



Polski Koncern Naftowy ORLEN
Spółka Akcyjna

**Management Board Report on the Operations of
Polski Koncern Naftowy ORLEN
Spółka Akcyjna
for 2009**

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

I.	ORGANISATION OF PKN ORLEN S.A.	4
1.1	Organizational changes at PKN ORLEN S.A. in 2009	4
II.	OPERATION AND FINANCE SITUATION	5
2.1	Key risk factors	5
2.1.1	Market risk	5
2.1.2	Divestments processes	5
2.1.3	Credit risk	6
2.1.4	Liquidity risk	6
2.1.5	Fuel consumption	6
2.1.6	Fuel import	7
2.2	Information about core products, merchandise and services of PKN ORLEN	7
2.3	Information about changes in the sales market and sources of raw material supply	7
2.4	Description of main economic and financial volumes and assessment of factors and uncommon events materially affecting the generated financial result	8
2.4.1	Revenues	8
2.4.2	Operating result	8
2.4.3	Financial cost	8
2.4.4	Profit before tax, income tax and net result	9
2.4.5	Report on financial standing	9
2.4.6	Cashflow statements	9
2.4.7	Summary	10
2.5	Key events in the period from 1 January 2009 up to date of this report	10
2.6	Indebtedness structure and financial resources management	11
2.7	Loan agreements and borrowings, sureties and guarantees, contingent liabilities	12
2.7.1	Loan agreements	12
2.7.2	Loans granted	12
2.7.3	Sureties and guarantees	13
2.7.4	Contingent liabilities	13
2.8	Issue of securities	13
2.9	Financial instruments	13
2.10	Factoring	13
2.11	Assessment of the feasibility of investment projects	14
2.12	Explanations of differences between the financial results showed in the annual report and the previously published forecast results for a given year	15
III.	FORCASTED DEVELOPMENT OF PKN ORLEN	16
IV.	ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT	18
V.	CORPORATE GOVERNANCE	19
5.1	A set of corporate governance rules followed by PKN ORLEN in 2009	19
5.2	Description of key features of PKN ORLEN's internal audit and risk management systems related to the process of financial reporting	19
5.3	PKN ORLEN's shareholders with a significant stake	20
5.4	PKN ORLEN's shareholders vested with special control rights and voting right restrictions	21
5.5	Rules for amending PKN ORLEN's Articles of Association	23
5.6	Proceedings of PKN ORLEN's general meeting of shareholders, its key powers, and shareholders' rights and their exercise	23
5.6.1	Convening and calling off PKN ORLEN's General Meetings	23
5.6.2	Competence of PKN ORLEN's General Meeting	25
5.6.3	Voting at PKN ORLEN's General Meetings	25
5.6.4	Participation in PKN ORLEN's General Meetings	26
5.7	Composition and proceedings of management and supervisory authorities in PKN ORLEN and their committees	27
5.7.1	Composition of PKN ORLEN's Management Board in 2009	27
5.7.2	Composition of PKN ORLEN's Supervisory Board in 2009	28
5.7.3	Composition of Supervisory Board Committees in PKN ORLEN in 2009	28
5.7.4	The rules of conduct of the Management Board and Supervisory Board and Supervisory Board Committees in PKN ORLEN	29
5.7.5	The rules of conduct of PKN ORLEN's Supervisory Board	29
5.7.6	The rules of conduct of PKN ORLEN's Management Board	32
VI.	ADDITIONAL INFORMATION	35
6.1	Information on related entities – material transactions executed on terms and conditions other than arm's length terms and conditions	35

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

6.2	Information on material proceedings pending before court, arbitration authority or administrative authority and other risks faced by the dominant entity or its subsidiaries.....	35
6.3	Information on material agreements	35
6.4	Non-competition agreements and agreements on termination of contract due to removal from the position held executed with the management staff members	37
6.5	Remuneration paid to the management and supervisory authorities in the PKN ORLEN.....	37
6.5.1	Remuneration, together with profit-sharing paid and due or potentially due to the Management Board, Supervisory Board and members of key executive personnel in accordance with IAS 24.....	37
6.5.2	Remuneration paid in 2009 and remuneration due and potentially due to Management Board Members of the Company performing the function in 2009 and in prior years (in PLN thousand).....	38
6.5.3	Remuneration paid in 2008 and remuneration due and potentially due to Management Board Members of the Company performing the function in 2008 and previous years (PLN thousands)	40
6.6	Number of shares in PKN ORLEN and number of shares in other ORLEN Group members held by the persons fulfilling management or supervisory functions in PKN ORLEN	42
6.7	Information on the agreement with the entity authorised to audit financial statements	42
6.8	Employment.....	42
6.9	Information on the employee share scheme monitoring system.....	42
6.10	Shareholding of PKN ORLEN.....	43
6.11	PKN ORLEN on the capital market.....	43

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

I. ORGANISATION OF PKN ORLEN S.A.

1.1 Organizational changes at PKN ORLEN S.A. in 2009

From the beginning of 2009 the Organisational Rules and Regulations implemented by virtue of Order dated 21 October 2008 were in force at Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company"). On 3 February 2009, the Company's Management Board passed Resolution on re-assignment of powers amongst the PKN ORLEN Management Board Members, which resulted in the Management Board Members being assigned with the following scopes of responsibilities as regards the business activity of PKN ORLEN:

- President of the Management Board, concurrently fulfilling the function of Chief Executive Officer, was responsible for the following areas: human resources, strategy and project management, procurement, Group Counsel, corporate communication, audit, upstream and crude trading and Representative responsible for Confidential Information Protection;
- Vice-President of the Management Board, Chief Financial Officer – planning and reporting, business controlling, supply chain management, finance management, taxes, investor relations, capital investments and divestments, IT;
- Member of the Management Board, Sales – wholesale in refinery products, sale of oils, retail sale, marketing, sales controlling and logistics;
- Member of the Management Board, Refinery – refinery production, oil production, power production, efficiency of refinery production and refinery controlling;
- Member of the Management Board, Petrochemistry – petrochemical production, sale of petrochemical products, chemistry, safety and hygiene at work and environmental protection, efficiency of petrochemical production, petrochemistry controlling, development and implementation of property investments.

The above described division of powers amongst the PKN ORLEN Management Board Members applied by the end of 2009.

In 2009 the preparatory works were carried out with the aim to outsource the crude oil upstream business. This activity is conducted by ORLEN Upstream Sp. z o.o. starting from January 2010.

II. OPERATION AND FINANCE SITUATION

2.1 Key risk factors

The business activity of PKN ORLEN is mainly exposed to the following risks:

- market risk;
- credit risk;
- solvency risk.

2.1.1 Market risk

PKN ORLEN manages the market risk on the basis of its adopted policy, which determines rules for measuring individual exposures, parameters and time for securing the risk and the security instruments. The rules for managing the market risk are implemented by the designated organisational units supervised by the Financial Risk Committee, Management Board and Supervisory Board of the Company.

- fluctuations in the prices of crude oil, and refinery and petrochemical products

The operating result reported by PKN ORLEN is exposed to the risk of changes in the prices of crude oil and refinery and petrochemical products. Changes of margin quotations (crack) on refinery and petrochemical products directly influence the level of revenues and operating result. The fluctuations of crude oil quotations are directly reflected in the level of sales revenues, while the production cost is calculated using weighted cost for stock valuation, which may result in disproportional effects at cost side. Sensitivity of reported result to price fluctuations is of significant for the requirement to keep mandatory reserves at a high level.

- risk relating to the procurement of raw materials

The risk relating to the procurement of raw materials is due to the necessity of securing continuous and punctual supply of raw materials needed for the production. In PKN ORLEN the procurement is performed mainly via a pipeline system, by land and sea transport. The strategy adopted by PKN ORLEN is aimed at preventing any disturbances in the raw materials procurement, mainly thanks to the diversification of sources and adaptation of the production installation to process various types of raw materials.

Basing on the information from the market one cannot exclude that the crude oil volume transported via "Druzhba" pipeline to Poland will be reduced in the future (implementation of projects BPS-2 (Baltic Pipeline System 2) and ESPO (East Siberia Pacific Ocean) oriented towards diversification of export directions with concurrent independence from transit states). Therefore, PKN ORLEN, on an ongoing basis, analyses the market situation and opportunities of purchasing crude oil alternative to REBCO crude oil, in order to assess profitability of its possible processing in the ORLEN Group refineries. This allows for a quick reaction to the fluctuating situation on the crude oil trading market and, among others, counteracting disturbances and/or limitations, if any, in the REBCO crude oil procurement.

- currency risk

The currency risk arises out of the current accounts receivable and current accounts payable, cash, capital expenditures and loan and borrowings liabilities as well as own bonds denominated in foreign currencies. The currency risk exposure is hedged with such instruments as forwards or swaps.

For the exchange rate USD/PLN hedging is partly natural, since the revenue from the sales of products dependent on the USD exchange rate are balanced with the costs of crude oil purchases in the same currency. In the case of EUR/PLN exchange rate, in this currency the revenue from the sale of petrochemical products is denominated. For this group there is also partial natural hedging (i.e., interest on loans denominated in EUR, part of investment purchases).

- interest rates

The risk of cashflow fluctuations due to changes of interest rate results from the extended loans, bank deposits held and fluctuating interest rate on loan and borrowings liabilities. PKN ORLEN holds derivative transactions (interest rate swaps) which hedge part of cashflow risk due to the changes of interest rate, for which the cashflow hedging accounting is applied.

2.1.2 Divestments processes

The Parent Company is during the process of gathering and analysing of binding offers from potential buyers of Parent' Company's shares in "Anwil" S.A. capital group subject to consolidation, allowed to the next phase of the sales process. As at 31 December 2009 total assets of the "Anwil" S.A. Capital Group amounted to PLN 2,699,293

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

thousand, net assets PLN 1,942,963 thousand, net profit for the period of 12 months ended 31 December 2009 – PLN 66,679 thousand.

The Parent Company is preparing for the process of sales of Polkomtel S.A. shares valued using equity method in the consolidated financial statements of Polski Koncern Naftowy ORLEN S.A. Group ("ORLEN Group", "Capital Group") in the amount of PLN 1,347,403 thousand.

At the current stage the results of the above processes are unknown.

2.1.3 Credit risk

The credit risk is mainly related to trade accounts receivable. PKN ORLEN, when conducting commercial activity sells products and services to business entities with deferred payment date, therefore the risk may emerge of non-payment for the products and services delivered. To mitigate the credit risk and to keep working capital at the lowest feasible level, PKN ORLEN manages the risk by an applicable procedure of allocating trade credit limit to business partners and by determining the way in which it is secured.

The concentration of risk relating to trade accounts receivable is limited due to a large number of clients with the trade credit operating throughout various sectors of Polish, German, Czech and Lithuanian economy.

2.1.4 Liquidity risk

The liquidity risk emerges from the ratio of current assets to trade accounts payable. As at 31 December 2009, the current assets to trade accounts payable ratio (current liquidity ratio) amounted to 1.47.

As at 31 December 2009 the maximum admissible indebtedness under the loans amounted to PLN 13,801,010 thousand, out of which the amount of PLN 4,098,045 thousand remained unused, and as at 31 December 2008 these amounts were PLN 13,532,920 thousand and PLN 4,116,632 thousand, respectively. As at the balance sheet date the open credit lines exceed the short-term liabilities decreased by current receivables.

In order to ensure an additional source of funds needed to secure financial liquidity, in 2006 PKN ORLEN signed the Bond Issue Programme. The issues of bonds enable the Company to exceed the boundaries of the traditional bank market and obtain funds from other financial institutions, corporations or individuals. The cost of such fund raising is for PKN ORLEN competitive with that of bank loans.

For the purpose of liquidity management there is a cash pooling system operating in the Capital Group. As at 31 December 2009 this system covered 23 members of the Capital Group and as at 31 December 2008, 25 members of the Capital Group. Due to this system, the Group is able to optimise costs of debt servicing.

2.1.5 Fuel consumption

A change of tendencies in the fuel consumption may have a significant impact on the volume of sales and realizable prices of products of PKN ORLEN and, consequently, the overall financial situation of PKN ORLEN.

On the basis of the data provided by Agencja Rynku Energii S.A. ("ARE") (the Power Market Agency), the overall domestic consumption of fuel (i.e., gasoline, diesel oil and light heating oil) in 2009 attained the level of 16,399 thousand tonnes and was higher by 2.8% than the consumption in 2008.

The consumption of gasoline in Poland attained the level slightly lower than in 2008 which implies a continuous stabilization of this market which has been witnessed for already a few years. A factor enhancing the gasoline consumption was a continued slightly dropping tendency on the auto gas market and further rising the domestic car fleet (despite a 37% drop in the number of imported cars).

In 2009, the consumption of diesel oil in Poland was higher by 4.6% as compared to 2008, which shows a continuous growing tendency in this fuel consumption witnessed already for a few years. A slightly weaker than in prior years growth dynamics was due to a slower pace of the overall economic growth. Moreover, a continuous replacement tendency in domestic car fleets in favour of cars with high pressure engines is still the growth factor.

The consumption of light heating oil ("LHO") decreased by 1.7% as compared to 2008, which implies a continuous tendency started in 2005 since when a material increase in crude oil prices impaired competitiveness of LHO as heating fuel. A slightly weaker than in prior years dynamics of dropping tendency is due to a grey zone of LHO consumption for traction purposes having disappeared almost definitely (a step-by-step disappearing of the grey zone has strengthened the dynamics of dropping tendencies of LHO consumption in prior years).

2.1.6 Fuel import

According to the ARE data, in 2009 the total imports of fuels to Poland dropped, as compared to 2008, by 263 thousand tonnes, (by 9%). The gasoline imports decreased by 26% and achieved the level of 492 thousand tonnes, which represented approx. 19% of the overall fuel imports. In 2009 the biggest gasoline imports were from Germany (approx. 50%) and Slovakia (approx. 46%).

It is estimated that in 2009, approx. 2,149 thousand tonnes of diesel oil were imported to Poland, i.e. by 4% less than in 2008. The imports of this type of fuel represented almost 81% of the total volume of fuel imported to Poland. The biggest imports of diesel oil came from Germany (52%), Lithuania (25%) and Slovakia (11%).

According to ARE, the overall imports of light heating oil in 2009 amounted to 15 thousand tonnes. In 2009, light heating oil was imported from Germany.

2.2 Information about core products, merchandise and services of PKN ORLEN

The core products of PKN ORLEN include:

- refinery and retail segments products: gasoline, diesel oils, light heating oil, Aviation Jet A-1 fuel, liquid gas, heavy heating oil;
- petrochemical segment products: ethylene, propylene, benzene, butadiene, acetone, phenol, glycols, toluene, orthoxylene, paraxylene.

The volume sales of PKN ORLEN in 2009 achieved the level of 27,086 thousand tonnes and was lower by (-) 2.7% than that generated in the prior year.

Refinery sales

The sales in the refinery segment recorded the level of 22,231 thousand tonnes, i.e. by (-) 4.2% below the level noted in 2008. In this area the volume of Jet A-1 fuel sales dropped by (-) 29.8%, of light heating oil by (-) 12.2% and of liquid gas by (-) 5.3%. In turn, the sales volume of diesel oil and gasoline increased in aggregate by 3.1% in 2009.

