



ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

**REPORT
OF THE SUPERVISORY BOARD OF PKN ORLEN S.A.
FOR 2010**

WARSAW, MAY 2011

I. COMPOSITION OF THE SUPERVISORY BOARD

As at 1 January 2010, the composition of the Supervisory Board (SB) of PKN ORLEN S.A. was the following:

Maciej Mataczyński	Chairman of the Supervisory Board
Marek Karabuła	Vice-Chairman of the Supervisory Board
Angelina Sarota	Secretary of the Supervisory Board
Grzegorz Borowiec	Member of the Supervisory Board
Krzysztof Kołach	Member of the Supervisory Board
Jarosław Rocławski	Member of the Supervisory Board
Piotr Wielowieyski	Member of the Supervisory Board
Janusz Zieliński	Member of the Supervisory Board

On 25 June 2010, the Ordinary Shareholders Meeting of PKN ORLEN appointed the Company's Supervisory Board for the new 3-year term. Mr. Maciej Mataczyński was appointed to the position of the Chairman of the Supervisory Board of PKN ORLEN S.A. The following persons were also appointed to the positions on the Supervisory Board: Grzegorz Borowiec, Marek Karabuła, Artur Gabor, Krzysztof Kołach, Leszek Jerzy Pawłowicz, Angelina Sarota, Piotr Wielowieyski, and Janusz Zieliński appointed on 25 June 2010 by the Minister of the State Treasury on behalf of the State Treasury shareholder.

During the meeting held on 20 July 2010, the Supervisory Board appointed Mr. Marek Karabuła to the position of the Vice-Chairman of the Supervisory Board and Ms. Angelina Sarota to the position of the Secretary of the Supervisory Board.

As at 31 December 2010, the composition of the Supervisory Board (SB) of PKN ORLEN S.A. was the following:

Maciej Mataczyński	Chairman of the Supervisory Board
Marek Karabuła	Vice-Chairman of the Supervisory Board
Angelina Sarota	Secretary of the Supervisory Board
Grzegorz Borowiec	Member of the Supervisory Board
Artur Gabor	Member of the Supervisory Board
Krzysztof Kołach	Member of the Supervisory Board
Leszek Jerzy Pawłowicz	Member of the Supervisory Board
Piotr Wielowieyski	Member of the Supervisory Board
Janusz Zieliński	Member of the Supervisory Board

II. ACTIVITIES OF THE SUPERVISORY BOARD

In 2010, the Supervisory Board held 11 minuted meetings and adopted 95 resolutions.

The supervisory and controlling activities of the Supervisory Board in 2010 related to, among others, the following issues:

1. Representing the Company in agreements with members of the Management Board, including also in respect of the conditions for employing members of the Management Board:

The Supervisory Board approved the principles and definitions of goals in the annual incentive scheme for the members of the Management Board of PKN ORLEN S.A. for the year 2010, besides it approved Target Sheets for the Company's Management Board for the year 2010 and 2011 which constitute annexes to agreements.

The Supervisory Board approved the execution of the joint target for the financial year 2009.

2. Selecting the certified auditor authorised to examine the financial statements of the Company and the consolidated statements of the Capital Group in accordance with the provisions of the Accountancy Act:

The Supervisory Board selected an entity authorized to audit the stand-alone financial statements of PKN ORLEN S.A. and the PKN ORLEN Capital Group's consolidated financial statements for 2011 – 2012.

3. Providing an opinion on the Company's financial statements in terms of their compliance with books, records and facts, and the opinion on the report of the Management Board on the Company's activities and its motions regarding the allocation of profit or loss coverage and submitting the annual report on results of such opinions in writing to the Shareholders Meeting:

- The Supervisory Board provided its opinion on the report of the PKN ORLEN S.A. Management Board on the Company's activities and its financial statements for the financial year 2009;
- The Supervisory Board provided its opinion on the motion of the Company's Management Board regarding the allocation of profit for the financial year 2009;

4. Providing an opinion on the Capital Group's financial statements and the Management Board's report on the Capital Group's activities and submitting the annual report on conclusions from such opinions in writing to the Shareholders Meeting:

The Supervisory Board provided its opinion on the report of the Management Board on the PKN ORLEN Capital Group's activities for the financial year 2009 and on the PKN ORLEN Capital Group's consolidated financial statements.

