	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 6-month period ended 30 June 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. Financial situation

3.1 Capital Group's achievements accompanied by circumstances and events that have a significant impact on the financial results

Sales

In the I half of 2010 revenues from sale of the ORLEN Group amounted PLN 38,510 million and were higher by PLN 7,038 million in comparison to the I half of 2009. The increase in sales value in the I half of 2010 results mainly from the increase of sales of the refining segment by PLN 6,554 million due to higher quotations of main segment products. In comparison to the I half of 2009 gasoline prices increased by 44.9% (y/y), diesel oil prices by 40.4% (y/y), light heating oil prices by o 43.5% (y/y) and Jet A-1 fuel prices by 42.0% (y/y). Revenues from sale of retail segment increased by 14% (y/y), as a result of higher fuel prices and higher sales volume (y/y). Increase in revenues from sale of the petrochemical segment by 5.2% (y/y) is a result of higher sales volume of olefins and polyolefins by 3.2% (y/y) despite repair shutdowns of production installations in PKN ORLEN S.A. and Unipetrol Group, and a result of higher quotations of polyethylene by 33.8% (y/y), polypropylene by 55.5% (y/y), ethylene by 43.4% and propylene by 84.3%. Positive influence of the above factors on revenues from sale of the petrochemical segment was partially compensated with lower sales volume of plastics by (-) 19.6% (y/y) and fertilizers by (-) 13.9% (y/y).

Sales volume of the Group in the I half of 2010 amounted to 16,061 thousand tonnes and was lower by (-) 1.8% in comparison to comparable period of the prior year. Lower level of sales volume is an effect of noticeable decrease in fuel consumption, particularly on the Czech and Lithuanian market and downturns on the fertilizers and plastics market.

Sales volume of the refining segment amounted to 10,420 thousand tonnes and was lower by (-) 2.9% (y/y) in comparison to the I half of 2009. In the refining segment sales volume of gasoline decreased by (-) 10.9% (y/y), sulphur by (-) 7.0% (y/y), diesel oil by (-) 4.5% (y/y), bitumens by (-) 2.4% (y/y) and light heating oil by (-) 1.7% (y/y). Positive trends occurred in respect of Jet A-1 fuel, heavy heating oil and LPG. Their sales volume increased by 16.3% (y/y), 17.2% (y/y) and 5.6% (y/y), respectively.

Sales volume of the retail segment in the I half of 2010 increased by 4.7% (y/y). The following products recorded the highest growth of sales: LPG by 29.1% (y/y) and diesel oil by 8.2% (y/y). In the I half of 2010 sales volume of gasoline decreased by (-) 2.3% (y/y).

In the I half of 2010 sales volume of petrochemical segment decreased by (-) 5.2% (y/y). The following products recorded fall of sales: ammonium nitrate by (-) 52.0% (y/y), toluene by (-) 45.9% (y/y), ortoxylene by (-) 44.0% (y/y), glycol (-) 14,3% (y/y) and polyethylene by (-) 4.5% (y/y). Sale of paraxylene has not been realized in the I half of 2010 due to ongoing works on construction of Paraxylene Installation. Sales of ethylene increased by 19.2% (y/y), butadiene by 16.0% (y/y), benzene by 15.1% (y/y), propylene by 6.3% (y/y) and polypropylene by 1.0% (y/y). On the other hand sales of PVC decreased by (-) 21.5% (y/y) and fertilizers by (-) 13.9% (y/y).

Result from operations

The reported profit from operations of the Group for the I half of 2010, calculated using weighted average method of inventory valuation, amounted to PLN 1,587 million as compared to PLN 340 million in the analogous period of the prior year.

Observed improvement in macroeconomic factors such as differential, refining and petrochemical margins, accompanied by negative influence of exchange rates, contributed to increase in the reported results from operations of the Group in the I half of 2010 by PLN 737 million (y/y) in comparison to analogous period of the prior year.

Crude oil prices trends had a significant influence on change of results for the I half of 2010 in comparison to analogous period of the prior year. The favourable impact of inventory valuation on reported results, being a consequence of upward trends in crude oil prices, was higher by PLN 174 million (y/y) in comparison to the I half of 2009.

Observed decrease in consumption, particularly noticeable in the I quarter of 2010, had a negative impact on sales volume of the Group and consequently decreased Group's reported result from operations by approx. PLN (-) 14 million (y/y).

In the I half of 2010 the following significant repair shutdowns occurred:

- PKN ORLEN S.A. – planned repair shutdown of Reforming V and VI Installations, repair shutdown of HON V and VI Installations as well as Fluid Catalytic Cracking Installation and Olefins II Installation;
- ORLEN Lietuva Group – planned repair shutdown of the refinery;
- Unipetrol Group – planned repair shutdown of Polypropylene Installation, Visbreaking Installation and Hydrocracking Installation;
- Anwil Group – planned repair shutdown of Plastics Complex and emergency shutdown of electrolysis installation in Chlorine and Lye Institute, that is a part of the Complex.

Lower operating expenses in the areas of fixed costs, payroll costs and well as depreciation and amortisation costs increased Group's reported profit from operations by PLN 180 million (y/y).

