

CONSOLIDATED  
QUARTERLY REPORT  
FOR III QUARTER 2011



**ORLEN**

**POLISH FINANCIAL SUPERVISION AUTHORITY**  
**Consolidated Quarterly Report QSr III/ 2011**  
quarter / (year)

(in accordance with § 82 section 2 and § 83 section 3 of the Minister of Finance Regulation of 19 February 2009, Official Journal No. 33, item 259)  
**(for issuers of securities whose business activity embraces manufacture, construction, trade and services)**

for the III quarter of the reporting year 2011, that is for the period from 01.07.2011 to 30.09.2011, which includes consolidated financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN) and condensed financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN).

on 4 November 2011  
(submission date)

**KPMG AUDYT Sp. z o.o.**  
(Entity authorized to conduct audit)  
=====

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA		
<b>PKN ORLEN</b>	(full name of the issuer)	<b>OIL&amp;GAS</b>
(abbreviated name of the issuer)		(industrial sector in line with classification of Warsaw Stock Exchange)
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Polski Koncern Naftowy ORLEN  
Spółka Akcyjna

**PKN ORLEN S.A. CAPITAL GROUP**  
**SELECTED FINANCIAL DATA**  
(Translation of a document originally issued in Polish)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	III quarters of 2011 (cumulative data)	III quarters of 2010 (cumulative data)	III quarters of 2011 (cumulative data)	III quarters of 2010 (cumulative data)
I. Sales revenues	76 997 427	60 616 208	19 052 638	14 999 185
II. Profit from operations	3 126 647	2 375 893	773 674	587 903
III. Profit before tax	2 206 131	2 372 375	545 896	587 033
IV. Net profit attributable to equity holders of the parent	1 744 674	1 830 337	431 711	452 908
V. Net profit	1 817 059	1 911 323	449 622	472 948
VI. Total comprehensive income attributable to equity holders of the parent	2 198 614	1 952 967	544 036	483 252
VII. Total comprehensive income	2 571 036	2 128 383	636 190	526 658
VIII. Net cash provided by operating activities	1 445 214	3 283 859	357 612	812 575
IX. Net cash (used in) investing activities	(1 416 114)	(2 295 416)	(350 411)	(567 989)
X. Net cash (used in) financing activities	(316 889)	(2 634 053)	(78 413)	(651 784)
XI. Net (decrease) in cash and cash equivalents	(287 789)	(1 645 610)	(71 212)	(407 198)
XII. Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN/EUR per share)	4.08	4.28	1.01	1.06
	<b>as at 30/09/2011</b>	<b>as at 31/12/2010</b>	<b>as at 30/09/2011</b>	<b>as at 31/12/2010</b>
XIII. Non-current assets	30 252 378	30 430 874	6 858 084	6 898 548
XIV. Current assets	27 982 902	20 718 918	6 343 603	4 696 889
XV. Total assets	58 235 280	51 149 792	13 201 687	11 595 437
XVI. Long-term liabilities	10 975 887	10 684 821	2 488 186	2 422 203
XVII. Short-term liabilities	20 564 832	16 225 018	4 661 959	3 678 142
XVIII. Equity	26 694 561	24 239 953	6 051 542	5 495 093
XIX. Equity attributable to equity holders of the parent	23 878 367	21 627 938	5 413 123	4 902 960
XX. Share capital	1 057 635	1 057 635	239 761	239 761
XXI. Number of issued ordinary shares	427 709 061	427 709 061	427 709 061	427 709 061
XXII. Book value and diluted book value per share attributable to equity holders of the parent (in PLN/EUR per share)	55.83	50.57	12.66	11.46

SELECTED SEPARATE FINANCIAL DATA	PLN thousand		EUR thousand	
	III quarters of 2011 (cumulative data)	III quarters of 2010 (cumulative data)	III quarters of 2011 (cumulative data)	III quarters of 2010 (cumulative data)
I. Sales revenues	57 093 187	44 866 863	14 127 431	11 102 087
II. Profit from operations	2 319 464	1 986 919	573 940	491 653
III. Profit before tax	1 296 211	2 139 314	320 741	529 363
IV. Net profit	1 113 170	1 784 109	275 448	441 469
V. Total comprehensive income	886 900	1 695 374	219 459	419 512
VI. Net cash provided by/(used in) operating activities	(151 782)	1 473 733	(37 558)	364 668
VII. Net cash (used in) investing activities	(807 343)	(1 767 218)	(199 773)	(437 289)
VIII. Net cash provided by/(used in) financing activities	540 826	(1 443 555)	133 825	(357 201)
IX. Net (decrease) in cash	(418 299)	(1 737 040)	(103 506)	(429 822)
X. Net profit and diluted net profit per share (in PLN/EUR per share)	2.60	4.17	0.64	1.03
	<b>as at 30/09/2011</b>	<b>as at 31/12/2010</b>	<b>as at 30/09/2011</b>	<b>as at 31/12/2010</b>
XI. Non-current assets	24 236 475	24 663 871	5 494 304	5 591 193
XII. Current assets	20 665 752	15 230 187	4 684 837	3 452 618
XIII. Total assets	44 902 227	39 894 058	10 179 141	9 043 811
XIV. Long-term liabilities	8 528 252	8 350 861	1 933 318	1 893 104
XV. Short-term liabilities	15 948 026	12 004 148	3 615 349	2 721 289
XVI. Equity	20 425 949	19 539 049	4 630 474	4 429 418
XVII. Share capital	1 057 635	1 057 635	239 761	239 761
XVIII. Number of issued ordinary shares	427 709 061	427 709 061	427 709 061	427 709 061
XIX. Book value and diluted book value per share (in PLN/EUR per share)	47.76	45.68	10.83	10.36

The above data for III quarters of 2011 and 2010 was translated into EUR by the following exchange rates:

- specific items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as of 30 September 2011 – 4.4112 PLN/EUR;
- specific items of statement of comprehensive income and statement of cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of the month during the period 1 January – 30 September 2011 – 4.0413 PLN/EUR.

**PKN ORLEN S.A. CAPITAL GROUP**  
**Consolidated Quarterly Report for the III quarter of 2011**  
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**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
9 MONTHS AND 3 MONTHS  
PERIOD ENDED 30 SEPTEMBER 2011  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING  
STANDARDS AS ADOPTED BY THE  
EUROPEAN UNION**



**ORLEN**

**Polski Koncern Naftowy ORLEN**  
Spółka Akcyjna

**PKN ORLEN S.A. CAPITAL GROUP**  
**Consolidated Quarterly Report for the III quarter of 2011**  
**Interim condensed consolidated financial statements**  
**(all amounts in PLN thousand)**

(Translation of a document originally issued in Polish)

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

**Consolidated statement of financial position**

	Note	as at 30/09/2011 (unaudited)	as at 31/12/2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		28 275 200	27 403 013
Investment property		79 077	71 976
Intangible assets		1 356 468	1 102 709
Perpetual usufruct of land		96 521	96 354
Investments accounted for under equity method		35 030	1 501 016
Financial assets available for sale		44 971	42 783
Deferred tax assets		335 760	163 893
Other non-current assets		29 351	49 130
		<b>30 252 378</b>	<b>30 430 874</b>
<b>Current assets</b>			
Inventories		15 772 424	11 294 851
Trade and other receivables		8 019 119	6 288 802
Other short-term financial assets	3.2.	191 816	224 601
Income tax receivable		30 791	48 273
Cash and cash equivalents		2 528 637	2 820 742
<b>Non-current assets held for sale</b>	3.3.	<b>1 440 115</b>	<b>41 649</b>
		<b>27 982 902</b>	<b>20 718 918</b>
<b>Total assets</b>		<b>58 235 280</b>	<b>51 149 792</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>EQUITY</b>			
Share capital		1 057 635	1 057 635
Share premium		1 227 253	1 227 253
Hedging reserve		(163 405)	63 872
Foreign exchange differences on subsidiaries from consolidation		531 725	(149 492)
Retained earnings		21 225 159	19 428 670
<b>Total equity attributable to equity holders of the parent</b>		<b>23 878 367</b>	<b>21 627 938</b>
<b>Non-controlling interest</b>		<b>2 816 194</b>	<b>2 612 015</b>
<b>Total equity</b>		<b>26 694 561</b>	<b>24 239 953</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Interest-bearing loans and borrowings	3.5.	9 218 858	9 123 987
Provisions	3.4.	653 730	635 618
Deferred tax liabilities		866 826	818 581
Deferred income		16 466	16 960
Other long-term liabilities		220 007	89 675
		<b>10 975 887</b>	<b>10 684 821</b>
<b>Short-term liabilities</b>			
Trade and other liabilities		16 310 400	13 435 998
Interest-bearing loans and borrowings	3.5.	2 589 916	1 543 740
Income tax liability		218 366	23 370
Provisions	3.4.	802 723	1 002 428
Deferred income		332 491	74 959
Other financial liabilities		295 880	144 523
<b>Liabilities directly associated with non-current assets classified as held for sale</b>		<b>15 056</b>	<b>-</b>
		<b>20 564 832</b>	<b>16 225 018</b>
<b>Total liabilities</b>		<b>31 540 719</b>	<b>26 909 839</b>
<b>Total equity and liabilities</b>		<b>58 235 280</b>	<b>51 149 792</b>

The accompanying notes disclosed on pages 8-15 are an integral part of the foregoing interim condensed consolidated financial statements.