5. Providing opinions on any matter submitted by the Management Board for the examination of the Company's Ordinary and Extraordinary Shareholders Meeting:

- The Supervisory Board provided its opinion on the agenda and the draft resolutions of the Ordinary Shareholders Meeting of PKN ORLEN S.A. to be held on 25 June 2010;
- The Supervisory Board provided its opinion on the Company's Management Board's motion to the Shareholders Meeting regarding the consent to the disposal, lease or encumbrance by other rights of third parties of the organised parts of the Company's business;

6. Providing opinions on annual financial plans:

The Supervisory Board provided its opinion on the financial plan of PKN ORLEN S.A. for 2010 and the Financial Plan of PKN ORLEN S.A. for 2011.

7. Granting, at the request of the Management Board, consents to the disposal of real estate, perpetual usufruct or share in real estate, whose net book value does not exceed one twentieth of the share capital and to the acquisition of real estate, perpetual usufruct or share in real estate, whose value according to the net acquisition price exceeds one fortieth of the share capital:

The Supervisory Board adopted eighteen resolutions in the aforementioned scope in 2010.

Furthermore, in the course of its actions the Supervisory Board of PKN ORLEN S.A.:

- granted its consent for changing the method of maintaining mandatory reserves by selling crude oil constituting earlier a part of mandatory reserves, while outsourcing a part of obligations to maintain mandatory reserves on the account of PKN ORLEN S.A. to an external entity;
- provided its consent to the exercise by PKN ORLEN S.A. of the voting right at the Shareholders Meetings of the following companies: ORLEN Lietuva, Unipetrol a.s., POLKOMTEL S.A.;
- provided its consent to incurring by PKN ORLEN S.A. of any financial liabilities whose value, resulting from one or several related legal actions carried out at any point during the year 2010, exceeds the value of one fifth of the share capital.

The activities of the Supervisory Board were documented by the adopted resolutions and minutes of the meetings of the Supervisory Board in 2010.

III. COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board was supported in its activities by the Committees acting as collective advisory and consultancy bodies consisting of individual members of the Supervisory Board. In 2010, the following permanent Committees operated within the Supervisory Board:

- Audit Committee
- Development and Strategy Committee
- Corporate Governance Committee
- Nomination and Remuneration Committee

The detailed area of the activities of the Committees in 2010 was documented in the minutes of the meetings of respective Committees.

Audit Committee of the Supervisory Board of PKN ORLEN S.A.

As at 1 January 2010, the members of the Audit Committee of the Supervisory Board of PKN ORLEN S.A. included:

Piotr Wielowieyski	Chairman of the Committee
Marek Karabuła	Member of the Committee
Janusz Zieliński	Member of the Committee

On 25 June 2010, the Ordinary Shareholders Meeting of PKN ORLEN appointed its Supervisory Board for a new term of office. The Supervisory Board appointed the following Audit Committee by resolution no. 1192/10 of 20 July 2010: Artur Gabor, Marek Karabula, Leszek Jerzy Pawłowicz, Piotr Wielowieyski, Janusz Zieliński. Artur Gabor was appointed the Chairman of the Committee.

In 2010 the Audit Committee held 12 minuted meetings, including one joint meeting held with the Nomination and Remuneration Committee.

In accordance with the provisions of § 13 item 5 of the Constitution of the Supervisory Board, the Audit Committee passed decisions by way of resolutions (10 resolutions).

Apart from its members, the meetings of the Audit Committee were attended by other members of the Supervisory Board. Proceedings were also open to members of the Management Board, with the exception of personnel matters. The Management Board was usually represented by its member competent for the issue discussed by the Committee. Moreover, the Audit Committee and its respective members had direct meetings with employees of the Company and with the certified auditor.