As compared to the comparable data, profit from operations for the I half of 2010 was also positively influenced by the increase of positive net result on other operating activities by PLN 57 million (y/y). Other operating activities comprise mainly effects of one-off events regarding business risk provisions and impairment allowances of assets.

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

Changes of results of the most significant entities belonging to the Group as compared to results for the I half of 2009 were as follows:

- in PKN ORLEN S.A. profit from operations was higher by PLN 1,298 million (y/y) and amounted to PLN 1,325 million. Reported result of the refining segment increased by PLN 865 million (y/y), mainly as a consequence of positive impact of macroeconomic factors including Ural/Brent differential, model refining margin and exchange rates („macroeconomic factors") and optimization of operating expenses of the segment. Additionally, the impact of changes in crude oil prices on inventory valuation increased segment's profit from operations by PLN 560 million (y/y). Higher profit from operations of the petrochemical segment by PLN 408 million (y/y) was achieved mainly as the effect of increase of petrochemical margins despite lower sales volume due to planned repair shutdown on Olefins Installation. Profit from operations of retail segment achieved slightly higher level in comparison to analogous period of 2009 and amounted to PLN 228 million. Strong market pressure on the level of retail margins was compensated by increase in volumes and realized margins on sale of merchandise and non-fuel services. Costs of corporate functions activities were reduced by PLN 23 million (y/y).
- in the ORLEN Lietuva Group („ORLEN Lietuva") loss from operations increased by PLN (-) 104 million (y/y) and amounted PLN (-) 116 million. The decreased profit from operations of the refining segment by PLN (-) 118 million (y/y) reflects unfavourable influence of changes in crude oil prices on inventory valuation in the amount of PLN (-) 293 million and lower sales volume. The result was favourably influenced by macroeconomic factors and effects of optimization programs, which resulted in reduction of PLN 55 million (y/y) in the area of fixed costs and payroll costs (y/y);
- in the Unipetrol Group („Unipetrol Group") profit from operations increased by PLN 271 million (y/y) and amounted to PLN 156 million. Profit from operations of the refining segment was higher by PLN 177 million (y/y), mainly as a consequence of positive impact of macroeconomic factors, higher sales volume accompanied by the negative impact of change in crude oil prices on inventory valuation in the amount of PLN (-) 17 million (y/y). The profit from operations of the petrochemical segment was higher by PLN 106 million (y/y), mainly due to higher sales volume and increasing petrochemical margins (y/y) accompanied by negative impact of change in petrochemical products prices on inventory valuation in the amount of PLN (-) 50 million (y/y). Lower profit from operations of the retail segment by PLN (-) 2 million is a result of lower margins realized on sales on fuel and non-fuel products and lower sales volume. Positive effects of optimization programs in the area of fixed costs and payroll costs resulted in savings of PLN 18 million (y/y).

Result of operating segments of the PKN ORLEN S.A. Capital Group

- Refining Segment

In the I half of 2010 profit from operations of the refining segment of the Group amounted to PLN 1,409 million as compared to PLN 654 million in the I half of 2009. Favourable influence of changes in macroeconomic factors on reported result from operations was higher by PLN 334 million, as compared to the similar period of the prior year

Positive impact of inventory valuation on the reported results being a consequence of growing crude oil prices was higher as compared to the I half of 2009 by PLN 229 million (y/y).

Lower sales volume of the segment (y/y) decreased Group's profit from operations by PLN (-) 47 million (y/y).

Optimization programs continued in the area of fixed costs and payroll costs resulted in savings of PLN 118 million (y/y). After consideration of lower depreciation and amortization costs segment's result from operations increased by PLN 160 million (y/y).

In the I half of 2010 as compared to the I half of the prior year there was a decrease of capital investments of the segment ("CAPEX") by PLN (-) 245 million (y/y) to the level of PLN 323 million.

The most significant investments realized in the I half of 2010 comprised: construction of HON VII Installation and Claus II Installation together with infrastructure, modernization of Alkylation Installation, construction of natural gas pipeline for Heat and Power station and for Hydrogen Production Plant II, reconstruction of cauldron on Catalytic Cracking Installation II and continuation of gasoline pipeline Ostrów Wielkopolski – Wrocław construction in PKN ORLEN S.A.

- **Retail Segment**

In the I half of 2010 profit from operations of the retail segment of the Group amounted to PLN 291 million as compared to PLN 310 million in the I half of 2009.

Increasing fuel prices caused a strong pressure on the level of fuel margins on all markets, that decreased profit from operations of the segment by PLN (-) 103 million (y/y). Unfavourable influence of fuel margins was partially compensated by the 4.7% increase in fuel sales volume achieved on the Polish and German market, that consequently improved segment's profit from operations by PLN 30 million (y/y).

Restrictive cost policy resulted in savings in the area of fixed costs, payroll costs in the amount of PLN 8 million (y/y). Lower depreciation and amortisation costs and higher revenues from sale of non-fuel merchandise and services improved segment's reported profit from operations by PLN 32 million (y/y).