**PKN ORLEN S.A. CAPITAL GROUP**  
**Consolidated Quarterly Report for the III quarter of 2011**  
**Interim condensed consolidated financial statements**  
**(all amounts in PLN thousand)**

(Translation of a document originally issued in Polish)

**Consolidated statement of comprehensive income**

	Note	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
<b>Income statement</b>					
Sales revenues	3.6.	76 997 427	28 682 328	60 616 208	22 105 709
Cost of sales	3.7.	(70 306 064)	(26 689 334)	(54 814 226)	(20 143 661)
<b>Gross profit on sales</b>		<b>6 691 363</b>	<b>1 992 994</b>	<b>5 801 982</b>	<b>1 962 048</b>
Distribution expenses		(2 724 309)	(939 466)	(2 548 113)	(886 556)
General and administrative expenses		(1 041 071)	(349 647)	(974 351)	(305 310)
Other operating revenues	3.8.	575 375	211 505	433 963	143 459
Other operating expenses	3.8.	(374 711)	(137 114)	(337 588)	(125 034)
<b>Profit from operations</b>		<b>3 126 647</b>	<b>778 272</b>	<b>2 375 893</b>	<b>788 607</b>
Financial revenues	3.9.	367 014	74 243	381 576	727 572
Financial expenses	3.9.	(1 475 506)	(1 141 539)	(600 506)	(142 948)
<b>Financial revenues and expenses</b>		<b>(1 108 492)</b>	<b>(1 067 296)</b>	<b>(218 930)</b>	<b>584 624</b>
Share in profit from investments accounted for under equity method		187 976	838	215 412	90 268
<b>Profit/(Loss) before tax</b>		<b>2 206 131</b>	<b>(288 186)</b>	<b>2 372 375</b>	<b>1 463 499</b>
Income tax expense	3.10.	(389 072)	39 339	(461 052)	(205 264)
<b>Net profit/(loss)</b>		<b>1 817 059</b>	<b>(248 847)</b>	<b>1 911 323</b>	<b>1 258 235</b>
<b>Items of other comprehensive income</b>					
Hedging instruments valuation		(124 911)	(175 658)	(144 258)	97 675
Hedging instruments settlement		(157 102)	(225 556)	34 709	4 118
Foreign exchange differences on consolidation		982 408	802 290	305 795	(192 417)
Deferred tax on other comprehensive income items		53 582	76 230	20 814	(19 341)
		<b>753 977</b>	<b>477 306</b>	<b>217 060</b>	<b>(109 965)</b>
<b>Total net comprehensive income</b>		<b>2 571 036</b>	<b>228 459</b>	<b>2 128 383</b>	<b>1 148 270</b>
<b>Net profit/(loss) attributable to:</b>		<b>1 817 059</b>	<b>(248 847)</b>	<b>1 911 323</b>	<b>1 258 235</b>
equity holders of the parent		1 744 674	(258 485)	1 830 337	1 242 471
non-controlling interest		72 385	9 638	80 986	15 764
<b>Total comprehensive income attributable to:</b>		<b>2 571 036</b>	<b>228 459</b>	<b>2 128 383</b>	<b>1 148 270</b>
equity holders of the parent		2 198 614	3 625	1 952 967	1 115 926
non-controlling interest		372 422	224 834	175 416	32 344
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)		4.08	(0.60)	4.28	2.90

The accompanying notes disclosed on pages 8 - 15 are an integral part of the foregoing interim condensed consolidated financial statements.

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**Consolidated Quarterly Report for the III quarter of 2011**  
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**(all amounts in PLN thousand)**

(Translation of a document originally issued in Polish)

**Consolidated statement of cash flows**

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
<b>Cash flows - operating activities</b>				
<b>Net profit</b>	<b>1 817 059</b>	<b>(248 847)</b>	<b>1 911 323</b>	<b>1 258 235</b>
Adjustments for:				
Share in profit from investments accounted for under equity method	(187 976)	(838)	(215 412)	(90 268)
Depreciation and amortisation	1 745 241	614 167	1 826 840	613 855
Foreign exchange loss/(gain)	549 813	482 865	(17 618)	(205 640)
Interest and dividend, net	281 370	89 675	294 811	83 586
Loss/(Profit) on investing activities	43 844	34 706	(38 041)	37 849
Change in receivables	(1 271 460)	(46 391)	(1 387 225)	102 536
Change in inventories	(4 039 808)	(845 913)	(625 604)	(470 310)
Change in liabilities	2 504 797	638 669	1 450 748	(857 813)
Change in provisions	406 009	116 855	209 844	(21 747)
Income tax expense	389 072	(39 339)	461 052	205 264
Income tax (paid)	(216 440)	(82 260)	(308 270)	(145 602)
Other adjustments	(576 307)	(233 587)	(278 589)	(110 070)
<b>Net cash provided by operating activities</b>	<b>1 445 214</b>	<b>479 762</b>	<b>3 283 859</b>	<b>399 875</b>
<b>Cash flows - investing activities</b>				
Acquisition of property, plant and equipment and intangible assets	(1 867 306)	(616 311)	(2 516 783)	(1 318 874)
Disposal of property, plant and equipment and intangible assets	277 911	4 530	205 547	7 504
Disposal of shares	3 875	460	12 984	-
Disposal of securities and deposits	111 526	39 805	129 450	92 360
Acquisition of shares	(107 440)	(94 969)	-	-
Acquisition of securities and deposits	(109 228)	(17 414)	(150 746)	(113 080)
Interest and dividends received	264 910	258 487	35 811	4 729
Other	9 638	19 391	(11 679)	(11 664)
<b>Net cash (used in) investing activities</b>	<b>(1 416 114)</b>	<b>(406 021)</b>	<b>(2 295 416)</b>	<b>(1 339 025)</b>
<b>Cash flows - financing activities</b>				
Proceeds from loans and borrowings received	15 882 736	3 199 936	12 228 701	4 023 208
Repayments of loans and borrowings	(15 836 639)	(2 610 722)	(14 434 684)	(3 782 025)
Interest paid	(345 771)	(92 334)	(406 617)	(146 974)
Payments of liabilities under finance lease agreements	(20 677)	(7 568)	(19 789)	(6 268)
Dividends paid to shareholders/non-controlling interest	(11 366)	(11 366)	(9 939)	(9 495)
Other	14 828	16 706	8 275	11 427
<b>Net cash provided by/(used in) financing activities</b>	<b>(316 889)</b>	<b>494 652</b>	<b>(2 634 053)</b>	<b>89 873</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(287 789)</b>	<b>568 393</b>	<b>(1 645 610)</b>	<b>(849 277)</b>
Effect of exchange rate changes	(4 316)	1 290	(381)	(573)
<b>Cash and cash equivalents, beginning of the period</b>	<b>2 820 742</b>	<b>1 958 954</b>	<b>2 941 039</b>	<b>2 144 898</b>
<b>Cash and cash equivalents, end of the period</b>	<b>2 528 637</b>	<b>2 528 637</b>	<b>1 295 048</b>	<b>1 295 048</b>
incl. restricted cash	75 253	75 253	108 619	108 619

The accompanying notes disclosed on pages 8 - 15 are an integral part of the foregoing interim condensed consolidated financial statements.

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**(all amounts in PLN thousand)**

(Translation of a document originally issued in Polish)

**Statement of changes in consolidated equity**

	Equity attributable to equity holders of the parent					Non-controlling interest	Total equity
	Share capital and share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Total		
<b>1 January 2011</b>	2 284 888	63 872	(149 492)	19 428 670	21 627 938	2 612 015	24 239 953
Total comprehensive income	-	(227 277)	681 217	1 744 674	2 198 614	372 422	2 571 036
Change in the structure of non-controlling interest	-	-	-	51 815	51 815	(155 339)	(103 524)
Dividends	-	-	-	-	-	(12 904)	(12 904)
<b>30 September 2011</b> (unaudited)	<b>2 284 888</b>	<b>(163 405)</b>	<b>531 725</b>	<b>21 225 159</b>	<b>23 878 367</b>	<b>2 816 194</b>	<b>26 694 561</b>
<b>1 January 2010</b>	2 284 888	14 849	(266 789)	17 004 955	19 037 903	2 669 308	21 707 211
Total comprehensive income	-	(88 735)	211 365	1 830 337	1 952 967	175 416	2 128 383
Dividends	-	-	-	-	-	(9 547)	(9 547)
<b>30 September 2010</b> (unaudited)	<b>2 284 888</b>	<b>(73 886)</b>	<b>(55 424)</b>	<b>18 835 292</b>	<b>20 990 870</b>	<b>2 835 177</b>	<b>23 826 047</b>

The accompanying notes disclosed on pages 8 - 15 are an integral part of the foregoing interim condensed consolidated financial statements.

**PKN ORLEN S.A. CAPITAL GROUP**  
**Consolidated Quarterly Report for the III quarter of 2011**  
**Explanatory notes to the interim condensed consolidated financial statements**  
**(all amounts in PLN thousand)**

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**Explanatory notes to the interim condensed consolidated financial statements**

**1. Information on principles adopted for the preparation of the interim condensed consolidated financial statements for the III quarter of 2011**

**1.1. Statement of compliance and general principles for preparation**

The foregoing interim condensed consolidated financial statements („financial statements”) were prepared in accordance with requirements of IAS 34 “Interim financial reporting” and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) (“Regulation”) and present the PKN ORLEN S.A. Capital Group’s (“Group”, “Capital Group”) financial position as at 30 September 2011 and 31 December 2010, financial results and cash flows for the period of 9 and 3 months ended 30 September 2011 and 30 September 2010.

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

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

**1.2. Statement of the Management Board**

**1.2.1. Concerning reliability of preparation of the interim condensed consolidated financial statements**

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

**1.2.2. Concerning entity authorized to conduct review of the interim condensed consolidated financial statements**

The Management Board of PKN ORLEN S.A. declares that the entity authorized to conduct review of the interim condensed consolidated financial statements, was selected in compliance with the law.

**1.2.3. Applied accounting principles and IFRS changes**

These foregoing interim condensed consolidated financial statements have been prepared according to principles described in PKN ORLEN S.A. Group’s consolidated financial statements for the year ended 31 December 2010. Amendments to IFRSs that came into force on 1 January 2011, have no effect on current and previously presented consolidated financial results and consolidated equity.

In these foregoing interim condensed consolidated financial statements, the significant judgments made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those applied in the consolidated financial statement for the year 2010.

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

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**Explanatory notes to the interim condensed consolidated financial statements**  
**(all amounts in PLN thousand)**

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

**a) functional currency and presentation currency**

Functional currency and presentation currency of the foregoing interim condensed consolidated financial statements and interim financial information of the Parent Company is Polish Zloty (PLN).

**b) methods applied to translation of financial data**

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

- particular assets, equity and liabilities – at spot exchange rate as at the end of the reporting period,
- respective items of statement of comprehensive income and statement of cash flows are translated at the average rate (arithmetic average of average exchange rates published by the National Bank of Poland ("NBP") in the reporting period).

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

CURRENCY	average exchange rate for				exchange rate at the end of the period	
	9 months ended	3 months ended	9 months ended	3 months ended	30/09/2011	31/12/2010
	30/09/2011	30/09/2011	30/09/2010	30/09/2010		
PLN/EUR	4.0176	4.1485	4.0041	4.0081	4.4112	3.9603
PLN/USD	2.8577	2.9375	3.0496	3.1048	3.2574	2.9641
PLN/CZK	0.1650	0.1701	0.1573	0.1607	0.1791	0.1580

**2. Segment data**

The Group's activities are allocated to:

- the refining segment, which includes refinery products processing and wholesale, oil production and sale as well as supporting production,
- the retail segment, which includes sales at petrol stations,
- the petrochemical segment, which includes the production and wholesale of petrochemicals and production and sale of chemicals

and corporate functions which are reconciling items and include activities related to management and administration and other support functions as well as remaining activities not allocated to separate segments.