Retail sales

In 2009, the volume sales of PKN ORLEN in retail segment noted an increase of 8.2% generated on own stations and 26.3% generated on franchise stations. Such satisfactory results were possible due to further strengthening of ORLEN brand on the fuel station market and high sales dynamics on economic stations BLISKA. The highest increase in sales was noted, inter alia, for the following products: diesel oil – increase by 18.5% and liquid gas - increase by 4.1%. As at 31 December 2009 the retail network of PKN ORLEN in Poland comprised 1,747 stations, including 1,330 own stations, 336 franchise stations and 81 patron stations, operating under the brands: Petrochemia Płock and CPN. In the year 2009 the increased clients' interest in enriched fuels, Verva ON and Verva 98, was recorded. The share of Verva fuels in the overall fuel sale increased as compared to the year 2008 from 16.6% to 17.6% of the sales volume recorded on PKN ORLEN Premium stations in 2009. Due to consistent implementation of the retail network development strategy PKN ORLEN's share in the Polish retail market increased by 1.7 pp up to 31.2%.

Petrochemical sales

In 2009, the sales volume in the petrochemical segment was reduced by (-) 7.9%. The biggest drop was noted, among others, for: acetone by (-) 22.7%, glycols by (-) 22.6%, phenol by (-) 20.2%, benzene by (-) 15.7% and toluene by (-) 13.4%.

2.3 Information about changes in the sales market and sources of raw material supply.

PKN ORLEN supplies crude oil to four refineries from the ORLEN Group: one in Poland (Płock), two in the Czech Republic (Litvinov, Kralupy) and one in Lithuania (Mazeikiu). In 2009 the crude oil supplies to all destinations were in practice undisturbed and performed as scheduled.

Due to the termination, in the end of June 2009, of an agreement with one of the term suppliers (company KD Petrotrade), and due to the ongoing expiration of the term contract with another supplier (company J&S Service & Investment) in the end of 2009, a term contract process was started for the years 2010-2012.

In the end of 2009 two agreements were executed effective as of the beginning of 2010 with the companies Mercuria

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Energy Trading SA and Souz Petroleum SA. Each of them, for the term of 3 years with an annual option of renegotiation of price and, if no agreement in this respect is reached, termination of the agreement. The term contracts ensuring continuity of raw material supply to the refinery contain supply guarantee clauses backed up with financial guarantees, in compliance with the procedures applicable in this respect.

In 2009, the share of the company J&S Service Investment Ltd seated in Cyprus in the overall supply of crude oil exceeded 10% of PKN ORLEN's revenues and amounted to 49% of the total crude oil procurement.

The sales of PKN ORLEN for 2009 and 2008, broken down by geographical location, are presented in Note 4.2c to the Unconsolidated Financial Statement for 2009.

2.4 Description of main economic and financial volumes and assessment of factors and uncommon events materially affecting the generated financial result.

2.4.1 Revenues

In 2009, PKN ORLEN generated total revenues from sales in the amount of PLN 47,481,278 thousand, i.e. by PLN 9,743,586 thousand (by 17.0%) less than that generated in 2008. The drop in sales value witnessed in 2009 is due to the reduction of the refinery segment by (-) 17.4%, as a result of decreased volumes and quotations on main segment products.. As compared to 2008 prices for gasoline decreased by 31% (y/y), diesel oil by (-) 43% (y/y) and light heating oil and Jet A-1 by (-) 44% (y/y). The drop in volumes and quotations on products was also the reason for decrease of petrochemical segment revenues by (-) 21.7%. The revenues of retail segment decreased by (-) 4.7% (y/y) as a result of decreased retail prices of fuels. Increase of revenues by 4.7% (y/y) was noted in corporate functions segment.

2.4.2 Operating result

The operating profit reported by PKN ORLEN for 2009 was determined with the use of the average weighted cost method and amounted to PLN 790,306 as compared to the profit of PLN 636,354 thousand in the corresponding period of prior year.

The operating result was mainly affected by:

- higher by PLN 637,305 thousand (y/y) profit generated by the refinery segment, mainly as a result of changes in crude oil prices' effect on the stock valuation, in the amount of PLN 1,395,115 thousand (y/y), associated by concurrent obvious impairment of macroeconomic conditions (Ural/Brent differential, model refinery margin and foreign currency exchange rates) and lower sales volumes;
- improvement by PLN 167,168 thousand (y/y) of the retail segment results achieved as a result of increased sales volume, and higher fuel and non-fuel product margin by PLN 187,000 thousand in total;
- lesser result by PLN (-) 615,456 thousand (y/y) generated by the petrochemical segment as a consequence of the lower sales and a drop in the model petrochemical margin.

Other net operating revenues and costs achieved the level of (-) PLN 127,310 thousand, as compared to (-) PLN 65,487 thousand in 2008.

The main elements of that balance are: profit on sales of surplus CO₂ emission rights in the amount of PLN 66,991 thousand after considering the reserves to purchase the rights required to settle the CO₂ emission in 2009, and the cost of provisions created mainly in connection with disputes (including settlement of dispute with Agrofert – described in note 36.1.1 of the Unconsolidated Financial Statement for 2009) and impairment allowances for assets in the amount of (-) PLN 29,751 thousand and cost of tax settlements for prior years.

In 2009, EBITDA ratio (operating profit plus depreciation) amounted to PLN 1,760,571 thousand as compared to PLN 1,584,273 thousand in 2008.

2.4.3 Financial cost

The balance of the financial operations in 2009 amounted to PLN 1,117,506 thousand as compared to PLN (-) 2,699,411 thousand in 2008.

In connection with the appreciation of PLN to be seen in 2009, the amount of PLN 760,431 thousand was recorded as the surplus of positive net exchange differences from revaluation of items recorded in foreign currencies. In turn, in 2008, as a result of contrary tendencies in exchange rates, negative net exchange differences amounted to PLN (-) 1,509,430 thousand. In 2009, PKN ORLEN received dividend for the total amount of PLN 617,328 thousand, including PLN 418,222 thousand from Polkomtel S.A. and PLN 97,564 thousand from ORLEN Asphalt Sp. z o.o..

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

PKN ORLEN uses bank loans denominated in EUR to finance its activity as a natural economic hedge against changes of operating results as a consequence of fluctuating zloty exchange rate.

In 2009, the net interest cost mainly related to debt handling amounted to (-) PLN 320,147 thousand and was higher by PLN 8,665 thousand than in prior year.

2.4.4 Profit before tax, income tax and net result

In 2009, PKN ORLEN recorded profit before tax of PLN 1,907,812 thousand. Considering current and deferred tax charges, the net profit for 2009 amounted to PLN 1,635,885 thousand, as compared to the net loss in prior year of (-) PLN 1,570,947 thousand.

2.4.5 Report on financial standing

As at 31 December 2009 the balance sheet totalled to PLN 37,016,351 thousand which was by PLN 5,016,747 thousand (by 15.7%) more than as at 31 December 2008.

The fixed assets' value increased by PLN 2,579,671 thousand (by 12.6%) as compared to the situation as at 31 December 2008 and amounted to PLN 23,006,696 thousand. This change was mainly due to the increased value of property plant and equipment, by PLN 1,602,111 thousand (by 16.9%), basically as a consequence of capital expenditures made in the amount of PLN 2,628,061 thousand and depreciation of assets in the amount of (-) PLN 970,265 thousand.

As at 31 December 2009, the current assets value increased by PLN 2,437,076 thousand up to the amount of PLN 14,009,655 thousand. The main enhancing factor in this respect was the increase in cash value by PLN 1,521,465 thousand and in the stock value by PLN 968,374 thousand (by 15.3%) due to the increased price of fuels and crude oil on international stock exchanges in 2009 as compared to prices from the end of 2008.

On 31 December 2009 the equity amounted to PLN 17,132,898 thousand, i.e., by PLN 1,751,022 thousand (by 11.4%) more than the equity recorded as at the end of 2008, mainly due to the net profit generated for 2009 in the amount of PLN 1,635,885 thousand and the hedging reserve which increased by PLN 115,137 thousand. As at the end of December 2009, the net indebtedness amounted to PLN 8,554,623 thousand and was lower by (-) PLN 1,232,837 thousand as compared to the end of 2008.

The repayment of loans and the increase in the cash balance reduced the net indebtedness by (-) PLN 826,935 thousand while positive exchange differences on revaluation, mainly unrealized on bank loans denominated in foreign currencies, reduced the indebtedness balance by (-) PLN 379,619 thousand.

The ratio of net financial debt to equity (net financial leverage) dropped from 63.6% at the end of 2008 to 49.9% at the end of 2009.

2.4.6 Cashflow statements

In 2009, the net cashflow from operating activity increased by PLN 1,513,641 thousand (y/y) as compared to 2008 and amounted to PLN 2,806,414 thousand. The high level of cash generated in 2009 is mainly due to the effect of the generated profit for 2009 in the amount of PLN 1,635,885 thousand, net working capital optimization in the amount of PLN 1,087,703 thousand and depreciation in the amount of PLN 970,265 thousand.

The net expenses used in investing activity in 2009 decreased by (-) PLN 378,081 thousand and amounted to (-) PLN 1,615,776 thousand. In 2009, the expenses relating to the implementation of investment projects were reduced as compared to 2008 by (-) PLN 413,752 thousand (y/y) and amounted to (-) PLN 1,661,048 thousand, while expenses on the acquisition of shares in 2009 increased by PLN 273,928 thousand and amounted to (-) PLN 998,721 thousand. These expenses were basically related to the purchase of ORLEN Lietuva shares. The increase of proceeds from sales of assets in 2009 up to the amount of PLN 449,636 thousand is mainly a result of the sale of surplus CO₂ emission rights. In turn, the interest and dividends received amounted in 2009 to PLN 620,585 thousand.

In 2009, net cashflow from financing activity amounted to PLN 335,897 thousand, while in 2008 it was PLN 975,898 thousand. Basically, this difference is due to the better repayment of net indebtedness under loans, borrowings and debt securities amounting to PLN 1,341,994 thousand (y/y).

Eventually, the cash as at 31 December 2009 increased by PLN 1,521,465 thousand as compared to the end of 2008 and amounted to PLN 1,964,403 thousand.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

2.4.7 Summary

2009 was a consecutive year, during which PKN ORLEN increased crude oil throughput achieving the record level of 14.5 million tonnes.

Despite unfavourable macroeconomic conditions PKN ORLEN realized operating profit of PLN 0.8 billion and PLN 1.6 billion of net profit in 2009.

Securing the financial stability was a priority in the time of a recession.

Started efficiency programs were mainly focused on fundamental cost reduction, rationalization of investment expenditures and decrease of working capital.

Due to the actions taken, PKN ORLEN worked out PLN 2.8 billion of cash flows on operating activities, what, besides the possibility to continue the strategic investment projects, allowed to reduce PKN ORLEN's indebtedness by PLN 1.2 billion.

2.5 Key events in the period from 1 January 2009 up to date of this report

Performance of the agreement for the sale of shares in AB ORLEN Lietuva to PKN ORLEN

On 29 April 2009, in performance of the put option contract of 9 June 2006 PKN ORLEN acquired from the Government of the Republic of Lithuania 70,750 000 ordinary shares representing 9.98% of AB ORLEN Lietuva's share capital. Consequently, PKN ORLEN holds shares representing 100% of AB ORLEN Lietuva's share capital.

Risk connected with the disposal of assets and liabilities related to purchase of UNIPETROL shares

On 30 June 2009 the Court of Arbitration in Prague:

- issued a statement in which it adjudged from PKN ORLEN to Agrofert Holding a.s. the amount of EUR 77,266,500 with interests and costs of proceedings, claimed in the law suit dated 16 December 2005. The statement was executed by PKN ORLEN on 3 July 2009,
- dismissed the law suit of Agrofert Holding a.s. against PKN ORLEN concerning payment of EUR 77,266,500, claimed in the law suit dated 3 April 2006, cancelling simultaneously costs of both parties,
- dismissed the law suit of Agrofert Holding a.s. concerning payment of CZK 409,102,494 claimed in the law suit dated 25 May 2006 and adjudged for PKN ORLEN a return of part of the proceedings costs.

At present arbitration proceedings initiated in December 2006 with a law suit in which Agrofert Holding a.s. claims the payment of a compensation for losses related among others to unfair competition and illegal violation of reputation of Agrofert Holding a.s. are in progress. The value of the dispute amounts of CZK 19,464,473,000 with interests. PKN ORLEN S.A. considers this claim as groundless.

Information on significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies was also presented in note 36.1 to the Unconsolidated Financial Statements for 2009.

Arbitration proceedings against Yukos International UK B.V.

On 15 July 2009, PKN ORLEN filed with the Arbitration Court at the International Chamber of Commerce in London a request for instituting arbitration proceedings against Yukos International UK B.V. with its registered office in The Netherlands in relation to the transaction of the acquisition of AB ORLEN Lietuva shares. The claims lodged by PKN ORLEN concern mainly certain statements, which are contrary to the factual situation, and which Yukos International made in respect of AB ORLEN Lietuva's standing as at the closing of the transaction involving PKN ORLEN acquiring shares in AB ORLEN Lietuva, i.e. on 14 December 2006.

At this stage, PKN ORLEN is claiming the return of USD 250 million deposited on an escrow account as portion of the price for AB ORLEN Lietuva shares to secure PKN ORLEN's claims, if any, against Yukos International. PKN ORLEN reserved the right to increase the amount of its claims or to lodge additional claims at further stages.

The arbitration proceedings will be held in London, before the Arbitration Tribunal composed of three arbitrators in accordance with the Rules of Arbitration Proceedings of the International Chamber of Commerce.

Detailed information on proceedings in which PKN ORLEN is suing party is also presented in note 36.2 to the Unconsolidated Financial Statements for 2009.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

The transfer to the State Treasury of shares in PKN ORLEN held by Nafta Polska

On 22 July 2009 Nafta Polska S.A. transferred to the State Treasury its shares held in PKN ORLEN. Consequently, the State Treasury, represented by the Minister of State Treasury, acquired 74,076,299 shares in PKN ORLEN, representing 17.32% of the Company's share capital and 74,076,299 votes, i.e., 17.32% in the overall number of votes at the General Meeting of PKN ORLEN.

Approval of annexes to depositary agreements

On 5 January 2010, the American Securities and Exchange Commission and The Bank of New York Mellon headquartered in New York, USA, approved annexes to depositary agreements regulating the functioning of global depositary receipts and American depositary receipts programme ("Depositary agreements") executed by PKN ORLEN and the Bank. The provisions of the Depositary agreements were adjusted to the provisions commonly applicable in Poland and in the United States.

2.6 Indebtedness structure and financial resources management

As at 31 December 2009, the total value of long- and short-term loans, borrowings and debt securities issued at PKN ORLEN amounted to PLN 10,519,026 thousand and was higher by PLN 288,628 thousand than the same recorded as at the end of 2008.

Specification (PLN thousands)	2009	2008
Bank loans	9,586,665	9,438,735
Borrowings	-	-
Debt securities	932,361	791,663
By maturity:		
Long-term	9,971,765	767,723
Short-term	547,261	9,462,675
Indebtedness	10,519,026	10,230,398
Cash	1,964,403	442,938
Net debt	8,554,623	9,787,460

As at 31 December 2009, as compared to the end of 2008, the net financial indebtedness at PKN ORLEN decreased by PLN 1,232,837 thousand down to the amount of PLN 8,554,623 thousand. The drop in net indebtedness affected the ratio of net financial indebtedness to equity (loans, borrowings and debt securities less cash to equity), which fell from 63.6% as at 31 December 2008 to 49.9% as at 31 December 2009.