Scope of the Audit Committee's activities

Pursuant to § 15 of the Constitution of the Supervisory Board, the duty of the Audit Committee is to advise the Supervisory Board on appropriate implementation of the principles of budget and financial reporting, and internal control in the Company and the Capital Group of PKN ORLEN (according to the Accountancy Act), and to cooperate with the Company's certified auditors.

The measures applied by the Audit Committee included:

- a) Monitoring the work of the Company's certified auditors and making recommendations to the Supervisory Board concerning the selection and remuneration of the Company's certified auditors**

The Audit Committee monitored the works of the certified auditor on an ongoing basis and provided its positive opinion on the audits carried out by the certified auditor and on their professionalism, flexibility and availability while providing services to PKN ORLEN.

Considering a proposal from the Management Board to prolong the agreement with the current Auditor on conditions that would take into account the market trends, the Audit Committee suggested to the Supervisory Board selecting KPMG Audyt Sp. z o.o. to audit stand-alone financial statements of PKN ORLEN S.A. and PKN ORLEN Capital Group's consolidated financial statements for 2011 - 2012.

Moreover, the Audit Committee examined motions from the Management Board concerning approval of additional orders for the Auditor.

- b) prior to auditing annual financial statements, discussing with the Company's certified auditors the character and scope of such audit, and monitoring the coordination of work between the Company's Certified Auditors**

Within its competencies, the Audit Committee provided the certified auditor with instructions which in its opinion should be taken into account in development of the annual audit report of PKN

ORLEN S.A.

c) Revising periodic and annual (stand-alone and consolidated) financial statements of the Company

Prior to publication of each periodic report, as well as stand-alone and consolidated financial statements of PKN ORLEN S.A., the Audit Committee held meetings participated by the Vice-President of the Management Board, CFO and the Executive Director, Planning and Reporting, as well as the Company's certified auditors in order to carefully review and analyse such reports.

d) Discussing any problems or reservations arising from the audit of financial statements

The Audit Committee regularly investigated any problems reported by the Company's certified auditor, and expressed its opinions and recommendations to the Management Board of PKN ORLEN S.A.

e) Analysing the letter to the Management Board prepared by the Company's certified auditor, with view to verifying the independence and objectivity of their examination, and the Management Board's reply.

The Audit Committee read "The Auditor's Letter to the Management Board of PKN ORLEN S.A." and analysed selected issues. In agreement with the Audit Office, it determined the process of monitoring implementation of the certified auditor's recommendations.

f) Providing opinions on annual and long-term financial plans

The Audit Committee recommended to the Supervisory Board to issue a positive opinion on the Financial Plan for 2010 and the Financial Plan for 2011, and in quarterly cycles it analysed obtained results of the PKN ORLEN Capital Group against the planned values.

g) Providing opinions on dividend policy, profit allocation and issuance of securities

The Audit Committee, having analysed the motion of the Management Board submitted to the Supervisory Board regarding the allocation of profit for the financial year 2009, provided a positive opinion on the said motion. Moreover, the Audit Committee positively recommended a motion from the Management Board to the Supervisory Board concerning permission for financial commitments for the purpose of planned issue of eurobonds.

h) Revising the management accounting

The Audit Committee studied the report of the certified auditor on execution of the procedures related to counting the quantitative indicators resulting from the MBO Regulations for the Members of the Company's Management Board for the financial year ending on 31 December 2009.

The Audit Committee quantified MBO's 2010 and 2011 quantitative objectives for the PKN ORLEN S.A. Management Board Members, and later recommended the same to the Supervisory Board.

i) revision of the internal control system in PKN ORLEN Capital Group, including the mechanisms of financial and operational control, controlling compliance with applicable regulations, and risk assessment and management control

The Audit Committee discussed the stage of implementation of the enterprise risk management (ERM) system. It also analysed the proposal concerning introduction of the COSO methodology for risk identification and assessment.