In the I half of 2010 as compared to the I half of the prior year, there was a decrease of capital investments of the segment („CAPEX") by PLN (-) 20 million (y/y) to the level of PLN 77 million.

In the analyzed period, 7 new petrol stations were launched (5 in Poland and 2 in Germany) and 27 petrol stations were reconstructed (16 in Poland, 1 in Germany and 10 in the Czech Republic).

- **Petrochemical Segment**

In the I half of 2010 profit from operations of the segment amounted to PLN 227 million as compared to loss from operations in the I half of 2009 in the amount of PLN (-) 244 million.

Impact of macroeconomic factors connected with the increase of petrochemical margins (y/y) together with changes in foreign exchange rates increased the segment's profit from operations by PLN 403 million (y/y).

Positive influence of inventory valuation on reported results was lower by PLN (-) 55 million (y/y) as compared to the I half of 2009.

Higher sales of olefins and polyolefins was compensated with lower volumes of fertilizers and plastics, resulting from lower demand. Consequently, the total influence of sales volume on result was neutral.

Higher level of fixed costs by PLN (-) 13 million (y/y) due to repair shutdowns on production installations in PKN ORLEN S.A. and Unipetrol Group was compensated with lower payroll costs by PLN 5 million (y/y) and depreciation and amortization costs by PLN 28 million (y/y).

The increase in segment's profit from operations was additionally influenced by sale of CO_2 emission rights in the amount of PLN 8 million and grants received in the amount of PLN 61 million (y/y), mainly as a result of reduction of nitrous suboxide emission in Anwil S.A.

In the I half of 2010 as compared to the I half of the prior year there was a decrease of capital investments of the segment ("CAPEX") by PLN (-) 335 million (y/y) to the level of PLN 958 million.

The most significant investments realized in the I half of 2010 comprised: construction of paraxylene and terephthalic acid production plant (PX/PTA) in PKN ORLEN S.A., construction of new Butadiene Unit, replacement of electric transformers, reconstruction of pyrolytic cauldron installation in Unipetrol Group, installation of media in terephthalic acid production plant in Anwil Group.

- **Corporate Functions**

In the I half of 2010 corporate function costs were lower by PLN 40 million (y/y) and amounted to PLN (-) 340 million.

The decrease in costs regarded mainly other operating costs net and resulted from lower costs of revaluation of business risk provisions and other legal disputes.

In the I half of 2010 capital expenditures („CAPEX") of PLN 19 million related mainly to IT investments.

Financial expenses and net result

In the I half of 2010 net financial expenses amounted to PLN (-) 803 million, including PLN (-) 699 million of negative foreign exchange surplus. The above foreign exchange differences comprised mainly foreign exchange differences on revaluation of settlements denominated in foreign currencies in the amount of PLN (-) 550 million, of which PLN (-) 218 million concerned unrealized foreign exchange differences. Foreign exchange losses on revaluation of loans, recognized in the statement of comprehensive income amounted to PLN (-) 149 million.

Foreign exchange losses on loans denominated in USD for which hedging relationship with net investment in ORLEN Lietuva was designated in the amount of PLN (-) 658 million and foreign exchange losses on revaluation of subsidiaries in the amount of PLN (-) 333 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 investment accounted for under equity method and tax charges net profit of the Group for the I half of 2010 amounted to PLN 653 million.

Statement of financial position

As at 30 June 2010, total assets of the Group amounted to PLN 52,105 million and were higher by PLN 2,945 million (by 6.0%) as compared to 31 December 2009.

Total non-current assets increased as compared to 31 December 2009 by PLN 1,785 million (by 6.0%) and reached the value of PLN 31,512 million. The above change was mainly influenced by the increase of property, plant and equipment by PLN 1,367 million (by 5.1%), mainly as a consequence of capital investments in the amount of PLN 1,351 million, depreciation and amortization of PLN (-) 1,165 million and foreign exchange differences on translation of non-current assets of foreign entities of PLN 1,260 million.

As at 30 June 2010 the value of current assets increased by PLN 1,160 million to the amount of PLN 20,593 million. The main growth factor in respect of current assets was increase in trade and other receivables of PLN 1,577 million (by 29.1%) and increase in the value of inventory of PLN 404 million (by 3.8%), mainly as a consequence of an increase in fuel and crude oil prices on world markets. The decrease in cash and cash equivalents resulted in decrease of current assets by PLN (-) 796 million.

As at 30 June 2010 equity amounted to PLN 22,678 million and increased by PLN 971 million (by 4.5%) as compared to the end of 2009 mainly as a result achieved net profit attributable to equity holders of the Parent for the I half of 2010 of PLN 588 million and higher foreign exchange differences on subsidiaries from consolidation by PLN 420 million.

As at 30 June 2010 net indebtedness of the Group amounted to PLN 9,752 million and was lower by PLN (-) 511 million as compared to 31 December 2009.

Decrease of net indebtedness is a result of loans repayment in the amount of PLN (-) 2.447 million, increase due to mainly unrealized foreign exchange losses on revaluation of loans in the amount of PLN 1,140 million and decrease of cash and cash equivalents by PLN (-) 796 million.