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

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**Revenues, expenses and financial result by operating segments**

**for 9 months ended 30 September 2011**

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	41 711 224	24 448 248	10 758 652	79 303	-	76 997 427
Transactions with other segments	18 037 506	84 724	2 472 212	160 998	(20 755 440)	-
<b>Total sales revenues</b>	<b>59 748 730</b>	<b>24 532 972</b>	<b>13 230 864</b>	<b>240 301</b>	<b>(20 755 440)</b>	<b>76 997 427</b>
Total operating expenses	(57 931 901)	(24 118 480)	(12 069 385)	(707 126)	20 755 448	(74 071 444)
Other operating revenues	209 090	61 428	163 419	141 485	(47)	575 375
Other operating expenses	(152 827)	(76 265)	(52 200)	(93 466)	47	(374 711)
<b>Segment operating profit/(loss)</b>	<b>1 873 092</b>	<b>399 655</b>	<b>1 272 698</b>	<b>(418 806)</b>	<b>8</b>	<b>3 126 647</b>
Financial revenues						367 014
Financial expenses						(1 475 506)
Share in profit from investments accounted for under equity method	355	-	125	187 496	-	187 976
<b>Profit before tax</b>						<b>2 206 131</b>
Income tax expense						(389 072)
<b>Net profit</b>						<b>1 817 059</b>

**for 3 months ended 30 September 2011**

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	15 726 991	9 102 524	3 819 452	33 361	-	28 682 328
Transactions with other segments	6 554 342	27 525	860 025	52 743	(7 494 635)	-
<b>Total sales revenues</b>	<b>22 281 333</b>	<b>9 130 049</b>	<b>4 679 477</b>	<b>86 104</b>	<b>(7 494 635)</b>	<b>28 682 328</b>
Total operating expenses	(21 964 033)	(8 946 804)	(4 323 072)	(239 178)	7 494 640	(27 978 447)
Other operating revenues	84 320	24 017	30 955	72 231	(18)	211 505
Other operating expenses	(66 168)	(26 694)	(20 065)	(24 205)	18	(137 114)
<b>Segment operating profit/(loss)</b>	<b>335 452</b>	<b>180 568</b>	<b>367 295</b>	<b>(105 048)</b>	<b>5</b>	<b>778 272</b>
Financial revenues						74 243
Financial expenses						(1 141 539)
Share in profit from investments accounted for under equity method	551	-	399	(112)	-	838
<b>Loss before tax</b>						<b>(288 186)</b>
Income tax expense						39 339
<b>Net loss</b>						<b>(248 847)</b>

**for 9 months ended 30 September 2010**

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

**for 3 months ended 30 September 2010**

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

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### Assets by operating segments

	as at 30/09/2011 (unaudited)	as at 31/12/2010
Refining Segment	33 150 045	26 965 016
Retail Segment	6 527 747	5 530 917
Petrochemical Segment	14 703 294	13 264 657
<b>Total segment assets</b>	<b>54 381 086</b>	<b>45 760 590</b>
Corporate Functions	4 484 870	5 718 371
Adjustments	(630 676)	(329 169)
	<b>58 235 280</b>	<b>51 149 792</b>

### 3. Other explanatory notes

#### 3.1. Impairment allowances of assets

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
Property, plant and equipment				
Increase	(27 119)	(5 066)	(71 962)	(43 034)
Decrease	46 355	22 436	68 882	29 668
Intangible assets				
Increase	-	-	(415)	(138)
Decrease	11 867	60	86	(315)
Financial assets available for sale				
Increase	(652)	(521)	(201)	(194)
Decrease	315	-	1 008	-
Receivables				
Increase	(94 102)	(49 803)	(67 769)	(18 919)
Decrease	78 741	33 137	46 137	17 183
Inventories				
Increase	(184 069)	(90 076)	(183 565)	(45 453)
Decrease	100 387	44 646	174 997	26 506
Non-current assets held for sale				
Increase	(14 358)	(11 760)	(13 234)	(3 771)
Decrease	5 866	2 545	1 610	(1 702)

#### 3.2. Other short-term financial assets

	as at 30/09/2011 (unaudited)	as at 31/12/2010
<b>Cash flow hedge instruments</b>	<b>102 174</b>	<b>175 498</b>
foreign currency forwards	13 797	35 042
commodity swaps	88 377	140 456
<b>Derivatives not designated as hedge accounting</b>	<b>46 704</b>	<b>3 002</b>
foreign currency forwards	6 867	1 662
commodity swaps	39 837	-
other	-	1 340
<b>Embedded derivatives</b>	<b>50</b>	<b>1 026</b>
foreign currency swaps	50	1 026
<b>Deposits /other debt securities</b>	<b>33 861</b>	<b>34 876</b>
<b>Loans granted</b>	<b>4 163</b>	<b>5 710</b>
<b>Other</b>	<b>4 864</b>	<b>4 489</b>
	<b>191 816</b>	<b>224 601</b>

#### 3.3. Non-current assets held for sale

As at 30 September 2011 non-current assets held for sale comprise mainly shares in Polkomtel S.A. accounted for under equity method of PLN 1,388,349 thousand.

The assets were reclassified based on preliminary sale agreement signed on 30 June 2011 between PKN ORLEN S.A., PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A., Vodafone Americas Inc, Vodafone International Holdings B.V. and Węglokoks S.A. as the sellers and Spartan Capital Holdings Sp. z o.o., as the purchaser for the sale of 100% of shares in Polkomtel S.A. As a result of the agreement, PKN ORLEN S.A. agreed to sale total share held in Polkomtel S.A. of 24.39% at the total price of PLN 3,672,147 thousand. The value of shares for the tax expense calculation is PLN 1,159,190 thousand. The transaction is subject to approval by the Office of Competition and Consumer Protection (additional information – refer to note 3.19.).

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### 3.4. Provisions

	long-term		short-term		Total	
	as at 30/09/2011 (unaudited)	as at 31/12/2010	as at 30/09/2011 (unaudited)	as at 31/12/2010	as at 30/09/2011 (unaudited)	as at 31/12/2010
Environmental provision	339 790	329 033	20 895	36 101	360 685	365 134
Jubilee and post-employment benefits provision	246 672	242 475	32 357	33 315	279 029	275 790
Business risk provision	30 469	40 402	80 667	80 006	111 136	120 408
Shield programs provision	-	-	34 803	41 426	34 803	41 426
Provision for CO <sub>2</sub> emission	-	-	464 659	644 703	464 659	644 703
Other	36 799	23 708	169 342	166 877	206 141	190 585
	<b>653 730</b>	<b>635 618</b>	<b>802 723</b>	<b>1 002 428</b>	<b>1 456 453</b>	<b>1 638 046</b>

### 3.5. Interest-bearing loans and borrowings

	long-term		short-term		Total	
	as at 30/09/2011 (unaudited)	as at 31/12/2010	as at 30/09/2011 (unaudited)	as at 31/12/2010	as at 30/09/2011 (unaudited)	as at 31/12/2010
Bank loans	8 804 190	7 662 239	1 785 213	1 289 840	10 589 403	8 952 079
Borrowings	136	345 134	6 260	215 225	6 396	560 359
Debt securities	414 532	1 116 614	798 443	38 675	1 212 975	1 155 289
	<b>9 218 858</b>	<b>9 123 987</b>	<b>2 589 916</b>	<b>1 543 740</b>	<b>11 808 774</b>	<b>10 667 727</b>

On 28 April 2011 PKN ORLEN S.A. has refinanced credit lines – detailed information is disclosed in note B.3.2.

### 3.6. Sales revenues

	for 9 months ended 30/09/2011 (unaudited)		for 3 months ended 30/09/2011 (unaudited)		for 9 months ended 30/09/2010 (unaudited)		for 3 months ended 30/09/2010 (unaudited)	
	Revenues from sales of finished goods and services, net	60 972 463	22 372 266	46 870 267	17 315 551	13 745 941	4 790 158	
Revenues from sales of merchandise and raw materials, net	16 024 964	6 310 062	12 835 274	4 292 788				
	<b>76 997 427</b>	<b>28 682 328</b>	<b>60 616 208</b>	<b>22 105 709</b>				

### 3.7. Operating expenses

#### Cost of sales

	for 9 months ended 30/09/2011 (unaudited)		for 3 months ended 30/09/2011 (unaudited)		for 9 months ended 30/09/2010 (unaudited)		for 3 months ended 30/09/2010 (unaudited)	
	Cost of finished goods and services sold	(55 225 778)	(20 725 826)	(41 978 952)	(15 850 873)	(12 835 274)	(4 292 788)	
Cost of merchandise and raw materials sold	(15 080 286)	(5 963 508)	(598 871)	(222 076)				
	<b>(70 306 064)</b>	<b>(26 689 334)</b>	<b>(54 814 226)</b>	<b>(20 143 661)</b>				

#### Cost by kind

	for 9 months ended 30/09/2011 (unaudited)		for 3 months ended 30/09/2011 (unaudited)		for 9 months ended 30/09/2010 (unaudited)		for 3 months ended 30/09/2010 (unaudited)	
	Materials and energy	(52 591 770)	(19 368 601)	(39 043 573)	(14 672 504)	(12 835 274)	(4 292 788)	
Cost of merchandise and raw materials sold	(15 080 286)	(5 963 508)	(598 871)	(222 076)				
External services	(2 974 944)	(1 041 725)	(2 747 324)	(962 458)				
Payroll, social security and other employee benefits	(1 505 740)	(496 176)	(1 454 987)	(472 966)				
Depreciation and amortisation	(1 745 241)	(614 167)	(1 826 840)	(613 855)				
Taxes and charges	(336 722)	(110 797)	(302 902)	(92 999)				
Other	(650 354)	(233 688)	(598 871)	(222 076)				
	<b>(74 885 057)</b>	<b>(27 828 662)</b>	<b>(58 809 771)</b>	<b>(21 329 646)</b>				
Change in inventories	227 125	(333 708)	30 322	(168 975)				
Cost of products and services for own use	211 777	46 809	105 171	38 060				
<b>Operating expenses</b>	<b>(74 446 155)</b>	<b>(28 115 561)</b>	<b>(58 674 278)</b>	<b>(21 460 561)</b>				
Distribution expenses	2 724 309	939 466	2 548 113	886 556				
General and administrative expenses	1 041 071	349 647	974 351	305 310				
Other operating expenses	374 711	137 114	337 588	125 034				
<b>Cost of sales</b>	<b>(70 306 064)</b>	<b>(26 689 334)</b>	<b>(54 814 226)</b>	<b>(20 143 661)</b>				

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### 3.8. Other operating revenues and expenses

#### Other operating revenues

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
Profit on sale of non-financial non-current assets	39 951	1 952	60 184	7 406
Reversal of provisions	48 561	11 749	42 078	18 411
Reversal of receivables impairment allowances	70 512	31 582	36 764	14 166
Reversal of impairment allowances of property, plant and equipment and intangible assets	53 926	23 528	58 891	26 217
Penalties and compensations earned	144 886	58 667	39 624	5 408
Grants	19 134	-	94 108	30 489
Other	198 405	84 027	102 314	41 362
	<b>575 375</b>	<b>211 505</b>	<b>433 963</b>	<b>143 459</b>

In the III quarter of 2011, penalties and compensation include the return of the fine paid by Unipetrol of approximately PLN 39,060 thousand (detailed information in note 5.1.2 e). Additionally, in the II quarter of 2011 Anwil S.A. received the compensation of PLN 39,031 thousand due to the fire in the electrolytic installation at chlorine and soda lye plant and in the I quarter of 2011 PKN ORLEN S.A. received PLN 30,163 thousand from ENERGA–OPERATOR S.A. (detailed information in note 5.1.2 d).