Moreover, the Audit Committee discussed the results of inspections conducted by the Control & Security Office in respective companies of PKN ORLEN Capital Group and became familiar with the form and scope of post-control recommendations.

j) Analysing reports of the Company's internal auditors and key observations of other internal analysts, and replies of the Management Board to such observations, together with testing the level of independence of internal auditors

The Audit Committee conducted periodic analyses of the reports on the progress of implementation of recommendations, on summaries of observations and on the conclusions drawn from audits conducted by internal auditing services and issued by a certified auditor.

k) Revising the internal audit programme on an annual basis, coordinating the works of internal and external auditors and examining the conditions of the operations of internal auditors

The Audit Committee provided its opinion on the Audit Plan for 2011 and recommended its adoption to the Supervisory Board. Besides, the Audit Committee discussed the issues concerning the employment structure and the new concept of functioning of internal audit within PKN ORLEN Capital Group.

l) Cooperating with the Company's internal units responsible for audit and control, and providing an opinion on their works on a periodical basis

The Audit Committee performed a periodical assessment of the work of the Audit Office and the Control and Security Office in 2010, analysing information provided by these offices about procedures and controls conducted and completed in 2010. Moreover, the Audit Committee introduced the rule requiring presence of the Audit Office Director at each meeting in order to discuss works currently conducted by audit services of the Company.

m) Analysing any other issues related to the Company's audit raised by the Audit Committee or the Supervisory Board

Besides, in 2010 the Audit Committee examined a number of issues concerning the functioning and activity of Capital Group's companies, e.g.:

- reviewed quantitative sales data of PKN ORLEN and performance indicators of retail network operations in 2007-2009;
- got acquainted with the information regarding business justification for separating from Spolana company the assets of service and laboratory character;
- analysed the report on implementation of programmes for improvement of performance and optimisation of employment;
- discussed, in six-month periods, reports from major court and arbitration proceedings with the participation of PKN ORLEN S.A.;
- reviewed annual results of competitive companies;
- discussed management of CO₂, SO₂ and NO_x emissions in the Company;

- discussed the strategy of debt refinancing in the next two years.
- n) **Informing the Supervisory Board about any essential issues concerning Audit Committee's activities**
 - The Audit Committee expressed its recommendations to the PKN ORLEN Supervisory Board concerning the issues falling within the scope of the Committee's activities and discussed during the Supervisory Board's meetings.

Strategy and Development Committee

As at 1 January 2010, the members of the Strategy and Development Committee included:

Marek Karabuła	Chairman of the Committee
Krzysztof Kołach	Member of the Committee
Piotr Wielowieyski	Member of the Committee
Janusz Zieliński	Member of the Committee

On 25 June 2010, the Ordinary Shareholders Meeting of PKN ORLEN appointed its Supervisory Board for a new term of office. The Supervisory Board appointed the following Strategy and Development Committee by resolution no. 1192/10 of 20 July 2010: Marek Karabuła, Krzysztof Kołach, Leszek Jerzy Pawłowicz, Piotr Wielowieyski and Janusz Zieliński. Marek Karabuła was appointed the Chairman of the Committee.

In 2010, the meeting of the Development and Strategy Committee were attended, apart from its members, also by other members of the Supervisory Board, members of the Management Board, the Company's Counsel, executive directors and office directors.

The area of the Strategy and Development Committee activities is regulated by § 17 of the Constitution of the Supervisory Board in accordance with which the Committee is responsible for providing opinions and presenting recommendations to the Supervisory Board on matters regarding planned investments and disinvestments having significant influence on the Company's assets.

Within the area of its activities in 2010, the Strategy and Development Committee discussed the stage of implementation of the PKN ORLEN strategy in 2009-2013, paying attention to activities undertaken in the last two years aimed at improvement of results and efficiency, reduction of debt and completion of the most important investment projects, as well as development initiatives focusing in the following years on increase of the Company's value.