As at 31 December 2009 the maximum admissible debt under bank loans amounted to PLN 13,801,010 thousand, out of which PLN 4,098,045 thousand still remained undrawn, and, as at 31 December 2008, it was PLN 13,532,920 thousand and PLN 4,177,962 thousand, respectively.

In the Unconsolidated Financial Statements as at 31 December 2008 the amount of PLN 9,051,266 thousand of long term loan liabilities was presented as short term liabilities. The amount related to liabilities resulting from loan agreements containing clause about required net debt to EBITDA (operating result increased by depreciation) ratio, which as at 31 December 2008 was exceeded. Detailed information was included in the Unconsolidated Financial Statements for 2008 (note 7.11).

In 2009, PKN ORLEN used loans and borrowings in both, domestic and foreign, currencies which mainly bear interest at fluctuating rate.

In its day-to-day operations, PKN ORLEN uses comprehensive services of highly credible banks, with a considerable equity and strong market position, which have gained extensive expertise in cash management on the Polish and foreign markets. This approach has made it possible for PKN ORLEN to reduce banking costs, and ensure high

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

quality of services provided by cooperating banks. PKN ORLEN is further striving for uniform banking services and centralisation of financial assets management for all members of the ORLEN Group.

2.7 Loan agreements and borrowings, sureties and guarantees, contingent liabilities

2.7.1 Loan agreements

The crucial loans in 2009 at PKN ORLEN include mainly:

- multicurrency loan facility of EUR 1 billion extended by the consortium of Polish and international banks in December 2005. The loan period is 5 years from the signing of a loan facility agreement with two extension options, each of one year (in December 2006 and 2007, respectively, PKN ORLEN took advantage of the extension option and moved the maturity date to December 2012). The loan may be used in four currencies, i.e. EUR, USD, PLN and CZK. Funds from the loan may be allocated to finance current operations of PKN ORLEN;
- revolving loan facility of EUR 800 million extended by the consortium of eight banks in November 2006. The loan period is 5 years with two extension options, each of one year (in 2007 and 2008 PKN ORLEN took advantage of the extension option and moved the maturity date of the loan in the amount of EUR 100 million to November 2013);
- loan facility in the total amount of EUR 510 million extended by the European Investment Bank (EIB) in 2007. The amount of EUR 210 million was granted by EIB to the investment involving the expansion of the chain of fuel stations and environmental protection. Available currencies: EUR, USD, GBP and PLN; repayment period: 9 years with a 3-year grace period. The amount of EUR 300 million was granted by EIB to cover part of the construction costs of the installation to produce paraxylene and terephthalic acid. Available currencies: EUR, USD, GBP and PLN; repayment period: 12 years with a 4-year grace period or a one-off repayment during 8 years from the drawdown date;
- syndicated loan facility of EUR 300 million extended by the consortium of six banks in January 2008 to provide funds for on-going business. The loan period is 3 years as of the signing of the loan facility agreement, with two extension options, each of one year. The loan may be used in three currencies, i.e. in EUR, USD and PLN. The funds disbursed may be devoted to finance on-going business;
- two loans for a total amount of EUR 115 million extended by Nordea Bank Polska S.A. in April 2008 to provide funds for on-going business: the overdraft facility agreement up to EUR 15 million and the revolving loan facility agreement up to EUR 100 million. The loan period relating to each loan is 3 years. The loans may be used in three currencies, i.e. EUR, PLN and USD.
- multicurrency revolving loan of EUR 325 million extended by the consortium of seven banks in August 2008. PKN ORLEN may allocate the disbursed funds to general corporate purposes and to working capital, including providing funds to the ORLEN Group. The loan period is 3 years with two extension options, each one for one year. The funds under loan may be disbursed in three currencies i.e. EUR, USD and PLN.

PKN ORLEN is also a party to five revolving loan agreements securing the company's on-going financial liquidity.

For further details regarding the debt structure see Note 16 to the Unconsolidated Financial Statements for 2009.

2.7.2 Loans granted

In 2009, PKN ORLEN was a party to the following loan agreements:

- long-term loan agreement executed with Basell ORLEN Polyolefins in December 2009 for the amount of EUR 10 million. Interest on the loan accrues at fluctuating interest rate determined at arm's length. Under the loan agreement the loan will be repaid in one instalment on 31 December 2013;
- long-term loan agreement executed in the second half of 2005 with ORLEN Transport Kraków sp. z o.o. for the amount of PLN 2,700 thousand; in the second half of 2007 ORLEN Transport Kraków sp. z o.o. was declared bankrupt and ceased to pay its liabilities under the loan agreement. As at 31 December 2008 the overdue amount equalled PLN 122.3 thousand;

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

- loan agreement with ORLEN Oil sp. z o.o. for PLN 47 million, which originally was a short – term contract with a maturity date set on 26 June 2007. Under the signed amendments to the agreement the final loan maturity date was postponed to 31 December 2009. In July 2009 ORLEN Oil sp. z o.o. made an earlier repayment of the loan;
- loan agreement of 15 April 2008 with ORLEN International Exploration & Production Company B.V. for USD 950 thousand. Under the provisions of the agreement the loan was supposed to be repaid in one instalment by 31 December 2009. In May 2009 the loan was converted into the share capital of International Exploration & Production Company B.V. with the use of the “share premium” mechanism (additional payment to the capital without increasing the number of shares or the nominal value of the existing shares). The total additional payment amounted to USD 1,026 thousand, out of which USD 76 thousand represented the accrued interest.

The interest on the granted loans accrues at the fluctuating interest rate determined at arm's length.

2.7.3 Sureties and guarantees

By January 2009 the most significant guarantees were those issued in respect of the excise duty. They secured, among others, the excise tax due on harmonized excise products moved amongst tax warehouses located in Poland and other EU Member States under the so-called excise-duty suspension procedure. As of 1 February 2009 this amount has significantly decreased as a consequence of PKN ORLEN having secured excise debts with bills of exchange.

As at 31 December 2009 the value of guarantees and sureties issued by PKN ORLEN amounted to PLN 910 million. This amount covers:

- PLN 744 million for the liabilities of the subsidiaries, out of which the amount of PLN 655 million covers the liabilities of ORLEN Deutschland GmbH,
- PLN 113 million for the liabilities towards third parties issued in the course of on-going business activity;
- PLN 53 million for excise duty.

2.7.4 Contingent liabilities

As at 31 December 2009, the total value of contingent liabilities decreased as compared to the end of 2008, by PLN 9,675 thousand down to the level of PLN 24,153 thousand. The biggest drop was recorded in respect of the liabilities relating to court litigation (reduction by PLN 9,369 thousand).

For further details concerning contingent liabilities see Note 35 to the Unconsolidated Financial Statements for 2009.

2.8 Issue of securities

Under a bond issue program agreement, PKN ORLEN issues unsecured bearer's bonds. The offer is addressed to institutional investors and not to the public. The banks chose a group of entities from amongst the investors they know to which they address a bond purchase proposal. The proposal may not be addressed to more than 99 entities. Under the programme, the issue of both non-interest bearing (zero-coupon) and interest bearing (coupon) bonds is admissible. The non-interest bearing bonds are issued with a discount for a period from 7 days to 1 year. On interest bearing bonds interest is accrued at a fixed or variable interest rate. These bonds are issued for a period of 1 to 7 years. This is a multi-currency programme, which means that the issues may be in four currencies: PLN, EUR, USD and CZK. Therefore the bonds may be addressed to foreign companies belonging to the ORLEN Group.

In 2009, PKN ORLEN, as part of the bond issue programme, issued exclusively short-term bonds in two currencies: PLN and EUR. The issues were addressed to the members of the ORLEN Group. The investors included the Capital Group members: ANWIL S.A., Inowrocławskie Kopalnie Soli SOLINO Sp. z o.o., ORLEN Księgowość Sp. z o.o., ORLEN Asfalt Sp. z o.o., ORLEN KolTrans Sp. z o.o., ORLEN PetroCentrum Sp. z o.o., ORLEN Transport S.A., ORLEN Upstream Sp. z o.o. buying bonds in PLN and ORLEN Deutschland GmbH buying bonds in EUR. The yield on bonds is determined on an each time basis at arm's length.

2.9 Financial instruments

Financial instruments were described in detail in Note 28 to the Unconsolidated Financial Statements for 2009.

2.10 Factoring

In December 2009, PKN ORLEN signed two agreements for the provision of factoring services without recourse, involving the provision of funds to trade accounts receivable prior to their maturity and the take-over of the risk of

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

insolvent debtor. The agreements concern trade receivables due to PKN ORLEN from a few biggest business partners.

2.11 Assessment of the feasibility of investment projects

The key investments significant for the development of the ORLEN Group include:

- Paraxylene Complex ("PX") of the nominal capacity of 400 thousand t/y with infrastructure and Terephthalic Acid Complex ("PTA") of the capacity of 600 thousand t/y with infrastructure. This is a key undertaking for the development of PKN ORLEN and petrochemical industry in Poland.
The implementation is related to the use of unique and innovative technologies due to which PKN ORLEN presents itself to be one of the worldwide leaders. Terephthalic acid produced out of paraxylene (PX) will be used in the packaging production, disposable cups and plates and foil. PTA is also used for the production of polystyrene fibres.
The launch of paraxylene (PX) and terephthalic acid (PTA) production will result in the increase in:
 - processing of crude oil by app. 1.2 million t/y,
 - production of diesel oil by over 200,000 t/y,
 - production of benzene by 80,000 t/y,
 - production of orthoxylene by 40,000 t/y.The completion of the PX investment is scheduled for the 3rd quarter of 2010, and of the PTA for the 4th quarter of 2010;
- Diesel Oil Hydrodesulphurisation Complex VII ("HON VII") - the goal of this investment is the production at PKN ORLEN of entire diesel oil with the sulphur content of less than 10 ppm. HON VII, while processing 2.2 million t/y, will secure the production of diesel oil with the sulphur content of 10 ppm for the increased crude oil processing due to the intensification of Olefin II and the production of 400 thousand t/y of paraxylene.
The investment is at the final stage of construction and assembly works. The investment is expected to be completed in the 3rd quarter of 2010;
- Upgrading and intensification of the Butadiene Installation in order to improve butadiene recovery from the stream of C4 pyrolytic fraction. The investment was completed in 2009;
- upgrading of the Alkylation installation. The goal of this enterprise is to maintain the installation operating by implementing administrative decisions which were issued, mitigating environmental and general threat imposed by the technological process, and improvement of quality parameters of raw material for HF Alkylation installation. The projected time for completing the investment is the 4th quarter of 2012;
- upgrading and intensification of the Ethylene Oxide and Glycol installation. The goal of this investment is to increase the production on the Ethylene Oxide and Glycol II installation from 75 thousand t/y to app. 95 thousand t/y. The investment is expected to be completed in the 4th quarter of 2010;
- construction of Claus II installation with infrastructure. The goal of this task is to restore the processing capacity of Claus installation and to secure and utilize a stream of hydrosulphur gases due to the enhanced processing of crude oil at PKN ORLEN. The investment is expected to be completed in the 3rd quarter of 2011;
- extension of the Vinyl Chloride and Polyvinyl Chloride production plant in Anwil of the annual production capacity of 340 thousand tonnes of PVC. The investment was completed in 2009;
- rebranding and development of the franchise station network in new key locations. The project assumes that by the end of 2012 there will have been app. 500 DOFO stations. In 2009, 26 stations were added, as at 31 December 2009 there were 336 DOFO stations. In 2010-2012, the network is supposed to increase by 164 stations, the investment plan for 2010 provides for 65 stations, 50% are already undergoing the implementation process, and the rest is at the stage of preliminary negotiations with owners;

and many other minor tasks relating to the process of the plant infrastructure being adopted to comply with new legal and ecological requirements.

As part of the power sector development strategy, also the options of developing the Heat and Power Plant in the Parent Company in Płock are being considered. By 2015 a number of investment actions will have had to be undertaken, including among others:

- construction of new boiler K-8;

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

- modernisation of fuel re-pumping station;
- construction of the Combustion Gases Desulphurisation Installation (IOS) together with electrofilters (EF);
- construction of the Combustion Gases Denitrifying Installation (Denox);
- construction of TG-7 turbine.

The decisions regarding directions to be followed will be passed in the first half of 2010.

In order to adapt the investment policy to the limited possibilities of fund raising at the time of financial crisis and to ensure financial safety of PKN ORLEN, a number of adjustments were made in respect of the projected capital expenditures.

2.12 Explanations of differences between the financial results showed in the annual report and the previously published forecast results for a given year

There are no differences between the results presented in the Unconsolidated Financial Statements for 2009 and previously published results of the Parent Company presented in the Consolidated Quarterly Report for 4th quarter of 2009.

III. FORCASTED DEVELOPMENT OF PKN ORLEN

In line with the Strategy for the PKN ORLEN for 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;
- development in new areas;
- divestment of non – core assets.

Effective strengthening activities, i.e. operational efficiency, asset integration and segment management enable the Company to take good position for the Group's further development in the area of its core business, extending the value chain and taking advantage of new areas of activity as the leverage of dynamic increase.

PKN ORLEN is building its values on the following foundations: core assets in the refinery, petrochemical and retail segments, on which our efforts and resources are definitely focused.

In the refinery segment one of the key goals to achieve is to increase the production of medium distillates in conjunction with the increased crude oil processing and input for the petrochemical segment. In 2009 the Hydrogen Production II installation was started up and the works on the construction of the diesel oil desulphurisation - HON VII were continued.

The development of core business is focused, among others, on the logistics assets which form a material element of the Group's competitive advantage. In 2009, the key undertakings in this area included: a construction of new pipeline segments between Ostrów Wielkopolski and Wrocław and between Boronowo 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 take advantage of systematic cycles of product storing.

In 2009, the main goal of the wholesale segment was to maintain the leading position in individual countries, develop business on the prospective Ukrainian market and launch cooperation with the Belarussian business partners. One of crucial elements of the strategy for this segment was the sale of more than one third of the sales volume via own retail network as well as securing and active takeover of import channels.

In the case of the fuel station network, PKN ORLEN's activities were focused on further strengthening the brand and enhancing effectiveness of sales at stations and the margin in the area of the non-fuel sales. The material achievement saw in 2009 was an increase in the retail sales volumes by 7% with the rising dynamics better than that witnessed on the market, which led to the increase in the retail sale market in Poland by over 1 pp, from 29.5% in 2008 to app. 31% in 2009. Also the margin on non-fuel products was increased by 20% due to consistent implementation of the retail strategy (gastronomic services and shop).

PKN ORLEN's situation in the petrochemical segment was determined by investing in new products and the works on further improvement of effectiveness. The crucial investment in the petrochemical segment is the construction of the paraxylene (PX) and terephthalic acid (PTA) production complex in Płock, the progress as scheduled, namely, 97% and 81%, respectively .

In line with the announced strategy, PKN ORLEN 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 is able to reliably assess 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. Main tasks performed as part of the upstream segment development included:

- launch of the exploration and extraction project on the Baltic shelf in the Latvian economic zone;
- implementation of the exploration and extraction project in the Lubelski basin area;
- studies and analyses of exploration and extraction projects/assets in various geographical locations;
- full analysis of selected projects aimed at buying upstream assets or performing corporate acquisitions outside Poland;
- launch of cooperation with partners holding assets in Poland.