Grants received in the 9 and 3 month period ended 30 September 2011 concern mainly revenues from reduction of nitrous suboxide emission in Anwil S.A.

The line other in the 9 and 3 months period ended 30 September 2011 mainly includes the effect of the settlement of CO<sub>2</sub> emission rights received in relation to actual emission of PLN 147,957 thousand and PLN 76,039 thousand, respectively.

#### Other operating costs

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
Loss on sale of non-financial non-current assets	(45 828)	(13 244)	(21 963)	(7 732)
Recognition of provisions	(46 316)	(14 107)	(87 663)	(13 088)
Recognition of receivables impairment allowances	(82 917)	(46 474)	(58 043)	(16 146)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(38 757)	(16 704)	(72 867)	(43 662)
Cost of damages, breakdowns and compensations	(34 393)	(6 444)	(25 449)	(16 391)
Other	(126 500)	(40 141)	(71 603)	(28 015)
	<b>(374 711)</b>	<b>(137 114)</b>	<b>(337 588)</b>	<b>(125 034)</b>

The line other mainly includes the valuation of CO<sub>2</sub> emission rights provision, inventory count settlement and current assets allowances in the 9 and 3 month period ended 30 September 2011.

### 3.9. Financial revenues and expenses

#### Financial revenues

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
Interest	41 379	15 360	51 562	14 066
Foreign exchange gains surplus	232 294	-	168 715	694 019
Settlement and valuation of financial instruments	76 685	51 292	145 144	16 666
Decrease in receivables impairment allowances	8 229	1 555	9 373	3 017
Decrease in investment impairment allowances	315	-	1 008	-
Other	8 112	6 036	5 774	(196)
	<b>367 014</b>	<b>74 243</b>	<b>381 576</b>	<b>727 572</b>

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### Financial expenses

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
Interest	(297 807)	(98 815)	(305 178)	(92 342)
Foreign exchange losses surplus	(967 932)	(981 637)	(173 592)	-
Settlement and valuation of financial instruments	(182 635)	(50 383)	(81 629)	(37 795)
Increase in receivables impairment allowances	(11 185)	(3 329)	(9 726)	(2 773)
Increase in investment impairment allowances	(793)	(649)	(226)	(188)
Other	(15 154)	(6 726)	(30 155)	(9 850)
	<b>(1 475 506)</b>	<b>(1 141 539)</b>	<b>(600 506)</b>	<b>(142 948)</b>

Borrowing costs capitalized in the 9 and 3 month period ended 30 September 2011 and 30 September 2010 amounted to PLN 49,742 thousand and PLN 4,740 thousand and PLN 122,265 thousand and PLN 39,458 thousand, respectively.

### 3.10. Income tax expense

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
Current income tax	(430 882)	(52 360)	(338 797)	(151 111)
Deferred income tax	41 810	91 699	(122 255)	(54 153)
	<b>(389 072)</b>	<b>39 339</b>	<b>(461 052)</b>	<b>(205 264)</b>

### 3.11. Methods applied in determining fair values of financial instruments recognised in the consolidated statement of financial position at fair value (fair value hierarchy)

The Group measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves, for currencies and commodities quoted on active markets. As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting principles are not met, are recognised in a current year financial result. Valuation of other instruments, for which hedge accounting is applied, is recognised in equity.

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly observable (so called Level 2).

### Fair value hierarchy

	as at 30/09/2011 (unaudited)		as at 31/12/2010	
	Level 1	Level 2	Level 1	Level 2
<b>Financial assets</b>				
Quoted shares	836		1 151	-
Embedded derivatives and hedging instruments		148 928	-	179 526
	<b>836</b>	<b>148 928</b>	<b>1 151</b>	<b>179 526</b>
<b>Financial liabilities</b>				
Embedded derivatives and hedging instruments		386 860	-	132 051
	<b>-</b>	<b>386 860</b>	<b>-</b>	<b>132 051</b>

During the reporting period and comparative period there were no reclassifications of financial instruments between Level 1 and Level 2 in the Group.

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**3.12. Finance lease payments**

As at 30 September 2011 and 31 December 2010, the Group possessed as a lessee, the finance lease agreements, concerning mainly buildings, machinery and equipment as well as means of transportation.

	as at 30/09/2011 (unaudited)	as at 31/12/2010
Future value of minimum lease payments	103 690	96 276
Present value of minimum lease payments	90 869	79 534

**3.13. Information concerning seasonal or cyclical character of the Group's operations in the presented period**

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

**3.14. Future liabilities resulting from signed investment contracts**

As at 30 September 2011 and 31 December 2010 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 588,501 thousand and PLN 502,491 thousand, respectively.

**3.15. Issue, redemption and repayment of debt and capital securities**

In the period covered by the foregoing interim condensed consolidated financial statements, the Parent Company issued a short-term bonds only for the Group entities to optimize liquidity management in the PKN ORLEN S.A. Capital Group.

**3.16. Payment of dividends**

General Shareholders' Meeting of PKN ORLEN S.A. dated 29 June 2011 decided to distribute net profit for the year 2010 in the amount of PLN 2,357,127,065.35 to reserve capital of the Company.

**3.17. Contingent liabilities**

	as at 31/12/2010	increase/ (decrease)	as at 30/09/2011 (unaudited)
Anti-trust proceedings of the OCCP	18 500	(4 500)	14 000
Other legal cases at court	19 950	(3 257)	16 693
	<b>38 450</b>	<b>(7 757)</b>	<b>30 693</b>

**3.18. Supplementary information**

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 September 2011 and 31 December 2010 amounted to PLN 1,617,190 thousand and PLN 1,663,831 thousand, respectively.

Guarantees granted as at 30 September 2011 and 31 December 2010 amounted to PLN 135,677 thousand and PLN 107,191 thousand, respectively.

**3.19. Significant events after the end of the reporting period which were not reflected in the interim condensed consolidated financial statements**

The Management of Polski Koncern Naftowy ORLEN S.A. informs that on 24 October 2011 Office of Competition and Consumer Protection ("OCCP") released an approval for sale of 100% of shares in Polkomtel to Spartan Capital Holdings Sp. z o.o. Thus, the condition stipulated in the preliminary agreement to sell 100% of shares in Polkomtel S.A. was fulfilled. As the above mentioned condition was fulfilled in accordance with procedure specified in the agreement, the Seller will agree with the Purchaser the date of signing final agreement of transferring the shares of Polkomtel S.A.

After completion of the transaction the Purchaser will acquire 100% of shares in Polkomtel S.A., and none of the Seller will own any shares in Polkomtel S.A. anymore.

Detailed information about the signed agreement were presented in note 3.3.

**OTHER INFORMATION TO CONSOLIDATED  
QUARTERLY REPORT  
FOR THE III QUARTER 2011**



**ORLEN**

**Polski Koncern Naftowy ORLEN**  
Spółka Akcyjna



Polski Koncern Naftowy ORLEN  
Spółka Akcyjna

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**B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT**

**1. Principal activity**

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

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

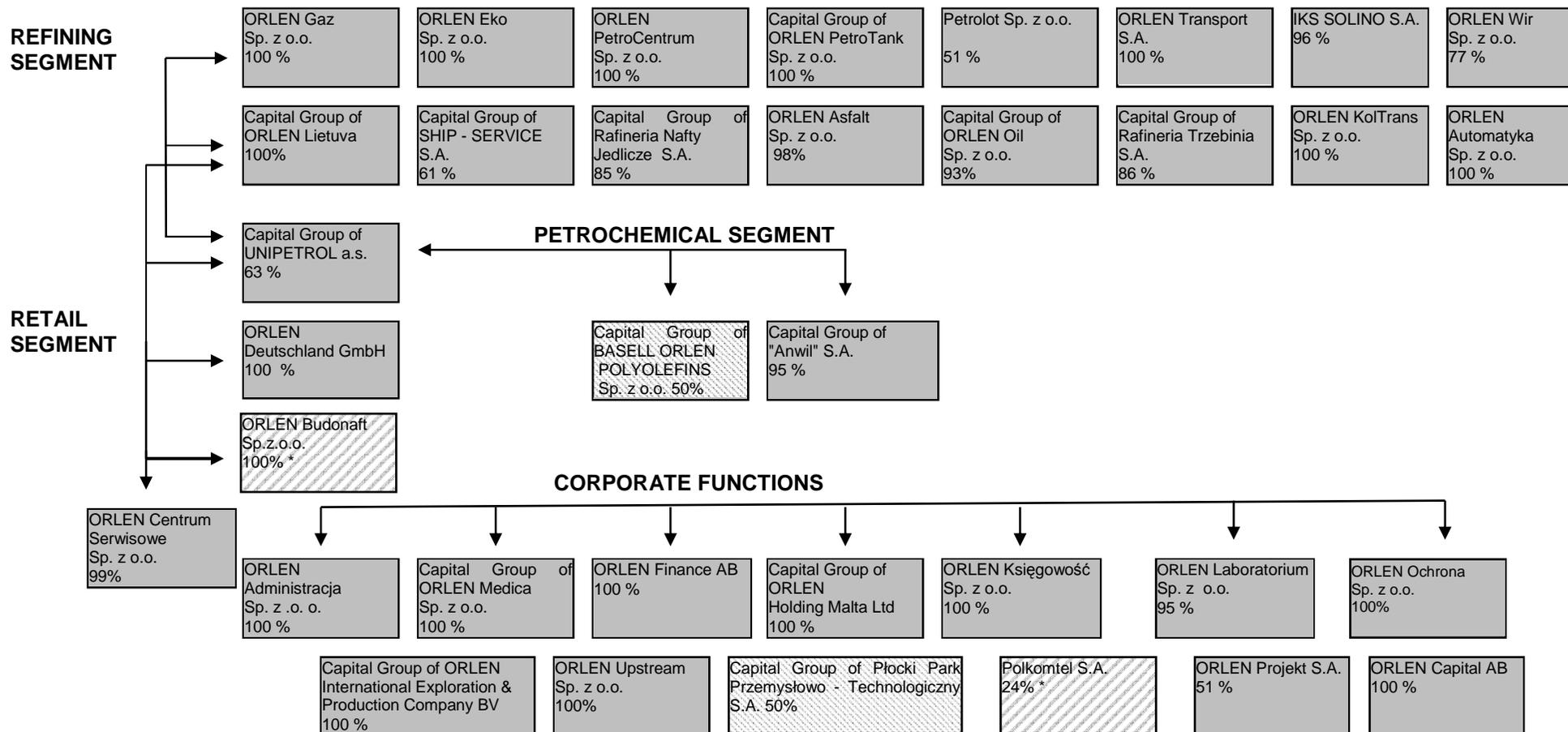
**2. Organization of the Capital Group**