Net debt to equity ratio (net financial leverage) decreased from 47.3% as at the end of 2009 to 43.0% at the end of I half of 2010.

Statement of cash flows

In the I half of 2010 net cash provided by operating activities decreased by PLN (-) 188 million (y/y) and amounted to PLN 2,884 million.

The increase in cash and cash equivalents due to higher net profit of PLN 576 million (y/y) was exceeded by the negative influence of increase in net working capital of PLN (-) 818 million (y/y). Higher balance of net working capital is a result of increase in receivables, being a consequence of higher trading activity and product prices, lower

liabilities and release of part of cash and cash equivalents previously held in the form of inventory due to an agreement concluded with Lambourn Sp. z o.o. for the sale of crude oil and maintenance of mandatory reserves for PKN ORLEN S.A.

In the I half of 2010 net cash used in investing activities amounted to PLN (-) 957 million as compared to PLN (-) 2,560 million generated in the I half of 2009.

The expenditures due to acquisition of property, plant and equipment and intangible assets amounted in the I half of 2010 to PLN (-) 1,198 million and related mainly to realized investment programs including PLN (-) 144 million relating to purchase of CO_2 emission rights. On the other hand, proceeds from disposal of property, plant and equipment and intangible assets in the reviewed period included PLN 148 million due to sale of CO_2 emission rights.

In the reviewed period no significant expenditures connected with acquisition of shares occurred, while in the I half of 2009 the expenditures amounted to PLN (-) 1,017 million and related above all to purchase of AB Mazeikiu Nafta shares.

In the I half of 2010 net cash used in financing activities amounted to PLN (-) 2,723 million, as compared to PLN (-) 730 million in the analogous period of 2009. Main differences result from higher net repayment of loans, borrowings and debt securities in the amount of PLN (-) 2,096 million (y/y).

Consequently, the balance of cash and cash equivalents as at 30 June 2010 decreased by PLN (-) 796 million as compared to the end of 2009 and amounted to PLN 2,145 million.

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 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 June 2010 total assets of the ANWIL Group amounted to PLN 2,739 million, net assets to PLN 2,001 million and net profit for the period of 6-months ended 30 June 2010 amounted to PLN 51 million.

The Parent Company is in the process of preparatory works concerning sales of shares in Polkomtel S.A. which were presented in the consolidated financial statements of the PKN ORLEN S.A. Capital Group under equity method in the amount of PLN 1,448 million.

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

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 its mandatory reserves of crude oil by its outsourcing.

3.3 Significant risk factors

3.3.1. Characteristics of risks connected with financial instruments

Activities of the Group are exposed to the following financial risks:
- credit risk;
- liquidity risk;
- market risks (including currency risk, interest rates risk and commodity risk).

Credit risk

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

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

Liquidity risk

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

As at 30 June 2010, current assets to short-term liabilities ratio (current ratio) amounted to 1.12.

As at 30 June 2010 the amount of credit lines exceeded the value of short term liabilities decreased by current receivables.

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

In order to manage liquidity the Group uses also cash pool facility. As at 30 June 2010 the facility comprised 21 entities belonging to the Group.

Market risks

The Group is exposed to market risks connected with exchange rates, interest rates, commodity prices and prices of CO_2 emission rights.

PKN ORLEN S.A. manages market risks resulting from the above mentioned factors using Market risk management policy ("the Policy"). The Policy describes methods of management of each of the exposures by defining process of exposure measurement, hedge parameters, hedging instruments and time horizon of hedging the risk of particular type. Market risk management is realized by designated organization units under supervision of the Financial Risk Committee, the Management Board and the Supervisory Board of the Company.

- **Currency risk**

The Group is exposed to currency risk due to balances of cash and cash equivalents, receivables, liabilities, including investment liabilities and liabilities from loans, borrowings and debt securities issued denominated in foreign currencies.

For USD/PLN exchange rate there is partially a natural hedge, as revenues from sale of products denominated in USD are offset by costs of crude oil purchases denominated in the same currency.

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

After consideration of natural hedge, the remaining net exposure for both currencies, is partially (according to the Policy) hedged within the time horizon of 12 months by forward and swap instruments. The unhedged exposure in the horizon of 12 months and in the longer period is partially mitigated by appropriate currency structure of loans used to finance activity of the Company.

- **Risk of changes in prices of CO_2 emission rights**

Based on binding legal regulations resulting from the Kyoto Protocol to the United Nations Framework Convention on Climate Change, adopted by the European Union, companies belonging to the PKN ORLEN S.A. Group were granted CO_2 emission rights.

Each year the Group performs verification of quantity of rights together with defining method of systematic balancing of identified shortages/ surpluses either in the form of intercompany transactions, term or spot transactions.

In 2009 the Group sold granted CO_2 emission rights, but at the same time concluded term transaction for the quantity of rights demanded in the future periods, that hedged purchase price.

- **Risk of changes in commodity prices**

The Group is exposed to the risk of changes in commodity prices, due to:

- expenditures connected with the purchase of crude oil for processing, that are dependent on volumes of processing, level of inventories, crude oil prices on global markets;
- revenues from sale of refining and petrochemical products, that are dependent on sales volume and product prices on global markets.