The development strategy includes also the increase of PKN ORLEN's presence in the electric energy production sector. Within the above-mentioned strategy, investments aimed at the development of Parent Company's Heat and Power Plant in Płock will be carried out. They include: construction of new boiler K-8, Combustion Gases

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Desulphurisation Installation, Combustion Gases Denitrifying Installation and TG-7 turbine. The goals of the investments include:

- to enhance reliability of steam and electric energy production;
- to ensure more flexibility as regards the use of liquid fuels;
- to ensure compliance with future ecological requirements as regards SO₂, NO_x and dust emission;
- to enhance overall efficiency of steam and electric energy production.

Parallel to the modernization of the Company's Heat and Power Plant in Plock, PKN ORLEN launched preparations to implement a project involving the construction of a new, gas supplied, power plant in Włocławek. The investment is planned to be launched in the years 2014-2015. The construction of a system power plant is one of the Group's strategy for the power segment. In accordance with this strategy, the Group's value will increase due to both the better performance of the existing assets (PKN ORLEN, UNIPETROL Group and ORLEN Lietuva Group) and the engagement in new projects in the power industry.

As regards the guarantee of safety and continuity of crude oil supplies in 2009 term contracts were executed for the period by 2012 for the crude oil supply (10 Mt/y) of the value of app. PLN 45 billion.

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

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

While focusing on its core business, PKN ORLEN started in 2009 preparations to a divestment process in respect of assets in the chemical and telecommunications segments through releasing the involved capital.

Having recognised the force and scale of crisis in 2009 an integrated package of optimization programs was implemented. To this end the capital expenditures were optimized, as well as fixed costs, cashflows from operating and investing activities, employment structure and level. The implemented optimization activities enabled the Company to stick to the terms and conditions of the loan agreements and generate additional cash.

IV. ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT

In 2009, PKN ORLEN carried out a number of studies relating to the development and upgrading of production technologies, improvement of activities' efficiency and the quality of manufactured products, limitation of the negative environmental impact. These works were performed both by the Company itself and were outsourced to institutes and research centres, universities as well as business entities carrying out research and development activity.

The most important studies in the scope of technical research and development:

- technical and economic analysis of the launch of the production of Tert-Amyl-Ethyl-Ether as a high octane component of gasoline;
- development of an algorithm for diagnosing the impact of sediments in the heat exchanger network on the stream of regenerated heat and assessment of profitability of such method;
- assessment of the quality of hydrotreated from the Diesel Oil Hydrotreating installation from HOG at the angle of its use in the production of diesel oil Ekodiesel Ultra and light heating oil Ekoterm Plus;
- development of guidelines for upgrading the hydrocarbon fraction hydrogenation operation;
- development of guidelines for the new method of processing pyrolytic gasoline with a view to enhance the hydrogenation process and to utilize more effectively fractions used from the split of hydrotreated;
- verification of the production technology regarding Aviation Jet A-1 and F-34 fuels produced on the basis of a component originating from the Hydrocracking Installation in the current technological conditions of PKN ORLEN.

V. CORPORATE GOVERNANCE

5.1 A set of corporate governance rules followed by PKN ORLEN in 2009

In 2009, PKN ORLEN complied with the "Best Practices for Stock Exchange Listed Companies" (further the "Best Practices for WSE Listed Companies") valid for the Warsaw Stock Exchange. The Code of Best Practice 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 and on the corporate website www.orlen.pl in the section devoted to the Company's shareholders in the tab Best Practices for WSE. In 2009 PKN ORLEN followed all the corporate governance rules set out in the Code of Best Practice for WSE Listed Companies.

5.2 Description of key features of PKN ORLEN's internal audit and risk management systems related to the process of financial reporting

The Company's system of internal audit and risk management in the process of drawing up financial statements is implemented by:

- reviewing the application of unified accounting policy by the ORLEN Group companies as regards the recognition, assessment and disclosure methods under the International Financial Reporting Standards (IFRS);
- following and monitoring compliance with accounting standards;
- reviewing by an independent auditor of the published financial reports for the 1st quarter, the half-year and the 3rd quarter of the year and auditing the annual financial statements of PKN ORLEN and the ORLEN Group;
- procedures to authorise and give opinions about financial statements before they are published;
- carry out an independent and objective evaluation of risk management and internal audit systems.

In order to ensure that uniform accounting standards are applied, the ORLEN Group companies have to follow the accounting policy adopted by PKN ORLEN, updated from time to time to ensure that they comply with the applicable law, specifically, with the IFRS, the Accounting Act dated 29 September 1994 and the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities. The Corporate Accounting Office monitors whether this obligation is observed and conducts comprehensive analytical procedures supplemented with audit activities, as well as devises instructions and guidelines as regards the specified issues, requiring detailed explanations to ensure proper and uniform financial reporting principles.

The consolidated financial statements are drawn up based on the reporting packages provided by the ORLEN Group companies which are reviewed in terms of their cohesion, completeness and continuity. The data required for the unconsolidated financial statements is derived from accounting records kept in accordance with the PKN ORLEN procedures. Disclosures also cover additional information provided by individual organisational units of PKN ORLEN, which is also checked by the Corporate Accounting Office.

In order to reduce the risks relating to the process of drawing up financial statements on a current basis, the same are quarterly checked by an auditor, i.e. more often than required under the applicable law. The financial statements for the 1st quarter, the half-year and the 3rd quarter of the year are reviewed, whereas the annual financial statement is subject to audit. The auditor presents the results of the reviews and audits to the Management Board and the Audit Committee of the Supervisory Board.

The Company has certain procedures to authorise the financial statements. In accordance with the same, the periodical reports are submitted to the Management Board upon the completion of reviews/audits by the auditor, and subsequently forwarded to the Audit Committee of the Supervisory Board for an opinion to be issued. Once the opinion has been obtained from the Audit Committee, the financial statements are approved by the Management Board for publication and subsequently forwarded by the Investor Relationship Office to the appropriate capital market institutions and made public. Before publishing, the financial statements are treated as confidential by the Company and provided solely to persons involved in the preparation, control and approval procedures.

The Company has an Audit Department which has to ensure an independent and objective evaluation of the risk management and internal audit systems, and analyse business processes. The Department operates based on the annual audit plans approved by the Supervisory Board and accepted by the Audit Committee of the Supervisory Board and the Supervisory Board itself. The Audit Department can also carry out *ad hoc* audits as ordered by the Company's Supervisory Board or the Management Board.

In pursuit of the tasks and objectives set, the Audit Department provides recommendations as to the implementation of solutions and standards designed to reduce the risk of the Group not meeting the targets set, improve the effectiveness of the internal control system and to increase the efficiency of business processes. Additionally, the

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Audit Department monitors the follow-up on its own recommendations as well as those given by the auditor of the Company's financial statements.

Twice a year the Audit Department draws up a report for the Management Board and the Audit Committee of the Supervisory Board on monitoring the recommendations, summarising the conclusions regarding the audit tasks performed, identified risks and information about the follow-up on the recommendations given.

5.3 PKN ORLEN's shareholders with a significant stake

Shares in PKN ORLEN are listed on the Warsaw Stock Exchange and in the form of Global Depositary Receipts (GDR) on the London Stock Exchange. Depositary receipts are also traded in the USA on the OTC market.

The share capital of PKN ORLEN is divided into 427,709,061 ordinary bearer shares with a par value of PLN 1.25 each.

PKN ORLEN's depositary receipts are lodged with The Bank of New York Mellon. The transaction unit on the London Stock Exchange is 1 GDR which accounts for two shares in PKN ORLEN.

The ownership rights in PKN ORLEN's shares are fully transferable.

Below a list of PKN ORLEN's shareholders with a significant stake is presented, specifying the number of shares held, the percentage of their share in the Company's share capital, the number of votes conferred by the same and their percentage in the total number of votes at PKN ORLEN's General Meeting.

Since the beginning of 2009, Nafta Polska S.A. and the State Treasury were the Company's shareholders holding each over 5% of the Company's share capital. The shareholding structure changed on 20 February 2009 when ING Otworthy Fundusz Emerytalny increased its interest in the Company's share capital to 5.17% of the PKN ORLEN's share capital. On 22 July 2009, Nafta Polska S.A. transferred all shares held in PKN ORLEN to the State Treasury. The shareholding structure was altered for the last time on 5 February 2010, when Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK acquired the Company's shares, representing 5.08% of the PKN ORLEN's share capital.

Shareholding structure in PKN ORLEN as at 31 December 2009:

Shareholders	Number of shares	Number of votes at General Meeting of PKN ORLEN	Share in total number of votes at General Meeting of PKN ORLEN	Percent of share capital of PKN ORLEN
State Treasury	117,710,196	117,710,196	27.52%	27.52%
ING Otworthy Fundusz Emerytalny*	22,118,813	22,118,813	5.17%	5.17%
Others	287,880,052	287,880,052	67.31%	67.31%
Total	427,709,061	427,709,061	100.00%	100.00%

* in accordance with the information received by the Company on 20 February 2009.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Shareholding structure in PKN ORLEN as at 19 March 2010:

Shareholders	Number of shares	Number of votes at General Meeting of PKN ORLEN	Share in total number of votes at General Meeting of PKN ORLEN	Percent of share capital of PKN ORLEN
State Treasury	117,710,196	117,710,196	27.52%	27.52%
ING Otworthy Fundusz Emerytalny*	22,118,813	22,118,813	5.17%	5.17%
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK **	21,744,036	21,744,036	5.08%	5.08%
Others	266,136,016	266,136,016	62.23%	62.23%
Total	427,709,061	427,709,061	100.00%	100.00%

* in accordance with the information received by the Company on 20 February 2009

** in accordance with the information received by the Company on 9 February 2010

There are no known agreements, under which the proportions of shares held by current shareholders and bondholders may be altered in the future.

5.4 PKN ORLEN 's shareholders vested with special control rights and voting right restrictions

One share in PKN ORLEN confers the right to one vote at the Company's General Meeting. The Company's Articles of Association were amended by the decision of the PKN ORLEN's Ordinary General Meeting, where the rules for exercising the voting right by shareholders have been itemised. Simultaneously, in § 7 sec. 11 of the Articles of Association, the Ordinary General Meeting adopted the definitions of basic terms used in § 7.

As regards the voting right of particular shareholders, it has been adopted in the Articles of Association that:

- the voting right of the Company's shareholders is restricted to the extent that at the General Meeting of Shareholders none of them can exercise more than 10% of the total votes existing in the Company as at the date the General Meeting of Shareholders is held. Such restriction of the voting right, however, does not apply when specifying the duties of shareholders with a significant stake, provided for in the Act on Public Trading in Securities. The restriction, referred to in the previous sentence does not apply to Nafta Polska S.A., the State Treasury and the depository bank which issued depository receipts in connection with the Company's shares under an agreement with the Company (if the bank exercises the voting right from the Company's shares). The voting right exercised by the subsidiary is deemed to be exercised by the parent company within the meaning of the Act on Public Trading in Securities and in order to calculate the number of votes held by a shareholder, the voting rights from the shares is added to the number of votes that the particular shareholder would acquire in the event of converting the depository receipts held by the same into shares;
- a shareholder is deemed to be each person, including the parent company and its subsidiary, that is directly or indirectly entitled to the voting right at the General Meeting under any legal title; that refers also to the person that is not a Company's shareholder, in particular a user, pledgee, the person authorised from the depository receipt within the meaning of the Act of 29 July 2005 on Financial Instruments Trading as well as the person authorised to participate in the General Meeting despite the shares held by the same having been transferred following the day when the right to participate in the General Meeting has been established;
- the parent company and the subsidiary shall accordingly mean a person:
 - that has the status of the dominant entity, dependent entity or both within the meaning of the Act of 16 February 2007 on Competition and Consumers Protection, or
 - that has the status of the parent company, senior parent company, subsidiary, lower level subsidiary, jointly controlled entity or of both parent company (including senior parent company) and subsidiary (including the lower level subsidiary and jointly controlled entity) within the meaning of the Accounting Act of 29 September 1994, or

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

- that exerts (parent company) or is subject to (subsidiary) decisive influence within the meaning of the Act of 22 September 2006 on Transparency of Financial Relations between Public Authorities and Public Entrepreneurs and on Financial Transparency of Certain Entrepreneurs, or
 - whose votes from the Company's shares held directly or indirectly are accumulated with the votes of another person or other persons under the rules stipulated in the Act of 29 July 2005 on Public Offering and Conditions for Introducing Financial Instruments to the Organised Trading System and Public Companies, in connection with holding, transferring or purchasing the Company's significant stakes.
- shareholders, whose votes are accumulated and reduced in accordance with the above provisions, are jointly referred to as the Shareholders Group. Accumulating votes involves summing up the votes held by particular shareholders being members of the Shareholders Group. The reduction of the number of votes involves decreasing the overall number of votes in the Company vested in the shareholders being members of the Shareholders Group to be exercised at the General Meeting. The number of votes is reduced in accordance with the following rules:
- the number of votes of a shareholder, whose number of votes in the Company rates the largest among the votes of all shareholders being members of the Shareholders Group, is decreased by the number of votes equal to the surplus votes in excess of 10% of the overall number of votes in the Company held in aggregate by all shareholders being members of the same;
 - if, notwithstanding the reduction referred above, the overall number of votes held by the shareholders being members of the Shareholders Group to be exercised at the General Meeting exceeds 10% of the total number of votes the number of votes held by the remaining shareholders being members of the same is subject to further reduction. The number of votes is further reduced in the order established on the basis of the number of votes held by particular shareholders being members of the Shareholding Group (from the highest to the lowest one). The number of votes is being reduced until the aggregate number of votes held by the shareholders being members of the Shareholding Group does not exceed 10% of the overall number of votes in the Company;
 - in each case, the shareholder whose voting right has been restricted, preserves the right to exercise at least one vote;
 - restriction of the voting right applies also to the shareholder absent from the General Meeting.
- In order to establish the basis for the votes being accumulated and reduced in accordance with the above provisions, the Company's shareholder, Management Board, Supervisory Board and individual members of such bodies may request the Company's shareholder to provide information on whether it is the person:
- that has the status of the dominant entity, dependent entity or both within the meaning of the Act of 16 February 2007 on Competition and Consumers Protection, or
 - that has the status of the parent company, senior parent company, subsidiary, lower level subsidiary, jointly controlled entity or of both parent company (including senior parent company) and subsidiary (including the lower level subsidiary and jointly controlled entity) within the meaning of the Accounting Act of 29 September 1994, or
 - that exerts (parent company) or is subject to (subsidiary) decisive influence within the meaning of the Act of 22 September 2006 on Transparency of Financial Relations between Public Authorities and Public Entrepreneurs and on Financial Transparency of Certain Entrepreneurs, or
 - whose votes from the Company's shares held directly or indirectly are accumulated with the votes of another person or other persons under the rules stipulated in the Act of 29 July 2005 on Public Offering and Conditions for Introducing Financial Instruments to the Organised Trading System and Public Companies, in connection with holding, transferring or purchasing the Company's significant stakes.

The power referred to above includes also the right to request for the number of votes held by the Company's shareholder individually or together with other shareholders of the same to be disclosed. The person that failed to perform or unduly performed the obligation to provide information referred to in this point, may exercise the voting right from one share exclusively until the breach of such obligation has been remedied and exercising the voting right by such person from other shares is ineffective.