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

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**CONSOLIDATION SCHEME OF THE CAPITAL GROUP – first level**



- The Parent Company PKN ORLEN was adequately allocated to all business segments  
 - The scheme presents information about direct and indirect share in equity of related parties

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**The list of entities belonging to the Capital Groups on lower levels**

name of the group	Share in total voting rights	
	30/09/2011	31/12/2010
<b>1. Capital Group of ORLEN PetroTank Sp. z o.o.</b>	100%	100%
Petro-Mawi Sp. z o.o. in liquidation	2) 60%	60%
<b>2. Capital Group of Rafineria Trzebinia S.A</b>	86%	86%
Energomedia Sp. z o.o.	100%	100%
Euronaft Trzebinia Sp. z o.o.	100%	100%
Fabryka Parafin NaftoWax Sp. z o.o.	100%	100%
Zakładowa Straż Pożarna Sp. z o.o.	2) 100%	100%
EkoNaft Sp. z o.o.	5) 100%	99%
<b>3. Capital Group of Rafineria Nafty Jedlicze S.A</b>	5) 85%	75%
Raf-Koltrans Sp. z o.o.	100%	100%
Raf-Służba Ratownicza Sp. z o.o.	2) 100%	100%
Raf-Bit Sp. z o.o.	2) 100%	100%
Konsorcjum Olejów Przetworzonych – Organizacja Odzysku S.A.	81%	81%
Ran-Watt Sp. z o.o. in liquidation	2) 51%	51%
<b>4. Capital Group of ORLEN Oil Sp. z o.o.</b>	1) 100%	100%
ORLEN Oil Cesko s.r.o.	100%	100%
Platinum Oil Sp. z o.o.	100%	100%
Petro-Oil Seewax Sp. z o.o. in bankruptcy	2) 25%	25%
Petro-Oil Małopolskie Centrum Sprzedaży Sp. z o.o.	6) 100%	24%
Petro-Oil Podlaskie Centrum Sprzedaży Sp. z o.o.	7) -	24%
Petro-Oil Zachodniopomorskie Centrum Sprzedaży Sp. z o.o.	24%	24%
Petro-Oil Wielkopolskie Centrum Sprzedaży Sp. z o.o.	22%	22%
<b>5. Capital Group of ORLEN Lietuva</b>	100%	100%
UAB Mazeikiu naftos sveikatos prieziuros centras	100%	100%
UAB PASLAUGOS TAU	100%	100%
UAB Emas	100%	100%
AB Ventus-Nafta	100%	100%
UAB Naftelf	34%	34%
Capital Group of UAB Mazeikiu naftos prekybos namai	100%	100%
SIA Mazeikiu Nafta Tirdzniecibas nams	100%	100%
OU Mazeikiu Nafta Trading House	100%	100%
Mazeikiu Nafta Trading House Sp. z o.o.	100%	100%
<b>6. Capital Group of UNIPETROL a.s.</b>	63%	63%
Capital Group of UNIPETROL RPA s.r.o.	100%	100%
UNIPETROL DOPRAVA s.r.o.	100%	100%
CHEMOPETROL a.s.	2) 100%	100%
UNIPETROL SLOVENSKO s.r.o.	100%	100%
POLYMER INSTITUTE BRNO spol. s.r.o.	2) 100%	100%
HC Benzina Litvinov a.s.	2) 71%	71%
Capital Group of UNIPETROL TRADE a.s. in liquidation	8) -	100%
CHEMAPOL (SCHWEIZ) AG in liquidation	100%	100%
UNIPETROL AUSTRIA HmbH in liquidation	2) 100%	100%
UNIPETROL DEUTSCHLAND GmbH	100%	100%
Výzkumný ústav anorganické chemie a.s.	2) 100%	100%
Capital Group of BENZINA s.r.o.	100%	100%
PETROTRANS s.r.o.	100%	100%
UNIPETROL SERVICES s.r.o.	100%	100%
UNIPETROL RAFINERIE s.r.o.	2) 100%	100%
Capital Group of PARAMO a.s.	100%	100%
MOGUL SLOVAKIA s.r.o.	2) 100%	100%
PARAMO OIL s.r.o.	3) 100%	-
PARAMO ASFALT s.r.o.	3) 100%	-
CESKA RAFINERSKA a.s.	51%	51%
Butadien Kralupy s.r.o.	51%	51%

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**The list of entities belonging to the Capital Groups on lower levels – continued**

name of the group	Share in total voting rights	
	30/09/2011	31/12/2010
<b>7. Capital Group of "Anwil" S.A.</b>		
Przedsiębiorstwo Inwestycyjno-Remontowe Remwil Sp. z o.o.	6) 95%	90%
Przedsiębiorstwo Produkcyjno-Handlowo-Uslugowe Pro-Lab Sp. z o.o.	100%	100%
Przedsiębiorstwo Usług Specjalistycznych i Projektowych Chemeko Sp. z o.o.	99%	99%
Spolana a.s.	56%	56%
Zakład Usługowo Produkcyjny EKO-Dróg Sp. z o.o.	100%	100%
Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.	49%	49%
Apex-Elzar Sp. z o.o.	49%	49%
Specjalistyczna Przychodnia Przemysłowa Prof-Med Sp. z o.o.	4) -	47%
<b>8. Capital Group of Basell ORLEN Polyolefins Sp. z o.o.</b>	50%	50%
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	100%	100%
<b>9. Capital Group of ORLEN Medica Sp. z o.o.</b>	100%	100%
Sanatorium Uzdrawiskowe "KRYSTYNKA" Sp. z o.o.	2) 99%	99%
<b>10. Capital Group of ORLEN Holding Malta Ltd.</b>	100%	100%
ORLEN Insurance Ltd.	100%	100%
<b>11. Capital Group of Płocki Park Przemysłowo-Technologiczny S.A.</b>	50%	50%
Centrum Edukacji Sp. z o.o.	2) 69%	69%
<b>12. Capital Group of Orlen International Exploration &amp; Production Company BV</b>	100%	100%
SIA Balin Energy	50%	50%

<sup>1)</sup> share in consolidated financial data is 93%

<sup>2)</sup> entities not consolidated in the 9 month period ended 30 September 2011/ in the 12 month period ended 31 December 2010

<sup>3)</sup> entity founded in the I quarter of 2011

<sup>4)</sup> entity sold in the I quarter of 2011

<sup>5)</sup> increase in % share in the II quarter of 2011

<sup>6)</sup> increase in % share in the III quarter of 2011

<sup>7)</sup> entity sold in the III quarter of 2011

<sup>8)</sup> entity liquidated in the III quarter of 2011

During the reporting period the Group purchased non-controlling interest in Rafineria Nafty Jedlicze S.A., ORLEN Wir Sp. z o.o., IKS Solino and Anwil S.A. In III quarter 2011 OrlenOil Group purchased the majority interest in OrlenOil Małopolskie Centrum Sprzedaży.

### 3. Financial situation

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

##### Results from operations and financial activities

The profit from operations of the ORLEN Capital Group („ORLEN Group”) for the 3 quarter of 2011 amounted to PLN 778 million and achieved comparable level to the analogous period of the prior year. The cumulative result from operations for the 9 months of 2011 reached the level of PLN 3,127 million, that is an increase of PLN 751 million (y/y).

Total impact of changes in macroeconomic factors including: refining and petrochemical margins, the URAL/Brent differential, changes in PLN exchange rates against foreign currencies and higher sales volumes was negative in the 3 quarter of 2011 and amounted to PLN (-) 43 million (y/y).

Pressure on retail margins associated with high fuel prices was partly compensated by increasing sales volumes, which, as a consequence, decreased the result from retail segment by PLN (-) 128 million (y/y).

Other operating elements amounted cumulatively to PLN (-) 349 million (y/y) and were connected mainly with deterioration of trading conditions as a result of strong competitors pressure, implementation of legislative changes in the respect of bio fuel taxation from May 2011 and effects on other operating activities.

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Net financial expenses in the 3 quarter of 2011 amounted to PLN (-) 979 million and comprised mainly negative foreign exchange differences, of which PLN (-) 465 million concerned the revaluation of loans, mainly in EUR and PLN (-) 514 million concerned trade settlements. More than a half of total value of net negative foreign exchange differences are unrealized. After taking into account net interest costs of PLN (-) 83 million, financial expenses amounted to PLN (-) 1,067 million.

Foreign exchange losses on loans denominated in USD for which hedging relationship with net investment in ORLEN Lietuva was designated in the amount of PLN (-) 728 million, according to IAS 39 (Financial instruments: recognition and measurement) and foreign exchange losses on revaluation of subsidiaries in the amount of PLN (-) 180 million, according to IAS 21 (The effects of changes in foreign exchange rates), were recognized in equity in line foreign exchange differences on subsidiaries from consolidation.

In the 2 quarter of 2011 shares in Polkomtel S.A. have been classified as assets held for sale. Consequently share in net result for 3 quarter of 2011 of this company has not been included in the statement of comprehensive income of the ORLEN Group.

After consideration of tax charges, net loss of the ORLEN Group for the 3 quarter of 2011 amounted to PLN (-) 249 million. Net profit of the ORLEN Group for 9 months of 2011 amounted to PLN 1,817 million.