Additionally, there is partially a natural hedge as changes in crude oil prices influencing the level of operating expenses are favourably correlated with changes in crude oil processing outputs influencing the level of operating revenues with the remaining exposure to risk of the value of the refining margin.

In 2010 the Group hedged the risk of changes in prices concerning part of crude oil purchased on stock with swap transaction.

- **Interest rate risk**

The Group is exposed to the risk of volatility of cash flows due to changes in interest rates (WIBOR, LIBOR and EURIBOR) that results from granted borrowings, owned bank deposits as well as liabilities due to loans and borrowings based on fixed and floating interest rates. According to the Policy, the Group hedges part of risk of cash flows due to interest rates with derivative transactions (interest rate swaps IRS), for which cash flow hedge accounting is applied.

3.3.2. Hedge accounting

Cash flow hedge accounting

According to the Policy and its rules the Group hedges its cash flows from operating revenues due to sale of petrochemical and refining products as well as operating expenses due to purchases of crude oil against changes in exchange rate (USD/PLN for purchases and sale, EUR/PLN for sale). The Group hedges also cash flows from investment projects against changes in exchange rates (EUR/PLN, JPY/PLN).
The above-mentioned transactions are accounted for using cash flow hedge accounting. The hedging instruments used are derivatives (forwards and swaps).

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

Additionally, the Group hedges cash flows connected with payments for crude oil using commodity swap.

Net investment hedge in a foreign operation

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

Financial liabilities of PKN ORLEN S.A. denominated in USD were designated as an instrument hedging share in net assets of the Orlen Lietuva Group. Foreign exchange differences, resulting from translation of these liabilities into PLN (including income tax effect) are recognized in other comprehensive income in line ”Foreign exchange differences on consolidation”.

3.3.3. Risk factors influencing future results

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

4. Forecasted development of the Group

Main assumption of the Group’s strategy

In line with the Strategy for the years 2009-2013 adopted in 2008, in the years to come the Group will focus in its operations on three areas:
- improvement of efficiency of the core business (operating and financing aspect);
- development in new attractive areas (upstream, energy);

- divestment of non – core assets (telecommunication and chemistry).

The aim of all undertaken activities is to increase market value of the Group, strengthen leading position on domestic markets as well as product and geographical expansion. Effective activities increasing efficiency such as operational efficiency, assets integration and segment management enable the Group to take good position in respect of further development in the area of core business, extension of value chain as well as taking advantage of new areas of activity as the leverage of dynamic growth.

Core activities

The Group is going to focus in the first place on activities increasing efficiency such as operational efficiency, asset integration improvement, segment management and restrictive control over expenses. Within these activities the Group aims to quickly solve the most important problems regarding operations of ORLEN Lietuva, including particularly logistics issues. These activities should improve profitability of the Lithuanian refinery.

Optimization of asset portfolio should improve segment integration and maximize synergy effect. Freed cash will enable development of new strategic segments with a high potential of growth.

Further, the development of the Group into Multi – Utility model (integrated, multi-segment entity) will be performed. New business areas developed by the Group include exploration and extraction of hydrocarbon (upstream) and production and distribution of energy. New segments will extend value chain and strengthen competitive advantage of the Group in the Central Europe. The above activities will be realized both independently and within cooperation with domestic and foreign industry partners.

Raw materials supply

In order to guarantee safety and continuity of crude oil supplies, the Group concluded in 2009 long-term contracts for the delivery of crude oil till 2012 in the amount of 10 MT/y and value of approximately PLN 45 billion. Additionally, the Group performed diversification of suppliers and type of the contracts.

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 independently or by outsourcing this service. In March 2010 PKN ORLEN S.A. changed the model of maintaining required level of mandatory reserves for crude oil and similar products, due to concluded agreements for sale of crude oil in the amount of approximately PLN 800 million, together with the services of maintaining the sold crude oil as a mandatory reserve in the period of one year. Maintaining mandatory reserves influence Group's statement of financial position and consequently limits possibilities of development. In the future, other similar transactions are considered, that will enable further reduction of indebtedness of the Group.

In line with the announced strategy, the ORLEN Group plans to continue the development of its upstream activities, which ensures access to own raw material and, therefore, the development of crude oil trading business, increase of the Company's value and enhancing its competitive position. The special purpose company, ORLEN Upstream Sp. z o.o., established to fulfil these tasks and handling exploration and extraction business performs assessment of the upstream projects in terms of both, technological potential and purposefulness of projected acquisitions. The ongoing monitoring of the upstream market worldwide provides a full knowledge of emerging possibilities of acquisition. The project-relating data base, which has been established and is constantly being developed allows for the proper selection and adjustment of the projects to match the Group's possibilities and needs. In 2009, exploration and extraction project on the Baltic shelf was launched in cooperation with Kuwait Energy Company and joint venture with PGNiG in the field of exploration and extraction of hydrocarbon in Wielkopolska was founded. Furthermore projects aimed at exploitation of local shale gas resources were launched. Within established joint venture with PGNiG, the Group is in the possession of 5 concessions on research of shale gas on the total area of 4,728 km^2 in Lublin surroundings, out of which 1,200 km^2 is an area of significant exploration potential.
Activity in the segment of shale gas fits Group's strategy, aiming at creating strong, integrated petrol – energetic entity with diversified portfolio of assets.