- in connection with the provision, pursuant to which exercising of the voting right by the subsidiary is deemed to be exercising of the same by the parent company, for the avoidance of doubts as to interpretation it is stipulated that

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

the restriction of the voting right does not apply to the entities dependent on the State Treasury and Nafta Polska S.A.;

- in the event of doubts, the provisions of this Section should be interpreted in accordance with Article 65 § 2 of the Polish Civil Code.

As long as the minister in charge of the State Treasury affairs or another minister exercises the rights conferred under the shares in PKN ORLEN owned by the State Treasury under the generally applicable law, the appropriate minister can appoint one or two Observers for the Company, who will be authorised to monitor the Company's activities, participate in the meetings of the Company's authorities, review the Company's documents, require reports and explanations, inspect the Company's assets. Detailed rules regulating the Observers' activity and their powers are set out in the General Meeting, Supervisory Board and Management Board Constitutions. Until this report's announcement, the minister in charge of the State Treasury affairs has not appointed any Observer for PKN ORLEN.

The State Treasury can appoint and recall one member of the Supervisory Board. Additionally, one member of PKN ORLEN's Management Board is appointed and recalled by the Supervisory Board upon motion of the minister in charge of the State Treasury affairs.

Special rights to be vested in the State Treasury shareholder may also be derived from the generally applicable law.

5.5 Rules for amending PKN ORLEN's Articles of Association

An amendment to PKN ORLEN's Articles of Association requires a resolution of the General Meeting of Shareholders and has to be entered in the business register. The resolution of the General Meeting of Shareholders to amend the Company's Articles of Association is adopted with three quarters of votes. The General Meeting may authorise the Supervisory Board to formulate the uniform text of the Articles of Association or make other editorial changes as set out in the resolution passed by the General Meeting.

Once the amendments to the Articles of Association are entered in the business register, PKN ORLEN publishes the relevant current report.

5.6 Proceedings of PKN ORLEN's general meeting of shareholders, its key powers, and shareholders' rights and their exercise

Proceedings and powers of PKN ORLEN's General Meeting of Shareholders are regulated in the Articles of Association and the Constitution of PKN ORLEN's General Meeting. The documents can be found on the PKN ORLEN's website: www.orklen.pl in the "Company" and "Investor relations" sections in the "General Meeting" tab.

5.6.1 Convening and calling off PKN ORLEN's General Meetings

The rules for convening and organising the General Meetings of Shareholders have been materially amended by the General Meeting of Shareholders of PKN ORLEN on 15 July 2009. The amendments relating to the above were to be introduced due to the necessity of adjusting the Company's corporate documents to the provisions of law generally applicable to such extent. The amendments relating to convening and organising the General Meetings of Shareholders have been introduced to both the Articles of Association and the Constitution of the General Meeting, with the amendments introduced to the Constitution coming into force and binding after the subsequent General Meeting has been held.

The General Meeting is to be convened in the manner and under the rules stipulated in the generally applicable provisions of law.

The Ordinary General Meeting of Shareholders should be held no later than within six months from the end of every financial year for the Company.

Prior to the Company's Articles of Association having been amended by the Ordinary General Meeting of Shareholders of PKN ORLEN on 15 July 2009, the Extraordinary General Meeting of Shareholders was convened by the Management Board on their own initiative or on the motion of a shareholder or shareholders representing no less than one tenth of the Company's share capital, within fourteen days from filing the motion. The Supervisory Board had the right to convene an Extraordinary General Meeting of Shareholders each time it filed the relevant motion and the Management Board failed to convene a meeting within the prescribed time.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

In accordance with the amendments introduced by the Ordinary General Meeting on 15 July 2009, the Extraordinary General Meeting of Shareholders is convened by the Management Board on their own initiative, on the motion of the Supervisory Board or on the motion of a shareholder or shareholders representing no less than one twentieth of the Company's share capital, within fourteen days from filing the motion. The motion for the General Meeting to be held should specify the issues for the agenda or include draft resolution on the proposed agenda. At present, the Supervisory Board may convene the Extraordinary General Meeting if the Supervisory Board recognises that it is advisable to do so. The rule under which the Supervisory Board may convene the Extraordinary General Meeting if the Management Board failed to do so within two weeks following the day when the relevant request has been submitted by the Supervisory Board has been preserved as well. The shareholder or shareholders representing no less than one twentieth of the Company's share capital may request for specific issues to be placed on the agenda of the nearest General Meeting under the rules stipulated in the generally applicable provisions of law.

The Extraordinary General Meeting may also be convened by the shareholders representing at least half of the Company's share capital or at least half of the overall number of votes in the Company.

Prior to the Company's Articles of Association having been amended by the Ordinary General Meeting of Shareholders of PKN ORLEN on 15 July 2009, the General Meeting was convened by an announcement in the official newspaper of the Republic of Poland "*Monitor Sądowy i Gospodarczy*" at least three weeks before the date of the Meeting. At present, the General Meeting is convened by the announcement placed on the Company's website and in the manner prescribed for providing current information in accordance with the provisions of law relating to public offering and on the conditions for introducing financial instruments to the organised trading system and to public companies. The announcement should be placed at least twenty six days prior to the date of the General Meeting.

All the materials to be presented to the Shareholders at the General Meeting, specifically draft resolutions to be adopted by the General Meeting and other important materials are provided by the Company for review following the day when the General Meeting has been convened in the Company's registered office in Płock and in the Warsaw office, as well as on the corporate website www.orklen.pl.

Notwithstanding the requirements set out in the generally applicable law on publishing draft resolutions to be presented at the General Meeting on the Company's website as soon as from the day when the General Meeting has been convened, the Company is obliged to provide draft resolutions in the form of a current report at least 26 days before the date the General Meeting is to be held in order to enable the Shareholders to review and assess the same.

Prior to the Articles of Association having been amended, the Company published draft resolutions in the form of a current report at least 22 days before the date the General Meeting was to be held. Pursuant to the Best Practices of WSE Listed Companies, the Company provided for review the materials relating to the General Meeting at least 14 days before the date of the Meeting (whereas the copies of the Management Board report on the Company's business operations and the financial statements together with a copy of the Supervisory Board report and the certified auditor's opinion were provided by the Company at least 15 days before the date of the General Meeting).

The General Meetings of PKN ORLEN are held in the Company's registered office in Płock, however, they can also be held in Warsaw.

For the Shareholders who cannot participate in the General Meeting in person, the Company arranges for an internet broadcast of the Meeting and offers simultaneous interpretation into English.

Prior to introducing the amendments adopted by the Ordinary General Meeting of PKN ORLEN on 15 July 2009, a General Meeting whose agenda includes certain issues at the request of authorised entities or which has been convened at such request could be cancelled only with consent of the requesting parties. In all other instances, a General Meeting could be cancelled if its holding was hindered or was obviously groundless. The meeting was called off and the date of the General Meeting was changed in the same manner as it had been convened, with as few negative consequences for the Company and its shareholders as possible. The cancellation and change of the date of the General Meeting could be made no later than three weeks prior to the original date of the meeting.

At present, in the Constitution of the General Meeting the rules for the cancellation of the General Meeting have been preserved. They were however modified so that the cancellation and the change in the date of the General Meeting should be effected forthwith once the requirement for the cancellation and the change in the date has occurred but no later than seven days prior to the day when the General Meeting is to be held. If the cancellation and change in the date of the General Meeting cannot be effected within the time limit specified in the preceding sentence, such General Meeting should be held unless it is impossible or excessively hindered due to the circumstances. In such case, the cancellation and change in the date of the General Meeting may be effected at any time prior to the day when the General Meeting is to be held. The cancellation and the change in the date of the General Meeting is effected by

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

announcement placed on the Company's website together with statement of reasons and complying with other requirements under the provisions of law. Only the body or the person to have convened the General Meeting is competent to cancel the same.

5.6.2 Competence of PKN ORLEN's General Meeting

The General Meeting of Shareholders is especially authorised to:

- consider and approve the Company's annual financial statements, the annual report on the Company's business operations, the consolidated financial statements of the ORLEN Capital Group and the report on the ORLEN Capital Group business operations for the previous financial year;
- acknowledge the discharge of duties by the Supervisory Board and Management Board members;
- decide on the allocation of profit and the absorption of losses as well as on the consumption of funds set up from profit, subject to special regulations which provide for a different way of their consumption;
- appoint the Supervisory Board members, subject to the provisions of § 8 sec. 2 of the Articles of Association, and establish principles for their remuneration;
- increase and decrease in the share capital unless otherwise stated in the Code of Commercial Companies and the Company's Articles of Association;
- decide on claims for the rectification of damage caused when setting up the Company or exercising supervision or management;
- approve the sale and lease of the Company's enterprise or an organised part thereof and establish a limited property right on such enterprise or an organised part thereof;
- grant consent to the sale of real estate, perpetual usufruct or interest in real estate whose net book value exceeds one twentieth of the Company's share capital;
- amend the Company's Articles of Association;
- set up and dissolve reserve capitals and other capitals and the Company's funds;
- pass resolutions to redeem shares and buy shares to be redeemed and to establish the redemption rules;
- issue convertible bonds or bonds with pre-emptive rights and the issue of warrants;
- pass resolutions on winding-up the Company, its liquidation, restructuring and merger with another company;
- execute the holding contracts within the meaning of Article 7 of the Polish Code of Commercial Companies.

Purchase of real estate, perpetual usufruct or interest in real estate, regardless of its value, as well as disposal of real estate, perpetual usufruct or interest in real estate whose net book value does not exceed one twentieth of the Company's share capital does not require a resolution of the General Meeting of Shareholders.

5.6.3 Voting at PKN ORLEN's General Meetings

Except as provided otherwise in the Code of Commercial Companies and the Articles of Association, resolutions of the General Meeting of Shareholders are passed with an absolute majority of votes cast, while votes cast mean votes "for", "against" and "abstain."

Resolutions of the General Meeting of Shareholders regarding premium shares and the Company's merger as a result of all the Company's assets being transferred to another company, winding-up of the Company (including winding-up as a result of the Company's registered office being transferred abroad), liquidation of the Company, its restructuring and the decrease in the share capital by redemption of some shares without the capital being simultaneously increased are passed with a majority of 90% of votes cast.

The General Meeting's resolution to renounce the examination of the issue placed on the agenda may be adopted only in case when there are substantial reasons to do so. The resolutions to remove or not to consider an item placed on the agenda on the motion of the shareholders require the majority of 75% of votes cast provided that the shareholders present at the General Meeting who requested this issue be placed on the agenda previously agreed to the issue being removed from the agenda or not considered at all.

One share in PKN ORLEN confers the right to one vote at the Company's General Meeting. The voting right of the Company's Shareholders is restricted to the extent that at the General Meeting of Shareholders none of them (but for those specified in the Company's Articles of Association) can exercise more than 10% of the total votes existing in the Company as at the date the General Meeting of Shareholders is held. The detailed rules for exercising the voting right have been described above.

The shareholders can participate in the General Meeting and exercise their voting rights in person or through their representatives.

5.6.4 Participation in PKN ORLEN's General Meetings

Prior to the Company's Articles of Association having been amended by the Ordinary General Meeting of Shareholders of PKN ORLEN on 15 July 2009, to attend the General Meeting a registered depositary certificates had to be filed at the Company's registered office in Płock, at least one week before the date of the General Meeting. The depositary certificate should specify the number of shares, voting rights vested in the shareholder and contain a statement that the shares will not be traded until the end of the General Meeting.

With new regulations having been introduced, in accordance with Article 4061 § 1 of the Polish Commercial Companies Code, the right to participate in the General Meeting of a public company is vested only in the persons that are the company's shareholders sixteen days before the date of the same (date of registration of participation in the General Meeting).

At the request of the holder of dematerialised bearer shares of a public company, filed no earlier than the announcement of convening the General Meeting has been published and no later than on the first weekday following the day when the participation in the General Meeting has been registered, the entity where the securities account is kept will issue a personal certificate of entitlement to attend the General Meeting. The certificate referred to in the previous sentence includes:

- the business name, registered office, address and stamp of the issuer and the certificate number,
- number of shares held,
- type and code of shares,
- the business name, registered office and address of the company that issued shares,
- nominal value of shares,
- name and surname or the business name (name) of the shareholder,
- the registered office (place of residence) and address of the shareholder,
- purpose of issuing the certificate,
- date and place of issuing the certificate,
- signature of the person authorised to issue the certificate.

At the request of the holder of dematerialised bearer shares, the certificate should specify all or part of shares registered in its securities account.

At present, the list of holders of bearer shares entitled to participate in the General Meeting of a public company is compiled by the Company on the basis of the shares submitted to the Company and the list prepared by the entity maintaining the securities deposit in accordance with the provisions of laws for financial instruments trading dated 29 July 2005 (at present Krajowy Depozyt Papierów Wartościowych S.A., KDPW). KDPW prepares the list of entitles entitled to participate in the General Meeting on the basis of lists provided no later than twelve days prior to the date of the same by the entities entitled in accordance with the provisions of law for financial instruments trading dated 29 July 2005. The lists submitted to KDPW are compiled on the basis of issued certificates on the entitlement to participate in the General Meeting of a public company. KDPW provides such list for the company's review no later than a week prior to the date of the General Meeting.

The General Meeting may be attended by the members of the Management Board and the Supervisory Board, who can take the floor, even if they are not the Company's Shareholders, without any invitations being sent. An Ordinary General Meeting of Shareholders can be attended by the members of the Management Board and the Supervisory Board whose mandates have expired before the date of the General Meeting and who held their offices in the financial year for which the Management Board report and the financial statements are to be approved by the Ordinary General Meeting of Shareholders.

General Meetings of Shareholders can also be attended by other persons invited by an authority convening the General Meeting or allowed to enter the meeting room by the Chairman, specifically, certified auditors, legal and financial advisers or the Company's employees. PKN ORLEN, as far as admissible under the applicable law and with due consideration of the Company's interests, allows media representatives to attend the General Meetings. The Management Board ensures that each General Meeting is attended by an independent expert specialised in commercial law.

Members of the Management Board and the Supervisory Board and the Company's certified auditor provide the Meeting participants with explanations and information about the Company, within the scope of their authorisation and to the extent required for the issues discussed by the General Meeting to be resolved. Questions posed by the General Meeting participants are answered in view of the fact that PKN ORLEN, as a public company, fulfils its reporting obligations in a manner specified in the applicable law on the capital market operation and some information cannot be provided otherwise than in conformity with these regulations.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

General Meetings can be attended by an Observer appointed by the minister in charge of the State Treasury affairs. Until this report announcement the minister in charge of the State Treasury affairs has not appointed any Observer for PKN ORLEN.

PKN ORLEN pays special attention to activities facilitating the Company's communication with outside the Company world. For the Shareholders who cannot participate in the General Meeting in person, the Company arranges for an internet broadcast of the Meeting and offers simultaneous interpretation into English

A special section dedicated to the Company's General Meetings is included on the corporate PKN ORLEN website where information about the planned Shareholders' meetings is provided along with material relating to such meetings, archive materials from the meetings held, including texts of resolutions adopted and audio and video files with internet broadcasts of the General Meetings.