**Results from operations of the core entities belonging to the ORLEN Group in the 3 quarter of 2011**

- PKN ORLEN S.A. – result from operations was higher by PLN 7 million (y/y) and amounted to PLN 669 million.
  - result of the refining segment, lower by PLN (-) 21 million (y/y), is mainly the effect of the positive impact of increasing crude oil prices in PLN on inventory valuation of PLN 529 million (y/y), negative impact of macroeconomic factors, legislative changes in the respect of bio fuel taxation, deterioration of trading conditions due to competition activities. Increase of heavy fractions share in sales of products structure resulting from maintenance works carried out on Desulphurisation of Heavy Residue and Hydrogen Production Plant had negative impact on segment results,
  - improvement of results of the petrochemical segment by PLN 194 million (y/y) is a result of positive impact of price changes of petrochemical products on inventory valuation of PLN 24 million (y/y), macroeconomic factors and higher sales volume,
  - decrease of results of the retail segment by PLN (-) 133 million is mainly a result of lower fuel margins, partly compensated by higher sales volume and the improvement of non-fuel margins,
  - costs of corporate functions, higher by PLN 33 million (y/y), are mainly the effect of increasing scope of carried out strategic projects related mainly to upstream and energetic area.
- ORLEN Lietuva Group („ORLEN Lietuva”) – the result from operations was lower by PLN (-) 54 million (y/y) and amounted to PLN (-) 131 million.
  - decrease of the operating result of the refining segment by PLN (-) 66 million (y/y) is a result of negative impact of inventory valuation due to changes in crude oil prices of PLN (-) 96 million (y/y), accompanied by the negative impact of macroeconomic factors at the end of the 3 quarter of 2011 (y/y),
  - decrease of sales volume has not been fully compensated by improvement of fuel margins and resulted in a decline of the result of the retail segment by PLN (-) 1 million (y/y),
  - costs of corporate functions, lower by PLN 13 million (y/y), accompanied by a positive effect on other operating activities.
- Unipetrol Capital Group („Unipetrol Group”) – the result from operations was lower by PLN (-) 54 million (y/y) and amounted to PLN (-) 48 million.
  - result of the refining segment, lower by PLN (-) 35 million (y/y), reflects mainly the positive impact of crude oil price changes on inventory valuation of PLN 48 million, including negative influence of lower sales volume as a result of maintenance shutdown in September,
  - deterioration of petrochemical segment result by PLN (-) 49 million (y/y) is the negative impact of petrochemical margins and lower sales volume related to started maintenance shutdown, accompanied by positive impact of other operating activities,
  - result of the retail segment, lower by PLN (-) 1 million (y/y), is mainly the result of lower sales volume, partly compensated by higher fuel margins,
  - costs of corporate functions, lower by PLN 31 million (y/y), including positive effect on other operating activities relating to reimbursement of unjustified fine imposed by European Commission in previous years.

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### **Net indebtedness and cash flows**

As at 30 September 2011 net indebtedness of the ORLEN Group amounted to PLN 9,280 million and increased by PLN 1,433 million as compared to the level to the end of 2010. Within 9 months of 2011 the increase in net indebtedness due to drawing of loans and borrowings and changes in the balance of cash and cash equivalents as well as valuation of indebtedness of PLN 355 million, accompanied by increases of PLN 1,078 million due to foreign exchange differences on revaluation of loans denominated in foreign currencies.

In the 3 quarter of 2011 net indebtedness increased by PLN 1,396 million due to drawing of loans, change in the balance of cash and cash equivalents and valuation of indebtedness of PLN 23 million as well as due to foreign exchange differences on revaluation of PLN 1,373 million of loans denominated in foreign currencies .

Net cash provided by operating activities amounted to PLN 480 million in the 3 quarter of 2011. Operating cash flows included mainly net profit increased by depreciation and amortization and adjustment of foreign exchange differences cumulatively of PLN 848 million and the change in balance of net working capital of PLN (-) 254.

Net cash used in investing activities in the 3 quarter of 2011 amounted to PLN (-) 406 million and concerned mainly net expenditures for acquisition of property, plant and equipment and intangible assets of PLN (-) 616 million relating to carried investment programs as well as interest and dividends received of PLN 258 million.

Cash flows from financing activities amounted to PLN 495 million in the 3 quarter of 2011 and concerned mainly net proceeds from loans and borrowings of PLN 589 million as well as debt costs of PLN (-) 92 million.

Consequently, the balance of cash and cash equivalents increased in the 3 quarter of 2011 by PLN 570 million and amounted to PLN 2,529 million as at 30 September 2011.

### **Factors and events which may influence future results**

Similar factors as described above may influence results in the following quarters.

### **3.2. The most significant events in the period from 1 January 2011 until the date of preparation of the foregoing report**

On 31 March 2011 the agreement regarding gathering and keeping of mandatory reserves of crude oil signed by PKN ORLEN S.A. with LAMBOURN Sp. z o.o. as a part of changing the formula of maintaining mandatory reserves of crude oil has expired. Therefore, and in accordance with applicable regulations regarding the maintenance of mandatory reserves in Poland, PKN ORLEN S.A. acquired crude oil owned by LAMBOURN Sp. z o.o. for around USD 421 million. The acquisition price of crude oil has been hedged with a forward contract. The settlement of the hedging transaction decreased the value of the acquired raw material by approximately USD 121 million.

The transfer of ownership of the raw material to PKN ORLEN S.A. has been made on 1 April 2011, after settlement of full amount of the transaction.

PKN ORLEN S.A. is a party of the above described type of an agreement signed on 23 December 2010 with Maury Sp. z o.o. upon which a part of mandatory reserves of crude oil for approximately USD 300 million has been sold. The agreement regarding gathering and keeping of inventories was concluded for one year, whereas the Company considers the possibility of prolongation of the agreement for further periods.

On 28 April 2011 PKN ORLEN S.A. concluded an agreement with the consortium of fourteen banks for the refinancing of the loan facilities. The maximum possible indebtedness due to the concluded agreement amounts to EUR 2,625 million. The agreement enabled the replacement of the following loan facilities:

- multicurrency loan facility of EUR 1,000 million, granted in December 2005 by the consortium of eleven banks,
- revolving loan of EUR 800 million, granted in November 2006 by the consortium of eight banks,
- syndicate loan facility of EUR 300 million, granted in January 2008 by the consortium of six banks,
- multicurrency revolving loan facility of EUR 325 million granted in August 2008 by the consortium of seven banks, and secures additional funds of EUR 200 million. The agreement is concluded for the 5 year period of time with 2 one-year options of prolongation.

The loan may be drawn in EUR, USD, PLN and CZK. The interest rate of the loan was based on WIBOR/EURIBOR/LIBOR/PRIBOR increased by the margin. According to the agreement the interest rate of the loan is dependent on the net debt/EBIDTA ratio. Other loan conditions are also similar to market conditions. Funds received from the loan will be used for the repayment of current foreign indebtedness and financing of PKN ORLEN S.A., and ORLEN Group entities operations.

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#### 4. Information on related parties

##### Information on significant related party transactions

#### 4.1. Information on material transactions concluded by the companies or subsidiaries with related parties on other than market terms

In the 9 and 3 month period ended 30 September 2011 and 9 and 3 month period ended 30 September 2010, there were no significant related party transactions concluded within the Group on other than market terms.

#### 4.2. Transactions with members of the Management Board, Supervisory Board, their spouses, siblings descendants, ascendants and their other relatives

In the 9 and 3 month period ended 30 September 2011 and 9 and 3 month period ended 30 September 2010, the Group companies did not grant any advances, borrowings, loans, guarantees and sureties to managing and supervising persons and their relatives nor concluded other agreements obliging to render services to the Company and its related parties.

As at 30 September 2011 and 31 December 2010 there are no loans granted by the Group companies to managing and supervising persons and their relatives.

#### 4.3. Transactions with related parties concluded by the key executive personnel of the Company and key executive personnel of the Group companies

In the 9 and 3 month period ended 30 September 2011 and 9 and 3 month period ended 30 September 2010 key executive personnel of the Company and the Group companies disclosed the following types of transactions based on issued statements on transactions with related parties:

Type of relation through key executive personnel of the Company and the Group companies	Sale (in PLN thousand)				Purchase (in PLN thousand)			
	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended
	30/09/2011	30/09/2011	30/09/2010	30/09/2010	30/09/2011	30/09/2011	30/09/2010	30/09/2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Supervising persons	-	-	-	-	-	-	-	-
Managing persons	39	5	52	17	10	4	9	3
Other key executive personnel	37	13	-	-	-	-	-	-
	<b>76</b>	<b>18</b>	<b>52</b>	<b>17</b>	<b>10</b>	<b>4</b>	<b>9</b>	<b>3</b>

As at 30 September 2011 and 31 December 2010 key executive personnel of the Company and key executive personnel of the Group companies did not reveal any balances of receivables and liabilities with related parties in the issued statements.

#### 4.4. Group companies' transactions and balance of settlements with related parties

	Jointly-controlled entities				Associates				Total related parties			
	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended	for 9 months ended	for 3 months ended
	30/09/2011	30/09/2011	30/09/2010	30/09/2010	30/09/2011	30/09/2011	30/09/2010	30/09/2010	30/09/2011	30/09/2011	30/09/2010	30/09/2010
	(unaudited)											
Sales	1 403 272	449 900	1 025 692	423 018	110 909	26 758	113 092	44 114	1 514 181	476 658	1 138 784	467 132
Purchases	399 326	127 745	334 528	136 972	99 023	33 649	120 630	36 838	498 349	161 394	455 158	173 810
Financial revenues	1 574	566	1 164	350	479	20	1 090	10	2 053	586	2 254	360
Dividends	59 160	932	32 228	349	250 013	-	101 505	77 454	309 173	932	133 733	77 803
Financial expenses	16	10	43	43	3	1	54	52	19	11	97	95

	Jointly-controlled entities				Associates				Total related parties			
	as at	as at	as at	as at	as at	as at	as at	as at	as at	as at	as at	as at
	30/09/2011	31/12/2010	30/09/2011	31/12/2010	30/09/2011	31/12/2010	30/09/2011	31/12/2010	30/09/2011	31/12/2010	30/09/2011	31/12/2010
	(unaudited)											
Trade and other receivables	324 422	295 115	26 569	21 829	350 991	316 944						
Other short-term financial assets	-	1 014	-	-	-	1 014						
Trade and other liabilities	239 665	210 865	19 048	26 144	258 713	237 009						

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

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

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

As at 30 September 2011 the PKN ORLEN S.A. Capital Group entities were parties in the following proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies:

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

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

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

On 21 October 2010 the Court of Arbitration in Prague overruled the entire claim of Agrofert Holding a.s. against PKN ORLEN S.A. regarding the payment of CZK 19,464,473,000 with interest and obliged Agrofert Holding a.s. to cover the cost of proceedings born by PKN ORLEN S.A. The claim regarded the payment of a compensation for losses related among others to unfair competition and illegal violation of reputation of Agrofert Holding a.s.

The Court of Arbitration ruling dated 21 October 2010 ended the last of four arbitration proceedings initiated by Agrofert Holding a.s. related to purchase of UNIPETROL a.s. shares by PKN ORLEN S.A.

On 3 October 2011 PKN ORLEN S.A. received from the court in Prague (Czech Republic) claim which overrule the sentence of arbitration court of the fourth case, which proceed in front of the Arbitration Court at the Economic Chamber of the Czech Republic and the Czech Chamber of Agriculture in Prague made Agrofert Holding a.s. against PKN ORLEN S.A.