Improvement of integration of refinery and petrochemistry

In the refining segment one of the key activities is an increase of production of medium distillates and input for the petrochemical segment (increase of integration level). In the petrochemical segment flagship investment worth EUR 1 billion regarding Paraxylene Complex ("PX") and Terephthalic Acid Complex ("PTA") is being finalized. PX/PTA installations will enable to utilize gasoline fractions. Terephthalic acid is used in production of polyester and

polyamide fibers of high durability. PX/PTA investment will enable PKN ORLEN S.A. to considerably improve its strong position on petrochemical products market.

Production and distribution of electric energy

The development strategy includes also the increase of the ORLEN Group's presence in the electric energy production and distribution segment. Within this strategy, in order to modernize and improve the efficiency of assets, the Company concluded the agreement with one of the electric energy suppliers concerning the electric energy deliveries to retail chain outposts, logistics and administration. In March 2010 the Ecologic-Power Investment Program was launched. It consists of 6 projects with the total value of PLN 1.4 billion. These projects involve among others:

- construction of new boiler (K8) – with the wattage of 300 MWt - in order to provide steam and electric energy,
- construction of TG-7 turbine in order to increase the production of electric energy,
- construction of Combustion Gases Catalytic Denitriding Installation, which will reduce the NOx emission,
- modernization of Fuels Pumping Plant (MPP) in order to increase storing and pumping standards of various kinds of fuels,
- building of electrofilters allowing the reduction of dusts emission,
- implementation of combustion gases desulphurisation technology.

The main aim of the strategy is to improve the efficiency of the Heat and Power Plant and Production Plant in Płock as well as increasing the revenues through active participation on "red energy" market and ensuring the compliance with the environmental standards, which will be in force starting from 2016. The completion of the investment program is scheduled for the year 2017.

Simultaneously to modernization of the Heat and Power Plant in the Production Plant in Płock, the Group launched the preparations to implement a construction project of a new power gas supplied plant in Włocławek. The construction of system power plant is one of the elements of the Group's strategy for power segment. This strategy assumes the increase of the Group's value through both, increase of efficiency of existing assets (PKN ORLEN S.A., UNIPETROL Group and ORLEN Lietuva Group) and engagement in new projects in power industry.

Logistics

Development of the core activities of the Group will be concentrated above all on logistics assets, which are a significant element of competitive advantage of the Group. The most significant projects in this area comprise: construction of new product pipelines between Ostrów Wielkopolski and Wrocław and between Boronów and Trzebinia. The Group also launched the works on the utilization of potential of the existing and newly built cavities which will ensure effective guarantee for storage place demand and enable to take advantage of systematic cycles of stored products. The capacities will be used for both own and commercial purpose.

Reorganization, investment and divestment

As regards reorganisation and divestment, PKN ORLEN S.A. was undertaking activities relating to the reorganisation of the Group with the key goals to:

- strengthen mechanisms of segment management in the Group,
- enhance efficiency of the core business companies,
- withdraw from the non-core business companies.

In the I half of 2010 activities concentrated on divestment process in two Group companies, namely sale of assets in Anwil S.A. and Polkomtel S.A. In January 2010 binding offers regarding purchase of 84.79% of shares in Anwil S.A. were received. Having analyzed the offers and after further negotiations with potential buyers, PKN ORLEN S.A. decided to grant exclusive negotiation rights to ZA Puławy S.A. In June 2010 negotiation with ZA Puławy S.A. were terminated due to differences of standpoints concerning price and non-price terms of transaction. According to the approved strategy, PKN ORLEN will be continuing its operations connected with the sale of the ANWIL Group.

In the I half of 2010 works regarding financial and commercial vendor due diligence of Polkomtel S.A. (VDD) were continued. Final outcome from VDD reports and information package for investors is planned for the end of the III quarter of 2010. Consultations between shareholders of Polkomtel S.A regarding establishing future corporate governance rules and joint sale of owned shares are carried out on current basis.

As far as capital investments are concerned, the Group plans to buy out non-controlling interest in some core business companies to improve shareholding structure in the Group. Moreover projects that could strengthen core business of the Group are regularly analyzed.

5. Achievements in research and development

In the I half of 2010, the Group carried out a number of studies relating to the development and improvement of production technologies, improvement of activities' efficiency and the quality of manufactured products, as well as research of the new business opportunities and limitation of the negative environmental impact.

In the refining segment, the Advanced Process Control (APC) system is being realized, which is aimed to increase output of the most profitable products depending on the current margin situation. Within the project over 50 overload and efficiency tests of production installations have been carried out, in order to determine the optimal parameters for process operation. The concept resulting from the tests will enable to increase the efficiency of chosen production installations, consequently leading to better utilization of capabilities of the whole refining complex.

As a result of the realized Solomon Petrol Study, the respective tools have been worked out supporting monitoring of key technological parameters in respect of energy utilities usage, reasons for product installations shutdowns and product quality parameters. Data from the above system is being used for calculations of key production refining installation parameters for the current competitiveness assessment. They are also the basis for current and future operating decisions.