Corporate Governance Committee

As at 1 January 2010, the members of the Corporate Governance Committee included:

Grzegorz Borowiec	Chairman of the Committee
Maciej Mataczyński	Member of the Committee
Angelina Sarota	Member of the Committee

On 25 June 2010, the Ordinary Shareholders Meeting of PKN ORLEN appointed its Supervisory Board for a new term of office. The Supervisory Board appointed the following Corporate

Governance Committee by resolution no. 1192/10 of 20 July 2010: Angelina Sarota, Maciej Mataczyński, Grzegorz Borowiec. Angelina Sarota was appointed the Chairman of the Committee.

In 2010, the Corporate Governance Committee held four minuted meetings attended, apart from its members, also by members of the Management Board, the Company's Counsel and Directors of Offices.

The area of the Corporate Governance Committee activities is regulated by § 16 of the Constitution of the Supervisory Board in accordance with which the Committee is responsible for presenting recommendations on the implementation of the corporate governance principles, assessing the implementation of the corporate governance principles, providing opinions on the standard documentation and proposals on amendments to the Company's corporate regulations, and also preparing such amendments for the Supervisory Board's own documents, monitoring the management of the Company in terms of its compliance with law and regulations, including compliance with the Code of Ethics and corporate governance principles, and also assessing reports on the observance of the corporate governance principles prepared for the Warsaw Stock Exchange.

Within the area of its activities in 2010, the Corporate Governance Committee :

- recommended to the Supervisory Board to accept the Report on applying good practices in the capital market in 2009;
- provided its opinion on the motion of the Management Board regarding amendments to the Articles of Association of PKN ORLEN S.A.;
- recommended to the Supervisory Board the motions of the Management Board regarding granting the consent to the exercise by PKN ORLEN S.A. of the voting right at the shareholders meetings of the following companies: ORLEN Lietuva, Unipetrol a.s., Polkomtel S.A.; - regarding amendments to their Articles of Association.

Nomination and Remuneration Committee

As at 1 January 2010, the members of the Nomination and Remuneration Committee of the Supervisory Board of PKN ORLEN S.A. included:

Maciej Mataczyński	Chairman of the Committee
Grzegorz Borowiec	Member of the Committee
Krzysztof Kołach	Member of the Committee
Jarosław Ročławski	Member of the Committee
Piotr Wielowieyski	Member of the Committee

On 25 June 2010, the Ordinary Shareholders Meeting of PKN ORLEN appointed its Supervisory Board for a new term of office. The Supervisory Board appointed the following Nomination and Remuneration Committee by resolution no. 1192/10 of 20 July 2010: :Maciej Mataczyński, Grzegorz Borowiec, Artur Gabor and Krzysztof Kolach. Maciej Mataczyński was appointed the Chairman of the Committee.

In 2010, the Nomination and Remuneration Committee held 4 minuted meetings, including 1 joint meeting held with the Audit Committee.

In 2010, the meetings of the Nomination and Remuneration Committee were attended, apart from its members, also by other members of the Supervisory Board and members of the Management Board.

The area of the Nomination and Remuneration Committee activities is regulated by § 18 of the Constitution of the Supervisory Board, according to which the Nomination and Remuneration Committee is responsible for supporting the fulfilment of the Company's strategic objectives by submitting to the Supervisory Board opinions and motions relating to the development of the management structure, including organisational solutions, remuneration system and selection of qualified personnel to ensure the Company's success.

Within the area of its activities in 2010, the Nomination and Remuneration Committee :

- provided its opinion on the implementation of individual bonus qualitative tasks by the Management Board Members in 2009;
- prepared a recommendation for the Supervisory Board in the scope of proposal of quantitative and qualitative objectives for the Management Board for 2011.