In the opinion of PKN ORLEN S.A. the decision included in judgment of the arbitration court dated 21 October 2010 is correct and there is no ground for its reverse.

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

**a) Tax proceedings in Rafineria Trzebinia S.A.**

Tax proceedings concern reliability of excise tax settlements for the period May – September 2004 and value added tax for August 2003.

On 25 September 2009 the first instance authority (Head of the Tax Office) issued decisions for the period: May - August 2004 of approximately PLN 80 million. On 14 October 2009 Rafineria Trzebinia S.A. raised a complaint to the Director of the Customs Chamber in Cracow regarding the above mentioned decision. On 22 January 2010 the Director of the Customs Chamber in Cracow dismissed entirely the first instance authority's decisions and decided to revoke them to reexamination by this authority.

On 30 May 2011 Rafineria Trzebinia received the sentence of the Voivodship Administrative Court in Cracow (WAC) regarding the excise tax liability for the period May – August 2004 overruling Rafineria Trzebinia's appeal against the decision of the Director of the Customs Chamber in Cracow regarding this period. On 29 June 2011 Rafineria Trzebinia filed an annulment of the above sentence to the Supreme Administrative Court.

In respect of excise tax liability for September 2004 on 25 August 2009 the Supreme Administrative Court overruled the annulment of the Director of the Customs Chamber in Cracow concerning the determination of excise tax liability for this period. On 24 November 2010 Head of the Customs Office in Cracow issued once again a decision determining the amount of excise tax liability for September 2004 of approximately PLN 38 million. On 15 December 2010 Rafineria Trzebinia S.A. raised a complaint to the Director of the Customs Chamber in Cracow regarding the above mentioned decision.

On 18 February 2011 Rafineria Trzebinia S.A. obtained a notification from District Court in Chrzanów the Real- estate Register Department about registration of compulsory security deposit mortgage due to excise tax liability for September 2004 of PLN 36,334 thousand.

On 9 May 2011 the Director of the Customs Chamber in Cracow issued a decision regarding the excise tax liability for September 2004 keeping the first instance authority's decisions in force. On 19 May 2011 Rafineria Trzebinia S.A. appealed against the above mentioned decision to the WAC in Cracow and filed a supplement to the appeal on 13 June 2011. On 19 May 2011 Rafineria Trzebinia submitted a request to suspend the execution of the decision for

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September 2004. On 23 May 2011 The Director of the Customs Chamber issued a decision regarding the suspension of the execution of the discussed decision entirely.

As at the date of publication of these interim condensed consolidated financial statements the outcome of the above mentioned cases is not yet known.

As at the date of publication of these consolidated financial statements the proceeding regarding value added tax for August 2003 is suspended.

**b) The proceedings of the Energy Regulatory Office („ERO”) in Rafineria Trzebinia S.A.**

The proceeding concerns imposing a fine in connection with violating of concession terms regarding production of liquid fuels. In its verdict dated 7 June 2010 the District Court in Warsaw – Court of Competition and Consumer Protection discharged the proceedings. In October 2010 the ERO appealed against this verdict.

As at the date of publication of hereby interim condensed consolidated financial statements the result of proceedings mentioned above is not known.

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

The claim concerns the return of 253 shares in ORLEN PetroTank, that were transferred by Tankpol to PKN ORLEN S.A. according to agreement concluded on 20 December 2002, as a security of receivables acquired by PKN ORLEN S.A. from ORLEN PetroTank based on the trust receivable transfer agreement.

In its sentence dated 8 January 2010 the District Court dismissed the suit of Tankpol related to the return of 227 shares in ORLEN PetroTank. Tankpol appealed against the above sentence. On 21 January 2011 the Court of Appeal overruled the appeal of Tankpol. The sentence is legally binding. On 12 August 2011 Tankpol submitted an annulment regarding this verdict.

The return of the remaining 26 shares is already sentenced, which is legally binding.

As at the date of publication of hereby interim condensed consolidated financial statements the result of proceeding mentioned above did not change.

**d) Claim of ENERGA – OPERATOR S.A.**

The proceeding concerns settlement of contentious system fees between PKN ORLEN S.A. and Energa – Operator S.A. for the period from 5 July 2001 to 30 June 2002.

On 10 September 2009, the Court of Appeals in Warsaw sentenced the payment of PLN 46,232 thousand increased by interest and refund of costs of proceedings was adjudged against PKN ORLEN S.A. to the benefit of Energa – Operator S.A. On 30 September 2009 PKN ORLEN S.A. made the payment.

On 4 February 2010 PKN ORLEN S.A. submitted an annulment. On 28 January 2011 the Supreme Court after conducting annulment proceeding overruled the previous verdict and decided to revoke the claim to reexamination by the Court of Appeal. In March 2011 Energa – Operator S.A. paid back the part of claimed amount of PLN 30,163 thousand.

On 8 August 2011, the Court of Appeals in Warsaw revoked the first instance authority sentence and submitted the case to reexamination by the District Court.

As at the date of publication of hereby interim condensed consolidated financial statements the result of proceeding mentioned above did not change.

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

The penalty concerns an alleged cartel in the area of production of emulsion of polymerized styrene-butadiene rubber. The penalty was imposed by the European Commission in November 2006. Unipetrol a.s. and its subsidiary at that time Kaucuk a.s. (currently Synthos Kralupy a.s.) paid the fine of EUR 17.5 million to the European Commission in 2007. Both entities appealed against the above mentioned decision.

The Court proceedings regarding UNIPETROL's appeal against the European Commission decision started on 20 October 2009 in front of the European Union First Instance Court. On 13 July 2011 the Court repealed the decision of the European Commission from November 2006. The Court stated, that the European Commission did

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not prove, that Unipetrol a.s. and Kaucuk a.s. were using cartel practices. Unipetrol a.s. received together with interest the amount of EUR 9.8 million.

**f) Anti-trust proceedings**

Anti-trust proceedings concern an allegation that:

- PKN ORLEN S.A. concluded an agreement with Grupa Lotos S.A. which limited competition on the domestic market of trading in universal petrol U95, initiated in March 2005. In December 2007, the Chairman of OCCP penalized PKN ORLEN S.A. and Grupa Lotos S.A. for the participation in the above-described agreement. The fine imposed on PKN ORLEN S.A. amounted to PLN 4,500 thousand. PKN ORLEN S.A. appealed to the Court of Competition and Consumer Protection. On 6 May 2010 the Court of Competition and Consumer Protection issued a verdict, revoking the appeals of PKN ORLEN S.A. and Grupa Lotos S.A. On 12 July 2010 PKN ORLEN S.A. has issued an appeal against this verdict. On 11 February 2011 the Court of Appeals in Warsaw issued a verdict, revoking the appeals of PKN ORLEN S.A. and Grupa Lotos S.A. The company filed an annulment to the sentence of the Court of Appeal in Warsaw from 11 February 2011 on 20 May 2011 to the Supreme Court.
- in the years 2000 – 2004 PKN ORLEN S.A. was using practice limiting competition on the domestic market of trading in glycol. On 6 October 2010 The Court of Competition and Consumer Protection repealed the decision of the Chairman of OCCP regarding the alleged misuse of PKN ORLEN's leading position on the glycol market and repealed the penalty imposed to PKN ORLEN S.A. of PLN 14 million. The President of the OCCP has issued an appeal against this verdict.  
On 15 September 2011 Court of Appeals in Warsaw revoked the appeal of the President of the OCCP. As a result, the verdict of the Court of Competition and Consumer Protection repealing the penalty imposed to PKN ORLEN S.A. of PLN 14 million. The President of OCCP is entitled to file an annulment to the sentence of the Supreme Court.
- in the years 1996 – 2007, PKN ORLEN S.A., Petrol Station Kogut Sp.j. and MAGPOL B. Kułakowski i Wspólnicy Sp.j. were using practice limiting competition on the domestic market of wholesale of petrol and diesel oil by setting retail selling prices of petrol and diesel oil. On 16 July 2010 the President of the Office of Competition and Consumer Protection issued a decision, in which PKN ORLEN and Petrol Station Kogut Sp.j. were found guilty of participating till 16 July 2007 in anti-competition actions. The President of OCCP has imposed a fine on PKN ORLEN S.A. of PLN 52.7 million. On 2 August 2010 PKN ORLEN S.A. appealed from the decision of the President of the OCCP to the Court of Competition and Consumer Protection. The date of the appeal proceeding has not been set yet.

Detailed information on the proceedings mentioned in the point 5.1 was presented in Note 41 to the consolidated financial statements of the PKN ORLEN S.A. Capital Group prepared in accordance with IFRS for the year ended 31 December 2010.

**5.2. Court proceedings in which PKN ORLEN S.A. acts as plaintiff**

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

On 15 July 2009 PKN ORLEN S.A. submitted in the Court of Arbitration by the International Chamber of Commerce in London the request for arbitration proceedings against Yukos International UK B.V., seated in the Netherlands, in connection with transaction of purchase of AB ORLEN Lietuva (previously AB Mazeikiu Nafta) shares. Claims of PKN ORLEN S.A. concern inconsistency of Yukos International's statements with the actual state of AB ORLEN Lietuva at the closing date of the purchase of AB ORLEN Lietuva shares by PKN ORLEN S.A. Demands of PKN ORLEN S.A. concern reimbursement of the amount of USD 250 million deposited in the escrow account as a part of the payment for AB ORLEN Lietuva shares in order to secure the potential claims of PKN ORLEN S.A. towards Yukos International.

On 14 September 2009 Yukos International submitted to the Court of Arbitration submitted a response to PKN ORLEN S.A.'s request for arbitration proceedings. In its response Yukos International appealed to dismiss all PKN ORLEN S.A.'s claims and adjudge it with proceeding costs refund.

On the first seating of the arbitration court in London, PKN ORLEN S.A. and Yukos International agreed i.a. proceedings schedule and extent of competence of the arbitration court. On 3 May 2010, according to the schedule, PKN ORLEN S.A. issued a law suit in which it demands from Yukos International a reimbursement of USD 250 million with interest and costs of proceedings. On 31 December 2010 Yukos International submitted a response to the law suit, in which PKN ORLEN S.A.'s claim was considered as unjustified and appealed for dismissal of all claim and for refund of proceeding costs.

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On 11 July 2011 PKN ORLEN S.A. pleaded the surrebutter in which replied to Yukos International arguments. The seating of the Arbitration Court will be held between 28 November and 9 December 2011.