A program of profit improvement (NCM3) has been launched in the area of production. As a result of the program number of initiatives have been introduced, aiming at efficiency increase of the installations. In 2009, preparatory work have been initiated to carry out pilotage energy-consumption tests on the DRW III and Olefins II installations. The tests regarded mainly analysis of the power-consumption efficiency, including suggested actions and modernizations leading to lower energy consumption.

Modern recovery cauldron is constructed on Fluid Catalytic Cracking Installation. The cauldron will be used to cool technological gases. Recovered energy will be used to produce technological steam. Commencement of the exploitation of the new cauldron is planned for Autumn 2010.

Due to realization of the National Indicative Target, PKN ORLEN S.A. initiated research on evaluation of potential increase in engine gasoline emissions depending on content of ethanol. The output of works will include evaluation of engine gasoline parameters containing different concentration of bio – components in relation to hydrocarbons emissions. The outputs of works, after positive decision of the European Commission, will ensure more effective use of light components in gasoline fractions.
Development of technical – economical guidelines for production and distribution of E85 biofuels was another elaboration in this respect. The demand for this work resulted from necessity to realize the National Indicative Target requiring share of renewable energy sources in fuels used in transportation of 5.75% by the end of 2010. Introduction to production and distribution of the above mentioned fuel will help in realization of the National Indicative Target and is in line with regulations of the Minister of Economy defining quality requirements for E85 biofuels. Considerable results of this work are expected in further perspective, after popularization of this kind of fuel and adjusting vehicles to E85 biofuel charging.

Due to planned launch of the PX (Paraxylene Unit) and PTA (Terephthalic Acid Unit Installations) at the end of 2010, technological modernizations of the Reforming V and in the Aroma Extraction installations have been carried out in the I half of 2010. The installations are going to produce raw materials for the PX Unit. Within the above mentioned project, in the I half of 2010 the ANWIL Group finalized the realization of projects related to the expansion of its technical infrastructure, which will guarantee power supply for the PTA installation (electrical energy, earth gas, industrial and drinking water, technical gases, lye), as well as the collection of industrial sewage through the biological, oxygen-free sewage treatment plant.

In the I half of 2010, the Unipetrol Group conducted research in the field of plastics performed by the Polymer Institute Brno concentrating on product portfolio innovation according to recent trends and clients expectations. In the field of HDPE polyethylene production technology, studies of the structure of (composites) have been carried out. The purpose of these studies was the achievement of desired parameters and the preparation of pilotage test data for production. In 2010, research of modified HDPE polyethylene designed for the European market has been carried out and data for its regular production has been obtained. Within the polypropylene production technology, studies of new

kinds of Mosten copolymers with higher translucence and resistance have been carried out. The above mentioned projects make development and the introduction of new products with higher margins possible, which will increase the Groups competitiveness in the plastics sector.

In the I half of 2010 project of increasing energysaving and production capacity in Fertilizers Complex within Infrastructure and Environment Operating Program 2007- 2013 has been realized in the Anwil Group. The foregoing project involving 10 smaller tasks with total budget of PLN 40.5 million started in the I half of 2010. The end of realization of the foregoing project is expected by the end of 2012. Study works related to heat and power plant modernization project have been also initiated in the Anwil Group.

In 2009 a complex analysis of optimal adaptation of the Production Plant in Płock to new environmental requirements regarding nitrogen oxides and dust emissions has been carried out. The legal requirements will be effective from 2016. The analysis was the basis for the decision taken in March 2010 to start works connected with development of the Heat and Power Plant in the Production Plant in Płock. This will enable to improve the general technological steam balance as well as to modernize existing cauldrons in the Heat and Power Plant. The launch of the K8 cauldron is planned for the end of June 2012.

Within power sector projects, works on accomplishment of combined cycled gas turbine (CCGT) in Włocławek equipped with condensed cycled gas block of net power of 420-490 MWe net were initiated in the I half of 2010. The biggest advantages of cycled gas blocks is high efficiency reaching 58-60%. The efficiency is significantly higher than in case of classic, conventional production systems of electric energy, based on carbon fuel with an efficiency not exceeding 45-46%. Flexibility of unit work in the period of variable workload, low emission of pollutions accompanied by lack of furnaces waste is of high importance. Technologies used in CCGT blocks produce less emissions of harmful substances, such as NOx, SO2 and heating gases. The experience gained during construction and exploitation of system power plant will be a basis for further development of power segment and potential further investment in the sector.

6. Information on related parties

Information on significant related party transactions

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

In the 6- and 3- month period ended 30 June 2010 and 6- and 3- month period ended 30 June 2009, there were no significant related party transactions concluded within the Group on other than market terms.