5.7 Composition and proceedings of management and supervisory authorities in PKN ORLEN and their committees

5.7.1 Composition of PKN ORLEN's Management Board in 2009

In 2009 the following persons were acting as members of the Management Board in Polski Koncern Naftowy ORLEN S.A:

Name and surname	Position held in PKN ORLEN's Management Board
Dariusz Jacek Krawiec	Vice-President of the Management Board as of 7 June 2008 Vice President of Management Board in charge of Upstream and Capital Group as of 17 June 2008 Management Board President, CEO as of 18 September 2008
Sławomir Jędrzejczyk	Member of the Management Board as of 7 June 2008 Member of the Management Board, CFO as of 17 June 2008 Vice-President of Management Board as of 18 September 2008 Vice-President of Management Board, CFO as of 23 September 2008
Wojciech Kotlarek	Member of the Management Board as of 7 June 2008 Member of the Management Board in charge of Sales as of 17 June 2008
Krystian Pater	Member of the Management Board in charge of Production from 20 March 2007 to 6 June 2008 Member of the Management Board as of 7 June 2008 Member of the Management Board in charge of Refinery as of 17 June 2008
Marek Serafin	Member of the Management Board as of 7 June 2008 Member of the Management Board in charge of Petrochemistry as of 17 June 2008

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

5.7.2 Composition of PKN ORLEN's Supervisory Board in 2009

In 2008 the Company's business was monitored by the Supervisory Board in the following composition:

Name and surname	Position held in PKN ORLEN's Supervisory Board
Maciej Mataczyński	Chairman of Supervisory Board as of 7 February 2008
Marek Karabula	Member of the Supervisory Board as of 7 February 2008 Vice-Chairman of the Supervisory Board as of 15 February 2008
Grzegorz Borowiec	Member of the Supervisory Board as of 7 February 2008
Krzysztof Kołach	Member of the Supervisory Board as of 7 February 2008
Piotr Wielowieyski	Member of the Supervisory Board as of 7 February 2008
Grzegorz Michniewicz	Member of the Supervisory Board from 6 June 2008 to 23 December 2009
Angelina Sarota	Member of the Supervisory Board, Supervisory Board secretary as of 13 June 2008
Jarosław Roślowski	Member of the Supervisory Board as of 13 June 2008
Janusz Zieliński	Member of the Supervisory Board as of 6 July 2007

5.7.3 Composition of Supervisory Board Committees in PKN ORLEN in 2009

Name and surname	Position held in PKN ORLEN's Supervisory Board Committee
Audit Committee	
Piotr Wielowieyski	Chairman, Independent Member of the Supervisory Board
Marek Karabula	Committee member
Janusz Zieliński	Committee member, Independent Member of the Supervisory Board
Corporate Governance Committee	
Grzegorz Borowiec	Committee Chairman
Maciej Mataczyński	Committee member, Independent Member of the Supervisory Board
Angelina Sarota	Committee member
Grzegorz Michniewicz	Committee member until 23 December 2009
Strategy and Development Committee	
Marek Karabula	Committee Chairman
Grzegorz Michniewicz	Committee member until 23 December 2009
Krzysztof Kołach	Committee member, Independent Member of the Supervisory Board
Piotr Wielowieyski	Committee member, Independent Member of the Supervisory Board
Janusz Zieliński	Committee member, Independent Member of the Supervisory Board
Nomination and Remuneration Committee	
Maciej Mataczyński	Chairman, Independent Member of the Supervisory Board
Grzegorz Borowiec	Committee member
Krzysztof Kołach	Committee member, Independent Member of the Supervisory Board
Piotr Wielowieyski	Committee member, Independent Member of the Supervisory Board
Jarosław Roślowski	Committee member

5.7.4 The rules of conduct of the Management Board and Supervisory Board and Supervisory Board Committees in PKN ORLEN

Apart from the generally applicable law, the rules of conduct for PKN ORLEN's Management Board and Supervisory Board are regulated in PKN ORLEN's Articles of Association and the Supervisory Board and the Management Board Constitutions. The proceedings of the management and supervisory authorities in PKN ORLEN are also subject to the corporate governance principles set out by the Warsaw Stock Exchange.

5.7.5 The rules of conduct of PKN ORLEN's Supervisory Board

Appointing and recalling members of PKN ORLEN's Supervisory Board

Members of PKN ORLEN's Supervisory Board are appointed for a joint term of office, ending on the day when the Ordinary General Meeting has been held, approving the financial statements for the whole second financial year of such term of office. So determined joint term of office is assumed to commence on 31 May 2007. Individual members of the Supervisory Board and the entire Supervisory Board can be recalled at any time before the end of the term of office. The General Meeting of PKN ORLEN appoints the Chairman of the Supervisory Board, whereas the vice-chairman and the secretary are appointed by the Supervisory Board from amongst the other members of the Board.

PKN ORLEN's Supervisory Board is composed of six to nine members. The State Treasury is authorised to appoint and recall one member of the Supervisory Board, other members of the Supervisory Board are appointed and recalled by the General Meeting of Shareholders.

Pursuant to the Articles of Association of PKN ORLEN, at least two members of the Supervisory Board have to comply with the following independency provisions (so called independent members of the Supervisory Board):

- he/she is not an employee of the Company or an Affiliated Entity,
- he/she has not been a member of management authorities of the Company or an Affiliated Entity within the last five years prior to the appointment to the Supervisory Board;
- he/she is not a member of supervisory and management authorities of an Affiliated Entity,
- he/she does not receive nor has received, within the last five years prior to the appointment to the Supervisory Board, a considerable additional remuneration, i.e. remuneration in the amount exceeding the aggregate amount of PLN 600,000 from the Company or an Affiliated Entity, apart from the remuneration due to the member of supervisory authorities,
- he/she is not nor has been, within the last three years prior to the appointment to the Supervisory Board, a partner or employee of the current or former chartered auditor examining the financial statements of the Company or an Affiliated Entity,
- he/she is not a shareholder holding 5 % or more votes at the Company's General Meeting of Shareholders or an Affiliated Entity's General Meeting,
- he/she is not a member of supervisory or management authorities or an employee of an entity having 5 % or more votes at the Company's General Meeting of Shareholders or an Affiliated Entity's General Meeting
- he/she is not an ascendant, descendant, spouse, sibling, spouse's parent or any other person remaining in an adoptive relationship with any of the persons mentioned above,
- he/she has not hold the position of the Company's Supervisory Board member for more than 3 terms of office,
- he/she is not a member of the management board of the company, where a member of the Company's management board holds the position of a member of the Supervisory Board,
- he/she is free from any significant connections with members of the Company's Management Board by participation in other companies.

Independent members of the Supervisory Board, before being appointed to the Supervisory Board, should submit to the Company a written statement confirming that they comply with the above mentioned provisions. If the said provisions are not met, a member of the Supervisory Board is obliged to immediately notify the Company thereof. The Company informs the Shareholders about the current number of independent members of the Supervisory Board.

If the number of independent members of the Supervisory Board is less than two, the Company's Management Board is obliged to immediately convene a General Meeting of Shareholders and put an issue concerning changes in the composition of the Supervisory Board on the agenda of the General Meeting. The Supervisory Board acts in its current composition until the changes in the composition of the Supervisory Board are made, i.e. the number of independent members is adjusted to the requirements set in the Articles of Association whereas the provisions of § 8 sec. 9 of the same do not apply.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Organisation of PKN ORLEN's Supervisory Board activity

Sessions of the Supervisory Board are held when necessary, however, not less frequently than once every two months. Moreover, as stated in the Company's Articles of Association, a Supervisory Board session should be convened following a written request of a shareholder or shareholders representing at least one tenth of the share capital, the Management Board or a member of the Supervisory Board. The session should be convened within two weeks from the receipt of such request and should be held no later than within three weeks of such request being received. If a Supervisory Board session is not convened within two weeks of the request being filed, the requestor can call the session by himself through a written notice specifying the time, venue and the proposed agenda sent to the members of the Supervisory Board, at least seven days before the date of the session.

Sessions of the Supervisory Board can only take place when all its members have been properly invited. Sessions can also be held without the meeting being formally convened if all the Supervisory Board members are present and grant their consent to the session being held and certain issues being put on the agenda.

The Supervisory Board can pass resolutions if at least half of its members participate in the session. Subject to the provisions of the Code of Commercial Companies, a resolution of the Supervisory Board can be passed in writing or with the use of direct means of remote communication. Resolutions of the Supervisory Board are passed with an absolute majority of the votes cast, in the presence of at least half of the members of the Supervisory Board, while the votes cast mean votes "for", "against" and "abstain." This does not apply to any members of the Management Board or the entire Management Board being recalled or suspended during the term of their office when at least two thirds of all the Supervisory Board members have to vote in favour of the resolution.

Passing resolutions concerning the following matters:

- any contribution to members of the Management Board provided by the Company or any related entities;
 - giving permission to sign any significant agreement by the Company or a dependent subsidiary with an entity related to the Company, a member of the Supervisory Board, or Management Board, as well as with entities related to them;
 - appointing a certified auditor to audit the financial statements of the Company
- requires the assent of at least half of the independent members of the Supervisory Board. Such provisions do not exclude applying Article 15 § 1 and 2 of the Code of Commercial Companies.

With a view to fulfilling its duties, the Supervisory Board can review all the Company documents, demand reports and explanations from the Management Board and the employees, and inspect the Company's assets.

Competence of PKN ORLEN's Supervisory Board

The Supervisory Board exercises permanent supervision over the Company's activities, in all aspects of its operation, specifically, the Supervisory Board is authorised to act as set out in the Code of Commercial Companies and the Company's Articles of Association. The Supervisory Board takes steps required to regularly obtain exhaustive information from the Management Board about all the material aspects of PKN ORLEN's operations and the risk related to the business operations and risk management methods applied.

Pursuant to the Articles of Association, the Supervisory Board is authorised to:

- appoint and recall the President, Vice-Presidents and other members of the Management Board (except for one member of the Management Board appointed and recalled by the Supervisory Board at the request of the State Treasury until the State Treasury transfers the last of the Company's shares held);
- represent the Company in contracts with the Management Board, including their contracts of employment;
- suspend the activities of individual or all members of the Management Board with just cause, as well as delegating a member or members of the Supervisory Board to temporarily perform the duties of those members of the Management Board who are unable to perform their duties;
- approve the Management Board constitution;
- appoint a certified auditor to audit the financial statements of the Company and the Capital Group in accordance with the Accounting Act dated 29 September 1994;
- assess the financial statements in terms of their accuracy both with books and documents and the actual state; assess the Management Board's report on the Company's business operations, as well as the Management Board's motions on the allocation of profit and coverage of loss, and submit to the General Meeting of Shareholders an annual written report on the results of the above assessments;
- assess the financial statements of the Capital Group and the Management Board's report on the business operations of the same and submit the annual written report on the results of such assessment;

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

- issue opinions on any matter submitted by the Management Board to be presented either to ordinary or extraordinary General Meeting of Shareholders;
- grant consent to the members of the Management Board to take positions in supervisory or management authorities of other entities and to collect remuneration by virtue of such activities;
- grant consent to realise investment projects and incurring liabilities resulting from these investments in case the expenses or charges due to such activity exceed the equivalent of half of the Company's share capital;
- set the scope, accuracy and time for submission by the Management Board of its annual and long-term financial plans and plans for the strategic development of the Company;
- approve the Company's development strategy and long-term financial plans;
- issue opinions on the annual financial plans;
- give assent, upon the Management Board's motion, to sell real estate, perpetual usufruct or interest in real estate whose net book value does not exceed one twentieth of the share capital;
- give assent, upon the Management Board's motion, to purchase real estate, perpetual usufruct or interest in real estate whose net acquisition value exceeds one fortieth of the share capital;
- give assent to purchase the Company's own shares to prevent serious damage referred to in Article 362 § 1 item 1 of the Code of Commercial Companies, posing a direct threat to the Company,
- appoint the person to act in the capacity of the President of the Management Board, referred to in § 9 sec. 3 item 3, in the event the President is suspended from duty or his/her mandate expires before the end of the term of office.

The Articles of Association also stipulate that the consent of PKN ORLEN's Supervisory Board is required to:

- set up a branch abroad;
- sell or encumber fixed assets whose net book value exceeds one twentieth of the asset value stated in the recent financial statements approved by the General Meeting of Shareholders, as a result of one or several related legal actions being taken;
- sell or encumber, in any possible way, shares or stakes in the following companies: Naftoport Sp. z o.o., Inowrocławskie Kopalnie Soli S.A. and in the company to be established with a view to transporting liquid fuels through pipelines;
- incur another liability exceeding the equivalent of one fifth of the share capital, as a result of one or several related legal actions being taken during the financial year, except for the following:
 - activities performed within the scope of ordinary business activity, including in particular all activities relating to Fuel trading;
 - activities approved by the Supervisory Board in the annual financial plans;
 - activities which need the consent of the Shareholders Meeting in order to be performed;
 - activities performed in connection with the implementation of the investment task, approved by the Supervisory Board in accordance with § 8 sec. 11 item 9 of the Articles of Association, up to the amount not exceeding 110 percent of the amount allocated for this investment task;
 - activities concerning the implementation of the investment task and incurring liabilities resulting from the same, if expenditures or charges do not exceed the limit indicated in § 8 sec. 11 item 9,
- carry out capital or real investments abroad worth more than one twentieth of the share capital;
- exercise the Company's voting right at general meetings and partners meetings of dependent entities and other entities, if the value of the shares or stakes held by the Company, at a price the shares were acquired or taken up exceed one fifth of the Company's share capital, as regards merger with another company and company restructuring, sale and lease of the Company's undertaking and establishing the right to use on it, amendments to the Articles of Incorporation or Articles of Association, execution of the holding contract within the meaning of Article 7 of the Code of Commercial Companies and winding up of the Company;
- establish commercial law companies and to join existing companies, as well as to make contributions to cover shares in companies, and to sell shares if the Company's capital involvement in a given company so far, or engagement which the Company is about to achieve as a result of buying or acquiring of shares, calculated on the basis of the share sale or acquisition price, exceeds one tenth of the initial capital, excluding the purchase of shares in the regulated market;
- pay interim dividends to the Shareholders.

If the Supervisory Board withdraws its consent to any of the above activities being taken, the Management Board can address the General Meeting of Shareholders to adopt a resolution to approve the relevant activity.

Additionally, following a request of at least two members, the Supervisory Board has to consider taking actions specified in such request for supervisory measures to be taken.

Given the above Best Practice standards and so as to enable the Shareholders to accurately evaluate the Company, the Supervisory Board of PKN ORLEN has to provide the General Meeting of Shareholders with a concise

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

assessment of PKN ORLEN's standing. The assessment should be submitted annually, in advance of the General Meeting to allow time for the Shareholders of PKN ORLEN to review the same.

Committees of PKN ORLEN's Supervisory Board

The Supervisory Board may elect permanent or *ad hoc* committees which act as collective advisory and opinion creative bodies of the Supervisory Board. The following permanent Committees operate within the Supervisory Board of PKN ORLEN: Audit Committee, Strategy & Development Committee, Nomination & Remuneration Committee and Corporate Governance Committee. The said Committees report annually to the Supervisory Board of PKN ORLEN on its activities.

The members of all Committees are appointed by the Supervisory Board from amongst its members and the Committee itself chooses its Chairman. The Committees consist of between 3 to 5 members. At least two members of Audit Committee are independent members and at least one has skills and expertise in the field of accounting or finance.