## 6. Other information

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

Shareholder	% of votes at the GSM as at the date of the quarterly report filing **	Change p.p.	% of votes at the GSM as at the date of the prior half-year report filing *	Number of shares as at the date of the quarterly report filing **	Change	Number of shares as at the date of the prior half-year report filing *
State Treasury	27.52%	-	27.52%	117 710 196	-	117 710 196
Aviva OFE***	5.08%	-	5.08%	21 744 036	-	21 744 036
Others	67.40%	-	67.40%	288 254 829	-	288 254 829
	<b>100.00%</b>	-	<b>100.00%</b>	<b>427 709 061</b>	-	<b>427 709 061</b>

\* According to the received confirmations as at 22 July 2011

\*\* According to the information possessed by the Company as at 24 October 2011

\*\*\* According to the received confirmations as at 9 February 2010

Percentage share in the share capital of the Company of the above mentioned shareholders is equal to the percentage share in total votes at the General Shareholders' Meeting as at the date of filing this report.

### 6.2. Changes in the number of the Company's shares held by the Management Board and Supervisory Board Members

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

\* According to the received confirmations as at 22 July 2011

\*\* According to the information possessed by the Company as at 24 October 2011

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

In the period from 1 January to 30 September 2011 PKN ORLEN S.A. and its subsidiaries did not grant any loan sureties or guarantees to another entity or its subsidiary, where the value of sureties and guarantees constituted at least 10% of the Company's equity.

### 6.4. Statement of the Management Board regarding the possibility to realize previously published forecasts of the current year results

The Capital Group of PKN ORLEN S.A. has not published forecasts of the results.

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



**Polski Koncern Naftowy ORLEN**  
Spółka Akcyjna

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

**Separate statement of financial position**

	<b>as at 30/09/2011 (unaudited)</b>	<b>as at 31/12/2010</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12 278 463	12 379 779
Intangible assets	350 136	383 190
Perpetual usufruct of land	90 033	90 812
Shares in related parties	10 475 721	11 529 773
Financial assets available for sale	40 491	40 828
Deferred tax assets	344 979	198 686
Other non-current assets	656 652	40 803
	<b>24 236 475</b>	<b>24 663 871</b>
<b>Current assets</b>		
Inventories	10 976 211	7 450 787
Trade and other receivables	7 370 532	5 853 469
Other short-term financial assets	170 614	506 067
Income tax receivable	1 121	15 568
Cash	977 762	1 396 060
<b>Non-current assets held for sale</b>	<b>1 169 512</b>	<b>8 236</b>
	<b>20 665 752</b>	<b>15 230 187</b>
<b>Total assets</b>	<b>44 902 227</b>	<b>39 894 058</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>EQUITY</b>		
Share capital	1 057 635	1 057 635
Share premium	1 227 253	1 227 253
Hedging reserve	(162 396)	63 874
Retained earnings	18 303 457	17 190 287
<b>Total equity</b>	<b>20 425 949</b>	<b>19 539 049</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Loans	7 983 792	7 937 850
Provisions	360 112	363 053
Other long-term liabilities	184 348	49 958
	<b>8 528 252</b>	<b>8 350 861</b>
<b>Short-term liabilities</b>		
Trade and other liabilities	11 987 910	10 038 858
Interest-bearing loans and borrowings	2 803 112	1 164 699
Income tax liability	148 975	-
Provisions	428 198	512 570
Deferred income	184 659	64 609
Other financial liabilities	395 172	223 412
	<b>15 948 026</b>	<b>12 004 148</b>
<b>Total liabilities</b>	<b>24 476 278</b>	<b>20 355 009</b>
<b>Total equity and liabilities</b>	<b>44 902 227</b>	<b>39 894 058</b>

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**Separate statement of comprehensive income**

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
<b>Income statement</b>				
Sales revenues	57 093 187	21 364 147	44 866 863	16 835 109
Cost of sales	(52 878 242)	(20 052 280)	(41 081 960)	(15 595 948)
<b>Gross profit on sales</b>	<b>4 214 945</b>	<b>1 311 867</b>	<b>3 784 903</b>	<b>1 239 161</b>
Distribution expenses	(1 451 059)	(485 210)	(1 360 551)	(464 502)
General and administrative expenses	(471 480)	(171 907)	(413 579)	(124 981)
Other operating revenues	232 503	88 652	165 310	59 068
Other operating expenses	(205 445)	(74 876)	(189 164)	(46 643)
<b>Profit from operations</b>	<b>2 319 464</b>	<b>668 526</b>	<b>1 986 919</b>	<b>662 103</b>
Financial revenues	443 449	17 429	464 766	1 315 523
Financial expenses	(1 466 702)	(1 732 144)	(312 371)	(64 092)
<b>Financial revenues and expenses</b>	<b>(1 023 253)</b>	<b>(1 714 715)</b>	<b>152 395</b>	<b>1 251 431</b>
<b>Profit/(Loss) before tax</b>	<b>1 296 211</b>	<b>(1 046 189)</b>	<b>2 139 314</b>	<b>1 913 534</b>
Income tax expense	(183 041)	195 676	(355 205)	(349 780)
<b>Net profit/(loss)</b>	<b>1 113 170</b>	<b>(850 513)</b>	<b>1 784 109</b>	<b>1 563 754</b>
<b>Items of other comprehensive income</b>				
Hedging instruments valuation	(121 637)	(171 315)	(144 258)	97 675
Hedging instruments settlement	(157 709)	(233 150)	34 709	4 118
Deferred tax on other comprehensive income items	53 076	76 848	20 814	(19 342)
	<b>(226 270)</b>	<b>(327 617)</b>	<b>(88 735)</b>	<b>82 451</b>
<b>Total net comprehensive income</b>	<b>886 900</b>	<b>(1 178 130)</b>	<b>1 695 374</b>	<b>1 646 205</b>
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)	2.60	(1.99)	4.17	3.66

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**Separate statement of cash flows**

	for 9 months ended 30/09/2011 (unaudited)	for 3 months ended 30/09/2011 (unaudited)	for 9 months ended 30/09/2010 (unaudited)	for 3 months ended 30/09/2010 (unaudited)
<b>Cash flows - operating activities</b>				
<b>Net profit/(loss)</b>	<b>1 113 170</b>	<b>(850 513)</b>	<b>1 784 109</b>	<b>1 563 754</b>
Adjustments for:				
Depreciation and amortisation	718 262	269 346	649 014	215 807
Foreign exchange loss/(gain)	831 102	1 060 622	2 993	(799 265)
Interest and dividends, net	(176 729)	73 072	(133 145)	(20 376)
(Profit)/Loss on investing activities	(4 098)	4 378	(17 099)	(7 116)
Change in receivables	(1 506 569)	(164 867)	(1 608 794)	(249 228)
Change in inventories	(3 521 589)	(994 079)	(463 217)	(219 829)
Change in liabilities	2 305 336	1 006 666	1 154 581	(1 102 578)
Change in provisions	266 891	77 052	266 207	49 039
Income tax expense	183 041	(195 676)	355 205	349 780
Income tax (paid)	(112 836)	(48 002)	(243 902)	(119 475)
Other adjustments	(247 763)	(110 997)	(272 219)	(79 293)
<b>Net cash provided by/(used in) operating activities</b>	<b>(151 782)</b>	<b>127 002</b>	<b>1 473 733</b>	<b>(418 780)</b>
<b>Cash flows - investing activities</b>				
Acquisition of property, plant and equipment and intangible assets	(1 045 579)	(328 342)	(1 945 812)	(1 172 839)
Disposal of property, plant and equipment and intangible assets	242 540	3 310	39 983	3 188
Acquisition of shares	(96 386)	(84 107)	-	-
Additional payments to subsidiaries' equity	-	-	(2 450)	-
Disposal of other securities	-	-	1 000	-
Interest and dividends received	405 448	369 995	261 220	142 984
Additional repayable payments to subsidiaries' equity	(23 000)	-	(70 042)	-
Proceeds from additional repayable payments to subsidiaries' equity	14 580	9 580	6 500	3 000
Payments due to long-term loans granted	(561 380)	-	-	-
Proceeds from short-term loans granted	311 057	49 084	-	-
(Outflows)/Proceeds from cash pool facility	(47 320)	80 979	(53 843)	11 961
Other	(7 303)	1 477	(3 774)	(15)
<b>Net cash provided by/(used in) investing activities</b>	<b>(807 343)</b>	<b>101 976</b>	<b>(1 767 218)</b>	<b>(1 011 721)</b>
<b>Cash flows - financing activities</b>				
Proceeds from loans and borrowings received	12 433 700	1 487 390	5 740 447	2 672 450
Debt securities issued	4 244 159	1 241 636	5 168 579	1 568 600
Repayments of loans and borrowings	(11 995 483)	(1 309 469)	(7 141 140)	(1 944 103)
Redemption of debt securities	(3 902 860)	(1 054 013)	(4 834 653)	(1 448 781)
Interest paid	(318 578)	(92 571)	(329 146)	(125 842)
Payments of liabilities under finance lease agreements	(4 574)	(1 892)	(2 045)	(683)
Proceeds / (outflows) from cash pool facility	84 462	57 359	(45 597)	(23 318)
<b>Net cash provided by/(used in) financing activities</b>	<b>540 826</b>	<b>328 440</b>	<b>(1 443 555)</b>	<b>698 323</b>
<b>Net (decrease)/increase in cash</b>	<b>(418 299)</b>	<b>557 418</b>	<b>(1 737 040)</b>	<b>(732 178)</b>
Effect of exchange rate changes	1	631	(415)	(576)
<b>Cash, beginning of the period</b>	<b>1 396 060</b>	<b>419 713</b>	<b>1 964 403</b>	<b>959 702</b>
<b>Cash, end of the period</b>	<b>977 762</b>	<b>977 762</b>	<b>226 948</b>	<b>226 948</b>

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**Statement of changes in separate equity**

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
<b>1 January 2011</b>	2 284 888	63 874	17 190 287	19 539 049
Total comprehensive income	-	(226 270)	1 113 170	886 900
<b>30 September 2011</b>	<b>2 284 888</b>	<b>(162 396)</b>	<b>18 303 457</b>	<b>20 425 949</b>
(unaudited)				
<b>1 January 2010</b>	2 284 888	14 850	14 833 160	17 132 898
Total comprehensive income	-	(88 735)	1 784 109	1 695 374
<b>30 September 2010</b>	<b>2 284 888</b>	<b>(73 885)</b>	<b>16 617 269</b>	<b>18 828 272</b>
(unaudited)				

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The foregoing quarterly report was authorized by the Management Board of the Parent Company on 26 October 2011.

.....  
Dariusz Krawiec  
President of the Board

.....  
Sławomir Jędrzejczyk  
Vice-President of the  
Board

.....  
Krystian Pater  
Member of the Board

.....  
Grażyna Piotrowska-Oliwa  
Member of the Board

.....  
Marek Serafin  
Member of the Board

Signature of a person responsible  
for keeping account books

.....  
Rafał Warpechowski  
Executive Director  
Planning and Reporting