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

In the 6- and 3- month period ended 30 June 2010 and 6- and 3- month period ended 30 June 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 June 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 6- and 3- month period ended 30 June 2010 and 6- and 3- month period ended 30 June 2009, as well as at 30 June 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 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2009	for 3 months ended 30/06/2009	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2009	for 3 months ended 30/06/2009
	(unaudited)				(unaudited)			
Supervising persons	-	-	355 793	219 996	-	-	236 082	161 466
Managing persons	35	18	42	29	6	3	8	4
Other key executive personnel	-	-	8	6	-	-	-	-
	35	**18**	**355 843**	**220 031**	**6**	**3**	**236 090**	**161 470**

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 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009
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 6-month period and 3-month period ended 30 June 2010

(in PLN thousand)	Subsidiaries		Jointly controlled entities		Associates		Adjustments		Total related parties	
	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010
	(unaudited)									
Sales	13 310 105	7 777 915	1 046 201	457 150	5 115	1 525	(13 833 206)	(8 006 490)	528 215	230 100
Purchases	1 652 373	880 709	9 652	4 113	54 643	28 872	(1 657 199)	(882 765)	59 469	30 929
Interest income	2 294	1 118	1 291	562	24	18	(2 940)	(1 399)	669	299
Interest expense	5 324	2 961	-	-	4	4	(5 324)	(2 961)	4	4

for 6-month period and 3-month period ended 30 June 2009

(in PLN thousand)	Subsidiaries		Jointly controlled entities		Associates		Adjustments		Total related parties	
	for 6 months ended 30/06/2009	for 3 months ended 30/06/2009	for 6 months ended 30/06/2009	for 3 months ended 30/06/2009	for 6 months ended 30/06/2009	for 3 months ended 30/06/2009	for 6 months ended 30/06/2009	for 3 months ended 30/06/2009	for 6 months ended 30/06/2009	for 3 months ended 30/06/2009
	(unaudited)									
Sales	9 774 052	5 482 205	756 339	364 605	5 095	2 170	(10 152 222)	(5 664 508)	383 264	184 472
Purchases	1 216 477	655 820	6 732	2 719	55 171	28 824	(1 219 843)	(657 179)	58 537	30 184
Interest income	1 901	700	1 176	55	1	-	(2 489)	(727)	589	28
Interest expense	3 410	2 212	-	-	-	-	(3 410)	(2 212)	-	-

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

(in PLN thousand)	Subsidiaries		Jointly controlled entities		Associates		Adjustments		Total related parties	
	as at 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009	as at 30/06/2010 (unaudited)	as at 31/12/2009
Current receivables (net)	3 388 365	2 323 570	475 655	426 025	847	2 665	(3 626 193)	(2 536 583)	238 674	215 677
Receivables impairment allowances	336	477	-	3	4	18	(336)	(479)	4	19
Short-term liabilities	837 257	630 545	4 094	1 837	12 008	10 738	(839 304)	(631 464)	14 055	11 656
Non-current receivables	152 292	14 721	41 458	41 082	-	-	(173 021)	(35 262)	20 729	20 541
Long-term liabilities	23 659	24 617	-	-	-	-	(23 659)	(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 1,101 million.

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

As at 30 June 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:

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

7.1.1. 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 June 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 to CZK 19,464,473,000 with interest. PKN ORLEN S.A. considers this claim as groundless.

7.1.2. 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 of 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 the case 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 July 2010. It was however postponed till 30 September 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.

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. The sentence is 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.

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.

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.
- an allegation that in the years 2000-2004 PKN ORLEN S.A. was using practice limiting competition on the domestic market of trading in glycol. The seat in front the Court of Competition and Consumer Protection has been set for 23 September 2010.
- an allegation that 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 52,736,994.19. 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 7.1 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.

7.2. Court proceedings in which PKN ORLEN S.A. 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.

8. Other information

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

Shareholder	% of votes at the GSM as at the date of the half-year 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 half-year 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
	100.00%	**-**	**100.00%**	**427 709 061**	**-**	**427 709 061**

* According to the received confirmations as at 4 May 2010
** According to the received confirmations as at 20 August 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 half-year report filling **	Acquisition	Disposal	Increase due to change in composition	Number of shares, options as at the date of the prior quarter report filling *
Supervisory Board	**3 707**			**3 200**	**507**
Janusz Zieliński	407				407
Grzegorz Borowiec	100				100
Artur Gabor	3 200			3 200	-

* According to the received confirmations as at 4 May 2010
** According to the received confirmations as at 20 August 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 June 2010 PKN ORLEN S.A. 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.

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

In the I half of 2010 PKN ORLEN S.A. complied with all rules of corporate governance included in the code of "Best Practices for Warsaw Stock Exchange Listed Companies" (further the "Best Practices for WSE Listed Companies"). Report on compliance with Corporate Governance Rules in PKN ORLEN in 2009 was published by the Company on 30 March 2010, as part of the Management Board report on the operations of PKN ORLEN for 2009 as well as part of the Management Board report on the operations of the PKN ORLEN Capital Group for 2009.

Effective from 1 July 2010, Warsaw Stock Exchange has amended corporate governance rules. PKN ORLEN S.A. applies all the rules that has been disclosed in the amended WSE Code of Best Practices.

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

The foregoing half-year report was authorized by the Management Board of the Parent Company on 30 August 2010.

……..……
Dariusz Krawiec
President of the Board

……..……
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