The Committee meetings are convened by the Committee chairman and, if he/she is either absent or unable to discharge his/her duties, by the chairman of the Supervisory Board or another member of the Supervisory Board indicated by the chairman, who invites all the Committee members to the meeting, and notifies all the other Supervisory Board members of the meeting. All the members of the Supervisory Board can participate in the Committee meetings. The Committee chairman can invite to the Committee meetings members of the Management Board, the Company's employees and other persons whose participation in the meeting is expedient to carry out the Committee tasks.

The Committee resolutions are passed with a simple majority of the votes cast. In the event of a tie, the Committee chairman has the casting vote.

The task of the Audit Committee is to advise the Supervisory Board of PKN ORLEN on issues related to the proper implementation of budget and financial reporting rules and internal control within the Company and the ORLEN Group, as well as cooperation with the Company's certified auditors. The Corporate Governance Committee is mainly designed to evaluate and give recommendations on the implementation of the corporate governance principles and issue opinions on the corporate governance documents and reports. The Strategy & Development Committee issues opinions and recommendations to the Supervisory Board of PKN ORLEN on planned investments and disinvestments which have a material impact on the Company's assets. The Committee also issues opinions on all strategic documents which the Management Board submits to the Supervisory Board. The Nomination & Remuneration Committee helps to attain the strategic goals of the Company by providing the Supervisory Board with opinions and motions on how to shape the management structure, with regard to organisational solutions, remuneration schemes and selection of the staff with the skills required to ensure the Company's success.

5.7.6 The rules of conduct of PKN ORLEN's Management Board

The Management Board's principal objective is to realise the Company's interests, which are understood as building the value of its assets entrusted by its Shareholders, also with due respect for the rights and interests of other parties involved in the Company operations, specifically creditors and employees.

The Management Board of PKN ORLEN ensures transparency and efficiency of the Company's management system, and guarantees for the Company's affairs to be handled in accordance with the applicable law and good business practice.

Appointing and recalling PKN ORLEN's Management Board

The Management Board of PKN ORLEN consists of between five and nine members, including the President, Vice-Presidents and others members of the Management Board. Members of the Management Board are appointed and recalled by the Supervisory Board. One member of the Management Board is appointed and recalled by the Supervisory Board upon the request of the minister in charge of the State Treasury affairs.

The term of office of the Management Board members is a joint term of office, ending on the day when the Ordinary General Meeting has been held, approving the financial statements for the whole second financial year of such term of office. So determined joint term of office is assumed to commence on 7 June 2008.

The President, Vice-Presidents, and other members of the Management Board may be suspended from duty, with just cause, by the Supervisory Board.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Should the Management Board President be suspended from duty or his/her mandate expire before the end of the term of office, all his/her powers, except for the right to the casting vote referred to in § 9 sec. 5 item 2 of the Articles of Association, are to be executed by the person appointed by the resolution of the Supervisory Board to act in the capacity of the Management Board President until the new Management Board President is appointed or the current one is restored to his/her position.

Organisation of PKN ORLEN's Management Board activity

Meetings of the Management Board are held when necessary, however, not less frequently than once every two weeks. Each member of the Management Board may request for a Management Board meeting to be convened or certain issues to be placed on the agenda. The request should contain the proposed agenda and reasoning for the request. The meeting should be held within seven days of the request being filed.

The meeting of the Management Board is convened by the President who manages the activity of the Management Board and has to fix the date, venue and the agenda of the meeting. In exceptional cases the meeting of the Management Board may be convened by the Vice-President or two members of the Management Board. The meeting can also be held without being formally convened if all the Management Board members are present and none of them has objected to the meeting being held or any proposed issues being put on the agenda.

Invited Company employees, advisers and other persons can attend the meeting with the consent of the person chairing the meeting of the Management Board.

Meetings of the Management Board are held in the Company's registered office in Płock or in the Company's Headquarters in Warsaw. The person convening the meeting may, however, determine another venue for the meeting to be held.

The Management Board adopts resolutions during the meetings. For a resolution to be effective the scheduled meeting has to be notified to all the members of the Management Board and at least half of the Management Board composition has to be present at the meeting. The Management Board resolutions are passed with a simple majority of votes (in the event of a tie, the President of the Management Board has the casting vote) provided that for resolutions to grant a commercial power of attorney, unanimity of all members of the Management Board is required. A Management Board member who voted against a resolution that was adopted may communicate its dissenting opinion, however, such communication has to be provided with the reasoning.

Resolutions are adopted in an open vote. A secret ballot may be ordered on the request of each member of the Management Board. Resolutions are signed by all members of the Management Board who were present at the Management Board meeting which adopted the resolution. The resolution is also signed by a member of the Management Board who filed a dissenting opinion, with a note "dissenting opinion" or "votum separatum".

Competence of PKN ORLEN's Management Board

The Management Board has to handle all the affairs of PKN ORLEN which are not reserved to be considered by other authorities of the Company under the provisions of the Code of Commercial Companies or the Articles of Association. All the members of the Management Board are obliged and authorised to handle the affairs of PKN ORLEN.

All the matters going beyond the ordinary course of business are subject to resolutions of the Management Board, however, the consent of the Management Board is not required to carry out an activity being an integral part of another activity which has already been approved by the Management Board unless the resolution of the Management Board provides otherwise. Activities falling within the scope of the ordinary course of business are activities related to fuel trading, and any other activities not specified in the Constitution of the Management Board. A resolution of the Management Board is required, e.g. to:

- adopt and amend the Constitution of the Management Board;
- adopt and amend the Organisational By-laws of PKN ORLEN;
- adopt motions to be submitted to the Supervisory Board and / or to the General Meeting of Shareholders, in particular, any motions sent to these bodies for their consent to perform certain actions, form opinions, make an assessment or give an approval, which are required in accordance with the generally applicable law and / or the Company's Articles of Association;
- convene the General Meetings of Shareholders and adopt the proposed agenda of the General Meetings;
- approve annual and long-term financial plans as well as the Company's development strategy;
- approve investment assignments and corresponding liabilities where the total expenditures and encumbrances exceed PLN 10,000,000,

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

- incur liabilities, manage the property rights and any form of encumbrance on the Company's property (assets) where the total value exceeds PLN 20,000,000 (with certain exclusions from that rule);
- dispose and purchase of real estate, perpetual usufruct or an interest in real estate and to establish a limited property right;
- dispose of, purchase and encumber stakes, shares or other interest in other entities, including shares admitted to public trading;
- issue the Company's securities ;
- approve the annual report on the Company's business operations, the Company's annual, half-yearly and quarterly financial statements, the Capital Group's annual, half-yearly and quarterly financial statements;
- adopt and change the Company's employees' remuneration scheme, as well as decisions regarding introduction and fundamentals of the incentive schemes;
- enter, amend and terminate a collective bargain agreement valid in the Company, and other agreements with trade unions;
- establish the principles of granting and revoking powers of attorney;
- formulate the so-called donation policy of the Company;
- grant a commercial power of attorney;
- establish the internal division of duties among the members of the Management Board;
- set up establishments / offices abroad;
- handle other matters which at least one member of the Management Board requests to be handled in the form of a resolution;
- take decisions on the payment of interim dividends.

The Management Board has to regularly provide the Supervisory Board with ample information on all aspects of PKN ORLEN's business operations and the risks related to such operations as well as the methods of managing such risks. Additionally, the Management Board has to draw up and adopt annual and long-term financial plans and the Company development strategy in the form, to the extent and by the deadlines set by the Supervisory Board. The Management Board of PKN ORLEN has also to draw up and submit to the Supervisory Board the annual financial statements of PKN ORLEN and the annual financial statements of the ORLEN Group for the previous financial year.

VI. ADDITIONAL INFORMATION

6.1 Information on related entities – material transactions executed on terms and conditions other than arm's length terms and conditions

The information on material transactions executed by PKN ORLEN or its subsidiaries with related entities on terms and conditions other than arm's length terms and conditions is provided in Note 31a to the Unconsolidated Financial Statements for 2009.

6.2 Information on material proceedings pending before court, arbitration authority or administrative authority and other risks faced by the dominant entity or its subsidiaries

The information on material pending proceedings is provided in Note 36 to the Unconsolidated Financial Statements for 2009.

6.3 Information on material agreements

- on 5 February 2009, PKN ORLEN executed a spot contract with Gunvor International B.V. Amsterdam, Geneva Branch ("Gunvor International B.V. Amsterdam") for the delivery of REBCO crude oil, by sea, to AB ORLEN Lietuva, in February 2009. The estimated net value of the agreement amounted to app. PLN 112 million;
- on 27 April 2009, PKN ORLEN signed an agreement with banks with which the Company had signed loan agreements for financing its on-going business operations and the provisions of which could be violated as regards the indebtedness ratio expressed as net indebtedness to EBIDTA at the moment of announcing the consolidated financial statements of PKN ORLEN for 2008. Under the agreements the banks agreed to PKN ORLEN exceeding temporarily the financial ratios specified in the loan agreements as admissible for the Company in the financial periods ending on 31 December 2008 and on 30 June 2009. Thus, the Company regained the opportunity of drawing upon yet undrawn credit lines under these agreements. Under the agreements executed with the banks, PKN ORLEN agreed not to exceed the capital expenditures limit stipulated in the budget for 2009 and not to recommend dividend payment to the Company's shareholders until the Company shows the admissible indebtedness ratio stipulated in the loan agreements. This is compliant with the dividend policy applicable at the Company. The consideration for the banks for having signed the agreement agreed by PKN ORLEN is a one-off waiver fee and the increase in credit margins as of the entry into force of the agreements. The increased credit margins do not exceed the level of 3.0%. The agreements enter into force as of the day they are signed. Due to a drop in the base interest rates, PKN ORLEN expects that the total average yearly level of interest cost rate expressed in the currency of funds disbursed in 2009 will not be significantly increased as compared to the average interest rate applicable in 2008;
- on 29 April 2009, PKN ORLEN, in performance of the put option contract of 9 June 2006 acquired from the Government of the Republic of Lithuania 70,750,000 ordinary shares representing 9.98% of AB ORLEN Lietuva's share capital. Consequently, PKN ORLEN holds shares representing 100% of AB ORLEN Lietuva's share capital;
- on 15 May 2009, PKN ORLEN executed an agreement with Orlen PetroCentrum Sp. z o.o. under which PKN ORLEN was selling gasoline and diesel oil to Orlen PetroCentrum in the period from 15 May 2009 to 31 December 2009. The estimate net value of the agreement amounted to app. PLN 1,352 million. Moreover, on 15 May 2009, PKN ORLEN signed an annex to the agreement for supply of fuels executed with Orlen PetroCentrum on 31 December 2008, by which annex the amount of the agreement was reduced by app. 28% as at price of products applicable on 31 December 2008,
- on 26 May 2009, PKN ORLEN executed a spot contract with Gunvor International B.V. Amsterdam, Geneva Branch for the delivery of REBCO crude oil, by sea, in June 2009, to PKN ORLEN. The estimate net value of the agreement amounted to app. PLN 129 million;
- on 2 June 2009, PKN ORLEN executed a spot contract with J&S, Service & Investment Ltd. 2 Gregori Afxentiou, Ave, Akamia Center, Office 401, Larnaca-Cyprus for the delivery of REBCO crude oil, via "Druhzba" pipeline, in June 2009, to PKN ORLEN. The estimate net value of the agreement amounted to app. PLN 38 million. J&S, Service & Investment Ltd. is the member of the Mercuria Energy Group Ltd. Group. Moreover, PKN ORLEN, during recent 12 months signed with J&S Energy S.A., also a member of the Mercuria Energy Group Ltd. agreements for fuel trading of the total value of app. 459 million;

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

- on 7 July 2009, PKN ORLEN executed a term contract with Star Oil Establishment, Pflugstrasse 30, 9490 Vaduz, Principality of Liechtenstein for the delivery of REBCO crude oil, via "Druzhba" pipeline, in the 3rd quarter of 2009 to Unipetrol RPA, s.r.o.. The estimated net value of the agreement amounted to app. PLN 420 million;
- on 28 July 2009 PKN ORLEN executed a spot contract with Gunvor International B.V. Amsterdam, Geneva Branch for the delivery of REBCO crude oil, by sea, in August 2009, to AB ORLEN Lietuva. The estimated net value of the agreement amounted to app. PLN 133 million;
- on 15 October 2009 PKN ORLEN executed a spot contract with Souz Petroleum S.A. (formerly Souz Petroleum Establishment, Lichtenstein), rue de Saint-Victor 12, Bonnant Warluzel & associates, 1206 Geneva, Switzerland for the delivery of REBCO crude oil, via "Druzhba" pipeline, in October 2009, to PKN ORLEN. The estimated net value of the agreement amounted to app. PLN 207 million;
- on 20 October 2009 PKN ORLEN executed a spot contract with Gunvor International B.V. Amsterdam, Geneva Branch ("Gunvor") for the delivery of crude oil, to the refinery ORLEN Lietuva. The estimated net value of the agreement amounted to app. PLN 141 million;
- on 27 November 2009, PKN ORLEN signed an agreement with Souz Petroleum SA headquartered in Geneva, for the delivery of four million eight hundred thousand tonnes of REBCO crude oil annually, via "Druzhba" pipeline, to PKN ORLEN. The agreement remains in force from 1 January 2010 to 31 December 2012. In certain situations stipulated in the agreement, the crude oil may be also delivered by sea to Gdańsk. The agreement provides for the liquidated damages in the amount of no more than PLN 3 million per month. As at the execution of the agreement, the estimated value of supplies by 31 December 2012 would be app. PLN 22.4 billion;
- on 1 December 2009 PKN ORLEN signed an agreement with Mercuria Energy Trading SA seated in Geneva, for the annual delivery of four million eight hundred thousand tonnes of REBCO type crude oil, via "Druzhba" pipeline, to PKN ORLEN. The agreement remains in force from 1 January 2010 to 31 December 2012. In certain situations stipulated in the agreement, the crude oil may be also delivered by sea to Gdańsk. The agreement provides for the liquidated damages in the amount of no more than PLN 3 million per month. As at the execution of the agreement, the estimated value of supplies by 31 December 2012 would be app. PLN 22.0 billion;
- on 21 December 2009 PKN ORLEN executed a spot contract with TOTS Total Oil Trading S.A., Geneva, Switzerland for the delivery of crude oil to AB ORLEN Lietuva. The estimated net value of the agreement amounted to app. PLN 155 million;
- on 30 December 2009 PKN ORLEN executed with NESTE Polska Sp. z o.o. an annex to a three-year agreement executed on 31 December 2008. Under the agreement PKN ORLEN was selling to NESTE Polska gasoline and diesel oil in a period from 1 January 2009 to 31 December 2009. Under the Annex to the agreement PKN ORLEN will be selling gasoline and diesel oil to NESTE Polska from 1 January 2010 to 31 December 2010. The estimated net value of the agreement, following the signing of Annex, amounts to PLN 2,006 million;
- on 30 December 2009, PKN ORLEN executed an annual agreement with SHELL Polska Sp. z o.o. Under the agreement PKN ORLEN will be selling gasoline and diesel oil to SHELL Polska from 1 January 2010 to 31 December 2010. The estimated net value of the agreement amounted to app. PLN 3,175 million;
- on 30 December 2009, PKN ORLEN executed two annual agreements with ORLEN PetroCentrum Sp. z o.o. Under the agreements PKN ORLEN will be selling gasoline and diesel oil to ORLEN PetroCentrum from 1 January 2010 to 31 December 2010. The estimated net value of the agreements amounted to app. PLN 4,989 million;
- on 31 December 2009, PKN ORLEN executed two annual agreements with BP Polska S.A. Under the agreements PKN ORLEN will be selling gasoline and diesel oil to BP Polska from 1 January 2010 to 31 December 2010. The estimated net value of the agreements amounted to app. PLN 4,026 million;
- on 11 January 2010, PKN ORLEN executed an annual agreement with Statoil Poland Sp. z o.o., the member of the Statoil ASA group. Under the agreement, PKN ORLEN will be selling gasoline and diesel oil to Statoil Poland from 11 January 2010 to 31 December 2010. The estimated net value of the agreement amounted to app. PLN 498 million.