IV. OPINION ON THE FINANCIAL STATEMENTS AND THE REPORT OF THE MANAGEMENT BOARD

The Supervisory Board, acting pursuant to Article 382 § 3 of the Code of Commercial Companies and § 8 item 11 point 6 of the Company's Articles of Association in conjunction with Article 395 § 2 point 1 of the Code of Commercial Companies and Article 45 and Article 53 item 1 of the Accountancy Act and § 7 item 7 point 1 of the Company's Articles of Association, has provided its positive opinion on:

1. report of the Company's Management Board on the activities of Polski Koncern Naftowy ORLEN Spółka Akcyjna for the financial year ended 31 December 2010;
2. stand-alone financial statements of the Polski Koncern Naftowy ORLEN Spółka Akcyjna for the year ended 31 December 2010, including the following items verified by a certified auditor:
 - stand-alone statement of financial position as of 31 December 2010 presenting the amount of PLN 39,894,058,304.55 (in words: thirty nine billion eight hundred and ninety four million fifty eight thousand three hundred and four Polish zlotys, 55/100) both on the side of the total assets and the total equity and liabilities;
 - stand-alone income statement (included in the report on total income) for the period from 1 January 2010 to 31 December 2010 presenting a net profit of PLN 2,357,127,065.35 (in words: two billion three hundred and fifty seven million one hundred and twenty seven thousand sixty five Polish zlotys, 35/100);
 - additional information including the introduction to the stand-alone financial statements and additional notes and explanations;
 - stand-alone statement of changes in equity presenting an increase in the equity as at 31 December 2010 of PLN 2,406,150,250.58 (in words: two billion four hundred and six million one hundred and fifty thousand two hundred and fifty Polish zlotys, 58/100);
 - stand-alone cash flow statement presenting a decrease in the net cash of PLN 554,922,025.77 (in words: five hundred and fifty four million nine hundred and twenty two thousand twenty five Polish zlotys, 77/100).

Having considered the opinion and the report of the certified auditor and also having thoroughly examined the aforementioned documents, in the opinion of the Supervisory Board, the financial statements for 2010 and the report of the Management Board on the Company's activities are compliant with books, records and facts.

The Supervisory Board, acting pursuant to § 8 item 11 point 6a of the Code of Commercial Companies in conjunction with Article 395 § 5 of the Code of Commercial Companies and Article 55 and Article 63c item 4 of the Accountancy Act in conjunction with § 7 item 7 point 1 of the Company's Articles of Association, has provided its positive opinion on:

1. report of the Management Board on the activities of ORLEN Capital Group for the year ended 31 December 2010;
2. consolidated financial statements of ORLEN Capital Group for the year ended 31 December 2010, including the following items verified by a certified auditor:
 - consolidated statement of financial position as of 31 December 2010 presenting the amount of PLN 51,149,790,994.12 (in words: fifty one billion one hundred and forty nine million seven hundred and ninety thousand nine hundred and ninety four Polish zlotys, 12/100) both on the side of the total assets and the total equity and liabilities;
 - consolidated income statement (included in the report on total income) for the period from 1 January 2010 to 31 December 2010 presenting a net profit of PLN 2,455,466,693.75 (in words: two billion four hundred and fifty five million four hundred and sixty six thousand six hundred and ninety three Polish zlotys, 75/100);
 - additional information including the introduction to the consolidated financial statements and additional notes and explanations;
 - consolidated statement of changes in equity presenting an increase in the equity as at 31 December 2010 of PLN 2,532,741,127.53 (in words: two billion five hundred and thirty two million seven hundred and forty one thousand one hundred and twenty seven Polish zlotys, 53/100);
 - consolidated cash flow statement presenting a decrease in the net cash of PLN 107,600,163.72 (in words: one hundred and seven million six hundred thousand one hundred and sixty three Polish zlotys, 72/100).

V. BRIEF ANALYSIS OF THE COMPANY'S CONDITION, INCLUDING EVALUATION OF THE COMPANY'S INTERNAL CONTROL SYSTEM AND KEY RISK MANAGEMENT SYSTEM.