6.4 Non-competition agreements and agreements on termination of contract due to removal from the position held executed with the management staff members

The agreements executed between the issuer and persons holding managerial positions provide that these persons are obliged, for 6 or 12 months, starting from the day when the agreement is terminated or expires, to refrain from any competitive activity. During this period, the Management Board Members are authorized to receive remuneration in the amount of six or twelve times their monthly base pay, paid in equal monthly instalments. Moreover, these agreements provide for a remuneration to be paid if the contract is terminated due to a removal from the position held. In such case the remuneration amounts to six or twelve times the monthly base salary.

6.5 Remuneration paid to the management and supervisory authorities in the PKN ORLEN

6.5.1 Remuneration, together with profit-sharing paid and due or potentially due to the Management Board, Supervisory Board and members of key executive personnel in accordance with IAS 24

The Management Board, the Supervisory Board and the key executive personnel remuneration includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

Remuneration of the Management Board, the Supervisory Board and the key executive personnel of the Company (in PLN thousands)

	2009	2008
Remuneration of the Management Board Members of the Company	17 751	22 777
including: remuneration paid and due to the Management Board Members performing the function during the year	14 358	21 661
remuneration paid to the Management Board Members performing the function in prior years	3 393	1 116
Remuneration of the Supervisory Board Members of the Company	1 210	1 094
Remuneration of the key executive personnel of the Company	32 584	41 697

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

6.5.2 Remuneration paid in 2009 and remuneration due and potentially due to Management Board Members of the Company performing the function in 2009 and in prior years (in PLN thousand)

	remuneration and other benefits	bonus for 2008	
Performing the function in 2009			
Jędrzejczyk Sławomir	1 404	670	bonus for 2008 for the period from 7 June to 31 December 2008
Kotlarek Wojciech	977	295	bonus for 2008 for the period from 7 June to 31 December 2008
Krawiec Dariusz	1 524	729	bonus for 2008 for the period from 7 June to 31 December 2008
Pater Krystian	924	636	
Serafin Marek	1 202	543	bonus for 2008 for the period from 7 June to 31 December 2008
Total	6 031	2 873	
Performing the function in prior years			
Filipowicz Cezary	-	199	bonus for 2008 for the period from 1 January to 6 June 2008
Formela Dariusz	-	199	bonus for 2008 for the period from 1 January to 6 June 2008
Heydel Wojciech	960	943	bonus for 2008 for the period from 1 January to 18 September 2008
Kownacki Piotr	600	-	President of the Management Board in the period from 1 January to 6 June 2008 (suspended in duties from 28 February 2008)
Maj Waldemar	-	247	bonus for 2008 for the period from 1 January to 6 June 2008
Szwedowski Krzysztof	-	245	bonus for 2008 for the period from 1 January to 6 June 2008
Total	1 560	1 833	

Remuneration and other benefits paid and due to former Board Members include non-competition clause compensations.

Bonus potentially due for 2009, based on the assumption that the goals will be fully realized by the Members of the Management Board (PLN thousand)

	bonus due for 2009
Performing the function in 2009	
Jędrzejczyk Sławomir	1 320
Kotlarek Wojciech	756
Krawiec Dariusz	1 440
Pater Krystian	798
Serafin Marek	1 140
Total	5 454

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Principles of incentives for key executive personnel (including Members of the Management Board)

2009 was a period of unification of motivation schemes for a Company.

From 1 April 2009 new Collective Bargaining Agreement is in force. One of its elements is, among others annual bonus system for employees holding managerial positions. New motivation schemes were also introduced for Management Board of PKN ORLEN and for Management Boards of ORLEN Group Companies.

The main objective of the motivation schemes is to support the realization of strategy and increase of ORLEN Group value. The individuals subject to bonus schemes are rewarded for individual goals realization, set by the Management Board for the key executive personnel at the beginning of the period. The goals for the Management Board Members are set by the Supervisory Board. Set goals are of qualitative and quantitative nature and are assessed on the basis of incentive system regulation, after the end of a year to which they relate.

Introduced system encourages employees to cooperation in order to achieve the best results at the level of the Group.

Remuneration of the Management Board and Supervisory Board of the Company due to holding positions in Supervisory Boards and Management Boards of subsidiaries, jointly controlled entities and associates for 2009 (PLN thousands)

The Members of the Management Board of PKN ORLEN holding positions in Supervisory Boards of subsidiaries, jointly controlled entities and associates of ORLEN Group did not receive any remuneration in this respect, with the exception of UNIPETROL, where the remuneration due for performing the function were transferred to ORLEN Dar Serca Foundation. The Members of the Management Board of PKN ORLEN performed functions in the Management Board of AB ORLEN Lietuva in 2009.

Remuneration of the Supervisory Board of the Company	2009
Grzegorz Borowiec	131
Marek Karabula	131
Krzysztof Kołach	131
Maciej Mataczyński	169
Grzegorz Michniewicz	121
Jarosław Roślowski	131
Angelina Sarota	131
Piotr Wielowieyski	132
Janusz Zieliński	133
Total remuneration of the Supervisory Board of the Company	1 210

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

6.5.3 Remuneration paid in 2008 and remuneration due and potentially due to Management Board Members of the Company performing the function in 2008 and previous years (PLN thousands)

	amounts paid and due in 2008		
	remuneration and other benefits	bonus for 2007	
Performing the function in 2008			
Filipowicz Cezary	829	403	bonus for 2007 for the period from 1 January to 31 December 2007
Formela Dariusz	841	146	bonus for 2007 for the period from 30 July to 31 December 2007
Heydel Wojciech	3 884	1 148	bonus for 2007 for the period from 1 January to 31 December 2007
Jędrzejczyk Sławomir	758	-	
Kotlarek Wojciech	545	-	
Kownacki Piotr	2 170	717	bonus for 2007 for the period from 1 January to 31 December 2007
Krawiec Dariusz	844	-	
Maj Waldemar	1 554	228	bonus for 2007 for the period from 3 September to 31 December 2007
Pater Krystian	913	323	bonus for 2007 for the period from 15 March to 31 December 2007
Serafin Marek	671	-	
Szwedowski Krzysztof	824	483	bonus for 2007 for the period from 1 January to 31 December 2007
Total	13 834	3 448	
Performing the function in prior years			
Chalupec Igor	140	37	bonus for 2007 for the period from 1 January to 18 January 2007
Maciejewicz Jan	-	127	bonus for 2007 for the period from 1 January to 15 March 2007
Smorszczewski Cezary	220	155	bonus for 2007 for the period from 1 January to 15 March 2007
Szymański Paweł	90	347	bonus for 2007 for the period from 1 January to 30 July 2007
Total	450	666	

Remuneration and other benefits paid and due to former Board Members include termination benefits and non-competition clause compensations.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Bonus potentially due for 2008, based on the assumption that the goals will be fully realized by the Members of the Management Board (PLN thousand)

	bonus potentially due for 2008
Performing the function in 2008	
Filipowicz Cezary	204
Formela Dariusz	163
Heydel Wojciech	691
Jędrzejczyk Sławomir	530
Kotlarek Wojciech	318
Kownacki Piotr	395
Krawiec Dariusz	593
Maj Waldemar	262
Pater Krystian	539
Serafin Marek	480
Szwedowski Krzysztof	204
Total	4 379

Principles of incentives for key executive personnel (including Members of the Management Board)

In 2005 new incentive system for key executive personnel of PKN ORLEN and the ORLEN Group was introduced – Management by Objectives (MBO). New incentive system concerns the Management Board and the key executive personnel. Individuals participating in MBO are rewarded for individual goals realization and solidarity goal, set at the beginning of the period. The Supervisory Board sets goals for each Management Board Member. Set goals are of qualitative and quantitative nature and are assessed on the basis of Incentive System Regulation, after the end of a year to which they relate.

The value of bonus granted depends also on the solidarity objective. When planned level of solidarity objective is realized, everybody receives bonus in full calculated amount. When the solidarity objective is not realized, all employees are granted half of worked out bonus. Introduced system encourages employees to cooperation in order to achieve the best results at the level of the Group.

Remuneration of the Management Board and Supervisory Board of the Company due to holding positions in Supervisory Boards and Management Boards of subsidiaries, jointly controlled entities and associates for 2008 (in PLN thousand)

The Members of the Management Board of PKN ORLEN holding positions in Supervisory Boards of subsidiaries, jointly controlled entities and associates of ORLEN Group in 2008 did not receive any remuneration in this respect, with the exception of UNIPETROL, where the remuneration due for performing the function were transferred to ORLEN Dar Serca Foundation. The Members of the Management Board of PKN ORLEN performed functions in the Management Board of AB ORLEN Lietuva in 2008.

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)

Remuneration of the Supervisory Board Members of the Company	2008
Grzegorz Borowiec	110
Robert Czapla	13
Marek Drac-Tatoń	13
Raimondo Eggink	56
Marek Karabula	110
Krzysztof Kołach	110
Zbigniew Macioszek	13
Maciej Mataczyński	142
Grzegorz Michniewicz	70
Agata Mikołajczyk	13
Krzysztof Rajczewski	13
Jarosław Ročławski	67
Angelina Sarota	68
Ryszard Stefański	43
Małgorzata Ślepowańska	16
Piotr Wielowieyski	110
Janusz Zieliński	123
Total remuneration of the Supervisory Board Members of the Company	1 090
Remuneration of the Supervisory Board Members of the Company in subsidiaries	
Małgorzata Ślepowańska	4
Total Remuneration of the Supervisory Board Members of the Company	1 094

The Chairman of the Supervisory Board of PKN ORLEN performing the function until 7 February 2008 performed, at the same time, the function in the Supervisory Board of subsidiary – Petrolot Sp. z o.o., as a representative of a second owner –PLL LOT S.A. and received remuneration for the period from 1 January to 7 February 2008 in the amount of PLN 4 thousand. Other Members of the Supervisory Board of PKN ORLEN did not hold positions in Management Boards or Supervisory Boards of subsidiaries, jointly controlled entities and associates of PKN ORLEN Group in 2008.

6.6 Number of shares in PKN ORLEN and number of shares in other ORLEN Group members held by the persons fulfilling management or supervisory functions in PKN ORLEN

Grzegorz Borowiec, Member of the Supervisory Board, as at 31 December 2009 held 100 shares in PKN ORLEN. Janusz Zieliński, Member of the Supervisory Board, as at 31 December 2009 held 407 shares in PKN ORLEN.

6.7 Information on the agreement with the entity authorised to audit financial statements

The information on when the issuer has executed an agreement with an entity authorized to audit financial statements and the fee due to the entity authorized to audit financial statements were provided in Note 33 to the Unconsolidated Financial Statements for 2009.

6.8 Employment

The employment structure in PKN ORLEN was described in Note 34 to the Unconsolidated Financial Statements for 2009.

6.9 Information on the employee share scheme monitoring system

In 2009 no employee share scheme operated at PKN ORLEN.

6.10 Shareholding of PKN ORLEN

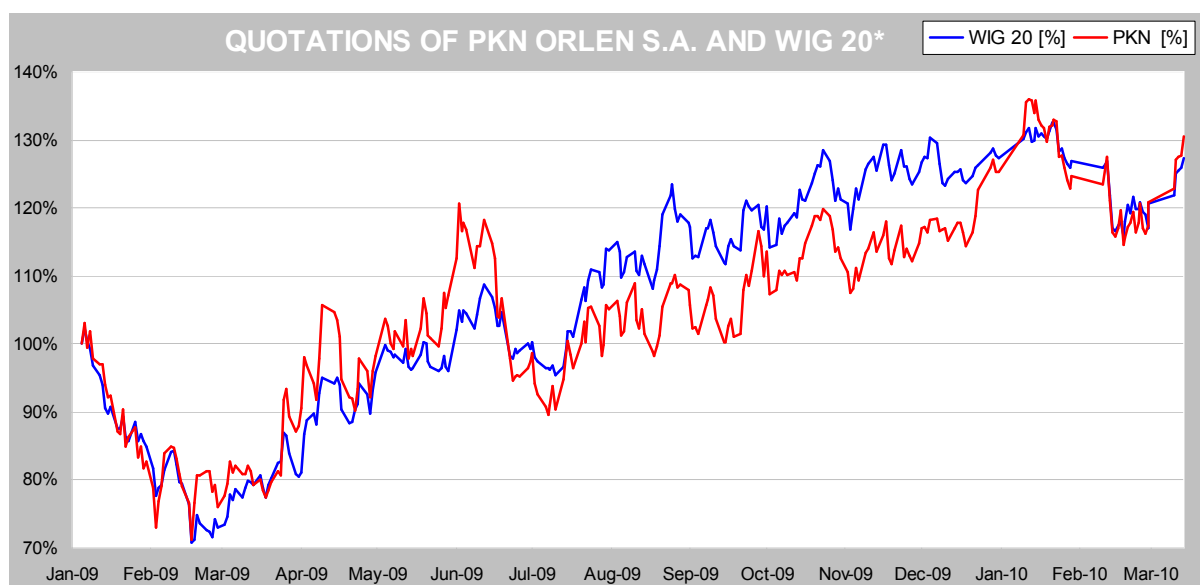
The shareholding structure of PKN ORLEN is described in point 5.3.

6.11 PKN ORLEN on the capital market

The shares of PKN ORLEN are listed at the Warsaw Stock Exchange (Warszawska Giełda Papierów Wartościowych w Warszawie S.A.) and in the form of Global Depositary Receipts (GDR) at the London Stock Exchange. GDRs are also traded in the United States on the OTC market. The share capital of PKN ORLEN is divided into 427,709,061 ordinary bearer shares of the nominal value of PLN 1.25 each.

The depositary of PKN ORLEN depositary receipts is The Bank of New York. At the London Stock Exchange the traded unit is 1 GDR, which represents two shares of PKN ORLEN

In February 2009, during global economy downturn, the price of PKN ORLEN S.A.'s shares decreased to the level of 19.3 PLN/share. During following months of 2009, quotations of PKN ORLEN S.A.'s shares were constantly increasing to the average level of more than 35 PLN/share in March 2010.



*) percentage change in PKN ORLEN and WIG 20 quotations in comparison to quotations from 5 January 2009

**POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
MANAGEMENT BOARD REPORT ON THE OPERATIONS OF PKN ORLEN S.A.
(Translation of a document originally issued in Polish)**

**Management Board Report
on the Operations of Polski Koncern Naftowy ORLEN Spółka Akcyjna
for 2009**

is submitted by the Management Board composed of:

.....
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

Warsaw, 29 March 2010