In 2010, PKN ORLEN reported consolidated operating profit in the amount of PLN 3.1 billion and consolidated net profit amounting to PLN 2.5 billion, which are the best results in five years. This resulted from consistent implementation of numerous activities, in accordance with the established Company's strategy.

In 2010 the total volume of processed crude oil increased in all refineries owned by PKN ORLEN Capital Group to 28 mln tonnes. The use of processing capacity increased in ORLEN Lietuva, Unipetrol and the capacity of the refinery in Płock was used in full. As a result of intensified production, the Company reported the highest total sales volumes in history - over 34 mln tonnes; this was due, among others, to increased retail sales volumes by 5%. At the same time, the Company fulfilled the National Index Target required by law in the scope of biofuels, which was set for 2010 at the level of 5.75%.

As part of investment activities conducted in 2010, the Company continued key investment projects. The HON VII unit was started up and construction works on the PX/PTA facility were practically completed. The obtained construction permit for the gas and steam unit in Włocławek constitutes the first step in development of the energy sector of the Company and the Capital Group. Capital expenditure in 2010 amounted to nearly PLN 3 billion. ORLEN Deutschland subsidiary purchased 56 fuel stations in Germany from OMV Deutschland GmbH.

In the unstable market environment the Company's priority was to ensure financial safety of the Company, which was achieved by efficiently developed and implemented initiatives in the scope of working capital optimisation. One of them was a pioneer solution on the Polish market, which involved the sale in the 1st and the 3rd quarter of 2010 of a part of mandatory reserves of crude oil for the total amount of about PLN 1.7 billion. As a result, net debt as at the end of 2010 dropped by 24% YoY and amounted to PLN 7.8 billion, whereas net financial leverage decreased during the year by 15 pp from 54% to 39%.

Significant reduction of debt of PKN ORLEN and stable operating results resulted in improved reliability of the Company on the financial market and contributed to improvement of rating perspective from negative to stable by Fitch and Moody's agencies.

The Company continued the processes aimed at divestment of assets outside the core business, in particular of Polkomtel. Full cooperation among all shareholders was agreed. The process is conducted in accordance with the plan, and the Company expects to receive binding offers in the 2nd quarter of 2011.

As regards Anwil, the Company analysed the possibility of separating business lines. This resulted from interest expressed by potential investors in separate business lines: PVC and artificial fertilisers.

The said activities are carried out with the aim to release capital, which would allow to permanently decrease the level of the Company's debt and to achieve the Company's strategic goals.

The abovementioned strategic goals include e.g. construction of new segments of activities, i.e. hydrocarbon production (upstream) and power engineering.

In the scope of upstream segment the Company continued three projects concerning conventional deposits - in the area of the Polish Lowland, the Latvian Shelf and the Lublin region. The Company is on the stage of analysing the obtained seismic data and selecting the sites for drilling planned for the beginning of 2012. As regards unconventional deposits, the Company initiated seismic works based on concessions in the Lublin region, aimed at exploration of shale gas.

As far as construction of power engineering segment is concerned, the Company achieved an advanced level of preparation of construction of the power plant in Włocławek. The process of contractor selection is being conducted, and construction of the unit is planned to be initiated in 2012.

Positive assessment of activities carried out by PKN ORLEN S.A. in 2010 was reflected also in granted international awards, among others in the scope of management and investor relations.

The Supervisory Board (Audit Committee) evaluates the internal control system and risk management system in association with the Audit Office. The Audit Office uses cutting-edge risk identification and monitoring techniques. The Audit Office monitors and coordinates the activities of internal control within the capital group.

Besides the Audit Office, the Company has the Control and Security Office, which provides the Audit Committee with regular reports outlining the internal controls performed and post-control observations.

VI. EVALUATION OF THE WORK OF THE SUPERVISORY BOARD

In 2010, the average attendance rate of the members of the PKN ORLEN S.A. Supervisory Board at its meetings was 97%.

Warsaw, May 2011

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Maciej Mataczyński
Chairman of the Supervisory Board
PKN ORLEN S.A.